Livermore Area Recreation and Park District

Staff Report

TO: Chair Faltings and Board of Directors

FROM: Mathew Fuzie, General Manager

PREPARED BY: Jeffrey Schneider, Business Services Manager
Julie Dreher, Finance Officer

DATE: March 9, 2022

SUBJECT: **FY21-22 Mid-Year Operating Budget, FY22-23 Preliminary Budget, and CIP Plan for FY21-22 and FY22-23**
(materials are intended to support the Board workshop and subsequent meeting)

COMMITTEES: Finance Committee Recommends approval of the Mid-Year Budget – Feb. 22, 2022

RECOMMENDATION: That the Board of Directors approve the District's mid-year update to its FY21-22 Operating Budget and CIP Plan for FY21-22 through FY22-23, both of which were originally established with Board approval in June, 2021.

REQUEST: Staff requests the Board's comments regarding its Preliminary Operating Budget for FY22-23.

BACKGROUND: At mid-year, the District reassesses its Approved Operating and CIP budgets and presents proposed revisions to the Board of Directors for approval. Before reviewing with the Board, proposed revisions are reviewed by the Finance Committee (completed February 22, 2022), whose guidance is then reflected in a subsequent review with the Board at a Budget Workshop and Board of Directors meeting. Per the District's Budget Policy, Board approval of the Mid-Year Budget is to be obtained by the end of March each year.

SUMMARY:

- The proposed Mid-Year Budget for FY21-22 (which is based on actual results through December, 2021 and projected results from January, 2022 through June, 2022) shows a net contribution of $2,490,836, which is $1,058,657 above the Approved Budget of $1,432,179. The primary driver of this change is the receipt of the State of California COVID Relief Funds of $1,223,460 in December, though there are several other components to consider:

    1. Revenue from Operations for the year is projected to be $374,146 below the Approved budget, reflecting more informed projections for our recovery from COVID-driven

restrictions in ESS ($120,525 below the Approved Budget for the year, as the projections for the 2nd half of the year are $351,080 below the Approved Budget), and Recreation (Field and Gym Rentals are $118,549 below the Approved Budget and Aquatics is $86,015 below the Budget). On the plus side, Youth Sports and Fitness and Open Space are each projected to exceed the Approved Budget by significant amounts ($111,419 and $42,262 for the year respectively).

2. Tax Revenues are projected to be $183,557 above the Approved Budget which is largely a reflection of actual activity through January.

3. Staff are proposing a Vacation Buy-Back in Spring, 2022 that would allow employees to opt to be paid out a portion of their existing vacation balances (up to 40 hours while maintaining a minimum balance of 80 hours). This proposal has been refined since it was presented to the Personnel Commission and Personnel Committee in February and would cost the District, at most, $117k if all benefited staff participated in the program and did so up to the maximum number of hours available to be "sold" by them. This program will be summarized in a District Notice that will be presented to the Board in March, but its intent is twofold: for the Board to provide an additional benefit for staff in the form of a one-time cash boost and, for some, the chance to begin to accrue vacation after having capped out, and, secondarily, to reduce the District's vacation liability. *(note: this item was not reflected in the Mid-Year Budget that was presented to the Finance Committee in its February 22, 2022 review).*

4. A change in accounting for PG&E on-bill-financing is adding $157,631 in expenses (an entry for this item had been made annually by the District's audit partner and staff are simply revising this process to reflect this expense in our monthly results).

5. As expected, the impact of the POBs net of related ACERA savings, which were not included in the Approved Budget but which are now reflected in it for the entire year, is only $32,138 negative (debt service will exceed ACERA savings). Recall that this net figure is negative for this year only because the District is absorbing a full year of debt service while realizing only 10 months of ACERA savings (the timing of changes to employer contributions is always in September of each year).

- <u>The Preliminary Budget for FY22-23</u> includes:

1. Total Revenues of $21,333,867, up 5% vs the FY21-22 Mid-Year Budget excluding the impact of the receipt, in FY21-22, of the one-time COVID Relief Fund funds;
    - Tax Revenues are up $364,151, or 3%, while Program Revenue are growing by $718,300, or 11%; Tax revenues will amount to 66% of total revenues, vs 68% in FY21-22 (excl CA COVID Relief Fund).

2. The Preliminary Budget for FY22-23 shows a net contribution of $489,275, which reflects plans that build staffing levels to support the onset of offerings that will be made possible by the easing of COVID restrictions, along with cost increases for salaries and benefit components for existing staff (see below). Staff will continue to work through assumptions driving revenue and costs in building toward our formal review of the FY22-23 budget in June, 2022 and these numbers will evolve.

3. Other key elements of the Preliminary FY22-23 Budget:
   - Property Tax increases will be in line with recent experience (3% year-over-year).
   - Parcel Taxes will increase 2%, in line with the maximum allowed by 97-1 legislation
   - Reflects the latest thinking related to the ESS program in response to the LVJUSD's plans to expand Childcare program offerings.
   - Continues to reflect Zone 7 revenues and expenses in the Parks group until a formal decision is made about the agreement renewal.
   - An increase of $319k in the Parks group for the maintenance of structures and grounds, mostly related to a plan to expand third-party services to support mowing and related work in neighborhood parks that will address two existing vacant positions and reduce the load on the District's mowing equipment (thus delaying costly capital spending).
   - $200k for election fees associated with Board of Director terms.
   - Pension Obligation Bond (POB) Debt Service – Principal down $110k vs FY21-22.
   - Includes a 3% cola, or ~$339k incl salaries, taxes, workers' comp, and retirement, effective in July, 2022.
   - Workers' Compensation – increase of 5% (~$18k) effective July, 2022.
   - Health Benefits – increase of 5% (~$37k) effective Feb., 2023.
   - ACERA employer contribution rates – increase of 5% (~$33k) effective Sept, 2022.
   - 457 match continues (up to 4%) for Regular and Part-time benefited staff, as well as a 2% contribution for Regular Full-Time staff.
   - No Vacation Buy-Back is currently assumed in FY22-23.

- The CIP Budget proposed for the balance of FY21-22 and FY22-23 reflects the following:

  1. AB1600 funds are significantly constrained near-term;
  2. General Fund spending for CIP for FY21-22 and FY22-23 of $3.1 million would utilize all of our surplus for this year and next, and at present projections would rely on the use of $148k of reserves.

The attached financial schedules provide a summary view of the Proposed Mid-Year FY21-22 Budget, the Preliminary FY22-23 Budget, and a view of CIP (Capital Improvement Program) spending for FY21-22 and FY22-23.

<u>Attachment :</u>

Financial Summaries - FY21-22 Mid-Year Budget Proposal; Preliminary FY22-23 Budget, and CIP Plan for FY21-22 and FY22-23