

**SUPPORT AND CAPITAL OUTLAY BUDGET  
AND WORK PROGRAM PROJECTIONS**

**Summary:** Staff presents projected Fiscal and Work Program changes to the Support and Capital Outlay Budgets for Fiscal Years 12/13, 13/14 and 14/15 for discussion purposes.

**Location:** Throughout the California side of the Lake Tahoe Basin

**Fiscal Summary:** A balanced support budget approximating \$5 million in yearly revenues and continued use of capital appropriations approximating \$25 million for capital outlay projects

**Recommended Action:** No recommended action

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**Background**

The recently adopted Conservancy Strategic Plan focuses on how the Conservancy can continue to achieve its mission in an era of diminishing bond funds. This budget discussion complements the Strategic Plan adopted by the Board in September 2012, focusing in detail on how the Conservancy will pay for operations, including specific sources of funding and proposed reductions in the operating budget.

Given the decline in traditional funding sources, the Conservancy seeks to enhance its financial sustainability by securing grants and other cost-share agreements with partner agencies, reducing operating costs, and developing an asset management strategy to generate revenue to support ongoing programs, operations and asset maintenance.

The Conservancy continues to place great emphasis on leading the State's efforts to complete high priority Environmental Improvement Program (EIP) projects, while seeking to secure long-term funding for the EIP. In the absence of new bond funds, the Conservancy is increasing emphasis on coordinating and integrating projects into a

comprehensive and collaborative sustainability planning effort with federal, State, local, and private partners in the Basin.

Many Conservancy projects take years to implement. There is a significant ongoing workload associated with the large number of grants and project authorizations made in past years, including obligations to monitor the performance of construction and acquisition projects. Addressing existing workload is an important factor in this budget discussion, as the Conservancy needs adequate staff to complete existing projects and to implement the initiatives described in the Strategic Plan.

The purpose of this discussion item is to describe key elements of the Conservancy budget, and a strategy to support our ongoing operations. Consistent with our recently adopted Strategic Plan, it includes several new strategies to both reduce costs and increase revenue. The Conservancy will monitor progress on achieving revenue targets and savings. As described in the Strategic Plan, the Conservancy will also continually adjust its investment priorities, operations, and focus based on performance.

### **Support and Capital Outlay Management Budget**

The Conservancy maintains two funds that track the support and operations of the Agency. The first is the support fund with several sub-funds that track revenue and expenses related to the ongoing operations of the Conservancy. The second is the capital outlay fund (including local assistance) with several sub-funds that track appropriate capital improvement costs to lands and projects that the Conservancy oversees.

Table 1 summarizes actual fiscal year (FY) 11/12 support funds with forecasted and planned budgets for fiscal years 12/13, 13/14, and 14/15:

**Table 1: Tahoe Conservancy Support Budget**

	<b>FY 11/12 Actual</b>	<b>FY 12/13 Forecast</b>	<b>FY 13/14 Budget</b>	<b>FY 14/15 Budget</b>
<b>Support Fund Revenues</b>				
Environmental License Plate	\$3,123,000	\$3,290,000	\$3,406,000	\$3,406,000
Habitat Conservation Fund	106,000	108,000	25,000	25,000
Lake Tahoe License Plate	1,005,000	1,008,000	1,039,000	1,000,000
Tahoe Conservancy Fund	213,000	218,000	136,000	100,000
00 Park Bond (Prop. 12)	15,000	19,000	2,000	-
02 Park Bond (Prop. 40)	35,000	19,000	-	-
02 Water Bond (Prop. 50)	165,000	10,000	6,000	-
06 Water/Park Bond (Prop 84)	94,000	32,000	15,000	-
Land Bank Fees	469,000	462,000	66,000	60,000
Asset Land Sales	-	-	-	441,000
<b>Total Support Revenue</b>	<b>\$5,225,000</b>	<b>\$5,166,000</b>	<b>\$4,695,000</b>	<b>\$5,032,000</b>
<b>Operating Costs</b>				
Salaries and Benefits	2,980,000	2,741,000	2,671,000	2,781,000
Contracts	1,155,000	1,325,000	661,000	1,045,000
Land Management Contracts	625,000	544,000	634,000	600,000
Pro-Rata	285,000	323,000	340,000	356,000
Maintenance & Contingency	180,000	233,000	389,000	250,000
<b>Total Operating Costs</b>	<b>\$5,225,000</b>	<b>\$5,166,000</b>	<b>\$4,695,000</b>	<b>\$5,032,000</b>
<b>Support Fund Net</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

*Revenue Sources and Assumptions*

The Conservancy support budget includes the following major revenue sources:

*Environmental License Plate:* The Conservancy receives a significant portion of its support budget from the Environmental License Plate Fund (ELPF). The revenues to the fund come from the fees collected by Department of Motor Vehicles for personalized messages on license plates. ELPF funds may be used for a variety of purposes, including the acquisition, preservation, restoration or any combination thereof, of natural areas or ecological reserves. We expect this revenue source to remain relatively stable with an increase of about 10% consistent with baseline funding for salary and pro-rata costs on a year over year basis.

*Habitat Conservation Fund:* Voters approved Proposition 117 (Mountain Lion Initiative) on the June 1990 ballot. Among its provisions, under Fish and Wildlife Code Section 2787(d), it allocates \$500,000 annually to the Tahoe Conservancy, through 2020. Further, under Fish and Wildlife Code Section 2786, the funds can be used for the acquisition, enhancement or restoration of wetlands, riparian and aquatic habitat. We have previously allocated about 20% of this funding for support and the balance for project investments, but the Department of Finance is now requiring that no more than 5% of these revenues be used for support.

*Lake Tahoe License Plate:* In 1995, the Lake Tahoe License Plate was established. Revenues generated from the sale of the plate are dedicated to the Tahoe Conservancy under Vehicle Code Section 5075. This legislation further provides that these funds may be used for “preservation and restoration projects in the Lake Tahoe area and for the purpose of establishing and improving trails, pathways, and public access for non-motorized traffic in that area.” Revenue from Tahoe specialty plate sales has been relatively stable. We hope to adjust these figures upward by at least 10% as our new campaign begins to significantly increase sales.

*Tahoe Conservancy Fund:* The Conservancy maintains a special revenue fund to account for proceeds and cost reimbursements restricted to expenditures for specified purposes. Historically special use fees including lease, licenses and easements have been the main source of funding. We have adjusted the budgeted revenue numbers to a sustainable level (\$100,000) and plan to implement modifications to the special use guidelines to further support operating costs.

*Park and Water Bonds:* As shown in Table 1, the Conservancy has relied heavily on bond revenue to support its ongoing operations. These funds are diminishing rapidly, and will be fully expended beginning in the FY 14-15 budget.

*Land Bank Fees:* These funds are collected through Tahoe Regional Planning Agency (TRPA) Excess Coverage Mitigation Fees and the Conservancy direct sale of land coverage, restoration credit and other marketable rights. A reduction in Land Bank fees is due to one time reimbursements of \$469,000 and \$462,000 in fiscal years 11/12 and 12/13. Fiscal years 13/14 and 14/15 include typical historical funding levels supporting Land Bank administration costs.

*Asset Lands Sales:* Consistent with the Strategic Plan and recent Board authorizations, we expect to receive revenue from the sale of two of the four properties authorized under Asset Lands Program Guidelines and pre-sale activities. The one-time asset land sales are appropriated for land management expenses in fiscal year 14/15.

### ***Operating Costs and Assumptions***

The Conservancy operating costs include the following:

*Salaries and Benefits:* Over the past several years, the Conservancy has reconfigured its staffing pattern in order to best meet existing and ongoing workload, while achieving necessary reduction in salary costs through the relinquishment of unsustainable positions. The current staffing level of 37 positions is expected to remain stable and provides for increases in benefit costs and step increases through fiscal year 14/15.

*Land Management:* The Conservancy has made significant progress developing and implementing comprehensive land management and forest habitat enhancement projects. Both of these areas incur support contract costs approximating \$600,000, including beach maintenance, land management and forest fuel maintenance crews. Additionally the Conservancy maintains salaried positions for support activities approximating \$262,000.

*Other Contracts:* The budget reflects an anticipated decrease in the total amount of contracts as the overall support budget decreases. The Conservancy has reduced fiscal and human resource contract costs through in-house budgeting and a new agreement with the Coastal Conservancy to provide personnel services.

*Pro-Rata:* Pro-Rata is the amount charged to eligible funds to pay for central costs of state government. In general over the past several years, the Conservancy pro-rata has increased as appropriations for eligible funding sources such as the Environmental License Plate have increased. The Conservancy projects a modest 5% increase through fiscal year 14/15.

*Maintenance and Contingency:* The budget seeks to support the needs of preventive maintenance that must be addressed each fiscal year as well as projected infrastructure repairs. We also anticipate additional needs for one-time and unforeseen expenses as the budget is implemented and projections change.

**Table 2: Tahoe Conservancy Capital Budget**

	<b>FY 11/12</b>	<b>FY 12/13</b>	<b>FY 13/14</b>	<b>FY 14/15</b>
	<b>Actual</b>	<b>Forecast</b>	<b>Budget</b>	<b>Budget</b>
<b>Capital Revenues</b>				
Grant and Cost Share	\$725,000	\$1,576,000	\$1,381,000	\$602,000
Habitat Conservation Fund	374,000	390,000	475,000	475,000
Lake Tahoe License Plate	100,000	116,000	100,000	100,000
02 Park Bond (Prop. 40)	525,000	383,000	51,000	-
06 Water/Park Bond (Prop. 84)	2,716,000	-	-	-
Land Bank Fees	3,440,000	3,440,000	440,000	440,000
Asset Land Sales	-	-	-	752,000
<b>Total Capital Outlay Revenues</b>	<b>\$7,880,000</b>	<b>\$5,905,000</b>	<b>\$2,447,000</b>	<b>\$2,369,000</b>
<b>Land Restoration Costs</b>				
	\$1,540,000	\$2,606,000	\$2,589,000	\$1,500,000
<b>Projected High Priority Investments</b>				
Acquisition Program	\$284,000	\$111,000	\$3,801,000	\$1,775,000
Public Access and Recreation	366,000	866,000	1,075,000	625,000
Wetlands/Watershed & Wildlife	3,603,000	1,235,000	1,950,000	500,000
Water Quality/Stormwater	1,196,000	-	2,996,000	1,500,000
Community/Sustainability	-	-	250,000	250,000
<b>Subtotal Project Costs</b>	<b>\$ 5,449,000</b>	<b>\$2,212,000</b>	<b>\$10,072,000</b>	<b>\$4,650,000</b>
<b>Capital Outlay Fund Net</b>	<b>\$891,000</b>	<b>\$1,087,000</b>	<b>\$(10,214,000)</b>	<b>\$(3,781,000)</b>
<b>Capital Outlay Balance</b>	<b>\$24,891,000</b>	<b>\$25,978,000</b>	<b>\$15,764,000</b>	<b>\$11,983,000</b>

***Revenue Sources and Assumptions***

The Conservancy capital budget includes the following major revenue sources:

*Grant and Cost Share:* The Conservancy has been successful in securing grants to fund our projects. Through fiscal year 14/15 we project a decrease in grant and cost share reimbursements as the remaining funding commitments from the Army Corps of Engineers for Blackwood Creek, Upper Truckee River and Aquatic Invasive Species are

reimbursed. The Conservancy will continue to apply for grants to supplement our own resources to meet our Strategic Plan goals.

*Habitat Conservation Fund:* As noted in the description of our Support Budget, the allocation of yearly Habitat Conservation Funding of \$500,000 to capital outlay will increase to \$475,000 to ensure that no more than 5% of the funds are used for support.

*Lake Tahoe License Plate:* The Capital Budget includes roughly \$100,000 annually from the continued sales of the Lake Tahoe License Plate.

*Bond Funds:* The Capital Budget for FY 12/13 and 13/14 includes a total of \$434,000 in revenue from bond funds, after which all of our remaining bond funds will have been appropriated. As noted below under the heading of Capital Outlay Balance, however, the Conservancy's Capital Budget also includes a large amount of bond funds that were previously appropriated but not yet spent because of the bond freeze and various project delays.

*Land Bank Fees:* The Capital Budget includes one-time reimbursements of \$3.4 million in fiscal years 11/12 and 12/13, after which revenues are expected to remain at historical levels of approximately \$440,000.

*Asset Land Sales:* Consistent with the Strategic Plan, the Capital Budget anticipates that Conservancy sales of asset lands will help offset our land management expenses, including a projected investment of \$750,000 for these purposes in FY 14/15.

*Capital Outlay Balance:* The Conservancy FY 12/13 budget includes about \$25 million in bond funds that were previously appropriated but not yet spent because of the bond freeze and various project delays. After investing in our highest priority land restoration and project investments in the remainder of this year and the following two fiscal years, we expect to have about \$12 million in bond funds for future investments.

### ***Projected Capital Expenses and High Priority Investments***

The Conservancy projected expenses and high priority investments include the following:

*Land Restoration Expenses:* These expenses are a combination of staff salary and contract costs relating to capital outlay land restoration projects on Conservancy-owned land.

Land restoration and forest habitat enhancement projects incur contract costs approximating \$1.2 million including restoration and forest habitat crews, professional service contracts and contract planning and implementation. Additionally, the Conservancy maintains salaried positions for capital outlay activities approximating \$286,000. We expect to significantly increase our land restoration activities in fiscal years 12/13 and 14/15 using previously appropriated funds that have not been spent. Beginning in FY 14/15, our land restoration expenses are expected to remain at a more stable level of approximately \$1.5 million.

*Acquisition Program:* To help implement the highest priority of the newly adopted Regional Plan, the Conservancy anticipates investing nearly \$6 million in strategic acquisition of coverage and improved properties on sensitive land outside of town centers during the next two years.

*Public Access and Recreation:* Our highest priority investments in public access and recreation projects include \$2.6 million for several bike trail projects, including \$900,000 for South Tahoe Greenway bike trail, \$1.0 million for Homewood and Dollar Creek (formerly North Tahoe) bike trails and \$350,000 for Sawmill bike trail.

*Wetlands, Watershed and Wildlife Enhancement:* High priority projected investments for wetlands, watershed and wildlife enhancement include \$1.4 million for the Upper Truckee Marsh restoration, \$750,000 for Elks Club Stream Environment Zone (SEZ) restoration, \$500,000 for Upper Truckee Reaches 1 & 2 and \$250,000 for restoration of the former Tahoe Pines Campground site.

*Water Quality and Stormwater Grant Funding:* The Conservancy has budgeted \$4.5 million through fiscal year 14/15 for water quality and stormwater projects.

*Sustainability Grant Funding:* Implementation of a new sustainability grants program has been budgeted with \$500,000 initially invested through fiscal year 14/15.

### **Strategic Plan Implementation Strategies**

Consistent with the Strategic Plan, the Conservancy seeks to both increase revenue and decrease costs to maintain a sustainable operating budget, as described below.



## *Strategies to Increase Revenue*

*Staff Costs Charged to Capital Outlay:* Conservancy staff works on both implementing capital projects and administering grants for other projects. For projects where the Conservancy is implementing the project rather than administering the grant, the direct staff costs are chargeable against the Conservancy capital allocation, not its administrative allocation. Over the next three fiscal years a greater emphasis will be placed on the use of Conservancy staff to implement projects. The budget projects an increase of \$150,000 annually to capital allocation for a total of approximately \$620,000 each fiscal year.

*Asset Land Sales:* The Conservancy adopted the Asset Lands Program Guidelines in March 2012 and authorized pre-sale activities on up to four properties that, if sold, will result in one-time deposits in the Tahoe Conservancy Fund. Staff has proceeded with pre-sale activities for three of the four properties. Pre-sale activities have progressed most quickly for two properties: an 8.43-acre former drive-in movie theater property acquired in a land exchange/transfer with the City of South Lake Tahoe and a 15.46-acre property upon which the former Tallac Vista Conference Center is situated. The current minimum bids for the former drive-in movie theater and Tallac Vista Conference Center are \$350,000 and \$1,250,000 respectively. To date, the Conservancy has completed two unsuccessful bid auction proceedings on the properties. The Conservancy is currently reviewing the bid procedures and evaluating future dates and procedures on bid auctions.

*Conservancy Cost Recovery:* Through the adoption of the Special Use (pending) and Land Bank Fees, the Conservancy will be able to collect revenues sufficient to offset the staffing and administrative costs associated with reviewing, processing, and administering the Special Use and Land Bank programs. These fee schedules, which are consistent with the Conservancy's Strategic Plan, identify and implement appropriate revenue sources to assist with day-to-day Conservancy operations and develop an asset management strategy to generate revenue for its ongoing operations and programs. The Conservancy currently projects an additional \$45,000 in yearly revenue from the fees. Conservancy staff has also prepared an updated Indirect Cost Rate Proposal. Based on an extensive analysis of staff and operating costs, this new rate will enable us to fully recover staff and related support costs under federal grants or cost-share agreements.

*Grants and Cost Reimbursement Contracts:* Grant funds and cost reimbursement contracts are reasonably assured, and most are based on multi-year commitments from the funding agency. The Conservancy has approximately \$7.4 million in committed cost reimbursement agreements with the Army Corps of Engineers. Forest fuels grants have increased by \$500,000 through the award of Southern Nevada Public Land Management Act, Round 13. Much of that work will be subcontracted or done on lands owned by our partners.

### ***Strategies to Decrease Costs***

*Staffing:* The Conservancy staffing plan seeks to achieve a difficult balance. To successfully implement the budget, the Conservancy needs to have enough staff to fully address existing project management responsibilities, while also investing time towards capital outlay eligible projects. Over the past several years seven positions have not been filled through attrition and vacancy eliminations. This reflects considerations such as a regrouping of staff units, reclassification and adjustment of duties for some positions, and relinquishment of several positions ultimately deemed financially unsustainable. The staff believes that the resulting staffing pattern is sustainable and achieves the needed balance.

*Contracts:* This budget item refers to internal and external contracts for services. The budget reflects an anticipated decrease in the total amount of contracts as the overall support budget decreases. The Conservancy plans to rely less on outside contractors while covering essential activities with existing staff. Contract expenses vary each fiscal year dependent on work program needs but range from \$1.6 to \$1.8 million.

*Asset Maintenance and Repairs:* The Conservancy owns and maintains nearly 5,000 properties and a significant number of improved facilities throughout the Tahoe basin. Many of the properties and facilities require preventive maintenance that must be addressed each fiscal year as well as projected infrastructure repairs. The budget seeks to support these needs and projects increases in costs related to other operating expenses.

### **Consistency with the Conservancy's Enabling Legislation**

The discussed management activities are consistent with the Conservancy's enabling legislation. Under Government Code section 66907.10, the Conservancy is authorized

to improve and develop acquired lands for a variety of purposes, including protection of the natural environment, protection of public access and recreational facilities, preservation of wildlife habitat areas, and access to and management of Conservancy-owned lands. Under Government Code section 66907.00, the Conservancy is authorized to acquire property for the protection of the natural environment.

### **Compliance with the California Environmental Quality Act (CEQA)**

While the actions in this staff discussion do not themselves require CEQA review, each project implemented pursuant to this staff discussion will be subject to CEQA review. Staff will evaluate each project prior to implementation to determine whether the project is statutorily or categorically exempt from CEQA, or whether the project requires a negative declaration or environmental impact report. Where staff determines a project is statutorily or categorically exempt from CEQA, staff will file a Notice of Exemption with the State Clearinghouse. Where staff determines a project requires a negative declaration or an environmental impact report, the project will be brought to the Board for adoption of environmental findings and authorization to expend funds to implement the project.

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