



Cachuma Conservation
Release Board
Agenda Letter

Board of Directors

City of Santa Barbara

Goleta Water District

Montecito Water District

For Agenda Of: April 5, 2018

Estimated Time: 40 minutes

Continued Item: No

If Yes, date from:

TO: Board Members

FROM: Peter Cante, Executive Director

SUBJECT: Draft Budget for Fiscal Year 2018/2019

Legal Concurrence:

As to form: N/A

Recommended Actions:

Receive, consider and discuss a draft proposed budget for upcoming Fiscal Year 2018/2019 (FY18/19). Consider current-year expected budget shortfall and the option to: a) return to Member Agencies in the current year to request additional appropriations; or, b) carry forward certain costs for payment in next fiscal year (recognizing concomitant effects on draft FY18/19 budget). Provide direction to Executive Director for possible budget modifications to finalize the draft budget for circulation to Member Agencies.

Discussion:

The CCRB Board of Directors approves a draft operating budget prior to the start of each fiscal year (July 1 – June 30). The draft budget is then submitted to and ratified by each Member Agency's governing body. Following Member Agencies' ratification, the budget is finalized by the CCRB Board prior to the start of the new fiscal year. This document initiates the process of approving CCRB's FY18/19 operating budget.

Attachment 1 (Table 1) contains a draft proposed FY18/19 budget. Many of the line items ("Account Codes" in Table 1) that comprise the CCRB budget are easily derived. For example, there are reasonably predictable auditing, accounting, storage, information technology and management costs that can be anticipated, calculated and budgeted. Conversely, CCRB is currently deeply involved in state and federal regulatory processes relating to the Cachuma Project that require considerable professional expertise and support from legal, strategic advisory and technical consultants. In light of the significant risk that some or all of these state and federal regulatory processes will eventually wind up in litigation in state or federal courts, it is important that CCRB maintain the confidentiality of attorney work product relating to these state and federal regulatory processes, including but not limited to work undertaken by technical and strategic consultants pursuant to the attorney work product privilege. The importance to CCRB of

achieving acceptable outcomes in these state and federal processes, and the unpredictable but significant consulting workload that is associated with achieving such outcomes, makes budgeting these categories a “best estimate” effort.

Because of this unpredictability, the consulting costs in Table 1 are necessarily based on several assumptions. The assumptions themselves are derived from discussions with CCRB’s legal and technical representatives regarding likely or potential scenarios that could result from decisions made or actions taken by the state and federal agencies that ultimately control the regulatory processes in which CCRB is involved. Of course, the Board in its discretion may choose to scale back or increase any of these line item recommendations, according to its consideration and weighting of priorities and importance.

Fiscal Analysis:

As shown in Table 1, the draft proposed CCRB budget for FY18/19 is \$1,172,350. The cost allocation to CCRB Member Agencies based on established allocation percentages is shown in Table 2. The account code amounts that make up the proposed budget and the assumptions on which they are based are discussed below.

Code 5050 – Storage Space. Currently, CCRB pays Patterson Avenue Storage for space that accommodates multiple four-drawer file cabinets and banker’s boxes of files that range in date from 1980’s to 2015. The \$4800 budgeted cost is based on \$400/month x 12 months.

Code 5100 – Audit. The audit firm of Bartlett, Pringle & Wolf is currently auditing CCRB’s FY16/17 financial records, after having recently completed FY14/15 and FY15/16. Thus, projected costs in the current year are higher than budgeted. In FY18/19, the budgeted \$8000 assumes a single year audit (FY17/18) will be performed.

Code 5200 – Insurance. CCRB’s board members and certain liabilities are insured through the Special Districts Risk Management Association (SDRMA). To access coverage through SDRMA, CCRB must be a member of and pay dues to the California Special Districts Association (CSDA). In FY18/19, CSDA dues are projected at \$1300, while the SDRMA insurance premium is expected to be \$4000 (\$5300 total).

Code 5301 – Executive Director Salary. The budgeted amount (\$165,000) assumes one half year at current salary, with potential for the Board to consider an increase mid-year, as allowed by the terms of the contract between the Executive Director and CCRB.

Code 5304 – Administrative/Accounting Support. Accountability Plus provides bookkeeping, invoicing and accounting services to CCRB through this code. The budgeted amount (\$9600 total) anticipates an average of \$800/month during the fiscal year.

Code 5312 – Miscellaneous Administrative Expenses. This code serves as a contingency for any unanticipated overages in administrative service codes. The budgeted amount (\$4000) is unchanged from the previous fiscal year.

Code 5313 – Communications/Computer. This code provides funds for CCRB email and website hosting, cell phone, internet and related information technology costs. The budgeted amount (\$6000) is unchanged from the previous fiscal year.

Code 5316 – Admin Fixed Assets. This code provides for job-related hardware and material purchases. In the coming fiscal year, anticipated purchases may include a computer monitor and a color printer/scanner/fax. The budgeted amount (\$4000) is unchanged from the previous fiscal year.

Code 5330 – Admin Travel. This code covers potential travel costs to attend professional conferences and symposia representing CCRB. The budgeted amount (\$8000) is unchanged from the previous fiscal year.

Code 5331 – Travel Expenses Federal and State Meetings. This code covers Executive Director travel-related costs for attending anticipated meetings in Fresno, Sacramento, Washington DC and possibly elsewhere regarding the state and federal regulatory processes that are underway.

Code 5332 – Transportation. This code covers minor transportation travel costs that may be incurred during the year. The budget amount (\$1000) is unchanged from the previous fiscal year.

Code 7000 – General Legal Activities. This code provides for general counsel services through the year, including attendance at board meetings, review of board agenda materials, preparation of resolutions, employment matters and contract review.

Code 7001 – BO Reconsultation Support Activities. This code includes estimated general counsel costs related to the draft Biological Opinion (DBO) reconsultation underway with US Bureau of Reclamation (USBR) and the National Marine Fisheries Service (NMFS) pursuant to Sec. 7 of the Endangered Species Act. Additionally, the code includes estimated biological, hydrological, regulatory advisory and public outreach costs, as well. These costs are included generally herein as they represent work that is protected from disclosure under the attorney work product privilege and related statutory and common law privileges due to the confidentiality requirements of the DBO reconsultation. More detail regarding these projected expenditures will be provided and discussed separately with the Board in closed session.

Code 7002 – SWRCB Water Rights Activities. This code includes estimated general counsel costs associated with the State Water Resources Control Board's (SWRCB) ongoing water rights proceeding relating to the Santa Ynez River. The estimate assumes that the SWRCB will issue a final order in this proceeding during FY18/19. Additionally, the code includes estimated biological, hydrological, and regulatory advisory costs, as well. These costs are included herein as they represent work that is protected from disclosure under the attorney work product privilege and related statutory and common law privileges due to the potential that litigation related to the final order may be necessary. More detail regarding these projected expenditures will be provided and discussed separately with the Board in closed session.

Code 6500 – Contingency. The contingency budgeted herein is a calculated buffer representing 10% of the sum of Codes 7000, 7001, and 7002. The contingency is intended to address unanticipated yet necessary expenditures that may arise during the fiscal year.

Current Year Budget Shortfall and Possible FY18/19 Budget Impact. In mid-March, I recommended, and the Board approved a \$115,172 budget supplement to ICF to allow continued fisheries consulting support. I noted then that a budget analysis showed approximately \$96,000 of budget buffer would remain after funding the ICF supplement. Two things have occurred that affect this analysis. First, legal costs increased considerably over and above the monthly estimate I used in the analysis. (The first billing received post-analysis reduced the calculated buffer to approximately \$80,000.) I expect legal costs to remain similarly high through the end of the fiscal year due to our intensive engagement in the reconsultation process. Second, as anticipated, the Board's hydrological consultant (Woodard & Curran) has requested a budget supplement to allow continued hydrological consulting support in the current year. I will bring this supplement request to the Board separately for consideration. If approved, it will effectively consume the remaining \$80,000 buffer. Considering these two factors together with the projected expenditures necessary to continue the higher level of legal engagement in March - June, there

will be an estimated shortfall of approximately \$110,000 at fiscal year end. Three options to address the shortfall are discussed below. One of these options, if chosen, will affect next year's budget.

- CCRB's legal, technical and regulatory advisory consultants could significantly ramp down efforts regarding the federal and state regulatory processes that are currently underway, then re-engage under a new budget when the new fiscal year begins. This would slow the "burn rate" and conserve budget, allowing CCRB to more closely adhere to the originally approved funding limit. However, given the critical nature and timing of, in particular, the federal process with which CCRB is engaged, I do not recommend this approach.
- A second option is to return to each Member Agency with a request for additional funding to augment the current-year budget. (I understand that one Member Agency anticipated this eventuality and set aside contingency funding; I do not believe the other two have done so.) The requested funding would be apportioned according to the accepted pro rata share of each agency. If approved by all three agencies, the \$110,000 allocation would represent a budget adjustment to the current year, and I would work with CCRB's bookkeeping and auditing services to ensure proper accounting of the additional amount.
- A third option is to carry costs that exceed the current-year budget into the next fiscal year for payment. According to CCRB's auditing representative, Ms. Nina Pisani (Bartlett, Pringle & Wolf), this is acceptable from an accounting and auditing standpoint, as long as the costs are accrued to the month in which they actually occurred. CCRB's FY17/18 audit would reflect the budget shortfall, with the loss carried forward to the next fiscal year. CCRB's senior legal counsel, Mr. Kevin O'Brien of Downey-Brand, has indicated that deferral of one or more payments into FY18/19 is acceptable to the firm. Additionally, this option would necessitate adding the expected shortfall to the FY18/19 budget that is now under consideration.

Considering the above options, the first of which I suggest does not well serve CCRB's interests, I recommend more exploration of options 2 and 3 to determine which approach is most readily implemented and acceptable to Member Agencies' financial personnel. With the Board's approval, I will implement this approach. If option 3 is preferred, I will incorporate the additional necessary funds in the FY18/19 draft budget for the Board's further consideration.

Attachments:

Attachment 1: Draft FY 2018/2019 Budget

Authored by:

Peter Cantle, Executive Director

ATTACHMENT 1
CCRB
DRAFT FISCAL YEAR 2018/2019 BUDGET

TABLE 1

Cachuma Conservation Release Board Proposed FY 2018/2019 Budget

Account Code	Account Name	Approved FY17/18 *	Proposed FY18/19
ADMINISTRATIVE			
5050	Storage Space	9,000	4,800
5100	Audit	8,000	8,000
5200	Liability Insurance	4,200	5,300
5301	Executive Director salary	162,000	165,000
5304	Administrative/Accounting Support	7,800	9,600
5312	Misc. Admin. Exp.	4,000	4,000
5313	Communications/Computer	6,000	6,000
5316	Admin Fixed Assets	4,000	4,000
5330	Admin. Travel	8,000	8,000
5331	Travel Exp. Federal & State Meetings	20,000	20,000
5332	Transportation	1,000	1,000
Subtotal		\$234,000	\$235,700
LEGAL			
7000	General Legal Activities	10,000	40,000
7001	BO Reconsultation Support Activities	60,000	566,500
7002	SWRCB Water Rights Activities	100,000	245,000
6500	Contingency (10%)	0	85,150
Subtotal		\$170,000	\$936,650
SHARED CONSULTANT ACTIVITIES			
6001	BO Reconsultation Activities	81,642	**
7200	SWRCB Proceedings Support	39,789	**
Subtotal		\$121,431	**
CCRB CONSULTANT ACTIVITIES			
7300	Public Outreach Program	0	**
7400	Legislative & Regulatory Analyst	175,000	**
7500	Hydrologic Technical Support	82,123	**
6500	Contingency	9,287	**
Subtotal		\$266,410	**
TOTAL BUDGET		\$791,841	\$1,172,350

Table Footnotes:

* As modified by CCRB Board on October 18, 2018.

** Costs for biological, hydrological, legislative/regulatory and public outreach support are included under LEGAL account codes

TABLE 2

**Cachuma Conservation Release Board
FY 2018/2019 Member Unit Cost Allocation**

MEMBER UNIT	Pro Rata	FY18/19 Budget	Annual
Goleta Water District	0.4603	1,172,350	539,633
City of Santa Barbara	0.4088	1,172,350	479,257
Montecito Water District	0.1309	1,172,350	153,461
<i>TOTAL ANNUAL</i>	100.00%	\$1,172,350	\$1,172,350
Quarterly Assessment			Amount
Goleta Water District			134,908
City of Santa Barbara			119,814
Montecito Water District			38,365
<i>TOTAL QUARTERLY</i>			\$293,088