

AGENDA  
REGULAR MEETING  
BOARD OF DIRECTORS

EAST BAY REGIONAL PARK DISTRICT

Tuesday, April 1, 2014

C. BUSINESS BEFORE THE BOARD

6. CONSENT CALENDAR

- b. Finance Committee Minutes and Recommended Actions from the February 26, 2014 (Wieskamp)

Attendees

Board: Directors Ayn Wieskamp (Alt for Doug Siden) Whitney Dotson,

Staff: Dave Collins, Cinde Rubaloff, David Sumner, Deborah Spaulding, Pam Burnor, Kim Balingit, Sharon Corkin

Carlos Oblites, PFM Asset Management, LLC

Public: Bruce Kern (PAC)

Alternate committee member Ayn Wieskamp began the meeting at 12:55 PM with the introduction of committee members.

**Agenda Item No. 1**  
**Investment Portfolio Performance and 2014 Market Review**

CFO Cinde Rubaloff introduced Carlos Oblites, Senior Managing Consultant with PFM, the District's investment management firm. His presentation included a review of 2013 market conditions, a forecast for 2014, which included a discussion about projected invest rate movement and impact on the market value of the District's investment portfolio.

Mr. Oblites discussed "Fourth Quarter 2013 Review of Portfolio," a PFM report which was an overview of the 2013 market, the impacts on the District's portfolio, PFM's approach to the District's portfolio, and projection for 2014. As background he noted that the Federal Open Market Committee began tapering the amount of stimulus they were providing the economy, which is resulting in higher interest rates. For example, a 5 year treasury in December 2012 was .34% of a percent, and December 2013, it was 1.34%. He also pointed out that PFM took advantage of several opportunities to swap from U.S. Treasuries and Federal Agencies into corporates in order to boost the portfolio yield without significantly affecting duration.

Mr. Oblites summarized PFM's 2013 District portfolio accomplishments: 1) maintained the duration shorter to limit the risk due to rising interest rates, 2) bought yield advantage

investments to increase current income, and 3) PFM identified opportunities that added additional yield.

AGM Dave Collins added for clarification that “loss of market value” on current investments due to raising interest rates does not equate to actual loss of dollars. It is unrealized loss which doesn’t need to record on the District’s financial statements, but is only realized if the investments were sold. Mr. Oblites confirmed that the market value loss he spoke of is on paper; there are no actual dollars leaving the portfolio.

AGM Collins also clarified that part of PFM’s duties is to look forward and determine if District should hold money in short or long securities.

Mr. Oblites continued to report on the portfolio returns. PFM strategy for the fourth quarter proved to be effective. The portfolio return for the fourth quarter exceeded the return of the benchmark; the total return was .46% compared to the market at .36%, and compared to State pool which was .24%.

AGM Collins commented all returns look good for the past three years and asked about the return since inception.

Mr. Oblites responded that in 2009 there was a danger that rates might rise and de-value the portfolio. There was discussion with staff to take a conservative approach entering the markets and PFM did not maintain the Districts investments between 1 and 3 years, they were kept shorter and as a result they were not fully managing to 1-3 year. The investments averaged one year rather than 1-3 years.

Mr. Oblites concluded by stating there have been improvements in the economy; a stabilization to the job market, growth in consumer spending fueled by stock market gain and stabilization in the real estate market. There is growth in the economy however slower than anticipated.

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

## **Agenda Item No. 2** **December 31, 2013 Investment Report**

CFO Rubaloff reported on December 31, 2013 Investments as follows:

- The District’s total cash and investments were \$322,522,690.00. Pooled cash increased \$19.7 million from September 30, 2013. Funds managed by fiscal trustees increased \$5.8 million from the prior quarter.
- During fourth quarter District started investing \$11 million of the 2012 promissory note proceeds. In addition, \$56 million of the 2013A bond proceeds were invested.
- The 2013 investment earnings budget was \$1.6 million for all funds. December 31, 2013 revenue (before year end accruals and adjustments) totaled \$1.5 million, 94% of the budget, slightly below target.

- This quarter the District underperformed the short-term benchmark (by .04%) and outperformed the mid-term benchmark (by .22%).
- Graphs provided for the investment report included:
  - Pie chart of District cash and investment by type, and
  - Bar graph of the mid-term securities investment maturities.

AGM Collins pointed out banking fees continue to decrease thanks to the effort by Finance staff.

**RECOMMENDATION: Motioned by Dotson and seconded by Wieskamp that Finance Committee recommend to the full Board of Directors approval of the December 31, 2013 Investment Report. Motion Approved.**

**Agenda Item No. 3**  
**Fourth Quarter 2013 Preliminary Unaudited Financial Statements**

Assistant Finance Officer Deborah Spaulding reported on the District's preliminary unaudited financial statements at the end of the fourth quarter of 2013, including comparison with the fourth quarter of 2012. The preliminary report was for the committee's information only. Final amounts will be presented to the Finance Committee in May with the draft 2013 CAFR (Comprehensive Annual Financial Report). At that time, a recommendation will be requested to submit the final 2013 amounts, as presented in the CAFR, to the Board of Directors.

Information provided on the December 31, 2013 and 2012 financial statements follows:

Preliminary General Fund Comparative Statement of Revenues and Expenditures illustrated that revenue posted as of the report date was \$112.4 million (including transfers in), without year end accruals. It is anticipated that final revenue will be approximately \$118.3 million, \$9.2 million greater than 2012.

- Property tax revenue increased in 2013 due to one-time payments from RDAs (Redevelopment Agencies) and improved property assessed valuation. Additionally, the auditor-required change in recognition of earned property tax revenue will result in a one-time increase of \$3.6 million in 2013 property tax revenue. Thus, total property tax is forecasted to be approximately \$7.2 million greater in 2013 than in 2012.

AGM Collins clarified to the Committee that previously the District addressed the timing issue between the fiscal year and the calendar year by deferring a portion of property tax revenue received at year end. Revenue will no longer be deferred, per auditor instructions. CFO Rubaloff added this change has a one-time impact on only 2013 revenue.

- Property Usage was higher due to \$900,000 payment from Dumbarton Quarry tipping fee increase.

Committee Member Wieskamp asked if the \$900,000 is going to be typical revenue from tipping fees in the future. CFO Rubaloff advised she assumes it will be around this amount for a while.

General Fund expenditures, as of the date of the report, totaled \$97.2 (excluding transfers out), \$108.0 million (including transfers out). Total uses are projected to be greater than 2012 by approximately \$1.2 million.

- Salary & Benefits increased due to COLA and one-time payment to managers and confidentials. Pension and benefit cost also increased.
- Other Services were higher due to rental of the new Pacheco service yard.
- Debt Service, related to the helicopter capital lease was paid in full in 2012, and thus zero in the General Fund in 2013.

Committee Member Whitney Dotson asked how much the helicopter payments were. CFO Rubaloff responded \$794,000 a year.

2013 General Fund is anticipated to have \$10.3 million revenue in excess of expenditures, compared to \$2.3 million in 2012.

Assistant Financial Officer Spaulding continued her report:

- Special Revenue Fund  
Transfers in revenue were \$7 million lower than in prior year due to reduced reimbursements in local grants programs. Expenditures decreased primarily related to payments to agencies for Measure WW local grants.
- Project Funds  
\$80 million in Measure WW bonds were sold in July 2013, increasing revenue. This was offset by decrease in grant revenue, and transfers in.

CFO Rubaloff clarified the \$80 million of the 2013 Measure WW bond proceeds were recorded as revenue, as required by the modified accrual basis of accounting.

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

#### **Agenda Item No. 4** **Fourth Quarter 2013 Preliminary Budget to Actual Report**

Budget Manager Pam Burnor reported on the comparison between the District's General Fund actual revenue and expenditure and the final budgeted amounts as of December 31, 2013. Summaries of the budget to actual information for General Fund and special revenue funds were provided. The summary of the General Fund actual expenditures compared to the appropriations was also presented by division.

It was noted that December 31, 2013 actuals were still subject to change, as year-end entries continue to be recorded.

## **General Fund**

2013 General Fund revenue (excluding transfers in) received through December 31, 2013 was \$112.4 (including transfers in). Revenue exceeded the annual budget by \$3.3 million. It was noted that adjustments are still being posted to the 12/31/13 amounts.

2013 General Fund actual expenditures (excluding encumbrances and transfers out) were \$97.2 million, 94.4% of the 2013 appropriations. The final budget to actual comparison for 2012 resulted in 95.8% of budgeted expenditures.

Preliminary numbers for 2013 indicated that General Fund revenue exceeded budget. Preliminary numbers for General Fund expenditures were less than appropriated. After transfers were considered, and year end entries posted, the net change to the General Fund balance is currently estimated to be \$10.3 million to the positive.

AGM Collins advised the committee that this was the first snapshot of the District's year end results for 2013. The report is positive, with a modest General Fund tax revenue base budget growth. The General Fund is projected to end the year about 4% under budget. It is anticipated that there will be one-time funds available at year end after the audit, in the range of \$10 million. During 2013 the Board passed the Fund Balance Reserve Policy, which states that excess fund balance will be used to satisfy the annual funding requirements of the Major Infrastructure Renovation and Replacement Fund.

PAC Member Bruce Kern commended finance staff for the great job on the transparency of the information and the detail. Mr. Kern continued that one doesn't see this transparency and detail in other public agencies, and he noted that he has been in this environment for a quite some time. Committee Member Wieskamp also commented on the CFO's tremendous job. CFO Rubaloff reiterated finance's continuous goal to strive for accountability and transparency.

## **Agenda Item No. 5**

### **Request to Cancel March 2014 Finance Committee Meeting**

CFO Rubaloff requested cancellation of the March 2014 finance committee as there is nothing on the work plan or agenda for March.

**RECOMMENDATION: Motioned by Wieskamp and seconded by Dotson that Finance Committee recommends to the full Board of Directors approval to cancel March 2014 Finance Committee meeting. Motion Approved.**

## **Item No. 6**

### **Public Comment**

None.

Committee Member Wieskamp adjourned the meeting at 2:00 PM.

Next meeting is April 23, 2014 at 12:45 pm.