

FORT ORD REUSE AUTHORITY BOARD REPORT

BUSINESS ITEMS

Subject:	Consider FORA FY 2017-18 Annual Budget Adoption	
Meeting Date:	May 12, 2017	INFORMATION/ACTION
Agenda Number:	8b	

RECOMMENDATION:

- i. Approve staff proposed compensation and benefit adjustments ACTION
- ii. Adopt fiscal year 2017-18 (FY 17-18) Annual Budget ACTION

BACKGROUND:

The FORA Annual Budget is typically presented to the Board in May each year. Prior to the budget being presented to the Board, the budget is reviewed by the Finance Committee (FC). After completing their deliberations, the FC makes recommendations to the Board regarding budget matters, including the presentation format and fund availability for programmed projects, staffing, consultant support and obligations. Prior to Board consideration of those recommendations, the Executive Committee (EC), who is charged to provide Board recommendation regarding employment and personnel matters, considers staff proposed adjustments specific to staffing and/or benefit. On April 19, the FC reviewed the draft budget and on May 3, the EC reviewed the proposed staffing and benefit adjustments.

DISCUSSION:

This fiscal year budget was prepared in conjunction with the FY 17-18 CIP Budget. The CIP Budget will be presented in Business Item 8c.

The proposed budget charts (with fund balance notes as directed by the FC) are:

Attachment A - illustrates the overall budget combining all funds

Attachment B - depicts the budget by individual funds

Attachment C - itemizes expenditures

Attachment D - provides background/analysis of proposed Salary/Benefits adjustment

Principal budget impacts areas are discussed below:

FORA Pension Plan: FORA participates in the defined benefit pension plan, administered through CalPERS. CalPERS acts as a common investment and administrative agent for participating public employers within the State of California. As required, FORA participates in a risk pool with other public agencies of less than 100 employees. An Annual Valuation Report issued by Calpers each October provides detailed information regarding the plan's assets, liabilities, future contribution rates, etc. The last valuation report shows \$566,315 in current unfunded liabilities (UAL) which includes FORA's share of risk pool UAL and investment gains and losses. In addition, FORA faces a financial liability when the pension plan terminates in 2020. The current CalPERS estimate for this obligation is between \$7.1 million and \$10.5 million

(including the current UAL). Staff was informed by CalPERS that the actual termination payment cannot be determined until 2018 (two years before the termination date). The Board approved in FY 15-16 to designate a reserve of \$5.3 million should the plan terminate in 2020. On March 10, 2017, The Board increased this reserve to \$7.3 million funding the liability should FORA sunset in 2020.

The current Annual Valuation Report (dated November 2016) are available on the FORA website at:

http://fora.org/Reports/HR/costDisclosureValuationReport_0816.pdf

http://fora.org/Reports/HR/costDisclosureValuationReport_PEPRA_0816.pdf

The following summarizes the FY 17-18 (**Attachment A**) draft annual budget figures:

REVENUES

- \$307,000 MEMBERSHIP DUES

In addition to State law stipulated fixed membership dues of \$224,000, FORA collects dues from Marina Coast Water District (MCWD) under contract terms.

- \$415,000 FRANCHISE FEES

This amount represents MCWD's projected FY 17-18 payments to FORA from water and sewer operations on Fort Ord and associated fees.

- \$1,002,580 ENVIRONMENTAL SERVICES COOPERATIVE AGREEMENT

FORA holds the remaining funds for the ESCA remediation program, scheduled to complete munitions cleanup and transfer of remaining Economic Development Conveyance (EDC) properties in 2019. In 2007, FORA was awarded a \$99.3 million federal grant to undertake Army munitions removal requirements on EDC parcels. FORA collected an adjusted amount of \$97.7 million (final payment in December 2008), which pre-paid all ESCA management related services and expenditures through project completion (the US Army earned a \$1.6 million credit against the \$99.3 million for the early payment). The draft annual budget includes the FY 17-18 ESCA grant regulatory response and management/related expenses.

- \$6,118,763 DEVELOPMENT FEES

This reflects jurisdictional forecasts included in the CIP FY 17-18 budget.

- \$0 LAND SALE PROCEEDS

There are no land sale revenue anticipated in the FY 17-18 CIP budget.

- \$50,000 RENTAL PROCEEDS

Rental payments from leasing projects on the Former Fort Ord, including Ord Market, Las Animas Concrete, etc.

- \$2,310,835 PROPERTY TAX

Anticipated payments from the County Auditor/Controller. Property tax revenue exceeding \$1.3 million in annual distribution to FORA collected from all assessed value after July 1,

2012 has been committed to funding the CIP. The 10% of such revenue scheduled to be shared with certain member jurisdictions has been designated by the Board to fund the Prevailing Wage program (PW). If the 10% exceeds the PW program needs, the excess will be distributed to certain member jurisdictions.

- **\$5,000 IN REIMBURSEMENT AGREEMENTS**

Net payments by future property owners to fund FORA ESCA access services to assist in pending project processing.

- **\$110,000 INVESTMENT/INTEREST INCOME**

Anticipated income from FORA bank accounts and certificates of deposit (CD) including the Habitat Management CD.

EXPENDITURES

- **\$3,259,090 SALARIES AND BENEFITS (Attachments C, D show breakdown)**

Staffing remains at the approved FY 16-17 level. Proposed budget amount includes the final of three payments to CalPERS to reduce the unfunded actuarial liability (UAL).

The FC and EC reviewed proposed compensation and pension adjustments for FY 17-18 and are *recommending* Board consider approving the following items:

- 1) \$575,000 – final payoff of the risk pool UAL, saving interest charges and reduces the 2020 termination liability.
- 2) 3.0% COLA for eligible personnel. Fiscal impact up to \$65,000.
Eligibility: Must be full time, employed with FORA for the past 12 months.
- 3) Retention benefit. Fiscal impact up to \$35,000.
In light of FORA's nearing sunset date, staff recommends a pool of funds to provide for employee retention, special assignments, and coverage for employee losses.
- 4) Staff Health Insurance Benefit. Fiscal impact up to \$17,000.
The FORA Board adopted Resolution 17-05, increasing the staff health benefit for the period January 1, 2017 through June 30, 2017. Staff recommends extension of these benefit for FY17-18 and up to 5% increase for anticipated health cost increases effective January 1, 2018.

**FC recommends item 1) and acknowledges availability of funding for item 2), 3) and 4)
EC recommends item 2), 3) and 4)*

- **\$475,300 SUPPLIES AND SERVICES (Attachment C)**

This expense category is increased \$59,300 from prior year. Significant increases are:

- 1) \$11,200 – Membership Dues resulting from reclassification of expenditure from Economic Development.
- 2) \$2,000 – Public & Legal Notices – cost associated with increase size of notices.

- 3) \$9,500 – Equipment & Furniture – to replace defunct hardware.
- 4) \$25,000 – Community Outreach/Marketing – New this year.
- 5) \$5,000 – Printing & Copy – increase attributed to HCP Public Review Draft

- **\$2,312,500 IN CONTRACTUAL SERVICES (Attachment C)**

Contractual services increased \$153,075 from previous FY. In addition to recurring consulting expenses such as Annual Auditor, Public Information, Human Resources, and Legislative consultants, the budget includes increased and or significant costs for:

- 1) \$75,000 - Prevailing Wage Consultants, a consultant was not required in the prior year.
- 2) \$555,000 – Architect & Engineers for Eastside Parkway environmental and reclassification of CEQA consultants cost.
- 3) \$50,000 – Base Reuse Plan Implementation.
- 4) \$50,000 – Legal/Litigation Fees and Special Practice.

Significant decreases for:

- 1) \$10,000 – Special Counsel for ESCA/EDC
- 2) \$75,000 – Financial Consultant – EPS biennial study completed FY 16-17.
- 3) \$12,000 – Public Information/Outreach – Completion of video, and reclassification to supplies and services above for FY 17-18.
- 4) \$300,000 – CEQA consultants – reclassified to CIP/Architect & Engineers above.
- 5) \$24,500 – Economic Development expenditures reclassification (Dues, Travel, and Training).
- 6) \$25,000 – FORA Transition/Sunset Study cost

- **\$8,543,796 IN CAPITAL PROJECTS (Attachments B, C)**

The upcoming budget includes \$4.4M for the completion of the FORA building removal obligations and mandated/obligatory expenditures such as habitat management and UC Natural Reserve annual cost. Other capital projects are development fee collection dependent. The FY 17-18 CIP budget provides itemization and timing of capital projects.

OTHER/ACCOUNTING ENTRIES/FUND DESIGNATIONS

- 1) Continued funding for Economic Development – The Board approved on March 13, 2015 the Economic Development Business Plan and included accountability and performance measures to determine success of such a position and limited funding through June 30, 2017. Annual performance evaluation of the Economic Development Program demonstrates ongoing benefits to the jurisdictions, region and small businesses. Funding is requested through FORA sunset 2020 date or as extended by state legislation.
- 2) Maintain \$7.3 million Reserve held in a segregated, interest bearing account for PERS pension termination liabilities and restrict interest for additional funding of this liability. This reserve is to fund the termination liability should FORA sunset in 2020.

- 3) Maintain \$4.7 million Reserve for operating funds. The Board has designated this fund for operations and has restricted release of funds by action of the Board. Currently, no release is being requested for FY 17-18.

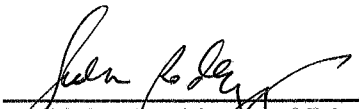
ENDING BALANCE/FORA RESERVE

It is anticipated that the combined fund balance at the end of the FY 17-18 will be more than \$36.5 million. To address the FORA sunset financial obligations, the Board has designated \$7.3 million for PERS pension liabilities, \$4.7 million for operating obligations through FORA 2020 sunset; specific future designations/ spending of this \$4.7 million balance must be approved by the FORA Board. The Board set aside \$7.0 million in FY 15-16 for building removal until obligations are fully met (anticipated balance is \$3.3 million at end of FY 17-18). The set aside of \$13.3 million for Habitat Conservation reflects FORA Board policy of reserving 30.2 percent of the CFD fee collections for this purpose.

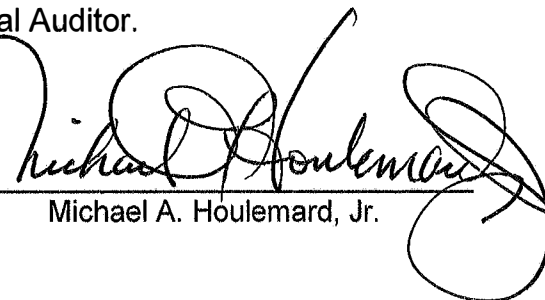
COORDINATION:

Finance Committee, Executive Committee, FORA Annual Auditor.

Prepared by


Helen Rodriguez, CPA

Approved by


Michael A. Houlemard, Jr.

FORT ORD REUSE AUTHORITY - FY 17-18 ANNUAL BUDGET - BY FUND

CATEGORIES	FY 16-17 APPROVED MID-YEAR	FY 16-17 <u>Variances</u> <i>Projected thru 6/30/17</i>	FY 16-17 <u>PROJECTED</u>	FY 17-18 PRELIMINARY	
REVENUES					
Membership Dues	\$ 331,000	\$ (18,000)	\$ 313,000	\$ 307,000	MCWD FY 17-18 Budget
Franchise Fees - MCWD	615,000	(170,000)	445,000	415,000	MCWD FY 17-18 Budget
Federal Grants	922,410	90,000	1,012,410	1,002,580	ESCA
Development Fees	5,239,869	1,182,750	6,422,619	6,118,763	CIP Budget
Land Sale Proceeds	-	-	-	-	
Rent Proceeds	50,000	-	50,000	50,000	
Property Taxes	1,722,472	275,000	1,997,472	2,310,835	CIP Budget
Reimbursement Agreements	-	-	-	5,000	ESCA agency reimbursements net of of expense
Investment/Interest Income	105,000	-	105,000	110,000	
TOTAL REVENUES	8,985,750	1,359,750	10,345,501	10,319,178	
EXPENDITURES					
Salaries & Benefits	2,955,973	-	2,955,973	3,259,090	COLA and staff benefit adjustments
Supplies & Services	413,305	2,695	416,000	475,300	Reclassification of expenditures and new Community Outreach/Marketing
Contractual Services	1,932,813	90,000	2,022,813	2,312,500	CIP Budget
Capital Projects (CIP)	3,881,674	(2,500,000)	1,381,674	12,293,796	CIP Budget
TOTAL EXPENDITURES	9,183,765	(2,407,305)	6,776,460	18,340,686	
REVENUES & OTHER SOURCES OVER (UNDER) EXPENDITURES	(198,015)	3,767,055	3,569,041	(8,021,508)	<i>Use of Fund Balance</i>
FUND BALANCES					
Beginning	40,989,569	-	40,989,569	44,558,609	
Ending	\$ 40,791,554	\$ 3,767,055	\$ 44,558,610	\$ 36,537,102	Ending Fund Balance
Fund Balances					
<i>Committed/Assigned for:</i>					
CalPers Termination	\$ 7,300,000		\$ 7,300,000	\$ 7,300,000	
Operations	4,700,000		4,700,000	4,700,000	
Habitat Management (HM/HCP)	11,385,440		11,385,440	13,253,306	
Building Removal	7,089,000		7,089,000	3,339,000	
CIP	8,642,411	3,957,750	12,600,161	7,313,092	
<i>Unassigned</i>	1,674,703	(190,695)	1,484,008	631,703	
Ending Fund Balance	\$ 40,791,554	\$ 3,767,055	\$ 44,558,609	\$ 36,537,102	

FORT ORD REUSE AUTHORITY - FY 17-18 ANNUAL BUDGET - BY FUND

CATEGORY	SPECIAL REVENUE FUNDS (SRF)				TOTAL ANNUAL BUDGET
	GENERAL FUND	LEASES/ LAND SALE	CFD/Tax Developer Fees	ARMY ESCA	
REVENUES					
	307,000	-	-	-	
Membership Dues					307,000
Franchise Fees - MCWD	415,000	-	-	-	415,000
Federal Grants	-	-	-	1,002,580	1,002,580
Development Fees	-	-	6,118,763	-	6,118,763
Land Sale Proceeds	-	-	-	-	-
Rental/Lease Revenues	50,000	-	-	-	50,000
Property Tax Payments	1,300,000	-	1,010,835	-	2,310,835
Reimbursement Agreements	5,000	-	-	-	5,000
Investment/Interest Income	90,000	-	20,000	-	110,000
Other Income	-	-	-	-	-
Total Revenues	2,167,000	-	7,149,598	1,002,580	10,319,178
EXPENDITURES					
Salaries & Benefits	2,072,862	150,479	629,868	405,880	3,259,090
Supplies & Services	307,444	19,457	94,200	54,200	475,300
Contractual Services	639,000	2,000	1,129,000	542,500	2,312,500
Capital Projects	-	3,750,000	8,543,796	-	12,293,796
Total Expenditures	3,019,306	3,921,936	10,396,864	1,002,580	18,340,686
REVENUES OVER (UNDER) EXPENDITURES	(852,306)	(3,921,936)	(3,247,266)	-	(8,021,508)
OTHER FINANCING SOURCES (USES)					
Transfer In/(Out)	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
REVENUES & OTHER SOURCES OVER (UNDER) EXPENDITURES	(852,306)	(3,921,936)	(3,247,266)	-	(8,021,508)
FUND BALANCE-BEGINNING 7/1/17	13,484,008	11,191,406	19,883,195	-	44,558,609
FUND BALANCE-ENDING 6/30/18	12,631,703	7,269,470	16,635,929	-	36,537,102

Fund Balances

Committed/Assigned for:

CalPers Termination	\$ 7,300,000	\$ -	\$ -	\$ -	\$ 7,300,000
Operations	4,700,000	-	-	-	4,700,000
Habitat Management (HM/HCP)	-	-	13,253,306	-	13,253,306
Building Removal	-	3,339,000	-	-	3,339,000
CIP	-	3,930,470	3,382,622	-	7,313,092
Unassigned	631,703	-	-	-	631,703
Ending Fund Balance	12,631,703	7,269,470	16,635,929	-	36,537,102

FORT ORD REUSE AUTHORITY - FY 17-18 ANNUAL BUDGET - BY FUND

EXPENDITURE CATEGORIES	FY 16-17 Approved Mid-Year	FY 16-17 Variance Projected thru 6/30/17	Projected 6/30/17	FY 17-18 Preliminary	Change from Prior Year	NOTES
	16 positions + 1 intern	16 positions + 1 intern	16 positions + 1 intern	16 positions + 1 intern		"N" indicates a new expense in FY 17-18 budget
<u>SALARIES AND BENEFITS (S & B)</u>						
SALARIES	1,765,777	-	1,765,777	1,911,684	145,907	Includes 3% COLA and Step/Longevity
BENEFITS/HEALTH, RETIREMENT, OTHER	625,196	-	625,196	672,406	47,210	Health Ins anticipated 5% increase Jan' 18
TEMP HELP/VACTION CASH OUT/STIPENDS	65,000	-	65,000	100,000	35,000	Retention
<i>SUBTOTAL S & B</i>	2,455,973	-	2,455,973	2,684,090	228,117	
<u>CalPERS UNFUNDED LIABILITIES (UAL)</u>						
SIDE FUND - PAYOFF	-	-	-	-	-	
SHARE OF RISK POOL UAL - PARTIAL PAYMENT	500,000	-	500,000	575,000	75,000	Final installment of unfunded actuarial liability - reduces termination liability, save interest.
<i>SUBTOTAL PERS UAL</i>	500,000	-	500,000	575,000	75,000	
TOTAL SALARIES , BENEFITS AND UAL	2,955,973	-	2,955,973	3,259,090	303,117	
<u>SUPPLIES AND SERVICES</u>						
PUBLIC & LEGAL NOTICES	6,000	-	6,000	8,000	2,000	Cost due to increased font size of required notices
COMMUNICATIONS	8,000	-	8,000	8,000	-	
DUES & SUBSCRIPTIONS	11,105	2,695	13,800	25,000	11,200	Reclassification of expenditures from Economic Development
PRINTING & COPY	8,000	-	8,000	13,000	5,000	HCP Public Review Draft - community engagement
SUPPLIES	14,500	-	14,500	16,000	1,500	
EQUIPMENT & FURNITURE	15,500	-	15,500	25,000	9,500	Replace defunct hardware
TRAVEL & LODGING	34,000	-	34,000	33,000	(1,000)	
CONFERENCE, TRAINING & SEMINARS	17,500	-	17,500	19,000	1,500	
MEETING EXPENSES	13,500	-	13,500	15,000	1,500	Carpenter's Hall rental fee increase
TELEVISED MEETINGS	7,000	-	7,000	7,000	-	
BUILDING MAINTENANCE & SECURITY	10,000	-	10,000	10,000	-	
FORA OFFICES RENTAL	180,000	-	180,000	180,000	-	
UTILITES	12,000	-	12,000	13,500	1,500	Anticipated rate increase
INSURANCE	26,000	-	26,000	27,300	1,300	Anticipated 5% increase
PAYROLL/ACCOUNTING SERVICES	7,000	-	7,000	7,500	500	Anticipated rate increase
IT/COMPUTER SUPPORT	29,000	-	29,000	29,000	-	
RECORD ARCHIVING	1,000	-	1,000	1,000	-	
PREVAILING WAGE TECH SUPPORT/SOFTWARE	10,000	-	10,000	10,000	-	
N Community Outreach/Marketing	-	-	-	25,000	25,000	Open House, Community meetings, marketing, etc.
OTHER (POSTAGE, BANK FEES, MISC)	3,200	-	3,200	3,000	(200)	
TOTAL SUPPLIES AND SERVICES	413,305	2,695	416,000	475,300	59,300	
<u>CONTRACTUAL SERVICES</u>						
AUTHORITY COUNSEL	200,000	-	200,000	200,000	-	
LEGAL/LITIGATION FEES	100,000	-	100,000	125,000	25,000	Potential Litigation
LEGAL FEES - SPECIAL PRACTICE	-	-	-	25,000	25,000	Alan Waltner - contract amendment
AUDITORS	22,813	-	22,813	24,000	1,187	Anticipated standard 5% increase
SPECIAL COUNSEL (EDC-ESCA)	110,000	-	110,000	100,000	(10,000)	
ESCA/REGULATORY RESPONSE/ QUALITY ASSURANCE	370,000	90,000	460,000	460,000	-	
FINANCIAL CONSULTANT	100,000	-	100,000	25,000	(75,000)	EPS - biennial study
LEGISLATIVE SERVICES CONSULTANT	43,000	-	43,000	43,000	-	
PUBLIC INFORMATION/OUTREACH	32,000	-	32,000	20,000	(12,000)	
HCP CONSULTANTS	150,000	-	150,000	150,000	-	
FORA Sunset/Transition	75,000	-	75,000	50,000	(25,000)	EPS
REUSE PLAN IMPLEMENTATION	100,000	-	100,000	150,000	50,000	Cat III
GEOGRAPHIC INFORMATION	-	-	-	-	-	
CEQA CONSULTANTS	300,000	-	300,000	-	(300,000)	Consolidated with CIP/Architects & Engineer
PARKER FLATS BURN	-	-	-	-	-	
CIP/ARCHITECTS & ENGINEERS	195,000	-	195,000	750,000	555,000	Consolidation plus Eastside Pkwy environmental
PROPERTY TAX SHARING/REUSE	-	-	-	-	-	
ECONOMIC DEVELOPMENT	110,000	-	110,000	85,500	(24,500)	Sponsorship/Local support
PW WAGE CONSULTANTS	-	-	-	75,000	75,000	
OTHER CONSULTING/CONTRACTUAL EXP	25,000	-	25,000	30,000	5,000	New Special District Reporting Requirements
TOTAL CONTRACTUAL SERVICES	1,932,813	90,000	2,022,813	2,312,500	289,687	
<u>CAPITAL PROJECTS</u>						
TRANSPORTATION/OTHER CIP PROJECTS	3,381,674	(2,500,000)	881,674	8,543,796	7,662,122	CIP Budget
HCP ENDOWMENT	-	-	-	-	-	
BUILDING REMOVAL	500,000	-	500,000	3,750,000	3,250,000	
TOTAL CAPITAL PROJECTS	3,881,674	(2,500,000)	1,381,674	12,293,796	10,912,122	
<u>DEBT SERVICE (Principal and Interest)</u>						
PRESTON PARK LOAN DEBT SERVICE	-	-	-	-	-	
PRESTON PARK LOAN PAYOFF	-	-	-	-	-	
I-BANK LOAN DEBT SERVICE	-	-	-	-	-	Sold in FY 16-17
TOTAL DEBT SERVICE	-	-	-	-	-	
TOTAL EXPENDITURES	9,183,765	(2,407,305)	6,776,460	18,340,686	11,564,226	

ANNUAL FY 17-18 BUDGET

PROPOSED SALARY AND BENEFITS
ADJUSTMENT

Staff recommends the following:

- 1) Effective October 1, 2016, pursuant to independent human resources consultant and FC/EC recommendations, the FORA Board adjusted salary ranges to bring FORA employees to equity with other Monterey Bay Regional labor market agencies and affiliated jurisdictions. To sustain this equity, the preliminary budget includes scheduled salary step increases for eligible staff. Proposed Cost-of Living adjustment (COLA) is provided.

<u>Cost-of-Living-Adjustment (COLA)</u>	<u>3.00%</u>	FY 17-18 BUDGET IMPACT	
		3.0% COLA	
CPI SF-Oakland-SJ report (available data thru 2/17): 3.44%		64,427	
Effective date: July 1, 2017		55,680	Salary increase
Eligibility: Must be full-time, employed with FORA for the past 12 months.		8,747	Benefits increase - impacts only CalPers and Wcomp
		2,519,663	Total S & B/No COLA
		2,584,090	Total S & B/With COLA
		64,427	Difference

- 2) Other Staff Benefit - Retention, Stipends, or Bonus - **Fiscal Impact - up to \$35,000**

- * A pool of funds to be used for retention, special assignments, and coverage for employee losses.
- * CalPers allows for a special pay, similar to a stipend or bonus that would not increase retirement benefits of the employee.

- 3) Health Benefit - **Fiscal Impact - Up to \$17,000.**

- * Maintain Board approved increase at mid year FY 16-17 for FY 17-18.
- * Approve up to 5% anticipated increase effective January 1, 2018