

**FINANCE AND PERSONNEL COMMITTEE**

Thursday, November 19, 2015, 5:00 PM

Location:

Joseph P. Bort MetroCenter  
Association of Bay Area Governments  
101 8<sup>th</sup> 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](http://abag.ca.gov)*

*For information, contact Charles Adams, Interim Finance Director, at (510) 464-7906.*

**1. CALL TO ORDER**

**2. PUBLIC COMMENT**

Information.

**3. APPROVAL OF MINUTES OF SEPTEMBER 17, 2015**

ACTION.

*Minutes of September 17, 2015 meeting attached.*

**4. PRESENTATION AND REVIEW OF FINANCIAL REPORT FOR SEPTEMBER 2015**

Information/ACTION.

*Financial Report for September 2015 is attached.*

**5. ORAL REPORT ON CONDITIONS IMPOSED BY MTC ON THE SIX-MONTH INTERAGENCY AGREEMENT**

**ABAG Finance and Personnel Committee**

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Information.

**6. RESOLUTION AUTHORIZING ISSUANCE OF DEED OF TRUST ON ABAG'S CONDOMINIUM INTEREST TO BANK OF THE WEST AS SECURITY FOR LINE OF CREDIT RENEWAL**

Information/ACTION.

*Resolution is attached.*

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

Information.

**8. CLOSED SESSION**

**A. Conference With Labor Negotiators**

**Agency designated representatives: Brian Kirking and Brad Paul  
Employee organization: SEIU Local 1021**

**B. Public Employee Performance Evaluation**

Title: Executive Director

**9. ADJOURNMENT**

The next meeting of the Finance and Personnel Committee will be on  
Thursday, January 21, 2016.

Submitted:

Charles Adams, Interim Finance Director

Date: November 4, 2015

## ABAG FINANCE AND PERSONNEL COMMITTEE

### Summary Minutes

September 17, 2015

#### Members Present

Mayor Bill Harrison  
Supervisor Karen Mitchoff  
Councilmember Desley Brooks  
Supervisor David Cortese  
Supervisor Scott Haggerty  
Supervisor Mark Luce  
Councilmember Julie Pierce

#### Jurisdiction

City of Fremont  
County of Contra Costa  
City of Oakland  
County of Santa Clara  
County of Alameda  
County of Napa  
City of Clayton

#### Members Absent

Supervisor John Gioia  
Supervisor Dave Pine  
Supervisor David Rabbitt

County of Contra Costa  
County of San Mateo  
County of Sonoma

#### Officers and Staff Present

Ezra Rapport, Executive Director  
Bradford Paul, Asst. Exec. Director  
Kenneth Moy, Legal Counsel  
Charles Adams, Interim Finance  
Director  
Brian Kirking, HR and IT Director  
Susan Hsieh, Asst. Finance Director

#### Guests

Mayor Pro Tem Pat Eklund  
Ken Bukowski, Videographer

City of Novato

1. The meeting was called to order by Mayor Harrison, Committee Chair, at 5:10 pm.
2. There was no public comment.
3. Summary Minutes of the July 17, 2015 meeting were approved.  
/M/Pierce/S/Mitchoff/C/approved unanimously.
4. Mr. Adams presented the financial reports for June 2015. He reported ABAG will end the year with a surplus. With the implementation of new accounting rule (GASB 68) to record pension liability, ABAG is required to restate its fund balance

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and will result in a negative fund balance in our case. This new requirement applies to all agencies that have pension liabilities. Mr. Adams also reported on the financial outlook and indicated that there will be negative impacts on ABAG's budget if the funding from MTC does not come through.

/M/Pierce/S/Luce/C/acceptance of the report unanimously.

5. Mr. Adams reported the changes to ABAG's investment policy. /M/Mitchoff /S/Haggerty/C/acceptance of the report unanimously.
6. Mr. Paul reported on the conditions imposed by MTC on the six-month interagency agreement. He indicated that most of the issues have been resolved or clarified. MTC will schedule a conference call with Caltrans for the last issue.
7. Mr. Adams reported on the status of line of credit (LOC) renewal and advised the Committee that a resolution for the deed of trust on ABAG's condominium interest (collateral for the LOC) will be presented for approval at the next meeting.
8. The Committee discussed the status of the FY 15-16 membership dues. The Committee directed staff to report the unpaid dues again at the next meeting.
9. There was no reportable action from Closed Session.
10. Meeting was adjourned at 5:59 pm.

Submitted: Susan Hsieh, Assistant Finance Director

To: Finance and Personnel Committee

Date: November 10, 2015

From: Charlie Adams  
Interim Finance Director

Re: Financial Reports  
September 2015

The following are highlights of the financial reports for September 2015.

### **Overall Summary**

Revenues exceeded expenses by \$306 thousand for the three months ended September 30, 2015. A \$500 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 \$7.5 million at the end of September, 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 three months of fiscal year 2015-16, and the projected balance for the year end are within our normal range of \$6.0 to \$9.0 million. The cash balance is projected to be approximately \$6.5 million at the end of the fiscal year.

### **Receivables**

Receivables from grant amounted to \$1.4 million at the end of September. Receivable over 90 days past due were \$273 thousand. Included in the over 90 days past due receivables is a grant funding invoice, issued by the San Francisco Estuary Partnership (SFEP) for \$162 thousand, which was prepared in February 2015, but was not actually issued until July 2015. The balance of the over 90 days past due receivables include retentions that are being held in accordance with the grant agreements. All receivables are believed to be collectible.

Outstanding city and county 2015-16 ABAG membership dues at September 30 were \$303,585, due from one county and eight cities. As of November 9, the balance was \$41,955.

### **Revenues and Expenses**

As of September 30, 2015, total revenue amounted to \$6.6 million, which is 24 percent, of the projected revenue for the year of \$27.1 million. Total expenses amounted to \$6.3 million, which is 24 percent, of the projected expenses for the year of \$26.7 million.

Figure 3 presents a graphic comparison of the current month of September, the three month year-to-date actual, and fiscal year projected revenues and expenses. The relationship of revenues exceeding expenses is consistent for all three periods shown.

Figures 4 and 5 show year-to-date revenues and expenses by major categories. Grants revenue is 73% of total revenue, compared to 71% for the prior fiscal year. Pass-through and Consultant

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expense are 50% of total expenses, compared to 47% for the prior fiscal year. The increasing percentages for these categories of revenues and expenses are caused by the growth of the BayREN project, which has provided ABAG revenue in excess of \$29 million since its inception in March 2013.

### **Net Position/Fund Equity**

Total fund equity was negative \$7.8 million as of September 30, 2015. 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 September fund equity for pension is presented as a negative \$12.3 million, and the accumulated fund equity for operations is presented as a positive \$2.9 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 all prior charts included in reports to the committee.

### **Indirect Overhead Rate**

The Agency's actual indirect cost (overhead) rate through September 2015 was 46.31%, which was 1.36 percentage points above the budget target of 44.95 percent. This variance from the budget is not unexpected at this early point in the fiscal year, and we anticipate making the require adjustments to control costs and bring actual overhead cost for the year in line with the budget target for the full fiscal year. Figure 7 shows a comparison between the actual indirect cost rate through September 30, 2015 and the approved budget 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 budgeted 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. None of the programs listed on this chart is significantly out of line with its budget at this time.

### **Financial Outlook**

The projection for fiscal year 2015-16 is for a surplus of revenues over expenses. ABAG staff continues to live with uncertainty regarding funding from MTC, as a result of conditions appended to the interagency agreement in Amendment 1 and Amendment 2. In the worst case scenario, ABAG would be required to revise its cost allocation model, on which the balanced budget is based. In addition, MTC continues to solicit Caltrans for a finding that costs billed to MTC for services provided by the ABAG Executive Director and Deputy Executive Director violates federal cost regulations. Management is confident that all costs billed are allowable, but the possibility exists that MTC may delay payment of ABAG invoices, pending conclusion of their review of charges and their request for rulings from Caltrans. Such action by MTC has the potential to cause a cash flow impairment, threatening all of ABAG's operations.

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

For the Month Ended September 2015

Projected percentage of budget is 25%.

Description	Adopted Budget	Projected Fiscal Year Budget	Year-To-Date Actual	% of Projected Fiscal Year Budget
<b>ASSETS</b>				
Cash		6,500	7,533	
Receivables		8,000	7,515	
<b>REVENUES</b>				
Membership Dues	1,897	1,897	474	25%
Grants	19,450	19,450	4,851	25%
Charges for Services and Other	5,360	5,810	1,284	22%
<b>Total Revenues</b>	<b>26,707</b>	<b>27,157</b>	<b>6,609</b>	<b>24%</b>
<b>EXPENSES</b>				
Salaries and Benefits	11,588	10,900	2,620	24%
Pass-through and Consultant Expenses	12,780	13,685	3,134	23%
Other Expenses	2,289	2,072	549	26%
<b>Total Expenses</b>	<b>26,657</b>	<b>26,657</b>	<b>6,303</b>	<b>24%</b>
Change in Net Position	50	500	306	61%
Beginning Net Position	(8,095)	(8,095)	(8,095)	100%
<b>Ending Net Position</b>	<b>(8,045)</b>	<b>(7,595)</b>	<b>(7,789)</b>	<b>103%</b>
<b>NET POSITION BREAKDOWNS</b>				
Unrestricted - Accumulated Operations Surplus	2,551	2,551	2,857	112%
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%
<b>Total Net Position</b>	<b>(8,045)</b>	<b>(7,595)</b>	<b>(7,789)</b>	<b>103%</b>
<b>INDIRECT OVERHEAD</b>				
Overhead Rate	44.95%	44.95%	46.31%	103%

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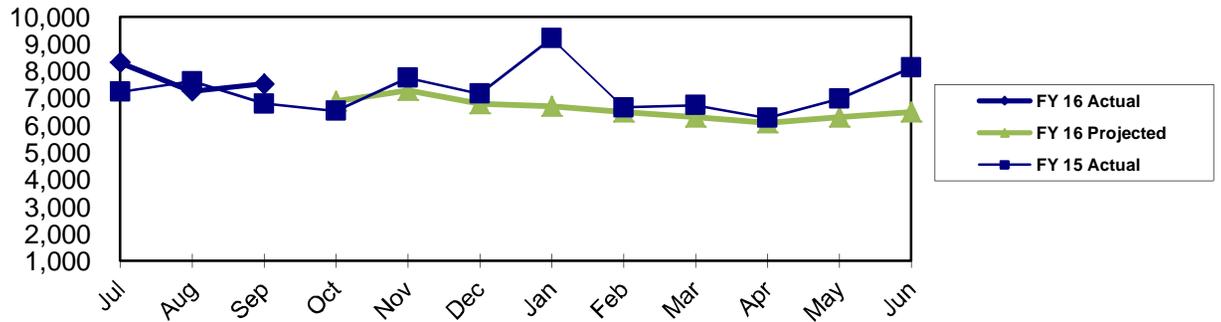
## ABAG Financial Indices

### 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									
FY 16 Projected				6,900	7,300	6,800	6,700	6,500	6,300	6,100	6,300	6,500
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)**

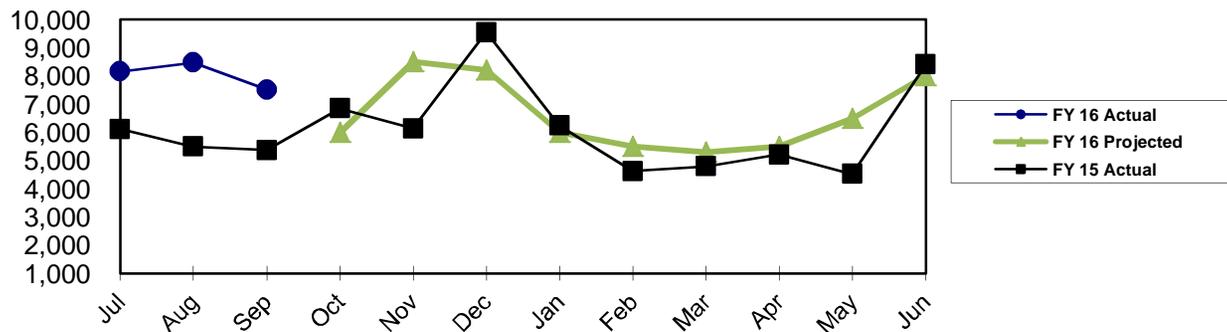


### Accounts Receivable FY 15-FY 16 (\$'000)

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
FY 16 Actual	8,163	8,471	7,515									
FY 16 Projected				6,000	8,500	8,200	6,000	5,500	5,300	5,500	6,500	8,000
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

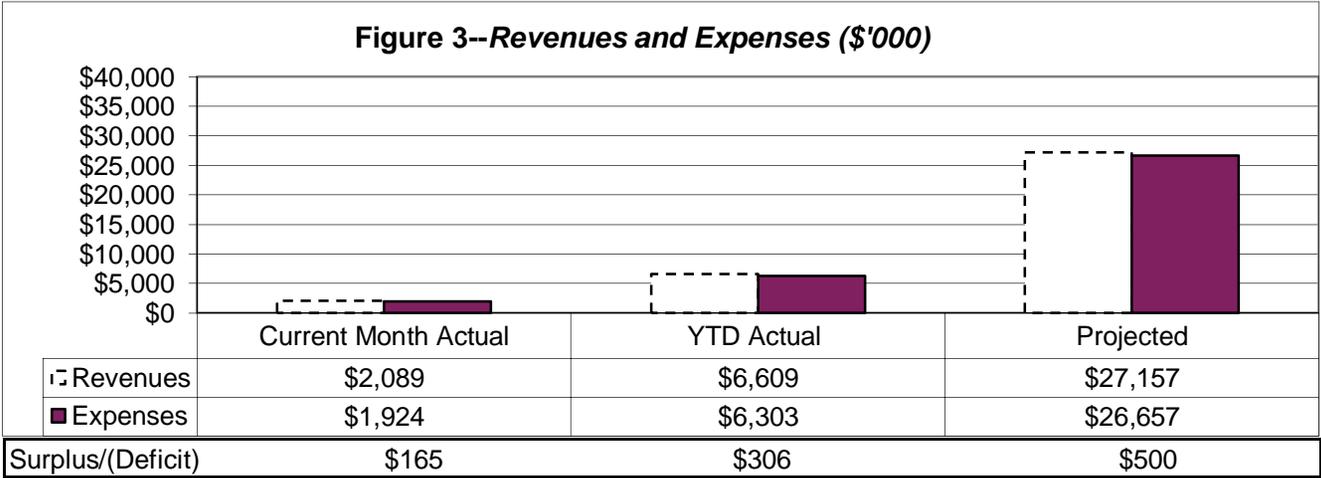
**Accounts** receivable include receivables generated by grants and service programs over two fiscal years. Reflects the reasonableness of our receivable levels.

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



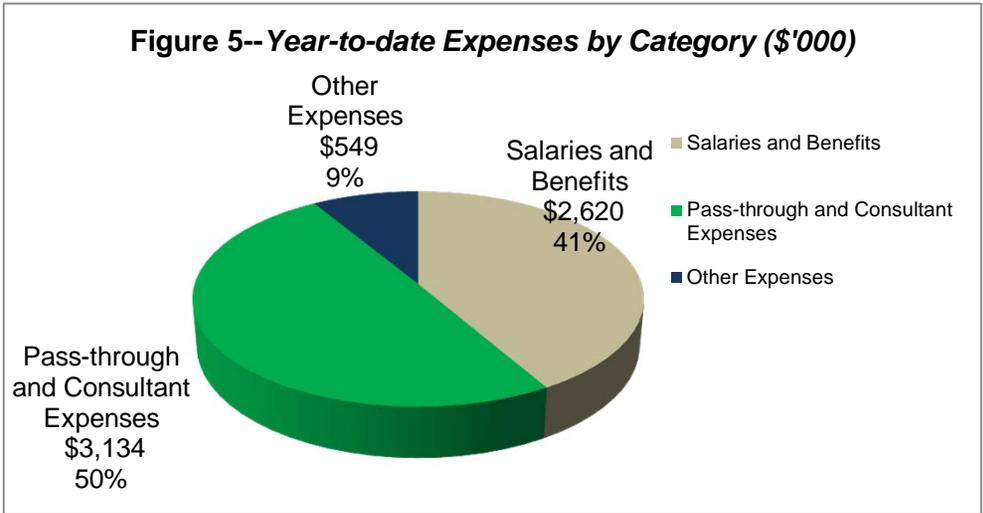
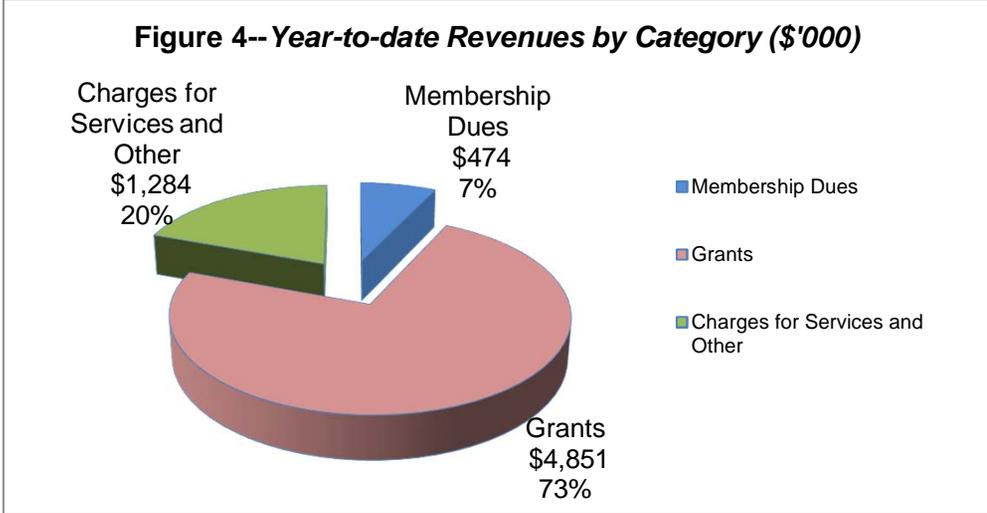
**ABAG Financial Indices**

**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.



## 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)

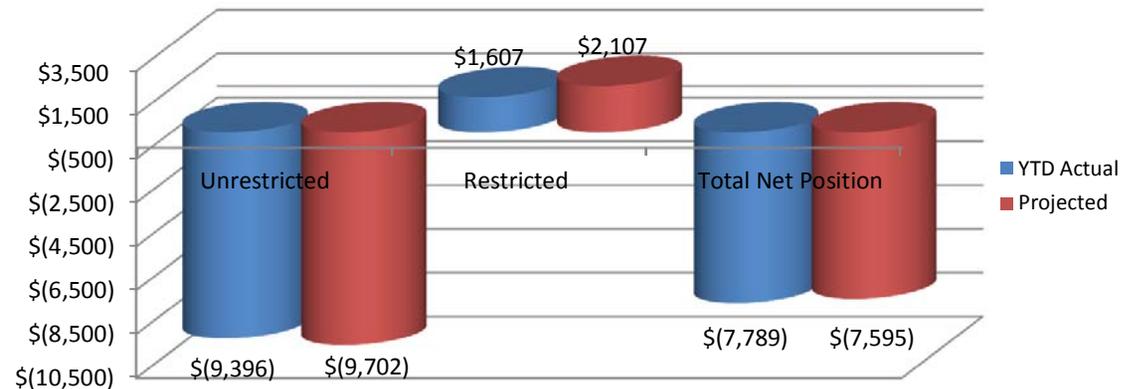
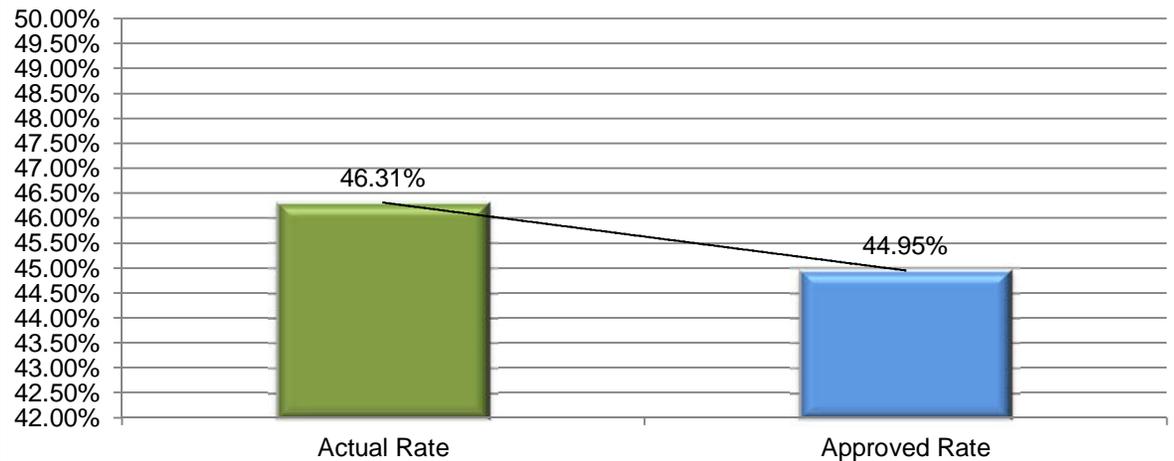


Figure 7--Indirect Overhead Rate



## Association of Bay Area Governments

### Report by Program of Net Surplus/(Deficit) Through September 2015 / 25% of Year Elapsed

Program Description	Projected Fiscal Year Budget 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	3,844,000	1,072,598	1,072,689	(90)	28%	
San Francisco Estuary Partnership	5,380,000	885,642	866,697	18,946	16%	Expect expenses to increase as subrecipients bill to the Integrated Regional Water Management Plan project.
Disaster Recovery	700,000	165,809	165,809	-	24%	
Bay Trail	1,028,000	256,975	256,975	-	25%	
Green Business	90,000	24,353	24,353	-	27%	
Training Center, Web Hosting and Publications	540,000	182,002	132,015	49,988	24%	
POWER/Energy	9,712,304	2,678,933	2,685,215	(6,283)	28%	The operating deficit is caused by the expenditure of excess revenues from prior years. These expenditures are used to identify new funding opportunities and to support efforts that benefit members and local governments. The energy program has a positive fund balance as of September 30, 2015.
Finance Authority	1,104,696	224,051	224,493	(442)	20%	
Plan Corporation - Property & Liability Insurance Pool	2,200,000	594,322	594,322	-	27%	
SHARP - Worker's Comp Pool	150,000	14,569	14,569	-	10%	Expect expenses to increase throughout the year, as members claim reimbursements for loss prevention program expenditures.
Fiscal Agent Services	106,200	41,648	39,158	2,490	37%	Higher than budgeted expenses is primarily attributed to staffing time spent on the year-end close and annual audit.
Communications/Legislative	560,000	132,585	132,585	-	24%	
Agency Administration	1,241,622	335,064	281,124	53,940	23%	
Payroll Clearing		-	(211,527)	211,527	N/A	Expect the payroll clearing account to be close to breakeven towards year end.

## Association of Bay Area Governments

Report by Program of Net Surplus/(Deficit)  
Through September 2015 / 25% of Year Elapsed

Program Description	Projected Fiscal Year Budget 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	
Central Overhead	3,218,095	809,224	833,423	(24,200)	26%	Expect the recovery of charges to central overhead expense accounts to increase as staff work on billable projects.
<b>Totals</b>	<b>29,874,917</b>	<b>7,417,774</b>	<b>7,111,898</b>	<b>305,876</b>	<b>24%</b>	

**ASSOCIATION OF BAY AREA GOVERNMENTS  
EXECUTIVE BOARD**

**RESOLUTION NO. 13-15**

**RESOLUTION AUTHORIZING EXECUTIVE DIRECTOR  
TO INCUR DEBT ON BEHALF OF THE AGENCY**

**WHEREAS**, the Association of Bay Area Governments (ABAG) has an existing secured credit facility (line of credit) with Bank of the West with a limit of Two Million Dollars (\$2,000,000); and

**WHEREAS**, the existing line of credit will expire on February 28, 2016; and

**WHEREAS**, the Bank of the West, East Bay Commercial Banking Office has agreed to renew the existing line of credit of Two Million Dollars (\$2,000,000) subject to certain conditions, including but not limited to, ABAG providing collateral in the form of a Deed of Trust on the ABAG condominium interest located at 101 8th Street, Oakland, California; and

**WHEREAS**, ABAG has stated its intention to exchange its condominium interest located at 101 8<sup>th</sup> Street, Oakland for a condominium interest located at 375 Beal Street, San Francisco, California that is under development; and

**WHEREAS**, the Bank of the West, East Bay Commercial Banking Office has agreed to accept a Deed of Trust on ABAG's condominium interest located at 375 Beal Street, San Francisco as substitute collateral for the Deed of Trust on the ABAG's condominium interest located at 101 8th Street, Oakland, California; and

**WHEREAS**, it is necessary that ABAG maintain resources that enable it to short-term finance expenditures that are reimbursable from grantors, upon submission of invoices for expenses incurred in performance of specified tasks.

**NOW THEREFORE BE IT RESOLVED:** the Executive Board of the Association of Bay Area Governments hereby authorizes the Executive Director to:

- 1) negotiate, execute, deliver and record any and all documents reasonably necessary to renew ABAG's existing line of credit with Bank of the West of Two Million Dollars (\$2,000,000), including, without limitation, a Deed of Trust on the ABAG's condominium interest located at 101 8th Street, Oakland, California, and a Deed of Trust on ABAG's condominium interest located at 375 Beal Street, San Francisco, California once that development is completed; and
- 2) draw on the line of credit in such amounts and at such times as may be prudent to ensure the continuing operation of ABAG's programs and projects, with the

**ASSOCIATION OF BAY AREA GOVERNMENTS  
RESOLUTION NO. 13-15**

understanding that all draws will be reported to the Finance and Personnel Committee.

The foregoing adopted by the Executive Board this 19th day of November 2015.

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Julie Pierce  
President

**Certification of Executive Board Approval**

I, the undersigned, the appointed and qualified Secretary-Treasurer of the Association of Bay Area Governments (Association), do hereby certify that the foregoing resolution was adopted by the Executive Board of the Association at a duly called meeting held on the 19th day of November 2015.

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Ezra Rapport  
Secretary-Treasurer

**Approval as To Legal Form**

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Kenneth K. Moy  
Legal Counsel