

Capital Finance Board Workshop



MEMO

April 21, 2014

EAST BAY REGIONAL PARK DISTRICT

MEMORANDUM

April 14, 2014

To: Board of Directors

**From: Robert E. Doyle, General Manager
Dave Collins, AGM, Finance and Management Services**

Subject: April 21, 2014 Capital Finance Workshop

This workshop provides an opportunity for the Board to review District Project initiatives and to discuss finance strategy for the coming year. The structure of this workshop packet is an informational memo that discusses programs, trends, and issues supported by detailed reference exhibits. *Topics that may be of particular interest are highlighted in italics.*

Summary/Introduction:

Budget results and economic projections from 2013 demonstrate that the District's property tax revenues are now growing modestly. Additionally, in 2014 it is expected that property tax revenues will recover to 2008 levels, although not on an inflation-adjusted basis.

The relief provided by this upturning trend is moderated by the continuing rise in the District's operating expenses: wages, benefit and pension costs, utilities, supplies and services; meaning that the true growth of the District's base budget will continue to be in the low single digits (.5% to 3%) for some years to come.

The District's conservative financial strategies have been successful at sustaining our core public services and operations through the last several years, and continuing a careful program of expansion will be fundamental to ensuring our ongoing financial stability. The "pipeline" strategy that we use to forecast future operating costs continues to be an important planning tool for base budget projections as we pursue a modest, but active park acquisition and development program.

The Board's steady support during the last several years of tight budgets, but positive year-end budget experience, have allowed an annual investment of one-time opportunity funds from the General Fund toward infrastructure renovation and replacement, pavement, vegetation management and equipment replacement needs. Continuing these annual funding commitments with either one-time, or base budget appropriations is important for budget stability and uninterrupted public service.

With respect to capital finances for new lands and facilities, the District continues to be very well positioned to continue our acquisition and development programs. Measure WW, Grants, and the 2012 Promissory Notes provide crucial financial resources for both acquisition and construction of select new projects that improve public services and renovate or replace aging

staff support facilities. Measure CC is past the mid-point of the program, and we are looking toward a vote to renew that authority in coming years.

The major challenges faced by the District are consistent with prior years:

- We must continue to be conservative in starting projects that will increase the long-term annual operating expenses of the District.
- We must responsibly fulfill our ongoing financial commitments to the public and employees.
- We must creatively balance the many goals that are funded with our limited annual base budget dollars by finding efficient ways to acquire, hold, and open new parklands, steward the natural and cultural resources in our care, attend to the service and safety of our public, maintain our facilities, replace or renovate aging infrastructure and see to the many other ongoing responsibilities of the District.

Emerging challenges that we face this year include:

- Continuing the District's level of project productivity during the major staff transitions and reorganizations currently underway.
- As we complete more capital projects, there will be increasing pressure on staffing needs.
- We are continuing to address project delays and planning and permitting requirements, and as the economy improves will see higher costs for construction.

Exploring ways to meet these challenges is the continuing theme of the workshop process.

AGENDA

12:30 p.m.	Call to Order & Workshop Procedure Opening Comments Outline of April 21, 2014 Workshop	President Wieskamp GM Robert E. Doyle AGM Dave Collins
12:45 p.m.	Discussion of Funding Categories/Programs: <ul style="list-style-type: none">▪ Financial Summary▪ Capital Funding Overview▪ Measure WW▪ Measure AA▪ Measure CC	All
2:00 p.m.	Break – 15 minutes	
2:15 p.m.	Discussion of Funding Categories, Continued: <ul style="list-style-type: none">▪ Grants▪ Major Infrastructure Renovation & Replacement (Fund 553)▪ Facility Renovation & Replacement (2012 Promissory Notes)▪ “Pipeline”▪ General Fund	All
3:45 p.m.	Workshop wrap-up	AGM Dave Collins President Wieskamp
4:15 p.m.	Public Comments	
4:30 p.m.	Adjournment	

The topics discussed in this memo are outlined in the table of contents on the following page.

TABLE OF CONTENTS

1. FINANCIAL SUMMARY.....	1
2. CAPITAL FUNDING OVERVIEW	4
3. MEASURE WW	8
4. MEASURE AA.....	13
5. MEASURE CC.....	17
6. GRANTS.....	23
7. MAJOR INFRASTRUCTURE RENOVATION AND REPLACEMENT (FUND 553).....	26
8. 2012 PROMISSORY NOTES, FACILITY REPLACEMENT AND RENOVATION.....	31
9. REVIEW OF OPERATING IMPACTS OF PROJECTS IN THE “PIPELINE”.....	32
10. CAPITAL/TRAILS/MAINTENANCE WORKSHOP, MAY 23.....	34

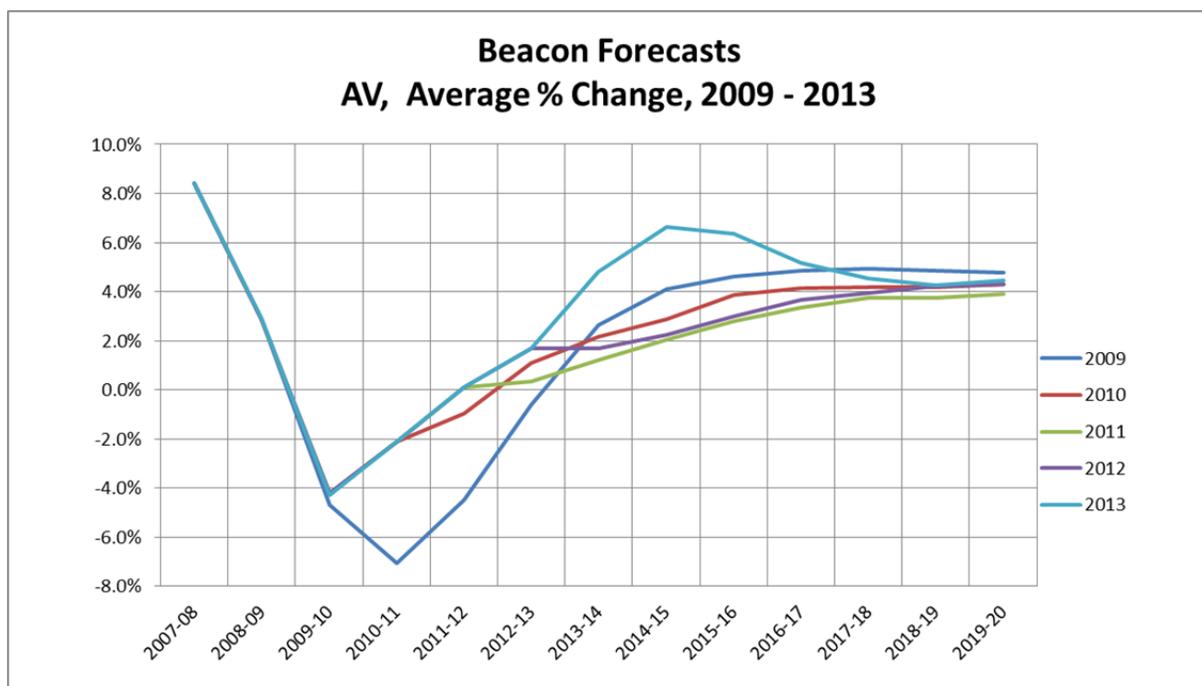
I. FINANCIAL SUMMARY

After the steep decline from 2008 to 2010, the District is now experiencing modest growth in property tax-based General Fund operating revenues. The budget expenditure reductions made by staff since 2009, the financial ‘backstop’ provided by the establishment of the Smoothing reserve, and the severe curtailment of General-Fund-based appropriations to major infrastructure and capital projects, enabled the District to successfully limit our annual costs to meet the decline in revenues. Beginning with the 2013 budget, we have now re-funded most dormant positions and are nearing our past levels of operational capacity.

Base Budget Revenues:

The 2013 Beacon Economics report suggests that the District’s property tax growth will be between 4.5% and 6.5% per year for the next several years, and level off at between 4% and 5% per year over the long term. Beacon’s projections over the past five years are indicated in the table below. A 2014 update will be obtained from Beacon in August following County certification of the tax rolls.

The property tax revenue picture is complicated by the elimination of redevelopment agencies by the State, and the resulting remittance of funds to the District from successor agencies and the county tax departments. In 2013 the District received significant additional funding, in excess of \$6 million, from this source; however, it cannot yet be determined what portion of these funds is ‘one-time’ and what portion can safely be assumed to continue for future years. For this reason, the District is assuming only continuation of prior year’s RDA pass through as base budget revenue suitable for funding ongoing expenses, and is treating the balance as one-time opportunity funding until future information can clarify the matter. Other sources of General Fund revenue are generally consistent with prior years.



Base Budget Expenditures:

2015 is expected to again require budget increases in employee medical premium expenses and pension contributions, and inflation continues to hover between 2% and 2.5% for the region. The District continues to experience regular rate increases for utilities, energy, supplies, and other services that will need to be accommodated in our budget strategy. The District's employees have begun sharing the costs of pension benefits as a result of state law and labor negotiations, which has slowed, but does not offset, the continued increase in these benefit expenses.

On the positive side, in the 2014 budget we were able to fund 11 additional full-time-equivalent (FTE) staff positions, bringing the total to 739; close to, but still slightly below, our high of 744 FTE in 2009. Forecasts of our future staffing requirements for planned park and facility openings (Pipeline) indicate that the District's planned growth should be able to be accommodated within our projected revenues, as outlined in the **2014 Adopted Budget, pages 24 and 25.**

One-time Funding:

The District is ending the 2013 budget year 'in the black', with an initial excess revenue over expenditure variance of approximately \$10 million. This amount is subject to adjustment per policy and will be reduced, but it is expected that there will be several million dollars of one-time funding available for appropriation to projects after year-end.

This positive budget result was due largely to four factors:

1. Staff attending to their monthly expenses and ending the year at or under budget.
2. Redevelopment dissolution (as noted above) yielding about \$6 million, one-time.
3. A change in accounting practices for accrued tax revenues requested by the auditors resulting in a one-time increase of approximately \$3.6 million.
4. A small (\$500,000) increase in property tax, about half of which may continue into future years.

These amounts are preliminary and subject to refinement when the 2013 audit is completed. Final amounts will be reported to the Board as part of the acceptance of the Annual Audit at mid-year. Nearly all of these funds are from "one-time" sources. Therefore, while they can be committed to one-time projects or expenditures, they are unsuitable to appropriate for increasing permanent staffing or other ongoing base-budget expenditures.

The General Fund, Fund Balance Policy adopted last year directs that, following year-end, the amount of General Fund, fund balance in excess of the target amount as established by the CFO first be directed toward replenishing depleted reserve funds, and then toward fully funding the Infrastructure Fund (553). This early in the year, no reserve funds are depleted; although it is anticipated that the 2014 election cycle will result in a use of the Elections Reserve, and a requirement that it be replenished in 2015 to the extent necessary.

2015 Budget Strategy:

The early General Fund budget strategy for 2015 is to continue a measured recovery of lost staff capacity, incorporate changes due to reorganization, fund ongoing equipment replacements, maintenance and infrastructure repair at sustainable levels, and fund new “Pipeline” operating expenses as can be accommodated within our financial capability.

With respect to project needs funded from the General Fund, the Base Budget revenue growth in 2015 will not be sufficient to fully fund significant annual contributions to the Major Infrastructure Renovation and Replacement fund (Fund 553), currently calculated to need \$9 million/year. Future budgets will assess the extent that these funds can be committed from annual operating revenues; however for the 2015 budget year, it is anticipated that the Fund 553 contribution will again be largely appropriated from one-time/year-end opportunity funds as has been done to date.

The Vegetation Management program, funded by Measure CC, FEMA and one-time General Fund appropriations, is expected to have fully appropriated the available funds for several parks in 2015. While some residual project appropriations from prior years remain to be expended, until a new ongoing source of funding can be identified, additional one-time funds for this program may also become a necessary appropriation to continue current levels of effort.

Both of the above programs will be discussed in more detail during the workshops. Over the next several months and during the 2015 budget process the General Manager and staff will be identifying and recommending one-time priority projects for funding from these, and other critical areas, for the Board’s consideration.

Fortunately, the availability of Measure WW, Habitat Conservancy, TIGER and other non-General Fund monies is resulting in significant opportunities for the District to acquire, protect and preserve important parkland, trails and habitat to meet the long-term needs of our region and to establish new park sites per the updated Master Plan. During the economic downturn, the District had been acquiring lands at favorable rates and land banking them to the extent possible until we can begin to plan, permit, develop, and selectively open them to public use as the District can afford the annual operational costs. The Board requested an update on the Land Bank list and a discussion on priorities for future park openings. This discussion will be brought to the May 23, 2014 workshop.

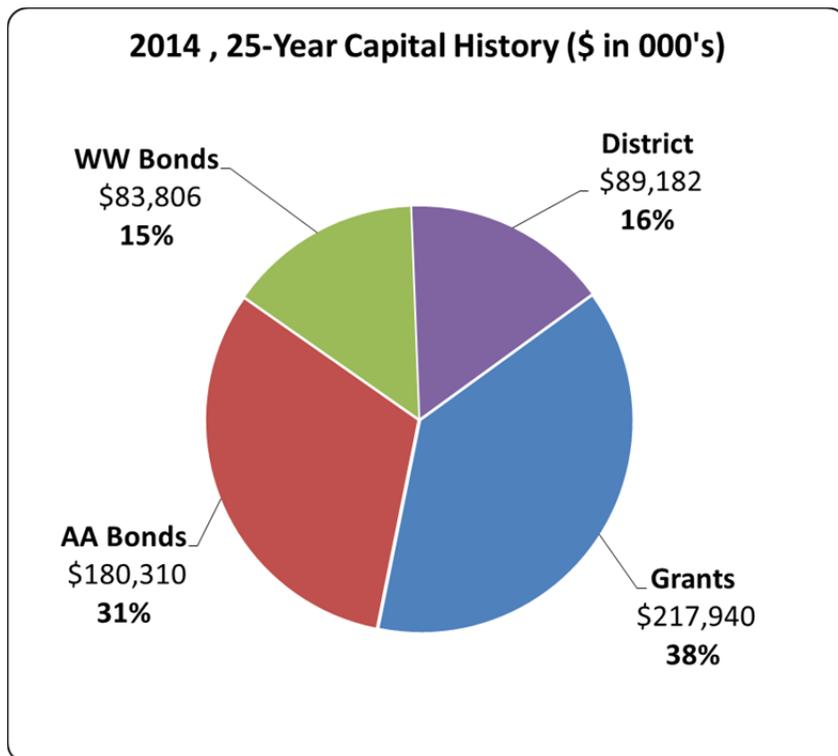
In 2012 the District issued \$25 million in “2012 Promissory Notes” at historically low market rates to provide the ability to acquire, replace and/or renovate several of the District’s essential safety, park service yards, equipment shops, visitor centers, and other support functions. The progress of this effort is also reported in these materials.

The balance of this packet provides the Board with reference information on the District’s capital resources by funding source and includes summary reports, budget history, and remaining balances, generally as of year-end 2013.

2. CAPITAL FUNDING OVERVIEW

a) 25 Year Capital Funding History

Since 1988, the District has appropriated over \$571 million in funds for land acquisition, development, resource, and infrastructure projects from all sources. The cumulative totals for appropriations by category are shown in the chart below. Grants include approximately \$125 million for acquisition and \$92.9 million for development projects. Acquisition and Development Grants received in 2013 are listed in **Exhibit I** (p. 39) and a summary chart by year is shown on the following page.



Grants Funds Received by Matching or Leveraged by AA & WW Funding			
Year	Total	Acquisition	Development
2013	6,243,398	1,800,900	4,442,498
2012	6,366,507	5,674,505	692,002
2011	20,033,359	9,332,022	10,701,337
2010	16,225,551	12,542,959	3,682,592
2009	6,845,035	5,374,000	1,471,035
2008	4,126,998	1,600,000	2,526,998
2007	1,670,965	755,000	915,965
2006	984,187	478,744	505,443
2005	4,047,014	1,420,000	2,627,014
2004	5,580,681	200,000	5,380,681
2003	20,029,030	11,031,136	8,997,894
2002	13,666,277	2,290,250	11,376,027
2001	5,008,268	1,945,000	3,063,268
2000	15,149,744	4,183,790	10,965,954
1999	3,466,722	550,000	2,916,722
1998	30,962,285	26,774,496	4,187,789
1997	1,887,150	1,758,000	129,150
1996	5,706,825	4,569,000	1,137,825
1995	1,525,615	823,786	701,829
1994	6,402,072	1,825,463	4,576,609
1993	7,688,943	4,830,449	2,858,494
1992	9,595,749	7,781,731	1,814,018
1991	10,450,805	8,917,587	1,533,218
1990	5,628,846	3,303,525	2,325,321
1989	7,951,792	5,058,957	2,892,835
1988	696,680	194,463	502,217
GRAND TOTAL	\$217,940,499	\$125,015,763	\$92,924,736

b) Current Project Appropriations

The District's 2014 Capital Improvement Plan (CIP) consists of **489** active project appropriations which are formally authorized and listed in detailed format in the District's 2014 Adopted Budget. Cumulative CIP project appropriations to active projects from all sources total \$240.7 million, of which \$126 million has been expended in prior years, leaving \$114.7 million from all sources to expend in 2014 and future years. **Exhibit 2a** (pp. 41-57) shows this detail, sorted by park. All project fund appropriations continue from year to year until expended or modified by Board action. This schedule includes all project appropriations, regardless of classification (Acquisition, Development, Maintenance, or Other). **Exhibit 2b** (p. 58) summarizes the number of projects and appropriation amounts by responsible department. The schedule of appropriated projects does not include Measure WW funds that are allocated in the measure, but have not yet been appropriated to specific projects.

In preparation for the 2015 budget, staff is now beginning the annual project closure process, during which completed projects are inactivated, accounts reconciled, and variances from budget are corrected through administrative adjustment or Board action as appropriate. This process will unencumber, transfer or appropriate funds to correct the few apparent project over-expenditures that may be found in the exhibits. To the extent that a net amount of funding is disencumbered through this process, funds are returned to the originating source fund for future re-appropriation by the Board.

c) Funds Committed for Land Acquisition, REP and ECCCHCP

The District's Committed Land Acquisition fund carries over from year to year and has been reserved by the Board for use as a last resort for critical projects or matching funds when there is no other available source. As of 12/31/2013, this fund retained a balance of \$7,261,000. Uses of the fund in 2013 included approximately \$20,000 at Brushy Peak/Eddie's Flat and \$500,000 at Deer Valley/Roddy Ranch.

Resource Enhancement monies have been accruing for specific project area acquisitions, resource and habitat projects. The District's participation in the East Contra Costa County Habitat Conservation Plan (ECCCHCP) continues to provide a major source of funding for joint acquisitions in East County. The District currently has approximately \$4.1 million in principal Resource Enhancement funds set aside, and restricted by agreement, to be used for specific property acquisitions and resource enhancements. Further detail of these programs will be provided to the Board at later workshops.

d) Opportunity Funding for Major Project Initiatives

Each year staff makes recommendations to the Board regarding the one-time transfer or appropriation of available General Fund monies into capital or other project accounts, or Funds, targeted at various District needs. Past appropriations have included funds for paving, service yards, infrastructure replacement and fuels management, pre-payment of benefit obligations and establishing prudent financial reserves, among others.

From 2007 through 2012, approximately \$13 million was transferred from the District's General Fund into project accounts designated for Fuels Management, Service Yard Improvements, Paved Roads and Trails, and Future District Facilities. In 2012 and 2013,

the District both issued \$25 million in note funds for replacement of some facilities, and established Fund 553, the Infrastructure Replacement and Renovation Program to coordinate and provide regular funding for renovation and/or replacement of the District's existing assets of all types. These actions were taken in recognition of the District's increasing number of aging assets, and the complexity and difficulty of considering each individual project as a separate budget request.

The major "initiative" programs discussed in previous year's workshops have now been subsumed into the following categories:

- **Fund 553 - Infrastructure Replacement and Renovation Program:** This program will, upon its full implementation, encompass renovation and/or replacement of all of the District's asset categories. The program is generally patterned on the principals developed for the paving program and is intended to eventually include all District infrastructure elements (paving, structures, utilities, bridges/piers/docks, and possibly dams and ponds). The initial inventory of assets compiled projected annual needs of \$9 million. In the 2014 budget, this fund received \$6 million, including \$1 million specifically for paving, to be used for the replacement and renovation of other District infrastructure. Over the next few years, the separate service yard project account is likely to be subsumed into, and superseded by, this single major fund. Individual categorical delineations will be retained as subsets of the overall, District-wide effort. Over time, it is intended that annual base budget and one-time appropriations to Fund 553 can be made at the level necessary to provide a stable, and much needed funding source for the orderly replacement and renovation of District facilities and infrastructure.
- **Promissory Notes - Field and Administrative Facility Replacement and Renovation Program:** The District successfully issued promissory notes in the amount of \$25 million and established this program to provide funding to replace and renovate aging District facilities. This program was coordinated with, and now encompasses the Service Yard and Future District Facilities project funding initiative appropriations from previous years.
- **Vegetation Management/Fire Fuels Management:** This program was funded by initial, one-time General Fund appropriations, by FEMA grant funds, and by Measure CC. Additional funding from FEMA has been held up by the permitting process, and new funding for some Measure CC project areas will be depleted in 2015. The need to provide continuing funding for this program will need to be a consideration in 2015 and future budgets.

All three of these programs are underway. The first two are reviewed in more detail later in this document, and the Vegetation Management program will be discussed at the May 23rd workshop.

3. MEASURE WW

a) **Initial Implementation**

The first series of bonds issued under the Measure WW authority were issued in mid-2009 and the second series in mid-2013. The \$164 million in tax-exempt proceeds issued were sold at extremely low interest rates. In combination with the debt restructure and \$20 million issue of Measure AA refunding bonds, this has enabled the District to hold the combined 2013/14 debt service on both the AA and WW to \$7.80 per \$100,000 of assessed valuation; well below the District's \$10 per \$100,000 of AV commitment to voters. The 2014/15 tax rate is also expected to meet this benchmark.

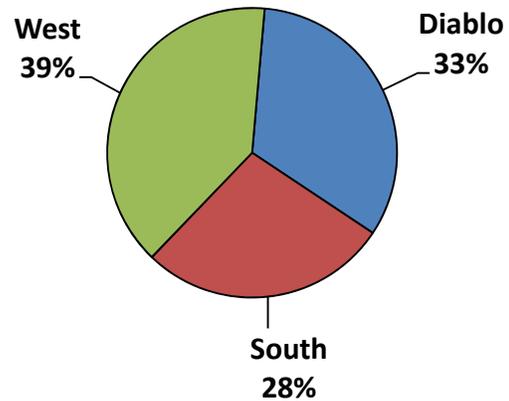
b) **Metropolitan Area Allocations**

Measure WW funding was allocated on the basis of the Metropolitan Area population balance as known in 2007. The original program allocations, by percentage, are shown to the right.

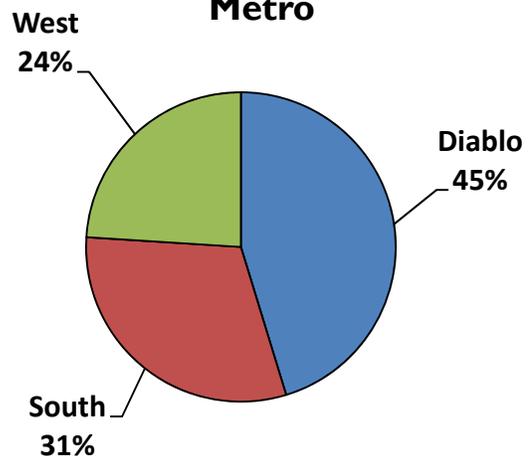
c) **Measure WW Appropriations for District Projects**

\$50.7 million in appropriations have been approved by the Board of Directors for WW Acquisition projects (\$36.8 million) and WW District Development projects (\$13.9 million). Details of these appropriations are included in **Exhibit 3a, Measure WW Appropriations as of March 4, 2014** (pp. 59-65). In addition, \$33.1 million has been budgeted to the Land Acquisition "Designated Acquisitions" account, which is the holding account for projects in process that have not yet been transferred and received formal appropriations by the Board. Of the total appropriation of \$83.8 million, \$40.9 million has been expended on both acquisition and development projects to date, with the largest expense being the nearly \$3.5 million amount for purchase of the Robertson property at Pleasanton Ridge.

Original WW Program Allocation, by Metro



Total Appropriations, by Metro



The charts below display the Measure WW original targets and appropriations as of March 4, 2014, shown by metro area and by acquisition and development. At this stage of the measure, with only 14.5% of project allocations appropriated, it is premature to forecast a trend or to assign any significant meaning to the pattern of appropriations. With several acquisition opportunities presenting themselves in the Diablo area early on and the availability of matching funds from the HCP, that area is responsible for 45% of the appropriations to date. These metrics will continue to be brought to the Board in future reports.

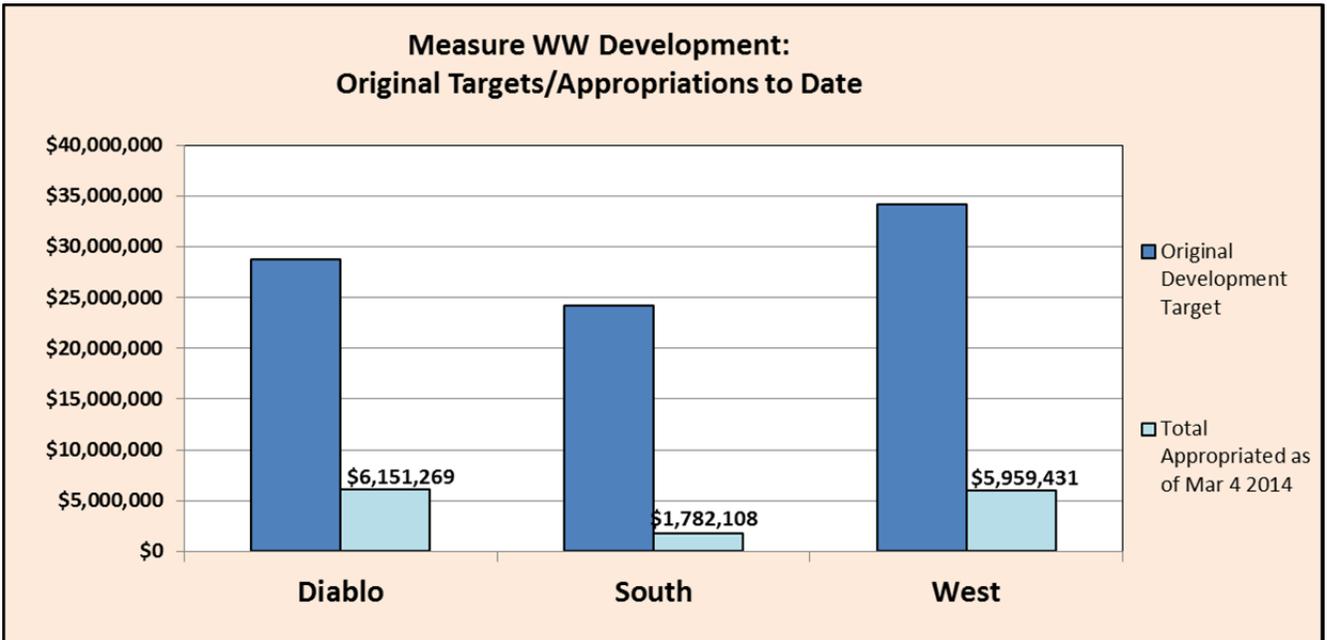
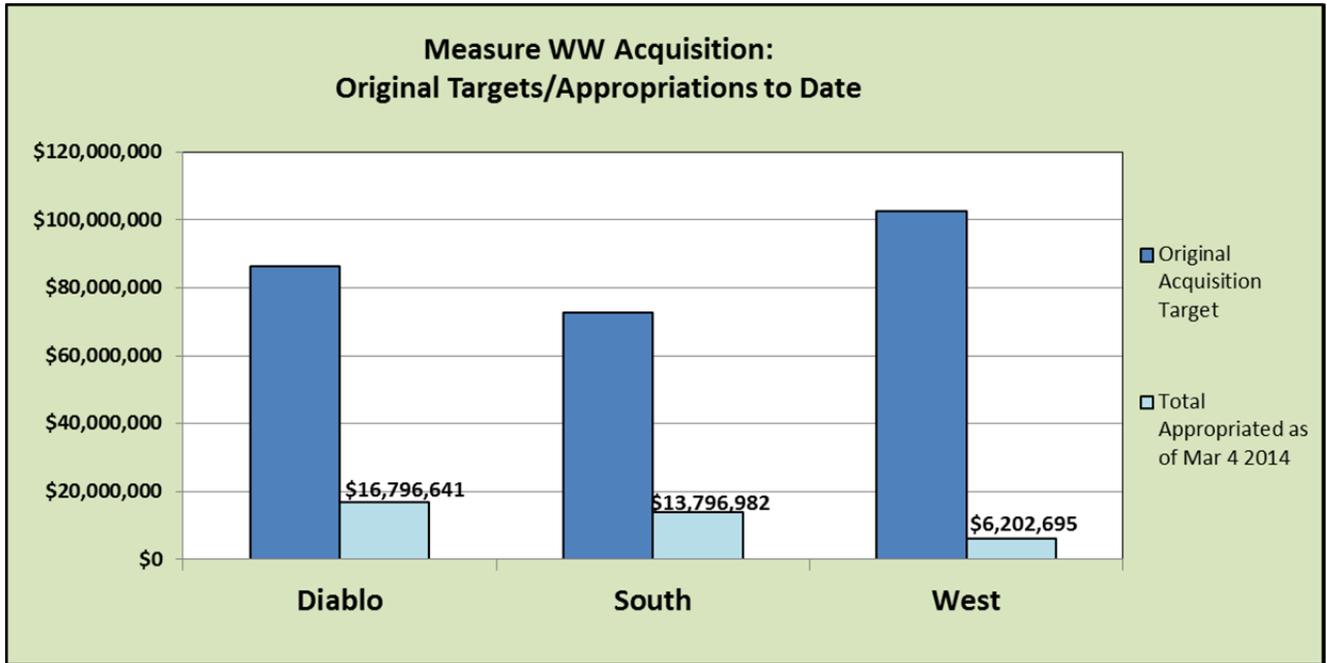


Exhibit 3b (pp. 66-68) provides a summary of remaining unappropriated acquisition and development funds designated for each park under Measure WW, and **Exhibit 3c** (pp. 69-107) shows the allocation area detail. Staff will be presenting updates and information at the May 23rd Capital/Trails/Maintenance workshop related to current and future District Measure WW Capital project proposals. The status of Measure WW Land Acquisition priorities will be discussed with the Board at the June Land Acquisition session.

d) Measure WW Local Grant Program

The District is entering its sixth year of the Measure WW Local Grant Program. Through the end of the 2013 year, 185 projects valued at \$86.7 million (including the District's administrative fee) have been approved and are being undertaken by local agencies. The full list of projects applied for, accepted and/or not approved (due to incomplete or insufficient applications) is attached as **Exhibit 3d, Measure WW Local Grant Projects by Agency** (pp. 108-130).

The 2014 grant application period is now complete. Agencies submitted 35 applications totaling \$12.6 million by the March 31 deadline, which included 31 new applications and four requests for additional funding for existing projects (that can be accommodated within each agency's established allocation). A list of 2014 applications received, by agency, is attached as **Exhibit 3e, Measure WW 2014 Local Grant Program Project Applications** (pp. 131-136). These applications are now being reviewed and, if found to be in good form, will be recommended for approval and appropriation of funds by the Board in June.

The Local Grant program now includes 70 completed projects and the application, review, and reimbursement process has proceeded smoothly. Approximately \$48.3 million has been reimbursed to local agencies during the first five years of the program.

e) Measure WW Cash Flow

The District has issued \$164.4 million in Measure WW bonds to date. At this time, Measure WW appropriations, to District as well as Local Grant projects, total \$170.5 million. The review and appropriation of funding to additional local grant contracts is expected to add approximately \$12.6 million to this amount for a total appropriated amount of \$183.1 million. These appropriations are commitments of the District and the Measure WW program to reimburse local agencies and this District with bond monies for eligible expenditures.

These contractual promises (appropriations) of Measure WW funds exceed the amount of the bond sale proceeds of \$164.4 million by just under \$20 million. However, this is not an immediate concern because, of these appropriated amounts, only \$90 million has actually been expended or reimbursed to local agencies leaving a sufficient balance in the fund to pay anticipated expenses and reimbursements for the next few years, at which time the District will initiate the process to issue a third series of bonds.

f) Measure WW Interest, Balances, and Reserve

Measure WW proceeds are invested with the trustee and earning interest; as of 12/31/2013 \$875,297 in interest has been earned.

The Board of Directors requested, during the establishment of Measure WW, that interest earned be allocated first to offset any changes in metro-area balance determined by the 2010 Census. Population information was received and compiled in 2011, and metro-area population balances did change as follows:

Increase in Population

- Diablo Metro has *increased* by 1.2% (from 32.9% to 34.1%)

Decrease in Population

- South Metro has *decreased* by 0.3% (from 27.8% to 27.5%)
- West Metro has *decreased* by 0.9% (from 39.2% to 38.3%)

When applied to the full WW program, the 1.2% increase in population in Diablo Metro represents a total dollar increase of \$4.1 million in that metropolitan sector. Given that the low current rate of interest earnings would appear unlikely to exceed \$4.1 million in the next several years, the Board agreed that the full balance of interest earned to date, and for the foreseeable future, be allocated to the Diablo Metro area until the new target is met, or until the 2020 Census provides an updated target. This allocation will supersede and make unnecessary the prior practice under Measure AA of apportioning interest by the Metro Area percentages on an annual basis. It was not deemed prudent or feasible to reduce the previously established allocations in South and West Metro areas below those approved by the voters in 2008.

A schedule of Measure WW Interest, apportioned in this manner, is included in the tables on the following page summarizing the Measure WW funds currently available for appropriation. The District-side Measure WW funding remaining available in the overall program, less appropriated funds and the reserve, totals \$298.9 million.

Notably different from Measure AA, Measure WW included a provision for a 7% reserve that was not specifically committed by project, park, metro area or acquisition/development. This general allocation, for unanticipated future project needs and opportunities, has not yet been tapped, nor have criteria for use of these funds been recommended to or approved by the Board. The 7% amounts to \$26,250,000; therefore the overall Measure WW funding available for District projects rises to \$325.2 million as shown on the following page.

MEASURE WW: REMAINING BALANCES

REMAINING UN-APPROPRIATED ALLOCATION

Metro Area	Total Available	Available Acq	Available Dev
Diablo	\$94,403,274	\$69,391,359	\$22,578,731
South	\$88,901,554	\$59,022,018	\$22,490,892
West	\$129,811,024	\$96,352,305	\$28,225,569
Total	\$298,060,874	\$224,765,682	\$73,295,192

UN-APPROPRIATED INTEREST

based on interest income as of 12/31/2013

Metro Area	Total Available Interest	Available Acq Interest	Available Dev Interest
Diablo	\$875,297	\$656,473	\$218,824
South	-	-	-
West	-	-	-
Total	\$875,297	\$656,473	\$218,824

TOTAL UN-APPROPRIATED

Metro Area	Total Available	Total Available Acq	Total Available Dev
Diablo	\$92,845,387	\$70,047,831	\$22,797,555
South	\$81,512,910	\$59,022,018	\$22,490,892
West	\$124,577,874	\$96,352,305	\$28,225,569
Total	\$298,936,171	\$225,422,154	\$73,514,016

7% RESERVE

\$26,250,000

**TOTAL AMOUNT REMAINING
IN MEASURE WW**

\$325,186,171

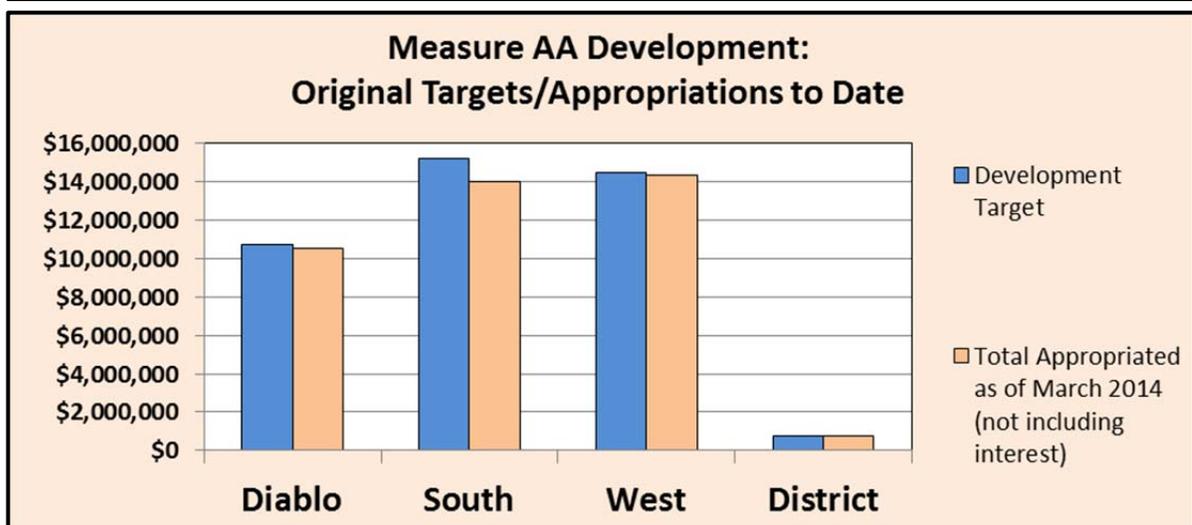
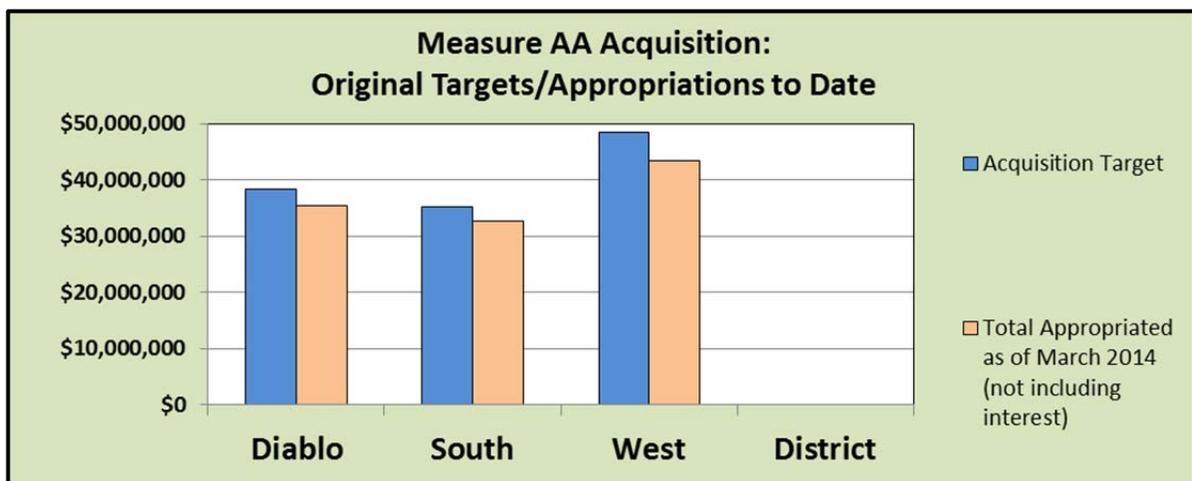
4. MEASURE AA

As of March 20, 2014 the District has appropriated a total of \$180.3 million in Measure AA principal and interest to District projects. As shown in the table on page 16, there is approximately \$12.3 million remaining in the program that has been allocated to project areas but is not yet appropriated for expenditure, and \$476,139 in interest earned, but not yet appropriated. The appropriation of the District's portion of the Measure AA program is nearly 93% complete. Local Grant Program (LGP) appropriations are in addition to the above amounts; however, the LGP program is now complete and closed, and all funding has been disbursed to local agencies.

The Measure AA program continues to wind down, and where feasible, staff seeks to use any eligible remaining AA funding prior to tapping the Measure WW allocations.

a) Metropolitan Area Allocations

Measure AA funding was allocated on the basis of the Metropolitan Area population balance in 1988. The metro area appropriations for expenditure all balance within 1% of their original percentage targets. The charts below list the dollar targets and appropriations to date, by acquisition and development amounts, for each metro area.



b) Measure AA Interest

Interest earned on the Measure AA balance has been split between acquisition and development in the same 75%/25% proportions as the original measure and has been appropriated similarly to the three metro areas. The total net interest earned to date has been \$29.5 million, of which just over \$29 million has been appropriated to projects by the Board. This leaves \$476,140 remaining unappropriated, less than two percent of the total interest earned. Very little interest is currently being earned on the remaining balance, just \$114,000 in 2013.

In 2012, the Board concurred that continuing to report and track the minor available interest amounts subdivided by the six categories was not workable, and would therefore consider the remaining interest balance for appropriation to one or more eligible acquisition or development projects anywhere in the AA project area.

c) Measure AA - Spend-down

The District has been working for several years to conclude the AA program, fully utilize the remaining funds and complete and close the AA projects. As of 2009, the full \$225 million in bonds authorized under Measure AA had been issued. As of 2012, essentially all the tax-exempt bond principal from that final issue has been expended. The remaining funds held by the trustee are a combination of monies that were issued as taxable bonds, and the balance of the interest that has not been disbursed.

In October 2011, the Board authorized the consolidation of acquisition and development allocations with less than \$150,000 remaining into single, metro-area acquisition and development designations. To date, the total amount consolidated has been approximately \$2.3 million. As of March 20, 2014, nearly \$1.2 million from these consolidated metro accounts have been appropriated to ten projects, the detail of which is shown in the table on the following page.

The table on page 16 shows the remaining unappropriated funds by metro area and **Exhibit 4: Remaining Unappropriated Measure AA Funds by Metro Area** (p. 137) provides further detail. A significant portion of the remaining AA unappropriated principal can be attributed to a few project areas where progress has been impeded due to circumstances beyond the District's control. Because of the character of the taxable bonds, there is not a requirement to expend the funds within a three-year period, but these projects should continue to be monitored and the associated funds considered for re-direction if the projects ultimately prove unattainable so that the Measure AA program can be concluded in a timely manner.

Finally, there are still \$17 million of AA funds appropriated but remaining unspent in existing CIP projects accounts. These funds will also need to be either expended or re-appropriated to active projects sometime in the next few years.

USES OF CONSOLIDATED AA FUND ACCOUNTS AS OF MARCH 20, 2014			
Project	Total	Acq	Dev
WEST METRO			
Aweeka	5,000	5,000	
Dapkoph	10,000	10,000	
Build Trail Coliseum to 85th	230,000		230,000
Crown Beach - Replace Sand	154,799		154,799
West Metro Total	399,799	15,000	384,799
SOUTH METRO			
Chouinard	9,033	9,033	
Chouinard Easement	15,000	15,000	
Fries	15,000	15,000	
Niles Canyon - Develop Trail	75,000		75,000
South Metro Total	114,033	39,033	75,000
DIABLO METRO			
Delta DeAnza - Review & Inspect Trail	30,000		30,000
TXI Pacific Custom Materials	617,712	617,712	
Diablo Metro Total	647,712	617,712	30,000
TOTAL USES	\$1,161,544	\$671,745	\$489,799

MEASURE AA: REMAINING BALANCES

REMAINING UN-APPROPRIATED ALLOCATION			
Metro Area	Total Available	Available Acq	Available Dev
Diablo	3,161,304	2,953,122	208,182
South	3,764,970	2,508,210	1,256,760
West	5,336,391	5,187,941	148,450
District	-	-	-
Total	\$12,262,665	\$10,649,273	\$1,613,392

UN-APPROPRIATED INTEREST		
<i>(based on interest income as of 12/31/2013)</i>		
Total Available Interest	Available Acq Interest	Available Dev Interest
\$476,139	\$88,266	\$387,873

TOTAL REMAINING IN MEASURE AA		
Total Measure AA Available	Total Available Acq	Total Available Dev
\$12,738,804	\$10,737,539	\$2,001,265

5. MEASURE CC

Measure CC tax receipts provide a consistent \$3.1 million per year in ongoing funding to support priority projects and operations in the Measure CC area. Appropriations in the District's annual budget began in 2006 and are planned to be included in each budget process through the year 2020, when the authority approved by voters expires after the 15-year life of this tax.

Measure CC funds, with the exception of the 10% of proceeds reserved for unknown events and opportunities, are appropriated and spent on projects as designated in the Project Schedule presented to voters. Because Measure CC revenues are generated annually, the authorized projects have been scheduled to be undertaken throughout the life of the measure.

The Project Schedule is reviewed annually and recommendations are made to the Board regarding proposed appropriations for the coming year. These recommendations include adjustments to timing or approach that are determined to be necessary to accommodate changing conditions or to meet funding limitations. This schedule is brought to the Board at this workshop to provide an opportunity for the full Board to review and comment on the proposal for the coming year, prior to preparation of the required annual report for formal Board action and submittal of the tax information to the Counties.

At 9 years into the 15 year program, project and funding summaries are as follows:

- \$26.8 million, 64% of the original \$42 million allocated to projects, has been appropriated through 2014,
- Nearly \$16.2 million has been expended as of 12/31/2013,
- 44 projects (55%) have appropriated their entire Measure CC allocations,
- 18 projects have been completed,
- 56 projects are in progress,
- 5 projects are scheduled to receive their first appropriation between 2015 and 2020.

a) Measure CC Renewal and "Report Card"

The Measure CC taxing authority expires in mid-2020, and the District needs to consider if and when to seek voter approval to renew or extend the tax. The earliest practical date to consider would be in 2016; however, changes in statutory authority may make this process easier, or more difficult, and the timing and/or structure of the measure may need to be adjusted. A phone survey was conducted in 2013 to provide initial information on the awareness and interests of the electorate with respect to planning for this future ballot measure. Preliminary results show that voters in the CC area would most likely support the renewal of the measure by more than the required two-thirds percentage.

Irrespective of the eventual election date, we need to position the District to demonstrate the benefits provided by this measure, and the responsible attention provided by the District to the management and prudent use of the public's money. In service of this goal, staff is compiling an ongoing record of the projects to serve as the factual basis for creating

a “Measure CC Report Card”, providing updates on the progress of all 79 projects. The project status is attached as **Exhibit 5a** (pp. 139-159). The Report Card will be reformatted and expanded in future years as CC projects are completed.

b) New Projects in 2014

The following projects received their first funding in 2014:

Location	CC Line #	Project Description	2014 Appropriation
Miller/Knox Regional Shoreline	75	Add four more flush restrooms in main park area to eliminate long lines	\$200,650
Wildcat Canyon Regional Park	78	Gravel 2.5 miles of trail for all season use	\$100,000
TOTAL APPROPRIATION TO NEW PROJECTS IN 2014			\$300,650

c) 2015 Measure CC Budget Proposals

The 2014/15 Measure CC Tax Report will be brought to the Board in advance of the Counties’ August filing deadline. Staff is recommending Measure CC appropriations at levels necessary to continue prior years’ operating commitments and to fund new projects consistent with the schedule approved by the Board in 2005. The **Measure CC 2015 Budget, Exhibit 5b** (pp. 160-169) lists all Measure CC Projects as approved by voters.

This list is sorted by the year of the projects’ initially planned inception (the first year of anticipated expenditures), and it has been updated to include changes requested and/or approved by the Board in previous years. The proposals for Measure CC appropriations in 2015 are in shaded columns in the Exhibit. The 2015 Measure CC Budget proposes appropriating a total of \$2,788,482: \$1,616,169 for capital/one-time uses and \$1,172,313 for operations. In addition to the projects with ongoing annual budget commitments, one new project is scheduled to receive its first appropriation in 2015:

Location	CC Line #	Project Description	2015 Appropriation
Wildcat Canyon Regional Park	77	Clark-Boas Access – Restore trailhead area, improve access from El Sobrante and Richmond	\$100,000
TOTAL APPROPRIATION TO NEW PROJECTS IN 2015			\$100,000

Staff is seeking to address any Board Members’ questions on the draft 2015 Measure CC budget projects prior to formal consideration during the Tax Report and 2015 District Budget processes.

d) Measure CC Reserve Fund

The Measure CC Reserve Fund Balance at the end of 2014 is anticipated to be nearly \$3.3 million. The CC program includes a reserve of 10% of the proceeds, or a total of \$4.7 million, over the life of the measure. 10% of each year's revenue is being set aside annually and accumulated in fund balance. These funds, and future annual accruals of approximately \$300,000, can be appropriated by the Board for "Unknown Events and Opportunities" in the Measure CC area during the life of the measure. This Reserve Fund has not yet been tapped, nor have criteria for use of these funds been recommended to or approved by the Board.

e) Measure CC Long Term Budget Planning

Measure CC budgets that support ongoing operations, public safety, interpretive and stewardship staff were set up based on the intent to operate several facilities through 2020. These 15-year estimates included an assumed 2.5% inflation rate, and the projected first year of operation was made based on our best understanding of the projects in 2005.

Now that we have nine years of actual experience, and some projects have proceeded earlier while others have been delayed, it is clear that certain operating expenses for wages and benefits have increased more than projected and, if continued at current rates, will exhaust their respective Measure CC allocations before the end of the program in 2020. Other projects, delayed by circumstance, will begin operations later than anticipated and may have balances remaining.

As we move toward conclusion of the program, adjustments to the levels of CC funding, and/or the intended project list, are now becoming necessary. The following sections identify the areas of concern and the actions taken to date:

Over-Committed Projects: Several operating projects are projected to exhaust their CC funding before the Measure sunsets in 2020:

- **Crab Cove Visitor Center (CC Line #11):**
 - **Issue:** *The allocation for this project is anticipated to provide funding for staff through 2018. A total of \$260,000 (\$130,000 per year for 2019 and 2020) will be necessary to continue operations at the current level through the life of the Measure. No action has yet been taken regarding this anticipated shortfall.*
 - **Solution Options:**
 - *Move \$260,000 in funding from another CC project*
 - *Seek continuation funding in a CC renewal measure in 2016 or 2018.*
 - *Designate funding from the CC Reserve.*
 - *Reduce Crab Cove operations back to pre-CC levels of 9 mo./year in 2019.*

- **Alameda Point, Triangle Park trail (CC Line #71):**
 - **Issue:** This trail opened earlier than anticipated, has consumed operating funds at a higher rate than anticipated, and has exhausted its CC allocation.
 - **Solution Options:** The Measure CC Report Card (Exhibit 5a), shows that operational funding for another Alameda Point project (“Operate two miles of Bay Trail at Alameda Point when completed as part of the base conversion process”) is not expected to be used prior to the expiration of the measure; therefore, as discussed with the Board in 2013, these unused funds have been redirected to the Triangle Park trail, extending these employee’s funding through 2018. This will not cure the total deficit; therefore, the solution options for 2019 and 2020 would be the same as listed above for Crab Cove.
- **Fuels Management projects:**
 - **Issue:** Some of the District’s CC funded Vegetation Management projects have consumed funding at an accelerated rate, and staff funded from this source will only be fully supported through 2015. The exhaustion of CC funding will be a concern and serious challenge for the Fire Department as they plan future fuels maintenance activities in several areas.
 - **Solution Options:**
 - If FEMA grant funds are awarded and become available in 2015, this will reduce the use of CC funds needed for this activity.
 - The annual work plan could be reduced.
 - CC reserves could be appropriated for this use.
 - A new appropriation of General Fund monies could be sought.

Staff is seeking the Board’s discussion of the above options. Staff will continue to monitor the status of over-committed projects, and will propose additional recommendations as opportunities arise.

Under-Committed Projects: Several CC project areas have been identified where it appears that the project will cost less than anticipated:

- At **Sibley** (CC Line #59 - Stone Staging), **Eastshore** (CC Line #8 - initial operation of landbank properties, policing, etc.), and **MLK Jr.** (CC Line #37 - Tidewater), staffing costs are projected to be lower than originally projected through the life of the measure. All of these park areas have active or planned projects in the works, and staff will return to the Board to recommend suitable uses at these parks for the remainder funds consistent with the measure.
- A project at **Redwood** (CC Line #57 - re-grade/re-route old fire roads) has been deemed infeasible due to permitting restrictions imposed by other agencies. Staff is planning to propose using these funds to construct two clear-span equestrian bridges within Redwood, one at the Orchard Trail/Bridle Trail connection to Canyon Meadow, and the second at Tres Sendas and Starflower.

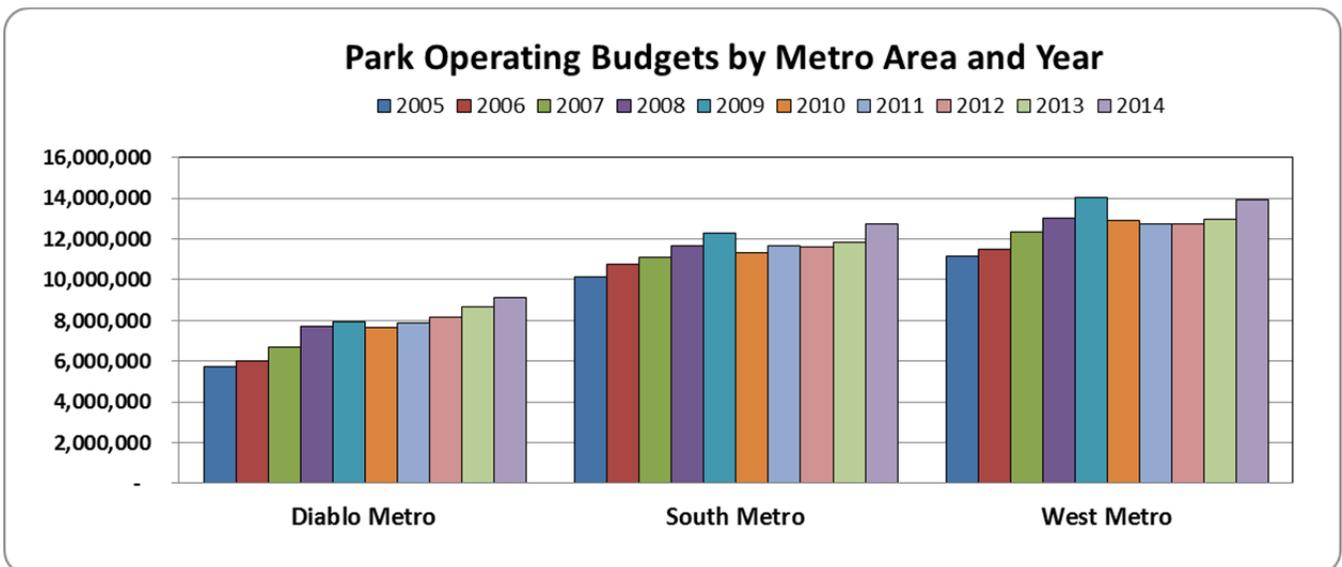
- At **MLK Jr.** (CC Line #36 - Fence Oakland Sports Field), the project was completed using other funds. The funding will be proposed for use at another MLK project.
- At **Miller-Knox** (CC Line #38 - Renovate restrooms at Railroad Museum/install ramp lift), the project scope was changed: staff was able to eliminate the need to install a ramp lift, as the remodeled restrooms are now located at the base of the existing ADA ramp leading up to the Museum. These changes allowed the project to come in under budget by approximately \$70,000. These funds will be proposed for use on a new restroom facility at Miller-Knox.

Staff is requesting the Board’s comments on the above options and recommendations regarding modifications to the CC program. Based on this discussion, staff will be preparing the necessary authorizations to formally make these adjustments.

f) Equitable Distribution of Funds Policy

The Board, by adopted resolution, directed that staff demonstrate that Measure CC revenues would be used to augment, not supplant, the District’s appropriation of other funds to parks and facilities in the Measure CC area. Annually, staff provides materials intended to demonstrate the District’s adherence to this principal.

The graph on the following page summarizes, by Metro Area and Park, the operating budget appropriations for 2005 through 2014 from General and Special Revenue Funds. **Exhibit 5c, Park Operating Budget Changes by Metro Area** (pp. 170-176) is a schedule of the detailed budget appropriations that serve as the basis for this summary listing. Administrative, District-wide and similar operating expenses not directly associated with park facilities are not included in this schedule, nor are capital appropriations which vary widely from year to year based on the District’s long-term grant and bond funded efforts.



The 2010 year shows a decline in operating appropriations in all metro areas due to the 7% reduction in all operating budgets across the District. The 2011 year shows a slight increase in Diablo and South Metro areas due to the new wind turbine and HCP revenues, and a decline in the West Metro sector due to the cancellation of the Middle Harbor contract with the Port of Oakland and the associated loss of revenue. 2012 budgets remained relatively flat, 2013 shows small growth in each metro area, and 2014 budgets overall increased by 6.8%. Averaged across the District on a metro-area basis from 2005 through 2014, budgets at park sites experienced an average annual increase of 3.6%.

6. GRANTS

The District's Grants Program continues to be very active in applying for, securing, and managing contracts that provide funding for District projects. Highlights and challenges for 2014/15 include:

- a) **Total Program:** Grants staff are monitoring and managing 168 separate project contracts totaling \$67.5 million. **Exhibit 6a** (pp. 177-192) is the complete list of these projects, their funding sources, amounts, status and description.
- b) **FEMA:** With the completion of the sand replacement at Crown Beach Regional Shoreline, the District has completed all of its work for FEMA funding of cleanup and repair damage from the 2006 New Year storms. Staff is working to reconcile payments and close out all of the required FEMA paperwork by the end of the year. FEMA approved the repair of 52 projects; the District completed 48 projects and withdrew from 4 projects. **Exhibit 6b** (pp. 193-202) lists the specific parks and projects.

The total cost of the FEMA projects was approximately \$5.2 million. To date FEMA has approved payments of approximately \$4.7, plus \$166,000 for administration. This excellent program brought nearly \$5 million in emergency repair funds to the District; however, the few costs disallowed by FEMA will need to be funded with District monies. Therefore, later this year, staff expects to return to the Board with a request for appropriation of approximately \$310,000 in General Fund monies to cover the closeout of this very successful disaster recovery program.

- c) **TIGER II:** In October 2010, the District was awarded its largest single grant ever. The District was designated to receive \$10.2 million from the United States Department of Transportation from the TIGER II program for the East Bay Green Transportation Initiative. The 580 Undercrossing of the Alamo Canal Trail project is complete. Three of the remaining projects - East Bay Greenway, Carquinez Scenic Drive, and Dublin/Pleasanton BART Iron Horse Trail - are under construction and should be completed this year. The Hercules Bay Trail is under construction and should be complete by 2016. TIGER II funding for the Pinole Shores to Bay Front Park Bay Trail was only for engineering design and environmental clearance; staff is working to secure grant funding for construction.

The US Department of Transportation is considering the District's request to move approximately \$800,000 from the Carquinez Scenic Drive project to the Iron Horse Trail project. TIGER II required allocations of federal funds to projects before opening bids for construction, and bids for the Carquinez Scenic Drive project came in approximately \$1,000,000 below the engineer's estimate. If approved, the transfer will mean the District will not have to tap into \$800,000 in Measure WWV bond funding for the Iron Horse Trail project. The District, Federal Highway Administration and Caltrans are working through some technical challenges in order to implement the transfer.

d) Complex Projects:

- **Breuner Marsh Restoration & Public Access:** The complexity of the grants for this project is paralleled by the cost and environmental complexity of the project. To date the project has attracted \$7.8 million in grants with prospects for an additional \$50,000. However, if successful the project may have over 10 funding sources, each with its own requirements and items it is willing to fund. It has been challenging to fund the public access parts of the project. The \$500,000 Priority Conservation Area grant from the Metropolitan Transportation Commission may be particularly challenging to implement. Acceptance and use of the \$500,000 would mean adding costly federal requirements to the entire project for bid documents, construction management and construction material. The cost of bringing the entire project into compliance to receive the federal funding may approach the amount of the grant awarded.
- **TIGER II:** To date staff has done an outstanding job completing the environmental clearance, engineering plans and securing federal obligation for the TIGER II projects. However, the TIGER II program has strict timelines, construction management and financial management requirements, and any delay or irregularity could jeopardize project reimbursement and receipt of the funding.
- **Vargas Plateau:** Following resolution of the CEQA lawsuit, the project faces endangered species challenges that could upset grant prospects.
- **Fuels Management:** In 2010, following completion of the District's Fuels Management Plan and settlement of the CEQA lawsuit, FEMA began its environmental review of \$3 million in grants to the District and endangered species clearance for the entire Fuels Management Plan. (The review also includes approximately \$3 million in grants to the City of Oakland and UC Berkeley.) In Spring 2013, FEMA released its 3,250-page Environmental Impact Statement for public comment. During the process FEMA received significant public comment, largely related to the removal of eucalyptus trees. FEMA is working to issue its final EIS and Record of Decision. The chance exists that a lawsuit could be filed, further delaying the project. In addition, regulatory agencies are requiring the District to conduct additional studies, establish permanent conservation easements and perform additional monitoring and management work beyond that already established in the Fuels Management Plan.
- **Albany Beach Restoration and Bay Trail:** In addition to the CEQA and land acquisition challenge, this is a large and complex project (Bay Trail, Beach Restoration and Shoreline Protection). To date the project has attracted \$4.5 million in grants with prospects for an additional \$1,000,000. Given the competition, it may be challenging to get grant funding for this project.

- e) Strategic Energy Plan:** Preliminary work on the project began in October 2013 with the gathering of energy meter information from PG&E and other data. The project began in earnest in January 2014 with visits to Park District facilities by Newcomb-

Anderson-McCormick consultants to collect electrical engineering data. These visits are scheduled to continue through early April 2014. Staff reported to the Executive Committee that key members of the consultant team left Newcomb-Anderson-McCormick, but staff felt the project was proceeding as planned. Staff will update the Board on any further changes to the project. The analytical portion of the project will occur after data collection, with the final report from Newcomb-Anderson-McCormick due to the Board by September 2014.

- f) Infrastructure Replacement Program:** Staff from MAST, Operations, Office Services, Information Services, GIS and Grants are working on updating the computer system and data improvements necessary to track and manage the District's Infrastructure Replacement Program. In conjunction with the Strategic Energy Plan project, the acting Administrative Analyst in Grants is correlating all the utility information gathered for use in the Infrastructure Replacement Program. In addition, data and pictures are being collected for all District facilities and uploaded into the District's GIS system. Staff is reviewing a number of computer software programs and talking and visiting with other government agencies in order to make a recommendation on system improvement for managing the Infrastructure Replacement Program.

Infrastructure Replacement Grants: The District is focused on infrastructure replacement, paving and staff facilities, but without a new Park Bond which includes a block grant or per-capita program, these items are typically difficult to fund through competitive grants. However, over the past five years the District has been awarded over \$5.7 million for maintenance and rehabilitation projects. Some highlight projects include:

- \$1,300,000 - Fuel Break maintenance (not initial entry)
- \$1,000,000 - Miller Knox turf and restroom rehab
- \$434,000 - Point Pinole fishing pier and restroom rehab
- \$840,000 - District wide fishing pier and dock replacement

- g) Funding Received:** During 2013 Grants staff invoiced, and the District received, approximately \$5 million in grants payments from 70 grant project transactions inclusive of all sources discussed above. **Exhibit 6c** (pp. 203-208) lists this detail.

7. MAJOR INFRASTRUCTURE RENOVATION AND REPLACEMENT **(FUND 553)**

Background:

Over the last several decades, the District has developed or inherited a significant inventory of built structures for public use including roads, piers, dams, staff service facilities and offices. This “new” infrastructure was either in place upon acquisition (e.g.: Del Valle), repurposed from prior uses (e.g.: Coyote Hills, Tilden Yard, South County, and most residences), or funded primarily from one-time/opportunity fund sources including grants, state park bonds, mitigation, or District Measures AA, CC, and WW.

These facilities have generally been maintained by annual appropriations of funding for Operations and Maintenance; however, many facilities are now aging past their expected life, and the long-term major renovation and/or replacement of the assets has not been planned for or funded at a sustainable level in the annual budget. Absent action, the District can expect to experience an increasing number of failures of utilities, bridge and pier structures or the need to remove from service unserviceable or unsafe assets. In some circumstances, such as with utility systems, this would result in the closure of parks or the loss of public services. In others, safety issues could arise and liability for injuries could increase.

For these reasons, in 2012 the Board of Directors recognized this deficit and directed staff to establish Fund 553 to start a program to provide, over the long term, for the necessary major renovation and replacement of District infrastructure. This is an extension of prior similar actions in the early 1990’s, and again in the early 2000’s when the Board established the Major Equipment Replacement fund to plan for, fund, and manage the replacement of costly rolling stock; and the Pavement Management System to assess, plan for and to the extent possible, slow the deterioration of our paving inventory through regular treatment or renovation, and to plan and fund the eventual replacement of failed sections.

While the District is very successful at obtaining grants for new facilities from a variety of sources, very few grants will fund renovation or replacement of existing facilities. Therefore, this need requires the District to appropriate General Fund monies for this purpose. Prior to 2009, the growth in Property Tax revenues allowed for some appropriations from the annual budget for paving and facility work; however, since the budget reductions in 2009, the base budget revenues have been primarily committed to retention of staff wages and benefits, and new appropriations to facility renovation have been limited. The District’s recent practice has been to utilize one-time, year-end savings as opportunities to direct funding to these needs; however, this irregular practice is not an ideal long-term solution to the establishment of this program, or the stable funding for new permanent staff positions that will be required to manage it.

In the 2014 Adopted Budget, transfers were made from the District’s General Fund to Fund 553 in the amount of \$6,000,000: \$5,000,000 in undesignated funds and \$1,000,000 for the District’s Pavement Management Program. Including transfers made in 2012 and 2013, the amount of General Fund monies transferred into Fund 553 total nearly \$11 million. With \$2 million appropriated to paving and \$800,000 appropriated to project accounts, approximately

\$8 million remains available for appropriation to projects. **Exhibit 7a: Major Infrastructure Renovation and Replacement (Fund 553) Appropriations** (pp. 209-210) provides a status update on each project currently appropriated funds from this source. Several high-priority projects that staff expects to be bringing to the Board with a request for a Fund 553 appropriation in the near future include:

	Location	Description	Estimated Cost
1	Camp Arroyo	Replace HVAC systems in 6 cabins	\$150,000
2	Contra Loma	Rehab Boat Launch Ramp	\$200,000
3	Del Valle	Repair Solids Contact clarifier at the Del Valle WTP.	\$65,000
4	Del Valle	De-silt and Repair Raw water intakes WTP	\$150,000
5	Del Valle	Replace Water Distribution Control Valves	\$200,000
6	District Wide	Complete Waste Water Monitoring Systems/SCADA	\$300,000
7	Las Trampas	Stabilize Tracor Water System/Replace leaking tanks, valve and meters	\$80,000
8	Pt. Isabel	Bridge Rehabilitation - Hoffman Channel Crossing	\$125,000
9	Point Pinole	Fishing Pier Rehabilitation	\$280,000
10	Tilden	Repair TNA Boardwalk	\$100,000
TOTAL			\$1,300,350

In developing an estimate of the financial liability posed to the District by our aging infrastructure, and the target annual funding appropriation that will be necessary to mitigate it, the first task is to establish an inventory of existing assets and begin an assessment of their age, condition and cost of replacement. In 2012 and 2013 staff assembled an initial inventory of paving, bridges/piers/docks, water utilities, and buildings/structures in order to begin to develop an estimate of replacement costs and useful lives of infrastructure in each category. Annual updating and improvement of this inventory, and possible purchase of an “asset management” software system, will allow staff to determine project priorities that ensure the safety and serviceability of these public facilities.

As additional information is obtained on the ability to extend the service life of a particular asset, or the specifics of the replacement cost, the annual cost target will be refined. The annual projected allocations will also be updated base on the changing cost of the work due to inflation.

The District's Fund 553 inventory is subdivided into several categories of asset, intended to group like-assets, and to allow for an organized approach to evaluating and managing each segment of the program. The initial asset groups are:

- **Pavement:** This program has been in existence for several years, and is a good example of the methodology intended, which is to extend, to the optimal extent, the life of an asset through major maintenance and renovation, thereby deferring and minimizing the much more costly full replacement of an asset. According to the 2011/2012 Pavement Management Program Report (Gehrett Asphalt, Geo-Modal Analytic), the replacement cost of the District's 17 million square feet of pavement is estimated at \$162.5 million. **Exhibit 7b** (pp. 211-212) shows the square footage of pavement by park.
 - In an **"ideal"** but financially and practically unattainable scenario, to raise the Pavement Condition Index (PCI) up to the "excellent" category and eliminate the maintenance backlog, the District would need to spend \$76 million over the next five years, or approximately \$15 million per year.
 - In order to maintain the **current** PCI, the District would need to spend \$18.4 million over the next five years, or approximately \$3.7 million per year.
 - The engineering analysis of the system estimates that, even by funding the pavement management program annually in the \$3 million range, the PCI would fall from the "good" to "fair" categories by 2016.
 - The District has been appropriating approximately \$1 million/year to this effort and we may seek to increase this annual rate within the 553 program.

The full workplan and schedule for the Pavement Program will be part of the May 23rd Board Workshop.

- **Bridges, Piers, and Docks:** The current inventory, shown in **Exhibit 7c** (pp. 213-227), contains 117 bridge structures, 19 docks and 25 piers. An initial estimate of replacement cost of these facilities is about \$68 million; however, these structures vary widely in age, condition, and type of structure and few of these structures have yet had a recent engineering analysis as to their integrity. A fully developed annual estimate of maintenance and/or replacement cost has yet to be developed based on the actual condition, but for the initial inventory, each structure was assigned a service life of between 15 and 100 years, and replacement cost per square foot estimated by our Design Department depending on the type of construction of the structure. On an annualized basis, the amortized cost of replacement is calculated at \$1.3 million per year. This amount is likely low. It remains to be seen if there are maintenance strategies that can cost-effectively extend the life of these structures and reduce the annual cost or if deteriorating conditions require a higher annual appropriation. A consultant was

contracted to perform an engineering analysis of critical structures at Pt. Isabel and Martin Luther King Jr. Regional Shoreline; structural condition assessment work has been performed and preliminary reports have been received.

During 2013, it was discovered that the MLK Arrowhead Marsh boardwalk has deteriorated to an unsafe condition. The facility has been closed to the public, an engineering study has been conducted which determined the cost to repair the facility to be approximately \$390,000 for contract costs, plus design and project management fees. Staff will be coming to the Board to request appropriation of these funds to allow for construction and re-opening the facility.

- **Water Utilities:** Water systems, sewer lift stations, filter plants, etc. are crucial assets for park operation. The initial inventory of these assets, shown in **Exhibit 7d** (pp. 228-234), indicates that there are 101 systems, with a preliminary replacement value of \$6 million. This does not include water distribution systems, irrigation systems or internal building plumbing. These mechanical systems, despite good maintenance, do wear out and eventually require replacement. Standard depreciation for water and sewer systems ranges from 2% to 6% per year. If averaged at 4%, that would mean a 25 year life, and result in an average annual amortized replacement cost of \$240,000 in 2013 dollars. The District's maintenance of these active mechanical systems is funded in the annual budget, but replacements are not.
- **Buildings:** The District has a large inventory of 498 structures valued, without contents, at \$120 million for replacement purposes. **Exhibit 7e** (pp. 235-258) lists these buildings and structures by location. Similar to paving, good maintenance practices can extend the life of structures, sometimes indefinitely. Industry standards assign an asset life of 45 years for wood frame structures, which is a useful guideline to consider as many of the District's structures are that age or older already. On this basis, an estimated annual, amortized cost would be \$3 million/year. Further analysis will be necessary over the next several years to incorporate more detailed major maintenance information into a comprehensive structures management program.
- **Not yet included:** Other asset classes that staff is considering will include dams, levees, pond dredging, and electrical, communication or data systems. These are not yet included in these inventories.

The table on the following page summarizes the estimated costs discussed above. It should be noted that the methodology and basis for the annual cost estimate differs by category, but it is anticipated that continued analysis and program development over the next few years will provide for increasing accuracy for financial planning and forecasting purposes.

Major Infrastructure Renovation and Replacement (Fund 553)				
Infrastructure Type	Replacement Value	Amortized Annual Cost	Now Funded Annually	Unfunded Annual Amount
Paving ¹	162,500,000	3,682,000	1,000,000	(2,682,000)
Bridges/Piers/Docks ²	68,250,265	1,303,132	-	(1,303,132)
Water Utilities ²	6,042,100	241,684	-	(241,684)
Buildings/Structures ³	120,140,751	3,000,000	-	(3,000,000)
TOTAL	\$356,933,116	\$8,226,816	\$1,000,000	(\$7,226,816)

¹ **Source:** 2011/2012 Paving Report (Gehrett Asphalt, Geo-Modal Analytic)

² **Source:** January 2013 inventory by District staff; preliminary numbers

³ **Source:** Insurance replacement value inventory (Alliant Insurance Services)

It also needs to be mentioned that the program outlined above does not (with the exception of paving) make an allowance for any backlog of deferred facility replacement/renovation work that currently exists. As assessment proceeds, should facilities be found to be close to failure and require immediate attention, the funding required in any one year could significantly increase.

In summary, the replacement value (or paving maintenance total) of the District's infrastructure in the aforementioned categories is nearly \$357 million. A simple division of this total over the expected life of the assets results in a cumulative estimated amortized annual cost of approximately \$8.2 million. For budget planning purposes, due to the items "not yet included", the amortized annual cost has been rounded upward to \$9 million/year pending further analysis.

This comprehensive approach to facility replacement is new for the District, and some infrastructure categories are better understood than others. This effort will take several more years of work by staff to fully refine and integrate the program into the District's annual activities.

8. 2012 PROMISSORY NOTES, FACILITY REPLACEMENT AND RENOVATION

The District maintains more than 40 employee work sites. The District's inventory of staff-related work sites were constructed over the past 75 years as funding and opportunity permitted and, as a subset of the inventory of facilities in the previous section, a number of them are aging and in some cases decrepit, yet continue to serve as employee work spaces.

Over the past decade the Board has committed several million dollars to minor renovations and site improvements at many in-park service yards to bring many of these facilities into good repair. In addition, the fire at the Tilden Equipment Shop served as the catalyst to both rebuild on site to current standards, and to create new satellite shop at Pacheco.

However, the financial inability to address the remaining backlog of facility needs for the remaining sites resulted in the strategic effort to plan to replace and/or renovate several of the District's key Field and Administrative facilities.

In 2012, the District used the opportunity of low interest rates, our good bond rating, and the cash flow released from retirement of earlier bonds, to issue \$25 million in new debt to fund a specific set of high priority replacement and renovation projects that includes several service yards and provides some resources to visitor centers, a Public Safety replacement building, and energy conservation improvements (solar installations). Staff is actively pursuing a number of these projects; the detailed project list, including status updates, is shown in **Exhibit 8** (pp. 259-262).

The financial needs presented by this project list will far exceed the \$25 million in promissory note proceeds; therefore, the program goal is to pair 2012 promissory note funding with other funds: grants (where possible), existing project accounts (e.g.: Future Facility Replacement, approximately \$6 million), Measures WW or CC where appropriate, or the General Fund or Fund 553 where necessary.

Activity in this program to date has been focused in two general areas:

- **Park Service Yards:** The Maintenance and Skilled Trades Department is actively making many Park Service Yard improvements. A report on this program was presented to the Board at the March 18th Board Meeting by Kelly Barrington. The Service Yard improvements are expected to be completed in 18 months to 2 years.
- **Public Safety Offices:** After an unsuccessful attempt to purchase and re-purpose an existing building, the next best option for replacement of the Public Safety Administrative Offices is thought to be re-construction on or near the current site. The architectural firm used for the purchase evaluation has been retained to assess the viability and cost of reconstruction of the Public Safety Offices adjacent to the current Chabot site. We expect to receive the results of this feasibility study, including estimated costs and timetable, by mid-year and will review them with the Board.

9. REVIEW OF OPERATING IMPACTS OF PROJECTS IN THE “PIPELINE”

The Board received and discussed the “Pipeline” list at an earlier workshop. The following information provides the written background information and standard annual updates for the Board’s information.

Each year staff provides a projection of the future operating costs that will be incurred by the District as capital projects are completed and put into operation. This multi-year list also includes facilities for which the District will accept operating responsibility through dedication, agreement, or other means. These projected expenses are recommended by staff as a high priority for appropriation of new funds in the coming year’s (2015) Budget Process. This year’s Pipeline List projects an optimal level of new funding for District operations as \$1.8 million for 2015 (\$405,440 in start-up costs and \$1,380,994 in base budget increases). The entire projected Pipeline list estimates a total of \$8 million of new funding (\$1.7 million in start-up costs and \$6.3 in annual base budget increases). The Pipeline List as of March 2014 is attached as **Exhibit 9a** (pp. 263-269).

The Pipeline list is sorted by the anticipated year of operation based on current project status and cost projections from operating Divisions including Park Operations, Maintenance, Interpretation, Police, Fire and Stewardship. Projects may also be reviewed during and after the first year of operation to identify adjustments that may need to be made to correct the projected expenditures to actual experience. Any eligible funding sources for operations that are being considered for appropriation are listed; however, the default source is the General Fund. Staff positions are identified by Full Time Equivalent numbers (FTEs) which are proposed to be budgeted in the target year. Fractional FTEs are budgeted as an amount available to the affected division for use to fund temporary employees or contractors and, once accumulated to .75 FTE or more, are made available for hire of a regular employee.

The Pipeline list is used as a starting point when drafting the budget for the coming year. If the financial capacity is available, Pipeline project budgets are identified as priorities for funding, but must be considered in the context of all budget requests before a draft budget is forwarded to the Board. When adopted, Pipeline budget staff and operating expenditures are considered ongoing or “base” and, if approved in the budget, are assumed to continue each year into the future; therefore they represent a critical ongoing cost consideration for the District.

2015 Projects and Budget Considerations

The Pipeline projection for 2015 includes eight projects which project a 2015 budget request total of 11.08 FTE increase over 2014 levels. If these projections are confirmed through the detailed submittals and reviews required for the 2015 budget process, the estimated 2015 funding need for wages, benefits, startup costs and ongoing services and supplies would be \$1.8 million. While the Black Diamond Land Bank properties may be able to utilize some HCP funding, and budget increases at Garin may be supported by some Zone of Benefit funding, all other desired staffing additions have no other alternative funding source than the General Fund. Preliminary projections indicate that the expected growth in the District’s General Fund revenue should provide the capacity to fund a significant portion, if not all, of this projected need.

Staff will continue reviewing and refining the Pipeline list as discussed at the last workshop, and will be clarifying the project descriptions and estimated costs as a part of the 2015 Budget process.

Staffing History

Since 2001, the opening of new facilities and the increasing size and complexity of District responsibilities required related increases in District staff. The table below summarizes these additions and reductions, by year and by Department. Included in the exhibits for the Board's information is a summary schedule of these staffing changes sorted by park. **Exhibit 9b: Staffing History by Location, 2001 through 2014** (pp. 270-274), shows the staff positions added during this period. Since 2001, the District's staffing levels have grown by about 101 positions overall, an increase of 16%.

STAFF IN FULL-TIME EQUIVALENTS									
Year	Ops.	Maint.	Interp.	Police	Fire	Design	Stew.	Other	Total
2014	3.37	2.22	2.21	0.65	0.90	-	-	1.29	10.64
2013	1.39	-	3.67	1.00	-	(0.19)	-	0.50	6.37
2012	8.52	1.00	3.00	0.19	1.00	(0.17)	-	1.50	15.03
2011	(14.13)	(2.47)	(3.05)	(8.82)	(3.50)	(2.00)	-	(1.00)	(34.97)
2010	(3.50)	0.14	1.50	0.17	(0.50)	-	(0.50)	-	(2.69)
2009	7.85	0.30	1.00	(0.38)	1.20	-	-	1.80	11.77
2008	6.20	5.82	2.50	2.70	4.91	2.00	1.50	4.60	30.22
2007	3.04	0.29	1.20	0.30	-	-	-	2.00	6.83
2006	5.70	0.40	1.50	0.60	2.50	0.75	2.00	2.00	15.45
2005	3.21	0.81	2.09	0.45	-	-	-	0.12	6.68
2004	3.85	3.38	-	2.60	-	-	1.02	1.90	12.75
2003	2.32	0.92	-	5.00	2.50	-	-	-	10.74
2002	0.63	-	-	(2.00)	-	-	-	0.45	(0.92)
2001	6.13	2.47	1.02	1.00	-	-	1.50	1.00	13.12
GRAND TOTAL	34.56	15.28	16.64	3.46	9.01	0.39	5.52	16.16	101.02

10. CAPITAL/TRAILS/MAINTENANCE WORKSHOP, MAY 23

The Capital/Trails/Maintenance Workshop is scheduled for Friday, May 23, 2014 in the Board Room. Staff will present detailed information on the progress of active projects, highlight projects and issues of interest, and discuss the work plans and initiatives for the coming year. Specific reports will include:

- a) Regional Trails updates on the status of our Trails program.
- b) Reports by the Maintenance and Skilled Trades Division on Maintenance, Major Maintenance, paving, and service facilities programs.
- c) Reports by the Planning/Stewardship & Development Division on the status of the District's major Capital Projects, planning projects, projects by others, and resource projects.
- d) A discussion of the Vegetation Management program budget by the Fire Department.

The Confidential Land Acquisition session is currently scheduled to take place on Monday, June 23, 2014.

Board Members are again invited to suggest specific topics on which they would like to receive updates at the coming workshops.

2014 Board Capital Finance Workshop

April 21, 2014

Pages 37 through 274, the Exhibits referenced in this Memo, can be found on the District's website at:
<http://www.ebparks.org/meetings>

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