Asset Replacement Funding Strategy

Incline Village General Improvement District

Report to the Board of Trustees

By

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2018-2019 District Budget Calendar

September 23, 2015	Strategic Plan approved by Board
August 24, 2016	Strategic Plan update
April 17, 2017	Strategic Plan extended for 2017-18
October 12, 2017	Staff Budget kickoff
October 2017 to January 2018	Staff prepares draft budget
January 10, 2018 (now 2/7)	Strategic Plan Overview of Work Plan
January 24, 2018	Utility Rate Study
February 7, 2018	Asset replacement funding presentation
February 23, 2018	2018-19 tentative operating information released on Opengov.com
February 21, 2018	Board Review of Community Programming (Pricing & Programs Provided)
March 13, 2018	Board overview of Operating Budget (Fixed & Scalability and Sources & Uses)
March 14, 2018	Release CIP 5 Year Summary Online
March 26, 2018	Capital Improvement Projects Tour conducted ahead of BOT meeting
March 28, 2018	Board review of Capital Improvement Program Budget
April 11, 2018	Consider and Approve "Tentative" Budget Filing and Preliminary Rec Roll
April 25, 2018	Utility Rates (Ordinances 2 and 4) Public Hearing and Approval of Revised Ordinances
May 9, 2018	Strategic Plan update
May 23, 2018	Public Hearing on final proposed Rec Roll and Fiscal Year Budget
June 1, 2018	File Final Budget Form 4404LGF with State of NV
June 30, 2018	Distribute Operating and CIP Budget Books
July 25, 2018	Review and Approve District Indebtedness Report including the Five Year Capital Plan Project Listing

2/7/18 Report Objectives

- History of District Asset Replacement Planning
- Role of Fund Balance Targets as a Resource for Funding
- Current Approach to Asset Replacement Funding
- Relationship to Operating and Capital Budgets Adopted each Year

History of Asset Replacement Planning

- Pre-2007 focus mainly on 1 and 5 Year plans to comply with Nevada Revised Statutes for Operating Budget and Capital Improvement Plan
- 2008 Adopted Board Policies 12.1.0 Multi-Year Capital Planning and 13.10.0 Capital Project Budgeting
- 2008 to present; Expanded focus to include up to 20 year scheduling of replacements and capital initiatives
- 2010 forward; Annual review deepest dive into years 1 to 3, with years 4 and 5 planned to make the 5 Year Plan as credible as possible
- 2015 to present, substantially increased review of care and condition as part of replacement project prioritization

History of Asset Replacement Funding

- Community Services has maintained its sources from a combination of debt financing, operating results and an allocated portion of the Facility Fee
- Since 2009 the District has identified the allocation of the Facility Fees by venue for Capital Expenditure and Debt Service
- 2006-2014, six times in that span, the Facility Fee included additional amounts to accumulate resources (presumably for legacy projects)
- 2015 began study of comprehensive methods for funding asset replacement, with an emphasis on planning 5 years at a time

Elements for Asset Replacement Funding

- Recognized that many projects took multiple years to plan or complete and that funding could often also take time
- Since budgets are one year at a time, Fund Balance is a way to accumulate and hold resources
- Since 2010 components of Facility Fee for Debt Service and CIP planned together to allow predictable inflow to meet debt repayment first and replacement when possible
- 2015 reinforced a hierarchy for use of debt on major projects, to allow planning for limited pay as you go for replacements
- Sought to identify measurements and indicators

Asset Replacement Strategy

Measures:

- 5 Year Capital Improvement Plan
- 5 year Projection of CIP Sources and Uses
- 5 Year Stress Test of the Projection versus Fund Balance

Indicators:

- Accumulated Depreciation as a percentage of Depreciable Cost (indicates relationship to useful life)
- Funding needs as a percentage of Depreciable Cost
- Percentage of Debt Outstanding to Depreciable Assets

CIP & Debt Service Sources

Facility Fee (Per Parcel) Allocation:

Y/E	CIP	Debt Serv.	Total
2010	$183	$330	$513
2011	$304	$329	$633
2012	$230	$291	$521
2013	$216	$290	$506
2014	$277	$251	$528
2015	$303	$251	$554
2016	$332	$157	$489
2017	$344	$161	$505
2018	$369	$161	$530
2019	$479	$ 51	$530

Unrestricted Fund Balance at June 30:

Y/E	Community Serv.	Beach
2010	$ 5,472,635	$1,480,207
2011	$ 4,226,167	$1,177,762
2012	$ 4,634,819	$1,485,728
2013	$ 5,980,357	$1,531,639
2014	$ 5,937,614	$1,672,205
2015	$ 5,271,334	$1,107,786
2016	$ 9,841,806	$1,081,701
2017	$12,694,205	$1,077,496
2018	$ 9,900,000	$1,050,000
2019	$ 8,900,000	$1,100,000

Fund Balance Targets

- Indicator of basic need for operating resources
- General Fund 4% minimum set by law, others set by Board of Trustees
- Board Practice 7.2.0 focuses on 25% of operating expenditures
- Former versions of the Practice had other percentages and CIP
- Resources for multi-year Capital Expenditure are held in Fund Balance, measured by carryover budgets and future CIP
- Separate Funds for Community Services, Beach and Utilities creates the inherent limitation of using each body of resources for their own projects and operations

Fund Balance Available for Non-Operating Uses

Fund	17/18 Target	6/17 Fund Bal.	Available
General	$ 168,000	$ 1,862,000	$ 1,694,000
Utility	$1,818,000	$12,536,000	$10,718,000
Comm. Serv.	$3,993,000	$12,694,000	$ 8,701,000
Beach	$ 420,000	$ 1,077,000	$ 657,000

Considerations for Asset Replacement Funding

- Budget Year scheduled capital projects and debt service
- Carryover projects affecting budget year
- Multi-year projects affecting either sources or uses
- Board Policy and Practices for prioritization of sources (current versus long-term) & uses (as set by adopted 5 Year Capital Project Summary)
- Most immediate year budget and asset replacement projection
- Board direction for 5 year funding projection
- Available current sources
- Available Fund Balance

Assumptions for 5 Year Funding Projection

- Focus has been on Community Services and Beach, since Utility Fund has its separate Rate Study
- Maintain plan for no change to facility fee driven by CIP or Debt Service and retain total allocation for uses going forward
- Identify funding by venue and in the aggregate, with Comm. Services Admin holding funds for planned future projects
- Identify known carryover and Board directives for future projects that constrain availability of resources for other projects
- Expenditures match 5 Year CIP Plan separately from planning possibilities

2018-2019 5 Year CIP Projection Issues

- Update known project costs and timing
- Validate prioritization and allocation of resources
- Reflect the slower execution of the Diamond Peak Master Plan
- Discuss potential initiatives from the Community Services Master Plan in terms of projects, timing and resource for funding
- Execution of the Diamond Peak Culvert without debt will substantially change the availability of Fund Balance for other initiatives
- Whether or not to produce projections for General and Utility Funds

Next Steps for Asset Replacement Funding

- Focus on alignment of resources with proposed 2018-19 CIP
- Overlay expected carryover and multi-year projects onto years 2 thru 5 of the CIP Plan
- Assemble 5 Year Plan for adoption in July, knowing how it fits overall
- Review CIP scheduled in years 6 to 10 in the event it gives insights for planning resources through year 5
- Review years 11 to 20 that there are no substantial pinch points to alter the current plans for replacements
- Use the Budget Process to discuss and validate funding plans

Remaining Dates for 2018-19 CIP Budgeting

- March 14, 2018 Release 5 Year CIP Summary Online
- March 26, 2018 CIP Project Tour
- March 28, 2018 Board of Trustees action item to discuss Capital Improvement Projects and review 5 Year Projection for funding
- April 11, 2018 Approve Tentative 2018-19 Budget Filing
- May 23, 2018 Final approval 2018-19 Budget including Year 1 CIP
- July 25, 2018 Approval of Indebtedness Report including 5 Year CIP Summary