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STAFF REPORT

Date: June 16, 2021

To: TRPA Governing Board

From: TRPA Staff

Subject: Approval of Fiscal Year 2021/2022 Annual Operating Budget

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Summary and Staff Recommendation:

The Fiscal Year 2022 budget shows increases from the current year in both grant funding and planning fees and a second year of reductions in state appropriations. The increase in grant funding is from AIS treatment projects funded by the Lake Tahoe Restoration Act (LTRA). Fees increased due to the high volume of permitting in Current Planning activities and The Shoreline program is hitting its stride as we complete the initial implementation phase and new piers are going to be permitted going into fiscal year 2022. Nevada state funding is lower than normal due to COVID related budget cuts for the second year in a row.

This budget will intentionally show deficit spending due to funds being used from last year's bond refinancing sale and the principles of fund accounting. The bond sale included revenue received in fiscal year 2020 for major building repairs that will be largely paid for in fiscal year 2022.

Staff recommends approval of the fiscal year 2021/22 budget. Included in the action to approve the budget are the following items:

- Approval for the overall expenditures of the agency.
- Approval for the grant agreements incorporated in the budget.
- Approval the contract expenditures that comprise this budget.
- Approval for the staffing levels included in this budget.
- Approval for a 3% salary merit review for staff.
- Approval of an inflation increase (budgeted at 3%) to current planning fees (subject to final review by the Operations and Governance Committee in December).

Required Motion:

In order to approve the Fiscal Year 2022 Operating Budget, the Governing Board must make the following motion:

1) A motion to approve the fiscal year 2022 budget.

In order for the motion to pass, an affirmative vote of any eight Board members is required.

Background:

The budget is balanced (except for bond financed building repairs) based on the assumptions laid out in the discussion below. The Agency's budget is increasing by 20%, about $3.1M in revenue more than last year. Grants increased by about $3.0M, largely due to LTRA funding. State revenue reflects the current status of their respective budgets. There were minor reductions to other funding sources.

Tahoe Regional Planning Agency
Proposed FY 2022 Budget ($K)

	Revenue	Expenses	Net
General Fund Activities			
General Fund	6,756	6,366	390
Current Planning	2,363	3,170	(806)
Other	154	237	(83)
Total	9,272	9,772	(500)
General Fund Programs			
Shoreline	440	331	109
TSAC	399	399	0
Total	839	731	109
Total General Fund	**10,112**	**10,503**	(391)
Grants			
EIP	335	335	0
Stormwater	300	300	0
AIS	5,451	5,451	0
Transportation	2,809	2,809	(0)
Total	**8,895**	**8,895**	0
Total TRPA	**19,007**	**19,398**	(391)

Broken down by type:

Proposed FY 2022 Budget ($K)

Revenue		
Grants	7,883	41%
State Revenue	7,106	37%
Fees for Service	3,619	19%
Local Revenue	150	1%
Rent Revenue	249	1%
Other Revenue	0	
Total	19,007	
Expenditures		
Contracts	10,107	52%
Compensation	7,497	39%
Other	1,279	7%
Financing	465	2%
Rent	61	0%
A&O/Transfers	(11)	
Total	19,398	
Total TRPA	(391)	

Revenue Projections:

Confidence in grant revenue is high, as most grant agreements are either in place or being finalized. Grant revenue is based on cost reimbursement, where revenues match expenses, but both may fluctuate depending on associated expenditures and timing. LTRA funding is substantially higher for the coming year. Transportation Grants reflect the Overall Work Program approved at last month's Governing Board meeting and negotiated with the funders (Federal Highway Administration, CalTrans, and NDOT).

State revenue is largely set. There may be some adjustments in California as they finish their budget process in July. Nevada's legislative session is complete, and their budget has been finalized.

Current Planning fees are running ahead of budget. The real estate market in Tahoe remains strong, and the current year revenue will significantly exceed the budget. We have conservatively budgeted for a 15% reduction from this year's projected planning fees (not including shoreline). Per the TRPA Code, we are also assuming an inflation-based fee adjustment of 3% effective January 1st, 2022. The actual adjustment will be based on the Consumer Price Index for the San Francisco Bay area, with a 3% minimum. The Operations and Governance Committee will review this change later in the fiscal year. Current Planning is not yet at full cost recovery for services and receives a transfer from the General Fund to balance revenues and expenses.

Shoreline fees are based on known moorings plus additional moorings and structures capped by the new shoreline regulations. The Shoreline fund shows a small surplus for fiscal year 2022. Since it is early in the program, we feel it is prudent to build a reserve to handle future problems without having to raise fees. This strategy has been successful for the AIS program.

Expenditures:

We have prioritized staff retention. Other government agencies in the basin have seen turnover and TRPA staff can be a target for increased recruiting. TRPA salaries and benefits (retirement plan) remain below market. Our workload remains high placing pressure on our employees. This budget includes a merit pay cycle at 3% of base pay. This will not be a general increase for all but will be based on a multi-factor approach. Headcount will increase by one full-time staff member as we bring in a new Associate Planner to support the overloaded Current Planning Department. We have also set aside funds to address specific retention issues.

Contracting expenditures are increasing, mainly driven by increased funding for AIS projects coming from the Lake Tahoe Restoration Act. TRPA is the fiscal agent for the AIS program and most of this funding is disbursed to partner entities and contractors performing the work. We are also increasing contracting in the Current Planning to obtain outside support to handle record levels of applications. This table breaks it down by funding type and area of operation:

Budgeted Contract Expenditures ($K)

	Grants	Gen Fund	Fees	Bonds	Total
Env. Imp	4,360	21	556		**4,937**
LRTP	1,558	252	45		**1,855**
R&A	150	993	30		**1,173**
Infrastructure		439		500	**939**
Current Planning			428		**428**
TSAC	376				**376**
Other		398			**398**
Total TRPA	**6,444**	**2,103**	**1,059**	**500**	**10,107**

Environmental Improvement contracts mainly focus on the AIS program. LRTP contracts include the annual OWP and the priority areas of housing, sustainable recreation, and climate adaptation. Research and Analysis contracts include environmental monitoring and data transparency through the LTINFO platform. Infrastructure includes the bond-financed building repairs as well as IT and normal operating costs. Current Planning contracts are for permitting support during a time of extraordinarily high volume.

TRPA successfully refinanced our long-term debt in 2020. We were able to structure the new debt, to provide funds for building improvements and deferred maintenance. Major projects include replacing a leaky roof and fixing a collapsing retaining wall. The $500K budget “deficit” in the summary chart reflects this work. The funding comes from bond revenues received in the Fiscal Year 2020 fiscal year. Setting aside the bond-financed building improvements, the General Fund is balanced.

The Shoreline fund shows a surplus. This is a temporary situation as we transition from a startup program to a more stable long-term operation. The surplus will be held in reserve to cover any emergencies and to postpone any future fee increases. This budget does not increase mooring fees for inflation or any other purpose.

FY 2022 to FY 2021 by area of operation:

	2021 Budget	Proposed 2022	Change
Revenue			
General	6,344	6,642	298
Env. Improvement	3,944	5,861	1,917
Current Planning	2,722	3,021	299
Long Range Transp.	2,305	2,809	503
Research & Analysis	553	675	122
Total Revenue	15,868	19,007	3,139
Expenditures			
General	2,492	2,833	341
Env. Improvement	4,477	6,361	1,883
Current Planning	3,060	3,800	740
Long Range Transp.	3,146	3,659	513
Research & Analysis	2,850	2,746	-104
Total Expenses	16,025	19,398	3,374
TRPA Net	**(157)**	**(391)**	**(234)**

The largest increase is in Environmental Improvement. This is due to the added LTRA funding for AIS projects. Current Planning revenue and expenses increased due to high levels of planning activities, and costs necessary to support them. General expenses increased reflecting the building improvements financed by our 2020 bond refinancing. Increase in Long Range and Transportation Program reflect the changes in the Overall Work Program.

Contact Information:
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