

FINANCE AND PERSONNEL COMMITTEE

Thursday, July 21, 2016, 5:00 PM

Location:

Bay Area Metro Center

Association of Bay Area Governments

375 Beale Street, Conference Room 110B

San Francisco, California 95110

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 (415) 820-7923.

1. CALL TO ORDER

2. PUBLIC COMMENT

Information.

3. APPROVAL OF MINUTES OF JUNE 16, 2016

ACTION.

Minutes of June 16, 2016 meeting attached.

4. PRESENTATION AND REVIEW OF FINANCIAL REPORT FOR MAY 2016

Information/ACTION.

Financial Report for May 2016 is attached.

ABAG Finance and Personnel Committee

July 21, 2016

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5. ORAL REPORT ON PAYMENT OF MEMBERSHIP DUES FOR FY 2016-17

Information.

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

Information.

7. CLOSED SESSION

A. Public Employee Performance Evaluation

Title: Executive Director

B. Public Employee Performance Evaluation

Title: Legal Counsel

8. PUBLIC EMPLOYEE COMPENSATION

- A. Committee consideration and action on proposed increase in the compensation of the Executive Director.

Action

- B. Committee consideration and action on proposed increase in the compensation of the Legal Counsel.

Action

9. ADJOURNMENT

The next meeting of the Finance and Personnel Committee will be on Thursday, September 15, 2016.

Submitted:

Courtney Ruby, Interim Finance Director

Date: July 13, 2016

ABAG FINANCE AND PERSONNEL COMMITTEE

Summary Minutes

June 16, 2016

Members Present

Mayor Bill Harrison
Supervisor Karen Mitchoff
Councilmember Desley Brooks
Councilmember Pradeep Gupta
Supervisor Scott Haggerty
Councilmember Julie Pierce
Supervisor David Rabbitt
Supervisor Linda Seifer
Vice Mayor Greg Scharff
Supervisor David Cortese

Jurisdiction

City of Fremont
County of Contra Costa
City of Oakland
City of South San Francisco
County of Alameda
City of Clayton
County of Sonoma
County of Solano
City of Palo Alto
County of Santa Clara

Members Absent

Supervisor Mark Luce County of Napa

Officers and Staff Present

Ezra Rapport, Executive Director
Bradford Paul, Deputy Executive Director
Kenneth Moy, Legal Counsel
Marti Paschal, Interim Assistant Director Admin Services
Francis Ngure, Interim Assistant Finance Director

1. The meeting was called to order by Mayor Harrison, Committee Chair, at 5:11 pm.
2. There was no public comment.
3. Summary Minutes of March 17, 2016 meeting were approved. M/Mitchoff/S/Pierce/C/approved unanimously.
4. Francis Ngure presented the financial reports for March 2016 on behalf of the Finance Director. Mayor Harrison noted that the Finance Director was absent due to a previously schedule vacation and that this was not a regularly scheduled meeting. Ngure reported the key financial results and indicated that a surplus was projected at year end.

President Pierce questioned the statement that in FY 2016/17 alone BayRen and SFEP projects will be responsible for administering \$128 million and \$26.9 million in state grants respectively, out of ABAG's total state funding of \$42.7 million. She said that the numbers did not add up and questioned if the number \$128 million was meant to be \$12.8million. [The number is \$12.8 million, the report contained a typo.]

President Pierce inquired about scheduled payment to Management Partners. Our agreement was to split the cost into FY 2016 and FY 2017. She asked if we have made the payment and if so, where did money come from?

Mr. Paul responded by stating that the first payment has been made and Mr. Rapport agreed to have information identifying which category the money will come from at the next committee meeting in July.

5. Mr. Rapport reported that we have received all FY 2015/16 membership dues.
6. Mr. Ngure/Rapport reported that the \$2 million line of credit has been extended through June 30, 2017 with Bank of the West and it will be signed before June 30, 2016.
7. There were no reportable actions from closed session.
8. Meeting adjourned at 6:38pm

To: Finance and Personnel Committee

Date: July 21, 2016

From: Courtney Ruby
Interim Finance Director

Re: Financial Reports
May 2016

The following are highlights of the May 2016 financial reports.

Overall Summary

Revenues exceeded expenses by \$13 thousand for the eleven-month period ended May 31, 2016. A \$400 thousand surplus is projected for fiscal year 2015-16. Please refer to the **Table of Financial Report Data Elements** for fiscal year adopted budget, projected fiscal year and year-to-date actual numbers.

Cash on Hand

The cash balance was \$6.8 million at the end of May, including \$2.2 million deposited in the Local Agency Investment Fund (LAIF) and \$1.5 million in the Money Market account. As shown in Figure 1, the actual monthly cash balances for the eleven-month period ended, and the projected balance for the year end are within our normal range of \$6.0 to \$10.0 million. The cash balance is projected to be approximately \$5.0 million at the end of the fiscal year.

Receivables

At the end of May, total receivables amounted to \$14.7 million which included \$12.6 million of unbilled receivables related to SFEP's Integrated Regional Water Management Program and \$2.1 million of grant and service programs receivables. Receivables over 90 days past due were \$297 thousand including \$153 thousand from the Department of Water Resources. Subsequent to May 31st, no reduction in the receivable balance has occurred. All receivables are believed to be collectible. Figure 2 shows the comparison of receivables generated by grants and service programs over the current and prior fiscal year.

As of July 10, 2016, we had received \$600 thousand of the \$1.96 million invoiced for the FY 2016-17 ABAG membership dues. The amount outstanding was \$1.36 million.

Revenues and Expenses

As of May 31, 2016, total revenue amounted to \$44.3 million, which is 90 percent of the \$49.1 million projected revenue for the year. Total expenses were also \$44.3 million, which is 91 percent, of the \$48.7 million projected expenses for the year.

Figure 3 presents a graphic comparison of the current month of May, the eleven-month period ended, and the projected revenues and expense for the current fiscal year. The figure shows a significant projection of \$400 thousand for the fiscal year which includes funding for new assets and renovations from Metropolitan Transport Commission (MTC) related to our new premises in San Francisco.

Figures 4 and 5 show year-to-date revenues and expenses by major categories. Grants revenue is 80% of total revenue, compared to 77% for the prior fiscal year. Pass-through and consultant expense are 67% of total expenses, compared to 60% for the prior fiscal year. The increasing percentages for these

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categories of revenues and expenses are caused by new multi-year funding for BayREN and for SFEP's Integrated Regional Water Management Program (IRWMP), by \$16 million and \$32 million respectively.

The total approved BayREN funding since inception in 2013 is in excess of \$62 million. The total approved state funding for SFEP's IRWMP program since 2011 is \$59 million with an additional funding match of \$40 million required from the sub-recipients, resulting in SFEP managing \$99 million for this program.

Net Position/Fund Equity

Total fund equity was negative \$8.1 million as of May 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 the pension obligation and for operations. Thus, the May fund equity for pension obligations is presented as a negative \$12.2 million, and the accumulated fund equity from operations is presented as a positive \$2.5 million in the financial reports. The restricted fund equity of \$1.6 million 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.

Indirect Overhead Rate

The Agency's actual indirect cost (overhead) rate through May 2016 was 46.46%, which was 1.51 percentage points above the adopted budget target of 44.95 percent. 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 May 31st and the projected rate of 46.02% 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 budgeted and year-to-date actual revenue and expense data for major programs such as the Planning Services, San Francisco Estuary Partnership (SFEP), Bay Trail and POWER/Energy. Apart from SFEP none of the other programs listed on this chart are significantly out of line with the budget. For SFEP, we estimate that most sub-recipients will invoice us with the budgeted amount before the close of the fiscal year.

The chart includes a projection of expenses for the year of \$56 million; this is up \$22 million from the November 30th projection. The majority of this increase is due to an increase in the projection for SFEP's Integrated Regional Water Management Program, and the BayREN energy conservation rebate program, which is administered by ABAG POWER as previously discussed.

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 May 2016

Projected percentage of budget is 92%.

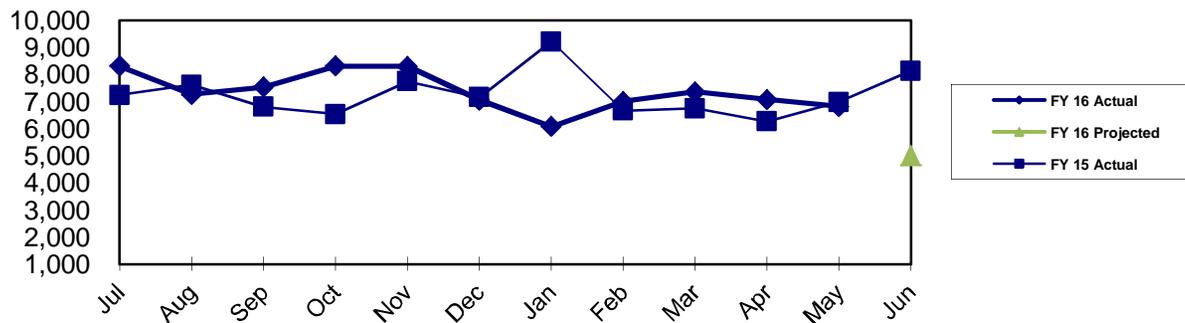
Description	Adopted Budget	Projected Fiscal Year Budget	Year-To-Date Actual	% of Projected Fiscal Year Budget
ASSETS				
Cash		5,000	6,818	
Receivables		11,000	14,708	
REVENUES				
Membership Dues	1,897	1,897	1,738	92%
Grants	19,450	38,816	35,265	91%
Charges for Services and Other	5,360	8,408	7,295	87%
Total Revenues	26,707	49,121	44,298	90%
EXPENSES				
Salaries and Benefits	11,588	10,876	9,969	92%
Pass-through and Consultant Expenses	12,780	29,497	29,620	100%
Other Expenses	2,289	8,348	4,696	56%
Total Expenses	26,657	48,721	44,285	91%
 Change in Net Position	 50	 400	 13	 3%
Beginning Net Position	(8,095)	(8,095)	(8,095)	100%
 Ending Net Position	 (8,045)	 (7,695)	 (8,082)	 105%
NET POSITION BREAKDOWNS				
Unrestricted - Accumulated Operations Surplus	2,551	2,516	2,565	102%
Unrestricted - Pension Adjustment - June 30, 2015	(12,253)	(12,253)	(12,254)	100%
Restricted - Tenant Improvements	800	1,250	800	64%
Restricted - Other	857	792	807	102%
Total Net Position	(8,045)	(7,695)	(8,082)	105%
INDIRECT OVERHEAD				
Overhead Rate	44.95%	46.02%	46.46%	101%

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	7,010	7,353	7,079	6,818	
FY 16 Projected												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.

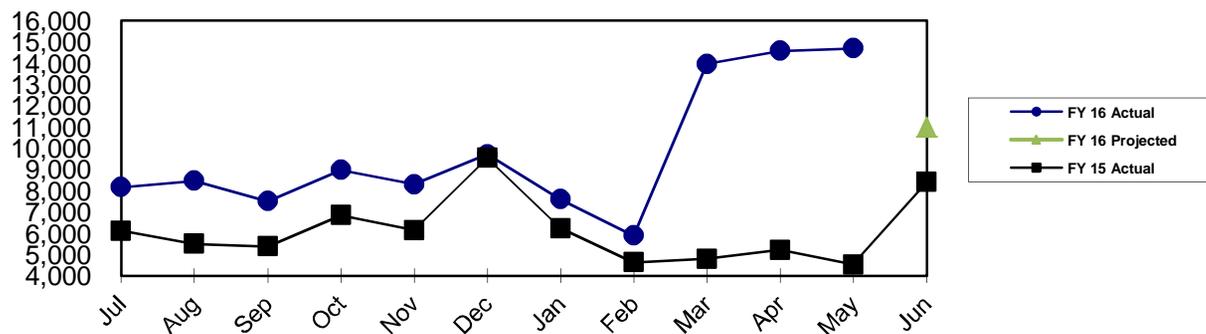
Figure 1--Cash on Hand--FY 15 and FY 16 (\$'000)



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	5,885	13,973	14,576	14,708	
FY 16 Projected												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. The increase from March 2016 reflects the increase due to unbilled receivables relating to SFEP IRWPP.

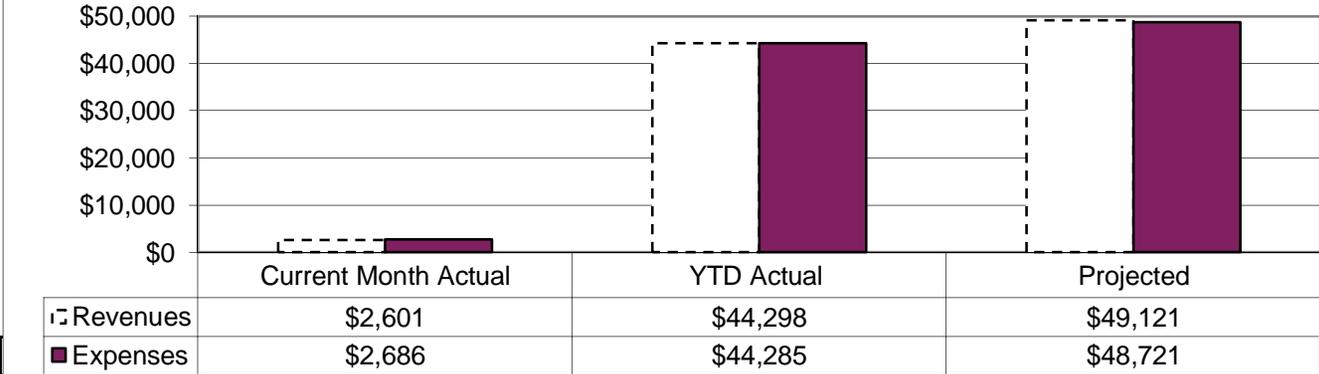
Figure 2--Accounts Receivable--FY 15 and FY 16 (\$'000)



ABAG Financial Indices

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

Figure 3--Revenues and Expenses (\$'000)



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)

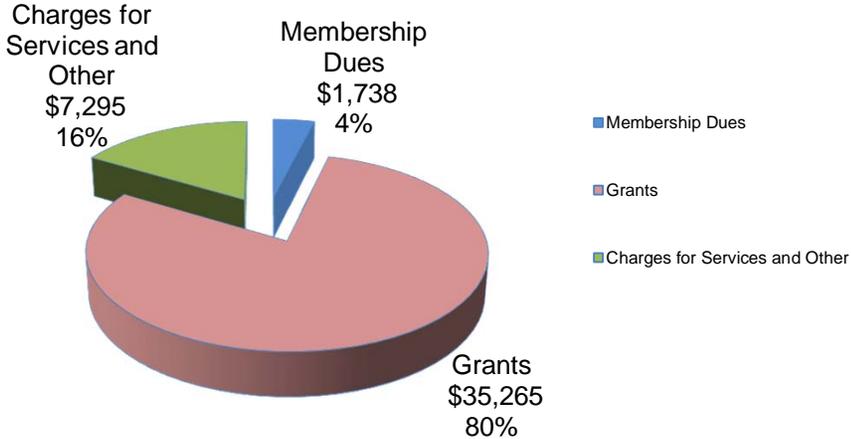
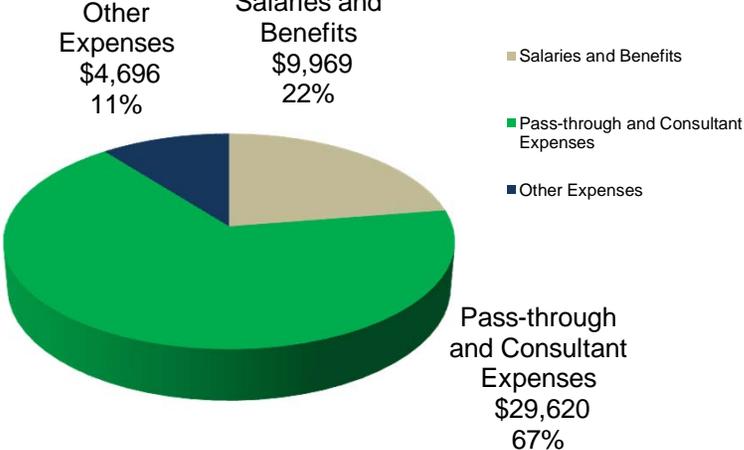


Figure 5-- Year-to-date Expenses by Category (\$'000)



ABAG Financial Indices

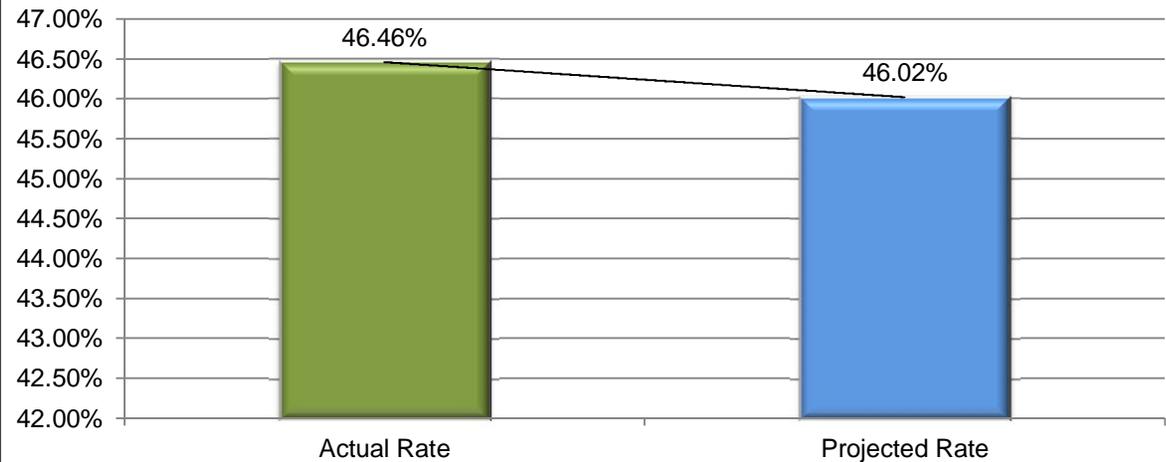
Presents actual and adopted/projected general, restricted and total fund equities for the current fiscal year. General fund equity represents unrestricted equity. Restricted equities include building improvements, building maintenance, self-insurance, capital and contingency reserve. These restricted 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 May 2016 / 92% of Year Elapsed

Program Description	Projected Fiscal Year Expenses	Year-To-Date Revenues	Year-To-Date Expenses	YTD Surplus/ (Deficit)	% of Expense Budget	Comments (for budgets over \$10m and variance 10% > or < than 92%)
	A	B	C	D = B - C	E = C/A	
Planning Services	3,744,158	3,498,166	3,498,256	(90)	93%	
San Francisco Estuary Partnership	22,454,189	14,099,330	14,079,535	19,796	63%	Projected expenses have been adjusted from \$17.7m in March 2016 to \$22.4m in May 2016 to reflect anticipated progress by various subrecipients in 2016. Currently, SFEP estimates that approximately \$5m in billings from subrecipients will be received in July and early August. Due to complexity and the multi-year duration of the projects, the estimate could still change before books close on June 30, 2016.
Disaster Recovery	1,039,283	735,363	735,363	-	71%	Funding from FEMA was received in October 2015 but activity did not pick until January 2016 due to gradual transfer of staff from other projects. The budget had anticipated immediate kick off on receipt of funding in October. Project manager anticipates that project will be 90% complete by end of the year.
Bay Trail	1,808,046	1,423,576	1,423,576	-	79%	Originally, several key projects were expected to be completed by June 30, 2016 at \$1.8m. The completion dates have now been extended to September 30, 2016. There will be some expenses in June and the remainder of the funds will be spent in the first quarter of FY 2016/17.
Green Business	63,000	84,983	84,983	-	135%	Revenue received from member cities this fiscal year was \$97k. By end of the year, the Project Manager anticipates to spend up to the full funding of \$97k. As a result projected expenses are understated.
Training Center, Web Hosting and Publications	431,077	408,999	399,230	9,769	93%	Though expenditures are within the expected activity levels, we note that the current Hazmat School training program has been transferred to our partner, Safety Compliance Management (SCM) and no more expenditure is expected. We received \$50k in April 2016 from SCM as part of the sale transactions. The total sales price was \$200k to be received in 3 installments; \$50k in 2016, \$75k in 2017 and \$75k in 2018.

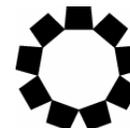
Association of Bay Area Governments

Report by Program of Net Surplus/(Deficit) Through May 2016 / 92% of Year Elapsed

Program Description	Projected Fiscal Year Expenses	Year-To-Date Revenues	Year-To-Date Expenses	YTD Surplus/ (Deficit)	% of Expense Budget	Comments (for budgets over \$10m and variance 10% > or < than 92%)
	A	B	C	D = B - C	E = C/A	
POWER/Energy	17,787,201	16,142,318	16,171,213	(28,895)	91%	Year-to-date expenses at 91% of the annual project compare well to the expected 92% of annual projections. The budget includes \$17m for the BayREN program made up of earlier funding of \$12m plus carry over from fy13/14 of \$1m and new BayREN grant in January of \$4m.
FAN Finance Authority	1,076,029	1,061,112	1,000,138	60,975	93%	
PLAN Corporation - Property & Liability Insurance Pool	2,458,589	2,038,558	2,038,558	-	83%	
SHARP - Worker's Comp Pool	163,302	100,976	100,976	-	62%	We expect expenses to increase towards year end as members claim reimbursements for loss prevention program expenditures. However, actual expenses at the end of the year are expected to be lower than budgeted due to savings of about \$30k in personnel and claims administration.
Fiscal Agent Services	136,469	118,783	116,827	1,956	86%	
Communications/Legislative	557,998	572,552	571,552	1,000	102%	Though expenditures are within the expected activity levels, we did hold two GA meetings in the Spring thus increasing our expenses.
Agency Administration	1,328,826	1,153,333	1,008,977	144,356	76%	Expense is expected to increase in June 2016 when all accruals are analyzed.
Payroll Clearing	(30,000)	-	63,209	(63,209)	-211%	We expect payroll clearing account to end the year with a small deficit (after all year end reviews are completed).
Central Overhead	3,202,988	2,859,925	2,992,841	(132,916)	93%	
Totals	56,221,155	44,297,974	44,285,232	12,742	79%	

ASSOCIATION OF BAY AREA GOVERNMENTS

Representing City and County Governments of the San Francisco Bay Area



ABAG

Date: July 13, 2016

To: ABAG Executive Board

From: Ezra Rapport
Executive Director

A handwritten signature in black ink, appearing to read "Ezra Rapport", written over the printed name.

Subject: **Executive Director Compensation**

Background

I have served as ABAG's Executive Director since September 1, 2010. My compensation in this position is governed by an Employment Agreement dated July 30, 2010. Annual salary was set at \$198,500 and has not changed for over five years. I have no severance agreement. Health and welfare benefits, most notably pension and medical coverage, are the same as other employees.

The provisions of the Employment Agreement allow for adjustment of compensation based on annual reviews of performance. The Committee provided such a review in closed session, based on a detailed performance plan, in January 2015 and in January 2016.

The compensation was not awarded in January 2015 due to the news of the FAN embezzlement, the scope of which was unknown at the time. The Committee was not prepared at that time to make any adjustments to compensation, pending the outcome of the investigation. The investigation was concluded in December 2015.

The Committee, through the President, informed me that compensation could be adjusted to match the compensation package that was applied to all ABAG employees, including management, as of January 1, 2015 and January 1, 2016. This compensation package included employee contributions to pension and health benefits. Such contributions are currently being made by me, as the Executive Director. Applying the organizational increase to the Executive Director would increase net compensation by 4%, which would change the net compensation of the Executive Director from \$198,500 to \$206,440. This compensation is well below the MTC Deputy Director's net compensation which has been used as a comparable in the past. The MTC Deputy Director net compensation is \$218,449.

Suggested Action

The Committee can recommend an adjustment to the Executive Director's compensation package for approval by the Executive Board. As a point of reference for salary, ABAG's management, professional and support staff received a 3% salary increase effective January 1,

Executive Director Compensation

July 13, 2016

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2015 and another 3% salary increase effective January 1, 2016 as part of ABAG's negotiated MOU with SEIU Local 1021. The increase in total compensation is mitigated by an annual 1% increase in pension contribution for 2015 and again in 2016, in addition to cost controls in medical benefit coverage.

My request is to match my compensation to the same percentage increase received by all other managers and employees in 2015 and 2016, less the negotiated pension contributions and cap on medical benefits. This will avoid salary compaction at the management level.

In addition, I respectfully request a conversion of the current automobile allowance of \$500 per month in exchange for an equivalent increase in salary, as has been done with others who were of retirement age. The contract will be amended to ensure that no further automobile allowance will be authorized. The cost of this proposal is approximately \$75 per month for ABAG in increased pension costs.

ASSOCIATION OF BAY AREA GOVERNMENTS

Representing City and County Governments of the San Francisco Bay Area



To: Finance & Personnel Committee
Association of Bay Area Governments
Fr: Kenneth Moy, Legal Counsel 
Dt: July 13, 2016
Re: Request for Adjustment to Compensation – Supplemental

This memorandum supplements the one dated March 17 and submitted in connection with my performance evaluation by the Finance & Personnel Committee conducted in March. The Committee requested additional information which I have provided below.

Below are the adjustments to my annual salary over the past 10 years¹:

<u>Commencement Date</u>	<u>Amount</u>	<u>% Increase</u>
January 1, 2005	\$131,394	n/a
December 18, 2006	\$140,784	7.1%
July 20, 2007	\$162,000	15.0% ²
July 1, 2008 - present	\$171,720	6.0%

The Interim Assistant Director of Administrative Services conducted a salary survey of legal counsels for other regional agencies. The results are presented in the table below:

South Coast Air Quality Management District	\$204,921
Southern California Association of Governments	\$219,086
San Diego Association of Governments	FY2017 range: \$139,560-\$185,904-\$232,248
East Bay Municipal Utility District	\$252,312
Bay Area Rapid Transit District	\$264,669
Bay Area Air Quality Management District	\$265,121
Sacramento Area Council of Governments	\$273,984 ³
Metropolitan Transportation Commission	\$290,484

I hereby respectfully request an approximately 6% adjustment of my annual salary to \$182,025 effective July 1, 2016. This would also increase the annual costs of my benefits. However, the move to San Francisco reduces my transit subsidy. Therefore, the total increased cost to ABAG in FY 2016-17, salary and benefits, is \$13,469 (see attached Employee Cost Rate Report prepared by Finance/Personnel Department).

¹ Data provided by ABAG Finance and personnel staff.

² This is an equity adjustment for all management staff (not uniform).

³ Also serves as COO.



EMPLOYEE COST RATE REPORT

May 31, 2016

K. MOY, LEGAL COUNSEL

	Current Salary	Salary Increase of ~6%
Annual salary	171,720.00	182,025.00
PERS Contribution	57,217.90	60,658.65
Workers Compensation	1,528.31	1,620.01
Long Term Disability	388.80	388.80
Health Insurance	24,151.48	24,151.48
Section 125 Admin Fees	0.00	0.00
Parking Subsidy	0.00	0.00
Transit Subsidy	2,345.00	840.00
Domestic Health	0.00	0.00
PEP/PDA	0.00	0.00
PEPRA - EE PERS Contribution	0.00	0.00
Classic - EE PERS Contribution	-3,434.40	-3,640.46
Bonus	0.00	0.00
Unemployment	515.16	546.07
FICA Tax	9,836.94	9,986.34
SDI	960.68	960.68
Life Insurance	711.78	753.81
Retiree Health Benefit	18,665.96	19,785.92
Total Benefits	112,887.61	116,051.30
Total Salary & Benefits	284,607.61	298,076.30
Salary increase	10,305.00	
Increased cost of benefits	3,163.69	
Total cost increase (salary & benefits)	13,468.69	

To: Finance and Personnel Committee
Fr: Kenneth K. Moy, Legal Counsel
Dt: March 17, 2016
Re: Compensation

This memorandum is submitted in connection with my performance evaluation by the Finance and Personnel Committee conducted in closed session.

Pending a finding by the Committee that my performance has been satisfactory or better, I am submitting the following information and request for the Committee's consideration and recommendation for action by the Executive Board:

- I receive only the same benefits as all other employees of ABAG and note for the Committee that as a member of the Classic CalPERS plan I am also subject to the contribution requirements under the MOU between ABAG and SEIU Local 1020: 1% beginning January 1, 2015 and another 1% beginning January 1, 2016.
- The last adjustment to my annual salary occurred on July 1, 2008 when it was raised from \$162,000 to the current \$171,720, an increase of 6%.
- All other ABAG employees, excepting myself and the Executive Director, received salary increases of 3% on January 1, 2015 and 3% on January 1, 2016.

I respectfully request the Committee to consider adjusting my salary to \$182,025, an increase of 6%, commencing April 1, 2016 and to recommend such an increase to the Executive Board at its March 17, 2016 meeting.