

**MONTEREY PENINSULA REGIONAL PARK DISTRICT  
BOARD OF DIRECTORS MEETING**

**DATE:** April 7, 2021  
**TO:** Board of Directors  
**FROM:** Kelly McCullough, Finance Manager  
**REVIEWED BY:** Rafael Payan, General Manager  
**SUBJECT:** Review and Approval of Resolution 2021-04 Authorizing Changes to the Financial Reserves Policy and Proposed Amendments to General Fund Reserve (Unassigned) Fund Balance Policy No. 3004

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**SUMMARY:**

Staff respectfully recommends that the Board approve Resolution 2021-04 Authorizing Changes to the Financial Reserves Policy (**ATTACHMENT 1**) and proposed Finance Committee amendments to the General Fund Reserve (Unassigned) Fund Balance Policy No. 3004 (**ATTACHMENT 2**) as presented.

**FISCAL IMPACT:**

Not applicable, this is a Policy revision

**FUNDING SOURCE:**

Not applicable, this is a Policy revision

**FUNDING BALANCE:**

Not applicable, this is a Policy revision

**DISCUSSION:**

March 10, 2014, the Board reviewed and approved the General Fund Reserve (Unassigned) Fund Balance Policy per Resolution 2014-05. That staff report and attachments (**ATTACHMENT 3**) are included with this report for the Board's review, as all the information provided in that report is still pertinent.

The Policy approved on March 10, 2014, established a target reserve of:

- 50% of the annual operating budget;
- A minimum of 100% accumulated depreciation (adjusted annually); and,
- A contingency for emergencies and unanticipated expenses (\$1,000,000).

Staff also recommended the Board assign the following amount from the currently unassigned fund balance as noted:

- \$1,020,000 reduced annually to complete the Sherar acquisition.

The past year has seen economic impacts, unprecedented during our lifetime. The COVID-19 pandemic has left the world, the nation, and the State of California facing uncertain times ahead. And it is not over yet! It is with this in mind that the Finance Committee convened on February 25, 2021, to discuss potential changes to Policy No. 3004 – General Fund Reserve (Unassigned) Fund Balance Policy.

The District operates on property tax revenue collected by the County of Monterey. The potential negative impact of the Coronavirus on property tax revenue is expected, by most financial forecasters, to appear in FY2021-22. While the District did not see a decrease in the December 2020 property tax revenue, over 2019, staff and the Finance Committee still believe it prudent to make a change to the target reserve level at this time to ensure that the District maintains enough funds to navigate through any decline in future revenue without severely impacting service levels.

Therefore, it is recommended that the Policy be revised to establish a target reserve of:

- 100% of the annual operating budget

In addition, the Sherar property acquisition has been completed and therefore, no assignment of funds for this purpose are still needed.

If approved, this month’s Monthly Financial Report regarding reserves would appear as follows:

As of this report, which covers the period July 1, 2020 through February 28, 2021 the current (unassigned) fund balance target reserve levels from the unreserved fund balance of \$17,249,017 are:

Annual Operating Budget (100%)	\$ 8,798,655
Accumulated Depreciation	1,701,051
Emergency Contingency	<u>1,000,000</u>
Total Board Designated Reserve	<u>\$ 11,499,706</u>

**RECOMMENDED ACTION:**

Staff respectfully recommends that the Board approve Resolution 2021-04 Authorizing Changes to the Financial Reserves Policy (**ATTACHMENT 1**) and the requested Finance Committee amendments to the General Fund Reserve (Unassigned) Fund Balance Policy No. 3004 (**ATTACHMENT 2**) as presented, or as amended at this meeting tonight, by the full Board of Directors.

**ATTACHMENTS:**

1. [Resolution 2021-04 Authorizing Changes to the Financial Reserves Policy](#)
2. [Draft Redlined General Fund Reserve \(Unassigned\) Fund Balance Policy No. 3004](#)
3. [March 10, 2014 Staff Report, Item0314-5H Reserve Policy](#)