



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 23, 2015, 7 pm.

Present:

Anthony Mills	Chair/Budget Committee Member
Stephen Pearson	Secretary/Budget Committee Member
Joseph Blowers	Budget Committee Member
Greg Cody	Budget Committee Member
Susan Cole	Budget Committee Member
Jerry Jones Jr.	Budget Committee Member
Shannon Kennedy	Budget Committee Member
Bob Scott	Budget Committee Member
Doug Menke	General Manager

Absent:

John Griffiths	Budget Committee Member
Larry Pelatt	Budget Committee Member

Agenda Item #1 – Call to Order

The meeting was called to order by Chair Anthony Mills at 7 pm. All present introduced themselves.

Agenda Item #2 – Election of Officers

Stephen Pearson nominated Anthony Mills to serve as chair of the budget committee. Hearing no further nominations, a vote was called. The vote was UNANIMOUS in favor of appointing Anthony Mills to serve as chair of the budget committee.

Anthony Mills nominated Stephen Pearson to serve as secretary of the budget committee. Hearing no further nominations, a vote was called. The vote was UNANIMOUS in favor of appointing Stephen Pearson to serve as secretary of the budget committee.

Agenda Items #3 – General Manager's Comments

General Manager Doug Menke welcomed the budget committee to the start of THPRD's process for the FY 2015/16 budget. He noted that the purposes of tonight's meeting are 1) to preview the FY 2015/16 budget and 2) to review operations to date for FY 2014/15. He stated that THPRD's Comprehensive Plan continues to guide the budget. Staff have created performance measure outcomes for these goals as part of the budget process and these are used to develop the budget. Staff will review the outcomes of these measures.

Doug commented that THPRD is in year six of the \$100 million bond measure for expanding and improving district parks and facilities. Staff will provide a brief summary of the status in completing the projects.

Doug noted a few highlights to date for FY 2014/15:

- Staff continue to implement recommendations from the Comprehensive Plan and the Service and Financial Sustainability Plan. To date, a number of policy areas have been reviewed and modified, including completion of the functional plan for Natural Resources.
- The new marketing specialist is in the process of creating THPRD's marketing plan. Staff have completed the update to THPRD's website and will roll it out soon.
- The new diversity and inclusion coordinator is nearing completion of the first two projects in this area – a climate survey of THPRD employees and the development of a diversity and inclusion vision statement.

Doug stated that staff will preview the FY 2015/16 budget projections, noting that operations will continue to be influenced by the Service and Financial Sustainability Plan. Staff continue to take steps to ensure operations for the future of the district.

Keith Hobson, director of Business & Facilities, announced the four public meetings, and stated that the budget process is intended to be as transparent and open to the public as possible:

- Tonight, February 23 – Budget Committee Midyear Budget Review
- April 20 – Budget Committee Work Session
- May 18 – Budget Committee Meeting
- June 22 – Board of Directors Budget Hearing

Keith noted that overall financial operations to date are very positive. While there are some revenue shortfalls, overall resources are projected to be in excess of budget. In addition, with the significant expenditure savings projected, staff estimate an over \$5 million current year ending balance.

Agenda Item #4 – Current Year (2014/15) Goal Outcomes Review

Keith Hobson, director of Business & Facilities, introduced Seth Reeser, Operations Analysis manager. Seth noted that the performance measures were revised after the completion of the Comprehensive Plan Update. Thirty-three measures were kept and 28 measures were added. Measures that were archived will still be tracked, but have been superseded with the updated measures.

Seth noted that, for future reporting, the results of the approved business plans will be recapped initially in June; however, because work from the business plans is not fully completed by the end of the fiscal year, staff will report the final findings at the following year's midyear meeting.

Seth highlighted some of the FY 2013/14 goal outcome measures:

- Goal 1 – Additional survey work increased the overall GRASP (Geo-Referenced Amenities Standards Process) service level score for the entire district.
- Goal 2 – Program registrants per 1,000 population and aggregate registration of classes continue to trend downward. Staff have been reviewing options to increase participation such as offering new classes and passes.
- Goal 3 – Staff continue to track deferred maintenance. Staff will preview the sinking fund proposed for FY 2015/16.
- Goal 5 – Waterhouse Trail segments have been completed using bond and SDC funds.
- Goal 6 – Classes with fee at recovery target will be updated for FY 2015/16 to take into account direct costs. District-wide cost recovery methodology will be adjusted based on actuals.
- Goal 8 – Electrical, gas and water usage has decreased.

Greg Cody noted water usage is impacted seasonally by weather patterns. He inquired how staff will account for this winter's relatively dry weather.

- ✓ Seth replied that staff index data using the evapotranspiration rate (ET_r). In addition, staff are working with the water providers to monitor usage at individual meters in real time. Staff will evaluate field usage and water needs and determine if programming changes are warranted.
- ✓ Keith added that real-time monitoring will help staff analyze watering habits and change practices to avoid a surcharge during peak watering times.

Chair Anthony Mills requested additional information regarding the peak water surcharge.

- ✓ Seth replied that THPRD's water primarily comes from Tualatin Valley Water District and explained their pricing structure.

Stephen Pearson asked whether the outcomes labeled "N/A" will be filled in by the end of the year.

- ✓ Seth replied that new measures do not have data, but will have data in future years.

Anthony referred to 2.B. % of existing facilities not meeting ADA guidelines and asked if staff had an idea of that number.

- ✓ Lisa Novak, superintendent of Programs and Special Activities, replied that THPRD will undergo an audit in FY 2015/16 that will look at all the district's facilities. Most facilities are compliant, although not ideally at older facilities.

Agenda Item #5 – Current Year (2014/15) Budget Review

Keith Hobson, director of Business & Facilities, introduced Cathy Brucker, Finance manager, who provided comments on the current year revenue information provided in the budget committee information packet.

Current Fiscal Revenue Reports

- The revenue projections are based on information through December 31, 2014.
- Total resources include the current year revenue and beginning fund balance.
 - The current year projected resources are expected to exceed budget by approximately \$1.7 million, primarily due to a strong beginning Cash on Hand.
 - Revenue estimates are historically conservative at this time.
 - THPRD is working toward implementation of the new cost recovery model. This will largely affect the summer term, with program revenues projected to exceed budget by 1.6%.

Cathy provided comments on the revenue graphs in the budget committee's information packet noting that the graphs compare monthly trends for the first six months over three years and provide the basis for making year-end projections.

- Current Year Taxes
 - THPRD received \$44,000 more than projected, resulting in a small increase overall. The actual collections are estimated to increase over last year by 4.0%, slightly higher than the statutorily permitted growth rate of 3%. New construction is again contributing to the overall growth within the district.
 - THPRD is now experiencing a reduction of the convergence trend between Assessed and Real Market Value. The FY 2014/15 calculation had approximately 13.7% convergence, down from 15.5% from the previous year.

- Prior Year Taxes
 - Collections are trending lower than last year, but are anticipated to exceed budget by year end. Washington County continues to collect taxes at a strong rate, with current year collections averaging over 95%. Combined with subsequent collections, taxes are averaging 97% in total collections over the last 10 years.
- Interest Income
 - Interest Income is projected to meet budget. Rates remain at historical lows, averaging 0.5 to 0.6% through the Local Government Investment Pool.
- Miscellaneous Income
 - Rental Property is projected to exceed budget due to newly acquired rentals through land acquisition and leased space at the Fanno Creek Service Center. Transfers In is projected to be under budget, due to earlier than anticipated bond staff reductions.
- Program Revenue
 - Overall, Program Revenue is projected to exceed budget by 1.6%.
 - Aquatics, Sports and Interpretive Programs are projected to exceed targets, while Tennis and Recreation are projected to be slightly under.
 - Revenue decreases in Tennis are attributed to canceled tournaments and the temporary closure of the air structures. In Recreation, decreases were due to declines in some program areas, but most centers are forecasted to exceed last year.
 - If revenue trends are indicating a shortfall for the year, centers are required to identify the affected programs and restrict expenditures to offset any shortage.
- Grants Awarded/Received
 - THPRD was not awarded six budgeted grants. Grants not received will be offset by reduced capital and operating expenditures.
 - THPRD received an unanticipated contribution of \$650,000 for the construction of a new synthetic turf field at Conestoga Middle School. A supplemental budget amendment on March 2, 2015, will allow the expenditure of those funds this fiscal year.

Shannon Kennedy asked how recreation program staff restrict their expenditures with a shortfall in revenue.

- ✓ Cathy replied that staff budget for all programs that could be offered throughout the year. Program staff closely monitor cancellations and adjust expenses accordingly.

Current Fiscal Expenditures Reports

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, 2014.
- The departments and centers are projected to be within their targeted budgets, but will make necessary adjustments to offset potential revenue shortfalls.
- All divisions, with the exception of Capital Outlay, are projected to be under budget. The previously mentioned supplemental budget will offset the Capital Outlay overage.
- Personnel Services and Materials & Services are projected to be under budget.
- The savings in Debt Service is from financing the annual Tax and Revenue Anticipation Note at a 0.82% interest rate.
- Overall, the year-to-date expenditures are positive with a year-end balance projection of approximately \$5.3 million.

Cathy provided an overview of the expenditure graphs provided in the budget committee's information packet.

- Board of Directors & Administration
 - Both areas are expected to be within budget.
- Business & Facilities
 - Business & Facilities departments are expected to be within budget, with the overall division projected to be under budget by approximately \$260,000.
 - Capital expenditures for Information Services and Maintenance Operations are not included in the graphs.
- Planning
 - The Planning Division is expected to be within budget. Bond personnel were reduced earlier than anticipated resulting in significant savings; only two full-time and two part-time temporary positions remain.
- Park & Recreation Services
 - Park & Recreation Services is projected to be 4.2% 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 projected to be within budget.

Agenda Item #6 – Current Year (2014/15) Capital Outlay Review

Keith Hobson, director of Business & Facilities, provided an overview of the Capital Update section of the budget committee's information packet:

- System Development Charge (SDC) projects are included in the SDC fund and bond projects are included in the Bond Capital Program fund.
- The report under Capital Update includes all General Fund capital including Information Services capital and Maintenance equipment capital.
- The report is based on information through December 31, 2014.
- A number of projects have been completed while others have contracts awarded.
 - Maintenance staff prepare a master maintenance replacement project schedule at the start of each year which helps with scheduling projects around planned facility closures. For 2014/15, projects are generally proceeding on schedule and should be completed by the end of the year.
 - Park and Trail projects typically move forward in the spring when weather improves.
- The following projects will not be completed in FY 2014/15:
 - The Tennis Center roof replacement project will be bid in the spring and is scheduled to begin construction in summer 2015.
 - The Aquatic Center roof replacement, pool tank resurfacing, deck replacement, and HVAC controls replacement are being intentionally delayed until a facility closure in summer 2016 to allow for additional time for planning and bidding.
 - The Conestoga Synthetic Field project is a new project being added midyear through a supplemental budget. This is only a portion of the overall funding, with the remaining covered through bond and SDC funds. The project will not begin construction until summer 2016.
- Approximately 25% of the \$5.2 million capital outlay has been expended, with an additional 8% encumbered, resulting in a little over one third (\$1.8 million) of the capital outlay completed or under contract. Since December 31, 2014, THPRD has encumbered or expended an additional \$200,000, increasing the capital outlay completed or under contract to approximately 37%. If the three projects not moving forward in FY 2014/15

were removed from the total capital (\$2.9 million total), the balance would be \$2.3 million with approximately \$2 million already completed or under contract.

- Overall, the projected General Fund capital outlay is over budget by approximately \$100,000. If the \$650,000 supplemental budget for the Conestoga Synthetic Field project is approved on March 2, 2015, the General Fund would be under budget by approximately \$500,000. Part of the savings (approximately \$300,000) is due to grants not being received.
- No projects were eliminated to provide these savings. There were several unbudgeted emergency replacements this year and the savings are over and above these unbudgeted capital expenditures.

General Manager Doug Menke commented that the Tennis Center and Aquatic Center roof projects are each over \$1 million and will be able to be completed without impacting the program side due to the board of directors' and staff's fiscal planning efforts.

Jerry Jones Jr. referred to the sharp increase in labor and materials costs and inquired how staff account for these increases for future projects.

- ✓ Gery Keck, facilities & project manager, replied increases are included in the contingency.
- ✓ Keith noted that typically capital projects are completed within the fiscal year and do not require an escalation rate; however, staff are more cautious with multiyear projects and include an escalation rate.

Susan Cole commented on the multiple capital projects for the Aquatic Center and asked if the facility will close during that time.

- ✓ Keith stated that the Aquatic Center will close for approximately three months.

Susan asked if the closure would affect revenue and if it would affect any school teams or competitions.

- ✓ Keith replied that it would affect revenue in FY 2016/17.
- ✓ Jim McElhinny, director of Park & Recreation Services, replied that the school teams primarily utilize the other swim centers. Mainly club swimming will be affected, but staff are working with the clubs.

Agenda Item #7 – System Development Charges Program Review

Keith Hobson, director of Business & Facilities, provided an overview of the System Development Charges Fund section of the budget committee's information packet:

- System Development Charges Report for December 2014
 - The report shows revenue and expenditure activity through December 31, 2014. Year-to-date collections and interest through December is approximately \$3 million.
- System Development Charges Graph
 - The current year is trending significantly higher than prior years due to increased housing construction activity. Staff project revenue will significantly exceed both budget and prior year actual amounts.
 - Staff continue the practice of budgeting SDC revenue and expenditures based on historical averages of building activity, but only committing to projects with funds on hand and appropriating current year revenue to undesignated, allowing flexibility to expend funds if received, but ensuring available resources are not overcommitted. Collections through January have already met the budgeted revenue.

- Monthly Capital Project Report
 - The approved SDC project costs are within the appropriations and the current year costs are at budget.
- Five Year Cash-Flow Projections
 - Adequate cash is available to fund all committed projects.
 - Approximately 30 to 50% of SDC revenue is reserved for future years in case development activity decreases again.
- Project List
 - The Capital Improvement Program is a prioritized list of projects approved by the board of directors on February 3, 2014. Staff will use the CIP to identify additional projects to fund in the proposed FY 2015/16 SDC fund budget.

Shannon requested clarification of what types of projects could SDCs fund.

- ✓ Keith explained that SDCs are generated by new development and tied to capacity expansion. SDC funds may be spent on new and expanded facilities and amenities, but not on existing or replacement facilities or operations. SDCs are not required to be expended in the same area they are collected.
- ✓ Aisha Willits, director of Planning, added that the SDC methodology is being reviewed to better address the new development areas within the district (North Bethany, Bonny Slope West and South Cooper Mountain).

Susan inquired if developers are required to install park infrastructure.

- ✓ Aisha replied that staff work with developers, and depending on the size of the development, determine what is required for the development. In some cases, THPRD enters into an SDC credit arrangement permitting the developer to build a public park to THPRD's specifications in lieu of paying SDC fees.

Bob Scott asked whether it hurts THPRD to be too conservative.

- ✓ Keith replied that one drawback of being too conservative is missing out on opportunities. Staff are changing assumptions for FY 2015/16 acknowledging the activity in North Bethany.

Anthony asked if South Cooper Mountain is within THPRD's boundaries.

- ✓ Doug replied that currently South Cooper Mountain is within the City of Beaverton and properties will be annexed into THPRD as development occurs.
- ✓ Aisha confirmed that developments typically are annexed individually per the City of Beaverton's requirement as a condition to develop.

Agenda Item #8 – Bond Capital Project Fund Update

Keith Hobson, director of Business & Facilities, provided an overview of the Bond Capital Program section of the budget committee's information packet:

- Through December 31, 2014, approximately 71% of the overall bond program budget has been expended, compared to approximately 64% a year ago.
- Overall, there is an estimated budget deficit of approximately \$3 million due to cost increases on the last three park development projects. Cost increases include unique site issues at each of the projects as well as an overall increase in construction costs. Staff are in the early planning process and will look at ways to reduce costs or supplement funding with non-bond funds.
- Staff are investigating an opportunity to refinance the 2009 bond issue due to lower interest rates. THPRD would issue the remaining \$1.4 million in bond authority with the intent of not increasing cost to the taxpayers due to the refinancing.

- The Bond Program Project Timeline illustrates the projects' steady progress.
- Nearly all the projects have begun with over two-thirds of the projects completed. Four categories are completed – New Neighborhood Park Land Acquisition, New Community Park Land Acquisition, Deferred Park Replacements, and Facility Expansions. Two more – Neighborhood Parks Development and Community Center/Park Land Acquisition – are nearing completion.
- The Parks Bond Citizen Oversight Committee's fifth annual report details their work monitoring the Bond Capital Program; a copy is included in the budget committee's information packet.

Shannon, noting the existence of the bond oversight committee, requested clarification on the budget committee's role with regard to the bond fund.

- ✓ Keith replied that the budget committee is charged to approve the budget for the bond fund, while the bond oversight committee is charged to provide oversight to ensure THPRD fulfilled its promises to the voters.

Shannon inquired about the unique site issues for the three park development projects.

- ✓ Aisha described the issues for each of the sites, including additional scope, wetland constraints, and infrastructure requirements.

Susan inquired if some of the remaining bond projects could be funded with SDC funds thereby freeing bond funds to offset the projected overages.

- ✓ Keith replied that most projects were capacity expansion or new acquisition, but some were park redevelopments. He noted that certain amenities at the three remaining park projects could be SDC eligible if they create capacity that was not there before. Keith noted that staff will review all factors, but indicated that it may not be necessary to use SDC funds as the remaining project budgets include 15% contingencies.

Greg commented that finding suitable land is difficult and inquired if THPRD would purchase an oversized property and declare a portion as surplus.

- ✓ Aisha stated that staff have considered this strategy.
- ✓ Doug replied that natural resources land acquisition has proved challenging.
- ✓ Anthony agreed with the strategy. He commented that bond funds earmarked for a certain category cannot necessarily be transferred to another category because of what was promised to the voters.
- ✓ Jerry clarified that if there are surplus bond funds in one completed category, those funds can be transferred to another category.
- ✓ Keith explained that there is no legal restriction to segregate the funds. He noted that the board of directors and the bond oversight committee approved a policy and a process to make available excess funds once commitments have been met. Natural Area Preservation Restoration and Land Acquisition funds are segregated because the commitment was for a certain dollar amount.

Agenda Item #9 – 2015/16 Projected Resources and Expenditures

Keith Hobson, director of Business & Facilities, provided an overview of the Projected Capital Replacements and Projected Budget FY 2015/16 sections of the budget committee's information packet.

Maintenance Operations Division Capital Replacement Forecast Summary

- Almost 15 years ago, THPRD established a priority to maintain existing facilities and equipment and to avoid deferring maintenance.

- Schedules are used to estimate replacement funding needs and track deferred replacements over the next 10 years.
- 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 2015/16 capital replacement needs include current year replacements of \$2.5 million and deferred maintenance backlog of \$5 million for a total of approximately \$7.5 million, approximately \$1 million less than last year. Projects will be prioritized due to the limited amount of funding available.
- The Maintenance Operations Department uses these schedules as a guide, and staff assesses the physical condition of assets to identify actual priority replacement items which typically results in a decreased backlog balance.
- Safety items are addressed in a timely manner, and none of the backlog items are a safety concern.

Maintenance Operations Division Replacement Funding Analysis

- Most of the Major Assets backlog is deferred due to condition of assets such as the deferral of the HMT Complex field 2 synthetic turf. The backlog increased slightly due to a bubble of fairly expensive items coming due over the last few years.
- The Routine Assets replacement end-of-year backlog is estimated at \$3.7 million which is an increase of slightly over \$200,000 from the prior year, but well below the peak backlog amount of over \$6.5 million.
- Over the next few years, staff anticipate lower major item replacement requirements with a couple exceptions (Fanno Creek Service Center roof replacement and Portland Community College Rock Creek synthetic turf replacement). Replacement funding is projected to be healthy next year and will help manage next year's replacement obligation.

Sinking Fund

Keith referenced the Major Asset Replacement Sinking Fund handout, a copy of which was entered into the record. Based on the recent work with cost recovery and service and financial sustainability, one of the recommendations is to change the way capital replacements are funded. It would move from the current practice of identifying the asset to be replaced and finding funds to pay for it, to setting aside funds over the life of the asset and having the funds readily available at the time of replacement.

Keith described the three phases to calculate the unfunded accumulated amount and the annual contribution required:

1. Major capital replacements
2. Routine replacements
3. Entire facility replacements

Keith noted that the handout distributed at the meeting represents the first phase, calculating for major capital replacements. He explained that there is a cumulative unfunded reserve amount of less than \$8 million, plus an additional need of \$650,000 for FY 2015/16. He noted that this amount is different than the replacement amount mentioned earlier because the previous amount measured only the current replacement cost of assets that had already reached the end of their useful life. The new calculation takes into account that amount plus a prorated portion of a future estimated replacement cost and adjusts for inflation.

Keith explained that as the replacement reserve is fully funded, it would provide the source of replacement funding instead of the current way of finding funds in each year's budget. Staff will

complete the calculations for the remaining two phases, but Keith noted that it will be a long-term process to convert to this method of funding replacements.

Stephen inquired if there is a commitment to begin funding the sinking fund.

- ✓ Keith replied that the budget committee will see a proposal for major capital replacements in the proposed budget. He explained that a sinking fund would not be a financial liability, but rather a practice to build a reserve with funding realized through cost recovery.
- ✓ Doug replied that there is no specific commitment; however, the board of directors has discussed how to fund capital replacements over the last few years.

Susan asked why the line item, Slurry Seal Parking Lots & Pathways, is zero.

- ✓ Jon Campbell, superintendent of Maintenance Operations, replied it is accounted for in asphalt; the line item is redundant.

Greg asked if the sinking fund has been adopted by resolution by the board of directors. If not, he would like to see it declared as it would assist the budget committee in its charge.

- ✓ Keith replied that it has not. He explained that the recommendation for a sinking fund is included in the Service and Financial Sustainability Plan that the board approved. A timeline was not indicated, but a sinking fund is proposed to be minimally funded in FY 2015/16. Keith stated that in August 2015, when the board typically adopts the goal outcomes, the sinking fund could be a goal outcome.

Projected Budget for FY 2015/16

Keith noted that the projected budget is based on current service levels and does not include any new costs as a result from new business plans, non-discretionary increases, or new capital funding requests.

Projected Revenue Summary

- Program revenue is estimated to increase by 2.9% overall. Staff will provide more detail at the April Budget Work Session, including an assessment on cost recovery and fee adjustments.
- Future projected resources are reduced for nonrecurring items such as grants or capital carry forward.
- Taxes are projected at an overall growth of 4.4% over the current year budget. Actual projected tax revenue for FY 2014/15 is approximately 0.4% over budget resulting in an increase in the FY 2015/16 budget of 4.0% over the current year actual amount.
 - Approximately 13% of the property within THPRD has assessed value at real market value and therefore no statutory allowed assessed value growth of 3%. The net effect is a growth of 2.6%.
 - Staff are projecting some exception-based growth from new construction resulting in a 1.4% growth.
 - Staff are seeing improvement in the values of existing property and decline in convergence and estimate a slight increase for next year.
- Most other revenue categories are fairly consistent with the current year.
- The beginning fund balance is projected at \$4.2 million, \$1 million less than the current year balance of revenue and expenditures, due to a change in an accounting practice that THPRD's auditors applied to the financial statements several years ago by not recognizing summer program revenue collected each spring as revenue until actually earned during summer term. The adjustment reduced the ending fund balance for financial statements by approximately \$1 million. This would have created a major deficit

in the budget, and staff have been budgeting on a different basis of accounting (cash basis) than the financial statements (modified accrual basis). With the healthy projected ending balance from FY 2014/15, staff will recommend to make the one-time budgetary adjustment to bring it in line with the financial statement basis of accounting.

Stephen requested clarification for the line item Balance Forward from Previous Year Projects.

- ✓ Keith explained that it represents projects that were not completed in FY 2014/15 and carried forward in FY 2015/16.

Anthony requested more information for the adjustment in Sponsorships.

- ✓ Keith stated that, historically, staff have budgeted \$40,000 each year for Sponsorships. It has been adjusted for FY 2015/16 to a more realistic amount.

Susan asked if growth or fee increases is impacting Program Resources increases.

- ✓ Keith replied it is due to both participation growth and fee increases because program fees are based on instructor costs.

Projected Expenditure Summary

- The projected expenditures are based on anticipated inflationary increases. The targets were based on an estimated Consumer Price Index (CPI) growth of 2.6%.
- Personnel Services are based on approved current year positions and do not reflect any new full-time or regular part-time personnel, but does reflect currently vacant positions which will be proposed to be eliminated to improve cost recovery. The increase in Personnel Services is due to increases for cost of living adjustments, merits, health and retirement benefits, and payroll taxes.
- Materials & Services are projected to increase by 1.5%, which includes targeted increases of 2% less targeted adjustments due to one-time expenses in FY 2014/15.
- Debt Service decreased slightly compared to the prior year due to a reduction in anticipated interest rates on the Tax and Revenue Anticipation Notes.
- Capital Outlay is based on available funding, but would be targeted toward maintenance replacements since the entire replacement backlog cannot be funded.
- Although, per the board of directors' approved fiscal policy, the projected carry forward exceeds 10% of operating expenses and no increase to contingency is required, staff propose to increase the contingency due to potential legislation that could impact THPRD operations.

Shannon asked what legislative bills could impact THPRD.

- ✓ Keith replied the proposed increase to minimum wage. The increased contingency would not be able to fully cover the liability, but would provide some assistance.

Anthony asked what percentage of THPRD's part-time employees would be impacted.

- ✓ Keith replied a number of part-time program employees are below the proposed minimum wage.

Stephen inquired about the decrease in Capital Outlay.

- ✓ Keith replied that carry over projects have not yet been accounted for in the projections. Staff are trying to solve three issues by 1) addressing the funding gap, 2) creating the sinking fund, and 3) maintaining reasonable replacement funding.

Five Year Fiscal Projection

- The deferred replacements balance decreases from \$5 million in FY 2014/15 to \$3.6 million in FY 2019/20, with a slight increase in FY 2018/19 due to the Fanno Creek Service Center roof replacement. This takes into account the sinking fund at the annual minimum contribution of \$650,000.
- THPRD is in the early stages of implementing the cost recovery enhancement. Once fully implemented, funding to the sinking fund will improve and help address the remaining two phases.

Stephen asked why contingency increases from \$2.1 million in FY 2014/15 to \$2.6 million in FY 2015/16 back to \$2.1 million in FY 2016/17.

- ✓ Keith replied that future years beyond FY 2015/16 are based on the board of directors' contingency policy.

Susan asked what the cost recovery differential is for out-of-district patrons.

- ✓ Doug replied that the out-of-district fee was recently reviewed to allow flexibility to those who wish to pay an overall assessment or pay a 25% increase of in-district fees.

Anthony inquired if there has been an increase in participation with the revised out-of-district fees.

- ✓ Doug replied that the new out-of-district option was recently implemented.
- ✓ Seth replied that with the new passes, staff have noticed a 10 to 15% increase in out-of-district usage.
- ✓ Doug commented that staff continually review fee structures to maximize usage by both in and out-of-district residents.

Susan commented that her 24 Hour Fitness membership is less than THPRD's drop-in fees, but she utilizes the parks which are paid for with her property taxes. In her opinion, the taxpayers pay for the facilities and she acknowledges that out-of-district patrons use those facilities, but appreciates that a differential is included in the cost to not crowd out in-district residents. She also noted that many patrons in between THPRD and the City of Hillsboro are out-of-district and not served by a park district.

- ✓ Doug referred to Senate Bill 122 and talked about the agreements between THPRD and the cities of Beaverton and Hillsboro that outlines the respective boundaries for park and recreation services.
- ✓ Keith replied that cost recovery is addressed through cost reduction, such as staffing adjustments, as well as fee increases.

Keith concluded the presentation of the midyear budget.

Agenda Item #10 – Public Input

Earl Eagan, 9015 SW Jameson Road, Portland, noted that he has lived in the area since 1977 and commented that the population has increased by 250%. He stated that increased population should provide increased taxes. He complimented the quality of THPRD's facilities. He inquired who makes the commitments discussed this evening and whom do the commitments serve. He stated that THPRD is out-pricing services beyond the public's ability to pay.

- ✓ Doug replied that the board of directors determines THPRD's priorities. He noted that the board and staff are guided by the Service and Financial Sustainability Plan which highlights THPRD's operational strengths and weaknesses. He commented that the fitness area is challenging and has competition in the area.

Anthony noted that cost recovery is a component of what THPRD does, but noted that the district is working to keep costs low at facilities such as Elsie Stuhr Center.

- ✓ Doug replied that the discounts policy was recently reviewed, and noted that the senior discount, currently at 25%, will move toward 10% like all other discounts. Comparable agencies offer a similar discount.

Earl noted that, while the CPI is estimated at 2.6%, his Social Security only increased 1.7%. He stated that he patronizes Beaverton Swim Center and the 20-punch pass had cost \$56. The reinstated 20-punch pass will cost \$75, a 35% increase.

- ✓ Doug replied that the 20-punch has not been priced appropriately for many years.

Earl commented that the 20-punch pass has been raised in previous years, but not by 35%.

Agenda Item #11 – Set Date of Budget Committee Work Session

Stephen Pearson moved to approve the presented budget calendar. Jerry Jones Jr. seconded the motion. The vote was UNANIMOUS in favor of the presented budget calendar.

The next budget committee meeting is scheduled for 6 pm, Monday, April 20, 2015, at the Elsie Stuhr Center.

Agenda Item #12 – Adjourn

The meeting adjourned at 8:55 pm.

Recording Secretary,
Jessica Collins

Transcribed by,
Marilou Caganap