

AGENDA
REGULAR MEETING
BOARD OF DIRECTORS

EAST BAY REGIONAL PARK DISTRICT

Tuesday, July 21, 2009

C. BUSINESS BEFORE THE BOARD

8 BOARD COMMITTEE REPORTS

- c. Finance Committee Minutes and Recommended Actions from
the June 24, 2009 Meeting (Lane)

Attendees

Board: Director Lane (Chair), Doug Siden, Ayn Wieskamp
Staff: Pat O'Brien, Dave Collins, Carol Victor, Cinde Rubaloff, Deborah Spaulding,
Dave Sumner, Megan Jones, Pam Burnor, Sharon Saffas, Susan Gonzales, John
Escobar, Ourmback Harsaw.

Public: Bick Hooper, Brenda Wood, Gary Caporicci and Priscilla Austin – Caporicci
and Larson, Irene Tierney - City of Fremont

**The first and second agenda items switched places; the 1st Quarter Unaudited Financial Statements
item was presented first**

I. 2009 1st Quarter Unaudited Financial Statements

Audit Manager David Sumner reported on several financial reports, including revenues and
expenditures. Director Lane inquired about normal receipt time for property taxes, to which
Audit Manager Sumner answered that usually, the District receives property tax checks from
Alameda and Contra Costa (CC) counties in the first quarter, although they are due to the District
in April. Director Lane asked why the Contra Costa payment was late; Audit Manager Sumner
stated that the timing difference between the receipt of Alameda and CC county checks resulted in
one payment being posted in the first quarter of the year, and the other payment being posted in the
second quarter of the year.

Automatic/EFT payments were discussed, with Director Lane expressing her surprise that staff is still
picking up a paper check from Contra Costa County while Alameda County provides an EFT.
Director Wieskamp opined that it is worth having Audit Manager Sumner pick up the check from
Contra Costa County if that is what they require.

Sumner continued his review of Charges for Services, reporting that the report increased by
\$229,000. He explained the reasoning behind the increase, noting that there were some normal
discrepancies in the numbers due to timing. Director Lane noted her concern with the differences
in the numbers. Director Wieskamp expressed her surprise that there was an allotment for
"Election Costs," which Audit Manager Sumner explained had carried over from last year's allotment

due to the charges in question. Other changes include 75th Anniversary expenses and an increase in advertising expenses. There were some questions about the accuracy in the attachments, particularly Attachments F (Statement of Expenditures) and G (Contingency and Reserve Funds), which, after discussion, the group agreed should be checked for clarity and accuracy before being brought forth to the full Board.

By motion of Director Wieskamp and seconded by Director Siden, the Finance Committee unanimously recommended that the Board of Directors review and approve the Unaudited Financial statements, pending a final check for accuracy and clarity.

2. 2009 Draft Comprehensive Annual Financial Report, Single Audit, GANN Limit Spending Report, Recommendations to Management

AGM of Finance and Management Services Dave Collins introduced the CAFR, reminding the group that it was in draft form and coming before the Committee at this time in order to keep with the VVW bond sale schedule. AGM Collins reported that the CAFR demonstrates that the District has managed its assets well, and acknowledged CFO Rubaloff's work accordingly. He noted that the District has \$500 million in government-wide net assets. 2008 ended on target with a General Fund revenue over expenditures of \$6.8 million. He noted that 2008 was probably the last "positive" year for some time, and that coming years may be different.

CFO Rubaloff added some supplemental information to the CAFR and noted that page numbering would be included on the next version. Director Wieskamp agreed that page numbers would be helpful. CFO Rubaloff also extended to the group her apologies that the Management Discussion and Analysis (MD&A) was not complete.

AGM Collins stated that the PAC and the PAC Finance Subcommittee made a positive recommendation for the CAFR at their meeting on Monday, pending their review of the MD&A. The CAFR was presented to the PAC before this group for timeliness reasons only.

CFO Rubaloff introduced Gary Caporicci, Partner, and Priscilla Austin, Audit Manager, from Caporicci and Larson (C & L). Mr. Caporicci noted this is only the second year that the District has used the CAFR-On-Line software to produce the CAFR document, and the first year of use for some new District staff. He also stated that C & L's audit report contains an unqualified opinion.

Regarding the General Fund, Mr. Caporicci reviewed the comparison of the unreserved fund balance (General Fund only) with annual expenditures. The District's unreserved fund balance exceeds the average of other agencies, indicating a healthy financial position.

The group wanted to review some of the changes that were made to the CAFR. CFO Rubaloff reviewed the items that were new and/or different for the year, including changes in grouping of funds, making the report more readable. She also included as a fiduciary fund the District retirement plan with Transamerica, a disclosure of remediation liabilities included as part of GASB 34, and the inclusion of the CalPERS side fund. Also added to the financial statements were joint ventures and the District's association with the Foundation.

CFO Rubaloff stated that prior period adjustments to the government-wide net assets were required to correct the posting of the 2006 bond issue. Cost of issuance was capitalized, and deferred gain on refunding was booked in 2008 as these items had not been posted in 2006. An additional prior period adjustment was required for items previously capitalized, which were subsequently determined to not be owned by the District.

Director Lane asked for and received clarification on the capitalization corrections from prior years, as did Director Siden.

CFO Rubaloff and AGM Collins reiterated that many of the changes occurred due to the GASB 34 implementation.

Director Wieskamp congratulated on the completion of the CAFR, and noted that it was “clean.”

Director Lane shared her interest in reading the report but reiterated her desire to have page numbers - Director Wieskamp agreed but noted that she understood it was a very complicated report.

Director Lane asked for the discussed revised changes in writing, which CFO Rubaloff agreed to provide. Director Wieskamp suggested a more cohesive format when large documents are distributed; staff agreed.

PAC Chair Bick Hooper reviewed the PAC meeting’s Finance Subcommittee’s review of the CAFR. He noted that the PAC unanimously voted to approve the CAFR conditionally, upon review of the MD&A. He noted that he had many detailed questions regarding the financials in the CAFR, but after having his questions answered by AGM Collins and CFO Rubaloff at the PAC meeting, he felt comfortable with the final recommendation.

Brenda Wood asked about how the District is categorizing fund balance on the governmental fund balance sheet. She pointed out that the 2007 CAFR did not include the category “unreserved reported in”, which is the norm and which the 2008 CAFR includes. She wanted to know whether it was for compliance. Mr. Caporicci answered that it was for compliance and was subject to change again within two years. Typical formulas include unreserved and reserved. The designated area comes from when management decides to set some money aside, but that is subject to change at any time.

Ms. Wood also wanted to know if the \$14 million in designated funds was detailed in the CAFR. CFO Rubaloff noted that the information was in the disclosures, and directed Ms. Wood to them.

Ms. Wood also asked for clarification on the \$3.5 million difference between the estimated general fund balance referred to in a March 2009 memo and the CAFR. CFO Rubaloff answered that the March information was preliminary, based upon entries posted at that time. As a result of the year-end work, which was not completed until the audit was, adjustments continued to be made. Changes in grants (deferred revenue, accounts receivable) were also made, which resulted in changes to revenue. The large expenditure change was related to posting the accrual related to the election costs incurred in 2008.

Directors Wieskamp and Lane were concerned about recommending the item with so many questions remaining. After some discussion, the group agreed to come back together on July 7 to discuss the CAFR one more time before it goes to the Board.

This item was deferred to a special Finance Committee meeting on July 7 at 10:30a.m.

3. Accounting Closure for Completed Capital Projects

Budget Manager Pam Burnor introduced this item by discussing the separate supporting attachments, and the group discussed the reappropriation of funds and closures of projects.

She reviewed projects submitted by project managers that are expected to be closed out in 2009, which make up the project closure list and result in allocation refunds available for reappropriation.

Director Siden asked for and received clarification on how bond money can be used. AGM Collins added that funds stay in their categories, i.e., excess or reappropriated Measure AA funds revert back to the Measure AA account; General Funds go back to General Funds, etc. Director Lane asked for and received information on the grant for the Unisys property in Pleasanton. AGM Collins clarified that the purchase of the property was never completed, and the granting agency was unwilling to transfer the grant money to other properties.

Moved by Director Siden and seconded by Director Wieskamp, the Committee unanimously voted to forward the closure list to the full Board for favorable consideration.

4. 2010 Budget Calendar Overview

Budget Manager Pam Burnor reviewed the budget calendar and noted that the biggest change in the 2010 budget process will be the introduction of performance measures in the budget process (a GFOA best practice recommendation).

Director Lane voiced her concern that staff not be asked to do too much more as performance measures are introduced because sometimes, in doing performance measures in budgeting, keeping these records and reporting on the measures takes an undue amount of time; the measures need to be real and to be of assistance in running the agency. Director Wieskamp agreed.

GM Pat O'Brien noted that although he thinks staff has done a good job thus far, this more quantitative information will help make the District's budget process even better. Director Siden concurred, and asked for clarification on the annual Budget Workshops.

CFO Rubaloff agreed and added that when the GFOA awards the "Certificate of Excellence" to the District, they note that the District is not abiding by the GFOA's best practices in this area.

Director Lane suggested that staff supply a small list of accomplishments in each unit or park for the Board members so that Board members can find this information readily and know what staff is accomplishing during the year. Director Wieskamp thought it was a good idea, and GM O'Brien suggested that this item was more appropriate for an Operations Committee meeting. Staff agreed to bring it to Operations for their attention and review.

This was an informational item only; no action was required.

5. 2010 Measure CC Expenditure Plan

AGM Dave Collins reviewed the plan and thanked Administrative Analyst II Megan Jones for her work on this project. He stated that these CC funds are mostly operational and are considered separate funds from the General Fund and the General Budget. They come from a parcel tax that generally brings in about \$3 million a year and will expire in 2020. Because these funds are operational in nature, each year they are appropriated. Should they not be used, they revert back to the same CC fund. For example, should the funds for Eastshore not be spent, the funds would be rolled over and added to additional operational funds for Eastshore.

AGM Collins specifically reviewed the reserve portions of the funding in the schedule. Director Siden asked about project allocation and interest, using the fencing at the Tom Bates sports fields as an example.

Director Lane asked about capital vs. operating funds. AGM Collins replied that it changes from year to year because items shown as in-process, once completed, then take operating expenses to run.

Director Siden asked about appropriation – whether the interest earned on Measure CC money is allocated to Measure CC fund. AGM Collins clarified that it is, and some funds are reverted back to the project.

Director Lane asked for and received clarification on Alameda County revenues.

Moved by Director Wieskamp and seconded by Director Siden, the Committee unanimously voted to recommend the Measure CC Expenditure Plan for approval by the full Board.

6. Redevelopment in City of Fremont

AGM Collins introduced Elisa Tierney from the City of Fremont and gave a brief history on the Fremont Redevelopment Agreement as well as redevelopment in general. The City of Fremont (Fremont) has come to the District with a request to support Fremont's RDA plan amendment, which would extend the life of the Agency and increase the tax increment cap. The RDA plan amendment passage would impact the current agreements the District has with the RDA. The new agreements would revise the Redevelopment Marketing and Promotional Services Agreement and the Fiscal Agreement Regarding Fremont Industrial Redevelopment Project. These agreements backfill part of the loss incurred by the District for increased tax increments received by the RDA. The amended marketing agreement would provide additional operating funds to continue the current agreement's activities. The increased park development funding would be available to Quarry Lakes, Vargas, Niles Canyon or Alameda Creek Trail, at the District's discretion.

Director Wieskamp wanted to know about the State taking funds – and whether it affects the District's redevelopment money. Ms. Tierney explained that the raid of funds didn't affect the District or pass throughs at all; rather, it affected the City of Fremont. There was a loss of \$2.3 -

\$2.6 million to the City last year, and the State is proposing to increase that to \$2.8 million a year starting in 2009. This loss is under appeal now and frozen. The new amendment is being put forth by Fremont because the cap of \$400 million, previously agreed upon, is considerably under budget.

Director Wieskamp wanted to know how well the marketing promotion for Niles Canyon was working and whether the District is getting a good value – she wondered if there is a way to track it. AGM Collins answered that in the past staff has kept a record of redeemed coupons and that has worked well. GM O'Brien noted that there is a new supervisor at Quarry Lakes and Director Wieskamp emphasized that staff try and find a more comprehensive way to track the promotion.

Director Wieskamp would like to see a map that shows what has been accomplished and what is planned on being done with the redevelopment funds. Director Lane agreed. Ms. Tierney noted that the map is part of the documentation that is needed with the EIR and that it should be provided as such.

Director Wieskamp also wanted to know about the legal maximum of the 2/3 pass through value. Ms. Tierney answered that the District's contribution is 3.32%; half (50%) of which is passed through.

Director Wieskamp wanted to know if the City Council has been involved in the decision making; Ms. Tierney noted that yes, the council has been very involved, and once the EIR goes out, the information will be presented again. Fremont has been meeting with Alameda County and other involved agencies as well.

Director Wieskamp expressed her concerns regarding Vargas road. She wanted to be sure that before the Board took any sort of action on the proposed RDA amendment that the District receives assurance that the City Council, not just staff, is aware of the road project moving forward.

Ms. Tierney suggested that a letter from the City regarding the expression of intent related to Vargas road be issued to the District.

AGM Collins reviewed the timeline for approval of the plan – Ms. Tierney stated that the EIR is currently being circulated internally, with public distribution in July. The preliminary Planning Commission action is planned for August, and the plan would come forth again later in the fall (November), and finally to the City Council for approval.

AGM Collins and Ms. Tierney suggested that the item could go to the full Board in either August or September, and AGM Collins summarized Director Wieskamp's concerns about tracking marketing efforts and City Council involvement.

Director Siden thanked Ms. Tierney for her attendance at the meeting and asked for and received clarification on operation funds.

The group deferred to the next Board Finance Committee meeting in July or August.

7. Self Funding CalPERS Side Fund

AGM Collins summarized the status on the \$9 million debt the District owes to CalPERS related to the safety pension plan. The Board has previously approved refunding the debt as long as a 3% net present value savings can be attained. Staff has had difficulty in locating a viable lender who offers reasonable loan covenants. There is also an option to self-fund the repayment of the debt. The District spends approximately \$750,000/year in interest at 7.75% each year.

He then reviewed the payment options and other concerns with the group. GM O'Brien reminded the group that the AV assessment information, which staff should have before the end of August, will help staff make decision regarding the self-funding of the repayment of this debt.

The group agreed that although the item was on the Agenda as Recommendation Item, it should be considered an Informational Item, so no action was needed.

8. Public Comments:

GM O'Brien gave an update on the State budget, which included \$2 billion in revenue enhancements that as of the day of this meeting (June 24) were rejected. It makes a difference to the District because Prop IA might go back to the table. GM O'Brien mentioned that the State Controller will start issuing IOUs on July 1.

Director Lane asked about a legislative Special District subcommittee to address the prop IA issues – GM O'Brien answered that there are no set subcommittees, but that the District has many advocates.

AGM Collins reported on a conference call that he and CFO Rubaloff took part in with bond counsel and the financial advisor regarding the Measure WW bond issue. All involved agreed that a negotiated sale as opposed to a competitive sale would be the most appropriate, largely due to the existing bond structure. Several firms have contacted the District for this sale; bond fiscal advisors will send a request for information to the underwriter. Staff recommendation, based upon submitted proposals, will be brought back to the Finance Committee for review on July 22. AGM Collins noted that the biggest issue is not with the new bonds; it's with the existing debt service for AA. The new debt needs to be structured so that total debt service payments, for old and new debt, do not exceed the commitment of \$10 levy amount.

PAC Chair Hooper wanted to know if the CalPERS funding issue reflected a problem in the markets that would have an impact on the WW bonds. CFO Rubaloff and AGM Collins answered that is should not, since CalPERS loan is a pension obligation, not a general obligation.

Assistant CFO Deborah Spaulding introduced the Finance Department's intern, Ourmback Harsaw.

CFO Rubaloff introduced Bob Stagnaro as the new Confidential Secretary in Finance.

The meeting was adjourned at 3:20 pm.

The next meeting is scheduled for Wednesday, July 7 at 10:30am in the Board Room.