



# Memo

To: JPA Board of Directors

From: Shawna Anderson, Executive Director

Date: March 15, 2023

Re: Summary of March 10 San Dieguito River Park JPA Ad hoc Budget Committee Meeting

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The JPA's Ad hoc Budget Committee met with JPA Executive Director Shawna Anderson on March 10, 2023 to discuss the JPA's FY23-24 operating budget projections and consider alternative budget scenarios. The FY23-24 budget will be scheduled for Board consideration and adoption at the April and/or May 2023 meetings.

The following information was presented and discussed at the Ad hoc Budget Committee meeting:

- Director Anderson presented a memo (attached) to the committee with information and analysis regarding operating revenue and expenditure projections for the upcoming fiscal year and funding challenges in the current and next fiscal year.
- The Ad Hoc Budget Committee considered three FY23-24 budget scenarios one of which was recommended by Anderson.
- Review of JPA operating and capital reserve accounts and endowment balances.
- The JPA's existing revenue sources including its Operating Reserve and Endowment.

In considering the three proposed budget scenarios, the challenges affecting the JPA's current and next fiscal year include:

- Retaining JPA staff with salaries competitive with JPA member agencies
- Mandatory benefit and insurance costs that continue to increase
- Rising operating costs due to high inflation

Based on the information presented, the Ad hoc Budget Committee agreed that the JPA should focus on a long-term financial strategy to sustain the JPA into the future. They also agreed that

the 5% cap contained in Exhibit D of the JEPA should be revisited to better address inflation (CPI).

The Ad hoc Budget Committee will be bringing a recommended budget to the Board at the April or May meeting for consideration and adoption. Although a proposed FY23-24 budget could not be posted in time for the March Board meeting action agenda, Board Members should be aware of the discussions at the Ad hoc Budget Committee meeting. The Committee is recommending a FY23-24 budget that includes a 10% increase in member agency contributions. I will be working with each Board Member to advise their own agency on these budget projections. The Ad hoc Budget Committee and I agree that the increase is necessary to retain the JPA's level of service and adequately perform its obligations in accordance with its mission and cover rising operational costs due to inflation.

Although a 10% percent increase exceeds the 5% cap stated in Exhibit D of the JEPA, member agencies are not precluded from voluntarily contributing a larger amount.

I look forward to working with each of you and your agencies on the development and finalization of the FY 23-24 budget. Please do not hesitate to reach out with any questions.

Enclosure: March 6, 2023 Memorandum



# Memo

**To:** JPA Ad-Hoc Budget Committee (LaCava, Worden, Kazmer, Fuller)

**From:** Shawna Anderson, Executive Director

**Date:** March 6, 2023

**Re:** FY23/24 Operating Budget Scenarios for March 10 Budget Meeting

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To JPA Budget Committee:

A bright future lies ahead for the San Dieguito River Park. This past year reflected our supporters' appreciation of our accomplishments and their confidence for the SDRP's future. Accomplishments in 2022 were many including raising \$2 Million to close 13 miles of gaps in the Coast to Crest Trail, grant awards for the Watershed Explorers Program targeting underserved youth and families, and many others. These accomplishments reflect positive and desired growth consistent with the JPA's mission.

The FY23-24 operating budget projections present a significant challenge regarding funding the JPA to adequately perform its obligations. The following issues are already affecting park operations and will continue into the next fiscal year creating a unique challenge for FY23-24:

- Retention of JPA staff with salaries competitive with our member agencies,
- Mandatory benefit and insurance costs that continue to increase, and
- Rising operating costs due to high Inflation.

Presented in this memo are alternative budget scenarios for discussion and consideration in making decisions. Two budget scenarios are presented here as well as suggestions for other scenarios to understand and evaluate the JPA's FY23-24 situation and potential solutions.

## **Budget Summary**

The projections for FY23-24 include a two percent increase in nonmember agency revenues and increased expenses to cover growing costs of mandatory budget line items as well as necessary increases to adequately maintain the San Dieguito River Park according to its mission. The challenge lies in choices to manage costs within the JEPA cap of 5% maximum increase in member agency contributions (footnote in JEPA Exh D, attached).

A summary of the overall expenditures and revenues projected for FY23-24 is provided below followed by two budget scenarios.

## Projected Expenses

The JPA's operating expenses significantly increased in many categories in FY22-23 (fuel, trail maintenance and equipment repairs, materials, vendor prices, insurance, etc.) due to a high 8% inflation rate that still remains at a high level (currently 6.5%). Your member agencies have no doubt experienced similar increases.

The largest share of JPA expenses are employee salaries and benefits:

1. The cost of employee benefits is projected to increase by 13% in FY23-24.
2. Two wage scenarios are presented in the budget scenarios below, but only Scenario 1 is competitive with the salary levels of our member agencies.
3. The health benefit costs to the JPA for its employees (flex credits) will increase by 11% in 2023/24 per County adopted rates. The JPA uses the County's health care plan and subsidizes five percent of the cost of health care as a benefit to its employees consistent with the County's employee union.
4. The cost of employee pensions (SDCERA) increases by a significant 12-17% in 2023/24 per the County's adopted CERS rates.
5. The cost of workers compensation insurance will increase 37% in FY23/24. The JPA is covered by the Special District Risk Management Association (SDRMA). Staff's research in 2021 showed that most public agencies are self-insured and that insurers we contacted were not interested in insuring the JPA due to its small size.
6. Costs of other operating expenses including fuel, materials, supplies, repairs, and vendors have increased substantially due to inflation and these increases should be anticipated for the upcoming fiscal year. Additionally, the JPA's vehicle fleet is aging resulting in higher and more frequent repairs.

## Projected Nonmember Agency Revenues

Nonmember agency revenues vary by fiscal year and represented 32-36 percent of total JPA operating revenue in the past three fiscal years. Nonmember agency revenues include endowment distributions, Coast Budget revenue, projected donations and event fees, and special project reimbursement income (W-19). Although nonmember agency revenues are projected to increase by 2.28% in FY23-24, the increase is not sufficient to offset rising operating costs. Nonmember agency revenues are projected at 26% of total operating revenues in the FY23-24 budget scenarios:

1. The "Coast Budget" funded by Southern California Edison (SCE) is an annual fund agreed to by SCE and the JPA for dedicated management of trails and open space associated with SCE's wetland restoration of the San Dieguito Lagoon. The Coast Budget funds 2.5 ranger staff and administration costs, which is factored in the JPA's operating revenues. The remainder of the Coast Budget is a dedicated fund separate from the JPA's operating budget.
2. After many years of growth, the JPA's endowment balances decreased in 2021/22 due to poor performance in the investment markets. Endowment performance has shown signs of improvement in 2023 (see attached table). The JPA's endowment income is projected to decrease slightly compared to FY22-23 (\$368) based on projected endowment distributions.
3. The San Dieguito River Valley Conservancy began funding 2/5ths of the JPA's interpretive ranger salary in 2021 in exchange for added education programming responsibilities that benefit both organizations. The Conservancy has agreed to continue this funding through FY23-24.

4. The FY23-24 budget assumes donations and event revenue projections will double from FY22-23, which partially offsets the reduction in other revenues. This will obligate the JPA to increase fundraising efforts for general operating costs.

## **Projected Budget Scenarios**

### Budget Scenario with No Member Agency Increase

There is no feasible FY23-24 budget scenario that would avoid an increase in member agency contributions in FY23-24. This is because some cost increases are mandatory for items the JPA does not control (i.e., pensions, health care, workers compensation and other insurance, etc.). Covering those cost increases while keeping member agency contributions flat (i.e., at FY22-23 amounts), is infeasible as operating expenses would have to be drastically cut to make up the difference. Unworkable cuts in areas such as open space and trail maintenance (34%), supplies and materials (11%), education and volunteer programs (27%), and the complete elimination of other line items (training, memberships, computer support, contribution to vehicle reserve) equaling over \$49,000 in cuts would be required. No salary increases or staff layoffs would be necessary. These measures would substantially affect the JPA's ability to meet its obligations to plan, operate and maintain the SDRP. Cuts would be drastic, unfair to its employees, donors, and users, and harm the JPA's credibility.

### Budget Scenario 1 - Recommended

A reasonable FY23-24 budget provides staff with modest merit increases (2-4%), one promotional increase, a wage rate increase (8%) for four rangers to approximate the County's minimum hourly rate more closely, with the goal to retain the level of professional expertise needed to continue SDRP programs and projects at its current level. Increases included in Scenario 1 cover costs of mandatory line item expenses (pension and health benefit, workers compensation, etc.), and modest increases in operational costs for materials, fuel, and vehicle maintenance for our aging vehicle fleet (8%), while keeping most other line items at current levels. However, this scenario results in a member agency contribution increase of 10%, exceeding the 5% JEPA cap.

### Budget Scenario 2 – Capped at 5% Member Agency Contributions

The JPA prides itself on its efficiency and the ability to accomplish a lot with limited resources, but its budget is tight and small reductions in expenses have a large impact. The Scenario 2 budget is effectively lower than the current fiscal year's budget adjusted for inflation and puts a large dent in the resources needed to meet our obligations. A projected budget capped at a 5% increase to member agency contributions includes the following:

- Salary increases of 2%, well below the current 6.5% inflation rate which means a salary reduction in real terms adjusted for inflation.
- Only covers cost increases for mandatory line items the JPA does not control (pension and health benefit costs, workers compensation, insurance, etc.).
- Cuts to all other operating expenses including maintenance costs, supplies, materials, labor, training, HMP budgets and other expenses, which will require a commensurate reduction in the JPA's level of maintenance and programs.

Scenario 2 does not reflect the reality of increased costs to adequately maintain and manage the San Dieguito River Park nor the expected future responsibility of new trail miles in 2024 including the Osuna segment of CTC Trail and potentially the trail segment along the Surf Cup lease. The concern is Scenario 2 does not provide the JPA with adequate resources to meet current obligations. To the contrary, the JPA and public would notice a significant decline in function in this budget scenario.

Public agencies have used COVID relief funds, stimulus funds, and other resources to improve salaries and services, for which the JPA did not have direct access. The JPA has struggled to keep pace with salary levels of its member agencies. In Budget Scenario 2, Ranger I rates are \$2.25 less per hour than the County's minimum hourly rate. The JPA lost three staff members in 2022 to these other agencies that pay more. The JPA made serious efforts over the past two years to improve ranger salaries particularly for staff at the lower pay scales. However, JPA salaries remain below our member agencies, particularly at San Diego County and City Parks where minimum hourly rates have recently increased.

#### Other Considerations

The shortfall between Scenarios 1 and 2 equals \$60,795 in total member agency contributions. The JPA could bridge the difference by using the operating reserve or by dividing the amount proportionally between its member agencies as a voluntary contribution. Other scenarios could be examined that fall somewhere between a 5 and 10 percent increase.

I look forward to your input and considerations at our upcoming meeting.

Attachments:

2022 Accomplishments

JEPA Exhibit D

Draft Fiscal Year 2023-24 Budget Scenarios and Member Agency Contributions

JPA Endowment 2022 Balances

## **San Dieguito River Park JPA 2022 Accomplishments**

### **Grants/Donations/Other Monetary Awards**

- Initiated joint fundraiser with SDRVC for trail design of 13 miles of gaps in CTC Trail, raising \$1.9 Million in private donations as of December 2022, design kick-off January 2023
- Awarded \$256,935 from State Parks Outdoor Equity Program for Watershed Explorers Program
- Awarded \$82,714 from SANDAG for Cactus Wren restoration project
- Collected approximately \$27,000 from Bike/Run Events held on SDRP trails
- Awarded \$20,000 from Edison International for ranger station monument sign
- SDRP selected as charity for Del Mar Red Nose Run event, which raised \$8500 for SDRP

### **Trails and Other Park Projects**

- San Dieguito Lagoon Restoration Phase Two construction initiated in January. Participated in media events with SANDAG and Caltrans team to kick-off project start.
- Completed lagoon interpretive walk QR signs along lagoon trail
- Initiated construction permit process to build Osuna Segment of CTC Trail
- Organized and conducted volunteer work party event to improve trail along CTC Trail on Surf Cup lease
- Conducted RFP process and selected consultant team to design 13 miles of CTC Trail gaps at East San Pasqual Valley and Lake Sutherland (projects to launch January 2023)
- New artist-designed bench donated by Tipler Family installed at boardwalk
- Created new and updated GIS maps and data for JPA owned properties, FPA ownership, trails, and HMP areas
- Completed David Leigh donor recognition bench and dedication ceremony along SFV trail segment with donor family and Rancho SF Association
- Installed new ranger station monument sign and held sign unveiling ceremony with SCE
- Launched new interactive SDRP Trails webpage featuring existing and planned trails and interpretive elements
- Provided CTC Trail segments for various running and biking events

## **Habitat Conservation and Restoration**

- Managed and maintained seven Habitat Management Areas
- Continued restoration/maintenance of 4-ac Pamo mitigation site
- Avian surveys confirmed least Bell's vireo breeding at East Gorge site after years of restoration
- Seed harvesting and plantings at Pamo and East Gorge sites
- Conducted invasive species control projects at Bernardo Mountain, Sycamore Creek, and Santa Maria Creek
- Discovered and reported illegal 4WD road in San Pasqual cactus wren habitat area

## **Community Outreach and Education**

- Launched Escondido Explorers program outreach (Outdoor Equity grant) at Escondido Library
- Commemorated Sikes Adobe 150<sup>th</sup> anniversary with special tours and events throughout the year
- Implemented streamlined trail kiosk displays throughout SDRP with consistent design and messages
- Conducted Watershed Explorer Program site visits with High Tech Elementary and High Schools
- Citizens Advisory Committee met seven times in 2022 and CAC Trails and Interpretation committees worked with staff on various topics and projects
- Sponsored several volunteer trainings and monthly volunteer enrichments with partner organizations
- Participated in community outreach events including Earth Days (RB and Escondido), historical societies, I Love a Clean SD, Master Gardeners, etc.
- Conducted tours and education field trips with youth organizations and community groups
- Continued participating in volunteer monthly lagoon bird counts
- Participated in Walk 'n Talks in various sites throughout the park
- Rented SDRP passenger van to Groundworks and Escondido Creek Conservancy
- Sponsored interns



## EXHIBIT D

### JPA Public Agency Contribution Formula Table

The Public Agency Contribution Formula is based upon the following calculations using the most recent U.S. Census data and current jurisdictional acreage within the JPA jurisdiction:

Public Agency	Population (2020)	Population Weighted Percentage <sup>1</sup>	Jurisdictional Acreage	Jurisdictional Acreage Weighted Percentage <sup>2</sup>	Total (Population% + Acreage%)	Public Agency Contribution <sup>3</sup>
Del Mar	4,268	5%	459.77	2%	7%	6%
Solana Beach	12,941	8%	0	0%	8%	7%
Poway	48,841	8%	666.33	4%	12%	10%
Escondido	151,038	11%	850.35	4%	15%	13%
Unincorporated County	505,675	32%	55,885.91	4%	36%	32%
San Diego	1,386,932	32%	16,325.93	4%	36%	32%
					114%	100%

#### <sup>1</sup> Population Weighted Percentage

1-10,000 = 5%  
10,001-50,000 = 8%  
50,001-250,000 = 11%  
250,001-500,000 = 22%  
500,001 and above = 32%

#### <sup>2</sup> Jurisdictional Acreage Weighted Percentage

0 = 0%  
1-500 = 2%  
Above 500 = 4%

#### <sup>3</sup> Rounded and Normalized

Except when required by the Public Agency Contribution Formula, beginning in the Fiscal Year 2017 Budget, Public Agency contribution increases will not exceed 5% of the prior year's required contribution. This does not preclude any Public Agency from contributing funds in addition to the required contribution.

Note: This table was updated to incorporate the 2020 census population information and approved by the JPA Board of Directors March 18, 2022.

**DRAFT JPA FY23-24 BUDGET SCENARIOS**

<u>Projected Revenues</u>	FY22-23	FY 23-24 Operating Budget Scenarios	
	Ops Budget	Budget Scenario 1 Recommended	Budget Scenario 2 Capped at 5%
Member Agencies	\$ 1,174,802	\$ 1,294,309	\$ 1,233,514
HMP Endowments	\$ 97,728	\$ 97,360	\$ 97,360
Other Income	\$ 335,492	\$ 345,743	\$ 345,743
<b>Total Revenue</b>	<b>\$ 1,608,022</b>	<b>\$ 1,737,412</b>	<b>\$ 1,676,617</b>

<u>Projected Expenditures</u>	<u>Percent Change from FY22-23</u>				
Wages	\$ 744,819	\$ 788,013	6%	\$ 767,889	3%
Benefits	\$ 586,119	\$ 663,159	13%	\$ 645,088	10%
HMPs and Mitigation sites	\$ 25,000	\$ 25,000	0%	\$ 20,000	-20%
Trails/Land Mngmt	\$ 52,775	\$ 52,775	0%	\$ 48,775	-8%
Education/Volunteer	\$ 11,000	\$ 11,000	0%	\$ 11,000	0%
Materials, Supplies, Maint, Admin	\$ 164,309	\$ 172,465	5%	\$ 163,865	0%
Sikes Adobe	\$ 21,000	\$ 21,000	0%	\$ 20,000	-5%
Vehicle Reserve Contribution	\$ 3,000	\$ 4,000	33%	0.00	-100%
<b>Total Expenditures</b>	<b>\$ 1,608,022</b>	<b>\$ 1,737,412</b>	<b>8%</b>	<b>\$ 1,676,617</b>	<b>4%</b>

<u>Member Agency Contributions</u>		FY22-23	Scenario 1	Scenario 2	
Total		\$ 1,174,802	\$ 1,294,309	\$ 1,233,514	
Percent Increase from FY22-23			10.17%	5%	
<b>Del Mar</b>	0.06	\$ 70,488	\$ 77,659	\$ 74,011	
<b>Solana Beach</b>	0.07	\$ 82,236	\$ 90,602	\$ 86,346	
<b>Poway</b>	0.10	\$ 117,480	\$ 129,431	\$ 123,351	
<b>Escondido</b>	0.13	\$ 152,724	\$ 168,260	\$ 160,357	
<b>County of San Diego</b>	0.32	\$ 375,937	\$ 414,179	\$ 394,724	
<b>San Diego</b>	0.32	\$ 375,937	\$ 414,179	\$ 394,724	
		1.00	\$ 1,174,802	\$ 1,294,309	\$ 1,233,514

Difference between Scenarios 1 and 2  
\$ 60,795

**JPA Operating and Capital Reserves (February 2022)**

<b>Fund</b>	<b>Balance</b>	<b>Source</b>	<b>Anticipated Needs</b>	<b>Notes</b>
Operating Reserve	\$325,315 (Approx 20% of expenditures)	RSF Foundation Non-Endowment Fund	Revenue shortfalls for critical functions or Unanticipated costs	33% is target per JPA Reserve Policy; No recent contributions
Capital/Equipment Reserve	\$4,970	JPA Capital Reserve for Vehicles/Lg Equipment	Replacing aging ranger trucks, excavator, gator.  Office water tank	Replaced tractor in 2021. Annual contributions from ops budget are inadequate to build fund.
Operating Endowment	\$701,966	SD Foundation  Established by JPA Board in 1989	Annual distributions to JPA budget as op revenue	No contributions since 2008
Operating Fund “Annual Budget Carryover” at end of FY	\$27,168 (FY21-22) calculated at end of FY	JPA annual budget at County Treasurer. Balance of total revenues minus expenses at end of FY	Cushion during fiscal year to manage budget;	Should not be considered a “reserve”