November 12, 2021

Shawn Rohrbacker, GM
Board of Directors
FRRPD
1875 Feather River Blvd.
Oroville, CA 95965

Re: Consultants Findings

Dear Shawn & Directors:

As outlined in the Oct. 11, 2021, Request for Services for Financial Analysis from Shawn I have reviewed the requested documents, financial reports, audits and have met with Shawn and Deborah on a number of occasions. They have prepared or shared with me other documents to assist in my review of the financial condition of the overall operation of the FRRRPD.

I will start by going back to my original work and report on March 12, 2013. At that time, it was important to first review and understand the Mission and Vision of the District as well as the role that the Board of Directors and General Manager and their Duties & Responsibilities. You find as Exhibit-A, the Mission Statement:

> The Feather River Recreation and Park District **will provide and maintain quality parks**, recreation **experiences** and **related facilities** and **programs** for **all residents of the district** in a fiscally sustainable manner that compliments the natural resources and cultural heritage of our community.

I will explain that this time I inspected your Oroville Parks & Facilities and took pictures so you can see that this is not the case. The pictures are included in Exhibits-B 1-7. I would expect your standards to be what I found at Riverbend Park but as you can see be inspecting these other facilities that you have many hazards, liabilities, graffiti, unsafe physical conditions for your baseball fields, tennis courts, playgrounds, seating areas, parking lots, and roads. You currently are responsible for fifteen separate Facilities as listed in your brochure as shown in Exhibit-C 1-2. I requested and received as Exhibit-D 1-4 the "Immediate Needs/Deferred Maintenance" list for your properties. As you can see that it is over $11 million dollars, and I will tell you that in today's dollars it is much higher than that and growing every day.

I want again to include as Exhibit-E the Policies & Procedures for the Board of Directors and again will focus on the financial areas of responsibility. I am also including Exhibit F, the timeline for the Annual Budget Process. My concern is that you have the fiduciary responsibility to prepare and submit an annual budget that should include the actual Operating Income and

Expenses as well as the Asset and Building Replacement Reserves by individual line items. You have not included the Reserves in your budgeting process because you do not have the funds to properly set aside the required funding. I have included Exhibit-G 1-6 that breaks out each of the assets that at some point you will need to replace. You take the Depreciation each year for this but do not match the necessary funds to meet these requirements. Your annual audits do not appear to address this concern and it should be included as they do your Net Pension Liability. Exhibit-H 1-4 illustrates that your Audit has informed you that your "District's Proportionate Share of the Net Pension Liability with the Calif. Public Employees' Retirement System" has increased by $417,644 from 2016 to 2020 where your liability is now $939,779 based on the 7.15% Discount Rate. If it just decreases by 1% to a Discount Rate of 6.15% your liability increases to $1,442,432. I think someone should be addressing this issue immediately.

Before I get into the actual financial issues that are the main cause of your current situation, I want to include Exhibit-I, the 2020 Master Plan. As you are aware this is supposed to be updated every 10-years and the current plan was completed in April 2011. I understand that this in the process, but it is important to remind everyone that it is a "Tool designed to provide the district with a framework to implement its mission and vision." There are also to be "Annual Written Reviews" and I hope someone has copies of those meeting minutes and that the Board has also reviewed them. The Big Question in this review "is the Plan meeting the needs of the District and the Community?" From an outsider's perspective I would have to say the answers in 2013 and again in 2021 is NO!

As I now reflect on your past financial and current situation going forward there is one large financial drag on your entire system. This has not changed since by last review in 2013. It was clear back then as it is now that the 40,000 square foot building should never had been purchased. It was a failing operating entity by the prior owner, the inappropriate revenue and expense analysis by the General Manager at that time gave false facts to encourage the purchase and the seller and her family were too involved in the district's decision at that time. You now find yourself and your District with a building and related program, which being Gymnastics and Preschool/Day Care, which are bleeding your district to the tune of approximately $650,000 per year. Exhibits-J 1-2 are financial analysis by your staff reflecting the cost of the building and the programs associated with it. You may want to look and see if there are any other Districts in Northern California that have their own gymnastics facilities and programs. I could not find any through your staff.

Have requested that Shawn get a formal Appraisal of the building as well as two commercial brokers' opinion of value and listing agreements. He has the two listing proposals and is working on the appraisal. With that information my recommendation to the District is to attempt to sell the building as quickly as possible, try to find a new office location in the community in the range of 2,500 square feet. Understand that if that is not feasible the District may have to lease out the building space that they do not need but understand that the cost of the required tenant improvements would create other financial concerns for the District. In a perfect world you would adjust the Sale Price to reflect the current market and deferred maintenance issues with the building and hope to be able to generate an additional surplus after the debt is paid-off of around $200,000 to $500,000 from the sale. Part of the surplus going toward the move into a new location, set aside the rest in two areas; the first to upgrade your ball parks so the community can see you are raising your standards and the balance would be set up in a proper Reserve Funding Account. Secondly, I would suggest that your budgets now include monies each year for the proper reserve accounts and the immediate upgrade of your current parks, facilities, and the addition of innovative programs. Once you are on that track, I would upgrade all your facilities' signage, get your community members involved in the new direction and attempt to build new corporate sponsorship for your programs.

I thank you for the opportunity to collaborate with your team on this project and I hope this allows you to build a better direction for your District over the next 2-5 years.

Sincerely,

R. Scott Chalmers
Consultant