INDEX
PARKS AND WILDLIFE COMMISSION MINUTES
MAY 10, 2012

A meeting of the Parks and Wildlife Commission convened on May 10th, 2012 at the Courtyard Marriott in Grand Junction, CO.

Chair	Tim Glenn	Dist. No. 4
Vice Chair	Gary Butterworth	Southern Region
Secretary	Mark Smith	Dist. No. 2
	David Brougham	Dist. No. 5
	Chris Castilian	Metro Region
	Dorothea Farris	Dist. No. 1
	Allan Jones	Dist. No. 1
	Bill Kane	Northern Region
	Gaspar Perricone	Dist. No. 5
	Jim Pribyl	At Large
	John Singletary	Dist. No. 4
	Robert Streeter	Dist. No. 3
	Lenna Watson	Western Region
	Dean Wingfield	Dist. No. 3

Parks and Wildlife Commission Roll Call Attendance for Thursday, May 10th, 2012.

May 10, 2012
Brougham – present
Butterworth – present
Castilian – present
Farris – present
Glenn – present
Jones – present
Kane – present
Perricone – present
Pribyl – present
Singletary – present
Smith – present
Streeter – present
Watson – present
Wingfield – present
King – present
Salazar – present

Director Rick Cables and Staff.

Others in attendance were: Steve Bonowski, Scott Jones, Greg Labbe, John Placek, Traci Schalz, Denny Behrens, Chris Jurney, Don Meek, Bill Cantenbury, Daniel Gates, Evelyn Horn, Allan Reishus, Mike Duzik, Phil Ellsworth, Bill Cousins, Nancy Merrill, John Merrill, Marilyn Palmer, Van Graham, Linda Litteral, David Galinat, David Thomas, Pete Rodas, Robin Henry, Opal Watts, Robert Moston, Phil Belchar, Tom Mikesell, Susan Mikesell, Tom Behunin, Tilman Bishop, Otis Latham, Lester Sendedski, David Pickard, John Weismen, Linda Watson, Dave Watson, Steve Bergman, Mary Turkey, Conrad Tucker, Jon Thompson, Wayme McFetridge, Gabe Eakins, Darren Hodgson, Francisco Trincado, Aldo Avila, Jerry Smith, James Malpanes, Joe Wilson, Mike Shamberg, Tony Gurule, Oli Bischoff, Dale Breckenridge, Chris Ellison, Greg Fitzpatrick, Tom Deryberg, Andy Valdez, Kathy Valdez, David Thoma, Pete Rodas, Deanna Curtis, Karen Derrick, Ray Rickard, Brian Lyons, Lisa Williams, Patricia Rice, Jay Wilmes, Jan Birch, Robin Henry, Loralee Ken, Robert Morton.

OA 12-027 MINUTES APPROVAL	It was moved by Ms. Farris and seconded by Ms. Watson to approve the minutes of the April 12, 2012 Parks and Wildlife Commission Meeting. Roll Call Vote: Brougham – yes; Butterworth – yes; Castilian – yes; Farris – yes; Jones – yes; Kane – yes; Perricone – yes; Pribyl – yes; Singletary – yes; Smith – yes; Streeter – yes; Watson – yes; Wingfield – yes; Glenn – yes. <u>Motion carried unanimously.</u>
OA 12-028 OFF-HIGHWAY VEHICLE 2013 GRANT APPLICATION #33	It was moved by Mr. Kane and seconded by Ms. Farris to approve the 2013 OHV Program Grant award for the OHV Grant Application #33, Basalt to Gypsum Singletrack as recommended by the State Trails Committee and the parks and Wildlife Division. Roll Call Vote: Brougham – yes; Butterworth – yes; Castilian – yes; Farris – yes; Jones – yes; Kane – yes; Perricone – yes; Pribyl – yes; Singletary – yes; Smith – yes; Streeter – yes; Watson – yes; Wingfield – yes; Glenn – yes. <u>Motion carried unanimously.</u>
REGULATIONS OA 12-029 CHAPTER 2 – BIG GAME	It was moved by Mr. Singletary and seconded by Mr. Kane to adopt changes to Chapter 2-Big Game, including 2012 limited license numbers for deer, elk, bear, pronghorn and moose, as proposed by staff. Roll Call Vote: Brougham – yes; Butterworth – yes; Castilian – yes; Farris – yes; Jones – yes; Kane – yes; Perricone – yes; Pribyl – yes; Singletary – yes; Smith – yes; Streeter – yes; Watson – yes; Wingfield – yes; Glenn – yes. <u>Motion carried unanimously.</u> **See Attachment 1.**
OA 12-030 CHAPTER 7 – PASSES, PERMITS AND REGISTRATIONS	It was moved by Mr. Castilian and seconded by Mr. Smith to adopt changes to Parks Regulations, Chapter 7-Passes, Permits and Registrations, implementing free access to parks for military personnel on Veteran's Day, as proposed by staff. Roll Call Vote: Brougham – yes; Butterworth – yes; Castilian – yes; Farris – yes; Jones – yes; Kane – yes; Perricone – yes; Pribyl – yes; Singletary – yes; Smith – yes; Streeter – yes; Watson – absent; Wingfield – yes; Glenn – yes. <u>Motion carried unanimously.</u> **See Attachment 2.**
CITIZEN PETITION OA 12-031 CHAPTER 9 - DIVISION PROPERTIES	It was moved by Mr. Smith and seconded by Ms. Farris to dismiss the citizen petition to allow rock climbing at Rifle Falls Fish Hatchery. Roll Call Vote: Brougham – yes; Butterworth – yes; Castilian – yes; Farris – yes; Jones – yes; Kane – yes; Perricone – yes; Pribyl – yes; Singletary – yes; Smith – yes; Streeter – yes; Watson – yes; Wingfield – yes; Glenn – yes. <u>Motion carried unanimously.</u>

See Attachment 3.

OA 12-032 LICENSE SUSPENSION - VINCENT A. GAETA, JR.	It was moved by Ms. Farris and seconded by Ms. Watson to deny the appeal by Vincent A. Gaeta, Jr. DEN05678 and uphold the license suspension of 2 years, as recommended by staff. Roll Call Vote: Brougham – yes; Butterworth – yes; Castilian – yes; Farris – yes; Jones – yes; Kane – yes; Perricone – yes; Pribyl – yes; Singletary – yes; Smith – yes; Streeter – yes; Watson – yes; Wingfield – yes; Glenn – yes. Motion carried unanimously.
OA 12-033 GAME DAMAGE CLAIM – VERNON LUCERO	It was moved by Ms. Farris and seconded by Mr. Smith to deny the Game Damage Claim 17-Y12-12 for Vernon Lucero in the amount of $8,517. Roll Call Vote: Brougham – yes; Butterworth – yes; Castilian – yes; Farris – yes; Jones – yes; Kane – yes; Perricone – yes; Pribyl – yes; Singletary – yes; Smith – yes; Streeter – yes; Watson – yes; Wingfield – yes; Glenn – yes. Motion carried unanimously.
OA 12-034 PARKS AND WILDLIFE COMMISSION RESOLUTION	It was moved by Mr. Pribyl and seconded by Mr. Singletary to approve the Parks and Wildlife Board Resolution - Regarding the Suspension of Colorado Wildlife Commission Policy No. A-11 ("Wildlife Cash Fund Balance") and adopt the staff's recommendation. Roll Call Vote: Brougham – yes; Butterworth – yes; Castilian – yes; Farris – yes; Jones – yes; Kane – yes; Perricone – yes; Pribyl – yes; Singletary – yes; Smith – yes; Streeter – yes; Watson – yes; Wingfield – absent; Glenn – yes. Motion carried unanimously.
OA 12-035 NORTH STERLING MARINA CONTRACTOR SELECTION	It was moved by Mr. Perricone and seconded by Mr. Jones to approve the North Sterling Marina Contractor Selection, as recommended by staff. Roll Call Vote: Brougham – yes; Butterworth – yes; Castilian – yes; Farris – yes; Jones – yes; Kane – yes; Perricone – yes; Pribyl – yes; Singletary – yes; Smith – yes; Streeter – yes; Watson – yes; Wingfield – absent; Glenn – yes. Motion carried unanimously.
OA 12-036 CONSENT AGENDA	It was moved by Mr. Smith and seconded by Mr. Jones to approve the consent Agenda, as presented. Roll Call Vote: Brougham – yes; Butterworth – yes; Castilian – yes; Farris – yes; Jones – yes; Kane – yes; Perricone – yes; Pribyl – yes; Singletary – yes; Smith – yes; Streeter – yes; Watson – yes; Wingfield – absent; Glenn – yes. Motion carried unanimously.

See Attachments 4 and 5.

The Parks and Wildlife Commission meeting adjourned at 5:54 p.m. on May 10th, 2012.

Respectfully submitted,

Mark Smith, Secretary
Mark Smith
Parks and Wildlife Commission

APPROVED:

Timothy R. Glenn, Chair
Timothy R. Glenn
Parks and Wildlife Commission

COLORADO DIVISION OF PARKS AND WILDLIFE

Wildlife Cash Fund Reserves	**Steve Cassin**	**April 27, 2012**
TOPIC	**PREPARED BY**	**DATE**

ACTION	**INFORMATION**	**DRAFT**	**FINAL**
__X__ITEM	**_____ITEM**	**______COPY**	**______COPY**

PURPOSE:

To discuss and act on a proposed resolution (attached) which (1) suspends existing Policy No. A-11 pertaining to the Wildlife Cash Fund Balance, (2) directs the Division of Parks and Wildlife to begin work on a new policy for cash fund reserves for future adoption by the Commission, and (3) provides interim guidance for maintaining adequate financial reserves.

BACKGROUND INFORMATION:

The Colorado Division of Parks and Wildlife (CPW) manages a total of 32 separate funds. Nineteen of these were managed by the former Division of Wildlife ("Wildlife Funds") and thirteen were managed by the former Division of Parks and Outdoor Recreation ("Parks Funds"). All of these funds are referred to as "cash funds" in state budget parlance. Of the Wildlife Funds, twelve are further designated as "enterprise funds", which among other things means the revenue earned in those funds is exempt from the revenue caps imposed by Article X, Section 20 of the Colorado Constitution (the TABOR amendment). On the wildlife side, the largest of the nineteen funds is titled the "Wildlife Cash Fund."

All revenues earned by the Wildlife Funds stay in those funds at year-end (unlike many governmental funds). In years when cash inflows exceed outflows in a given fund, the excess is accumulated in the fund balance or reserve. Money in the reserve is available to the CPW to spend in future years. In years when cash outflows exceed inflows, the shortfall is financed by drawing down the reserve.

Purpose of the Reserve

Maintaining some level of reserve balance makes sense for a variety of reasons. Wildlife Fund reserves have been used over the years to (1) provide stability in funding in the face of normal year-to-year fluctuations in revenues; (2) to provide stability in funding in the face of long term (multi-year) cycles of revenue growth and decline; (3) to accumulate funds over a period of years to make large capital investments that could not otherwise be made; and (4) to provide stability in funding in the face of sudden unexpected or unpredicted dips in revenue or cost increases.

Year-to-Year Fluctuations - Many factors influence revenues and as a result revenues fluctuate somewhat from year to year. Weather, gasoline prices, the state of the economy, competing opportunities, herd sizes (perceived and real), and many other factors influence participation.

These random fluctuations in revenues will naturally lead to fluctuations in reserve levels, and there will be times when downward fluctuations in revenues require dipping into reserves to cover expenses.

Long Term Revenue Cycles - Historically, the Wildlife Cash Fund had been characterized by long term cycles in revenues. Hunting and fishing license fees are set in statute, and changing them is difficult. Over the past fifty years these fees have been increased only five or six times. When fees are increased, they are typically increased significantly (~40%), if for no other reason than the fact that they are adjusted for seven to ten years of cumulative inflation. Immediately after such a large fee increase, revenues jump dramatically. Expenditures, on the other hand, do not – they tend to grow steadily over time but at a low rate. The result is that in the years immediately after a fee increase, the reserve increases dramatically. As years go by, inflationary increases in costs begin to catch up with revenues and at some point costs begin to exceed revenues. At that point the reserve begins to decline. Typically at that point in the cycle the reserves have grown to a point that allows the agency to operate for a number of years before another fee increase (or program cuts) becomes necessary.

In the early 2000's, a provision was added to the statutes that provides for automatic fee increases based on the Consumer Price Index for nonresident big game hunting licenses. Because nonresident big game license revenue makes up such a large proportion of total revenues, this has dramatically dampened the magnitude of the revenue cycle.

Reserve for Capital Investment - All CPW expenses must be paid out of either current period revenues or out of the reserve. Typically, operating costs consume the majority of current period revenues, leaving a relatively small portion for capital investments. Most of the current period revenue available for capital investments must be used for ongoing repairs, renovations, refurbishment, replacement and improvement of existing land and facilities. The remainder may be invested in acquisition of new lands or construction of new improvements. By building a reserve over a period of years, a sum of money can be accumulated so that large capital investments can be made. For example, in the late 1990's the large reserve was used to fund the acquisition of the Bosque d'el Oso SWA. This $9 million investment could not have been made had the reserve not been built up over time to that level.

When the reserve is accumulated in order to fund capital investments, those investments need to be carefully managed to avoid over-committing the reserve. Large capital projects can take several years to complete. Several years may pass between the date a project is approved and the date funds need to be paid out as the project is completed. It is possible that the agency could become over-extended by approving capital projects whose need for funds in future years would exceed the level of funds available in those future years as the reserve is drawn down.

Unexpected Dips in Revenue or Cost Increases – The above uses of reserves require that some level of funds be in the reserve but also imply that the reserve will be spent down in the normal course of business. Therefore they don't necessarily create a need to maintain some minimum reserve level. The potential for unexpected events gives rise to the need for a "rainy day" fund or some minimum level of reserves. Historically, the main event of concern is a bad winter which can suddenly drive costs up through increased game damage payments, game damage prevention measures, feeding, and so on. Bad winters can also lead to temporarily depressed revenues in the immediate following years. There have been four significantly bad winters in the past 30 years. The fiscal impact of these has been in the $2-$4 million range.

Presumably, all of the above were taken into consideration when the former Colorado Wildlife Commission adopted the existing policy A-11, "Wildlife Cash Fund Balance" in early 2006 (see **Attachment 1**). The main elements of the policy are as follows:

(1) It applies not to a single fund, such as the Wildlife Cash fund, but to the aggregate of all enterprise funds managed by the former division of wildlife.
(2) It requires reserves at year-end be sufficient to cover all outstanding capital obligations (i.e., to pay for all capital projects authorized as of the beginning of the following fiscal year).
(3) On top of this, it requires a "rainy-day fund" equal to 10% of revenues to cover unexpected revenue drops or cost increases.
(4) It requires that projections be made covering the next five years that demonstrate that all these requirements will be met not just for the current year, but for the next five years.
(5) It requires annual reporting to confirm compliance with the policy.

<u>Status of the Reserve Relative to Commission Policy</u>

Compliance with the policy was not measured or reported for a number of years in the recent past, during which time the level of reserves dropped below what is required by commission policy.

As of June 30, 2011, prior to the CPW taking action to reduce the level of outstanding capital obligations, the reserve calculation was as follows:

	Wildlife Enterprise Funds
Reserve *	23,289,431
Capital Obligations	30,183,807
Unobligated Reserve	(6,894,376)
Annual License Revenue	77,436,010
10% of License Revenue	7,743,601
Required Unobligated Reserve	7,743,601
Over/ (Under) Policy	(14,637,977)

* Defined as Current Assets minus Current Liabilities

When this was recognized in early 2011, the former Division of Wildlife and then the Colorado Parks and Wildlife took a number of steps to regain compliance with the policy. The most significant of these was to cancel or postpone a large number of capital projects that had been approved in previous years but which had not yet been completed or had been completed under budget. These actions were reflected in a supplemental appropriations bill which passed into law in early 2012 and formally reduced the level of capital appropriations. Prior to this, the FY 10-11 year-end reserves were about $15 million below commission policy; after this the reserves were about $300,000 below commission policy. This action closed the gap in compliance with the commission policy by significantly reducing the level of capital obligations which the policy requires be covered 100% by year-end reserves:

	Wildlife Enterprise Funds
Reserve *	23,289,431
Capital Obligations	15,835,155
Unobligated Reserve	7,454,276
Annual License Revenue	77,436,010
10% of License Revenue	7,743,601
Required Unobligated Reserve	7,743,601
Over/ (Under) Policy	(289,325)

* Defined as Current Assets minus Current Liabilities

The reductions in capital projects did not increase the level of reserves, which have been steadily declining in recent years (see **Attachment 2**).

Reserves cannot be drawn down forever. Over the past five years reserves in the Wildlife Funds have declined by an average of just over $4 million per year. At that rate the current reserves would be exhausted in about five years. Regardless of whether a policy-driven rainy day fund is maintained or not, this decline in reserves must be halted. Simplistically, this can be accomplished by finding ways to increase revenues, cut costs, or a combination of both. Coming up with a combination of measures to close a gap of up to $5 million per year will involve a number of strategic choices, which CPW staff are evaluating.

At the same time, CPW is in the midst of implementing the merger of the former State Parks and Division of Wildlife, which will entail major structural reorganization which in turn will drive changes in cost structure, budget allocations, and spending plans. The merger implementation and the strategic choices required to balance the wildlife cash budgets will not begin to have a significant impact on revenue and expenditures until FY 13-14 and beyond. Fortunately, the reserves in the Wildlife Funds are sufficient to accommodate this.

DISCUSSION AND SUMMARY:

The existing policy No. A-11 is fairly complicated, is somewhat ambiguous, is arguably overly conservative, and predates the merger and therefore does not apply to all funds in the new agency.

Ambiguous Terms

While the meaning of the terms used in the existing policy may have been understood by those involved in its development, they are not necessarily clear on their own. For example, the policy requires an unobligated reserve at least equal to 10% of revenues. Revenues are not defined and on its face the term would imply all revenues. However, from the inception of the policy it appears that the calculation was based on license revenues only. There are some valid reasons why the policy might focus on license revenues alone. Similarly, it is not completely clear how capital obligations at year-end should be calculated. From the inception of the policy appropriations of federal funds for capital projects have not been included. There may be valid reasons for this but it is not clearly addressed in the policy. Further, in the years since the policy was first adopted by the commission the General Assembly has changed its definition of which line items are reflected in the capital construction section of the Long Bill.

Funds to Which the Policy Applies

The existing policy applies to all enterprise funds managed by the former Division of Wildlife. While the twelve enterprise funds are separate and distinct, there are varying degrees of interrelationships among them. Therefore there are some valid arguments for framing a reserve policy based on the aggregate reserves in all enterprise funds. On the other hand, this complicates the policy and makes it far less intuitive. To the extent each fund has its own set of restrictions, it is arguable whether or not the full amount of the enterprise fund reserves could be used to cover “rainy day” needs.

Perhaps more significantly, the policy predates the merger between Parks and Wildlife and accordingly addresses only those funds managed by the former Division of Wildlife. From a policy standpoint, there are some important differences between the wildlife funds and the parks funds. For one thing, the wildlife fund reserves are not available to the State to meet other needs in the overall state budget outside of CPW. The same is not true for the parks fund reserves. This is a key consideration in setting a target level of reserves. There is a statutorily created "Parks Emergency Reserve Fund" which does not have a counterpart on the wildlife side. By statute, the Parks Cash Fund cannot be used for capital construction purposes, another important difference. Despite these differences it may be appropriate to frame an overarching financial policy to guide the newly created CPW.

Restrictions on use of reserves

Even within the Wildlife Cash Fund (one of the twelve enterprise funds) there are statutory restrictions on some of the revenue sources that contribute to the Wildlife Cash Fund reserve. The largest of these is revenue from the Habitat Stamp. Habitat Stamp revenues are restricted by statute to the acquisition, protection, enhancement and management of wildlife habitat. There is no separate Habitat Stamp Fund; Habitat Stamp revenues are part of the Wildlife Cash Fund. To the extent there are unspent revenues derived from the Habitat Stamp that make up part of the Wildlife Cash Fund reserve, those funds are restricted as mentioned above. At the present time Habitat Stamp revenues account for between one-third and one-half of the total reserve in the Wildlife Cash Fund. Therefore the full amount of the Wildlife Cash Fund reserve could not necessarily be used to cover "rainy day" needs.

Role of Capital Obligations

A reserve to cover capital obligations is necessary only if future capital costs are to be paid exclusively out of the reserve. This would be the case only in years in which operating costs consumed 100% of revenues generated during the fiscal year. On average over the last five years about one-fifth of all capital expenditures on the wildlife side have been financed by drawing down the reserve. Accordingly, the existing policy is arguable overly conservative.

Size of the "Rainy Day" Reserve

By definition, events that could result in unexpected dips in revenue or cost increases cannot be predicted or quantified. The financial risk associated with these events is a combination of their probability and their magnitude should they occur. Covering every conceivable risk would require an enormous reserve and would not be prudent. It is not clear how the 10% figure in the current policy was derived, but it likely reflects a fairly worst case scenario. It also presumes that the entire impact of an unexpected event be absorbed by the reserve, which would eliminate the need for any cost cutting measures to cover a shortfall. In any event, 10% seems well outside the magnitude of anything that has occurred in the past several decades.

Provision for Tapping the Emergency Reserve

The existing policy requires a healthy reserve, presumably to allow the agency to absorb significant unexpected financial impacts. But it does not provide for the reserve to be used for that purpose. Tapping the reserve in an emergency would put the agency in violation of the commission policy. In other words, using the reserve for the purpose for which it is presumably intended would violate the policy.

Multi-Year Projections

The existing policy requires that revenues, expenditures, reserves and capital obligations be forecast for the next five years and that the 10% unobligated reserve be maintained throughout that five year period. If this is not the case, specific actions must be identified for implementation to insure the required reserve is met. While it makes sense to look down the road to insure future solvency of the funds, the appropriate time period can be debated. Forecasts five years out are extremely uncertain, and the wisdom of taking action today based on an uncertain forecast of events five years out can be questioned. As one example, in projecting future costs, it is reasonable to assume some level of inflationary cost increases. Unless one assumes a statutory fee increase at some point in the future, which may not be appropriate when making projections, at some point in the future the fund balance will disappear simply because costs are assumed to grow with inflation but revenues are not.

DIVISION RECOMMENDATION:

Considering all the above, it makes sense to revisit the commission fund balance policy. There are many issues involved that need to be better understood to frame an appropriate policy for the newly created Colorado Parks and Wildlife. Work should begin on this. The downward trend in reserves in the Wildlife Funds needs to be reversed, but the reserves are not at risk of being exhausted in the immediate future. Immediate draconian steps do not need to be taken to insure financial solvency. A number of the strategies that will play a central role in reversing the downward trend in reserves (e.g., savings from the merger) are in progress. Work on the merger needs to be completed and other strategies developed over the next 24 months in order close the shortfall between revenues and expenditures. At the same time, the agency is out of compliance with the existing policy. It has taken several years to deviate from the policy and realistically and practically it will take several years to regain compliance. While a new policy is being formulated and while long term strategies are being developed to insure financial solvency, as long as the Wildlife Cash Fund reserve does not drop below $3-4 million, there should be sufficient reserves to cover potential emergencies and unexpected events.

Accordingly the division recommends that the commission take action to (1) suspend existing Policy No. A-11 pertaining to the Wildlife Cash Fund Balance, (2) direct the Division of Parks and Wildlife to begin work on a new policy for cash fund reserves for future adoption by the Commission, and (3) provide interim guidance for maintaining adequate financial reserves, namely, that the Wildlife Cash Fund reserve shall not drop below a level equal to 5% of annual license revenues. The following chart compares the current policy No. A-11 with the proposed interim guidance:

	Policy No. A-11 Wildlife Enterprise Funds	Proposed Interim Guidance Wildlife Cash Fund
Reserve *	23,289,431	16,216,672
Capital Obligations	15,835,155	NA
Unobligated Reserve	7,454,276	16,216,672
Annual License Revenue	77,436,010	77,436,010
Required % of License Revenue	10%	5%
Required Reserve	7,743,601	3,871,801
Over/ (Under) Policy	(289,325)	12,344,872

* Defined as Current Assets minus Current Liabilities

SUGGESTED MOTION:

Move to adopt the staff recommendation and approve the attached resolution.

DATE

April 27, 2012

PARKS AND WILDLIFE BOARD RESOLUTION

Regarding the Suspension of Colorado Wildlife Commission Policy No. A-11
("Wildlife Cash Fund Balance")

WHEREAS, the former Wildlife Commission adopted Policy No. A-11 (hereinafter referred to as the "Reserve Policy") in 1992 to provide for adequate reserves to address unexpected contingencies and to otherwise facilitate sound financial management of the wildlife cash fund and the Division of Wildlife;

WHEREAS, all such policies of the Wildlife Commission, including the Reserve Policy, were subject to periodic review to ensure they continue to meet the needs of the Division of Wildlife;

WHEREAS, the Reserve Policy was last reviewed in 2007, was amended and readopted at that time, and presently requires that 10% of the annual revenues from the sale of hunting and fishing licenses be maintained as an unobligated wildlife cash fund reserve;

WHEREAS, since the last review of the Reserve Policy the staff of the Division of Wildlife has identified issues with the Reserve Policy that it believes warrant further review, discussion and consideration, including whether 10% of the annual revenues from the sale of hunting and fishing licenses as presently stated in the Reserve Policy is the appropriate level of such an unobligated fund reserve;

WHEREAS, the discovery of recent errors in reporting financial condition and their correction has resulted in a realization that the wildlife cash fund reserve has declined to a level below the 10% presently stated in the Reserve Policy;

WHEREAS, as of July 1, 2011, the Wildlife Commission has been merged with the Board of Parks and Outdoor Recreation into the newly created Parks and Wildlife Board, and the Division of Wildlife has been merged with the Division of Parks and Outdoor Recreation into the newly created Division of Parks and Wildlife;

WHEREAS, the former Board of Parks and Outdoor Recreation did not have a similar reserve policy, and it is financially prudent to also consider the establishment of a fund reserve policy for parks and outdoor recreation purposes in conjunction with a review of the existing reserve policy for wildlife purposes;

WHEREAS, implementing the merger and establishing the newly created Division of Parks and Wildlife requires extensive reorganization, restructuring, and integration of activities of the former agencies while maintaining strict separation and accounting of the various sources of funding tied to the former agencies; and

WHEREAS, this restructuring will drive changes in the cost structure of the newly created Division of Parks and Wildlife and must be completed before future cash flows can be quantified and understood, which understanding is essential to determining the appropriate reserve requirement.

THEREFORE, BE IT RESOLVED THAT the Parks and Wildlife Board recognizes the need to undertake a review of the existing Reserve Policy as recommended by staff and believes such a review is warranted;

BE IT FURTHER RESOLVED THAT the Parks and Wildlife Board believes that such review, given the recent merger of Parks and Wildlife, should also include consideration of a fund reserve for parks and outdoor recreation purposes;

BE IT FURTHER RESOLVED THAT the Parks and Wildlife Board believes that, in light of such anticipated review of the existing Reserve Policy and consideration of a fund reserve for parks and outdoor recreation purposes that immediate action to bring the fund reserve of the wildlife cash fund into compliance with the 10% level stated in the Reserve Policy is premature and ultimately could prove to be imprudent;

BE IT FURTHER RESOLVED THAT the Parks and Wildlife Board believes that a suspension of the existing Reserve Policy is appropriate pending completion of the review and hereby suspends Policy No. A-11 of the former Wildlife Commission, and directs the Division of Parks and Wildlife to take whatever administrative actions are appropriate to stabilize the reserve account of the wildlife cash fund and to otherwise insure that a reserve account of no less than 5% of the annual revenues from the sale of hunting and fishing licenses be maintained during the period of suspension;

BE IT FURTHER RESOLVED THAT the Parks and Wildlife Board directs the Division of Parks and Wildlife to begin the review of the existing Reserve Policy and consider a fund reserve policy for parks and outdoor recreation purposes and to report to the Parks and Wildlife Board on a bi-monthly basis regarding progress; and

LASTLY, BE IT RESOLVED THAT upon completion of the internal process, the review of the existing Reserve Policy and consideration of a fund reserve for parks and outdoor recreation purposes will be placed upon the agenda of the Parks and Wildlife Board for public hearing, consideration and a decision by the Parks and Wildlife Board in accordance with its general hearing process, including opportunities for public review and comment.

Adopted May 10, 2012

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Tim Glenn
Chairman
Colorado Parks and Wildlife Board

COLORADO WILDLIFE COMMISSION POLICY

Title: **WILDLIFE CASH FUND BALANCE**
Effective Date: January 13, 2006
Re-Adoption Date: February 8, 2007

Objective

The Colorado Wildlife Commission is committed to accomplishing its Strategic Plan while at the same time maintaining the division's financial health over both the long and short term. The objective of this policy is to insure the division remains on solid financial footing in the future, by establishing sideboards on overall spending that will guide the development of the division's annual budget and longer term spending plans.

Authority

Section 33-1-110(6), C.R.S., provides that the director and the executive director shall consult with the commission in the establishment of the division's budget and the expenditures of all moneys appropriated to the division by the general assembly.

Definitions

"Reserve" means current assets less current liabilities, for all division enterprise funds combined (i.e., all the division's funds except for principal trust funds and fiduciary donation funds), as of the end of the fiscal year.

"Unobligated Reserve" means reserves less the unspent appropriated capital construction spending authority balance as of the end of the fiscal year.

"Operating Expenses" means all expenditures except investment in capital assets (controlled maintenance costs are included in operating costs).

"Operating Revenues" means all revenues except (a) proceeds from sale of assets and (b) revenues tied to financing capital investments.

Policy Statement

Sound financial management requires that expenditures be held in reasonable balance with revenues and that adequate reserves be maintained to cover contingencies. Accordingly:

The unobligated reserve shall not drop below a level equal to 10% of annual revenues.

Budgets and spending plans for the next two upcoming fiscal years (the year for which the legislative budget request is being prepared, plus one more) shall be set such that the projected unobligated reserve remains above 10% at the end of each of those two years.

Financial projections for years 3-5 must identify and incorporate specific measures that will be taken in those years, as required, to insure that the projected unobligated reserve remains above 10% at the end of each of those years.

As a general rule, reserves will not be used to fund operating expenses. Operating expenses should be funded with operating revenues. Disposal of assets will not be used to fund operating expenses. Disposal of assets will be encouraged as a source of funds for capital investment when it increases the value and utility of overall division assets.

To insure compliance with this policy, the director shall annually report to the commission the division's proposed budget and spending plans for the next five years, together with projected revenues, expenses and reserves.

Attachment 2

COMPARATIVE BALANCE SHEET
Colorado Parks & Wildlife
for the Fiscal Years 2001 through 2011
Wildlife- Enterprise Funds
ARQ, 410, 411, 412, 413, 418, 421,422,423,425, 428, 43

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
+ ASSETS											
Current Assets											
Cash and cash equivalents	$ 81,979,137	$ 79,882,067	$ 83,880,602	$ 87,146,348	$ 87,461,242	$ 98,736,187	$ 112,710,702	$ 98,826,074	$ 84,334,900	$ 73,039,209	$ 58,780,266
Receivables	$ 4,715,940	$ 9,572,233	$ 3,030,108	$ 6,681,385	$ 4,418,646	$ 4,395,006	$ 4,460,646	$ 5,634,036	$ 7,281,649	$ 7,910,159	$ 13,663,196
Inventories	$ 440,036	$ 565,681	$ 642,451	$ 664,880	$ 683,329	$ 839,449	$ 930,891	$ 969,137	$ 1,038,319	$ 1,044,814	$ 995,311
Other current assets	$ 194,466	$ 761,948	$ 1,710,548	$ 1,123,683	$ 456,875	$ 464,940	$ 384,215	$ 411,946	$ 403,281	$ 428,795	$ 526,930
+ Total current assets	$ 87,329,579	$ 90,781,929	$ 89,263,709	$ 95,616,296	$ 93,020,093	$ 104,435,582	$ 118,486,454	$ 105,841,192	$ 93,058,150	$ 82,422,977	$ 73,965,703
Non-current Assets											
Capital assets	$ -	$ 127,298,127	$ 118,893,648	$ 124,855,048	$ 141,651,034	$ 151,527,400	$ 155,827,333	$ 173,558,978	$ 198,319,890	$ 239,856,039	$ 261,311,617
Infrastructure	$ -	$ 12,960,825	$ 10,711,764	$ 10,263,574	$ 10,831,625	$ 10,362,104	$ 9,892,583	$ 9,633,233	$ 10,659,451	$ 10,140,507	$ 9,624,161
TOTAL ASSETS	**$ 87,329,579**	**$ 231,040,881**	**$ 218,869,121**	**$ 230,734,918**	**$ 245,502,752**	**$ 266,325,086**	**$ 284,206,370**	**$ 289,033,403**	**$ 302,037,490**	**$ 332,419,523**	**$ 344,901,481**
- LIABILITIES											
Current Liabilities											
Payables	$ 11,576,249	$ 14,922,546	$ 14,513,343	$ 19,364,921	$ 19,563,066	$ 22,465,339	$ 25,627,186	$ 23,169,242	$ 21,390,294	$ 16,503,143	$ 16,414,704
Accrued liabilities	$ -	$ 454,987	$ 3,676,863	$ 3,641,504	$ 4,120,563	$ 4,316,162	$ 4,475,871	$ 4,789,196	$ 5,062,471	$ 5,271,905	$ 4,666,372
Deferred revenue	$ 26,673,522	$ 27,949,519	$ 29,439,601	$ 29,140,566	$ 31,038,876	$ 32,755,974	$ 31,674,703	$ 30,254,307	$ 28,788,306	$ 29,254,048	$ 29,595,008
Bonds/notes payable- current	$ -	$ -	$ -	$ -	$ 71,244	$ 19,418	$ -	$ -	$ -	$ -	$ -
Other current liabilities	$ -	$ -	$ 68,921	$ 80,959	$ 6,269	$ 6,269	$ 6,287	$ 39,477	$ 144	$ 713	$ 189
- Total Current Liabilities	$ 38,249,771	$ 43,327,052	$ 47,698,728	$ 52,227,950	$ 54,800,019	$ 59,563,162	$ 61,784,048	$ 58,252,222	$ 55,241,215	$ 51,029,810	$ 50,676,272
Non-current Liabilities											
LT debt payable- noncurrent	$ -	$ 282,269	$ 115,575	$ 60,515	$ 15,316	$ -	$ -	$ -	$ -	$ -	$ -
Other long-term liabilities	$ -	$ 5,710,611	$ 5,021,213	$ 4,720,151	$ 4,552,576	$ 4,302,832	$ 4,541,523	$ 5,026,895	$ 5,299,451	$ 4,975,771	$ 4,737,849
TOTAL LIABILITIES	**$ 38,249,771**	**$ 49,319,933**	**$ 52,835,516**	**$ 57,008,615**	**$ 59,367,911**	**$ 63,865,994**	**$ 66,325,571**	**$ 63,279,117**	**$ 60,540,666**	**$ 56,005,581**	**$ 55,414,121**
= FUND EQUITY											
Committed for encumbrances	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Committed for statutory purpose	$ 59,798,987	$ 66,404,795	$ 66,113,575	$ 66,113,575	$ 54,377,505	$ 64,415,189	$ 57,622,076	$ 79,959,842	$ -	$ -	$ -
FB-unassigned	$ (10,719,180)	$ (15,451,361)	$ (30,847,484)	$ (23,154,786)	$ 989,824	$ 7,276,390	$ 29,491,208	$ 15,026,930	$ 110,729,311	$ 145,646,428	$ 158,719,845
Investment in general fixed assets	$ -	$ 130,767,514	$ 130,767,514	$ 130,767,514	$ 130,767,514	$ 130,767,514	$ 130,767,514	$ 130,767,514	$ 130,767,514	$ 130,767,514	$ 130,767,514
TOTAL FUND EQUITY	**$ 49,079,808**	**$ 181,720,949**	**$ 166,033,605**	**$ 173,726,303**	**$ 186,134,841**	**$ 202,459,092**	**$ 217,880,799**	**$ 225,754,286**	**$ 241,496,825**	**$ 276,413,942**	**$ 289,487,360**
TOTAL LIABILITIES PLUS FUND EQUITY	**$ 87,329,579**	**$ 231,040,881**	**$ 218,869,121**	**$ 230,734,918**	**$ 245,502,752**	**$ 266,325,086**	**$ 284,206,370**	**$ 289,033,403**	**$ 302,037,490**	**$ 332,419,523**	**$ 344,901,482**
= Reserve	$ 49,079,808	$ 47,454,876	$ 41,564,981	$ 43,388,346	$ 38,220,075	$ 44,872,420	$ 56,702,407	$ 47,588,970	$ 37,816,935	$ 31,393,167	$ 23,289,431
(aka Net Current Assets, Working Capital)											
Year to Year Change in Reserve		$ (1,624,932)	$ (5,889,896)	$ 1,823,366	$ (5,168,272)	$ 6,652,346	$ 11,829,986	$ (9,113,436)	$ (9,772,035)	$ (6,423,768)	$ (8,103,736)

- Capital Obligations	$ 15,835,155
= Unobligated Reserve	$ 7,454,276
- 10% of License Revenues	$ 7,743,601
= Amt over (under) PWC Reserve Policy	$ (289,325)

Attachment 2

COMPARATIVE BALANCE SHEET
Colorado Parks & Wildlife
for the Fiscal Years 2001 through 2011

	Wildlife Cash Fund - 410										
	2001	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
+ ASSETS											
Current Assets											
Cash and cash equivalents	$ 79,985,928	$ 77,648,085	$ 79,341,151	$ 82,836,680	$ 80,626,496	$ 89,046,451	97,108,421	89,587,171	$ 73,641,315	$ 63,210,942	$ 59,608,958
Receivables	$ 3,288,268	$ 7,894,123	$ 2,531,398	$ 4,689,018	$ 3,618,358	$ 2,884,630	3,958,350	3,669,798	$ 3,688,837	$ 4,409,742	$ 3,258,381
Inventories	$ 328,539	$ 438,887	$ 533,215	$ 556,324	$ 569,411	$ 745,013	836,911	867,053	$ 914,065	$ 879,636	$ 822,096
Other current assets	$ 194,466	$ 761,948	$ 1,650,548	$ 1,083,683	$ 456,875	$ 464,940	384,215	411,946	$ 403,281	$ 428,795	$ 526,930
+ Total current assets	$ 83,797,201	$ 86,743,043	$ 84,056,311	$ 89,165,705	$ 85,271,141	$ 93,141,033	$ 102,287,897	$ 94,535,968	$ 78,647,499	$ 68,929,115	$ 64,216,363
Non-current Assets											
Capital assets	$ -	$ 127,298,127	$ 118,893,648	$ 124,767,271	$ 134,912,185	$ 137,222,466	$ 155,414,534	$ 171,968,286	$ 186,672,250	$ 224,554,038	$ 234,089,178
Infrastructure	$ -	$ 12,960,825	$ 10,711,764	$ 10,263,574	$ 10,831,625	$ 10,362,104	$ 9,892,583	$ 9,425,613	$ 10,659,451	$ 10,140,507	$ 9,624,161
TOTAL ASSETS	**$ 83,797,201**	**$ 227,001,995**	**$ 213,661,723**	**$ 224,196,551**	**$ 231,014,951**	**$ 240,725,604**	**$ 267,595,014**	**$ 275,929,868**	**$ 275,979,200**	**$ 303,623,661**	**$ 307,929,702**
- LIABILITIES											
Current Liabilities											
Payables	$ 10,977,943	$ 14,068,878	$ 13,827,237	$ 18,746,668	$ 18,712,731	$ 21,408,566	$ 24,288,204	$ 21,851,240	$ 19,888,192	$ 15,367,355	$ 14,623,729
Accrued liabilities	$ -	$ -	$ 3,661,439	$ 3,625,837	$ 4,104,372	$ 4,300,097	$ 4,444,490	$ 4,765,785	$ 4,876,516	$ 5,067,693	$ 4,463,283
Deferred revenue	$ 26,106,407	$ 27,580,597	$ 28,488,274	$ 27,872,473	$ 30,444,258	$ 32,125,679	$ 30,985,836	$ 29,558,011	$ 28,123,033	$ 28,569,106	$ 28,912,490
Bonds/notes payable- current	$ -		$ -	$ -	$ 71,244	$ 19,418	$ -	$ -	$ -	$ -	$ -
Other current liabilities	$ -		$ 68,921	$ 80,959	$ 6,269	$ 6,269	$ 6,287	$ 39,477	$ 144	$ 713	$ 189
- Total Current Liabilities	$ 37,084,349	$ 41,649,475	$ 46,045,871	$ 50,325,937	$ 53,338,874	$ 57,860,030	$ 59,724,817	$ 56,214,513	$ 52,887,885	$ 49,004,867	$ 47,999,692
Non-current Liabilities											
LT debt payable- noncurrent	$ -	$ 282,269	$ 115,575	$ 60,515	$ 15,316	$ -	$ -	$ -	$ -	$ -	$ -
Other long-term liabilities	$ -	$ 5,710,611	$ 5,021,213	$ 4,720,151	$ 4,552,576	$ 4,302,832	$ 4,541,523	$ 5,026,895	$ 5,299,451	$ 4,975,771	$ 4,737,849
TOTAL LIABILITIES	**$ 37,084,349**	**$ 47,642,355**	**$ 51,182,659**	**$ 55,106,603**	**$ 57,906,767**	**$ 62,162,862**	**$ 64,266,340**	**$ 61,241,408**	**$ 58,187,336**	**$ 53,980,637**	**$ 52,737,541**
= FUND EQUITY											
Reserved for encumbrances	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Reserved for statuatory purpose	$ 57,688,044	$ 63,545,663	$ 63,231,045	$ 63,231,045	$ 43,087,079	$ 42,354,795	$ 47,795,228	$ 72,561,160	$ -	$ -	$ -
FB-unreserved/undesignated	$ (10,975,192)	$ (14,953,537)	$ (31,519,495)	$ (24,908,611)	$ (746,408)	$ 5,440,433	$ 24,765,932	$ 11,058,213	$ 86,722,777	$ 118,573,936	$ 123,831,849
Investment in general fixed assets	$ -	$ 130,767,514	$ 130,767,514	$ 130,767,514	$ 130,767,514	$ 130,767,514	$ 130,767,514	$ 131,069,087	$ 131,069,087	$ 131,069,087	$ 131,360,312
TOTAL FUND EQUITY	**$ 46,712,852**	**$ 179,359,639**	**$ 162,479,064**	**$ 169,089,948**	**$ 173,108,185**	**$ 178,562,742**	**$ 203,328,674**	**$ 214,688,460**	**$ 217,791,864**	**$ 249,643,024**	**$ 255,192,161**
TOTAL LIABILITIES PLUS FUND EQUITY	**$ 83,797,201**	**$ 227,001,995**	**$ 213,661,723**	**$ 224,196,551**	**$ 231,014,951**	**$ 240,725,604**	**$ 267,595,014**	**$ 275,929,868**	**$ 275,979,200**	**$ 303,623,661**	**$ 307,929,702**
= Reserve	$ 46,712,852	$ 45,093,568	$ 38,010,440	$ 38,839,768	$ 31,932,266	$ 35,281,004	$ 42,563,080	$ 38,321,455	$ 25,759,614	$ 19,924,249	$ 16,216,672
(aka Net Current Assets, Working Capital)											
Year to Year Change in Reserve		$ (1,619,284)	$ (7,083,128)	$ 829,329	$ (6,907,502)	$ 3,348,738	$ 7,282,076	$ (4,241,625)	$ (12,561,841)	$ (5,835,366)	$ (3,707,577)