Greater Vallejo Recreation District

GVRD promotes wellness and healthy lifestyles by providing safe parks and innovative and fun recreation programs for all residents.

Budget and Finance Committee Agenda

Directors: Judt and Ruiz

Wednesday, September 16, 2026

Administrative Office-Board Room, 401 Amador Street, Vallejo, CA 94590

1:00 p.m.

This committee shall work with the General Manager and other staff of the District on the annual budget(s), projections, and other financial matters. This committee shall review the General Manager and Director's expenses, annual audit, and annual financial statement before publication. The committee will ensure that investment policies and procedures are followed and that funds are invested in a prudent manner with adequate protections to prevent misuse.

1. Public Comment

   Members of the public may speak on any item within the jurisdiction of the committee. Each speaker is limited to 3 minutes and a spokesperson for an organization is limited to 5 minutes.

2. Review and Discuss Policy 3030 – General Fund Reserve Policy

3. Discuss Contracts and Payment Obligations Related to Postponed ERP Implementation

4. Discuss Finance Team Challenges

5. Meeting Adjourn

POLICY TITLE: **Budget Process and Reserve Fund**
POLICY NUMBER: **3030**

The budgeting process shall be thought out and practical, and result in a budget that supports the District's Strategic Action Plan, best serves the residents of the District and complies with state law.

The preparation of the budget is a planning process allowing for adequate participation of staff, Board members, and the public. It includes review sessions, evaluation of programs, short range and long range capital expenditure needs, and a review of the District's overall financial picture. The budget year is from July 1 to June 30.

Reserves

Based on the Greater Vallejo Recreation District's experience with unreliable revenue sources from the State, Solano County, and the City of Vallejo, and expenses arising from sudden and unforeseen circumstances, the Board of Directors desires a budget reserve to be established to assist in maintaining the financial stability of the District. The goal set by the Board of Directors is 15% of general fund revenues.

Purpose of Reserve Policy

An adequate reserve fund set aside for various legitimate purposes is essential to the successful and stable, short and long- term operation of the Greater Vallejo Recreation District.

Adequate reserves for District operations ensure that customers can experience and enjoy the services from parks and recreation. Adequate reserves and proper fiscal oversight ensure that the District will have sufficient funding available to meet its operating, capital debt obligations, as well as any unfunded mandates.

GVRD manages its operation in a manner that allows the District to provide funding for costs consistent with its annually updated multiyear plan. This allows GVRD to avoid significant deficit fluctuations due to changes in cash flow requirements. The ability of the Greater Vallejo Recreation District to maintain reserve funds is a critical factor in providing reliable service and ensuring overall financial strength.

Annually during the budget adoption process, the Greater Vallejo Recreation District Board reviews and approves the appropriate levels and uses for reserve funds based upon he needs of the district.

↑ Table of Contents

Operating Reserve Fund

The Operating Reserve will vary over time. This reserve is considered a working cash requirement. It bridges the gap between the time expenses are paid and the time tax revenues are collected.

Capital Reserve Fund

The purpose of this fund is to establish funds that are intended for projects not considered routine maintenance. The funds come from grants, other agencies or from funds that were budgeted on capital projects in prior years but unspent. This fund is spent directly on capital projects and is not held in reserve for some other purpose.

The Capital Reserve Fund is drawn down annually as planned capital expenditures amounts are made. At the end of each fiscal year, any unspent budgeted capital funds will be reallocated to this fund and may be used in the following year's capital budget.

Unrestricted Reserves

The purpose of Unrestricted Reserve also termed "General Reserve" is for unforeseen events, extraordinary expenses or a loss of revenue. This fun should maintain a minimum of 15% of our annual operating expenses.

Summary

The reserve fund policy states that designated reserves will be maintained to allow for funding of the District's operating and capital obligations, as well as funding for unforeseen events. Reserves will be established, replenished, and used only in a manner, which allows the District to fund costs consistent with the Multi Year Financial Plan and Strategic Action Plan and other Board adopted actions. The District's reserve fund policy shall be periodically reviewed and adjusted to meet the needs of the District.

Greater Vallejo Recreation District

Rules and Regulations

POLICY NUMBER/TITLE: 3030 Budget Process
Rule and Regulation: RR3030

The preparation of the budget is a planning process which includes review sessions, evaluation of programs, short range and long range capital expenditure needs, and a review of the District's overall financial picture.

Strategic Planning Meeting:

During the annual Strategic Action Plan goal session the General Manager and the Board of Directors will establish priorities and give direction for the budget preparation for the upcoming fiscal year. Prior to the meeting the General Manager shall work with staff to develop a list of key issues that may affect the budget. The process for strategic planning starts in January.

Budget Calendar:

The General Manager and Finance Department shall develop a budget calendar to outline the key dates for the completion of the budget. It will include work sessions for the staff and Board and due dates for assignments. This calendar will be prepared in January.

Outline Fiscal Circumstances:

Staff shall prepare a list of "financial circumstances" that the District faces. These shall be the assumptions under which the budget shall be prepared. This includes but is not limited to Strategic Action Plan goals and objectives, contract requirements, inflation, capital repairs and expenditures, state of the economy, anticipated cost in benefits, risk management costs, and others. This should be conducted in March.

Review of Fees:

Staff shall review all the fees that are being charged as a part of the District doing business. These include but are not limited to park reservation fees, entry fee into sports leagues, after school program, center rental fees, and community education classes. In reviewing these fees staff shall take into consideration the direct and indirect costs of providing the service or program, other agencies charges for similar programs, increased fees affect on the program, and other factors unique to the program or service. This review shall be completed in March in order to submit a new fee schedule to the Finance Committee for recommendation to the Board. The approved fees shall be used to calculate the revenue projections in the budget.

Preliminary Budget:

Develop the preliminary budget for the General Fund, and Capital Projects Fund in February. The preliminary budget as approved by the Board during review shall be adopted at its first regular meeting in April.

↑ Table of Contents

Publication

As prescribed by the Public Resource Code, "on or before July 1 of each year, the Board of Directors shall publish a notice stating all of the following:

1. That it has adopted a preliminary budget that is available for inspection at a time and place within the district specified in the notice.
2. The date, time, and place when the Board of Directors will meet to adopt the final budget and that any person may appear and be heard regarding any item in the budget or regarding the addition of other items.

The Board of Directors shall publish the notice at least two weeks before the hearing in at least one newspaper of general circulation in the District pursuant to Section 6061 of the Government Code."

Final Budget:

Publicize the date of the Public Hearing and adoption of the Final Budget. Notice must be published no later than one month prior to final budget adoption, which should occur prior to the beginning of the fiscal year, July 1st. Adoption of Annual Proceeds of Taxes and appropriation Limitation (State Constitution Article XIIIB) shall occur in August. GVRD will follow all state and local laws as timelines and budget submittals as required.

Budget Forecasts:

Staff shall complete a budget forecast that will be a best effort at estimating the final revenue and expense amounts for the current fiscal year. This shall be completed in January.

Budget Reopener:

GM may recommend a budget reopener based on revenue and expense forecasts and other financial information available to realign and adjust the budget to best reflect the anticipated needs of the district. The reopener shall comply with applicable state law.

Budget Categories:

Revenues:

- Property Taxes
- Fees
- Local Revenues
- Insurance rebates
- Rents and concessions
- Grants
- Refunds and miscellaneous

Expenditures:

- Salaries and Employee Benefits
- Utilities
- Materials and Supplies
- Operating costs
- Capital Outlay
- Reserve for Priority Allocations

Greater Vallejo Recreation District

POLICY MANUAL

POLICY TITLE: **General Fund Reserve Policy**
POLICY NUMBER: **3030**

Purpose

The Greater Vallejo Recreation District establishes this General Fund Reserve Policy to maintain adequate reserves to meet the legal, contractual, operational, cash flow, and emergency needs of the District.

General Fund Reserves

Reserves are set aside for various purposes that are essential to the successful and stable, short and long-term operation of the District.

Adequate reserves for District operations ensure that customers will have access to the parks and recreation services provided by the District. Adequate reserves and proper fiscal oversight also ensure that the District will have sufficient funding available to meet its operating, debt obligations, capital outlay as well as any unfunded mandates.

The District manages its operation in a manner that allows the District to provide funding for costs consistent with its annually updated multi-year plan. This allows the District to avoid significant deficit fluctuations due to changes in cash flow requirements. The ability of the District to maintain reserve funds is a critical factor in providing reliable service and ensuring overall financial strength.

Based on the District's experience with variable revenue sources from the State, Solano County, and the City of Vallejo, and expenses arising from sudden and unforeseen circumstances, the Board of Directors desires to establish general fund reserves to ensure the financial stability of the District. These policies will guide the District in:

- Maintaining cash and investments necessary to meet the liquidity needs of the District and ensure cash availability when revenue is unavailable
- Planning for economic uncertainties, downturns in the local or national economy, local disasters or catastrophic events;
- Maintaining good standing with credit rating agencies;
- Anticipating future debt or capital obligations;
- Deciding when to use reserves and how to replenish reserves if they have been spent.

Public Resources Code Section 5788.9 addresses the establishment of budget reserves, stipulating that:

- During its annual budget process, the Board of Directors may establish committed reserves for contingencies and capital outlay, as well as assigned reserves for designated purposes. In addition, the Board of Directors may establish a restricted reserve for any externally imposed restrictions on spending (for example any restrictions imposed by granting agencies, creditors or laws). When the Board of Directors establishes committed reserves, it shall declare the exclusive purposes for which the funds in the reserves may be spent. The funds in the committed reserves shall be used only for the exclusive purposes for which the Board of Directors established the committed reserves. The reserves shall be maintained according to generally accepted accounting principles and Government Accounting Standards Board Statement No. 54, (GASB 54)
- Any time after the establishment of a committed reserve, the Board of Directors may transfer any funds to that committed reserve.
- If the Board of Directors finds that the funds in a committed reserve are no longer required for the purpose for which the committed reserve was established, the Board of Directors may, by a four-fifths vote, discontinue the committed reserve or transfer any funds that are no longer required from the committed reserve to the District's general fund unassigned reserve.

Per current Government Accounting Standards Board Statement No. 54, ("GASB" 54), fund balances are divided into five (5) categories in financial statements:

CATEGORY	DESCRIPTION
Non-Spendable	Cannot be readily converted to cash or is not legally spendable (example: assets required to be maintained intact)
Restricted	Externally imposed restrictions on spending (creditors, granting agencies, or laws)
Committed	District-imposed restrictions on spending (by resolution or other formal action)
Assigned	Funds reserved by the Board of Directors for designated purposes
Unassigned	Residual balance not classified in any of the above categories and available for expenditure

Special Districts often create different reserves within these classifications to set aside funds for specific purposes. For purposes of this document, the District's General Fund reserve will include the sum of the Committed, Assigned, and Unassigned Fund Balances for that fund.

GENERAL FUND RESERVES

GENERAL FUND			
Reserves	**Description**	**Calculation**	**GASB Categorization**
General Fund Liquidity Reserve	To provide needed cash to cover the District's operational, capital outlay, and debt service obligations from July 1 through December 30 when the District's first property and special tax (Measure K) payments, the District's largest sources of revenue, are received.	On June 30 of each year the District shall establish and maintain a level of cash and investments, in an amount at least equal to anticipated operating costs, plus anticipated capital outlay and project expense between July 1 and December 30.	Assigned
General Fund Emergency Operating Reserve	To provide funding to evaluate alternatives in the event of financial hardships, provide resources in times of economic uncertainties and downturns, and provide funding due to unexpected expenditures and/or reductions in revenues.	15% or at least two (2) months of annual operating expenditures	Committed
Other Post-Employment Benefits Reserve	To fund future payments of retiree post-employment health benefits.	Annual contributions based on the most recent actuarial analysis and contractual MOU obligations, with a goal of fully funding at least the Actuarily Determined Contribution on an annual basis	Committed
General Fund Unassigned Reserve	Residual balance not classified in any of the above categories and available for expenditure	Residual General Fund balance not classified above and available for expenditure	Unassigned

General Fund Liquidity Reserve

The purpose of the General Fund Liquidity Reserve is to provide sufficient cash flow to cover the District's operational, capital outlay, and debt service obligations from July 1 through December 30 when the District's first property and special tax (Measure K) payments, the District's largest sources of revenue, are received.

Under "GASB 54," the General Fund Liquidity Reserve will be categorized in the District's financial statements as an *Assigned* fund balance.

Liquidity needs shall be calculated as follows:
On June 30 of each year the District shall maintain a level of cash and investments, in an amount at least equal to anticipated operating costs, debt service payments, plus capital outlays anticipated between July 1 and December 30. This amount would be in addition to any amount held in the General Fund Emergency Operating Reserve and the Other Post-Employment Benefits Reserve. The liquidity calculation shall consider regular and anticipated operating and capital expenditures, debt service payments, interfund loan repayments, CalPERS prepayments, and any significant one-time expenses.

In the event of financial adversity, the Board of Directors may from time-to-time authorize budget appropriations that would reduce the General Fund Liquidity Reserve below its policy-mandated level, and this shall be by a simple majority vote of the Board.

If the Board of Directors appropriates funds that, for any purpose authorized in this policy, would drop the Liquidity Reserve below its required level, the next budget cycle should include a plan for how the General Fund Liquidity Reserve will be restored to the required level within a reasonable time frame.

General Fund Emergency Operating Reserve

The purpose of the General Fund Emergency Operating Reserve is to provide sufficient cash flow and to provide breathing room for the District to evaluate alternatives in the event of operational or financial emergencies. Emergencies shall constitute significant, unforeseen events that have a dramatic and immediate impact on the operations, assets or financial condition of the District.

The Government Finance Officers Association, (GFOA), maintains a best practice for General Fund Emergency Operating Reserves. While the level of reserves should be assessed based on the District's unique circumstances or risk levels, the recommended best practice is to keep at least two months of operating expenditures or minimum of 15% reserves.

The General Fund Emergency Operating Reserve can cover any significant unanticipated or mandated expenditure which cannot be deferred or efficiently funded by borrowing. This reserve is not intended to provide funding for new programs or for "buys of opportunity" or similar circumstances, usually involving the purchase of property.

Under "GASB 54," the General Fund Emergency Operating Reserve will be categorized in the District's financial statements as a *Committed* fund balance.

When adopting the budget each year, the District shall establish a General Fund Emergency Operating Reserve of, at least, 15% of annual General Fund expenditures, equal to two months of annual operating expenditures, which is available for appropriation for financial hardships or to provide resources in times of economic uncertainties and downturns, and to provide funding due to unexpected expenditures and/or reductions in revenues.

Process for the use of the General Fund Emergency Operating Reserve in the event of financial adversity:

- In the event of an emergency or financial adversity, defined as a prolonged downturn in one or more major revenue sources for the General Fund or imposition of a significant, unanticipated and unavoidable expense that cannot be deferred or efficiently funded by borrowing, staff would request the Board of Directors approval to first utilize the General Fund Liquidity Reserve and then the General Fund Emergency Operating Reserve to maintain current service levels until a reduced budget is prepared or other solutions identified.
- Appropriate staff (i.e., General Manager and Department Heads) would evaluate affected revenues and programs and make recommendations regarding any reduced service levels and/or any other solutions.
- The proposed financial plan would be shared with all District staff.
- Recommendations from the General Manager and staff on the proposed financial plan will be presented to the Board of Directors for review, discussion, and adoption at a public meeting.

Use of the General Fund Emergency Operating Reserve in the event of financial adversity will be by the direction of the Board of Directors and shall be appropriated by a simple majority vote of the Board.

Whenever expenditures or transfers are made from the General Fund Operating Reserve, it shall be a high priority for the District to reimburse such expenditures soon, normally by deferring other services or project expenditures.

Should the Board of Directors opt not to draw on the General Fund Emergency Operating Reserve, or should the financial hardship exceed the available reserve funds, the Board of Directors may direct that funding be augmented through the following options:

- External/Third-Party Financing;
- Immediate spending freeze; and/or
- Other financing options available at the point of need.

If the Board of Directors appropriates funds that, for any purpose authorized in this policy, would drop the General Fund Emergency Operating Reserve below 15%, the next budget cycle should include a plan for how the General Fund Emergency Operating Reserve will be restored to the required 15% reserve level within a reasonable time.

<u>General Fund Other Post Employment Benefits Reserve</u>

The purpose of the Other Post-Employment Benefits (OPEB) reserve is to fund future payments of retiree post-employment health benefits. This is a committed reserve and should not be used for any other purpose.

The funds in this reserve are currently held in an interest-bearing separate checking account. The Board of Directors may choose to place the funds in a Section 115 irrevocable California Employer's Retiree Benefit Trust fund. There are several agencies, such as CalPERs California Employers' Retiree Benefit Trust (CERBT) fund, and the Public Agency Retirement Services (PARS) Employee Benefit Trust that offer these types of trust funds. These trust funds set aside funds to pay for future retiree health benefit costs. A section 115 Trust uses a tax-exempt trust model that allows public funds to be invested for higher potential returns than standard reserve accounts. The key advantages of these trust fund accounts are that they assist the District in lowering its net OPEB liabilities and reduce future retiree health benefit costs for the District.

Annual contributions to this reserve should be based on the most recent actuarial analysis and contractual Memorandum of Understanding (MOU) obligations, with a policy goal of fully funding the Actuarial Determined Contribution (ADC) on an annual basis.

<u>Summary</u>

This Policy will allow for funding of the District's operating, capital obligations, funding for unforeseen events and for future actuarial determined obligations. Reserves will be established, replenished, and used only in a manner, which allows the District to fund costs consistent with the Master Plan and other actions approved by the Board of Directors.