

Budget Transmittal

Montrose Recreation District Board of Directors, Citizens, Staff:

Summary of Budget Document

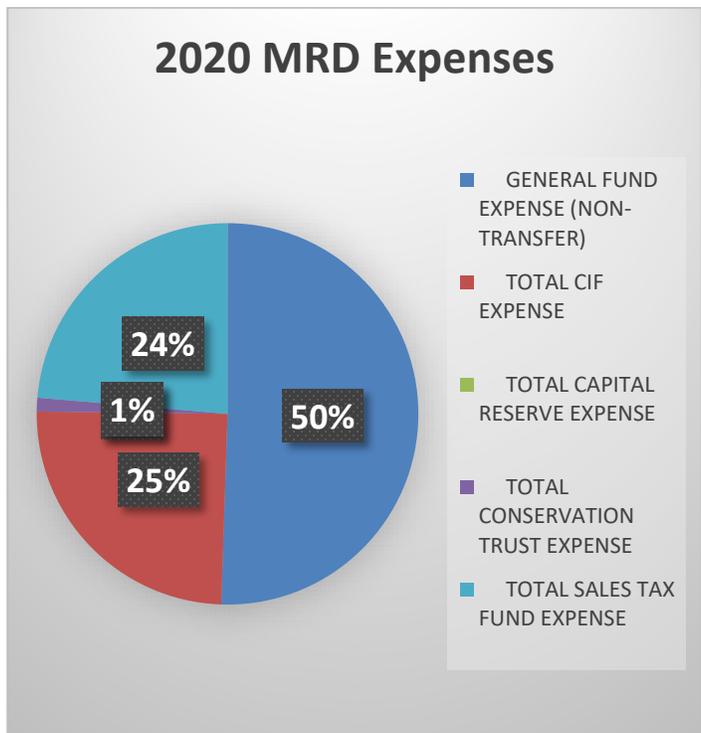
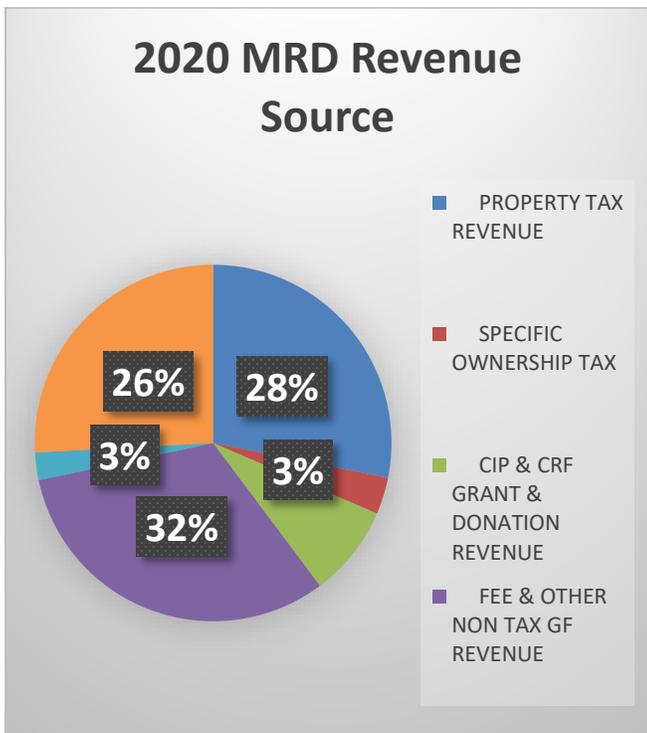
The Montrose Recreation District continues in its mission and purpose to provide, manage and maintain quality recreational facilities, programs, and services, which will enhance the learning, leisure and recreation opportunities that promote a healthy community for our patrons.

Reviewers will see a 3-year history in addition to the (proposed) adopted budget for the current year, as required when the budget is filed with the State of Colorado, Department of Local Affairs. Reviewers can see the percent change from the approved 2019 budget to the 2020 proposal.

During budget year 2020, the Montrose Recreation District will provide general public recreation services to District residents and visitors. In budgeting, the District conforms to generally accepted accounting principles and uses a modified accrual system of accounting. The budget is balanced as required by state law.

The District has a cost recovery policy/program that is scheduled to be revisited and potentially refined after several years. The 2020 budget reflects the following:

General Fund	Admin	CRC	Concessions	Rec Programs	Field House	Parks Maint	Marketing	Total
Revenues	\$2,358,106	\$1,750,998	\$53,075	\$235,250	\$207,200			\$4,604,629
Expenses	\$2,592,939	\$1,836,008	\$37,511	\$189,498	\$255,323	\$258,305	\$70,008	\$5,239,592
Subsidy or Earnings	(\$234,833)	(\$85,010)	\$15,564	\$45,752	\$48,123	(\$258,305)	(\$70,008)	(\$634,963)
Cost Recovery	91%	95%	141%	124%	81%	0%	0%	88%



Budget Timeline

October 15	First Draft available to BOD for review
October 24	BOD First Draft Review (BOD meeting)
November 21	BOD Second Draft Review (BOD meeting)
December 6	Notice within Montrose Daily Press that the budget is available for public review, Budget presented and available for public review in the lobby of the CRC
December 12	Public Hearing for MRD 2020 Budget; Mill Levy Certification; Budget Adoption (BOD meeting)
December 15	Certification of MRD Mill Levy presented to Montrose County Commission (sent immediately following BOD meeting 12.12)
January 31	MRD Budget submitted to DOLA

KEY TRENDS

Revenues

Overall tax collections continue to rise steadily because of a healthy economy in the Montrose area. Property Tax revenues remain robust, with a nearly 15% increase over the prior year. Sales tax revenues are projected to continue to increase by approximately 8%. Sales tax revenues are collected to pay the Certificates of Participation issued for the construction of the Community Recreation Center (payment is scheduled to be \$1,906,225). The budget packet contains the 2020 Lease-Purchase Supplemental Schedule and Lease Renewal.

Fee Changes

No significant fee changes are proposed. Some new programs, with new fees, will be implemented, such as the Field House annual pass as an add-on to the CRC annual membership.

Programming

The Community Recreation Center and the Field House continue to be central focuses of activity, and both are entering their third year of operations. General program participation and activities have continued to increase by approximately 6% per year; CRC membership appears to be stabilizing around 7,000 household memberships, with Silver Sneakers and punch card participation remaining strong; Field House participation has grown through the youth afterschool program and several youth and adult sports programming opportunities.

Grants & Donations

This year, \$585,000 has been recorded into grants, with \$18,000 reflected in donations, both within the Capital Improvement Fund and tied to known appropriations from other government and organizations as contributions to the Holly Park redevelopment.

KEY TRENDS, continued

Expenses

There is a continued focus on ensuring that the reserve is within the mandated 25% - 50% range of meeting the operating expense threshold. The 2020 budget proposal reflects 52%, down from 70% budgeted in 2019. The reduction is primarily from increasing General Fund operating expenses by approximately 6.3%. Increases to operations allow for part time employee compensation growth (accommodating a minimum wage mandate), other increases to personnel costs and utility costs, and annual and routine maintenance and program items that had previously been classified as capital. Additionally, there is an increase to capital projects.

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Personnel

The 2020 budget allows for implementing the third year of a state mandated minimum wage increases, taking the minimum wage up \$.90 per year from \$9.30 to \$12.00, an 8.15% increase in 2020. Further, reclassifying the Internal Support Specialist assigned to HR from a part-time to a full-time position is included. The Board and staff have recognized an increasing need to focus on human resource administration and ensure compliance with laws, rules, mandates, and standards; the reclassification fulfills this need.

In 2020, additional employee training and development opportunities are being identified within each division to aid the 19 full time / 23 core staff. Focus is to be on increasing knowledge among employees in their core job skills first, then general and all-staff learning opportunities and finally in enhancing job skills and knowledge in secondary job responsibilities. And, the previous BOD direction to establish a \$6,000 tuition reimbursement fund has been added.

Employee health insurance premiums and insurance package costs continue to increase by approximately 3.5% annually. This year's budget includes a \$5,000 request to implement the initial phase of an employee wellness program to provide specific incentives to be active, which eventually could result in a reduction in premiums and overall health care costs. Worker's Compensation and Property and Liability Insurance also increase up to 3% across the board with additional slight increases as the District's asset pools increase.

Programming

Continuing to address new program demands and incremental program expansion will be highlights of the next year. For example, the Field House is scheduled to receive \$54,000 through capital improvement projects to enable accessibility and program equipment enhancements, as well as a new CRC/FH pass add-on option – all serving to drive increased Field House participation. This year's budget reflects a modest growth in programming, yet one that allows for new initiatives and expanding existing programs based on participant demands and interests. Understanding participation rates within both the CRC and FH, realizing different growth in facility uses, and refining improvements to programming efficiencies will ensure that programming grows while remaining within organizational capacity.

Sport program and related activity participation will be reflective of a slight dip in 2020 as Holly Park will be out of service for its reconstruction, with participation projected to rebound in fall.

Technology

In 2020 there will be focus on implementing technology that will aid in operational efficiencies, enabling staff to do more, work faster and smarter, within existing capacities. Increased intention on the computer replacement schedule, software upgrades and staff training, and general sustainability efforts to reduce resource consumption are all markers of this effort.

EXPENSES, continued

Equipment, supplies, and operating capital equipment

To avoid deferred maintenance issues in the years ahead, there is a focus on 'taking care of what we have' in maintenance. Several items were previously placed within the annual capital program and have been redefined as annual operating needs and placed within that budget instead. This ensures an ongoing commitment to and funding appropriation for routine and necessary maintenance to sustain service levels. Total amount reclassified equals \$16,500 and is contained within the CRC ORG and can be found labeled as Maintenance Repairs and Maintenance Supply. And, with the new proposed classification of Capital, a new Capital Equipment line item (5400) has been added to the CRC, Field House, and Parks ORGs to procure items less than \$5,000 that contribute to small equipment replacement or that enhance variety and service. For these purposes, a total of \$51,000 has been added this year. Page 4

CAPITAL IMPROVEMENT FUND, CAPITAL RESERVE, AND AGGREGATE FUND BALANCES

Required Minimum Balance

Resolution 2014-6 was adopted by the Board of Directors which recommends a minimum fund balance that is in excess of 25% of annual general fund expenses, and strives to meet a 50% goal. Currently these reserves are 52%. And, the aggregate balance of all funds is to exceed 25% of annual expenses, striving to meet the 50% goal. Currently, these aggregate balances are 79%, of the annual operating expenses, down from 83% and 98% from that of audited budgets FY 2017 and 2018, respectively.

Capital Improvement Fund

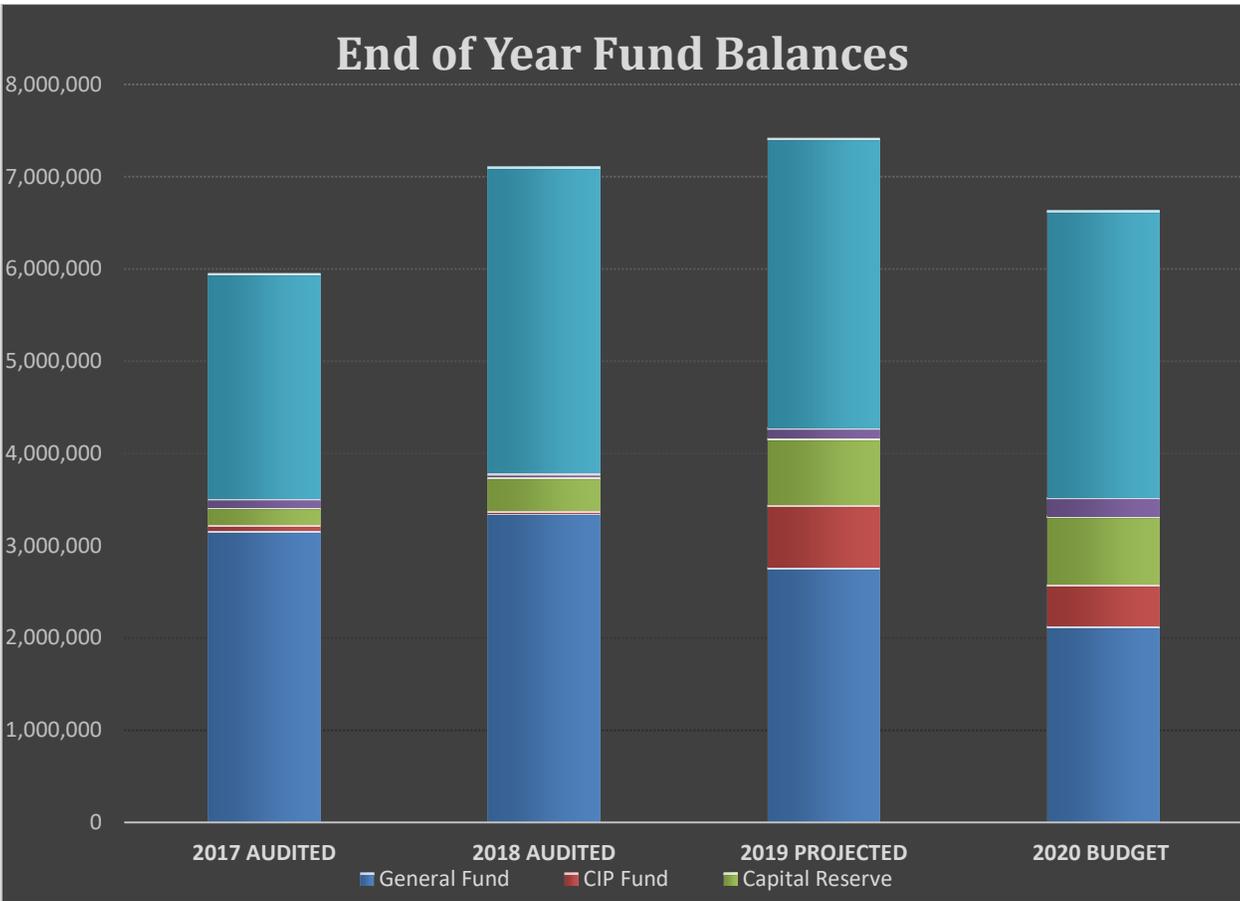
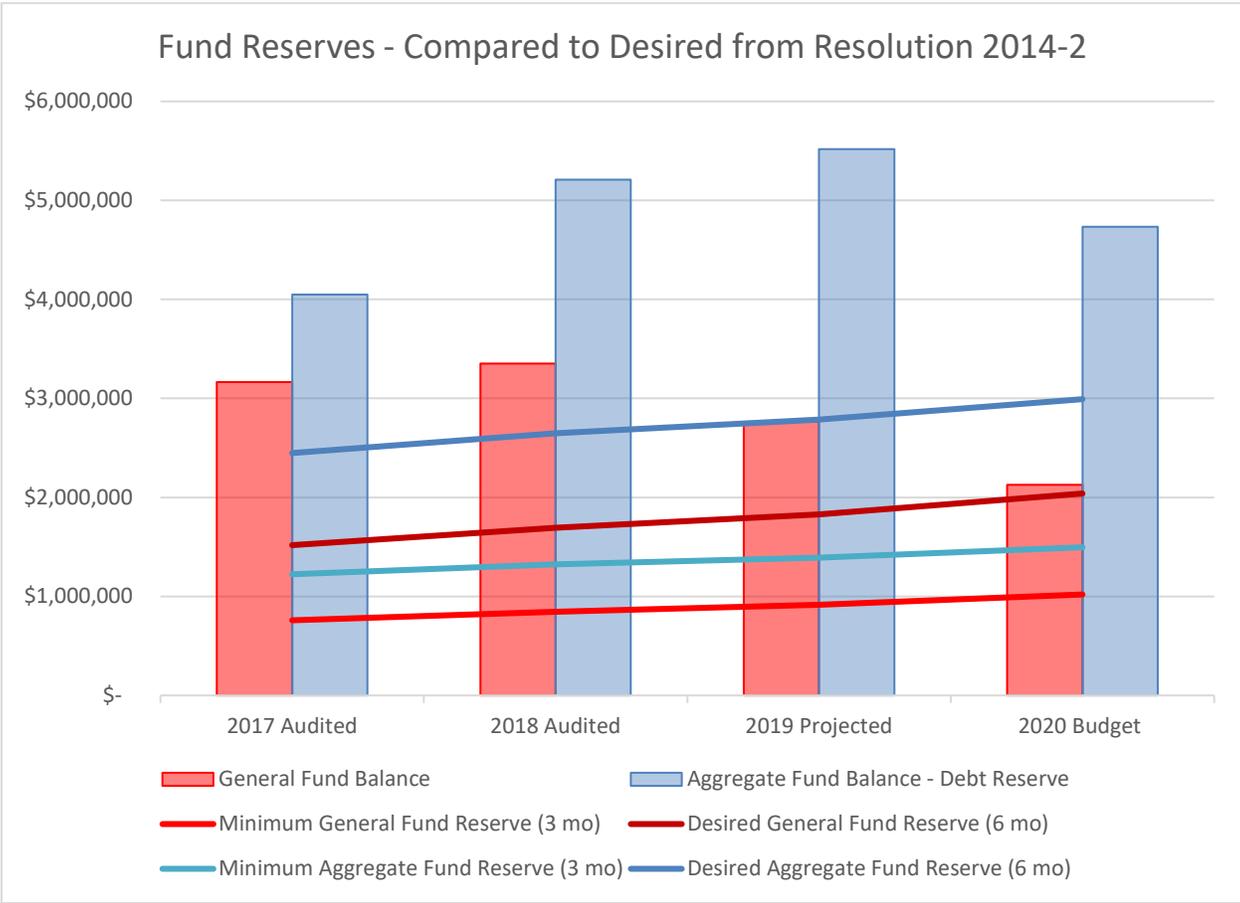
As noted above, the 2020 budget reflects a shift in capital funds being used for annual maintenance materials, supplies and equipment that were consumed within the budget year, or that have a value at purchase less than \$5,000. Rather, capital funds are to be used for those items with both a life span of more than three years and that can be accounted for as a physical asset that costs over \$5,000. Assets less than \$5,000 and more than \$500 are classified as assets and vested within the department to which the asset is assigned. An Item less than \$500 in value is vested within the department to which it is assigned and is not classified as an asset.

Capital Items are detailed separately and specifically within the budget. This year's budget places \$2,037,000 into a capital spending program, to acquire or develop assets valued of at least \$5,000. This year also accounts for fully developing Holly Park with a true contingency.

Funding capital projects take away from achieving the Capital Reserve Fund balance target of 50% while increasing service and efficiencies within the given year. Capital projects use funds from the General Fund, Capital Projects Fund, Capital Reserve Fund, and the Conservation Trust Fund.

Debt Service

The total maximum payment liability of the Montrose Recreation District under all lease purchase agreements over the entire terms of such agreements, including all optional renewal term is \$47,560,804. This year's (2020) budget reflects the minimum lease payment of \$1,906,225. Lease purchase was fulfilled by the issue of certificates of participation to be used for the cost of constructing, acquiring and equipping the CRC. The certificates of participation are paid from the Sales Tax Fund, and additional transfers are routinely made from the Capital Reserve Fund to subsidize the payments.



FUND DEFINITIONS

10 GENERAL FUND also known as Transfer Fund, from where General Fund revenues may transfer into other funds to subsidize and offset those other fund expenses. Revenues come from property tax, sales tax, interest income, fees and charges, and sales, primarily. The General Fund is organized into subordinate organizations that encompass operating revenues and expenses for Administration, CRC, Concessions, Rec Programs, Field House, Marketing, and Parks Maintenance.

20 CAPITAL PROJECTS FUND also called Capital Improvement Fund. Funds are used to implement the annual capital improvement projects. Transfers from the Capital Reserve Fund (40) provide the annual funds to implement this.

40 CAPITAL RESERVE FUND Funds flow from the General Fund to the Capital Reserve Fund, and are shown as revenues, which then MAY be transferred into the Capital Projects fund as needs are identified.

60 CONSERVATION TRUST FUND is the fund into which lottery funds are deposited directly from the state. Revenues include interest on those earnings. Spending funds from this fund is restricted to open space and land acquisition, equipment purchases, facility development, park maintenance and renovation or restoration of local facilities.

70 SALES TAX REVENUE FUND is for the collection of the proceeds of the .3% sales and use tax (pursuant to the CoM / MRD IGA, restricted to paying on the Certificates of Participation used to fund the CRC, committed to be paid through 2039. Lease purchase payments are made twice per year, approximately range of \$500-\$800,000 in May, and approximately \$1.38m in November.

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