



Paradise Recreation & Park District

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NOTICE OF BOARD OF DIRECTORS COMMITTEE MEETING

Committee: Finance Committee (*Rodowick/McGreehan*)
Date: Thursday, March 11, 2021
Time: 2:00 p.m.
Location: Via Teleconference

Special Notice:

Pursuant to California Governor Gavin Newsom's Executive Order N-29-20 issued on March 17, 2020, relating to the convening of public meetings in response to the COVID-19 pandemic, the Paradise Recreation and Park District will be closing the Committee Meeting to members of the public and non-essential District staff.

The public may listen to this meeting via computer or telephone. The public may submit comments prior to the meeting via email to ccampbell@paradiseprpd.com before 1:00 p.m. on the day of the meeting and they will be read into the record.

Please use the link to join the webinar: Join Zoom Meeting
<https://us02web.zoom.us/j/89394583808?pwd=VHZvSkVaSzI1SVBmR291NllxVHc3dz09>

Or via Telephone: Dial by your location: +1 669 900 9128 US (San Jose) (or) +1 346 248 7799 US (Houston)
Meeting ID: 893 9458 3808 Password: 948710

AGENDA:

The Committee will meet to:

1. Review 1) Reserve Resolution and Policy and 2) Potential investment Portfolio for Board consideration
2. Review 2021-2022 Draft Budget (oral report)
3. Next Meeting: Thursday, April 8, 2021 at 2:00 p.m.

https://paradiseprpd.sharepoint.com/sites/BODMeeting/Shared Documents/_Committee.Finance/2021/_FC_2021_0311/FC.21.0311_Agenda.docx



DATE: 9/11/2020
TO: PRPD Board of Directors
FROM: Kristi Sweeney, Assistant District Manager
SUBJECT: Finance Committee (Rodowick/McGreehan)
September 10, 2020 at 2:00 p.m.

Attendance: Committee Members: Al McGreehan, Chairperson; and Steve Rodowick, Member
Staff Members: Dan Efseaff, District Manager; Kristi Sweeney, Assistant District Manager; and Catherine Merrifield, District Accountant

The Committee was called to order 2:02 p.m.

The Committee will meet to:

1. Review Reserve Policy for Board consideration.

Staff presented a draft Reserves Policy to the Finance Committee and asked for guidance on categories and amounts of reserve allocations. The Committee members concurred with staff that the policy is important to providing the public with greater transparency into District finances and funding goals. Committee members asked staff to include descriptions of the funding categories and provide suggestions for allocation amounts then bring back to the Finance Committee for further consideration and guidance.

2. Review potential resolution and allocation of investment strategies to maintain District services.

Staff presented the Town of Paradise resolution on investment strategies and suggested using the resolution as a template for the District. The Committee made suggestions for revisions on language to staff. Staff presented several scenarios for investment allocation percentages based on financial forecasting and modeling. The Committee suggested adding language to revisit and possibly update the resolution every five years and bring the resolution back to the Committee with the Strategic Plan.

The Committee adjourned at 3:20 p.m..

https://paradisepprd.sharepoint.com/sites/BODMeeting/Shared Documents/_Committee.Finance/FC.20.0910/Finance.Committee.Report_2020.0910.docx
11/23/2020

Staff Report

November 12, 2020



DATE: 11/12/2020
TO: PRPD Board of Directors
FROM: Catherine Merrifield, District Accountant
SUBJECT: Finance Committee (Rodowick / McGreehan)
November 12, 2020 at 4:30 p.m.

Attendance: Committee Members: Al McGreehan, Chairperson; and Steve Rodowick, Member
Staff Members: Dan Efseaff, District Manager, Kristi Sweeney Assistant District Manager, and Catherine Merrifield, District Accountant
Guest: Rick Wood, CSDA Consultant

The Committee was called to order 4:34 p.m.

The Committee will meet to review and discuss the Renewal of the agreement with California Special District Association (CSDA)

Committee members asked a few questions and reviewed details of the agreement. Minor changes were suggested and implemented to the agreement. Committee members concurred that the agreement should be presented to the full board at the November 12th meeting and asked that Rick Wood be on call if there were any questions from the other board members.

The meeting was adjourned at 4.48 p.m.

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11/23/2020



DATE: 9/2/2020
TO: Finance Committee
FROM: Catherine Merrifield, District Accountant
SUBJECT: Reserve Policy

Report in Brief

On February 12, 2020 the Board approved the District's Investment policy. Staff have now prepared a draft Reserve Policy for review with the Finance Committee. The policy will need to be refined.

In 2000 the Little Hoover Commission created a report entitled "*Special Districts: Relics of the Past or Resources for the Future?*" the report claimed,

"Hundreds of independent special districts have banked multi-million-dollar reserves that are not well publicized and often not considered in regional or statewide infrastructure planning"

Because of this Commission report, media began reporting on special districts and led to legislative hearings and grand jury investigations into the way special districts handled their reserves.

Investment and reserve policies in special districts have become a necessity. Attached (**Attachment A**) is a draft of the reserve policy staff would like to implement. By creating this reserve policy, the District will increase transparency with patrons and local government agencies and ensure greater compliance with Governmental Accounting Standards Board Statement No. 54. The policy must set guidelines for saving, using, and reporting funds.

Recommendation: *Review and provide recommendations to staff and the full BOD*

Attachments:

- A. Draft Reserve Policy

https://paradiseprpd.sharepoint.com/sites/BODMeeting/Shared Documents/_Committee.Finance/FC.20.0910/2020.0903.Draft.Reserve.Policy.Staff.Report.docx
3/9/2021



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Note: Discussion related to Reserve Policy
RESOLUTION 21-xx-x-xxx

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE PARADISE
RECREATION AND PARK DISTRICT ON INVESTMENT FUNDS PLANNING FOR
FUTURE FINANCIAL SUSTAINABILITY**

WHEREAS, the Board of Directors of the Paradise Recreation and Park District [District] acknowledges the Camp Fire of November 2018 drastically impacted the District's long-term financial stability and its ability to maintain essential public services; and

WHEREAS, the District will be in a state of recovery for an indefinite time period working towards regaining fiscal sustainability while maintaining operations that provide essential services and disaster recovery management in our District; and

WHEREAS, Pacific Gas and Electric Company (PG&E) has been determined responsible for the Camp Fire for which the District will receive a settlement of \$_____ million during FY 2020/2021; and

WHEREAS, the Paradise Recreation and Park District has or will receive additional funds for insurance, grants, and other revenue to assist the District in Capital Projects, Recovery Efforts, and other programs; and

WHEREAS, the Board of Directors of the Paradise Recreation and Park District has stated its intent to maintain operations during the disaster recovery operations of the District; and

WHEREAS, the Board of Directors of the Paradise Recreation and Park District recognizes an indeterminable time frame not under ____ years in the disaster recovery operations of the District where recovery efforts will require the use of settlement proceeds in order to sustain the District's viability and essential services to our patrons; and

WHEREAS, the Board of Directors of the Paradise Recreation and Park District has recognized in order to maintain essential services into the future while undergoing post-Camp Fire recovery efforts the cost is represented by _____% of settlement funds to be set aside through an investment strategy that allows for the distribution of funds for normal operations on a yearly basis; and

WHEREAS, the Board of Directors of the Paradise Recreation and Park District is committed to paying its future liabilities through the use of PG&E settlement funds including _____ at ____%; _____ at ____%; _____ at ____%; _____ at ____%; and **[[[revise section to generalize investment distribution]]]**

WHEREAS, the goal of the Board of Directors of the Paradise Recreation and Park District is dedication to the District's sustainability in order to develop a vibrant and robust District for its patrons into the future; and

WHEREAS, most of the PG&E settlement funds are committed and only through proper management and prudent investment toward sustaining essential services will the District's fiscal solvency be restored.

NOW, THEREFORE BE IT RESOLVED, by the Board of Directors of the Paradise Recreation and Park District sets forth its intention to maintain District essential services with the use of PG&E settlement funds, and recognizes current long-standing liabilities and their future payment will be part of the overall investment plan for the PG&E settlement funds.

APPROVED AND ADOPTED by the Paradise Recreation and Park District Board of Directors on the _____ day of _____ 2021 by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Mary Bellefeuille, Board Chairperson

Robert Anderson, Board Secretary

Paradise Recreation & Park District Reserve Policy

[[[Note: This policy will be added to the Reserve Policy Resolution. The following reserves reflect common purposes of many Districts for cash reserves. We can add, take away, or change any of the reserve categories, numbers in blue are open for discussion. Need to rectify text with accompanying table.]]]

Purpose:

The Paradise Recreation & Park District (the District) shall maintain reserve funds from existing unrestricted funds as designated by the District's Reserve Policy. This policy establishes the procedure and level of reserve funding to achieve the following specific goals:

- a) Fund replacement and major repairs for the District's physical assets.
- b) Fund regular replacement of computer hardware and software.
- c) Fund designated conservation projects/programs or other special uses not otherwise funded by grants or requiring additional monetary support.
- d) Fund capital improvements; and
- e) Maintain minimal operational sustainability in periods of economic uncertainty.

The District shall account for reserves as recommended by Governmental Accounting Standards Board Statement No. 54, which distinguishes reserves as among these classes: non-spendable, restricted, committed, assigned and unassigned. The reserves stated by this policy, unless otherwise required by law, contract, or District policy shall be deemed "assigned" reserves.

Policy:

Use of District Reserves is limited to available "Unrestricted" Funds (not obligated by law, contract or agreement), including donations, interest earned, fees for service or other non-grant earnings. All special use funds will be designated by formal action of the Board of Directors.

CalPERS 115 Trust

- Description - A fund dedicated to the funding of estimated unfunded employer contributions to the defined benefit pension programs for eligible California public agencies. As a restricted fund, the District will fund up to 50% or 75% of the estimated liability at the beginning of the Fiscal Year to allow for fluctuation, but substantially reduce the District's liability.
- Use – Funds are restricted for CalPERS related liabilities and expenses. This will reduce District liability on our balance sheet.

Capital Improvement & Acquisition Reserve:

- Description - Capital Improvements & Acquisition Reserve will accumulate from existing unrestricted funds at a rate of [\$100,000] annually. Designated Capital Improvement Funds may be used to cover major facility improvements (construction, installation of new doors or windows, replacing doors and windows, roof replacement, HVAC replacement, alarm system installation, parking lot and outside lighting improvements, etc.). Funds for acquisitions will be utilized to purchase real estate to meet District goals for parks, facilities, and open space.

The maximum amount of Capital Improvement & Acquisition Reserves will be [\$25,000,000]. When the annual accumulation would increase the Reserve beyond the maximum, only the amount required to meet the maximum will be reserved. (Estimated Capital Improvement Projects over the

next 10 years. This may be modified with the next Parks Master Plan. Donations or grants for projects can be considered) only the amount required to reach the maximum will be reserved.

- Use - Capital Improvements & Acquisition Reserves shall be limited to costs related to making changes to repair, replace, improve, or construct capital assets, increase their useful life, or add to the value of these assets.

Current Operations Reserve:

- Description - Fund serves a contingency role for the District. Facility & Administrative Operations Reserves will accumulate from existing unrestricted funds at a rate of [\$50,000] annually. The maximum amount of Facility & Administrative Operations Reserves will be [\$15,000,000]. When the annual accumulation would increase the Reserve beyond [\$15,000,000] (equivalent of three years of Operations Reserves), only the amount required to reach the maximum will be reserved.
- Use - Operational Reserves shall be accrued to ensure five years of minimal facility and administrative functions, at a rate of \$50,000. Reserve funds shall be utilized to support:
 1. Administrative operational functions, including minimal staffing levels and administrative/office expenses;
 2. facility operations;
 3. facility repairs (distinguished from Capital Improvements and may include painting, caulking of seams, roof repairs, HVAC repairs, patching of walls, etc.).

Designated Project/Special Use/Grant Matching Reserve:

- Description - Designated Project/Special Use/Grant Matching Reserves will accumulate from existing unrestricted funds at a rate of [\$5,000] annually. The maximum amount of Designated Project/Special Use Reserve will be [\$50,000]. When the annual accumulation would increase the Reserve beyond [\$50,000], (Approximate estimate for 2021 unmet needs for matches.) only the amount required to reach the maximum will be reserved.
- Use - Projects, programs or special uses will be identified by the General Manager and/or the Board of Directors and approved by the Board. Uses must further the mission of the District and will be evaluated for designation according to value to the District and the people it serves.

Future Operations Reserve:

- Description - Facility & Administrative Operations Reserves will accumulate from existing unrestricted funds at a rate of [\$50,000] annually. The maximum amount of Facility & Administrative Operations Reserves will be [\$15,000,000]. When the annual accumulation would increase the Reserve beyond [\$15,000,000] (This will be dynamic, but the fund is established as equivalent to 30% of the current operating budget for 15 years.), only the amount required to reach the maximum will be reserved.
- Use - Operational Reserves shall be accrued to ensure five years of minimal facility and administrative functions, at a rate of \$50,000. Reserve funds shall be utilized to support:
 1. Administrative operational functions, including minimal staffing levels and administrative/office expenses;
 2. facility operations;
 3. facility repairs (distinguished from Capital Improvements and may include painting, caulking of seams, roof repairs, HVAC repairs, patching of walls, etc.).

Technology Reserve:

- Description - Technology Reserves will accumulate from existing unrestricted funds at a rate of [\$5,000] annually. The maximum amount of Technology Reserves will be [\$100,000]. When the

annual accumulation would increase the Reserve beyond [\$100,000], (Approximately three quarters of the current value of technology assets.) only the amount required to reach the maximum will be reserved.

- Use - Technology Reserves will be used to purchase hardware and software in support of District operations, with the intent of maintaining a modern technology for employees.

Vehicle Fleet & Equipment Reserve:

- Description - Vehicle Fleet & Equipment Reserves will accumulate from existing unrestricted funds, at a rate of [25,000] annually. The maximum amount of Vehicle Fleet Reserves will be [750,000]. When the annual accumulation would increase the Reserve beyond [750,000], (Based on current value of vehicle & equipment as well as allowing for future purchases.) only the amount required to reach the maximum will be reserved.
- Use - Vehicle Fleet Reserves will be used exclusively for the purchase of new vehicles to support District operations, or to make major repairs to existing vehicles.

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Total All Reserve Funds:

The total amount of Reserves designated annually from all funds shall be [\$185,000] with a cumulative accrual cap of [\$38,000,000].

Monitoring Reserve Levels:

The District Manager, in collaboration with the District Accountant, shall perform a reserve status analysis annually, to be provided to the Board of Directors' annual deliberation/approval of Budget and Reserve Funds.

Additional information may be provided to the Board of Directors upon the occurrence of the following events:

- a) When a major change in conditions changes the reserve, reserve levels, or requires revision of this policy;
- b) Upon District Manager and/or Board request.

Revised 11-20-20

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**Paradise Recreation and Park District
Reserve Scenario**

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2021 Initial Amount

\$38,065,000

| Proposed Reserve | Description | Rationale for fund amount | Initial Investment | Distribution (%) | Estimated Annual Contribution | Maximum Reserve | Distribution (%)(2) | Rules |
|--|--|---|---------------------|------------------|-------------------------------|----------------------|---------------------|---|
| CaPERS 115 Trust | A fund dedicated to the funding of estimated unfunded employer contributions to the defined benefit pension programs for eligible California public agencies. | To fund 50 or 75 % of unfunded CaPERS obligation. | \$150,000 | 0.4% | \$30,000 | \$500,000 | 1.0% | Maximum amount of CaPERS obligation will be assessed as a fraction of the total estimated amount of the beginning of each Fiscal Year. The maximum may need to be re-set in the future. Only the amount required to reach the projected amount will be reserved. |
| Capital Improvement & Acquisition Reserve: | Designated Capital Improvement Funds may be used to cover damaged facilities, major facility improvements or replacement, new construction and improvements, and the acquisition of property to meet District goals. | Estimated Capital Projects over the next 15 years. This may be modified with the next Parks Master Plan. | \$17,065,000 | 44.5% | \$100,000 | \$25,000,000 | 49.9% | When the annual accumulation would increase the Reserve beyond the maximum, only the amount required to reach the maximum will be reserved. Changes to the projected needs for long-term operations will receive precedence over this fund. |
| Current Operations Reserve: | Fund serves a contingency role for unanticipated expenses for Operations not provided under the annual budget. | Equivalent to approximately three years of operating expenses. | \$7,500,000 | 19.6% | \$50,000 | \$8,000,000 | 16.0% | When the annual accumulation would increase the Reserve beyond the maximum, only the amount required to reach the maximum will be reserved. |
| Designated Project/Special Use/Grant Matching Reserve: | Fund designated for conservation projects, programs, or other special uses not otherwise funded by grants or requiring additional monetary support for matches. | Approximate estimate for 2021 unmet needs for matches. | \$750,000 | 2.0% | \$50,000 | \$750,000 | 1.5% | When the annual accumulation would increase the Reserve beyond the maximum, only the amount required to reach the maximum will be reserved. |
| Future Operations Reserve: | Fund serves as a backfill for tax and program revenue lost from the Camp Fire and other major disruptions for possibly the next 20 years. Fund also serves as a long term contingency fund and the drawdown and maximum reserve should be evaluated on a regular (5 year) basis. | Fund needs (and inflation) will be dynamic and not likely linear, but initial fund needs are established as equivalent to 30% of the current operating budget for 20 years. | \$12,000,000 | 31.3% | \$100,000 | \$15,000,000 | 29.9% | The fund needs will be evaluated on a 5 year cycle. We anticipate that this fund may be in a drawdown mode over the next few years. When the annual accumulation would increase the Reserve beyond the maximum, only the amount required to reach the maximum will be reserved. |
| Technology Reserve: | Fund regular replacement and new investment of computer hardware and software, audiovisual equipment, phones, and other technology services to benefit District facilities and operations. | Approximately three quarters of the current value of technology assets. | \$100,000 | 0.3% | \$5,000 | \$100,000 | 0.2% | When the annual accumulation would increase the Reserve beyond the maximum, only the amount required to reach the maximum will be reserved. |
| Vehicle Fleet & Equipment Reserve: | Fund replacement, major repairs, and New Vehicle investment for Fleet and Equipment. | Based on current value of vehicle & equipment as well as allowing for future purchases. | \$750,000 | 2.0% | \$75,000 | \$750,000 | 1.5% | When the annual accumulation would increase the Reserve beyond the maximum, only the amount required to reach the maximum will be reserved. |
| Total | | | \$38,315,000 | 100.0% | \$410,000 | \$50,100,000 | 100.0% | |
| Difference | | | -\$250,000 | | | -\$12,035,000 | | |

PG&E Settlement Fund Allocation Comparison

| TOP Categories | PRPD Categories | TOP Allocation | PRPD |
|--|--|----------------|-------------|
| Investments for operations | | 67% | |
| | Current Operations Reserve: | | 19.6% |
| | Future Operations Reserve: | | 31.3% |
| | Technology Reserve: | | 0.3% |
| Unfunded Liability/Pension | CalPERS 115 Trust | 19% | 0.4% |
| Hazard Mitigation Grant Match | | 3% | |
| | Designated Project/Special Use/Grant Matching Reserve: | | 2.0% |
| Maintenance and Equipment Replacement | Vehicle Fleet & Equipment Reserve: | 4% | 2.0% |
| FEMA and Insurance Ineligible Expenses | | 1% | |
| Cash Flow and Contingency Reserves | Capital Improvement & Acquisition Reserve: | 3% | 44.5% |
| Priorities | | 3% | |
| Total | | 100% | 100% |

TOP: 67% of the settlement funds to be set aside through an investment strategy that allows for distribution of funds for normal operations on a yearly basis'