

AGENDA
REGULAR MEETING
BOARD OF DIRECTORS

EAST BAY REGIONAL PARK DISTRICT

Tuesday, July 1, 2014

C. BUSINESS BEFORE THE BOARD

7. CONSENT CALENDAR

- a. Finance Committee Minutes and Recommended Actions from the
May 28, 2014 (Wieskamp)

Attendees

Board: Directors Ayn Wieskamp (Alternate for Ted Radke), Whitney Dotson and Doug Siden

Staff: Robert E. Doyle, Dave Collins, Cinde Rubaloff, David Sumner, Deborah Spaulding, Pam Burnor, Kim Balingit, Nadine Vargus, Anna Fong, Paul Ferrario, Ted Radosevich, Sharon Corkin, and Mimi Waluch.

Speakers: Ki Lam from Vavrinek, Trine, Day and Company

Public: None.

Alternate committee member Ayn Wieskamp began the meeting at 12:45 PM with the introduction of committee members.

Agenda Item No. 1

Draft 2013 Comprehensive Annual Financial Report, SAS 114 Auditor's Communications with Those Charged with Governance, Agreed Upon Procedure Applied to Appropriations Limit Calculation

CFO Cinde Rubaloff introduced the District's 2013 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, 2013 audit resulted in a "clean" unmodified opinion from the auditors.

Ki Lam from Vavrinek, Trine, Day and Company (VTD) was introduced and she 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. Ki Lam stated that during the 2013 audit there was one uncorrected immaterial misstatement which was discussed with management.

Committee member Doug Siden commended staff on a job well done; in addition he asked if depreciation on capital assets is noted in the CAFR. CFO Rubaloff pointed out where total depreciation was located in the CAFR and clarified that depreciation is one of the estimates included in the financial information. She added that the District uses the standard asset lives and does straight line depreciation.

CFO Rubaloff thanked Ki Lam for her information and proceeded to present details of the 2013 CAFR:

- Net position in the government-wide statements, which are presented on a full accrual basis, increased \$82.2 million during 2013 to \$721.4 million. \$62.7 million of the increase was produced by the recognition of 100% of the 2013/2014 fiscal year property tax levy in the District's financial statements.

CFO Rubaloff explained the large increase compared to prior years - in 2013 the District changed how it recognizes property taxes. The property tax fiscal year is July 1 to June 30, and the District's is December 31 year end. Prior to 2013, the District recognized 50% of property taxes for the current levy year as of December 31, as well as 50% of the prior year levy, which coincided with our calendar year. During review of the 2012 audit, the review partner advised that 100% of the levy amount should be recognized on July 1st of each year. The District made the change in 2013, recognizing 100% of the 2013/2014 levy on a full accrual basis per auditor's request.

NOTE CHANGE—SUBSEQUENT TO THE FINANCE COMMITTEE MEETING, THE CAFR WAS REVISED TO RESTATE BEGINNING NET POSITION AND REMOVE ADJUSTMENT FOR CHANGE IN PROPERTY RECOGNITION FROM 2013 REVENUE.

- Total government fund's fund balance reported on the fund financial statements, which are reported on a modified accrual basis of accounting; all had positive changes in fund balance/net position in 2013 totaling \$293 million.
- Total internal service funds' net position, which is presented on a full accrual basis of accounting, increased \$2.4 million during 2013 to \$21 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 (\$9.7 million),
- The government-wide statements do not include capital asset costs as expenses (\$17.9 million),
- Government-wide statements do not include debt service principal payments as expenses (\$14.4 million).
- Government-wide statements do not include bond issuance as revenue (\$84.7 million), and
- Government-wide statements recognize revenues earned but unavailable, unlike fund financial statements (net amount of \$64.4 million).
- General Fund fund balance, included in the fund financial statements increased \$10.2 million.
 - Revenues totaled \$117.5 million, a (one-time) increase of \$10.4 million from 2012. The increases were in property tax and property usage - the property tax increase was the result of one time payments from Redevelopment Agencies (RDA); property usage increase resulted from tipping fees at Dumbarton Quarry.
 - Expenditures totaled \$97.3 million, which was comparable to 2012.
 - General Fund transfers out totaled \$10.9 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 ending results of the 2013 year are an excess of \$6.9 million in unassigned fund balance. 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.

Committee member Wieskamp asked if 32% in the reserved unassigned fund balance remains an adequate amount. CFO Rubaloff responded yes, the criteria will be reviewed every five years and adjustments made.

Committee member Siden asked for explanation on “non-major governmental funds”. CFO Rubaloff explained the District has three major funds: General Fund, Debt Service Fund and Project Fund. All the other governmental funds are “non-major governmental funds” and reported in total in the basic financial statements. The detail for each fund is located in back of the CAFR in the Supplementary Information section.

CFO Rubaloff continued to report on the District's funding of retiree benefits.

- EBRPD General Employee Plan 65.2% funded
- EBRPD Sworn Safety Plan 59.2% funded
- CalPERS Miscellaneous Plan 75.2% funded
- OPEB Plan 48.4% funded

GM Doyle commented that the funding status of retiree benefit obligations was an issue during the recession, as cities and counties under-funded their requirements. The District's Board, on the other hand, has approved staff's past recommendations, to use one-time surplus to provide additional funding for our retirement liabilities, protecting retiree benefits. CFO Rubaloff added the District is doing an excellent job in funding employee benefits. AGM Dave Collins noted the unfunded liabilities in dollars are also important to mention: the EBRPD Retirement Plan,

Public Safety has a \$2 million unfunded liability, and a \$17 million liability for the General Employee portion. The CalPERS Miscellaneous plan has a \$51million unfunded liability, and OPEB, \$28 million.

Committee member Wieskamp inquired how the District compares to other agencies in funding contributions. CFO Rubaloff responded District is in the top tier, adding that with CalPERS, you have to fund what they require.

Committee member Siden asked when the Public Safety labor negotiations take place. AGM Collins responded this fall.

GM Doyle acknowledged CFO Rubaloff's determination to get this year's CAFR completed before retiring and getting people trained. He expressed that this was not only a professional commitment but a personal commitment and it shows in the clean audit.

Committee member Siden asked for explanation of the chart on page 123 in the CAFR. CFO Rubaloff advised District is required to do a statistical section. The schedule on page 123 provides information on the different categories of fund balances for the past 10 years. The schedule is divided into General Fund balances and other governmental fund balances. GM Doyle requested an example on the Other Governmental Funds. CFO Rubaloff referred to page 74 of the CAFR, the combining schedule for non-major governmental funds, which are included as other governmental funds, as well as the debt fund and the project fund.

CFO Rubaloff thanked the Finance Staff (Kim Balingit, David Sumner, and Deborah Spaulding) and the auditors for their assistance and asked for Committee recommendation.

RECOMMENDATION: Motioned by Doug Siden and seconded by Whitney Dotson 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. 2 **Annual Risk Management Report**

District Counsel Ted Radosevich introduced Analyst Anna Fong and Paul Ferrario who provided an overview on the worker's compensation program and the safety/training programs.

Analyst 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. A record low number of 94 work-related injuries were reported in 2013, decreasing 46% from the previous year. The downward trend was due to increased training, more tailgate safety meetings out in the field and frequent safety committee meetings. The decrease in claims should be reflected in decreased claim costs, however medical, administrative and litigation costs continue to rise.

The challenge to the worker's compensation exposure is controlling the escalating medical through management of expenses and proactive settlements.

- 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.
- Staff assessed the cost benefit of "selling" older workers compensation claims (the tail) to a third party, however the costs were prohibitive at this time.

Committee member Wieskamp complimented staff on the overall claim and injury level decrease.

Committee member Siden requested clarification on the Districts joint arrangement with the City of Concord in relationship to earthquake insurance. Analyst Paul Ferrario advised that the District and the City of Concord have jointly purchased coverage; the District's insured properties and the City's insured properties are located on different fault lines, with the likelihood of both faults moving at the same time small. Thus the cost of insurance for both the District and the City is reduced.

Analyst Ferrario provided an overview of the Districts' Safety and Training Programs. The District controls and prevents injuries and accidents through various trainings and practices. The best way the District has to combat the high cost of worker's compensation and liability claims is to continue to emphasize safety for both staff and the public through training. There are ongoing annual trainings within parks and the annual Safety Academy where employees are trained on general topics and individual training on unique issues.

Counsel Radosevich closed with comments related to unemployment insurance costs and Congressional extension of unemployment benefits.

RECOMMENDATION: Motioned by Whitney Dotson and seconded by Doug Siden that the Finance Committee recommends to the full Board of Directors for renewal of the existing insurance programs of workers' compensation excess insurance at \$375,000, property insurance at \$405,000, general liability insurance at \$352,000, watercraft insurance at \$3,000, aviation insurance at \$150,000, crime insurance at \$4,500 and \$1,900 for cyber liability coverage. Motion Approved.

Agenda Item No. 3 **2014 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 eight 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:

- \$11,056 will be returned to Measure AA allocation areas,
- \$10,000 will be returned to Measure WW allocation areas, and
- \$30,000 will be returned to the 2012 Promissory Note account

These funds will be available for future appropriation.

Other Than Asset (OTA) related projects

A total of nineteen OTA projects were recommended for closure. One project had an excess of \$156,153, which will be returned to its funding source, the Two County Trails LLD Fund. Two projects with excess District funding will provide resources to offset the two projects that were underfunded by \$1,659.

Committee member Siden had a question on attachment D, which detailed the “resource enhancement” projects closure, and the reference to permanent funds.

CFO Rubaloff advised that permanent funds are used for non-wasting endowments (corpus cannot be spent, only earnings). Previously permanent endowments were incorrectly combined into a special revenue fund with non-permanent endowments. Now all non-wasting endowments have separate permanent funds, as required by GASB, and are no longer tracked by “RE” project numbers. Thus all old “RE” projects were closed.

RECOMMENDATION: Motioned by Whitney Dotson and seconded by Doug Siden that the Finance Committee recommends to the full Board of Directors approval to review proposed closures, budgetary adjustments. Motioned approved.

Agenda Item No. 4

Contract for Services with Kevin Harper, CPA and Associates

AGM Collins reported the District’s Chief Financial Officer/Controller (CFO) position will be vacant between the departure of the current, retiring CFO and the appointment of a new CFO, which will occur upon completion of the recruitment. He stated that during this interim period, it was prudent for the District to seek the temporary services of a qualified individual to serve as an in-house resource to ensure uninterrupted technical support and administration of the District’s financial activities.

Mr. Kevin Harper, CPA has agreed to assist the District in this regard. It is anticipated that he will be in the office between 25 and 35 hours per week, as is deemed necessary. Mr. Harpers’ services will be billed monthly on a time and materials basis at the discounted rate of \$170 per hour.

RECOMMENDATION: Motioned by Doug Siden and seconded by Whitney Dotson that the Finance Committee recommends to the full Board of Directors approval to review proposal for provision of interim CFO services. Motion approved.

Agenda Item No. 5

Public Comment

District employee Sharon Corkin asked if Mr. Kevin Harper's contract for services was a competitive rate for services. AGM Collins responded Mr. Harper rate was discounted and he was actually chosen because of his past experience with the District. Committee member Wieskamp added Mr. Harper has a reputation as being competitive and he is willing to be flexible on a short term basis.

Committee member Siden thanked CFO Rubaloff for a terrific job during her tenure.

Committee member Wieskamp adjourned the meeting at 2:15 PM.

Next meeting is June 25, 2013 at 12:45 p.m.

Respectively Submitted,

Connie Swisher
Finance Department