

AGENDA
REGULAR MEETING
BOARD OF DIRECTORS

EAST BAY REGIONAL PARK DISTRICT

Tuesday, October 5, 2010

D. BUSINESS BEFORE THE BOARD

6. BOARD COMMITTEE REPORTS

- c. Finance Committee Minutes and Recommended Actions from
the August 25, 2010 Meeting (Severin)

Attendees

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

Staff: Pat O'Brien, Cinde Rubaloff, Pam Burnor, Deborah Spaulding, David Sumner, Susan Gonzales, John Escobar, Carol Victor, Sharon Corkin, Jeff Rasmussen, Meadow D'Arcy

Public: None

Bartel Associates John Bartel
Doug Pryor

Agenda Item No. 1 January 1, 2010 GASB 45 Actuarial Valuation OPEB, CalPERS Actuarial Issues June 30, 2010 Valuation

C.F.O. Cinde Rubaloff introduced John Bartel and Doug Pryor of Bartel Associates, who gave a presentation covering retiree health care benefits--Other Post Employment Benefits (OPEB) actuarial valuation, which is done every two years. Additionally, the actuaries provided the annual update on the District's CalPERS Retirement plan for miscellaneous employees. CalPERS does an actuarial study every year and Bartel & Associates reviews it, provides more information, and makes recommendations for the course of action to be taken by the District.

Doug Pryor presented a report covering the issues related to the District's CalPERS June 30, 2008 actuarial information (the most recent information available) for the miscellaneous plan. Their report covers the contribution projections, comparing CalPERS-required minimum contribution with their actuarially determined contribution recommendation. In the effort to actually reduce future unfunded liability, rather than allowing it to increase beyond 2009 amount, and further to level the annual contribution amount, Bartel recommended, and the District implemented, a 20% contribution rate as of July 1, 2010. This rate should remain stable through 2011/2012, but it may be necessary to increase the rate to 22% as of July 1, 2012 to maintain the strategy of reducing future unfunded liability.

CFO Rubaloff presented information on a memo from AGM Dave Collins related to actuarial proposal and the rationale for implementing the actuarial's advice. Bartel has cautioned the District that the CalPERS determined rate will result in a rising level of annual pension contribution rates (as a percent of wages) over the long term. Bartel also advised that CalPERS' delay in raising contribution rates to an actuarially sufficient level may result in both a higher long term annual contribution rate and an increasing unfunded liability.

General Manager Pat O'Brien commented that by increasing the District's contribution rate during time when revenue based has declined, a squeeze is put upon our ability to deliver services to the public. He added that if we don't fund appropriately, the District would be "kicking the can down the road".

CFO Rubaloff introduced John Bartel, who covered the OPEB valuation and how it affects our annual benefits costs.

Mr. Bartel gave a presentation of the retiree health care benefits and the funding status of the District's OPEB obligation. The bi-annual actuarial work determined the 2011 and 2012 contribution rate to be 8.9% for 2011 and 2012, a drop from the 2009 and 2010 rate of 9.5%. Contributing the ARC amount each year funds the normal cost (the value of the benefit earned by employees during the current year), plus an amortized portion of the unfunded actuarially accrued liability (UAAL), the projected value of future benefits. The UAAL as of January 1, 2011 will be approximately \$31 million.

Recommendation: Moved by Director John Sutter and Seconded by Director Ayn Wieskamp, the Finance Committee recommended to the full Board of Directors acceptance of the January 1, 2010 GASB 45 Actuarial Valuation for OPEB Report and the CalPERS Actuarial Issues June 30, 2008 Valuation Report.

Agenda Item No. 2 2010/2011 Tax Levy for General Obligation Bonds and Assessed Valuation

CFO Cinde Rubaloff presented reports covering certified assessed valuations (AV) for 2010/2011 from Alameda and Contra Costa Counties and the calculation for the 2010/2011 debt service levy. The calculated ad valorem tax rate for 2010/2011 is .0084% per \$100 of assessed valuation. This tax rate was reported to Alameda and Contra Costa County authorities on August 16, 2010.

The report also compared prior years' AV to 2010/2011:

- 2010/2011 compared to 2009/2010 AV decrease -- 1.12% in Alameda County and 3.26% in Contra Costa County.
- 2010/2011 compared to 2008/2009 AV decrease -- 3.48% for Alameda County and 10.14% for Contra Costa County.
- 2010/2011 AV related to debt service (which does not include Murray Township in Alameda County) has decreased .99% in Alameda County and 3.26% in Contra Costa County from the prior year.

Recommendation: None. This is an informational item only.

Agenda Item No. 3. 2nd Quarter 2010 Unaudited Financial Statements

Assistant Finance Officer Deborah Spaulding presented the Second Quarter 2010 Unaudited Financial Statements.

General Fund Revenues were noted as follows:

- The District received approximately \$48 million in General Fund revenue in the first half of 2010, a decrease of \$3 million or -6% from revenue earned during the first half of 2009.
- \$1.8 million of the decline is attributable to reduced property tax revenue, which was expected.
- An additional \$1 million of the decline is attributable to reduced interest earnings, for which the anticipated decline was not as great as actually occurred during the first half of 2010.
- An approximately \$500,000 reduction in miscellaneous revenue is due to a timing difference in recording intra-District charges and the 2009 recordation of insurance recovery in the General Fund rather than the Risk Fund.

General Fund Expenditures:

- In the first half of 2010, overall General Fund expenditures were approximately \$2.0 million lower than in the first half of 2009, or a 4.2% reduction.
- Expenditure decreases occurred in every area: personnel costs, supplies and services, capital outlay, and other uses.

Recommendation: Moved by Director Ayn Wieskamp seconded by Director John Sutter, the Finance Committee recommended that staff submit the Second Quarter 2010 Unaudited Financial Statements to the Board of Directors for favorable consideration.

Agenda Item No. 4. 2nd Quarter 2010 Budget to Actual.

Budget Manager Pam Burnor presented a report of the District's June 30, 2010 revenue and expenditures compared to budget.

General Fund Revenue:

- General Fund revenue received by the end of the second quarter of 2010 totaled \$48 million, or 47% of the annual budget.
- As of June 30, 2010 expenditures (without encumbrances) totaled \$40 million (excluding operating transfers out) or 41% of the 2010 appropriations.
- In comparison, as of June 30, 2009 - 46% of annual revenues had been collected and 40% of appropriations spent.

General Fund Expenditures:

- As of June 30, 2010 - 59% of the General Fund 2010 appropriations remain unspent (excluding encumbrances), compared to the end of second quarter 2009 when 60% remained.

All divisions were required to reduce their 2010 appropriations by 7% from 2009 levels due to the decline in 2010 General Fund revenue.

In conclusion, Budget Manager Burnor stated that General Fund revenues are on target and consistent with prior year except interest revenue. General Fund expenditures are on target and consistent with prior year purchases.

Special Revenue Funds:

- Special revenue funds receive revenue intended for a specific purpose. At the end of the second quarter of 2010, 49% of the total of all special revenue budgets had been received. As of June 30, 2009, 47% of special revenue fund revenue had been collected.
- Special revenue fund appropriations are restricted for specified uses. At the end of the second quarter of 2010, 69% of appropriations remain unexpended. As of June 30, 2009, 70% remained unexpended.

In conclusion, Budget Manager Burnor stated that overall, special revenue fund revenues and expenditures are on target and consistent with prior year.

Recommendation: None. This is an informational item only.

Agenda Item No. 5 2010 Mid-Year Budget Report and Adjustment Requests.

Budget Manager Burnor presented a report of 2010 mid-year budget adjustments and recommendations for approval to the Board of Directors.

There are no midyear adjustments for the General Fund.

There is one midyear adjustment for the Mitigation Fund (257) related to Oyster Bay landfill cleanup. This special revenue fund has a fund balance which includes \$122,652 related to Oyster Bay landfill cleanup and the settlement with Waste Management. It is requested that the 2010 appropriation be increased for Oyster Bay landfill cleanup costs, using the existing fund balance related to this activity as the funding source.

The amount appropriated in 2010 for the District's share of Oyster Bay cleanup costs has been depleted by invoices received and paid in 2010 for work done in 2009. It is recommended that an increase of \$35,000 be made to this year's appropriation to cover the anticipated invoices to be paid during 2010 for 2010 work as follows:

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| • 2010 appropriation Oyster Bay mitigation | \$ 25,000 |
| • 2010 expenditures to date (for 2009 work) | (30,571) |
| • Proposed increase in 2010 appropriation from fund balance | 35,000 |
| • Available budget after adjustment (for 2010 work) | \$ 29,429 |

Recommendation: Moved by Director John Sutter and Seconded by Director Ayn Wieskamp, the Finance Committee voted to accept the 2010 Midyear Budget Adjustment and recommend approval to the Board of Directors.

Agenda Item No. 6 June 30, 2010 Investment Report

CFO Rubaloff presented the 2nd Quarter 2010 Investment Report. The report is in accordance with State law and the District's Investment Policy. Highlights included:

- The grand total of the District's cash and investments as of June 30, 2010 was \$285,727,915.
- Pooled cash managed by the CFO/Controller increased approximately \$9 million from the prior quarter. The increase was due to receipt of property tax in April. Additionally, funds managed by trustees increased approximately \$10 million, also a result of April property tax.

Pooled cash managed by the CFO/Controller is approximately \$7 million less than 2009 amount in large part due to the payoff of CalPERS Public Safety side fund loan.

Funds managed by trustees have increased by \$88 million from the prior year. 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.

The investment of the District's cash and investments is budgeted in 2010 to generate \$4.4 million of interest revenue. As of June 30, 2010, General Fund earnings are only \$1.4 million, 25% of budgeted investment revenue halfway through the year.

In spite of active management of the District's funds, interest earned during the second quarter of 2010 has declined approximately 33% from the second quarter of 2009, from \$2 million to \$1.4 million.

Additionally, neither the District's short term investments, nor mid-term investment returns met our benchmarks for the second quarter in a row.

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

Investment fees are consistent with last year.

Recommendation: Moved by Director John Sutter and seconded by Director Ayn Wieskamp, the Finance Committee recommended acceptance of the June 30, 2010 Investment Report to the full Board of directors.

Agenda Item No. 7. 2010 Mid-Year Internal Audit Status Update

Audit Manager David Sumner presented a mid-year update on 2010 internal audit projects, covering the following:

During the first half of 2010, staff worked on three audit projects as follows:

- Review of fee receipts related to Sprint/Nextel communication site at Peralta Oaks: The conclusion was that the license fees were overpaid by Sprint/Nextel in the approximate amount of \$20,000. The overpayment will be applied as a credit against remaining 2010 and 2011 monthly fees.
- Audit of Del Valle concessionaire's compliance with contract: Per review, the concessionaire was not fully compliant with the terms of the agreement. Another problem noted was insufficient oversight and lack of timely review and retention of certificate of insurance forms. The conclusion was that the District will seek a total of \$22,682 for unpaid concession fees, maintenance fees, late charges, and over-claimed expenditures from the concessionaire. It was also recommended that District staff to enhance their oversight of the concessionaire's compliance with insurance requirements.
- Review of Measure WW Grant – City of El Cerrito Vista Park Playground Equipment Replacement: Conclusion was that the records submitted were in good order, and staff approved their payment request in accordance with the established procedures.

Recommendation: None. This is an informational item only.

Agenda Item No. 8. Public Comments

None to report.

Meeting was adjourned at 2:25PM