Tualatin Hills Park & Recreation District
Minutes of a Budget Committee Meeting

A Tualatin Hills Park & Recreation District Budget Committee Meeting was held at the HMT Recreation Complex, Peg Ogilbee Dryland Training Center, 15707 SW Walker Road, Beaverton, on Monday, February 28, 2011, 7:00 p.m.

Present:

Greg Cody	Chair/Budget Committee Member
Julia Kegg	Secretary/Budget Committee Member
William Kanable	Budget Committee Member
Shannon Maier	Budget Committee Member
Fred Meyer	Budget Committee Member
Larry Pelatt	Budget Committee Member
Bob Scott	Budget Committee Member
Doug Menke	General Manager

Absent:

Joseph Blowers	Budget Committee Member
John Griffiths	Budget Committee Member
Ruth Rosimo	Budget Committee Member

Agenda Item #1 – Call to Order
The meeting was called to order by Chair, Greg Cody, at 7:00 p.m. Greg began the meeting with introductions.

Agenda Item #2 – Election of Officers
Bob Scott opened the floor for nominations of Budget Committee Chair.

Larry Pelatt nominated Greg Cody to serve as Chair of the Budget Committee. Bill Kanable seconded the nomination. Hearing no further nominations, a vote was called. The vote was UNANIMOUS in favor of appointing Greg Cody to serve as Chair of the Budget Committee.

Chair, Greg Cody, opened the floor for nominations of Budget Committee Secretary.

Bill Kanable nominated Julia Kegg to serve as Secretary of the Budget Committee. Larry Pelatt seconded the nomination. Hearing no further nominations, a vote was called. The vote was UNANIMOUS in favor of appointing Julia Kegg to serve as Secretary of the Budget Committee.

Agenda Item #3 – Appointment of Budget Officer
Chair, Greg Cody, noted that only the Park District's Board of Directors may appoint the Budget Officer.

Bob Scott moved the Board of Directors appoint Keith Hobson, Director of Business & Facilities, as Budget Officer for Fiscal Year 2011-12. Larry Pelatt seconded the motion. The motion was UNANIMOUSLY APPROVED.

Agenda Item #4 – General Manager's Comments
Doug Menke, General Manager, noted that tonight's Mid-Year Meeting marks the beginning of the public budget process for FY 2011-12. The two critical items for tonight's meeting are 1) to review the first half of the FY 2010-11 Budget and 2) to review projections and receive the Budget Committee's input for the FY 2011-12 Budget. He noted that the budget is driven by the Park District Goals adopted by the Board of Directors. Doug commented that FY 2011-12 is a transition year and the budget will be based on Board adopted goals in the form of measurable outcome targets rather than specific actions to be accomplished.

Agenda Item #5 – 2008 Bond Measure Update
Doug Menke, General Manager, stated that the Park District is now in the second year of the $100 million Parks Bond Measure and staff would provide more details about the Bond Program later in the meeting. He mentioned that Parks Bond Citizens Oversight Committee Chair, Marc San Soucie, was unable to attend tonight's meeting due to a scheduling conflict. Doug announced that the Bond Oversight Committee recently completed their first annual report on the Bond Capital Program through June 30, 2010, a copy of which is included in the Budget Committee information packet. He commended Bond Oversight Committee members, including Bob Scott and Fred Meyer, and Director of Communications & Outreach, Bob Wayt, for their work on the report.

Agenda Item #4 – General Manager's Comments *(continued)*
Doug Menke, General Manager, announced that the Park District recently acquired an approximately 13-acre property off Highway 217 and 112th Avenue that will serve as the Park District's new operations facility. The facility will centrally house the Maintenance Operations, Natural Resources, Planning & Development, and Risk & Contract Management Departments, meeting an important Comprehensive Plan goal.

With this new acquisition, the Park District was able to use excess space at the operations facility to enter into a public/private partnership with the Portland Timbers, a Major League Soccer team, for their practice facility. One of the benefits of the partnership is the construction of a new, full size, synthetic turf field for public use.

Keith Hobson, Director of Business & Facilities, stated that the budget process is intended to be an open, public process. He announced the four public meetings.

- Tonight, February 28 – Mid-Year Budget Review
- April 18 – Budget Work Session
- May 16 – Budget Meeting
- June 20 – Board of Directors Budget Hearing

Keith noted that overall operations to date are mixed in comparison to budget. Staff is projecting a $2.6 million year-end general fund balance carry forward for next year. He noted that there are revenue shortfalls in several areas, most notably in program revenues. A lower than budgeted beginning balance also compounds the revenue shortfall. However, staff identified the shortfalls early and has taken action to reduce expenses to largely offset them.

Agenda Item #6 – Current Year (2010-11) Goals Review
Keith Hobson, Director of Business & Facilities, indicated that detailed narrative information on the Park District 2010-11 Goals and Objectives is included in the Budget Committee information packet. Staff provided updates to the information in the binder.

Goal #1: Provide quality neighborhood and community parks that are readily accessible to residents throughout the District's service area.

- Hal Bergsma, Director of Planning, commented that the Park District completed three land acquisitions: 1) Cobb Trust property (8.66 acres) in the southeast quadrant, 2) Nguyen property (2.84 acres) in the northwest quadrant, and 3) Sterling Savings Bank et al. properties (6.67 acres total) in the southwest quadrant. Also, the City of Beaverton donated land for Schiffler Park, and the Park District now owns the land for the entire park.
- Jim McElhinny, Director of Park & Recreation Services, announced two recently approved partnerships: 1) Portland Community College Rock Creek Campus for a dog park and community garden; and 2) Southminster Presbyterian Church for a community garden. Construction at both sites is scheduled for this spring.

Goal #5: Develop and maintain a core system of regional trails, complemented by an interconnected system of community and neighborhood trails, to provide a variety of recreational opportunities, such as walking, bicycling and jogging.

- Jim McElhinny, Director of Park & Recreation Services, announced that Metro awarded the Park District a $60,000 grant to partially fund a program for trails directional and wayfinding signage. Natural Resources staff is currently identifying sites for the signage.
- Hal Bergsma, Director of Planning, noted that the Park District did not receive an Oregon Department of Transportation grant of approximately $1.6 million for Westside Trail Segment #14. He also noted that Washington County did not receive a grant to build a segment of Cedar Mill Trail.

Goal #3: Operate and maintain parks and facilities in an efficient, safe and cost-effective manner, while maintaining high standards.

- Keith Hobson, Director of Business & Facilities, reiterated that, in December, the Park District secured a 90,000 square foot operations facility on approximately 13 acres of land in central Beaverton. The new facility includes office, warehouse, maintenance yard, and recreational space. Staff is currently working on designs for building improvements and the construction of the maintenance yard. Staff anticipates moving out of leased space and into the new facility in Fall 2011.

Goal #6: Provide value and efficient service delivery for taxpayers, patrons and others who help fund Park District activities.

- Keith Hobson, Director of Business & Facilities, noted that the FY 2011-12 Budget will be based on the new outcome based planning and budgeting process. Several interdepartmental teams developed business plans to support the outcome based goals. Staff will provide more detail at the Budget Committee's April Work Session.
- Bob Wayt, Director of Communications & Outreach, noted that Bob Schulz, Director of Development, was a key player in the previously announced Portland Timbers deal. In addition, he has secured other sponsorships for the Park District with Pepsi and Nike.

Goal #7: Effectively communicate information about Park District goals, policies, programs and facilities among District residents, customers, staff, District advisory committees, the District Board, partnering agencies and other groups.

- Jim McElhinny, Director of Park & Recreation Services, stated that the Advisory Committees have begun making presentations to the Board of Directors. The Historic Facilities Advisory Committee and Natural Resources Advisory Committee presented in December and February, respectively. The Trails Advisory Committee is scheduled to present at the April meeting.

Goal #8: Incorporate principles of environmental and financial sustainability into the design, operation, improvement, maintenance and funding of Park District programs and facilities.

- Keith Hobson, Director of Business & Facilities, noted that the Energy Savings Performance Contract with McKinstry is complete for all but one project, which will be completed during Spring Break at Aloha Swim Center. Initial monitoring is showing that the improvements have provided the anticipated energy savings. While staff was concerned about receiving the energy tax credits and incentives that were built into the model, the Park District actually received more than originally anticipated.
- Keith also noted that the Park District recently entered into a contract with Good Company to conduct an inventory of greenhouse gas emissions from Park District operations. The data will not only provide a good baseline for benchmarking Park District efforts, but it will identify the biggest sources of greenhouse gas emissions which will help identify where to focus staff's efforts.

Fred Meyer asked what is going into the new operations facility in the upcoming fiscal year.

- ✓ Keith noted that he expects departments from the East Annex (Building Trades, Natural Resources, Planning & Development, and Risk & Contract Management) will move into the new facility in Fall 2011, with the rest of the Maintenance Operations Department following in Spring 2012.

Fred inquired if the expenses are divided among the departments moving into the new facility.

- ✓ Keith replied that the expenses are primarily for land acquisition and capital build out and some minor relocation costs. These expenses are not divided among the departments' operating budgets.

Agenda Item #7 – Current Year (2010-11) Budget Review

Keith Hobson, Director of Business & Facilities, provided comments on the Current Year Budget Review information provided in the Budget Committee information packet.

Current Fiscal Revenue Reports

- The revenue projections are based on information through December 31, 2010.
- Total resources include the current year revenue and beginning fund balance.
    - The current year projected resources are expected to be short of budget by approximately $900,000 – approximately half from a lower than anticipated beginning balance and approximately half from revenue shortfalls.
    - A majority of the beginning balance shortfall was due to the timing of the Energy Savings Performance Contract as work began in the prior fiscal year and approximately $350,000 was expended in that year. Financing was completed for this expenditure this year, thereby reversing the beginning balance shortfall.
    - There is a positive variance from budget of over $550,000 in Debt Proceeds. The Board of Directors approved to increase the size of the debt issue in order to

provide adequate funding for the new operations facility's building improvements. This is directly offset by increases in the corresponding capital outlay items.
    - There is a negative variance from budget of approximately $260,000 in Grants and Intergovernmental Revenue. This is directly offset by decreases in the corresponding capital outlay items.
    - Approximately $800,000 of the shortfall is due to lower than anticipated program fees.

Keith provided comments on the revenue graphs provided in the Budget Committee information packet noting that the graphs compare monthly trends for the first six months and provide the basis for making year-end projections. Staff provided analysis comments for each graph.

- Current Year Taxes
    - Washington County levy projections are used to prepare the budget. The actual levy was approximately $112,000 less than projected. The growth rate used in the budget was 3.5%; the actual growth of the levy for FY 2010-11 is 3.0%. Based on year-to-date collections, staff expects to exceed the actual property tax revenue collection rate and will therefore meet the budgeted amount.
- Interest Income
    - Interest Income is down dramatically and is expected to be short of budget, entirely due to continued record low interest rates.
    - The earnings rate on funds invested in the Local Government Investment Pool has remained well below 1%. While staff anticipated low rates in the budget, staff did not anticipate the amount of time it would be so low. As a result, staff is projecting to be under budget for this revenue category.
- Program Revenue
    - Program Revenue areas are tracking fairly close to the prior year:
        - Aquatics will be lower than the prior year, largely due to a maintenance closure at the Aquatic Center in Fall 2010.
        - Tennis projected to finish the year slightly below prior year.
        - Sports projected to rebound and finish the year about 10% above prior year.
        - Recreation and Interpretive Programs are projected to finish the year slightly above prior year.
    - Overall Program Fee revenue is projected to be approximately 6% higher than prior year.
    - Program revenue is expected to be short of budget by approximately 8%.
    - Staff has been challenged with budgeting program revenues partly due to the implementation of the fee adjustments. Fee revenue for the first two years increased due to increased activity levels and increased program fees. However, last year and this year, activity levels have been static or decreased in some program areas. As the phased-in fee increases are nearing completion, there are fewer class fees being increased. The economy has had some impact on the level of program registration activity. The budget also includes revenue assumptions for new programs, such as the Community Schools Program which have not been successful, and have since been discontinued.
    - Program staff have been monitoring the program revenues and have been taking steps to reduce expenses to help offset the program revenue shortfall, thereby avoiding a significant decline in year-end balance. The detail tables illustrate program revenue shortfalls are not widespread, but are isolated on a few specific areas.

    - For FY 2011-12 projections, staff have reset program revenue targets going forward based on current year projections.
- Grants Awarded/Received
    - Staff provided a replacement for Page 40, a copy of which is included for the record.
    - Although the Park District has been awarded most of the grants budgeted in FY 2010-11, capital grant awards will not be received this year. The revenue shortfall will be offset by a reduction in capital expenditures. For any operating grants not received, staff has not expended funds for the respective programs.

Larry Pelatt inquired why staff believes that the Sports Department revenue would rebound.

- ✓ Keith replied that it is due in part to an increase in field fees that was implemented in January 2011.

Chair, Greg Cody, commended staff for being proactive with budget shortfalls.

<u>Current Fiscal Expenditures Reports</u>

Cathy Brucker, Finance Manager, provided the following comments regarding expenditures for the current fiscal year.

- The expenditure projections are based on information through December 31, 2010.
- The departments and centers have restructured, if necessary, to ensure they will come in within their targeted budget, or made additional cuts to offset potential revenue shortfalls.
- The Board of Directors budget has a large variance due to the $1.7 million contingency.
- Other Division budgets are projected to be under budget. Under Park & Recreation Services, the Community School Program was discontinued under Garden Home Recreation Center resulting in a variance to budget.
- Positive variances are due to cost savings in personal services (temporary staffing vacancies) and materials and services.
- The positive variance in capital outlay is due to grant-funded projects where the Park District did not receive the grant.
- The overage in Debt Service is from the new operations facility full faith and credit bond issue. Tentative numbers were used to create the FY 2010-11 Budget, and have since been updated. The Park District received Recovery Zone Economic Development Bonds as well. The Board of Directors is expected to approve a budget appropriation to offset the overage.
- To date, the overall results are quite good. The year-end balance is approximately $2.6 million, $3.4 million due to the expenditure variance less the approximately $900,000 due to the revenue shortfall.

Cathy noted that as with the revenue graphs, the expenditure graphs provided in the Budget Committee information packet compare monthly trends for the first six months and provide the basis for making year-end projections. Staff provided analysis comments for each graph.

- Board
    - Expenditure increases are due to the anticipated election activity in May 2011.
- Administration
    - Administration is expected to be within budget.
- Business & Facilities
    - The Division is expected to be under budget by approximately $50,000.

    - Capital expenditures for Information Services and Maintenance Operations are not included in the graphs.
- Maintenance
    - Maintenance is expected to be within budget with the help of utility savings through the Energy Savings Conservation Program.
- Planning
    - Expenditure increases are due to the continued addition of temporary staff positions for bond related projects.
- Park & Recreation Services
    - The Division is projected to be 1.2% over the previous year, but under budget for the current year.
    - Overall, the individual Park & Recreation Services Departments are trending fairly consistently with prior years, and all program areas are expected to be within budget.
    - Again, the Community School Program was discontinued under Garden Home Recreation Center, and will help offset the decreased revenue.
    - Natural Resources expenditure increases are due to the continued addition of temporary staff positions for bond related projects.

Fred Meyer requested clarification about the Board of Directors election expenses.

- ✓ Keith Hobson, Director of Business & Facilities, noted the expenses are for the election of Board of Directors positions.
- ✓ Cathy replied it costs approximately $32,000 per election.

Agenda Item #8 – Current Year (2010-11) Capital Outlay Review

Keith Hobson, Director of Business & Facilities, provided the following comments on the information in the Capital Update section of the Budget Committee information packet:

- The report includes all General Fund capital including Information Technology capital and Maintenance Operations equipment capital. System Development Charge (SDC) projects are included in the SDC fund and bond projects are included the Bond Capital Program fund.
- A number of projects have been completed while others have had contracts awarded. Typically, Park and Trail projects are expected to move forward in the spring.
- Projects not completed by June 30, 2011 will be carried forward to FY 2011-12.
- As of December 31, 2010, approximately 60% or $7.3 million of capital outlay was expended. During the same time last year, approximately 25% or $1.1 million of capital outlay was expended. Please note approximately $5.3 million is attributed to the acquisition of the new operations facility. Without the operations facility, expenditures through December 31, 2010 are approximately 40% or $2 million of the anticipated capital outlay.
- Overall, the projected General Fund capital outlay is significantly under budget due to savings on budgeted projects or grants not received, and staff's decision to delay noncritical projects to help offset revenue shortfalls.

Chair, Greg Cody, commented that he appreciated how the capital outlay spreadsheets are laid out to illustrate the project budget and activity to date.

Agenda Item #9 – System Development Charge Program Review
Keith Hobson, Director of Business & Facilities, provided the following comments on the information in the System Development Charges Fund section of the Budget Committee information packet:

- System Development Charge Report for December, 2010
    - The report shows cumulative activity from the inception of the SDC program through December 31, 2010. SDC revenues are approximately $30 million and interest is approximately $2 million. Year-to-date collections and interest through December is approximately $1.1 million.
- System Development Charges Graph
    - The graph compares collection history in prior years, and shows revenue net large SDC refunds from prior years. Staff anticipates steady levels of revenue.
    - Staff's practice is to budget SDC revenue and expenditures based on the original revenue projections, but budget the capital expenditure with a large undesignated appropriation, allowing flexibility to expend funds if received, but ensuring resources are not overcommitted.
- Monthly Capital Project Report
    - The synthetic field construction project at the new operations facility is not included as the report is through December 31, 2010. As part of the Park District's agreement with the Portland Timbers, approximately $1 million total is earmarked under Synthetic Turf Field Matching Funds and Undesignated Projects.
- Five Year Cash-Flow Projections
    - The projections are based on the capital improvement plan adopted by the Board of Directors in November 2007 plus additional projects committed in later years. Project additions will be limited due to the high project activity with the Bond Capital Program and the uncertainty of the SDC revenue stream.
    - Approximately 50% of SDC revenue is reserved to help avoid overcommitting actual SDC revenue.
    - There is adequate cash flow to fund all projects currently committed, with approximately $8.5 million available for future projects.
    - Approximately $2.6 million is available for SDC projects this year and an additional $750,000 would be available next year.
    - Staff will likely continue the practice of appropriating a portion of available SDC funding for land acquisitions. Any proposed project commitments for FY 2011-12 will likely be small or will be prioritized toward leveraging other outside funds.

Chair, Greg Cody, inquired about the adjustment to the SDC fund that would lower the amount received on new construction.

- ✓ Keith replied that staff would factor the SDC adjustment into the FY 2011-12 Budget. He commented that staff has been pleasantly surprised with the collections through December 2010, given the state of the economy.

Julia Kegg requested clarification on the Timbers synthetic field funding sources.

- ✓ Keith replied that for the Park District's contribution of under $1 million, $600,000 would be from Synthetic Turf Field Matching Funds and the balance from Undesignated Projects.

Greg clarified that the public would see the SDC funds being spent for the field.

- ✓ Keith concurred and noted that it would be for a portion of the total project cost.

Greg wondered if the construction cost is high due to land complications.

- ✓ Keith replied that the cost is normal for raw land construction.
- ✓ Bill Kanable noted for comparison that converting HMT Complex Field #2 from natural turf to synthetic turf cost approximately $850,000, plus the site already had lights.
- ✓ Doug Menke, General Manager, added that Field #2 was converted several years ago.

Agenda Item #10 – Bond Capital Project Fund Update

Keith Hobson, Director of Business & Facilities, and Hal Bergsma, Director of Planning, provided the following comments on the information in the Bond Capital Program section of the Budget Committee information packet:

- Through December 31, 2010, approximately 10% of the overall bond program budget has been expended.
- All project categories are within budget and there is an overall budget savings of approximately $600,000.
- Staff continues to refine the Bond Program Project Timeline, which now notes milestones.
- The Bond Oversight Committee has been instrumental in guiding staff through the bond program.
- As previously mentioned, the Bond Oversight Committee recently completed their first annual report on the Bond Capital Program through June 30, 2010.
- Staff is anticipating issuing the balance of the bonds midway through FY 2011-12.

Chair, Greg Cody, noted that the Bond Program Funds update is provided as information only and is not overseen by the Budget Committee.

Greg inquired if taxing from the bonds is meeting current payments.

- ✓ Keith replied yes.

Agenda Item #11 – 2011-12 Projected Resources and Expenditures

Keith Hobson, Director of Business & Facilities, provided the following comments on the information in the Projected Capital Replacements and Projected Budget FY 2011-12 sections of the Budget Committee information packet:

<u>Maintenance Operations Division Capital Replacement Forecast Summary</u>

- Ten years ago, the Board of Directors established a priority to maintain existing facilities and equipment and to manage deferred maintenance.
- The schedules estimate replacement funding needs over the next ten years, as well as track deferred replacements.
- Capital replacements are tracked by two categories: Major Assets (identified by each asset) and Routine (based on a portion of a total quantity).
- The FY 2011-12 capital replacement needs total approximately $9.3 million, which include current year replacements of $3.2 million and deferred maintenance replacements of $6.1 million. Projects will be prioritized due to the limited amount of funding available.
- The Maintenance Operations Department continues to use these schedules as a guide, but assesses the physical condition of assets to identify actual priority replacement items.
- Safety items are addressed in a timely manner, and none of the backlog items are a safety concern.

Maintenance Operations Division Replacement Funding Analysis

- The Major Assets backlog continues to be managed well and is currently at approximately $867,000. The majority of the backlog is due to condition of asset, and none represent a serious maintenance issue. Annual needs fluctuate as the list is based on individual projects and when they are scheduled to be replaced.
- The Routine Assets replacement needs dropped from $7.5 million to $6.1 million this year for reasons including:
    - For the first time, the annual requirement was fully funded.
    - Some deferred projects were funded through the Bond Capital Fund and the Energy Savings Performance Contract.
    - Staff removed redundant or unnecessary projects from the log, reducing the backlog by approximately $1.2 million.
- This year, however, the annual replacements will not be fully funded and the backlog is expected to grow for reasons including:
    - Decreased revenue growth in both taxes and program revenues.
    - The cost impact of relocating to the new operations facility. Although some cost will be ongoing such as debt service and higher operational cost, much is one-time cost due to the transition such as the overlap with leasing the East Annex.
    - Current year replacement obligations are higher than normal due to Major Items.
- Approximately $2 million is available for replacement funding and all major maintenance issues should be funded. Staff expects growth in backlog to be a one-year anomaly rather than a trend.

Bill Kanable wondered since several affiliate groups helped with the purchase of the original synthetic turf fields, would they be approached to enter into new contracts to assist with paying for the synthetic turf field replacements.

- ✓ Doug Menke, General Manager, stated that staff plans to discuss this topic with the Board of Directors.

Projected Budget for FY 2011-12

Keith Hobson, Director of Business & Facilities, noted that the projected budget is a preliminary estimate based on current service levels. It does not include any new costs as a result from Park District Goals and Objectives, or staff requests.

Projected Revenue Summary

- Program revenue is estimated to decrease by 1% overall. Out-of-District assessment revenue has been moved from the individual program areas and into Other Program Revenue. Staff will provide more detail at the April Budget Work Session, including an assessment on Fee Study impacts.
- Future projected resources are reduced for non-recurring items such as debt proceeds. Capital carry forwards are not included, but will reflect offsetting revenues and expenditures.
- Projections reflect a drop in interest income due to lower interest earning rates projected for next year.
- Property taxes are based on a growth of 3.25% over the current year levy. Although residential assessed values have increased slightly due to new developments, commercial and industrial assessed values have decreased. Staff expects commercial and industrial taxes to not decrease significantly next year.

- The City of Hillsboro will deannex a number of properties from the Park District. This will result in a tax impact of approximately $130,000 and reduce the overall increase in tax revenue to approximately 2.05%.
- As residential houses continue to be well below market value, the assessed value will increase by 3%.

Chair, Greg Cody, questioned what would happen to revenue if market value decreased below assessed value.

- ✓ Keith replied that the Park District would see an overall decrease in assessed value.

<u>Projected Expenditure Summary</u>

- The projected expenditures are based on anticipated inflationary increases.
- Personal Services are based on approved current year positions and do not reflect any new full-time or regular part-time personnel.
    - Increases to Personal Services include cost of living adjustments, merit increases, and anticipated increases in health benefits. The increases are offset by anticipated reductions in retirement benefits and reduction of part-time labor costs in line with lower program activity levels in some areas.
- Materials and services are estimated to decrease by 1.9%, which includes targeted increases of 1%, but includes reductions due to decreased program level activity or specific areas such as a reduction in utility rates.
- Debt Service increased because of debt payments due on the financing for both the operations facility and the Energy Savings Performance Contract. With the Energy Savings Performance Contract, the debt service in FY 2011-12 is higher than normal because of a balloon payment that is offset by a Business Energy Tax Credit (BETC) and other incentives that the Park District expects to receive in that year.
- Capital outlay is based on available funding, but would be targeted toward maintenance replacements since the entire replacement backlog cannot be adequately funded.
- The projected contingency is increased to $1.9 million, following the Board of Directors established fiscal policy of increasing the contingency by 1% of property tax revenue (approximately $200,000) when the General Fund balance is below the targeted 10% of annual operating expense. Because the projected carry forward of $2.6 million is below the 10%, staff will increase the contingency as indicated.

<u>Five Year Fiscal Projection</u>

- Staff provided a replacement for Page 87, a copy of which is included for the record.
- Projections are for the General Fund only because that is where all operations occur.
- Capital items have been broken down into several line items to track replacement requirements and deferrals.
- The deferred replacements balance increases from $6.1 million in the current year to $6.9 million next year and then decreases slightly afterward.
    - Older projections illustrated the deferred backlog decreasing more dramatically in future years than currently shown. The deceleration in the current year projection is due to several factors such as:
        - Lower tax and fee revenue assumptions
        - Higher maintenance replacement obligations with the inclusion of the synthetic turf fields
        - Increased debt service on the new operations facility
    - The overall trend is still decreasing with the deferred backlog not growing at an unsustainable level.

- The program fee increases worked as anticipated with an increase to replacement funding to avoid ongoing increases in backlog. However, the benefit was higher in the first two years, than in the last two years.
- At the April Budget Work Session, staff will demonstrate how the District is addressing goal outcomes as established by the Board of Directors, while taking steps to control costs in an effort to offset flattening out of revenue increases.

Keith concluded his presentation of the Mid-Year Budget and offered to answer any questions the Budget Committee may have.

Bill Kanable noted that this is the last year of the overall fee adjustments, and inquired if staff anticipates adding a cost of living adjustment or other adjustment in 2012. If so, when would that be decided and does the projected budget include the adjustments?

- ✓ Doug Menke, General Manager, stated that the Board of Directors policy drives the annual program fee increases. This spring, staff will present to the Board an update of where the Park District fees are compared to other public entities, and request direction on how to proceed based on the findings.
- ✓ Keith noted that the increase in drop-in fees was deferred in year four of the phase-in, and could be implemented in January 2012. He noted that for some programs, fees might not have caught up to market levels as the increases were limited to 15% per year. For programs that were more than 60% below market, there may be increases in years 5 and 6. Also, the standardizing of the senior discount to 25% across the Park District is scheduled to occur in year 5. For planning purposes, staff did not include any fee increases for the FY 2011-12 Budget.

Bill agreed with staff's decision to not include the program fee increases for developing the budget.

Chair, Greg Cody, inquired what debt is outstanding.

- ✓ Keith replied the following are outstanding:
    - Debt service (includes only general fund supported debt)
    - 2008 general obligation bonds
    - 1998 general obligations bonds (refinanced 1995/96 bond levy) retires in 2015 which will result in a reduced bond levy rate for taxpayers
    - Older General Fund debt was consolidated and paid off. What is left includes:
        - 5 years on the synthetic turf fields
        - 9-10 years on other consolidation which includes the north fields land acquisition, several park projects, original Tennis Center air structure, Nature Park
        - 30 years for the operations facility
        - 20 years for the Energy Savings Performance Contract, which will be offset by actual energy savings that are guaranteed in the contract.

Greg inquired about previous technology upgrades.

- ✓ Keith replied the package was from 5-6 years ago and has been repaid. Technology equipment is upgraded through a replacement cycle. The financial system software was replaced in the current year, with the human resources software scheduled for next year. Staff does not anticipate any major technology investments outside the replacement cycle.

Chair, Greg Cody, thanked staff for their efforts to produce the Mid-Year Budget.

Agenda Item #12 – Public Input
There was no public input.

Agenda Item #13 – Set Date of Budget Committee Work Session
The next Budget Committee meeting is scheduled for Monday, April 18, 2011, 6:00 p.m., at the Elsie Stuhr Center.

Agenda Item #14 – Adjourn
The meeting adjourned at 8:25 p.m.

Recording Secretary,
Marilou Caganap