

## Highlands Recreation District Budget Fiscal Year 2020-21

### HRD Revenues

The District receives revenues from user fees, property taxes from HRD residents, and donations. Since 2002, on average 77% of the District's revenue is generated by user fees and 23% from property taxes. In recent years, the reliance on property tax revenue has been strategically reduced to approximately 15-17% of total revenue. However, the District's 2020-21 budget projects a significant decline in user fees because of lower subscription rates in all recreation programs due to the impacts of the COVID-19 pandemic. Many programs have either been suspended or modified to comply with State and County health safety guidelines to prevent the spread of the coronavirus. As a result of lower anticipated revenues for 2020-21, property taxes represent approximately 25% of the District's revenues for the fiscal year. Property taxes are usually received in December and April with the balance by June 30 of each fiscal year. Due to unprecedented nature of COVID-19 pandemic and the Governor's Order N-61-20, tax distributions may not be paid in a timely manner. However, as San Mateo is a Teeter County, per the Teeter Plan, 100% of the property taxes levied for 2020-21 will be distributed to each taxing agency regardless of the actual collections.

The projected revenue for 2020-21 is \$2,594,428 which is a 25% decline from the amended budget for 2019-2020. However, compared with actual revenue estimates for 2019-20, the revenue projection represents a 5% decline or \$139,676 under last fiscal year due to the full closure of District facilities and programs in the spring 2020.

### HRD Expenditures

The District's annual expenses derive from staffing, maintenance, and materials necessary to provide the programs and services. The projected expenditures for 2020-21 is \$2,834,806, which is a 36% decrease over the adopted budget for 2019-20 primarily due to the \$1.35 million which was appropriated from reserves for the construction of the HRD facility ramp and restrooms. Otherwise, the projected expenditures for 2020-21 is approximately 7% or \$232,795 decrease over last fiscal year. Approximately 69% of operating expenses are for compensation and benefits or \$1,962,633, 24% for operations or and 7% for debt service. Long term debt service costs were reduced in 2018 through advanced refunding of the Certificates of Participation for EEC construction. The District can prepay additional principal in 2024.

### HRD Assets, Improvements, Structures, Equipment

Items are designated as Fixed (>\$5000 each) or Small (<\$5000)

Fixed assets are in three categories.

1. **Fixed Assets-Structures and Improvements** - projects that cost over \$5000, have a life of over a year and are considered a permanent structure or improvement to permanent structure.
2. **Fixed asset-Construction in Progress** - projects that have not been completed in the current fiscal year. Once the project is completed, the project costs get transferred to Fixed Asset-Structures and Improvements where the projects begin depreciating.
3. **Fixed Asset-Equipment** - items that cost over \$5000, have a life of over a year and are depreciated. Small assets are similarly designated but are expensed in the year incurred.

### HRD Reserve Account Policies

The District maintains five assigned Fund Balance Reserve Accounts:

1. Appropriated for Contingencies: This account shall not exceed 15% of the annual operating budget. This reserve account is approximately 12% of the projected budget for 2020-21.
2. Capital Reserve: This account holds funds for large capital improvement projects only.
3. General Reserve: This account holds funds for general use
4. EEC Building Reserve: This account holds funds intended for the specific purpose of early repayment of the Certificates of Participation incurred for EEC Building construction. (Recommendation - Eliminate reserve fund and assign funds to the District's Unassigned Fund Balance)

5. Building Renovation Reserve: This account holds funds intended for the specific purpose of funding the renovation and recommended seismic/ ADA upgrades to the original building (gym, social room, restrooms, pathway)

### **Fiscal Year 2019-20 Recap**

In March 2020, the District closed operations due to State and County Health orders relating to COVID-19. All programs and facilities closed for approximately 2 ½ months. Due to the closure, EEC, ASP, and the Pool experienced a sharp reduction in revenues. It also resulted in the cancellation of the Easter and Open House special events. Further, the ramp and restroom project construction delays limited the number of seasonal programs and rentals conducted since the After School Program (ASP) was relocated from the Social Room to the to the Multi-purpose room due to construction impacts. All of these factors contributed to an overall revenue decline of 21% or \$745,545 loss in projected revenues for fiscal year 2019-20.

### **2019-2020 Highlights/Changes:**

The resignation of the Recreation Supervisor in November initiated a reorganization of Seasonal Programs and Rentals. Due to the ongoing challenges of recruiting, hiring and retaining qualified part-time recreation leaders necessary to implement programs, the District created two Recreation Coordinator positions that would spend 40% of their time in either Seasonal Programs or Facility Rentals and the remaining 60% in the ASP program. The Facilities Recreation Coordinator was hired in January 2020 and the Seasonal Programs Recreation Coordinator was hired in February 2020. Unfortunately, due to COVID-19 in March and subsequent furlough, the positive impact of the reorganization was not realized.

### **2019-2020 District Accomplishments:**

1. Purchased golf/utility cart for the District campus.
2. Installed new flooring and painted in Recreation Social Room.
3. Repurposed ball room in gym for rental and special event storage.
4. Hired two Recreation Coordinators to replace one Recreation Supervisor to increase staff capacity and increase programming.
5. Successfully hired and onboarded four full-time Childcare Educators and expanded substitute pool to cover leaves of absence.
6. Completed phase two of Monkey classroom play yard, including installation of embankment slide, decomposed granite paths, raised flower beds, lawn, redwood climbing logs, outdoor changing table and shade sail.
7. Completed Program for Infant Toddler Care (P.I.T.C.) by seven Educators.
8. Completed Positive Discipline Certification by eight Educators.
9. Shifted to primary care in Monkey and Chameleon classrooms.
10. Developed and implemented parent/teacher conferences.
11. Developed and implemented two professional development days for Educators.
12. Developed staffing structure allowing for weekly teaching team meetings and teacher prep time.
13. Secured new nap mats and sheets with improved storage.
14. Applied and accepted to the Quality Rating and Improvement System (QRIS) to assess, improve, and communicate the level of quality in early and school-age care and education programs.
15. Improved parent communication and strengthened relationships with families using online software application (Seesaw) to share photos and anecdotal notes.
16. Recruited and hired new swim team coach to continue to grow the team.
17. Pool memberships increased over previous years prior to COVID-109.
18. Installed new heaters and chemical control system for the pool.
19. Implemented management changes for the pool including promoting Aquatics Coordinator to Aquatics Supervisor.
20. Completed District website redesign.

21. Completed benefit integration with EASE and Paylocity applications.
22. Presented with Ted Winslow CAPRI Safety Award as part of the Cycle XVI District Visitation.

**2020-2021 Proposed Initiatives:**

1. Continue to implement all CDC and County Health recommendations to mitigate against infectious diseases such as COVID-19.
2. Explore additional recreation offerings that are permissible under CDC and County Health guidelines as part of the State of California’s phased reopening during COVID-19.
3. Complete improvements to EEC preschool yard to support outdoor classroom including installation of shade sail, gravity wall, garden, additional seating, and flexible fencing to support separation of stable groups.
4. Continue EEC quality care improvements including student assessment work and portfolios, work with Program for Infant Toddler Care (PITC), and Quality Rating and Improvement System (QRIS).
5. Launch monthly EEC program parent newsletter to improve communication with program families.
6. Participate in Unity Day and Anti-Bully Prevention campaign including completion of Bullying prevention and response training for ASP and In-Crowd staff.
7. Implement In-Crowd program enhancements including room refresh and the inclusion of outdoor activities (tree swing, frisbee golf and cornhole games).
8. Review and improve swim school program including curriculum development, student report cards and instructor training.
9. Conduct independent safety audit for the pool including state of facilities, staff, and operations.
10. Complete aquatics program service analysis for year-round and seasonal operations.
11. Review and recommend recreation management software upgrade to increase registration and management efficiency, improve program reporting, and enhance customer communication and usability for consideration during the FY 2021-22 District budget process.
12. Research and develop proposal for “Friends of the District” foundation to support the district’s fiscal sustainability.
13. Review and update the District facility repair and replacement schedule including providing project scope and cost estimates for high priority projects.

**2020-2021 Proposed Facility Maintenance and Improvements**

The following is a list of proposed maintenance and improvement projects that the District intends to address during the fiscal year. Some of these projects are carry-over projects from previous years and others have been prioritized based on need. Project scope and estimates will be required for all projects prior to Board approval and appropriation of funds to complete.

1. Administrative Office wood deck and handrail replacement
2. District campus wooden handrails repair and/or replacement

Projects to defer to future year:

1. Replace Administrative Office building floors with carpet tiles
2. New paint and partitions for Administrative Office building
3. Painting EEC classrooms
4. Painting Multi-purpose Room
5. Repair and/or replacement of pool deck surface
6. Asphalt repair and/or replacement on District campus
7. Playground fencing replacement
8. Painting of Administrative Office building

**HRD Budget Overview for Fiscal Year 2020-21**

For fiscal year 2020-21, the District's projected revenue is \$2,594,428 with total expenditures of \$2,834,806, resulting in a net income deficit of \$240,378. This includes both the bond principal and interest payments of \$201,098 for the EEC building.

### **2020-2021 Budget Assumptions**

The District will begin the 2020-21 fiscal year with a fund balance of \$2,388,371. This amount will be adjusted upon completion of the FY 2019-20 audit and the budget will be subsequently amended. The District projects a conservative increase of 4% in both property tax and ERAF revenue compared to last year's budgeted amount due to the uncertainties of the COVID-19 pandemic and potential impacts to the state and local economies.

### **Proposed Additional Expenses in 2020-21**

#### ***Janitorial Services***

Due to COVID-19 pandemic, the District will increase cleaning and disinfecting procedures. Janitors will clean high touch surfaces in all program areas Monday to Friday with an EPA approved high powered steam machines and electrostatic sprayers. The increased cleaning cost is approximately \$700/month per program or \$48,590 for the year.

#### ***Unemployment Insurance***

Prior to 2020-21, the District did not budget for unemployment insurance. Due to the uncertainty of COVID-19 and potential for further program closures during the year, the 2020-21 budget assumes the maximum liability for unemployment insurance claims for all eligible employees which is \$128,858. The District qualifies for State Unemployment Insurance reimbursement through December of 2020. Claims that are filed before December, the District will only assume 50% of accrued unemployment costs. In comparison, most cities in the County include unemployment insurance as part of the employee's overall benefit cost, while recreation districts affiliated with the CAPRI, JPA such as our neighbor to the north, the Strawberry Recreation District handle unemployment insurance in a similar manner as HRD is proposing.

#### ***General Manager and Consultant***

The Board of Directors approved a new salary range for the General Manager at a special meeting on July 30, 2020. The proposed budget includes the additional salary and benefit cost as approved.

The proposed budget also includes an increase for consultants due to the appointment of an Interim General Manager for a minimum period of 3 months.

#### ***Election***

The proposed budget assumes \$10,000 for the District Board of Directors election this year.

### **Risks and Opportunities for Fiscal Year 2020-21**

#### ***Risks***

1. The COVID-19 coronavirus returns at levels like the spring 2020, and District programs are forced to shut down completely.
2. A confirmed case of COVID-19 in one of the programs, resulting in a mandatory quarantine and temporary program closure.
3. We are unable to meet the projections for ramped up activity due to unforeseen, mandated restrictions.
4. Changes in behavior and demand from our community members in relation to current programs offered by the District.

5. Lower than projected subscription rates for EEC, ASP and Pool leading to lower program revenues and potential deficit for the District.
6. We are unable to retain key staff and/or bring them back from furlough when we can ramp up programming to pre-COVID levels.

***Opportunities***

1. The District hired two new recreation coordinators last fiscal year that are ready to expand contract classes and facility rentals as we enter the various phases of reopening.
2. A new District website and new applications like Team Unify and Seesaw will help to improve and streamline communication with customers.
3. The recent migration of Paylocity with our benefits platform Ease will help to streamline administrative support services leading to greater efficiency.
4. The Board will have the opportunity to hire a new General Manager in the coming year and with the approval of a new salary range and benefit package it will help to attract a larger pool of qualified candidates.
5. Facility improvements including the new ADA ramp and restrooms, will make the Gym a more attractive rental space for the District.
6. Prop 68 will provide needed funding that may be used to renovate the District grounds including the addition of water fountains, benches, new fencing and play equipment to name a few.
7. Measure K funding will help to offset some of the ramp and restroom construction costs.