

AGENDA
REGULAR MEETING
BOARD OF DIRECTORS

EAST BAY REGIONAL PARK DISTRICT

Tuesday, January 12, 2010

D. BUSINESS BEFORE THE BOARD

7. BOARD COMMITTEE REPORTS

- b. Finance Committee Minutes and Recommended Actions from
the November 19, 2009 Meeting (Lane)

Attendees

Board: Director Lane (Chair), Ayn Wieskamp, Whitney Dotson

Staff: Pat O'Brien, Dave Collins, Cinde Rubaloff, David Sumner,
Pam Burnor, Susan Gonzales, Davio Santos, Deborah Spaulding,
John Escobar, Jack Kenny, Anne Scheer, Sharon Corkin

Public: Bick Hooper, PAC, Dan Walters, PAC

I. Financial Reports (unaudited) for the Third Quarter of 2009

Audit Manager David Sumner presented the financial statements for the third quarter of 2009 and reviewed the information with the Committee. General Fund revenue is \$60,603,429 and expenditures are \$63,161,787. Comparing year to date 2008 to 2009, revenue has declined by \$5,084,912 and expenditures have declined by \$27,058.

The majority of revenue differences are comprised of a \$3.7 million timing change from the date that the prior year's deferred property tax amounts were received, and a decline in interest income due to the overall decline in short-term interest rates. Miscellaneous revenue was up by \$223,966 over the prior year. The increase was mainly due to a \$207,955 reimbursement received from our excess insurance policy from a 2008 District payment to settle a claim. Other major factors are the quagga mussel inspection program cost-sharing payments received from local water districts and payroll-related refunds received from the IRS for prior year penalties which were reversed.

Mr. Sumner continued with a review of the General Fund expenditures. Personnel services are down \$196,673 over prior year due to the overall decrease in overtime and temporary help expenses. Supplies and services are up \$1,050,720 over the prior year due to an accounting change which increased the capitalization limit to \$25,000; thus shifting the cost of lesser-priced equipment from a capital outlay into the supplies

category. This resulted in an increase in the supplies category of \$700,000. Additionally, election costs paid by 9/30/2009 were \$320,000 compared to \$0 at 9/30/2008.

Mr. Sumner then reviewed the capital outlay, which was down \$826,989 over the prior year. Again, the decrease was due to the above noted change in capitalization policy. Rolling stock coded to capital outlay has decreased 70% due the change in capitalization policy; rolling stock under \$25,000 is now coded to supplies.

PAC Finance Sub-Committee Member Bick Hooper questioned why actual expenditures were slightly higher than last year when the General Manager had directed a 5% budget savings for 2009. Mr. Sumner responded that we have not closed our books for the year and the decline will be reflected after we close our books. CFO Cinde Rubaloff added that departments were instructed to reduce their expenditures by 5% versus the budget. The instruction was given the beginning of July, thus we have only completed one accounting quarter which includes the savings effort. By the end of the year, the entire result of the 5% reduction will be evident. CFO Rubaloff emphasized that it is not compared to last year's expenditures but it is compared to the current year's budget. PAC Member Hooper wanted to know what the total reduction in actual expenditures will be when compared to last year, and whether it be within a 2% to 3% range. CFO Rubaloff responded that actual expenditures for 2009 should be about the same as 2008.

Director Lane questioned the reimbursement for Quagga mussel inspection and asked if the District is getting any closer to reimbursement of our costs from the water agencies. Chief of Parks Jack Kenny responded that the cost sharing agreements are different for each lake and depend upon the level of boating use and what was negotiated with the water agencies. He used the example of Del Valle, which has the most boating (10,000 boats per year): The cost to the District is shared by three water agencies, because those three water agencies have water rights to Del Valle. The three agencies cover $\frac{3}{4}$ of our costs. AGM of Operations John Escobar responded that the cost of Del Valle inspection service is over \$400,000 per year. Chief Kenny noted that there is potential for additional funding sources from State and federal sources.

Director Lane wanted to know what happens to unspent contingency funds. AGM of Finance and Management Services Dave Collins responded that the funds are an annual appropriation and if they are not spent, they lapse, reverting back to the General Fund fund balance. Director Lane inquired whether or not it affects the new-year budget if departments do not spend their total budget. AGM Collins responded that it has no effect on the budgeting process.

Davio Santos raised a question about operating transfers out, and asked for an example. An example of a prior year General Fund transfer to Fund 220 to supplement the LLD assessment revenue and cover all amounts appropriated in Fund 220 was provided.

Recommendation: Moved by Director Wieskamp and seconded by Director Dotson, the Finance Committee accepted the Financial Reports (Unaudited) for the Third Quarter of 2009 and recommended them to the Board for acceptance.

2. Draft Budget Policy

CFO Rubaloff informed the Committee that the Finance Department has been working on updating/writing the District's financial policies in compliance with GFOA recommended practices. In the past, the District's budget policy statement was included in the budget document. Recommended practices require formal Board approval of separate financial policies, including the budget policy. Additionally, the budget policy needed to be expanded and best practices suggest that it include some very specific language. One of the most important policy statements is that we have a "balanced budget policy." Additionally, we need to include the budgetary basis of accounting, the legal level of budgetary controls, information about use of encumbrances, performance measures, etc. There was general discussion by the Committee regarding the draft policy.

Recommendation: Moved by Director Wieskamp and seconded by Director Dotson, the Finance Committee accepted the District's Draft Budget Policy and recommended it to the Board for acceptance.

3. 2010 Proposed Budget

AGM Collins informed the Committee that each year the California Article XIII-B Appropriation Limit (Gann Limit) calculation must be completed and approved by the Board as a separate item. The appropriation limit calculation is also included in the proposed budget document. AGM Collins informed the committee that CFO Rubaloff has reviewed past appropriation limit calculations, performed some clean-up and recalculated the carry forward amount of our appropriation limit. CFO Rubaloff distributed a handout that displayed the appropriation limit calculation and reviewed the calculation process. The new appropriation limit is calculated to be approximately \$300 million and the District appropriation subject to limit is approximately \$90 million. The District is therefore \$200 million below our appropriation limit. Committee members inquired if any agencies had exceeded their Gann limit caps, and CFO Rubaloff provided examples of agencies that have had to take fiscal action to reduce spending to comply with the cap. AGM Collins noted that, although the Gann Limit calculation is considered to be a part of the budget process, and is being discussed with the Committee on that basis, state law requires the District to bring the Gann Limit matter to the Board as a separate action.

AGM Collins introduced the 2010 District budget to the Committee, noting that the proposed budget is balanced and requires that departments reduce their operating expenditures to meet the anticipated 7% reduction in general fund revenues in 2010. As a part of this budget reduction process, the budget identifies fourteen positions that are vacant and will not be funded in 2010, and notes that approximately twenty FTE

positions will need to be vacated through attrition in 2010. AGM Collins highlighted that the General Manager has directed that this reduction in staff be accomplished to the extent possible through attrition and that every attempt be made to avoid layoff of staff in 2010.

CFO Rubaloff reviewed the 2010 Budget format with the Committee and highlighted various schedules to help the Committee understand the budgeting process. There was general discussion and agreement that the proposed budget reflects the necessary 7% decrease in General Fund appropriations.

AGM Collins referred the Committee to the schedule of capital projects funds and reviewed the transfers out from the General Fund to the listed projects. He noted that the funding available to appropriate to projects on this list is much reduced from prior years; therefore, many of the interests and initiatives that have been funded, including paving, fuels management, service yard improvements and major maintenance projects, will not be funded this year.

AGM Collins also informed the Committee that the operating budget is balanced in part because the District has been able to participate in the California Community Securitization program of the receivable due to us from the State which resulted from the upcoming ERAF shift. If the securitization program had not been available, the District would have been required to either reduce expenses significantly or used the General Fund reserve designated for economic uncertainty. Additionally, he informed the Committee that the General Fund budget is also balanced based upon the assumption that the District would restructure the current CalPERS side-fund loan related to the public safety pension pool, eliminating the associated interest expense (which totals \$700,000 in 2010). The District has tried for almost a year to refund this debt through outside parties, with the goal of decreasing the interest rate and eliminating the detrimental aspects of the loan with CalPERS. Due to the credit markets, the District was not able to restructure this debt through outside parties and has thus determined to restructure the debt internally. The interest costs savings (at 7.75%) total \$700,000 for 2010. This savings is being used to save jobs. Director Lane questioned if the District has maintained the designated fund balance for economic uncertainties. AGM Collins responded affirmatively, noting the amount of the economic uncertainty designation is intact at \$9.6 million.

AGM Collins further explained to the Committee that Middle Harbor contract amount and extension is still a pending issue and discussions are continuing with the Port of Oakland. It was noted that the prior contract, at about \$1.6 million per year, will be reduced to an anticipated \$1.4million, resulting in a reduction of approximately 2 FTE employee positions at the park. Absent a revised/renewed and extend contract for this park being approved by February, the District would need to remove our staffing from the site, and re-absorb the 10+ FTE that are currently assigned to the site.

AGM Collins noted that the 2010 Budget is a draft document, also that it has been distributed to staff and made available for public review. He noted that, based on comments and corrections received, some adjustments will be made to the document prior to the final printing. The proposed budget has been presented to the PAC for their review and comment. A listing of changes to the 2010 proposed budget was distributed and reviewed with the Committee.

Director Lane questioned why Measure WW and Measure CC projects are included in the proposed budget and AA projects are not included. Budget Manager Pam Burnor responded that traditionally we never included a listing of the AA projects in the budget document and when measure CC passed we were requested to include the project list approved by voters in the document. There was general discussion and agreement that to be consistent the AA projects should be included.

Director Wieskamp commented that the department summaries and objectives were very well done and she appreciated being able to go through all the projects and understand exactly what will be done in 2010. She also appreciated knowing the performance measures.

Director Lane wanted to know if construction of the Mobile Visitor Center was moving forward. Staff responded that it is, however that, due to operating funding limitations, it may be operated on a part time basis for several years.

Director Lane shared with the group that she and Director Dotson had attended the November Natural and Cultural Resources Committee meeting and heard a presentation from the American Indian Community. After hearing their presentation, she is concerned that the District needs to do much more to protect cultural reserves. GM Pat O'Brien informed the committee that the District uses a very highly respected archeologist and there has been progress by the District in achieving a pro-active approach working with the American Indian Community. There was general discussion and consensus that the District is being pro-active and responsive to the American Indian Community.

AGM Collins recognized Bick Hooper and Dan Walters representing the PAC and thanked them for their continued input and support of the budget process. Bick Hooper commented that most of his concerns and recommendations raised at the PAC meeting have been included in the proposed budget. Mr. Hooper noted that the PAC endorsed and recommended that the full Board approve the 2010 proposed budget. He concluded that PAC was very impressed with the budget detail and that the budget is balanced.

Director Lane asked for public comments.

Davio Santos announced that after ten years representing Local 2428 at the Finance Committee meeting, which included the privilege of being given access to financial

information and improved the dialogue between the Union and the District, he was stepping down. He introduced his replacement, Sharon Corkin.

Sharon Corkin questioned why the District would opt to pay off the CalPERS retirement side fund. AGM Collins responded that the bottom line is that it saves the District \$700,000 per year that is being used in 2010 to keep employees on the payroll. GM O'Brien responded that paying off the side fund debt assists the operating budget.

Chief Kenny commented that it is going to be a tough budget year and that Operations has not yet determined what the position vacancies will be and how they will impact park services.

Bick Hooper introduced Dan Walters, who will be his PAC replacement, to the Finance Committee. Director Lane expressed, on behalf of the Finance Committee members, their appreciation for Bick's service and knowledgeable input.

AGM Collins requested that the Committee accept and recommend for consideration by the Board of Directors the 2010 proposed budget and the Gann Limit calculation.

Recommendation: Moved by Director Dotson and seconded by Director Wieskamp, the Finance Committee accepted the 2010 proposed budget and Gann Limit calculation and recommended it to the Board for approval.

Meeting adjourned at 3:00PM.