

REGULAR MEETING
BOARD OF DIRECTORS

EAST BAY REGIONAL PARK DISTRICT

Tuesday, December 15, 2015

C. BUSINESS BEFORE THE BOARD

5. CONSENT CALENDAR

- e. Finance Committee Minutes and Recommended Actions from the
September 30, 2015 (Lane)

Attendees

Board: Directors Beverly Lane, Ayn Wieskamp, Dennis Waespi

Staff: Dave Collins, Debra Auker, Deborah Spaulding, David Sumner, Pam Burnor, Kim Balingit, Meadow D'Arcy, Jim O'Connor, Steve Myli

Speakers: Doug Pryer and John Bartel, Bartel Associates, LLC

Public: Rick Rickard- PAC

Committee chair Beverly Lane began the meeting at 12:37 PM with the introduction of committee members.

Agenda Item No. 1

Actuarial Valuation for East Bay Regional Park District Retirement Plans (formerly Transamerica)

Assistant Finance Officer, Deborah Spaulding introduced John Bartel and Doug Pryor with Bartel Associates, LLC who provide actuarial information about EBRPD Retirement Plans.

January 1, 2014 Actuarial Valuation for EBRPD Retirement Plans

Bartel Associates, Doug Pryor reported on the January 1, 2015 Actuarial Valuation for East Bay Regional Park District (EBRPD) Miscellaneous and Public Safety Retirement Plans. These plans have been closed to new employees since 2000. The plan has 9 active employees at January 1, 2015.

Mr. Pryor reported that the current EBRPD Retirement Plans actuary report determined the District's annual required contribution (ARC) amount. The amount is \$2.2 million for General Employee Plan (compared to \$2 million in the prior year) and \$237,000 for Safety Plan (compared to \$222,000 in the prior year).

The employee rates remain 8.15% for management and 8.55% for other employees, 4% of which is contributed by the employee. There are no active employees in the Safety Plan so there is no contribution as a percent of salary.

Contributing the ARC amount each year funds the normal cost (the value of the benefit earned by employees during the current year), plus an amortized portion of the unfunded actuarially accrued liability (UAAL) (the projected value of future benefits).

The General Employee Plan's UAAL at January 1, 2015 was \$16.8 million, compared to \$16.9 million at 1/1/13. At January 1, 2015 the Miscellaneous Plan was 67% funded, compared to 65% in 2013.

The Safety Plan's UAAL in 2015 was \$1.8 million, compared to \$2 million at 1/1/13. 2015 funded status was 63%, compared to 59% in 2013.

The market value of total plan assets at January 1, 2015 were a little over \$39 million, compared to \$34.9 million at January 1, 2013. The expected rate of return, based upon our asset allocation, is 5.75% with a 60% confidence level.

Committee chair Beverly Lane asked when plans will have no active members.

Pryor advised hard to speculate, adding the average active age is close to 70; this group expected to retire within the next few years.

Committee member Ayn Wieskamp inquired if 67% and 63% funded status, for the General and Safety Plans respectively, are reasonable for this plan. Pryor replied yes. The District is on schedule to fund the plan going forward.

AGM David Collins asked what is the amortization schedule for the closed plans. Pryor responded nine years for both plans.

Pryor concluded his presentation outlining the implementation of the GASB 68 Pension Valuation on District's financial statements. Bartel Associates estimated the projected GASB 68 Net Pension Liability combined for the EBRPD General Employees and Sworn Safety Plans for 2015 will be \$14.9 million. Beginning in 2015 this liability will be reflected in the District's Comprehensive Annual Financial Report (CAFR).

Recommendation: Motioned by Dennis Waespi and seconded by Ayn Wieskamp that the Finance Committee recommends to the full Board acceptance of January 1, 2015 of the report of the Actuarial Valuation for EBRPD Retirement Plans. Motion Approved.

Agenda Item No. 2

Proposal to Establish a Pension Trust to Pre-fund CalPERS Pension Obligations

CFO Auker reported the District's CalPERS pension contribution rates have been increasingly steadily over the past years, and are expected to continue to increase due to CalPERS amortization method changes that became effective for 2015/2016, as well as reduced mortality rates. CFO Auker provided a table showing rates for Miscellaneous and Sworn Plans, with Bartel Associates rate projections for future years in green.

Year	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Misc.	21.9%	22.5%	23.5%	24.5%	25.5%	26.5%	26.8%	27.1%
Sworn	27.7%	26.0%	28.2%	29.6%	31.1%	32.6%	32.7%	32.9%

PFM Asset Management and PARS have established public agency trusts to “pre-fund” unfunded pension liabilities. This new alternative would allow the district to reduce its UAAL, while providing greater local control over assets and portfolio management. Funds invested in these 115 Trusts could be used only to make payments to CalPERS, or reimburse the District for CalPERS contributions.

Pre-funding CalPERS pensions through a separate pension trust would allow the district to establish a more stable funding level for pension contributions, and also reduce the District's total liability reflected on its financial statements. The benefit of this would be that the fund could be expected to provide an average investment return higher than the Districts pooled cash investment returns.

The District's actuary, Bartel Associates, LLC has suggested that the District investigate this opportunity.

Committee member Wieskamp asked of the pension trusts established how are they judged. CFO Auker advised committee the District staff would go through the RFP process; at this time both PARS and PFM Asset Management provide this service to manage investments that a trust would be held.

Committee member Waespi asked if PARS OPEB trust would provide the same amount of return as a PARS pension trust. John Bartel responded that PARS does not select the investments, the District would select investments.

Committee chair Lane requested information on why the average investment return would be higher or different than what the District currently has. CFO Auker explained the District's policy for pooled investments and the OPEB trust assets policies will have different requirements. The District's General investments are required to be kept to short term by State law, if District segregates a portion of assets for pension purposes this will allow a longer time to invest in a different format which is expected to produce higher returns.

Committee member Waespi requested explanation on the word “irrevocable”. John Bartel advised the word irrevocable in this case means the District has to meet certain revenue code

requirements and one of the requirements is when money is deposited into trust it can only be used to pay for the benefit for which it is was intended, the money in the trust can only be used to pay for those benefits.

Recommendation: Motioned by Ayn Wieskamp and seconded by Dennis Waespi that Finance Committee recommends to the full Board of Directors to further research the process for developing an Irrevocable Pension Trust fund, and return to the Finance Committee with a proposal for implementation at a later date. Motion Approved.

Agenda Item No. 3 **2015 Beacon Economics Forecast**

Assistant Finance Officer Deborah Spaulding presented a report to the Committee from Beacon Economics covering the 2015/16 and future property tax forecast and implications for the District's 2016 and future budgets.

Property tax revenues constitute approximately 80% of the District's General Fund revenues. To ensure that the District's budget is as accurate as possible, each year the District contracts with Beacon Economics to provide a forecast of changes to assessed valuation of property within the District, which then enables the District to project the changes to property tax revenues the District can expect to receive in future years.

- For the 2015/2016 fiscal year total gross assessed value (AV) was a 7.2% increase over the prior year, the strong growth can be attributed primarily to a robust real estate market in Alameda County. Defaults in foreclosures are gone from home sales; homes sales are now people looking at increasing home prices and sales.
- The supply of housing is increasing as permits being pulled in Alameda County is 116% higher in 2015 than in 2014. Contra Costa County is behind but Beacon expects will have a delayed increase in their housing prices.

Committee chair Lane asked why is Alameda County so far ahead of Contra Costa County on higher home prices. Asst. Finance Officer Spaulding responded that people are pushed out of high prices in San Francisco into the closer cities surrounding the city, once they are priced out of those cities they will move into Contra Costa County. The other piece Beacon mentioned is the foreclosures were slower to wind down in Contra Costa County, prices are still recovering more slowly.

- Current outlook for the East Bay economy remains positive. Home prices should continue to appreciate above historical averages in the near term, and home sales are projected to pick up in the coming years.
- Based on this, District is projecting in the 2016 budget that property values are growing 5% (this takes into consideration the Redevelopment Agency revenues).

Recommendation: This is an information item only.

Agenda Item No. 4
2015 Mid-year Update on Internal Audit Projects

Audit Manager David Sumner updated the Finance Committee on status of 2015 internal audit work plan accomplishments.

Audit Manager Sumner reported that during the period of January through August 2015, staff worked on twenty-four projects that included:

- Measure WW Grants

Committee chair Lane asked Audit Manager if he goes out to look at projects or primarily looks at financial information provided.

Audit Manager Sumner replied he looks at financial statements provided and upon completion of a project two members of the District go on a site visit; pictures of final project accompany final documentation. Audit Manager Sumner reported on the following audits:

- Review of Big Break Visitor Center Capitol Improvement Project
- Follow-up Review of Quarry Lakes Cash Handling Practices
- Review of Contra Loma Cash Handling Procedures

Committee member Lane asked if auditors go to sites unannounced. Audit manager Sumner replied he and staff go unannounced to audit sites. They keep the audit a surprise, hidden until an hour before departure and a call is made to make sure park supervisor will be present.

Audit Manager Sumner concluded his report advising the committee that the Operations Division has not responded to four 2014 audit recommendations on the following “Discussion Draft’s” and noted final version of the reports will be issued once the Operations Division responses are received:

- Follow-up Review of Tilden Merry-Go-Round
- Follow-up Review of Fleet Credit Cards
- Review of Roberts Cash Handling Procedures
- Review of YMCA Camp Arroyo Concession

Committee member Wieskamp asked if the Operations Division has a timeline on their response. AGM Jim O’Connor replied he will follow-up on discussion drafts. CFO Auker added Audit staff has made contact with Operations staff.

Recommendation: This item is informational only.

Agenda Item No. 5
Interim CFO/Controller Services

CFO Auker reported the General Manager has appointed the current Chief Financial Officer/Controller (CFO) Debra Auker as Acting AGM of Finance and Management Services upon Mr. Dave Collins retirement for approximately 4-6 months.

CFO Auker has selected Mr. Bill Zenoni to serve as interim CFO beginning on October 5, 2015.

Recommendation: This item is informational only.

Agenda Item No. 6
Committee Member Comments

Committee member Wieskamp advised committee she needs to depart the October 28, 2015 meeting by 1:45 pm.

Agenda Item No. 7
Public Comment

No Public comment.

Chair, Beverly Lane adjourned the meeting at 2:30 p.m.

Next meeting is October 28, 2015 at 12:30 p.m.