

MEMORANDUM

TO:
FROM:
DATE: April [REDACTED], 2018
SUBJECT: Early Annual Budget Discussion Item

The District's budget process begins each year as soon as it ends. Our only regret today is that we were not able to bring this forward sooner. The Commission and constituents have previously discussed financial concerns about creating fair, reasoned and sustainable revenues in light of the severe procedural challenges foisted on smaller fire districts by the Legislature. One important goal is to smartly and efficiently exercise the unique authority of the District concerning the maintenance of the island's shell covered access (path or roadways) ways and dockage the entire community and its landowners rely upon. We have come to learn that, by necessity, this challenge involves a multi-disciplined activity that begs for both esoteric/expert knowledge and coordinated guidance and efforts and is loaded with process-oriented challenges and pitfalls.

Our District attorney has been helpful in identifying the opportunity for a more holistic approach involving an experienced and innovative group of problem solvers. The process is intricate, and involves special legal guidance, economic, engineering and data assemblage from a collection of experienced professionals who generally operate in advancing what they call the Simplified Fire TM regime for communities around the State. Because they work partially at-risk and present a solution that is judicially validated as a lawful means to support obligations of the District in a public finance effort, no additional procurement is necessary to use this approach to problem-solving. Ideally, they work to present a complete program at the outset and defer a substantial amount of their payment based on results.

The elegance of the Simplified Fire TM approach has been tested legally and smartly uses annually updated data extracted from State maintained records each year. This presents public administration flexibility and allows the District to generate revenues without having to re-invent the wheel in terms of fair and reasoned allocation each year. Let's be clear, the process will charge our properties, developed and undeveloped, for availability of the District's services and capital expenditures. Those charges for availability of services and capital year in and year out will be parsed substantially by the

existence of parcels on the island in the Districts service area, and to a much lesser degree by the relative amount improvements located thereon. The electors will need to vote to approve the rates resulting from this modification in approach. We believe the equity and thoughtfulness involved will be a means to socialize this solution in a positive fashion among our neighbors.

The attached work order outlines the detail to accomplish this simplified and repeatable approach. These professionals working with the Commission and its staff and advisors, will guide the District through set up, notices, imposition, and legal validation to place the entire process in repose, as well as to act to guide the District to the point where collections flow to our treasury.

Obviously, our research has shown that this is a multi-disciplined exercise, and the attached Professional Services Agreement, partially at-risk work order, and rider agreeing to accept their fees, in part, over a period of years present an extraordinary opportunity.

To do the necessary detailed analysis and act to implement can initially be time consuming and expensive. However, this specialized working group is prepared to show us how they will lay out and do the initial work partially at-risk, where the District is provided a complete overview (and rates for every parcel on the island served by the District) customized to our community and its budget and parcels for a very reasonable fixed initial charge. That means the Commission will be able to promptly make extraordinarily well-informed decisions before proceeding to implement.

In recognition of the relatively small size of our budget and District, the specialized attorneys, economists, and data experts involved have also told us they will accept payment for creating and walking the District through this initial work effort, in large part, on an installment basis over several years. Then the cost to the District to do this year-in and year-out through this group will be far less than a full-time employee (FTE). As well, the result would be much more equitable than attempting to simply keep raising property taxes. Generally, the District will not be obligated to pay but for a small amount of this group's work if the Commission decides not to proceed; and, then only upon success if the Commission does proceed.

The professionals involved have a demonstrated successful track-record and an ability to guide the District through the process, initially and in future years.

If we want to use this alternative and engage them, we have a short time yet this year to become fully apprised and decide the time frame to implement (whether this upcoming FY or next). So, the Commission can have this option in place as a viable alternative to more property taxes if action is taken shortly. Please, let's be clear, this is a form of exaction, but one NOT based on ad valorem property taxes.

The cost to know all the details is initially less than \$15K. If the Commission doesn't like the prospect it can stop at that \$15K cost. If the Commission decides to proceed, the remaining cost to implement can be paid in installments over 4-5 years from these future revenues; and, the work of these specialists to implement will be done initially at-risk until all chance of legal challenge is cut off. This (i.e. installment payment work done substantially at-risk) shows this group's confidence and willingness to adapt to a smaller-budget client. This item is timely, and this approach is a most promising alternative to diversifying how the District funds its budget, and efficiently implements its limited means to generate revenue to serve the community.

REQUIRED BUDGET APPROPRIATION: Authorize a budget appropriation/ amendment of \$15K, which will be the maximum amount to be expended, unless the Commission adopts a subsequent resolution to proceed further toward implementation.

RECOMMENDATION: Direct and authorize the Chair or other designee to proceed and execute the attached professional services agreement, work order, and installment payment (rider) arrangement.