



SERVICE DISTRICT
Established 1961



*Working Together to Keep our Community
Safe and Clean*

**Approved Operating Budget for the
Fiscal Year Ending June 30, 2016**

EMERALD BAY SERVICE DISTRICT

ANNUAL BUDGET

FISCAL YEAR FROM JULY 1, 2015 TO JUNE 30, 2016

EMERALD BAY SERVICE DISTRICT BOARD OF DIRECTORS

**WILLIAM R. HART, PRESIDENT
JOHN L. MARCONI, VICE PRESIDENT
KERI UEERROTH, TREASURER
SUSAN THOMAS, SECRETARY
JOHN A. McDERMOTT, DIRECTOR**

**SUBMITTED BY
MICHAEL P. DUNBAR, GENERAL MANAGER**

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June 17, 2015

To the Honorable Board of Directors
of the Emerald Bay Service District:

It is our pleasure to present to you the Adopted Fiscal Year 2015/16 Operating Budget for the Emerald Bay Service District (District). The budget is developed to define how the District's resources will be utilized during the fiscal year that begins on July 1, 2015. This will be an exciting year for the Emerald Bay Community. The Main Gate Safety Improvement Project construction began in June 2015 and should be completed by the end of the Fiscal Year 2015/16. This project will make it safer to enter and exit the community and improve the overall aesthetics of the entrance.

The District has added two new funds to the budget estimates for Fiscal Year 2015/16. They are the 2014-15 Bond Fund and the Reserve for Future Capital Improvements. The 2014-15 Bond Fund accounts for the proceeds received from the Private Placement Bond and the Capital Projects the District will fund with the proceeds. The Reserve for Future Capital Improvements is a Board designated fund to ensure that future needs to the residents are met. The estimates are based, when applicable, on a zero based approach. This means that the appropriate expense categories are budgeted based on the projected upcoming expenses rather than a percentage increase based on the prior year's expenses.

The Management Services Agreement has been allocated between General and Administration, Sewer Cleaning, and Storm Drain Cleaning to better clarify what services are contracted to the District. This allocation enables management to better determine how the monies are being spent and to improve the expense reporting capabilities of the District.

The budget includes a separate Capital Outlay Budget that includes subcategories to enable the District to track costs to specific projects.

The South Orange County Wastewater Authority (SOCWA) allocates a portion of its costs to the District for providing the sewage treatment services to the Emerald Bay residents. These costs are divided between Operating and Construction in Progress.

The Main Gate Safety Improvement Project Phase 1, the Rough Grading portion of the project, began in June 2015. It is anticipated that Phase 2, the Precise Grading portion, will begin in September 2015 and the project will be completed by May 2016. The District received financing in the amount of \$7,000,000 to fund the project as well as other future infrastructure projects.

OPERATING

Revenues

The Emerald Bay Service District provides sewage, water, health and safety, and emergency response services to the residents of Emerald Bay. The District primarily receives the funding for these activities from property taxes. Property taxes account for over 97% of the District's revenues in a typical year. The other 3% is derived from interest income and some minor reimbursements and refunds.

There are two sources from which the District receives the property taxes that are collected and allocated by the County of Orange. The funding used to operate and provide sewer, health and safety, and emergency preparedness services come from the District's share of the 1% Ad Valorem Property Tax revenue. The funding used to provide water services comes from the District's share of the property tax revenues received by Laguna Beach County Water District (LBCWD) assessment.

General and Administrative

The District employs a General Manager and has no other direct employees. Total General Manager expenses, including wage, payroll taxes, payroll processing, and benefits are \$103,450. Additional administrative services are provided by a Management Services Agreement (Agreement) between the District and the Emerald Bay Community Association (EBCA). The Agreement also includes charges for office and facilities rent in the amount of \$107,292. The County of Orange collects property taxes on behalf of the District and in exchange charges tax administration and property tax collection fees. The projected charges for fees in Fiscal Year 2014/15 are \$21,000 and we are estimating \$22,000 for Fiscal Year 2015/16, a 4.8% increase.

Finance

The accounting functions are contracted on an hourly basis, which are estimated at approximately twenty-five (25) hours per month. The Management Services Agreement provides for an Administrative Assistant for approximately eighty seven (87) hours per month. The audit fees are estimated to increase by \$800 in Fiscal Year 2015/16.

Legal Fees

The District contracts with Stradling, Yocca, Carlson and Rauth to provide legal counsel to the Board of Directors when necessary. The estimated Legal Fees related to the General Fund for 2015/16 are anticipated to be \$40,000.

Engineering

Engineering expenses, which include Professional Services and Engineering Surveys/Supplies, are expected to increase by \$500 in Fiscal Year 2015/16. Additionally, Plan Check Fees for construction projects will be tracked separately.

Sanitary Sewer

Overall, the Sanitary Sewer category decreased by \$21,300; this represents a 6.7% decrease over the Fiscal Year 2015/16 budget. SOCWA operating expenses were decreased by \$24,000. The District shares some of the sewer conveyance facilities with the City of Laguna Beach. In Fiscal Year 2014/15 the City charged the District \$35,300 for the North Coast Interceptor. The District estimates that the 2015/16 charges will be approximately \$20,000. Sewer Pipeline System cleaning services are provided as part of the Management Services Agreement with the EBCA. The Sewer Pipeline System-Mapping line item

includes the funding necessary to contract experts to identify and assess the District's sewer pipeline assets. \$50,000 has been budgeted for this line item.

Health and Safety

In the past, the District has funded two major activities for public health and safety: Lifeguards for the beach and the July 4th fireworks display. The District provides the funding for these activities on an annual basis and reevaluates its ability to continue providing these services on an annual basis. The District has approved a \$7,000 increase in the Lifeguard contract partially due to an increase in service level. The July 4th Fireworks display will cost an additional \$6,000 this fiscal year.

Water

The Potable Water category budget shows a decrease of \$61,500 over the previous year. The condition assessment was performed by the Laguna Beach County Water District in 2014/15. The District is not budgeting for water damages due to water breaks in 2015/16.

Storm Drains

The Storm Drain budget category will increase by an estimated \$13,000. Storm drain cleaning services are provided as part of the Management Services Agreement with the EBCA. The Storm Drains System Condition Assessment line item was increased by \$10,000 to provide for the mapping and condition assessment of the storm drain system to plan for future repairs and replacements of facilities and equipment.

Emergency Preparedness/CERT

A dedicated group of Emerald Bay residents has formed a Certified Emergency Response Team (CERT) that volunteers, trains, and prepares to respond to any emergency situation. The amount budgeted for this category is decreased by \$4,000.

CAPITAL OUTLAY

Storm Drains

The construction and maintenance of curbs and gutters will continue throughout the Emerald Bay Community. During the Main Gate Safety Improvement Project the storm drains located in the area of the project will be replaced and upgraded as needed.

Sanitary Sewers

The District is planning several capital projects to maintain and improve the sewer system in Fiscal Year 2015/16

- The District is in the process of evaluating the condition of the sewer lift stations and will identify the equipment that needs replacement and any major work that needs to be completed. Several projects have been identified that will be funded in future years.
- As a member of SOCWA, the District has allocated a portion of the costs related to their capital improvement projects. These have risen as SOCWA is in the process of major capital facility improvements at the Coastal Treatment Plant (CTP).
- The City of Laguna Beach (CLB) allocates costs for sewer capital improvements of which the District is a partner. These would include the design and costs for the relocation of the North Coast Interceptor (NCI). The District's share of these projects is \$101,000.
- During the Main Gate Safety Improvement Project, the sewer pipelines located in the area of the project will be replaced and upgraded as needed. The estimated costs are \$53,000.

Potable Water

The District has budgeted \$20,000 for projects that have not been specifically identified. In addition, the District has budgeted \$20,000 for ongoing work to replace fire hydrants and valves. No projects have been specifically identified. During the Main Gate Safety Improvement Project the water pipelines located in the area of the project will be replaced and upgraded as needed. The estimated costs are \$160,000.

The Laguna Beach County Water District (LBCWD) is contracted to provide water services to the homeowners who receive service from the District. The LBCWD has an ongoing plan for meter replacement throughout the District.

Emergency Response/CERT

The District has budgeted \$5,000 for ongoing water purification equipment. These would be supplies utilized during an emergency. The District continues to support its CERT Volunteers and has increased the budget by \$19,500 to purchase and relocate a shed for medical supplies (\$11,000) and to purchase additional communications equipment. This would include satellite internet equipment (\$8,400) and the replacement of two (2) ham radios. In addition, \$2,500 has been budgeted for an Automated External Defibrillator (AED). The AED will be housed in the Director of Emergency's vehicle.

DEBT SERVICE

The District secured funding in the amount of \$7,000,000 through the issuance of a private placement bond. The principal and interest for the repayment of the bond as well as other long-term debt is recorded in this fund.

2014-15 BOND FUND

A separate fund has been added to the District's budget in order to track the expenditures associated with the 2014-15 Bond proceeds.

The Main Gate Safety Improvement Project has been divided into several subcategories, Planning, Phase 1 – Rough Grading and Phase 2 – Precise Grading, to better track the various expenses related to the project.

- Planning consists of tracking the costs of various consultants and other work leading up to the construction bid for Phase 1 – Rough Grading.
- Phase 1 – Rough Grading consists of construction activities associated with the first construction phase of the project. The activities include the actual construction costs, construction contingency, construction manager, geotechnical inspection, engineering inspection, landscape architecture inspection and other consultants.
- Phase 2 – Precise Grading consists of the construction activities for the final phase of the project. The activities include the actual construction costs, construction contingency, construction manager, geotechnical inspection, engineering inspection, landscape architecture inspection and other consultants as needed. The restoration of the Loss and Hart properties and the Emerald Bay reimbursement will also be included in this final phase.

CONCLUSION

The annual budgeting process is an opportunity for the District to set its priorities and goals for the coming year. The priorities are to continuously upgrade the water distribution system, especially with respect to fire flow capabilities, to develop a future plan for replacement of the sewer collection system and to develop a future plan for conveying storm water away from the beaches at Emerald Bay. The budget process is the chance for the Board of Directors to provide the necessary feedback which is needed each year to make it a successful one.

I would like to thank the Emerald Bay Community Association (EBCA) staff, especially Susan Olmstead-Bowen and Cathy Lovitt for their daily hard work and dedication, and particularly, as it relates to the preparation of this preliminary budget. I would also like to thank the Board of Directors for their participation and direction in setting forth this budget, allowing the District to fulfill its mission and goals.

Respectfully submitted,

Michael P. Dunbar, General Manager

GANN APPROPRIATIONS LIMIT

Commonly referred to as the Gann Limit, this was a ballot initiative adopted in 1980, and modified by Proposition 111, which passed in 1990, to limit the amount of tax proceeds state and local governments can spend each year. The Gann Limit now appears in the California State Constitution as Article XIII B.

The limit changes annually and is different for every organization. Each year's limit is based on the amount of tax proceeds that were authorized to be spent in FY 1978-79 in each jurisdiction, and modified for changes in inflation and population in each subsequent year. By law, inflationary adjustments are based on the California Department of Finance's official report on changes in state's per capita income or in non-residential assessed valuation due to new construction. Population adjustments are based on the changes in the District's population levels. Each year the Board of Directors must adopt an appropriations limit for the following year using the cost of living data provided by the State of California, and population and per capita personal income data provided by the California State Department of Finance

Additional appropriations to the budget funded by non-tax sources such as service charges, fines & fees, passport revenue, restricted revenues from other agencies, grants, or beginning fund balances are unaffected by the Appropriations Limit. The FY2015/16 limit has been computed to be \$2,102,853. The District's budgeted tax proceeds subject to the FY2015/16 Gann limit equal \$428,352. Therefore, the District is within the Gann limitation by and in compliance with state law.

(unaudited)

**EMERALD BAY SERVICE DISTRICT
ADOPTED BUDGET SUMMARY
FOR THE FISCAL YEAR ENDING JUNE 30, 2016**

Fund	General	Debt Service	2014-15 Bond Fund	Reserve for Future Capital Improvements
Beginning Balance	\$ 2,579,893	\$ -	\$ 5,840,400	\$ -
Transfer In/Out	(701,988)	501,988	-	200,000
Revenue	1,988,200	-	4,000	-
Available	\$ 3,866,105	\$ 501,988	\$ 5,844,400	\$ 200,000
Expenditures:				
Operating	\$ 1,203,550	\$ -	\$ -	-
Capital Projects	866,900	-	3,993,000	-
Debt Payments (Principal & Interest)	-	501,988	-	-
Total Expenditures:	\$ 2,070,450	\$ 501,988	\$ 3,993,000	\$ -
Ending Balance	\$ 1,795,655	\$ -	\$ 1,851,400	\$ 200,000

EMERALD BAY SERVICE DISTRICT
ADOPTED GENERAL FUND BUDGET SUMMARY
FOR THE FISCAL YEAR ENDING JUNE 30, 2016

SUMMARY	Actual 2014/2015 as of 3/31/15	Annual Budget with 04/15/15 Approved Budget Adjustments	Adopted 2015/2016 Budget
PRELIMINARY OPERATING REVENUES			
PROPERTY TAXES-SECURED	\$ 1,098,951	\$ 1,834,864	\$ 1,850,000
PROPERTY TAXES-UNSECURED	56,768	68,831	65,000
PROPERTY TAXES-SUPPLEMENTAL	32,721	16,260	30,000
PROPERTY TAXES-OTHER	6,824	13,008	12,000
INTEREST INCOME	2,382	7,000	7,000
HOMEOWNERS PROPERTY TAX RELIEF	6,587	11,889	11,000
OTHER INCOME	3,200	1,296	1,200
EXPENSE REIMBURSEMENTS & REFUNDS	13,052	13,052	8,000
PLAN CHECK REVENUES			4,000
TOTAL PRELIMINARY OPERATING REVENUES	\$ 1,220,485	\$ 1,966,200	\$ 1,988,200
PRELIMINARY OPERATING EXPENSES			
GENERAL AND ADMINISTRATIVE	320,310	\$ 481,158	\$ 445,050
FINANCIAL	21,076	25,700	46,000
LEGAL	54,720	73,000	40,000
ENGINEERING	4,574	7,000	17,500
SANITARY SEWER	210,157	315,300	294,000
HEALTH & SAFETY	107,690	168,000	181,000
WATER	49,278	100,500	57,000
STORM DRAINS	32,738	82,000	103,000
EMERGENCY PREPAREDNESS/CERT	7,968	24,000	20,000
TOTAL PRELIMINARY OPERATING EXPENSES	\$ 808,511	\$ 1,276,658	\$ 1,203,550
PRELIMINARY CAPITAL OUTLAY			
MAINTENANCE YARD	-	-	-
STORM DRAINS	\$ 13,910	\$ 50,000	\$ 295,000
SANITARY SEWERS	77,265	180,324	325,000
POTABLE WATER	76,421	166,421	220,000
EMERGENCY PREPAREDNESS/CERT	303	5,000	26,900
TOTAL PRELIMINARY CAPITAL OUTLAY BUDGET	\$ 167,899	\$ 401,745	\$ 866,900
CHANGE IN UNRESTRICTED FUND BALANCE FROM OPERATING EXPENSES AND CAPITAL OUTLAY	\$ 244,075	\$ 287,797	\$ (82,250)
TRANSFER TO RESERVE FOR FUTURE CAPITAL IMPROVEMENT	\$ -	\$ -	\$ (200,000)
TRANSFERS TO DEBT SERVICE FUND	\$ -	\$ -	\$ (501,988)
CHANGE IN UNRESTRICTED FUND BALANCE	\$ 244,075	\$ 287,797	\$ (784,238)
BEGINNING UNRESTRICTED FUND BALANCE	\$ 2,292,096	\$ 2,292,096	\$ 2,579,893
ENDING UNRESTRICTED FUND BALANCE	\$ 2,536,171	\$ 2,579,893	\$ 1,795,655

**EMERALD BAY SERVICE DISTRICT
OPERATING BUDGET
ADOPTED OPERATING EXPENSES BUDGET FOR THE FISCAL YEAR ENDING JUNE 30, 2016**

Acctg Codes		Actual 2014/2015 as of 3/31/15	Annual Budget with 04/15/15 Approved Budget Adjustments	Adopted 2015/2016 Budget	
5000	A. GENERAL AND ADMINISTRATIVE				
5010	1. Wages and Salaries	\$ 67,500	\$ 92,250	\$ 92,250	
5020	2. Payroll Taxes	5,579	7,172	7,200	
5030	3. Worker's Compensation Ins.	1,904	3,000	1,600	
5040	4. Employee Benefits	2,335	4,000	4,000	
5060	6. Personnel - Administrative	214	4,000	4,000	
5070	7. Property Tax Collections Fees	3,425	6,000	6,000	
5080	8. Tax Administration Charge	-	16,000	16,000	
5090	9. Administrations Misc. Charges	2,187	5,000	5,000	
5100	10. Computer Services	58	1,000	2,000	
5110	11. Insurance	51,594	62,000	40,000	
5120	12. Telephone	1,064	4,000	4,000	
5130	13. Memberships / Conferences	6,086	10,000	10,000	
5140	14. Management Services	167,835	248,500	230,000	(1)
5150	15. LAFCO Expense	8,562	10,000	9,000	
5160	16. Election Expense	-	-	-	
5170	17. Lease - Vehicle for Dir. Emergency Response	-	3,000	6,000	
5171	18. Lease - Truck for Jetting Equipment	-	2,500	6,000	
5180	19. District Website	359	2,736	2,000	
5195	20. Interest Expense	1,608	-	-	(2)
	TOTAL GENERAL AND ADMINISTRATIVE	\$ 320,310	\$ 481,158	\$ 445,050	
5400	B. FINANCIAL				
5410	1. Accounting Fees	\$ 13,876	\$ 18,500	\$ 38,000	(1),(3)
5420	2. Audit	7,200	7,200	8,000	
	TOTAL FINANCIAL	\$ 21,076	\$ 25,700	\$ 46,000	
5500	C. LEGAL				
5510	1. Legal Fees	\$ 54,720	\$ 73,000	\$ 40,000	
	TOTAL LEGAL	\$ 54,720	\$ 73,000	\$ 40,000	
6000	D. ENGINEERING				
6010	1. Professional Services	\$ 3,674	\$ 6,000	\$ 6,000	
6020	2. Engineering Surveys/Supplies	900	1,000	1,500	
NEW	3. Plan Check Fees	-	-	10,000	
	TOTAL ENGINEERING	\$ 4,574	\$ 7,000	\$ 17,500	
6200	E. SANITARY SEWER				
6210	1. Sewer Treatment - SOCWA Oper.	\$ 74,435	\$ 111,000	\$ 87,000	
6220	2. North Coast Interceptor - CLB Oper.	35,255	35,300	20,000	
6230	3. Maintenance - Equipment	895	12,000	13,000	
6240	4. Maintenance - Vehicle - Gas/Repairs	5,036	12,000	13,000	
6250	5. Sewer Lift Stations - Monthly Inspec.	1,601	6,000	6,000	
6260	6. Sewer Lift Station - Electricity	5,470	13,000	13,000	
6270	7. Sewer Lift Stations - Water	542	2,000	2,000	
6280	8. Sewer Lift Stations - Supplies and Chem.	422	2,000	2,000	
6290	9. Sewer Lift Stations - Maint./Repairs	35,803	45,000	40,000	
6300	10. Sewer Pipeline System - Cleaning	35,672	47,000	48,000	(1)
6320	12. Sewer System - Cond Access	15,026	30,000	50,000	
	TOTAL SANITARY SEWER	\$ 210,157	\$ 315,300	\$ 294,000	

6500	F. HEALTH & SAFETY						
6510	1. Lifeguards - Outside Services	\$	48,441	\$	110,000	\$	117,000
6520	2. Fireworks - Outside Services		38,513		37,000		39,000
6530	3. Fireworks - Barge		19,886		20,000		24,000
6540	4. Fireworks - Chase Boat		850		1,000		1,000
	TOTAL HEALTH & SAFETY	\$	107,690	\$	168,000	\$	181,000 (4)
6600	G. WATER						
6610	1. Water Conservation	\$	-	\$	2,000	\$	20,000
6630	3. Fuel Modification/Weed Abat.		7,201		36,000		37,000
6640	4. Water System - Cond Access		-		20,000		-
6999	5. Miscellaneous Water Expense		42,077		42,500		-
	TOTAL WATER	\$	49,278	\$	100,500	\$	57,000
6700	H. STORM DRAINS						
6710	1. Storm Drain Cleaning	\$	29,186	\$	42,000	\$	43,000 (1)
6720	2. Emergency Storm Contingency		3,552		20,000		20,000
6730	3. Storm Drain System - Cond Access		-		20,000		40,000
	TOTAL STORM DRAINS	\$	32,738	\$	82,000	\$	103,000
6800	I. EMERGENCY PREPAREDNESS/CERT						
6810	1. Drills and Training	\$	149		5,000	\$	5,000
6820	2. EOC Supplies/Misc.		2,244	\$	3,000		1,000
6830	3. Communications		5,575		10,000		8,000
6840	4. Medical		-		6,000		6,000
	TOTAL EMERGENCY PREPAREDNESS/CERT	\$	7,968	\$	24,000	\$	20,000
TOTAL PRELIMINARY OPERATING EXPENSES BUDGET		\$	808,511	\$	1,276,658	\$	1,203,550

Note: (1) Services previously expensed as Management Services have been allocated to more applicable expense accounts based on the services provided. The Emerald Bay Community Association (EBCA), in accordance with the Management Services Agreement, provides several different services to the District. The services provided include General Management, Storm Drain Cleaning and Sewer Pipeline Cleaning. The budget estimate for the contracted services provided by the EBCA was increased by 4% to cover EBCA employee salary increases, as well as increased workers' compensation expense and higher health benefits expenses. The contract also includes \$107,292 for rental of office and facilities space from EBCA.

(2) See Debt Service Fund for interest expense.

(3) Budget includes provision for approximately 25 hours/month for a Accounting/Finance Consultant.

(4) Requires prior Board approval before any funding can be expended from this category.

**EMERALD BAY SERVICE DISTRICT
CAPITAL OUTLAY
ADOPTED CAPITAL OUTLAY BUDGET FOR THE FISCAL YEAR ENDING JUNE 30, 2016**

Acctg Codes		Actual 2014/2015 as of 3/31/15	Annual Budget with 04/15/15 Approved Budget Adjustments	Adopted 2015/2016 Budget
8200	B. MAINTENANCE YARD			
8210	1. Construction	\$ -	\$ -	\$ -
	TOTAL MAINTENANCE YARD	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
8300	C. STORM DRAINS			
8310	1. Construction - Curbs / Gutters	\$ 13,910	\$ 50,000	\$ 25,000
NEW	2. Stormdrain Pipeline-Shamrock	-	-	70,000 (2)
NEW	3. Stormdrain Curb/Gutter - Shamrock	-	-	200,000 (2)
	TOTAL STORM DRAINS	<u>\$ 13,910</u>	<u>\$ 50,000</u>	<u>\$ 295,000 (1)</u>
8400	D. SANITARY SEWERS			
8410	1. Sewer Lift Stations - CIP	\$ 26,324	\$ 26,324	\$ 32,000 (1)
8420	2. Sewer Pipelines - CIP	20,844	30,000	20,000 (1)
8430	3. SOCWA - CIP	30,097	84,000	119,000
8440	4. CLB - CIP	-	40,000	101,000 (1)
8450	5. Sewer - Pull Out Reel / Camera	-	-	-
NEW	6. Sewer Pipeline - Shamrock	-	-	53,000 (2)
	TOTAL SANITARY SEWERS	<u>\$ 77,265</u>	<u>\$ 180,324</u>	<u>\$ 325,000</u>
8500	E. POTABLE WATER			
8510	1. Water - Pipelines - CIP	\$ -	\$ -	\$ 20,000 (1)
	2. Pipeline Replacement (EB 1221)	76,421	76,421	-
8520	3. Water - FH/Valves - CIP	-	-	20,000
8521	4. Fire Hydrant Replacement (EB 818)	-	80,000	-
8530	5. Water - Meter / Repl. - CIP	-	10,000	20,000
NEW	6. Water Pipeline - Shamrock	-	-	160,000 (2)
	TOTAL POTABLE WATER	<u>\$ 76,421</u>	<u>\$ 166,421</u>	<u>\$ 220,000</u>
8600	F. EMERGENCY PREPAREDNESS/CERT			
8610	1. Desalination Facilities/Water Purification	\$ -	\$ 5,000	\$ 5,000
NEW	2. Medical Shed/Relocation	-	-	11,000
NEW	3. Communication Equipment	303	-	8,400
NEW	4. Emergency Supplies	-	-	2,500
	TOTAL EMERGENCY PREPAREDNESS/CERT	<u>\$ 303</u>	<u>\$ 5,000</u>	<u>\$ 26,900</u>
	TOTAL PRELIMINARY CAPITAL BUDGET	<u>\$ 167,899</u>	<u>\$ 401,745</u>	<u>\$ 866,900</u>

Note: (1) Requires Board approval before any funds can be spent from this category.
 (2) These projects are infrastructure as part of the Main Gate Safety Improvement Project

**EMERALD BAY SERVICE DISTRICT
DEBT SERVICE FUND
ADOPTED MAIN GATE SAFETY PROJECT FUND BUDGET FOR THE FISCAL YEAR ENDING JUNE 30, 2016**

Acctg Codes	Actual 2014/2015 as of 3/31/15	Annual Budget with 04/15/15 Approved Budget Adjustments	Adopted 2015/2016 Budget
A. DEBT SERVICE FUND			
1. Note Payable-Truck (principal)	\$ -	\$ -	3,084
2. Note Payable-Jetter (principal)	-	-	11,904
3. Note Payable-MGSIP (principal)	-	-	248,000 (1)
4. Interest Expense	-	-	239,000 (1)
TOTAL PRELIMINARY DEBT SERVICE FUND	\$ -	\$ -	\$ 501,988

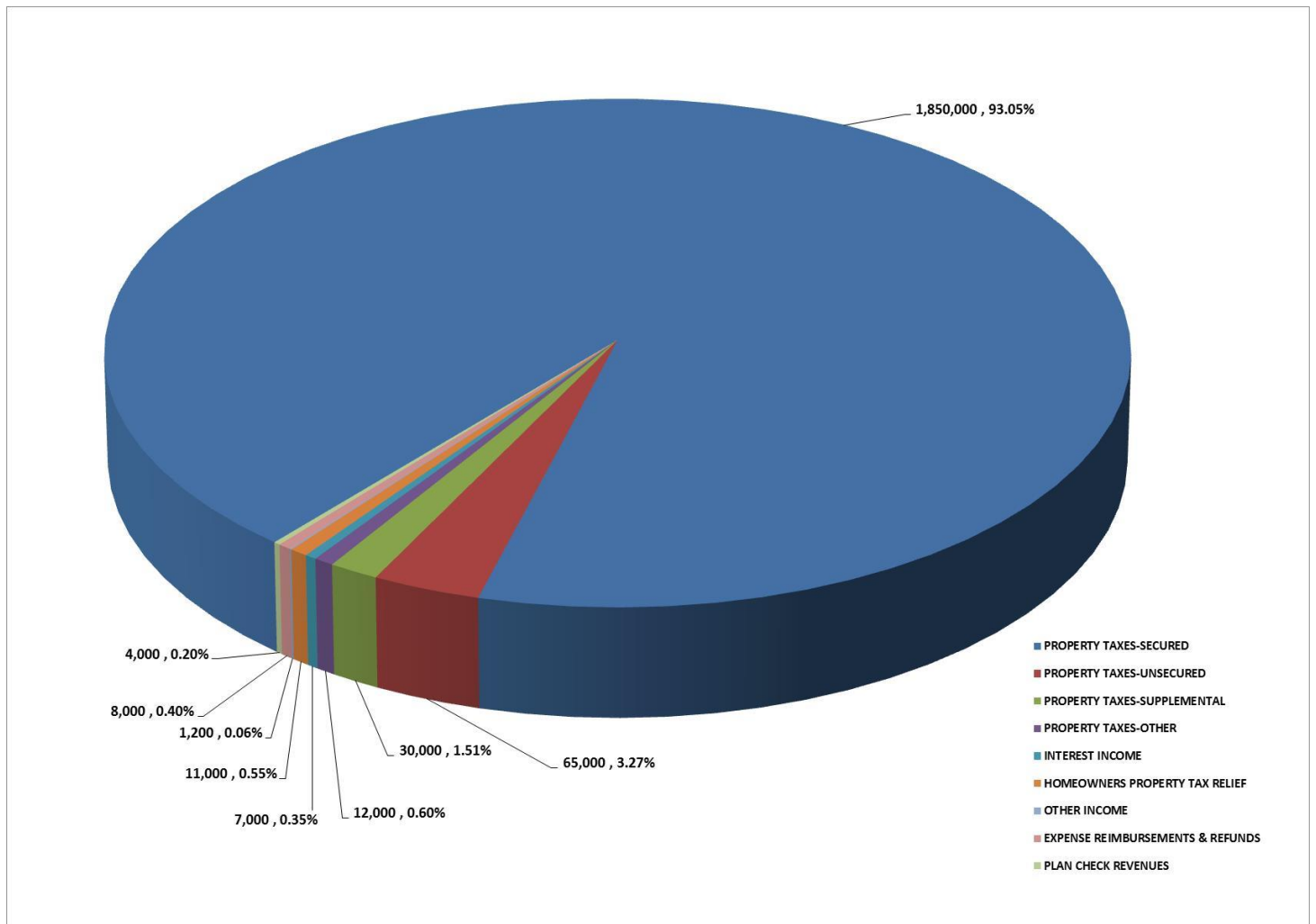
Note: (1) Due to the possible financing of the Main Gate Safety Improvement Project (MGSIP) the principal and interest for all district debt will be recorded in the Debt Service Fund. The District entered into an Installment Sales Agreement for \$7,000,000 to be repaid over a 20 year period. Two payments will be made in Fiscal Year 2015/16.

**EMERALD BAY SERVICE DISTRICT
2014-15 BOND FUND
ADOPTED MAIN GATE SAFETY PROJECT FUND BUDGET FOR THE FISCAL YEAR ENDING JUNE 30, 2016**

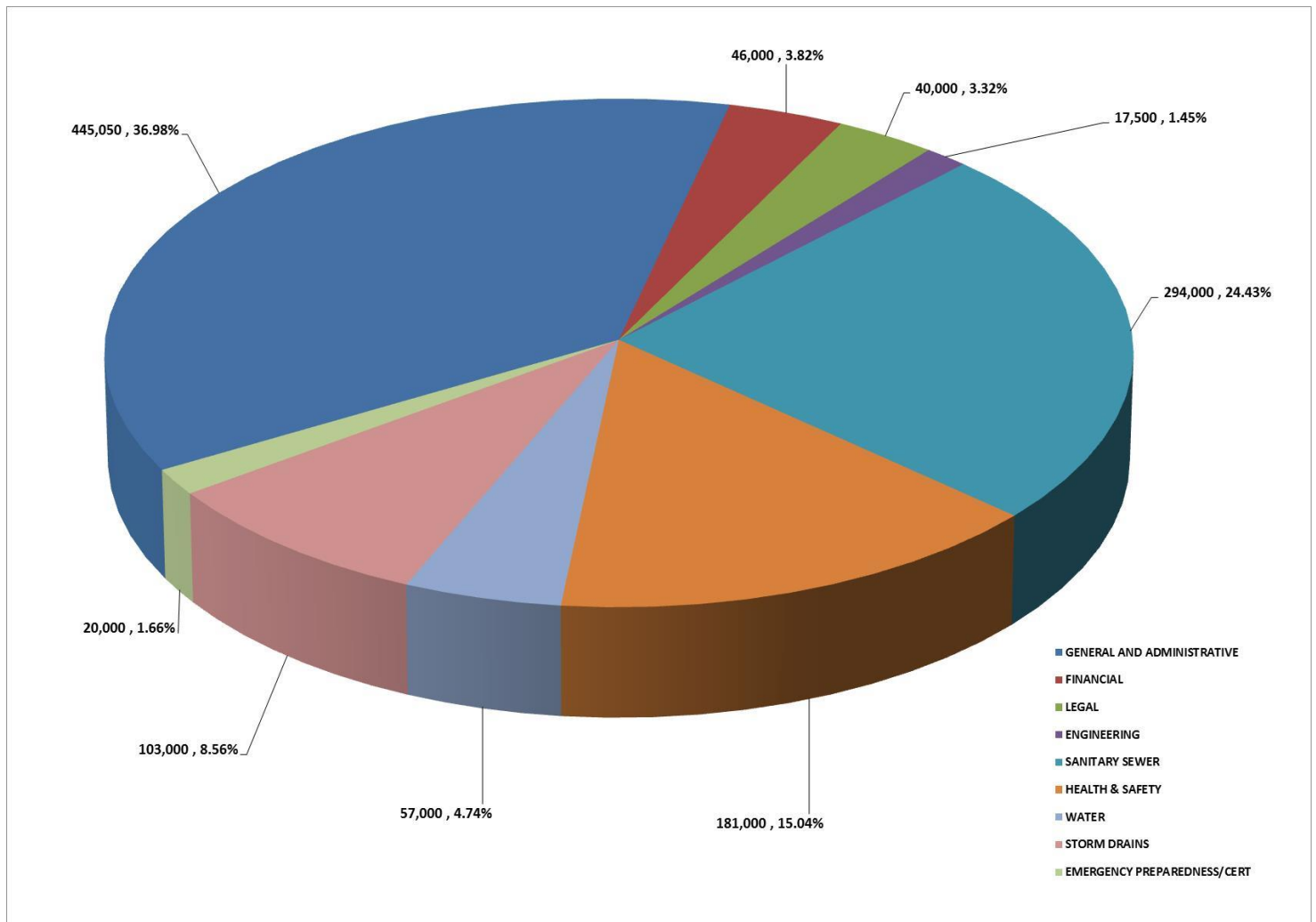
Acctg Codes	Actual 2014/2015 as of 3/31/15	Annual Budget with 04/15/15 Approved Budget Adjustments	Adopted 2015/2016 Budget
Revenue			
Proceeds from 2014/15 Bond	\$ 7,000,000	\$ 7,000,000	\$ -
Interest Revenue	-	-	4,000
TOTAL REVENUE	\$ 7,000,000	\$ 7,000,000	\$ 4,000
8100 A. MAIN GATE SAFETY IMPROVEMENT PROJECT PLANNING			
1. Legal / Permitting	\$ 45,729	\$ 64,000	\$ 60,000
2. Communications	3,497	10,000	5,000
3. Engineering	154,438	220,000	20,000
4. Construction Manager - Planning	36,036	38,500	15,000
5. Geotechnical Inspection	36,115	49,000	10,000
6. Landscape Architech	129,584	216,600	10,000
7. Consultants - Other	-	-	10,000
8. General Inspection	-	18,000	-
SUBTOTAL - PLANNING	405,399	616,100	130,000
PHASE 1 - ROUGH GRADING			
9. Construction - Phase 1 - Contingency	-	-	80,000
10. Construction - Phase 1	-	465,000	593,000
11. Construction Manager - Phase 1	-	30,500	26,000
12. Construction Admin - Phase 1 - Geotechnical	-	4,000	83,000
13. Construction Admin - Phase 1 - Engineering	-	44,000	9,000
14. Construction Admin - Phase 1 - Landscape Arch	-	-	5,000
15. Construction Consultants - Other - Phase 1	-	-	5,000
SUBTOTAL PHASE 1 - ROUGH GRADING	-	543,500	801,000
PHASE 2 - PRECISE GRADING			
16. Construction - Phase 2 - Contingency	-	-	278,000
17. Construction - Phase 2	-	-	2,200,000
18. Construction Manager - Phase 2	-	-	78,000
19. Construction Admin - Phase 2 - Geotechnical	-	-	50,000
20. Construction Admin - Phase 2 - Engineering	-	-	36,000
21. Construction Admin - Phase 2 - Landscape Arch	-	-	50,000
22. Construction Consultants - Other - Phase 2	-	-	20,000
23. Loss/Hart Restoration	-	-	100,000
24. Emerald Bay Community Association Reimbursemen	-	-	250,000
SUBTOTAL PHASE 2 - PRECISE GRADING	-	-	3,062,000
TOTAL PRELIMINARY EXPENDITURES	405,399	1,159,600	3,993,000
TOTAL PRELIMINARY 2014-15 BOND FUND	\$ -	\$ 5,840,400	\$ (3,989,000)
BEGINNING FUND BALANCE	\$ -	\$ -	\$ 5,840,400
ENDING FUND BALANCE	\$ -	\$ 5,840,400	\$ 1,851,400

SUPPLEMENTAL INFORMATION

OPERATING REVENUES



OPERATING EXPENDITURES



Glossary

Accounting – Revenues are recognized when both measurable and available; expenditures are recorded when services have been substantially performed or goods have been received and the liabilities incurred.

AD Valorem Tax – (which means “according to its value.”) A state or local government tax based on the value of real property as determined by the county tax assessor. In the State of California, Proposition 4 limits its Ad Valorem taxes. Proposition 13 limits property tax to 1 percent of the assessed valuation of the property.

Adjusted Budget – The adjusted budget represents the adopted budget including changes made during the fiscal year.

Adopted Budget – The official budget as approved by the Emerald Bay Service District Board of Directors at the start of each fiscal year.

Appropriation – An authorization by the Board of Directors to make expenditures/expenses and to incur obligations for a specific purpose within a specific time frame.

Assessed Valuation - A dollar value placed on real estate or other property by the County of Orange Assessor as a basis for levying property taxes.

Assets – Physical items owned by the District for which a value has been attached.

Audit – An examination and evaluation of the District’s records and procedures to ensure compliance with specified rules and regulations, best practices.

Balanced Budget – A balanced financial budget in which planned revenues equal expenditures.

Beginning/Ending (Unappropriated) Fund Balance - Unencumbered resources available in a fund from the prior/current fiscal year after payment of the prior/current fiscal year’s expenditures/expenses. It is essentially the amount of money still available for future purposes.

Budget – A plan of financial operation comprised of estimated expenditures for a given period (usually a single fiscal year) and the proposed means of financing the expenditures (through revenues). The Emerald Bay Service District’s fiscal year budget is July 1 through June 30.

Budget Preparation – Process by which the annual fiscal spending plan is prepared by District staff for presentation as the Emerald Bay General Manager’s recommended budget to the District’s Board of Directors.

Glossary (continued)

COLA – An acronym for Cost of Living Adjustment

CPI – A statistical description of price levels provided by the US Department of Labor. The change in this index from year to year is used to measure the cost of living and economic inflation.

Capital Budget – A financial plan showing planned expenses, and revenues associated with those expenses, for purchase or construction of capital improvements which have a useful life of over a year. Appropriations are added to the projects each fiscal year as the plan is adopted.

Capital Expenditures – Money spent to purchase or construct capital improvement projects.

Capital Improvement - A permanent physical addition to the District's assets, including the design, construction, and/or purchase of land, buildings, facilities, or major renovations.

Capital Improvement Program - A financial plan of proposed capital improvement projects with single- and multiple-year capital expenditures/ expenses. The Capital Improvement Program plans for five years and is updated annually.

Capital Outlay – A budget appropriation category for equipment having a unit cost of more than \$5,000 and an estimated useful life of over one year.

Capital Projects – A major construction, acquisition, or renovation activity which adds value to fixed assets or which increases its useful life of one year or more. Capital Projects are \$5,000 or more and can also be called a capital improvement.

Contingency – An appropriation of funds to cover unforeseen events that occur during the fiscal year.

Deficit - An excess of expenditures or expenses over revenues (resources).

Encumbrances - A legal obligation or commitment to expend resources in the future for a service or item, such as a long-term contract or purchase order. The use of encumbrances helps prevent overspending and provides officials with information on the amount of money remaining to be spent.

Expenditure - The actual spending of Governmental Funds set aside by an appropriation.

Expense - The actual total current cost of operations during a period regardless of the timing of related expenditures.

Fiscal Year - A twelve-month period of time to which the annual operating budget applies. The Emerald Bay Service District's fiscal year is July 1 - June 30.

Glossary (continued)

Fund Balance - The amount of financial resources available for use. Generally, this represents the detail of all the annual operating surpluses and deficits since the fund's inception.

Gann Appropriations Limit – Article XIII-B of the California State Constitution provides limits regarding the total amount of appropriations in any fiscal year from tax proceeds.

General Fund - The primary fund of the District used to account for all revenues and expenditures of the District not legally restricted as to use. This fund is used to offset the cost of the District's general operations.

Interest – Income resulting from the prudent investment of idle cash. The types of investments are controlled by the District's investment policy in accordance with the California Government Code.

Indirect Costs – A cost necessary for the functioning of the organization as a whole, but which is not directly assigned to one service.

Levy – To impose taxes, special assessments of service charges for the support of governmental activities.

Line Item – The description of a detailed expenditure such as salaries, materials, supplies, professional services, and other operational costs separately along with the amount budget for each specified category.

Transfers In/Out - Monies transferred from one line item to another. These transfers may finance the operations of another fund or to reimburse the fund for certain expenditures /expenses.

Materials, Supplies and Services - Expenditures/expenses which are ordinarily consumed within a fiscal year.

Objectives - The expected results or achievements of a budget activity.

Operating Budget – A budget, which focuses on everyday operating activities and programs.

Property Tax – A tax levied on real estate and personal property.

Recommended Budget – The draft financial budget document detailing the General Manager's recommended spending plan for the next fiscal year. The Recommended Budget is reviewed and modified by the Board of Directors before formal adoption as the Adopted Operating Budget.

Glossary (continued)

Reimbursement - Payment of amount remitted on behalf of another party, department, or fund.

Reserves – A portion of the fund balance set aside for a specific purpose.

Revenues – Monies that the District receives as income such as tax payments, fees from specific services, receipts from other governments, fines, forfeitures, grants, donations and interest income.

Supplemental Roll Property Taxes – Assessed on property that changes ownership during the year and is based on the difference between the new and old assessed values.

Special Revenue Funds - This fund type collects revenues that are restricted by the City, State, or Federal Government as to how they may be spent.

Transmittal Letter - A general discussion of the budget. The letter contains an explanation of principal budget items and summaries.