

AGENDA
REGULAR MEETING
BOARD OF DIRECTORS
EAST BAY REGIONAL PARK DISTRICT

Wednesday August 22, 2018

C. BUSINESS BEFORE THE BOARD

6. BOARD COMMITTEE REPORTS

- a. Finance Committee Minutes and Recommended Actions from the Meeting of August 22, 2018 (Corbett)

Attendees

Board: Directors Ellen Corbett, Colin Coffey and Dee Rosario

Staff: Ana M. Alvarez, Debra Auker, Deborah Spaulding, Michelle Strawson O'Hara, David Sumner, Jeff Rasmussen, Ruby Tumber, Pam Burnor, Meadow D'Arcy, Kelly Barrington, Ren Bates, Lisa Goorjian

Speakers: Monique Spyke, Managing Director PFM Asset Management LLC

Public: None

Committee Chair Ellen Corbett began the meeting at 1:00 PM with the introduction of Committee members.

Agenda Item No. 1

June 30, 2018 Investment and Portfolio Review

Assistant Finance Officer Deborah Spaulding presented a summary of the June 30, 2018 Investment Report as being in accordance with the East Bay Regional Park District (Park District) Board Operating Guidelines and the Park District's Investment Policy. The total market value of the Park District's pooled cash and investments as of June 30, 2018 was \$253,390,649. The market value of the Park District's pension trust fund, project bond funds and debt service funds held by trustees were an additional \$124,931,881.

- The Liquidity Portfolio was \$136.9 million as of June 30, 2018, slightly higher than the end of last quarter. The increase is primarily related to receipt of property taxes.
- The transition has been completed from Wells Fargo to Bank of the West, making the balance in the Wells Fargo Sweep account for the second quarter zero.
- As of June 30, 2018, the total value of the District's short-term and mid-term securities was \$18.8 million higher than at March 31, 2018. The District has increased its investment in short and mid-term securities from \$76.3 million in 2017 to \$116.5 million in 2018.

- Funds for projects totaled \$107.3 million, or \$3.6 million less than funds held as of March 30, 2018. The next debt service payments for Measure AA and WW bonds are due September 1, 2018.

The Committee reviewed information related to performance of investments, portfolio maturity and credit quality, details on securities held and managed by PFM and all Park District cash and investments by type.

AFO Spaulding introduced Monique Spyke, Managing Director of PFM, the Park District's investment management firm.

PFM Spyke discussed current economic conditions in the US, which PFM believes is on strong footing overall. California lags other states due to lower government spending and impacts from tariffs in agricultural communities. The overall positive economic activity has led the Federal Reserve Board to raise the federal funds rate, which has increased returns on the Park District's short- and medium-term investments.

Committee member Dee Rosario inquired about the flattening of the yield-curve. Spyke responded that the yield curve is flattening quite a bit, however, PFM feels that economic indicators remain strong, and a recession is not immediately imminent.

Committee member Rosario expressed concerns over the amount of corporate debt. Spyke stated that PFM is monitoring this, and that these concerns are reflected in the spread between the return on corporate notes and US Treasury bonds. PFM noted that investors are asking for more yield from corporates, and that PFM is pulling back from the market a bit.

Committee chair Ellen Corbett asked how the Park District is doing in relation to other public agencies. Spyke responded that a direct comparison is difficult, because each government portfolio is managed in a specific way based on its individual Investment Policy, however, the Park District appears to be on par with its peers.

Committee member Rosario asked about the BBB+ rated investments on the credit chart. Spyke explained that the chart reflects S&P ratings, which are lower than Moody's and Fitch ratings, which would put them at A or better.

Committee member Colin Coffey asked about the negative balance in the demand deposit accounts. AFO Spaulding explained that the negative balance reflects checks that have been issued but not yet cashed. The Park District's demand accounts roll up to the sweep account, the balance of which is sufficient to cover all outstanding checks.

Recommendation: Staff requests that the Board Finance Committee recommend to the full Board of Directors acceptance of the June 30, 2018 Investment Report. Motion Approved.

Agenda Item No. 2

Second Quarter 2018 General Fund and Other Governmental Funds Financial Report

Assistant Finance Officer Michelle Strawson O'Hara introduced the 2nd quarter 2018 General Fund and Other Governmental Funds report.

As of June 30th, 2018, General Fund expenditures totaled \$69.2 million, approximately 46.2% of the total year's budget. Total spending was \$3.7 million higher than last year due to increases in salaries & benefits.

General Fund	Budget 2018	Actual thru 6/30/18	variance	% of Budget Complete
Revenue*	\$ 147,261,194	\$ 72,918,596	\$ 74,342,598	49.5%
Expenditures*	149,900,041	69,238,971	80,661,070	46.2%
net change in Fund Balance	\$ (2,638,847)	\$ 3,679,625	\$ 6,318,473	

* includes transfers

The Park District's General Fund revenues made up 49.5% of the total budget for the year which is \$7.1 million higher than the same period last year due to an increase in property tax revenues.

The beginning unassigned fund balance as of January 1st, 2018 was approximately \$55.8 million. After projected revenue and budgeted expenditures, the Reserve Target is approximately \$47.1 million, which leaves \$6 million to be considered for other appropriations during the year.

Revenues and Expenditures for Other Governmental Funds

- Special Revenue Funds include Measure CC, LLD funds, Zones of Benefit and Measure WW Local Grants. Revenues and expenditures are low because Measure WW local grants have drawn \$3.3 million of the \$25 million budgeted.
- Project Funds revenues are reflected at 82.1% of budget, due to approval of the 2018 budget appropriations and related transfers-in, which are recorded upon approval. Expenditures for the 2nd quarter include payments to the Roddy Tour Way/Deer Valley property acquisition and payments for the SF Bay Trail construction.
- Debit Service Funds revenues and expenditures are related to scheduled debt services payments for Measure AA and WW.
- Internal Service Funds pay for services that are allocated District-wide, including costs of General Liability, Major infrastructure, Equipment and Employee Benefits.

Committee member Rosario asked if the Board's Reserve Policy requires a 32% reserve. AFO O'Hara confirmed this. Assistant General Manager/Chief Finance Officer Debra Auker advised the Park District's General Fund Reserve Policy indicates that reserve amounts should be reviewed for adequacy at least every five years, and that this will be scheduled for a future Finance Committee meeting.

Committee member Coffey stated that he understands a reserve policy similar to the District's policy is industry standard for similar agencies.

Committee member Rosario inquired as to Measure AA debt service being paid in full by this year. AFO Spaulding confirmed that the final payment will be made September 1st, 2018.

Recommendation: Staff requests that the Board Finance Committee review, discuss and direct staff to submit the Second Quarter 2018 General Fund & Other Governmental Funds Financial Report to the Board of Directions for favorable consideration. Motion Approved.

Agenda Item No. 3

2018-19 Tax Levy Amount for General Obligation Bonds Debt Service and Assessed Value Update

AFO Spaulding reported that on July 24, 2018, the Board of Directors approved Resolution 2018-07-189 authorizing staff to develop the 2018-2019 tax rate for the Park District's General Obligation Measure AA and Measure WW bonds. The resolution stated that staff would prepare the final calculations, inform the county tax collectors in Alameda and Contra Costa County of the rate to be levied and report the tax rate to the Finance Committee.

- The calculated ad valorem tax rate for 2018-2019 is .0057% per \$100 of assessed valuation (AV) (compared to .0021% in the previous year).
- This tax rate was reported to Alameda and Contra Costa County authorities on August 17, 2018. This rate has increased from FY 2017-18 due to issuance of the Measure WW Series 2017A bonds and related debt service.

AFO Spaulding continued reporting that the 2018/2019 AV increased 6.9% from the prior year in Alameda County and 5.6% in Contra Costa County.

Committee chair Corbett requested that the average assessed values in the two counties be provided to Finance Committee members.

Recommendation: None, this is an information item only.

Agenda Item No. 4

Job Order Contracting (JOC) Program Status Update

Chief of Design and Construction Lisa Goorjian provided a JOC Program status update. In 2015 the Board awarded the first Job Order Contracts, at a total value of \$6 million. The Park District's second round of contracts was awarded in November 2017. Six total contracts, two B-license (building) contractors and four A-license (general engineering) contractors have been issued. Each contract is for up to \$1 million. The Design and Construction Department manages the JOC

Program, which is utilized by Design & Construction, as well as other departments including Fire, MAST, Trails, and Finance & Management Services.

Capital Program Manager Ren Bates explained the steps that are followed in the JOC review process. Proposals are vetted and checked by project managers, as well as by staff from The Gordian Group, which provides administrative support to the JOC program. This review process is currently underway with 14 projects.

The current JOC contracts reflect \$220,000 spent to-date, \$1.4 million in ongoing construction work, \$2.3 million in estimated work being priced, checked and vetted. CPM Bates noted that the JOC program is efficient, and that projects are only recommended for JOC once it has been determined that they cannot be done “in house.”

Committee member Rosario asked if unresponsive contractors are removed from the list. CPM Bates explained that non-responsive contractors will not be used, and after a year, will time-out.

Committee member Rosario inquired as to the number of reviews listed on the chart. CPM Bates stated that this is the number of times the scope has gone back and forth between the contractor and the Park District.

Committee Member Rosario suggested a tracking system to indicate where there are issues that MAST must repair.

Committee chair Corbett asked if the Gordian Group’s work creates better efficiency and saves money. CPM Bates stated that JOC allows the Park District to complete more projects, and does increase efficiency, but it is difficult to measure whether the program saves money.

Deputy General Manager Dr. Ana Alvarez shared the Park District is finalizing an audit to further understand the JOC process, and the report will be brought to the Board for review.

Recommendation: None, this is an information item only.

Agenda Item No. 5
Open Forum for Public Comment

No public comment.

Agenda Item No. 6
Committee Comments

AGM/CFO Auker stated the Finance Department is currently developing the Proposed 2019 Budget, working with counties and advisors on property tax projections. The preliminary 2019 Budget will be brought to the Finance Committee in October for review, and in November for recommendation to the full Board of Directors.

Committee member Rosario inquired as to the staffing of the Dumbarton Campground. AGM/CFO Auker shared that staff is calculating the costs and benefits of in-house staffing versus a contracted campground model. Committee chair Corbett requested that the comparisons be shared before the Committee is asked to make a decision.

Next meeting is scheduled for September 27, 2018.

Meeting adjourned at 2:04 p.m.

Respectfully submitted,

Grace Mulvihill
Confidential Secretary, Finance