

Livermore Area Recreation and Park District

Staff Report

TO: Chair Furst and Board of Directors

FROM: Mat Fuzie, General Manager 

PREPARED BY: Jeffrey Schneider, Administrative Services Manager
Julie Dreher, Financial Analyst

DATE: June 26, 2019

SUBJECT: **Final FY19 – 20 Operating Budget**

COMMITTEE: Recommended by the Finance Committee on June 17, 2019

RECOMMENDATION: That the Board of Directors adopt Resolution No. _____, approving the District's Final FY19-20 Operating Budget.

BACKGROUND: Per the Board's approval of Resolution 2662 on June 12, 2019, the District is required to obtain Board approval of its Final Operating and CIP Budgets by June 30th unless the Board determines the need to extend the delivery of the Final Budget (which is within the requirements set forth by Public Resource Code 5788, which calls for budget finalization by August 30th).

The District conducted its annual Budget Workshop, a review of the Preliminary Operating Budget for the coming fiscal year, on June 12, 2019, and then presented the Preliminary Operating Budget to the Board at its formal meeting that evening. The Board unanimously approved the Preliminary Operating Budget with no specific guidance for follow-up items to be considered in preparing the Final Budget proposal contained herein.

Staff met with the Finance Committee on June 17, 2019 to receive its input and guidance prior to producing the budget books that are attached to this staff report. Staff identified several changes to the Operating Budget relative to what was presented in the Preliminary Operating Budget and the Finance Committee agreed that the Final Budget should reflect those changes (which are outlined below, under HIGHLIGHTS).

OVERVIEW: Staff has completed a consolidation of operating plans from the management teams of each operating unit, has quantified the financial impact of the Salary and Benefits Resolution (2664), approved by the Board at its June 12, 2019 meeting, and has incorporated guidance from the County of Alameda's Tax Analysis team in developing its current view of the District's Operating Budget for FY19-20, which staff presents to the Board for purposes of obtaining its approval. Relative to the Preliminary Operating Budget that was approved by the Board on June 12, 2019 (Resolution 2665), only a few relatively modest changes, discussed and approved by the Finance Committee on June 17, 2019, have been incorporated in the Final Budget recommendation; these changes are documented below.

ITEM NO. 5.1

Final FY19–20 Operating Budget

HIGHLIGHTS:

- The General Manager's recommended, Final Operating Budget for FY19-20 reflects the following changes, which amount to a total of \$90,654 in expense increases versus the Preliminary Budget that was approved by the Board on June 12, 2019:
 - \$71,119 expense increase: the budget for Workers' Compensation (WC) has been increased to address changes communicated to the District on June, 13, 2019. The District's experience modification factor was increased from 97% to 111% as a result of CAPRI's revised policy related to allowable, annual reductions to this factor, and manual rates, prior to the application of the modification factor, were increased versus earlier estimates for two of the four WC tiers (impacting parks and rangers, primarily).
 - \$11,449 expense increase: staff updated ACERA rates (% of salary) for a few units whose budget models still had preliminary assumptions in place;
 - \$3,086 expense increase: corrections to a few individual salary projections;
 - \$10,000 expense increase: each year the Information Technology unit purchases miscellaneous replacement/upgraded hardware and software and this had not been included in the Preliminary Operating Budget that was approved on June 12th;
 - (\$5,000) expense reduction: with the implementation of the new Payroll/HR application from Kronos, the HR team no longer has a need for the existing Taleo performance management tool, thus saving us \$5,000 in annual subscription fees.
- Contingency: while the Preliminary Operating Budget for FY19-20 reflected a contingency of \$521,733, the aforementioned revisions leaves the District with a contingency in the recommended Final Budget of \$431,079 to accommodate currently unforeseen events and, ideally, address deferred maintenance initiatives that have yet to be prioritized and/or contribute to reserves.
- Total Operating Revenues will amount to \$23,511,913, or 5% above the prior year.
 - Capital Equipment and priority deferred maintenance items: the following table lists potential Capital Equipment and deferred maintenance spending that staff has developed and intends to consider during FY19-20 as financial results, and other, currently unforeseen events, allow. At present, none of the items listed in this table are included in the Final Operating Budget proposal.

Item	Amount	Notes
Turf Terra Groomer	\$ 10,000	Replacement of Turf Terra for covered arena grounds maintenance
May Nissen Park basketball/tennis courts	\$ 75,000	All are described as HIGH RISK in the Kayuga Asset management study and were noted to be
Tex Spruill Park basketball court	\$ 15,000	repaired in 2018 and have not been done yet. These courts need at least a resurface and striping,
Jack Williams Park Tennis court	\$ 20,000	and May Nissen and Tex Spruill will likely need more work due to settling and uneven surfacing.
Bollard replacements	\$ 20,000	Assumes 40 units at \$500 each. Many bollards across the district are very old and are considered high risk; these fixtures are important to keep vehicles from driving in parks. A large number of the existing units are large, heavy steel poles located in holes and pose a risk of injury for employees, particularly those that have become stuck as they haven't been moved in a long time.
Sub-Total, Items Remaining on "wish list"	\$ 140,000	

- **Final Operating Budget - Revenue**

- a) Property Taxes, per guidance from Alameda County's Tax Analysis team, will grow by 7% and will reach \$11,073,000 for FY19-20, or 47% of the District's total revenue for the year.
- b) Parcel Taxes (per 97-1 legislation) are growing at 2% over FY18-19 as approved by the Board at its May 29, 2019 meeting, which means the annual rate per Equivalent Dwelling Unit (EDU) will grow by \$0.70 to \$35.74 for FY 2019-20. The resulting increase in revenues will bring the FY19-20 Parcel Tax revenue to \$1,587,400, or 7% of the District's total operating revenue for the year.
- c) Earned Income has been projected at the specific program level by unit management, and at \$10,851,513 (4% above FY18-19) will amount to 46% of total operating revenues for FY19-20.
 - i. Of note is the decline in revenues for Parks, which is a direct result of the elimination of the Zone 7 weed abatement contract that occurred in Q1 of FY18-19 (a drop from \$135k in FY17-18 to \$52k in FY18-19 to \$0 in FY19-20).

Operating Revenue Trend	FY17-18 Actual	FY18-19 Midyear Budget	FY19-20 Prelim	% change vs FY18-19
Property and Parcel Taxes	\$ 11,387,562	\$ 11,929,432	\$ 12,660,400	6.1%
Marketing	22,954	22,180	23,575	6.3%
Community Services	6,454,627	6,635,998	6,949,561	4.7%
Recreation	2,648,269	2,710,273	2,858,362	5.5%
Parks	1,113,179	1,067,736	1,020,015	(4.5%)
Sub-total, Programs	\$ 10,239,029	\$ 10,436,187	\$ 10,851,513	4.0%
District Total	\$ 21,626,591	\$ 22,365,619	\$ 23,511,913	5.1%
Percentage of Total Operating Revenues:				
Property and Parcel Taxes	53%	53%	54%	
Marketing	0%	0%	0%	
Community Services	30%	30%	30%	
Recreation	12%	12%	12%	
Parks	5%	5%	4%	
Sub-total, Programs	47%	47%	46%	
District Total	100%	100%	100%	

- SALARIES AND BENEFITS: the financial implications of the Salary and Benefit Resolution 2664, approved by the Board on June 12, 2019, are reflected here:

LARPD - Personnel Expense Components	FY 17-18 ACTUAL	FY 18-19 MIDYEAR BUDGET	\$ incr/<decr>	% growth	FY 19-20 BUDGET	\$ incr/<decr>	% growth
Full Time Salaries	\$ 4,260,359	\$ 5,758,871	1,498,512	35%	\$ 7,577,694	\$ 1,818,823	32%
Part Time Benefited Salaries	2,848,366	2,436,910	(411,456)	(14%)	1,758,276	(678,634)	(28%)
Part Time Salaries	3,136,524	2,778,946	(357,578)	(11%)	2,610,616	(168,330)	(6%)
Sub-total, Salaries	\$ 10,245,249	\$ 10,974,727	\$ 729,478	7%	\$ 11,946,586	\$ 971,859	9%
Board of Directors Stipends	25,475	27,790	2,315	9%	36,305	8,515	31%
Retirement	1,004,626	1,259,019	254,393	25%	1,821,710	562,691	45%
Employee Group Insurance	1,380,450	1,645,333	264,883	19%	1,922,014	276,681	17%
Workers Compensation	625,884	589,096	(36,788)	(6%)	487,989	(101,107)	(17%)
Medicare/FICA	514,583	549,274	34,691	7%	614,420	65,146	12%
Total Salaries & Benefits	\$ 13,796,267	\$ 15,045,239	\$ 1,248,972	9%	\$ 16,829,024	\$ 1,783,785	12%
% of Operating Revenues	64%	67%			72%		

a) **Health Benefits:** No change to the District's contributions for medical, dental, and vision/hearing coverage is proposed, as the District made significant increases to coverage levels in February 2019 while simultaneously introducing the Regular, full-time employee status that enabled 45 staff members to move to full-time benefit levels from part-time; in addition, 46 part-time benefited staff members saw their benefit contribution increased significantly, as outlined below:

- i. Medical increased from \$1,500 to \$1,600 per month for full-time staff, and from \$900 to \$1,200 per month for part-time benefited staff;
- ii. Dental increased from \$95.37 to \$100.00 per month for full-time and from \$32.91 to \$75.00 per month for part-time benefited staff;
- iii. Hearing and vision increased from \$375 per year to \$560 per year for part-time benefited staff, while the contribution for full-time staff remained at its \$750 per year level.

Note: Because health care premiums are expected to increase in February, 2020, the District will still see an increase in its contributions for many benefited staff that will amount to \$6,076 per month, as outlined in the table below:

Benefit Type	District Contribution Levels for FY19-20 (per month)	
	Full Time	Part Time
Medical	\$1,600.00	\$1,200.00
Dental	\$100.00	\$75.00

4.8%	UHC increase estimate (as of 05/19)
6.0%	Kaiser increase estimate (as of 05/19)
0.0%	Delta Dental increase estimate (as of 05/19)

Medical Costs	# of Employees	Premium		NET to LARPD		District Contribution	
		thru Jan20	Feb20+	thru Jan20	Feb20+	Incr per Month as of Feb20	TTL Contr for FY19-20
Kaiser PT EEEOnly	49	\$728.02	\$771.70	\$728.02	\$771.70	\$2,140	\$438,779
Kaiser PT EE+1	3	\$1,456.04	\$1,543.41	\$1,200.00	\$1,200.00	\$0	\$43,200
Kaiser PT Family	2	\$2,060.31	\$2,183.92	\$1,200.00	\$1,200.00	\$0	\$28,800
United PT EEEOnly	3	\$1,047.17	\$1,097.44	\$1,047.17	\$1,097.44	\$151	\$38,452
Kaiser FT Family	18	\$2,060.31	\$2,183.92	\$1,600.00	\$1,600.00	\$0	\$345,600
Kaiser FT EE+1	32	\$1,456.04	\$1,543.41	\$1,456.04	\$1,543.41	\$2,796	\$573,099
Kaiser FT EEEOnly	10	\$728.02	\$771.70	\$728.02	\$771.70	\$437	\$89,547
United FT EE+1	1	\$2,094.24	\$2,194.76	\$1,600.00	\$1,600.00	\$0	\$19,200
United FT EEEOnly	11	\$1,047.17	\$1,097.44	\$1,047.17	\$1,097.44	\$553	\$140,991
Waived	19	\$0.00	\$0.00	\$0.00	\$0.00	0	\$0
Totals	148					\$6,076	\$1,717,667

Dental Costs	# of Employees	TOTAL PREMIUM		NET TO LARPD		District Contribution	
		thru Jan20	Feb20+	thru Jan20	Feb20+	Incr per Month as of Feb20	TTL Contr for FY19-20
Delta HMO PT EEEOnly	1	\$30.03	\$30.03	\$30.03	\$30.03	\$0	\$360
Delta PPO PT EEEOnly	23	\$42.77	\$42.77	\$42.77	\$42.77	\$0	\$11,805
Delta PPO PT EE+1	11	\$81.12	\$81.12	\$75.00	\$75.00	\$0	\$9,900
Delta PPO PT Family	1	\$123.89	\$123.89	\$75.00	\$75.00	\$0	\$900
Delta PPO FT EEEOnly	32	\$42.77	\$42.77	\$42.77	\$42.77	\$0	\$16,424
Delta PPO FT EE+1	32	\$81.10	\$81.10	\$81.10	\$81.10	\$0	\$31,142
Delta PPO FT Family	28	\$123.87	\$123.87	\$100.00	\$100.00	\$0	\$33,600
Waived	20	\$0.00	\$0.00	\$0.00	\$0.00	\$0	\$0
Totals	148					\$0	\$104,130

b. Retirement Benefits:

- i. No change to the District's 2% contribution to the 457 plan (deferred income) for Regular (full-time but non-pensioned) staff
- ii. No change is proposed to the District's 457 match, which is up to 4% of employee salaries and available to all Part-Time Benefited and Regular employees.
- iii. For FY19-20, the District will contribute \$167,000 toward the retirement plans of Regular and Part-time Benefited staff, which is up \$89,000 from FY18-19 (when we will spend \$78,000 for the 6 months in which the plan has been in place).
- iv. ACERA contributions for Pensioned Staff will grow significantly due to the onset of increased contribution rates driven largely by the District's diminishing active payroll in its legacy Tier 1 plan (all new employees participate in the Tier 4 plan unless they participated in a reciprocal plan from another employer prior to arriving at the District – in which case they can elect to join Tier 3).

- v. The total ACERA contribution for FY19-20 will be \$1,654,710, up \$473,691 (40%) from FY18-19 due to the aforementioned rate increases (see table below) and planned salary increases for pensioned staff.

ACERA RATES			
Tier	Current # of Employees	Sept18-Aug19	Sept19+
1	8	28.32%	33.62%
3	21	29.77%	38.41%
4	25	23.12%	32.14%
Total	54		

c. Salaries:

- i. The Budget reflects the District's changes to its Salary Schedule structure (details are included in the June 12, 2019 Salary and Benefit Resolution 2664):
 - 1. Creation of uniform step sizes (5% for all job classifications);
 - 2. Move to a consistent number of steps (5) for each job classification;
 - 3. Introduction of "Salary Ranges", a pure mathematical exercise, to which we've mapped all existing job classifications. Each range is 2.5% above the preceding range.
- ii. A Cost of Living Adjustment (COLA) of 2.5% for all classification ranges, effective July 1, 2019;
- iii. Establishing a Minimum Wage of \$14.00, which will be in place for all staff by January 1, 2020 and which exceeds California's required minimum of \$13.00.

• Revisions to accounting for specific roles and related expenses:

- a. All staff who are involved in facility maintenance-related activities, and their associated expenses, are now included in the Facilities Maintenance unit (05) in the Parks, Maintenance, and Open Space department. Heretofore, the District has reported its spending in multiple units (Aquatics, ESS, and Facilities Maintenance). By consolidating reporting into one unit, the District will be more consistent in its reporting for all units who benefit from the Facilities Maintenance team's efforts, and will have a clear view of all Facilities Maintenance spending. When we do cost accounting analyses, we'll be able to use data from sources beyond the general ledger (e.g., Kronos, eMaint) to allocate costs to the units who utilize these services.
- b. The recently completed shift of responsibilities in the Recreation Department following the retirement of one of its supervisors has led to a re-allocation of specific revenue streams and related costs in Recreation. Challenges in restating prior period results have not allowed staff to prepare a clean year-over-year comparison for the units that are impacted, but anomalies in the financial trends can be explained in qualitative terms. At the Recreation department level, comparisons remain unadulterated.
- c. Staff have ceased allocations between units of specific supervisory and management salary and benefits expense in Community Services, Administrative Services / IT, and Parks, which will modestly impact year-over-year comparisons at the unit level in these departments.

Attachments:

- A. 2019-2020 Final Operating Budget (Book)