

AGENDA SUBMITTAL

TO: GCSO Board of Directors

FROM: Peter J. Kampa, General Manager

DATE: May 25, 2018

SUBJECT: 2018/19 Fiscal Year Budget Review Workshop

BACKGROUND

Presented herein are the preliminary budget figures for the 2018/19 Fiscal Year. The purpose of the May 25, 2018 workshop is for staff to introduce the draft budget to the Board and public, to answer questions and receive Board direction for the preparation of a Final Draft Budget. We are required by law to conduct a Public Hearing to receive input on the adoption of the Final Budget; which can be held at a regular or special meeting of the Board. With the fiscal year budget becoming effective July 1 each year, the law further requires that either a preliminary or final budget be adopted in June. If we adopt a preliminary budget in June, we must follow up with approval of a final budget prior to September 1.

DISCUSSION

The attached draft preliminary budget reflects months of staff effort in revising the budget format to be more understandable and useful in our evaluation of the health of the services we provide. This preliminary budget will undoubtedly be revised by staff and as a result of this meeting; which will be reflected in the Final Draft Budget considered by the Board in June.

Please also review the attached revised Budget Preparation Memorandum, which now contains the budget highlights, additional budget definitions, capital projects and budget implications sections.

RECOMMENDED ACTION

I move to direct staff to prepare the Final 2018/19 Fiscal Year Budget to include the direction given by this Board in today's Budget Workshop, and schedule the Budget Public Hearing to be held in conjunction with the Board's June 11, 2018 Regular Meeting.

ATTACHMENTS

- Draft 2018/19 Fiscal Year Budget
- Updated Budget Development Memorandum

FINANCIAL IMPACTS

Staff seeks direction on the following financial impacts and factors which affect the budget:

1. **Allocate more discretionary revenue to Park** - Understanding that 5% of our operations staff time and District administrative costs are attributable to the Park service, how do we make the budget sustainable when appropriate expense accounting doubles its budget?
 - a. Recommendations
 - i. Reduce the amount of property tax revenue allocated to Fire service to match the projected 2018 fiscal year end; increased by 5%. Increase the amount of property tax funding for park services by the amount reduced in Fire
 - ii. Allocate property lease revenue (cell towers) to Park services
 - iii. Consider proposing a special property tax measure to provide stable, baseline funding for parks
2. **Use reserves to fund budget deficits** - Staff recommends that the cash balance (available reserves) for each service be used to offset any expense spike or revenue shortfall. We will show a balanced budget for each service by listing its cash balance at the beginning of the fiscal year and drawing down from that cash if budgeted expenses exceed revenue.
 - a. In the event a service's cash balance falls below \$0, the Board will need to direct the reduction in services and/or expenses or execute a loan agreement to borrow from the cash balance reserve of another service.
3. **Reduce 2014 Debt Service Surcharge (PML)**– As part of the Wastewater Rate Study currently under development, it is proposed that the current 2014 Debt Service Surcharge of \$25.75 per month currently charged to PML customers only, be reduced to approximately \$20.42 per month to balance 2014 debt service revenue and expense