

Livermore Area Recreation and Park District

Staff Report

TO: Chair Pierpont and Finance Committee

FROM: Mathew Fuzie, General Manager

PREPARED BY: Jeffrey Schneider, Business Services Manager
Julie Dreher, Finance Officer, and Lynn Loucks, Accountant

DATE: December 20, 2021

SUBJECT: **Draft – Fund Balance Reserve Policy Update**

REQUEST: That the Finance Committee provide feedback for Staff to consider in developing a updated Fund Balance Reserve Policy that will be presented to the Board of Directors in early 2022, depending on the timing of a review of this proposal by the District’s audit partner, James Marta and Company, LLP. (FYI, we’ve spoken with Marta and their initial comments are that we’re on the right track)

BACKGROUND: The existing Fund Balance Reserve Policy (“Reserve Policy”) was last updated, with the Board’s approval, in May, 2016. The existing Reserve Policy calls for the Board to “affirm or revise this policy... At least every three (3) years”, so while Staff are presenting this draft proposal because of perceived opportunities to enhance this Policy, we are also overdue for this review.

Guidelines per the Government Accounting Standards Board (GASB) regarding categories of fund balances that must be (and which are) maintained by the District are summarized here:

“The **restricted fund balance** category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The **committed fund balance** classification includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority (to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint). Amounts in the **assigned fund balance** classification are *intended* to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. **Unassigned fund balance** is the residual classification for the government’s general fund and includes all spendable amounts not contained in the other classifications (amounts that are available for any purpose; these amounts are reported only in the general fund).”

What follows is a summary of the District’s existing fund balances, and the underlying calculations/rationale for each. To review the District’s current Reserve Policy, please see Appendix A.

TOTAL Reserves based upon the current policy, including each of the following categories, amount to \$7,843,659.

Restricted Reserves – Total \$1,435,497

- | | | |
|---------------------|-------------|--|
| 1. Buckley Trust | \$ 278,102 | for Ravenswood Site maintenance, restoration |
| 2. Ponderosa Homes | \$ 30,000 | Designated for Ida Holm Park |
| 3. Signature Homes | \$ 82,800 | Designated for Bill Clark Park |
| 4. Other Restricted | \$1,044,595 | Fixed since 2010 – designated use unclear |

Committed Reserves – Total \$4,562,812

- | | | |
|-------------------|-------------|---|
| 1. Equipment | \$ 883,623 | 50% of accumulated depreciation |
| 2. Synthetic Turf | \$ 741,797 | For items 2-4, a min balance of 7.5% of |
| 3. ESS Buildings | \$ 680,000 | accumulated depreciation for buildings |
| 4. CIP | \$2,257,394 | and park improvements |

Assigned Reserves - \$0 to date

Unassigned Reserves – Total \$1,845,348

- | | | |
|-------------------------|-------------|-------------------------------------|
| 1. Emergency Reserve | \$ 369,070 | s/b 2% of Annual Operating Expenses |
| 2. Budget Stabilization | \$1,476,278 | s/b 8% of Annual Operating Expenses |

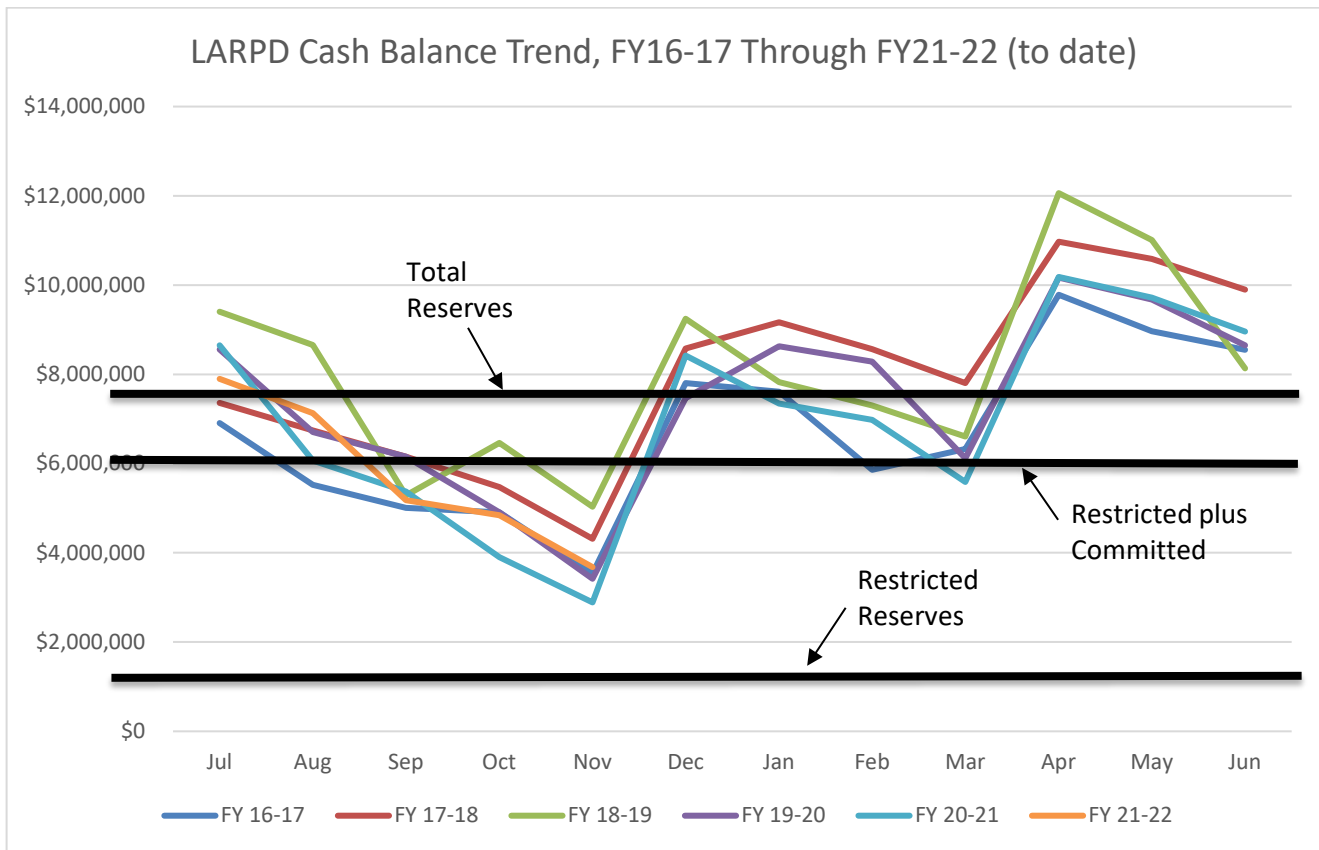
Cash Balance Trend and implications for Reserves:

The reality is that the District has not established a Reserve Policy that is consistent with minimum cash balances that the District experiences each year, typically in November (see Exhibit A, below). Cash balances vary considerably throughout the year, and only following the large April tax receipts can cash balances accommodate total reserves, at their current levels.

How did this condition (reserve fund balances in excess of actual cash balances) arise? Because previous financial management considered AB1600 funds in their consideration of available cash, which is not appropriate given these funds are to be used for projects that drive enhanced capacity, not for deferred maintenance and the other uses that are included in the present (and proposed) fund categories. Further, AB1600 funds are, by definition, temporal in nature: they are used to directly offset spending for approved projects that qualify for such funding (eg, the funds are spent and immediately reimbursed by the City of Livermore, which administers the funds).

Fortunately, these reserve fund designations and amounts, and the need to revise them, will not require a restatement of financials (confirmed with Marta). However, the need to ensure the GM and Board are clear about the exact amount of cash that we can count on at any point during our fiscal year is clear.

Exhibit A – LARPD Cash Balance Trend



Note: the District receives three significant distributions of property and parcel taxes each calendar year (~50% in April, 45% in December, and another 5% in June). Cash balances reach their nadir in November as seven months have passed since the big April tax infusion.

PROPOSAL:

Opportunities Staff have identified to enhance the District’s Reserve Policy:

1. Addressing recently established debt obligations, specifically the January 2020 PG&E on-bill-financing (OBF) and the June, 2021 Pension Obligation Bond (POBs). Related to the POBs is the opportunity to pay down the District’s Unfunded Actuarial Accrued Liability (UAAL) with ACERA through the savings realized by the POBs.
2. Incenting program growth and supporting on-going program needs by identifying a portion of operating revenues that could be made available to create program-specific reserves, subject to the annual review and approval of the Board.
3. Revisiting existing reserve funds and the calculations related to them, particularly given plans to impact certain of the existing reserve funds, such as the recently Board-approved project to fund the replacement of two of the District’s three synthetic turf fields.
4. Establish a policy that recognizes the reality of the District’s cash flow balances so that, at any point in the fiscal year the monies called for in the policy can be relied upon. As noted above,

in certain months of the fiscal year the total of reserves as established to date by the District cannot be met by the District's total cash balance.

Proposed Reserve Fund Structure and Associated Fund Amounts:

As Exhibit A illustrates, in the last 6 years the District's minimum cash balance has ranged from \$2.9 million in November, 2020 (impacted severely by COVID) to \$5.0 million in November, 2019 (pre-COVID). The simple average of the 5 years excluding the COVID-driven low point is \$4.0million, and the latest balance, from November, 2021 would have been \$4.3million had the District not incurred the one-off \$0.5 million outlay for the Trevarno Sewer and Water Assessment District earlier this fiscal year.

1. **Staff recommends establishing a total reserve balance of \$4.0 million** that can be amended at the Board's discretion as additional funds become available through one-off sources such as the State of California's COVID Relief Fund (due in January, 2022) and annual, audited results that reflect a surplus.

2. **Staff recommends the following funds be established:**
 - a. **Unassigned Fund Balance - Budget Contingency (emergency/stabilization)**
 - i. **Initial fund balance of \$1.5 million** (approx. 7.5%, or 1 month, of the total annual operating budget).

 - ii. **This fund balance should be targeted to reach \$3.0million, which is 17%, or 2 months, of the total annual operating budget**, which can be achieved through Board-approved allocations of surplus funds each year.
 - Note: the Government Finance Officers' Association, (GFOA), "recommends, at a minimum, that general-purpose governments, regardless of size, maintain unrestricted fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures."

 - b. **Assigned Reserves**
 - i. **Initial amount: \$0**
 - Program Funding
 - To be funded through a share of annual revenues beginning in FY21-22, with Board approval
 - Will be established at the major program level (eg, ESS, Aquatics, Seniors, etc...)
 - ACERA UAAL Elimination
 - Beginning at the end of FY22-23, utilize savings from the difference between annual POB debt service and what would have been the District's annual ACERA payments to reduce the District's UAAL.

- Annual savings are estimated to be at least \$90k, which does not assume what would most likely have been on-going annual increases to the District’s ACERA contributions. With reasonable assumptions for savings given what “would have been the case” sans the POBs’ impact, these savings would exceed \$200k annually.
- The UAAL that remained in place following the District’s issuance of POBs is \$526k.

c. Restricted Funds

i. Total of \$408k

- ii. Buckley Trust - \$278,100 (current total for Ravenswood Historic Site maintenance)
- iii. Ponderosa Homes - \$30,000 (Ida Holm Park enhancements)
- iv. Signature Homes - \$82,800 (current balance for Bill Clark Park enhancements)
- v. Should other third-party sources of funds become available that come with specific spending restrictions, they will be added to the District’s Restricted Fund.

d. Committed Funds

i. Initial fund balance of \$2.09 million

ii. Annual Debt Service – POBs and OBF

- **Total of \$958k**
- POB Interest and Principal = \$800k per year
- OBF - \$158k per year
- These funds will be depleted each year and will be replenished based on the reduction in ACERA expenses the District will experience each year.

iii. Deferred Maintenance – facility and park infrastructure

- **Initial amount: \$1.132 million**
- This amount should be targeted to grow based upon identified deferred maintenance projects, with annual Board review and approval.

- iv. Note: **the previous reserve policy included monies targeted for equipment replacement.** Staff believes this type of spending can and should be accommodated within the annual operating budget process. Indeed, this has been the case for each of the past 5 years.

Process Recommendations:

1. Upon the completion of the annual audit process, or as unexpected events drive mid-term considerations (such as the pending State of California COVID relief fund distribution), staff will review the need to assess fund balance revisions and/or fund target revisions. This will be particularly important if we agree to move forward with Program-specific Assigned Reserves.
2. The Finance team will establish fund accounts based on the revised Reserve Policy and will work with staff to ensure on-going accounting for fund balance changes accurately reflects on-going spend and periodic surplus allocations for each new fund.

Conclusions:

1. **The current Reserve Policy should be replaced as it is not in line with actual cash balances and does not reflect the changing landscape of the District (eg, recently implemented POBs and the PG&E OBF).**
2. **The Board's annual review of fund balances will be vital to ensuring the District progresses toward the Fund Balance targets that are reflected in this proposal, and to the potential to revisit these targets and the list of active funds themselves.**

Attachment A:

- A. **Existing Reserve Policy**

ATTACHMENT A

Livermore Area Recreation and Park District

Staff Report

TO: Chair Goodman and Board of Directors
FROM: Timothy J. Barry, General Manager
PREPARED BY: Donald Humphrey, Finance Manager
DATE: May 25, 2016
SUBJECT: Fund Balance Reserve Policy
COMMITTEE: Approval recommended by the Finance Committee on May 16, 2016

RECOMMENDATION: That the Board of Directors approve Resolution No. ____, replacing Policy No: FIN-07-2079 Policy Establishing Designations for the District Unreserved Fund Balance with the recommended Fund Balance Reserve Policy, using the same policy number.

BACKGROUND: On August 8, 2007, the Board approved Policy No: FIN-07-2079 Policy Establishing Designations for the District Unreserved Fund Balance (see **Attachment A**). The policy has been revised by Board action five (5) times, the last being on December 12, 2012. The Finance Committee reviewed this Fund Balance Reserve Policy on February 3, 2016, sending it back to staff for further development.

In the District's FY 2012-13 audit, our auditor noted that "The **current policy** for establishing designations of unreserved fund balance is **outdated and not in accordance** with Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*." Our auditor recommended that we update our policy based on the requirements of GASB Statement No. 54:

1. The Board should adopt a policy that establishes a minimum level at which a fund balance is to be maintained. This minimum level provides a financial cushion to protect against unforeseen events, such as revenue shortfalls or unanticipated expenditures;
2. The fund balance policy should include the means by which the District will replenish any deficiency in the event that the District must spend some of its reserve; and
3. The District's policy should include the order in which Restricted, Committed, Assigned and Unassigned fund balances are spent when more than one amount is available for a specific purpose. Where such policies do not exist, GASB 54 prescribes that the default order in which these amounts should be spent is Restricted, Committed, Assigned and then Unassigned. The District will not use Assigned fund balances at this time.

Following our current policy (Designations for the District Unreserved Fund Balance), our reserve balance at 6/30/15 is \$3,093,962. Following the new policy, our reserve balance at 6/30/15 would be \$13,104,699, or what looks like an increase of \$10,010,737. There is no actual increase in reserves; we did not get new monies. \$6,215,849 of this increase is for AB1600 funds. The new policy, based on GASB 54, includes all types of reserve funds, regardless of purpose, that we had not classified in the past as reserves. Examples of existing funds that will be

included in the new Fund Balance Reserve Policy, that are not included in the former policy, are: AB 1600, CIP Fund 900, Ravenswood Buckley Trust and Unappropriated monies. These funds will be included in our Fund Balance Reserve reporting.

Staff has researched how other agencies tackle this complex issue, including reviewing many policies. Based on this review, staff has prepared a proposed Fund Balance Reserve Policy (see **Attachment B**).

FUND BALANCE POLICY OBJECTIVES:

1. To provide adequate funding for short-term and long-term needs;
2. To minimize adverse budgetary impacts against anticipated and unanticipated increase in expenditures or decrease in revenue;
3. To strengthen the financial stability of the District against uncertainties in an ever-changing environment;
4. To provide sufficient funds for capital improvement plan;
5. To maintain compliance with GASB 54; and
6. To assist in managing the District’s operating cash flow relative to timing of receipt of property tax revenue.

FUND BALANCES & RESERVE LEVELS:

Based on the 6/30/2015 audited financial statement, and using the major categories defined in GASB 54, below is a listing of fund balance reserves as of 6/30/15 and target balances based on this revised policy (see **Attachment C** for more details):

Fund Balance Category	Balance at 6/30/2015	Minimum Target	How Target Determined? (Proposed)
Restricted	\$7,251,573	\$7,251,573	
Committed			
Equipment	\$855,576	\$ 893,496	50% of accumulated depreciation
Capital Improvement	\$2,687,425	\$3,530,699	District funded CIP, synthetic turf, ESS
Total Committed	\$3,543,001	\$4,424,195	(\$881,194) shortfall
Unassigned			
Current *	\$1,258,803		
Emergency		\$ 369,070	2% of operating expense
Budget Stabilization		\$1,476,278	8% of operating expense
Unappropriated	\$1,051,322	\$ 369,070	2% of operating expense
Total Unassigned	\$2,310,125	\$2,214,418	\$95,707 over
Totals	\$13,104,699	\$13,890,186	(\$785,487) shortfall

* Unassigned – Current includes Designated Funds for Economic Uncertainty (\$1,019,615), Retirement (\$209,188) and Legal Fees (\$30,000)

The key questions: How much money should the District have in reserve?

1. For operating emergencies;
2. To maintain, upgrade and replace our buildings, improvements, parks, trails and equipment; and
3. To have reserve funds for new land, buildings, improvements, parks, trails and equipment.

As reflected in the table above, staff recommends the following methods to determine target levels for the various Fund Balance Reserves (see pages 2 and 3 of **Attachment C** for more details):

- Committed Fund Balance Reserve – Equipment: 50% of equipment accumulated depreciation. Depreciation is a good measure, as it is one way to show how much we have used our equipment. As of 6/30/15, the total cost of equipment is \$2,544,886, while accumulated depreciation is \$1,786,991.
- Committed Fund Balance Reserve – Capital Improvement: 7.5% of accumulated depreciation for buildings and park improvements (\$47,075,982 @ 6/30/15). Subaccounts include Capital Projects (CIP Fund 900), Synthetic Turf Replacement and ESS Buildings.
- Unassigned Fund Balance Reserve: assume 12% of operating expenses with 2% for Emergency reserve, 8% for Budget Stabilization and 2% for Unappropriated.

This report includes the realignment of current fund balance reserve categories to match the new policy. Based on the new alignment, as of 6/30/15, total committed funds are \$881,194 short of target balance and unassigned funds are \$95,707 over target balance. Staff believes that there will be sufficient surplus in fiscal year 2015-16 to reduce the total shortfall of \$785,487 by at least 50%. Target levels for Committed Fund Balance Reserve may need to be updated once the Asset Management Program is completed. Target levels for Committed and Unassigned Fund Balance Reserves will change annually, as most of the target levels are based on a percentage of operating budget or accumulated depreciation. The 2016-17 proposed Operating Budget contains funding for an Asset Management Program that will assist in refining target levels of various Fund Balance Reserves.

Staff and the Finance Committee recommend that the Board approve replacing the Fund Balance Reserve Policy No. FIN-07-2079 with the recommended Fund Balance Reserve Policy, using the same policy number, and authorize the moving of current reserves into the proposed Fund Balance Reserve accounts, as summarized on page 2 of this staff report.

Attachments:

- A. Policy No. FIN-07-2079 – Policy Establishing Designations for the District Unreserved Fund Balance (existing)
- B. Policy No. FIN-07-2079 – Fund Balance Reserve Policy (proposed)
- C. LARPD Reserve Funds Recap as of 6/30/2015



Policy No. FIN-07-2079

**POLICY ESTABLISHING DESIGNATIONS
 FOR THE DISTRICT UNRESERVED FUND BALANCE**

PURPOSE OF POLICY	To assist with the planning and management of District finances
POLICY SUMMARY	This policy establishes specific designations for the unreserved fund balance.
APPROVAL	Adopted: Board Resolution No. 2079 Aug. 8, 2007 Amended: Board Resolution No. 2138 Sept. 10, 2008 Amended: Board Resolution No. 2162 Feb. 11, 2009 Amended: Board Resolution No. 2293 June 15, 2011 Amended: Board Resolution No. 2340 June 13, 2012 Amended: Board Resolution No. 2359 Dec. 12, 2012

As allowed under Public Resource Code 5788-5788.25, the District establishes the following Designations for the Unreserved Fund Balance for planning and management purposes. The amounts of the designations may be adopted by the Board of Directors as part of the Final Budget Resolution, and may be reallocated or appropriated for expenditure during the fiscal year by approval of a Board Resolution.

1. Designated for Economic Uncertainty - To buffer the District against severe budget reductions and minimize the impact on District services and programs. A use of these funds may become necessary if there is an unexpected decrease in property valuations or impacts from the State budget process.
2. Designated for Building Maintenance - For capital expense of building repairs and replacements.
3. Designated for Capital Equipment Purchase or Replacement - For expense of vehicles, mowers, shop equipment and other capital equipment for maintenance and Information Technology systems purposes.

4. Designated for ESS Building Replacement - For acquisition, improvement, repair or replacement of ESS portable buildings.
5. Designated for Retirement Contributions -To smooth the impact of varying contribution rates required to fund the District Retirement Plan. The balance of retirement contributions remaining unspent in the budget at the end of the fiscal year could be designated for future use when contribution rates increase.
6. Designated for Legal Fees - For unanticipated legal costs that may exceed the amount budgeted in a fiscal year for normal operations. These costs may be associated with potential litigation or large projects.
7. Designated for Synthetic Turf Replacement – For cost of replacing synthetic turf, assuming a ten (10) year life cycle.
8. Designated for RLCC Repairs/Replacements – For cost of repairing or replacing Robert Livermore Community Center furniture, fixtures, equipment, and building components.
9. Designated for Fluctuations in ESS Funding – To buffer ESS Program against fluctuations in State, County, and local funding, and minimize the impact on ESS services and programs.

Adopted: Board Resolution No. 2079 August 8, 2007
Amended: Board Resolution No. 2138 September 10, 2008
Amended: Board Resolution No. 2162 February 11, 2009
Amended: Board Resolution No. 2293 June 15, 2011
Amended: Board Resolution No. 2340 June 13, 2012
Amended: Board Resolution No. 2359 December 12, 2012

APPROVAL



Timothy J. Barry
General Manager

2-4-13

Date



Policy No. FIN-07-2079

FUND BALANCE RESERVE POLICY

PURPOSE OF POLICY	To set policy regarding the level of reserves the District will maintain.
POLICY SUMMARY	This policy establishes guidelines to be in compliance with Governmental Accounting Standards Board (GASB) Statement No. 54. It establishes a minimum level for each fund; how to replenish any fund balance deficiency; prioritizes spending of these funds; reports funds as Restricted, Committed, Assigned and Unassigned.
APPROVAL	Adopted: Board Resolution No. 2079 Aug. 8, 2007 Amended: Board Resolution No. 2138 Sept. 10, 2008 Amended: Board Resolution No. 2162 Feb. 11, 2009 Amended: Board Resolution No.2293 June 15, 2011 Amended: Board Resolution No. 2340 June 13, 2012 Amended: Board Resolution No. 2359 Dec. 12, 2012 Replaced: Board Resolution No. xxxx May 25, 2016

Purpose

Financial reserves are the foundation for the sustainable delivery of core services by the District. This policy provides guidelines for establishing and maintaining minimum fund balance reserve levels, and reports funds as Restricted, Committed, Assigned and Unassigned in order to improve financial reporting. This policy will satisfy the requirements of Governmental Accounting Standards Board (GASB) Statement No. 54.

Policy

It is the policy of LARPD to:

1. Identify the various classifications of the District's governmental fund balance reserves that maintain the District's service standards to the public.
2. Have a fiscal plan for the repair and replacement of the District's long-term infrastructure needs.
3. Maintain the District's credit worthiness.
4. Adequately provide contingency funds for unforeseen events.
5. Manage prescribed spending requirements of grants and gifts.

Objectives

The District's Fund Balance Reserve Policy has six (6) primary objectives:

1. To provide adequate funding for short-term and long-term needs.
2. To minimize adverse budgetary impacts against anticipated and unanticipated increase in expenditures or decrease in revenue.
3. To strengthen the financial stability of the District against uncertainties in an ever-changing environment.
4. To provide sufficient funds for capital improvement plan.
5. To maintain compliance with GASB 54.
6. To assist in managing the District's operating cash flow relative to timing of receipt of property tax revenue.

Overview

There are three categories of funds per GASB Statement No. 54. The District has only one category called "Governmental Funds," which consists of General Fund and Capital Projects Funds. The term "fund balance" is the difference between the assets and the liabilities reported on the balance sheet for governmental funds. The District's Fund Balance Reserves are comprised of the following (see **Attachment 1** for Components of Fund Balance Reserve):

1. Restricted Fund Balance Reserves
2. Committed Fund Balance Reserve
 - a. Equipment Reserve
 - b. Capital Improvement Reserve
3. Assigned Fund Balance Reserve (not in use at this time)
4. Unassigned Fund Balance Reserve
 - a. Emergency Reserve
 - b. Budget Stabilization Reserve
 - c. Unappropriated Fund Balance

Fund Balance Usage Priority

The accounting policies of the District consider restricted fund balance spent first when expenditure is incurred for purposes for which both restricted and unrestricted fund

balances are available. In circumstances when expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, the order of allocation of these available funds is first, Restricted; second, Committed; third, Assigned and, lastly, Unassigned amounts.

Transfers, Annual Report and Periodic Review

The Board approves transfers in and out of Fund Balance Reserves as part of the annual Operating Budget approval. At the same time that the Board of Directors accepts the District’s audited basic financial statements, the Finance Manager shall prepare a Fund Balance Status Report as part of the District’s financial reporting process and may include transfers between fund balance reserves as allowed in this policy. At least every three (3) years, the Board of Directors will affirm or revise this policy, including the percentage or dollar amounts for each reserve.

Replenishment of Reserves

When either Committed, Assigned or Unassigned funds are utilized and the levels fall below the policy levels, the Board of Directors, typically at the annual report of Fund Balance Reserves, will approve a replenishment plan to return the reserves to their policy levels within one (1) to three (3) years.

APPROVAL

Timothy J. Barry
General Manager

Date

Components of Fund Balance Reserves

Reserve Name	Purpose	Target Balance	Methodology / Rationale	Use of Funds	Source of Funds	Sub-Accounts
Restricted Fund Balance Reserve						
Restricted Fund Balance Reserve	Funds for specific purposes as defined by the third party giving the District money that is accepted by the Board of Directors	Any minimum or maximum balance would be defined by the third party	These monies come to the District from a third party and can only be spent for specific purposes as defined by the third party.	These funds are used only for the specific purpose defined by the third party. Most, but not all, of the uses will be for capital improvement projects or specific services provided to all or a segment of the public. Examples of restricted funds include: AB 1600 Developer Impact Fees held by City of Livermore, Ravenswood Buckley Trust, grantors, contributors, externally imposed conditions by creditors or laws and regulations.	Contributions can be one-time or as defined by third party. There is typically no requirement to replenish these funds.	Yes
Committed Fund Balance Reserve						
Equipment Reserve	Funds for repair, replacement or addition of District vehicles, equipment and fixtures in order to continue providing services to the public, but not for ongoing maintenance	A minimum of 50% of equipment accumulated depreciation	The District has a significant investment in equipment. Useful lives of the equipment range from 3 – 10 years. Useful lives can be shortened without repairs or could be lengthened by proactive repairs and partial replacements or upgrades.	These funds will be used to pay for capital equipment expenditures as approved by the Board, provided item costs at least \$5,000, with a useful life of at least one (1) year.	Annual contribution will vary depending on amounts included in Board approved budget, other reserve category requirements and annual operating surplus or subsidy.	Optional
Capital Improvement Reserve	Funds for orderly and timely major repair, replacement or expansion of the District's facilities and infrastructure to maintain or improve the District's existing level of service, or meet future demand	A minimum balance of 7.5% of buildings and park improvements accumulated depreciation. AB1600 funds are excluded from this calculation as AB1600 funds are part of Restricted Fund Balance Reserve	The District has a significant investment in parks, buildings, improvements and infrastructure, and regularly adds additional capital assets. Annually, the District develops multi-year capital improvement plan budget to address these needs.	These funds will be used for capital improvement projects approved by the Board, provided project costs at least \$5,000, with a useful life of at least one (1) year. Purposes include: acquisition, construction, upgrade, repair or replacement of buildings, parks, fields, trails, parking and walk areas, including fixtures and equipment; projects to satisfy Americans with Disability Act (ADA); projects that encourage the protection and preservation of environmentally sensitive areas, unique plant communities, wildlife habitats and corridors, watershed lands and flood plain setbacks along creeks and arroyos, or historic sites under our stewardship in conjunction with property owner; projects that conserve resources, such as water, or promote recycling methods beneficial to parklands and the environment; or debt service (principal and / or interest).	Annual contribution will vary depending on amounts in Restricted Fund Balance Reserves for capital improvement projects, amounts included in Board approved budget, other reserve category requirements and the District's annual operating surplus or subsidy	Yes

Components of Fund Balance Reserves

Reserve Name	Purpose	Target Balance	Methodology / Rationale	Use of Funds	Source of Funds	Sub-Accounts
Unassigned Fund Balance Reserve						
Emergency Reserve	Ensure cash reserves are available in the event of an unforeseen emergency, including natural disasters and catastrophic events; or severe, short-term fiscal crisis when revenues are insufficient	A minimum of two (2)% of current fiscal year budgeted salary & benefits, and services & supplies	The District must maintain essential services in the event of an unforeseen emergency that could cause nonrecurring expenditures, emergency repairs, or short-term changes in the way the District operates; or severe, short-term fiscal crisis when revenues decline or expenses increase significantly.	These funds will be used to mitigate costs associated with unforeseen emergencies that require the expenditure of District resources beyond those provided for in the annual budget. The General Manager or designee shall have authority to approve Emergency Reserve appropriations. The General Manager or designee shall then present to the Board of Directors a budget amendment confirming the nature of the emergency and authorizing the appropriation of reserve funds.	Annual contribution will vary depending on amounts included in Board approved budget, other reserve category requirements and annual operating surplus or subsidy.	No
Budget Stabilization Reserve	Maintain essential services in a severe, long-term fiscal crisis (two or more years) when revenues are insufficient to cover expenses	A minimum of eight (8)% of current fiscal year budgeted salary & benefits and services & supplies	The District must maintain essential services in the event of a sustained decline in revenues or increase in expenses that last two or more years, invest in new programs, or cost saving measures.	These funds will be used to maintain budget stability including: maintain programs during declines in revenue or increases in expense; workflow/ operating improvements to reduce ongoing personnel and/or operating costs; one-time transitional costs associated with organizational restructuring to secure long-term personnel costs savings or other uses approved by the Board.	Annual contribution will vary depending on amounts included in Board approved budget, other reserve category requirements and annual operating surplus or subsidy.	Optional
Unappropriated Fund Balance	Funds available for any future needs	A minimum of two (2)% of current fiscal year budgeted salary & benefits, and services & supplies	This fund balance reserve is where operating surpluses are accounted for and held until needed for a specific purpose, requiring Board of Directors approval.	This fund balance reserve will be used to transfer monies to committed, assigned or other unassigned funds; and serve as a rainy day reserve.	Annual operating surplus or subsidy automatically accounted for in Unappropriated Fund Balance at the end of each fiscal year.	No

Livermore Area Recreation & Park District
Reserve Funds Recap as of 6/30/2015
Current Fund Balance Reserve Policy Compared to New Fund Balance Reserve Policy

Designated Funds - Current			Designated Funds - Current		
Name	Balance	Name	Balance		
	6/30/2015		6/30/2015		
Building Maintenance	255,841	Economic Uncertainty	1,019,615		
Capital Equipment	466,642				
ESS Buildings	680,000				
Retirement Savings	209,188				
Legal Fees	30,000				
Synthetic Turf Replacement	299,583				
RLCC Repairs/Replacements	133,093				
Total Committed Fund Balance Reserve	2,074,347	Total Unassigned Fund Balance Reserve	1,019,615		

New Policy: Restricted - Current			New Policy: Committed - Current			New Policy: Unassigned - Current		
Name	Purpose	Balance	Name	Purpose	Balance	Name	Purpose	Balance
		6/30/2015			6/30/2015			6/30/2015
AB1600	Capital	6,215,849	Building Maintenance (1)	Equipment	255,841	Economic Uncertainty (3)	Unassigned	1,019,615
Park In-Lieu	Capital	333,177	Capital Equipment (1)	Equipment	466,642	Unappropriated (4)	Unassigned	1,051,322
Park In-Lieu (Quimby)	Capital	6,449	ESS Buildings (2)	Capital	680,000			
Ravenswood Buckley Trust	Capital	329,547	Retirement Savings (3)	Unassigned	209,188			
RLP LL Snack Shack	Capital	75,000	Legal Fees (3)	Unassigned	30,000			
EBRPD Grant-Holdener	Capital	1,426	Synthetic Turf Replacement (2)	Capital	299,583			
Chevron Easement	Capital	41,663	RLCC Repairs/Replacements (1)	Equipment	133,093			
Mitigation-Zone 7 Sycamore	Capital	1,078	Capital Projects (2)	Capital	1,707,842			
Mitigation-Burrowing Owl	Capital	75,000						
Mitigation-Brushy Peak	Capital	40,000						
Mitigation-Holdener (Chevron)	Capital	68,543						
Mitigation-Isabel Ave/1580	Capital	19,458						
Rotary for Teens	Program	17,149	1. Equipment Reserve					
ESS	Program	1,032	2. Capital Improvement Reserve					
PAL	Program	15,676	3. Emergency & Budget Stabilization Reserve					
Marini Donation for Seniors	Program	6,197	4. Unappropriated Reserve					
Senior Scholarships	Program	3,442						
Dependent Care (DCAP)	Program	887						
Total Restricted Fund Balance Reserve		7,251,573	Total Committed Fund Balance Reserve		3,782,189	Total Unassigned Fund Balance Reserve		2,070,937

Total Fund Balance Reserves = 13,104,699

Current Designated Fund Balance Reserves = 3,093,962

Livermore Area Recreation & Park District
Reserve Funds Recap as of 6/30/2015
Current Fund Balance Reserve Policy Compared to New Fund Balance Reserve Policy

Restricted - New Policy with Target Levels			
Name	Purpose	Balance 6/30/2015	Target
AB1600	Capital	6,215,849	6,215,849
Park In-Lieu	Capital	333,177	333,177
Park In-Lieu (Quimby)	Capital	6,449	6,449
Ravenswood Buckley Trust	Capital	329,547	329,547
RLP LL Snack Shack	Capital	75,000	75,000
EBRPD Grant-Holdener	Capital	1,426	1,426
Chevron Easement	Capital	41,663	41,663
Mitigation-Zone 7 Sycamore	Capital	1,078	1,078
Mitigation-Burrowing Owl	Capital	75,000	75,000
Mitigation-Holdener (Chevron)	Capital	68,543	68,543
Mitigation-Isabel Ave/1580	Capital	19,458	19,458
Rotary for Teens	Program	17,149	17,149
ESS	Program	1,032	1,032
PAL	Program	15,676	15,676
Marini Donation for Seniors	Program	6,197	6,197
Senior Scholarships	Program	3,442	3,442
Dependent Care (DCAP)	Program	887	887
Total Restricted Fund Balance Reserve		7,251,573	7,251,573

Committed - New Policy with Target Levels			
Name	Reserve	Balance 6/30/2015	Target
Building Maintenance (1)	Equipment	255,841	
Capital Equipment (1)	Equipment	466,642	
RLCC Repairs/Replacements (1)	Equipment	133,093	
Total Equipment Reserve		855,576	893,496
Capital Projects (2)	Capital Improvement	1,707,842	769,470
Synthetic Turf Replacement (2)	Capital Improvement	299,583	1,720,000
ESS Buildings (2)	Capital Improvement	680,000	1,000,000
Other	Capital Improvement		41,229
Total Capital Improvement Reserve		2,687,425	3,530,699
Total Committed Fund Balance Reserve		3,543,001	4,424,195
Excess /(Shortfall)			(881,194)

50% of equipment accumulated depreciation

150% of 2016-19 CIP budget funded by non-restricted reserves assumes 10 yrs for Robertson, 7 years for Cayetano 2 buildings @ \$500,000

7.5% of accum depreciation

Livermore Area Recreation & Park District
Reserve Funds Recap as of 6/30/2015
Current Fund Balance Reserve Policy Compared to New Fund Balance Reserve Policy

Unassigned - New Policy with Target Levels			
Name	Reserve	Balance 6/30/2015	Target
Retirement Savings (3)		209,188	
Legal Fees (3)		30,000	
Economic Uncertainty (3)		1,019,615	
Emergency Reserve	Emergency		369,070
Budget Stabilization Reserve	Budget Stabilization		1,476,278
Unappropriated (4)	Unappropriated	1,051,322	369,070
Total Unassigned Fund Balance Reserve		2,310,125	2,214,418
		Excess /(Shortfall)	95,707
Fund Balance Recap - New with Target Levels			
Name		Balance 6/30/2015	Target
Restricted Fund Balance Reserve		7,251,573	7,251,573
Committed Fund Balance Reserve		3,543,001	4,424,195
Unassigned Fund Balance Reserve		2,310,125	2,214,418
		13,104,699	13,890,186
		Excess /(Shortfall)	(785,487)

Target = 2% of 15/16 Budget
 Target = 8% of 15/16 Budget
 Target = 2% of 15/16 Budget

Key data to calculate reserve target levels:

	Budget 15-16
Salary & Benefits	13,002,309
Services & Supplies	5,451,171
Total Sal & Ben, Serv & Supp	18,453,480

Vehicles, Equipment & Fixtures (at cost)	2,544,886	per CPA 6/30/2015 audited financial statement
Equipment Accumulated Depreciation	1,786,991	per CPA 6/30/2015 audited financial statement

2016-19 CIP Budget, not paid by Restricted Fund Balance	512,980	
Buildings, Park Improvements (at cost)	80,292,212	per CPA 6/30/2015 audited financial statement
Buildings, Park Improvements Accumulated Depreciation	47,075,982	per CPA 6/30/2015 audited financial statement