

**BayRICS Authority**  
**STAFF REPORT**

**DATE:** Thursday, October 11, 2018  
**TO:** BayRICS Board of Directors  
**FROM:** Corey Reynolds, General Manager  
**SUBJECT:** Item 9 – BayRICS Budget Projections and Options

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**I. Background**

At the June 14, 2018, BayRICS Board meeting, the Board approved the FY 2018-2019 budget, which reflected a deficit of \$4,723, requiring a draw on the Authority's reserve funds<sup>1</sup>. As such, the Board directed staff to develop a three-year budget projection along with a set of options for increasing the Authority's revenues while decreasing its reliance on grant funding for operational expenses.

This memo outlines budget projections under four different scenario options, and provides a brief analysis of impacts on the Authority's annual surplus or deficit, its reserve fund, and any necessary changes to its charter and bylaws.

**II. Overview of Options**

The following options were considered in developing the Authority's budget projections. Each option, except the Status Quo, will increase the Authority's revenues and gradually decrease its reliance of grant funding for operational expenses:

1. Status Quo: This option keeps member fees at \$7,000/year for the 12 current Authority members. It assumes continued grant support for operational expenses, and leads to a deficit requiring an annual draw on reserves of up to \$10,000.
2. Increase Member Fees: This option reflects an increase of member fees from \$7,000 to \$10,000 annually, and maintains the Authority's current membership. It allows for a 44% decrease in reliance on grant funding, but does not totally eliminate the Authority's need for grant funds to support its operations.
3. Increase Number of Paying Authority Members: This option increases the number of paying Authority members from 12 to 16, and maintains member fees at the current \$7,000/year. It allows the Authority to realize a small surplus each year, but only a slight reduction in reliance on grant support.
4. Increase Member Fees and Increase Number of Paying Authority Members: This option combines Options 2 and 3, increasing member fees to \$10,000/year and increasing the number of Authority members to 15. It eliminates the Authority's reliance on grant funding for operational expenses after FY 2019-2020.

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<sup>1</sup> With this deficit, reserve fund balance at the start of FY 2019–2020 is projected to be \$265,102.

### III. Analysis of Options

#### Option 1: Status Quo

This option keeps member fees at \$7,000/year for the 12 current Authority members. It assumes continued grant support of \$59,000/year for operational expenses. The option leads to an annual deficit requiring a draw on reserves of up to \$10,000/year. This option sustains the Authority for 25 years, but that will ultimately fully eliminate the Authority's reserves and relies upon unlikely assumptions, like the continued availability of grant funding and no increase in operational expenses.

*Table 1. Option 1: Status Quo*

Revenues	FY18-19 (Approved)		FY19-20 (Projected)		FY20-21 (Projected)		FY21-22 (Projected)	
Annual Member Fees		\$ 84,000		\$ 84,000		\$ 84,000		\$ 84,000
Interest		\$ 1,500		\$ 1,500		\$ 1,500		\$ 1,500
Administration Grant		\$ 59,000		\$ 59,000		\$ 59,000		\$ 59,000
<b>Total Revenues</b>		<b>\$ 144,500</b>		<b>\$ 144,500</b>		<b>\$ 144,500</b>		<b>\$ 144,500</b>
Expenses	FY18-19 (Approved)		FY19-20 (Projected)		FY20-21 (Projected)		FY21-22 (Projected)	
General Manager	\$ 114,638		\$ 119,600		\$ 119,600		\$ 119,600	
Secretary	\$ 5,000		\$ 5,000		\$ 5,000		\$ 5,000	
Administration		\$ 119,638		\$ 124,600		\$ 124,600		\$ 124,600
Audit		\$ 6,000		\$ 6,000		\$ 6,000		\$ 6,000
Legal		\$ 12,000		\$ 12,000		\$ 12,000		\$ 12,000
Insurance		\$ 10,000		\$ 10,000		\$ 10,000		\$ 10,000
Miscellaneous		\$ 2,000		\$ 2,000		\$ 2,000		\$ 2,000
<b>Total Expenses</b>		<b>\$ 149,638</b>		<b>\$ 154,600</b>		<b>\$ 154,600</b>		<b>\$ 154,600</b>
Reserve Fund	FY18-19 (Approved)		FY19-20 (Projected)		FY20-21 (Projected)		FY21-22 (Projected)	
Balance - Beginning		\$ 270,240		\$ 265,102		\$ 255,002		\$ 244,902
Increase in Reserve Fund (Est.)								
Draw on Reserve		\$ (5,138)		\$ (10,100)		\$ (10,100)		\$ (10,100)
<b>Balance - Ending</b>		<b>\$ 265,102</b>		<b>\$ 255,002</b>		<b>\$ 244,902</b>		<b>\$ 234,802</b>

#### Option 2: Increase Member Fees

This option reflects an increase of member fees from \$7,000 to \$10,000 annually, and maintains the Authority's current membership. It allows for a 44% decrease in reliance on grant funding, but does not totally eliminate the Authority's need for grant funds to support its operations. Assuming continued grant support at \$33,000/year, this option sustains the Authority in perpetuity.

This option does not require any changes to the Authority's charter or bylaws. Per the JPA Agreement Section 5.01(c), the Board can set the annual fee through a majority vote, provided it does not exceed the initial membership fee of \$24,500.

**Table 2. Option 2: Increase Member Fees**

<b>Revenues</b>	<b>FY18-19 (Approved)</b>		<b>FY19-20 (Projected)</b>		<b>FY20-21 (Projected)</b>		<b>FY21-22 (Projected)</b>	
Annual Member Fees		\$ 84,000		\$ 120,000		\$ 120,000		\$ 120,000
Interest		\$ 1,500		\$ 1,500		\$ 1,500		\$ 1,500
Administration Grant		\$ 59,000		\$ 59,000		\$ 33,000		\$ 33,000
<b>Total Revenues</b>		<b>\$ 144,500</b>		<b>\$ 180,500</b>		<b>\$ 154,500</b>		<b>\$ 154,500</b>
<b>Expenses</b>	<b>FY18-19 (Approved)</b>		<b>FY19-20 (Projected)</b>		<b>FY20-21 (Projected)</b>		<b>FY21-22 (Projected)</b>	
General Manager	\$ 114,638		\$ 119,600		\$ 119,600		\$ 119,600	
Secretary	\$ 5,000		\$ 5,000		\$ 5,000		\$ 5,000	
Administration		\$ 119,638		\$ 124,600		\$ 124,600		\$ 124,600
Audit		\$ 6,000		\$ 6,000		\$ 6,000		\$ 6,000
Legal		\$ 12,000		\$ 12,000		\$ 12,000		\$ 12,000
Insurance		\$ 10,000		\$ 10,000		\$ 10,000		\$ 10,000
Miscellaneous		\$ 2,000		\$ 2,000		\$ 2,000		\$ 2,000
<b>Total Expenses</b>		<b>\$ 149,638</b>		<b>\$ 154,600</b>		<b>\$ 154,600</b>		<b>\$ 154,600</b>
<b>Reserve Fund</b>	<b>FY18-19 (Approved)</b>		<b>FY19-20 (Projected)</b>		<b>FY20-21 (Projected)</b>		<b>FY21-22 (Projected)</b>	
Balance - Beginning		\$ 270,240		\$ 265,102		\$ 291,002		\$ 290,902
Increase in Reserve Fund (Est.)				\$ 25,900				
Draw on Reserve		\$ (5,138)				\$ (100)		\$ (100)
<b>Balance - Ending</b>		<b>\$ 265,102</b>		<b>\$ 291,002</b>		<b>\$ 290,902</b>		<b>\$ 290,802</b>

### **Option 3: Increase Number of Paying Authority Members**

This option increases the number of paying Authority members from 12 to 16, and maintains member fees at the current \$7,000/year. It allows the Authority to realize a small surplus each year, but only a 30% reduction in reliance on grant support.

Changes to the Authority’s Joint Powers Agreement are required for this option. Per section 2.01 of the current agreement, the following jurisdictions are eligible to become BayRICS members, but have not to date:

- Napa County
- Santa Cruz County
- Solano County
- “West Bay Cities”
- “North Bay Cities”
- Seat at Large

Any of these jurisdictions can become members without a modification to the charter. However, section 5.01(b) of the charter calls for the Board to set a membership fee of no less than \$24,500 in order to join the Authority. This provision would likely require amendment in order to entice new members.

Adding jurisdictions not listed above (e.g., Monterey County or Sacramento-area jurisdictions) would require amendment to section 2.01 in order for those jurisdictions to hold a Board seat.

Amending the Authority’s agreement is complex and cumbersome. Section 7.02 states that the agreement “may be amended upon a two-thirds supermajority vote of the Members and a

unanimous vote of the Board and execution of such amendment by each of the Members approving such amendment and each of the Members seated on the Board.” Section 4.02 of the Authority’s bylaws outlines the process for conducting a vote of the general membership, stating that a ballot, approved by the Board, be sent to each Member. However, the Board may, by majority vote, revise this process for any General Membership vote.

**Table 3. Option 3: Increase Number of Paying Authority Members**

<b>Revenues</b>	<b>FY18-19 (Approved)</b>		<b>FY19-20 (Projected)</b>		<b>FY20-21 (Projected)</b>		<b>FY21-22 (Projected)</b>	
Annual Member Fees		\$ 84,000		\$ 112,000		\$ 112,000		\$ 112,000
Interest		\$ 1,500		\$ 1,500		\$ 1,500		\$ 1,500
Administration Grant		\$ 59,000		\$ 59,000		\$ 42,000		\$ 42,000
<b>Total Revenues</b>		<b>\$ 144,500</b>		<b>\$ 172,500</b>		<b>\$ 155,500</b>		<b>\$ 155,500</b>
<b>Expenses</b>	<b>FY18-19 (Approved)</b>		<b>FY19-20 (Projected)</b>		<b>FY20-21 (Projected)</b>		<b>FY21-22 (Projected)</b>	
General Manager	\$ 114,638		\$ 119,600		\$ 119,600		\$ 119,600	
Secretary	\$ 5,000		\$ 5,000		\$ 5,000		\$ 5,000	
Administration		\$ 119,638		\$ 124,600		\$ 124,600		\$ 124,600
Audit		\$ 6,000		\$ 6,000		\$ 6,000		\$ 6,000
Legal		\$ 12,000		\$ 12,000		\$ 12,000		\$ 12,000
Insurance		\$ 10,000		\$ 10,000		\$ 10,000		\$ 10,000
Miscellaneous		\$ 2,000		\$ 2,000		\$ 2,000		\$ 2,000
<b>Total Expenses</b>		<b>\$ 149,638</b>		<b>\$ 154,600</b>		<b>\$ 154,600</b>		<b>\$ 154,600</b>
<b>Reserve Fund</b>	<b>FY18-19 (Approved)</b>		<b>FY19-20 (Projected)</b>		<b>FY20-21 (Projected)</b>		<b>FY21-22 (Projected)</b>	
Balance - Beginning		\$ 270,240		\$ 265,102		\$ 283,002		\$ 283,902
Increase in Reserve Fund (Est.)				\$ 17,900		\$ 900		\$ 900
Draw on Reserve		\$ (5,138)						
<b>Balance - Ending</b>		<b>\$ 265,102</b>		<b>\$ 283,002</b>		<b>\$ 283,902</b>		<b>\$ 284,802</b>

#### **Option 4: Increase Member Fees and Increase Number of Paying Authority Members**

This option combines Options 2 and 3, increasing member fees to \$10,000/year and increasing the number of Authority members to 16. It fully eliminates the Authority’s reliance on grant funding for operational expenses after FY 2019-2020, and allows for a projected surplus of \$6,900 annually to cover potential increases in any Authority costs and/or add staff time. This option would allow the Authority to apply any available grant funding toward regional projects, and, if needed, staff time to manage those.

Like Option 3, this option would require amendment to the Authority’s agreement.

**Table 4. Option 4: Increase Member Fees and Increase Number of Paying Authority Members**

<b>Revenues</b>	<b>FY18-19 (Approved)</b>		<b>FY19-20 (Projected)</b>		<b>FY20-21 (Projected)</b>		<b>FY21-22 (Projected)</b>	
Annual Member Fees		\$ 84,000		\$ 160,000		\$ 160,000		\$ 160,000
Interest		\$ 1,500		\$ 1,500		\$ 1,500		\$ 1,500
Administration Grant		\$ 59,000		\$ 59,000				
<b>Total Revenues</b>		<b>\$ 144,500</b>		<b>\$ 220,500</b>		<b>\$ 161,500</b>		<b>\$ 161,500</b>
<b>Expenses</b>	<b>FY18-19 (Approved)</b>		<b>FY19-20 (Projected)</b>		<b>FY20-21 (Projected)</b>		<b>FY21-22 (Projected)</b>	
General Manager	\$ 114,638		\$ 119,600		\$ 119,600		\$ 119,600	
Secretary	\$ 5,000		\$ 5,000		\$ 5,000		\$ 5,000	
Administration		\$ 119,638		\$ 124,600		\$ 124,600		\$ 124,600
Audit		\$ 6,000		\$ 6,000		\$ 6,000		\$ 6,000
Legal		\$ 12,000		\$ 12,000		\$ 12,000		\$ 12,000
Insurance		\$ 10,000		\$ 10,000		\$ 10,000		\$ 10,000
Miscellaneous		\$ 2,000		\$ 2,000		\$ 2,000		\$ 2,000
<b>Total Expenses</b>		<b>\$ 149,638</b>		<b>\$ 154,600</b>		<b>\$ 154,600</b>		<b>\$ 154,600</b>
<b>Reserve Fund</b>	<b>FY18-19 (Approved)</b>		<b>FY19-20 (Projected)</b>		<b>FY20-21 (Projected)</b>		<b>FY21-22 (Projected)</b>	
Balance - Beginning		\$ 270,240		\$ 265,102		\$ 331,002		\$ 337,902
Increase in Reserve Fund (Est.)				\$ 65,900		\$ 6,900		\$ 6,900
Draw on Reserve		\$ (5,138)						
<b>Balance - Ending</b>		<b>\$ 265,102</b>		<b>\$ 331,002</b>		<b>\$ 337,902</b>		<b>\$ 344,802</b>

#### IV. Summary of Analysis

#	Description	# of Members	Annual Fee	Grant Support Required	Annual Surplus/ Deficit	Changes to Charter and Bylaws
1	Maintain Status Quo	12	\$7,000/year	\$59,000/year	(\$10,100)	None
2	Increase Member Fees	12	\$10,000/year	\$29,500/year	\$0	None
3	Increase Number of Paying Authority Members	16	\$7,000/year	\$42,000/year	\$900	Significant
4	Increase Member Fees and Increase Number of Paying Authority Members	16	\$10,000/year	None	\$6,900	Significant