



SERVICE DISTRICT
Established 1961



*Working Together to Keep our Community
Safe and Clean*

**Adopted Operating and Capital Budget for the
Fiscal Year Ending June 30, 2021**

EMERALD BAY SERVICE DISTRICT

ANNUAL BUDGET

FISCAL YEAR FROM JULY 1, 2020 TO JUNE 30, 2021

**EMERALD BAY SERVICE DISTRICT
BOARD OF DIRECTORS**

**SUSAN THOMAS, PRESIDENT
JOHN MARCONI, VICE PRESIDENT
JAMES FLYNN, TREASURER
PHILIP deCARION, SECRETARY
JOHN A. McDERMOTT, DIRECTOR**

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

TABLE OF CONTENTS

General

Transmittal Letter	3
Gann Appropriations Limit	8

Budget Section

Budget Summary	9
Operating Budget	10
Capital Outlay Budget	12
Debt Service Fund Budget	12
5 Year CIP	13

Supplemental Information

Charts	
Operating Revenues	15
Operating Expenses	16
Glossary	17

August 19, 2020

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

It is our pleasure to present to you the Fiscal Year 2020/21 Operating Budget for the Emerald Bay Service District (District) adopted by the Emerald Bay Service District Board of Directors on August 19, 2020. This budget was developed to define how the District's resources will be utilized during the fiscal year that begins on July 1, 2020. The District's highest priorities continue to be the Water and Sewer Infrastructure and the Safety of the Emerald Bay Community.

The District will have three reserve funds to ensure that the District is prepared for future capital improvements, unforeseen emergencies or economic downturns and a six month cash reserve to ensure that there is enough cash available to plan for the timing of property tax revenue from the County. At the end of Fiscal Year 2020/21 the Reserve for Future Capital Improvements will have an estimated balance of \$1,119,233, the Contingency Reserve will have an estimated balance of \$250,000 and the estimated Operating Reserve will be \$993,711. The estimates used to develop this budget 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 is allocated between General and Administration, Sewer Cleaning, Storm Drain Cleaning and Landscape Maintenance to better clarify the services that 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 the costs for specific projects.

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

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.

Expenditures

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 \$128,500. 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 \$129,825. The Management Services Agreement provides for an Administrative Assistant for approximately eighty seven (87) hours per month, as well as additional maintenance costs due to the landscaping located in the District's easements. 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 2019/20 are \$10,225 and we are estimating those costs to increase to \$16,000 for Fiscal Year 2020/21. Overall, we are projecting a 7.0% increase in the costs related to General and Administrative Services.

Finance

The accounting functions are contracted on an hourly basis, which are estimated at approximately twenty-seven (27) hours per month. The audit fees will remain the same at \$16,500 in Fiscal Year 2020/21.

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 Fiscal Year 2020/21 are anticipated to be \$70,000.

Engineering

Engineering expenses, which include Professional Services and Engineering Surveys/Supplies, are expected to increase due to planned capital improvements to storm drains and other infrastructure. Plan Check Fees for construction projects will continue to be tracked separately.

Sanitary Sewer

Overall, the Sanitary Sewer category decreased by \$15,500; this represents a 4.0% decrease as compared to the Fiscal Year 2019/20 budget. SOCWA operating expenses are estimated at \$146,000, a decrease of \$19,000. The District estimates that the Fiscal Year 2020/21 charges for its share of the maintenance of

its sewer collection and conveyance facilities will be approximately \$46,000. Additionally, the Sewer Pipeline System cleaning services are provided as part of the Management Services Agreement with the EBCA and are expected to increase by 3.0% when compared to the prior fiscal year's actual cost.

Health and Safety

In the past, the District has funded two major activities for public health and safety: Lifeguards and the July 4th fireworks display. The fireworks display was cancelled in 2020/21 due to the COVID-19 restrictions. However, the District is projecting that Health and Safety costs will increase due to the pandemic.

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.

Water

The Potable Water category budget remains unchanged, at \$2,000, from the previous year.

Storm Drains

Storm drain cleaning services are provided as part of the Management Services Agreement with the EBCA and are expected to increase by 3.00% when compared to the prior fiscal year's actual cost.

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 Communications budget was reduced by \$4,000; all other line items remain the same.

Fuel Modification/Landscaping

The District continues to protect the Emerald Bay Community and reduce the fire danger by contracting annually with a service provider to weed and thin the vegetation around the perimeter of the community. The District is also responsible for the landscaping of its easement located at the entrance of the Emerald Bay Community. Landscaping services are provided as part of the Management Services Agreement with the EBCA and are expected to increase by 3.00% when compared to the prior fiscal year's actual cost.

CAPITAL OUTLAY

Storm Drains

The construction and maintenance of curbs and gutters will continue throughout the Emerald Bay Community. \$50,000 has been budgeted for unspecified projects for construction of replacement of curbs and gutters.

Sanitary Sewers

The District is planning several capital projects to maintain and improve the sewer system in Fiscal Year 2020/21

- \$50,000 has been budgeted for unspecified projects for upgrades to the sewer lift stations.
- The District will continue to identify the equipment that needs replacement and any major work that needs to be completed and has budgeted \$100,00 to continue with lining the existing pipelines. \$120,000 has been allocated to replace the emergency generator used to power the lift stations during a power outage.
- As a member of SOCWA, the District has been 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 District also shares conveyance equipment with the City of Laguna Beach (CLB); the District's share of the of capital improvement projects is estimated at \$40,000.

Potable Water

The construction and maintenance of the water infrastructure continue throughout the Emerald Bay Community. \$39,000 has been budgeted for unspecified projects for construction.

CERT

The District has allocated \$120,000 for a back up power project for the Community Center to ensure that the CERT Communications equipment could be utilized in the event of a natural disaster.

DEBT SERVICE

The District secured funding in the amount of \$7,000,000 through the issuance of a private placement bond in Fiscal Year 2014/15. The principal and interest for the repayment of the bond as well as other long-term debt is recorded in this fund.

CONCLUSION

The annual budgeting process is an opportunity for the District to set its priorities and goals for the coming year. The District's highest 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 systems 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 feedback necessary to ensure a fiscally responsible year and future.

I would like to thank the 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 annual 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,

A handwritten signature in blue ink that reads "Michael P. Dunbar". The signature is written in a cursive style and is centered within a light blue rectangular background.

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 FY 2020/21 limit has been computed to be \$2,215,735. The District's budgeted tax proceeds subject to the FY 2020/21 Gann limit equals \$1,427,278. Therefore, the District is within the Gann limitation by and in compliance with state law.

(unaudited)

Emerald Bay Service District
 Approved Budget FY 2020-21
 Summary

	Projected 06/30/20	Approved Mid-Year Budget 03/11/20	Approved Budget FY 2020-21	Increase/ (Decrease)
Revenues - Operating	<u>2,776,740</u>	<u>2,707,883</u>	<u>2,763,000</u>	<u>55,117</u>
Total Revenues	<u>2,776,740</u>	<u>2,707,883</u>	<u>2,763,000</u>	<u>55,117</u>
Operating Expenditures				
General and Admin	533,402	541,533	579,500	37,967
Financial	56,500	56,500	56,500	-
Legal	60,000	92,000	70,000	(22,000)
Engineering	14,100	18,000	22,000	4,000
Sanitary Sewer	288,247	379,500	364,000	(15,500)
Recreation	303,241	202,241	244,000	41,759
Water	493	2,000	2,000	-
Storm Drains	69,102	92,400	87,800	(4,600)
Emergency Preparedness	20,240	25,000	21,000	(4,000)
Main Gate Landscaping/Fuel Mod	<u>120,961</u>	<u>117,000</u>	<u>87,500</u>	<u>(29,500)</u>
Total Expenditures	<u>1,466,286</u>	<u>1,526,174</u>	<u>1,534,300</u>	<u>8,126</u>
Change in Net Assets from Operating	<u>1,310,454</u>	<u>1,181,709</u>	<u>1,228,700</u>	<u>46,991</u>
Capital Outlay	910,089	869,000	842,000	(27,000)
Change in Net Assets from Capital Outlay	<u>(910,089)</u>	<u>(869,000)</u>	<u>(842,000)</u>	<u>(27,000)</u>
Debt Service Payments	<u>(487,422)</u>	<u>(487,422)</u>	<u>(487,422)</u>	<u>-</u>
Total Change in Net Assets	<u>(87,057)</u>	<u>(174,713)</u>	<u>(100,722)</u>	<u>73,991</u>
Unrestricted (50% of Operating)	750,000		750,000	
Contingency	250,000		250,000	
October Bond Payment	243,711		243,711	
Reserved for Future Capital Improvements	<u>1,242,756</u>		<u>1,119,233</u>	
Ending Fund Balance	<u>2,463,666</u>		<u>2,362,944</u>	

Emerald Bay Service District
 Adopted Budget FY 2020-21
 Approved Operating Expenses for the Fiscal Year Ending June 30, 2021

Acctg Codes	Current Year	Budget		Increase (Decrease)	
		Projected 06/30/20	Approved Mid-Year Budget 03/11/20		Approved Budget FY 2020-21
Revenues - Total:					
	Property taxes - secured	2,522,227	2,522,227	2,603,961	81,734
	Property taxes - unsecured	66,357	66,357	66,500	143
	Property taxes - supplemental	27,500	34,194	40,000	5,806
	Property taxes - other	21,710	21,710	8,500	(13,210)
	Interest income	46,000	40,000	25,000	(15,000)
	Homeowners property tax relief	17,145	17,145	12,739	(4,406)
	Other income	30,000 (5)	1,250	1,250	-
	Contractor bid income	-	-	50	50
	Expense reimbursements & Refunds	43,401	-	-	-
	Plan Check Reviews	2,400	5,000	5,000	-
	Total Revenue	2,776,740	2,707,883	2,763,000	55,117
Expenditures:					
5000	General and Administrative				
5010	Wages and salaries	95,000	95,000	95,000	-
5020	Payroll taxes	8,000	8,500	8,500	-
5030	Workers Compensation insurance	2,000	2,000	2,000	-
5040	Employee benefits	18,000	18,000	20,000	2,000
5060	Personnel administrative	2,500	3,000	3,000	-
5070	Property tax collection fees	6,500	6,000	6,000	-
5080	Tax administration charge	10,225	16,000	16,000	-
5090	Administration miscellaneous expense	2,000	3,000	4,000	1,000
5100	Computer services	2,000	2,000	3,000	1,000
5110	Insurance	55,000	55,000	84,000	29,000
5120	Telephone	2,000	2,000	2,000	-
5130	Memberships and conferences	10,179	10,000	11,000	1,000
5135	Annual Regulatory Permits	7,465	8,000	9,000	1,000
5140	Management services	300,000	300,000	310,000	10,000
5150	LAFCO contribution/ expenses	10,033	10,033	3,000	(7,033)
5160	Election expense	-	-	-	-
5170	Vehicle Lease	-	-	-	-
5180	District Website	2,500	3,000	3,000	-
		533,402	541,533	579,500	37,967
5400	Financial				
5410	Accounting fees	40,000	40,000	40,000	-
5420	Audit	16,500	16,500	16,500	-
		56,500	56,500	56,500	-
5500	Legal				
5510	Legal fees	60,000	92,000	70,000	(22,000)
6000	Engineering				
6010	Professional services - other	11,000	12,000	12,000	-
6020	Engineer surveys and supplies	-	1,000	1,000	-
6030	Plan Check Fees	3,100	5,000	9,000	4,000
		14,100	18,000	22,000	4,000
6200	Sanitary Sewer				
6210	Sewage treatment / SOCWA	158,623	165,000	146,000	(19,000)
6220	North Coast Interceptor-CLB Operator	13,874	46,000	46,000	-
6230	Maintenance equipment	1,500	13,000	13,000	-
6240	Maintenance vehicle - gas & repairs	6,500	13,000	13,000	-
6250	Sewer Lift Stations - Monthly inspections	4,500	6,000	6,000	-
6260	Sewer Lift Stations - Electricity	8,500	13,000	13,000	-
6270	Sewer Lift Stations - Water	750	1,500	2,000	500
6280	Supplies and chemicals	1,000	2,000	2,000	-
6290	Repairs and maintenance	28,000	55,000	56,000	1,000
	Sewer System - Mapping	-	-	-	-
6300	Sewer Pipeline System - Cleaning	65,000	65,000	67,000	2,000
		288,247	379,500	364,000	(15,500)

Emerald Bay Service District
 Adopted Budget FY 2020-21
 Approved Operating Expenses for the Fiscal Year Ending June 30, 2021

Acctg Codes		Current Year	Budget		Increase (Decrease)
		Projected 06/30/20	Approved Mid-Year Budget 03/11/20	Approved Budget FY 2020-21	
6500	Recreation				
6510	Lifeguards - Outside Services	235,000	134,000	151,000	(1) 17,000
6515	Lifeguards - Pool	-	-	93,000	(2) 93,000
6520	Fireworks - Outside services	(2) 39,551	39,551	-	(3) (39,551)
6530	Fireworks - Barge	26,690	26,690	-	(3) (26,690)
6540	Fireworks - Chase boat	2,000	2,000	-	(3) (2,000)
		<u>303,241</u>	<u>202,241</u>	<u>244,000</u>	<u>41,759</u>
6600	Water				
6610	Water Conservation	-	1,000	1,000	-
6699	Miscellaneous Water Expense	493	1,000	1,000	-
		<u>493</u>	<u>2,000</u>	<u>2,000</u>	<u>-</u>
6700	Storm Drains				
6710	Storm Drain Cleaning	55,000	55,000	51,000	(4,000)
6720	Emergency Storm Contingency	709	15,000	15,000	-
6725	Storm Drain Maintenance Repair	4,993	14,000	5,000	(9,000)
6750	Equipment Lease	8,400	8,400	16,800	8,400
		<u>69,102</u>	<u>92,400</u>	<u>87,800</u>	<u>(4,600)</u>
6800	Emergency Preparedness/CERT				
6810	Drills and Training	160	1,000	1,000	-
6820	EOC Supplies/Misc	18,000	5,000	5,000	-
6830	Communications	2,080	13,000	9,000	(4,000)
6840	Medical	-	6,000	6,000	-
		<u>20,240</u>	<u>25,000</u>	<u>21,000</u>	<u>(4,000)</u>
6900	Fuel Modification/Landscaping				
6910	Fuel Modification/Weed Abatement	73,921	74,000	40,000	(34,000)
6920	Landscaping Materials - Entrance	17,500	15,000	20,000	5,000
6930	Landscaping Water - Entrance	11,000	8,000	7,500	(500)
6940	Landscaping Maintenance Contract - Entrance	18,540	20,000	20,000	-
		<u>120,961</u>	<u>117,000</u>	<u>87,500</u>	<u>(29,500)</u>
	Total expenditures	<u>1,466,286</u>	<u>1,526,174</u>	<u>1,534,300</u>	<u>8,126</u>
	Total Operating Revenues less Expenses	<u>1,310,454</u>	<u>1,181,709</u>	<u>1,228,700</u>	<u>46,991</u>

Note: (1) Includes additional costs due to COVID-19
 (2) Pool lifeguards approved June 17, 2020
 (3) July 4th 2020 Celebration canceled

Emerald Bay Service District
 Capital Outlay
 Approved Capital Expenses for the Fiscal Year Ending June 30, 2021

Acctg Codes		Projected 06/30/20	Approved Mid-Year Budget 03/11/20	Approved Budget FY 2020-21
8300	Storm Drains			
8310	Construction - Curbs and Gutters	486,808	400,000	50,000
8310	PCH Restriping	13,933	-	-
		<u>500,741</u>	<u>400,000</u>	<u>50,000</u>
8400	Sanitary Sewers			
8410	Sewer Lift Stations - CIP	13,500	29,000	50,000
8420	Sewer Pipelines - CIP	167,855	150,000	100,000
8430	SOCWA - CIP	186,542	200,000	323,000
8440	CLB - CIP	-	40,000	40,000
8450	Generator	-	-	120,000
		<u>367,897</u>	<u>419,000</u>	<u>633,000</u>
8500	Potable Water			
8510	Water - Pipelines - CIP	26,220	20,000	15,000
8520	Water - FH/Valves - CIP	7,863	15,000	15,000
8530	Water Meter Replacement	-	-	-
8521	Fire Hydrant Replacement	-	15,000	9,000
		<u>34,083</u>	<u>50,000</u>	<u>39,000</u>
8600	CERT			
8630	Back up power project	7,368	-	120,000
		<u>7,368</u>	<u>-</u>	<u>120,000</u>
	Total Capital Transactions	<u>910,089</u>	<u>869,000</u>	<u>842,000</u>

Emerald Bay Service District
 Debt Service Fund
 Approved Debt Service Expenses for the Fiscal Year Ending June 30, 2021

A. Debt Service Fund	Projected 06/30/20	Approved Mid-Year Budget 03/11/20	Approved Budget FY 2020-21
1. Note Payable-Bonds (principal and interest)	\$ 487,422	\$ 487,422	\$ 487,422 (1)
Total Proposed Debt Service	<u>\$ 487,422</u>	<u>\$ 487,422</u>	<u>\$ 487,422</u>

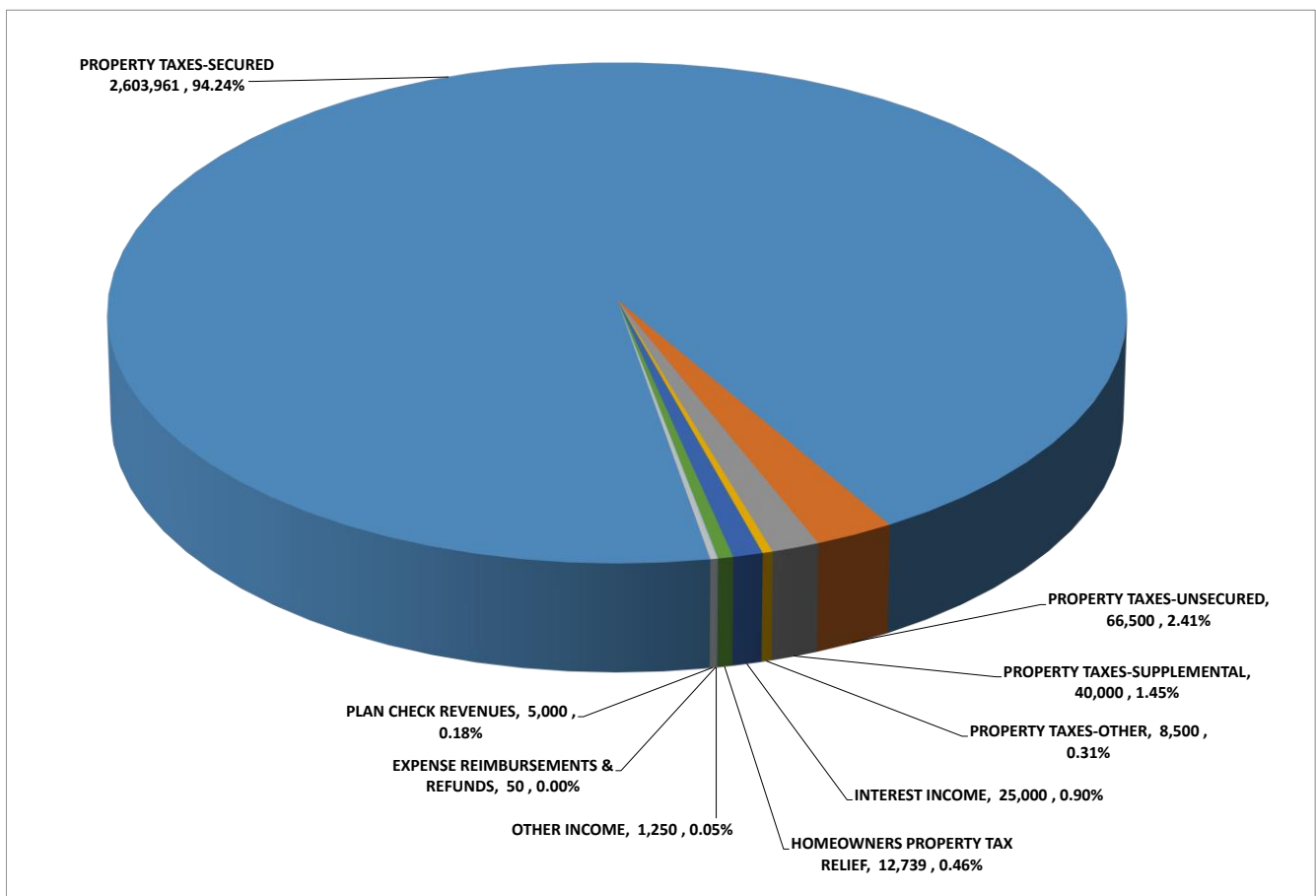
Note: (1) The District entered into an Installment Sales Agreement for \$7,000,000 to be repaid over a 20 year period. Two payments will be made in Fiscal Year 2020/21

Emerald Bay Service District
 5 Year Capital Improvement Plan
 For the 5 Year Period from July 1, 2020 to June 30, 2025

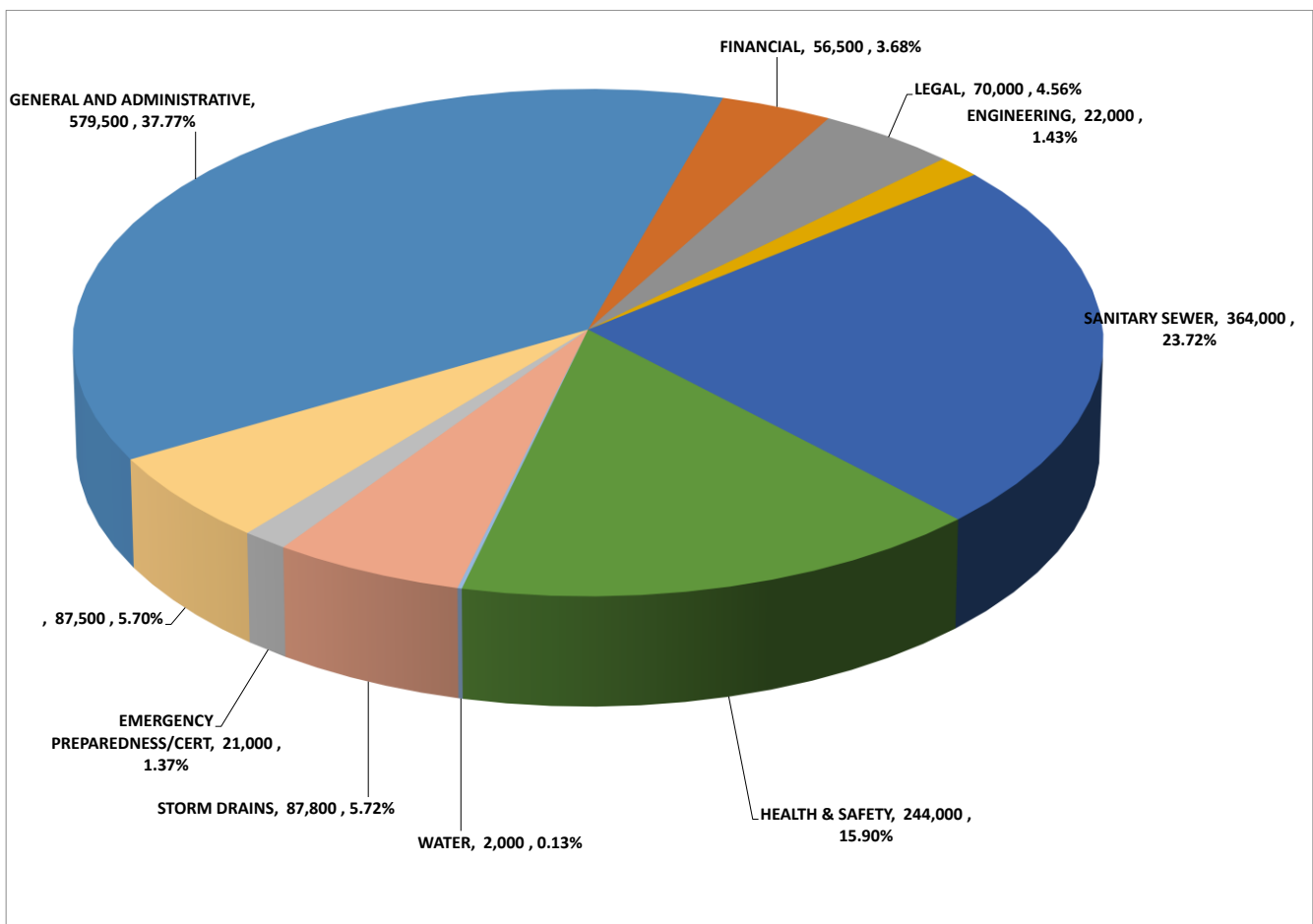
	Approved Budget Fiscal Year 2020-21	Fiscal Year 2021-22	Fiscal Year 2022-23	Fiscal Year 2023-24	Fiscal Year 2024-25
Storm Drains					
Construction - Curbs and Gutters	50,000	200,000	20,000	100,000	20,000
	<u>50,000</u>	<u>200,000</u>	<u>20,000</u>	<u>100,000</u>	<u>20,000</u>
Sanitary Sewers					
Sewer Lift Stations - CIP	50,000	20,000	50,000	20,000	20,000
Sewer Pipelines - CIP	100,000	100,000	100,000	200,000	200,000
SOCWA - CIP	323,000	189,000	183,000	52,000	136,000
CLB - NCI	40,000	40,000	150,000	150,000	150,000
Generator	120,000	-	-	-	-
	<u>633,000</u>	<u>349,000</u>	<u>483,000</u>	<u>422,000</u>	<u>506,000</u>
Potable Water					
Water - Pipelines - CIP	15,000	15,000	100,000	30,000	20,000
Water - FH/Valves - CIP	15,000	-	-	-	-
Fire Hydrant Replacement	9,000	18,000	18,000	18,000	18,000
	<u>39,000</u>	<u>33,000</u>	<u>118,000</u>	<u>48,000</u>	<u>38,000</u>
CERT					
Generator	120,000	-	-	-	-
	<u>120,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Capital Transactions	<u>842,000</u>	<u>582,000</u>	<u>621,000</u>	<u>570,000</u>	<u>564,000</u>

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.

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.

Glossary (continued)

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 equipment 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 or capital improvements 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.

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.

Glossary (continued)

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.

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.

Glossary (continued)

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.