

BUDGET MESSAGE

To Riverside County Regional Park and Open-Space District Board of Directors and District Residents:

I am pleased to present to you the fiscal year 2012-13 Riverside County Regional Park and Open-Space District (District) Annual Budget. It comprises the annual operating plan for the upcoming year of \$24.9M, inclusive of \$5.08M in capital assets that include significant infrastructure additions and minor enhancements to existing facilities. The budget represents the expected resources and planned expenditures for the District's fiscal year from July 1, 2012 to June 30, 2013.

Over these years of unprecedented fiscal stress, District staff have worked diligently to transform the organization with an emphasis on transparency, agility and sustainability. The District's budget planning process starts with our mission and value statements. These statements define for the public, staff, volunteers, advisory boards and Board of Directors why our organization exists, who we serve and how we serve them. These statements also drive our budgetary priorities.

The District's mission and core values are as follows:

Mission

To acquire, protect, develop, manage, and interpret for the inspiration, use, and enjoyment of all people, a well-balanced system of areas of outstanding scenic, recreational, and historic importance.

Values

Accomplishments - delivering on what we say we are going to do and sharing our successes as an organization

Connecting - Developing relationships with the public

Teamwork - Sharing people and resources while aligning with the agency's mission

Innovation - creating a culture that removes barriers and uses technology to advance the organization and achieve efficiency in operations

Outstanding Service - Exceeding expectations, under promise and over deliver

Networking - working in a collaborative approach

Stewardship - Managing resources

These values align to facilitate **actions** rather than words. We believe the secret to our effectiveness is understanding the different roles within the organization and how these roles work together to **deliver results**, which are built upon our strategy, goals and objectives.

Strategy

The District board adopted a Strategic Plan in 2011. The plan was developed over a 9-month period and included significant input from all District stakeholders, staff, volunteers, citizens, advisory commissions and policy makers. The final document answers the questions: Where are we now, where do we want to go, and how will we get there? The plan provides a “balance of interest” that gives all stakeholders a voice in the District’s direction, and establishes a new level of transparency in the pursuit of governmental excellence. After the first year of implementation of the Strategic Plan, the key lesson learned was that having an approved plan is not enough - significant focus and effort is required to put it in motion. This has many implications; in particular, the conclusion that the necessary outcome of the strategic process was not analytical insight, but a greater resolve to follow through.

Implementing the Balanced Scorecard in this year’s annual report document creates opportunities for constant review and accountability. The Balanced Scorecard lists performance measures that gauge how well the District is meeting its stated goals. As part of the budgetary process, staff revisit the goals for relevance and prepare an annual work plan that includes tactics needed to complete the work plan as outlined. One of this year’s major tactics is the process of completing the District’s first comprehensive plan. This will support the Strategic Plan and provide guidance for the District’s five-year Capital Improvement Plan (CIP), which includes a list of scheduled projects and their funding sources. The CIP plan will be used for acquiring, developing and improving facilities as prioritized by the Board of Directors. The process of prioritizing CIP projects will be closely linked with the District’s long-term financial forecast, which is a new, exciting and much needed exercise for the District.

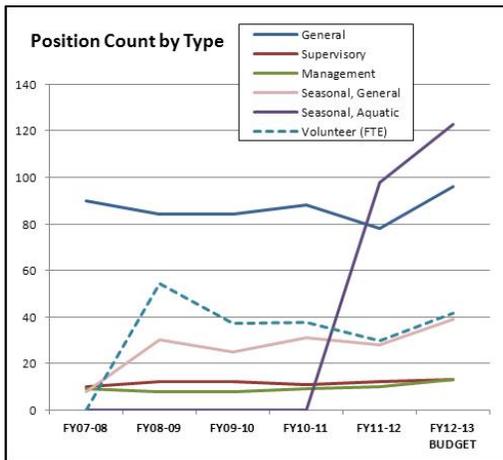
The long-term financial forecast’s purpose is to identify financial trends, shortfalls, and issues so the District can address them proactively. This forecast projects the fiscal results of continuing the District’s current service levels and policies, providing a snapshot of what the future will look like as a result of decisions made in the recent past. This tool integrates future assumptions and current financial data for the purposes of projecting future revenues and expenditures, including capital projects. It is this comprehensive planning process that continues to ensure that the District is able to provide quality services to county residents, now and into the future, while remaining financially sustainable.

Building Momentum

In FY11-12, the District’s budget was reorganized into a Program Budget. Seven major programs were built to encompass every District activity. Revenues were assigned specifically to the programs that earn them, providing a more accurate picture of each activity’s true revenue potential. The same was done with expenditures, and overhead costs were distributed to each program on a fair and equitable basis. What we learned in this process proved invaluable and assists us in providing useful quantitative information that openly identifies per-participant expenditure rates for analysis.

This year, the District will build upon previous efforts by initiating a service assessment to review current cost recovery and subsidy allocations for every program and activity. Cost recovery is the degree to which the operational and maintenance costs of a service are financially supported by user fees and/or applicable funding mechanisms such as grants, partnerships, donations, sponsorships, volunteers or other alternative funding sources. In contrast, subsidies will account for property tax revenue and contributions from the County's General Fund (Net County Cost (NCC)) necessary to fully cover the cost of a program/activity.

In order to control operational costs, help support current staff, and complete a Strategic Plan recommendation, we will kick volunteer support efforts into full gear. This year's tactics and budget allocations are properly identified to ensure that the volunteer management plan is implemented with purpose and revisited on a regular basis. A major emphasis will be placed on recruitment, on-boarding, and training. Additionally, a new staff position will be created which will transform the program from an afterthought to a core service that deserves and demands proper resources and attention.



The District continues to maintain a lean management structure while growing the agency with part time and specialized positions. Recently, the District reorganized the executive management team by eliminating an Assistant Park Director position and replacing it with a Bureau Chief position responsible for Natural, Cultural and Historical resources. To provide proper oversight to the Parks Division, a Park Superintendent position will be added in mid-July and report directly to the Chief of Park and Recreation. To ensure that span of control remains manageable, other organizational

adjustments will be implemented throughout the fiscal year.

To ensure that the District maintains its competitive advantage, we continually look at core services to assess whether the programs we provide produce intended results. Moreover, the District remains committed to a process of benchmarking against neighboring counties and best in class systems throughout the nation. The most recent review provided an honest and straightforward self-evaluation in comparing identified operating metrics to comparable systems. Based on the benchmark report, the District continues to lead other counties in:

- Total park acres per 1,000 population
- Cost recovery from non-general fund and non-tax revenues
- FTEs per 1,000 population (ranked in lower end of comparative agencies)

Building upon our efforts to become a best in class agency is the time-consuming journey of accreditation through the Commission for Accreditation of Park and Recreation Agencies (CAPRA), which is part of the National Recreation and Park Association (NRPA). It's no wonder that only one County park system in California has obtained accreditation to date; preparation is difficult and tedious, often shining a light on major gaps in policies, procedures, and planning efforts. However, this process has brought team members together in ways never thought possible. The final outcome will be a system built on industry-leading standards, which will result in high quality, effective, and efficient services, programs, and facilities.

Industry Outlook

The Outdoor Industry Association conducts research related to trending and economic impacts in outdoor recreation. They commissioned one of the first economic studies in 2006 and continue to provide valuable data and insights. In the most recent study, they suggest that the recent recession, "... radically altered consumer-spending habits [and that] more than 140 million Americans made outdoor recreation a priority in their daily lives, proving it with their wallets by putting \$646 billion of their hard-earned dollars right back into the economy."

The Association believes that lovers of the outdoors aren't confined to traditional demographics or activity segments. They seek meaningful outdoor experiences in parks, open space areas, and on trails. They are all genders, ages, shapes, sizes, ethnicities, and income levels. They live throughout America, and they view outdoor recreation as an essential part of their daily lives. Most importantly, the Association has made the statement that "...outdoor recreation is no longer a "nice to have," it is now a "must have" as leaders across the country recognize the undeniable economic, social and health benefits of outdoor recreation." These observations seem to be valid and consistent with research conducted by the National Recreation and Park Association, as well as the California Park and Recreation Society. The take-away here is that outdoor recreation is a growth sector and the future is bright.

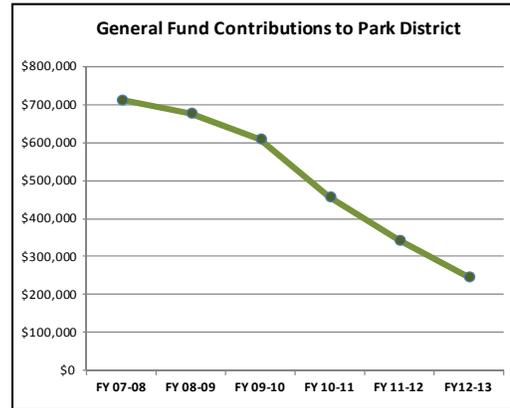
Economic Outlook

According to Dr. Stephan Fuller, Economist, George Mason University, our economy is entering its 34th straight month of recovery. Our national economy is now larger than it was in 2008, before the American housing bubble burst and the country lurched into recession. Fuller opines that this year the economy is expected to grow by 2.1 percent and another 2.4 percent in 2013, followed by a 3.4 percent increase in 2014. If this forecasted macro trajectory proves accurate, we can begin positioning the District knowing that a modest 2-3 percent adjustment in revenue is probable and sustainable. These increases must be factored into both sides of the ledger as we sit poised for accelerated growth.

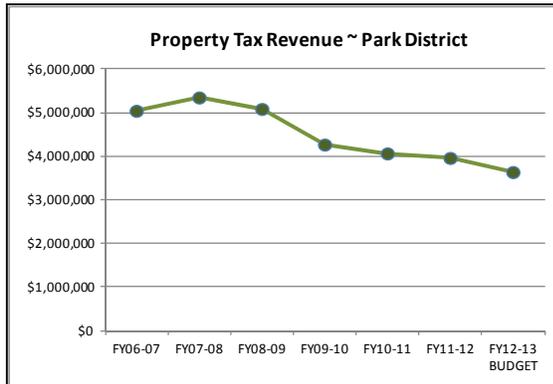
On a County level, we see the impacts of an economy that is "sluggishly" recovering. County-retained economists from Beacon Economics and California State University,

Fullerton reported that though this trend will continue for the near term, they see hope ahead. The local economy should begin to pick up steam as early as FY 14/15. Nonetheless, recovery for county government will lag because funding is tied so closely to home values and resulting property tax revenues. We must be willing to continue adjusting operating costs to remain at a level consistent with revenue and eliminate our structural deficit.

At the District level, many challenges still remain. This budget includes another NCC reduction of 28%, resulting in a cumulative total reduction of 65% since the belt-tightening began in FY08-09. The impacts associated with these reductions are fewer staff and operating hours at selected sites, the elimination of in-house Graphical Information Systems (GIS) services, reduction in historic preservation and interpretation, reduction in trails maintenance, and reductions in business operations.



In addition to NCC reductions, property tax fluctuations continue to impact our ability to provide core services. Based on the latest projections, it is anticipated that assessed valuation could drop by 1 percent or more,



reducing the District's share of this discretionary revenue source by at least \$300K. Property tax has continued to decline from a high of \$5.351 in FY 2008 to \$3.96M in FY 2012. Declines in other revenue sources such as interest earnings and grants also pose a threat, as do unanticipated impacts from higher utility rates and any effects of the state budget debacle. If any of these scenarios materialize, we will need further budget reductions immediately.

While the District is faced with several significant issues, it is our tradition of fiscal conservatism, combined with cost-saving measures, operating efficiencies, innovative ideas, and a willingness to explore options, that has provided us with a strong financial foundation. The District will continue to provide the same high level of service that county residents expect, while protecting the District's future financial health.

Future Sustainability

The District has taken steps to address the impacts of a weak economy over the past four years by increasing revenues, lowering expenses, and utilizing reserves. Many difficult decisions have been made; however, many still lie ahead. Current economic conditions, challenges in finding capital, and unfunded maintenance issues are

stressing the organization at the same time that increased employee engagement, stronger customer relationships, and deeper organizational expertise is taking place. To use an analogy, we are basically changing the engine while we keep the car running.

Moving forward, it is important that we continue reinforcing the “New District” culture in order to maintain our competitive advantage. As new programs and services are contemplated, we must continue to ask the tough questions: is this something we should be doing, and can someone else do this better? The District is beginning to see many more requests for service, as other providers are shedding such programs in order to balance their books. Rather than accede to qualitative pressures, the District must continue adhering to quantitative risk analysis in all future decisions. Put simply, the District simply cannot afford to add any new facilities or programs without identifying sustainable revenue streams or eliminating existing programs. We must also keep an open mind regarding alternative means of reaching the goals we have established while still staying the course in completing the Strategic Plan tactics. This level of discipline will ensure that our existing success is not jeopardized as we advance our strategic purpose.

In addition, it must be noted that RivCoParks has an amazing workforce. I would like to recognize all of the dedicated District employees who work hard to provide exceptional service to the citizens of Riverside County, our many volunteers who contribute their time and talent, our program participants who help us continually improve and expand our programs, and all Riverside County residents who support the District through their tax dollars. Finally, I wish to express my appreciation and gratitude to the District Advisory Commission and the Board of Directors for their leadership and service. The commitment of all to the success of the District is invaluable. Our focused response to continued adversity will unite us in our unique determination to become a “Best in Class Agency.” Our parks and places are powerful sources of beauty, joy, learning, and community. Parks Make Life Better!

Sincerely,

Scott Bangle, Director

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