

AGENDA
REGULAR MEETING
BOARD OF DIRECTORS
EAST BAY REGIONAL PARK DISTRICT

Tuesday October 17, 2017

D. BUSINESS BEFORE THE BOARD

6. COMMITTEE REPORTS

- a. Finance Committee Minutes and Recommended Actions from the Meeting of August 23, 2017 (Wieskamp)

Attendees

Board: Directors Ayn Wieskamp, Whitney Dotson and Colin Coffey

Staff: Robert E. Doyle, Debra Auker, Deborah Spaulding, Michelle Strawson O'Hara, Kim Balingit, Pam Burnor, David Sumner, Meadow D'Arcy, Jamie LeBow, Caitlin Stone, Kelly Barrington, Mimi Waluch

Speakers: Bartel and Associates, Doug Pryor
PFM, Monique Spyke and Allison Kaune
PARS, Rachel Sanders
Highmark Capital Management, Andrew Brown

Public: Rick Rickard

Committee Chair Ayn Wieskamp began the meeting at 12:32 PM with the introduction of Committee members.

Agenda Item No. 1
Retiree Medical Trust Fund "OPEB" Actuarial Valuation

Assistant Finance Officer Deborah Spaulding introduced Doug Pryor with Bartel Associates, LLC who provide actuarial information about the District's other postemployment benefits plans (OPEB). Additionally, annually, Bartel and Associates, provides an update on the status of District's CalPERS retirement plans.

Bartel and Associates Doug Pryor, provided a summary of the most recently available June 30, 2015 report, including an illustration of the "implied subsidy" of allowing retirees to participate in the District's medical plan at the same cost as active employees, and a description of Actuarial Stand of Practice 6 (ASOP6) and its impact. Pryor advised that the impact of ASOP6 is included in the 2017/2018 annual required contribution (ARC) calculation and rates.

Pryor advised that the OPEB actuarial valuation determined the contribution rate for 2017 and 2018, which is 9.1%, a decrease from 2015/2016 contribution rate of 10.6%. The Trust's funded status improved to 59% as of June 30, 2015, adding that EBRPD is in the top tier of agencies in funding its OPEB obligation.

Pryor informed the Committee regarding the impact of implementing Government Accounting Standards Board (GASB) 74 and 75. These standards will require the District to include the value of unfunded retiree medical benefit liability on the financial statements. Based on current estimates, the District's OPEB liability will be approximately \$25 million in 2018. As the District continues to contribute to its OPEB Trust, the funded status of the Trust will improve.

Committee member Colin Coffey asked if contributions are based on a target for reaching fully funded liability. Pryor advised it is projected to take 14 years for OPEB Trust to be fully funded.

Agenda Item No. 2

June 30, 2017 Investment Report and Portfolio Review

AFO Spaulding presented the June 30, 2017 Investment Report in accordance with State Law and the District's Investment Policy, and informed the Committee the total of the District's cash and investments as of June 30, 2017, was \$248,340,808, an increase of \$37 million from last quarter, mainly due to the timing of receipt of property taxes.

- Pooled cash/investment managed by CFO was \$248.3 million
- Bond funds managed by fiscal agents totaled \$53.9 million.
- During the quarter ended June 30, 2017 the District earned \$727,601 in interest revenue and expended \$26,593 in investment management fees.

Graph handouts included comparative investment information, Districts' invested funds, information on securities held by PFM, District cash and investment by type along with Investment Performance Review from PFM.

AFO Spaulding introduced Ms. Monique Spyke and Allison Kaune, with PFM Group, the District's investment management firm.

PFM Spyke and Kuane initially presented the investment results for the second quarter of 2017, giving an overview of the market environment. PFM expects the economy to continue to improve, however, a rising interest rate environment is a challenge for government agencies to navigate. PFM will manage the portfolio duration close to the benchmark and continue to look for safety in adding to the portfolio returns.

Ms. Kuane's presentation included a forecast for 2017 market conditions, and explained how increasing interest rates will impact the market value of the District's investment portfolio.

Recommendation: Motioned by Whitney Dotson and seconded by Collin Coffey that the Finance Committee recommends to the full Board of Directors acceptance of the June 30, 2017 Investment Report. Motion Approved.

Agenda Item No. 3

Pension Trust Rate Stabilization Administration & Investment Management

AFO Spaulding recapped for the Committee that at the May 24, 2017 Finance Committee, Committee Members reviewed the CalPERS pension contribution rates and directed staff to make the following recommendations to the Board of Directors:

- Establish an irrevocable supplemental pension “Section 115 Trust” with Public Agency Retirement Services (PARS)
- Transfer \$3.5 million to PARS Section 115 Trust for District Miscellaneous Plan pension costs.
- Continue to fund the PARS section 115 Trust, ranging from \$2,000,000 to \$500,000 annually for the next ten years.

At the meeting the Finance Committee requested additional information regarding PARS and the investment strategy that would be used to manage these funds.

AFO Spaulding introduced Rachael Sanders, Manager of Retirement Programs, with PARS who provided an overview of their Pension Rate Stabilization Program (PRSP) and an additional presentation by Andrew Brown, Senior Portfolio Manager, with Highmark Capital Management who provided a review of Highmark’s investment program and information on the “moderately conservative” investment strategy for managing the District’s Pension Trust.

STRATEGY:	Equities	Fixed Income	Cash
Moderately Conservative	20-40%	50-80%	0-20%

The historical rate of returns are included in the table below:

STRATEGY:	1 year	3 year	5 year
Moderately Conservative	6.67%	3.64%	5.42%

Recommendation: None, this is an informational item only.

Agenda Item No. 4

Second Quarter 2017 General Fund and Other Governmental Funds Financial Report

Assistant Finance Officer Michelle Strawson O’Hara reported on the General Fund and Other Governmental Funds Financial reports.

As of June 30, 2017, the District’s financial activities are as expected when compared to prior year and to the current year budget.

General Fund Revenues & Expenditures as of June 30, 2017

General Fund	Budget	Actual	variance	% of Budget
	2017	thru 6/30/17		Complete
Revenue*	\$ 136,623,118	\$ 65,851,377	\$ 70,771,741	48.2%
Expenditures*	139,954,162	65,554,061	74,400,101	46.8%
net change in Fund Balance	\$ (3,331,045)	\$ 297,316	\$ 3,628,361	

* includes transfers

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

AFO Strawson O'Hara continued to report on the status of the General Fund Unassigned Fund Balance. The target Unassigned Fund Balance is \$43.7 million and the estimated ending fund balance based on budget is 47.3 million.

Revenues and Expenditures for Other Governmental Funds

- Special Revenue Fund – revenues and expenditures are as expected for this mid-point of the year.
- Project Funds – revenues are reflected at 77.5% of budget due to approval of the 2017 budget appropriations and related transfers-in which are recorded upon approval. Expenditures for the 2nd quarter include payments to restore the Dotson Marsh, complete solar project at Shadow Cliffs and for the SF Bay Trail.
- Debt Service Fund – revenues and expenditures are related to scheduled debt service payments for Measure AA and Measure WW bonds.

Committee chair Wieskamp inquire how many Public Safety positions are vacant. General Manager Robert E. Doyle replied eleven.

Recommendation: Motioned by Collin Coffey and seconded by Whitney Dotson that the Finance Committee recommends to the full board of Directors acceptance of Second Quarter 2017 General Fund and Other Governmental Funds Financial Reports. Motion Approved.

Agenda Item No. 5

Update on 2017 Internal Audit Projects

Audit Manager David Sumner updated the Finance Committee on the status of 2017 internal audit work plan accomplishments.

Audit Manager Sumner reported that during the period of January through July 2017, staff worked on 255 contracts and 11 projects that included:

- Measure WW Grants
- Review of Tilden Merry-Go-Round
- Review of Lake Chabot Regional Park Cash Handling Procedures
- Review of Capital Improvement Project on Shadow Cliffs Solar Panels installation
- Special Review of Kennedy Grove Park Cash Collection Activities

Audit Manager Sumner concluded by advising the Committee the audit staff does an annual assessment and determines which concessionaires will be audited along with any requests from the Operations Division.

Recommendation: None, this is an informational item only.

Agenda Item No. 6

Recommendation to Appoint Bond Financing Team for Bond Issuance

AFO Spaulding gave the Committee members a history of the Measure WW bond measure approved by voters in 2008, authorizing the District to sell \$500 million in General Obligation Bonds. To-date, \$160 million in bonds have been issued, and all but \$4 million of the funds have been spent. For this reason, it is necessary for the District to issue an additional \$80 million in Measure WW bonds by the end of 2017. To proceed with bond issuance and the advance refunding of 2009 Measure WW bonds, the District needs to select a financing team including Financial Advisor, Bond Counsel and Disclosure Counsel.

AFO Spaulding advised that staff completed an RFP and selected KNN Public Finance to serve as the District's primary Financial Advisor, with the firm of Fieldman Rolapp and Associates selected for future bond issuances. Jones Hall will serve as Bond Counsel and Disclosure Counsel. It was noted the financing team members will be paid from bond proceeds.

Committee members were given a handout illustrating KNN's schedule of the bond sale.

Committee member Coffey asked what type of firm is KNN. AFO Spaulding advised KNN is a small employee owned firm in California, adding that KNN specializes in General Obligation bonds.

The cost of the bond team is paid for out of the proceeds.

Recommendation: Motioned by Whitney Dotson and seconded by Colin Coffey that the Finance Committee recommends to the full Board of Directors acceptance to appoint a financing team and initiate the steps necessary to issue new Measure WW bonds and undertake an advance refunding for 2009 bonds. Motion approved.

Agenda Item No. 7

2017/2018 Tax Levy for General Obligation Bonds Debt Service and Assessed Valuation Update

AFO Spaulding reported that on August 8, 2017, the Board of Directors approved Resolution 2017-08-234, authorizing staff to develop the 2017/2018 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 2017/2018 is .0021% per \$100 of assessed valuation (AV) (compared to .0032% in the prior year).
- This tax rate was reported to Alameda and Contra Costa County authorities on August 21, 2017. 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.

AFO Spaulding reported that the 2017/2018 total AV has increased from the prior year by:

- Alameda County 2017/2018 AV increased 6.5% from the prior year.
- Contra Costa County 2017/2018 AV increased 5.6% from the prior year.

AFO Spaulding provided a chart showing history of assessed value amounts.

Recommendation: None, this is an information item only.

Agenda Item No. 8

Open Forum for Public Comment

No public.

Item No. 9

Committee Comments

None

Meeting adjourned 2:25 p.m.

Next meeting scheduled for October 25, 2017

Respectfully submitted,

Connie Swisher
Finance