



FAIRFAX COUNTY PARK AUTHORITY



M E M O R A N D U M

TO: Chairman and Members
Park Authority Board

VIA: Sara Baldwin, Acting Executive Director

FROM: Janet Burns, Senior Fiscal Manager

DATE: October 5, 2017

Agenda

Budget Committee

Wednesday, October 11, 2017 – 4:45 p.m.

Boardroom – Herrity Building

Chairman: Mary Cortina

Vice Chair: Ken Quincy

Members: Walter Alcorn, Maggie Godbold, Michael Thompson

1. FY 2018 – FY 2019 Financial Management Update Park Revenue Funds 80000 and 80300 – Information*

*Enclosures



If accommodations and/or alternative formats are needed, please call (703) 324-8563. TTY (703) 803-3354

Board Agenda Item
October 25, 2017

INFORMATION

FY 2018 – FY 2019 Financial Management Update Park Revenue Funds 80000 and 80300

The Park Revenue Funds Financial Management Update (FMU) is prepared each year following the completion of year end.

The Financial Management update contains key assumptions, considerations and operational challenges for upcoming years and will be used in the overall management and administration of the revenue funds. The FY 2018 – FY 2019 Financial Management Update outlines projections through FY 2019 and is used for short and long range planning and funding decisions for the Park Revenue and Operating Fund, 80000 and Park Improvement Fund, 80300.

ENCLOSED DOCUMENTS:

Attachment 1: Park Revenue Funds Financial Management Update FY 2018 – FY 2019

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Aimee L. Vosper, Deputy Director/CBD

Cindy Walsh, Acting Deputy Director/COO

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Fairfax County Park Authority
Park Revenue Funds
Financial Management Annual Update
FY 2018 - FY 2019



October 25, 2017
(To Budget Committee October 11, 2017)

**Fairfax County Park Authority
 Park Revenue Funds Financial Management Annual Update
 FY 2018 – FY 2019
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1. Introduction

Budget Guidelines and Revenue Funds Brief Descriptions

- **FY 2019 Budget Guidelines**

While the county is not projecting a deficit at this point for FY 2019, and it is likely that some level of reductions will be necessary, the county is not requiring that reductions be submitted with the FY 2019 budget. Instead, during the fall of calendar year 2018, in addition to making refinements to the projections for FY 2018 revenues, the Phase 2 LOBs projects will be defined and the county will be using them as the basis for budget balancing decisions for FY 2018.

- **Brief Description of Park Authority Revenue Funds**

- **Park Revenue and Operating Fund (80000)** Revenues come from user fees and charges such as general admissions, passes, retail sales, equipment and facility rentals, classes and events at RECenters, Golf Courses, Lakefronts, Historic Sites, and Nature Centers. Fees are generally applied in areas serving an *individual's benefit*. Expenditures include personnel, operating, and capital equipment. The Park Board has fiduciary control over this fund. The fund is guided by the Financial Management Principles which are found in the annual Financial Management Update. The Park Revenue and Operating Fund must operate on a cost recovery basis and currently does not provide for capitalization costs.
- **Park Improvement Fund (80300)** is used to finance repairs, renovations or development of revenue generating facilities and programs. It receives revenue from year-end transfers from the Park Revenue and Operating Fund net, donations, telecommunications, and proffers, and is considered a special fund to be appropriated and expended solely by the Authority. These funds are either designated and restricted for specific use or managed by project that the Park Board approves and aren't generally used for day-to-day operating expenses unless specifically designated. Since these funds are mostly used for capital projects which typically span multiple years, funding is carried forward each fiscal year and ending balances may fluctuate depending upon Carryover.

PAB FY 2018 Financial Calendar

As of July 1, 2017

July 1, 2017, FY 2018 Budget Year begins

- July 12** Budget Committee reviews: FY 2017 Carryover Budget Review for 10001, 30010, 30400, 80000, and 80300;
- July 26** Carryover Review package to the BOS for advertisement
- July 26** PAB approves FY 2017 Carryover items and changes to the Purchasing Resolution
- Late August** Tentative: Committee of the Whole Meeting to discuss budget reduction exercise (8/19 and/or 8/26)
- September 12** BOS approves FY 2017 Carryover and dollars become available
- September 13** BUDGET COMMITTEE reviews the FY 2019 Budget Submissions
- September 27** PAB approves FY 2019 Budget Submissions
- October 11** Budget Committee reviews the FY2018-FY2019 Financial Management Update (FMU); the FY 2017 year end summary and trend data, Planning and Development Committee reviews the FY 2019-FY 2023 Capital Improvement Program
- October 25** Fee Calendar and FMU are provided to the PAB
- November 8** Budget Committee reviews First Quarter updates and Review of potential fee adjustments for FY 2018
- November 15** PAB receives First Quarter updates; PAB receives Annual Financial Report (CAFR) as of June 30, 2017, auditor will attend. Budget Committee has its initial Fee Adjustment discussion
- December 6** Budget Committee reviews the Advertised Fee Proposal Package for FY2018 and confirms the public meeting date (typically late January);
- January 18, 2018** Public comment meeting on fees at Herrity Building
- February 14** Budget Committee reviews Second Quarter updates and Third Quarter Budget items and approval of the FY 2018 Fee Adjustment Package
- February 14** County Executive presents the FY 2019 Proposed Budget and CIP
- February 28** PAB reviews the Second Quarter updates, Third Quarter Budget items and the Budget Committee approves proposed FY2018 Fee Adjustment Package
- March 14** PAB approves the FY 2018 proposed Fee Adjustment Package

<u>March</u>	<p>March Planning Commission hearings on FY 2019 – FY 2023 CIP</p> <p>March BOS meeting – Third Quarter Budget discussion</p> <p>PAB receives the FY 2019 Advertised Budget Plan Memorandum and approves the FY2018 Fee Adjustments</p>
<u>April</u>	<p>Fee adjustments take effect (April 1st)</p> <p>BOS Public hearings on proposed FY 2019 Budget</p> <p>BOS FY 2018 Third Quarter approved, FY 2019 Budget Mark up</p> <p>BOS Formal Adoption of the FY2019 Budget</p>
<u>May</u>	<p>Budget Committee reviews any policy changes if needed, FY2019 Adopted Budgets, FY2018 Third Quarter Updates, preparation for FY 2020 budget</p>
<u>June 30, 2018</u>	<p>FY 2018 closes</p>

The Park Revenue Funds Financial Management Update (FMU) is used to inform the Park Authority Board and Park staff on the outlook for fiscal years 2018 and 2019. The FMU provides financial projections for the Fairfax County Park Authority's two revenue funds (Fund 80000, Revenue and Operating Fund (ROF) and Fund 80300, Park Improvement Fund). Based on the prior year-end status, the adopted budget, and the revenue and expenditure assumptions, staff formulates a schedule that models revenue and expenditure estimates for two future years. The FMU serves as an update on current and planned activities and should typically be completed by October of each year.

These projections drive short and long-range operating decisions. Key to the park revenue funds' management decisions are the eight-point Financial Management Principles which were last reviewed by the Park Authority Board in 2016 and no changes to those are recommended. These guidelines draw on and conform to the county's "Ten Principles of Sound Financial Management." The FMU is also influenced by the Park Facilities Bond Debt Service requirements. Bonds represent a long-term debt obligation to the Authority and, coupled with the Financial Principles, act as the basis for Park Revenue Funds decisions by the Authority.

The Park Authority Board approves Fund 80000 and Fund 80300 budget submissions each September. Staff provides quarterly financial status of the Revenue and Operating Fund and a carryover package at the end of each fiscal year. The annual budgets and FMU are reviewed by the Board's Budget Committee and presented to the Park Authority Board for approval.

Significant fund structure changes occurred in previous years to plan for fiscal sustainability and ongoing support of revenue facilities:

- A specific Grants Match Project was established to use for grant matching dollars. The minimum balance is \$250,000.
- A Catastrophic Events Project was established to draw upon when there are unplanned natural events or disasters and/or when funding may be returned through Risk Management or FEMA and an Emergency Project, a sub-project within General Park Improvements Project was established. The minimum balance is \$250,000.
- Uniform definitions and use for maintenance, infrastructure replacement, upgrades, and renovation projects were adopted to assist the Park Authority in aligning, planning, and assigning funding areas for the future.
- The Revenue Facilities Capital Sinking Fund (RFCSF) was established to provide at least partial funding to address planned revenue facility long- term, life cycle needs.
- The Revenue & Operating Fund Stabilization Reserve was established to ensure fiscal stability. There are strict guidelines for using the reserve in times when a net loss at year end is projected.

These are all substantive efforts to help secure the foundation that will help support Park revenue operations; however, continued commitment to educating and working through the challenges in balancing the Revenue & Operating Fund vs General Fund remains critical to future sustainability. The persistent challenges with the economy, budget limitations, rising business costs, unforeseen weather events, aging infrastructure, and increased competition for the ROF, which allows for

only very minimal increases in fees, remain. It is critical that these be addressed in order to move forward. Educating partners and stakeholders in the Park Authority's complex funding structure, along with transparent fiscal planning and reporting, will further their willingness to invest in, support and understand the true value of parks. The director, Park Authority Board, staff and our partners across county agencies are committed to addressing these issues together.

2.0 Financial Management Principles

Park Authority Revenue Funds

The Park Authority Board and staff have fiduciary responsibility for the Park Revenue and Operating Fund. The Financial Management Principles will form the basis for policy decisions affecting the Fund. These principles are:

- Financial planning for the Park Revenue and Operating Fund will be consistent with the goals and objectives of the Authority and support the initiatives and strategies as reflected in the Authority's approved plans. Likewise, the Authority's goals and objectives which affect the Park Revenue and Operating Fund will be consistent with fund availability and financial projections.
- The Authority will develop a financial management update for the Park Revenue and Operating Fund with a two out-year projections. The Plan will be updated at least annually and will be used as the basis for the development of budgets and revenue/fee schedules.
- The Park Authority budget process will ensure the highest possible accuracy of revenue projections and the review and evaluation of budget expenditure requirements. Annual budget plan submittals will meet all Fairfax County Department of Management and Budget requirements. All efforts will be made to optimize productivity for improved service delivery at the lowest possible cost levels to the fund.
- The annual operating budget will project and produce a positive cash balance for each fiscal year. A cost recovery ratio for the budget-planning year will be developed and integrated into the financial management plan. Management of the Park Revenue and Operating Fund for budgeting purposes will be at cost/profit center level so that each program and function is reviewed annually both for revenue projections and expenditure needs. Where possible, each cost center will produce net revenue and keep expenditures to the lowest possible levels.

- A Revenue and Operating Fund Stabilization Reserve will be maintained at a sufficient level to allow for yearly cash flow requirements and for use in addressing any net Revenue and Operating Fund shortfalls. The cash flow portion of the reserve will be a minimum of five percent of the approved annual expenditure budget minus debt with use, in any given year of up to 50% of the balance with Park Authority Board approval. Additional emergency funding will be maintained in the Catastrophic Events project and in General Park Improvement Emergency sub-project. The Revenue and Operating Fund Stabilization Reserve and related Emergency projects shall be adjusted annually at Carryover.
- Net revenue generated from the fiscal year, above that needed to pay debt service requirements and sustain the reserves, will be committed as approved by the Park Authority Board. Funding priority will be given to the repair and renovation requirements of the Park Revenue and Operating Fund's facilities and for support of revenue generating programs. At the Board's direction, all, or a portion of the net revenue, will be appropriated annually to the Park Improvement Fund or Revenue Facilities Capital Sinking Fund for future needs associated with the repair and renovation of Park Revenue and Operating Fund facilities and programs. Funding requirements will be reviewed and updated annually.
- These Financial Management Principles will be reviewed by the Park Authority Board periodically.

3.0 Planning Assumptions and Considerations

3.1 Revenue Generation through Fees

Fees generated from the ROF pay for personnel expenses and operating costs at all Park Authority-operated golf courses and RECenters; at lake parks for fee-sustained facilities and program operations; and for rental facilities, programs, and store sales at nature centers, visitor centers, historic sites and other parks. Sustained revenue growth is essential to support the ROF and to offset increases in operating expenses.

Growth is designed to come from multiple sources, including new facility improvements and expansions, program participation growth, new facility users, cost management, and fee increases. As a matter of practice, comparatively small and regular fee increases are preferred over less frequent, but larger increases. Opportunities for fee increases have been limited by economic conditions over the past few years. Prospects have

been stronger for programs than facilities as consumer demand has been more robust for programs, allowing more regular fee increases in programs. Looking forward, there are indications that the potential for program fee increases may be slowing as well. One-year program revenue growth stagnated in FY 2017 (-0.3%) after growing 3.5% the previous year. Not all indicators are negative, however. Customer ratings of program value continue to remain strong. Nonetheless, revenue generation potential via fee increases is likely to be more limited in the near-term than has been the case in the future. And near-term revenue growth is likely to be more reliant on recent facility expansions in golf, RECenters and the Water Mine than fee increases.

3.2 Debt Service

Sufficient revenue must be produced annually to meet long-term debt service obligations for park facility revenue bonds, which are repaid with revenues from user fees. Debt obligations include the Facilities Revenue Bonds Series 1995, Refunding 2013A and the Laurel Hill Public Facilities Projects, Laurel Hill Golf Course note payable to Fairfax County, Refunding Series 2012A. Park Revenue & Operating Fund total debt payment obligations were/are:

ROF Debt Service Payment Schedule	
FY	Debt Service
2017	\$1,631,183
2018	\$1,659,644
2019	\$1,681,313
2020	\$1,714,690
2021	\$952,779

The final payment for the Park Facilities Revenue Refunding Bonds; Series 2013 (Twin Lakes/Oak Marr) will be made in FY 2021.

Twin Lakes Debt Service Payments	
FY	Debt Service
2018	\$799,275
2019	\$792,959
2020	\$795,206
2021	\$793,684

Once that debt is paid in full, the ROF will save approximately \$800,000 annually which will create flexibility for reinvestment in the Revenue Fund. With net golf revenue fairly flat, meeting the debt obligation continues to challenge the Park Authority and limit its ability to reinvest in revenue producing facilities so that they yield a greater return and increased self-sufficiency. It is important to note that both the Laurel Hill Public Facilities

Project and the Park Facilities Bond have been refunded to take advantage of the historically low rates of 2012 and 2013.

3.3 Business Performance in the Current Economy

General market conditions that will influence future business performance show improvement over last year. A synopsis of key indicators is as follows:

3.3.1 The Washington-Baltimore consumer price index (CPI) shows a small growth in inflation thus far in calendar year 2017, according to figures from the U.S. Department of Labor available through July 2017. In July of 2017, the change in the CPI over the previous 12 months was .6%. All consumer items, less the food and energy index, were unchanged, the energy index (-0.2 percent) and the food index (-0.1 percent) both decreased since May. Food prices increased 0.7 percent over the year. Prices for food eaten outside the home are up 2.0 percent, but this is offset by a decline in prices for food eaten at home which are down 0.4 percent, since last July. Energy prices rose 2.7 percent over the year, led by a 12.6 percent increase in utility (piped) gas service prices. Prices also increased over the year for gasoline (1.6 percent) and electricity (1.1 percent).

3.3.2 Other measures of the current condition of the local economy that are typically noted in this plan include trends in the unemployment rate and sales tax receipts for retail sales. The plan also tracks national confidence in the economy by reporting recent trends in the national consumer confidence index developed by The Conference Board. For the current plan, this data comes from the Fairfax County Economic Indicators Report (June 2017), the Bureau of Labor Statistics (June 2017 unemployment data), and the Conference Board (June 2017 consumer confidence index).

Unemployment

Fairfax County unemployment as of June 2017 is 3.2% which is up 0.1% from June of 2016. The U.S. unemployment rate is 4.4% in June, down 0.1 % from April and down 0.4% from May of 2016. Fairfax County's level of unemployment is about middle-of-the-pack for jurisdictions in northern Virginia, where the rate of unemployment for June 2017 ranged from a low of 2.6% in Arlington to a high of 3.5% in Prince William.

Retail Sales

Tax receipts for Fairfax County in June 2017 were \$14.4 million, an increase of 1.4% from June 2016 which is much improved from the

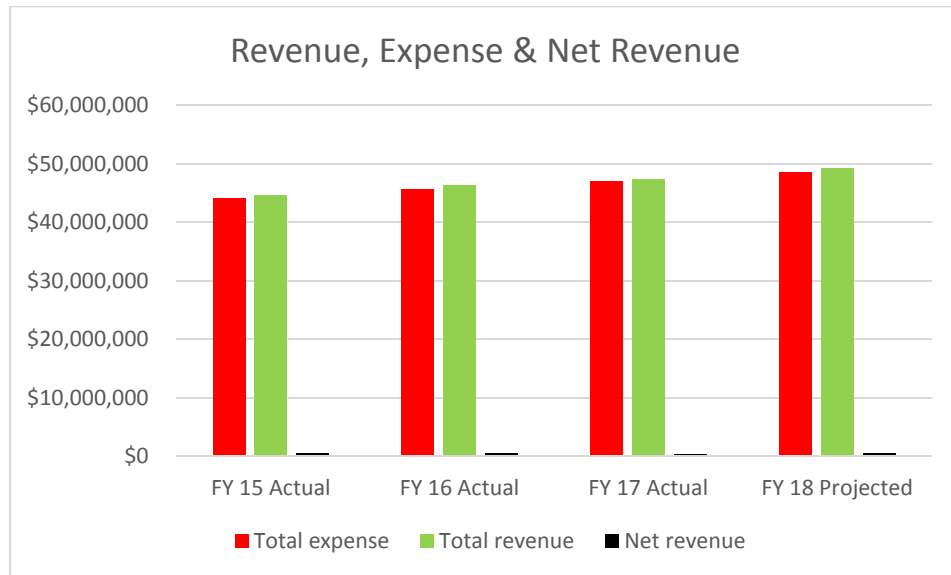
3.9% decline experienced from June 2015 to June 2016. Total Sales Tax receipts for FY2017 are \$176.5 million, down 1.2% from FY2016.

Consumer Confidence

Nationwide consumer confidence, as reflected in the Conference Board’s consumer confidence index (CCI), is 118.9 in June of 2017 up from 97.3 in June 2016, an increase of 21.6 points. Consumers’ assessment of current conditions has improved to a nearly 16 year high. Consumers anticipate continued expansion of the economy, but not at an accelerated pace.

3.3.3 Summary of FY2017 Trends and General Impacts on ROF Business

The Revenue and Operating Fund continues to be challenged by the growth in expenses and a plateau of revenue which continues to challenge the ability to attain a meaningful positive net revenue to provide for future sustainability. The gap between revenue and expenses continues to close providing additional management challenges.



Divisional details that play into the Total Net Revenue of the ROF:

Golf Enterprises

The size of the U.S. Golf Market continues to shrink, both in terms of the total number of golfers and the percent of the population that

plays golf. Predictions about the future vary, the NGF feels that the decline has stabilized. Golf continues to be challenged by external forces, e.g., weather which impacts operating days and the quality of operating days. A hot and humid day is an operating day, but may not yield the volume of rounds that a cool and sunny day might which accounts for some of the rounds fluctuation seen below. The goal of Golf Enterprises is to grow the rounds by 2% annually in FY18 & FY19. With the strategy to continue the growth in golf marketing efforts through traditional and social media, we feel we can achieve that target.

Fiscal Year	Total Op Days	Rounds Played	Change in Rounds Played
FY14	2,177	268,151	
FY15	2,258	260,467	(7,684)
FY16	2,350	268,801	8,334
FY17	2,410	259,094	(9,707)
FY18	2460(+2%)	264,000(+2%)	Approx 5000
FY19	2510(+2%)	269,500(+2%)	Approx 5500

Park Services

RECenter attendance decreased 0.74% in FY 2017, with increases seen at four sites and decreases at five. While there are a variety of operational factors for attendance fluctuation, chief among them partial facility shutdowns for pool maintenance. In FY 2017, Brailsford & Dunlavey was contracted to do a comprehensive study of the RECenter system and make recommendations for needed improvements to both the facilities and the operations. The Brailsford & Dunlavey study highlights significant competitive pressures (both internal and external) as a primary factor in current financial performance. Overall RECenter revenue increased by 1.4%, primarily driven by two categories – rental revenue (up at 6 sites) and admission revenue (up at 8 sites). As a whole, pass revenue was fairly flat across all RECenters causing concern that prices for membership passes are at, or very near, market tolerance levels in the current environment. Future implementation of the new recreation management software system will enable the introduction of automated monthly membership fees, which will be attractive to those unable to pay up front for a long-term membership. Inability

to produce a greater rate of revenue growth was hampered primarily by the levelling off of program revenue growth (see also section 3.1), which accounts for more than half of all RECenter revenue. The major impact in program revenue was the loss of one full week of camp programs due to the shift in school start dates as described in section 3.7.

Changes in RECenter Attendance FY 2016-2017			
RECenter	2016	2017	Change
GW	26,702	25,740	(962)
Lee	198,118	190,660	(7,458)
Mt. Vernon	195,366	181,118	(14,248)
Oak Marr	309,123	309,065	(58)
Providence	183,648	184,553	905
South Run	278,672	258,027	(20,645)
Spring Hill	204,312	212,445	8,133
Audrey Moore	251,210	261,368	10,158
Cub Run	204,444	214,831	10,387
Total	1,851,595	1,837,807	(13,788)

Changes in RECenter Revenue by Revenue Category			
Category	FY16 Revenue	FY17 Revenue	Dollar Change
Admissions	2,271,164	2,397,749	126,585
Passes	6,731,297	6,772,636	41,339
Programs	15,720,218	15,651,886	(68,332)
Rentals	3,453,582	3,701,318	247,736
Other	181,853	223,894	42,041
Total	\$28,358,114	\$28,747,483	\$389,369

Resource Management (RMD)

Overall revenue grew by 5%, which reflects an increase in revenue from all program business areas. The major impacts are in Admissions (18% growth over FY16) and Rentals (21% growth over FY16). Notable admission increases are season passes at Frying Pan and building admissions at Sully Historic Site and Colvin Run Mill. Facility rentals were up \$42K at Frying Pan Park, almost entirely due to Visitor Center rentals.

Though stewardship education continues to show steady growth in revenue and participation, the division experienced a plateau with only a

2% growth in program revenue from FY 2016 to FY 2017 after a five year 8% average growth. The steady growth was due to fee increases and increase in programs at RMD sites as well as alternative facilities (Historic Property Rental Services (HPRS) sites, park shelters, etc.). These increases have since slowed as sites work within the new structure to identify additional opportunities. Programs were additionally negatively impacted by having one less week of summer camp programming in FY17.

Growth at individual sites is split with 5 sites increasing revenue from FY16 to FY17, and 4 sites with a decrease. Most notable for increases are Huntley Meadows Park with over \$50K in additional revenue, and Frying Pan Farm Park reaching the milestone of \$1M in revenue for the first time. All sites showing a decrease in revenue were heavily impacted by the reduction in camp weeks for FY17. Other notable decreases are at Riverbend, which lost an additional \$20K in programming fees due to a drop in offered programs and lower fill rates, and Green Spring Gardens, which was down \$6K in store sales and \$16K in Farmer's Market revenue. Riverbend Park has increased marketing for it's programs to better the fill rates for FY18. Farmers Markets, which are managed by Green Spring Gardens, have lost some of the larger vendors, which have been difficult to replace as the market becomes more saturated. The next few years will be focused on re-calibrating and evaluating the program mix, program performance and improving net revenue .

Weather dependent categories have all shown positive growth: special events (21%), boating (13%) and amusements (6%).

RMD Program Growth			
Program Area	FY16 Revenue	FY17 Revenue	% Change FY16-FY17
Programs	\$ 1,966,524	\$ 2,013,464	2%
Admissions	\$ 72,954	\$ 86,175	18%
Rentals	\$ 258,551	\$ 312,299	21%
Sales	\$ 245,799	\$ 256,628	4%
Amusements	\$ 37,011	\$ 39,577	7%
Other	\$ 7,647	\$ 13,807	81%
Total	\$ 2,588,485	\$ 2,721,950	5%

3.4 Benefits

Benefit costs continue to rise. In FY 2017, the total cost associated with benefits for the Revenue & Operating Fund increased as follows:

- Retirement contributions increased from \$1,949,258 to \$2,087,808, an increase of \$138,550 or 7.0%.
- Health Care Benefits for all ROF personnel increased from \$1,960,177 to \$2,197,201, an increase of \$237,024 or 12.1%. No budget guidance relative to health care costs for FY19 has been provided by the County at this point in time, though, historically, this expense category continues to outpace the rate of inflation and negatively impacts the fund's ability to grow its net revenue.
- Other Post-Employment Benefits (OPEB) costs for ROF employees were transferred from the county to the Park Authority beginning in FY 2011. In FY 2015 the charge was \$590,977, and rose to \$598,197 in FY16. For FY17, the charge was reduced to \$256,924, as the County changed its funding contribution of this long-term liability account. The charge increased to \$270,400 for FY18, but no budget guidance for FY19 OPEB charges has been provided by the County at this point in time.

3.5 Employee Compensation - Market Adjustment Rate

In the FY 2018 budget, funding is included for performance and longevity increases, but, due to budget constraints, no funding for the market rate adjustment (MRA) is included. The average compensation increase is expected to be 2.0 percent. The impact to the Revenue and Operating fund for those FY2018 salary adjustments is \$255,721. The Budget Guidance for FY 2019, based on the Board of Supervisors direction in April 2017 was that funding for full compensation be included for FY 2019. At this time, it is unknown what that fiscal impact will be in FY 2019, but based on historical data, the ROF is looking at an impact of ~\$630k.

3.6 Leave Payouts

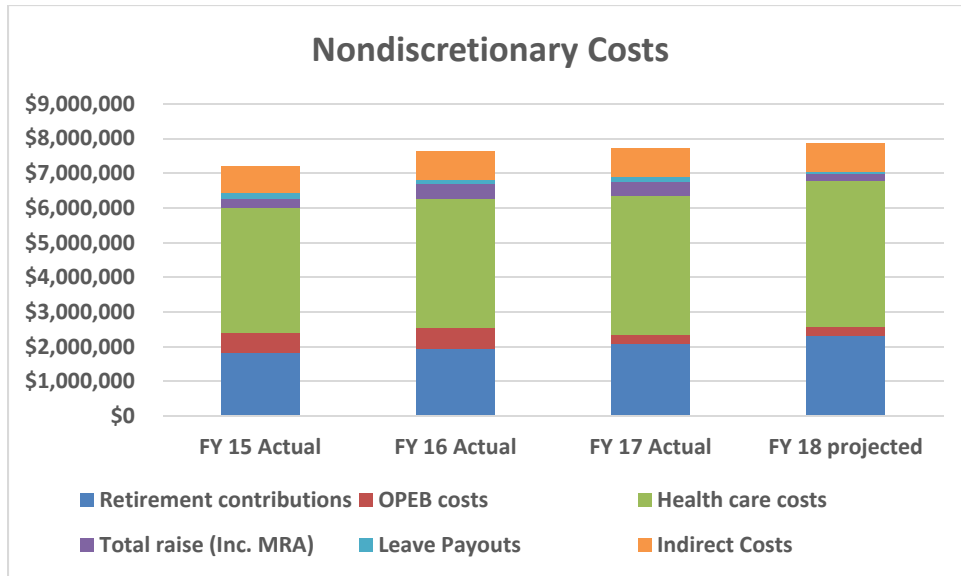
The Authority, as well as the general county, will be facing an increased number of retirements as baby boomers prepare to exit the work force. In FY 2018 the Authority will have 15 Merit employees eligible for retirement, three of those are in the Revenue & Operating Fund. An additional eight employees become eligible in FY 2019, five of which are in the Revenue & Operating Fund. When an employee retires from merit service, the employee is paid for the balance of their annual leave, and any compensatory time up to 240 hours. The Revenue & Operating Fund incurred \$138,503 in leave payouts in FY 2017. The DROP payout is projected to be \$42,865 in FY 2018, and \$140,149 in FY 2019.

3.7 Fairfax County Public Schools Initiatives

A potentially greater financial impact occurred with the school year 2017-18 as school began prior to Labor Day. This resulted in the loss of two camp weeks and strategies are being discussed to compensate and adjust for those revenue losses. While the second half of the school year may permit an earlier school summer dismissal, and thus allow us to offer camps earlier in the summer, it is unlikely we will capture all the lost revenue of camp weeks. The estimated loss in gross revenue resulting from the accelerated school start date is approximately \$320,000. Every effort will be made to recoup that revenue through future offerings and, hopefully, an additional camp week being available due to an earlier school release date.

3.8 Nondiscretionary Expenses Impacting Net Revenue

FY 2017 Actual Net Revenue was \$346,441. FY 2018 Revised Net Revenue based on Carryover is currently budgeted at \$591,196. Factors impacting FY 2017 net revenue include Indirect Cost charges (applied from the county for provision of legal, HR, and other centralized services) in the amount of \$820,000 and the continued impact from the BOS approved compensation plan discussed in the employee compensation section. The primary use of net revenue is for reinvestment into projects such as Revenue Facilities Capital Sinking Fund that provides support for planned, long-term, life-cycle maintenance of revenue facilities, ParkNet, and General Park Improvements. The FY 2019 net projection was submitted as \$845,258, but does not reflect salary growth as that data is not yet available. If history is reliable, actual net revenue will be closer to \$250k when employee compensation increases are factored in. Health care costs, retirement contributions, Other Post-Employment Benefits (OPEB) and leave payouts for retiring staff continue to be a significant burden on the ROF totaling approximately \$7 million in nondiscretionary expenses that the ROF must accommodate.

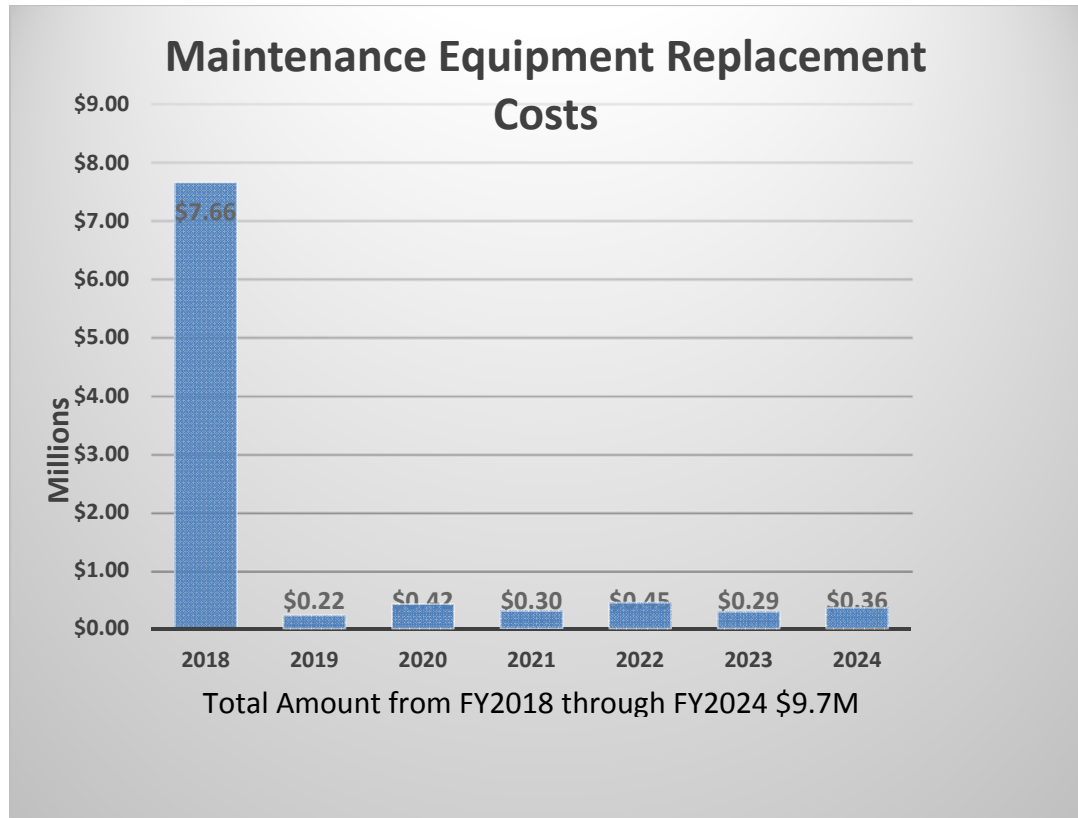


3.9 General Fund Budget

Based on FY 2019 Budget Development Guidance, similar to previous years, we are projecting a significant deficit for both the County's General Fund and for the Schools at this early stage in the FY 2019 budget development process. The County continues to see limited projected revenue growth and it is likely that many important priorities for both the County and Schools will not be able to be funded. While it is likely that some level of reductions will be necessary, Management and Budget is not requiring that reductions be submitted with the FY 2019 budget. Since FY 2008, Park Authority reductions have resulted in a 22% base-line loss of General Fund expense support. Additionally, other reductions occurred to balance the budget, including 55 unfilled positions, while park acreage, facilities, and amenities, population, competition, and public expectations continued to increase. Park conditions continue to deteriorate due to lack of resources and community member complaints are on the rise; finding recurring program cuts without furthering impacts is virtually impossible. Following the last several years of additional General Fund costs being moved to the ROF, staff and the Park Authority Board have been extremely cautious in opening that door as an option to help with reductions as net dollars are sorely needed to reinvest into revenue facilities and/or cushion uncontrollable costs coming from the county. As the result of declining park conditions and a decade of budget reductions in the General Fund operating budget, the Park Authority is submitting a request for approximately \$3.45 million in additional funding in the FY 2019 budget.

3.10 Capital Equipment

In the past, (especially in difficult economic times) based upon the requirement to insure 100% cost recovery in the ROF, the agency made the decision to hold or delay some capital equipment replacement. RECenters, golf courses, nature sites, lake fronts, and historic sites have a variety of equipment that is relied upon to maintain the facilities and also to assist in programs and services directly tied to revenue generation. Recent data captured in the agency's Tririga Asset Management System indicates that 73% of the existing grounds related capital equipment is beyond its life expectancy. "Maintenance equipment at all facilities" is listed in the National Golf Foundation (NGF) final report's top ten priorities noted to meet its projections. Further, it is the NGF Consulting team's belief that continued deferral of equipment replacement will jeopardize course conditions and impact overall service serving to further erode golf revenues by an amount even greater than the expense reduction savings. This strategy can no longer be relied upon to balance the budget. The agency must determine the next steps to begin the transition towards creating a replacement cycle for required capital equipment and consider all avenues of revenue stream for this implementation program. In FY 2017, it should be noted, the Park Authority only purchased \$25,205 of capital equipment out of \$455,000 budgeted due to concerns about balancing the budget in the face of a very wet May that resulted in staff seeking permission to be able to use the Revenue & Operating Fund Stabilization Reserve. Luckily, staff did not need to use the reserve, but the limited net revenue shows how difficult it is to expend budgeted capital equipment. The Park Authority also purchased \$122,202 worth of capital equipment in the General Fund, with an additional \$129,076 encumbered. As part of carryover, the Authority transferred \$100,000 to General Park Improvements to allow the purchase of critical capital equipment. Also as part of FY 2017 carryover, the county provided \$200k in ongoing General Fund support for capital equipment used at Park General Fund facilities. Additionally, \$210k in telecommunications funding was identified to use for Golf Enterprises capital equipment purchases. Telecommunication funds were also used to purchase maintenance equipment at multiple golf sites. As equipment ages, that equipment will be made available via public auction with any proceeds reinvested in future Park Authority needs. With FY 2018 projected to be another difficult year, the Authority will again be challenged in purchasing needed, critical capital equipment, while also ensuring positive net revenue. The below chart details the Park Authority's capital equipment backlog and needs through FY 2020 to replace aging equipment.



3.11 Realization of Bond Projects - FSP Core Business initiatives

With the Twin Lakes Oaks Room, Water Mine, Oak Marr RECenter and Spring Hill RECenters expansions complete, fully operational and generating positive net revenue; only one FSP Core Business initiative, the Burke Lake Golf Driving Range Expansion remains. The Burke Lake Driving Range renovations are now open to the public, and the clubhouse is scheduled to be completed in fall 2017.

Although, no major bond projects are planned in the next two years, several shelters are planned for development, starting in FY18. Another revenue generating initiative includes the Park Authority's partnership with Go Ape on an adventure course located behind South Run RECenter. Along with the realization of bond projects, the Park Authority is looking at these initiatives to offer revenue boosts.

3.12 Realization of Net Revenue Projections for Development Projects

	Actual Net Revenue Prior to Expansion	FY 2017 Actual Net Revenue	FY 2017 Original Projected Net Revenue	FY 2018 Original Projected Net Revenue
Twin Lakes	\$391,270 (FY13)	\$64,052	\$591,270	\$616,270
Oak Marr	\$643,795 (FY12)	\$1,024,888	\$1,043,795	\$1,193,795
Spring Hill	\$477,075 (FY13)	\$927,373	\$927,075	\$1,052,075
Water Mine	\$356,289 (FY14)	\$687,564	\$556,289	\$606,289
Burke Lake Driving Range	\$157,700 (FY16)	(\$103,255)	\$57,700	\$307,700
Go Ape @ South Run	N/A	\$3,919	\$3,919	\$75,000
Lee District Carousel and Picnic Shelters/Chessies	N/A	\$0	\$0	\$24,000 Carousel \$30,000 Shelters
Totals	\$2,026,129	\$2,604,541	\$3,180,048	\$3,776,129

4.0 Management Strategies

4.1 FY 2018 – FY 2019 Planned Capital, Repair & Service Improvement Strategies for Revenue Generating Facilities

Capital Projects impacting Revenue Generating Facilities-High probability of achieving estimated Net Revenue.

Park	Project Description	Targeted Completion	Estimated Net Revenue
Burke Lake Golf Course Club House	Replacement	FY18	\$100,000
Clemyjontri	Shade Shelter	FY18	\$11,600
Pinecrest Golf	Indoor driving range to include video golf capabilities	FY19	\$26,150
Oak Marr Golf Course	Driving Range Improvements and upgrade driving range lighting	FY19	Starts July 2018; \$200,000 revenue hit in FY19 due to shut down for 3 months
Hidden Pond	Parking lot expansion and new outdoor shelter	FY19	\$715 (not a full year)
Riverbend Park	Outdoor Education Shelter	FY19	\$1,760
Mt. Vernon RECenter	Design for RECenter Renovation and Expansion	FY19	N/A

4.2 Capital Projects Supporting Revenue Facilities but Not Directly Revenue Enhancing

Park	Project Description	Completion Year	Estimated Net Revenue	Probability of achieving Net Revenue
Lake Fairfax ADA	Campground A&C Bathhouse and Restroom B	FY18	\$40,000	High
RECenter System Study	Review and analysis of RECenters for future enhancements.	FY18	\$0	N/A
Historic Huntley	Tenant House into visitor center with displays, restrooms and reception area	FY18	\$3,000	High
Colvin Run Mill	Restoration of Millers House	FY18	\$1,670	

5.0 Schedules

5.1 Base Assumptions for FY 2018 – FY 2019

	FY 2018 PROJ	FY 2019 PROJ
	Inflation Factors	Program Growth
REVENUE FACTORS		
REC ACTIVITIES	1.00	1.01
GOLF	1.00	-1.01
ADMINISTRATION	1.00	1.00
RESOURCE MANAGEMENT	1.05	1.05
EXPENDITURE FACTORS		
REC ACTIVITIES		
FULL-TIME SALARIES	1.00	1.02
LIMITED-TERM SALARIES	1.02	1.04
OPERATING EXPENSES	1.09	-1.08
CAPITAL EQUIPMENT	1.00	1.00
SUBTOTAL		
GOLF COURSES		
FULL-TIME SALARIES	1.00	-1.03
LIMITED-TERM SALARIES	1.00	1.33
OPERATING EXPENSES	1.00	1.05
CAPITAL EQUIPMENT	1.00	1.86
SUBTOTAL		
ADMINISTRATION		
FULL-TIME SALARIES	1.00	1.03
LIMITED-TERM SALARIES	1.00	1.03
OPERATING EXPENSES	1.00	1.00
CAPITAL EQUIPMENT	1.00	1.00
SUBTOTAL		
RESOURCE MANAGEMENT		
FULL-TIME SALARIES	1.03	1.00
LIMITED-TERM SALARIES	1.02	1.04
OPERATING EXPENSES	1.03	1.04
CAPITAL EQUIPMENT	1.00	1.00
SUBTOTAL		

Notes:

- FY 2017 is considered the baseline.
- Based on the past couple years of actual performance Golf passes and greens fees revenue assumptions have been reduced. The National Golf Foundation is reporting some positive news, so staff anticipates that the Park Authority courses will see improvement going forward.
- Full-Time and Limited-Term salary projections are based on assumptions from the County's Compensation Team, but the actual percentage will be based on increases approved by the BOS.
- It is estimated that due to the continued economic situation there will be a very conservative fee package presented for FY 2018 and FY 2019. General timing for the fee approval process can in attachment A-2.

5.2 Revenue/Expenditures – Summary

	FY2015 ACTUAL	FY2016 ACTUAL	FY2017 ACTUAL	FY2018 ADOPTED	FY2019 PROJ
OPERATING REVENUE	\$44,678,697	\$46,316,036	\$47,285,313	\$49,200,800	\$49,725,873
EXPENDITURES:					
PERSONNEL SERVICES	\$27,695,078	\$28,174,975	\$29,238,960	\$29,233,127	\$30,165,257
OPERATING EXPENSES	13,978,786	14,957,502	15,220,524	\$16,578,600	15,834,046
CAPITAL EQUIPMENT	139,701	160,917	25,205	315,000	380,000
TOTAL EXPENDITURES	\$41,813,565	\$43,293,394	\$44,484,689	\$46,126,727	\$46,379,303
NET REVENUE BEFORE DEBT	\$2,865,132	\$3,022,642	\$2,800,624	\$3,074,073	\$3,346,570
DEBT SERVICE	\$1,579,890	\$1,605,082	\$1,634,183	\$1,662,877	\$1,681,313
INDIRECT COST	\$775,000	\$820,000	\$820,000	\$820,000	\$820,000
NET REVENUE AFTER DEBT	\$510,242	\$597,560	\$346,441	\$591,198	\$845,257
1/ DEBT SERVICE RATIO	1.81	1.88	1.71	1.85	1.99
2/ COST RECOVERY	1.069	1.070	1.063	1.067	1.072
3/ COST RECOVERY - includes Bond Interest & Debt Service	1.030	1.032	1.025	1.030	1.035

3/ \$345,013 for Providence and \$565,000 FY 02 approved carryover.

1/ Debt Service Ratio is calculated by dividing Net Revenue Before Debt by Debt Service

5.3 Projected Revenue by Operating Area

	FY2015 ACTUAL	FY2016 ACTUAL	FY2017 ACTUAL	FY2018 ADOPTED	FY2019 PROJ
REC ACTIVITIES	31,207,960	32,920,822	33,735,661	34,479,476	34,939,476
GOLF	9,835,541	10,053,150	10,059,264	10,983,900	10,913,541
ADMINISTRATION	893,453	753,579	768,438	871,860	871,860
RESOURCE MANAGEMENT	2,741,743	2,588,485	2,721,950	2,865,564	3,000,996
TOTAL	\$44,678,697	\$46,316,036	\$47,285,313	\$49,200,800	\$49,725,873

5.4 Projected Expenditures by Cost Center

	FY2015 ACTUAL	FY2016 ACTUAL	FY2017 ACTUAL	FY2018 ADOPTED	FY2019 PROJ
REC ACTIVITIES					
FULL-TIME SALARIES/BENEFITS	9,519,101	9,583,981	9,770,371	10,024,583	10,184,325
LIMITED-TERM SALARIES	9,913,436	10,279,078	10,637,723	10,485,537	10,929,937
OPERATING EXPENSES	9,725,927	10,703,481	10,685,035	12,088,777	11,153,402
CAPITAL EQUIPMENT	27,257	18,114	18,764	280,000	280,000
SUBTOTAL	\$29,185,721	\$30,584,654	\$31,111,893	\$32,878,897	\$32,547,664
		30,584,662			
GOLF COURSES					
FULL-TIME SALARIES/BENEFITS	4,645,018	4,781,614	4,978,610	5,285,904	5,112,224
LIMITED-TERM SALARIES	1,491,181	1,668,146	1,821,020	1,354,475	1,808,000
OPERATING EXPENSES	3,062,504	2,976,350	3,243,460	3,119,300	3,279,300
CAPITAL EQUIPMENT	105,318	78,549	6,441	35,000	100,000
SUBTOTAL	\$9,304,021	\$9,504,659	\$10,049,531	\$9,794,679	\$10,299,524
ADMINISTRATION (excluding debt)					
FULL-TIME SALARIES/BENEFITS	298,734	379,666	442,816	280,230	257,740
LIMITED-TERM SALARIES	107,176	26,082	32,224	135,312	135,312
OPERATING EXPENSES	635,494	791,471	737,306	808,203	808,203
CAPITAL EQUIPMENT	5,708	23,366	0	0	0
SUBTOTAL	\$1,047,112	\$1,220,585	\$1,212,346	\$1,223,745	\$1,201,255
INDIRECT COST	775,000	820,000	820,000	820,000	820,000
SUBTOTAL	\$1,822,112	\$2,040,585	\$2,032,346	\$2,043,745	\$2,021,255
RESOURCE MANAGEMENT					
FULL-TIME SALARIES/BENEFITS	805,349	529,318	1,001,396	836,552	803,836
LIMITED-TERM SALARIES	915,083	927,090	554,800	830,534	933,883
OPERATING EXPENSES	554,861	486,200	554,723	562,320	593,141
CAPITAL EQUIPMENT	1,418	40,888	0	0	0

SUBTOTAL	\$2,276,711	\$1,983,496	\$2,110,919	\$2,229,406	\$2,330,860
TOTAL	\$42,588,565	\$44,113,394	\$45,304,689	\$46,946,727	\$47,199,303

5.5 Fund Statement – Fund 80000

	FY 2015 ACTUAL	FY 2016 ACTUAL	FY 2017 ACTUAL	FY 2018 Revised Budget	FY 2019 SUBMISSION
Beginning Balance	\$4,117,571	\$4,617,647	\$4,044,851	\$3,811,292	\$4,052,488
Revenue:					
Park Fees	\$43,637,737	\$45,442,486	\$46,343,107	\$48,176,593	\$48,983,112
Interest	7,604	\$18,297	\$36,412	\$46,137	\$46,137
Federal Revenue ¹	0	0	\$6,991	\$0	\$0
Sale of Vehicles and Salvage Equipment	39,876	\$43,063	\$27,238	\$32,459	\$32,459
Donations and Miscellaneous Revenue	993,479	812,189	871,566	945,611	664,165
Total Revenue	\$44,678,696	\$46,316,035	\$47,285,314	\$49,200,800	\$49,725,873
Total Available	\$48,796,267	\$50,933,682	\$51,330,165	\$53,012,092	\$53,778,361
Expenditures:					
Personnel Services	\$28,555,680	\$29,071,794	\$30,141,457	\$30,286,442	\$31,218,572
Operating Expenses	13,988,836	\$14,957,512	\$15,220,524	\$16,578,600	\$15,834,046
Recovered Costs	(860,486)	(\$896,821)	(\$902,496)	(\$1,053,315)	(\$1,053,315)
Capital Equipment	139,701	\$160,916	\$25,205	\$315,000	\$380,000
	41,823,731	43,293,401	44,484,690	46,126,727	46,379,303
Debt Service:					
Fiscal Agent Fees	\$0	\$3,000	\$3,000	\$3,233	\$3,000
Bond Payments ²	809,541	801,088	801,884	799,275	789,959
Subtotal Expenditures	\$42,633,272	\$44,097,489	\$45,289,574	\$46,929,235	\$47,172,262
Transfers Out:					
General Fund (10001) ³	775,000	820,000	820,000	820,000	820,000
County Debt Service (20000) ⁴	770,349	800,994	829,299	860,369	888,354
Park Capital Improvement Fund (80300) ⁵	0	1,170,349	580,000	350,000	0
Total Transfers Out	\$1,545,349	\$2,791,343	\$2,229,299	\$2,030,369	\$1,708,354
Total Disbursements	\$44,178,621	\$46,888,832	\$47,518,873	\$48,959,604	\$48,880,616
Ending Balance⁶	\$4,617,646	\$4,044,850	\$3,811,292	\$4,052,488	\$4,897,745
Debt Service Reserve	\$770,349	\$0	\$0	\$0	\$0
Revenue and Operating Fund Stabilization Reserve ⁷	2,136,097	2,212,966	2,311,170	2,333,912	2,359,965
Donation/Deferred Revenue ⁸	1,350,000	1,350,000	1,350,000	1,350,000	1,350,000
Set Aside Reserve ⁹	361,200	481,884	150,122	368,576	1,187,780
Unreserved Ending Balance	\$0	\$0	\$0	\$0	\$0

¹ Federal Revenue associated with the community Tree Planning grant at Wayland Street Park.

² Debt service represents principle and interest on Park Revenue Bonds which supported the construction of the Twin Lakes and Oak Marr Golf Courses.

³ Funding in the amount of \$820,000 is transferred to the General Fund to partially offset central support services supported by the General Fund, which benefit Fund 80000. These indirect costs include support services such as Human Resources, Purchasing, Budget and other administrative services.

⁴ Debt service payments which support the development of the Laurel Hill Golf Club are made from Fund 20000, County Debt Service.

⁵ Periodically, funding is transferred from Fund 80000, Park Revenue and Operating Fund, to Fund 80300, Park Improvement Fund, to support unplanned and emergency repairs, the purchase of critical capital equipment and planned, long-term, life-cycle maintenance of revenue facilities.

- ⁶ The Park Revenue and Operating Fund maintains fund balances at adequate levels relative to projected operation and maintenance expenses. These costs change annually; therefore, funding is carried forward each fiscal year, and ending balances fluctuate, reflecting the carryover of these funds.
- ⁷ The Revenue and Operating Fund Stabilization Reserve includes set aside cash flow and emergency reserves for operations as a contingency for unanticipated operating expenses or a disruption in the revenue stream.
- ⁸ The Donation/Deferred Revenue Reserve includes donations that the Park Authority is obligated to return to donors in the event the donation cannot be used for its intended purpose. It also includes a set aside to cover any unexpected delay in revenue from sold but unused Park passes.
- ⁹ The Set Aside Reserve is used to fund renovations and repairs at various park facilities as approved by the Park Authority Board.

5.6 Fund Statement – Fund 80300

	FY 2015 ACTUAL	FY 2016 ACTUAL	FY 2017 ACTUAL	FY 2018 REVISED	FY 2019 ADVERTISED
Beginning Balance	\$24,033,860	\$20,101,037	\$20,328,634	\$20,418,109	\$2,207,926
Revenue:					
Interest	\$22,590	\$60,816	\$125,873	\$0	\$0
Other Revenue	\$1,590,147	\$2,296,924	\$3,191,507	\$0	\$0
Total Revenue	\$1,612,737	\$2,357,740	\$3,317,380	\$0	\$0
Transfers In:					
Park Revenue and Operating Fund	\$0	\$1,170,349	\$580,000	\$350,000	\$0
Total Transfer In	\$0	\$1,170,349	\$580,000	\$350,000	\$0
Total Available	25,646,597	\$23,629,126	\$24,226,014	\$20,768,109	\$2,207,926
Expenditures:	\$5,545,560	\$3,285,423	\$3,807,905	\$18,560,183	\$0
Total Disbursements	\$5,545,560	\$3,285,423	\$3,807,905	\$18,560,183	\$0
Ending Balance	\$20,101,037	\$20,343,703	\$20,418,109	\$2,207,926	\$2,207,926
Lawrence Trust Reserve	\$1,507,926	\$1,507,926	\$1,507,926	\$1,507,926	\$1,507,926
Repair and Replace Reserve	\$700,000	\$700,000	\$700,000	\$700,000	\$700,000
Unreserved Ending Balance	\$17,893,111	\$18,135,777	\$18,210,183	\$0	\$0