



From: Sam Schuchat, Executive Officer
Brian Mayhew, Treasurer & MTC CFO

RE: FY 2018-19 Budget

Submitted for Authority Review and approval is Resolution 47 authorizing the Restoration Authority Budgets for FY 2018-19 and amending the FY 2017-18 budget to ratify actions taken during FY 2017-18.

The budget is laid out in two district programmatic areas, Project and Operating budgets. Basic assumptions going into the FY 2018-19 budget:

- Staff costs are fully burdened with benefits and overhead.
- Project revenue (parcel tax) will not change from FY 2017-18 level.
- Administrative fee (5%) is taken off the top and transferred to the Authority Operating Budget.
- An estimate for interest earnings has been added to the Operating Budget.
- Repayment of ballot costs will begin in FY 2018-19.
- Funds remaining unspent or encumbered are carried over from FY 2017-18 and included in the available balance for FY 2018-19.
- A 15% contingency line has been added to the Project and Operating Budgets.

The nature of the Authority allows all committed funds including grants and contracts to be budgeted and carried forward without further budget action until completed or cancelled. Uncommitted or unencumbered funds from a prior year are added to the estimated balance for the FY 2018-19 budget and made available for programming.

Project Based Budget

The Project Based Budget is the main source of revenue and expenditure for the Authority. The property assessment is set at \$12 per parcel so the revenue should not change. We have added a provision for project fees which is a partial offset for the new Bay Restoration Regulatory Integration Team project proposed in the budget.

The Authority had a FY 2017-18 total of approximately \$23.7 million in potential project funding after provision for administrative fees and county collection charges. The list of projects approved during FY 2017-18 totaled \$18 million, which after the staff recommended 15% contingency will leave an uncommitted balance of \$2.1 million to carry into FY 2018-19.

We propose to add a 15% project contingency (\$3.7 million) that can be utilized across all approved projects to accommodate changes in project scope and priorities without delaying delivery.

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|----------------------------|-----------------------|
| Net Fees | \$23.7 million |
| 2017-18 Projects | <18.0> |
| Project Contingency | < 3.6> |
| Year End balance | \$ 2.1 million |
| | |
| Net Fees | \$24.3 million |
| 2018-19 Projects | < 6.9> |
| Project Contingency | < 3.7> |
| Year End Balance | \$13.7 million |
| | |
| Total Available FY 2018-19 | <u>\$15.8 million</u> |

A total of \$7.0 million is currently proposed as new project funding, \$6.3 million after County Administrative fees. The projects in the proposed budget include \$5 million for 900 Innes, \$1.25 million for the Bay Restoration Regulatory Integration Team, and \$600,000 for the South Bay Salt Ponds Project.

While actual numbers may vary and will not be available until the FY 2017-18 audit is completed, the Authority will have a balance of approximately \$15.8 million available to program for additional projects in FY 2018-19.

Operating Program

Funding for Authority Operations are provided by: a) a 5% draw against parcel tax revenue and b) interest earnings on idle cash. The total available for FY 2018-19 operating purposes is nearly \$1.6 million consisting of \$1.3 million of parcel tax revenue (the 5% administrative fee) and \$300,000 interest earnings.

The proposed operating budget for FY 2018-19 is approximately \$1.5 million, including a budgeted contingency of 15%, leaving a projected operating surplus of \$121,771. Staff costs will be about half the budget with the repayment of the ballot initiative taking up another 30%. Banking and finance fees and other cash management costs that are not within staff overhead constitute the remainder of the budget.

The two fiscal years combined will produce an unencumbered balance of approximately \$852,000. These funds are available for programming and budgeting purposes at any time during FY 2018-19.

Resolution 47

Resolution 47 will be the first Authority Resolution governing the administration of the operating and project budgets. The Resolution includes:

- Projects are budgeted on a life-to-date basis needing no further budget action unless increased or cancelled.
- Operating authority will lapse at the end of the fiscal year except properly encumbered contracts for which services will be delivered in a subsequent year will carry over into the new fiscal year without need of a budget amendment.
- A budgeted contingency may be used to increase a project budget without formal budget action so long as the contingency is available.
- The operating budget is administered at the line item level but requires a formal increase only to increase total operating expenditures.
- Funds are pooled for cash flow and investment purposes and may be advanced during the year provided such advance is restored to the originating fund by fiscal year end.
- The Authority should set a goal of one full year operating revenue as an operating reserve.

These rules are designed to allow flexibility in both project and operating funds yet maintain the budget integrity of individual project and overall operating budgets.

Recommendation

Staff recommends approval of Resolution 47 approving the Restoration Authority Budget for FY 2018-19.