

AGENDA
REGULAR MEETING
BOARD OF DIRECTORS

EAST BAY REGIONAL PARK DISTRICT

Tuesday, February 17, 2009

C. BUSINESS BEFORE THE BOARD

6. BOARD COMMITTEE REPORTS

- a. Finance Committee Minutes and Recommended Actions from
the January 28, 2009 Meeting (Siden)

Attendees

Board: Directors Doug Siden, Ayn Wieskamp, Bererly lane
Staff: Dave Collins, Cinde Rubaloff, Pam Burnor, Dave Sumner,
Deborah Spaulding Dave Sumner, Nadine Vargas, Carol Victor,
Mini Waluch, Davio Santos, Neva Dinwiddie
Public: Bick Hooper, Neil Waud, Gay Eichhoff

I. Investment Policy – 2009

CFO/Controller, Cinde Rubaloff advised that the District's Investment policy is revised and updated annually. She noted that proposed changes were provided as part of the Finance Committee packet. A summary of major changes were summarized as follows:

Section 9, Authorized and Suitable Investments:

- Item 9.8: Changed from Los Angeles County Pooled Investment Fund, which the District no longer uses, to the California Asset Management Program (CAMP). CAMP will be utilized as a holding account for funds required for short-term liquidity. It will also be utilized for excess investment funds. CAMP does not have a cap on the amount which can be invested, unlike LAIF. Additionally, CAMP's investments are shorter in duration than LAIF's, so in a rising market, CAMP achieves better rates of return than LAIF.
- Item 9: Language is modified to reflect accurate definition of "medium-term notes," consistent with California Government Code.

Section 16, Reporting:

- Item 4: Addition specifying that the quarterly Investment Report will include current period earnings, rates of returns and comparison to established benchmarks.

Glossary of Investment Terms and Instruments:

- Terms and definitions were removed if the term was not in the body of the Investment Policy
- Information about LAIF and CAMP was added to this section
- State and Local Investment Pool description was clarified

CFO/Controller, Cinde Rubaloff, reported that CAMP is comparable to LAIF, but has better returns and do not have caps so you can put as much in as you want.

The Committee recommended, by unanimous vote, approval of the 2009 Investment Policy with recommended changes be forwarded to the Full Board of Directors for favorable consideration.

Ib. Proposed Revision to Quarterly Investment Report Format

CFO/Controller, Cinde Rubaloff advised that this is a discussion item only. She noted that she decided to put most of the information in graph format because it might be easier to see a simple spreadsheet. Also included in the comparison are benchmarks because it is important to know how the District's portfolio is performing compared to other benchmarks. She had a couple of questions to clarify with the committee. She asked if Finance Committee members would prefer to see prior month information and if they would like to be given a comparison from one quarter to the next and see balances. Also, she wanted to know if committee members would like a narrative explanation of major changes explaining why there is more in one quarter compared to the last quarter. She noted that this information would be effective starting in 2009, so the first quarter will be done at the May Finance Committee meeting.

Ic. Current Investment Market Update and Bank Analysis

CFO/Controller, Cinde Rubaloff, introduced finance advisors Neil Waud and Gay Eichhoff from MBIA Asset Management. Neil Waud reviewed the written material and discussed how things are going with interest rates and the economy and how that applies to the District. He stated that they are in their sixth year of management with the District, so there is quite a bit of data to look at to see how things have evolved since 2003.

Mr. Waud discussed the material included in the written material. The first item he discussed was the Fed Funds Target Rate. He advised that that due to variables such as rising unemployment, weak consumer confidence, falling asset prices, and a deterioration in the housing market the Fed has lowered the target rate to zero. With no target rate left to reduce and the outlook for the economy being weak for a few quarters, things could get worse than what they are now. He discussed some things that might be done include a number of credit facilities actively going out and buying short term debt from corporations to try to unfreeze the credit markets. One thing that the Federal government is doing right now is buying securities to increase demand and drive down the yields to try to get mortgage rates down. Mr. Waud stated that a lot of hope is placed with the Obama stimulus package to eventually get the economy back on track.

Mr. Waud further described the following topics included in the written material.

Comparative Historical Yield Curve - He stated that this is a charting of the treasury yield curve for ten years, and the District's investment policy states that it can go out for five years. He stated that since July, the global economy has collapsed and the explosion in September with Lehman Brothers going under, there is no anticipation that much impact on this yield curve will change during the next six months.

Consumer and Product Price Indexes Mr. Waud explained that this chart basically takes a look at inflation. He stated that with the weak economy, inflation is certainly something to look at but is taking a back seat at this point.

Gross Domestic Product - This is the general report for the economy. The National Bureau of Economic Research is the organization that charts recession and states whether it is an official recession. Mr. Waud advised that it was announced last year that the recession officially started in December of 2007. We are entering the second year of the recession, which is already longer than the past two recessions that the US economy endured in the early 90's and in 2001. He informed that economists have stated that the economy is likely to remain weak because of rising unemployment, tighter credit standards, and softening of the general economy.

Unemployment - Mr. Waud advised that unemployment has been up dramatically since 2006. This is the highest rate since 1993. It is anticipated that this number is going to go up even further to more than 8.9 percent and will probably remain there for some time.

Retail Sales - Falling asset values, whether it be 401k's, home values, rising unemployment rate, tighter credit conditions, has impacted retail sales severely and caused a negative turn.

Mr. Waud discussed some of the positives things when looking at the District since they stated managing investments in 2003. Looking at the evolution of the rates on the District portfolio, between June 2003 and back to zero, the Fed Funds Target Rate peaked at 5 ¼ percent. So as things declined last year, there was still a return on LAIF and the 2 year Treasury note. Through aggressive investments, MBIA has been able to maintain a reasonable return on District money. He stated that the District portfolio is primarily invested in treasury securities, which gives a much higher rate of return in government sponsored enterprises such as Fannie Mae and Freddie Mac. He stated that it has been promised to inject \$100 billion into each of these corporations to maintain property capitalization so they will not collapse. The triple A rating of these companies are safe because they have the backing of the government.

Mr. Waud also discussed a little about the banks. He stated that MBIA tracks banks and reviews them on a quarterly basis and evaluates them against their peers to see if there are any risks. Looking at Bank of America and Union Banks, which are banks used by the District, they rate high on capital adequacy, asset quality, earnings, and liquidity. Mr. Waud's final remark was that the District's portfolio is going to stay well above other benchmarks for quite some time with proper management.

Id. Capital Asset Management Program (CAMP)

CFO/Controller, Cinde Rubaloff reported that this item provides a bit more information about CAMP. She stated that an interesting fact is that CAMP is a joint powers party unlike LAIF. With this item, staff is asking the Board to become participants in the Trust so that the District has voting rights. The resolution for this item is going to the Board at the February 3, 2009 Meeting. Director Siden asked about who would be signing or who would be the representative for this entity. CFO Rubaloff advised that the same people who currently sign documents for LAIF and Bank of America would be the designated signers and representatives. AGM Collins stated that this item included an update of signers in the resolution to the Board on February 3, 2009.

The Committee, by unanimous vote, recommended forwarding the California Asset Management Program (CAMP) to the full Board of Directors for favorable consideration.

CFO/Controller, Cinde Rubaloff further reported on the District's retirement plan, stating that back in August Transamerica advisor, Milliman came to the Finance Committee to discuss the performance of the Harris, one of the investment firms that the District works with. Harris has never performed well and at this point staff feels that it is not a good idea to continue with them. So, the agreement is put the money into another investment entity and see what happens.

2. Review of 2008 Internal Audit Results

Director Siden acknowledged that the Audit Manager, Dave Sumner, has done a good job performing administrative duties due to vacancies and staff transactions, and complimented him on Acting CFO/Controller.

Audit Manager, Dave Sumner stated that his role in this capacity is comparing what is happening to what is supposed to happen. He stated that last year six audits were completed and 195 contracts for good and services. He stated that this was the first year that everything was done 100% in house. He worked with a consultant on new software, and other finance staff to accomplish this task. He also stated that the District recently received notification that they have received from GFOA an award of excellence in financial reporting.

Audit Manager Dave Sumner expressed that as far as internal controls are concerned, management has certain objectives to achieve, and the Internal Auditor's role is basically reviewing internal controls to see if practices and procedures are functioning properly. He reviewed the Local Grant Program to make certain grant money received as part of Measure AA meets all requirements, as outlined by the District. He reviewed specific projects completed last year. He stated that he reviewed the Residence Rent Collection that serves District employees. Rent is provided at a cost that is favorable, and employees provide certain services that are required by the District.

Audit Manager Sumner also reviewed the donations that are collected at Crab Cove. He stated that this review showed that approximately \$470 was unaccounted for, and a procedure was put in place that would closely manage it in the future to ensure that no such occurrence happens again. Another crucial review was Las Trampas Stables Concessionaire. He stated that this provider has not maintained accurate financial records for quite some time. According to the agreement, if the concessionaire is late or does not pay adequately the District can calculate interest and penalties. He stated that it was assessed that the Las Trampas concessionaire has not paid approximately \$32,000, and the expectation is that the District will not be renewing this agreement.

Revenue Administration Manager, Mimi Waluch expressed that Operation Staff is going to Las Trampas to discuss the situation on February 1, 2009. She stated that they have not been paying the receipts for the past four years and every year they cannot seem to catch up. She stated that the concessionaires live at the stables, and take good care of the animals, however, they were hit with high transportation cost and have lost a few boarders along the way, but the situation is too far in default at this point to continue with them.

Audit Manager Sumner stated that he reviewed the fishing license and fishing permits. He noted that if it is a land made pond, two types of permits are required. Fishing license are issued by the State and fishing permits are issued by the District. He stated that the District earns approximately \$395,000 from fishing permits per year, and a large portion of the money is used to replenish the fish. He stated that in 2006, the District started to provide permits to concessionaires to two local stores, one near Lake Temescal and another one near Castro Valley. He advised that also in 2006, one of these store owners disappeared with approximately \$2,800 from fishing permits that the District generates. Since that time steps have been set up to have better controls, such as Central Stores keeping a log as to what is needed and gives it to the concessionaires.

3. Approval to Write off 2008 Asset Disposals.

Assistant Finance Officer, Deborah Spaulding reported that a total of 124 items are recommended for removal from the inventory. The net book value of these items totals \$152,199, and they represent 0.53% of the total fixed asset equipment inventory's net value. Of the 125 assets recommended for removal, 54 or 44% had been maintained by the District for their full useful life, and had less than one-dollar net book value at the time of disposal.

The largest category in terms of net dollar value is the 61 assets sent to auction, totaling \$93,202 or 61% of assets recommended for removal. Approximately \$150,518 was recovered as proceeds from auction. Assets disposed of because they were not suitable for auction totaled 41 assets with a net book value of \$25,353 or 17% of the assets recommended for removal. Fifteen assets totaling \$13,259 could not be located during prior inventories and are recommended for write-offs. Also, five assets totaling \$17,250 or 11% were used as a trade-in on new assets. Lastly, three items were reported stolen in prior years, and are recommended for write-off.

4. Accounting Adjustment to Capital Projects and Measure AA Bond Funding

AGM Collins advised that this item was being pulled from the agenda for further work.

5. 2008 Finance Committee Work Plan Accomplishments

CFO/Controller Cinde Rubaloff reported that the 2008 Board Finance Committee held 8 meetings. The Committee reviewed annual items as listed below and recommended items for Board consideration.

- 2008 Quarterly investment reports
- 2008 Quarterly unaudited financial reports
- 2007 Annual Comprehensive Annual Financial Statement
- 2008 Mid-year budget review and amendments
- 2009 Budget and appropriation limit
- District pension plan actuarial report and valuation analysis
- OPEB actuarial report
- Worker's Compensation and risk and actuarial reports
- 2008 Internal audit projects
- Measure CC expenditure plan
- Closure of completed capital projects
- 2009 Investment Policy

In addition to the recurring annual items, during 2008 the Finance Committee considered the Finance Department structure, which aided in the recruitment and hiring of the Chief Financial Officer and the Assistant Finance Officer.

In 2008, the Finance Committee assisted the District in accomplishing the major task of issuing the 2008 Refunding Bonds, which refinanced the 1998 Refunding Bonds.

6. Status of 2008/09 State Budget

AGM Dave Collins gave an update of California's budget. He stated the District has not yet seen any indication of ERAF or local government transfers at this point. He advised that tax receipts for 2008 revenue came in at about \$ **(ask Dave for dollar amount)** million on tax revenue between budget and actuals which is a bit better than predicted for year end. He stated the big question is what is predicted for 2009 and 2010, which will be brought forward at the board workshops.

7. Public Comments

There were no public comments.