

AGENDA
REGULAR MEETING
BOARD OF DIRECTORS

EAST BAY REGIONAL PARK DISTRICT

Tuesday, August 13, 2019

C. BUSINESS BEFORE THE BOARD

7. BOARD COMMITTEE REPORTS

- d. Finance Committee Minutes and Recommended Actions from the Meeting of June 26, 2019 (Rosario)

Attendees: Dr. Ana Alvarez, AGM Debra Auker, AGM Jim O'Connor, AFO Michelle Strawson O'Hara, Pam Burnor, Nadine Vargas, David Sumner, Kim Balingit, Debra Fuller, Janet Lan, Ana Fong, Ruby Tumber, Meadow D'Arcy, Connie Swisher, and Caitlin Stone.

Board: Directors Dee Rosario, Ayn Wieskamp and Ellen Corbett

Speakers: David Showalter, Vavrinek, Trine, Bay & Co., LLP (VTD)
Matthew Goss, California Employers' Retiree Benefit Trust Fund (CERBT)

Public: AFSCME Vice President, Meadow D'Arcy

Committee Chair Dee Rosario began the meeting at 12:40 PM with the introduction of Committee members.

Agenda Item No. 1
2018 Comprehensive Annual Financial Report

Assistant Finance Officer Michelle Strawson O'Hara introduced the District's 2018 Comprehensive Annual Financial Report (CAFR) and reminded the Committee that each year an independent audit of the District's financial information and internal controls is conducted. She stated that the December 31, 2018 audit resulted in a "clean" unmodified opinion from the auditors.

AFO Strawson-O'Hara presented details of the 2018 CAFR, including the District's liability related to the implementation of Government Accounting Standards Board (GASB) 75, which includes Other Post-Employment Benefits (OPEB) and requires the District to report liability of \$21.9 million on statement of net position. This statement also requires additional disclosure in the notes of financials and the required supplementary information.

AFO Strawson O'Hara reported the following details about the District's financial statements:

- Net position in the government-wide statement, which are presented on a full accrual basis, increased by \$12.8 million during 2018 to \$784.6 million, primarily due to net investment of capital assets.
- Governmental funds and Internal Service funds had an overall increase in fund balance.
- General Fund fund balance increased \$9.7 million, primarily due to former redevelopment agency property tax pass-through payments.
- Debt service funds fund balance increased \$1.1 million, mainly as a result of property taxes and assessments revenue for future debt service payments.
- Project funds fund balance decreased \$6.7 million, due to the use of bond proceeds during the year for acquisition and development project costs.
- Non-major government funds fund balance decreased \$1.1 million due in part to transferring tipping fees for the District's costs needed for the new Dumbarton Quarry campground.

Committee member Ayn Wieskamp requested clarification of the Gann Appropriation Limit. Assistant General Manager/Chief Finance Officer Debra Auker advised the Gann Appropriation Limit dates back to when local agencies could increase taxes on their own, the Gann Limit states agencies can only increase taxes a certain amount every year, to be within their appropriation limit. A more detailed explanation can be found on page 261 of the 2019 Adopted Budget.

AGM/CFO Auker also reported to the committee that District staff presented the 2018 CAFR to the Park Advisory Committee (PAC) earlier in the week. A PAC committee member asked what percentage the general fund budget consists of Public Safety costs. AFO Strawson-Ohara responded to the PAC advising approximately 18% of the overall appropriations for 2019.

Committee Chair Dee Rosario asked if Fire and Lifeguards are included in that calculation. AFO Strawson-O'Hara responded yes.

David Showalter, Audit Partner with Vavrinek, Trine, Day and Company CPA's (VTD) was introduced and summarized the audit report as follows:

- The financial statements are the responsibility of management
- The audit work performed provides a reasonable basis for the auditor's opinion.
- In the auditor's opinion, the financial statement presented fairly, in all material respects the financial position of the District.
- The financial statements are in conformity with accounting general accepted accounting principles.

Mr. Showalter highlighted for the committee how the implementation of GASB 75 impacted pension reporting. He also informed the committee of new accounting announcements that will be implemented next year: GASB 83 (asset required obligations), GASB 84 (fiduciary activities), and GASB 88 (definition of debt).

Mr. Showalter informed the committee that it has provided to the District its SAS 114 communication, which is intended to provide to those charged with governance information about internal control weaknesses encountered during the audit. Mr. Showalter stated that during

the 2018 audit, the District had no material weakness, no control deficiencies, and no Management Letter comments. A material weakness is the most severe issue, a significant deficiency a set lower in significance and a control deficiency the lowest level of finding. This means that the District's internal controls are functioning as they should.

Committee chair Rosario thanked staff for the CAFR presentation and requested adding a tab for the Note Section, a detailed breakdown on General Fund Expenditures, and numbered line items for charts.

Committee member Ellen Corbett requested future CAFR's contain bookmarks in PDF form for navigation through the document.

AGM/CFO Auker concluded by thanking the Finance Staff, Assistant Finance Officer Michelle Strawson O'Hara, Kim Balingit, Accounting Manager, and David Sumner, Audit Manager for managing the audit and the auditors for their assistance.

Recommendation: Motioned by Ellen Corbett and seconded by Ayn Wieskamp that the Finance Committee recommends to the full Board of Directors to review the financial report and submit the 2018 Comprehensive Annual Financial Report and other reports to Board of Directors for consideration and acceptance. Motion approved.

Agenda Item No. 2

Other Post-Employment Benefits (OPEB) Trust Fund Investment Performance through May 31, 2019

AGM/CFO Auker introduced the Other Post-Employment Benefits (OPEB) Trust annual report. The District's OPEB Trust is designed to provide ongoing funding for retiree medical benefits. The Trust fund administration and investments are managed by the California Employer's Retiree Benefit Trust Fund (CERBT). The annual report provides information regarding asset balances, annual contributions, payments and fees. The report also describes the retirement plan asset allocation strategy and comparison benchmark.

AGM/CFO Auker introduced CERBT Customer Outreach & Support Manager, Matt Goss. AGM Auker noted that the CERBT presentation includes information from inception through May 31, 2019. The table below provides information for 2018 calendar year.

2018 Beginning asset balance (cash basis)		
	Held by CERBT	\$ 54,472,772
	Held by Navia Benefits	23,457
Employer contributions 2018		5,044,044
Asset earnings (including unrealized gains & losses)		(3,909,394)
Retiree distributions		(2,462,137)
CERBT Fees		(46,804)
2018 Ending asset balance (cash basis)		53,121,938
	Held by CERBT	53,098,481
	Held by Navia Benefits	23,457
	Total	\$ 53,121,938

Mr. Goss provided an overview of the District OPEB trust as managed by CERBT-CalPERS.

- **Actuarial Valuation Summary**

Mr. Goss explained that the District participates in Asset Allocation Investment Strategy No. 1, which is designed to provide a higher rate of return than the other two asset strategies, with more volatility. Currently, the Trust's expected long-term rate of return is 7.59%.

- **Account Summary**

The District's initial contribution transferred from the prior trust was \$23 million, with additional contributions since 2012 of \$32 million. Disbursements have totaled \$11.9 million with investment earnings of \$16 million. As of May 31, 2019, the District had \$59 million in assets in the trust fund. The average annualized rate of return since September 2012, when the District first deposited its funds with CERBT, has been 6.15%.

Mr. Goss advised the committee the District will continue to be impacted by the mandatory implementation of GASB 74 and 75, which requires governments to include the unfunded OPEB liability on its financial statements.

Audit Manager David Sumner asked how often the District can adjust asset allocations or the strategy. Mr. Goss advised changes can be made as frequently as desired by an agency. It's not designed to time the market thus CalPERS believes over the long-term with low costs strategy one will arrive at the best net outcome.

Recommendation: This is an informational only item.

Agenda Item No. 3

2019 Mid-Year Budget Report and Proposed Budget Adjustments

Deputy General Manager Dr. Ana M. Alvarez introduced the item by reminding the Committee of the historical practice at the District of allocating additional one-time funds at mid-year, which is a business practice that contributes to the District's successful stewardship of public funds. DGM Alvarez highlighted a few specific mid-year budget adjustments that were Board priorities:

- Reducing future pension costs;
- Addressing wildfire hazards and resources to use with changing legislation;
- Maintaining and sustaining the District's infrastructure, repairs to damaged trails, parklands and facilities;
- Replenishment of depleted reserves;
- Capital projects currently underway with identified funding shortfalls; and
- Mitigation and adaptations in preparation for climate change.

DGM Alvarez introduced Budget Manager Pam Burnor.

Budget Manager Pam Burnor reported that the District's 2018 General Fund ended with an excess of revenue over expenditures of \$9.7 million.

It was requested that one-time resources from several funding sources, totaling \$10.6 million, be considered for one-time appropriations.

It was recommended that the following allocations be made from the General Fund as 2019 mid-year budget adjustments:

- \$3,000,000 to Major Infrastructure Repair and Replacement Fund 553
- \$2,200,000 to Election Assigned Balance
- \$1,000,000 to pre-fund MISC PERS employee pension costs
- \$500,000 to meet weed abatement fire prevention deadlines
- \$500,000 to Upgrade Low Band Radio System
- \$500,000 to Increase Committed Land Fund
- \$400,000 to Replenish Reserves
- \$300,000 for Point Isabel Stabilization Project
- \$280,000 to Replenish Professional Services Budget
- \$114,850 to General Managers Contingency
- \$102,700 for Wildfire Prevention, public education Postcards
- \$100,000 for Biomonitoring Services related to the general maintenance permit
- \$100,000 to Increase Fleet Replacement Funding
- \$100,000 to Upgrade Sanitary Sewer Management Plan
- \$85,000 for Slope Mower
- \$80,000 to Upgrade Police Vehicles
- \$60,000 for Maintenance at Peralta Oaks North Property
- \$52,000 for Lifeguard Radios
- \$50,000 for Class & Comp Study for non-represented and PA classifications
- \$50,000 for Professional Grant Writing Resources
- \$50,000 for Moraga Bypass Bridge contribution
- \$40,000 for John Deere Mower
- \$40,000 to Upgrade Fuels Crew Vehicle
- \$30,000 for Start Up Costs for John Sutter Park
- \$25,500 for Truck purchase for John Sutter Park
- \$23,700 for Leadership Program for Lifeguards

- \$20,000 for security cameras at Black Diamond Mines
- \$18,000 for Secure Storage for Evidence Vehicles
- \$12,000 for Facility Lease at Stoneridge Drive for Creative Design Group
- \$11,700 for Fire Preparedness Postcards postage
- \$4,790 for Grazing Compliance
- \$4,760 for Forklift Battery

In addition, appropriations from other funds were recommended:

- \$200,000 to Restore Five Bridges at Dry Creek project
- \$440,000 to Restore Creek Beds at Sibley, Claremont & Huckleberry project
- \$130,000 for East County Paving and Trails Maintenance
- \$100,000 for East County Grazing Infrastructure

Committee member Ellen Corbett reiterated her desire that the District deploy more electric vehicles and equipment and asked if staff is developing a policy to address this. Assistant General Manager of Operations Jim O'Connor responded yes, staff continues to look for opportunities to deploy electric vehicles, however one of the challenges is the charging infrastructure. Staff is looking at a Green Park Feasibility Pilot going forward and reviewing with the Executive Team. This will be an opportunity to test the technologies and practices available.

Committee member Corbett requested clarification on the upgrade to Public Safety vehicles. DGM Alvarez advised these funds will be used to upgrade standard vehicles to off-road vehicles.

Committee member Corbett inquired about East County grazing infrastructure. Assistant Finance Officer Jeff Rasmussen replied with the acquisition of the East County Parklands these funds will be in addition to the safety and security money to upgrade the grazing infrastructure i.e. fences, gates, water troughs etc. as presented at the June 18th Board meeting.

Committee member Ayn Wieskamp requested a map showing all the Park District residence locations, along with those occupied and unoccupied. She voiced her concern in keeping residences upgraded and in good condition for employees. DGM Alvarez advised committee staff will bring requested information to a future board meeting.

Committee member Wieskamp wanted to know about the signage and communication pertaining to cattle grazing in the District's parks. Wieskamp asked how the Park District is communicating with the public on locations of cattle grazing in the parks. AGM/CFO Auker explained the budget request is to assist with producing the signs necessary, they are not deployed into the parks yet.

AGM of Operations O'Connor advised the goal is cattle grazing information will be on the District website to advise the public which parks will have cattle grazing during the year and reinforced with signage at the parks. AGM O'Connor will check with Public Affairs in terms of website notification ability.

Committee Chair Rosario questioned why fire prevention postcards are not part of the annual budget. AGM/CFO Auker reminded committee during the Board Workshops it was reinforced that the Board wanted extra mailers and they were not included in the regular budget.

Committee chair Rosario asked if the professional grant writing resources was a permanent employee position. AGM/CFO Auker answered it is for consulting services on specific grants.

Committee chair Rosario requested clarification on secure storage for Public Safety. DGM Alvarez explained it is a legal requirement to preserve evidence tied to criminal investigations, the funding is used to place vehicles in a secure place.

Committee chair Rosario inquired if hazardous tree removal is well-funded. AGM of Operations O'Connor replied yes there are already fund set aside.

Committee chair Rosario asked about the Moraga Bridge Bypass. AGM/CFO Auker advised the item was brought forward after the General Manager's meeting with the City of Moraga to contribute to the construction of a permanent bridge.

Recommendation: Motioned by Ayn Wieskamp and seconded by Ellen Corbett that the Finance Committee recommends to the full Board of Directors to review the proposed 2019 Mid-year Budget Adjustments and approval of the budget amendments to increase appropriations utilizing one-time General Funds and Other Sources. Motioned approved.

Agenda Item No. 4 **2020 Budget Calendar**

Budget Manager Burnor reported that the budget calendar is presented to the Finance Committee annually. The purpose of report is to provide the Finance Committee with an overview of the District's budget schedule anticipated for the 2020 budget development process.

Board Workshops

The budget planning process began earlier this year, with the first Board Workshop in January and the last one in July to address capital, land acquisitions and trail projects.

Budget Preparation Activity Highlights, by month:

June - Verify the level, location and funding source of District employees. Determine need for current mid-year adjustments.

July - Update Division/Department service objectives using performance measure reporting format.

August - Finance distributes base budget to departments and instruction related to budget requests. Budget workshops are conducted to aid budget preparers.

September – Revenues are estimated to establish the base budget revenue available for appropriations in 2020. The General Manager and AGM Group discuss budget requests.

October to December – Present proposed budget to Finance Committee in November and to Board of Directors and public during the public sessions in December. Budget adopted after second public hearing.

February 2020 – hard copy budget documents, including Operating, Project Budget and Budget Brief will be distributed to the Board and the AGMs and the electronic version will be posted on the District’s website.

AGM/CFO Auker confirmed with committee members the first December public meeting will take place in the evening.

Both committee members and staff thanked Budget Manager Pam Burnor for her years with EBRPD, as she retires in July 2019.

Recommendation: This is an informational only item.

Agenda Item No. 5
Cancellation of July 24, 2019 Finance Committee

AGM/CFO Auker advised the July Finance Committee is cancelled.

Agenda Item No. 6
Public Comments

AFSCME Vice President Meadow D’Arcy addressed the committee regarding concerns over the treatment of union members with workers compensation claims. Union requested an additional survey for employees pertaining to the entire worker’s compensation process, from first contact to last contact. She advised the committee of specific concerns, including increased reports of denied and delayed claims, inappropriate comments made to workers when claims are submitted, and discussions regarding medical records and claims.

DGM Alvarez responded that District Counsel is reviewing the survey to determine what is being discussed pertaining to satisfaction with the workers compensation system. DGM Alvarez encouraged the AFSCME Union leadership and members to bring forward interests and concerns at the monthly meeting with Human Resources and the quarterly meeting between DGM and AFSCME leadership. DGM Alvarez added she will follow-up with District Counsel on these serious allegations.

Agenda Item No. 7
Committee Comments

AGM/CFO Auker requested moving October meeting to October 30, 2019. Committee approved.

Next meeting is scheduled for August 28, 2019.

Meeting adjourned at 2:45pm.

Respectfully submitted,

Connie Swisher
Confidential Secretary

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