

**WORK SESSION TOPIC: 2014 BUDGETS**

**CALL TO ORDER:** A quorum being present, the work session was called to order at 7:00 pm by Chair Swolgaard.

**BOARD MEMBERS PRESENT:** Lee Cross, Ken DeWitt, Jay Kinney, Kirk Robinson, Tom Swolgaard.

Executive Director Lande began the discussion of the Park District's 2014 budgets saying staff presented some initial ideas on the budget at the September 5 board meeting. Since then, staff has reviewed a number of factors resulting from the impact of approximately \$300,000 in tax revenue loss over the past three years, and realized the ideas presented at that meeting are not realistic. This work session will present 2014 budgets that include changes staff has made since that initial meeting in September.

Executive Director Lande said this is an interesting time to prepare a budget because it is not clear what direction the economy is going. Signs of economic recovery are showing, and in 2014 the County Assessor's Office is indicating an increase of approximately \$4000 in tax revenue for the Park District as opposed to the losses in recent years.

Despite this, the accumulated \$300,000 loss in tax revenues (which was offset in part by District reserves) will have to be carried by the District until it can be recovered in coming years. Because the District's 2013 basic operating budget was built using reserve and 2012 surplus funds to offset the tax revenue loss, funds will be needed each year from District reserves to cover basic operating costs until the \$300,000 in lost tax revenue has been recovered.

Assuming the economy continues to improve and assessed property values continue to go up, the increase in subsequent tax revenues would chip away at the amount the District is carrying from previous years in lost tax revenue. How quickly it will be reduced will depend on how quickly the economy recovers.

Executive Director Lande said another method the District uses to save funds that will also chip away at the lost tax revenue is its approach to when a position opens up. When an employee leaves the District, staff evaluates whether that job needs to be refilled, and whether structural changes can be made to result in not only savings to the District but a more efficiently run organization.

As presented by Finance Officer Amy Swenson, at the beginning of 2014, the District's reserve fund is estimated to be \$2,272,000. Of this amount \$1,106,577 must be set aside in accordance with District policy and management practices. After this amount has been set aside, the District's available reserves are \$1,165,423. If the economy does not turn around and District operations require \$300,000 from reserves each year to meet basic operating expenses, the District's entire reserve fund would be depleted by 2018. Executive Director Lande said this will not happen because well before then the District would begin making the necessary adjustments to reduce costs or increase other revenues to prevent this.

Given that the future cannot be predicted and it is not clear which direction the economy will go, Terry Lande said staff has already begun to make adjustments. Since the September 5 board meeting, staff has gone back to the items presented that evening and made substantial cuts to what they were initially proposing for the 2014 budget. These include among other items: reducing cost of living increases from up to 3% to 1.5%; reducing medical insurance cost increases by over \$10,000; reducing funds for new equipment and vehicles from \$70,000 to \$20,000; eliminating the administrative building renovation for savings of up to \$250,000, eliminating yurts at Fay Bainbridge Park saving \$50,000; reducing the amount to explore a preliminary bond measure from \$100,000 to \$15,000.

With these proposed changes, the additional amount needed from reserves in 2014 has been reduced substantially from what was proposed at the September 5 board meeting to \$60,434. When this amount is added to the \$234,784 drawn from reserves in 2013, the total cumulative amount needed from reserves in 2014 will be \$295,219.

Finance Officer Amy Swenson said she just heard today from the District's insurance broker that the 7.5% medical insurance increase included in this evening's presentation has been successfully negotiated down to a 5% increase; this results in more cost savings.

In regards to a possible bond measure, Executive Director Lande said there are three options. At this time, he is not clear which one he would advise the District to pursue. The three options are: 1) Bond for a community recreation center; 2) Bond for land acquisition; 3) Special levy for capital improvements. He said before pursuing a community recreation center, an evaluation of costs is needed to make sure the District would have sufficient funds to operate it given the mandated limits on tax revenue increases. A one-time special levy for capital improvement projects would free up the funds designated in the General Fund for capital improvements and allow the District to do projects it currently cannot afford to do. He said the first step in determining how to proceed is to do a survey of the community to see which of the three options island residents would most prefer. Board comments regarding this were related to: whether \$15,000 would be enough to do the survey; timing a new bond measure so that it corresponds to the pay-off of a current bond measure. It was suggested that \$15,000 be left in the budget as a placeholder and that discussions on a possible future bond measure be scheduled as an agenda item for November or December.

Also discussed was a reduction in the \$200,000 amount that is transferred each year from the General Fund to the Capital Improvement Fund for capital improvement projects. In 2014, staff is proposing that this amount be reduced by \$55,000 to \$145,000. This will keep \$55,000 in the General Fund for the following two items that are more appropriately paid out of the General Fund: 1) on-going maintenance for the Aquatics Center; 2) A Park Services staff position assigned to capital improvement projects that has been paid in part from the Capital Improvement Fund and in part from the General Fund.

Executive Director Lande said other possible savings to the General Fund budget is cutting \$30,000 in additional storm water management fees that have been budgeted for 2014. For many years, the District has been setting aside funds each year to have money available to pay storm water management fees once it has been determined by the City how much the District owes if anything. The Park District has approached the City often over the years requesting that for a number of reasons these fees be either waived or reduced. The District currently has an ample amount set aside, and to add more funds to these savings in 2014 precludes their use in other areas of District operations.

Finance Director Amy Swenson reviewed the 2014 budgets line by line with the Board and responded to any questions they had.

Executive Terry Lande said the work done by the Board and staff these past years is impressive. The District has come through a significant downturn in the economy with a solid reserve fund, and without having had to lay off staff or freeze wages. He commended everyone for their hard work and commitment to the agency.

Commissioner Kinney brought the discussion back to the question of cost of living increases for staff. While he appreciates the staff recommendation of 1.5% (based on the 1.4% CPI rate) he said the District is still catching up from prior years when no cost of living increases were given. It was noted that while for the first time in many years staff was given a COLA last year (3%), this was not enough to catch staff up from the previous years when no cost of living increases were given. The following was also noted: the CPI rate does not include housing and gas; the 3% cost of living increase last year went to pay for an increase in federal payroll taxes and staff saw little change to their take home wages. Commissioner Kinney recommended a 2.0% COLA in 2014 saying the increase of half a percent over

what staff was proposing would result in a additional increase of \$12,000 to the budget that would be offset in part by the decrease in medical insurance costs. He said staff works really hard and he is impressed with how far staff is able to stretch a buck. He recommended catching up staff in 2014 with a 2.0% COLA and going lower next year as needed. Commissioner Robinson opted to accept the staff's recommendation of a 1.5% COLA. He said the Park District is very fortunate not to have been affected like other agencies during the economic downturn. He said the prudence of everyone has helped keep the District from being in this position. Commissioner DeWitt agreed with Commissioner Robinson to a 1.5% COLA. Commissioners Swolgaard and Cross, while expressing initial reservations due to the uncertainty of the economic forecast, agreed with Commissioner Kinney on a 2.0% COLA for staff. The Board directed staff to put a 2.0% COLA increase in the 2014 budget.

Commissioner DeWitt expressed concern over how far back the additional funds for new equipment and vehicles had been cut. Staff noted there is still \$40,000 in the budget for vehicle replacement, and that the District has a very good mechanic. The Board will address this more during the first reading at the next board meeting.

Finance Officer Amy Swenson will incorporate into the 2014 budget the Board's input from this work session for presentation at the first reading during the October 17 board meeting.

Executive Director Lande commended staff for their hard work preparing this budget, and gave special thanks to Finance Officer Amy Swenson for her tremendous effort. The Board also expressed their appreciation to staff.

**WORK SESSION ADJOURNED TO REGULAR SESSION FOR AN EXECUTIVE SESSION** at 8:40 pm.

Elizabeth R. Shepherd  
Terry M. Lande  
BAINBRIDGE ISLAND METROPOLITAN  
PARK & RECREATION DISTRICT

BY: Lee Cross  
~~Kirk B. Robinson~~ Lee Cross

BY: Kenneth R. DeWitt  
Kenneth R. DeWitt

BY: John Thomas Swolgaard  
John Thomas Swolgaard

BY: Jay Kinney  
Jay Kinney

JCK

ATTEST: \_\_\_\_\_

~~Lee Cross~~  
Kirk Robinson  
JCK