

AGENDA  
REGULAR MEETING  
BOARD OF DIRECTORS  
EAST BAY REGIONAL PARK DISTRICT

Tuesday, August 14, 2018

D. BUSINESS BEFORE THE BOARD

7. COMMITTEE REPORTS

- a. Finance Committee Minutes and Recommended Actions from the Meeting of June 27, 2018 (Corbett)

Attendees

Board: Directors Ellen Corbett, Colin Coffey and Dee Rosario

Staff: Robert E. Doyle, Ana M. Alvarez, Debra Auker, Deborah Spaulding, Michelle Strawson O'Hara, David Sumner, Kim Balingit, Jim O'Connor, Jeff Rasmussen, Erdem Durgunoglu, Alan Love, Ruby Turner, Chris Newey, Bob Nisbet

Speakers: Doug Pryor, Bartel and Associates  
David Showalter, Vavrinek, Trine, Bay & Co., LLP (VTD)  
Matthew Goss, California Employers' Retiree Benefit Trust Fund (CERBT)

Public: None

Committee Chair Ellen Corbett began the meeting at 12:40 PM with the introduction of Committee members.

**Agenda Item No. 1**

**Draft 2017 Comprehensive Annual Financial Report**

Assistant Finance Officer Michelle Strawson O'Hara introduced the District's 2017 Comprehensive Annual Financial Report (CAFR), and reminded the Committee that each year an independent audit is conducted of the District's financial information and internal controls. She stated that the December 31, 2017 audit resulted in a "clean" unmodified opinion from the auditors.

AFO Strawson O'Hara presented details of the 2017 CAFR, including the District's liability related to the implementation of Government Accounting Standards Board (GASB) 68, which requires the District to reflect its pension obligation on its statement of net position.

AFO Strawson O'Hara reported the following details about the District's financial statements:

- Net position in the government-wide statement, which are presented on a full accrual basis, increased by \$17.6 million during 2017 to \$771.80 million primary due to property tax revenues being greater than budget, and salary and benefit savings due to vacant positions.
- Governmental funds and Internal Service fund had an overall increase in fund balance.
- General Fund fund balance increased \$8.7 million, primarily due to former redevelopment agency property tax – pass through payments.
- Debt service funds fund balance increased \$6.2 million, mainly due to advance refunding/refinancing of District's 2009A WW obligation bonds.
- Project funds fund balance increased \$54.7 million, due to the issuance of new Measure WW bonds in 2017.
- Non-major government funds fund balance increased \$1.4 million due to Moller Ranch property endowment and collection of tipping fees from Dumbarton Quarry.

David Showalter, Audit Partner with Vavrinek, Trine, Day and Company CPA's (VTD) was introduced and 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 general accepted accounting principles.

David Showalter highlighted for the Committee how the implementation of GASB 68 impacted pension reporting. The District also contributed money to a Section 115 Trust, to offset future increases in pension contribution rates. The trust funds are reflected as a restricted net asset in the General Fund.

Mr. Showalter informed the Committee that it has provided to the District its SAS 114 communication, which is intended to provide to those charged with governance information about internal control weaknesses encountered during the audit. Mr. Showalter stated that during the 2017 audit, the District had no material weakness, no control deficiencies, and no Management Letter comments. A material weakness is the most severe issue, a significant deficiency a set lower in significance and a control deficiency the lowest level of finding. This means that the District's internal controls are functioning as they should.

Committee member Colin Coffey asked how the CAFR will be presented to the full Board. Assistant General Manager/Chief Finance Officer Debra Auker advised staff will bring the final version for acceptance by the Board of Directors on July 3, 2018. AGM/CFO Auker advised the committee that Mr. Showalter would not attend the Board of Directors meeting.

Committee member Coffey requested the Board of Directors have a private session with the outside auditor, VTD, prior to the full Board public meeting on July 3, 2018. General Manager

Robert E. Doyle and AGM/CFO Auker committed to scheduling the private session between the Board of Directors and VTD for a future closed session Board meeting.

AGM/CFO Auker concluded by thanking the Finance Staff, Michelle Strawson O'Hara and Kim Balingit, Accountant Manager, for managing the audit and the auditors for their assistance and asked for Committee recommendation.

**Recommendation: Motioned by Colin Coffey and seconded by Dee Rosario that the Finance Committee recommends to the full Board of Directors to review the financial report and submit the 2017 Comprehensive Annual Financial Report and other reports to Board of Directors for consideration and acceptance. Motion approved.**

## **Agenda Item No. 2**

### **Retiree Medical Trust Fund (OPEB) Actuarial Update**

Assistant Finance Officer Deborah Spaulding introduced Doug Pryor with Bartel Associates, LLC who provide actuarial information about the District's other postemployment benefits plan (OPEB).

Doug Pryor, Vice President and Actuary, Bartel and Associates, provided a summary of the most recently available June 30, 2017 OPEB actuarial report, including an illustration of the "implied subsidy" of allowing retirees to participate in the District's medical plan at the same cost as active employees, and a description of Actuarial Stand of Practice 6 (ASOP6) and its impact. Pryor advised that the implied subsidy is included in the 2019/2020 annual required contribution (ARC) calculation and rates.

Pryor advised that the OPEB actuarial valuation determined the contribution rate for 2019 and 2020, is 6.8%, a decrease from 2017/2018 contribution rate of 9.4%. The Trust's funded status improved to 69.9% as of June 30, 2017, adding that EBRPD is in the top tier of agencies in funding its OPEB obligation.

Pryor informed the Committee regarding the impact of implementing Government Accounting Standards Board (GASB) 74 and 75. These standards will require the District to include the value of unfunded retiree medical benefit liability on the financial statements. Based on current estimates, the District's OPEB liability will be approximately \$20.5 million in 2018. As the District continues to contribute to its OPEB Trust, the funded status of the Trust will improve.

Committee member Dee Rosario inquired as to how Bartel and Associates calculates the Medicare premium cost increases, since the new tax reform act will cut \$25 million annually from Medicare.

Pryor advised their projections do not take into consideration this proposed legislation. Currently, the model Bartel uses assumes a 6.5% - 7.5% increase in premiums annually; however, Bartel & Associates believes that long-term, these increases in health care will not continue.

**Recommendation: None, this is an information item only.**

**Agenda Item No. 3**

**Other Post-Employment Benefits (OPEB) Trust Fund Investment Performance through April 30, 2018**

AFO Spaulding introduced the Other Post-Employment Benefits (OPEB) Trust annual report. The District's OPEB Trust is designed to provide ongoing funding for retiree medical benefits. The Trust fund administration and investments are managed by the California Employer's Retiree Benefit Trust Fund (CERBT). The annual report provides information regarding asset balances, annual contributions, payments and fees. The report also describes the retirement plan asset allocation strategy and comparison benchmark.

2017 Beginning asset balance (cash basis)	
Held by CERBT	\$ 43,717,098
Held by Navia Benefits	23,457
Employer contributions 2017	4,931,260
Asset earnings (including unrealized gains & losses)	75,43,370
Retiree distribution	(1,677,387)
Fees:	
CERBT	(41,569)
Ending asset balance (cash basis)	54,596,228
Held by CERBT	54,472,771
Held by Navia Benefits	23,457
<b>Total</b>	<b>\$ 54,496,228</b>

AFO Spaulding introduced CERBT Customer Outreach & Support Manager, Matt Goss. AFO Spaulding noted that the CERBT presentation includes information from inception through April 30, 2018. The table above provides information for 2017 calendar year.

Mr. Goss provided an overview of the District OPEB trust as managed by CERBT-CalPERS.

- **Actuarial Valuation Summary**

Mr. Goss explained that the District participates in Asset Allocation Investment Strategy No. 1, which is designed to provide a higher rate of return than the other two asset strategies, with more volatility. Currently, the Trust's expected long-term rate of return is 7.28%.

- **Account Summary**

The District's initial contribution transferred from the prior trust was \$23 million, with additional contributions since 2012 of \$26.9 million. Disbursements have totaled \$9.7 million with investment earnings of \$14.7 million. As of April 30, 2018, the District had

\$54.8 million in assets in the trust fund. The average annualized rate of return since September 2012, when the District first deposited its funds with CERBT, has been 7.16%.

Mr. Goss advised the committee that the District will be impacted in 2018 and 2019 by the mandatory implementation of GASB 74 and 75, which requires governments to include the unfunded OPEB liability on its financial statements.

**Recommendation: None, this is an information item only.**

#### **Agenda Item No. 4** **Proposed 2018 Mid-Year Budget Adjustments**

General Manager Robert E. Doyle introduced the item by reminding the Committee of the historical practice at the District of allocating additional one-time funds at mid-year, which is a business practice that contributes to the District's successful stewardship of public funds. General Manager Doyle highlighted a few specific mid-year budget adjustments that were Board priorities:

- Study Access & Use Concord Hills
- Renovate Restroom at Little Hills

General Manager Doyle introduced Budget Manager Pam Burnor.

Budget Manager Pam Burnor reported that the District's 2017 General Fund ended with an excess of revenue over expenditures of approximately \$9.2 million.

It was requested that one-time resources from several funding sources, totaling \$12.7 million, be considered for one-time appropriations.

It was recommended that the following allocations be made from the General Fund as 2018 mid-year budget adjustments:

- \$3,000,000 to Major Infrastructure Repair and Replacement Fund 553
- \$1,500,000 to ASD to Build Service Yard
- \$1,154,000 to Election Costs for Extension of Measure CC
- \$500,000 to Install Coat Mine Exhibit
- \$300,000 to Replenish Legal Reserves
- \$300,000 to Point Isabel Environmental Remediation Project
- \$250,000 to Construct Pinole Shores Trail
- \$200,000 to Maintain Permit Compliance – bio monitoring
- \$195,000 to Operations for Refuse Truck for Solid Waste Disposal
- \$150,000 to Legal for Hazardous Boat Disposal
- \$125,000 to Human Resources for Contract for Class & Comp Study
- \$97,000 to Operations for Mobile Visitor Centers
- \$90,000 to Operations for Start Up Costs to Dumbarton Quarry
- \$100,000 to Holly Court Demolition and Abatement Project
- \$58,400 to Replenish General Manager Contingency

- \$40,000 to Operations for Start Up Costs for John Deere Mower
- \$40,000 to Operations for Arborist Contract at Borel Property
- \$35,000 to Operations for Reservation Software Fee Increase
- \$30,000 to Civicorps Crew to remove renegade trails at Pleasanton Ridge
- \$26,350 to Operations for Truck with Mount Box
- \$25,000 to General Manager for November Election Survey
- \$25,000 to Operations for two electric mules
- \$20,000 to Operations for two sheds at Dumbarton Quarry campground
- \$20,000 to Operations to repair retaining wall at Dry Creek
- \$17,000 to Operation for Sand Moving Equipment rental cost at Crown Beach
- \$15,000 to Operations for Crab Cove VC expansion
- \$10,000 to Upgrade Board Room Technology to provide streaming audio hardware
- \$5,000 to Upgrade Board room technology to provide streaming audio hardware.
- \$20,000 to Operations for Turf Repair at Miller Knox
- \$250,000 to Operations for Hazardous Tree Removal
- \$25,000 to Operations to Replace Two Toilet Trailers
- \$60,000 to Operations for Tree Screening
- \$7,000 to Public Affairs for Public Information Signs
- \$21,000 to Public Affairs for New Waysides Sign Supplies
- \$40,000 to Public Affairs for Design Materials
- \$33,000 to Public Affairs for Mailer Postage
- \$30,000 to Public Affairs for Cloud Storage
- \$25,000 to Public Affairs for Anniversary Brochures
- \$20,000 to Public Affairs for Video Production
- \$3,300 to Public Affairs for Storage Rental
- \$152,500 to Public Safety for 25 EBRCSA Fire Radios
- \$43,750 to Public Safety for EBRCSA Radio Activation Service Costs
- \$16,175 to Public Safety for Two Portable EBRCSA Radios
- \$6,400 to Public Safety for Two EBRCSA Radios Services
- \$10,000 to Public Safety for Data Ticket Software
- \$15,000 to Public Safety for Data Ticket Autocite Lease
- \$7,200 to Public Safety for NetMotion Annual Licenses
- \$18,000 to Public Safety for Lockers for Uniformed Seasonal Staff
- \$18,000 to Public Safety for Three Equipment Trailers
- \$15,700 to Public Safety for Professional Fees
- \$15,000 to Public Safety for Lifeguard Training Uniforms
- \$13,000 to Public Safety for Lifeguard Training Costs
- \$4,800 to Public Safety for Rental Facilities
- \$3,200 to Public Safety for Lifeguard Manuals
- \$3,800 to Public Safety for Network Technology Improvements.

In addition, appropriation from other funds were recommended

- \$1,034,000 to ASD to Dumbarton Quarry Campground Project
- \$493,750 to ASD to Build Service Yard at Coyote Hills
- \$303,800 to ASD to Improve Access and Habitat Project at Coyote Hills
- \$(418,400) to ASD to Correct 2018 Duplicate Budget Request Measure CC Fund

- \$53,570 to ASD for Black Rail Project
- \$20,000 to Operations for Over Budget Operating Costs at Miller Know
- \$200,000 to ASD for Crab Cove Visitor Center
- \$175,000 to ASD for Marsh Creek Plan
- \$75,000 to ASD to Repair Bridge at Point Isabel
- \$100,000 to ASD to Repair District-wide Bridges
- \$600,000 to ASD for Point Pinole Service Yard
- \$100,000 to Operations for Bait System at Shadow Cliffs
- \$120,000 to Operations for Barn Roof at Arata

Committee chair Ellen Corbet asked what the cost for Measure CC of \$1,544,000 covers. AFM/CFO Auker responded this is the cost for putting Measure CC on the ballot and added it is an estimate based on prior elections. These are fees required by the registrar's office for both Alameda and Contra Costa Counties. The cost does not include Board member elections.

Committee member Rosario questioned if the Comp and Class study was an additional cost. AGM/CFO Auker advised this is the amount remaining on the contract, not an additional amount.

Committee chair Corbett requested information on the process for prioritizing one-time mid-year budget appropriations.

Deputy General Manager Dr. Ana M. Alvarez described the intensive process of determining mid-year appropriations, and how information flows from different levels throughout the organization, and is prioritized by each Division's AGM. AGMs then meet with the DGM and CFO to explain priorities, interests and concerns. The conversation encompasses Board Members' top interests, priorities and key matters, as expressed at Board Workshops and in individual meetings. Lastly the General Manager makes the difficult decision about what can best be addressed in a future year, and where there are opportunities for leveraging resources, or partnerships.

Committee chair Corbett asked if the top priorities are determined overall, based on Board workshops, or are from individual Board Members. GM Doyle answered that each Board Member provides his or her top three priorities.

Committee chair Corbett identified her top three priorities for next year's budget: the waste reduction plan; increasing low emission vehicles; and moving forward to reduce pesticides and herbicides, as feasible.

GM Doyle agreed, advising staff will work on all three items.

Committee chair Corbett also requested an additional step be added in the Budget Appropriations process, to present information to the Committee or the Board prior to final presentation.

Committee member Rosario voiced his concern that surplus funding is significantly related to staff vacancies. GM Doyle agreed with this concern, and added this should be a regular discussion

with the Board, reminding the Committee that the retirement boom has put a strain on recruitment.

DGM Dr. Ana M. Alvarez reviewed the HR recruitment process for the Committee.

GM Doyle concluded advising the Committee when staff goes to the full Board for presentation and a vote, the items raised will be addressed.

**Recommendation: Motioned by Dee Rosario and seconded by Colin Coffey that the Finance Committee recommends to the full Board of Directors approval of the 2018 id-Year Budget Appropriation increase request. Motion Approved.**

### **Agenda Item No. 5** **2019 Measure CC Budget and Spending Plan**

Assistant Finance Officer Jeff Rasmussen presented the 2019 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 recommend it be adopted as the basis of the 2019/2020 Tax Report and 2019 Budget.

AFO Rasmussen provided committee members with handouts illustrating ongoing and first time funded projects, along with project modifications.

AGM/CFO Auker added that the chairman of the Park Advisory Committee (PAC) is interested in the District focusing more into single track trail maintenance.

**Recommendation: Motioned by Dee Rosario and seconded by Colin Coffey that the Finance Committee recommends to the full Board of Directors acceptance of the Measure CC 2018 budget and adoption as the basis for the 2019/2020 Measure CC Tax Report and Modification of Projects. Motion Approved.**

### **Agenda Item No. 6** **Record Measure WW Cost of Issuance**

Budget Manager Pam Burnor gave a brief history of Measure WW bond issuance and the accounting for Costs of Issuance (COI). The 2017 Measure WW bond sale COI was approximately \$350,000. The District's outside legal counsel has advised that the accounting for this amount, as well as for the COI from the 2013 Measure WW bond sale (\$235,000) should be allocated to match the original apportionment of Measure WW funds: 25% to Local Grant Administration, and the remaining amount to contingency allocations for acquisition (75%) and development (25%). Staff requested that the Finance Committee recommend to the full Board of Directors that the COI for the 2013 and 2017 Measure WW bond be allocated as recommended.

**Recommendation: Motioned by Colin Coffey and seconded by Dee Rosario that the Finance Committee recommends to the full Board of Directors acceptance of accounting adjustment to the 2013 Measure WW Cost of Issuance entry and record the 2017 Measure WW Cost of Issuance. Motion Approved.**

**Agenda Item No. 7**  
**Cancellation of July 25, 2018 Finance Committee**

AGM/CFO Auker advised the July Finance Committee is cancelled.

**Agenda Item No. 8**  
**Open Forum for Public Comment**

No public comment.

**Agenda Item No. 9**  
**Committee Comments**

Next meeting is scheduled for August 22, 2018.

Meeting adjourned at 3:35 p.m.

Respectfully submitted,

Connie Swisher  
Confidential Secretary, Finance

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