

AGENDA
REGULAR MEETING
BOARD OF DIRECTORS

EAST BAY REGIONAL PARK DISTRICT

Tuesday, March 5, 2019

C. BUSINESS BEFORE THE BOARD

7. COMMITTEE REPORTS

- c. Finance Committee Minutes and Recommended Actions from the Meeting of January 23, 2019 (Rosario)

Attendees

Board: Directors Dee Rosario, Ayn Wieskamp and Whitney Dotson

Staff: Robert E. Doyle, Ana Alvarez, Debra Auker, Deborah Spaulding, Michelle Strawson O'Hara, Kim Balingit, David Sumner, Ruby Tumber, Ren Bates

Speakers: Terek Radwan, CPA, Vavrinek, Trine, Day & Co., LLP
Monique Spyke, Managing Director, PFM
Allison Kaune, Senior Managing Consultant PFM

Public: None

Committee Chair Dee Rosario began the meeting at 12:35 PM with the introduction of Committee members.

Agenda Item No. 1

Financial Audit Planning Memo for the Year Ended December 31, 2018

Assistant Finance Officer Michelle Strawson O'Hara advised the Committee that the District prepares annual financial statements that are audited by 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, 2018.

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 Ayn Wieskamp requested an example of the auditors' final field work testing. AFO Strawson O'Hara provided the example of a bank confirmation process that validates the District's bank balances. VTD tests the balance sheet with confirmations from the bank, as a third-party agreement.

Committee chair Dee Rosario asked if VTD analyzes more than one account. AFO Strawson O'Hara responded VTD verifies several accounts.

Committee chair Rosario inquired how problem issues found by auditors are resolved. Assistant General Manager/Chief Finance Officer Debra Aufer explained the District has an annual exit meeting with auditor, at which the General Manager and Finance staff review auditors' recommendations and any non-compliant items. If a deficiency in internal controls is found, the auditors are required to report this to the Board of Directors. In addition, the Board Finance Committee may meet with the auditors annually, to discuss the audit.

Recommendation: This item is informational only.

Agenda Item No. 2

District's 2019 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, seven changes to the Investment Policy are recommended:

- Specify investments should not exceed 5% per issuer for all types of securities of a single issuer.
- Clarification on Asset Backed Securities based on a California Government Code change as of January 1, 2019.
- Strengthen language regarding requirements for collateralization of assets: "Under provisions of the Government Code, California banks and savings and loan associations are required to secure the District's deposits by pledging government securities with a value of 110% of principal and accrued interest. State law requires financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the East Bay Regional Park District total deposits."
- Shortened time between the end of the quarter and review by the District's board from 6 months to 3 months. This is currently the District's actual practice.

- Added language of an existing practice that the District's internal controls be reviewed by an independent external auditor.

Committee member Wieskamp requested explanation of Bankers Acceptances. PFM's Managing Director Monique Skype explained a Bankers Acceptance is a security that typically deals with deliverables. The District currently does not have these securities in the portfolio, however it is a category of investment allowed by the California Government Code.

AFO Spaulding continued her presentation on investment policy areas staff is investigating in the coming years:

- Benchmarking – benchmark options for measuring and reporting on District's investment performance
- Environmental Social Governance (ESG) Investment Strategy

PFM Spyke and Senior Managing Consultant Allision Kaune gave a presentation on ESG Investing.

Several committee members commented ESG investing is an approach to further look into, but to error on the cautious side.

AFO Spaulding concluded by explaining staff will work with PFM in the coming year to determine whether ESG, as an investment strategy would improve the District practices if incorporated into the District's investment portfolio management, while still maintaining the primary focus on safety, liquidity and yield.

Recommendation: Motioned by Ayn Wieskamp and seconded by Whitney Dotson that the Finance Committee recommends to the full Board of Directors for approval of the 2019 Investment Policy for District funds. Motion approved.

Agenda Item No. 3

Job Order Contracting Program Quarterly Status Update

Capital Program Manager Ren Bates 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. Thirteen job orders are in progress: six job orders are currently under construction, and seven job orders are in the initial phase of job walk and cost proposal. Eleven projects have been completed. Handouts were provided showing completed projects, projects in construction, and projects currently being priced and awaiting Notice to Proceed.

Capital Programs Manager 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.

General Manager Robert E. Doyle requested information on other cities and counties using The Gordian Group. Capital Programs Manager Bates advised San Mateo County, Santa Barbara County, and the U.C. system all use The Gordian Group to provide administrative support.

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

Committee chair Rosario requested information on work being done at the Lafayette Moraga Regional Trail bridge. Capital Programs Manager Bates advised it will be a full bridge replacement.

Committee member Whitney Dotson asked what the risk is of using The Gordian Group. GM Doyle advised that The Gordian Group does not get paid unless the project moves forward, so this is a built-in protection.

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

Recommendation: This item is for information only.

Agenda Item No. 4

2019 Board Finance Committee Work Plan and 2018 Board Finance Committee Accomplishments

AFO Spaulding presented the 2018 Finance Committee accomplishments. The Committee held ten meetings during the year, at which the Committee received reports and reviewed recurring Committee items. Additionally, during 2018 the Finance Committee considered and recommended for Board approval the following special items:

- Letter of Credit for Incidental Take Permit for Fire Fuels Management Plan
- Pension Trust accounting adjustment
- Approval of five-year agreement with Van Iwaarden Associates for actuarial services
- Formation of Community Facilities District No. A/C-3 to facilitate extension of Measure CC
- Accounting adjustment for Cost of Issuance for 2013 and 2017 Measure WW bonds
- 2017 Green Bond Annual Report and External Review
- Update to District Investment Policy
- Update to East Bay Regional Park District Retirement Plan Investment Policy
- Approval of new Donation Policy
- Procedure for Regional Parks Foundation Budget Adjustments up to \$50,000
- Review of Job Order Contracting (JOC) Policy

AFO Spaulding presented the 2019 Finance Committee Work Plan, which included similar recurring items as 2018, and will include an RFP for the District's external independent audit firm,

a review of unfunded liabilities, environmentally preferred purchasing, and a review of the District's General Fund Fund Balance Policy.

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

Committee chair Rosario inquired about the Park District's wildfire liability. GM Doyle responded that the District's Wildfire Hazard Reduction Plan has reviewed the issue, and the Park District is making its best faith effort to address the highest risk areas as the highest priority.

Committee member Wieskamp noted concerns regarding housing development in Niles Canyon, and asked whether the Park District addresses fire hazards in development projects that we see as dangerous. GM Doyle responded that the Park District has repeatedly commented on this through inter-agency planning, but the message has not always been heard. The Park District will continue to be forceful in applying its knowledge in urban planning, but ultimately, cities have a responsibility to listen.

Committee member Dotson noted that proactive messaging on this topic, along with maintaining the Park District's grazing practices, will help with this issue.

Committee chair Rosario asked whether the Park District has a policy of buying from local vendors. AGM/CFO Auker noted that that should be considered in environmentally preferred purchasing because of transportation costs. Staff will investigate this as the policy is reviewed. GM Doyle noted that certain purchases such as vehicles may not be done locally, because the Park District utilizes state purchasing contracts, but it should be discussed and considered in other areas.

Recommendation: This item is for information only.

Agenda Item No. 5 **Open Forum for Public Comment**

No Public comment.

Agenda Item No. 6 **Committee Comments**

Meeting adjourned at 2:06 p.m. The next Finance Committee meeting is scheduled for February 27, 2019.

Respectfully submitted,

Connie Swisher
Finance Department