

**FINANCE AND PERSONNEL COMMITTEE**

Thursday, May 19, 2016, 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 Courtney Ruby, Interim Finance Director, at (510) 464-7923.*

**1. CALL TO ORDER**

**2. PUBLIC COMMENT**

Information.

**3. APPROVAL OF MINUTES OF MARCH 17, 2016**

ACTION.

*Minutes of March 17, 2016 meeting attached.*

**4. PRESENTATION AND REVIEW OF FINANCIAL REPORT FOR MARCH 2016**

Information/ACTION.

*Financial Report for March 2016 is attached.*

**ABAG Finance and Personnel Committee**

May 19, 2016

2

**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: Executive Director

**8. ADJOURNMENT**

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

Submitted:

Courtney Ruby, Interim Finance Director

Date: May 12, 2016

# ABAG FINANCE AND PERSONNEL COMMITTEE

## Summary Minutes

March 17, 2016

### Members Present

Mayor Bill Harrison  
Supervisor Karen Mitchoff  
Councilmember Desley Brooks  
Councilmember Pradeep Gupta  
Supervisor Scott Haggerty  
Supervisor Mark Luce  
Councilmember Julie Pierce  
Supervisor David Rabbitt  
Supervisor Linda Seifert

### Jurisdiction

City of Fremont  
County of Contra Costa  
City of Oakland  
City of South San Francisco  
County of Alameda  
County of Napa  
City of Clayton  
County of Sonoma  
County of Solano

### Members Absent

Supervisor David Cortese  
Vice Mayor Greg Scharff

County of Santa Clara  
City of Palo Alto

### Officers and Staff Present

Ezra Rapport, Executive Director  
Bradford Paul, Asst. Exec. Director  
Kenneth Moy, Legal Counsel  
Courtney Ruby, Interim Finance  
Director  
Brian Kirking, HR & IT Director  
Susan Hsieh, Asst. Finance Director

### Guests

Ken Bukowski, Videographer

1. The meeting was called to order by Mayor Harrison, Committee Chair, at 5:00 pm.
2. There was no public comment.
3. Summary Minutes of the January 21, 2016 meeting were approved. /M/  
Pierce/S/Mitchoff/C/approved unanimously.
4. Ms. Ruby presented the financial reports for January 2016. She reported the key financial results and indicated that a surplus is projected at year end. She also reported to the Committee that the projected revenues and expenses were

Item 3

Item 8

increased to reflect the current activities for BayREN and the Integrated Regional Water Management Plan. The two programs are very successful and subrecipients made significant progress on the projects. /M/Seifert/S/ Mitchoff /C/acceptance of the report unanimously.

5. Ms. Ruby and Mr. Paul reported that two members haven't paid the membership dues for FY 15-16. Mr. Paul will follow up with the members again.
6. Ms. Courtney reported on the status of line of credit (LOC) renewal with Bank of the West. The document has been signed extending the LOC to June 30, 2016. Staff will advise the bank the result of the ABAG-MTC merger study in May or June 2016 and will seek to renew the LOC to February 2017.
7. There was no reportable action from Closed Session.
8. There were no discussions about item 8.
9. Meeting was adjourned at 6:43 pm.

Submitted: Susan Hsieh, Assistant Finance Director

To: Finance and Personnel Committee

Date: May 12, 2016

From: Courtney Ruby  
Interim Finance Director

Re: Financial Reports  
March 2016

### **Overall Summary**

Expenses exceeded revenues by \$18 thousand for the nine months ended March 31, 2016. A \$465 thousand surplus is projected at year end. This amount includes \$450 thousand for tenant improvements and an operating surplus of \$15 thousand compared to 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 \$7.3 million at the end of March, including \$2.2 million deposited in the Local Agency Investment Fund (LAIF). As shown in Figure 1 the actual monthly cash balances for nine months of fiscal year 2015-16, 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 \$6.0 million at the end of the fiscal year.

### **Receivables**

Receivables from grant and service programs amounted to \$2.05 million at the end of May 2016 and there was \$11 million of unbilled receivables relating to SFEP's Round 3 of the Integrated Regional Water Management Plan. Receivable over 90 days past due were \$387 thousand. Included in the over 90 days past due receivables is \$153 thousand from the Department of Water Resources. Subsequent to April 30th, no reduction in the receivable balance has occurred. All receivables are believed to be collectible.

All city and county 2015-16 ABAG membership dues were received by March 31, 2016.

### **Revenues and Expenses**

As of March 31, 2016, total revenue amounted to \$38.5 million, which is 78 percent, of the projected revenue for the year of \$49.2 million. Total expenses were also \$38.5 million, which is 79 percent, of the projected expenses for the year of \$48.7 million.

Figure 3 presents a graphic comparison of the current month of March, the nine month year-to-date actual, and fiscal year projected revenues and expenses and net surplus or deficit. The figure shows a projection of \$465 thousand surplus for the fiscal year which includes \$450 thousand in funds from Metropolitan Transport Commission (MTC) for tenant improvements in our new San Francisco's headquarters.

Figures 4 and 5 show year-to-date revenues and expenses by major categories. Grants revenue is 81% of total revenue, compared to 79% for the prior fiscal year. Pass-through and Consultant expense are

69% of total expenses, compared to 61% 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 \$44 million since its inception in March 2013. Additionally, SFEP helped secure an additional \$41million in state grant funds and now manages for our partners a total of \$93 million for multi-benefit water quality and drought response projects. In FY 2016/17 alone, BayREN and SFEP projects will be responsible for administrating \$12.8 million and \$26.9 million in state grants respectively, out of ABAG's total state funding of \$42.7 million.

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

Total fund equity was negative \$8.1 million as of March 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. Therefore the March 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 March 2016 was 46.12%, which was 1.17 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 March 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 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. The chart includes a projection of expenses for the year of \$51.5 million; this is up \$17.3 million from the November 30 projection. The majority of this increase occurred is due to increase in Integrated Regional Water Management Program, a component of the SFEP, 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 March 2016

Projected percentage of budget is 75%.

Description	Adopted Budget	Projected Fiscal Year Budget	Year-To-Date Actual	% of Projected Fiscal Year Budget
<b>ASSETS</b>				
Cash		5,000	7,353	
Receivables		11,000	13,973	
<b>REVENUES</b>				
Membership Dues	1,897	1,897	1,423	75%
Grants	19,450	37,888	31,096	82%
Charges for Services and Other	5,360	9,401	5,967	63%
<b>Total Revenues</b>	<b>26,707</b>	<b>49,186</b>	<b>38,486</b>	<b>78%</b>
<b>EXPENSES</b>				
Salaries and Benefits	11,588	10,900	8,179	75%
Pass-through and Consultant Expenses	12,780	31,176	26,587	85%
Other Expenses	2,289	6,645	3,738	56%
<b>Total Expenses</b>	<b>26,657</b>	<b>48,721</b>	<b>38,504</b>	<b>79%</b>
Change in Net Position	50	465	(18)	-4%
Beginning Net Position	(8,095)	(8,095)	(8,095)	100%
<b>Ending Net Position</b>	<b>(8,045)</b>	<b>(7,630)</b>	<b>(8,113)</b>	<b>106%</b>
<b>NET POSITION BREAKDOWNS</b>				
Unrestricted - Accumulated Operations Surplus	2,551	2,516	2,533	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%
<b>Total Net Position</b>	<b>(8,045)</b>	<b>(7,630)</b>	<b>(8,113)</b>	<b>106%</b>
<b>INDIRECT OVERHEAD</b>				
Overhead Rate	44.95%	46.02%	46.12%	100%

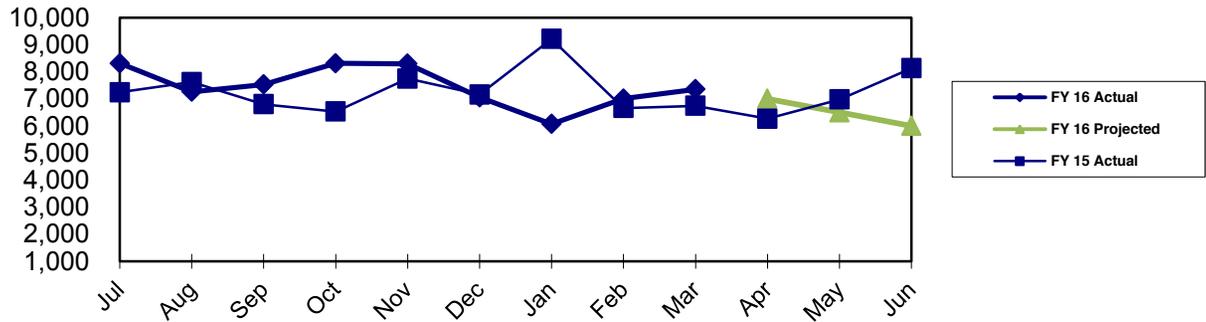
Item 4

## 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	7,010	7,353			
FY 16 Projected										7,000	6,500	6,000
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.

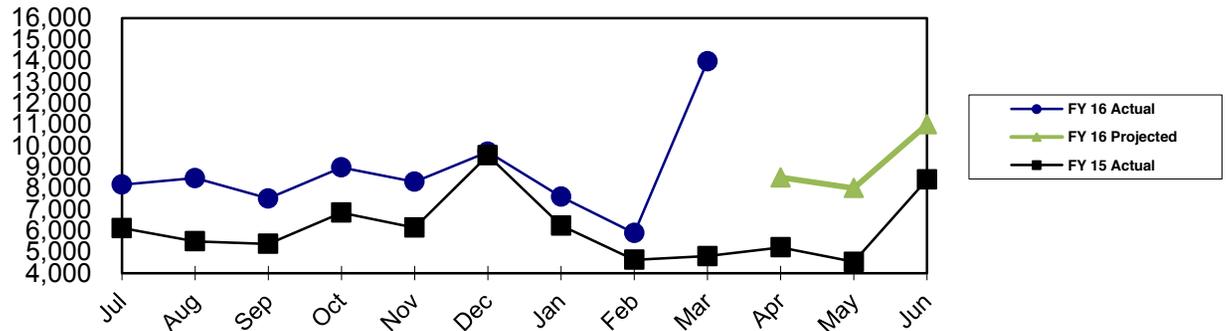
**Figure 1--Cash on Hand--FY 15 and FY 16 (\$'000)**



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			
FY 16 Projected										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

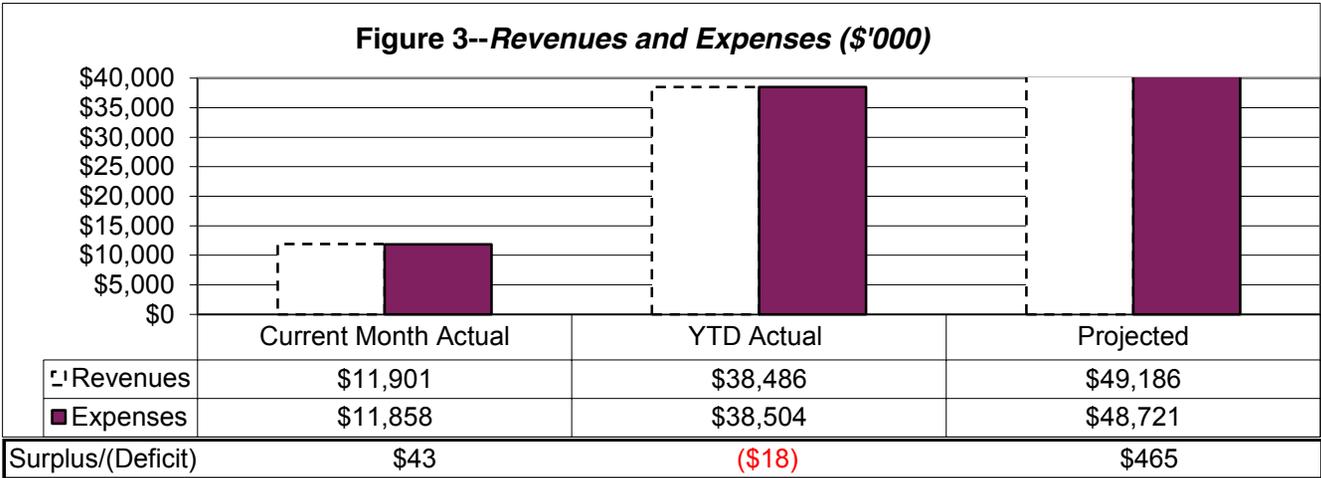
**Accounts** receivable include receivables generated by grants and service programs over two fiscal years. Reflects the reasonableness of our receivable levels.

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



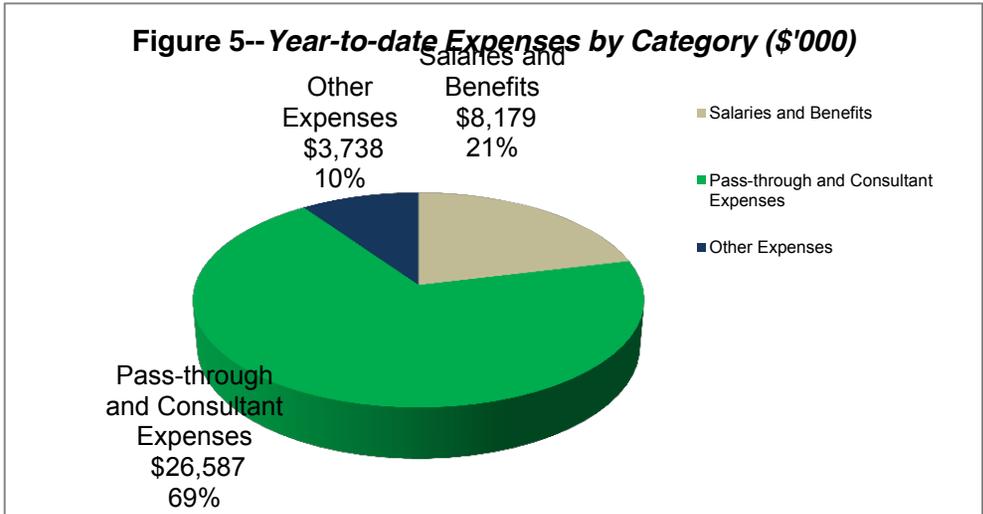
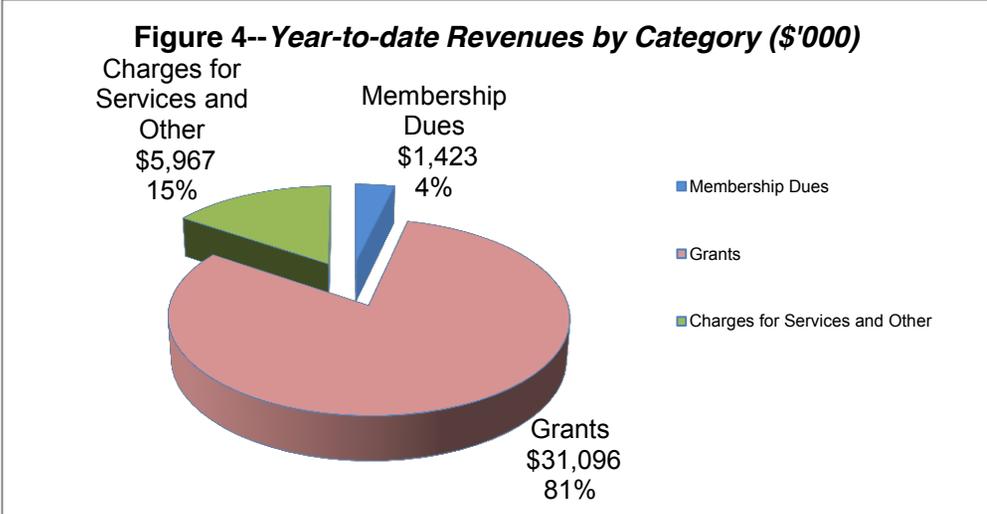
### ABAG Financial Indices

**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.



## 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)

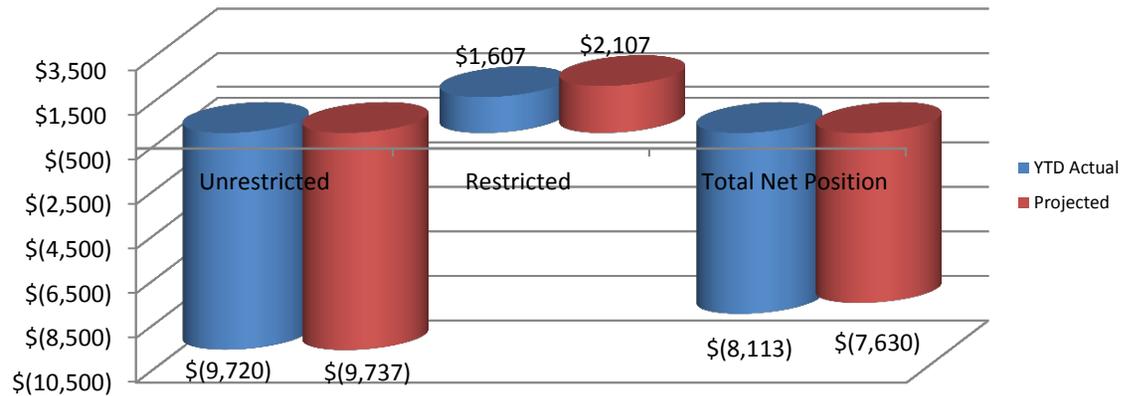
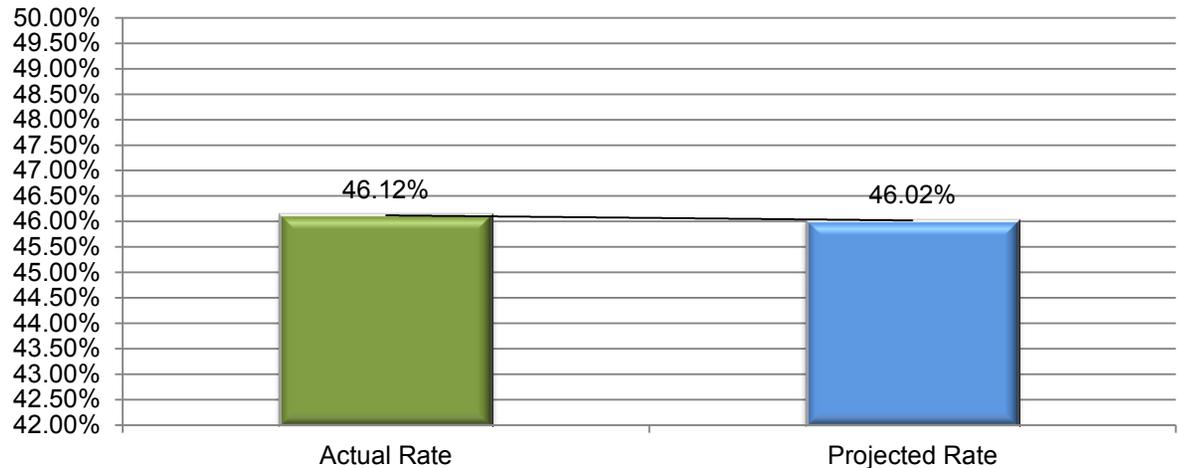


Figure 7--Indirect Overhead Rate



## Association of Bay Area Governments

Report by Program of Net Surplus/(Deficit)  
Through March 2016 / 75% 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 75%)
	A		B	C	D = B - C		E = C/A	
Planning Services	3,744,158		2,880,287	2,880,378	(91)		77%	
San Francisco Estuary Partnership	17,682,606		13,061,401	13,063,441	(2,040)		74%	Year-to-date expenses at 71% of the annual project compare well to the expected 75% of annual projections. Of the \$13m year-to-date expenses, \$10m was billed in February 2016. The spike in February was due to subrecipients (consisted of members and agencies in member jurisdictions) billing for the first time for Round 3 of the Integrated Regional Water Management Plan. Subrecipients have made significant progress on various projects although the grant won't expire until May 2019.
Disaster Recovery	1,039,283		548,976	548,976	-		53%	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		851,158	851,158	-		47%	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. Expenses will increase towards year end but there is expectation that part of the funds will be spent in the first quarter of FY 2016/17.
Green Business	63,000		74,310	74,310	-		118%	Revenue received from member cities this fiscal year was \$90k. By end of the year, the Project Manager anticipates to spend up to the full funding of \$90k. As a result projected expenses are understated.

## Association of Bay Area Governments

### Report by Program of Net Surplus/(Deficit) Through March 2016 / 75% 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 75%)
	A		B	C	D = B - C	E = C/A	
Training Center, Web Hosting and Publications	431,077		365,057	369,736	(4,679)	86%	The current Hazmat School training program has been transferred to our partner, Safety Compliance Management (SCM). Only residue winding down activities of \$23k are expected in the last quarter of the year, and we received \$50k in April 2016 from SCM for sale of the project to them (Sale prices \$200k, 3 installments, \$50k in 2016 and \$75k in 2017 and 2018.)
POWER/Energy	17,787,201		14,269,536	14,297,552	(28,016)	80%	Year-to-date expenses at 80% of the annual project compare well to the expected 75% of annual projections. Of the \$14m year-to-date expenses, \$9m was billed in February 2016. The spike in February was due to cities and counties submitted their final billing for the funding ended in December 2015. 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		886,996	856,921	30,075	80%	
PLAN Corporation - Property & Liability Insurance Pool	2,458,589		1,638,235	1,638,235	-	67%	
SHARP - Worker's Comp Pool	163,302		69,251	69,251	-	42%	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 budget due to savings of about \$30k in personnel and claims
Fiscal Agent Services	136,469		105,484	100,935	4,549	74%	
Communications/Legislative	557,998		448,412	447,412	1,000	80%	

## Association of Bay Area Governments

Report by Program of Net Surplus/(Deficit)  
Through March 2016 / 75% 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 75%)
	A		B	C	D = B - C		E = C/A	
Agency Administration	1,328,826		960,278	834,445	125,833		63%	Expect expenses to increase during latter part of the fiscal year due budgeted contribution to BARC (\$31K) and the General Assembly.
Payroll Clearing	(30,000)		-	119,038	(119,038)		-397%	We expect p/r clearing account to end the year with a small deficit.
Central Overhead	3,202,988		2,326,740	2,352,081	(25,341)		73%	
Totals	51,449,572		38,486,121	38,503,869	(17,748)		75%	