



**EAST BAY REGIONAL PARK DISTRICT
BOARD FINANCE COMMITTEE MEETING
AGENDA STAFF REPORT**

DATE	May 22, 2024
TITLE	Approval of the Minutes for the Board Finance Committee Meeting March 27, 2024
DIVISION	Finance & Management Services
FROM	Shannon Rice, Recording Clerk

RECOMMENDATION

Recommend approval of the minutes for Board Finance Committee Meeting on March 27, 2024.

FINANCE COMMITTEE MINUTES MARCH 27, 2024

The March 27, 2024, Board Finance Committee (Committee) meeting was held pursuant to the Brown Act. Committee members and staff participated in the meeting in the Board Room at 2950 Peralta Oaks Court, Oakland, California.

The meeting was video recorded and may be viewed by clicking the following link <https://ebparks.new.swagit.com/videos/301020>

Committee Chair Mercurio called the meeting to order at 10:36 a.m.

I. Roll Call

Recording Clerk, Debra Fuller, conducted a roll call. Present were the following Directors and staff:

Committee: Member Dee Rosario, Member Olivia Sanwong, Chair John Mercurio

Staff: Deborah Spaulding, Lynne Bourgault, Susan Shiu, Anna Huang, Lauren Bernstein

2. APPROVAL OF THE FEBRUARY 28, 2024, FINANCE COMMITTEE MEETING MINUTES

RECOMMENDATION: Staff recommends that the Finance Committee approve the attached minutes for the Finance Committee Meeting of February 28, 2024. Motioned by Member Sanwong, seconded by Member Rosario. Motion approved.

3. PUBLIC COMMENTS ON ITEMS NOT ON THE AGENDA

Meadow D'Arcy, Chief Steward of AFSCME Local 2428, asked for an update on the paving report.

Member Rosario replied that the report was provided at the October 2023 Board Operations Committee meeting.

4. ACTION ITEMS

a. RFP Update and Recommendation for Actuarial Services Provider

Assistant General Manager (AGM) of Finance & Management Services/CFO, Deborah Spaulding provided a brief overview of the Park District's use of an actuary. The Park District maintains services of an actuary to calculate and report pension liabilities and annually required calculations for its retirement plans and Other Post Employment Benefits (OPEB) in accordance with the Governmental Accounting Standards Board (GASB). The actuary places dollar values on future contingent events, such as deaths, disability, longevity, or retirement.

The Park District's current actuarial services provider contract expires in April 2024 and a Request for Proposals (RFP) was distributed on January 19, 2024. Panel interviews were conducted with the top five candidates the week of February 19, 2024. The actuarial firms were evaluated based on experience with other similar government entities, experience of the actuarial team that would be assigned to the Park District, understanding of the Park District's pension and OPEB reporting needs, knowledge of CalPERS and GASB's statements on pension and post-employment benefits, their reporting and communication skills and strategies, and fee structure. Based on that review, and the excellent service and guidance received during the past six years, staff again selected VIA Actuarial Services to provide actuarial services for another five-year term.

Member Sanwong asked if the Park District follows any best practice guidelines in terms of rotating firms after a certain number of years and offered that switching firms every ten years or so could be beneficial and reduce risk. AGM Spaulding confirmed the policy according to the Board Operating Guidelines is to do an RFP every five years and the benefits of switching firms were considered during the RFP process.

Chair Mercurio added that it is important to weigh the benefits of switching firms with the benefits of retaining a trusted firm.

Public Comments: None

RECOMMENDATION: Staff recommends the Board Finance Committee review this report and direct staff to prepare the information for acceptance by the Board of Directors in April 2024. Motioned by Member Rosario, seconded by Member Sanwong. Motion approved.

b. General Fund Reserve Unassigned Fund Balance Policy and Committed Fund Balance Review & Recommendation

AGM Spaulding provided an overview of the Park District's General Fund Reserves. Fund balance reserves are a budget and policy term that describes the resources available outside of the budget for use if budgeted resources are insufficient. Fund balance reserves are a protection against unplanned or unavoidable costs or losses. Maintaining the appropriate level of fund balance reserves ensures fiscal stability and can mitigate current and future risks to the Park District, employees and the public.

Fund balance reserves can include the following categories of fund balance as required by the Governmental Accounting Standards Board (GASB): Non-Spendable, Restricted, Committed, Assigned

and Unassigned. The Park District maintains two Committed fund balance reserves in the General Fund. These Committed fund balance reserves were approved by the Board of Directors to address very specific situations that could require the use of reserves. Committed fund balance reserves must be precisely purpose-designated – i.e. these reserves can only be used in specific situations.

The first of these Committed reserves is a \$2.0 million reserve for Workers Compensation Contingency, which was established by the Board in 2012 via Resolution 2012-09-239. The intent of this reserve amount is to cover the cost of an unexpectedly large Workers Compensation claim that would exceed the reserves available in the Park District's Workers Compensation Fund.

The second of these Committed reserves is a "Revenue Take-Away Contingency." Originally established in 1991 as an "Economic Uncertainty fund at \$2M, this amount was increased in 2008 to \$9.6M, and then renamed in 2012 via Reso: 2012-09-236 as "Revenue take-away contingency." These reserves can only be used to "backfill for a substantial, unanticipated, one-time take-away of District revenue by the State of California or other governmental agencies." This reserve amount is currently approximately \$19.6 million.

The Park District also maintains an Unassigned Fund Balance. The Unassigned reserve amount was first established in September 2013 when the Board of Directors adopted Policy 6.0, General Fund Reserve Unassigned Fund Balance Policy. The purpose of this Policy is to determine an appropriate level of unassigned fund balance (currently 32% of annual revenue) and define and articulate the intent and uses of the reserve. The Policy outlines factors used in determining a prudent reserve amount and requires that the Chief Financial Officer (CFO) review and adjust the percentage, if necessary, every five years. The Policy was reviewed by the Finance Committee in 2019 and no changes were made to it at that time.

Board approval is required for use of unassigned fund balance. This approval can be obtained as part of the annual budget process, or as separate Board agenda item. The amount, explanation of intention (which qualifies as approved uses), and plan for replenishment is required at the time that the Board approves its use. Based on the detailed analysis provided in the Staff Report, the CFO recommends no changes to the General Fund Reserve (Unassigned) Fund Balance Policy, maintaining the general fund reserve at 32% of annual revenue.

It is recommended that the two existing Committed Fund Balances for Workers Compensation and Revenue Take-Away be eliminated, as these potential scenarios are already included in the calculations for the Park District's 32% General Fund Unassigned Fund Balance. This change would require a resolution to be passed by the Park District's Board of Directors. If this action is taken, these funds (a total of approximately \$21.6 million) would be appropriated to Project 558600 Future Office Needs. This would make the funds available for one-time uses such as for construction of the Peralta Oaks North building, which will go to bid later this year. Use of this funding would reduce the amount of debt that would otherwise need to be issued to pay for building construction.

Member Rosario asked if for the benefit of the public, AGM Spaulding could explain how the property tax revenue cycle impacts the budget. AGM Spaulding explained that ninety percent of the Park District's General Fund are from property tax revenues which come in in two phases each year (April and December). One of the Park District's Assigned Fund Balances is a reserve for these funds until the next cycle of property tax revenues is received.

Member Rosario commented that two months of reserves for infrastructure does not seem like a lot of time when considering the possibility of a natural disaster that may cause utilities to be down for

months. Member Rosario added that he has always believed the Park District's reserves were too large and commented that could make the Park District a target. He added that he supports moving funds into active projects that could benefit the Park District and its constituents.

Member Sanwong asked for clarification on the amount of funds set aside for Workers Compensation. AGM Spaulding confirmed that the Unassigned Fund Balance is \$3 million, which includes \$2 million for Workers Compensation and \$1 million for General Liability. She explained that because the Park District already has \$2 million set aside for Workers Compensation in a Committed Fund Balance, this represents a duplication.

Member Sanwong commented that she is willing to support reassigning the \$21.6 million in the two committed fund balances, but requests more information about Project 558600 Future Office Needs.

Chair Mercurio echoed Member Rosario's comment about the risks of having large reserves and the preference to put surplus funds towards projects that are underway, and specifically towards the Peralta Oaks North Project. Chair Mercurio also commented that in case of an emergency, such as a natural disaster, the Board of Directors would be able to reallocate certain project funds. AGM Spaulding confirmed that that funds from unrestricted sources could be reallocated by Board action.

Public Comments: None.

RECOMMENDATION: Staff requests that the Board Finance Committee review the General Fund Reserve Unassigned Fund Balance Policy and recommend to the full Board of Directors the elimination of two additional Committed Fund Balance Reserves, for Workers Compensation and Revenue Take-Aways and appropriation of \$21.6 million to Project 558600 Future Office Needs. Motioned by Member Rosario, seconded by Chair Mercurio. Opposed by Member Sanwong.

Member Sanwong asked that the record reflect her support of reassigning the \$21.6 million in the two committed fund balances, but not the reallocation of the funds to Project 558600 Future Office Needs.

5. INFORMATIONAL ITEMS

a. Regional Parks Foundation (RPF) 2023 Annual Report

Susan Shiu, AGM of Public Affairs introduced Bruce Kern, RPF Treasurer, Anna Huang, RPF Finance Manager and Lauren Bernstein, RPF Executive Director.

AGM Spaulding provided an overview of Finance Procedure 5.4a *Regional Parks Foundation Donation Budget Adjustments up to \$50,000*. This procedure allows the Park District CFO and Budget Manager to adjust budgets as RPF donations are approved throughout the fiscal year. This process has two major components:

1. For Park District funding requests greater than \$50,000 – The Park District Board of Directors will accept donations from the RPF by separate resolutions and authorize an amendment to both revenue and appropriations as necessary documentation of the donation.
2. For District funding requests up to \$50,000 – The Park District CFO and/or Budget Manager is authorized to amend both revenue and appropriations for each approved RPF funding request up to \$50,000 throughout the fiscal year. These funding requests require approval by the Division Assistant General Manager. An annual report describing these donations/appropriations is to be provided to the Board Finance Committee and Board of

Directors by Park District staff.

Anna Huang reviewed the RPF donations and commitments during 2023. In 2023, the Park District received \$435,199 from the RPF as unrestricted programs support, \$262,686 was distributed indirectly for Park District projects, as payments to outside vendors, and \$80,000 was allocated by the Park District Board of Directors for the Pleasanton Ridge trails project. Additionally, the RPF provided \$557,885 to the Park District in 2023 per the 2019 Memorandum of Understanding between the Park District and the RPF. These funds are partial reimbursement for the costs of staffing, office space, furnishings and supplies that are provided by the Park District to support the RPF. More details can be found in the charts provided in the staff report.

Member Rosario asked about the Contra Loma swim lesson program since Contra Loma has been closed. Huang replied that due to the swimming pool closure, the funds have been paid to Ambrose High School.

Member Sanwong asked if the \$557,588 for staffing, etc. at the bottom of the report was in addition to the total of \$777,866 listed above. Huang confirmed that the total of the two amounts equals over \$1.3 million and represents the total for 2023. Sanwong suggested that could be made clearer and Huang agreed to revise the report before the Board meeting.

Chair Mercurio asked for clarification on the term “indirect pay.” Huang noted that “indirect pay” refers to when the RPF makes a payment to a vendor for a specific program; for example, paying the printer to print the *Trail Challenge Guidebook*.

Chair Mercurio asked how funding for projects get approved. Bernstein confirmed that funding requests come through the Park District.

Member Rosario asked if each park still has an account with the Foundation. Bernstein replied that while each park does not have its own fund, donors occasionally request that their donations are reserved for a particular park. If that request cannot be honored, the RPF will let the donor know.

Chair Mercurio asked if the RPF manages the memorial bench program. AGM Shui responded that the Operations department is currently reviewing the program.

In response to encouraging donors to make unrestricted donations rather than restricting them to a specific park, Member Sanwong commented that community members may feel a stronger affinity to a specific park than the Park District as a whole. AGM Shui thanked Member Sanwong for the feedback and confirmed that this tendency is considered in terms of fundraising strategy.

Public Comments: None.

RECOMMENDATION: This report is informational only.

6. ANNOUNCEMENTS: None.

7. ADJOURNMENT: Chair Mercurio adjourned the meeting at 11:40 a.m.

Respectfully submitted,
Shannon Rice, Recording Clerk