

AGENDA
REGULAR MEETING
BOARD OF DIRECTORS

EAST BAY REGIONAL PARK DISTRICT

Wednesday, June 22, 2011

C. BUSINESS BEFORE THE BOARD

8. BOARD COMMITTEE REPORTS

- a. Finance Committee Minutes and Recommended Actions from
the May 24, 2011 Meeting (Sutter)

Attendees

Board Committee: Ayn Wieskamp (Acting Chair), Whitney Dotson, Ted Radke(Alternate)

Staff: Bob Doyle, Dave Collins, Cinde Rubaloff, Pam Burnor, Deborah Spaulding, David Sumner, Susan Gonzales, John Escobar, Ted Radosevich, Nadine Vargas, Meadow D'Arcy, Joe Briton, Davio Santos, Di Rosario, Anna Fong, Paul Ferrario, Larry Moss, Sharon Corkin

Vavrinek, Trine
and Day CPA's T. Ki Lam, Partner

AFSCME Local 2428 Brenda Wood

Public: None

Agenda Item No. 1
Auditor's Communications

CFO Cinde Rubaloff welcomed Ki Lam, who is a partner with Vavrinek, Trine and Day CPA's. They have completed their second-year audit of the District's finance records.

Ms. Lam thanked Ms. Rubaloff and her staff for their cooperation and for providing financial information in a timely manner.

Ms. Lam informed the Committee that the District has a "clean audit". The Committee was referred to the Independent Auditors' Report and their opinion that the financial statements are in conformity with accounting principles generally accepted in the United States of America.

Ms. Lam reported that there were no management recommendations for 2010, and that 2009 management recommendations had all been addressed.

Ms. Lam then reported on the Independent Accountants' Report on Agreed-Upon Procedures Applied to Appropriations Limit Calculation and stated that no exceptions were noted in relationship to the calculation of the Gann Limit.

Ms. Lam discussed the Report on Federal Awards in Accordance With OMB Circular A-133 for the Year Ended December 31, 2010. She stated that audit revealed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. She pointed out the 2010 Single Audit does contain a significant deficiency finding related to 2009 Single Audit. She defined deficiency as follows: when an internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. In 2010 it was discovered that the 2009 Single Audit did not include all Federal programs, and that some programs had incorrect Catalog of Federal Assistance (CFDA) numbers. The effect was that the Schedule of Expenditures of Federal Awards reported inaccurate information to federal agencies. The cause of the omission and error was lack of procedures to ensure communication between departments and the Grants Manager related to all federal funds received by the District. New procedures have been implemented to mitigate future omissions and errors.

The Committee members expressed their appreciation for the audit presentation and to the Finance Department staff for their continuing improvement to the District's financial operations.

Agenda Item No. 1 **Draft 2010 Comprehensive Annual Financial Statement**

CFO Rubaloff presented the draft copy of the 2010 CAFR and highlighted some of the statistical information as follows:

- The District's Government-Wide Statement of Net Assets (the assets of the District) exceeded its liabilities at December 31, 2010 by \$593.9 million (net assets). Of this amount, \$420.4 million was invested in capital assets net of related debt.
- Restricted net assets total \$53.6 million and were comprised of the following:
 - Capital projects \$18.5 million
 - Debt service \$20.9 million
 - Special projects \$14.1 million
- The balance of \$119.9 million was unrestricted.
- The net assets increased by \$39.0 million over the prior year, an increase of 7%.
- As reported on the District's Fund Financial Statement Balance Sheet, Governmental Funds, the total fund balance was \$242.2 million, a decrease of \$23.8 million, 9% over the prior year.

The General Fund had an increase in fund balance of \$6.6 million. Revenue was slightly over budget (\$600,000) and expenditures were almost 6% under budget (\$5.7 million), resulting in the 2010 surplus.

Debt Service Funds had a decrease of \$5.4 million (20.5%) and an ending fund balance of \$20.9 million. The decrease was attributable to the 2010 use of capitalized interest for debt service payments related to the 2009 Measure WW bond issue.

Project Funds had a decrease of \$27.2 million (19.5%) and an ending fund balance of \$112.6 million. The decrease was due to the use of Measure WW bond proceeds for land acquisition and transfers to fund the Measure WW local grant program in a special revenue fund.

All Other Non-Major Governmental Funds had a combined increase of \$2.2 million (12.4%) and an ending fund balances of \$20.0 million. The increase is attributed to \$1 million endowment received in the permanent funds, and revenue over expenditures in Measure CC special revenue fund.

The Committee commended CFO Rubaloff and the Finance staff for the excellent presentation of the District's finances.

Recommendation: Moved by Director Ted Radke and seconded by Director Whitney Dotson to submit the 2010 Comprehensive Annual Financial Report (CAFR) and the Auditor's Reports to Board of Directors and Management to the Board of Directors for consideration and acceptance. Motion Approved.

Agenda Item No. 3 **Completed Project Closures**

Administrative Analyst Nadine Vargas informed the Committee that each year, Finance formally closes completed project accounts in the District's financial records, and summarized the process as follows:

- District procedure calls for the Board of Directors to take this action.
- Project expenditures occur over multiple fiscal years. It is important to close completed projects in order to make certain that charges do not continue after completion.
- Due to the long-term nature of the projects, it is not uncommon to have variances both positive and negative from the original project estimated budgets.
- The proposed project closure list, which will be presented to the Board, identifies projects to be closed as directed by the Project Manager.
- Twenty one development projects are recommended for closure. Thirty land related projects are slated for closure. Eighteen other than asset projects (OTA) will be closed. Two resource enhancement projects (REP) are completed.
- Net unspent budget on all projects totals \$546,213. Unspent balances will be returned to original source of funding,
 - General fund will receive \$181,345.
 - \$104,273 will be redistributed to projects in the Capital Improvement Fund.
 - \$257,452 of Measure AA and Measure WW will be available for redistribution in the allocation area in which they were originally appropriated.
 - \$2,873 will be returned to Measure CC Fund.
 - REP excess of \$269 will be moved to REP administrative project

RECOMMENDATION: Moved by Director Ayn Wieskamp and Seconded by Director Whitney Dotson to direct Staff to forward the Report of Accounting Closure for Completed Projects to the Board of Directors for Approval. **Motion Approved.**

Agenda Item No. 2
Annual Risk Management Report

Risk Manager Larry Moss presented his annual reports, which covered:

- An overview of Risk Management support service to control, mitigate, and avoid loss of District assets and resources
- Workers' Compensation Claims
- Claims Reserves
- General Liability Claims
- Unemployment Claims
- Insurance Programs

Mr. Moss noted that in general, the cost of claims, insurance, and other related costs were stable in 2010. The frequency of liability claims continues to remain low due to diligent practices that prevent injuries to the public and property damage. There is only one claim in 2010 with significant reserves.

The number of claims filed for workers' compensation remains relatively flat, but still substantially decreased over a ten-year period. There is an upward pressure on costs due to an increase in severity of recent claims, medical expenses, and case law fueling an increase in permanent disability expenses. However, prudent management on multiple fronts controlled claims expenses, with expenses decreased by 8% from 2009 and total reserves down over \$1 million from 2007.

Unemployment costs have doubled in five years to \$479,804. Substantial Federal and State-mandated unemployment benefit increases have been passed on directly to the District.

The District's insurance program continued to provide the District with excellent coverage, exemplified by the following:

- The improved rebuild of the Gillespie Group Camp, which cost the District a fraction of the insurance cost.
- Renewal costs remaining relatively flat, as they have been for the last several years.
- There is potential for a 14% rise in the cost of excess workers' compensation excess coverage.
- Liability, excess workers' compensation, watercraft, crime and dishonesty, and aviation insurance pricing is not yet finalized, and is pending renewal on July 1st.

There was discussion regarding the fire at the Tilden Corporation Yard and it is estimated that the loss will be in the range of \$2-3million dollars. The District requested an advance from our insurance carrier and received an estimated \$861,000. The District has also contributed \$1.4 million from designated fund balance for disaster.

Mr. Moss informed the Committee that the District's earthquake coverage is for a maximum loss of \$10 million (including contents) and covers Peralta Oaks, Brazil Room, Temescal Boathouse, EEC, and the Trudeau Center. Current earthquake coverage presents a potential loss to the General Fund:

- The \$10 million limit could be spread across any of the aforementioned five buildings. The value of rebuilding Peralta Oaks alone would absorb the entire coverage should the building sustain severe damage in an earthquake.
- There is a \$25,000 deductible plus a deductible of 5% of the appraised value of the building at the time of the loss.
- Staff has requested a maximum probability loss study from its insurance broker. The study has yet to be completed.

Regardless, if all the aforementioned buildings sustain major damage earthquake coverage under present limits, the coverage will not be sufficient.

Mr. Moss then informed the Committee that staff will review earthquake coverage to reduce exposure to the General Fund.

The Committee commended Larry Moss for his reporting and for the excellent job his staff is doing to reduce liability and workers' compensation claims. The District investigative and employee safety training programs have contributed to the success of the District's insurance program.

Recommendation: Moved by Director Ted Radke and Seconded by Whitney Dotson to Receive Risk Management Annual Report and Recommendations to 1) Renew Insurance Policies for 2010-11, and 2) Renew workers' compensation third party administrator contract from July 2011 to June 2013. Motion Approved.

Agenda Item No. 5
Public Comments

None to report.

Meeting adjourned at 1:50PM

Respectively Submitted

Robert W. Stagnaro
Confidential Secretary
Finance Department