

AGENDA  
REGULAR MEETING  
BOARD OF DIRECTORS  
EAST BAY REGIONAL PARK DISTRICT

Tuesday, July 3, 2018

C. BUSINESS BEFORE THE BOARD

7. COMMITTEE REPORTS

- b. Finance Committee Minutes and Recommended Actions from the Meeting of May 30, 2018 (Corbett)

Attendees

Board:

Directors Ellen Corbett, Colin Coffey and Dee Rosario

Staff:

Robert E. Doyle, Debra Auken, Carol Victor, Deborah Spaulding, Michelle Strawson O'Hara, Nadine Vargas, Anna Fong, Paul Ferrario, David Sumner, Kim Balingit

Speakers:

Monique Spyke, PFM Asset Management

Public:

Rick Rickard

Committee Chair Ellen Corbett began the meeting at 12:30 PM with the introduction of Committee members.

**Agenda Item No. 1**

**March 31, 2018 Investment Report and Portfolio Review**

Assistant Finance Officer Deborah Spaulding presented the March 31, 2018 Investment Report and informed the Committee the total of the District's cash and investments as of March 31, 2018, was \$355,421,790, an increase from last quarter mainly due to timing of receipt of property taxes (Alameda County property taxes came in on March 31<sup>st</sup> rather than in April). District funds held in trust were \$110,963,658.

- Pooled cash/investments held by the District was \$227,882,014.
- 2018 investment earnings to-date totaled \$1,004,584.
- Banking and investment fees to-date totaled \$40,654.

Graph handouts included comparative investment information, Districts' invested funds, information on securities held by PFM, District cash and investment by type (not managed by PFM) along with Investment Performance Review from PFM.

AFO Spaulding introduced Ms. Monique Spyke, with PFM Asset Management, the District's investment management firm.

PFM Monique Spyke presented the investment results for the first quarter of 2018, giving an overview of current market conditions, and how PFM has positioned the District's investments within that environment. PFM expects the economy to continue to improve in the months ahead. Interest rates will rise in the coming year; PFM will manage the portfolio duration close to the benchmark and continue to look for safe methods to add investment returns.

Ms. Spyke's presentation included a forecast for 2018 market conditions, which included an increase in interest rates, healthy job production, and consistent Gross Domestic Product (GDP) growth, which will result in underperformance in corporate-related investments and heightened consumer confidence.

Committee member Colin Coffey asked about the benchmark index used by PFM to measure the District's investment results. Ms. Spyke advised PFM uses the ICE/Bank of America Merrill Lynch 1-3-year U.S. Treasury Index.

Committee member Coffey inquired whether a different benchmark might be appropriate, given that the District invests in instruments besides US Treasuries. Ms. Spyke responded some of their local agency clients use a 1-5-year Treasury Government Index, while other local agencies use a Total Market Treasury Index. PFM prefers a Treasury-only index because you can easily see the value obtained by investing outside the U.S. Treasury market. PFM is a relative value manager; each investment decision is based on relative value to the U.S. Treasury sector. When PFM measures the District's portfolio against this index it is reflecting how PFM adds value by investing beyond what can be gained through only investing in the 1-3 year U.S. Treasuries.

AFO Spaulding thanked Monique Spyke for her presentation.

AFO Spaulding advised the Committee that the District's Investment Policy, brought to the Finance Committee in January 2018, has received the California Municipal Treasurers Association Investment Policy Certification, which shows that the policy meets best practice requirements.

**Recommendation: Motioned by Dee Rosario and seconded by Colin Coffey that the Finance Committee recommends to the full Board of Directors approval of the March 31, 2018 Investment Report. Motion approved.**

## **Agenda Item No. 2** **2018 Risk Management Annual Report**

District Counsel Carol Victor introduced the Risk Staff to committee members.

Risk Manager Anna Fong and Health and Safety Coordinator Paul Ferrario provided an overview of the District's Workers' Compensation, and Health and Safety programs and advised the Finance Committee that the District is continuing to experience low claim frequency and low claim severity in the areas of workers' compensation and general liability. The 2017 winter storms resulted in a large property insurance claim, however, the overall frequency of property claims remains low.

Committee chair Ellen Corbett inquired if the District's workers' compensation policy covered Park District volunteers. Risk Manager Fong responded yes, volunteers are included in the count.

One challenge to the District's Workers' Compensation Program is controlling exposure to escalating medical costs. The Risk Management Department continues to control costs with close oversight of the program and assistance from its third-party claims administrator. Athens Administrators performs medical bill review, utilization review, and nurse case management.

Athens Administrators' contract with the District ends June 30, 2018. Staff conducted a Request for Proposal (RFP) for Workers' Compensation Claims Administration and Managed Care Services. Nine proposals were received. After evaluation of proposals and panel interviews the recommendation is to continue with Athens Administrators for a five-year term, with a possible two-year extension.

CONTRACT AMOUNT	CONTRACT PERIOD
\$ 230,000	July 1, 2018 to June 30, 2019
\$ 236,325	July 1, 2019 to June 30, 2020
\$ 242,824	July 1, 2020 to June 30, 2021
\$ 249,501	July 1, 2021 to June 30, 2022
\$ 256,363	July 1, 2022 to June 30, 2023
<b>\$1,215,013</b>	<b>July 1, 2018 to June 30, 2023</b>

Committee chair Corbett asked if the District's last contract with Athens was a five-year contract. Risk Manager Fong advised it was a three-year contract with an option to renew for two additional years.

Committee chair Corbett inquired whether the District provides workforce strengthening or preventative medicine training. District Counsel Victor responded yes, these types of programs are consistently evolving and improving. Risk Manager Fong added that during the Safety Academy Trainings there is a session dedicated to ergonomics and good working techniques (how to stretch etc.).

The District's General Liability Claims have been generally decreasing in number and total costs over the past five years. This is due to proactive training provided to District staff, as well as due to careful management of potential claims by Risk Staff, who immediately notify any potential claimant that the District is protected under the California Trail and Hazardous Recreation Immunities Legislation. While the overall trend in number and costs is downward, the high costs in 2016 were due to an outlier high-impact claim that was settled in that year.

Community chair Corbett congratulated Aquatics for their safety record.

Unemployment claims have also continued a general decrease since 2012. This reduction is partly due to coordination with the Operations Department, to ensure that furloughed 9-month Park Rangers are transitioned re-assigned to work during their furlough periods, as well as transitioning these 9-month positions to 12-month positions.

Committee chair Corbett asked if the District has a problem with hazardous dumping in the parks. Health and Safety Coordinator Ferrario replied yes, environmental hazardous dumping continues to be an increasing monetary issue.

Committee member Dee Rosario questioned why all park buildings are not covered by earthquake insurance. District Counsel Victor replied that staff works with CSAC-EIA (California State Association of Counties - Excess Insurance Authority) to analyze earthquake safety and risk factors throughout the parks, and determine which buildings are worth insuring, based on location as well as cost to repair or replace.

Health and Safety Coordinator Ferrario concluded the presentation by advising the Committee about several insurance programs the District participates in, to minimize the financial impact associated with excessive or unanticipated losses. Insurance costs are trending upward, with the overall costs for July 2018 through June 2019 policy up \$205,533 (15% from current rates). The primary insurer for the District is CSAC-EIA, a member-directed public entity insurance pool. Excess insurance, however is increasingly expensive.

**Recommendations: The first motion by Colin Coffey and seconded by Dee Rosario that the Finance Committee recommend to the full Board of Director's approval of the five-year contract with Athens Administrators for July 1, 2018 through June 30, 2023 with an option of a two-year extension upon mutual agreement. Motion approved.**

**The second motion by Colin Coffey and seconded by Dee Rosario that the Finance Committee recommend to the full Board of Director's renewal of the insurance program for July 1, 2018 through June 30, 2019 at the not to exceed amounts in the insurance programs as presented and with managements option to move carriers around as presented. Motioned approved.**

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

#### **Accounting Closure for Completed Projects**

Administrative Analyst Nadine Vargas presented the annual process to formally close 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 the balance of excess funding will be returned to the original source. The District's practice is to utilize the most restricted project resources first, in the following order: grants, then bonds, then General Fund.

#### **Development Projects**

Administrative Analyst Vargas proceeded to report a total of 18 capital development projects which were recommend for closure. Based on the proposed closures, the net impact will be as follows:

- General Fund net amount required to address shortfall (\$37,847.25)
- \$1,158.38 returned to Measure AA
- \$250,000 returned to the Major Infrastructure Renovation and Replacement Fund

### **Land-related Projects**

Twenty-two land-related projects consisting of both acquisitions and safety/security projects are recommended for closure. The following funding sources will be adjusted:

- \$162.20 returned to General Fund
- \$296.49 returned to Measure AA allocation areas
- \$65,794.27 returned to Measure WW allocation areas

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

A total of thirty-eight (OTA) projects were recommended for closure. Adjustments are required for the following fund sources:

- \$113,912.82 returned to General Fund
- \$25,457.31 returned to Measure AA
- \$23,327.03 returned to Measure WW
- \$16,556.29 returned to Measure CC
- \$39,425.26 returned to Major Infrastructure Renovation and Replacement

**Recommendation: Motioned by Dee Rosario and seconded by Colin Coffee that the Finance Committee recommends to the full Board of Directors approval of proposed project closures and budgetary adjustments. Motion approved.**

### **Agenda Item No. 4** **2019 Budget Calendar**

AFO Spaulding 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 2019 budget process.

### **Board Workshops**

The budget planning process began earlier this year, with the first Board Workshop in February and the last one in July to address capital, land acquisitions and trail projects.

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

**June** – Verify the level, location and funding source of District employees. Determine need for current mid-year adjustments.

**July** - Update Division/Department service objectives using performance measure reporting format.

**August** – Finance distributes base budget to departments and instruction related to budget requests. Budget workshops are conducted to aid budget preparers.

**September** – Revenues are estimated to establish the base budget revenue available for appropriation in 2019. The General Manager and AGM Group discuss budget requests.

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

**February 2019** – hard copy budget documents, including Operating Project and Budget Brief will be distributed to the Board and the AGMs and the electronic version will be posted on the District’s website at the same time.

Committee member Rosario requested the first budget public hearing in December be moved to an evening meeting. Assistant General Manager/Chief Finance Officer Debra Auker advised Finance will bring to the next Board of Directors meeting the request to change the December 4, 2018 meeting to an evening meeting.

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

**Agenda Item No. 5**

**First Quarter 2018 General Fund and Other Governmental Funds Financial Report**

Assistant Finance Officer Michelle Strawson O’Hara presented the First Quarter 2018 General Fund Reports and Unaudited Financial Statements. AFO Strawson O’Hara summarized first quarter revenues and expenditures for the District.

**General Fund Revenues and Expenditures**

Revenue highlights

- Revenues are on track to end the year on budget.
- First quarter revenues were \$23.2 million, significantly higher than at the same time in the prior year, as the District received Alameda County’s April \$14.5 million property tax revenue payment early (in March 2018).

Expenditures highlights

- Expenditures were \$36.9 million, which is consistent with prior year.

<b>General Fund</b>	Budget 2018	Actual thru 3/31/18	variance	% of Budget Complete
Revenue*	\$ 147,125,570	\$ 23,248,655	\$ 123,876,915	15.8%
Expenditures*	146,643,335	36,879,805	109,763,531	25.1%
net change in Fund Balance	\$ 482,235	\$ (13,631,150)	\$ (14,113,385)	

\* includes transfers

**Recommendation: Motioned by Dee Rosario and seconded by Colin Coffey that the Finance Committee recommends to the full board of Directors acceptance of the First Quarter 2018 General Fund and Other Governmental Funds Financial Reports. Motion Approved.**

**Agenda Item No 6**  
**Open Forum for Public Comment**

No public comment

**Agenda Item No. 7**  
**Committee Comments**

Committee member Rosario and Committee chair Corbett expressed their appreciation on the thoroughness of all the reports and their transparency.

July 25, 2018 Finance Committee has been cancelled.

Meeting adjourned at 2:30 p.m.

Respectfully submitted,

Connie Swisher  
Confidential Secretary, Finance