

AGENDA  
REGULAR MEETING  
BOARD OF DIRECTORS  
EAST BAY REGIONAL PARK DISTRICT

Tuesday, September 17, 2019

C. BUSINESS BEFORE THE BOARD

7. BOARD COMMITTEE REPORTS

- a. Finance Committee Minutes and Recommended Actions from the Meeting of August 28, 2019 (Rosario)

Attendees

Board: Directors Dee Rosario, Ayn Wieskamp and Whitney Dotson

Staff: Debra Auker, Deborah Spaulding, David Sumner, Kim Balingit, Sara Rieck, Ruby Tumber, Mike Reeves, Mary Brown, Domonique Williams, Ren Bates, Connie Swisher, Caitlin Stone

Speakers: Monique Spyke, Managing Director PFM Asset Management LLC

Public: None

Committee Chair Dee Rosario began the meeting at 12:38 PM with the introduction of Committee members.

**Agenda Item No. 1**

**June 30, 2019 Investment Report and Portfolio Review**

Assistant Finance Officer Deborah Spaulding presented a summary of the June 30, 2019 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, 2019 was \$268,712,537. The market value of the Park District's pension trust fund, project bond funds and debt service funds held by trustees were an additional \$110,446,335.

AFO Spaulding highlighted that the Liquidity Portfolio was \$137.2 million as of June 30, 2019, slightly higher than the end of last quarter. The increase is primarily related to receipt of property taxes. The District has increased its investment in short and mid-term securities from \$116.4 million in 2018 to \$131.5 million in 2019.

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

Ms. Spyke discussed current economic conditions in the United States. PFM believes the U.S. economy is on stable footing overall, but that conditions have weakened since the beginning of the year and are continuing to decline. In Q2, U.S. Treasury yields fell for a third consecutive quarter, with maturities beyond one year falling 40 to 50 basis points. As of June 30, yields on many benchmark U.S. Treasury maturities were near 18-month lows. The yield curve remained inverted, with the inversion having spilled into the money market space.

U.S. economic growth expected to slow from faster-than-expected first quarter. After GDP growth of 3.1% in the first quarter, economists' expectations for Q2 growth are lower, with economists projecting growth within the 1.5% to 2.0% range. Areas of weakness include recent slowdown in ISM manufacturing data and durable goods orders. Recent economic data has been mixed, with a 49-year low unemployment rate and a pickup in retail sales, but a slowing of manufacturing activity and sub-target inflation. Consumer confidence is still near an all-time high.

Committee member Ayn Wieskamp commented on the recent fluctuations in markets and that this is likely to continue, but she appreciated that PFM's report was cautiously optimistic.

#### **RECOMMENDATION:**

**Staff requests that the Board Finance Committee recommend to the full Board of Directors acceptance of the June 30, 2019 Investment Report. Motion Approved.**

#### **Agenda Item No. 2**

#### **Revised Policy on Appropriating Funds for Acquisition Projects**

AGM Debra Auker introduced Land Acquisition Specialist Sara Rieck to give a full report on the revisions of Policy 5.1 Policy on Appropriating Funds for Acquisition Projects.

Ms. Rieck gave a history of the policy, adopted in 1994 by Board Resolution No. 1994-3-43. The Policy addressed both the need to protect confidentiality of transacting parties, and the need to reduce unfunded expenses. In 2001, the policy was revised to accommodate new accounting software, and to include multiple funding sources for acquisitions.

The current policy provides for appropriation of General and Measure AA funds. The District has interpreted this to include Measure WW funds but would like to add this language to the policy update, along with the other improvements noted below:

- Broadens the definition of "acquisition" to include the procurement of real property, real property rights, rights of way or rights to use which includes but is not limited to fee simple, easements, lease or license agreements with a term greater than one year. This expanded definition also includes wind, water and mineral rights.
- Increases the amount of funding that can be appropriated to a new acquisition project after receiving Board "authorization to negotiate" from \$25,000 to \$50,000, to stay apace with the increasing cost of pre-acquisition expenses.

- Revises and clarifies that land acquisition may utilize various eligible funding sources, including Measure WW, and allow for the inclusion of additional eligible funding sources in the future.
- Incorporates recent revisions to the Governmental Accounting Standards Board's definition of a lease, and corresponding accounting and reporting standards.
- Increases the length of time in which appropriated "Safety and Security" funding may be spent to make the property safe and secure, from 12 months to 36 months.
- Explains the presentation of acquisition projects in the Park District's Adopted Budget.

Committee member Wieskamp commented that the revision is timely. AGM Auker complimented Ms. Rieck on her attention to detail and emphasized that the policy only allows for budget transfers and not new appropriation of funds.

**RECOMMENDATION:**

**Staff requests that the Board Finance Committee review and recommend to the full Board of Directors adoption of the Revised Policy on Appropriation of Funds for Acquisition Projects.**

**Agenda Item No. 3**

**2019-20 Tax Levy Amount for General Obligation Bonds Debt Service and Assessed Value Update**

AFO Spaulding noted that this was an annual item to develop the tax rate for the Park District's General Obligation Bonds. In July, the Board of Directors approved a resolution authorizing staff to prepare the calculations for the tax levy, inform the counties of the 2019-2020 tax rate to be levied, and report the tax rate to the Board Finance Committee at the August meeting.

The calculated ad valorem tax rate for 2019-2020 is .0060% per \$100 of assessed valuation (AV) for Alameda County residents and .0094% per \$100 of AV for Contra Costa County residents. The rate for Contra Costa County is higher than for Alameda County due to a prior-year County oversight, which caused for the under-collection of the tax levy in Contra Costa county in the prior fiscal year. Total AV has increased from the prior year by 7.0% in Alameda County and by 5.5% in Contra Costa County.

AGM Auker reported that the tax levy information has been submitted to the counties.

Committee chair Rosario asked why the Alameda County AV information is listed in two separate sections of the report, Numbers 1 and 2. AFO Spaulding replied that the District receives two different summaries of AV – the original areas that were included in the tax levy and areas that were added later. The total Alameda County AV is the combined number, including both areas.

**RECOMMENDATION:**

**None, this is an information item only.**

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

Capital Projects Manager Ren Bates provided a quarterly JOC Program status update. The JOC program is an alternative procurement method to the typical competitive design/bid/build process that the District employs. It is a competitively bid fixed unit cost, fixed term contract which allows for quantities to be discussed with the contractor and which are verified and approved by District Staff prior to the commencement of work. It promotes a beneficial relationship with contractors in that the District is under no obligation to provide work beyond a minimum amount, and rewards good work with additional work up to the contract value limit.

On November 7, 2017 the Board of Directors awarded six \$1 million job order contracts. Currently, eighteen projects have been completed and four job orders are in construction.

The recently completed 18 project sites are in Miller/Knox, Del Valle, Wildcat Canyon, Hayward Shoreline, Borel Property, Martinez Shoreline, Iron Horse Trail, Las Trampas, Point Isabel, Camp Arroyo, Crown Beach, Shadow Cliffs and Kennedy Grove. The total cost of the completed projects is \$3,874,601. The current projects in construction are in Black Diamond, Las Trampas, Del Valle and the Lafayette Moraga Regional Trail. The total cost of projects under construction are \$918,413.

On May 21, 2019 the Board of Directors awarded another round of eight \$1 million job order contracts. Currently, ten projects are being priced. The locations of these projects are in Dry Creek Pioneer, Lake Chabot, Hayward Shoreline, Camp Arroyo, Del Calle, Peralta Oaks, and Crown Beach.

Committee chair Rosario asked why two projects under \$50,000 – Hayward Shoreline and Camp Arroyo – were not done in-house by District staff. Mr. Bates replied that these projects were not done by his department, but his recollection was that the projects needed to be completed due to funds coming from FEMA and the timeline involved. AGM Auker commented that the newly approved JOC policy states that projects should be over \$50,000, so going forward this would not occur unless approved by the CFO as an exception or emergency circumstances.

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

**Agenda Item No. 5**  
**Appointment of Brown Armstrong Accountancy Corporation as the Park District's Independent External Auditor**

Accounting Manager Kim Balingit explained the process in which Brown Armstrong Accountancy Corporation is being recommended as the District's Independent External Auditor beginning in the fall of 2019. The Park District utilizes independent auditors in accordance with the Park District's Financial Policies and Procedures. The current audit contract with Vavrinek, Trine, Day & Co., LLC (VTD) expires at the end of this year. The Finance Department initiated a competitive

procurement process using the *Best Practices* established by the Government Finance Officers Association.

Based on the outcome of the RFP and interview process and references from other government entities, staff is recommending that Brown Armstrong, CPAs be appointed as the Park District's independent audit firm. The firm's appointment would be for three years, beginning with the 2019 audit, with the option of two additional one-year contract extensions.

The cost proposal from Brown Armstrong is \$51,500 annually for the 2019 through 2021 audits as well as the two additional one-year contract extensions (if exercised). This was in alignment with other firms' cost proposals.

Committee member Wieskamp commented that she was pleased at the level of detail in the proposals and the number of firms that submitted RFPs. AGM Auker also complimented The Districts current firm, VTD and the number and expertise of firms that submitted proposals. Committee chair Rosario added that he reviewed the final two proposals and was impressed, and that it is good practice to have a fresh perspective. Committee member Wieskamp agreed and recommended that the appointment of Brown Armstrong move forward on to the full Board of Directors.

**RECOMMENDATION:**

**Staff requests that the Board Finance Committee recommend to the full Board of Directors the appointment of Brown Armstrong CPA's as the Park District's independent external auditor for the fiscal years ending December 31, 2019 through 2021, with the option of two additional one-year extensions.**

**Agenda Item No. 6**

**Second Quarter 2019 General Fund and Other Governmental Funds Financial Report**

Accounting Manager Balingit introduced the 2<sup>nd</sup> quarter 2019 General Fund and Other Governmental Funds report.

As of June 30<sup>th</sup>, 2019, General Fund expenditures totaled \$75.7 million, approximately 45.2% of the total year's budget. This amount is \$2.8 million higher than the revenue received during the same six-month period last year, primarily due to an increase in property tax revenues. Total spending was \$5.2 million higher than last year due to increases in property tax revenues.

General Fund	Budget	Actual		% of Budget
	2019	thru 6/30/19	variance	Complete
Revenue*	\$ 160,372,492	\$ 75,670,866	\$ 84,701,625	47.2%
Expenditures*	164,698,639	74,435,802	90,262,837	45.2%
net change in Fund Balance	\$ (4,326,147)	\$ 1,235,064	\$ 5,561,212	

\* includes transfers

The Park District's General Fund revenues made up 45.2% of the total budget for the year which is \$74.4 million. Total spending was \$5.2 million higher than at the same time last year. Expenditures are currently on track to end the year well within the approved budgeted amount.

At the end of the second quarter, after considering projected revenue and budgeted expenditures, and maintaining the Park District's Reserve Target of approximately \$51 million, a remaining fund balance of approximately \$8 million is available and may be considered for appropriation.

Committee chair Rosario requested a future discussion at a Board Finance Workshop about using a small percentage of the excess funds in the budget to fund vacant and new positions in the parks. AGM Auker replied that she would be happy to have a future discussion on how the Park District estimates revenues and expenditures. The Park District has a practice of conservative revenue budgeting for property taxes. The District also budgets for 100% of vacant positions, although we recognize that it can take several months to fill a vacant position, which will result in salary savings. The resulting fund balance from these two budgeting practices has served the District well, and the one-time funds available at mid-year are used for one-time needs. The District must be mindful of finding the right balance between providing necessary resources to operate parks as well as being cautious. Committee member Wieskamp agreed that it is wise to err on the side of caution. She went on to complement HR Chief Kip Walsh on her continued work towards full employment. AGM Auker agreed and pointed to the low unemployment rate and how it is difficult to recruit qualified staff.

#### **RECOMMENDATION:**

**Staff requests that the Board Finance Committee review, discuss and direct staff to submit the Second Quarter 2019 General Fund & Other Governmental Funds Financial Report to the Board of Directions for favorable consideration. Motion Approved.**

#### **Agenda Item No. 7**

##### **Open Forum for Public Comment**

No public comment.

#### **Agenda Item No. 8**

##### **Committee Comments**

AGM Auker reviewed the schedule for the remaining 2019 Finance Committee meetings: September 25, October 30, November 25, and reminded the Committee that the December meeting is cancelled.

Meeting adjourned at 1:45 p.m.

Next meeting is scheduled for September 25, 2019.

Respectfully submitted,

Caitlin Stone  
Confidential Secretary, Finance

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