



EAST BAY REGIONAL PARK DISTRICT
BOARD FINANCE COMMITTEE
AGENDA STATEMENT
MEETING DATE –Tuesday October 26, 2010

SUBJECT: 2011 Preliminary General Fund Budget Summary

Report by: Pam Burnor, Budget Manager
Cinde Rubaloff, CFO/Controller
Dave Collins, AGM

ATTACHMENT: 2011 Preliminary General Fund Budget Review

RECOMMENDATION: None. This is an informational item only.

The purpose of this item is to brief the Board Finance Committee on the status of the budget process and provide an overview of the 2011 General Fund budget.

Attachment A provides a schedule of the 2011 preliminary General Fund budget with a comparison to the 2010 adopted budget. Expected 2011 General Fund revenue is approximately \$100 million with anticipated appropriations of \$104 million.

2011 Preliminary General Fund Revenue Budget Compared to 2010 Adopted Budget

District staff, including the Revenue Manger and CFO, reviewed revenue collection trends and reduced some revenue budgets to better reflect actual collections. There were significant changes in the following revenue categories:

- 2011 property tax budgeted revenue is .58% (\$500,000) lower than 2010 budgeted revenue. 2010 actual property tax revenue is projected to exceed budget by \$2 million. Thus 2011 property tax budgeted revenue is projected to be 2.7% lower than 2010 actual property tax revenue, a \$2.5 million reduction.

The first half of 2011's decline in assessed valuations is 1.12% in Alameda County and 3.26% in Contra Costa County. The second half of 2011 is projected to further decline by 1.04% and 1.84% respectively in the two counties. This produces an average 2011 decline of 1.64% for Alameda County and 4.18% for Contra Costa County.

- 2011 charges for services revenue budget has been reduced by 13% as a result of termination of the Port of Oakland for Middle Harbor contract, which was \$1.3 million.
- 2011 investment interest revenue budget has been reduced from 2010 level by 45%, which is anticipated to equal 2010 actual interest revenue, or \$1.5 million.

- 2011 miscellaneous revenue budget is reduced by 19% as a result of reduction in membership revenue (\$100,000 reduction), and is anticipated to equal 2010 actual miscellaneous revenue.
- 2011 General Fund transfers in will be augmented with new revenue to be received from the recently acquired Vasco Corridor wind turbines and cell tower leases; funding will be transferred from a special revenue fund to cover the cost of a new park supervisor added to the Vasco Corridor in Operations.

2011 Preliminary General Fund Appropriations Compared to 2010 Adopted Appropriations

Due to continued economic uncertainty, the General Manager instructed staff to proceed with preparing a preliminary 2011 General Fund budget not to exceed 2010 amounts. Initial reductions, included in the 2010 adopted budget, were carried over to the 2011 preliminary budget. However divisions were given the opportunity to recast or redistribute reductions to maintain service levels and avoid personnel layoffs. There were significant changes to the following expenditure categories:

- 2011 personnel budget will increase 4% or, \$2.8 million over the 2010 level. This increase includes the cost of living adjustments that took affect for only part of the 2010 budget year but that apply to the entire budget year in 2011. Increases in medical and dental premiums and PERS retirement contributions are also part of the equation.
- 2011 appropriations for supplies are being reduced by 4% (\$300,000) in rolling stock less than \$25,000 and department special event expenses.
- 2011 appropriations for services are being reduced by 10% due to elimination of election cost appropriations, since there are no elections in 2011.
- Capital equipment appropriations will decrease by 19% (\$80,000) from 2010 amounts as a result in reductions in rolling stock over \$25,000. Staff plans to extend the life of some vehicles, delaying replacement when possible.
- 2011 intra-District charges appropriations will increase by 5% (\$235,000) to cover the increased expenses in the Risk Fund covering insurance premiums and liability claims.

Budget requests for 2011 were limited to regulatory requirements or amounts necessary to fulfill a District obligation. Some of those approved budget request items include:

- \$500,000--ADA improvements (required -- includes staff costs)
- \$146,000--computer software and hardware maintenance and replacement

- \$ 80,000--Quagga Mussel inspections
- \$ 70,000--diesel truck engine filter retrofitting
- \$ 35,000--fuel tank remediation monitoring
- \$ 35,000--fees related to the CLASS and Reserve America transactions

The \$4.6 million budgeted to be transferred out of the General Fund is inclusive of some of the approved budget request items, as well as funding for the Design and Construction personnel costs whose base budget resides in a project fund.

Use of Designated Fund Balance for One-Time Funding of “Smoothing” 2011/12/13 Budgets:

In 2009 the District designated (set aside) General Fund balance fund which resulted from excess revenue over expenditures that year. The fund balance designated for revenue smoothing was to be used toward “smoothing” the gap between reduced tax revenues and expenditures for the next three years. This designation was to allow time for assessed property values and the economy to recover as projected by the Beacon Economics analysis.

To balance the 2011 budget at 2010 levels would require use of approximately \$2.9 million from this designated fund balance. However, to avoid layoffs and more severe service reductions in 2011 the General Manager and AGM group are recommending that an additional \$1 million in “smoothing” designated fund balance be used for a partial restoration of personnel that had been cut from Operations and Public Safety Divisions, over and above the 2010 base level budget.

When all recommended staff and expenses are included, slightly more than \$3.9 million of the designated fund balance will be required to balance the 2011 General Fund budget. A similar or slightly larger amount is likely to be needed in 2012 as well. For these reasons, staff recommends that any 2010 revenue in excess of expenditures also be set aside as a first priority to further augment the “smoothing” designated fund balance, to assist the District in bridging this revenue/expense shortfall through 2013.

The intent of this informational report is to provide a basic outline of the 2011 General Fund budget process to date. A few minor modifications to this information will be included, (for example the Sunol personnel reorganization just received from the Operations Division) in the 2011 proposed budget, along with the remainder of the District’s 2011 proposals for special revenue, internal service, debt service and permanent funds’ budgets. The proposed budget will be presented to the Finance Committee at the November meeting.

East Bay Regional Park District
2011 Preliminary General Fund Budget as of October 15, 2010

Line Item	Sources	2011 Preliminary Budget	2010 Adopted Budget	Difference	% Difference
1	Taxes & Assessments	\$ 87,700,000.00	88,215,036.00	\$ (515,036.00)	-0.58%
2	Charges for Services	7,997,200.00	9,142,000.00	(1,144,800.00)	-13%
3	Rents & Property Usage	1,712,000.00	1,671,000.00	41,000.00	2%
4	Interest	1,500,000.00	2,750,000.00	(1,250,000.00)	-45%
5	Grants & Govt Aid	433,400.00	425,000.00	8,400.00	2%
6	Misc Revenue	399,700.00	494,000.00	(94,300.00)	-19%
7	Other Sources (Sale of Assets)	100,000.00	100,000.00	-	0%
8	Transfer In	141,000.00	45,000.00	96,000.00	213%
9	Total Sources	<u>\$99,983,300.00</u>	<u>\$102,842,036.00</u>	<u>\$ (2,858,736.00)</u>	<u>-3%</u>
Uses					
10	Personnel Services	72,970,268.00	70,091,652.00	\$ 2,878,616.00	4%
11	Supplies	7,025,277.00	7,320,598.00	(295,321.00)	-4%
12	Services	12,914,030.00	14,299,647.00	(1,385,617.00)	-10%
13	Capital Outlay/Equip	365,339.00	449,687.00	(84,348.00)	-19%
14	Payments to Others	200,000.00	200,000.00	-	0%
15	Debt Service/Leases	794,200.00	794,200.00	-	0%
16	Intra-District Charges	5,026,015.00	4,791,035.00	234,980.00	5%
17	Transfer Out	4,592,499.00	4,865,715.00	(273,216.00)	-6%
18	Total Uses	<u>\$103,887,628.00</u>	<u>\$102,812,534.00</u>	<u>\$ 1,075,094.00</u>	<u>1%</u>
19	Needed from Smoothing Reserve	\$3,904,328.00			



EAST BAY REGIONAL PARK DISTRICT
BOARD FINANCE COMMITTEE
AGENDA STATEMENT
MEETING DATE – TUESDAY, OCTOBER 26, 2010

SUBJECT: General Fund Designated Fund Balance for Legal Contingency
Report Prepared by Cinde Rubaloff, CFO/Controller

ATTACHMENT: None

RECOMMENDATION: Review Request to Designated Fund Balance and Recommend to
the Board Acceptance of the Proposal

DESCRIPTION:

Historically the Legal Division has been budgeted annual General Fund appropriations for outside legal counsel services (expenditure object code 6111) averaging over \$900,000 per year. However, during the past six years the actual expenditures on outside legal counsel have averaged \$480,000 per year. This positive experience is a credit to our agency and staff; however, from a budgetary perspective these recurring budget to actual results warrant examination of our budget practice for this object code.

The base budget amount of approximately \$900,000 has been justified based on the occasional need to pay extraordinary amounts when the District is faced with multiple or serious claims or other event-driven legal matters as may arise during the course of the year. Unfortunately, by their nature the course and timing of events requiring legal assistance are impossible to predict with accuracy, and cases may span many years, leading to significant uncertainty regarding financial planning on a year-to-year basis.

Staff is proposing to institute a more accurate budget model for legal expenditures which provides for an annual base budget of \$500,000 and an additional \$1,000,000 in a designated fund balance that would be specifically designated for extraordinary legal costs as they may occur in any one year. If and when the fund balance is utilized, it would be replenished to the \$1,000,000 level in the subsequent year's budget.

In years when, in the opinion of District Counsel, either the individual or aggregate costs of legal services are expected to exceed \$500,000 by year end, staff will submit a consent calendar item to the Board requesting sufficient funds be appropriated from the designated fund balance to cover the anticipated costs for that year.

This structure would segregate the average, generally predictable annual legal expenses from the unforeseen, and/or extraordinary legal costs associated with year-to-year events. As with all District budgets, these amounts would be subject to review and adjustment in each budget year to accommodate changing circumstances.

Recommendation: Staff recommends that the annual base budget in the Legal Division be established at \$500,000 for 2011 and that fund balance be designated for extraordinary legal expenses in the amount of an additional \$1,000,000 which would be replenished to that amount annually as necessary.



EAST BAY REGIONAL PARK DISTRICT
BOARD FINANCE COMMITTEE
AGENDA STATEMENT
MEETING DATE – Tuesday, October 26 2010

SUBJECT: Request for Proposal for Three Financial Services:
1) Assessment District and Measure CC Engineering Services
2) Request for Proposal for OPEB Trust Administration Services
3) Request for Proposal for Sole Employer Retirement Plan Administrators

ATTACHMENT: None

RECOMMENDATION: This item is informational only.

DESCRIPTION:

The District will be issuing Requests for Proposal (RFP) for three finance related services. The first is for engineering services related to landscape and lighting assessment districts, zones of benefit and Measure CC. The second is for administration of OPEB trust. And the third is for the East Bay Regional Park District retirement plans administration.

Engineering Services: Currently the District utilizes SCI, Consulting, Fairfield, California, for special levy administration, assessment engineering and new revenue measure formations. This firm was originally engaged in 2002 and has provided services to the District through the 2010/2011 levy cycle. It is prudent to periodically issue requests for proposal for professional services obtained by the District. Staff obtained the names of three firms in California which provide special levy administration and assessment engineering and will submit an RFP to these firms in November seeking proposals for a 3 year contract, with renewal option, for professional service beginning with the 2011/2012 levy year.

OPEB Trust Administration Services: In 2007 the District entered into a contract with Public Agency Retirement Services (PARS), Irvine, California to act as the District's other postemployment benefit (OPEB) trust administrator. Union Bank partners with PARS and performs the trustee services for the trust. In 2007 there were few firms providing OPEB trust administration services, since under GASB 45 the new OPEB requirements were effective for years beginning after December 15, 2006. Since that time, additional firms have begun offering trust administration and trustee services. It is prudent to periodically issue requests for proposal for professional services obtained by the District. Staff obtained the names of six firms in California which provide OPEB trust administration services. We will submit an RFP to these firms in November for a 3 year contract, with renewal option, for administration services to be effective beginning January, 2011.

Retirement Plan Administrators: The District maintains a sole employer retirement plan, originally established in 1961. Although the plan has been closed to new participants since the District's conversion to CalPERS several years ago, payments to past retirees and benefits accruing to the remaining participants require administration. The funding of the original plan

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was through Occidental Life Insurance Company of California, later Transamerica Occidental Life Insurance Company, later Transamerica Life Insurance and Annuity Company. The services provided by Transamerica have diminished over the years from full administration of the plan including management of annuities and disbursement of all District retiree benefits, to an investment service providing administration of plan assets covering a relatively small proportion of District employees. Due to the long-term relationship with Transamerica, the retirement plan administration services have never been a subject for a District RFP. It is prudent to periodically issue requests for proposal for professional services obtained by the District. Staff obtained the names of four firms in California which provide sole employer retirement plan administration services. We will be submitting an RFP to these firms in November seeking a 3 year contract, with renewal option, for administration services to be effective beginning January, 2011.

Once the RFP process is completed, and qualified competitive firms are selected by staff in the three named areas, contracts for 2011 services will be presented to the Board of Directors for approval.