

AGENDA
REGULAR MEETING
BOARD OF DIRECTORS

EAST BAY REGIONAL PARK DISTRICT

Tuesday, September 20, 2011

C. BUSINESS BEFORE THE BOARD

6. BOARD COMMITTEE REPORTS

- b. Finance Committee Minutes and Recommended Actions from
the August 23, 2011 Meeting (Sutter)

Attendees

Board Committee: John Sutter (Chair) Ayn Wieskamp, Whitney Dotson

Staff: Dave Collins, Cinde Rubaloff, Pam Burnor, Carol Victor,
Meadow D'Arcy,

Public: None

Chairperson John Sutter began the meeting at 12:45PM.

Agenda Item No. 1

June 30, 2011 Investment Report

CFO Cinde Rubaloff presented the June 30, 2011 Investment Report in accordance with State law and the District's Investment Policy, and reported that the grand total of the District's cash and investments as of June 30, 2011 was \$260,049,447.

Pooled cash managed by the CFO/Controller increased approximately \$15.2 million from the March 31, 2011 balance, principally as a result of the April and June property tax revenue. Fund managed by trustee increased approximately \$9.7 million for the same reason.

The 2011 investment earnings budget is \$2.7 million and 50% is \$1,350,000. As reported, mid-year earnings for 2011 were \$1,147,235, or 15% short of target. The District's investment managers are actively seeking to maximize the District's investment returns, while balancing risk and abiding by the parameters of the Investment Policy, as shown by the following:

- Second quarters' investment returns outperformed the benchmark by .04%, for short-term investments, but underperformed in the mid-term range by .5%. The underperformance is due to the fact that our portfolio is still invested short of the 1-3 year range, with less than 17% (instead of 33%) invested beyond two years. This is due to the anticipation of rising rates, which will happen at some point, just not yet.

CFO Rubaloff reported that beginning in 2011, the Sharpe Ratio information for Cutwater and PFM portfolios, as well as the Merrill Lynch 1-3 year benchmark will be presented with the quarterly investment information. 6/30/11 ratios were 5.5 Cutwater, 4.8 PFM, and 4.0 Merrill Lynch 1-3 year U.S. Treasury benchmark.

Director John Sutter asked for clarification of the Sharpe Ratio and what it indicates. CFO Rubaloff explained that it is a measurement of return over risk. The more risk assumed, the higher the potential return. The goal is to maximize return at the required risk tolerance level. Therefore the higher the Sharpe Ratio, the more return was achieved for the level of risk assumed.

CFO Rubaloff then reported that investment fees for the second quarter of 2011 were substantially lower than previously. The second quarter of 2011 was the first opportunity to cleanly compare Well Fargo (the District's "new" bank)'s fees to Bank of America's (the District's "old" bank) fees. Second quarter 2010 Bank of America fees were \$7,385 compared to second quarter 2011 Well Fargo fees of \$4,505, a 40% reduction.

Finally, CFO Rubaloff covered the historic occurrences of the past two weeks related to U.S. government securities and the downgrade in S&P rating (which did not impact short term U.S. Treasuries). She stated that it is important to note that the downgrade in the rating of the U.S. government debt does not impact the fact that U.S. Treasuries are backed by the full faith and credit of the U.S. government.

Moved by Director Ayn Wieskamp and Seconded by Director Whitney Dotson to recommend to the full Board of Directors acceptance of the June 30, 2011 Investment Report. Motion Approved.

Agenda Item No. 2 **June 30, 2011 Unaudited Financial Statements**

CFO Rubaloff presented the June 30, 2011 Unaudited Financial Statements.

General Fund Revenues:

As of June 30, 2011 the District received approximately \$46 million in General Fund Revenue (excluding transfers in), a decrease of \$1.9 million or -3.9% from the same time period in 2010.

- The most significant source of the decrease was reduced revenue from charges for services related to Middle Harbor. The District's contract with the Port of Oakland ended in 2010. Consequently, charges for services revenue decreased \$1.2 million (23%) from the prior year.
- A portion of the drop in General Fund revenue of \$680,000 (2%) was attributed to the decline in property tax receipts, which was expected.
- A reduction in interest revenues contributed \$200,000 (a decrease of 36%) to the total decline when compared to 2010.

General Fund Expenditures:

Total expenditures as of June 30, 2011 were \$39 million, approximately \$1.9 million higher than in 2010 or a 5.1% increase.

- Expenditure increases occurred in the areas of personnel costs (\$1.1 million—3.6%), operating supplies and professional services (combined total of \$870,000) in large part due to recording the May P-Card expenditures in June, rather than July, as occurred in 2010. Additional increase in professional services was attributed to legal services related to the updating of the East Bay Regional Park District Retirement Plan documents.
- Other uses increased a net of \$2.3 million due to the transfer from General Fund to the General Liability Fund to cover the costs related the Tilden Corp Yard Fire, which will be reimbursed to the District from insurance proceeds.

Overall, as of June 30, 2011 General Fund expenditures are over revenue by \$2.7 million, compared to June 30, 2010 when the General Fund had revenue over expenditures of \$3.3 million, a \$6 million swing to the negative. This was anticipated and the District budgeted use of the fund balance designated for smoothing to cover the revenue shortfall in 2011.

Director John Sutter wanted to know what is involved in the Transamerica update and when staff is doing the review. CFO Rubaloff answered that the HR Department hired a new attorney because the District plan is not in compliance with IRS private letter rulings. AGM Dave Collins concurred that the District was informed that the plan is not completely up to date with all of the current IRS rulings. Staff retained council to go back and restate the plan. There were no material changes to the plan benefits, it was all about legal compliance to IRS regulations.

Revenues and Expenditures for Other Governmental Funds (Special Revenue Funds, Project Funds, Debt Service Funds):

Major fluctuation in special revenue funds relate to Measure WW Local Grant Program fund transfers in and local agency reimbursements.

RECOMMENDATION: Moved by Director Whitney Dotson and Seconded by Director Ayn Wieskamp to direct staff to submit the Second Quarter 2011 Unaudited Financial Statements to the Board of Directors for favorable consideration. Motion Approved.

Agenda Item No. 3

June 30, 2011 Budget to Actual Report

Budget Manager Pam Burnor presented the June 30, 2011 Budget to Actual Report.

GENERAL FUND

The 2011 General Fund revenue budget is just under \$100 million, while the 2010 revenue budget was almost \$103 million. General Fund revenue (excluding transfers in) received

through June 30, 2011 was about 46.5% of the annual budget, \$46.5 million, compared to 47%, or \$48.4 million collected through June 30, 2010.

General Fund expenditures (excluding encumbrances and transfers out) recorded through June 30, 2011 are 42%, of the \$99.6 million 2011 appropriations. In 2010, at mid-year, 41% of the \$98.4 million budget had been expended.

GENERAL FUND REVENUE

A review of General Fund major revenue categories reveals:

- 2011 property tax revenue is budgeted at \$87.7 million and 46.5% was collected as of June 30, 2011 compared to 47% collected in the second quarter of 2010.
- Second quarter charges for services revenue was 52% of the \$8 million dollar budget collected compared to the 2010 second quarter, when 59% of the \$9.2 million budget had been collected.
- 58% of rents and leases revenue collected through the second quarter of 2011, the same as in 2010 when 58% was collected in the second quarter.
- 27% of the \$1.5 million investment revenue was recorded by June 30, 2011 compared to 23% of \$2.75 million for the same category as of June 30, 2010.

GENERAL FUND EXPENDITURES

As of June 30, 2011, 57.8% of the \$99.6 million in General Fund 2011 appropriations remain unspent and unencumbered, (54% when encumbrances are included). Second quarter 2010 had 59.3% of the \$98.4 million appropriations remaining at mid-year.

Comparison of appropriations spent (excluding encumbrances) as of June 30, 2011 compared to June 30, 2010 by category:

- 2011 salary/benefits – 44%, same as in 2010,
- 2011 supplies – 39%, compared to 32% in 2010,
- 2011 services – 34%, compared to 29% in 2010,
- 2011 equipment/fixed assets – 35%, same as in 2010,
- 2011 payments to others – 20%, same as in 2010.
- 2011 intra District charges – 50%, same as in 2010.

All divisions are between 56% and 69% appropriation unspent 50% of the way through 2011.

SPECIAL REVENUE FUNDS

At the end of the second quarter 2011, 48% of budgeted for special revenue funds' collections had been received compared to 49% of the budgeted revenue for 2010. In the second quarter of 2011, about 35% of special revenue funds' appropriations were expended (excluding encumbrances) compared to the same period last year when 41% had been used.

Budget Manager Burnor informed the committee that the District revenue collections and use of appropriations for 2011 continue to be within budget and tracking closely to 2010 amounts.

Recommendation: None. This is an informational item only.

Agenda Item No. 4
2011/2012 Tax Levy Amount for General Obligation Bonds Debt Service and Assessed Valuation Update.

CFO Rubaloff reported that on August 9, 2011, the Board of Directors approved Resolution 2011-8-182, which authorized staff to develop the 2011/2012 tax rate for the District's GO Measure AA and Measure WW bonds.

- The resolution stated that staff would report the actual tax rate to the Finance Committee.
- The calculated ad valorem tax rate for 2011/2012 is **.0071%** per \$100 of assessed valuation (AV).
- This tax rate was reported to Alameda and Contra Costa County authorities on August 16, 2011.

CFO Rubaloff also reported that 2011/2012 total AV has decreased from the prior year by:

- .01% (.02% excluding Murray Township which is not included in debt levy) in Alameda County and 0.57% in Contra Costa County.
- AV has decreased a total of 3.50% for Alameda County and 10.70% for Contra Costa County since the high in 2008/2009.

Recommendation: None. This is an informational item only.

Agenda Item No. 5
Public Comment

There were no public comments.

Director John Sutter adjourned the meeting at 1:40P.M. The next meeting of the Board Finance Committee is scheduled for **12:45P.M. on Wednesday, September 21, 2011**, in the Board Room, Peralta Oaks.

Respectively Submitted

Robert W. Stagnaro
Confidential Secretary
Finance Department