

AGENDA
REGULAR MEETING
BOARD OF DIRECTORS

EAST BAY REGIONAL PARK DISTRICT

Tuesday, August 12, 2014

C. BUSINESS BEFORE THE BOARD

6. BOARD COMMITTEE REPORTS

- b. Finance Committee Minutes and Recommended Actions from the June 25, 2014 (Wieskamp)

Attendees

Board: Directors Ayn Wieskamp (Alternate for Ted Radke) Whitney Dotson and Doug Siden

Staff: Robert E. Doyle, Dave Collins, Kevin Harper, David Sumner, Kim Balingit, Nadine Vargas, Megan Jones, Meadow D'Arcy

Speakers: John Swedensky of CERBT and Marty Dirks of Milliman Inc.

Public: Bruce Kern, Debra Auker

Alternate committee member Ayn Wieskamp began the meeting at 12:45 PM with the introduction of committee members.

Agenda Item No. 1

Other Post Employment Benefit (OPEB) Annual Investment Performance Report

AGM Dave Collins introduced the annual OPEB (Retiree Medical Benefits) report, which included beginning asset balances, contributions, payments and ending asset balances, the fees, and retirement plan asset allocation strategy and comparison to benchmark.

Beginning asset balance (cash basis):	\$24,732,244
Employer contributions	4,238,249
Asset earnings (including unrealized gains/losses)	3,668,194
Retiree distributions	-1,532,268
Fees:	
CERBT	-41,473
Bartel actuary services	-25,270
Ending asset balance	<u>\$31,039,676</u>

He then introduced California Employer's Retiree Benefit Trust Fund (CERBT) OPEB plan administrator, John Swedensky.

Mr. Swedensky provided an overview of CERBT-CalPERS as trust administrator:

- **Valuation Summary**

The total actuarial accrued liability is \$54.3 million. The annual required contribution is approx. \$4.37 million. The District participates in the asset allocation investment Strategy No. One, which allows for a greater rate of return. Currently, the Trust short term discount rate is reported at 6.75%, but with the expectation of earning up to 7.61% on the long term.

- **Account Summary**

As of 12/31/13, the District's initial contribution transferred from the prior trust provider was \$23 million with additional contributions of \$6.2 million. Disbursements were at \$1.9 million; at year end, the District had \$31 million in assets in trust fund. The overall gain was \$3.8 million. Mr. Swedensky advised that the fund earned a 14.21% annualized internal rate of return for 2013.

Committee member Doug Siden requested clarification on the disbursements back to the District. Mr. Swedensky advised the purpose of the trust fund is to receive contributions, invest the money, and then reimburse the District for eligible retiree medical expenditures (premiums).

AGM Collins reminded the committee the reason District moved to a trust account was so the District could invest the required funds for a longer term to earn a higher rate of return than would otherwise be possible.

Committee member Wieskamp inquired how the District is doing compared to other public agencies. Mr. Swedensky responded the District is 50.61% funded compared to the majority of other agencies in Strategy One, which are 24% funded. Committee member Wieskamp responded this information is good for employees to know.

Committee member Siden asked how benchmarks are determined. Mr. Swedensky replied the benchmarks used for the District's asset allocation strategies are industry standards.

- **Financial Reporting Updates**

The OPEB accounting standards changes:

- New standard is to require posting the entire net OPEB liability on the balance sheet.

Committee member Wieskamp asked if there is any merit to these changes. Mr. Swedensky responded that GASB 45 was originally released in an effort to: 1) mirror the private sector currently recognizing OPEB liabilities, and 2) be more transparent on liabilities, however it wasn't completely transparent as footnotes were used to note entire liabilities on financial statements.

Interim CFO Kevin Harper added the District is not required to implement this change until calendar year 2017.

RECOMMENDATION: None, this is an information item only.

Agenda Item No. 2

East Bay Regional Park District Retirement Plans Annual Performance Report

AGM Collins shared that the following report is related to the District's closed plan formerly referred to as the Transamerica Plan Retirement Plan.

AGM Collins reported that annually the Finance Committee is required, per the investment policy, to receive a report on the investment activity for the EBRPD Retirement Plan. The 2013 report provided information on beginning assets, contributions, distributions and ending assets, as well as details of fees paid.

Beginning asset balance (MV)	\$34,855,532
Employer contributions	2,290,116
Asset earnings (including unrealized gains/losses)	4,766,443
Retiree distributions	-3,892,054
Fees	-89,060
Ending Asset balance (MV)	<u>\$37,930,977</u>

The report included a graph representing the EBRPD Retirement Plan 2013 as well as actual returns compared to benchmarks.

AGM Collins introduced Marty Dirks of Milliman, Inc. to discuss 2013 investment performance and future strategies.

Mr. Dirks reported on the 2013 investment return highlighting that all asset categories met or exceeded benchmark. The plan is ahead of schedule.

AGM Collins discussed the historic asset values and funding ratios. He wanted the committee to be aware of two major events over the 20 year period: In the year 2000, assets were transferred from this plan to the newly created PERS retirement plans in an amount proportional to the number of employees that elected to transfer to CalPERS. Also in 2005, the Board added additional funding to the District Safety and General Employee plans to increase their funding ratio.

Committee member Wieskamp asked if staff is comfortable that plan is in good shape.

AGM Collins confirmed staff is comfortable with performance of plan.

RECOMMENDATION: None. This is an information item only.

Agenda Item No. 3

First Quarter 2014 General Fund Reports and Unaudited Financial Statements

Interim CFO Kevin Harper presented the First Quarter 2014 General Fund Reports and Unaudited Financial Statements. This is a new format for quarterly financial reporting, combining budget and expenditure information in a single report. Mr. Harper distributed handouts summarizing first quarter revenues and expenditures for the District.

Committee member Ayn Wieskamp asked why the format change. Interim CFO Harper advised in the past there were two similar reports that were financially related; by combining the two the hope is to make it easier to understand the linkage between the two.

General Fund Revenues & Expenditures

Revenue highlights:

- Revenues are on track to end the year at budget.
- \$23 million in expenditures over revenue compared to prior year \$12 million of expenditures over revenue. This significant difference was expected due to a change in timing of receipt of property tax revenues (received at the end of second quarter).
- A change in RDA pass through revenue also contributed to the difference from the prior year's activity. The tax increment money that comes throughout the year is late this year, to date only \$70,000 has been received compared to \$3.4 million received last year.

Expenditure highlights:

- Personal costs are the largest expenditure category, at \$16.1 million compared to prior years \$15.2 million. Major increase is due to cost of labor, benefits and six new FTE's.
- Transfers Out are \$12.2 million in 2014 compared to \$6.6 million in 2013. The difference is that, in 2014, all the amounts that were budgeted were transferred in the first quarter, whereas, in prior years not as many transfers were budgeted.

INTERNAL SERVICE FUND

- Major Infrastructure Renovation/Replace Fund. The District transferred \$6 million from the smoothing fund and \$1.4 million transferred out for projects.

GM Robert E. Doyle emphasized the importance of this recent policy decision to put away money into the Major Infrastructure Renovation Fund. Committee member Wieskamp suggested noting on the Major Infrastructure transfers out what the District is accomplishing.

AGM Collins mentioned as the District's system becomes more complex, it is staffs obligation to the finance committee to provide reports that are both useful and not so full of information that you can't discern the important elements that you need to see.

RECOMMENDATION: Motioned by Doug Siden and seconded by Whitney Dotson that the Finance Committee recommends to the full Board of Directors to acceptance of First Quarter 2014 General Fund Reports & Unaudited Financial Statement. Motion Approved.

Agenda Item No. 4
March 31, 2014 Investment Report

Interim CFO Harper presented the March 31, 2014 Investment Report and informed the Committee that the total of the District's cash and investments as of March 31, 2014 was \$300,900,740.

- Pooled cash/investments managed by the CFO equaled \$182.3 million, \$4.8 million more than cash/investments as of December 31, 2013. The increase is a result of:
 - A transfer of funds managed by the fiscal agents to funds managed by the District: \$15 million was moved due to the recent interpretation by Union Bank that debt service funds are to be managed by the District, not the trustee
 - Normal expenditures during the time period
- The 2014 investment earnings budget total \$575,236, which is more than 25% of the 2014 budget. The District's investment return underperformed the short-term benchmark by .02% and outperformed the mid-term benchmark by .22%.
- Banking and investment fees are consistent with prior years totaling \$37,536.

Committee member Wieskamp asked what prompted District's revised control of the debt service funds.

Interim CFO Harper informed the Committee that the trustee of the 2013 Measure WW bond funds, Union Bank, had performed a routine review of the documentation for the account and concluded that the District, rather than the trustee bank, was responsible for administration and control of the debt service funds. Therefore, the change has been made and the District is now in compliance with legal documentation.

RECOMMENDATION: Motioned by Doug Siden and seconded by Whitney Dotson that the Finance Committee recommends to the full Board of Directors acceptance of the March 31, 2013 Investment Report. Motion Approved.

Agenda Item No. 5
2015 Measure CC Expenditure Plan

AGM Collins presented the 2015 Measure CC Expenditure Plan to the Finance Committee. Provisions of Measure CC require an annual expenditure plan to be adopted by the Board of Directors. The purpose of this item is to review the proposed expenditure plan and recommended it be adopted as the basis of the 2/14/2015 Tax Report and 2014 Budget.

AGM Collins provided committee members with handouts illustrating ongoing and first time funding projects.

GM Doyle added at beginning of next year the District will publish a report for the public on Measure CC funds to show what District has accomplished, monies remaining and projects completed along with a polling to get a sense of how public feels about accomplishments.

Committee member Wieskamp suggested that in the report the District ask for public ideas about building up on the Special Fund.

AGM Collins concluded report advising 2014 Measure CC had a beginning balance of \$2.3 million and the ending fund balance is \$3.2 million to spend.

RECOMMENDATION: Motioned by Whitney Dotson and seconded by Doug Siden that the Finance Committee recommends to the full Board of Directors acceptance of the Measure CC 2014 budget and adopted as the basis for the 2014/2015 Measure CC Tax Report. Motion Approved.

Agenda Item No. 6

Request to Cancel July 23, 2014 Finance Committee Meeting

Interim CFO Harper requested permission to cancel July 23, 2014 finance committee meeting. Motion approved by all finance committee members.

Agenda Item No. 7

Public Comments

No Public comment.

Alt. committee member Wieskamp adjourned the meeting at 2:05 p.m.

Next meeting is August 27, 2014 at 12:45 p.m.

Respectfully submitted
Connie Swisher
Finance Department