

AGENDA
REGULAR MEETING
BOARD OF DIRECTORS

EAST BAY REGIONAL PARK DISTRICT

Tuesday October 15, 2019

C. BUSINESS BEFORE THE BOARD

8. BOARD COMMITTEE REPORTS

- a. Finance Committee Minutes and Recommended Actions from the Meeting of September 25, 2019 (Rosario)

Attendees

Board: Dee Rosario, Ayn Wieskamp and Whitney Dotson

Staff: Debra Aufer, Deborah Spaulding, Michelle Strawson O'Hara, David Sumner, Kelly Barrington, Jim O'Connor, Ruby Tumber, Meadow D'Arcy, Mary Brown, Tiffany Margulici, Renee Patterson

Speakers: Mitch Barker, Executive Vice President, PARS
Randall Yurchak, Vice President, HighMark Capital Management
Jeff Nipp, Senior Investment Consultant, Milliman

Public: Rick Rickard, PAC member, Kelly Abreau

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

Agenda Item No. 1
Annual Report on Park District Pension Trust

Assistant Finance Officer Deborah Spaulding provided an overview of the East Bay Regional Park District's Pension Trust, which was established at the end of 2017. The Trust is administered by Public Agency Retirement Services (PARS), and HighMark Capital Management manages investments. By the end of 2019, a total of \$7.5 million will have been contributed to the Pension Trust. AFO Spaulding introduced Mitch Barker, Executive Vice President of PARS.

Executive Vice President Barker noted that the PARS Trust is an IRS approved, tax-exempt, category 115 trust capable of funding both OPEB benefits and pension. The three companies that bring the Pension Trust program to the District are:

- PARS as the trust administrator

- US Bank as the trustee
- HighMark Capital Management as the investment management partner

EVP Barker introduced Randall Yurchak, Vice President of HighMark Capital Management.

Vice President Yurchak explained that District has selected a moderately conservative investment strategy, and shared how the District's investments are allocated:

- 30.2% of District investments are in equity (large, mid, and small cap stocks), international markets, emerging markets and real estate which are expected to grow over time.
- 67.3% of the investments are in fixed income, which are more stable securities.
- 2.5% of the investments are in cash

Investment earnings from inception through August 31, 2019 were \$427,570. The Plan is actively managed, meaning funds are invested with the intent of exceeding benchmark returns. The funds are invested for a longer duration, so are more sensitive to changes in interest rates.

Performance since the beginning of the year has been impacted by three main factors:

- The US Stock market has had very positive returns.
- Trade tariffs and international economic weakness have both negatively impacted the portfolio.
- Fixed income investments have been impacted by rate cuts.

Allocation to stocks has been decreased recently, in response to what appears to be a peaked equity market.

Recommendation: This was an informational item only.

Agenda Item No. 2

East Bay Regional Park District Retirement Plans Performance Report

AFO Spaulding reported that annually the Board Finance Committee is required, per the Retirement Plan's Investment Policy, to receive a report on the investment activity of the EBRPD Retirement Plan. The 2018 report provided information on beginning assets, contributions, distributions, ending assets, and details of fees paid. This report also included information on 2018 actual investment returns compared to benchmarks and allocation of funds by investment type. As of December 31, 2018, the Sworn Plan was 64% funded and the General Employee Plan was 72% funded.

AFO Spaulding introduced Jeff Nipp, Principal and Senior Investment Consultant from Milliman Advisors, LLC.

Mr. Nipp gave an overview of the District's retirement plan investment performance. The performance for 2018, net of fees, was -3.5%. However, in the first half of 2019, the trend has reversed. The total fund is up 12.1% as of June 30, 2019. The Plans' asset allocations at June 30th

were within acceptable ranges, but slightly overweight in equities and slightly underweight in bonds. The asset allocation strategy for the plan will become more conservative as the Plans achieve 80% funded status.

Committee Chair Rosario expressed concern about the funded status for the plans and asked how much funding is contributed to the Plans annually. AFO Spaulding noted that the contribution amount is determined bi-annually by the Park District's actuaries and currently is approximately \$2.2 million annually for both Plans. AFO Spaulding will follow up to provide exact amounts. A new actuarial study for the Transamerica Plans is underway and will be presented to the Board Finance Committee in early 2020.

Recommendation: This was an information item only.

Agenda Item No. 3 **2019 Internal Audit Mid-Year Report**

Audit Manager David Sumner updated the Committee on the internal audit work completed through July 31, 2019, including projects reviewed, staffing and results of the audit recommendations. Staff worked on 375 contracts and completed 16 audit projects that included:

- Review of Measure WW Grants

Staff audited the 11 projects, found the records to be in good order and approved grantees' payment requests in accordance with the established procedures.

- Review of Anthony Chabot Equestrian Center

Audit Manager Sumner stated overall concessionaire's gross receipts were accounted for, and applicable concession and maintenance fees were calculated reliably and remitted timely; but there were sporadic and minor misstatements of monthly gross receipts, and in certain instances inadequate documentation for the reported revenues.

- Review of Mudpuppy's Tub & Scrub, and Sit & Stay Café Concessions

Audit Manager Sumner stated the concessionaire was generally compliant with financial aspects of the concession agreement; and gross receipts were properly accounted for, and concession fees were overall properly calculated and timely remitted.

- Review of Lake Chabot Marina and Café Concessions

Audit Manager Sumner noted that financial activities and revenue reporting practices pertaining to this facility were audited once before in 2006. Current audit concluded that internal controls were functional and overall concessionaire was compliant with the financial aspects of the agreement; gross receipts were properly accounted for and concession fees were overall properly calculated and timely remitted.

- Review of Shadow Cliffs Cash Handling Procedures

Audit Manager Sumner stated Internal Audit staff performed an unannounced cash count, reviewed Park's revenue reports, and observed cash handling and safeguarding practices, to evaluate functionality of controls, and verify compliance with the Park District policies and procedures. Large and increasing amounts of voided receipts by the Park cashiers were noted during review period. Voided receipts were generally without adequate explanation and documentation and were not independently verifiable. The Park Supervisor is advised to review and initial daily revenue reports timely, making sure variance between accountability and cash-on-hand is properly explained and there is no more than 30 minutes time-gap between issuing and voiding any receipt.

- Review of Cash Collections Audits

Audit Manager Sumner responded to a previous request for information regarding how often cash collection sites were reviewed. A schedule outlining all the sites and date of most recent reviews by internal audit unit was submitted at this session.

Committee member Wieskamp inquired why some concessions are audited every five years and others are audited more often. AGM Debra Auker replied that the schedule of audits is based on several risk factors.

Committee chair Rosario appreciates the fact that District staff is reviewing cash collection sites, however, he is interested in more frequent audits.

Audit Manager Sumner concluded by advising the Committee the audit staff does an annual risk assessment and determines which concessionaires and cash collection sites will be audited, in addition to any other audit requests from Management and the Operations Division.

Recommendation: This is an informational item only.

Agenda Item No. 4 **Green Bond Annual Report for 2018**

AFO Spaulding provided background information on the Park District's Green Bonds. In November 2017, the Park District issued \$30 million in Measure WW Certified Green Bonds. The term "green bonds" informs investors that the proceeds are intended to be used on projects that reduce greenhouse gases, mitigate for climate change or provide other environmental benefits. This is the second year of Green Bond Reporting, intended to explain the impact of these bond funds to interested investors.

Total Green Bond expenditures through December 31, 2018 were \$10.1 million, or 34% of the original \$30 million. AFO Spaulding provided some highlights of the projects that were completed in 2018 using partial Green Bond funding.

Committee member Wieskamp recommended that Finance work with Public Affairs to publicize the Green Bonds report and to promote the “green” work of the District.

Recommendation: This is an information item only.

Agenda Item No. 5

Beacon Economics Property Tax Forecast for 2020-21

AFO Spaulding introduced the Beacon Economics forecast. The Park District contracts with Beacon Economics to complete a five-year forecast of anticipated changes to the assessed valuation (AV) of property within the two counties. Property tax revenues constitute almost 90% of the District’s General Fund revenues, and the Park District’s budget is highly sensitive to changes in this major funding source.

The Beacon Economics forecast for growth in fiscal year 2020-21 are:

- Alameda County 5.1% growth
- Contra Costa County 5.0% growth

The Park District utilizes the Beacon Economics forecast combined with the known AV rates for the current fiscal year to develop projected revenue budgets for the next budget year. This budgeting practice typically results in excess property tax revenues at year end which may be allocated to one-time projects.

Recommendation: This is an information item only.

Agenda Item No. 6

Major Infrastructure Renovation & Replacement Fund Update

AFO Spaulding provided a history of the Major Infrastructure Renovation and Replacement (MIRR) Fund. The MIRR Fund was created in 2012 to ensure the long-term viability of existing Park District infrastructure and facilities by planning for their eventual major renovation or replacement.

In 2014, the Park District contracted with VFA Inc., an asset assessment and management firm, to inventory major infrastructure in each park, listing asset construction date, current condition, and estimated renovation/replacement cost. The intent of the VFA asset inventory is to create a maintenance and replacement plan for the Park District’s assets. As of the end of 2018, 80% of District assets had been assessed, and the District’s “Facilities Condition Index” (FCI) was rated at 64 out of a possible 100.

When the VFA assessment is complete, the Park District will have the necessary data to strategically address overall asset maintenance. Using that data, the Park District can establish a funding policy, and targets for annual appropriations, which will lead to improved asset maintenance and FCI scores. As a first step towards achieving this goal, in the 2020 budget, the

MIRR Fund will be established as an internal service fund, with charges to divisions established at fixed budgeted amounts.

AFO Spaulding noted the information in this report is intended to prepare the Committee for a discussion of a new MIRR funding policy that will be brought to the October 2019 Finance Committee meeting.

Committee member Wieskamp requested that information be provided in October regarding what actions other agencies are taking to maintain assets. Committee member Wieskamp also asked for a list of parks that have a below-average FCI score.

Recommendation: This is an information item only.

Agenda Item No. 7

Open Forum for Public Comment

Member of the public, Kelly Abreu discussed his concerns with the budget and project status of the project “Mission Peak Staging Area” which was included in Board Workshop packets and the 2019 Adopted Project & Program book.

Agenda Item No. 8

Committee Comments

Committee member Wieskamp reiterated her request that the Green Bonds report be promoted by Public Affairs and brought into the public. She complimented the District on forward thinking by purchasing Green Bonds. AGM Auker and AFO Spaulding advised Finance would work with Public Affairs to get the Green Bonds report out.

Meeting adjourned the meeting at 2:00 PM.

Next meeting is October 30, 2019 at 1:30pm.

Respectfully submitted,
Caitlin Stone
Confidential Secretary, Finance