



Board of Directors

Maryalice Faltings
Director

David Furst
Vice Chair

James E. Boswell
Chair

Philip Pierpont
Director

Jan Palajac
Director

DRAFT MINUTES

SPECIAL MEETING: BUDGET WORKSHOP

**WEDNESDAY, MAY 31, 2023
3:30 P.M.**

1. CALL TO ORDER – ROLL CALL

Chair Boswell called the meeting to order at 3:32 p.m. All Directors were present, except Director Pierpont, who arrived at 3:41 p.m.

2. BUDGET WORKSHOP

2.1 FY 2023-2024 PROPOSED OPERATING AND CIP BUDGET

The Board reviewed and discussed the FY23-24 Proposed Operating and Capital Improvement Program Budget. GM Fuzie began the discussion, stating this is the fourth budget he has presented to the Board since he began with the District, adding that budgeting with this group is a long exercise, and a lot of expertise goes into it. He stressed; this is our best work in the four years he has been here. What we are presenting is slightly conservative. He then turned the discussion over to Business Services Manager (BSM) Jeff Schneider.

BSM Schneider thanked the various Board Committees for their contributions throughout the year. He emphasized that there is a lot of work that goes into budget preparation, and thanked staff members who contributed in various ways. He introduced his new team member Kendahl Hettick, Financial Analyst. He then thanked Executive Assistant Linda VanBuskirk and Administrative Assistant Pamela Healy for their assistance with formatting and content review, and Finance Officer Julie Dreher for her extensive and invaluable work.

By policy, the budget is required to be completed by the end of June, although statutorily, it is not required until August. This budget, in whole and in part, has been reviewed previously by the Personnel Committee on February 7, 2023 Facilities Committee on May

4, 2023 and by the Finance Committee on May 15, 2023 and will be presented to the Board at their regular meeting later this evening.

Since reviewing our budget plans with the Finance Committee, an operationally significant (though not financially significant) adjustment has been made: we are no longer reflecting the summer season of Camp Shelly in our numbers, due to its closure. The schedules included with this agenda packet reflect those adjustments.

BSM Schneider then shared his screen and proceeded with a review of the FY 2023-2024 Proposed Operating and CIP Budget staff report. He welcomed the Board members to share questions or comments at any time during the presentation.

Highlights reviewed were as follows:

➤ **Page 2 Reserves Trend through June 2024:**

Restricted Funds: The first column reflects balances that were audited in June 2022, with some changes in the form of the Schurman Trust, which is a testament to the Senior Services program. The estate provided \$40k targeted for Seniors, a remarkably generous thing. We have these funds tracked in a separate account, as we do for all other Restricted Funds. There were positive changes to our interest earnings for Restricted Funds, as shown in column 4. We have some planned uses for some of our restricted funds as shown in column 6 (for Ida Holm, Bill Clark Park). For Bill Clark Park, we plan to use these restricted funds in conjunction with AB1600 funds to improve ADA accessibility.

Committed Funds: When we established Pension Obligation Bonds (POB's), we were also required to establish reserve funds for the annual debt service. Also included in the debt service reserve is the PG&E On Bill Financing (OBF), which is a 10 year, 0% interest loan from a 2019 energy efficiency project.

Deferred Maintenance: As previously discussed in various Committees, the \$500k planned addition to this fund will be used for Ida Holm and Jack Williams playground equipment replacements in FY23-24.

Impact of Operating Results (Net Operating Contribution): at bottom of page – \$1.9 million (FY21-22) plus \$1.2 million (FY22-23) will be used as follows: \$1.9 million is targeted for CIP spend out of the General Fund in FY22-23, with \$1.6 million of that amount already accounted for by the project, completed earlier this year, to replace the two synthetic fields at Robertson Park. Of the \$1.2 million remaining, \$500k will go to Deferred Maintenance as previously noted and \$758k will be added to the Operating Reserve Fund. The FY23-24 Operating Budget

Board Member Questions and Comments:

- ❖ Will the Ida Holm balance be used in full? If so, is intent to close out the account afterwards? **Yes.**
- ❖ Please explain the final line in Total Reserves. ***\$2.6 million is associated only with the Budget Contingency Fund, Our Total Reserves will be \$5 million by the end of next FY if we continue to follow this plan.***

- ❖ In the 4th column from the left (Adds/Uses of Funds Proposed for Balance of FY22-23), does the column total correctly? **Yes.**
- ❖ We are halfway to our reserve balance target. By the end of next year, we will be in a phenomenal state. Kudos to all staff. This is exceptional work.

GM Fuzie commented, this budget reflects conservative revenue numbers and the reality of staffing as we move forwards. As service delivery has increased, staffing levels also need to adjust.

- **Pages 3 and 4:** BSM Schneider then quickly reviewed the charts on page 3. He explained, the percentages shown in red are calculations without including CIP spend. Page 4 is a view of LARPD Tax Funds by Operating Unit. The largest use of tax funds has been by Parks and Facilities Maintenance, and Admin. Parks and Facilities was the intended target for the 97-1 Tax monies, so this is as it should be.

Board Member Questions and Comments:

- ❖ What does “Other” represent in the charts on page 3? ***Operating Capital and a large list of other spend items.***
 - ❖ Open Space/Camp Shelly, what is included in this line? If we don’t do Camp Shelly how does this change? ***The majority of Open Space as depicted here is for our Rangers team. The adjustment to the budget for removal of revenue and expenses for this summer’s season at Camp Shelly is modest. Separately, we are completing an analysis of fully allocated costs for Camp Shelly.***
 - ❖ Are there pictures online of the current status of Camp Shelly? ***Yes, we have some posted online.***
- **Page 5 Summary View FY23-24 Preliminary Budget** shows a summary level trend of Operating Results. The impact of Covid on these results is very apparent on the bottom line. One-time Covid Relief money came in FY2021-2022. Also of note earlier versions of this Budget were created prior to our recent establishment of clear criteria for classifying a project as CIP vs. Operating Capital. The impact of this clarification, as explained by BSM Schneider, is to transfer costs from CIP to the Operating Capital budget, thus reducing the Net Operating Contribution. Again, overall use of the General Fund is not impacted.
 - **Pages 5 and 6 Revenue notes:** Property taxes are assumed to increase by 5% (County is saying this will be 5.6%, which is an \$80k difference). The Operations revenue increase of 11% is led by Youth Services, while another significant contribution to the FY23-24 Operating Revenue is from a one-time event: the gain on vehicle sales that will arise from Staff’s plans to complete the migration from owned to leased vehicles during FY23-24. Of note: the District’s program fee schedule is attached to this report as Appendix B. BSM Schneider specifically thanked Community Services Manager Jill Kirk and her team for their outstanding work in preparing the fee schedule, as it provides a view into a key component of our Financial Plan (pricing). GM Fuzie added, this

schedule will help facilitate a discussion about pricing strategy with the Board (how we see ourselves in the market).

Revenue by Source (page 6): These are relatively consistent from year to year. 36% of our revenue is from programs and operating revenues, 64% from taxes.

- **Page 7- Operating Revenue Trend** shows a drop in revenue in FY 19-20 and FY 20-21 due to Covid-19. FY21-22 shows the one-time Covid Relief funds in green, followed by revenue recovery.
- **Pages 8 and 9** shows the trend of property tax revenues in nominal dollars.

Board Member Questions and Comments:

- ❖ We appreciate having the numbers for continuous years available. This paints a good picture.
- **Page 10, Revenue By Unit**: We are confident that we can achieve these numbers; the numbers shown are conservative. GM Fuzie commented, we know we need to periodically revisit the fees charged for our programs. This is a balancing act that the Board will need to weigh in on every year.

Board Member Questions and Comments:

- ❖ With regards to revenue increases for ESS, where does this stand relative to past trends? Per Manager Jill Kirk, ***we are growing slowly coming out of Covid, plus we lost 2 sites (Rancho and Altamont); however, Altamont re-opened in January 2023 and Rancho will re-open in August, 2023). As we staff, we can increase capacity, but these revenue numbers are based on current staffing.***
- ❖ ***In general, the District’s programming revenue is constrained by facility inventory (more gyms, more fields) and staffing challenges.***
- **Page 11 Salary and Benefit Key Assumptions** include a 3% COLA assumption; by approving this budget, we are asking for approval of this COLA. Our Workers’ Compensation growth rate is projected at 5%. ACERA reflects real rates for September 2023 and beyond. Our 457 plan reflects the 2% contributions and 4% matching; and a range of 3-5% rate increases for Health, Dental and Other benefits as shown.
- **Page 12** shows a Headcount trajectory for FY 23-24, by group and for the District as a total.

Board Member Questions and Comments:

- ❖ So, this is not what we have now, but what we project for the next FY? **Yes, that is correct.**

- ❖ Chair Boswell asked BSM Schneider to include a schedule showing FTE's.

GM Fuzie paused the review to ask the Board if there were any decision points, or changes to the recommendations that need to be discussed. There were none. GM Fuzie excused himself to confer briefly with legal counsel on an unrelated matter.

- **Page 14 – 16**, Services and Supplies are mostly utilized by Administrative Services and Parks and Facilities. Administrative Services increases are mainly from implementing a Learning Management System, procuring a budgeting tool, a compensation study and from liability insurance increases. Expenses for Parks and Facilities reflect increases in water, electricity and gas costs. We also show a 57% increase in vehicle lease costs as the District completes its migration to a fully leased fleet (partial year in FY23-24), which will be more than offset by vehicle sales revenue.
- **Page 17-18** Operating Capital Projections FY 22-23 through FY23-24– This schedule reflects the recently adopted definition of CIP vs Operating Capital. Several significant items moved into Operating Capital from CIP, with no impact whatsoever on the General Fund or AB1600 Fund use; all that is impacted is how these projects will be reported, not how they will be funded.. BSM Schneider reviewed the plan for AB1600 funds, including shade structures at various parks, changes to the Bill Payne Sports Fields and Mocho Community Garden.
The CIP Project Financials (on page 18) shows all projects with 6-year projections. This includes FY 24-28 planned park equipment replacements, using Reserve Funds; the FY 23-24 AB1600 planned spend for the Amphitheater at Sycamore Grove and the FY 24-25 Reserve Fund planned spend for Synthetic Turf Replacement at Cayetano Park. Park Capacity Enhancements is a placeholder that Staff will eventually break down by named projects. FYI: the Rodeo Stadium Infrastructure project shows in progress but was recently completed.

Board Member Questions and Comments:

- ❖ There are spelling errors on page 17 (should read “portable” not “potable”, on page 22 (should read “discreet” not “discrete”) and on page 23 of the Fee Schedule (reads “Extended Student Students”, should read “Extended Student Services”).
- ❖ The definitions on page 21 in Appendix A needs to be expanded.
- ❖ Director Palajac thanked the Finance Team and staff for preparing this information, noting the pie charts are especially helpful and clear.
- ❖ Director Furst and Director Faltings echoed their thanks.
- ❖ Chair Boswell commented, he was excited to see the fee schedule included in this documentation.

BSM Schneider concluded his presentation. There were no additional questions from the Board.

Action:

Board Members collectively acknowledged the efforts and exceptional work product by BSM Schneider and staff for their work on the FY2023-2024 Proposed Operating and CIP Budget and approved moving it forward to the Board at the upcoming meeting, immediately following this session.

3. **ADJOURNMENT** – The meeting was adjourned at 4:48 p.m.

APPROVED,

James L. Boswell
Chair, Board of Directors

ATTEST:

Mathew L. Fuzie
General Manager and
Ex-officio Clerk to the Board of Directors

/ph