

AGENDA
REGULAR MEETING
BOARD OF DIRECTORS

EAST BAY REGIONAL PARK DISTRICT

Tuesday, December 21, 2010

C. BUSINESS BEFORE THE BOARD

8. BOARD COMMITTEE REPORTS

- b. Finance Committee Minutes and Recommended Actions from
the November 18, 2010 Meeting (Severin)

Attendees

Board Committee: Director Carol Severin (Chair), Ayn Wieskamp, John Sutter

Staff: Pat O'Brien, Dave Collins, Cinde Rubaloff, Bob Doyle, Pam Burnor, Deborah Spaulding, David Sumner, Carol Victor, Meadow D'Arcy, Mimi Waluch, Sharon Corkin

Public: None

Agenda Item No. 1 - 2011 Proposed Operating and Project Budgets

Budget Manager Pam Burnor provided an overview of the 2011 Proposed Operating and Project Budgets, reporting that they are balanced budgets, and adding the following specifics:

- The District's total 2011 budgeted revenue from all sources is \$188 million, including \$43 million of transfers in, compared to \$201 million (including \$49 million of transfers in) in 2010 - an approximate 7% decrease.
- Use of fund balance/net assets as a resource totals \$43 million, which includes \$3.6 million in the General Fund's use of the fund balance designated for smoothing.
- The District's 2011 proposed expenditures from all sources total \$232 million (including \$43 million of transfers out), compared to \$246 million (including \$49 million of transfers out) in 2010 - a 6% decrease.
- District operating appropriations have increased slightly to \$160 million in 2011 from \$156 million in 2010.
- District project appropriations have decreased 31% to \$28 million in 2011 from \$41 million in 2010.

- 2011 General Fund budgeted revenue is \$100 million, compared to \$103 million in 2010, a 3% decrease.
 - Investment earnings budget has been reduced to \$1.5 million, a 45% decrease from last year's estimate.
 - Charges for services budget has been reduced by \$1.1 million, 13%, due to termination of Middle Harbor Shoreline Park contract with the Port of Oakland.

- 2011 General Fund operating appropriations total \$99 million, compared to \$98 million in 2010, a 1% increase.
 - Personnel costs increased by \$2.6 million (or 4%) due to additions of Operating Division FTEs and one police officer, as well as increases to all employee medical and dental and retirement costs.
 - Appropriations for services have decreased \$1.4 million (or 10%) due to elimination of election cost appropriation in 2011 (a non-election year).

Budget Manager Pam Burnor reported that the District's General Fund projections for 2011 revenues are affected by a few major factors including the continued decline in assessed valuations (AV) in Alameda (down 1.12%) and Contra Costa (down 3.26%) Counties. On a positive note, these declines are less than previously forecasted. Additionally, investment earnings are at historic lows, which is reflected in the 2011 budget.

Budget Manager Pam Burnor reminded the Committee members that the excess of 2009 General Fund revenue over expenditures, \$9 million, was designated by the Board for "smoothing", with the intended use to cover revenue declines anticipated until the economy rebounds. The goal is to maintain District service levels and avoid staff layoffs.

- The 2011 General Fund budget includes the use of \$3.6 of fund balance designated for "smoothing."

Budget Manager Pam Burnor reported that the 2011 proposed budget assumptions also include the following:

- Measure CC funding of \$3,179,289 has been budgeted in operating and project budgets as directed at the July 20th Board meeting, with one addition for the continuing Albany Beach Study, which received an earlier \$50K appropriation of Measure CC funding.

- Middle Harbor joint operating agreement terminated with Port of Oakland resulting in a loss of \$1.3 million revenue, and the elimination of seven FTEs. Staff currently in these positions will be reabsorbed in other locations within the District.

- Pipeline appropriations were limited in 2011 General Fund budget, and include only a portion of one "pipeline" project. One Recreation Coordinator was added, along with a small operating budget for supplies and services for

Tidewater Aquatic Center operations at Martin Luther King Jr. Regional Shoreline.

- The 2011 budget contains \$32 million in appropriations from the Measure WW Series 2009 bond proceeds in the Measure WW Local Grant Fund and in the project funds.
- District's Miscellaneous CalPERS rate increased to 20.018%.
- Public Safety retirement rate includes the portion charged by CalPERS, 19.094%, plus a lump sum associated with the amortization of the pay-off of the side fund loan, \$1,108,056, budgeted as a lump sum in the Office of the Chief's budget.
- Transfers to other funds include the \$1.2 million for annual debt service fund support, \$2.7 million to cover the cost of design and construction staff, who will continue to have their personnel costs coded to applicable projects, \$500,000 for ADA improvements and \$273,000 for other miscellaneous items.
- A new special revenue fund for Vasco Corridor has been implemented to account for cell tower lease and wind turbines revenue specific to the site, which will be used to fund an Operations Park Supervisor for that area in 2011.
- Intra-governmental charges have been appropriated in General Fund divisions to cover the costs of services provided by internal service funds. Internal service funds exist for Worker's Compensation, General Liability, Major Equipment Replacement and Employee Benefits. Allocation of intra-governmental charges is based upon benefit derived by each division. Allocation of the costs of services provides more accurate information on the total costs of each division.

Budget Manager Pam Burnor continues that work on the details of the budget document continues and, in the event that these final calculations and reconciliations result in minor changes, adjustments will be made as necessary to maintain balance prior to issuance of the adopted budget.

Recommendation: Moved by Director Severin and seconded by Director Wieskamp, the Committee unanimously voted to favorably recommend acceptance of the 2011 Proposed Budget to the full Board of Directors.

Agenda Item No. 1 - 2011 Appropriation (Gann) Limit

Budget Manager Pam Burnor presented the annual calculation of the Appropriation (Gann) Limit. This calculation is based upon Article XIII B of the California State Constitution that establishes a formula to calculate a limit on public agency appropriations of taxes. The appropriation limit applies to maximum appropriations to

be charged against property tax. The 2011 appropriation limit is \$296 million. The District's appropriation amount subject to the limit is \$88 million, well below the limit.

Recommendation: Moved by Director Wieskamp and Seconded by Director Sutter, the Committee voted to recommend acceptance of the 2011 Article XIII B California Appropriation Limit (Gann Limit) to the full Board of Directors.

Agenda Item No. 2 - 3rd Quarter 2010 Unaudited Financial Statements

Assistant Finance Officer Debora Spaulding presented the Quarterly Financial Reports for the Third Quarter 2010. The reports summarize the District's financial activities for the third quarter of 2010, and compare 2010 financial activities with those from 2009.

General Fund Revenues:

- The District received approximately \$57 million in General Fund revenue in the first three quarters of 2010, a decrease of \$2.4 million (or -4%) from revenue earned during the first three quarters of 2009. \$1.0 million of the decline is attributable to reduced property tax revenue, which was expected. An additional \$1 million of the decline is attributable to reduced interest earnings.

General Fund Expenditures:

- In the first three quarters of 2010, overall General Fund expenditures were approximately \$4 million lower than in the first three quarters of 2009 – a 6.5% reduction. Expenditure decreases occurred in every area: personnel costs, supplies and services, capital outlay, and other uses.
- Supplies and services expenditures decreased by \$1.9 million or (-15%) from the prior year. The substantial decrease in operating supplies resulted a reduction in a variety of areas, the largest of which was an \$800,000 reduction in small tools and equipment.
- Other uses increased \$1.7 million from the prior year. Intra-District charges have increased due to an accounting change. The cost of services provided to the General Fund by internal service funds are now captured in intra-District charges.

Revenues and Expenditures for Other Governmental Funds (Special Revenue Funds, Project Funds, Debt Service Funds):

Special revenue funds had greater revenue and expenditures when compared to the same period of the prior year. The revenue increase is primarily due to a transfer of bond proceeds into the Measure WW Local Grant Program Fund. The expenditure increase is also primarily driven by Measure WW grant reimbursements in 2010.

Project funds had increased revenue and expenditures when compared to the same period last year. The revenue increase is due to timing of reimbursements for project expenditures, primarily bond proceeds. The expenditure increase is due to the difference in timing of project activities and invoice payments, which fluctuates substantially year to year.

Debt service funds had increased revenue and expenditures when compared to the same period last year. The increased revenue is due to the increased property tax levy, which covers current year principal and interest payment requirements. Increased expenditures are due to debt service requirements.

Recommendation: Moved by Director Wieskamp and Seconded by Director Sutter the Committee recommended acceptance of the Third Quarter 2010 Unaudited Financial Statements for favorable consideration to the full Board of Directors.

Agenda Item No. 3 - 3rd Quarter 2010 Budget to Actual

Budget Manager Pam Burnor reported on the District's September 30, 2010 revenue and expenditure compared to budget.

General Fund revenue received by the end of the third quarter of 2010 totaled \$57 million, 56% of the annual budget. As of September 30, 2010, expenditures (without encumbrances) totaled \$63 million (excluding operating transfers out), or 64% of the 2010 appropriations. In comparison, as of September 30, 2009, 66% of annual revenues had been collected and 64% of appropriations spent (excluding encumbrances).

Special revenue funds receive revenue intended for a specific purpose. At the end of the third quarter of 2010, 52% of the total of all special revenue budgets had been received. As of 9/30/09, 49% of special revenue fund revenue had been collected. Special revenue fund appropriations are restricted for specified uses. At the end of the third quarter of 2010, 21% of appropriations remain unexpended (excluding encumbrances). As of 9/30/09 53% remained unexpended (after elimination of \$27 million appropriation for Measure WW local grant program which was appropriated but not spent in 2009).

Recommendation: None Required, this item is informational only.

Agenda Item No. 4 - September 30, 2010 Investment Report

CFO Cinde Rubaloff presented the 3rd quarter investment report, in accordance with State law and the District's Investment Policy. The grand total of the District's cash and investments as of September 30, 2010 was \$234,202,965.

The 2010 investment earnings budget is \$4.4 million. As reported, current year to date earnings are \$2 million. It is anticipated that 2010 will end \$1 million under budget.

2011 budget has been adjusted accordingly. CFO Rubaloff reported that staff will continue to monitor, evaluate and actively manage the District's funds to maximize returns in this dismal investment environment.

Recommendation: Moved by Director Sutter and Seconded by Director Wieskamp, the Finance Committee recommended acceptance of the September 30, 2010 Investment Report to the full Board of Directors.

Agenda Item No. 5 - Increase in General Fund Designated Fund Balance for Election Costs

CFO Rubaloff reported that since 2001 the District has maintained a designated fund balance for election costs. Election costs are significant, potentially exceeding \$2 million for any given election. The Board has deemed it prudent to designate a portion of the General Fund fund balance for these costs, reducing the fluctuation in annual budget appropriations during election years.

Staff recommends that the balance of the 2010 appropriation over actual expenditures, \$1,548,000, be added to General Fund designated fund balance for election costs. This will bring the designated fund balance to \$2,199,000. This amount will be available in 2012 when the District again has the potential of incurring significant election costs related to Board member elections.

Recommendation: Moved by Director Sutter and Seconded by Director Wieskamp the Committee recommends that the \$1,548,000 of 2010 election cost appropriation over 2010 actual expenditures be added to the General Fund designated fund balance for election costs, producing a total designation for election costs to \$2,199,000 to the full Board of Directors.

Agenda Item No. 6 - General Fund Designated Fund Balance for First Quarter Expenditures

CFO Rubaloff requested consideration of an addition to designated fund balance in the General Fund. The District receives approximately 40% of General Fund revenue in December of the preceding year. The District must cover all operating expenditures between December and April with the property tax revenue received in December. As of December 31st of each year, a large portion of the unreserved fund balance reported in the General Fund is in fact the amount which must be used to fund the upcoming quarter's expenditures.

Staff is recommending that the Board designate 25% of the upcoming year's appropriation as General Fund designated fund balance for first quarter expenditures, thus increasing clarity and transparency.

For December 31, 2010 staff is recommending that the Board designate 25% of 2011 General Fund appropriations, \$24,960,000, as fund balance designated for first quarter expenditures.

Recommendation: Moved by Director Wieskamp and Seconded by Director Sutter, the Committee recommended that the \$24,960,000 of General Fund unreserved fund balance be designated for first quarter expenditures be forwarded to the full Board of Directors.

Public Comments

Sharon Corkin requested clarification on the number of Full Time Equivalents (FTE's) that are being eliminated in the 2011 Proposed Budget. There are 39 Operations Division FTE's being eliminated from the 2011 Proposed Budget (positions were actually frozen in the 2010 budget, not eliminated in the 2011 budget) and when can they be expected to return.

GM Pat O'Brien explained that due to the desire to maintain existing operating levels, the General Manager proposed to use an additional \$1 million of the "smoothing" funds to add back 11 FTE's to Operations staff and one police officer back to the Public safety Division. Funding for the remaining FTE's will depend upon future economic conditions and future revenue increases that will be sufficient before adding back the eliminated FTE's.

Meeting was adjourned at 2:45PM