

REGULAR MEETING
BOARD OF DIRECTORS

EAST BAY REGIONAL PARK DISTRICT

Tuesday, December 15, 2015

C. BUSINESS BEFORE THE BOARD

5. CONSENT CALENDAR

- d. Finance Committee Minutes and Recommended Actions from the August 26, 2015 (Lane)

Attendees

Board: Directors Beverly Lane, Ayn Wieskamp, Dennis Waespi

Staff: Robert E. Doyle, Dave Collins, Debra Auker, Deborah Spaulding, David Sumner, Meadow D'Arcy

Speakers: Mary Donovan, Insight Investments (formerly Cutwater Investor Services)

Public: Rick Rickard- PAC

Committee chair Beverly Lane began the meeting at 12:32 PM with the introduction of committee members.

Agenda Item No. 1

2015 Cutwater Investment Portfolio Performance and Market Update

CFO Debra Auker welcomed Mary Donovan (Senior Portfolio Manager) with Insight Investments (formerly Cutwater Investor Services). The District utilized Insight Investments as one of our investment managers. The District currently has \$40.4 million (54%) of our operating investment portfolio managed by Insight Investments. Mary Donovan reported on the status of the District's investments as of July 31, 2015 (note that Investment Report presented to the Finance Committee today is dated June 30, 2015, so information is not comparable).

Insight Mary Donovan gave a presentation that included:

- Market Environment & Strategies
- Portfolio Performance and Review

Ms. Donovan began by commenting on the market environment and the recent market volatility. Due to the recent volatility the Fed has postponed its anticipated increase in interest rates; adding that part of what we are witnessing with respect to the volatility is the overall weakness experienced in many of the global markets. The District's portfolio is structured with flexibility

allowing the District to respond to changing interest rates in the future, which will benefit the District as interest rates rise.

Ms. Donavon reported that the Fed Funds Target Rate remains at 0 to 25 basis points (0% interest rate to ½ of 1% interest rate). GDP improved in the second quarter from a negative to 2.3%. The national unemployment rate is at 5.3% and underemployment is at 10.4%.

Ms. Donavon reported year to date portfolio performance for the portion (approximately 50%) of the EBRPD portfolio managed by Insight Investments at 94 basis points as compared to the two-year treasury which has averaged 57 basis points. Regardless of market volatility the Districts portfolios overall performance has been good and outperformed benchmark in each period of review. In anticipation of the Fed increasing interest rates Insight has shorten the duration in the portfolio to 1.8 years.

As of July 31, 2015 the District portfolio consists of:

- 40.66% U.S. Instrumentality
- 25.91% U.S. Treasury
- 27.01% Corporate
- 6.18% Municipal
- .2% Cash

Ms. Donavon discussed the future objective for the portfolio is safety by continuing to select the highest rated investments and continuing to keep the duration relatively short term as rates begin to rise.

Committee member Dennis Waespi asked if the portfolio diversification and maturity distribution is different with other organizations Insight represents. Ms. Donavon responded no, from a duration management perspective it is consistent, keeping in mind every client has a unique portfolio.

Audit Manager David Sumner asked why the increase in food prices when energy prices are so low. Ms. Donavon stated energy prices are low because of global slow down and food prices are driven up due to drought conditions.

Recommendation: This item is informational only.

Agenda Item No. 2

2015/2016 Tax Levy for General Obligation Bonds Debt Service and Assessed Valuation Update

CFO Auker reported that on July 21, 2015, the Board of Directors approved Resolution 2015-07-218, authorizing staff to develop the 2015/2016 tax rate for the District's General Obligation Measure AA and Measure WW bonds.

- The resolution stated that staff would report the actual tax rate to the Finance Committee.
- The calculated ad valorem tax rate for 2015/2016 is .0067% per \$100 of assessed valuation (AV) (compared to .0085% in the prior year).
- This tax rate was reported to Alameda and Contra Costa County authorities on August 21, 2015. This amount is below the District's commitment to voters to keep the annual bond debt service at or below \$10/\$100,000 of AV.

CFO Auker reported that the 2015/2016 total AV has increased from the prior year by:

- Alameda County 2015/2016 total relevant AV has increased 7.75% from the prior year, is now 17% higher than in 2008/2009.
- Contra Costa County 2015/2016 total relevant AV increased 7.42% from the prior year, is 9% higher than in 2008/2009.

CFO Auker provided a chart showing history of assessed value amounts.

Committee chair Beverly Lane noted Alameda County's AV is 17% higher than 2008/2009 and Contra Costa County's is only 9% higher, she asked why the difference. CFO Auker and General Manager Robert E. Doyle advised that Contra Costa County's assessed values were decreased more (especially East Contra Costa County parcels) than Alameda County. The counties can only recover to base year levels plus 2% per year. Alameda County assessed values didn't get lowered as much as Contra Costa County.

Recommendation: This in an information item only.

Agenda Item No. 3

June 30, 2015 Investment Report

CFO Auker presented the June 30, 2015 Investment Report in accordance with State Law and the District's Investment Policy, and reported the grand total of the District's cash and investments as of June 30, 2015 equaled \$328,935,037.

Pooled cash managed by CFO/Controller increased \$39 million from March 31, 2015; this was expected because the second quarter revenue exceeded second quarter expenditures by approximately this amount.

The District's investments performed on target for short-term benchmark at .02%, and outperformed the mid-term benchmark at .23%

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 June 30, 2015 Investment Report. Motion Approved.

Agenda Item No. 4

Second Quarter 2015 General Fund and Other Governmental Funds Financial Reports

Assistant Finance Officer Deborah Spaulding reported on the General Fund and Other Governmental Funds Financial reports.

As of June 30, 2015 the Districts financial activities are as expected when compared to prior year and to the current year budget.

General Fund Revenues & Expenditures as of June 30, 2015

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

General Fund <i>(in millions)</i>	Budget 2015	Actual thru 6/30/15	<i>variance</i>	<i>% of Budget Complete</i>
Revenue	\$ 122.0	\$ 56.8	\$ (65.3)	46.5%
Expenditures	\$ 122.0	\$ 51.8	\$ 70.2	42.4%
net change in Fund Balance	\$ 0.1	\$ 5.0	\$ 4.9	

The report attachments provided additional information on the General Fund Revenue and Expenditures, 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 continued to report on the status of the General Fund Unassigned Fund Balance providing the table below. The table shows that the target Unassigned Fund Balance is \$39 million and the estimated ending fund balance based on budget is \$40.5 million.

Budgetary General Fund Unassigned Fund Balance

Beginning Unassigned Fund Balance (1/1/15)	\$ 48,820,556
2015 Budgeted Revenue	122,047,650
2015 Budgeted Expenditure	(121,955,151)
Replenish Legal Contingency Commitment	(1,000,000)
Replenish Election Costs Commitment	(600,000)
New One-Time Appropriations	(1,768,200)
Transfer to Major Infrastructure Renovation & Replacement Fund	(5,000,000)
Estimated Ending Budgetary Fund Balance (12/31/15)	<u>\$ 40,544,855</u>
Estimated Excess (deficit) over 32% Reserve	\$ 1,489,607
Reserve Target per Policy * (32% of annual revenue)	\$ 39,055,248

* The Fund Balance Reserve Policy states that 32% of annual revenue is the minimum reserve to be maintained by the District to provide emergency funding in the event of a disaster, temporary revenue shortfall, or other qualified circumstance. Use of the funds requires Board of Director approval.

Revenues and Expenditures for Other Governmental Funds

- Special Revenue Fund – expenditures appear low primarily because some local agencies have not yet requested reimbursement for Measure WW projects.
- Project Funds – revenues and expenditures are as expected for this point in the year.
- Debt Service Fund – revenues and expenditures are as expected for this point in the year.

Recommendation: Motioned by Dennis Waespi and seconded by Ayn Wieskamp that the Finance Committee recommends to the full Board of Directors for approval the Second Quarter 2015 General Fund & Other Governmental Funds Financial Report. Motion Approved.

Agenda Item No. 5 **Committee Member Comments**

CFO Auker provided committee with update on Community Facilities District (CFD) progress and advised that staff will bring highlights to October 2015 finance committee meeting.

Agenda Item No. 6 **Public Comment**

No public comment.

Committee chair Lane adjourned the meeting at 1:35 p.m.

Next meeting October 28, 2015 (Wednesday) at 12:30 p.m.

Respectfully submitted,

Connie Swisher
Finance