

AGENDA  
REGULAR MEETING  
BOARD OF DIRECTORS

EAST BAY REGIONAL PARK DISTRICT

Tuesday, March 6, 2018

C. BUSINESS BEFORE THE BOARD

7. COMMITTEE REPORTS

- a. Finance Committee Minutes and Recommended Actions from the Meeting of January 24, 2018 (Corbett)

Attendees

Board: Directors Ellen Corbett, Dee Rosario and Colin Coffey

Staff: Robert E. Doyle, Ana Alvarez, Debra Auker, Deborah Spaulding, Michelle Strawson O'Hara, Pam Burnor, Kim Balingit, David Sumner, Connie Swisher, Bob Nisbet, Ren Bates, Aaron Roth, Meadow D'Arcy, Ruby Tumber

Speakers: David Showalter, Partner with Vavrinek, Trine, Day & Co., LLP  
Jeff Nipp, Senior Investment Consultant, Milliman, Inc.

Public: Rick Rickard

Committee Chair Ellen Corbett began the meeting at 12:38 PM with the introduction of Committee members.

**Agenda Item No. 1**

**Financial Audit Planning Memo for the Year Ended December 31, 2017**

Assistant Finance Officer Michelle Strawson O'Hara advised the Committee that the District prepares annual financial statements that are audited by an independent auditor Vavrinek, Trine, Day and Company, LLP (VTD) and the auditors have provided a standard engagement letter for the audit year ending December 31, 2017.

AFO Strawson O'Hara summarized the Audit Engagement / Planning memo as follows:

- Audit services will be provided in accordance with the proposal and contract issued in 2014.

- Auditors will perform the audit in accordance with Government Audit Standards and list all disclaimers of what they are not required to do as part of audit.
- Auditors will express an opinion as to whether the basic financial statements are fairly presented, in all material respects, in conformity with U.S. Generally Accepted Accounting Principles.
- Auditors will comment on internal controls that could have a material effect on the financial statements.
- Auditors will comment on internal controls that relate to major federal grant programs.

Committee member Colin Coffey requested confirmation the District's original contract with VTD was in 2014. Assistant General Manager/Chief Finance Officer Debra Auker clarified it is the District's second contract with VTD. The District did an RFP in 2009 and again 2014; both times, VTD was selected as the best value firm. However, as required by State Government Code, VTD has rotated the Lead Audit Partner for the District three times, such that each Audit Partner has served in that role for fewer than five consecutive years.

Committee member Dee Rosario asked if VTD's fee is based on the amount of work or on a percentage. AGM/CFO Auker explained VTD's scope of work includes the full audit and optional items i.e. Single Audit and two federal programs, if additional federal programs are needed and exceeds their fee schedule they will charge additional fees.

AFO Strawson O'Hara introduced David Showalter with VTD, Audit Partner for the District.

Mr. Showalter provided handouts and gave a detailed scope of the audit process to the committee members.

Committee member Coffey asked if the Finance Committee meets with auditors in private at the completion of the audit. AGM/AFO Auker responded no. The District's practice is to bring the audit firm back to the June Finance Committee public meeting. Committee member Coffey suggested that this would be a good practice to begin.

**Recommendation: This item is informational only.**

## **Agenda Item No. 2**

### **District's 2018 Investment Policy Review and Update on Investment Strategy**

Assistant Finance Officer Deborah Spaulding advised that each year, the East Bay Regional Park District updates its Investment Policy. Finance staff reviews the policy with its investment advisor, PFM, before it is presented to the Finance Committee. After Finance Committee review, the Policy is brought to the full Board of Directors for approval. This year, five changes to the Investment Policy are recommended:

- Clearly identify the investment rating category allowed in the District's portfolio, by adding quotation marks around the letter "A".

- Add “Asset-Backed Securities (ABS) as a permitted investment. ABS are securities with income payments and value derived from the underlying assets. The reason for addition is for diversification.
- Allow the District to invest in instruments with maturities exceeding five years.
- Clarify changing the reporting requirement to periodic, to allow more flexibility. Staff will continue to provide the quarterly investment reports as required by the Board Operating Guidelines.
- Change the performance benchmark language so that the performance of District investments are compared to an appropriate benchmark, rather than the average yield on the US Treasury security.

Committee member Coffey requested clarification on the Investment Policy Certification Program of the California Municipal Treasurers Association (CMTA). AFO Spaulding stated CMTA is a third party that reviews the District’s investment policy, for best practice procedures: it is an added assurance the District’s policy meets guidelines.

Committee member Coffey stated that he appreciated that the District’s environment ethos extends into its investment policy and inquired whether there has been consideration regarding social justice issues.

AGM/AFO Auker responded that Finance staff has heard this comment from other board members as well. While the District would not want to sell an investment and incur a loss unless it were an urgent issue, it does have the ability to cycle investments out as they mature.

AFO Spaulding added that other government agencies are also interested in understanding the impact of their investments on social justice issues, and that PFM, the District’s Investment Advisor is investigating a new tool that would allow clients to view their investment portfolio through a lens of “sustainable-analytics.”

**Recommendation: Motioned by Dee Rosario and seconded by Colin Coffey that the Finance Committee recommends to the full Board of Directors for approval of the 2018 Investment Policy for District funds. Motion approved.**

**Agenda Item No. 3**  
**East Bay Regional Park District Retirement Plans Investment Policy Review**

AFO Spaulding provided background information on the East Bay Regional Park District Retirement Plans, and reported that staff has completed a review of the EBRPD Retirement Plans Investment Policy with its retirement investment advisor at Milliman. Spaulding introduced Jeff Nipp, Senior Investment Consultant with Milliman.

Mr. Nipp explained that the following changes to the East Bay Regional Park District Retirement Plan Investment Policy are recommended:

- In Section 1.1, replace “East Bay Regional Park District” with “Board of Directors of the East Bay Regional Park District.”
- In Section 1.5: change language to clarify the Board of Directors fiduciary role and the Board Finance Committee’s responsibility to make recommendations to the Board of Directors regarding the Investment Policy, and to select the professional investment managers who supervise investments of the pension assets.

Committee chair Corbett asked for an explanation of the language changes regarding the role of the Board Directors.

AGM/CFO Auker explained the change is to clarify that the Board of Directors role in the investment management process is supervisory not advisory. The new language is not asking the Board to advise staff on types of investments but rather supervise the program in accordance with Board Operating Guidelines.

Mr. Nipp explained other proposed changes to the EBRPD Retirement Plans:

- In Sections 3.2 and 3.3 changes to the benchmark index are intended to better reflect the investment strategies being used in each asset allocation class.
- In Section 4.0 – remove reference to Schedule II, which is no longer applicable.
- In Section 6.0 – change in wording to reflect the current investment strategy for the Retirement Plans, which includes the use of mutual fund investments.
- In Section 7.4 and 7.7 – new language added to reflect recent best practices in pension investments. Fund manager may be permitted under the terms of their specific investment guidelines to use derivative instruments.
- In Section 7.7 – language clarifies the District Retirement Plan funds are invested in mutual funds.

Committee member Coffey noted the term “derivative” became a dirty word after the collapse of Leman, and for the record the District is not going in that direction.

Mr. Nipp agreed and noted that derivatives are now used in many mutual funds and bond funds as a way to reduce risk and protect against interest rate changes. The proposed changes to the Investment Policy are intended to reflect the way in which the mutual funds and bond funds already in the District’s portfolio are managing risk.

**Recommendation: Motioned by Colin Coffey and seconded by Dee Rosario that the Finance Committee recommends to the full Board of Directors acceptance of the revisions to the Statement of Investment Policy for the East Bay Regional Park District Retirement Plan. Motion Approved.**

**Agenda Item No. 4**  
**Job Order Contracting Program Status Update**

Capital Program Manager Ren Bates reported on the status of the Job Order Contracting Program (JOC) approved by the Board in November 2015. In June 2016, the Board of Directors awarded six separate \$1 million job order contracts with three different contractors. To date \$3.8 million worth of job orders have been completed with an additional \$1 million in work currently under construction. The Finance Committee received handouts describing all projects and the contractors associated with each.

Capital Program Manager Bates reviewed the job order list, explaining each job contract and the projects that have been completed.

Capital Program Manager Bates informed the Committee that on November 7, 2017 the Board of Directors awarded six new \$1 million job order contracts for the second round of JOC contracts with the following contractors:

JOC Contract #	Contractor	License
JOC007	Agbayani Construction Corporation, Daly City	B
JOC-008	Federal Solutions Group, Inc., San Ramon	B
JOC-009	Agbayani Construction Corporation, Daly City	A
JOC-010	Mark Scott Construction, Pleasant Hill	A
JOC-011	Exbon Development, Inc., Garden Grove	A
JOC-012	Devaney Engineering, Inc., San Francisco	A

Committee chair Corbett requested staff to quantify the savings on the bidding process when using the JOC program. Capital Program Manager Bates advised he will present findings back to the committee at the Board Workshop.

Committee member Dee Rosario asked whether staff -- along with checking licenses, insurance etc., -- are also ensuring that contractors have a good work-history of completing projects and paying workers and subcontractors. Capital Program Manager Bates stated that staff is confirming prevailing wage is being paid and job history. In addition, the District has contracted with The Gordian Group, a consultant firm that assists the District in administration of JOC projects. The Gordian Group manages JOC programs for government entities across the State of California, and advises the District from this broader perspective.

Capital Program Manager Bates concluded his presentation by stating that the JOC program is working well, is a beneficial tool to the District, and has generated considerable time saving and reduced contracting costs.

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

**Agenda Item No. 5**

**2018 Finance Committee Work Plan and 2017 Finance Committee Accomplishments**

AFO Spaulding presented the 2017 Finance Committee accomplishments. The Committee held eight meetings during the year, at which the Committee received reports and reviewed recurring Committee items. Additionally, during 2017 the Finance Committee considered and recommended for Board approval the following special items:

- District Debt Policy
- Job Order Contracting (JOC) Policy
- Renewal of Agreement for ERP Software with Sungard (now Superion)
- Banking Contract with Bank of the West
- Pension Trust Contract with PARS for Pension Trust Administration & Highmark LLC for Pension Trust Investment Management
- Contract with ICMA-RC to Continue Administration of the District's Deferred Compensation Plan
- Bond Financing Team for 2017 WW Bond Issuance
- Issuance of \$80 million in 2017 WW Bonds and partial refunding of 2009 WW bonds.
- Restricted Fund Balance of \$500,000 for California Department of Fish & Wildlife, for Permit Obligations
- Amend Agreement with LARPD for Pavement Maintenance of Sycamore Grove Trail.

AFO Spaulding presented the 2018 Finance Committee Work Plan, which included similar recurring items as 2017, as well as an RFP for actuarial services and Regional Parks Foundation /District Donation Policy.

AFO Spaulding reviewed with the Committee the responsibilities of Finance Staff and Board Finance Committee members as outlined in the Board Operating Guidelines.

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

**Agenda Item No. 6**  
**Open Forum for Public Comment**

No Public comment.

**Agenda Item No. 7**  
**Committee Comments**

Meeting adjourned at 2:15 p.m. The next Finance Committee meeting is scheduled for February 28, 2018.

Respectfully submitted,

Connie Swisher  
Finance Department

