

Saddle Creek Community Services District

Regular Board Meeting June 18, 2019

AGENDA SUPPORTING DATA

7. DISCUSSION AND ACTION ITEMS

- d) Adoption of a Resolution approving the Preliminary Budget for the 2019/2020 fiscal year effective July 1, 2019, and set the date for a budget public hearing and final budget adoption

Recommended Motion

Staff recommends adoption of a Resolution approving the Preliminary Budget for the 2019/2020 fiscal year effective July 1, 2019, and set the date for a budget public hearing and final budget adoption

Background

During the May Board meeting, the Board of Directors reviewed a preliminary draft of the 2019/20 fiscal year budget. Following significant discussion, direction was given to staff to provide alternative funding scenarios to balance the budget and provide the desired level of revenue and services. In addition, staff was directed to evaluate the cost and opportunities to fund the entire 5 year project with a loan, and to prepare a budget option with the special tax levy at the planned amount of the existing special tax rate, increased by the cost of living index, plus \$100.

Due to the major decisions remaining to adopt a final budget and the legally required timeline of budget adoption prior to July 1, staff recommends adoption of a Preliminary budget at this meeting, and to set a public hearing date for adoption of the final budget in July 2019.

Included herein is the draft Preliminary 2019/2020 budget, assuming the levy of the special tax at \$1750 per residential parcel and multiplier thereof for non-residential. We evaluated the budgetary impact of levying the special tax at the three different rates identified in the tables below:

Land Use Category	Option 1 Rates	Option 2 Rates	Option 3 Rates
Residential Lot	\$1,578.88	\$1,750.00	\$1,832.00
Large Lot Undeveloped Property	667.50	739.85	774.52
Sports Club Property	593.34	657.65	688.47
Golf Course Property	59,205.67	65,622.42	68,697.30

Land Use Category	Option 1 Total Levy Amounts	Option 2 Total Levy Amounts	Option 3 Total Levy Amounts
Golf Course Property	\$59,205.67	\$65,622.42	\$68,697.30
Large Lot Undeveloped Property	177,508.25	196,748.26	205,968.04
Residential Lot	884,172.80	980,000.00	1,025,920.00
Sports Club Property	1,869.02	2,071.59	2,168.68
Grand Total	\$1,122,755.74	\$1,244,442.27	\$1,302,754.02

Based on the amount of revenue generated under each scenario above, we evaluated the estimated amount of total funding available under each scenario when the same amount of operating expenses are deducted from available revenue. The table below identifies the amount of funding needed annually to pay the estimated debt service if we were to fund the entire estimated project in 2020, or if we were to fund the work out of our annual cash on an equal basis over a six year period (five plus the remaining roads in year six). The evaluation assumes a 5% construction cost increase from 2019 to 2020, and a 10% contingency has been added for safety.

Full Road Project Estimated Cost 2019		\$	1,330,242
Full Road Project Estimated Cost 2020		\$	1,396,754
Contingency 10%		\$	1,536,430
Debt Payment (10 years @ 3.4%)		\$	184,000
Pay as You Go (6 years)		\$	256,072
		Debt	Pay As You Go
Measure A	Total Revenue	Revenue Over	Revenue Over
Levy Rate	Available**	(Under) Expenses	(Under) Expenses
\$ 1,579	\$ 121,880	\$ (62,120)	\$ (134,192)
\$ 1,750	\$ 243,621	\$ 59,621	\$ (12,451)
\$ 1,832	\$ 301,878	\$ 117,878	\$ 45,806
** Revenue available for roads and infrastructure reserves			

Option 1 (\$1579) does not provide adequate funding for debt service for the total project, to fund the average annual cash for pay-as-you-go, or cover the cost of the recommended first year expanded project (as detailed in the 5-year report). Option 1 would provide adequate cash to fund the first year base project, with no contingency. Option 1 provides no funding for contingencies or infrastructure reserves.

Option 2 (\$1750) provides adequate funding for debt service for the entire project, assuming we can secure a loan at terms comparable to 2018. Option 2 also provides nearly enough funding for the 6-year average cash Pay/Go alternative, and covers the estimated cost of the first year expanded project with an acceptable contingency. Option 2 appears to allow cash funding of the projects on an annual basis, thus saving an estimated \$300,000 in interest costs. Option 2 provides adequate funding for contingencies and if reasonable loan funding is found for the total project, will provide cash for infrastructure/road reserves.

Option 3 (\$1832) is the maximum allowable levy rate for the 2019/20 year, and provides adequate funding for debt service for the entire project, the 6-year average cash Pay/Go alternative, and covers the estimated cost of each year's expanded project with an acceptable contingency. Option 3 allows cash funding of the projects on an annual basis, thus saving an estimated \$300,000 in interest costs. Option 3 provides adequate funding for contingencies and will provide cash for infrastructure/road and/or landscape improvement reserves.

Based on the priorities of the District and intent of Measure A, staff recommends levy of the special tax at Option 2 (\$1750) in 2019/20 and to secure firm loan quotes and conditions while we are completing the engineering design for the entire project in the upcoming fiscal year. In consideration of this recommendation, the agenda materials include a revised 2019/2020 budget proposal that includes levy of the Measure A Special Tax at the rate of \$1750.