



FINANCE AND PERSONNEL COMMITTEE

Thursday, March 17, 2016, 5:00 PM

Location:

Joseph P. Bort MetroCenter
Association of Bay Area Governments
101 8th Street, Conference Room B
Oakland, California

The ABAG Finance and Personnel Committee may take action on any item on this agenda.

Agenda and attachments available at abag.ca.gov

For information, contact Courtney Ruby, Interim Finance Director, at (510) 464-7923.

1. CALL TO ORDER

2. PUBLIC COMMENT

Information.

3. APPROVAL OF MINUTES OF JANUARY 21, 2016

ACTION.

Minutes of January 21, 2016 meeting attached.

4. PRESENTATION AND REVIEW OF FINANCIAL REPORT FOR JANUARY 2016

Information/ACTION.

Financial Report for January 2016 is attached.

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5. ORAL REPORT ON PAYMENT OF MEMBERSHIP DUES FY 15-16

Information.

6. ORAL REPORT ON LINE OF CREDIT RENEWAL WITH BANK OF THE WEST

Information.

7. CLOSED SESSION

A. Public Employee Performance Evaluation

Title: Legal Counsel

B. Public Employee Performance Evaluation

Title: Executive Director

8. PUBLIC EMPLOYEE COMPENSATION

A. Proposed Adjustments to Salary and/or Benefits of Executive Director

Action

B. Proposed Adjustments to Salary and/or Benefits of Legal Counsel

Action

9. ADJOURNMENT

The next meeting of the Finance and Personnel Committee will be on Thursday, May 19, 2016.

Submitted:

Courtney Ruby, Interim Finance Director

Date: March 1, 2016

ABAG FINANCE AND PERSONNEL COMMITTEE

Summary Minutes

January 21, 2016

Members Present

Supervisor Karen Mitchoff
Councilmember Desley Brooks
Supervisor David Cortese
Councilmember Julie Pierce
Supervisor David Rabbitt
Vice Mayor Greg Scharff
Supervisor Linda Seifert

Jurisdiction

County of Contra Costa
City of Oakland
County of Santa Clara
City of Clayton
County of Sonoma
City of Palo Alto
County of Solano

Members Absent

Mayor Bill Harrison
Supervisor Scott Haggerty
Supervisor Mark Luce

City of Fremont
County of Alameda
County of Napa

Officers and Staff Present

Ezra Rapport, Executive Director
Bradford Paul, Asst. Exec. Director
Kenneth Moy, Legal Counsel
Charles Adams, Interim Finance
Director
Caitlin Sweeney, SFEP Program
Director
Susan Hsieh, Asst. Finance Director
Jerry Lahr, Energy Project Manager

Guests

Councilmember David Hudson
Ken Bukowski, Videographer
Vikki Rodriguez, Audit Partner for
Maze & Associates

City of San Ramon

1. The meeting was called to order by Supervisor Mitchoff, Committee Vice Chair, at 5:00 pm.
2. There was no public comment.

3. Mayor Bill Harrison was re-elected Chair and Supervisor Karen Mitchoff was re-elected Vice-Chair of the Committee. By consensus of Brooks, Cortese, Pierce, Rabbitt, Scharff, and Seifert, both candidates were elected.
4. Summary Minutes of the November 19, 2015 meeting were approved. New committee members Scharff and Seifert were not at the November meeting, so they abstained from voting. /M/ Pierce/S/Desley/C/approved unanimously.
5. Mr. Adams presented the financial reports for November 2015. He reported on the year-to-date revenues and expenditures and other key financial results. He indicated the project expenditures are in line with the budget. The financial outlook is positive assuming the MTC funding is not impacted. /M/Seifert/S/Pierce/C/acceptance of the report unanimously.
6. Mr. Adams presented the audited financial statements to the Committee. The reports included the Basic Financial Statements, Single Audit Report, and the Memorandum on Internal Control and Required Communications. The auditors issued a clean audit opinion on the reports.

The Audit Partner Ms. Rodriguez from Maze and Associates attended the meeting and responded to questions from the committee members. The Committee accepted the audited financial statements and the reports were forwarded to the Executive Board for approval.

7. Mr. Adams presented the Proposed Budget and Work Program and Membership Dues for FY 16-17. The budget is projected to be \$58.2 million, an increase of \$31.5 million from the prior year. The significant increase is primarily due to funding from the CPUC for the BayREN project and funding from the DWR for the Integrated Regional Water Management Plan program. The program managers for the two projects advised the Committee about the program activities and the funding level.

The membership dues are projected to be \$1.96 million compared to \$1.89 million for FY 15-16, an increase of 3.52 percent. The committee members discussed the overall budget and asked staff questions. /M/Pierce/S/Rabbitt /C/committee recommended Executive Board approval to forward to the full membership at the forthcoming General Assembly.

8. Mr. Adams reported that two members haven't paid the membership dues for FY 15-16 and indicated that Mr. Paul followed up with the members. Staff will report the unpaid dues again at the next meeting.
9. Mr. Adams reported on the Orrick and FTI recommendations regarding ABAG-FAN internal control process. He advised the Committee the changes that have been made so far. He also informed the Committee that a consultant has been hired to assist with the implementation and MRG is in the process of developing a desk manual.
10. Mr. Adams reported on the status of line of credit (LOC) renewal with Bank of the West. The bank indicated that they will renew the LOC to June 2016 instead of February 2017. The bank expressed concerns about the MTC-ABAG merger and is only willing to extend the LOC for six months instead of one year.
11. Mr. Moy advised the Committee that his performance evaluation is due. He asked the Committee to give him an evaluation and he will provide the Committee a report about his goals and accomplishments at the next meeting.
12. There was no reportable action from Closed Session.
13. Meeting was adjourned at 6:52 pm.

Submitted: Susan Hsieh, Assistant Finance Director

To: Finance and Personnel Committee

Date: March 9, 2016

From: Courtney Ruby
Interim Finance Director

Re: Financial Reports
January 2016

The following are highlights of the financial reports for January 2016.

Overall Summary

Expenses exceeded revenue by \$19 thousand for the seven months ended January 31, 2016. A \$465 thousand surplus is projected at year end, and this compares favorably with the \$50 thousand surplus projected in the adopted budget for fiscal year 2015-16. Please refer to the **Table of Financial Report Data Elements** for fiscal year budget, year-to-date actual and projected fiscal year numbers.

Cash on Hand

The cash balance was \$6.1 million at the end of January, including \$2.2 million deposited in the Local Agency Investment Fund (LAIF). As shown in Figure 1 the actual monthly cash balances for the first seven months of fiscal year 2015-16 are within the range of \$6.0 to \$9.0 million. The projected balances for the last five months are within the range of \$5.0 to \$6.0 million due to the distribution of BayREN loan funds. Of the \$1.5 million set aside for the BayREN Multifamily Capital Advance Program, only \$424 thousand were disbursed in December and January. The cash balance is projected to be approximately \$5 million at the end of the fiscal year.

Receivables

Receivables from grant and service programs amounted to \$5.5 million at the end of January. Receivable over 90 days past due were \$757 thousand. Included in the over 90 days past due receivables is \$379 thousand from the Bay Area Clean Water Agencies. Subsequent to January 31st, no reduction in the receivable balance has occurred. All receivables are believed to be collectible.

Outstanding city and county 2015-16 ABAG membership dues at January 31st were \$33,446, due from two cities.

Revenues and Expenses

As of January 30, 2016, total revenue amounted to \$22.5 million, which is 46 percent, of the projected revenue for the year of \$49.2 million. Total expenses were also \$22.5 million, which is 46 percent, of the projected expenses for the year of \$48.7 million.

Figure 3 presents a graphic comparison of the current month of January, the seven month year-to-date actual, and fiscal year projected revenues and expenses. The relationship of expenses exceeding revenues is consistent for the two periods shown resulting in a deficit yet we project a year-end surplus.

Figures 4 and 5 show year-to-date revenues and expenses by major categories. Grants revenue is 81% of total revenue, unchanged from the prior fiscal year. Pass-through and Consultant expense are 67% of total expenses, compared to 64% for the prior fiscal year. The increasing percentages for revenues are caused by the growth of the BayREN project, which has provided ABAG revenue in excess of \$39 million since its inception in March 2013. Also, subrecipients for Round 3 of the Integrated Regional Water Management Plan made significant progress on various projects and billed for the first time in February 2016 for approximately \$9 million. The SFEP Department has adjusted the overall projection to reflect the current activities. The actual results may vary at the end of the fiscal year.

Net Position/Fund Equity

Total fund equity was negative \$8.1 million as of January 31, 2016. In compliance with the new accounting pronouncement, GASB 68, beginning with the June 30, 2015 audited financial statements, we have recorded the ABAG accumulated unfunded pension obligation as a liability and reduction of fund equity. For internal financial statement purposes, we have elected to separately track the fund equity for pension and for operations. Thus the January fund equity for pension is presented as a negative \$12.3 million, and the accumulated fund equity from operations is presented as a positive \$2.5 million.

The restricted fund equity consists of capital, self-insurance, building maintenance and reserves. Figure 6 is a graphic presentation of actual and projected: unrestricted, restricted, and total net equity for the current fiscal year. In reading this chart, it is important to recognize that the zero axis is in at the middle of the chart, not the bottom, as has been the case in prior year's charts included in reports to the committee.

Indirect Overhead Rate

The Agency's actual indirect cost (overhead) rate through January 2016 was 45.96%, which was 1.01 percentage points above the budget target of 44.95 percent. This variance from the budget is not unexpected at this point in the fiscal year, and we anticipate that the final actual overhead cost for the year will remain in line with the budget target for the full fiscal year. Figure 7 shows a comparison between the actual indirect cost rate through January 31, 2016 and the projected rate for the year.

Financial Information by Program

The **Report by Program of Net Surplus/(Deficit)** is included after the charts. This report presents revenue and expense information by program. It provides an overview of projected and year-to-date revenue and expense data for major programs such as the Planning Services, San Francisco Estuary Partnership, Bay Trail and POWER/Energy. The chart includes a projection of expenses for the year of \$51.9 million; this is up \$17.7 million from the November 30 projection. The majority of this 51.8% increase occurred in Integrated Regional Water Management Program, a component of the SFEP, and the BayREN energy conservation rebate program, which is administered by ABAG POWER.

Financial Outlook

The projection for fiscal year 2015-16 is for a surplus of revenues over expenses.

Association of Bay Area Governments
Table of Financial Report Data Elements
(thousands of dollars)

For the Month Ended January 2016

Projected percentage of budget is 58%.

Description	Adopted Budget	Projected Fiscal Year Budget	Year-To-Date Actual	% of Projected Fiscal Year Budget
ASSETS				
Cash		5,000	6,073	
Receivables		11,000	7,593	
REVENUES				
Membership Dues	1,897	1,897	1,106	58%
Grants	19,450	41,549	18,268	44%
Charges for Services and Other	5,360	5,740	3,086	54%
Total Revenues	26,707	49,186	22,460	46%
EXPENSES				
Salaries and Benefits	11,588	10,900	6,317	58%
Pass-through and Consultant Expenses	12,780	35,739	14,991	42%
Other Expenses	2,289	2,082	1,171	56%
Total Expenses	26,657	48,721	22,479	46%
Change in Net Position	50	465	(19)	-4%
Beginning Net Position	(8,095)	(8,095)	(8,095)	100%
Ending Net Position	(8,045)	(7,630)	(8,114)	106%
NET POSITION BREAKDOWNS				
Unrestricted - Accumulated Operations Surplus	2,551	2,516	2,532	101%
Unrestricted - Pension Adjustment - June 30, 2015	(12,253)	(12,253)	(12,253)	100%
Restricted - Tenant Improvements	800	1,250	800	64%
Restricted - Other	857	857	807	94%
Total Net Position	(8,045)	(7,630)	(8,114)	106%
INDIRECT OVERHEAD				
Overhead Rate	44.95%	46.02%	45.96%	100%

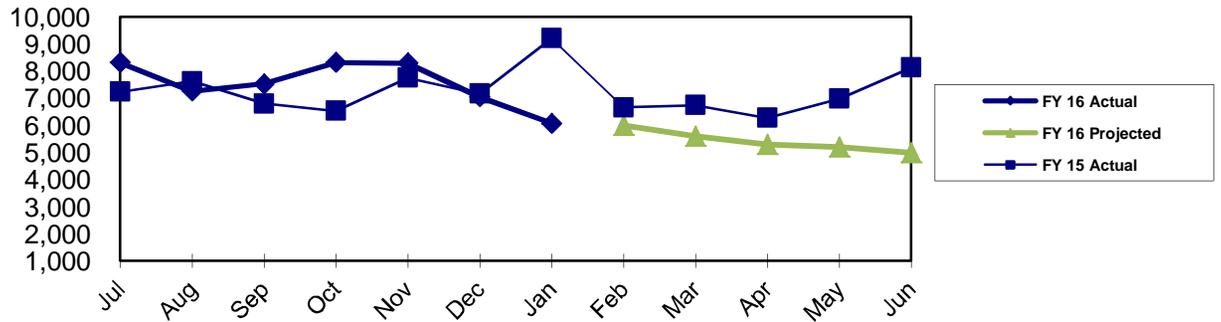
Item 4

ABAG Financial Indices

Cash on Hand FY 15-FY 16 (\$'000)												
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
FY 16 Actual	8,316	7,258	7,533	8,312	8,298	7,052	6,073					
FY 16 Projected								6,000	5,600	5,300	5,200	5,000
FY 15 Actual	7,243	7,620	6,801	6,529	7,751	7,161	9,213	6,661	6,745	6,270	6,979	8,128

Represents the sum total of cash deposited at our bank and the Local Agency Investment Fund. This chart shows fluctuation patterns of cash on hand for the current and prior fiscal years.

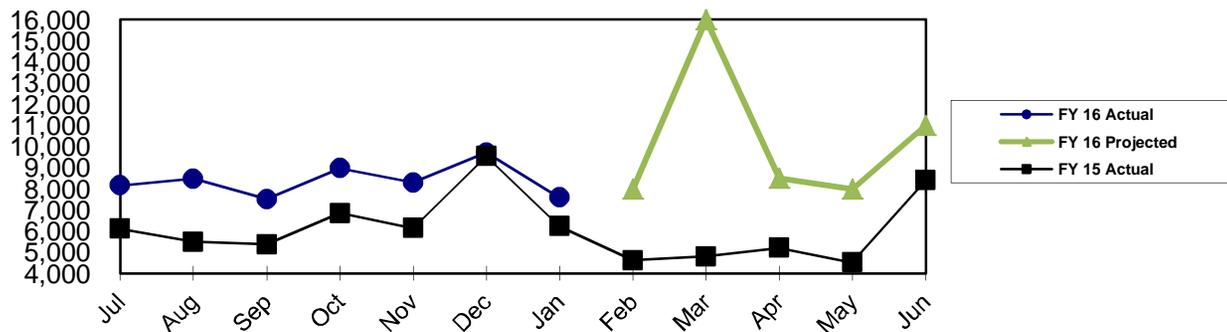
Figure 1--Cash on Hand--FY 15 and FY 16 (\$'000)



Accounts Receivable FY 15-FY 16 (\$'000)												
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
FY 16 Actual	8,163	8,471	7,515	8,974	8,299	9,710	7,593					
FY 16 Projected								8,000	16,000	8,500	8,000	11,000
FY 15 Actual	6,116	5,495	5,377	6,846	6,141	9,544	6,239	4,625	4,802	5,213	4,526	8,404

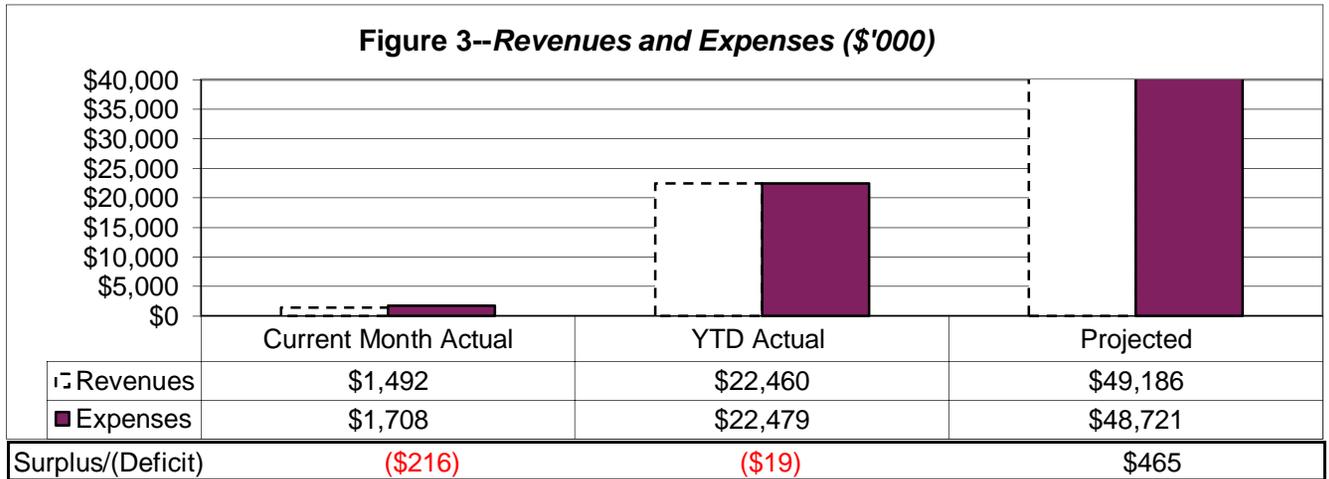
Accounts receivable include receivables generated by grants and service programs over two fiscal years. Reflects the reasonableness of our receivable levels.

Figure 2--Accounts Receivable--FY 15 and FY 16 (\$'000)



ABAG Financial Indices

Presents a comparison of current month actual, year-to-date actual, and adopted/projected revenues and expenses.



Shows year-to-date revenues by major category including membership dues, grants, and charges for services and other.

Shows year-to-date expenses by major category including salaries and benefits, pass-through and consultant expenses, and other expenses.

Figure 4-- Year-to-date Revenues by Category (\$'000)

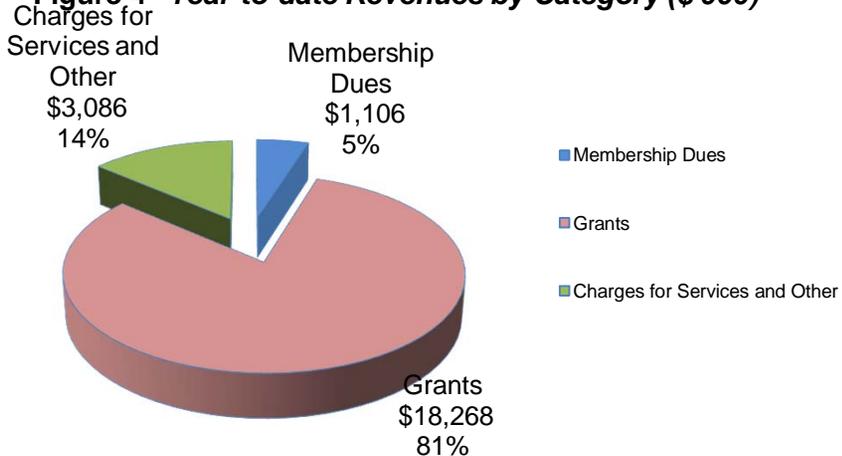
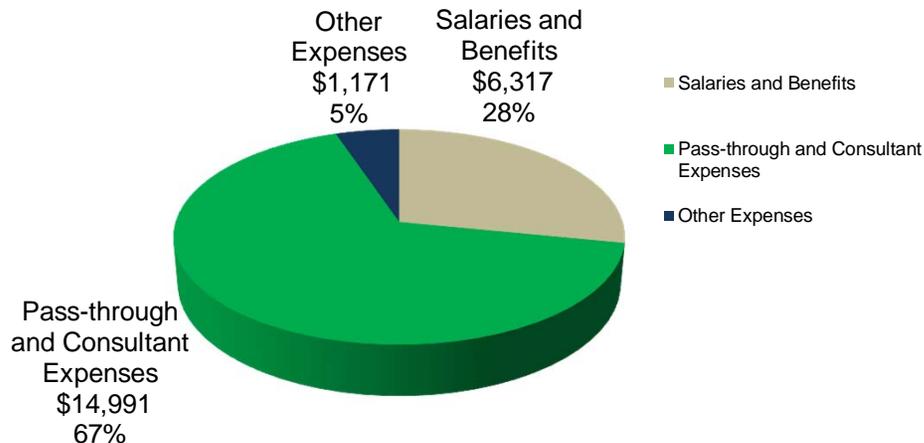


Figure 5-- Year-to-date Expenses by Category (\$'000)



ABAG Financial Indices

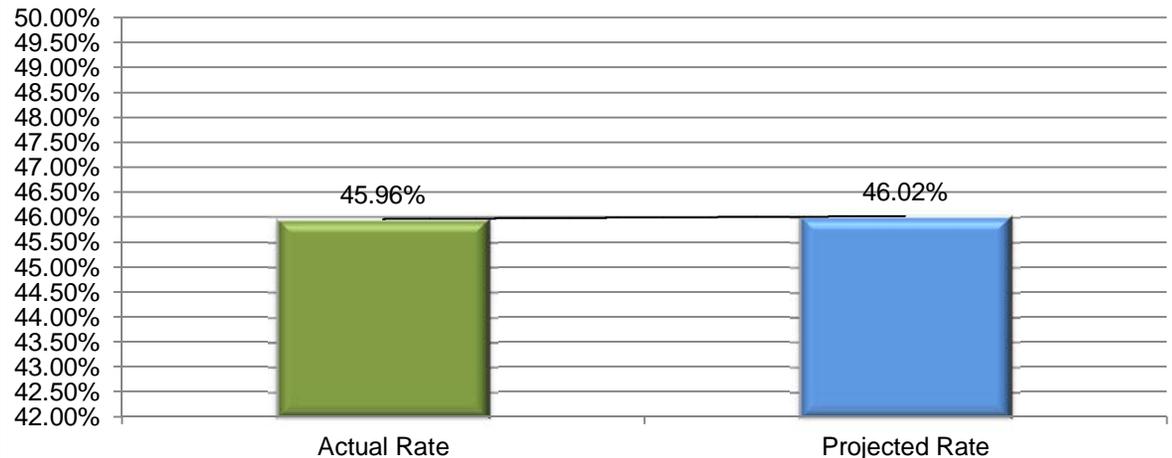
Presents actual and adopted/projected general, restricted and total fund equities for the current fiscal year. General fund equity represents unrestricted equity. Restricted equities include building improvements, building maintenance, self-insurance, capital and contingency reserve. These restricted equities represent the Association's equities set aside for specific purposes. Total equity is the sum total of general and restricted equities.

Shows a comparison between the actual indirect cost rate and the approved/projected rate. The approved indirect cost rate is computed by dividing total estimated overhead expenses by total projected direct labor cost for a fiscal year. This rate is used as a standard overhead cost rate to allocate indirect costs to all projects. This process is performed in accordance with an indirect cost plan, which is prepared annually in accordance with federal guidelines.

Figure 6--Net Position/Fund Equity (\$'000)



Figure 7--Indirect Overhead Rate



Association of Bay Area Governments

Report by Program of Net Surplus/(Deficit) Through January 2016 / 58% of Year Elapsed

Program Description	Projected Fiscal Year Expenses	Year-To-Date Revenues	Year-To-Date Expenses	YTD Surplus/ (Deficit)	% of Expense Budget	Comments
	A	B	C	D = B - C	E = C/A	
Planning Services	3,474,021	2,274,921	2,275,012	(90)	65%	
San Francisco Estuary Partnership	18,320,888	2,928,710	2,927,766	944	16%	Projected expenses are significantly higher than the prior estimate. The increase is primarily for Round 3 of the Integrated Regional Water Management Plan. Subrecipients (consisted of members and agencies in member jurisdictions) billed for the first time in February (~\$9M). Subrecipients made significant progress on various projects although the grant won't expire until May 2019. SFEP adjusted the overall projection to reflect the current activities. However, the actual results may vary at the end of the fiscal year depending on the progress and billing from subrecipients. Subrecipients are also required to provide matching expenses for these projects. The projection will be reviewed as part of the May 2016 financial reports.
Disaster Recovery	1,039,283	369,537	369,537	-	36%	Expect expenses to increase with a large FEMA grant awarded in the second quarter.
Bay Trail	1,808,046	637,555	637,555	-	35%	Several key projects are expected to be completed by June 2016. Expenses will increase towards year end with the distribution of pass-through funds to cities and other agencies.
Green Business	63,000	59,776	59,776	-	95%	The program will be reorganized soon. Minor expenses will be incurred in the next few months.
Training Center, Web Hosting and Publications	431,077	358,026	331,077	26,948	77%	The current Hazmat School training program is being transferred to our partner, Safety Compliance Management. Low levels of activities will be continued to support previously registered classes and to explore new opportunities.

Association of Bay Area Governments

Report by Program of Net Surplus/(Deficit) Through January 2016 / 58% of Year Elapsed

Program Description	Projected Fiscal Year Expenses	Year-To-Date Revenues	Year-To-Date Expenses	YTD Surplus/(Deficit)	% of Expense Budget	Comments
	A	B	C	D = B - C	E = C/A	
POWER/Energy	17,787,201	12,502,227	12,522,576	(20,349)	70%	Projected expenses have been increased to reflect the costs incurred for the BayREN program. In January 2016 cities and counties submitted their final billing for the funding ended in December 2015. The program expenditures are higher than expected due to the success of the program. Another phase of funding also started in January 2016. The total BayREN expenses are expected to be \$17.3M.
Finance Authority	1,174,579	708,761	685,171	23,590	58%	
Plan Corporation - Property & Liability Insurance Pool	2,458,589	1,387,381	1,387,381	-	56%	
SHARP - Worker's Comp Pool	150,000	49,788	49,788	-	33%	Expect expenses to increase towards year end as members claim reimbursements for loss prevention program expenditures.
Fiscal Agent Services	149,151	93,857	89,236	4,621	60%	
Communications/Legislative	557,998	324,901	323,901	1,000	58%	
Agency Administration	1,336,849	762,683	649,648	113,036	49%	Expect expenses to increase during latter part of the fiscal year due to the ABAG-MTC merger study (\$138K), budgeted contribution to BARC (\$31K), and the General Assembly.
Payroll Clearing	(30,000)	-	128,745	(128,745)	-429%	Expect the payroll clearing account to end the year with a small deficit.
Central Overhead	3,202,988	1,782,145	1,821,743	(39,599)	57%	
Totals	51,923,671	24,240,271	24,258,913	(18,643)	47%	