

AGENDA  
REGULAR MEETING  
BOARD OF DIRECTORS

EAST BAY REGIONAL PARK DISTRICT

Tuesday, May 19, 2015

C. BUSINESS BEFORE THE BOARD

7. CONSENT CALENDAR

- b. Finance Committee Minutes and Recommended Actions from the March 25, 2015 Meeting (Lane)

Attendees

Board: Directors Beverly Lane, Ayn Wieskamp, Dennis Waespi

Staff: Robert E. Doyle, Dave Collins, Debra Auker, Deborah Spaulding, Pam Burnor, Kim Balingit, David Sumner, Jim O'Connor, Meadow D'Arcy, Sharon Corkin, Sukari Beshears

Speakers: Bartel Associates, John Bartel & Doug Pryor  
PFM, Director Carlos Oblites

Public: None

Committee chair Beverly Lane began the meeting at 12:30 PM with the introduction of committee members.

**Agenda Item No. 1**  
**Update on CalPERS Pension Actuarial Issues**

CFO Debra Auker introduced John Bartel and Doug Pryor with Bartel and Associates, the firm that provides actuarial information about the District's Pension Plans, including the requirements to implement GASB 67 and 68 for the CalPERS and EBRPD Retirement Plans. Additionally, Bartel and Associates provides annual updates on the status of the District's CalPERS retirement plans.

**CalPERS Actuarial Issues – 6/30/13 Valuation for Miscellaneous and Public Safety Plans**

John Bartel reported on the CalPERS Actuarial Issues – 6/30/13 Valuation for Miscellaneous and Public Safety Plans.

- The District's unfunded pension liabilities have decreased since our last review. The unfunded liability of the Miscellaneous Plan, based upon market value (MV) of assets, was \$68.0 million as of 6/30/13, down from \$75.5 million as of 6/30/12. The unfunded liability

of the Safety Plan, based upon MV of assets, was \$12.6 million as of 6/30/13, compared to \$13.7 million at 6/30/12.

- The 2014/15 employer pension contribution rate for miscellaneous employees is 21.9% and will increase to 22.5% in 2015/16. The employer rate for safety employees is 27.7%, and will decrease to 26.0% in 2015/16.

Committee chair Beverly Lane asked if the CalPERS Board decides on how to invest and if any restrictions. Bartel responded yes; Proposition 162 gave CalPERS the authority to invest the assets; generally 70% of the assets are invested in equities, some investments in real estate and bonds.

Bartel continued his report advising committee of the new GASB accounting standards effective for the District's current fiscal year. Beginning with the 2015 financial statements, the unfunded liability will be shown on the District's balance sheet whereas in the past it was not shown. It is projected, the June 30, 2014 unfunded liability will be about \$60M (estimate).

Committee chair Lane asked what the unfunded liability figure was in the past. Bartel advised under the old accounting rules the figure was zero, the old rules stated you did not put anything on the face of your financial statement unless you failed to make the contribution as required by the actuary.

AGM Dave Collins asked how the District compares to other agencies in general and what options do we have to try and moderate volatility. Bartel responded District is in better shape as compared to other agencies. Bartel also provided input on a new trust mechanism that some agencies are exploring in order to minimize volatility.

Committee member Dennis Waespi inquired if GASB only requires reporting the unfunded liability. Bartel replied that is correct.

AGM Collins added CalPERS charges the District each year based on the market value, what would that mean to the District on an annual basis. Bartel replied the amount the District will put on financial statement is the difference from one year to the next, it's the difference between those assets and liabilities and therefore the amount is subject to market volatility.

Committee member Ayn Wieskamp added her appreciation on what actuaries do.

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

## **Agenda Item No. 2**

### **PFM Investment Portfolio Update**

CFO Auker introduced Carlos Oblites, Director with PFM, the District's investment management firm. His presentation included a review of 2014 market conditions, a forecast for 2015, which included a discussion about projected interest rate movement and impact on the market value of the District's investment portfolio. Mr. Oblites discussed "2014 Review of Portfolio", a PFM

report which was an overview of the 2014 market, the impacts on the District's portfolio, PFM's approach to the District's portfolio, and projection for 2015. As background he noted that the District's fund investing is governed by California Gov't Code which restricts the District to short duration fixed income investments (bonds) and the District's own investment policy.

Mr. Oblites summarized the 2014 District portfolio accomplishments (related to the portion managed by PFM): 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) identified opportunities that added additional yield.

Chair Lane asked if the credit quality on investments is as high as it possibility could be?

Mr. Oblites responded the portfolio could consist entirely of AAA rated investments by buying US Gov't Securities, however the yield and total return would lag because you are purchasing safety and by this you would be giving up return. One of the reasons the District hires PFM is to do due diligence on credit related issues that are AA and AAA rated. The CA Gov't Code and District policy only allows investments of at least Grade A or above, which is higher than the industry standard *investment grade rating* of BBB.

Mr. Oblites continued to report on the portfolio returns. PFM strategy for the year proved to be effective. The portfolio return for the year exceeded the return of the benchmark; the total return was .71%, compared to the market at .62%, and compared to the State pool which was .24%.

Committee member Waespi asked what strategies were used to beat the benchmark.

Mr. Oblites responded a mix of investments however the biggest driver is the duration number of 1.73 years, the benchmark is 1.82 years.

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

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

#### **Benefit Provider Change from Lincoln Financial to GIGNA Group**

Human Resource Manager Sukari Beshears reported the District's broker of record is ABD Insurance and Financial Services. ABD reviews the Districts benefit plans and programs. Lincoln Financial is the current vendor for Life, AD&D and Long-Term Disability Insurance.

It has come to staff's attention that there have been issues over the past several years with response time and overpayment of funds by Lincoln Financial. As a result of the concerns and issues with Lincoln Financial, ABD opened a bid process for suitable vendors. The bid response yielded CIGNA Group and MHN.

ABD recommends CIGNA for the District's new service provider for the following reasons: 1) CIGNA Group has an "A" A.M Best Rating and 2) CIGNA Group provided a 3-year rate guarantee which includes the ability to sign the public safety group to this carrier as well. Lincoln Financial does not provide coverage to the public safety group.

GM Doyle reiterated there will be no change in coverage; it will save the District money for the same coverage.

**Recommendation:** Approved by Ayn Wieskamp and seconded by Dennis Waespi that the Finance Committee recommends to the full Board acceptance to change the benefit vendor for Life Insurance, AD&D and Long-Term Disability Insurance from Lincoln Financial to CIGNA Group effective May 1, 2015. This will confirm a 3-year rate guarantee which saves the District \$60,885 over the term, and the District will also have the ability to cover all employees under one carrier. Motion Approved.

**Agenda Item No. 4**  
**Review of Election Costs**

CFO Auker reported the District's *Fiscal Policies* outline several areas in which it is prudent to set aside reserves (commit fund balance) for a probable yet non-recurring specific purpose. The Board of Directors has committed general fund balance for legal contingency, redevelopment tax increment funds, workers compensation claim contingency, election costs, etc.

The District's reserves for election costs are currently set at \$2.2 million, to be used in the event the District has a ballot measure or when elected officials encounter challengers and the District is required to include Board of Director positions on the election ballot. This committed fund balance eliminates the necessity of appropriating extraordinary operating funds during election years, thus stabilizing operating expenditures. Additionally, the obligation of election costs is often not known until the candidate filing deadlines, mid-way through the budget cycle. The 2014 election expense of approximately \$500,000; which has been drawn from the reserve, will be proposed for replenishment at mid-year or in the 2016 budget.

The \$2.2 million reserve is based on the estimates received by the County election office in both Contra Costa and Alameda counties. The Counties recommend that the District budget \$5.00 per registered voter, per election item. Under ordinary circumstances there may be up to four contested seats on the Board of Directors on any one election cycle; although it is possible that unexpected vacancies could increase that number. The District may also include a ballot measure that would include registered voters of both counties. With an estimated 377,664 registered voters in our jurisdiction, equating to about 54,000 voters per ward, an election year combining a ballot measure and four ward elections could exceed \$2.9 million.

Below are historic Election Costs for the District:

2014	Contra Costa	Director election (one)	\$194,686
2014	Alameda	Director election (one)	\$325,132
2012	Contra Costa	Director election (one)	\$454
2012	Alameda	Director election (one)	None received
2008	Contra Costa	Measure WW ballot measure	\$860,678
2008	Alameda	Measure WW ballot measure	\$947,779

Committee member Wieskamp commented on the difference in cost between Contra Costa and Alameda County. AGM Collins responded the cost is based by voter, many of the District wards cross both counties. Committee chair Lane found it interesting the difference spent in 2008 compared to 2014, and asked if funds spent in 2008 were improvements to elections. AGM Collins responded that was WW funds.

Committee chair Lane recalled in the past elections costs were higher, and asked for explanation why cost is going down. AGM Collins replied it depends on the number of items on the ballot, in the past general elections there was a large number of items on the ballot.

GM Doyle added there is a fee for their purposes however it is the cost of printing; it's not just the size of the ballot its sharing that cost. GM Doyle gave an example if 12 agencies put items on the ballot they will share those costs, by population spread i.e. Berkeley has 20 items on the ballot Berkeley will pay a larger share.

AGM Collins mentioned the CC renewal: if it's placed on November ballot there will be more items to share the cost however, if District waits until June the District will pay a larger share of the cost. Collins also noted when the District puts a District-wide item on the ballot we are the largest client of both counties.

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

**Agenda Item No. 5**

**Fourth Quarter 2014 General Fund and Other Governmental Funds Financial Reports**

Assistant Finance Officer Deborah Spaulding reported on the General Fund and Other Governmental Funds Financial reports adding that this is a new format for quarterly financial reporting, combing budget and expenditure information in a single report.

As of December 31, 2014 the Districts financial activities are as expected when compared to prior year and to the current year budget.

**General Fund Revenues & Expenditures as of December 31, 2014**

Both revenues and actual expenditures are on track for the year.

<b>General Fund</b> <i>(in millions)</i>	Budget 2014	Actual thru 12/31/14	variance	% of Budget Complete
Revenue	\$ 111.1	\$ 117.9	\$ 6.8	106.1%
Expenditures	\$ 129.1	\$ 123.1	\$ 6.0	95.4%
net change in Fund Balance	\$ (18.0)	\$ (5.2)	\$ 12.8	

The Report attachments provided additional information on the General Fund Revenue and Expenditures and commenting on areas with revenues or expenditures 10% higher or lower than prior year (with explanation) and summarized financial information for all other governmental funds.

Assistant Finance Officer Spaulding added the increase in actual revenues is mainly due to property taxes coming in higher than budgeted.

Committee chair Lane asked where the one time Redevelopment money is located. AGM Collins replied Redevelopment money is recognized in the General Fund Revenues. CFO Auker noted all Redevelopment money is shown in the General Fund as property tax and added she will supply a report to the committee stating what portion of property taxes are Redevelopment monies.

Assistant Finance Officer Spaulding continued to report on the status of the General Fund Unassigned Fund Balance providing that the Unaudited Estimated Ending Fund Balance at December 31, 2014 is \$46,232,363 which includes the \$37.7M target reserve per the District's policy and reductions for the replenishment of legal and elections contingencies during the year.

Committee chair Lane asked if District has \$37M in reserve. Assistant Finance Officer Spaulding replied yes, that is the District's target reserve. District currently has a total of \$46M in unassigned General Fund reserve.

Assistant Finance Officer Spaulding also reported in the Revenues and Expenditures for Other Governmental Funds stating:

- Special Revenue Funds – revenues and expenditures are as expected for this point in the year.
- Project Funds – revenues and expenditures are as expected for this point in the year.
- Debt Service Funds – revenues and expenditures are as expected for this point in the year.

**Recommendation:** Motioned by Ayn Wieskamp and Seconded by Dennis Waespi that the Finance Committee recommends to the full Board of Directors for approval of the Fourth Quarter 2014 General Fund and Other Governmental Funds Financial Reports. Motioned Approved.

## **Agenda Item No. 6**

### **Cancel April 29, 2015 Finance Committee meeting**

CFO Auker requested permission to cancel April 29, 2015 Finance Committee meeting.

All committee members agreed to cancel meeting.

## **Agenda Item No. 7**

### **Board Comments**

No comments

**Agenda Item No. 9**  
**Public Comment**

No public in attendance.

Chair Lane adjourned the meeting at 2:35 p.m.

Next meeting is May 27, 2015 at 12:30 p.m.

Respectfully submitted  
Connie Swisher  
Finance Department