

ROSSMOOR

COMMUNITY SERVICES DISTRICT



Special Meeting of the Board
Board Workshop
Agenda Package

APRIL 12, 2016

PUBLIC COPY

TABLE OF CONTENTS



PRESENTATIONS
ITEMS A

CONSENT CALENDAR
ITEMS E

REPORTS TO THE BOARD
ITEMS D
(Receive and File)

RESOLUTIONS & ORDINANCES
ITEMS G

REGULAR CALENDAR
ITEMS H
(Action Items)

AGENDA	BOARD WORKSHOP AGENDA 04.12.16
C-1.	Presentation by HTGroup Re: RCSD Five-Year Fiscal Plan
C-2.	Specific Recommendations Based on the RCSD Five Year Fiscal Plan
C	
D	
E	
F	
G	
H	
I	
J	
K	
L	
M	
O	
P	
Q	
R	
S	
T	
U	
V	
Y	
Z	

**AGENDA
BOARD OF DIRECTORS
ROSSMOOR COMMUNITY SERVICES DISTRICT**

Board Workshop

RUSH PARK AUDITORIUM
3021 Blume Drive
Rossmoor, California

Tuesday, April 12, 2016

5:00 p.m.

This agenda contains a brief description of each item to be considered. Except as provided by law; no action shall be taken on any item not appearing in the agenda. To speak on an item, complete a Speaker Request Form(s) identifying the item(s) and topic and deposit it in the speaker request box. To speak on a matter not appearing in the agenda, but under the jurisdiction of the Board of Directors, you may do so during Public Comments at the beginning of the meeting. Speaker request forms must be deposited prior to the beginning of Public Comments. When addressing the Board, it is requested that you state your name for the record. Address the Board as a whole through the President. Comments to individual Directors or staff are not permitted. Speakers are limited to three (3) minutes per item with nine (9) minutes cumulative for the entire meeting. Supporting documentation is available for review in the Rush Park main office, 3001 Blume Drive, Rossmoor, 90720—9:00 am - 5:00 pm, Monday-Friday. The Agenda is available online at: <http://www.rossmoor-csd.org>. Meetings are broadcast live on LATV-3 and may also be viewed on Vimeo.com or on our website at <http://www.rossmoor-csd.org>.

A. ORGANIZATION

1. CALL TO ORDER: 5:00 p.m.
2. ROLL CALL: Directors Burgess, Casey, Kahlert, Maynard
President DeMarco

B. PUBLIC FORUM

Any person may address the Board of Directors at this time upon any subject within the jurisdiction of the Rossmoor Community Services District; however, any matter that requires action may be referred to Staff at the discretion of the Board for a report and action at a subsequent Board meeting.

C. REGULAR AGENDA

1. PRESENTATION BY HTGroup RE: RCSD FIVE-YEAR FISCAL PLAN.
2. SPECIFIC RECOMMENDATIONS BASED ON THE RCSD FIVE-FISCAL PLAN.

D. ADJOURNMENT

It is the intention of the Rossmoor Community Services District to comply with the Americans With Disabilities Act (ADA) in all respects. If, as an attendee or a participant at this meeting, you will need special assistance beyond what is normally provided, the District will attempt to accommodate you in every reasonable manner. Please contact the District Office at (562) 430-3707 at least forty-eight (48) hours prior to the meeting to inform us of your particular needs and to determine if accommodation is feasible. Please advise us at that time if you will need accommodations to attend or participate in meetings on a regular basis.

CERTIFICATION OF POSTING

I hereby certify that the attached Agenda for the April 12, 2016, 5:00 p.m. Workshop Meeting of the Board of Directors of the Rossmoor Community Services District was posted at least 24 hours prior to the time of the meeting.

ATTEST:



JAMES D. RUTH
General Manger

Date April 4, 2016

ROSSMOOR COMMUNITY SERVICES DISTRICT

AGENDA ITEM C-1

Date: April 12, 2016
To: Honorable Board of Directors
From: General Manager
Subject: BOARD WORK SHOP FOR DISCUSSION OF THE RCSD FIVE-YEAR FISCAL PLAN

RECOMMENDATION:

Receive the presentation of HTGroup on the District's Five-Year Fiscal Plan and provide guidance on the preparation of the FY 2016-2017 Preliminary Budget.

BACKGROUND:

The Budget Committee met on February 25, 2016 and reviewed the RCSD Five-Year Fiscal Plan presented by staff. The Committee voted to recommend that a workshop be scheduled by the Board to discuss the elements of the Plan. At their March 8, 2016 meeting, the Board voted to conduct the workshop prior to the April Board meeting. Such review by the Board is intended provide staff with guidance on the development of the FY 2016-2017 Preliminary Budget which is scheduled to begin in the near future.

ATTACHMENTS:

1. Updated RCSD Five-Year Fiscal Plan (March 15, 2016).
2. Additional Presentation Graphs.
3. Budget Committee Agenda Item C-2 dated February 25, 2016 re: Discussion with General Manager re: RCSD Five-Year Fiscal Plan.

HTGROUP, LLC
MANAGEMENT CONSULTING
239 Campo Drive
Long Beach, CA 90803

March 15, 2016

Mr. James D. Ruth, General Manager
Rossmoor Community Services District
3001 Blume Drive
Rossmoor CA, 90720

Dear Mr. Ruth:

HTGroup, LLC is pleased to transmit our updated Five-Year Fiscal Plan. This analysis has found that the Rossmoor Community Services District is currently in a sound financial position. The future, however, portends diminishing reserve levels if future budgets continue to be balanced with reserves and other one-time resources. It is therefore highly recommended that the District establish fiscal controls to evaluate future spending levels or identify other revenue sources in order to maintain a prudent reserve.

This analysis was based on audited numbers for the years 2010-2015. Projections are based on a trend analysis of the last five years, along with other economic factors affecting the District's revenue and spending history. It should be kept in mind that as new information becomes available during each of the next five years, that the analysis be updated for actual performance.

Thank you for the opportunity to serve the Rossmoor Community Services District. I am available at your convenience to respond to any questions.

Sincerely,



Henry Taboada
Principal

**HTGROUP
MANAGEMENT CONSULTING**

RCDS FIVE-YEAR FISCAL PLAN

I. INTRODUCTION

HTGroup has been tasked by the District's General Manager to develop a five-year fiscal plan. The purpose of the plan is to provide the Board and staff with a blueprint for its future fiscal resources and its timely completion of stated objectives. As with all plans, there are certain assumptions which will influence the results of the study. These will be examined in greater detail later on in this study.

II. HISTORICAL PERSPECTIVE

The Rossmoor Community Services District (District) has been providing an array of municipal services to the Rossmoor community since 1986. The District was formed from what had been a Community Service Area No. 21 (CSA) of the County of Orange. The CSA was established to provide the residents of West Orange County with a field office for certain services with a goal of being a community resource and avoiding a need for residents to travel to County offices in Santa Ana for every service need.

In 1986, the Rossmoor community voted to create a Community Services District (CSD) to better serve the Rossmoor community. The CSD was established as a governmental entity with an elected Board of Directors and a staff to provide direct services such as parks, recreation, street sweeping and street lighting. The CSD continues today with an ever increasing scope of direct and indirect responsibilities.

Direct services are defined in Policy No. 1015 Mission and Jurisdiction. Indirect services are those initiatives which are generated by the public's request for assistance with issues outside the jurisdiction of the District. In these instances, the District acts as a conduit for the public and those agencies which

are directly responsible for those services. Examples are matters dealing with traffic, animal control, refuse and other issues which are brought to the attention of the District.

III. OVERVIEW OF DISTRICT FISCAL RESOURCES/COSTS

The District relies primarily on Rossmoor's share of property tax which is derived from a County formula for distribution to all tax sharing agencies. In addition, the District receives a share of the Street Lighting Assessment funds which are collected by the County on individual property tax assessments. These funds are used to pay for the operation of the District in what is termed its General Fund 10. Other less significant revenues are derived from investment of idle funds and the rental of facilities.

Other District Funds are designated for Capital Improvements (Fund 40), debt service for the bonds for Rush Park (Fund 20) and debt service for the reconstruction of the Rossmoor Wall (Fund 30 closed out February 1, 2016). The CIP Fund has no dedicated revenue source and must rely on the transfer of funds from the General Fund, and occasionally, on grant funds. The remaining debt service fund (20) derives its debt service payments from assessments collected from Rossmoor residents as a part of their respective semi-annual property tax bill.

Since its inception, the District has received sufficient funding to pay for a major portion of its total General Fund operation, carry out a fiscally managed capital program, maintain a healthy reserve and conduct its overall mission in a fiscally responsible manner. The purpose of this five-year plan is to provide the Board with a fiscal perspective for the future. This plan is needed, in large part, to the near term payoff of its two debt service funds and the exhaustion of its windfall opportunities.

The District receives a majority of its property tax and lighting assessment funds in the months of December and April. It has therefore had to use pooled cash from all funds to pay for the cost of services which are basically spread more evenly on a twelve-month basis. This use of pooled cash will become

problematic once the debt service funds no longer provide cash for the leveling of service costs. Fund 30 is now scheduled for retirement of its Certificates of Participation (COPs) in March of this fiscal year. Fund 20 will likely complete its debt payment schedule within the timeframe of this plan.

The only other cash available for the payment of future service costs will be the District's reserves which are currently sizeable. Reserves and other pooled cash are invested, primarily in the Local Agency Investment Fund (LAIF); a State agency that acts as an investment vehicle for a large number of agencies throughout California. LAIF is a secure and liquid investment, but at the present time is paying very little interest. It does, however, provide a readily available source of cash with no penalty for periodic withdrawals. However, as the monetary climate improves and interest rates rise, there will likely be other investment opportunities which may not be as flexible as LAIF. The District will have to evaluate its ongoing investment strategy as a function of its General Fund 10's ongoing revenue/expense requirements.

IV. SPECIFIC FISCAL COMPONENTS

A. PROPERTY TAXES

Property taxes account for approximately 60% of the District's revenue. Therefore in order to develop a financial plan, certain assumptions regarding this revenue source must be inserted into the plan. First and foremost, it is critical that the County housing market be examined in terms of housing turnover. Since property tax increases on individual properties are pegged at 2% per year, the only other increases come about by the turnover or remodeling of residential properties. This is when a property is reassessed for current market value.

Property taxes are collected and pooled on a County-wide basis. The total amount collected is then redistributed by formula to all tax collecting agencies in the County. While the number of residential properties which are resold and/or reconstructed in

Rossmoor will have a significant bearing on future available resources, it is the County housing market that determines actual tax revenue to the District. While the overall economy is experiencing a more robust growth, most of this expansion is based on sales taxes, utility taxes and other taxes which only accrue to cities and counties. Past trends indicate a range of 1-5% with an average of 3.72%. It must be assumed, however, property tax revenue will continue to track at the high end of the current rate at about 5%.

B. LIGHTING DISTRICT ASSESSMENTS

The second largest District revenue is derived from its share of lighting assessment fees collected by the County. In the early 1970's lighting assessment districts throughout the County were consolidated into a combined district. Revenues were then reapportioned back to communities by formula much like property taxes. This revenue source accounts for approximately 21% of the District's revenue. The growth rate of assessment revenue has been in the range of 1-6% with an average of 3.7% for the past five years. It must be assumed, however, that like Property Tax, this trend will also continue to track at about 5%.

C. COST OF SERVICES

The cost of providing services to the community must be measured as a counterpoint to available revenue. Due to past economic trends, the cost of services has more or less been within the means of the District's annual revenue. What is changed, however, is the current tendency to take on initiatives which are outside the District's scope of responsibility. This is not a criticism, rather it is a reality brought about by issues affecting the community which are more regional rather than local.

A prime example has been the involvement of the District in two major I-405 improvement projects which have caused considerable concern to Rossmoor residents regarding increased noise, traffic and air pollution resulting from the increasing

capacity of the freeway system which borders the southern and western boundary of Rossmoor. Since the District has no seat or local representation on the Orange County Transportation Authority (OCTA) or Caltrans, the District has had to utilize its own resources to make the community's views known to decision makers.

The District has also had to employ its resources regarding the problem of coyotes which have caused grave concerns for residents whose pets have been killed or injured by coyotes. Again, the District has no direct responsibility for animal control services, but its resources have been tasked with providing a voice for the community in meeting this challenge.

Other major issues such as dealing with the current drought, the Winter Festival, the Rossmoor security camera project, the Montecito Rd. lighting issue, and the Gas Co. proposed antenna installation and other lesser issues have all had an impact on the District's resources. It is unlikely that these types of issues will diminish in the future.

Nonetheless, these issues have created an expectation that the District should assume a greater role in representing the community in these external matters. The community, however, seems somewhat disinclined at this time to assume additional responsibilities such as law enforcement, animal care and refuse collection by utilizing what is termed latent powers based on obtaining approval from the Orange County Local Agency Formation Commission (LAFCO).

While external issues arise and dissipate, there is currently no overriding concern which would lead the District to pursue the cost for assuming additional on-going responsibilities. It must therefore be assumed that this will be a prevailing sentiment until, and if, an issue of major community importance emerges.

D. SALARIES AND BENEFITS

As with most governmental agencies, employee costs are a major expense item. The Districts' total budgeted expenditure for this line item in 2015 is budgeted at \$488,951 or 39.1% of total budget (estimate is based on midyear adjusted figures). The average five-year cost is estimated at approximately 40% of total expenses. This figure is much lower than most public agencies.

This is primarily due to the fact that the District does not offer retirement benefits; but if it did, this cost would probably be in the range of 60%. Since employee salaries have only increased by the cost of living (CPI) for the last five years, it is assumed that these costs will increase at least at the CPI level during the next five years. This, of course also assumes that no additional staff will be added and that also a retirement benefit will not be implemented within this timeframe. However, future staffing changes based on the number of employees and corresponding position classifications could influence projected expenses.

E. NET REVENUE/EXPENSES

Budgeted expenses have exceeded budgeted revenue in years 2010-2015. Since 2010, expenses have exceeded revenue by \$151,174 or an average of \$25,196. In each of these years, Fund 10 has relied on the use of reserves, Fund transfers and revenue windfalls in order to balance at year end.

It must be noted that while budgets are balanced with the use of these resources, fund transfers and the use of reserves actually fall to the bottom line from an audit perspective. Thus, it is factual to state that expenses have exceeded revenues in each of the last five years.

Windfalls have primarily come from Fund transfers from Fund 20 which will cease during the 2016-2020 reporting period. Therefore, the trend of budgeted expenses exceeding budgeted revenue is expected to continue unless a conscious decision is made to review new unbudgeted expenses with respect to their

impact on reserves or initiation of a corresponding offset of other expenses.

F. RESERVES

As previously stated, reserves have served as a means of balancing annual year-end budgets. Continuation of the current trend of negative net revenue over expenses will have a negative impact on future reserves, as well. It should be noted again that while Fund transfers are a part of budgeted expenses; these transfers actually fall to the bottom line as a part of year-end Fund 10 balance and should not be viewed as ongoing revenue.

V. FISCAL TREND ANALYSIS

A fiscal trend analysis is a tool which measures past performance trends as a starting point for predicting future performance of fiscal measures. This analysis depicts revenues, expenses and reserves (fund balance) for Fund 10, the operating budget for the Rossmoor Community Services District. This trend analysis covers the years 2010 through 2015 and is based primarily on audited numbers and to a much lesser degree, budget figures for 2015. In the case of reserves, the beginning point is year 2009 which saw a major reduction in reserves due to a large transfer out of \$238,677 to Fund 40 for capital projects. Further, a reserve balance figure of \$1,206,845 for 2006 is included to demonstrate the decline of reserves since that date.

It should be noted again that Fund 40 was created to account for capital project expenditures. However, Fund 40 has no revenue sources other than grants which have been unavailable during this reporting period and also transfers in from Fund 10 reserves. Thus, there has been a correlation between reserve balances and Fund 40 expenditures.

A. FUND 10 REVENUE

Revenues for Fund 10 are derived primarily from property tax and lighting assessment transfers from the County of Orange (81%). Other minor revenues are generated by fees and charges for field and building rentals and event permits. As a result, the District's revenues are highly influenced by economic factors related to the purchase and sale of residential property. Rossmoor has little commercial property, so this is not a relevant factor.

During the recession years 2008 through 2013, property tax revenue increase was insignificant, based almost entirely on the 2% annual increase authorized by Proposition 13. Reconstruction and purchases of property in those years were significantly depressed in comparison to the pre-recession years. However, the authorized 2% annual assessment increase did provide for annual revenue increases, albeit, a modest one. Lighting assessment revenue did increase in 2010-2015 and contributed to the overall stability of the revenue stream.

A major factor in the increase in revenue in those years was the transfer of annual administrative fees of \$20,000 from the Fund 20 Rush Park Bond fund balance. These fees were available to the District since the inception of Fund 20, but not collected by the District until 2011. Moreover, in 2013, the District recovered back administrative fees of \$140,000. Also in 2014, \$17,500 was transferred back from Fund 40 to Fund 10. Each of these anomalies distorted the trend for revenue, but these and other lesser amounts were major factors in balancing budgets in the 2010-2015 timeframe.

So while Fund 10 revenue indicates continued growth since 2010, the variables involved make it somewhat complicated, but not impossible to accurately predict future performance. It should also be noted that that Fund 20's debt is scheduled to be paid off in 2021 (or sooner based on reserve balances in that fund). Moreover, the \$20,000 in annual administrative fees will no longer accrue to Fund 10. However, the improvement in the

economy has created a new influx of property sales and increased home improvements. This has created a more robust property tax revenue stream for the County, but it remains to be seen how this translates into future District revenue.

The current Fed rate has recently been increased by 25 basis points (0.25%). Future Fed rate adjustments, when and if they occur, will likely only have a minuscule positive effect on investment revenue which has been near zero since 2008. Whatever the interest rate, the District will have lesser amounts to invest; thus offsetting a portion of interest rate increases. Revenue from other sources such as permits for facility rentals, street sweeping reimbursement and miscellaneous revenue is projected to remain stable.

Table A depicts the 2010-2015 revenue trends which can be termed erratic. Beginning in 2010, revenue increased from \$1,110,242 to a 2015 revenue figure of \$1,303,092 or an overall increase of \$192,850. This equates to a total increase of 17.4% or a \$38,570 average annual increase. However, based on the average of the last three years (5.3%), it is estimated that overall revenue will increase at about 5%, annually.

As a subset, **Table B** depicts the changes in property tax revenue. The five-year increase amounts to \$123,948 or an annual average of 3.72%. As the major revenue source, property tax revenue tracks total revenue. However, based on the average of the last three years (5.05%), it is estimated that property tax revenue will increase at about 5.2%, annually.

Another subset, **Table C** depicts the changes in lighting assessment revenue. The second largest revenue source (21%) amounts to a five-year increase of \$43,000 or an annual average of 3.7%. Based on this trend, it is estimated that lighting assessment revenue will track property tax revenue and continue to increase at about 5.02% annually.

B. FUND 10 EXPENDITURES

Budgeted Fund 10 expenditures, like revenues, have continued to increase in each of the 2010-2015 years. This increase amounts to \$203,186 or an average of 3.66%. Annual expenses have exceeded budgeted revenues in each year of the reporting period. This can mostly be attributed to unbudgeted expenses. In each case, reserves, Fund transfers and windfalls were used to balance the annual budget at year end. It is estimated that expenses will continue to increase at about 5.2% annually. This increase is primarily based on the significant increases in employee costs (see Table E) and legal fees in 2014. In 2015, however, a substantial decrease occurred due primarily to a dramatic savings in the cost of water resulting from mandated conservation. The latter **element** accounts for a balanced budget in the FY 2015-2016 Adjusted Budget. **Table D** depicts the progression of expenses to date.

As a subset of Table D, **Table E** depicts the increase in employee salaries and benefits. The 2010-2015 total increase is \$232,933 or 72% for an annual average of \$46,599 or 14.39%. The increase is attributed to an increase in staffing with corresponding salaries and benefits. These will likely continue to escalate at least by the annual CPI and increasing medical plan benefits.

C. NET REVENUE/EXPENSES

Relative to revenue, expenses have increased by \$151,174 during the five-year reporting period with an average increase of \$25,196 per year. Revenue increased at a lower percentage (3.47%) than expenses (3.66%). As previously noted, Fund 10 relied on the use of reserves and/or windfalls in order to balance at year end. This trend is likely to continue unless a policy decision is enacted to that requires a review of unbudgeted expenses with respect to their impact on reserves. **Table F** depicts the 2010-2015 trends for net revenue/expenses.

Appendix A depicts the annual net revenue/expenses which range from \$1,538 in 2010 to \$54,850 in 2012 for a running total of \$151,174. The annual variances can mostly be attributed to fluctuations in transfers in and transfers out of monies between Funds, but also to significant fluctuations in costs and savings during the last two years.

D. RESERVES

Unless future projects or new initiatives are folded into adopted budgets, the District's current trend on spending could deplete reserves if costs are not constrained or if additional revenue is not identified. The likelihood of additional revenue is speculative, at best. Therefore, it seems prudent that a reserve threshold above the "rainy day" amount of \$250,000 be established by the Board. That amount would serve as a floor for managing expenses against a fixed target. Otherwise, there will be a tendency to add more staff, projects or programs on a just one-more-time basis. For purposes of the Projections, which follow, an amount of \$500,000 is recommended as a lower threshold for future use of reserves.

The District has prided itself on maintaining a healthy reserve. In 2006, reserves closed at \$1,206,845. Since that time, reserve levels have decreased in most years. This trend would have continued downward were it not for the transfer of administrative funds from Fund 20. It should be noted again that future annual transfers of \$20,000 to Fund 10 will terminate when the Fund 20 debt is paid off. It is currently scheduled to be retired in 2021, but will likely be retired sooner based on Fund 20 reserves. For purposes of this analysis, it will be assumed that the Board will give attention to establishing a protocol for taking on new initiatives after adoption of the annual budget and will set a threshold for future use of reserves.

Further, it must be restated that the current status of the District's reserves has been highly influenced by what can be termed, "windfalls". Since 2006, funds have been identified that were available to the District, but not utilized. Examples were

uncollected State grant funds, Rush Park Improvement Fund (Fund 20), uncollected administrative fees (Fund 20), excess reserve funds (Fund 20), etc. all of which have basically been exhausted and not available for future initiatives and projects. Therefore, reserve amounts will need to be examined again if the Board determines a protocol for the management of the District's reserves.

Table G depicts reserve levels for years 2010-2015. The Table also depicts annual Fund transfers as modifiers of annual reserve balances.

E. CAPITAL IMPROVEMENT PROGRAM (CIP)

Since 2006, the District has enjoyed a robust CIP. As previously stated, this was possible by the utilization of reserves and use of windfalls available, but not previously used by the District. As part of a projected five-year fiscal plan, thought must be given to the manner and method of funding future capital projects. Minor projects of less than \$5,000 should continue to be funded within the District's Fund 10 operating budget.

Major capital projects such as the Rush Park parking lot reconstruction will likely require debt financing. Debt service could be set up as a separate fund much like the Rossmoor Wall and the Rush Park bond. Further, grant funding should be actively pursued. Nonetheless, regular debt service payments would need to be factored into future budgets and the use of reserves would need to be reexamined, at least in the short-term of the debt service payment scheduled. Also reexamination of annual expenses should also need to be undertaken as another source of capital program funding.

Appendix B depicts the array of future capital needs and estimated costs currently identified. Revenue for these projects is undetermined at this time. Fund 40 has a current fund balance of approximately \$2,372 which will likely be exhausted by the end of this fiscal year.

VI. FIVE-FISCAL YEAR PROJECTIONS

The tables and analyses which follow are primarily based on historical trends. From these trends, projections are forecast based on best estimates and current economic trends as identified in this document.

Table H is a graphic representation of General Fund revenues for the next five-fiscal years (July-June). This projection is primarily based on trend analyses depicted in Tables A-C, but also on other factors discussed herein.

Table I is a graphic representation of projected General Fund Expenses for the next five-fiscal years. This projection is also primarily based on a trend analyses as depicted in Tables D-E, but also other factors discussed herein.

Table J is a graphic representation of projected General Fund net revenue/expenses for the next five-fiscal years. This projection is based on the assumptions depicted in Tables A and D.

Table K is a graphic representation of projected reserve balances based primarily on future projected revenues and expenses as depicted in Tables H and I, above. These figures should set into motion an examination of a reserve threshold apart from the current "rainy day" level of \$250,000.

VII. SUMMARY AND CONCLUSION

What is abundantly clear is that the District has enjoyed an extended period of time where there has been sufficient funds to maintain services, programs, staffing and capital improvements. Future revenue, however, will see reductions based on the lack of windfall opportunities and the loss of transfers from Fund 20. There will likely be some revenue increases from property tax increases due to a more robust housing environment, keeping in mind that a visible increase in Rossmoor's housing sales and reconstruction is tied to the overall housing revenues for the entire County. Adjustments to the federal interest rate will offer

minor investment opportunities. The latter, however, will be limited by the reduction in available funds for investment.

Expenses will continue to increase, hopefully, at a decreasing rate. This will be necessary if the District desires to maintain an adequate reserve. This will require a conscious effort to limit unbudgeted expenses in order for the District to live within its means. This will require a limitation on new initiatives, particularly those which are not the specific responsibility of the District.

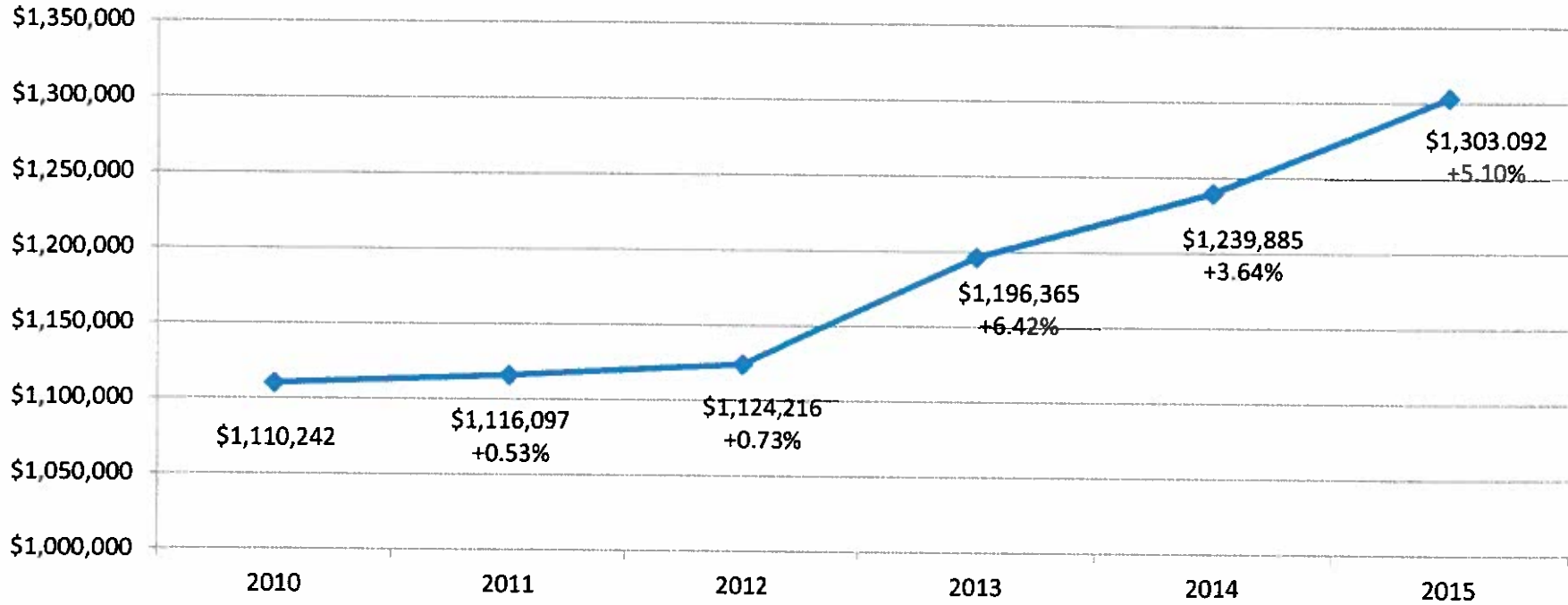
Moreover, it is imperative that an upper limit be established for the District's reserve level and that attention to spending decisions which impact reserves are limited to required rather than discretionary actions. It is also essential that the future capital program be continuously evaluated especially with regard to the potential cost of debt financing for major projects such as the Rush Park parking lot. It should also be noted that the only other available capital funds are dedicated to future repair of the Rossmoor Wall. While the Board has decided to limit the use of those Fund 30 reserves for the Wall, it does, however, have the legal authority to use those funds, by resolution, for any legal purpose of the District.

HTGroup is appreciative of the opportunity to prepare this analysis and also acknowledges the valuable assistance of the General Manager and staff with its preparation.

Updated on March 15, 2015

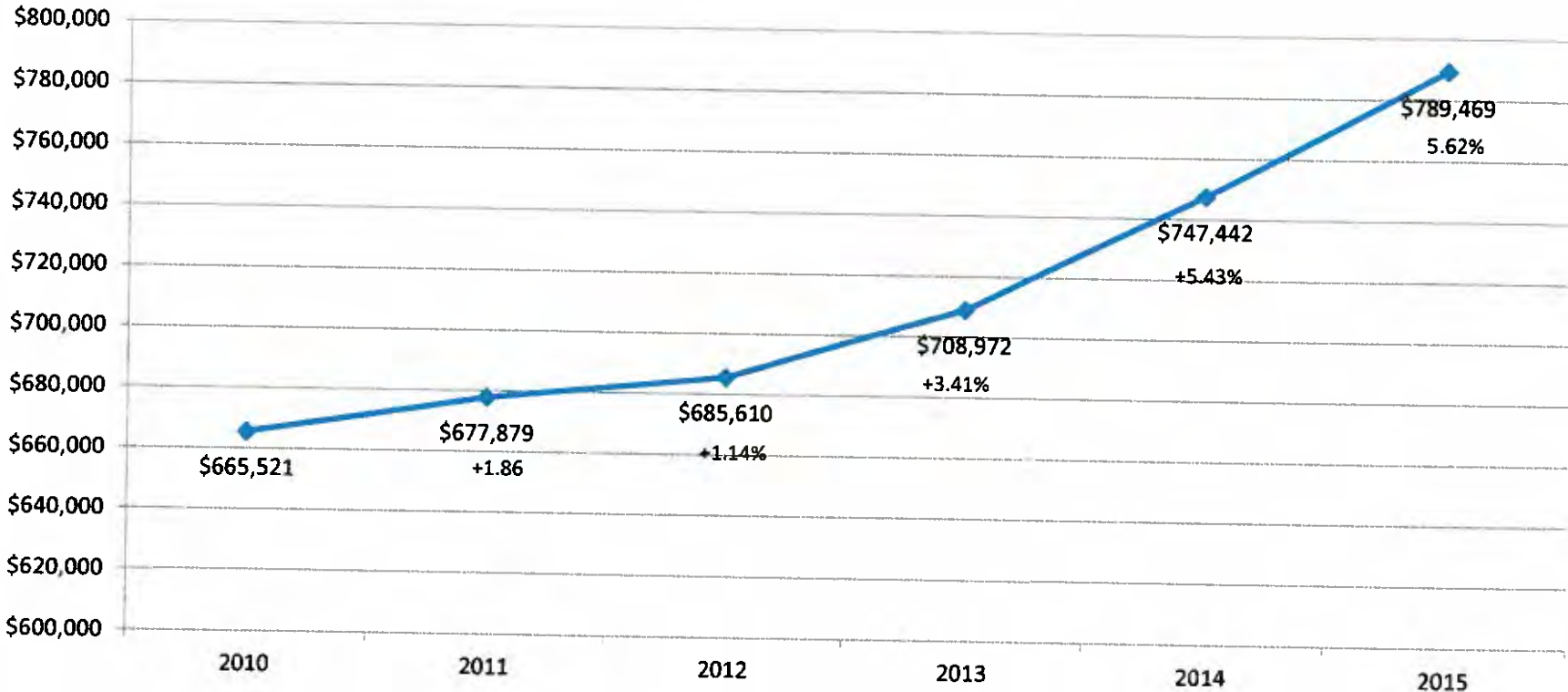
TABLES

Table A
2010-2015 Revenue



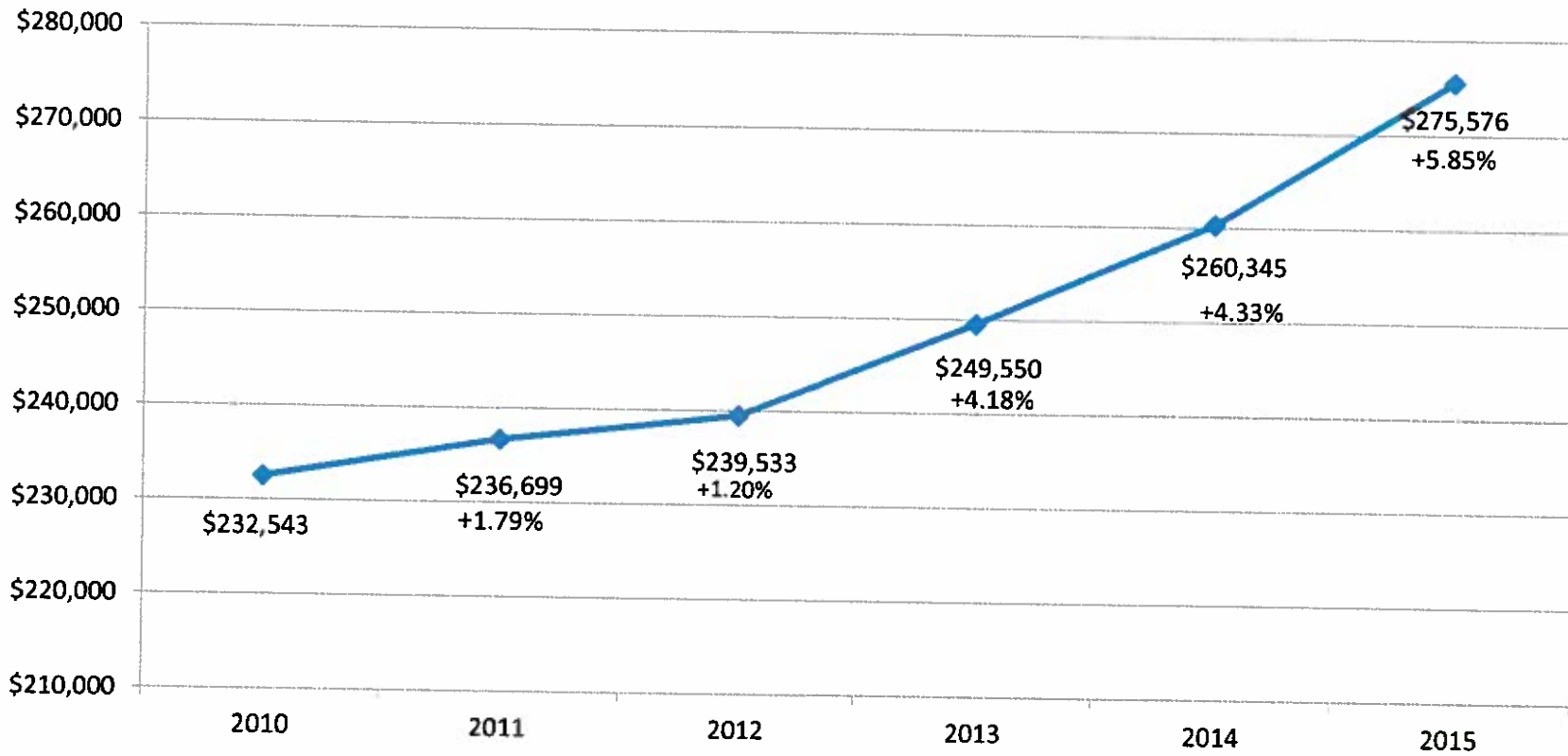
Total Increase \$192,850 - 17.4%
Average Annual Increase \$38,570 - 3.47%

Table B
2010-2015 Property Tax



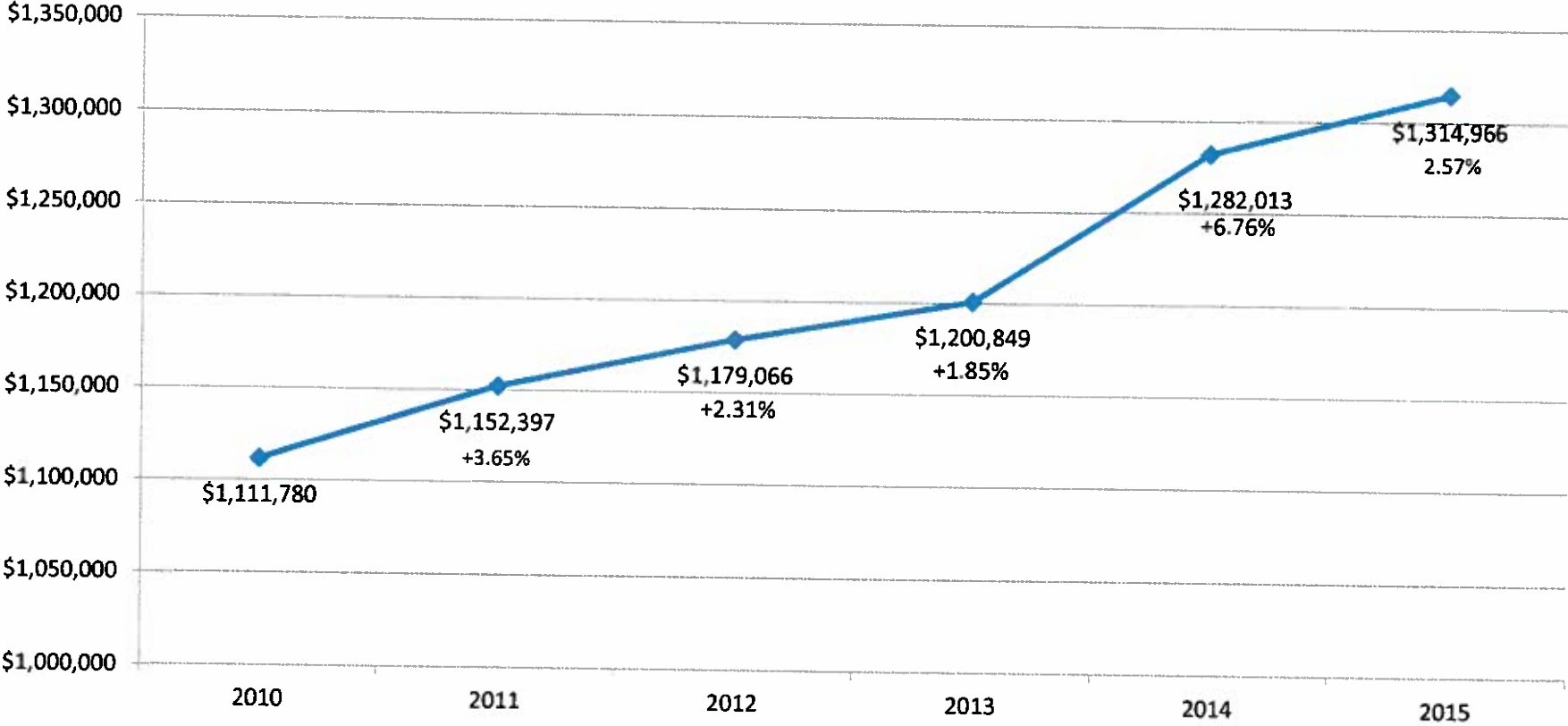
Total Increase 123,948- 18.6%
Average Annual Increase \$24,790 - 3.72%

Table C
2010-2015 Lighting Assessments



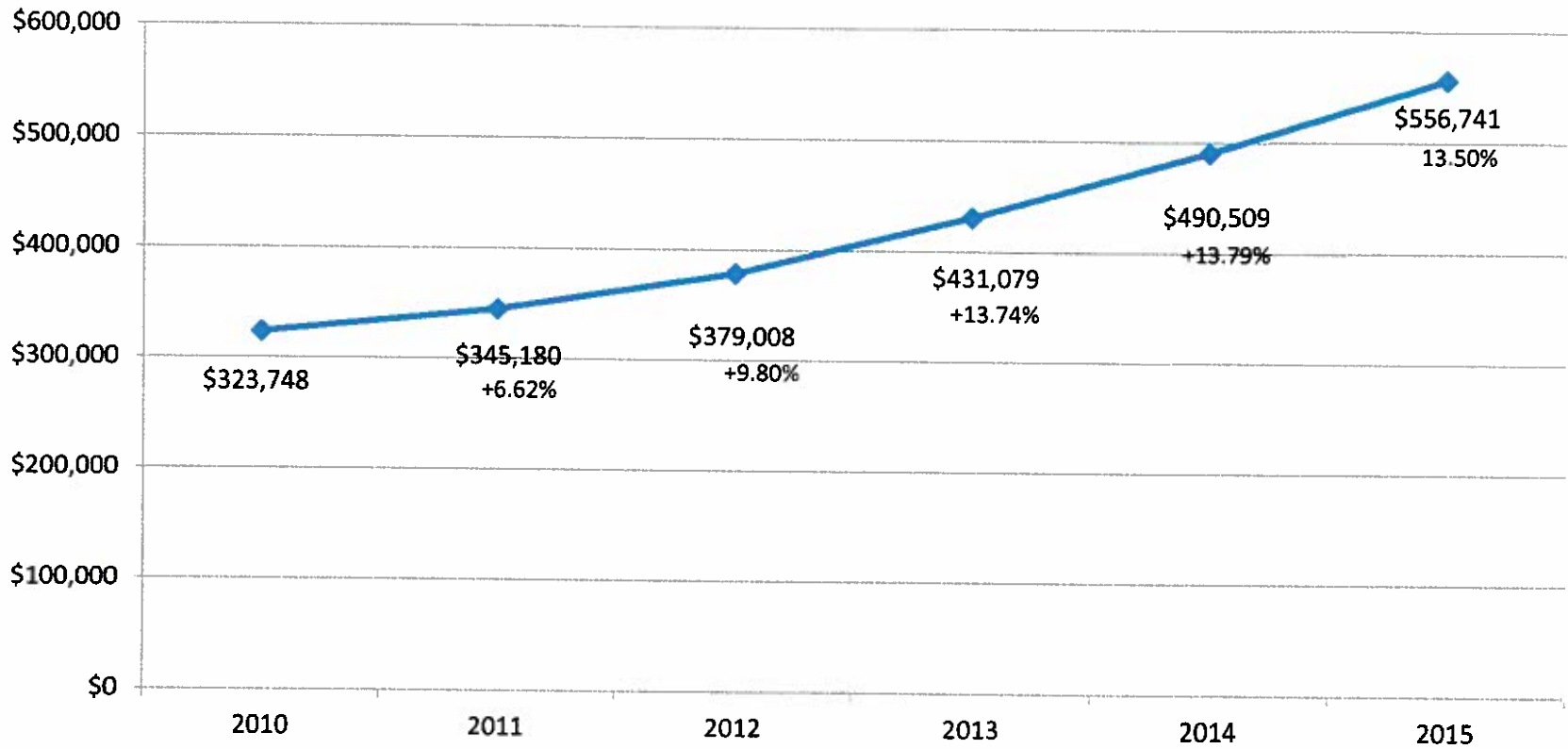
Total Increase \$43,033 +18.5%
Average Annual Increase \$8,607 +3.70%

Table D
2010-2015 Total Expenses



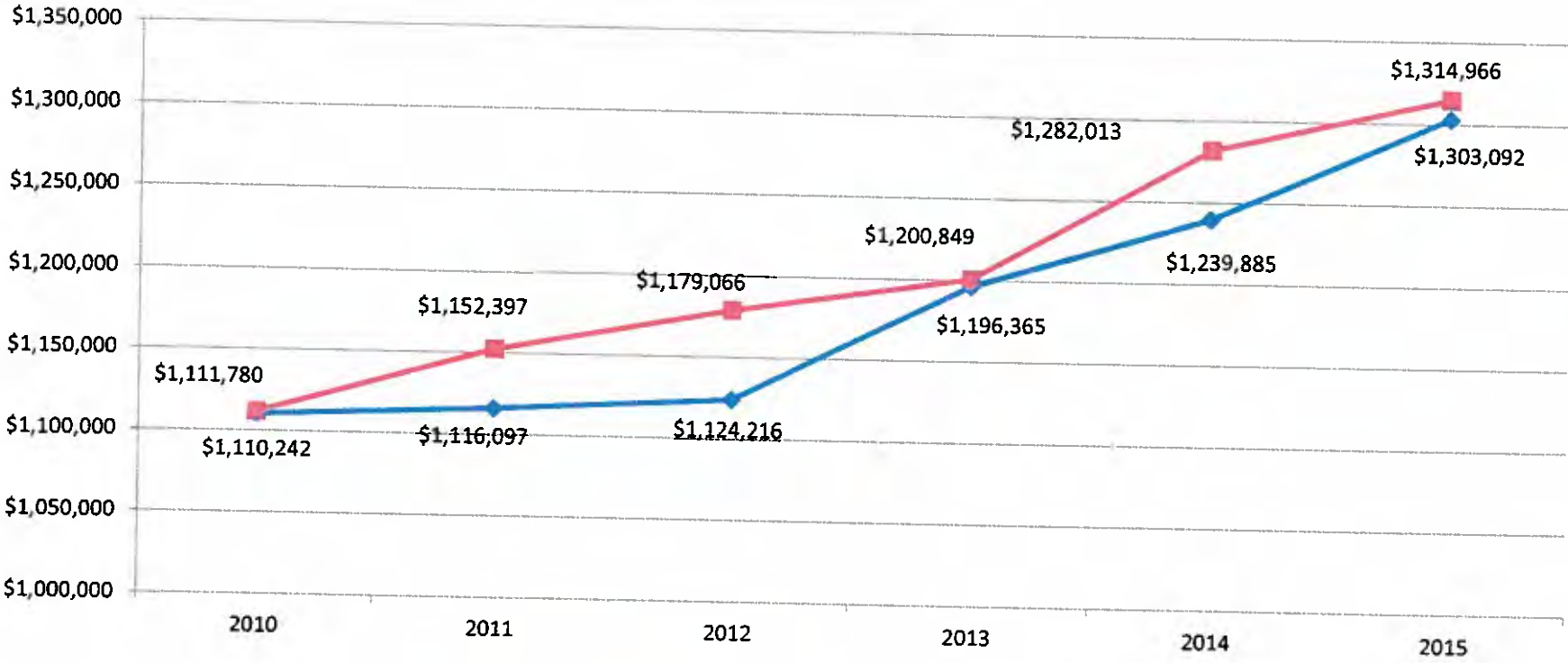
Total Increase - \$203,186 18.3%
Average Annual Increase \$40,637 3.66%

Table E
Salaries and Benefits



Total Increase \$232,933 +72.0%
Average Annual Increase \$46,599 +14.39%

**Table F
Total Revenues vs Expenses 2010 - 2015**



**Total Expenses over Revenue from 2010 through 2015 \$151,174
Average Expenses \$25,196 over Revenue per year**

◆ Revenues ■ Expenses

TABLE G
2010-2015 FUND 10 RESERVES

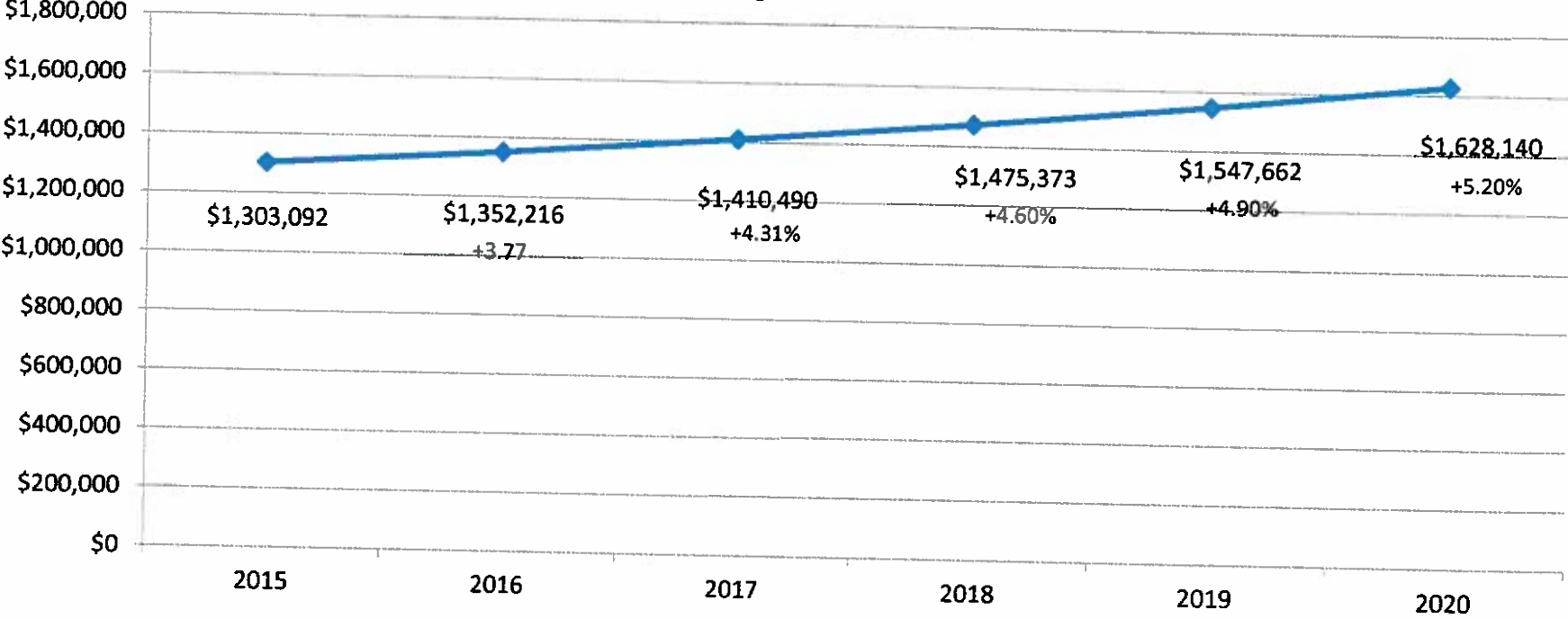
2006	\$1,206,845	HTGroup hired	\$0
2007	\$1,347,851	State grants *	\$317,699
2008	\$1,174,036	Transfer out to Fund 40	(\$170,601)
2009	\$981,858	Transfer out to Fund 40	(\$265,891)
2010	\$742,653	Transfer out to Fund 40	(\$238,667)
2011	\$726,348	Transfer in from Fund 20	\$20,000
2012	\$691,498	Transfer in from Fund 20	\$20,000
2013	\$827,014	Transfer in from Fund 20	\$140,000
2014	\$802,718	Transfer in from Fund 40	\$17,500
		Transfer in from Fund 20	\$20,000
2015	\$690,844	Transfer in from Fund 20	\$20,000
		Transfer out to Fund 40	(\$100,000)

* State grants reimbursement for capital projects which were paid for from Fund 10 in previous years, but accounted for in Fund 40.

Commencing in 2008, a total of \$775,159 was transferred out from Fund 10 reserves to Fund 40 for capital projects.

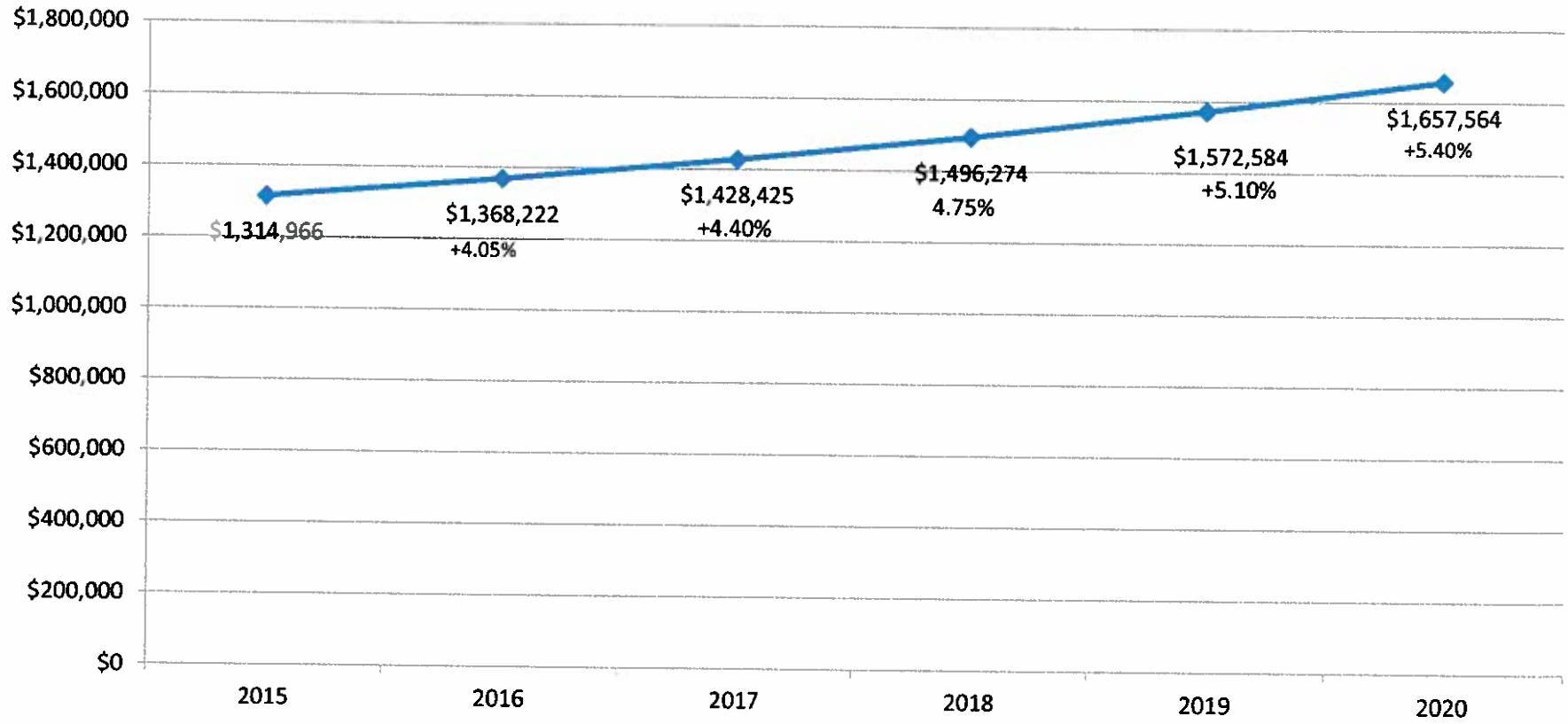
During the same period, a total of \$237,500 was transferred in from Fund 20 windfalls. The net reduction in Fund 10 reserves from fund transfers amounts to \$537,669.

Table H
2015-2020 Projected Revenue



Total Increase \$325,048 +24.9%
Average Annual Increase \$65,010 +4.99%

**Table I
2015-2020 Projected Expenses**



Total Increase - \$342,598 +26.1%
Average Annual Increase \$68,520 +5.21%

Table J
Projected Revenues vs Expenses 2015 - 2020

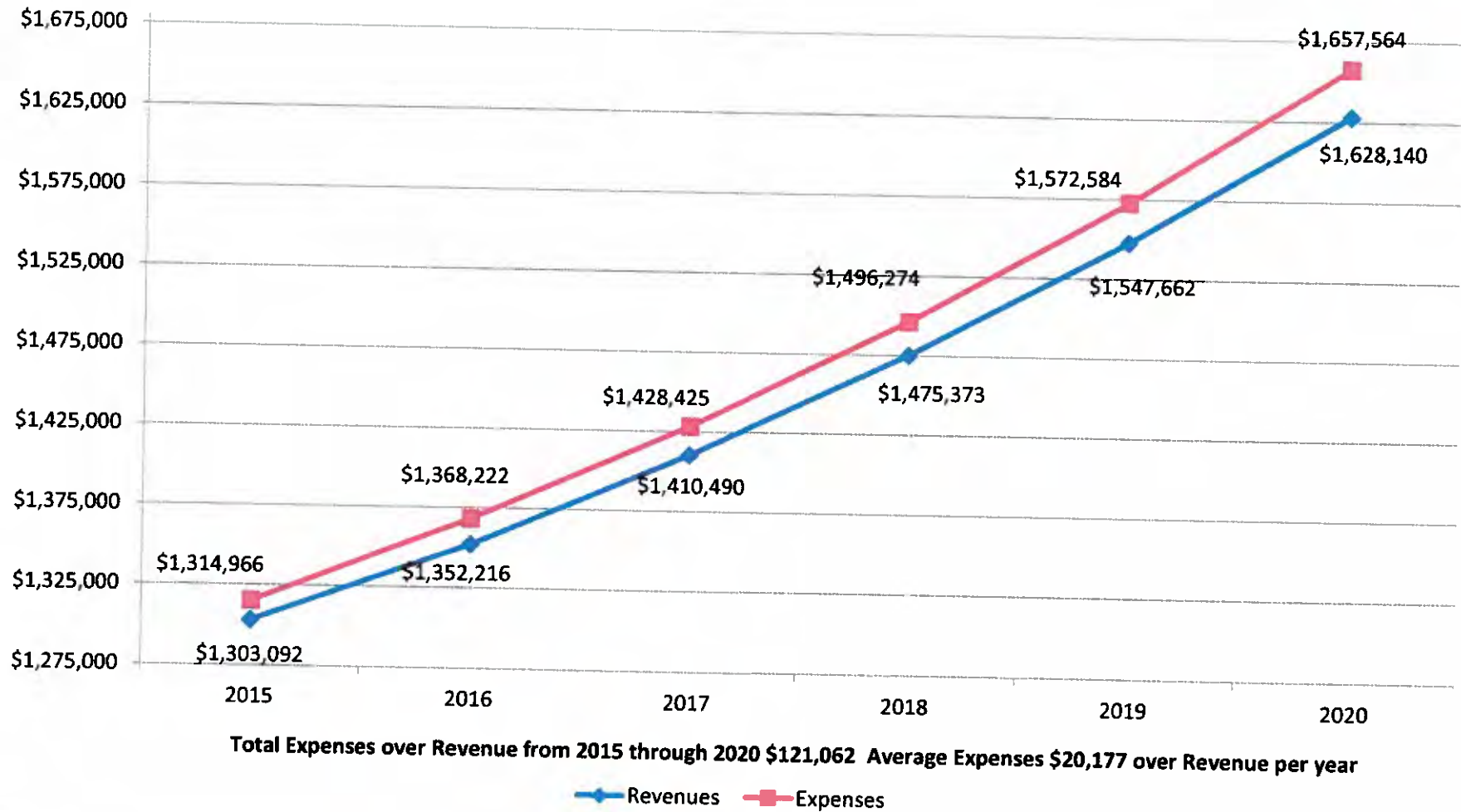


Table K
2015-2020 Projected Reserves

2015	(\$11,874)	\$690,844
2016	(\$16,006)	\$674,838
2017	(\$17,935)	\$656,903
2018	(\$20,901)	\$636,002
2019	(\$24,922)	\$611,080
2020	(\$29,424)	\$581,656

These Reserve levels are based solely on differences between projected revenues/expenses. Fund transfers and/or unanticipated windfalls may alter these projections

APPENDICIES

Appendix A
2010-2015 Net Revenue/Expenses

Year	Revenue	Expenses	Difference	Running Total
2010	\$1,110,242	\$1,111,780	(\$1,538)	(\$1,538)
2011	\$1,116,097	\$1,152,397	(\$36,300)	(\$37,838)
2012	\$1,124,216	\$1,179,066	(\$54,850)	(\$92,688)
2013	\$1,196,365	\$1,200,849	(\$4,484)	(\$97,172)
2014	\$1,239,885	\$1,282,013	(\$42,128)	(\$139,300)
2015	\$1,303,092	\$1,314,966	(\$11,874)	(\$151,174)

APPENDIX B
2015-2020 CAPITAL IMPROVEMENT PROGRAM

Following is a list of CIP projects identified for the next five years. Project costs are based on 2015 estimates and are subject to change based on the year the project actually commences. Total funding needed is not yet identified.

FACILITY	PROJECT	ESTIMATED COST
MONTECITO CENTER	REDESIGN COURTYARD	\$TBD
RUSH PARK	PARKING LOT TOTAL REPLACEMENT	\$300-500K
	PARKING LOT PARTIAL REPLACEMENT	\$19,000
	SOFTBALL FIELD NO.1 UPGRADE	\$40,000
	PLAY AREA CANOPY	\$11,375
	LED SECURITY LIGHTING	\$5,000
	AC POWER FOR MOVIES/CONCERTS	\$10,000
	HANDBALL COURT	\$11,000
	POUR & PLACE PLAYGROUND	\$5,000
	LIFE TRAIL UPGRADE	\$TBD
TRIANGLE GREEN SPACE	DRIP IRRIGATION DROUGHT TOLERANT VEGITATION	\$5,000

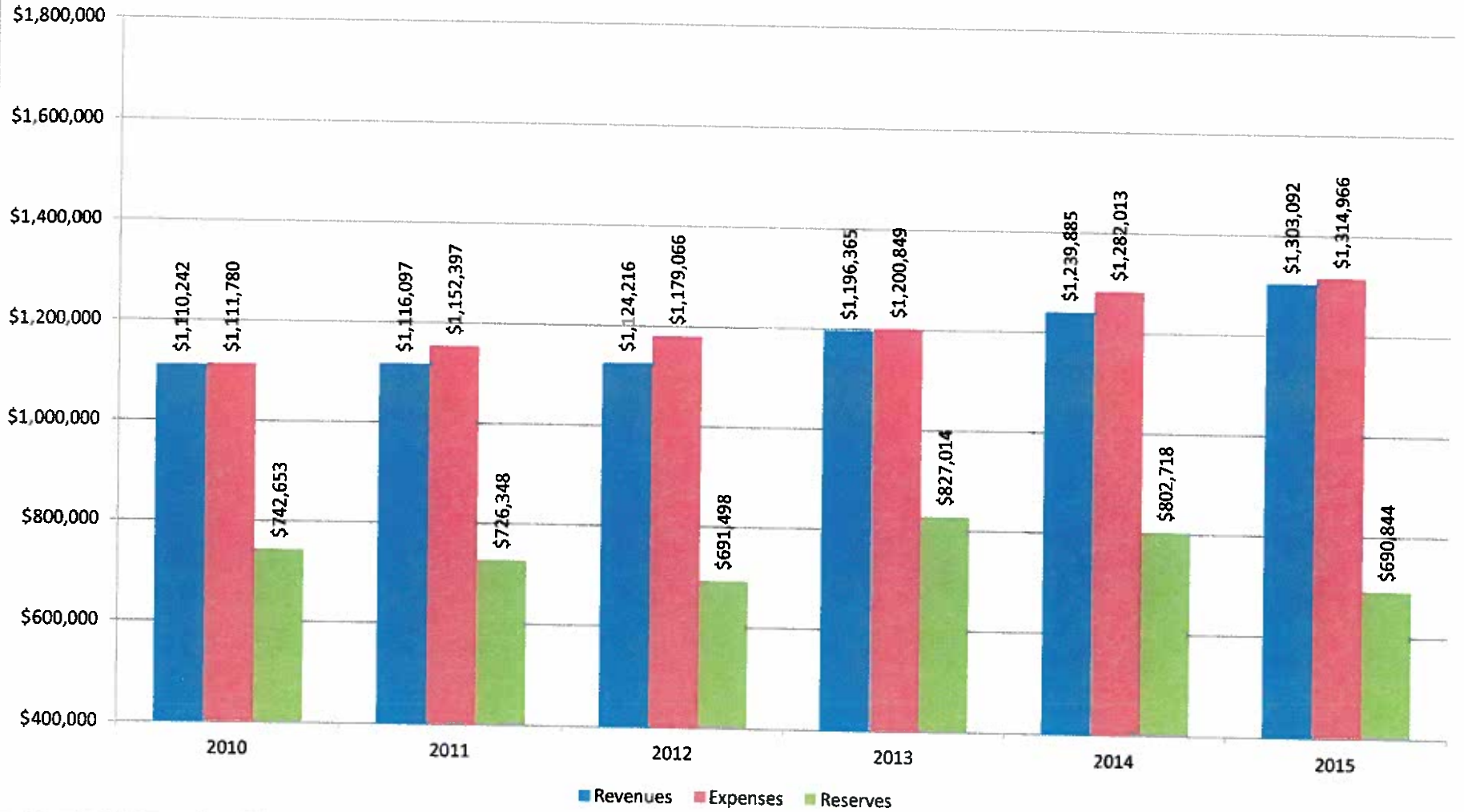
ROSSMOOR PARK	COMMUNITY CENTER CABINETS	\$11,266
	SHADE BENCH REPLACEMENT	\$5,000
	LED SECURITY LIGHTING	\$5,000
	POUR & PLACE PLAYGROUND	\$5,000
	RECREATION OFFICE UPGRADE	\$TBD

MISCELLANEOUS

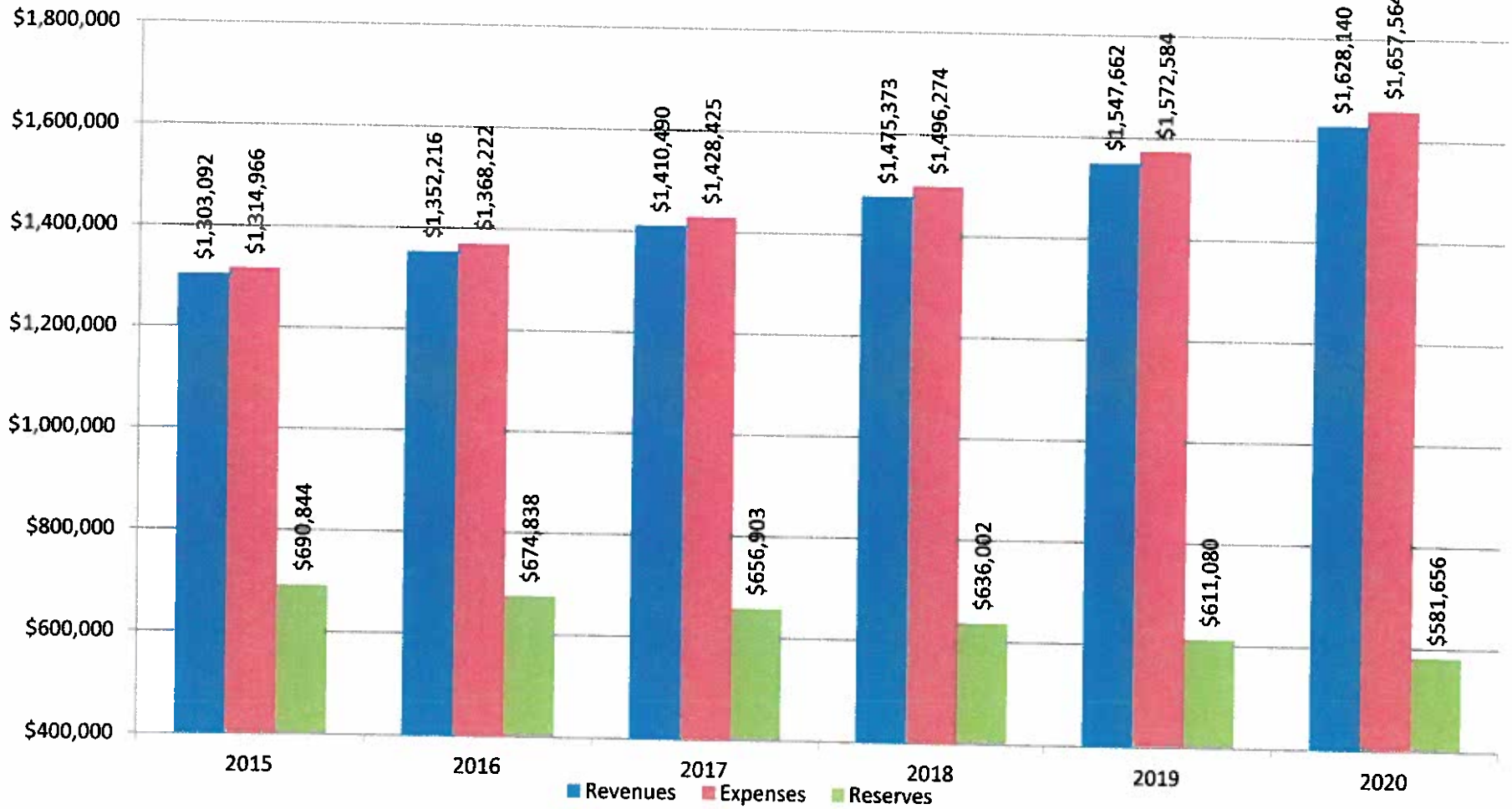
REPLACEMENT TRUCK	\$20,000
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Available Fund 40 monies current year-- \$2,372

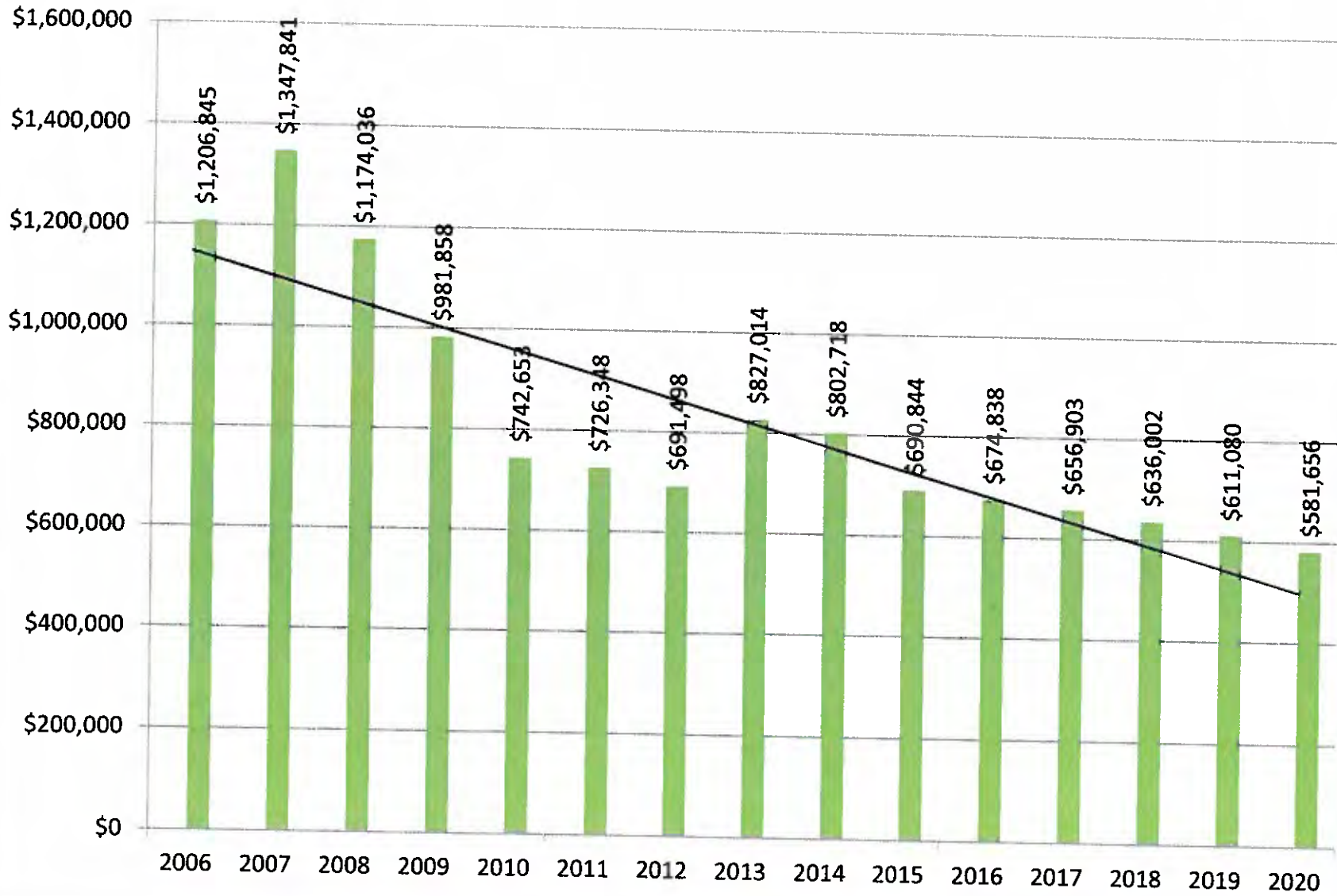
2010-2015 Revenues/Expenses/Reserves



Projected 2015-2020 Revenue/Expenses/Reserves



Reserves Actual 2006 - 2015 and Projected 2016 - 2020



ROSSMOOR COMMUNITY SERVICES DISTRICT**AGENDA ITEM C-2**

Date: February 25, 2016
To: Budget Committee
From: General Manager
Subject: DISCUSSION WITH GENERAL MANAGER RE: RCSD FIVE-YEAR FISCAL PLAN

RECOMMENDATION:

Review and make a recommendation to the Board to schedule a work shop at the April Board meeting regarding the District's Five-Year Fiscal Plan.

BACKGROUND:

In order to plan for an organized approach to managing the District's fiscal resources, the General Manager requested that HTGroup undertake an analysis of the projected revenue, expenditure and reserve patterns for the next five fiscal years. The methodology employed was primarily a trend analysis of the previous five years.

The document revealed some troubling aspects of the District's financial health. Primarily, it was determined that the District was spending more than it took in revenue in each of the past five years. The difference needed to balance those budgets was made up of various ratios of financial windfalls and reserves.

The study also projects revenue and spending levels based on trends and the assumption that windfalls have been exhausted. The primary projection is that reserve levels will continue to decline unless expenditures are controlled or revenue levels increase beyond projections.

The reason for bringing the Fiscal Plan to the attention of the Budget Committee at this time is to alert you to the potential fiscal impacts of capital projects recently considered by the Public Works/CIP Committee and their recommendations for funding or deferring those

capital projects as detailed in Agenda Item C-1. Based on those recommendations, monies for capital projects in Fund 40 will be exhausted for this fiscal year and for next fiscal year, as well.

In the near future, staff will be presenting Estimates to Close and a proposed FY 2016-2017 Preliminary Budget to your Committee. Based on the current status of the Fund 40 budget and the Fund 10 reserves, an airing of the Fiscal Plan by the Board would seem most appropriate prior to the close of this year's Adjusted Budget or the development of next year's Annual Budget. Therefore, the Committee is being asked to recommend to the Board that a workshop be scheduled for the April Board meeting for a discussion of the elements contained in the Fiscal Plan. This review by the Board will provide guidance to staff in the development of next year's Annual Budget.

ATTACHMENTS:

1. RCSD Five-Year Fiscal Plan.

ROSSMOOR COMMUNITY SERVICES DISTRICT

AGENDA ITEM C-2

Date: April 12, 2016
To: Honorable Board of Directors
From: General Manager
Subject: SPECIFIC RECOMMENDATIONS BASED ON THE RCSD FIVE-YEAR FISCAL PLAN

RECOMMENDATION:

Receive and discuss specific recommendations based on the RCSD Five-Year Fiscal Plan (Plan).

BACKGROUND:

As a conclusion to the Board's review of the Plan, it is deemed appropriate to discuss specific recommendations for future budgetary control. These recommendations could be formalized in new or amended Board policies. Should the Board be amenable to proceeding in this manner, staff will develop policies and/or amendments to current policies and present these to the Budget Committee as a part of their review of the proposed FY 2016-2017 Preliminary Budget. Based on the Committee's review, these policies will be presented to the Board for first reading.

ATTACHMENTS:

1. Specific Recommendations Based on the RCSD Five-Year Fiscal Analysis.

**SPECIFIC RECOMMENDATIONS BASED
ON THE
RCSD FIVE-YEAR FISCAL PLAN**

1. Establish a minimum reserve level of \$500,000 which includes the \$250,000 “rainy day” amount.
2. Establishing Board policy for review by the Board of any unbudgeted initiative proposed by the Board which would draw down reserves by more than \$5,000 for each occurrence with a maximum of \$25,000 annually subject to emergency situations.
3. Update the Fiscal Plan by staff on an annual basis prior to the development of the Preliminary Annual Budget.
4. Establish Board policy stating that Fund transfers to Fund 10 be allocated to Fund Balance (reserves), not revenue except as indicated in No. 5, below.
5. Eliminate the budgeting or transfer of one-time monies from other Funds or unanticipated windfalls into Fund 10 revenue without a specific review by the Board to determine if such transfers would result in an on-going rather than one-time expenditures.