

LIVERMORE AREA RECREATION AND PARK DISTRICT

FINANCE COMMITTEE

DRAFT MEETING NOTES

**MONDAY, DECEMBER 20, 2021
1:30 P.M.**

NOTICE: Coronavirus COVID-19

In accordance with the Ralph M. Brown Act (Cal. Gov. Code 54950-54963), as amended by Assembly Bill 361 (2021), members of the Livermore Area Recreation and Park District Finance Committee and staff participated in this meeting via Zoom teleconference. In the interest of maintaining appropriate social distancing, members of the public also participated in this meeting electronically.

Committee Members Present: Philip Pierpont, James E. Boswell

LARPD Staff Present: Jeffrey Schneider, Fred Haldeman, Jill Kirk,
Julie Dreher, Michelle Newbould, Nancy Blair, Pamela
Healy, Lynn Loucks, Patrick Lucky

Public Members Present: None

1. **Call to Order:** Committee Chair Pierpont called the meeting to order at 1:33 p.m.
2. **Public Comment:** None. Public Comments period closed.
3. **Approval of the Minutes of the Finance Committee Meeting held on November 15, 2021:**
The meeting minutes of November 15, 2021 were approved unanimously.
4. **Discussion and Possible Action Regarding Teleconference During a Proclaimed State of Emergency (Resolution):**
Action: Moved by Director Boswell, seconded by Director Pierpont, approved Resolution No. 2729-c determining to conduct meetings of the LARPD Finance Committee using teleconferencing pursuant to Government Code 54953, as amended by AB 361, for the period December 20, 2021 to January 19, 2022.
5. **November Financial Results Review:**
Business Services Manager Jeffrey Schneider began by thanking the team for their contributions to the presentation. He then shared his screen for a detailed presentation on the November Financial Results that included the following:
 - a) We had a good month overall relative to Budget.
 - b) November revenues are \$8k unfavorable versus Budget. Program-driven revenues exceeded the budget by \$73k, powered by favorable results in ESS (\$44k) and Recreation rentals (\$23k). Tax Revenues are \$80k unfavorable vs Budget however, which is a timing issue related to the County's reporting of "RDA Residual Property Taxes" (redevelopment agency program the state discontinued in 2010-11 but for which balances continue to be "worked down").
 - c) Savings in Salary and Benefits vs Budget of \$140k include \$79k of ACERA contribution reductions related to the Pension Obligation Bond (POB); the balance of the favorable variance vs Budget is largely in spending for part-time casual workers.

- d) Services and Supplies were \$52k below budget, highlighted by Water being \$35k below budget and maintenance of structures and grounds another \$22k. Partially offsetting this was the unbudgeted interest expense of \$22k for our POBs.
- e) Through November, the District's financials remain positive versus budget. Of the \$537k favorable Net Operating result, \$188k is attributable to the net of ACERA cost reductions and incremental debt services expenses. The main story is favorable spending on salary and benefits excluding the impact of the POBs on ACERA contributions. Revenue from Operations is \$83k favorable through November, due to \$86k of grant monies obtained by the ESS group for COVID relief. Water spend is trending in the right direction and now stands at \$133k negative vs budget through November, which was almost entirely offset by savings in maintenance of structures and grounds and equipment (\$129k).
- f) A couple of things to keep in mind: a) a sizable portion of the \$537k favorable year-to-date Net Operating Result (or \$349k excluding the \$188k YTD impact of POBs/ACERA) is offset by the un-budgeted use of general funds for the Trevarno Sewer and Water District capital outlay of \$478k; and b) the \$188k year-to-date contribution to our favorable results related to ACERA vs POB debt service will not continue: In February, the District will make its principal payment of \$660k. For the entire fiscal year, the impact of a full year of POB debt service will almost exactly offset the related reductions to the District's ACERA commitment (10 mos. of savings in FY21-22).

Director Boswell commented on a noticeable improvement in managing the numbers, with better control and awareness over certain line items.

Chair Pierpont commented that the timing issue for booking revenue and expenses from program registrations is very common. Finance Officer Julie Dreher added that with Independent contractor invoicing, we must leave invoicing up to each contractor to distinguish between employees and those who are self-employed. Thus, while we defer revenues to align with class timing, often contractor expense will lag.

6. Virtual Vendor Payment Process Overview:

Finance Officer Julie Dreher provided an overview of the Virtual Vendor Payment process. The District is looking to move many of its paper payments to virtual card payments. In this process, the vendor will submit an invoice, and we would send an electronic payment rather than mailing a paper check. The vendor will get an email with a one-time secure link to accept the payment. The many benefits of this process include significant reduction of fraud risk, a 0.35% rebate plus an additional 0.01% for each day that the managing account statement is paid early, a reduction of paper processes, and automated reconciliation. Vendors will benefit as well, as they will receive payments quicker, experience a reduction in their paper processes, and will have access to 24/7 support for the payments that they receive.

This item was discussion only and no committee action was taken.

- 7. Review Cash Flow Model (discussed as item 8):** Business Services Manager Schneider explained that this model is a work in progress that contains current assumptions for operations and project spending. When the mid-year budget is proposed to the Board in March, staff will include a multi-year view of cash flows for the Board's review. Committee members then had a lengthy discussion that included formulating the right strategic approach to address how the District will fund deferred maintenance, what should be the targeted mix of tax versus program-driven revenue, and other concerns, including looking at lifecycle costs when assessing a potential project's financial impact.

8. Review Reserve Policy Draft (discussed as item 7):

BSM Schneider opened the discussion, sharing that the staff report was reviewed with our audit partners last week and that the auditors are comfortable we are moving in the right direction. BSM Schneider's presentation included a review of the current reserve policy and related balances, highlighting a key reason for re-assessing the existing policy: 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. 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.

BSM Schneider then outlined opportunities to enhance the District's Reserve Policy and agreed to meet with Director Boswell, who had specific suggestions that would be incorporated in the next version of the staff report and related policy, including consideration of a related investment policy.

Action: Committee members were asked to review the draft policy and provide their feedback to BSM Jeff Schneider. An updated policy draft will be reviewed with our audit partners and brought back to the first 2022 Finance Committee Meeting for further discussion.

9. Directors' Reports and Announcements: Chair Pierpont briefly noted that the big announcement is that our share of the State's \$100 million of budgeted Covid Relief funds was announced and will be received in January (\$1.2 million). Thanks to Finance Officer Dreher for driving the District's submission to the State that resulted in the award.

Action: Staff will prepare a Press Release.

10. Adjournment: Chair Pierpont adjourned the meeting at 3:21 p.m.

/ph