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STAFF REPORT

Date: June 17, 2020
To: TRPA Governing Board
From: TRPA Staff
Subject: Approval of Fiscal Year 2020/2021 Annual Operating Budget

Summary and Staff Recommendation:

This year's budget involves a much higher degree of uncertainty than normal. We usually know for certain what our State allocations will be by now. Given the impact of COVID on state revenues, that is not the case. In addition, most experts predict an economic slowdown as part of the fallout from COVID. The impact to our fee-based revenue is unknown. Given these uncertainties, we have done our best to make reasonable and conservative assumptions and feel the budget, as presented, will work for the agency. We will have to carefully monitor events going forward in case our revenues deteriorate any further. If conditions deteriorate, we have already identified an additional round of spending reductions to fill any shortfall.

Staff recommends approval of the fiscal year 2020/21 budget. Included in the action to approve the budget are the following items:

- Approval for the overall expenditures of the agency
- Approval the contract expenditures that comprise this budget
- Approval for the staffing levels included in this budget
- Approval of a 3% inflation increase 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 2021 Operating Budget, the Governing Board must make the following motion:

- 1) A motion to approve the fiscal year 2021 budget.

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

Background:

The budget is balanced based on the assumptions laid out in the discussion below. The Agency's budget is shrinking by 4%, about \$600K. State revenue decreased by \$400K. Grants and interest income declined by about \$100K each.

	Baseline Budget		
	Revenue	Expenses	Difference
General Fund	6,133,185	6,227,278	(94,094)
Building	1,020,941	579,917	441,024
Eliminations	(688,980)	(688,980)	
TSAC	514,152	514,152	
Planning	1,898,292	2,205,901	(307,609)
Reimbursables	154,309	154,309	0
Settlements	153,600	153,600	0
Other	2,385	41,707	(39,322)
Total General Funds	9,187,885	9,187,885	0
Shorezone	431,054	561,178	(130,124)
EIP	357,368	357,368	0
Transportation	2,305,345	2,305,345	
BMP	95,846	95,846	(0)
AIS	3,259,122	3,259,122	(0)
Total Special Funds	6,017,681	6,017,681	(0)
Total	15,636,620	15,766,743	(130,123)

Broken down by program area:

FY 2021 vs 2020 by Program Area

	Revenues	Expenditures	Net
LRTP	2,305,345	3,145,665	(840,320)
Current Planning	2,721,667	3,046,619	(324,951)
Envir. Imp.	3,467,471	3,973,548	(506,076)
R & A	798,605	3,095,515	(2,296,911)
Total Programs	9,293,089	13,261,347	(3,968,258)
Agency Mgmt	6,011,570	2,326,127	3,685,443
Infrastructure	1,020,941	1,977,358	(956,417)
Other	0	(1,109,109)	1,109,109
Eliminations	(688,980)	(688,980)	0
Total Agency Operations	6,343,531	2,505,396	3,838,135
Total TRPA	15,636,620	15,766,743	(130,123)

** Other is primarily applied Administrative & Overhead costs billed to programs*

Revenue Projections:

Confidence in the revenue projections for Grants is high. Most included grants are firm, and agreements are either in place or being finalized. The Transportation Grants reflect the OWP approved in last month's Governing Board and negotiated with funders.

State revenue is not certain at this point. Normally this would be a known number, but the impact of COVID 19 and related effects is unknown and both states continue to struggle with finalizing numbers. In addition, there is the potential for a fourth round of COVID recovery funding from the US Government. States are requesting assistance for lost tax revenues in that bill. We are assuming a blended reduction in state revenues (CA and NV combined) of 9%.

California has approved a budget for the coming fiscal year. The focus has been entirely on General Funds, not the Special Funds that TRPA's allocation comes from. The state has deferred due dates for many taxes. A final tax revenue estimate will not be ready until July or August. There is a high probability of an August revise to the approved budget. We are assuming a 5% reduction from last year.

Nevada uses a biennial budget, with 2020/21 being the second year. Estimated revenue losses, particularly in gaming and sales taxes, are severe. The Nevada Budget Office requested a range of cuts from all departments but has not finalized a target as of today. That range would involve reductions of 6% to 19%. We are assuming the maximum reduction of 19%. Nevada did claw

back \$77,000 from the Fiscal Year 2019/20 budget. Those funds have been returned to the state.

Current Planning fees are currently running ahead of budget, even during the three months of the shutdown. The real estate market in Tahoe has remained strong, based on demand from people wanting to move out of urban areas. For conservatism, we have budgeted for a 10% 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, 2020.

Shoreline fees are based on known moorings plus additional moorings and structures capped in the new shoreline regulations. We are not decrementing shoreline fees for this budget. The increased property value that comes from having a permitted mooring or structure far outweighs the cost.

AIS fees are problematic. Clearly travel restrictions will heavily impact this summer's boating season. The greatest impact will be to outside visitors, or "Tahoe In and Out" inspections and stickers. Local residents (Tahoe Only stickers) are not likely to change significantly. We are assuming an 8.5% reduction in fees for the current year.

Expenditure Changes:

We have prioritized minimizing the impact to staff. TRPA salaries and benefits (retirement plan) remain below market. Our workload remains high, so furloughs, with their concomitant reduction in work hours, would not permit us to complete the work plan. This budget freezes salaries for the coming year but maintains existing headcount and work hours.

Contracts are a major expenditure for TRPA. We have reduced General Fund contracts to cover the lost revenue. TRPA contracts can be divided into two categories, ongoing contracts that do not change much from year to year and shorter-term contracts that reflect the changing elements of the work program. Fiscal Year 2019/20 had significant contracting in support of the Threshold Evaluation and the Regional Transportation Plan update. Those projects are wrapping up reducing the demand for General Fund contracts in Fiscal Year 2020/21. We have succeeded in finding grants (in particular, Lake Tahoe Restoration Act funding) to cover the work elements. Grant funding will cover major projects like the Tahoe Keys AIS and Tahoe West forest restoration, reducing the need for General Fund money. Sustainable recreation and the housing and community revitalization projects are in the early planning phases but will require contracting support in future years.

TRPA is currently refinancing our long-term debt. We were able to structure the new debt, so our first principle payment is not due until FY 2021/22. That saved \$74K out of the FY 2020/21 budget.

The Shoreline and AIS funds both have existing positive balances. This budget utilizes those balances to cover any deficits in those funds. The Shorezone fund has a deficit for the fiscal year due to expanding the online permitting system to support Phase II. We will not be transferring General Fund monies into either fund under this budget.

Comparing FY 2021 to FY 2020:

The overall budgeted expenditures are decreasing from last year by almost \$500K, reflecting the reductions in revenues. Most of the expenditure reduction is in Contracts and Other categories (which is mostly contracts). There are numerous changes in individual grants, collectively they are down slightly, almost \$100K. Other revenue is declining due to lower interest rates. This is primarily interest earned on money held in trust. The following table compares FY 2021 to FY 2020 by type of revenue and expenditures:

	Proposed 2021	2020 Budget	Change
State Revenue	7,057,033	7,476,073	(419,040)
Local Revenue	150,000	156,881	(6,881)
Fees for Service	3,662,741	3,672,826	(10,086)
Other Revenue	90,303	196,455	(106,152)
Grants	4,344,581	4,444,243	(99,662)
Rent Revenue	331,961	328,844	3,118
Total Revenue	15,636,620	16,275,322	(638,703)
			0
Compensation	7,104,978	7,050,800	54,178
Contracts	7,491,288	7,764,618	(273,330)
Other	780,860	990,850	(209,990)
Financing	354,721	427,641	(72,919)
Rent	736,673	740,387	(3,714)
Eliminations	(688,980)	(688,980)	0
A&O/Transfers	(12,798)	(9,915)	(2,883)
Total Expenditures	15,766,743	16,275,400	(508,657)
TRPA Net	(130,123)	(78)	(130,045)

Contact Information:

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