

AGENDA  
REGULAR MEETING  
BOARD OF DIRECTORS  
EAST BAY REGIONAL PARK DISTRICT

Tuesday, March 20, 2018

C BUSINESS BEFORE THE BOARD

6. COMMITTEE REPORTS

- b. Finance Committee Minutes and Recommended Actions from the Meeting of February 28, 2018 (Corbett)

Attendees

Board: Directors Ellen Corbett, Colin Coffey and Dee Rosario

Staff: Ana Alvarez, Debra Auker, Deborah Spaulding, Michelle Strawson O'Hara, Pam Burnor, Kim Balingit, Caitlin Stone, David Sumner, Connie Swisher, Kelly Barrington, Jason McCrystle, Kristina Kelchner, Mimi Waluch

Speakers: Allison Kaune with PFM Asset Management, LLC

Public: Rick Rickard

Committee Chair Ellen Corbett began the meeting at 12:36 PM with the introduction of Committee members.

**Agenda Item No. 1**

**December 31, 2017 Investment Report and Portfolio Review**

Assistant Finance Officer Deborah Spaulding presented a report of the District's investment activity as of the end for the fourth quarter 2017. The report is in accordance with State Law and in conformity with the District's Investment Policy. The market value of the District's total cash and investments as of December 31, 2017 was \$226.3 million. This reflects an increase of \$20.9 million from September 30, 2017, which is mainly the result of the timing of property tax revenue receipts.

Graphs accompanying the investment reports were provided in the Finance Committee packet.

AFO Spaulding advised the committee that PFM Asset Management is the sole manager of the District's investment portfolio, previously managed by two investment advisors.

AFO Spaulding introduced Allison Kaune with PFM Asset Management, who gave an update on the District's investment portfolio and the current investment environment.

Committee Chair Ellen Corbett asked if the Core CPI is nationwide or global. Ms. Kaune replied it is nationwide.

Ms. Kaune reported on the portfolio strategy. PFM expects the economy to continue to improve, interest rates will rise and PFM will manage the portfolio duration close to the benchmark and continue to look for safe ways to add to the portfolio's return.

Ms. Kaune's presentation included a review of 2017 market conditions, and a forecast for 2018, which included a discussion about projected interest rate movement and impact on the market value of the District's investment portfolio.

Committee member Coffey noted that the District continues to own Walmart corporate notes, and added that he has observed that the District's portfolio returns are comparable to the investment returns of other local governments.

Committee member Coffey inquired about the number of years PFM Asset Management has been the District's investment advisor. AGM/CFO Auker informed committee member Coffey that PFM has been the District's investment advisor since 2009, however, initially PFM shared the investment management duty with another firm. In 2016, through a Request for Proposals (RFP) process, PFM was selected as the District's sole investment advisor.

Committee member Coffey commented that the District's investment portfolio is large enough that it could be split between two investment advisors.

**Recommendation: Motioned by Dee Rosario and seconded by Colin Coffey that the Finance Committee recommends to the full Board of Directors approval of the December 31, 2017 Investment Report. Motion Approved.**

## **Agenda Item No. 2**

### **2018 Internal Audit Work Plan, and Final 2017 Internal Audit Results**

Audit Manager David Sumner started his report with a brief history and origin of auditing. Sumner also provided context for his workplan by reviewing for the Committee members the District's Fraud Prevention Policy and Auditing Policy.

Audit Manager Sumner provided a report of the 2017 Internal Audit projects:

- Review of Tilden Merry-Go-Round
- Review of Lake Chabot Regional Park Cash Handling Procedures
- Review of Capital Improvement Project No. 152600 Shadow Cliffs Solar Panels installation
- Review of Outback Adventures Concessionaire at Del Valle
- Review of Del Valle Marina and Camp Stores
- Review of Mudpuppy's Tub & Scrub, and Sit & Stay Café Concessions
- Review of Measure WW Local Grants (12)
- Special Review of Kennedy Grove Park Cash Collection Activities

- Special Review of the District's financial records upon departure of a former employee

#### External Audit

- Coyote Hills Day Camp Grant Audit

Committee member Dee Rosario asked how many cash operations are at the District. Business Service Manager Mimi Waluch advised that there are approximately 50 cash handling sites (seasonal and year-round).

Committee member Rosario expressed his concern with the number of cash handling sites in the parks, and the feasibility of auditing every cash collection site in a timely fashion. AGM/CFO Auker advised the District has an audit work-planning system that takes into consideration financial risk, and prioritizes audits where the financial risk is more significant. In addition, the Audit Manager randomly selects sites to be audited. Business Service Manager Waluch added that the Audit Manager is available three times a year during the Operations Front Line training, a mandatory cash handling training. The Audit Manager attends each training and goes through both fraud and cash handling process and procedures.

Committee member Coffey requested more information on the Merry-Go-Round concessionaire. Audit Manager Sumner provided the problematic history of the past concessionaire at the Merry-Go-Round.

Committee member Rosario asked if business at the Merry Go Round is cash only. Business Service Manager Waluch replied it is Point of Sale (cash and credit card).

#### 2017 Internal Audit Plan

Audit Manager Sumner advised the 2018 internal audit projects were selected based on the level of financial risk. A list of selected projects was handed out.

**Recommendation: Motioned by Dee Rosario and seconded by Colin Coffey that the Finance Committee recommends to the full Board of Directors for approval of 2018 Internal Audit Plan. Motion approved.**

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

##### **2017 Disposal of Fixed Assets**

Accounting Manager Kim Balingit reported that the District annually performs an inventory of assets, identifying items that have been disposed, and records an accounting adjustment to "write-off" the remaining net book value of any asset no longer in the District's possession. Per Board Operating Guidelines, items with a book value (cost less accumulated depreciation) of over \$25,000 are subject to Board review and action. For 2017, one land asset met this requirement: conveyance of property to Alameda County Water District. A list was provided to the Committee, for information only, summarizing all assets disposed in 2017. In 2017, 56 assets

were disposed through Board approved action process and \$211,164 was received at auction for these items.

Committee member Corbett requested clarification regarding how the District recycles equipment. Accounting Manager Balingit explained that the District typically sells the equipment to a recycling company, such as Schnitzer Steel.

Committee member Corbett requested information on the District's auction process. Fleet Manager Jason McCrystle informed committee the majority of items are sold through First Capital Auction in Vallejo, adding the return on investment last year was 14% on average. The District also uses the on-line auction company Bidadoo for larger equipment items.

**Recommendation: Motioned by Dee Rosario and seconded by Colin Coffey that the Finance Committee recommends to the full Board of Directors for approval of accounting adjustments to reflect the disposal of one fixed asset with a book value over \$25,000 during the 2017 fiscal year.**

**Agenda Item No. 4**  
**Open Forum for Public Comment**

No public comment

**Agenda Item No. 5**  
**Committee Comments**

AFO Spaulding updated the committee on the issuance of a letter of credit in the amount of \$2.1 million in favor of the California Department of Fish & Wildlife for the Incidental Take Permit (ITP) for the Fire and Fuels Management Program. Once finalized, this item will be brought back to the Finance Committee for more information at a later meeting date.

Meeting adjourned 2:05 p.m.  
Next meeting scheduled for March 28, 2018

Respectfully submitted,

Connie Swisher  
Finance