ABAG FINANCE AND PERSONNEL COMMITTEE

Thursday, July 21, 2011, 5:00 p.m.
ABAG Conference Room
MetroCenter—8th and Oak Streets
Oakland, CA

		Recommendation**
1.	**Public Comments**	**Information**
*2.	**Minutes of May 19, 2011 Meeting**	**Action**
*3.	**Financial Reports – ABAG** *The April and May 2011 Financial reports are enclosed with the agenda packet.*	**Action**
*4.	**Resolution to Establish ABAG Contingency Reserve Policy** *Staff has prepared a proposed ABAG Reserve Policy.*	**Action**
5.	**Process for Evaluation of Legal Counsel** *Discussion as to process to be utilized in evaluating Legal Counsel at the September Committee meeting.*	**Information**
*** 6.	**Status Report on the Strategic Planning for a Joint Regional Agency Co-location Facility** *The Finance and Personnel Committee will receive a staff report regarding the acquisition of a condominium interest in 390 Main Street, San Francisco which is the location for the regional government facility to be jointly occupied by Bay Area Toll Authority, Metropolitan Transportation Commission, the Bay Area Quality Management District and ABAG.*	**Information**
	THE FOLLOWING ITEMS WILL BE DISCUSSED IN CLOSED SESSION PURSUANT TO THE REQUIREMENTS OF THE RALPH M. BROWN ACT.	**Information/ Action**
7.	**Conference with Legal Counsel—Anticipated Litigation** *Significant exposure to litigation pursuant to Government Code section 54956.9(b)(1); One item*	**Information**
8.	**Personnel Matter (continued from May 19 meeting)** *Public Employee Performance Evaluation* *Title: Executive Director*	**Information/ Action**
9.	**Adjournment**	**Action**

* Attachments enclosed with packet.

** The Committee may take action on any item on the agenda, which action may be the recommended action, any other action or no action.

*** Cover letter from Executive Director and other material can be found with Executive Board agenda.

ABAG FINANCE AND PERSONNEL COMMITTEE

Summary Minutes

May 19, 2011

Members Present	Jurisdiction
Supervisor Rose Jacobs Gibson, Chair	County of San Mateo
Supervisor Susan Adams	County of Marin
Supervisor John Gioia	County of Contra Costa
Mayor Mark Green	City of Union City
Supervisor Scott Haggerty	County of Alameda
Supervisor Barbara Kondylis	County of Solano
Councilmember A. Sepi Richardson	City of Brisbane

Members Not in Attendance	
Supervisor David Cortese	County of Santa Clara
Vice Mayor Peter McHugh	City of Milpitas

Officers and Staff Present
Ezra Rapport, Executive Director
Patricia Jones, Assistant Executive Director
Kenneth Moy, Legal Counsel
Herbert Pike, Finance Director
Susan Hsieh, Assistant Finance Director

1) The meeting was called to order at 5:10 p.m.

2) Summary Minutes of the March 17, 2011 meeting were approved.
/M/Adams/S/Green/C/approved.

3) Pike provided an overview of the February and March 2011 Financial Reports.
/M/Haggerty/S/Gioia/C/approved.

4) Moy reviewed the provisions under which ABAG members can obtain *per diem* reimbursement for attending a meeting of another group by convening a "joint meeting." Such a process requires no change in current policy or procedure. However, for the one meeting where a Committee was invited to attend the joint meeting of two other committees, it was recommended the Executive Board authorize the payment of *per diem* be paid to the "invited" Committee due to confusion of process at the time.
/M/Haggerty /S/Green/C/approved.

(continued)

5) Pike reported on the new fund balance procedure being implemented pursuant to GASB 54, the best practices regarding reserve balances and a recommendation as to a target fund balance reserve and the minimum amount that should be sought to augment the fund balance each year. /M/Gioia/S/Adams/C/ directing staff to return with a formal resolution at the next meeting establishing a target reserve balance of $2 million and to seek a minimum annual contribution of $50,000.

6) Rapport provided a brief update of the five proposals deemed to be responsive to the RFP for a proposed Regional Facility.

7) Closed Session—Employee performance evaluation and other confidential issues to be discussed.

8) Meeting adjourned at 7:15 p.m.

TO: Finance and Personnel Committee

DT: May 19, 2011

FM: Herbert Pike, Finance Director

Re: Financial Reports --April 2011

The following are highlights of the financial reports for April 2011.

Overall Summary (Figures 3, 4, 7 & 8)
At April 30th, the Agency's net financial position is only marginally off from the forecast with a year-to-date operating surplus of roughly $178 thousand, or about 1.04 percent of year-to-date revenues, an improvement over the previous month of about $43 thousand. The surplus derives primarily from unexpected transfers from FAN for various services. Cash balances have significantly improved, reflecting both the cash from FAN and the impact of new energy projects reducing indirect overhead costs.

Cash on Hand (Figure 1)
Cash on hand increased to $1.68 million on April 30th from $0.93 million on March 31st. The increase of $743 thousand is attributed primarily to the reduction in receivables by $658 thousand. The other contributing factor is that revenues exceeded expenditures for the month by $178 thousand; this is attributed to the number of agency personnel moved from overhead and agency administration to energy projects that are finally commencing operations. The April balance includes approximately $0.88 million invested in the Local Agency Investment Fund (LAIF). Currently, ABAG does not hold any other investments. The April 30th cash balance is approximately $553 thousand greater than the prior year.

Receivables (Figure 2)
Receivables from grant and service programs amounted to about $2.86 million on April 30th, a decrease of $658 thousand from the month prior. The month to month decrease is attributed to overcoming stalls in commencing several energy projects and their related billing procedures, as well as favorable resolution in finding funding for Planning/Research operations. Receivables are approximately $58 thousand less than they were a year prior in spite of higher billing volumes.

Actual vs. Budgeted Expenses (Figure 9)
Total expenses through April 30th amounted to about $16.86 million, or 73.3 percent, of the projected annual expense of $23.0 million for FY 10-11.

Actual vs. Budgeted Revenues (Figure 10)
As of April 30th, total revenues amounted to about $17.04 million, or 74.1 percent, of the projected annual revenue of $23.0 million for FY 10-11.

As of April 30th, both revenues and expenses are below pro rated (83.3 percent) "projected" annual totals. While revenues and expenditures might be expected to be 83.3 percent after the first ten

months of the fiscal year, they are less largely due to the lag between when contractors perform the work and when the contractor bills ABAG.

Fund Equity (Figure 5)
As of April 30th, general fund equity was approximately $1.20 million, an increase of $43 thousand from March 31st. The Agency's restricted fund equity, consisting of capital, self-insurance and building maintenance, remained unchanged at $510 thousand.

Indirect Cost (Figure 6)
The Agency's actual indirect cost (overhead) rate was 41.90 percent of direct labor cost as of April 30th, or 1.05% below the budgeted rate of 42.95 percent for FY 10-11. The continuing decline is attributed to the diversion of staff from indirect administrative support to direct charges as they provide assistance on the several new energy and other grants. This could lead to the first time in several years that indirect administrative expense may be less than administrative expense overhead recoveries, thereby eliminating the need to collect additional revenue in FY 2012-13 to make up any deficit.

ABAG FINANCIAL REPORTS

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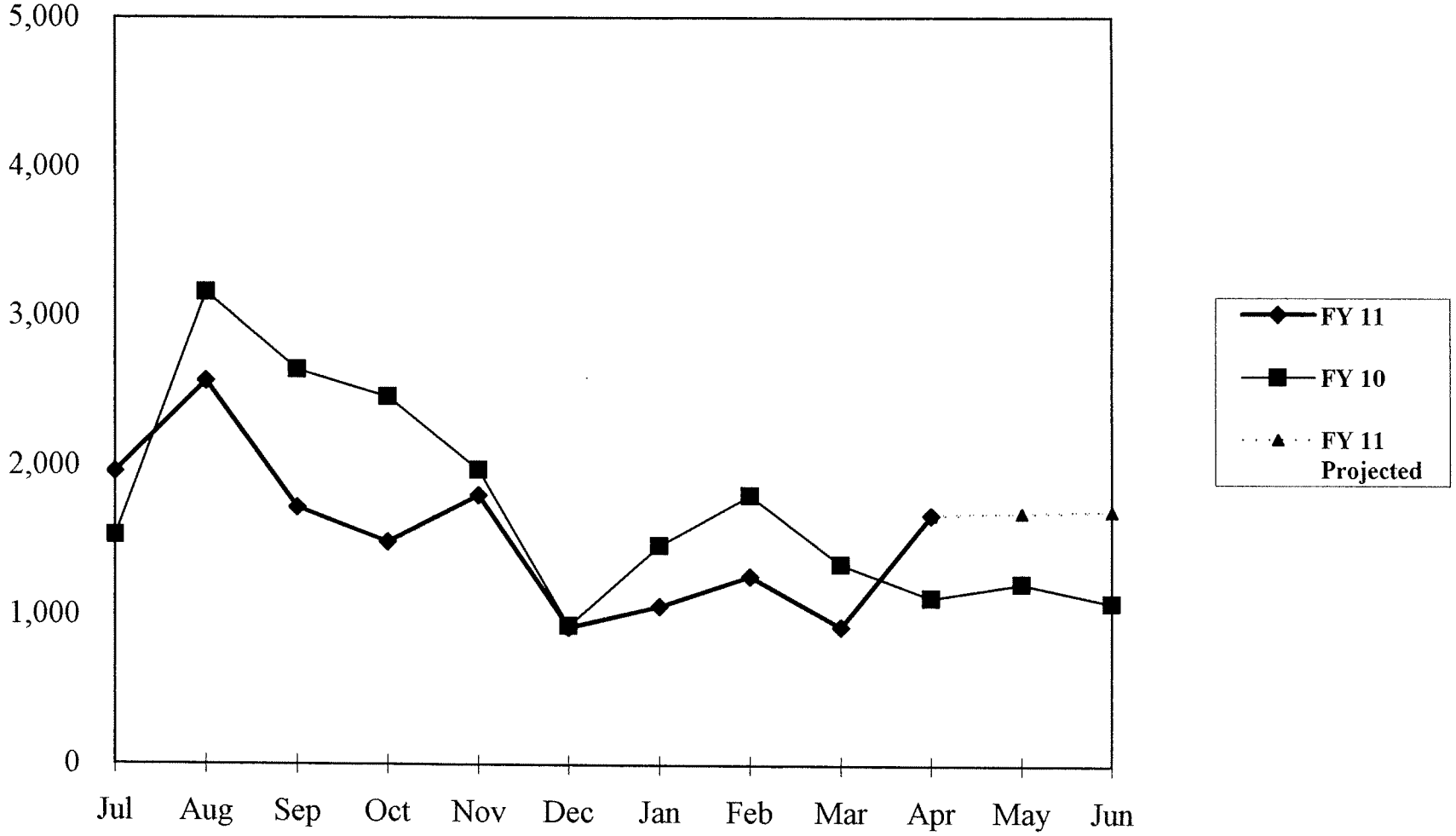
* Cash on Hand ..... Figure 1
* Accounts Receivable ..... Figure 2
* Current Month Revenues and Expenses ..... Figure 3
* Year-to-date Revenues and Expenses ..... Figure 4
* Fund Equity ..... Figure 5
* Indirect Cost Rate (% of Direct Labor Cost) ..... Figure 6
* Composition of Expenses .....Figure 7
* Composition of Revenues ..... Figure 8
* Actual vs. Budgeted Expenses ..... Figure 9
* Actual vs. Budgeted Revenues ..... Figure 10

ABAG Financial Indices

Figure 1--*Cash on Hand--FY 10 and FY 11 ($'000)*

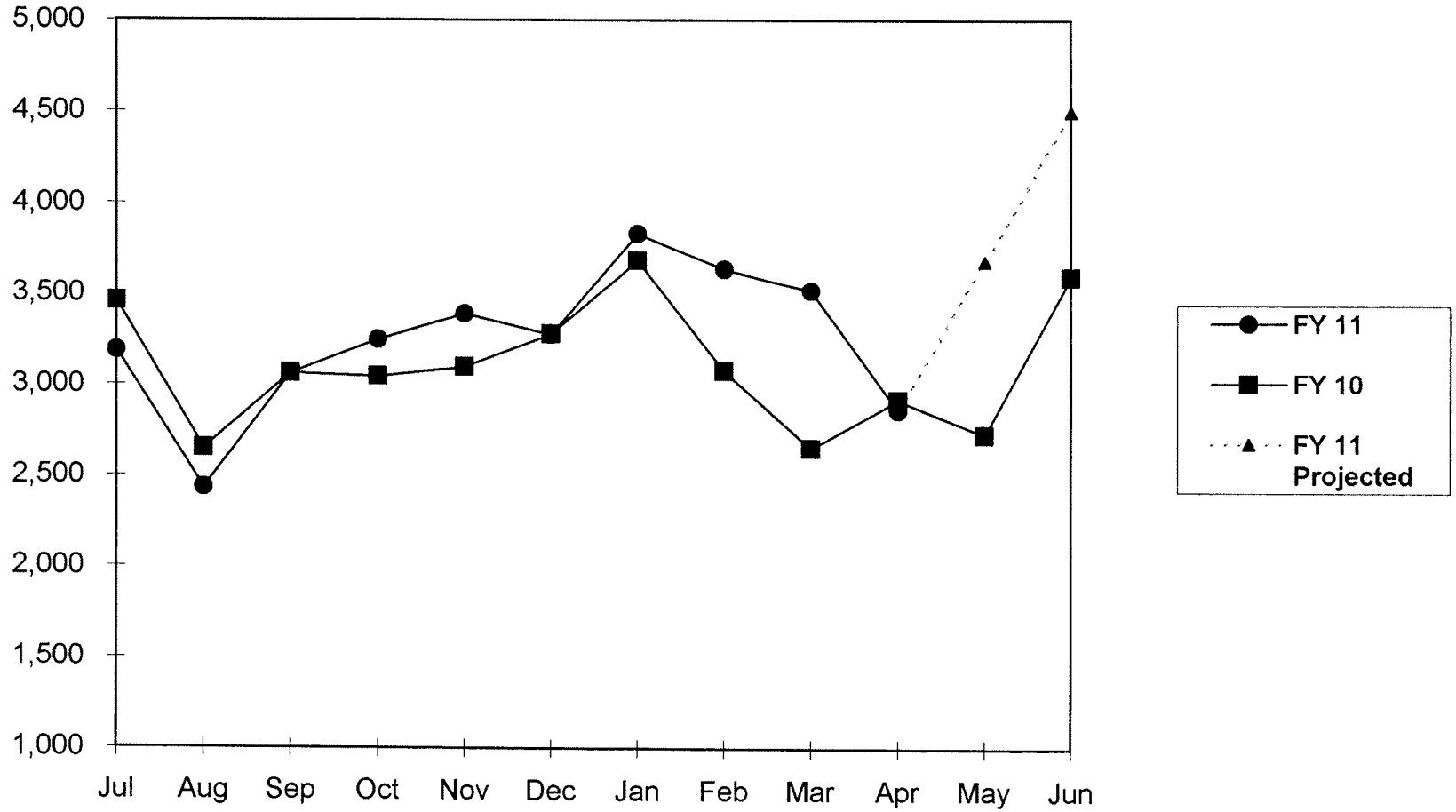


Represents the sum total of cash deposited at our bank and the Local Agency Investment Fund. This chart shows fluctuation patterns of cash on hand for the current and prior fiscal years.

Source: ABAG -INDICES 2011-04.xls

ABAG Financial Indices

Figure 2--*Accounts Receivable--FY 10 and FY 11 ($'000)*



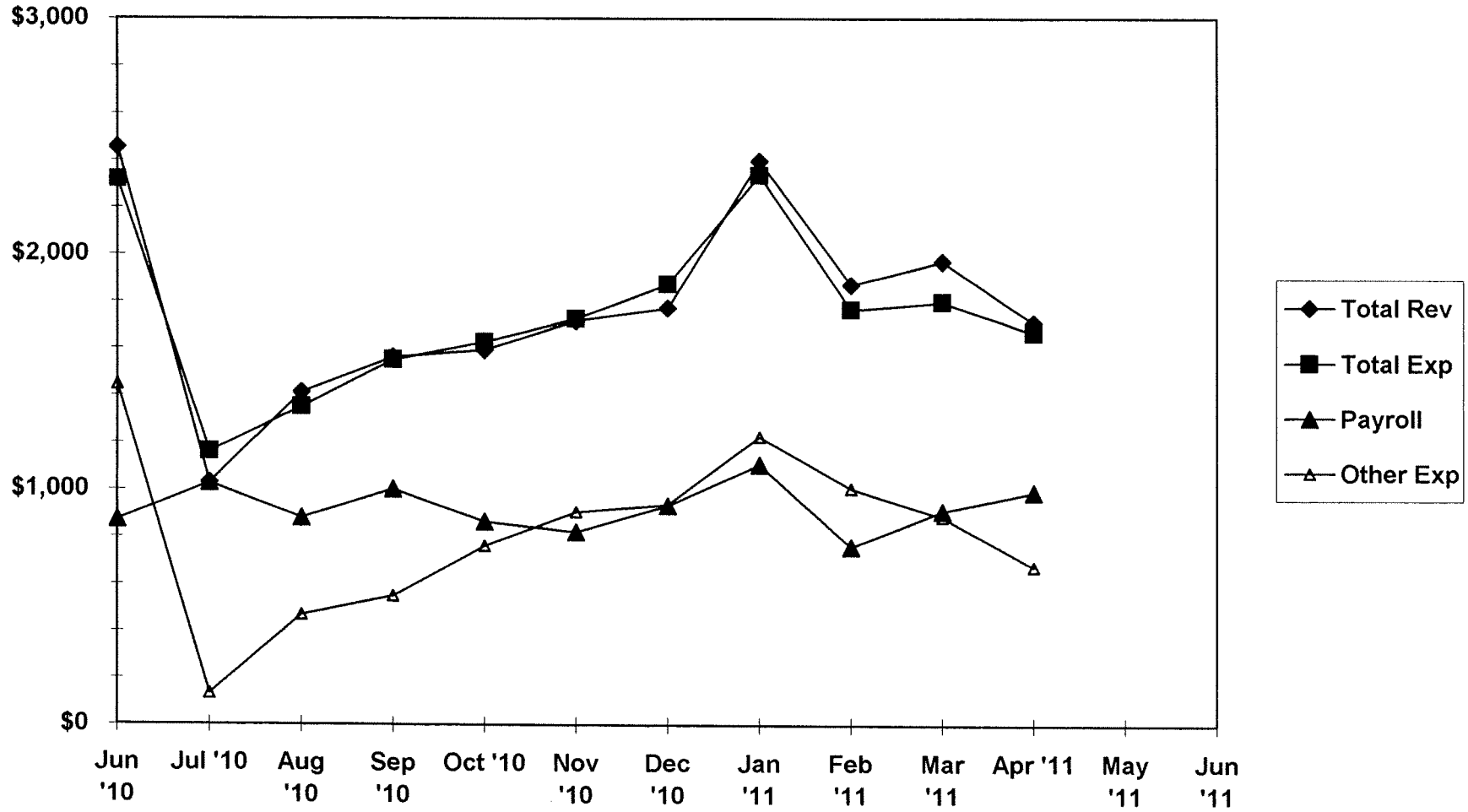
Accounts receivable include receivables generated by grants and service programs over two fiscal years. Reflects the reasonableness of our receivable levels; usually have about six weeks' worth of annual revenues in receivables.

Source: ABAG -INDICES 2011-04.xls

ABAG Financial Indices

Figure 3--*Current Month Revenues & Expenses*

FY 10-11 ($'000)

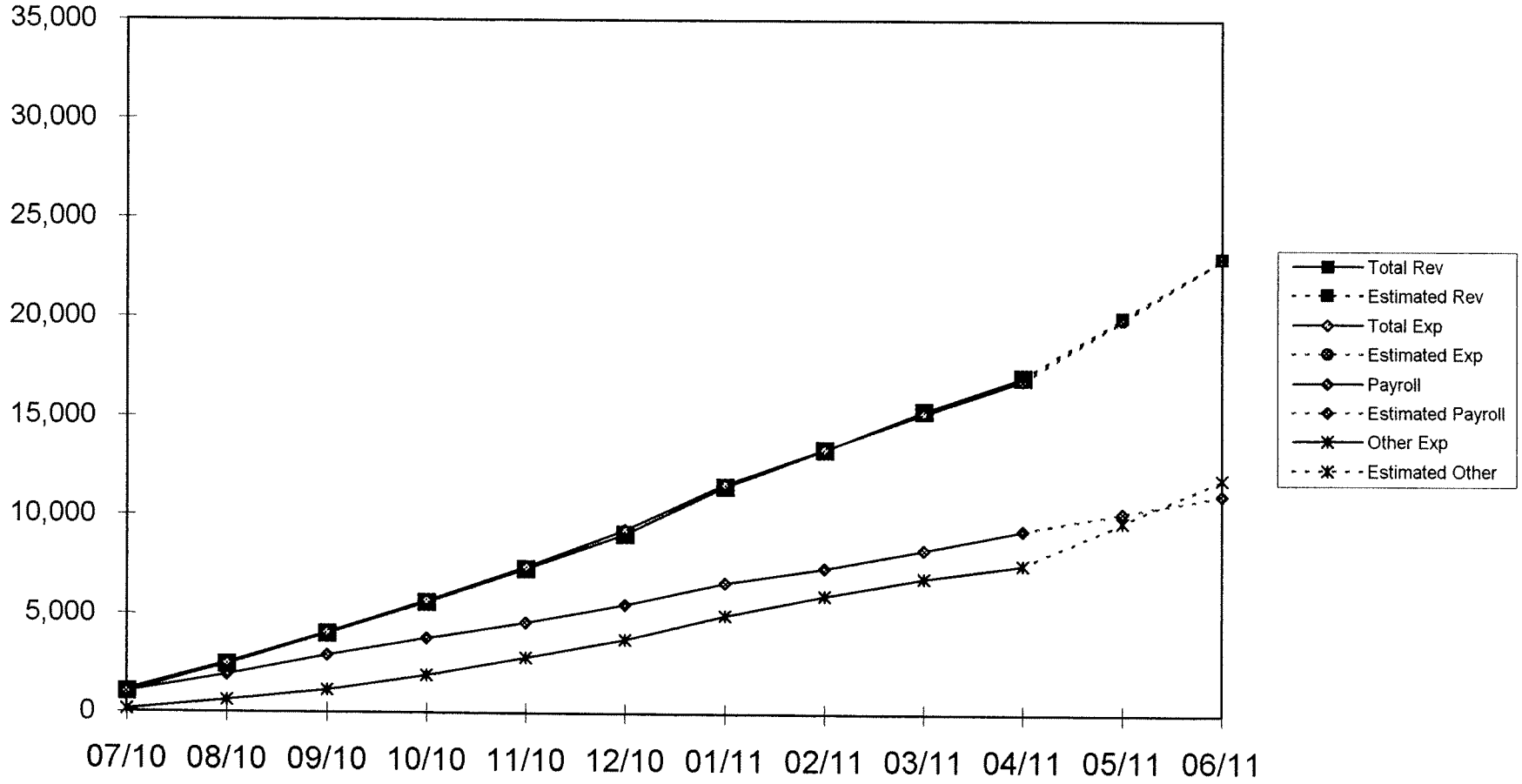


Presents month by month total revenues, total expenses, payroll and other expenses for the current fiscal year. The difference between total revenues and total expenses lines represents the overall current month net surplus (or deficit) for the Association.

Source: ABAG- INDICES 2011-04.xls

ABAG Financial Indices

Figure 4--Year-to-date Revenues & Expenses
FY 10-11 ($'000)



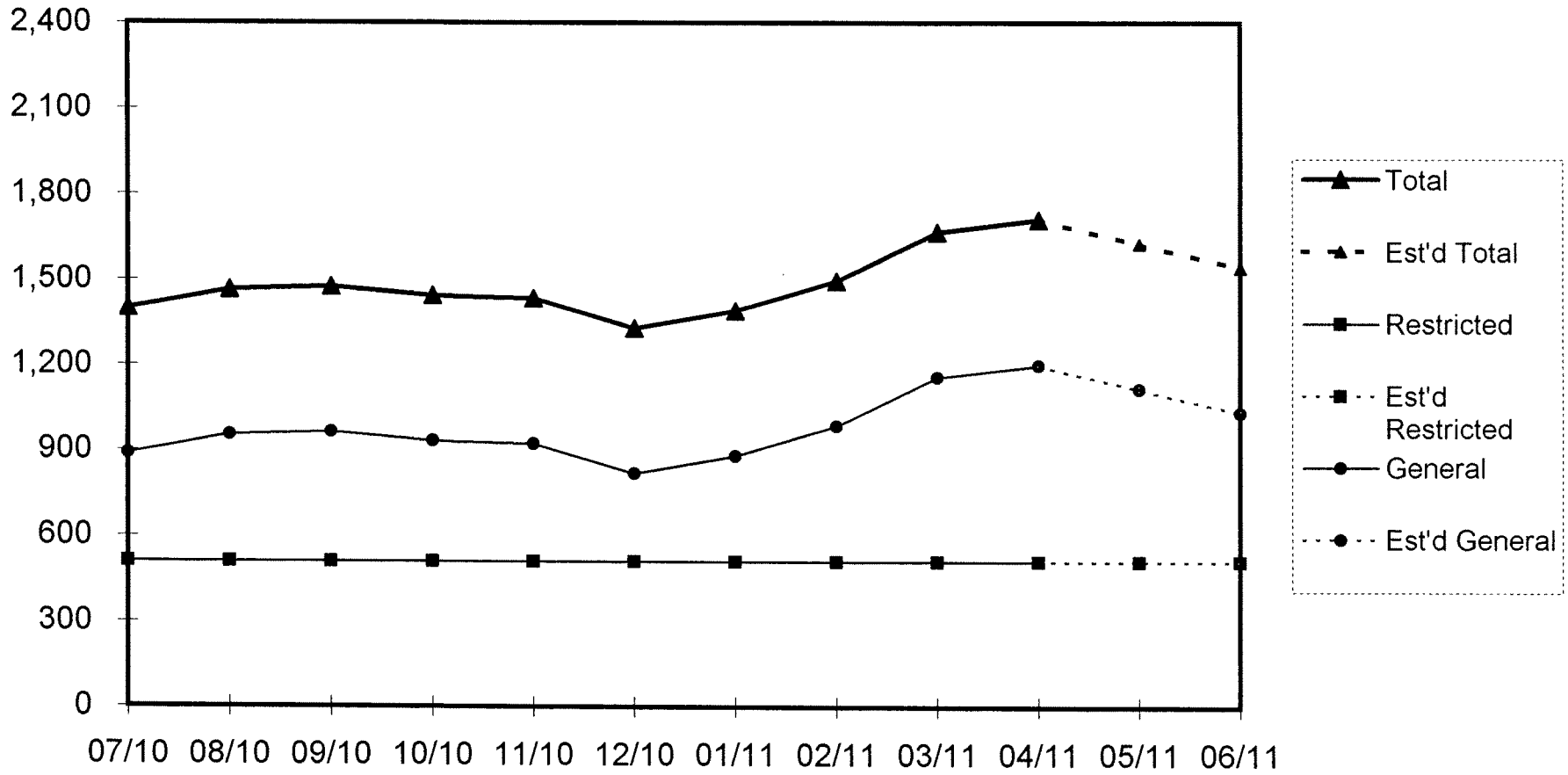
Presents year-to-date total revenues, total expenses, payroll and other expenses for the current fiscal year. The difference between total revenues and total expenses lines represents the overall year-to-date net surplus (or deficit) for the Association.

Source: ABAG - INDICES 2011-04.xls

ABAG Financial Indices

Figure 5--*Fund Equity*

FY 10-11 ($'000)

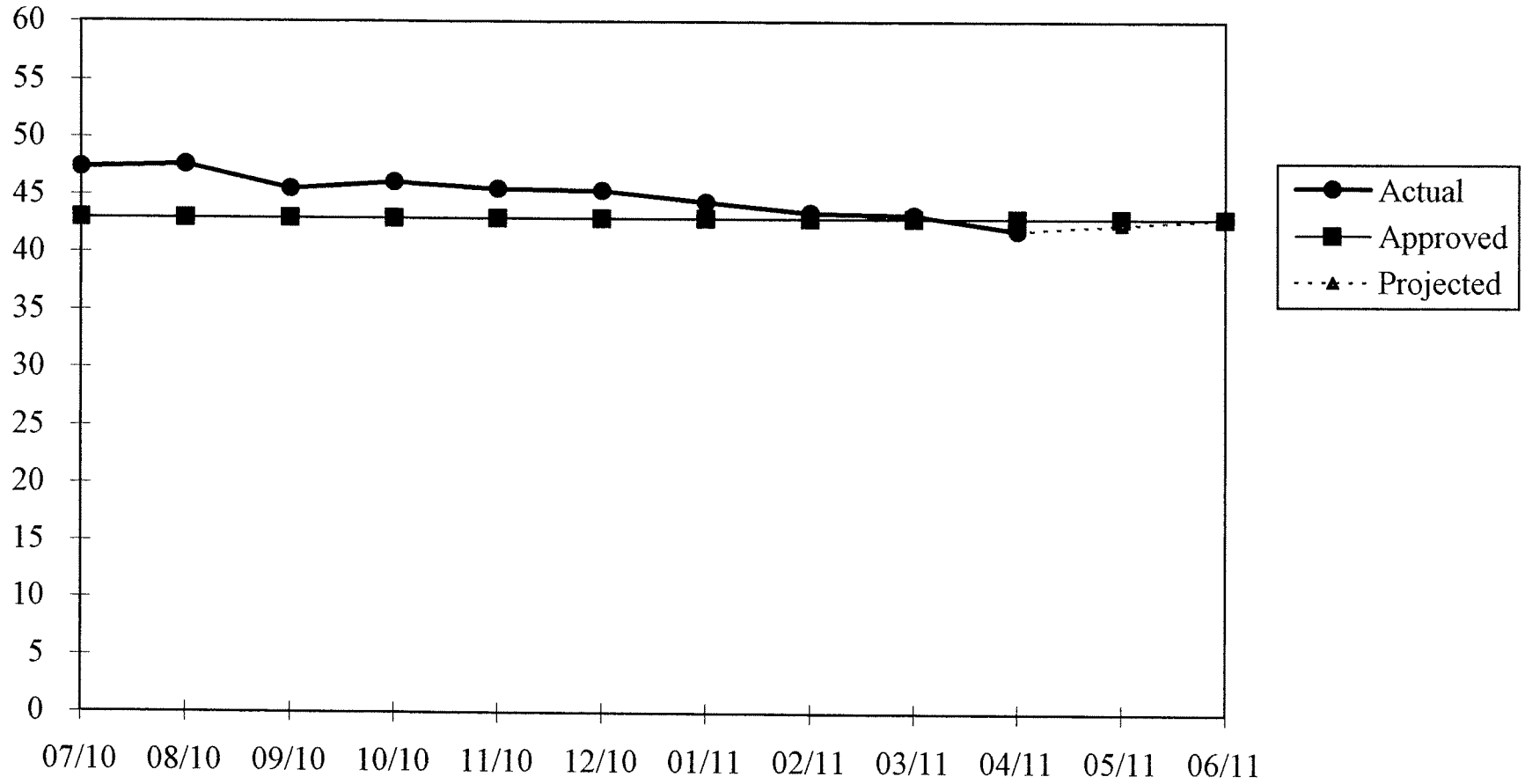


Presents general, restricted and total fund equities for the current fiscal year. General fund equity represents unrestricted equity. Restricted equities include building improvement interest, building maintenance, self-insurance and capital. These restricted equities represent the Association's equities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

Source: ABAG - INDICES 2011-04.xls

ABAG Financial Indices

Figure 6--*Indirect Cost Rate (% of Direct Labor Cost)*
FY 10-11

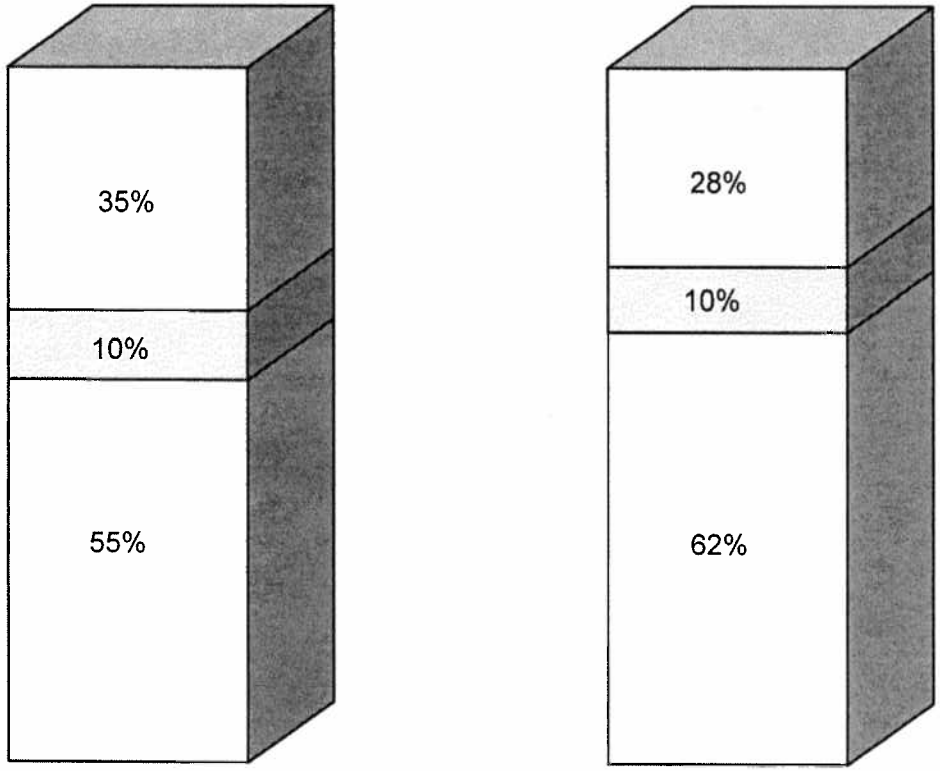


Shows a comparison between the actual indirect cost rate and the approved rate. The approved indirect cost rate is computed by dividing total estimated overhead expenses by total projected direct labor cost for a fiscal year. This rate is used as a standard overhead cost rate to allocate indirect costs to all projects. This process is performed in accordance with an indirect cost plan, which is prepared annually in accordance with OMB Circular A-87.

Source: ABAG- INDICES 2011-04.xls

ABAG Financial Indices

Figure 7-- Composition of Expenses FY 10--FY 11
Year to Date
($'000)



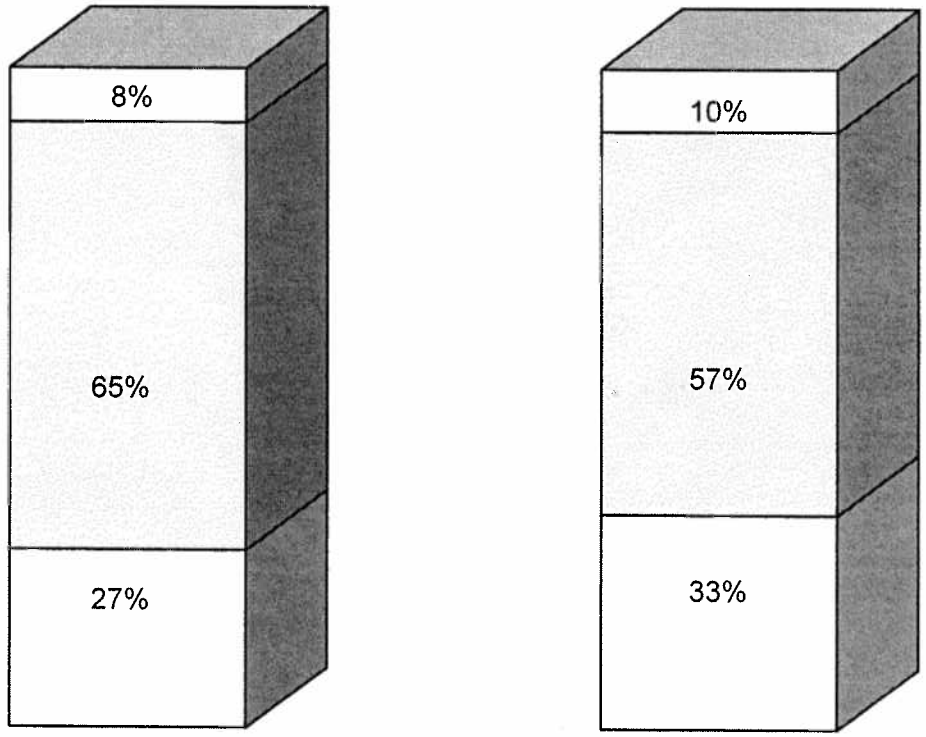
	FY10-11 Expenses (Total $16,860)	FY09-10 Expenses (Total $14,748)
☐ Consultants	$5,864	$4,191
☐ Others	$1,691	$1,385
☐ Payroll	$9,305	$9,172

This chart compares expenses for current and prior fiscal year. It groups expenses into three broad categories--payroll costs, consultants and other expenses.

Source: ABAG -INDICES 2011-04.xls

ABAG Financial Indices

Figure 8-- Composition of Revenues FY 10--FY 11
Year to Date
($'000)



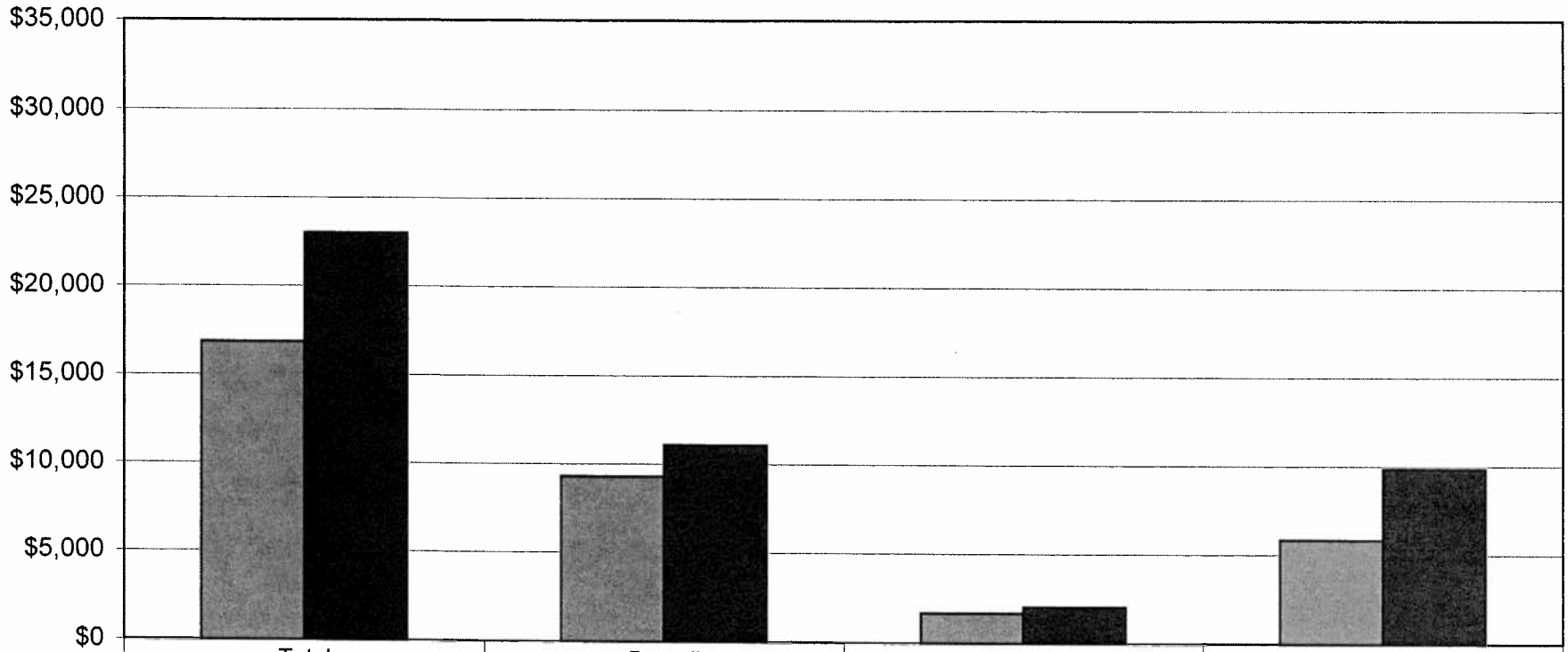
	FY 10-11 Revenue (Total $17,038)	FY 09-10 Revenue (Total $14,570)
☐ Membership	$1,408	$1,385
☐ Grants	$11,021	$8,440
☐ Services & Others	$4,609	$4,745

Presents a breakdown of total revenues into four main sources--membership, grants, services and others. This chart compares revenue sources between current and prior fiscal year.

Source: ABAG --- INDICES 2011-04.xls

ABAG Financial Indices

Figure 9--*Actual vs Projected Expenses--FY 10-11*
Year to Date ($'000)



	Total	Payroll	Other	Consultants
Actual	$16,860	$9,305	$1,691	$5,864
Projected	$23,000	$11,100	$2,052	$9,848

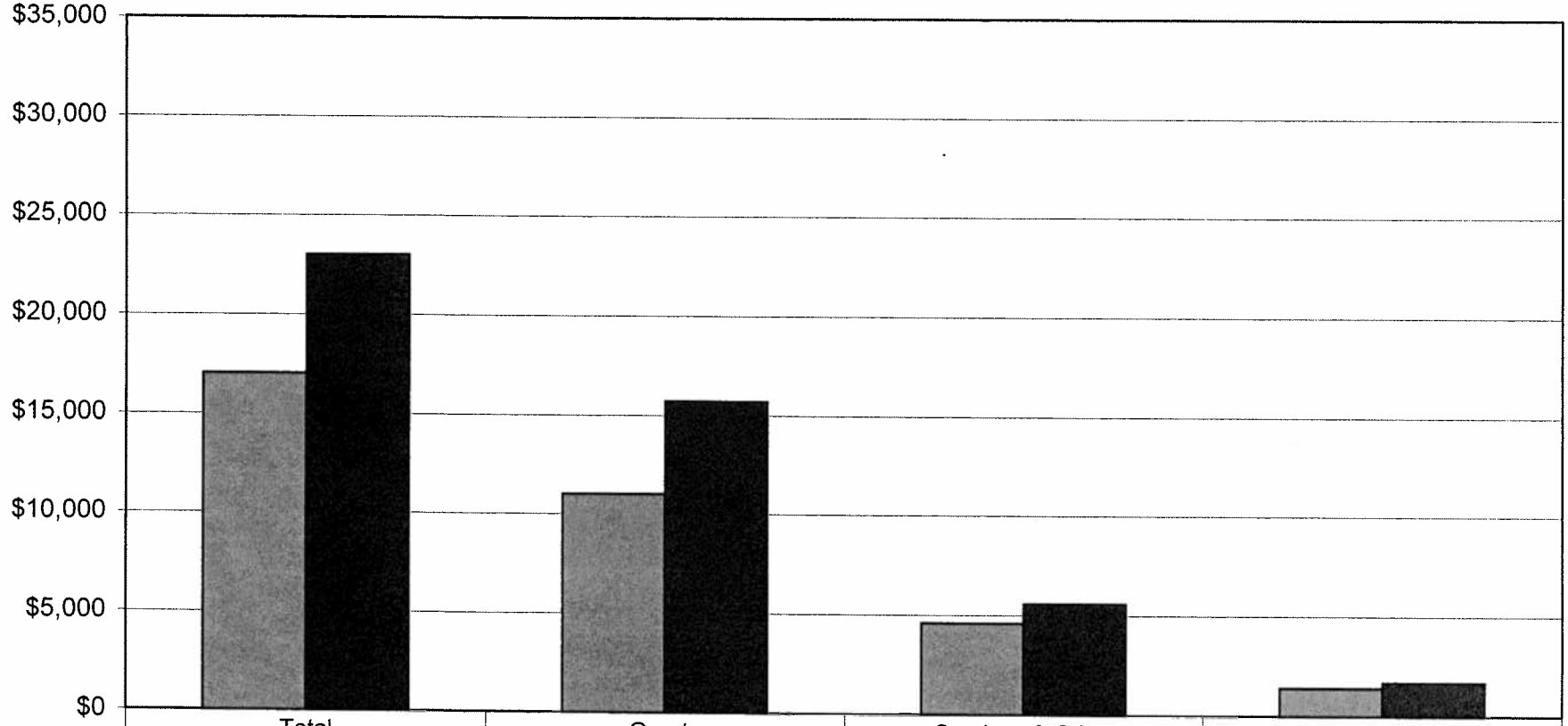
Presents a comparison of actual and projected total expenses as well as component categories: payroll costs, consultants and other expenses.

Source: ABAG -- INDICES 2011-04.xls

ABAG Financial Indices

Figure 10--*Actual vs Projected Revenues--FY 10-11*

Year to Date ($'000)



	Total	Grants	Services & Other	Membership
Actual	$17,038	$11,021	$4,609	$1,408
Projected	$23,010	$15,720	$5,600	$1,690

Presents a comparison of actual and projected total revenues as well as component categories: membership dues, grants, services and other.

Source: ABAG --INDICES 2011-04.xls

TO: Finance and Personnel Committee

DT: June 21, 2011

FM: Herbert Pike, Finance Director

Re: Financial Reports --May 2011

The following are highlights of the financial reports for May 2011.

Overall Summary (Figures 3, 4, 7 & 8)

At May 31st, the Agency's net financial position is only marginally off from the forecast with a year-to-date operating surplus of roughly $161 thousand, or about 0.85 percent of year-to-date revenues, a decrease from the previous month of about $17 thousand. The surplus derives primarily from unexpected transfers from FAN for various services. Cash balances have significantly improved, reflecting both the cash from FAN,the impact of new energy projects reducing indirect overhead costs and the advance of $500,000 from the grantor for prospective Bay Trail capital projects. While there are several annual adjustments that are done as part of the year-end process in closing the books as of June 30, the prognosis is good that a modest surplus in operating costs will be realized for the fiscal year.

Cash on Hand (Figure 1)

Cash on hand increased to $2.35 million on May 31st from $1.68 million on April 30th. The increase of $668 thousand is attributed primarily to an advance of $500 thousand for proposed Bay Trail capital allocations and the collection of annual dues from ABAG members. The May balance includes approximately $0.88 million invested in the Local Agency Investment Fund (LAIF). Currently, ABAG does not hold any other investments. The May 31st cash balance is approximately $1.13 million greater than the prior year.

Receivables (Figure 2)

Receivables from grant and service programs amounted to about $3.24 million on May 31st, an increase of $380 thousand from the month prior. The month to month increase reflects a $808 thousand increase in billed grants receivables offset by a decrease of $454 thousand in unbilled receivables. The higher receivables also reflect the increasing volume as energy and trash capture device grant programs increase in activity. Receivables are approximately $322 thousand higher than they were a year prior reflecting the higher activity level in the current fiscal year..

Actual vs. Budgeted Expenses (Figure 9)

Total expenses through May 31st amounted to about $18.84 million, or 81.9 percent, of the projected annual expense of $23.0 million for FY 10-11.

Actual vs. Budgeted Revenues (Figure 10)

As of May 31st, total revenues amounted to about $19.01 million, or 82.6 percent, of the projected annual revenue of $23.0 million for FY 10-11.

F&PC AGENDA ITEM #3-B

As of May 31st, both revenues and expenses are below pro rated (91.7 percent) "projected" annual totals. While revenues and expenditures might be expected to be 91.7 percent after the first eleven months of the fiscal year, they are less largely due to the lag between when contractors perform the work and when the contractor bills ABAG. There are also many contracts that may not be completed by the end of the fiscal year that will lead to a lower denominator as the projected is supplanted by the actual revenues and expenditures.

Fund Equity (Figure 5)

As of May 31st, general fund equity was approximately $1.18 million, a decrease of $17 thousand from April 30th. The Agency's restricted fund equity, consisting of capital, self-insurance and building maintenance, remained unchanged at $510 thousand.

Indirect Cost (Figure 6)

The Agency's actual indirect cost (overhead) rate was 41.35 percent of direct labor cost as of May 31st, or 1.60% below the budgeted rate of 42.95 percent for FY 10-11. The continuing decline is attributed to the diversion of staff from indirect administrative support to direct charges as they provide assistance on the several new energy and other grants. This could lead to the first time in several years that indirect administrative expense may be less than administrative expense overhead recoveries, thereby eliminating the need to collect additional revenue in FT 2012-13 to make up any deficit.

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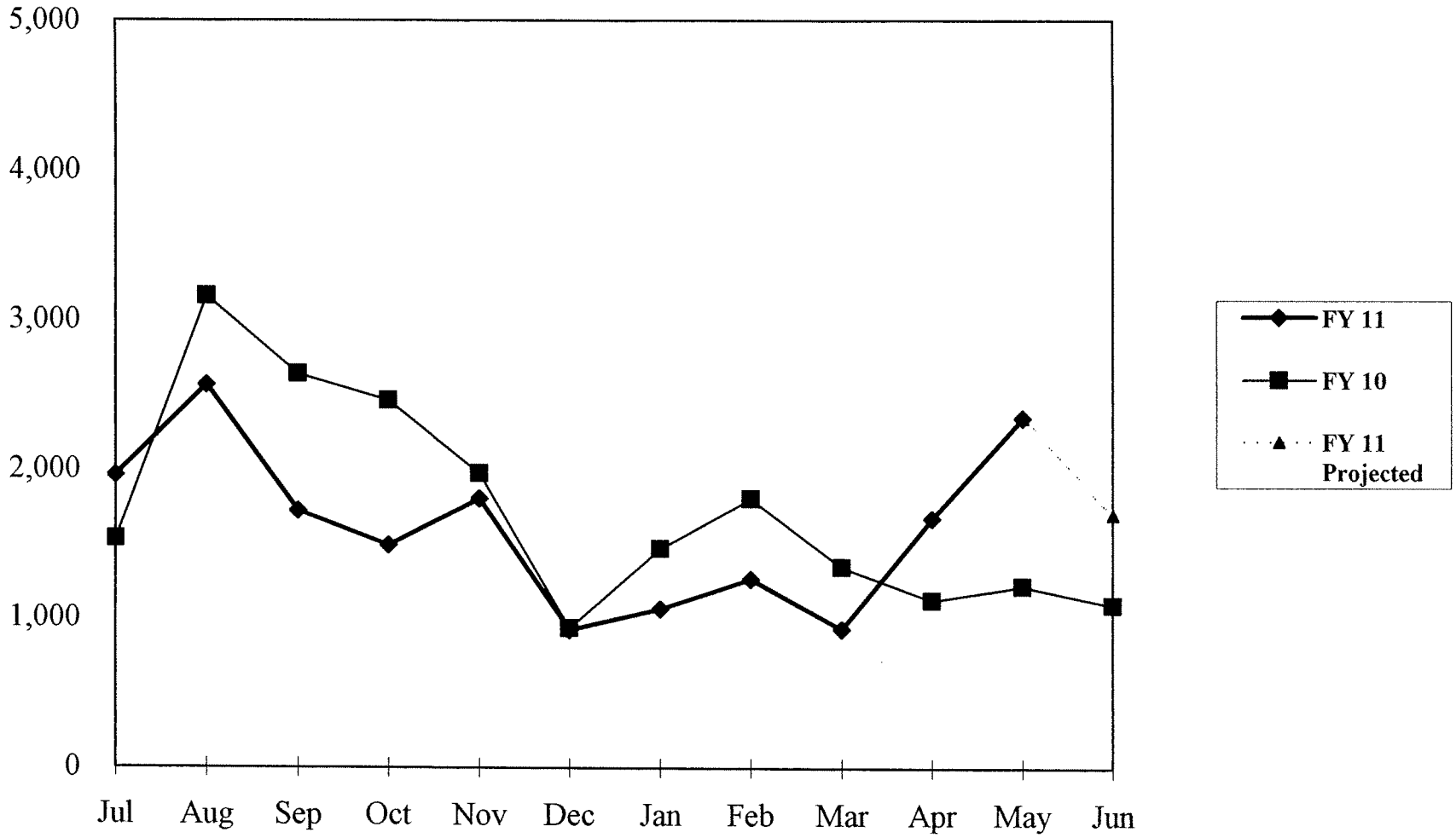
ABAG Financial Indices

Figure 1--*Cash on Hand--FY 10 and FY 11 ($'000)*



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.

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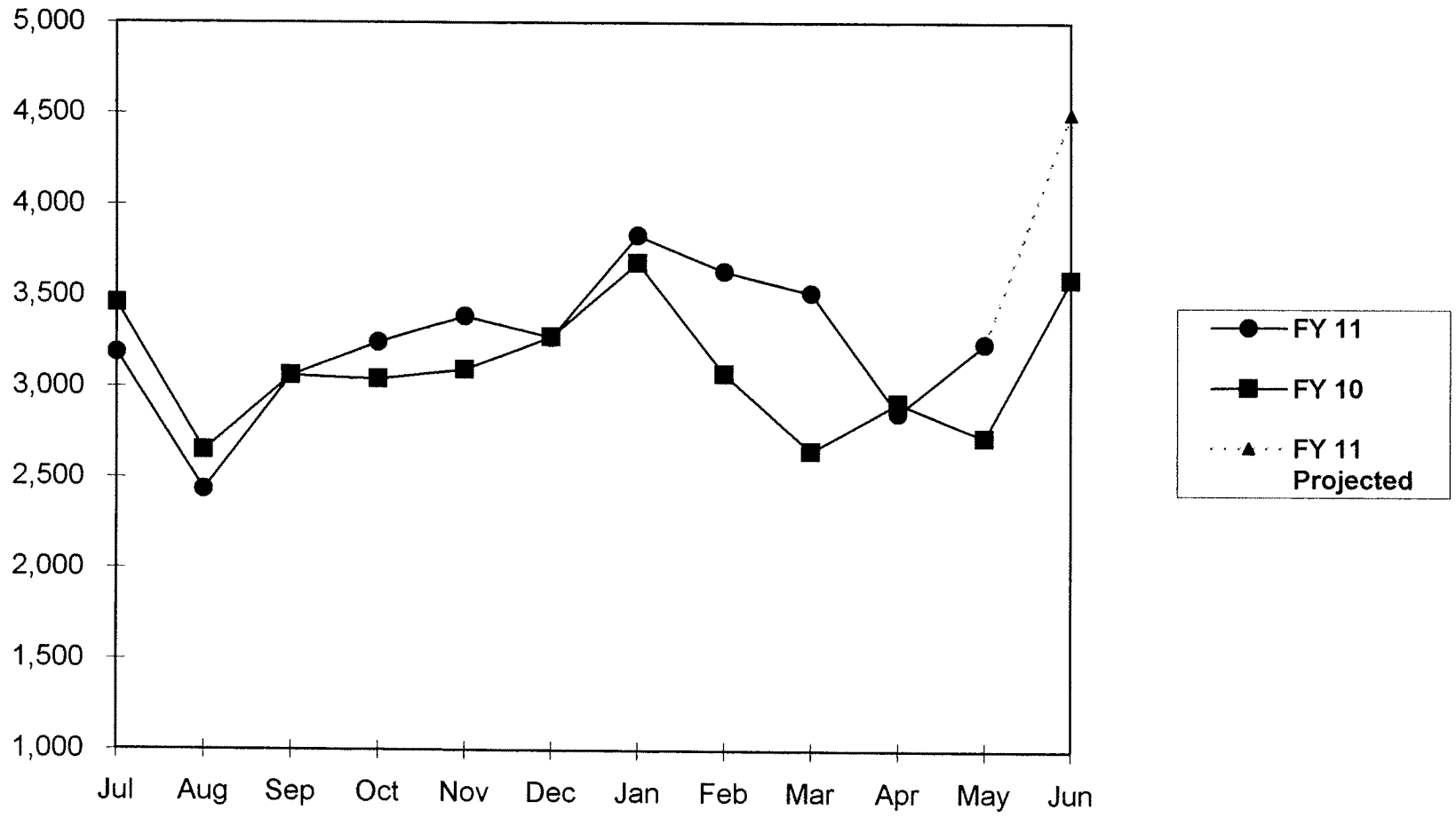
ABAG Financial Indices

Figure 2--*Accounts Receivable--FY 10 and FY 11 ($'000)*



Accounts receivable include receivables generated by grants and service programs over two fiscal years. Reflects the reasonableness of our receivable levels; usually have about six weeks' worth of annual revenues in receivables.

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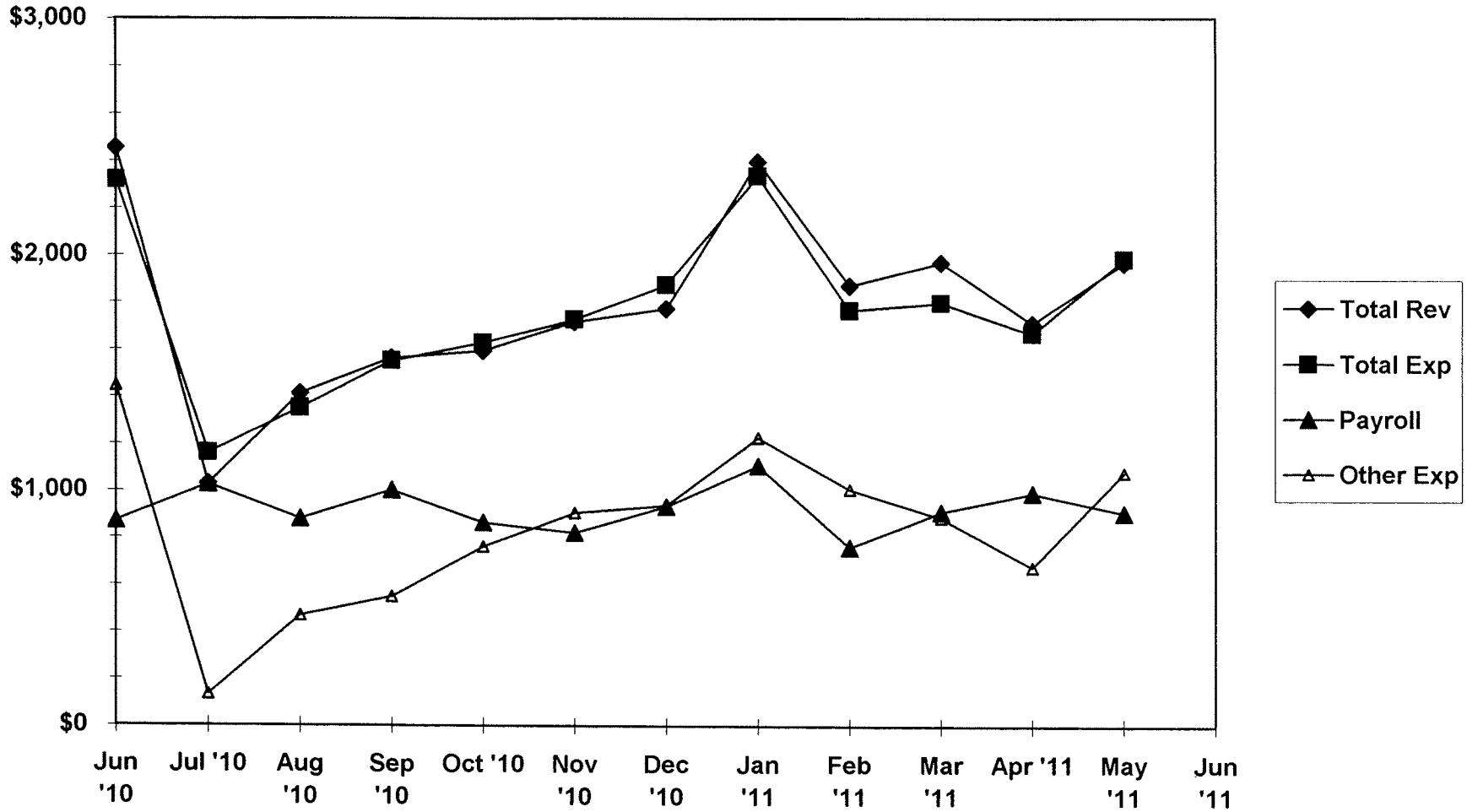
ABAG Financial Indices

Figure 3--*Current Month Revenues & Expenses*

FY 10-11 ($'000)

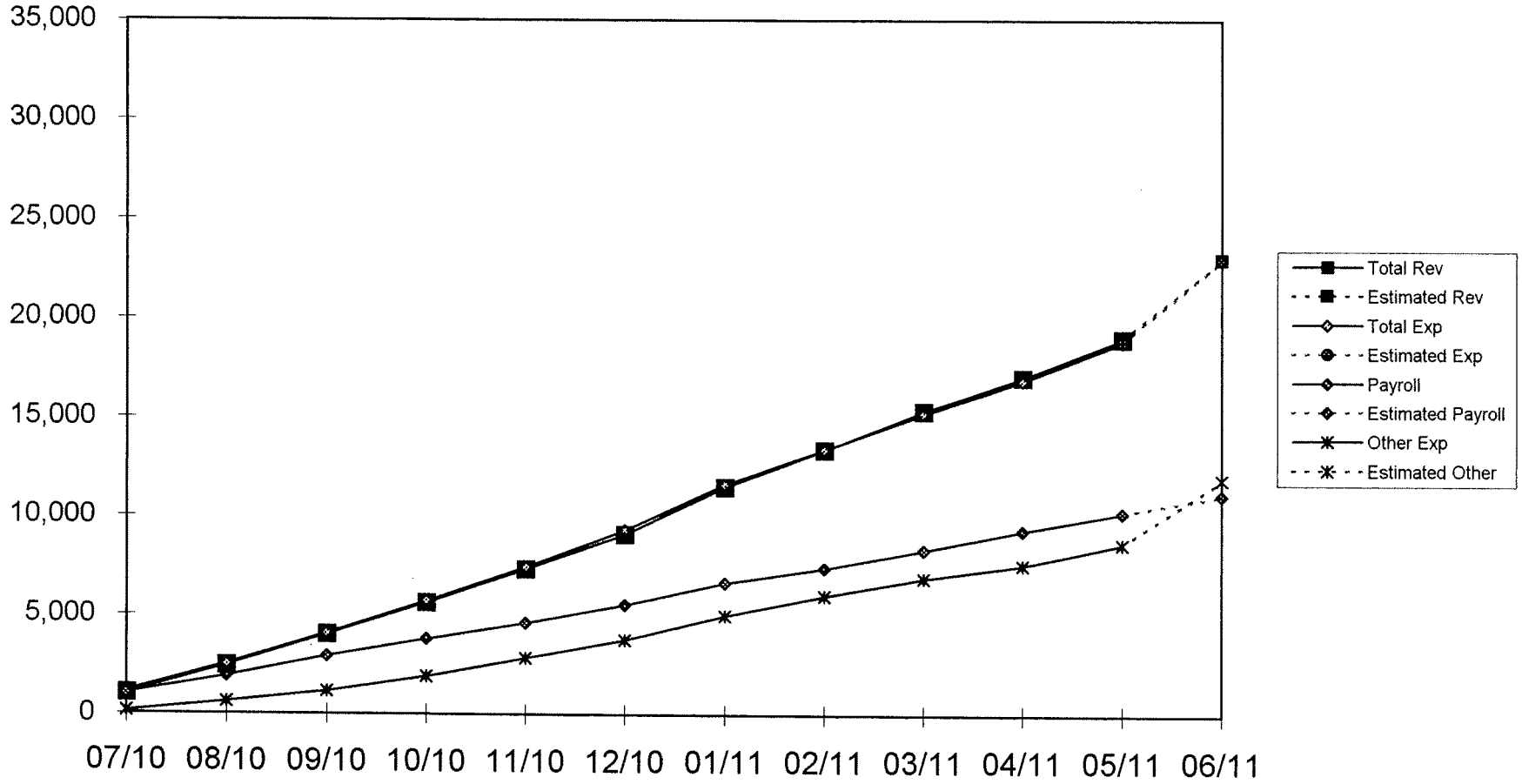


Presents month by month total revenues, total expenses, payroll and other expenses for the current fiscal year. The difference between total revenues and total expenses lines represents the overall current month net surplus (or deficit) for the Association.

Source: ABAG- INDICES 2011-05.xls

ABAG Financial Indices

Figure 4--Year-to-date Revenues & Expenses
FY 10-11 ($'000)



Presents year-to-date total revenues, total expenses, payroll and other expenses for the current fiscal year. The difference between total revenues and total expenses lines represents the overall year-to-date net surplus (or deficit) for the Association.

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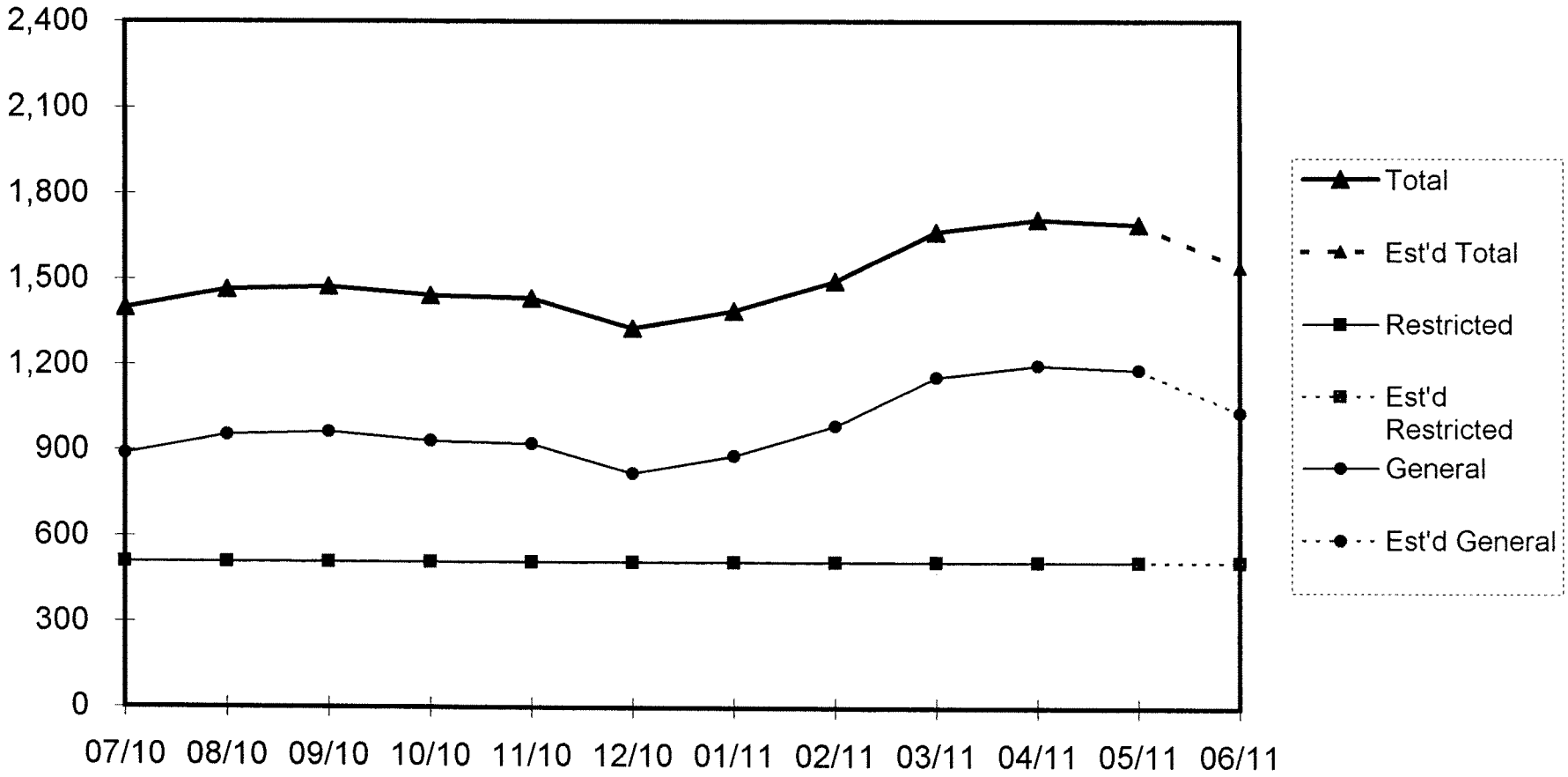
ABAG Financial Indices

Figure 5--*Fund Equity*

FY 10-11 ($'000)



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

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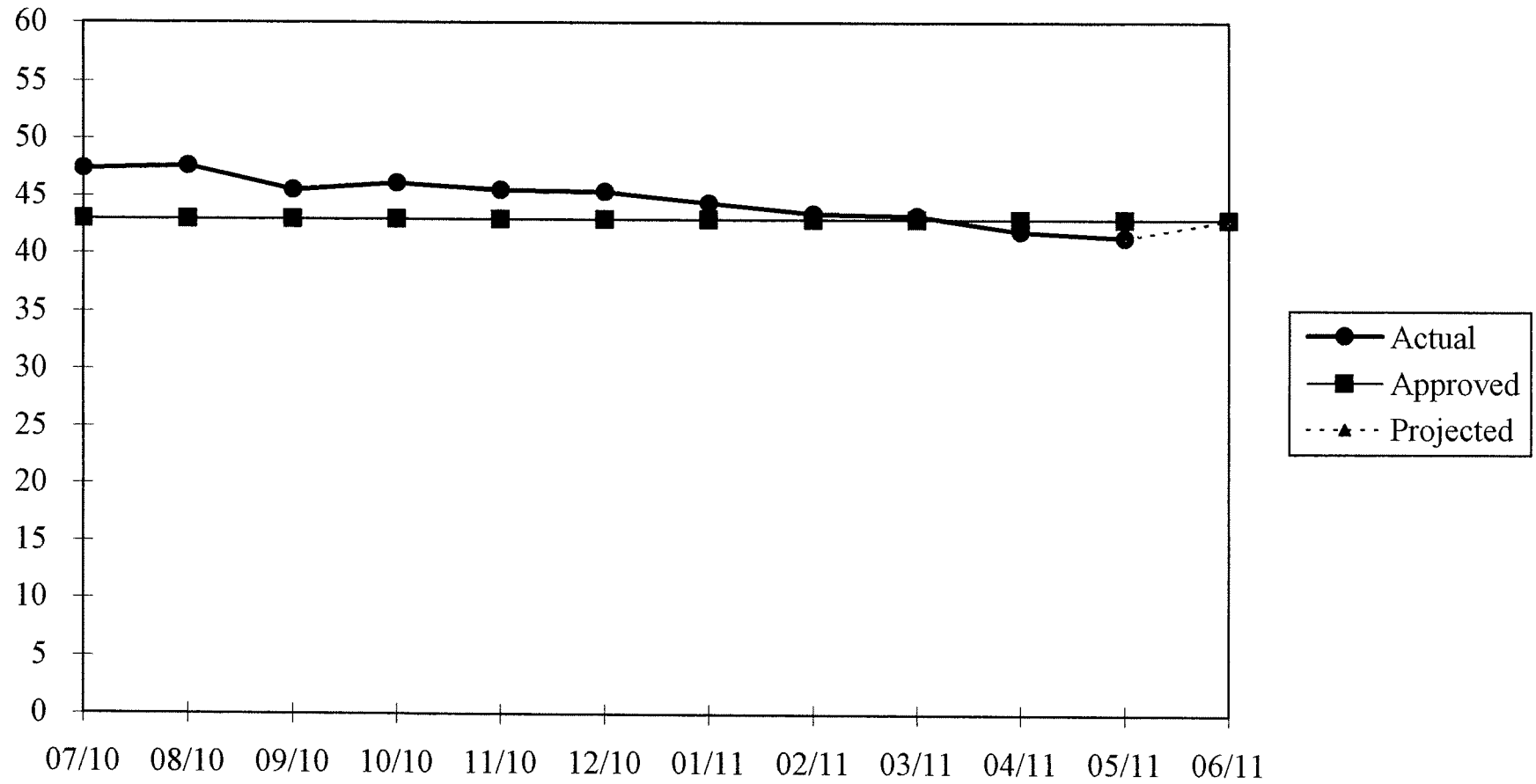
ABAG Financial Indices

Figure 6--*Indirect Cost Rate (% of Direct Labor Cost)*
FY 10-11

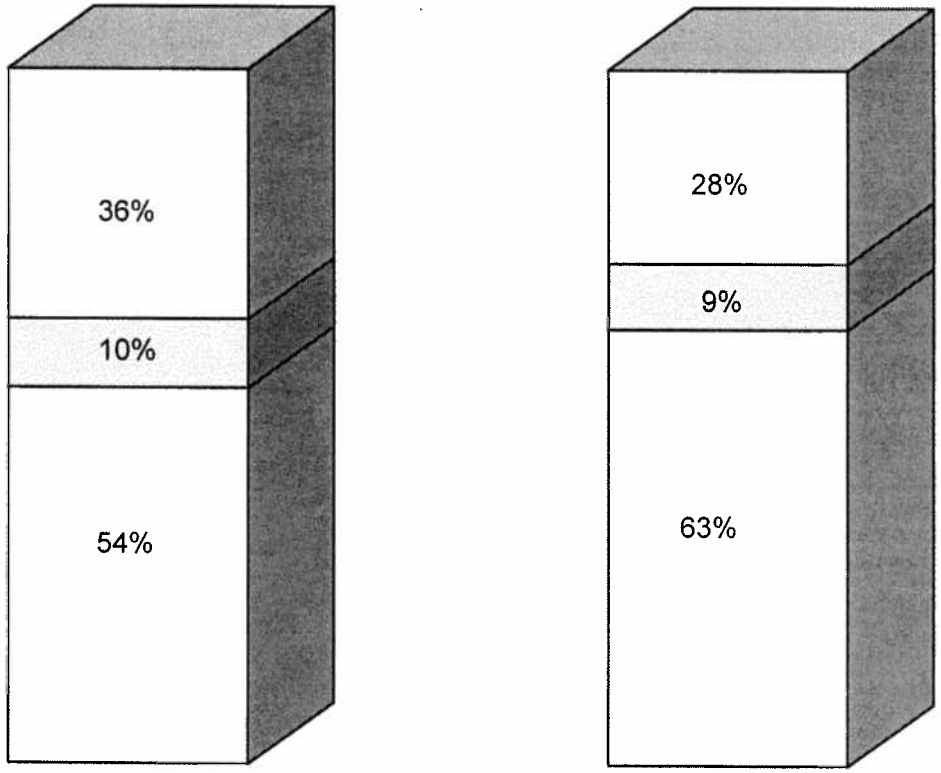


Shows a comparison between the actual indirect cost rate and the approved rate. The approved indirect cost rate is computed by dividing total estimated overhead expenses by total projected direct labor cost for a fiscal year. This rate is used as a standard overhead cost rate to allocate indirect costs to all projects. This process is performed in accordance with an indirect cost plan, which is prepared annually in accordance with OMB Circular A-87.

Source: ABAG- INDICES 2011-05.xls

ABAG Financial Indices

Figure 7-- Composition of Expenses FY 10--FY 11
Year to Date
($'000)



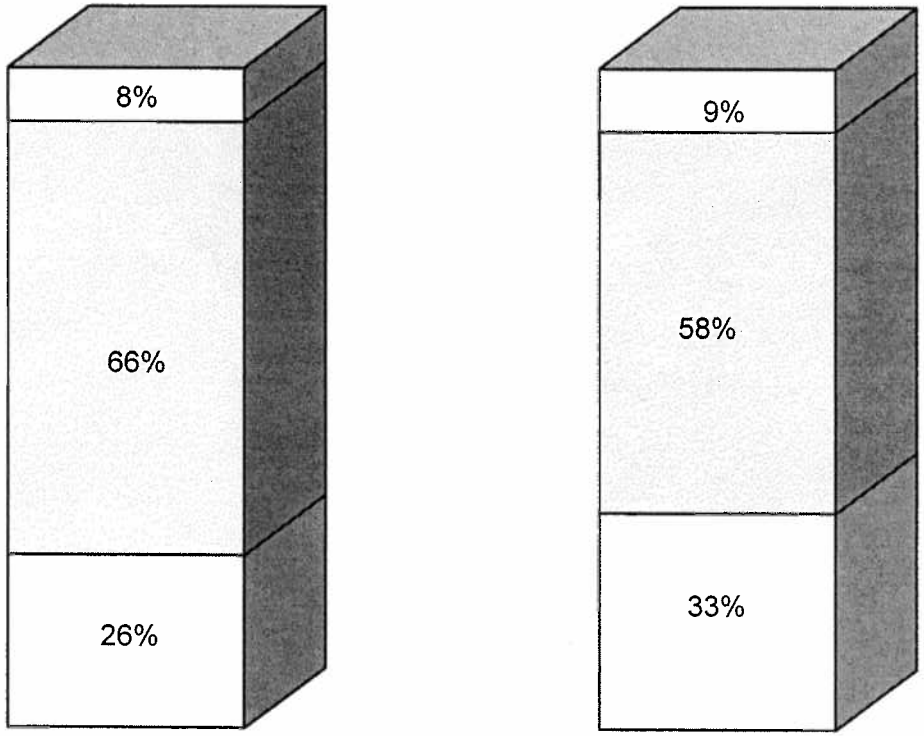
	FY10-11 Expenses (Total $18,844)	FY09-10 Expenses (Total $16,067)
☐ Consultants	$6,773	$4,467
☐ Others	$1,860	$1,525
☐ Payroll	$10,211	$10,075

This chart compares expenses for current and prior fiscal year. It groups expenses into three broad categories--payroll costs, consultants and other expenses.

Source: ABAG -INDICES 2011-05.xls

ABAG Financial Indices

Figure 8-- Composition of Revenues FY 10--FY 11
Year to Date
($'000)



	FY 10-11 Revenue (Total $19,005)	FY 09-10 Revenue (Total $15,898)
☐ Membership	$1,549	$1,524
☐ Grants	$12,480	$9,173
☐ Services & Others	$4,976	$5,201

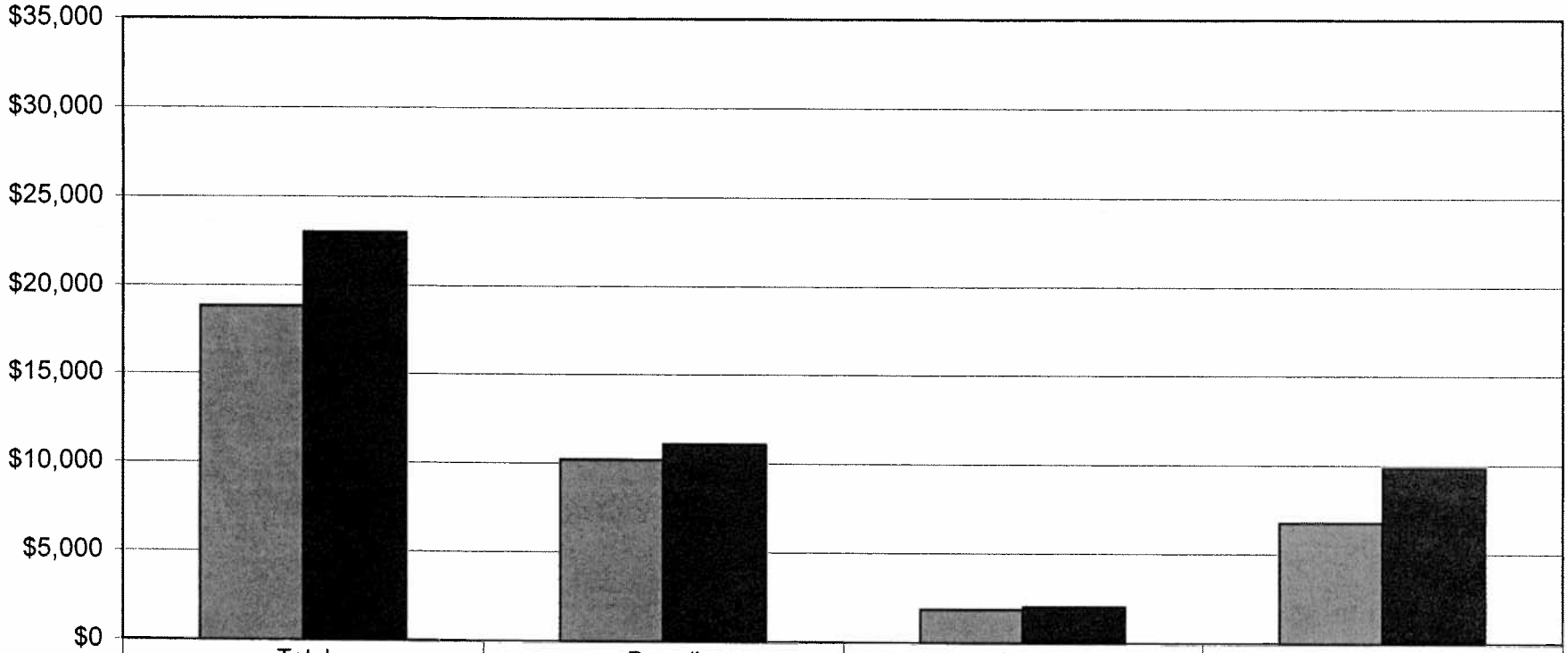
Presents a breakdown of total revenues into four main sources--membership, grants, services and others. This chart compares revenue sources between current and prior fiscal year.

Source: ABAG --- INDICES 2011-05.xls

ABAG Financial Indices

Figure 9--*Actual vs Projected Expenses--FY 10-11*

Year to Date ($'000)



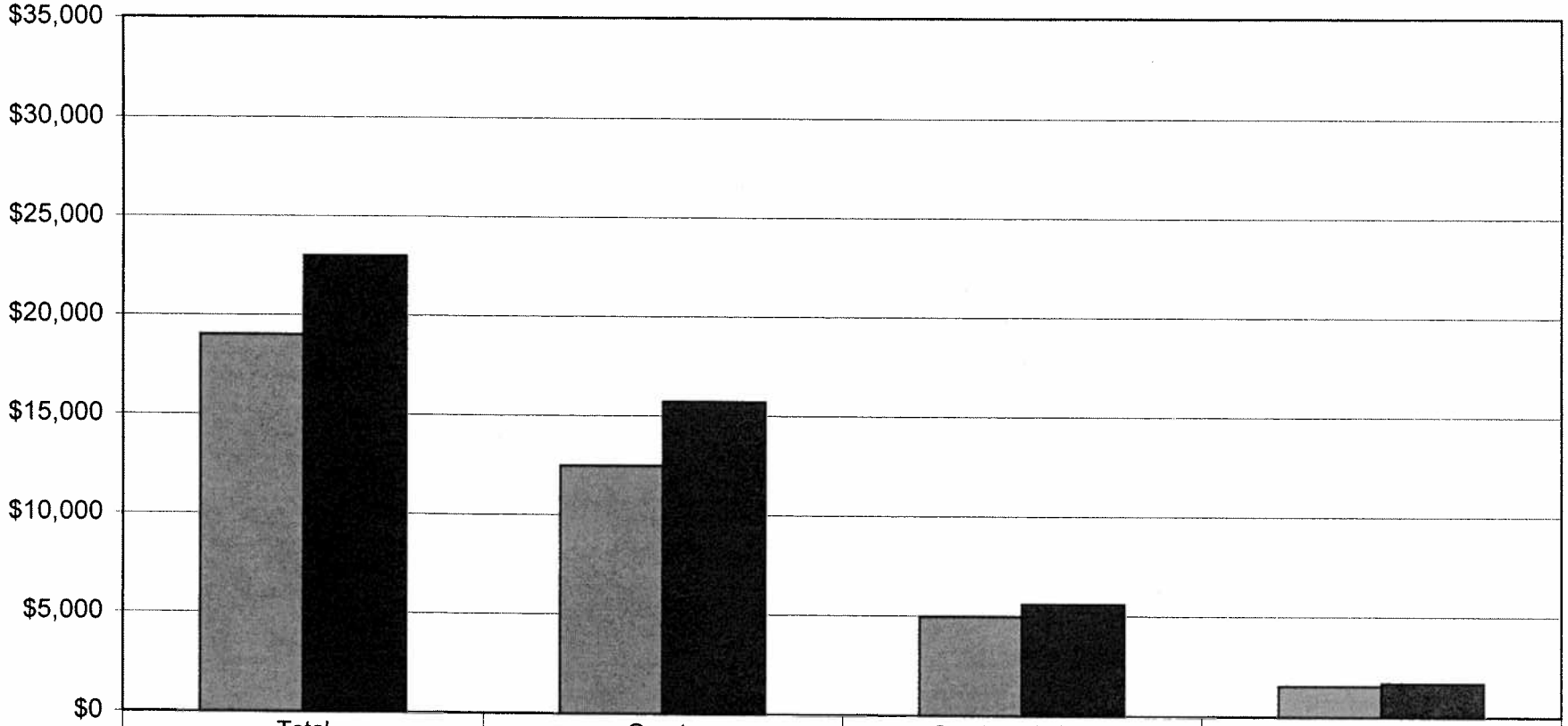
	Total	Payroll	Other	Consultants
Actual	$18,844	$10,211	$1,860	$6,773
Projected	$23,000	$11,100	$2,052	$9,848

Presents a comparison of actual and projected total expenses as well as component categories: payroll costs, consultants and other expenses.

Source: ABAG -- INDICES 2011-05.xls

ABAG Financial Indices

Figure 10--*Actual vs Projected Revenues--FY 10-11*
Year to Date ($'000)



	Total	Grants	Services & Other	Membership
Actual	$19,005	$12,480	$4,976	$1,549
Projected	$23,010	$15,720	$5,600	$1,690

Presents a comparison of actual and projected total revenues as well as component categories: membership dues, grants, services and other.

Source: ABAG --INDICES 2011-05.xls

ASSOCIATION OF BAY AREA GOVERNMENTS
FINANCE & PERSONNEL COMMITTEE

TABLE OF FINANCIAL REPORT DATA ELEMENTS
(thousands of dollars)

Index Description	May-11	Apr-11	Mar-11	May-10	Apr-10
Cash	2,345	1,677	930	1,218	1,124
Receivables	3,237	2,857	3,515	2,723	2,915
Payroll Cost-YTD	10,211	9,305	8,313	10,075	9,172
-Month	906	992	911	903	932
Total Other Expense-YTD	8,633	7,555	6,881	5,992	5,576
-Month	1,078	674	887	416	629
Total Expenses-YTD	18,844	16,860	15,194	16,067	14,748
-Month	1,984	1,666	1,798	1,319	1,561
Total Revenues-YTD	19,005	17,038	15,329	15,898	14,570
-Month	1,967	1,709	1,969	1,328	1,638
Fund Equity-General	1,182	1,199	1,156	884	875
Total Restricted	510	510	510	510	510
Total Fund Equity	1,692	1,709	1,666	1,394	1,385
Approved Overhead	42.95%	42.95%	42.95%	42.95%	42.95%
Overhead Rate %	41.35%	41.90%	43.27%	43.80%	43.97%

Date: July 21, 2011

To: Members of the Finance & Personnel Committee

From: Herbert L. Pike, Finance Director

Subject: **Proposed Resolution Establishing Criteria for a Contingency Reserve Fund**

Staff has prepared the attached Resolution to establish a Contingency Reserve Fund with the target of a $2 million fund balance to be achieved by annually planning for and committing an increase in the previous year's fund balance by $50,000. The proposed resolution represents staff's synthesis of the Committee's discussions at the May 10, 2011 meeting.

Staff welcomes any additional changes the Committee desires. If there are no changes suggested, staff would recommend forwarding the attached to the full Executive Board for their approval. If additional changes are desired, staff recommends approval of the resolution for forwarding to the Executive Board be deferred to the Committee's regular September meeting at which time a revised resolution can be presented.

ASSOCIATION OF BAY AREA GOVERNMENTS
EXECUTIVE BOARD

RESOLUTION NO. 13-11

ESTABLISHING CONTINGENCY FUND RESERVE POLICY

WHEREAS, it is prudent and a best practice to maintain a reasonable reserve to withstand adverse fiscal circumstances such as natural or human-made disasters, state budget takeaways, large unexpected costs and economic downturns; and

WHEREAS, the Association of Bay Area Governments (ABAG) is highly reliant upon grants and the timely reimbursement by the grantors (Federal, State, private and others) of expenditures made on behalf of those grants, with delayed reimbursements causing significant strain on ABAG's ability to maintain adequate cash balances; and

WHEREAS, the availability of a fund balance to provide start-up (seed) funding to move into new areas and institute new initiatives to better serve ABAG's members; and

WHEREAS, ABAG desires to exemplify and model behavior in preparing for and initiating regional economic recovery operations after a major catastrophe such as a major earthquake; and

WHEREAS, an increase in a reserve fund balance would enable to retain our most significant asset, the knowledge of our employees, and other assets when a disaster strikes.

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

1. work toward achieving a two million dollar ($2,000,000) Contingency Reserve fund; and

2. develop and submit an annual budget that, if followed, provides for an increase of at least $50,000 in the Contingency Reserve fund by the end of the fiscal year over what is in the Reserve at the beginning of the fiscal year; and

3. each year, upon completion of ABAG's financial audited statements, the Executive Director will report the status of the Contingency Reserve fund to the ABAG Finance and Personnel Committee. If in any fiscal year the Contingency Reserve fund policy is not met, the Executive Director shall present to the Finance & Personnel Committee a strategy to meet the Contingency Reserve Policy.

4. The amounts identified as the Contingency Reserve fund may be expended only to mitigate or resolve unusual, unanticipated or seemingly insurmountable events of hardship of ABAG. The Executive Director will report to the Finance & Personnel Committee any need to dip into the annual set-aside and seek prior approval, if possible, if an amount greater than $50,000 is needed to address one or more of the specified needs identified above.

The foregoing adopted by the Executive Board this 21st day of July, 2011.

_____
Mark Green
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 21st day of July, 2011.

_____
Ezra Rapport
Secretary-Treasurer

Approved as To Legal Form

_____
Kenneth K. Moy
Legal Counsel