

**EAST BAY REGIONAL PARK DISTRICT  
PARK ADVISORY COMMITTEE  
AGENDA STAFF REPORT**

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<b>DATE</b>	September 23, 2024
<b>TITLE</b>	Informational Update on the 2025 Budget Process
<b>DIVISION</b>	Finance and Management Services
<b>FROM</b>	Deborah Spaulding, Assistant General Manager of Finance & Management Services / CFO
<b>APPROVED</b>	Sabrina Landreth, General Manager

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**RECOMMENDATION**

This report is informational, providing context for the 2025 budget process which is currently underway. A full report on the 2025 Proposed Budget will be received by the Park Advisory Committee (PAC) at its meeting on November 25<sup>th</sup>.

**BACKGROUND**

The Park District’s budget serves as a cornerstone for all its operations. It is a critical tool for setting public policy, managing resources, and executing operational strategies. As with all local governments, the budget reflects the decisions, programs, and activities that will be undertaken in the coming year. However, one key difference between the Park District and the majority of local governments is that the Park District has a calendar year budget cycle (January 1 through December 31), rather than a fiscal year budget cycle (July 1 through June 30), as is more typical.

The Park District ensures that its resources are aligned with community needs and the Board’s priorities in several ways. The bullets below provide an outline of the structural components that are incorporated into the annual budget development process:

- **Board Study Sessions:** These sessions are held primarily in the first half of the year, and are an opportunity for the Board to discuss District priorities, capital finance, land acquisitions, and trail projects. These meetings are open to the public. The Board of Directors and staff use these sessions to discuss and find alignment on strategic budgeting goals as well as the 5-year Capital Improvement Plan.
- **Public Engagement:** In addition to the Board Study Sessions, the Park District maintains transparency and seeks public input through its regular board meetings, which are held on the first and third Tuesday of each month. Additionally, public comments are invited during Finance, Operations, and Legislative sub-committee meetings which are held monthly. Lastly, monthly PAC meetings provide another source of input from critical constituencies and park users.
- **Base Budgeting:** The Park District uses the “base budgeting” approach, where initial allocations mirror the previous year’s budget, with adjustments to remove one-time budgetary additions from the prior year, as well as budget increases for pre-approved salary and benefit changes, and any other updates in personnel costs that have occurred during the year.

- **Revenue Analysis:** The Park District receives approximately 90% of its General Fund revenue from property taxes. However, because the Park District's budget is on a calendar-year cycle, while Alameda and Contra Costa Counties calculate assessed property values on a fiscal-year basis, the Park District must forecast what property tax revenues will be for the latter half of the year. To aid in accurate forecasting, the Park District contracts with a firm called Beacon Economics, that provides a five-year forecast of anticipated changes in property assessed values (AV) for these counties. This independent forecast supports staff in estimating future property tax revenues for inclusion in the upcoming year's budget.
- **New Expenditure Planning:** During the month of August and September, budget requests are submitted by each Division. These budget requests are based on the needs expressed by field staff, the Division's work plan for the coming year, as well as the priorities that have been articulated by the Board of Directors. These budget requests are reviewed and prioritized by the General Manager with input from the Executive Team. The proposed budget is then presented to the Finance Committee and the Park Advisory Committee for review and approval to the full Board of Directors. This iterative process helps ensure that the budget aligns with both immediate needs and long-term strategic goals.

The list below provides a preview of the upcoming key dates for the 2025 Budget:

- October 4<sup>th</sup> - Board Study Session for Capital Projects.
- October- Budget recommendations determined by the General Manager
- November– Proposed Budget is drafted by the Finance Department
- November 25<sup>th</sup>, 10:30am – The Board Finance Committee reviews the Proposed Operating, Project & Program Budget
- November 25<sup>th</sup>, 4:30pm – The Proposed budget presented to the Park Advisory Committee.
- December 3, 6pm & 17 Proposed budget is presented to the Board of Directors at a Public Hearing at the first meeting in December. The budget will be adopted by the Board of Directors at its second December Board meeting.

## ANALYSIS

The Park District's revenue and expenditure budgets are primarily shaped by expectations of property tax increases, its largest revenue source, as well as by personnel costs, which are its largest expenditure category.

On the revenue side, because Alameda and Contra Costa Counties operate on a fiscal year, the Park District has firm information regarding property tax revenues for the first half of 2025. The expected AV increase from the two counties in the first half of 2025 will be 4.5%. For the second half of 2025, the AV forecast provided by Beacon Economics presents a moderately positive economic outlook of a 4.5% increase in AV for Alameda County and a 3.5% increase for Contra Costa County, which when combined provides a growth projection of 4.1%. Beacon attributes this AV growth outlook to several factors:

- The inventory of homes for sale is gradually returning to more normal levels. Sellers are adjusting to the realization that mortgage rates are unlikely to drop significantly, leading to a 57% increase in home listings from June 2023 to June 2024.
- Investor activity has increased, driving up home prices. Investor purchases in the East Bay rose by 22% over the past year.
- Conversely, the number of residential permits issued in the first five months of 2024 was down 33% compared to the same period in 2023.

On the expenditure side, the Park District's budget will include wage increases as determined by MOUs that were approved by the Board of Directors in prior years, as well as medical benefit cost

increases that have been negotiated by CalPERS (Park District staff are enrolled in the CalPERS Health Program). On average, wage increases will be approximately 4.4% while CalPERS Kaiser medical rates will increase by 9%. The Park District will continue to implement a “vacancy rate” in its personnel budget to account for positions that are unfilled due to attrition.

In addition to the revenue and expenditure increases described above, the Park District will propose funding for capital projects and potential land acquisitions through its Project Budget. More information about the funding needs for capital projects that may be proposed for funding in the 2025 budget will be provided at the upcoming Board Study Session on October 4<sup>th</sup>.

### **FISCAL IMPACT**

The 2025 Proposed Budget will continue to be refined in the coming months, so it is too soon to predict the fiscal impact of all items that will be included in the budget. However, in addition to the salary and benefit base budget increases described in the Analysis section above, there are a few items that are certain to be included in the 2025 Proposed Budget:

- A small number of new positions related to upcoming “Pipeline” projects – i.e. those projects that have been under construction and are expected to open to the public in 2025 and / or funding for the management of parklands that have been newly acquired.
- New debt service costs related to the issuance of the 2024 Promissory Notes for the Peralta Oaks North construction project.

The Park District strives to incorporate a balanced approach to budgeting, ensuring that new base budget expenditures for staffing or other ongoing costs do not outpace increases in property tax revenues. The Park District also maintains a General Fund reserve to protect against any unexpected one-time revenue take-aways or increased costs.

### **ATTACHMENTS**

None.