

# FY 2015-2016 Budget Report

## Overview

The C. V. Starr Community Center (CVSCC or Center) FY 15/16 Budget Report is prepared for the Fort Bragg City Council and Mendocino Coast Recreation & Park District (MCRPD) Board in accordance with the operating agreement between the two associated entities. This report includes the CVSCC's projected financial activity for FY 14/15 and a proposed budget for FY 15/16.

The Center as a whole is operating in accordance with the approved FY 14/15 budget, as amended. Operating revenues are estimated to end the year \$98,300 above budget projections and expenses are estimated to end the year over budget by \$4,188.

The proposed FY 15/16 budget has been assembled to best continue operation of the Center with a focus on the maintenance of existing facilities and continuing current programs and level of service. Variances from the previous year's budget are due to revenue and expenditure history being utilized to more accurately forecast revenues and costs. The FY 15/16 budget does not contemplate increased fees. As a measure to avoid duplication of efforts, increase efficiencies, and minimize cost increases, a cost allocation plan has been utilized to optimize operational efficiencies throughout the MCRPD organization, including the operation of the CVSCC.

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# Summary of Revenues and Expenditures

| A   | B                    | C                      | D                          | E                    | F                          | G            |
|---|----------------------|------------------------|----------------------------|----------------------|----------------------------|--------------|
| Description                               | FY 14/15<br>Approved | FY 14/15<br>Projection | Variance<br>= C - B        | FY 15/16<br>Proposed | Variance<br>= E - B        | %<br>= E / B |
| Operating Revenue                         |                      |                        | favorable<br>(unfavorable) |                      | favorable<br>(unfavorable) |              |
| General Admission                         | \$ 499,923           | \$ 541,805             | \$ 41,882                  | \$ 541,000           | \$ 41,077                  | 108.2%       |
| Discounts                                 | (26,300)             | (20,010)               | 6,290                      | (26,600)             | (300)                      | 101.1%       |
| Rentals                                   | 34,200               | 45,729                 | 11,529                     | 42,100               | 7,900                      | 123.1%       |
| Registration                              | 50,900               | 57,919                 | 7,019                      | 57,700               | 6,800                      | 113.4%       |
| Merchandise                               | 5,600                | 5,776                  | 176                        | 5,700                | 100                        | 101.8%       |
| Miscellaneous                             | 29,700               | 61,104                 | 31,404                     | 1,900                | (27,800)                   | 6.4%         |
| Total Revenue                             | 594,023              | 692,323                | 98,300                     | 621,800              | 27,777                     | 104.7%       |
| Operating Expense                         |                      |                        | (favorable)<br>unfavorable |                      | (favorable)<br>unfavorable |              |
| Wages and Benefits                        | 913,250              | 920,826                | 7,576                      | 944,730              | 31,480                     | 103.4%       |
| Utilities                                 | 290,514              | 277,507                | (13,007)                   | 280,850              | (9,664)                    | 96.7%        |
| Outreach                                  | 27,840               | 27,730                 | (110)                      | 31,310               | 3,470                      | 112.5%       |
| Maintenance                               | 93,411               | 100,129                | 6,718                      | 90,040               | (3,371)                    | 96.4%        |
| Operations                                | 158,235              | 161,647                | 3,412                      | 190,753              | 32,518                     | 120.6%       |
| Other Expenses                            | 27,892               | 27,491                 | (401)                      | 28,876               | 984                        | 103.5%       |
| Total Operating Expense                   | 1,511,142            | 1,515,330              | 4,188                      | 1,566,559            | 55,417                     | 103.7%       |
| Nonrecurring Maintenance                  |                      |                        |                            |                      |                            |              |
| Parking Lot Striping                      | 3,000                | 3,000                  |                            | -                    |                            |              |
| Pump Repair                               | 14,800               | 14,800                 |                            | -                    |                            |              |
| Total Nonrecurring Maint                  | 17,800               | 17,800                 |                            | -                    |                            |              |
| Other Income/Expenses                     |                      |                        |                            |                      |                            |              |
| Information Technologies                  | 46,301               | 46,301                 |                            | -                    |                            |              |
| Prior FY Expenses                         | 6,649                | 6,649                  |                            | -                    |                            |              |
| Classification/Comp. Plan                 |                      |                        |                            | 10,000               |                            |              |
| Exercise Equip. Repl.                     | -                    | -                      |                            | 22,250               |                            |              |
| Total Other Income/Expense                | 52,950               | 52,950                 |                            | 32,250               |                            |              |
| COFB Loan Principle Payment               | 60,928               | 60,928                 | -                          | 61,369               |                            |              |
| COFB Energy Loan Princ. Pmt.              |                      |                        |                            | 4,570                |                            |              |
| Total Expenses                            | 1,642,820            | 1,647,008              | 4,188                      | 1,664,748            | 21,928                     | 101.3%       |
| Net Revenue (Expense)                     | (1,048,797)          | (954,685)              | 94,112                     | (1,042,948)          | 5,849                      | 99.4%        |
| Enterprise Fund Allocation for Operations | 1,048,797            | 954,685                | (94,112)                   | 1,042,948            | (5,849)                    | 99.4%        |
| Net Operating Income                      | \$ -                 | \$ -                   | \$ -                       | \$ -                 | \$ -                       |              |

(Summary of Revenues and Expenditures continued)

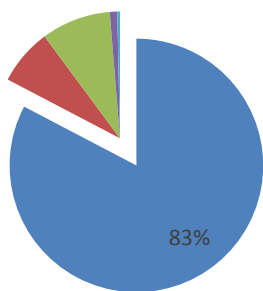
| A   | B                    | C                      | D                    |
|---|----------------------|------------------------|----------------------|
| Description   | FY 14/15<br>Approved | FY 14/15<br>Projection | FY 15/16<br>Proposed |
| Capital Improvements                                    |                      |                        |                      |
| CO2 System  | 8,473                | 8,473                  | -                    |
| Total Facility Improvements                             | 8,473                | 8,473                  | -                    |
| Enterprise Fund Allocation for<br>Facility Improvements | (8,473)              | (8,473)                | -                    |
| Net Capital Improvements                                | \$ -                 | \$ -                   | \$ -                 |
| Enterprise Fund   |                      |                        |                      |
| Beginning Avail. Net Assets                             |                      | 251,785                | 316,292              |
| Sales Tax Revenue                                       |                      | 800,000                | 810,000              |
| Property Tax Revenue                                    |                      | 227,665                | 230,000              |
| Total Allocation  |                      | (963,158)              | (1,042,948)          |
| Net Assets  |                      | \$ 316,292             | \$ 313,344           |
| Operating Reserve                                       |                      | 143,146                | 141,672              |
| Capital Repair & Equip Reserve                          |                      | 143,146                | 141,672              |
| Facility Improvement Reserve                            |                      | 30,000                 | 30,000               |
| Net Assets  |                      | \$ 316,292             | \$ 313,344           |

# Operating Revenues

Revenue generated from operating the Center is collected through user fees, the sale of merchandise, and other miscellaneous sources. Overall revenues collected through the second quarter of FY 14/15 exceed budget projections and are on target to end the year 16% above budget projections. The proposed budget for FY 15/16 includes a revenue increase of \$27,777 (or 4.7%) over the previous year's budget based upon Center and attendance revenue levels of the last 12 months. The proposed budget accounts for an annual 2-week maintenance closure of the facility and the expiration of an energy rebate program.

Pie chart graphics represent the percentage of the proposed FY 15/16 operating revenues.

## General Admission & Discounts

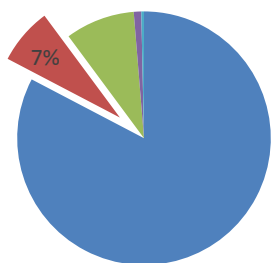


General admission revenue consists of user fees collected through drop-in visits, the sale of memberships and other admissions. For FY 14/15, general admission revenues are projected to be \$41,882 (or 8.4%) more than budgeted, due to higher than anticipated level of membership and drop-in sales. A significant portion of this increased revenue is due to the increased number of memberships. In FY 12/13 the average number of memberships was 343, in FY 13/14 the average was 618 and for the first half of FY 14/15 the average was 834. As of December 2014, Silvers Sneakers memberships total 300 and are producing over \$2,000 a month in revenue. The proposed budget for FY 15/16 does not contemplate increased user fees but does provide for membership increasing membership levels consistent with FY 14/15. General admissions are budgeted to increase \$41,077 (or 8.2%) over the previous year's budgeted based on continuing a similar levels of membership and service and recent

revenue history.

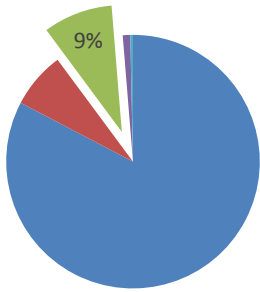
Revenue discounts account for promotions, financial assistance and employee membership benefits. FY 14/15 discounts are projected to be \$6,290 (or 23.9%) less than budgeted, due to delays in implementing the financial assistance program and lower promotional activity (ex. distribution of promotional free passes) than planned. The proposed FY 15/16 budget for discounts increased \$300 (or 1.1%) over the previous year's budget due to planned levels of promotions, financial assistance and employee membership benefits consistent with those planned for FY 14/15.

## Rentals



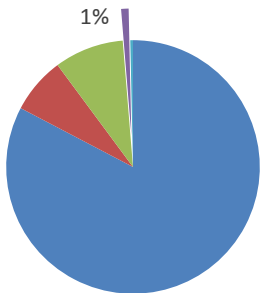
Rental revenue is collected for private rentals of facilities, such as birthday party room rentals or pool rentals by swim teams. FY 14/15 rental revenue is projected to be \$11,529 (or 33.7%) more than budgeted, due to a greater than anticipated level of facility rentals. The proposed budget for FY 15/16 rental revenue increased \$7,900 (or 23.1%) relative to the previous year's budgeted amount based on expected increased rentals and on prior year's revenue history.

## Registration



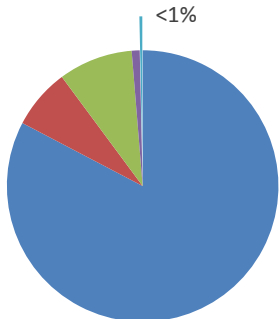
Registration revenue is collected for activities not included in general admissions and memberships, such as enrichment programs or swimming lessons. FY 14/15 registration revenues are projected to be \$7,019 (or 13.8%) more than budgeted, due to a higher than anticipated level of program registration. The proposed budget for FY 15/16 registration revenue increased \$6,800 (or 13.4%) relative to the previous year's budgeted amount based on increased programming and prior year's revenue history.

## Merchandise



Merchandise revenue is collected for the sale of retail items or extra uniform parts to staff. FY 14/15 merchandise revenues are projected to be \$176 (or 3.1%) more than budgeted, due to a higher than anticipated level of sales. The FY 15/16 proposed budget for merchandise revenue increased \$100 (or 1.8%) relative to the previous year's budgeted amount based on prior year's revenue history.

## Miscellaneous



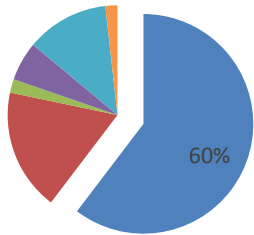
Miscellaneous revenue includes energy rebates, advertisement sales and other revenue that does not fall into any of the aforementioned categories. FY 14/15, miscellaneous revenues are projected to be \$31,404 (or 105.7%) more than budgeted, due to vending machine commissions and payment related to the MCRPD agreement for executive director services. FY 15/16 proposed budget for miscellaneous revenue decreased \$27,800 (or 93.6%) due to the expiration of energy rebates associated with the solar-power generation at the Center, expiration of the agreement with the MCRPD for payment of the Executive Director services and based on revenue history.

# Operating Expenditures

Operating expenditures are costs directly related to the operation of the Center. FY 14/15 operating expenditures are estimated to end the year over budget by \$4,188. Proposed FY 15/16 operating expenses increased by \$55,417 (or 3.7%) based on proposed adjustments to wages and benefits, utilities, outreach, maintenance, operations, and other expenses.

Pie chart graphics represent the percentage of the proposed FY 15/16 operating expenditures.

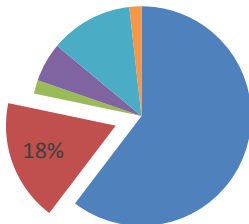
## Wages and Benefits



Wages and benefits account for the monetary compensation paid to employees, healthcare benefits, workers compensation insurance, state unemployment insurance, state employment training tax, federal insurance contribution act tax (FICA), and federal Medicare tax. FY 14/15 wages and benefits are projected to be \$7,576 (or 0.8%) over budget, due to increased program staff levels supporting an increase in program demand (totaling \$14,101) and related to the MCRPD agreement for executive director services (totaling \$11,600), but these cost increases have been significantly offset by vacant job positions elsewhere in the organization. The proposed budget for FY 15/16 wages and benefits increased \$31,480 (or 3.4%) over the previous year's budget to accommodate the following:

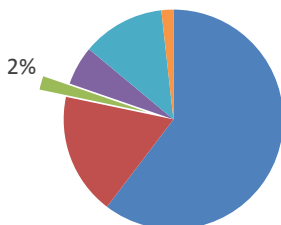
- +\$14K for performance qualifying step increases (1.5% of wages)
- +\$35K to adjust staff levels to meet program demand
  - +0.3 FTE Fitness Instructor (+\$18K)
  - +0.9 FTE Lifeguard (+\$22K)
  - -0.15 FTE Swim Instructor (-\$5K)
- -\$18K per staff allocation plan

## Utilities



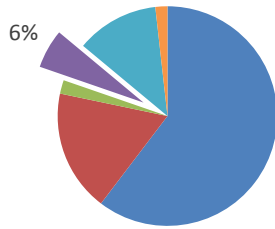
Utilities include propane, electricity, water, and sewer service. FY 14/15 utilities are projected to be \$13,007 (or 0.45%) less than budgeted, largely due to lower propane consumption and lower propane prices. Proposed costs for utilities for FY 15/16 decreased \$9,664 (or 3.3%) from the previous year's budget based on utility usage history, trending utility costs and cost allocation to MCRPD.

## Outreach



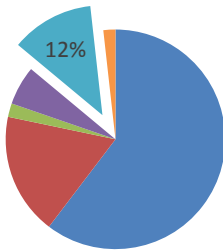
Outreach expenditures for the marketing of the Center include advertisements in local publications and brochure production. FY 14/15, outreach expenses are projected to be \$110 (or 0.4%) less than budgeted. The proposed budget for FY 15/16 outreach increased \$3,470 (or 12.5%) from the previous year's budget to accommodate increased costs for newspaper/publication advertising and brochure production. Increased costs are partly offset by a cost allocation to MCRPD for brochure production.

## Maintenance



Maintenance includes pool chemicals, repair parts, groundskeeping, tools and other maintenance related supplies and services. FY 14/15 maintenance expenses are projected to be \$6,718 (or 7.2%) more than budgeted due to the continued work resolving deferred maintenance ranging from repairs to the audio system, the fire alarm system, HVAC system, exercise equipment, etc. The proposed budget for FY 15/16 maintenance decreased \$3,371 (or 3.6%) over the previous year's budget due to a decrease in the anticipated need to address deferred maintenance and the proposed purchase of new exercise equipment which will replace older units which require significant maintenance.

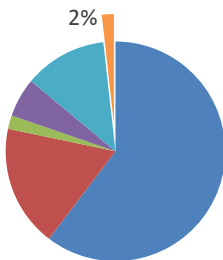
## Operations



Operations account for attorney services, auditor services, bank fees, communications, janitorial supplies, insurance, interest expenses, laundry service, office supplies, permits, postage/shipping, program supplies, recruitment, training and uniforms. FY 14/15 operation expenses are projected to be \$3,412 (or 2.2%) more than budgeted, due to higher than anticipated insurance costs. The FY 15/16 proposed budget for operations increased \$32,518 (or 20.6%) over the previous year's budget to accommodate the following:

- Facility supplies (+\$2.6K)
- IT equipment replacement (+\$4.5K)
- IT service/support (+\$14.5K)
- Laundry service (+\$6K)
- Other (bank fees, insurance, recruitment, training, travel) (+\$4.7K)

## Other Expenses



Other expenses include interest payments, property tax administration, LAFCO, MCRPD administration and COFB administration. FY 14/15 other expenses are on target to be \$401 (or 1.4%) less than budgeted due to LAFCO costs being less than projected. The proposed budget for FY 15/16 other expenses increased \$984 (or 3.5%) from the previous year's budget to accommodate adjustments to costs associated with interest payments, property tax administration, LAFCO, MCRPD administration, COFB administration.

## Nonrecurring Maintenance

Nonrecurring maintenance budget items are maintenance items that occur in intervals greater than one year and therefore not included as part of the regular annual operating expense budget. Parking lot striping and pump repairs are projected to be completed by the end of FY 14/15 within budget. No nonrecurring maintenance items are proposed for FY 15/16.

## Other Income and Expenses

### Information Technology

Information technology related improvements are projected to be completed by the end of FY 14/15 within budget.

#### Prior FY Expenses

Prior FY Expenses have been paid and are projected to end the year exactly as budgeted for FY 14/15.

#### Classification/Compensation Plan

As the CVSCC staff organization evolves, especially in respect to cost allocating for “shared” employees with MCRPD, the completion of a classification and compensation plan is proposed. As recommended in a recent operational assessment completed by consultant Mike Shellito, the MCRPD and CVSCC have “an inconsistent approach to the use of position titles, salary ranges and benefits. The [MCRPD and CVSCC] would benefit from a comprehensive classification and compensation plan.” A consultant or outside human resource firm would be used to complete the classification and compensation plan. The estimated total cost to complete the plan is \$20,000 of which \$10,000 is attributed to the CVSCC proposed FY 15/16 budget based on CVSCC and MCRPD having an equal number of classifications (job descriptions).

#### Exercise Equipment Replacement

An assessment of exercise equipment at the Center has determined that the treadmills are operating beyond their expected useful life. The amount of \$22,250 is included in the FY 15/16 proposed budget to replace 3 of the 4 existing treadmills. A similar level of replacement annually is anticipated to maintain cardio exercise equipment in good working condition. This proposed budget item is recognized as limiting the growth of the reserve funds, but if not included in the proposed budget, it would likely be requested as an item to be funded from the enterprise fund reserves.

## **City of Fort Bragg Loan**

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The City of Fort Bragg provided a loan in the amount of \$244,604 to the C. V. Starr Community Center to help cover re-opening costs in order for the Center to open its doors on July 28<sup>th</sup>, 2012. In accordance with the City’s established inter-fund loan policies, the C. V. Starr Center loan is structured with a .725% interest on a 5-year loan with payments made quarterly in the amount of \$15,525. At the beginning of FY 15/16, the loan balance is scheduled to be \$123,190. In accordance with the loan amortization schedule, the proposed FY 15/16 principle payments on the loan are budgeted to be \$61,369 and the interest payments are budgeted to be \$740. The loan is anticipated to be paid off in full by June 30, 2017.

## **City of Fort Bragg Energy Loan**

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The City of Fort Bragg received a loan to complete energy efficiency improvements, including an amount of \$43,900 which was allocated to the C. V. Starr Community Center to install Variable Frequency Drives (VFDs) on two pool circulation pumps. This work was completed in 2013. In accordance with the loan amortization schedule, the proposed FY 15/16 principle payments on the loan are budgeted to be \$4,570 and the interest payments are budgeted to be \$1,166. The loan is anticipated to be paid off in full by June 30, 2024.



# Capital Improvements

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## CO<sub>2</sub> System

A CO<sub>2</sub> system is anticipated to be installed by the end of FY 14/15. This system will control pH in the swimming pools and replace a muriatic acid system. The new CO<sub>2</sub> system will be safer and require less maintenance than the current system.

## Pool Liner Repair

A pool liner repair was originally budgeted for FY 14/15 to address the delamination of the leisure pool plaster liner, however, ongoing monitoring of the pool liner has shown that while the delamination is still occurring, it is occurring at a slower rate than a year ago. It is recommended to continue to monitor the pool liners and delay this project until absolutely necessary. This project is not included in the proposed annual budget as it is not apparent that it is likely to be completed during the FY 15/16 time period. When the project is completed there will likely be a need for a loan to fund the project or a draw from the enterprise fund reserves.

## Floor Drains

Floor drains were also originally budgeted for FY 14/15 to address drainage issues in the family changing rooms. While this is still an important item to complete, it is not urgent and recommended to be completed in the future at a time that coincides with other facility improvements (such as the pool liner repair) and when financial resources are more available. When this project is completed, it will likely necessitate a loan to fund the project or a draw from the enterprise fund reserves.

## **CVSCC Enterprise Fund**

The City of Fort Bragg (City) maintains an “Enterprise Fund” to account for the activity related to the CVSCC. The Enterprise Fund is a set of self-balancing accounts to record the revenue and expense of CVSCC and maintain the activity of the CVSCC separate and apart from other City activities. The fund is named the C. V. Starr Center Enterprise Fund.

The CVSCC Enterprise Fund accounts for operations of the CVSCC, the receipt of the special half cent sales tax revenues received from the State Board of Equalization and property taxes received from the Mendocino County Tax Collector under the Property Tax Exchange Agreement between the City and MCRPD. All proceeds from the sales tax are dedicated to operation, maintenance, and capital improvements at the C. V. Starr Community Center in compliance with the Fort Bragg Municipal Code Chapter 3.11 (Ordinance No. 902, passed 03-06-2012). Pursuant to the Property Tax Exchange Agreement between the City and the MCRPD, property tax revenues are to be used solely for parks and recreation purposes with the City (including CVSCC).

For FY 2014/15, the CVSCC Enterprise Fund is projected to end the year with a net asset balance of \$316,292. Given the proposed FY 2015/16 operating budget and estimated tax revenue, the CVSCC Enterprise Fund is projected to end FY 2015/16 with a net asset balance of \$313,344.

FY 2015/16 sales tax revenues are projected at \$810,000, a \$10,000 increase from FY 14/15. The projection is based on expected modest economic growth, offset by declines in sales tax revenue from both commercial and retail fuel due to decreased prices. FY 2014/15 property tax revenues are projected at \$227,665. FY 2015/16 property tax revenues are projected to be \$230,000, which includes the RDA pass through of \$19,000, an increase of \$2,335 or 1%. FY 2015/16 projections are based on prior year property tax receipt trends.

Following is a historical summary of the Enterprise Fund Balance and projected FY 2015/16 balances. As directed by City Council, three reserves have been established: Operating Reserve, Capital Repair and Equipment Reserve, and Facility Improvement and Expansion Reserve.

Enterprise Fund June 30, 2013 through June 30, 2016 (proposed/projected)

|  | Audited           |                   | Budgeted          | Projected         | Proposed Budget   |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
|  | June 30, 2013 *   | June 30, 2014     | FY 14/15          | June 30, 2015     | June 30, 2016     |
| Audited C.V. Starr Center Enterprise Net Assets          | \$ 24,462,792     | \$ 23,916,870     |                   |                   |                   |
| Balance Representing Fixed Assets                        | (24,348,053)      | (23,665,085)      |                   |                   |                   |
| Available Enterprise Net Assets                          | 114,739           | 251,785           | \$ 251,785        | \$ 251,785        | \$ 316,292        |
| Sales Tax Revenue through June 30, 2015                  |                   |                   | 820,000           | 800,000           | 810,000           |
| Property Tax Revenue through June 30, 2015               |                   |                   | 208,000           | 227,665           | 230,000           |
| Allocation for C.V. Starr Center through June 30, 2015   |                   |                   | (1,001,423)       | (963,158)         | (1,042,948)       |
| <b>Available C.V. Starr Center Enterprise Net Assets</b> | <b>\$ 114,739</b> | <b>\$ 251,785</b> | <b>\$ 278,362</b> | <b>\$ 316,292</b> | <b>\$ 313,344</b> |
| Operating Reserve  | \$ 42,370         | \$ 110,893        | \$ 124,180        | \$ 143,146        | \$ 141,672        |
| Capital Repair and Equipment Reserve                     | 42,369            | 110,893           | 124,181           | 143,146           | 141,672           |
| Facility Improvement and Expansion Reserve               | 30,000            | 30,000            | 30,000            | 30,000            | 30,000            |
| <b>Available C.V. Starr Center Enterprise Net Assets</b> | <b>\$ 114,739</b> | <b>\$ 251,785</b> | <b>\$ 278,362</b> | <b>\$ 316,292</b> | <b>\$ 313,344</b> |

\* Reflects Operation from July 28, 2012 through June 30, 2013