



**BOARD FINANCE COMMITTEE**

EAST BAY REGIONAL PARK DISTRICT  
2950 Peralta Oaks Court  
Oakland, CA

**November 19, 2009  
12:45 p.m., Trudeau**

The following agenda items are listed for Committee consideration. In accordance with the Board Operating Guidelines, no official action of the Board will be taken at this meeting; rather, the Committee's purpose shall be to review the listed items and to consider developing recommendations to the Board of Directors.

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**AGENDA**

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<u>STATUS</u>	<u>TIME</u>	<u>ITEM</u>	<u>STAFF</u>
(R)	12:45 p.m.	1. Financial Reports (unaudited) for the Third Quarter of 2009	Sumner
(R)	1:00 p.m.	2. Draft Budget Policy	Rubaloff
(R)	1:30 p.m.	3. 2010 Proposed Budget	Burnor
	2:30 p.m.	4. Public Comment	

- (R) Recommendation for future Board consideration
- (I) Information
- (D) Discussion

Future 2009 Meeting Dates:

**NO DECEMBER MEETING**

Board Finance Committee Members:

Beverly Lane, Chair    Ayn Wieskamp    Doug Siden    Whitney Dotson, Alternate  
Cinde Rubaloff, Staff Coordinator

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EAST BAY REGIONAL PARK DISTRICT  
**BOARD FINANCE COMMITTEE**  
AGENDA STATEMENT  
MEETING DATE – NOVEMBER 19, 2009

**SUBJECT:** Financial Reports (Unaudited) for the Third Quarter of 2009  
Report by: David Sumner, Audit Manager

**ATTACHMENTS:** **A-D** Quarterly Financial Reports – Third Quarter 2009

**RECOMMENDATION:** Review the reports and direct Staff to submit them to the Board of Directors for consideration and acceptance.

**DESCRIPTION:**

This item provides a report of the District's financial activities for the third quarter of Fiscal Year 2009. Financial statements presented include:

- Comparative Statement of Revenues, Expenditures and Changes in Fund Balance - General Fund (**Attachment A**)
- Comparative Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Special Revenue Funds, Capital Projects Funds, and Debt Service Funds (**Attachment B**)
- Comparative Statement of Expenditures by Division - General Fund and Special Revenue Funds (**Attachment C**)
- Statement of Contingency Activity and Ending Balances (**Attachment D**)

The focus of this Agenda Statement is an analysis of the General Fund Revenues and Expenditures, since the General Fund accounts for the most significant portion of the District's operations. This report details the actual (unaudited) third quarter and year-to-date financial results as compared against actual results from the prior year.

**Analysis of General Fund Revenues**

The total General Fund revenue collected for the first nine months of 2009 was approximately \$60.60 million. The General Fund revenue collected in the first nine months of 2008 was approximately \$65.68 million. The decline in total revenues was largely due to lower property tax revenue and interest earnings. However, the District's earnings from charges for services, rents, and leases, and miscellaneous revenues increased as compared to the similar period in 2008. The following is an explanation of the changes in revenue by type:

- **Property Taxes (down \$5,011,250 or 9.58% over the prior year).** Although the slowdown in the Bay Area real estate market is affecting the District's property tax revenue, \$3.7 million of the difference between 2009 and 2008 is a timing difference resulting from the recognition of the prior year deferred amounts. The balance of the difference between 2008 and 2009 is mostly due to a decline in Contra Costa County

secured property tax remittances. Both counties' supplemental property tax remittances have also decreased, clearly reflecting the Bay Area real estate market condition.

- **Charges for Service (up \$56,946 or 0.68% over the prior year).** Charges for service revenue is consistent with last year.
- **Interest (down \$427,360 or 14.01% over the prior year).** Overall decline in short-term rates has resulted in lower interest earnings.
- **Rents & Leases (up \$72,786 or 6.70% over the prior year).** Bulk of increase is due to higher earnings from other property use (rent received from Flexi Van has increased by \$3,000 a month in 2009).
- **Miscellaneous Revenues (up \$223,966 or 26.84% over the prior year).** The increase was mainly due to a \$207,955 reimbursement received from CSAC Excess Insurance for the 2008 EBRPD payment to settle a claim. Other major factors producing the increase in 2009 compared to 2008 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.

### **Analysis of General Fund Expenditures**

The total General Fund expenditures for the first nine of 2009, was approximately \$63.16 million, as compared to \$63.13 million spent in the first nine of 2008.

Additional details related to differences observed at this time (taking into consideration the Actual Year-to-Date expenditures, and excluding encumbrances):

- **Personnel Service (down \$196,673 or 0.39% over prior year).** The overall decrease in personnel services expenditures is mostly due to a decline in overtime and temporary help.
- **Supplies and Services (up \$1,050,720 or 9.09% over prior year).** Beginning in 2009, the capitalization limit was increased to \$25,000. Items such as rolling stock and equipment which were previously coded to capital outlay are now coded to supplies. This resulted in an increase in the supplies category of \$700,000 compared to the prior year. Additionally, election costs paid by 9/30/09 were \$320,000 compared to \$0 at 9/30/08. Increases of approximately \$100,000 in each of the following categories were the final major contributors to the overall increase: Repairs and maintenance, advertising/promotion and publications/notices (related to Exhibit Design Department and Public Affairs Division), bank fees (no longer netted with interest revenue), and transportation (2008 Park Express invoices paid in 2009). The overall increase was somewhat offset by decreases in fuel (\$300,000) and legal (\$150,000).
- **Capital Outlay (down \$826,989 or 51.14% over prior year).** The decrease was due to change in capitalization policy. Rolling stock coded to capital outlay has

decreased 70% due to the change in capitalization policy. Rolling stock under \$25,000 is now coded to supplies.

Included in the Quarterly Financial Reports is a Comparative Statement of Expenditures by Division (**Attachment C**), which provides a listing of expenditures by operating divisions and departments. The total expenditures reported exclude encumbrances. Encumbrances account for commitment to pay for goods and services to be received at a later date.

The Statement of Contingency Activity and Ending Balances (**Attachment D**) provides information related to items funded through budget transfers from the three contingency accounts (i.e., Board-General, General Manager, and Maintenance and Operations). These accounts are budgeted into a general account and then transferred to specific operating accounts for unanticipated expenditures based upon District policy. The policy provides for quarterly reporting on the use of contingency funds.

**RECOMMENDATION:**

It is requested that the Finance Committee review, discuss and direct staff to submit the unaudited financial reports to the Board of Directors for favorable consideration.

Comparative Statement of Revenues, Expenditures and Changes in Fund Balance  
General Fund  
For the Period Ending September 30, 2009 and 2008

	Quarter Ended 9/30/2009	Quarter Ended 9/30/2008	Year to Date 2009	Year to Date 2008	Difference in Year to Date
<b>REVENUES</b>					
Property Taxes	\$4,515,463	\$5,058,496	\$47,301,472	\$52,312,722	(\$5,011,250)
Charges for Services	3,197,636	4,900,529	8,429,281	8,372,335	56,946
Interest	914,332	1,107,028	2,623,149	3,050,509	(427,360)
Rents & Leases	335,175	292,317	1,158,981	1,086,195	72,786
Miscellaneous	266,959	208,708	1,090,546	866,580	223,966
<b>TOTAL REVENUES</b>	<b>9,229,565</b>	<b>11,567,078</b>	<b>60,603,429</b>	<b>65,688,341</b>	<b>(5,084,912)</b>
<b>OTHER FINANCING SOURCES</b>					
Operating Transfers In	36,906	62,306	98,765	241,858	(143,093)
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>36,906</b>	<b>62,306</b>	<b>98,765</b>	<b>241,858</b>	<b>(143,093)</b>
<b>TOTAL FINANCING SOURCES</b>	<b>9,266,471</b>	<b>11,629,384</b>	<b>60,702,194</b>	<b>65,930,199</b>	<b>(5,228,005)</b>
<b>EXPENDITURES</b>					
<b>PERSONNEL SERVICES</b>					
Salaries & Wages	10,541,083	11,023,099	28,930,496	29,534,265	(603,769)
Other Personnel Costs	7,085,320	7,071,009	20,835,964	20,428,868	407,096
<b>TOTAL PERSONNEL SERVICES</b>	<b>17,626,403</b>	<b>18,094,108</b>	<b>49,766,460</b>	<b>49,963,133</b>	<b>(196,673)</b>
<b>SUPPLIES AND SERVICES</b>					
Operating	2,036,413	1,532,339	4,420,243	3,845,148	575,095
Repairs & Maintenance	752,969	717,576	2,069,633	1,968,988	100,645
Professional Services	649,382	709,261	1,740,789	2,038,247	(297,458)
Utilities	861,930	799,046	1,719,117	1,676,972	42,145
Rents & Leases	130,566	143,349	449,536	409,088	40,448
Insurance & Uninsured Losses	8,642	13,113	17,350	21,505	(4,155)
Other	1,063,598	760,649	2,188,446	1,594,446	594,000
<b>TOTAL SUPPLIES AND SERVICES</b>	<b>5,503,500</b>	<b>4,675,333</b>	<b>12,605,114</b>	<b>11,554,394</b>	<b>1,050,720</b>
<b>CAPITAL OUTLAY</b>					
Structures and Improvements	0	(1,276)	0	0	0
Equipment	(388,361)	502,124	790,213	1,617,202	(826,989)
<b>TOTAL CAPITAL OUTLAY</b>	<b>(388,361)</b>	<b>500,848</b>	<b>790,213</b>	<b>1,617,202</b>	<b>(826,989)</b>
<b>SUB-TOTAL EXPENDITURES</b>	<b>22,741,542</b>	<b>23,270,289</b>	<b>63,161,787</b>	<b>63,134,729</b>	<b>27,058</b>
<b>DEBT SERVICE</b>					
TOTAL DEBT SERVICE	0	0	0	0	0
<b>TOTAL EXPENDITURES</b>	<b>22,741,542</b>	<b>23,270,289</b>	<b>63,161,787</b>	<b>63,134,729</b>	<b>27,058</b>
<b>OTHER USES</b>					
Inter-agency Agreements	0	0	200,000	200,000	0
Intra-governmental Charges	138,390	349,496	588,718	1,060,506	(471,788)
Operating Transfers Out	25,000	110,697	5,994,526	3,875,663	2,118,863
<b>TOTAL OTHER USES</b>	<b>163,390</b>	<b>460,193</b>	<b>6,783,244</b>	<b>5,136,169</b>	<b>1,647,075</b>
<b>TOTAL USES</b>	<b>22,904,932</b>	<b>23,730,482</b>	<b>69,945,031</b>	<b>68,270,898</b>	<b>1,674,133</b>
<b>EXCESS (DEFICIENCY) OF FINANCING SOURCES OVER USES</b>	<b><u>(\$13,638,461)</u></b>	<b><u>(\$12,101,098)</u></b>	<b><u>(\$9,242,837)</u></b>	<b><u>(\$2,340,699)</u></b>	<b><u>(\$6,902,138)</u></b>

Comparative Summary Statement of Revenues, Expenditures and Changes in Fund Balance  
 Special Revenue, Capital Projects, and Debt Service Funds  
 For the Period Ending Sept. 30, 2009 and 2008

	<b>Quarter Ended 9/30/2009</b>	Quarter Ended 9/30/2008	<b>Year to Date 2009</b>	Year to Date 2008	Variance in Year to Date
<b><u>Special Revenue Funds</u></b>					
Total Revenues	* <b>\$126,222</b>	\$366,051	<b>\$4,093,089</b>	\$4,486,936	(\$393,847)
Total Expenditures	** <b>1,762,140</b>	1,608,728	<b>8,467,973</b>	7,000,982	(1,466,991)
Revenues Over (Under) Expenditures	<b><u>(\$1,635,918)</u></b>	<u>(\$1,242,677)</u>	<b><u>(\$4,374,884)</u></b>	<u>(\$2,514,046)</u>	<u>(\$1,860,838)</u>

\* Revenues declined mostly due to lower interest earnings \$(348,000), and lower property tax \$(32,000).  
 \*\* Expenditures increased mostly due to operating transfers out \$1,412,000, and higher personnel costs \$148,000.

<b><u>Capital Projects Funds</u></b>					
Total Revenues	^ <b>\$788,878</b>	\$4,070,313	<b>\$19,313,512</b>	\$14,807,445	\$4,506,067
Total Expenditures	^^ <b>2,659,087</b>	7,211,266	<b>10,164,598</b>	25,541,567	15,376,969
Revenues Over (Under) Expenditures	<b><u>(\$1,870,209)</u></b>	<u>(\$3,140,953)</u>	<b><u>\$9,148,914</u></b>	<u>(\$10,734,122)</u>	<u>\$19,883,036</u>

^ Revenues increase is mostly due to more grants received from other governments \$5,144,000, while interest earnings declined.  
 ^^ Expenditures declined mostly due to lower capital outlay \$(17,578,000), while supplies and services increased by \$3,860,000 and personnel costs increased by about \$2,086,000, since Design & Construction payroll in 2009 is reported in Capital Funds.

<b><u>Debt Service Funds</u></b>					
Total Revenues	# <b>\$1,232,117</b>	\$81,471,337	<b>\$14,000,766</b>	\$93,806,346	(\$79,805,580)
Total Expenditures	## <b>27,808,868</b>	101,603,998	<b>32,122,649</b>	106,972,422	74,849,773
Revenues Over (Under) Expenditures	<b><u>(\$26,576,751)</u></b>	<u>(\$20,132,661)</u>	<b><u>(\$18,121,883)</u></b>	<u>(\$13,166,076)</u>	<u>(\$4,955,807)</u>

# Revenue declined since on July 3, 2008 the District issued 2008 General Obligation (G. O.) Refunding Bonds, in the amount of \$75,600,000 and defeased outstanding principal of 1998 G. O. Bonds in the amount of \$80,035,000. This restructuring has reduced debt service payments.  
 ## Expenditures decreased due to lower debt service (\$75,000,000).

Comparative Statement of Expenditures by Division  
 General Fund and Special Revenue Funds  
 For the Period Ending September 30, 2009 and 2008

	<u>Quarter Ended</u> <u>9/30/2009</u>	<u>Quarter Ended</u> <u>9/30/2008</u>	<u>Year to Date</u> <u>2009</u>	<u>Year to Date</u> <u>2008</u>	<u>Difference in</u> <u>Year to Date</u>
<b>Legislative &amp; Executive</b>					
Board of Directors	\$ 438,843 *	\$ 69,554	\$ 527,839	\$ 189,304	\$ 338,535
General Manager	<u>366,379</u>	<u>356,937</u>	<u>1,110,858</u>	<u>1,123,991</u>	<u>(13,133)</u>
<b>Total Legislative &amp; Executive</b>	<b>805,222</b>	<b>426,491</b>	<b>1,638,697</b>	<b>1,313,295</b>	<b>325,402</b>
<b>District Wide Support Services</b>					
Legal	<b>376,077</b>	391,653	<b>984,232</b>	1,146,848	(162,616)
Finance and Management Services	<b>1,717,797</b> ^	1,571,954	<b>5,083,964</b>	4,746,624	337,340
Human Resources	<b>451,756</b>	508,629	<b>1,324,040</b>	1,377,163	(53,123)
Public Affairs	<b>743,231</b>	<u>722,831</u>	<b>2,028,719</b>	<u>2,001,519</u>	<u>27,200</u>
<b>Total District Wide Support</b>	<b>3,288,861</b>	<b>3,195,067</b>	<b>9,420,955</b>	<b>9,272,154</b>	<b>148,801</b>
<b>Operations</b>					
Park Operations	<b>7,664,180</b> <	7,648,452	<b>21,268,542</b>	20,928,458	340,084
Maintenance	<b>2,820,498</b> >	3,144,277	<b>8,400,056</b>	8,973,883	(573,827)
Interpretive and Rec. Services	<b>2,476,440</b> #	<u>2,298,704</u>	<b>6,799,875</b>	<u>6,223,634</u>	<u>576,241</u>
<b>Total Operations</b>	<b>12,961,118</b>	<b>13,091,433</b>	<b>36,468,473</b>	<b>36,125,975</b>	<b>342,498</b>
<b>Planning/Stewardship &amp; Development</b>					
Planning and Stewardship	<b>1,096,072</b>	1,199,776	<b>3,198,865</b>	3,202,882	(4,017)
Design	<b>2,859</b> ~	258,285	<b>15,562</b>	815,711	(800,149)
Construction	<b>2,399</b> ~	<u>209,071</u>	<b>12,378</b>	<u>690,530</u>	<u>(678,152)</u>
<b>Total Planning/Stwdshp &amp; Dev.</b>	<b>1,101,330</b>	<b>1,667,132</b>	<b>3,226,805</b>	<b>4,709,123</b>	<b>(1,482,318)</b>
<b>Land</b>	<b>591,599</b>	577,154	<b>1,766,647</b>	1,731,286	35,361
<b>Public Safety</b>					
Administration	<b>953,724</b> **	899,009	<b>2,767,039</b>	2,517,724	249,315
Police Services	<b>2,646,751</b> <>	2,016,332	<b>8,002,649</b>	6,641,928	1,360,721
Fire Services	<b>1,954,292</b> ~<	<u>2,560,035</u>	<b>3,849,453</b>	<u>4,982,713</u>	<u>(1,133,260)</u>
<b>Total Public Safety</b>	<b>5,554,767</b>	<b>5,475,376</b>	<b>14,619,141</b>	<b>14,142,365</b>	<b>476,776</b>
<b>Total All Departments</b>	<b>\$ 24,302,897</b>	<b>\$ 24,432,653</b>	<b>\$ 67,140,718</b>	<b>\$ 67,294,198</b>	<b>\$ (153,480)</b>

\* Increase is mostly due to Election costs.

^ Increased personnel costs, reassignment of hazardous waste removal to Finance & Management Services Division, and increased spending for grounds repair, and support contracts were mai causes of increased spending.  
 Also, bank fees that were previously netted against revenue in the past, are being tracked separately and reported as a new expenditure category.

< In addition to increased personnel costs, more was spent on signs, small tools, repair, pest control, and telephone and garbage.

> While fuel cost significantly decreased, spending for repairs & maintenance and small tools were increased.

~ Personnel costs were accounted for in General Fund in 2008, and they are accounted for in Capital Funds in 2009.

# Interpretive Services expenditures increased due to adding 1.5 FTE and higher personnel costs, increased transportation and Park Express vendor billing delays, increased spending on oral history, kites for kids challenge, and publications.

\*\* Purchase of SWAT uniforms, training ammunition, radios for lifeguards and mobile and base receivers, caused increased spending.

<> In addition to increased personnel costs, purchase of a thermal imaging system and other equipment for the helicopters, and helmets, guns, WRAP restraint system and gears for SWAT team, overhaul of the trailer's gear box, lease payment for Helicopter Unit, and installation of 25 digital cameras were main causes of increased spending.

~< Personnel costs and services and supplies declined in line with firefighting activities. Spending for lifeguards' rescue boards repair, and cleaning up contaminations were increased.

Statement of Contingency Activity and Ending Balances  
For the Period Ending September 30, 2009

**BOARD CONTINGENCY**

<b><u>DATE</u></b>	<b><u>DESCRIPTION</u></b>	<b><u>AMOUNT</u></b>
	<b><i>SOURCE OF FUNDS</i></b>	
January	2009 APPROPRIATION	\$87,176
	<b>TOTAL FUNDS AVAILABLE</b>	<b>\$87,176</b>
	<b><i>USE OF FUNDS</i></b>	
1st Quarter	Co sponsorship of Save Mt. Diablo 'Moonlight on the Mountain" event.	\$3,750
	Funding for Rose Hill Cemetery record publication Bd. Res. 2009-4-084.	8,000
	Transfer to special events for HSPA Bay Trail Anniversary Bd. Res. 2009-2-023.	2,000
2nd Quarter	Co sponsorship of the Muir Heritage Land Trust "Fresh Aire Affaire" event.	1,250
3rd Quarter	No activity.	
	<b>TOTAL FUNDS USED</b>	<b>15,000</b>
	<b>BALANCE REMAINING</b>	<b>\$72,176</b>

Statement of Contingency Activity and Ending Balances  
For the Period Ending September 30, 2009

**GENERAL MANAGER CONTINGENCY**

<b><u>DATE</u></b>	<b><u>DESCRIPTION</u></b>	<b><u>AMOUNT</u></b>
	<b><i>SOURCE OF FUNDS</i></b>	
January	2009 APPROPRIATION	<b>\$164,139</b>
	<b>TOTAL FUNDS AVAILABLE</b>	<b><u>\$164,139</u></b>
	<b><i>USE OF FUNDS</i></b>	
1st Quarter	Co sponsorship of Save Mt. Diablo 'Moonlight on the Mountain' event.	<b>\$3,750</b>
	Purchase of software for two GM office computers.	<b>3,000</b>
	To partially fund publication of Transit to Trails map & supplement in Bay Nature.	<b>5,000</b>
	Funding for Rose Hill Cemetery record publication Bd. Res. 2009-4-084.	<b>8,000</b>
2nd Quarter	Co sponsorship of the Muir Heritage Land Trust "Fresh Aire Affaire" event.	<b>1,250</b>
3rd Quarter	Public Safety facility security enhancement, setting up a "Card Reader".	<b>5,000</b>
	<b>TOTAL FUNDS USED</b>	<b><u>26,000</u></b>
	<b>BALANCE REMAINING</b>	<b><u>\$138,139</u></b>

Statement of Contingency Activity and Ending Balances  
For the Period Ending September 30, 2009

**MAINTENANCE AND OPERATIONS CONTINGENCY**

<b><u>DATE</u></b>	<b><u>DESCRIPTION</u></b>	<b><u>AMOUNT</u></b>
	<b><i>SOURCE OF FUNDS</i></b>	
January	2009 APPROPRIATION	<b>\$108,701</b>
	<b>TOTAL FUNDS AVAILABLE</b>	<b><u>\$108,701</u></b>
	<b><i>USE OF FUNDS</i></b>	
1st Quarter	To fund difference in vehicle price upgrade for Naturalist at the visitor center.	<b>\$2,959</b>
	To fund data & communication wiring at Muller property office on Redwood Rd.	<b>5,424</b>
	To fund removal of abandoned boat from East Shore State Park.	<b>3,750</b>
	Purchase of refurbished office trailer for quagga mussel inspection.	<b>7,940</b>
	Funding for Rose Hill Cemetery record publication Bd. Res. 2009-4-084.	<b>8,000</b>
	To fund microwave & wireless communication at Del Valle Bd. Res. 2009-5-114.	<b>6,000</b>
2nd Quarter	To fund six week internship for Cultural Atlas - part of HR Academic Internship.	<b>3,686</b>
	To fund backfill Temporary Ranger at Quarry Lakes.	<b>4,713</b>
	To fund Archeological & Historical Review of District Maint. & Const. Projects.	<b>3,000</b>
3rd Quarter	To fund equipment rental for Cowboy Culture Extravaganza 2009 at Sunol.	<b>2,000</b>
	<b>TOTAL FUNDS USED</b>	<b><u>47,472</u></b>
	<b>BALANCE REMAINING</b>	<b><u>\$61,229</u></b>



EAST BAY REGIONAL PARK DISTRICT  
**BOARD FINANCE COMMITTEE**  
AGENDA STATEMENT  
MEETING DATE – November 19, 2009

**SUBJECT:** Draft Budget Policy  
Report by: Cinde Rubaloff, CFO/Controller

**ATTACHMENTS:** Draft Budget Policy

**RECOMMENDATION:** Review the draft Budget Policy attached and direct staff to prepare the information for acceptance by the Board of Directors.

**DESCRIPTION:**

Policies are used to provide decision making guidance in relationship to the District's major financial decisions. Government Finance Officer's Association (GFOA) recommends that, at a minimum, financial policies in the following areas be developed, documented, and formally adopted by the governing board:

1. Financial planning policies including:
  - 1) Balanced Budget Policy
  - 2) Long-Range Planning Policy
  - 3) Capital Asset and Inventory Control Policy
  
2. Revenue policies including:
  - 1) Fees and Charges Policy
  - 2) Use of One-time and Unpredictable Revenues
  
3. Expenditures policies including:
  - 1) Debt Capacity, Issuance and Management Policy
  - 2) Fund Balance Reserve or Stabilization Policy

In compliance with the GFOA recommended practices, the District adopted the Capital Asset and Inventory Control Policy during 2009. The proposed Budget Policy includes a balanced budget provision as recommended by GFOA. The remaining policies recommended by GFOA will be developed and presented to management, the Finance Committee, and the Board of Directors during 2010.

In addition to the policies included in the GFOA's recommended practices, the District has already adopted the following financial policies:

1. Fraud Prevention Policy, as required by auditing standards
2. Investment Policy, as required by State law
3. EBPRD Retirement Plan Investment Policy
4. Auditing Policy, including the internal audit charter

**Draft Budget Policy:**

The attached Budget Policy has been presented to AGM/Chiefs and received the approval of the General Manager. It formalizes, expands upon, and replaces the budget policy language that has been adopted by the Board in Section E of each annual budget document.

The Budget Policy explicitly includes the very important language related to the District's balanced budget policy. It also adds information related to best practices in budget preparation. The policy incorporates all items required in a budget policy such as accounting basis used in the budget, and level of budgetary control. It contains information related to when fund balance or net assets can be used as a resource during the budget process. The policy delineates between the operating budget process and the capital budget process. It discusses encumbrance accounting and the fact that unused appropriation lapse (operating budget) or do not lapse (capital budget) at year end. Finally the policy includes a section about performance measures, which will continue to be incorporated into budget process in the upcoming years.

**RECOMMENDATION:**

Staff requests that the Finance Committee recommend to the full Board of Directors acceptance of the Budget Policy.



## Policy 5.0 Budget Policy

### EFFECTIVE

### ADOPTED

### RESOLUTIONS

### RELATED

- POLICIES* Board Operating Guidelines
- PROCEDURES*
- Budget Preparation
  - Capital Improvement Plan
  - Budget Distribution
  - Budget Changes
  - Budget Controls

### POLICY STATEMENT

The District has a balanced budget policy requiring that the annual budget be balanced, with financial resources that equal or exceed uses, at the time of adoption. Financial resources include intra-governmental charges and transfers in; and uses include capital maintenance/ replacement, intra-governmental charges and transfers out.

The District follows best practices in budget preparation including:

1. An assessment of constituent needs, priorities, challenges and opportunities.
2. Development of management strategies for long range operating and capital plans.
3. Adherence to budget preparation and adoption procedures.
4. Measurement and monitoring of performance, and adjustment as needed.

The accounting basis used in the budget is the same as is used in the Comprehensive Annual Financial Report. This provides for modified accrual for governmental funds and full accrual for internal service funds except that depreciation is not budgeted.

Unreserved/undesignated fund balance or net assets may be used as a resource to achieve a balanced budget in special revenue funds, debt service funds, capital project funds and internal service funds. General Fund unreserved/undesignated fund balance may be proposed for use as a resource to achieve a balanced budget to address temporary shortfalls in the General Fund when, in the



General Manager's determination, it is necessary to continue essential services.

The District's fiscal period is a calendar year, which ends on December 31<sup>st</sup>. The budget preparation and adoption process is prescribed in the District's budget procedures, and is concluded each year with the adoption of the proposed budget by the Board of Directors at the second Board meeting in December.

Performance measures are a valuable tool for measuring performance and strategic allocation of resources. Review of performance measurement objectives, key indicators, targets and accomplishments is incorporated in the budget process and document.

### **Operating Budgeting**

The District's operating budgets are prepared on a basis consistent with Generally Accepted Accounting Principles. The District annually adopts (in compliance with Board Operating Guidelines) balanced operating budgets, where sources (estimated revenues and authorized use of preexisting unreserved, undesignated fund balance) equal/or exceed uses (appropriations). The budget must be balanced at an individual fund level. Annual operating budgets are adopted for the following funds:

- General Fund,
- Special revenue funds,
- Debt service funds, and
- Internal service funds.

### **Capital Budgeting**

The District's capital budget is prepared on a basis consistent with Generally Accepted Accounting Principles. The District adopts balanced capital budgets, which are on a project length basis, rather than an annual basis. Only the changes in project length budgets are reported annually. The capital budget may be prepared on a semi-annual basis. Capital budgets are used for multi-year projects including:

- Acquisition and construction of capital facilities, defined in the District's Capital Asset Policy, and recorded in the Capital Project Fund, and
- Projects, with a cost less than the capitalization limit, as defined in the District's Capital Asset Policy, and multi-year programs, which are not subject to capitalization, both of which are recorded in the Other Than Asset (OTA) Fund.

### **Budgetary Controls**



The District maintains budgetary controls to ensure compliance with legal provisions embodied in the appropriated budget approved by the Board of Directors. The level of budgetary control, the level at which expenditures cannot legally exceed the appropriated amounts for the operating budgets, is at the Division level. The level of budgetary control for the capital budgets is at the project level, and is the responsibility of the project manager, and the related Division, in charge of the project.

Encumbrance accounting records commitments in advance of payments and is an extension of the formal budgetary process. Non-project related encumbrances, unless otherwise approved, outstanding at year end, lapse and must be re-appropriated as part of the following year's budget. Project encumbrances do not lapse, at year end, since projects are budgeted on a multi-year basis.

All unencumbered appropriations in governmental fund lapse at the end of the fiscal year. Unencumbered appropriations in project funds do not lapse at year end since projects are budgeted on a multi-year basis.

Both operating and capital budgets can be adjusted during the year, if required, in accordance with Board Operating Guidelines.

The General Manager and Assistant General Manager, Finance and Management Services, shall be responsible for ensuring that the budget proposed to the Board of Directors adheres to the balanced budget policy. The Budget Manager, under the supervision and direction of the Chief Finance Officer/Controller performs this function. The District annual budget document will be made available in electronic format on the District's website.



EAST BAY REGIONAL PARK DISTRICT  
**BOARD FINANCE COMMITTEE**  
AGENDA STATEMENT  
MEETING DATE – November 19, 2009

**SUBJECT:** 2010 Proposed Budget  
Report by: Pam Burnor, Budget Manager, Cinde Rubaloff,  
CFO/Controller, Dave Collins, AGM Finance and Management  
Services

**ATTACHMENTS:** EBRPD 2010 Proposed Budget

**RECOMMENDATION:** Review the draft 2010 Budget, attached, and direct staff to prepare the information for submittal and consideration by the Board of Directors at the December 1, and 15, 2009 Board Meetings

**DESCRIPTION:**

The purpose of this item is to brief the Board Finance Committee on the status of the budget process, provide an overview of the 2010 proposed budget and seek the Committee's recommendation to the full Board.

The EBRPD 2010 proposed budget is balanced:

- The District's total 2010 budgeted revenue from **all sources** is \$152 million, compared to \$153 million in 2009, approximately a 1% decrease. Use of non-General Fund, fund balance/net assets as a resource totals \$45 million in special revenue, capital project, internal service, and debt service funds.
- The District's 2010 proposed appropriations from **all sources** total \$197 million, compared to \$162 million in 2009, a 22% increase.
  - District operating appropriations have increased to \$156 million in 2010 from \$146 million in 2009, a 7% increase, as a result of funding from new bonds and the following change in budget structure:
    - Operating appropriations include the new intra-governmental charges of approximately \$5 million and \$9 million for the Measure WW local grant program. If both these items were removed from the comparison, since they didn't exist in 2009, 2010 total operating appropriations have decreased 2.6% from 2009 amounts.
  - District capital appropriations have increased to \$41 million in 2010 from \$16 million in 2009, 156% increase.
    - Note-- The steep increase in capital appropriations is related to Measure WW projects.
- 2010 **General Fund** budgeted revenue is \$103 million, compared to \$111 million in 2009, a 7.5% decrease.

- 2010 **General Fund** operating appropriations total \$98 million, compared to \$100 million in 2009, a 2.4% decrease.
  - Note-- the decrease in General Fund appropriation is 7.2% when the new intra-governmental charges are not considered.

The District's General Fund projections for 2010 revenues and expenditures are affected by a number of factors, the largest of which is the decline in assessed valuations (AV) in Alameda and Contra Costa Counties. Alameda County's 2009/2010 secured AV declined 2.4% and Contra Costa County's AV declined 6.4% overall. Based upon consultant's (Beacon Economics) findings, the 2010/2011 AV is projected to decrease an additional 7%. Additional factors impacting the District's 2010 budget are increased salary and benefit costs, decline in interest revenue, and the unresolved status of the contract with the Port of Oakland for Middle Harbor Shoreline Park.

As of this date, staff has prepared initial projections of revenues and calculated the estimated costs of personnel and other services based on the continuation of existing operations. In consideration of the reduction in General Fund property tax revenue, divisions submitted budgets that reduce overall 2010 General Fund expenditures by 7%. Each division was permitted to determine the best manner to achieve these savings. To the extent that this target required reductions in staff expenses, the General Manager has directed that these savings be achieved through attrition to the largest extent possible.

The 2010 budget contains appropriations from the Measure WW Series 2009 bond in the Measure WW Local Grant fund (270), in the Capital Project Fund (333), and in the new Measure WW Bonds debt service fund (813).

The current FTE schedule in the budget lists a net decrease of .53 staff positions compared to a 2009 increase of 11.77. However, to meet the budget reduction requirements, this overall 2010 FTE list includes 14.21 FTE's from all Divisions, except Operations, for which wage and benefit funds will not be appropriated and therefore which will remain vacant for the year. With respect to the Operations Division, through the course of the year, managers will be identifying 20 to 25 positions vacated through attrition that will remain unfunded for part or all of the 2010 year. Vacated, un-funded positions will not be considered part of the 2010 base budget for the purposes of 2011 budget preparation.

**The 2010 proposed budget assumptions include the following:**

- The District is anticipating an 8% reduction in taxes and assessments from 2009 budgeted levels. This is a combination of the known decrease in 2009/2010 AV and projected decrease in 2010/2011 AV.
- The decrease in cost of personnel services, which does include anticipated cost of living increases (as agreed to in the ASCFME and POA negotiations), results from 14.21 FTEs "frozen" positions remaining unfunded. The General Manager has recently invoked a modified hiring freeze that will continue through 2010.

The elimination of selected vacant positions accounts for a significant portion of the 7% budget reduction required to balance the budget. The Operations Division has chosen to not pre-designate specific positions for elimination, but rather to assume a 6% attrition salary savings overall. The Operations Managers will monitor the actual savings incurred and track specific positions left unfilled throughout the year to ensure achieving the 6% reduction in base budget staffing by year end.

The preliminary budget also reflects a small adjustment for Public Safety wages and benefits recently negotiated with the POA

Please note that this version of General Fund appropriations includes \$700,000 reduction in benefit expense. This reflects the reduction of interest expense related to the \$9.3 million CalPERS Safety Pension side fund loan, which is included as part of the cost of pension benefits. If the side fund loan is re-funded in late 2009 using reserve funds, the high rate of interest paid on CalPERS pension payments will be reduced by \$700,000 in 2010, thereby reducing the benefit expense to approximately the principal repayment of the \$9.3 million benefit cost.

- Supplies, Services and Capital Equipment budgets reflect the change in equipment capitalization limit from \$5,000 to \$25,000. Budgets for all three areas were voluntarily reduced to achieve the required 7% savings in General Fund expenditures.
- Transfers to other funds include the annual debt service fund support, \$4.8 million in transfers for ongoing programs (ADA, Quagga Mussel Inspection, Service Yards, Paving Maintenance, and Fire Fuels Management), and one-time appropriations requested to complete specific capital projects. In addition, General Fund transfers to the Other Than Asset fund include an amount required to cover the cost of Design and Construction staff, who will continue to have their personnel costs coded to applicable projects.

Please note that 2010 “discretionary” transfers out of General Fund are restricted to uses required by regulation or by critically imperative projects. These transfers total approximately \$600,000 in 2010 compared to 2008 “discretionary” transfers out of \$6 million and 2009 “discretionary” transfers out of \$3.5 million.

In summary, General Fund 2010 sources have decreased 7.4%. General Fund operating, capital and debt service uses have decreased 2.4%. Additionally, General Fund operating transfers out have decreased 54%, for a total decrease in General Fund 2010 uses of 7.4%.

Work on the detail 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.

**2010 budget contains structural changes impacting General Fund as follows:**

- Risk Department activity is now accounted for entirely in the internal service fund, as opposed to partly in General Fund and partly in the internal service fund. This will improve budgeting and allow uniform tracking of risk expenditures.
- Clerk of the Board and Finance have been reassigned department numbers in the Finance and Management Service Division range and the Grants Department has been provided a department number. These adjustments reflect organizational changes that have occurred over the past two years.
- The budgeting of miscellaneous expenses to the General Fund “non-department” department has been analyzed and the appropriations have been re-assigned to their correct departments or internal service funds. This change allows more accurate budgeting, and ensures that all budgeted expenditures are associated with specific District departments or activities.
- Two-County Trails LLD (fund 220) previously contained appropriations to cover all costs of trail maintenance. Fund 220 assessment revenue was not adequate to cover appropriations. Thus, in the past General Fund has augmented fund 220 revenue via a transfer in. For 2010 fund 220 appropriations equal 2010 budgeted assessment revenue. The General Fund transfer into fund 220 has been eliminated. Appropriations previously coded to fund 220, which were in excess of fund 200 assessment revenue, are now coded to General Fund. This will result in no net change in amount of appropriations related to trails. This change in coding will enable the District to accurately account for LLD revenues and expenditures, and will increase record keeping efficiency, while reducing confusion and errors in coding of time and expenses.
- Intra-governmental charges have been appropriated in General Fund divisions to cover the costs of services provided through internal service funds. Internal service funds exist for Worker’s Compensation, General Liability, Major Equipment Replacement and the new fund for Employee Benefits. Allocation of intra-governmental charges provides a more accurate means to determine the actual total cost of each of the District’s activities.

**Other considerations impacting 2010 proposed budget include:**

- ERAF/CalPERS Safety Pension Side Fund: An additional issue which impacts the 2010 General Fund budget is the securitization of Prop IA ERAF. The California Communities JPA is currently issuing bonds secured by the receivables from the State held by local agencies, which effectively eliminates the impact on the District of the \$8 million ERAF transfer imposed by the State. The District is enrolled, and our participation has been confirmed. Presuming the sale is successful the District will not need to tap the Designated Fund Balance for Economic Uncertainty.

The District; therefore, has the capacity within our fund balance to re-fund, with internal funds, the CalPERS Safety Pension side fund of approximately \$9.2 million. The re-structuring of the side fund loan will reduce District expenditures by approximately \$700,000/year in interest expense, thus freeing up these funds for ongoing operations. The current budget assumes this action. If this loan is not re-structured late in 2009 or early in 2010 the interest expense will be incurred, and the current 2010 budget shortfall will be increased by \$700,000. If the interest is incurred, additional budget and program reductions will be required to balance the budget.

- Middle Harbor: The staff negotiations with the Port of Oakland regarding the Port's cancellation (effective March 31, 2010) of the Middle Harbor Park operating agreement are continuing. The outcome of these negotiations have the potential to affect both the budget and the number of FTE's that the District may need to re-absorb should the contract be significantly reduced from prior levels. When a final agreement is reached, the resolution will be incorporated into the 2010 budget.
- Pipeline Appropriations: Due to the General Fund budget reductions, the only "pipeline" project that was funded was from Measure CC revenue. The Measure CC pipeline additions will add a total of .20 FTE for the Wildcat Creek to San Pablo Bay Trail operation.

Despite these potentially difficult decisions, the District's financial situation is sound, and continued conservative budgeting will ensure that we can continue to fulfill our commitments to the public and maintain our current operations intact.

**RECOMMENDATION:**

Staff requests that the Finance Committee recommend to the full Board of Directors acceptance of the 2010 Proposed Budget.