

AGENDA  
REGULAR MEETING  
BOARD OF DIRECTORS

EAST BAY REGIONAL PARK DISTRICT

Tuesday, September 1, 2015

C. BUSINESS BEFORE THE BOARD

7. BOARD COMMITTEE REPORTS

- a. Finance Committee Minutes and Recommended Actions from the May 27, 2015 (Lane)

Attendees

Board: Directors Beverly Lane, Ayn Wieskamp, Dennis Waespi

Staff: Robert E. Doyle, Dave Collins, Debra Auker, Deborah Spaulding, Pam Burnor, Kim Balingit, David Sumner, Nadine Vargas, Meadow D'Arcy, Larry Tong, Bob Nisbet, Jaimie LeBow, Carol Victor, Anna Fong, Janet Lam

Speakers: Vavrinek, Trine, Day and Company, AJ Major, Audit Partner  
NBS, Tim Seufert, Managing Director

Public: None

Committee chair Beverly Lane began the meeting at 12:35 PM with the introduction of committee members.

**Agenda Item No. 1**

**Community Facilities District Formation: Review Draft Local Goals and Policies, Resolution of Intention, Draft Rate and Method of Apportionment, and Boundary Map**

CFO, Debra Auker reported the District is beginning the process of forming a Community Facilities District (CFD) as a mechanism to fund park maintenance services for open space areas dedicated to the District through development. CFD's are formed under the Mello-Roos Community Facilities Act of 1982. This will be the first CFD formation for the District.

The CFD proposed is for a 20-parcel single family residential development project located in the Town of Danville.

General Manager Robert E. Doyle added that the Board is familiar the "Zone of Benefit" a special assessments used in the past as a funding mechanism to maintain dedicated property. The Community Facilities District would replace the old methodology of the Zone of Benefit.

CFO Auker stated her goal is to make sure the committee members understand the process, how staff determined the cost model and to review documents required by the government code statute.

CFO Auker introduced special tax consultant Tim Seufert, Managing Director with NBS to advise the committee of some differences between Zone of Benefit and CFD's.

NBS Seufert explained the difference between assessments taxes (Zone of Benefit) and special tax (CFD's) and why the new funding mechanism (CFD) is beneficial to the District.

Committee chair Beverly Lane asked if a 2/3 vote is needed to implement an assessment district tax. NBS Tim replied no, a majority of property owners, not the voters, is needed.

Committee chair Lane asked if it is getting difficult to create Zone of Benefit with developers. NBS Seufert explained Zone of Benefit is more challenging; special and general assessments have to be separated; annually the District has to prove a direct benefit to property owners with objective analysis and engineering statistics. Also, after the adoption of Proposition 218, the courts no longer give deference to local jurisdiction (the Finance Committee) – it now goes through the courts and must be reviewed based on the record. CFO Auker added the administration process is less cumbersome with CFD's.

Committee member Ayn Wieskamp asked if other agencies are using CFD's. NBS Seufert responded yes many agencies use CFD's, adding the City of Alameda as well as larger districts in southern California are going to CFD's.

Committee member Wieskamp asked since annual engineers report are not required how will the District identify money collected and spent. NBS Seufert replied the District will receive an annual report on how money is spent; a straight forward report stating number of parcels charted with special tax, the budget and how money was expended.

CFO Auker continued to report on the cost model used for establishing the minimum tax per parcel in the CFD. CFO Auker distributed handouts explaining how staff formulated the cost model.

General Manager Doyle added staff is presenting the facts and data on the real/actual costs to maintain the donated open space.

Committee chair Lane asked if there will be a physical location for any endangered species. Chief of Planning/GIS Larry Tong replied yes, 30 acres of the 96 acres donated would be set aside as a conservation easement area. Chief of Planning Tong added the developers will maintain the conservation easement area at their cost.

Committee member Dennis Waespi asked with an annual cost of living increase, would the 20 homeowners have the ability, under Proposition 218, to protest an increase. NBS Seufert replied no, it's set from inception.

CFO Auker continued with report explaining the CFD's timeline and discussing the adoption of Local Goals and Policies; Petition to Create a Community Facilities District and Related Matters; Rate and Method of Apportionment and Resolution of Intention (handouts provided).

Committee chair Lane appreciated getting answers to her questions. She expressed the need to further address the amount per household for the 20 homeowners. General Manager Doyle added staff develop a policy for subdivisions under 25 lots and how to share a percentage of the maintenance cost.

Committee member Wieskamp requested more discussion with the Board of Directors at their meeting June 16, 2015 on establishing a CFD.

Committee chair Lane agreed the Board of Directors should discuss more as the CFD will be a major tool for District in the future

CFO Auker responded that Finance, at the June 16, 2015 Board meeting, will introduce the CFD concepts and discuss the formation process and bring the Local Goals and Policies. In addition staff will explain components of the cost model.

All finance committee members agreed.

**RECOMMENDATION: Motioned by Ayn Wieskamp and seconded by Dennis Waespi that the Finance Committee recommends to the full Board of Directors to prepare a report for June 16, 2015 Board Meeting and review the concept of the Community Facilities District (CFD) Formation Process. Motion approved.**

## **Agenda Item No. 2**

### **Draft 2014 Comprehensive Annual Financial Report, SAS 114 Auditor's Communications with Those Charged with Governance, Agreed Upon Procedure Applied to Appropriations Limit Calculation**

CFO Auker introduced the District's 2014 Comprehensive Annual Financial Report (CAFR), and stated that each year an independent audit is conducted of the District's financial information and internal controls. She stated that the December 31, 2014 audit resulted in a "clean" unmodified opinion from the auditors.

AJ Major from Vavrinek, Trine, Day and Company (VTD) was introduced and he summarized the audit report as follows:

- The financial statements are the responsibility of management.
- The audit work performed provides a reasonable basis for the auditor's opinion.
- In the auditor's opinion the financial statement presented fairly, in all material respects, the financial position of the District.

- The financial statements are in conformity with accounting generally accepted accounting principles.

The SAS 114 communication with those charged with governance provided information about internal control weaknesses encountered. A material weakness is the most severe issue, a significant deficiency a step lower in significance, and a control deficiency the lowest level of finding. AJ Major stated that during the 2014 audit the District had no material weakness (the internal controls are functioning as they should), and no Management Letter Comments.

CFO Auker thanked AJ Major for his information and reiterated the District is in sound financial condition with internal controls functioning properly. CFO Auker proceeded to present details of the 2014 CAFR:

- Net position in the government-wide statements, which are presented on a full accrual basis, increased \$74.5 million during 2014 to \$795.9 million. \$52 million of the increase is attributed to capital grants and contributions, of which \$49.7 million is related to property acquisitions. The balance of the increase in net position was \$22.5 million and was consistent with prior years.

Committee chair Beverly Lane asked if the District had \$52 million in grants this year.

CFO Auker replied the \$52 million is grants and contributions in 2014.

Governmental funds and internal service funds both had overall positive changes in fund balance/net position in 2014

- General Fund fund balance decreased \$5.7 million due to the transfer of \$6.0 million to the Major Infrastructure Renovation and Replacement Fund.
- Debt service funds fund balance decreased \$1.7 million, mainly as a result of Measure WW 2013A bond payments.
- Total internal service funds net position, which is presented on a full accrual basis of accounting, increased \$8.7 million during 2014 to \$29.7 million.
- The major difference between the full accrual basis of accounting, under which net position is reported on the government-wide statement, and modified accrual basis of accounting, under which fund balances are reported on the fund financial statement, are as follows:
  - The government-wide statements include depreciation expense (\$7.2 million),
  - The government-wide statements do not include capital asset costs as expenses (\$38.0 million),
  - Government-wide statements do not include debt service principal payments as expenses (\$25.4 million).
  - Government-wide statements recognize revenues earned but unavailable, unlike fund financial statements (net amount of \$1.4 million).
  -
- General Fund fund balance, included in the governmental and financial statements decreased \$5.7 million.
  - Revenues totaled \$117.1 million, which was comparable to 2013

- Expenditures totaled \$106.0 million, which was comparable to 2013.
- General Fund transfers out totaled \$17.8 million.
- The General Fund Reserve (Unassigned) Fund Balance Policy requires that 32% of the prior year's revenue be maintained in unassigned fund balance. The results of the 2014 General Fund year end was a \$48.8 million unassigned fund balance, which was \$10 million over the minimum reserve requirement. Per the General Fund Reserve (Unassigned) Fund Balance Policy, the excess amount can be used to fund Major Infrastructure Renovation Replacement Fund, one-time appropriations or remain in unassigned fund balance.

CFO Auker continued to report on the District's funding of retiree benefits; as well as explaining the implementation of GASB 67 (how pensions are reported).

- EBRPD General Employee Plan 75.8% funded
- EBRPD Sworn Safety Plan 68.9% funded
- CalPERS Miscellaneous Plan 69.2% funded
- CalPERS Sworn Safety Plan 77.5% funded
- OPEB Plan 48.4% funded

Committee chair Lane appreciated the good news.

Committee chair Wieskamp congratulated Finance staff for a job well done.

CFO Auker thanked the Finance Staff, in particular Kim Balingit, Accountant Manager for managing the audit and the auditors for their assistance and asked for Committee recommendation.

**RECOMMENDATION: Motioned by Ayn Wieskamp and seconded by Dennis Waespi that the Finance Committee recommends to the full Board of Directors to review the financial reports and submit the 2013 Comprehensive Annual Financial Report and other reports to Board of Directors and Management to the Board of Directors for consideration and acceptance. Motion approved.**

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

#### **Annual Risk Management Report**

Acting Risk Manager Anna Fong provided an overview on the worker's compensation program and advised the Finance Committee the District has been experiencing a downward trend in the frequency of reported work injuries in the last decade. Claim frequency was slightly up from the previous year at 113 reported claims. However, this is a 29% decline in reported claims when compared to claims reported ten years ago.

The challenge to the worker's compensation exposure is controlling the escalating medical through management of expenses and proactive settlements. Insurance costs are continuing to trend upward, overall costs for July 2015 through June 2016 policy year are up \$135,750 (11.7% from current rates).

- The District's current worker's compensation policy is self-funded up to \$350,000, (claims over \$350,000 are directed to excess carrier). The excess insurance, however, is getting increasing more expensive.

Acting Risk Manager Fong spoke of the numerous ways Risk Management mitigates with Workers Comp and General Liability claims along with explaining the implemented Safely Trainings and weekly "Tailgate Safety Meetings".

Committee chair Lane asked what is discussed during training. Acting Risk Manager Fong responded the topics discussed are: hearing protection, respiratory fittings, confined space training, heat & exhaustion policies etc.

Committee chair Lane inquired if Risk focuses on how to lift properly. Acting Risk Manager Fong answered yes adding that an ergonomics' specialists comes out and goes over lifting techniques as well as demonstrates proper stretching.

Committee chair Lane asked if District has special safety classes for new employees. Acting Risk Manager Fong replied yes and in addition to the classes the Supervisors have their own internal safety meetings required for new employees before they begin their assignment.

Committee chair Lane stressed the importance to talk to new hires about safety (i.e. lifting, moving etc.) and encourage ergonomics specialist to come in and look carpeltunnel.

Committee member Waespi asked if District has a light-duty program.

Acting Risk Manager Fong answered yes, the District has a return to work program that places employees who cannot be accommodated in their department to another area within their skill set.

**RECOMMENDATION: Motioned by Dennis Waespi and seconded by Ayn Wieskamp that the Finance Committee recommends to the full Board of Directors for renewal of the existing insurance programs of workers' compensation excess insurance at \$465,000, property insurance at \$372,000, general liability insurance at \$348,000, watercraft insurance at \$2,700, aviation insurance at \$100,000, crime insurance at \$3,800 and \$1,600 for cyber liability coverage. Motion Approved**

#### **Agenda Item No. 4** **2016 Budget Calendar**

Budget Manager Pam Burnor reported that the budget calendar is presented to the Finance Committee annually. The purpose of report is to provide the Finance Committee with an overview of the District's budget schedule anticipated for the 2016 budget process.

#### **Board Workshops**

The budget planning began earlier this year, with the first of Board Workshops in March and the last one in June to address capital, land acquisitions and trail projects.

### **Budget Preparation Activity Highlights, by month:**

**June** – Coaching sessions for the GM, AGM's and all managers in regards to performance measurements. Departmental verification of staffing levels, location and funding source of District employees.

**July** – Prepare preliminary budget. Determine need for current year mid-year adjustments. Work on updated performance measures.

**August** – Finance distributes base budget to departments and instructions related to budget requests. Budget workshops are conducted to provide assistance to budget preparers.

**September** – Revenues are estimated to establish the base budget revenue available for appropriation in 2016. The General Manager and AGM Group discuss and prioritize budget request within the amount of the projected capacity for both the operating and capital budgets.

**October to December** – Present proposed budget to Finance Committee in November and to Board of Directors and public during two public sessions in December. Budget adopted after second public hearing.

**February 2016** – Hard copy budget documents, including Operating, Project and Budget Brief will be distributed to the Board and AGMs and the electronic version will be posted on the Districts website at the same time.

Committee chair Lane asked if staff is comfortable using the performance measures.

Budget manager Burnor replied it's been six years and staff continue to refine measures.

**Recommendation: None. This is an information item only.**

### **Agenda Item No. 5**

#### **2015 Completed Project Closures**

Administrative Analyst Nadine Vargas presented the annual formal closures of completed projects in the District's financial records. Project closure information was solicited from project managers. Before closure was completed, projects with revenue surplus or shortages were trued up, and balance of excess funding will be returned to the original source. The most restricted project resources were used first and in the following order: grants, then bonds, then General Fund.

#### **Land-related Projects**

Administrative Analyst Vargas proceeded to report on a total of twenty land-related projects, which were recommended for closure. The list included both acquisitions and safety/security-type projects. Based on the proposed closures, the net impact will be as follows:

- \$13,505 to Measure AA allocation areas,
- \$43,818 to Measure WW allocation areas,
- \$10,057 transfer of budget and actuals between two projects, and
- \$2,844 additional appropriation from Measure WW Bond Carquinez Strait acquisition allocation.

### **Other Than Asset (OTA) related projects**

A total of nineteen OTA projects were recommended for closure. One project will require additional funding from the General Fund excess in the amount of \$9,255 for expenses exceeding the budgeted amount. The net General Fund excess returning from nine of these projects is \$34,383. One project has an excess of \$51,039 will be returned to Measure WW allocation area. One project with unused budget of \$27, 656 will be returned to Measure CC.

**RECOMMENDATION: Motioned by Ayn Wieskamp and seconded by Dennis Waespi that the Finance Committee recommends to the full Board of Directors approval to review proposed closures, budgetary adjustments. Motioned approved.**

### **Agenda Item No. 6**

#### **Wells Fargo Banking Contract Extension**

Assistant Finance Officer Deborah Spaulding reported the District is extending the current contract with Wells Fargo Bank. Wells Fargo Bank has been the District's banking partner for the past five years. The current agreement with Wells Fargo, allows for biennial extensions to be approved administratively. The current extension will expire July 1, 2015. District staff met with Wells Fargo client relationship team to discuss extending the terms and conditions of the existing agreement for an additional two years. The bank has committed to this extension of existing pricing, which has provided significant reductions in annual bank service charges from our prior banking relationship. The District will extend agreement with Wells Fargo Bank for an additional two years, extending until July 1, 2017. Before the expiration of this term the Finance Department will commence a complete review of banking services.

Committee member Waespi asked how much the District pays for Wells Fargo Bank's services.

Asst. Finance Officer Spaulding replied approximately \$3,000 a month; additionally explaining the way the contract is set up any interest earned on the bank balance, Wells Fargo nets that against the cost.

**Recommendation: None. This is an informational item only.**

### **Agenda Item No. 7**

#### **Committee Member Comments**

No comments

### **Agenda Item No. 8**

#### **Public Comment**

There were no public comments

Committee chair Lane adjourned the meeting at 3:20 p.m.

Respectfully submitted,  
Connie Swisher  
Finance