

AGENDA  
REGULAR MEETING  
BOARD OF DIRECTORS  
EAST BAY REGIONAL PARK DISTRICT

Tuesday, June 18, 2019

D. BUSINESS BEFORE THE BOARD

8. COMMITTEE REPORTS

- b. Finance Committee Minutes and Recommended Actions from the Meeting of May 22, 2019 (Rosario)

Attendees

Board: Directors Dee Rosario and Ayn Wieskamp

Staff: Ana M. Alvarez, Debra Auker, Carol Victor, Deborah Spaulding, Michelle Strawson O'Hara, Nadine Vargas, Pam Burnor, Anna Fong, Paul Ferrario, David Sumner, Kim Balingit, Rachel Sater, Debra Fuller, Janet Lan

Speakers: Allison Kaune, Senior Managing Consultant PFM Asset Management LLC, and Mark Schulte, Consulting Actuary, Van Iwaarden Associates

Public: None

Committee Chair Dee Rosario began the meeting at 12:30 PM with the introduction of Committee members.

**Agenda Item No. 1**

**March 31, 2019 Investment Report and Portfolio Review**

Assistant Finance Officer Deborah Spaulding presented the March 31, 2019 Investment Report and informed the Committee that the Investments are in accordance with the Park District Board Operating Guidelines and the 2019 Investment Policy. The total of the District's cash and investments as of March 31, 2019, was \$229,091,447. The market value of the District's pension trust fund, project bond funds and debt service funds held by trustees were an additional \$109,243,804.

- 2019 investment earnings to-date totaled \$2,022,934.
- Banking and investment fees to-date totaled \$49,207.

Tables and charts provided included 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 Allison Kaune, Senior Managing Consultant of PFM Asset Management, the District's investment management firm.

PFM Kaune presented investment results for the first quarter of 2019, giving an overview of current market conditions, and how PFM has positioned the District's investments within that environment. PFM expects the economy to continue to improve in the months ahead. Interest rates fell during the last quarter, but market indicators not pointing to an imminent recession. PFM will manage the portfolio duration close to the benchmark and continue to look for safe methods to add investment returns.

Committee Chair Rosario asked about the impact of growing debt levels. Ms. Kaune explained that this is not a cause for immediate alarm, and that consumer debt is still relatively low compared. However, over the long term, the expanding national debt will have a negative effect on the economy.

Assistant General Manager Debra Auker inquired whether lower than expected interest rates might impact the District's 2019 interest revenue expectations. AFO Spaulding noted that the interest revenue budget was adjusted upward significantly for 2019, and this is something to watch closely in future months. AGM Auker noted that she will attend the annual East Bay Economic Development Forecast meeting on May 23<sup>rd</sup> to learn more about the economic outlook for the East Bay.

Ms. Kaune explained that PFM will continue to recommend maintaining diversification among investment grade sectors, with a tilt toward higher grade corporate bonds given their income-producing potential. The portfolio performance total return had a strong performance in the first quarter earning 1.26%, outperforming the benchmark.

Ms. Kaune provided a presentation on PFM's research into understanding how to integrate Environmental, Social and Governance (ESG) Investing into the Park District's current investment policy and practices. Ms. Kaune explained that environmental, social and governance measurement looks at how a company makes money, rather than just how much money they make. These criteria can help determine the future financial performance of companies return and risk.

**Recommendation: Motioned by Ayn Wieskamp and seconded by Dee Rosario that the Finance Committee recommends to the full Board of Directors approval of the March 31, 2019 Investment Report. Motion approved.**

## **Agenda Item No. 2**

### **CalPERS Retirement Plan Actuarial Projections and Update**

AFO Spaulding reported the funded status of the CalPERS Miscellaneous Pension Plan increased slightly in the fiscal year ended 12/31/18, from 69.9 to 72.3%, and the CalPERS Sworn Employee Pension Plan was 75.3% as of 12/31/18. The annual costs for the Miscellaneous Plan will increase from \$24.6 million to \$33.8 million by 2024/25. The Safety Plan costs projected to increase from \$30.3 million to \$44 million.

The written comments from retired Park District Counsel Ted Radosevich were read into the record, expressing support for actions taken to-date to fund the CalPERS plan, and to advocate for providing additional supplemental funding for the CalPERS retirement plan.

AFO Spaulding introduced Mark Schulte, Consulting Actuary with Van Iwaarden Associates who reported on expected annual increases to employer contribution costs, and proposed actions that could be taken to mitigate for these cost increases.

Mr. Schulte noted that in 2017, the District established a Pension Trust for its Miscellaneous Plan, to put aside funds for expected future pension cost increases. One of the goals of the pension trust is to stabilize rates for the miscellaneous plan, by setting a 29% target rate. The Trust currently has a balance of approximately \$6.1 million. Mr. Schulte discussed three approaches to mitigate CalPERS pension costs increases:

- Continue to diversify pension assets and stabilize rates through the Pension Trust;
- Make an additional discretionary payment to pay-down liabilities;
- Shortening the amortization time for a portion of liabilities, called a “Fresh Start.”

Committee chair Rosario inquired whether the OPEB Trust includes both management and AFSCME employees. AFO Spaulding replied that the OPEB includes all employee retiree health care plans.

Committee chair Rosario asked for clarification on the impact of PEPRA, with new employees having a lower cost than the “classic” employee rate. Mr. Schulte explained that PEPRA lowers the long-term cost, but does not lower unfunded liability. The largest rise and dip of the unfunded liability amount is due to refinancing in 2009, which will be paid off in the next few years.

Committee member Wieskamp inquired whether the District should contribute additional funds into CalPERS. Mr. Schulte explained that there has been an increase in interest of public agencies putting additional funds into CalPERS and paying down the unfunded liability debt. The debt is like a mortgage, and making additional discretionary payments towards the debt lowers the total cost over time. AGM Auker added that the goal of the Pension Trust is to stabilize rates the District is paying, rather than to provide overall savings, so making additional discretionary payments would be an additional method to control CalPERS costs.

Committee chair Rosario asked what actions the District might take for the benefit of the CalPERS Safety Plan. AGM Auker replied that the Safety Plan did not have the same volatility in rates, and is structured differently, and therefore a pension trust would not provide the same benefit, but that would continue to look at options. Committee member Wieskamp asked if the Safety Plan was better funded than the Miscellaneous Plan. Schulte replied yes: the Safety Plan is approximately 75% funded. Committee member Wieskamp added that protecting retirees is an important issue and wants future retirees to have confidence in the District. Mr. Schulte commented that CalPERS is a proactive agency and is generally thought to be ahead of other public pensions in addressing unfunded liability issues.

**RECOMMENDATION: None, this is information item only**

### **Agenda Item No. 3** **2019 Risk Management Annual Report**

District Counsel Carol Victor introduced the Risk Staff to committee members.

DC Victor made introductory comments on the recommendations Risk is seeking from the Finance Committee: (1) to recommend to board to purchase insurance at a not-to-exceed price, and (2) pay down an old worker’s compensation unfunded liability.

Risk Manager Anna Fong and Health and Safety Coordinator Paul Ferrario provided an overview of the District’s Workers’ Compensation, and Health and Safety programs and advised the Finance Committee that the District is continuing to experience low claim frequency and low claim severity in the areas of workers’ compensation and general liability. The overall frequency of property claims remains low.

Committee chair Rosario inquired on the program of monitoring employee driving records. Risk Manager Fong explained that it is a software program that employees are enrolled in that monitors driving records and notifies Risk of any infractions that appear on the employee driving record. Committee chair Rosario asked whether employees are aware they are enrolled in the program. Risk Manager Fong replied yes, employees must sign a waiver to be enrolled. Committee member Wieskamp further inquired whether the program is only applied to those who are required to drive for their positions or all District employees. Risk Manager Fong replied that many District employees have occasional reasons to drive, even clericals. Committee member Wieskamp clarified that those employees who cannot or would not ever drive on behalf of the District would not be enrolled in the program. AGM Victor replied that every District employee has access to the fleet. Risk is most concerned with license suspension. Risk will meet with Meet and Confer on the program before it is enacted. Committee chair Rosario asked whether the program would be referred to every time an employee checks out a pool vehicle. Risk Manager Fong replied that since employees will be automatically enrolled, Risk will be alerted if an employee received a license suspension, in order to protect the District. Committee chair Rosario commented that the Department of Motor Vehicles occasionally makes mistakes and would due process to be followed within the program. Committee member Wieskamp requested that when the program is enacted, employees be notified of the intention. Risk Manager Fong commented that before becoming enrolled, employees must sign a consent form. Committee member Wieskamp agreed that District protection is important as is individual rights.

Risk Manager Fong discussed the decrease in frequency of claims in 2018. Lost work time claims have decreased by 45 percent which is a good indicator of severity. Soft tissue muscle injuries to shoulder, knees, and backs account for a majority of the claims. Police officers and park rangers are the most frequently injured job classifications due to the nature of their jobs.

Health and Safety Coordinator Paul Ferrario reviewed the amounts below which represent settlement payments by the District related to the various claims in the year paid.

<b>CLAIM TYPE</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Auto	7	3	5	8	6
Aquatics	0	0	0	0	0
Property	0	0	4	7	0
Trail	2	2	1	2	2
Tree	2	2	2	3	0
Miscellaneous	12	3	7	5	3

<b>TOTAL # OF CLAIMS</b>	23	11	19	25	11
<b>TOTAL \$ PAID OUT</b>	\$27,994	\$12,724	\$516,844	\$592,049	\$132,885

Committee member Wieskamp congratulated Risk for their ongoing safety record.

Health and Safety Coordinator Ferrario explained the District paid out \$212,737 in benefits for unemployment claims that were filed in 2018. This benefit was primarily paid to employees who held job classifications as lifeguards, 9-month rangers, field interns, gate attendants, student aides, temporary employees, and others who may experience seasonal layoffs.

Committee chair Rosario requested that the unemployment claims be broken down by job title. He also requested additional information on the Operations Division conversion of 9-month Park Rangers to 12-month Park Rangers and the current status of that conversion. AGM Auker replied that she would get the exact number and commented that the District no longer has a “slow” season.

Committee chair Rosario asked if chainsaw training included chipping and power tool training. Health and Safety Coordinator Ferrario replied yes, it includes chipping and felling of trees. Power tool training is included in the Operations Training Suite and the tools and machines are covered by in-house trainers.

Risk Manager Fong explained the District participates in several insurance programs to minimize the financial impact associated with excessive, unanticipated, or catastrophic losses. Insurance policies for general liability, auto, property, excess workers’ compensation, earthquake, aviation, watercraft and cyber liability are currently covered by CSAC-Excess Insurance Authority (CSAC-EIA). The crime policy is purchased through HUB International.

Risk Manager Fong provided estimated not-to-exceed insurance costs for the 2019-2020 policy period and the actual 2018-2019 costs and noted that 2019-20 actual costs will likely be lower than estimated.

<b>INSURANCE PROGRAM</b>	<b>ACTUAL 7/1/18 – 6/30/19</b>	<b>ESTIMATED 7/1/19 – 6/30/20</b>	<b>DIFFERENCE 18/19 – 19/20</b>
General Liability	\$ 435,190	\$ 691,000	+\$255,810
Property	\$ 461,221	\$ 564,400	+\$103,179
Workers’ Compensation	\$ 505,507	\$ 465,000	-\$40,507
Aviation	\$ 77,250	\$ 77,250	no change
Crime	\$ 4,048	\$ 4,048	no change
Watercraft	\$ 1,944	\$ 2,500	+\$556
Cyber Liability	\$ 1,663	\$ 2,100	+\$437
<b>TOTAL</b>	<b>\$ 1,486,823</b>	<b>\$ 1,806,298</b>	<b>+\$319,475</b>

Committee member Wieskamp asked for more information on the hazardous tree program and assessment. AGM Victor explained that the robust hazardous tree program has been in place for twenty years and recently been improved by an increase in record keeping. Committee member Wieskamp requested to review the amendments to the hazardous tree procedures. AGM Victor agreed to have the Operations Committee present on the hazardous tree program and procedures. Committee chair

Rosario commented that the District program had been implemented at City of Berkeley for their tree assessment procedures.

Committee chair Rosario asked for clarification on how the District sells off older insurance claims. Risk Manager Fong replied that is complex and called a loss portfolio. The District transfers liabilities to another party.

Committee chair Rosario asked how the District is covered for fire damage. Risk Manager Fong replied that fire is covered by the District property insurance program, which includes earthquake damage.

Committee chair Rosario questioned why all park buildings are not covered by earthquake insurance. District Counsel Victor replied that staff works with CSAC-EIA (California State Association of Counties - Excess Insurance Authority) to analyze earthquake safety and risk factors throughout the parks, and determine which buildings are worth insuring, based on location as well as cost to repair or replace.

Committee chair Rosario questioned what cyber insurance covers. Risk Manager Fong replied that it covers if the District was “hacked” and software was attacked, and that includes the liability associated with losses during those events.

Risk Manager Fong recommended that the Board Finance Committee recommend to the full Board of Directors renewal of the insurance program for July 1, 2019 through June 30, 2020 at the not-to-exceed amounts in the insurance program section of this report. Final quotes will be received in June and are anticipated to be lower than the not-to-exceed amounts.

**Public comment:** Meadow D’Arcy, AFSCME Vice President local 2428 commended the Committee members for asking questions about the pool vehicle program, and spoke of the Meet and Confer concerns about District employees who are not required to drive according to their job descriptions. Ms. D’Arcy also commented that the Union thought the Worker’s Compensation Survey that took place was not comprehensive in its scope – it included questions on the Worker’s Compensation carrier, and should have included questions surveying the entire process from Supervisor reporting a claim through to the end of the process. AGM Victor said that Risk would provide an update on that request next year.

**Recommendations:** The first motion by Committee member Ayn Wieskamp and seconded by Committee chair Rosario that the Board Finance Committee recommend to the full Board of Directors renewal of the insurance program for July 1, 2019 through June 30, 2020 at the not-to-exceed amounts in the insurance program section of this report. Final quotes will be received in June and are anticipated to be lower than the not-to-exceed amounts.

#### **Agenda Item No. 4** **Accounting Closure for Completed Projects**

Administrative Analyst Nadine Vargas presented the annual process to formally close completed projects in the District’s financial records. Before closure was completed, projects with revenue surplus or shortages were trued up, and the balance of excess funding will be returned to the original source. The

District's practice is to utilize the most restricted project resources first, in the following order: grants, then bonds, then General Fund.

Administrative Analyst Vargas provided detailed information on the nine capital development projects, 27 Land Acquisition and Safety & Security projects, and 15 OTA projects recommended for closure. In total 51 projects are recommended for closure, with unused funds returning to funding sources as per below:

- General Fund - \$65,941.84
- Land Habitat Conservation Plan - \$1.46
- Major Infrastructure Renovation and Replacement Fund - \$148,205.11
- Measure AA Bond - \$183,828.77
- Measure CC Tax - \$25.93
- Measure WW Bond - \$104,865.42
- Resource Enhancement Program - \$24,387.50
- Two County Regional Trails Fund - \$92,374.90

Committee member Wieskamp and Committee chair Rosario complimented Ms. Vargas on the thoroughness of the project tracking.

**Recommendation: Motioned by Committee member Wieskamp and seconded by Committee chair Rosario that the Finance Committee recommends to the full Board of Directors approval of proposed project closures and budgetary adjustments. Motion approved.**

#### **Agenda Item No. 5** **2020 Measure CC Expenditure Plan**

Assistant Finance Officer Jeff Rasmussen reported provisions of Measure CC require an annual expenditure plan to be adopted by the Board of Directors as a basis for the annual tax report. The firm NBS Government Finances Group has been retained by the District to prepare the tax report specifying the basis and amount to be levied for the 2019/20 tax year and the resulting revenue from the tax. The revenues and expenditures proposed in the Tax Report are consistent with Measure CC as it was approved by the voters or amended by the Board.

Measure CC tax receipts have provided a consistent \$3.2 million per year in funding since 2005. This 2019/2020 Measure CC tax levy is the last to be processed by the two counties, as the 15-year voter authority expires. Beginning in 2020/2021 the District will prepare the reporting necessary for implementation of the Measure FF CFD special tax as approved by the voters in November 2018. The Measure CC program will continue for several years as many projects are still in progress.

Committee chair Rosario inquired whether the District must use all the funds in Measure CC prior to 2021. AGM Auker clarified that this action is a request for authority to levy the tax amongst property owners. There is no end date of when the money must be spent, the associated projects must be completed.

AFO Rasmussen stated that out of the total \$46.7 million in project appropriations on the Measure CC list, \$45.5 million has been appropriated, of which approximately \$36.4 million has been expended and \$9.2 million remains unexpended; with an additional \$1.1 million to be appropriated.

The Park District has completed 46 of the 83 projects listed in the Measure CC Expenditure Plan at a total cost of \$8.4 million. Fifteen (15) current projects provide annual “operational” funds that pay for staff expenses associated with parks, including the Crab Cove Visitor Center and McLaughlin/Eastshore State Park. These will continue through 2020. Three operational projects require additional funds to continue funding staff at Point Pinole Regional Shoreline, Alameda Point and the Crab Cove Visitor Center through 2020. Staff proposes funding these needs from accumulated interest and tax revenues in excess of expectations.

Twenty-two projects are in process and planned to be completed over the remaining three years.

**Recommendation: Motioned by Committee member Wieskamp and seconded by Committee chair Rosario that the Finance Committee recommends to the full board of Directors acceptance of the Measure CC 2020 Expenditure Plan and recommend it to the Board of Directors for adoption and submittal to the counties for the 2019/20 Measure CC Tax Report and Levy.**

## **Agenda Item No. 6**

### **General Fund Reserve (Unassigned) Fund Balance Policy**

Assistant Finance Officer Michelle Strawson O’Hara reported on the purpose of General Fund Reserve funds, to ensure fiscal stability and mitigate current and future risks to the organization. Adequate fund balance is a critical factor in strategic and long-term financial planning, and is used as a measure of the Park District’s credit worthiness. Total fund balance amount is utilized by stakeholders, including credit rating agencies, to evaluate the prudence of management and to determine the fiscal soundness of the Park District.

AFO Strawson-O’Hara noted that the Government Finance Officers Association (GFOA) recommends a minimum fund balance of no less than two months of regular general fund operating revenues or expenditures (minimum of approximately \$26.7 million based on the Park District’s 2019 budget projections). However, the GFOA suggests each agency consider its own unique circumstances.

AFO Strawson-O’Hara explained the various factors and risks that were examined in their consideration of the appropriate fund balance reserves for the Park District, including: risk of revenue take-aways by other agencies, the risk of natural disasters and impacts of climate change, and possibility of funds being required for contractual or other legal obligations.

AGM Auker and Committee member Wieskamp discussed the probability of risks and how the recommended policy covers the possibility of multiple events simultaneously occurring. AFO Strawson O’Hara provided information regarding the amount fund balance set aside by other cities and agencies, noting that the Park District’s proposal is very comparable. Committee Chair Rosario agreed that is possible to have multiple disasters occur, specifically, earthquakes and fires. Committee member

Wieskamp commented that because the Park District is a two-county agency, it is appropriate to be applying a broad consideration of possible disaster scenarios.

**Recommendation: Motioned by Committee chair Rosario and seconded by Committee member Wieskamp that the Board Finance Committee to review and accept the General Fund Reserve (Unassigned) Fund Balance Policy with no changes recommended.**

**Agenda Item No. 7**

**First Quarter 2019 General Fund and Other Governmental Funds Financial Reports**

**General Fund Revenues and Expenditures**

AFO Strawson-O’Hara introduced the 1<sup>st</sup> quarter General Fund and Other Governmental Funds report and provided an update on Revenue and Expenditure highlights, and noted that revenues and expenditures are on track to meet budget expectations.

- First quarter revenues were \$14.4 million, which is significantly lower than the prior year, as last year’s Alameda County property tax payment was received much earlier than usual.
- Expenditures were \$39.5 million, or 24.4% of the total budget for the year, which is consistent with prior year. The following table was provided.

<b>General Fund</b>	Budget	Actual		% of Budget
	2019	thru 3/31/19	variance	Complete
Revenue*	\$ 160,308,760	\$ 14,442,554	\$ 145,866,206	9.0%
Expenditures*	162,306,772	39,547,615	122,759,157	24.4%
net change in Fund Balance	\$ (1,998,012)	\$ (25,105,061)	\$ (23,107,049)	

\* includes transfers

AFO Strawson-O’Hara provided information regarding the Park District’s Other Governmental Funds, including the Measure WW Local Grant Program, and Project Funds. AFO Strawson-O’Hara noted that the mid-year budget review process was beginning, and that this process allows the District to utilize one-time savings and excess revenues identified at the end of each year for replenishing reserves, paying down unfunded liabilities, setting aside funding for important initiatives and projects, including funding for infrastructure and aging structures. Mid-Year budget proposals will be brought to the June Finance Committee meeting.

**Recommendation: Motioned by Committee member Ayn Wieskamp and seconded by Committee chair Dee Rosario that the Finance Committee recommends to the full board of Directors acceptance of the First Quarter 2019 General Fund and Other Governmental Funds Financial Reports. Motion Approved.**

**Agenda Item No 8**

**Open Forum for Public Comment**

No public comments.

**Agenda Item No. 9**  
**Committee Comments**

No Committee comments.

Meeting adjourned at 2:50 p.m.

Respectfully submitted,

Caitlin Stone  
Confidential Secretary, Finance