



BOARD FINANCE COMMITTEE

EAST BAY REGIONAL PARK DISTRICT
2950 Peralta Oaks Court
Oakland, CA

June 23, 2010
12:45 p.m., Board Room

The following agenda items are listed for Committee consideration. In accordance with the Board Operating Guidelines, no official action of the Board will be taken at this meeting; rather, the Committee's purpose shall be to review the listed items and to consider developing recommendations to the Board of Directors.

AGENDA

<u>STATUS</u>	<u>TIME</u>	<u>ITEM</u>	<u>STAFF</u>
(R)	12:45 p.m.	1. March 31, 2010 Investment Report	Rubaloff
(I)	1:00 p.m.	2. PFM Investment Portfolio Performance and 1 st Quarter 2010 Market Review	PFM
(R)	1:30 p.m.	3. 1 st Quarter 2010 Unaudited Financial Statements	Spaulding
(I)	1:45 p.m.	4. 1 st Quarter 2010 Budget to Actual	Burnor
(R)	2:00 p.m.	5. 2010 Completed Project Closures	Vargas
(R)	2:15 p.m.	6. 2011 Budget Calendar	Burnor
(R)	2:30 p.m.	7. 2011 Measure CC Expenditure Plan	Collins
	2:45 p.m.	8. Public Comments	

- (R) Recommendation for future Board consideration
(I) Information
(D) Discussion

2010 Meeting Dates:

July 27 (Tuesday), August 25, September 22,
October 26 (Tuesday), November 18

Board Finance Committee Members:

Carol Severin, Chair Ayn Wieskamp John Sutter Whitney Dotson, Alternate
Cinde Rubaloff, Staff Coordinator

Distribution/Agenda Only:

<u>Distribution/Agenda Only:</u>	<u>Distribution/Full Packets:</u>			
	Rich Guarienti	Pat O'Brien	Dave Collins	John Escobar
Valerie FischerGates	Steve Myli	Ted Radosevich	Susan Gonzales	Cinde Rubaloff
Yolande Barial	Bruce Beyaert	David Sumner	Deborah Spaulding	Pam Burnor
Robert Willis	Afton Crooks	Tyrone Davis	Sharon Corkin	Brenda Wood
	Ron Harryman	Dave Kalehele	Dan Walters	NormanLaForce

AGENDA
REGULAR MEETING
BOARD OF DIRECTORS

EAST BAY REGIONAL PARK DISTRICT

Tuesday, August 10, 2010

C. BUSINESS BEFORE THE BOARD

6. BOARD COMMITTEE REPORTS

- c. Finance Committee Minutes and Recommended Actions from
the June 23, 2010 Meeting (Severin)

Attendees

Board Committee: Director Carol Severin, Ayn Wieskamp, John Sutter

Staff: Pat O'Brien, Dave Collins, Cinde Rubaloff,
Pam Burnor, Carol Victor, Deborah Spaulding, David Sumner,
Sharon Corkin, Nadine Vargas, Bill Louie, Emily Hirano

Public: Dan Walters, PAC Member

PFM Asset Mgt Carlos M. Oblites, Senior Managing Consultant

Agenda Item No. 1 March 31, 2010 Investment Report

C.F.O. Cinde Rubaloff presented the March 31, 2010 Investment Report. The report is in accordance with State law and District's Investment Policy. The grand total of the District's cash and investments at March 31, 2010 was \$266,259,150.

Pooled cash managed by CFO/Controller has decreased approximately \$8 million from the prior quarter. The decrease is due to operating expenditures for the first quarter of 2010. Additionally funds managed by trustees has decreased approximately \$2 million as a result of March 1, 2010 debt service payments.

Pooled cash managed by CFO/Controller is approximately \$4 million less than 2009 amount in large part due to payoff of CalPERS side fund loan.

Funds managed by trustees have increased by \$101 million from the prior quarter. This increase is due to the receipt of:

- 2009 Measure WW bond project proceeds of \$80 million
- 2009 Measure WW capitalized interest proceeds of \$6 million
- December debt service property tax receipts of \$15 million.

Funds have been pro-actively shifted between investment opportunities to maximize returns.

Mid term investments fell short of benchmark (ML 1-3 Treasury Index) by .04%. Benchmark duration is 1-3 years. District's investments are currently at the short end of the 1-3 year spectrum. This is due to decision to invest short in the expectation that investment returns will improve in the near future, and the District wants the cash flow flexibility to be able to invest in mid-term securities as rates improve.

Staff will continue to monitor, evaluate and actively manage the District's funds to maximize returns in this dismal investment environment.

Investment fees are consistent with last year.

Recommendation, moved by Director Ayn Wieskamp seconded by Director John Sutter that the Finance Committee recommend to the full Board of Directors acceptance of the March 31, 2010 Investment Report. **Motion Passed.**

Agenda Item No. 2 PFM Investment Portfolio Performance and Ist Quarter 2010 Market Review.

C.F.O. Cinde Rubaloff introduced Carlos Oblites, Senior Managing Consultant with the PFM Group.

Carlos Oblites, Senior Managing Consultant presented the PFM Investment Portfolio Performance and Ist Quarter 2010 Market Review.

The District utilizes PFM Asset Management as one of two of our investment managers. The District currently has \$23 million (41%) of our operating funds invested through PFM, as well as \$20 million of Measure WW bond proceeds.

- Continued historic lows for interest rates.
- On an annualized basis, the District's portfolio return since inception is 0.33% higher than the benchmark, a result of careful, proactive portfolio management.
- The District maintains ample liquidity, available to reinvest in longer securities with higher yields.
- Although District's benchmark is 1-3 year US Treasury, the District's initial duration target was kept at one year to minimize interest rate risk and provide flexibility in a low-interest rate environment.
- Federal Reserve statements and recent economic data suggest interest rates will most likely remain near record lows through the end of 2010.
- The yield curve is unusually steep, meaning that as they "roll down" the yield curve toward maturity, longer-term securities experience significant price appreciation.
- The District maintains ample liquidity, which is available to reinvest in longer-term securities at higher yields.

Second Quarter 2010 Investment Strategies

- The economic outlook remains highly uncertain.
- Although yield levels are near historic low, the farther we move into the economic recovery the more likely we are to see interest rates rise.

Bond Proceeds Investment Considerations

- Optimize investment earnings consistent with arbitrage rebate regulations.
- Available investment yields are currently below the Bonds' arbitrage yields.
- Monitor markets for opportunities to lock in higher yields through individual securities for funds that can be invested beyond 12 months.

Economy Appears to Be Strengthening

- Leading economic indicators are consistently positive.
- Manufacturing and service sectors are growing.
- Labor market has improved.
- Home prices may have stabilized.

Recommendation. None. This is an informational item only.

Agenda Item No. 3 1st Quarter 2010 Unaudited Financial Statements

C.F.O. Cinde Rubaloff presented the District's financial activities for the first Quarter 2010, and compares 2010 financial activities with 2009.

General Fund Revenues:

- The District received approximately \$9.2 million in General Fund revenue in the first quarter of 2010, a decrease of \$300,000 or -3.4% as compared to revenue earned during the first quarter of 2009.
- The decline from the prior year was primarily due to decreased interest and investment earnings. Because interest rates are at record lows, interest revenue decreased by \$534,000, or -66% from the prior year.
- Many of the District's longer-term investments, which were purchased in prior years when interest rates were higher, are maturing. Proceeds are then reinvested in investments with lower returns, thus resulting in continued declining interest revenue. We anticipate this trend to continue throughout 2010 and 2011.

General Fund Expenditures:

- In the first quarter of 2010, overall General Fund expenditures were approximately \$200,000 lower than in the first quarter of 2009 or a 1.1% reduction.
- Personnel costs decreased by \$700,000 or -5.3% from the first quarter of the prior year. The 2010 decrease in personnel services expenditures was due to unfilled vacancies, and a reduction in overtime and temporary help.

- Supplies and services expenditures-other increased by \$800,000 from the prior year. But the first quarter of 2009 expenditures were abnormally low due to a timing issue.
- Capital Outlay expenditures decreased \$303,000 or -97% from the prior year. 2009 expenditures in this category were high because the Public Safety Division was completing the outfitting of the new helicopter. 2010 capital outlay is expected to be less than 2009, because no major equipment purchases are planned.
- Other Uses decreased a net of \$5 million from the prior year. General Fund transfers out to other funds have been severely reduced for 2010. Intra-District charges have increased substantially due to use of this object to record 100% of cost of services provided to the General Fund by internal service funds.

Director, John Sutter questioned category of Repairs & Maintenance percentage change of 37.8%. C.F.O. Cinde Rubaloff will review and report what makes up the change.

Director, John Sutter questioned category of Insurance & Uninsured Losses change of 1734.8%. C.F.O. Cinde Rubaloff explained that claims filed in 2010 were minimal (\$1,517) when compared to previous year (\$27,834).

Director, John Sutter questioned the accounting for Other Uses. C.F.O. Cinde Rubaloff explained the there has been an accounting change in 2010 and all intra-District costs are now being paid through intra-District charges.

Recommendation, moved by Director Ayn Wieskamp seconded by Director John Sutter that the Finance Committee review, discuss and direct staff to submit the First Quarter 2010 Unaudited Financial Statements to the Board of Directors for favorable consideration. **Motion Passed.**

Agenda Item No. 4 1st Quarter 2010 Budget to Actual

Budget Manager, Pam Burnor presented the District's 2010 1st quarter revenue and expenditure activity compared to budget.

- General Fund revenue received during the first quarter of 2010 was \$9.2 million, 9% of the annual budget. The percent of budget collected during the first quarter is consistent with the first quarter of 2009. Expenditures amounted to \$16.3 million, or 16.5% of the 2010 budget.

A review of major revenue categories as of March 31, 2010 reveals;

- Property tax revenue of \$6.9 million, (8% of annual budget) was received from Alameda County during the first quarter of 2010, consistent with the first quarter of 2009.
- 10% of budgeted investment revenue was received during first quarter of 2010, compared to 25% during first quarter of 2009.

Unspent 2010 budget appropriations for General Fund expenditures at March 31, 2010 are 83.5%, compared to the end of the first quarter 2009 with 84.8% remaining.

All divisions were required to reduce their 2010 appropriations by 7% from 2009 levels due to the decline in 2010 General Fund revenue. Each division developed strategy for required reductions, while sustaining their stated budget objectives.

Special revenue funds receive revenue intended for a specific purpose. Revenue sources vary and the timing for receipt of that revenue is related to the source. At the end of the quarter, 9.5% of the total of all special revenue budgets had been received, 88% of which was property tax revenue. Special revenue fund appropriations are restricted for specified uses and locations. The timing of expenditure depends upon multiple factors. At the end of the first quarter all funds except Dublin Hills Zone of Benefit and Eastshore State Park had more than 75% of their appropriations remaining.,

Recommendation. None. This is an informational item only.

Agenda Item No. 5 2010 Completed Project Closures.

Administrative Analyst , Nadine Vargas presented a schedule of completed project closures.

Each year, Finance formally closes completed project accounts in the District's financial records. District procedure calls for the Board of Directors to take this action.

In cases where AA Bond Funds were not totally expended following the project closure, Measure AA funds will be reclassified as "unappropriated" and returned to the allocation area from which they originated. The appropriation of funds to a new project can only be accomplished by a future action of the Board of Directors.

Land Projects:

- A total of 23 land-related projects are recommended for closure. The list includes both completed acquisitions and safety/security-type projects. Based on the proposed closures, the net impact of the proposed changes is as follows:
 - Projects with Measure AA Bond Funds are returning a total of \$102,571.72 to various allocation areas. In addition, \$74,138.02 in bond interest is being returned for future appropriations.
 - District (General Fund) proceeds of \$15,087.26 will be returned to the General Fund.

Planning/Stewardship/Development Projects and Maintenance Projects:

- A total of 66 capital projects and 35 non-capital projects are recommended for closure. Based on the funding status of these projects, the net impact of the proposed changes are as follows:
 - Measure AA Bond Funds of \$459,766.78 will be returned to the project areas and available for appropriation to future projects.

- General Fund monies in the amount of \$70,074.06 will be returned to General Fund. This amount is net of funds needed to offset five projects that were over expended by a total of \$649.72.
- Resource enhancement funds of \$500.00 will be returned to the Mitigation Fund, general resource enhancement project RP0000.

Di Minimis Accounting Corrections:

The large number of District projects and increasingly complex accounting entries require significant amounts of staff time to reconcile. The cost of the several hours of staff time spent on correcting final account differences of less than \$100 is greater than the adjustment, and is therefore an inefficient and unnecessary cost to the District. Staff is requesting that the Committee recommend that any final accounting entries necessary to reconcile project accounts of less than \$100 are not required, and that projects will be considered reconciled for the purposes of final closure within this amount.

Recommendation. Moved by Director John Sutter and Seconded by Director Ayn Wieskamp Review proposed project closures and budgetary adjustments. Review request for di minimis, accounting corrections. Direct staff to forward the report to the Board of Directors for approval. **Motion Passed.**

Agenda Item No. 6 2011 Budget Calendar.

Budget Manager, Pam Burnor presented the 2011 Budget Calendar

The District’s budget process is a vital tool for establishing public policy, maintaining control over the management of our resources and implementing fiscal plans. The purpose of the calendar is to provide the staff and the Board with an overview of the District’s budget schedule anticipated for the 2011 budget process.

Board Workshops:

The 2011 budget planning began early this year with the Board Workshops.

June – Position Budgeting

In June departments verify the level, location and funding source of District employees. This process helps ensure that all positions are budgeted and allocated to the appropriate funding source.

July – Budget Objectives and Performance Measures

Departments prepare upcoming year and ongoing objectives and performance measures.

August – Preliminary Budget Preparation

Finance distributes base budget to departments and instructions related to budget requests. Budget workshops are conducted to provide assistance to budget preparers. Board Finance Committee receives the “midyear” report as of the end of the second quarter, and recommended budget adjustments to the current year budget.

September – Budget Prioritization

Management reviews 2010-11 assessed valuation information received from the counties, and the projection received from the economist to determine 2011 base tax

revenue. The General Manager and AGM Group discuss and prioritize budget requests and/or reductions necessary to meet the projected capacity for both the operation and capital budgets. Approved budget requests are posted and the “proposed budget” is created.

October to December – Board and Public Review

The next step of the budget process is the Board and public review of the District’s Proposed Budget. The Park Advisory Committee and the Board Finance Committee are presented with the Proposed Budget during November and asked to make comments and recommend its adoption by the Board of Directors. At the first Board Meeting in December, the Proposed Budget is introduced, with a formal adoption of the Final Budget at the second meeting in December. The budget becomes effective on January 1st.

Recommendation. None. This is an informational item only.

Agenda Item No. 7 2011 Measure CC Expenditure Plan.

AGM, Dave Collins presented a schedule of Measure CC Budget Summary

Provisions of Measure CC call for an annual expenditure plan to be adopted by the Board of Directors. SCI Consulting Group has been retained by the District to prepare a tax report specifying the basis and amount to be levied for the 2011-11 tax year. The tax report will be based on proposed Measure CC expenditures for 2011 as reviewed by the Board at their March 26, 2010 Workshop. The revenues and expenditures for the sixth full year of the Measure CC program are consistent with Measure CC as it was approved by voters. A total of \$10,398,974 has been appropriated to capital projects and \$4,713,832 budgeted for operating expenditures since the inception of Measure CC.

Revenue provided from this 2010/11 Tax Report will be used to fund the 2011 projects listed in plan, Final 2011 Budget appropriations may vary slightly from the amounts listed as exact wage and benefit costs are calculated as part of the 2011 Budget process.

Measure CC revenue for the 12-month period of July 1, 2010 to June 30, 2011 is projected to be \$3,120,000 net of associated administrative costs. This revenue will be appropriated as part of the 2011 annual District Budget.

2011 Measure CC appropriations total approximately \$3,153,000, \$2,109,000 for capital/one time uses and \$1,044,000 for operating budgets.

Measure CC fund balance contains two parts, the 10% reserve for unknown events and opportunities and the excess of annual revenue over annual expenditures. The fund balance continues to increase intentionally so as to be a source to fund major capital projects in future years, including a project at the Richmond Shoreline .anticipated to begin in 2014.

The Board also requested that staff demonstrate annually that the Measure CC revenues would be used to augment, not supplant, the District's appropriation of other funds to parks and facilities in the Measure CC area. Staff presented to the Board at the March 26, 2010 Workshop a summary listing, by Metro Area and Park, of the operating budget appropriations for 2006 through 2010 from General and Special Revenue Funds as listed in the District's adopted annual budget. This schedule demonstrated that the metro-area appropriation of all operating funds, not including Measure CC, grew on average at very close to the same rate over 2005 appropriations as follows: the Diablo Metro Area grew by 6%, South Metro by 2% and the West Metro by 3%. The operating fund information confirms that the District has complied with the Board's direction with respect to the equitable distribution of funds. Staff also presented a 20-year history of capital and project fund expenditures by metro area, which demonstrated that the expenditures were within 4.4% of the Metro Area population balance. Director John Sutter indicated that he would like to see further information on this matter and requested that staff continue the analysis of the Metro Area capital expenditures to provide information on the disbursements both before and after voter approval of Measure CC.

Recommendation, moved by Director Ayn Wieskamp seconded by Director John Sutter that the Finance Committee review, discuss and direct staff to submit the Measure CC 2011 budget to the Board of Directors for consideration during the 2011 Budget Process and adopted as the basis for the 2010/11 Measure CC Tax Report..
Motion Passed.

Public Comments

General Manager Pat O'Brien commented that he attended a meeting of regional managers mostly from Alameda County dealing with the local economy. BART's revenue is down 20%, EBMUD is down 16-17% and commercial buildings are experiencing high vacancy rates. The consensus is that economic recovery will take a long time.

Director John Sutter questioned if the District has had any communication from CalPERS. AGM, Dave Collins reported that we have received communications from CalPERS advising the District that they will be readjusting their assumed rate of return on investments. The District will be instituting a "fresh start" with CalPERS July 1, 2010 which will adjust the amortization period for our plan. The District's intent is to stabilize CalPERS pension contributions in the near and mid-term, and minimize the unfunded liability of future pension costs.

Meeting was adjourned at 2:25PM

