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**ACMAD Finance Committee
Minutes
3/13/2024**

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Hope Salzer

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Victor Aguilar

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Subru Bhat

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Ryan Clausnitzer

General Manager

Committee Members:

Eric Hentschke

Kashef Qaadri

Cathy Roache

Topics:

The General Manager called the meeting to order at 3:00 P.M.

1. Trustees Hentschke, Qaadri, and Roache were present. Ryan Clausnitzer and Michelle Robles were present representing the District and recording the minutes. Sarah Hart from PFM joined via zoom for item #4, Bob Shull from California CLASS joined via zoom for item #5, and Sophia Cassetta and Kristy Wilhite were present at the District for item #6.

2. Public Comment: None

3. Approval of the April 12, 2023, meeting minutes.

Motion: Trustee Hentschke moved to approve the minutes

Second: Trustee Roache

Vote: motion carries: unanimous

4. Presentation by PFM

Discussion: After a presentation by PFM, Trustee Qaadri asked for clarification on the expected risk (standard deviation measures the variation of returns over a year, higher deviation implies lower expected risk, based on the risk of the asset class, known as volatility). Trustee Qaadri asked if it was common to have more than 20 asset classes (this doesn't all apply to ACMAD's portfolio because the investment policy excluded high yield and shifted focus to core bonds). The General Manager noted that there have been no contributions to the fund since 2014 and requested recommendations for updating our current investment policy (PFM is recommending shifting to a more conservative allocation, 40/60 or 30/70, moving away from 50/50 as there's no need to take extra risk for returns since the fund is overfunded, and the District has no future plans of adding to the fund, PFM is recommending 40/60). Trustee Qaadri inquired whether the fees were 40 basis points, and if that's normal for this level of managing assets (the fee is standard, and it depends on the asset size). Trustee Qaadri asked whether the District has an asset strategy in place to ensure overarching policy diversification (yes, broader statements are defined throughout the investment statement, the team conducts a thorough analysis to determine the best return for the portfolio, ensuring compensation for each risk taken, utilizing the Monte Carlo method). Trustee Qaadri inquired about positioning of a 60/40 or 70/30 allocation on the spectrum (shifting towards the right would result in a more equity-leaning portfolio, potentially reducing returns. The surplus has already been secured, there's no need to take the risk, maintaining a 6% rate keeps the fund overfunded, moving towards the left reduces risk and secures the surplus), and asked about corporate responsibility and Environmental, Social, and Governance (ESG) factors, (ESG lineup available, can present if the District is interested in the portfolio, it leans more towards equities). Staff is recommending following a more conservative plan and can have PFM present in April or May adding a ESG option at 40/60.

5. Presentation by California CLASS: Enhanced Cash

Discussion: After a presentation by California CLASS, the General Manager mentioned that staff recommends transferring the Operational Fund and Public Health Emergency Fund to enhanced cash. Bob Shull added that there are no fees associated with moving the funds, and the District will have the same functionality with enhanced cash as they do with prime. Trustee Qaadri asked if the main difference between prime and enhanced is that prime is limited to \$1.00 per share, while enhanced can vary up to \$10.00 per share, but can also drop below \$1.00 per share (yes, that is correct) and asked what the low point for enhanced cash was for the last 18 months (enhanced cash strategy has not been launched, the funds will sit in prime and move to enhanced when it's appropriate). Trustee Qaadri asked if the goal is to give the ability to move funds (yes, gives staff the ability to move funds without board action, but the board will be notified). President Roache asked if there should be a limit on how much staff can move without board action (funds cannot be withdrawn, they can only be moved between accounts, per the board-approved budget). Trustee Qaadri inquired about the percentage of the Operating Reserve in relation to the total reserves (roughly 1/3) and expressed that certain guardrails should be put in place to give staff the flexibility to make decisions. President Roache agreed to guardrails being put in place.

6. Presentation by Enterprise Fleet Solution

Discussion: After a presentation by Enterprise Fleet Solution, President Roache asked if the District is currently experiencing issues with the right-hand Jeeps (yes, they require regular maintenance each year). Trustee Qaadri sought clarification that in the 25% down model, the down payment for year 24/25 is \$71,005 (yes) and asked if we could use our capital fund for the lease payments (yes, under GASB 87, any lease lasting longer than 12 months must be capitalized). Trustee Qaadri inquired about the calculation method for determining savings on maintenance and fuel (based off industry averages). Trustee Qaadri asked what cycle Alameda Fire uses (most fall within a five-year period as many agencies that we work with have additional equipment added to the vehicles). President Roache asked why we don't purchase/sell vehicles every five years, rather than leasing (the amount of staff time to search and bid for vehicles along with the long delivery wait time make this option unappealing) and mentioned that the savings isn't necessarily in the leasing but in saving staff time by outsourcing (savings comes in when you are replacing the vehicles, capturing equity and rolling it into the new vehicle. Leasing allows you to do that without having a large upfront cost, when you purchase a vehicle, you are tying up your capital). President Roache noted that by putting up 75%, we are upfronting most of the cost anyways (yes, but if you don't have the current capital to do so, you have the leasing option). President Roache asked if we would still need an in-house mechanic with leasing (yes, but we see a shift in the job duties for that position as we plan to eventually transition to electric vehicles). Trustee Qaadri asked how much flexibility we have to determine the vehicle cycles (there is flexibility) and asked if the equity must be rolled into the next vehicle (no). The Staff's recommendation is to have the finance committee push this to the full board, Trustee Hentschke mentioned that he felt like the conversation with the board regarding leasing at the February meeting was positive. President Roache stated that she is not sold on the idea of leasing yet and asked what the advantage of leasing is, and if it's just to have enterprise as the broker (benefit of leasing is by preserving the cash, you will be able to replace more vehicles overtime and not be locked into to gasoline vehicles for the long-term). President Roache mentioned that Enterprise isn't the only market for leasing vehicles (Enterprise is the only rental car company that works with smaller government agencies) and asked if we weren't looking into moving to EV, would we still be leaning towards leasing (not necessarily, but the process of getting vehicles the last few years has been difficult and had a long waiting period).

7. Review 1st draft of 2024-2025 ACMAD Budget.

Discussion:

After a presentation by the General Manager and Financial & HR Specialist, Trustee Qaadri asked for clarification with the mosquito fish and permits account (with the new fish facility, we anticipate increased expenses for maintaining fish and supplies, particularly in the first year, eventually the District won't need to outsource fish. Permits are more expensive this year because it's the District's turn to pay for the Water Board permit fee; District's take turns paying each year). President Roache asked if the drone line item is to purchase a new drone (no, for maintenance and permits). Trustee Qaadri asked why the Capital Asset plan includes the year 2039 (20-year plan, established in 2019). President Roache asked when the policy was redlined (recently, will be going to the full board).

8. Adjourn at 5:02 P.M.

Respectfully submitted,

Approved as written and/or corrected at the Finance Committee meeting held 4/10/2024.

Trustee 
Finance Committee Member

