

AGENDA  
REGULAR MEETING  
BOARD OF DIRECTORS

EAST BAY REGIONAL PARK DISTRICT

Tuesday, April 19, 2011

C. BUSINESS BEFORE THE BOARD

7. BOARD COMMITTEE REPORTS

- a. Finance Committee Minutes and Recommended Actions from  
the February 22, 2011 Meeting (Sutter)

Attendees

Board Committee: Director John Sutter (Chair)

Staff: Bob Doyle, Dave Collins, Cinde Rubaloff, Pam Burnor, Deborah Spaulding, David Sumner, Bill Louie, Carol Victor, Sue Kyle.

Cutwater Investor Services: Neil Waud, CFA, Vice President, Portfolio Manager  
Gay Eichhoff, Regional Director

Public: None

**Agenda Item No. 1**

**Investment Market Update and District Portfolio's 2010 Performance-Cutwater:**

CFO Cinde Rubaloff welcomed Neil Waud and Gay Eichhoff with Cutwater Investor Services. The District utilizes Cutwater Asset Management as one of its investment managers. The District currently has \$33.5 million (60%) of its operating investment portfolio managed by Cutwater.

Neil Waud, gave a presentation that included:

- Market Environment and Strategies
- Portfolio Performance and Review
- Broker/Dealer Update
- Bank Credit Analysis
- Investment Policy Review

Mr. Waud noted that since December '08 the Fed Funds Target Rate is at record lows of 0.25% and due to the current economy, is expected to continue for an extended period of time. He pointed out that there is some growth in the economy but it has been insufficient to bring down the unemployment rate. He continued that the unemployment rate will not go below 9% this year and will take 4-5 years to stabilize. Gross Domestic Product has expanded for five

consecutive quarters and retail sales have shown seven consecutive months of gains, although existing home and new home sales consist of a large inventory and differ by region, so there is no growth in construction expected in the near future. Finally, the Fed's believe that inflation is contained and the current Treasury Note yield is at 0.67%.

The District portfolio summary of returns for one year, two years and three years respectively, follows:

- Amortized cost basis net of fees: 4.23%, 4.27%, 4.25%.
- Fair market value basis net of fees: 1.42%, 1.89%, 2.73%.
- Merrill Lynch 1-3 year Treasury Index benchmark: 1.79%, 1.89%, 2.83%.

The District portfolio continues to invest in the 1-3 year range to achieve a higher rate of return. The portfolio consists of AAA high credit quality securities:

- 69% U.S. Securities.
- 14% Treasury.
- 15% Corporate Issues.

Some investments are in Two-Year Agency and Two-Year Treasury. Director John Sutter asked for a definition of an agency investment. Mr. Waud gave examples of Freddie Mac, Fannie Mae, Farm Credit, and Home Loan.

Director Sutter noted that there was a spike in the existing home sales market and asked if that was due to the sale of foreclosed homes. Mr. Waud confirmed that people are looking for bargains; hence the increase in existing home sales. New home sales continue to remain stagnant.

Director Sutter noted that comparison yields reflect a difference between amortized and fair value. Mr. Waud explained that amortized ignores market value and as interest rates fall the value of bonds rise.

Director Sutter inquired as to how the District's investment strategies compare to those of other public agencies. Mr. Waud explained that the District is not significantly different from other public agencies. The District is very proactive and does not follow a "buy and hold" strategy as some agencies do.

**Recommendation: None. This item is informational; no action was requested.**

## **Agenda Item No. 2**

### **December 31, 2010 Investment Report:**

CFO Rubaloff presented a review of the investment report in accordance with State law and the District's Investment Policy. The grand total of the District's cash and investments as of December 31, 2010 was \$262,814,546.

Pooled cash managed by CFO/Controller increased approximately \$26 million from the prior quarter due to the receipt of property tax in December. Funds managed by trustees increased approximately \$4 million, also the result of December property tax receipts.

The 2010 investment earnings budget is \$4.4 million. It is estimated that investment earnings will be under budget by \$1.5 million. The 2011 budget has been adjusted accordingly.

Director Sutter asked about investment fees and how are they determined. CFO Rubaloff reviewed the investment fees schedule and reported that fees are based upon the fair market value of investments.

**Recommendation: Director Sutter motioned to have Staff recommend to the full Board of Directors acceptance of the December 31, 2010 Investment Report.**

### **Agenda Item No. 3**

#### **December 31, 2010 Unaudited Financial Statements:**

Assistant Finance Officer Deborah Spaulding presented the Preliminary Financial Reports – Fourth Quarter 2010.

#### **General Fund Revenues:**

The District received approximately \$104.5 million in General Fund revenue in 2010 (as of the date the data for this report was compiled), a decrease of \$5.9 million (or -5%) from revenue received during 2009.

#### **General Fund Expenditures:**

2010 unaudited expenditures recorded as of the date the data for this report was a compiled total of \$92 million (excluding transfers out), which is approximately \$4.7 million lower than in 2009 – a 4.6% reduction.

#### **Revenues and Expenditures for Other Governmental Funds (Special Revenue Funds, Project Funds, Debt Service Funds):**

Special revenue funds revenue and expenditures increased compared to the prior year. The revenue increase is primarily due to a transfer of bond proceeds into the Measure WW Local Grant Program Fund. The expenditure increase is also driven by Measure WW grant reimbursements in 2010.

#### **Expenditures by Division for General Fund and Special Revenue Funds:**

The largest dollar change between 2009 and 2010 was in the Finance and Management Services Division due to the inclusion of the Measure WW Local Grant Program in this division.

Director Sutter opined on the excellent job departments are doing to reduce overall expenditures.

**Recommendation: None. This item is informational; no action was requested.**

**Agenda Item No. 4**  
**December 31, 2010 Preliminary Budget to Actual:**

Budget Manager Pam Burnor presented the preliminary 2010 Budget to Actual.

**GENERAL FUND REVENUE**

2010 General Fund revenue (excluding transfers in) received through the date the data for this report was compiled was \$104.5 million, exceeding the annual budget by \$1.5 million (1.5%):

- \$91.2 million in property tax was collected in 2010, 103% of annual budget, compared to \$95 million, or 99%, of annual budget collected in 2009.
- Investment revenue was \$1.5 million short of budget. 46% of 2010 budget has been received before 2010 accruals are recorded. In comparison, 2009 received 60% of budgeted interest revenue.

**GENERAL FUND EXPENDITURES**

2010 General Fund actual expenditures (excluding transfers out) recorded through the date the data for this report was compiled was \$92 million, 93.5% (excluding encumbrances), of the 2010 appropriations. 5.1% of the General Fund 2010 appropriations remain unspent and unencumbered,

Comparison of remaining appropriations (excluding encumbrances) as of 12/31/10 compared to 12/31/2009 by category:

- 2010 salary/benefits – 98% used, compared to 92% in 2009,
- 2010 supplies – 88% used, compared to 79% in 2009,
- 2010 services – 74% used, compared to 73% in 2009,
- 2010 equipment/fixed assets – 71% used, compared to 104% in 2009,

All divisions were required to reduce their 2010 appropriations by 7% from 2009 levels due to the decline in 2010 General Fund revenue. At year end, each division was successful in managing the 2010 reductions effectively.

Total encumbrances at the end of 2010 were \$1.3 million. The portion of those encumbrances to be carried forward into 2011 will not be determined until March, 2011.

**SPECIAL REVENUE FUNDS:**

2010 special revenue funds total revenue was \$8.3 million, exceeding the total of all special revenue budgets by almost \$500,000, or 6%. 2010 special revenue funds expenditures plus encumbrances were \$17 million (including transfers out), 17% of special revenue funds' appropriations. Measure CC Fund's actual expenditures were under budget by 15%. Measure WW Local Grant Program Fund was under budget by 20%.

AGM of Finance and Management Services Dave Collins commented on the Operations Division Salary & Benefits coming in at 1% of budget remaining and that the staff should be commended for their efforts to meet the District's overall goal of a 7% reduction in expenditures.

**Recommendation: None. This item is informational; no action was requested.**

**Public Comment**

None to report.

Meeting adjourned at 2:15PM

Respectfully submitted:

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Bob Stagnaro  
Confidential Secretary