



EAST BAY REGIONAL PARK DISTRICT  
**BOARD FINANCE COMMITTEE**  
AGENDA STATEMENT  
MEETING DATE – Monday March 28, 2018

**SUBJECT:** Overview of District Capital Bond Program

Prepared by: Pam Burnor, Budget Manager

**ATTACHMENTS:** None

**RECOMMENDATION:** This item is for information only.

**BACKGROUND:**

The District has a strong capital financing program. Annually the Assistant General Manager for Finance & Management Services/CFO provides a detailed overview of the capital finance program at Board Workshop #3, which is scheduled for April 27 this year. This report is to provide a preview of some components of the capital bond program.

- Measure AA, a \$225 million capital bond issuance, was approved by voters in November 1988. Staff manually tracks unappropriated funds for each allocation area. The remaining proceeds of approximately \$13.3 million and interest earned are accounted for in Fund 335. The entire voter authorization of bonds has been issued as noted below.
  - \$45 million General Obligation Bonds issued in 1989
  - \$60 million General Obligation Bonds issued in 1992
  - \$45 million General Obligation Bonds issued in 1995
  - \$35 million General Obligation Bonds issued in 1998
  - \$40 million General Obligation Bonds issued 2006
- In 2008, voters approved an additional \$500 million in capital bond funding with Measure WW. An improved method of accounting for the various geographic areas was implemented to track allocation areas and appropriations within the District's accounting system, so that there would be minimal reconciliation required. \$240 million of the \$500 million authorized has been issued and of that amount the District has current proceeds and interest earned on hand of approximately \$85 million in Fund 337.
  - \$80 million General Obligation Bonds issued in 2009
  - \$80 million General Obligation Bonds issued in 2013
  - \$80 million General Obligation Bonds issued in 2017 (portion as Green Bonds)
- In 2012, the District took advantage of a low-cost funding opportunity and issued a \$25 million promissory note, to fund District facility improvements, such as the new Public Safety headquarters and service yard improvements, that are not eligible to use Measure AA or Measure WW funds. The remaining proceeds of approximately \$22.5 million are tracked in Fund 338.

The unspent portion of proceeds from each of these funding sources is invested and earns interest that can then be appropriated by the Board of Directors for eligible purposes.

**DESCRIPTION:**

Each of these bond measures was approved by the voters with a specific expenditure plan which is tracked in detail by the Finance Department. Funding is divided into three metros and further divided into allocation areas to assist with meeting commitments throughout the District. The Board has the ability to reallocate funds based on need, but is held to balance overall spending by metro area.

The bond program cycle each year includes the following actions:

- Appropriations of capital funds are approved by the Board of Directors during the annual budget process and throughout the year as projects become ready.
- Project expenditures are tracked in the District-wide financial system and job ledger. Projects are reviewed and audited regularly by the Grants and Finance Departments.
- Projects that are complete are marked inactive for a period to allow for project close-out review and reconciliation before projects are noted as complete in the financial system. This typically takes 6 months to a year.
- Interest earnings/losses are calculated and tracked annually for each bond program. Realized interest earnings are available as additional appropriations from time to time.

As noted above, the Capital Finance Board Workshop will provide many details as to the allocation of bonds and the status of spending. The purpose of this item is to provide an update of available interest and principal for each of the bond proceeds funds: Measure AA, Measure WW and 2012 Promissory Notes. Interest information will also be presented in Board workshop #3. At the District’s fiscal year end, staff reviews a snapshot of the status of each of these project funds.

Fund	Description	12/31/2017 Unaudited Interest Earned	Total Interest - Inception to 12/31/2017	Previously Appropriated Interest	Unappropriated Interest	Unappropriated Principal
335	Measure AA Project Funds	\$ 91,047	\$ 27,420,452	\$ 27,320,810	\$ 99,642	\$ 9,488,821
337	Measure WW Project Funds	115,124	1,247,506	200,000	1,047,506	221,586,451
338	2012 Promissory Note Funds	108,804	1,103,748	297,331	806,417	-

Bond interest represents investment earnings from the unspent bond proceeds. Interest earnings vary based on market conditions, and the amount invested.

Measure AA earned interest of \$91,047 during 2017. Total unappropriated interest is \$99,642. Due to the bond requirements, interest is allocated with 75% available for acquisitions and 25% available for development projects. Any project that receives interest funding must meet Measure AA appropriation requirements.

Measure WW earned \$115,124 in 2017. This amount is added to earnings from prior years for a total of \$1,247,506. In 2014, Board members reviewed metro population changes and determined that Measure WW interest will be allocated to balance the population changes in the metros. According to the latest population reports the first \$4.1 million in interest earned must be allocated to areas within the Diablo metro.

The District's 2012 Promissory Note Fund earned \$108,804 in 2017. The fund has interest of \$806,417 available for appropriation.

On more than one occasion, investments have resulted in a loss at year end. These realized losses reduce fund balance. Staff suggest leaving an interest buffer amount in each fund to avoid potential over-appropriation of funds.

**RECOMMENDATION:**

This item is for information only.

THIS PAGE LEFT INTENTIONALLY BLANK



EAST BAY REGIONAL PARK DISTRICT  
**BOARD FINANCE COMMITTEE**  
AGENDA STATEMENT  
MEETING DATE – Wednesday, March 28, 2018

**SUBJECT:** Accounting Adjustment to Record Pension Trust

Prepared by: Michelle Strawson O'Hara, Assistant Finance Officer

**RECOMMENDATION:** Review the proposed report and direct staff to prepare the information and accounting adjustment for acceptance by the Board of Directors.

**DESCRIPTION:**

In order to comply with new guidance provided by the Governmental Accounting Standards Board (GASB) in December 2017 related to how pension liabilities are recorded, the District will be recording pension trust assets and the corresponding restricted fund balance in the General Fund rather than the Employee Benefits Internal Service Fund. This requires the Board to authorize a transfer of budgets and funds for the 2017 calendar year financial statements.

In September 2017, the Board of Directors approved the creation of an irrevocable supplemental pension "Section 115 Trust," to set aside funding for anticipated future increased costs of the District's CalPERS Miscellaneous Plan. The Board also approved a \$3.5 million contribution to this Section 115 Pension Trust.

At the time, the District was advised that certain accounting entries were required to establish the pension trust: first, to establish a new fiduciary fund, and second to transfer the \$3.5 million to this new fund. However, upon discussion with the District's auditing firm, Vavrinek, Trine & Day (VTD) in early 2018, it has been determined that the contribution to the Pension Trust should not be recorded in a separate fiduciary fund, and instead should be a restricted asset of the District General Fund.

VTD advised that the new Governmental Accounting Standards Board (GASB) implementation guide 2017-1 for GASB Statement 73 (Accounting and Financial Reporting for Pensions and Related Assets) superseded information that had previously been provided.

Staff will be recording the \$3.5 million contribution to the Pension Trust as a restricted asset within the General Fund. As such, the Board of Directors is asked to approve the transfer of the \$3.5 million from the Employee Benefits Fund back to the General Fund as restricted fund balance.

**RECOMMENDATION:**

Staff requests that the Board Finance Committee recommend to the full Board of Directors approval of the proposed accounting adjustment to record Pension Trust contributions as required by GASB Statement 73.

THIS PAGE LEFT INTENTIONALLY BLANK



EAST BAY REGIONAL PARK DISTRICT  
**BOARD FINANCE COMMITTEE**  
AGENDA STATEMENT  
MEETING DATE – Tuesday, March 28, 2018

**SUBJECT:** Contract for Actuarial Services  
  
Prepared by: Deborah Spaulding, Assistant Finance Officer

**ATTACHMENT:** None

**RECOMMENDATION:** Review the recommendation for selection of new vendor for actuarial advisory services and direct staff to prepare the information for approval by the Board of Directors.

**DESCRIPTION:**

The Park District is required to utilize the services of an actuary to calculate and report pension liabilities and annually required contributions, in accordance with the Governmental Accounting Standards Board (GASB).

Actuarial services are performed by a business professional, similar to an accountant or an attorney. But unlike those professionals, the actuary's job is to place dollar values on future contingent life events, such as death, disability, longevity, or retirement. Actuaries study probability and statistics, and obtain education and licensing credentials from several sources, including the federal government.

The District's actuaries provide information on the following retirement benefits:

1. District CalPERS Miscellaneous and Safety retirement plan
2. East Bay Regional Park District's Miscellaneous and Safety Retirement Plans (often referred to as the "Transamerica Plans")
3. District retiree medical benefits - Other Post-Employment Benefits (OPEB)

Background

Since 2004, the District has employed the actuarial firm Bartel Associates to provide actuarial and consulting services for the East Bay Regional Park District's retirement plans. These retirement plans served District staff prior to the transition to CalPERS. The actuarial data provided by Bartel Associates has enabled the District to set aside the required funding each year, such that benefits will be available for District retirees, as promised.

Beginning in 2006, the District expanded on its existing contract with Bartel Associates, requesting biennial actuarial studies of the costs of Other Post-Employment Benefits (OPEB) provided to retirees. In 2008, Bartel was contracted to complete an independent biennial review

of the District's CalPERS retirement plan, to determine whether additional funding of the CalPERS plans could reduce long-term costs.

#### Requests for Proposals & Evaluation Process

The District's contract with Bartel Associates expired in late 2017, and as per the District's purchasing requirements for contracts above \$50,000, a formal Request for Proposals (RFP) was conducted. Six actuarial firms responded to the RFP and the written proposals were scored by staff from the Finance Department. The top firms were invited to meet in person with District staff in Human Resources and Finance.

The actuarial firm proposals were evaluated based upon experience with other government entities similar to the East Bay Regional Park District, as well as based on the experience of the actuarial team that would be assigned to the District's, understanding of the District's pension and OPEB reporting needs, knowledge of PERS and GASB, their reporting and communication skills and strategies, and fee structure. Based upon that review, staff selected Van Iwaarden Associates as the firm offering the highest value service to the District.

Van Iwaarden Associates headquarters is located in Minneapolis, Minnesota; however, the firm has an office in San Francisco and currently provides actuarial services to many California clients, including the City of Richmond, Contra Costa Water District and California Superior Court System. Van Iwaarden's local government references were contacted, and the references provided very positive reviews of the service provided as well as strong assurances regarding the relative ease of converting to a new actuarial firm. Van Iwaarden provided sample reports that demonstrate their ability to explain complex accounting and actuarial concepts to a wide audience. The new contract is expected not to exceed \$135,000 over the five-year period.

#### **RECOMMENDATION:**

Staff requests that the Board Finance Committee recommend to the full Board of Directors approval of a five-year agreement with Van Iwaarden Associates for actuarial services.



EAST BAY REGIONAL PARK DISTRICT  
**BOARD FINANCE COMMITTEE**  
AGENDA STATEMENT  
MEETING DATE – Wednesday, March 28, 2018

**SUBJECT:** Deferred Compensation Advisory Committee Update

Prepared by: Deborah Spaulding, Assistant Finance Officer

**RECOMMENDATION:** This report is informational only. No action required.

**DESCRIPTION:**

In October 2017, the Board of Directors approved a new contract with ICMA-RC for administration of the District's 457(b) and 401 Deferred Compensation Plans (DC Plans). ICMA-RC has served as the District's DC Plan administrator since 1981, however, the previous contract had not been amended since 2007. Along with the new contract, the District created a new Deferred Compensation Advisory Committee, made up of District staff and retirees, to provide additional oversight to the District's 457 (b) Plan, which is available to all permanent District employees. The Deferred Compensation Advisory Committee is chaired by the Benefits Manager and includes one member from AFSCME, one member from the Police Association, one Retiree Association member, and one Finance Department representative. The committee meets quarterly and members serve for two-year terms. Committee members all must be invested in the 457(b) plan; they serve as volunteers and are not compensated beyond their regular Park District salary.

In total, 827 employees and retirees utilize the District's 457 and 401 DC Plans, and those members have over \$100 million in assets invested. One of the first changes made to the DC Plans through the new contract was to reduce of the plan administrative fees, from 14 basis points, to 4 basis points. Over a multi-year period, this fee reduction will save Plan members hundreds of dollars.

At the February meeting, the Advisory Committee proposed implementing the following in the coming year:

- 1) Adding an option to contribute to a Roth IRA – Employees will be given an opportunity to contribute up to \$5,500 (\$6,500 if over age 50) to a Roth IRA through a payroll deduction, in addition to their maximum 457 contributions. As Roth IRA contributions are “after-tax,” the benefit to employees of this new investment vehicle comes at age 59 ½, when funds may be withdrawn tax-free. The Roth IRA has income cap restrictions, as set by the IRS.
- 2) Adding a Roth option to the 457 Plan – Employees will be given an opportunity to contribute a portion or up to the entire annual maximum allowable for the 457 Plan to a Roth, through payroll deduction. Employees whose income disqualifies them for Roth IRA Contributions would be able to contribute to this Roth, up to the regular 457 Plan contribution limit of \$18,500 (\$24,000 if over age 50).

- 3) Provide the option for an in-service distribution – Would allow employees to roll other qualified plan assets (401k, 403b, IRAs) from a previous employer into the District’s DC Plan with the ability to withdraw those funds without penalty before separating from the District and prior to reaching age 59 ½.

Other changes that will be discussed by the Advisory Committee in the coming year include:

- 1) Establishing a “brokerage window” for DC Plan members that have plan assets above a certain dollar limit threshold, to allow for investments outside of the current investment choices provided in the standard ICMA-RC plan.
- 2) Automatic rebalancing of DC Plan assets if requested by members.
- 3) Improved communication and education for District employees regarding DC Plan benefits.

The Advisory Committee will be distributing a survey to employees and retirees, to gather information regarding needs and to obtain ideas for enhancing the District’s DC Plan offerings.

**RECOMMENDATION:**

This is for information only. No action is required.