



Finance Committee Meeting

May 20, 2015  
 10:30am – 1:00pm

610 Foster City Boulevard  
 Foster City, CA 94404  
 Conference Room 3A

**Presiding**  
 Nick Pegueros

**Jurisdiction**  
 Portola Valley

**Committee Members Present**  
 Yulia Carter  
 Ann Ritzma  
 Jenny Liu

Half Moon Bay, CA  
 Foster City, CA  
 San Carlos, CA

**Staff Present – ABAG PLAN Corporation**  
 Jim Hill, PLAN Risk Management Officer  
 Charlie Adams, ABAG Interim CFO  
 Kim Chase, ABAG PLAN Administrative Assistant

Participant	Member City	State	Street Address
Mary Furey	Saratoga	CA	13777 Fruitvale Ave.

1. **Call to Order:**  
 Meeting was called to order at 10:35am by Nick Pegueros
2. **Public Comments:** None
3. **Approval of Minutes – May 14<sup>th</sup>, 2014**  
 Minutes for May 14<sup>th</sup>, 2014 were approved as presented.  
**/M/Ritzma/S/Liu/C/unanimously approved**
4. Review of PLAN Financial and Investment Reports
  - a. **FY 2014 Audited Financial Statements and Memorandum of Internal Controls**  
 Charlie initiated discussion and review of the Audited Financial Statements and Memorandum of Internal Controls from June 2014. He referenced the reports and exhibits in the packet. The Audited report was clean with no exceptions.
  - b. **FY 2014 Investment Report** – Charlie discussed PLAN investment and portfolio assets which are primarily Federal Agency Securities. He noted the varying maturity dates and informed the committee that he is working within the context of the investment policy to maximize yields and improve the return on investments. A proposed updated draft will be presented to the Committee prior to the end of the first quarter of the 2015-16 fiscal year.

Nick Pegueros asked Charlie if some of the securities are being called. Charlie answered yes. Nick asked Charlie "what mechanism would you use to invest in CD's?" Charlie answered he would look to our investment advisor. Charlie informed the group that all changes will be presented to the committee and Board (redlined copy to be provided).

- c. Quarterly Financial Highlights – All Funds (QE March 2015)** - Charlie discussed the report noting there were no financial concerns. Performance is relatively stable with assets improving and program surplus increasing. Receivables are in good shape and have declined \$300,000 from prior year. Nick asked Charlie about the receivable due from San Mateo (\$260K) in terms of collections. Jim detailed the withdrawal policy and informed the committee there were no concerns with the receivable balance. Charlie noted Administrative Fund revenues of \$2.25 million and expenses of \$1.622 Million, resulting in a YTD net surplus. Nick asked about accrual methodology in terms of booking PLAN revenue and staff noted revenue is booked upfront given the fact we have never had a situation where premiums weren't paid. Yulia inquired about the claim consultant's (TPA) fee, Jim confirmed it is billed on a quarterly basis. Nick questioned PLAN personnel costs which were above budget on a pro-rata basis. Charlie detailed the variance in personnel costs and Jim noted the carryover of PLAN staff due to collective bargaining issues. Charlie confirmed there are no red flags. Nick then asked about IVOS costs/expense and Jim stated it the asset was fully depreciated. Jim also noted the Honda Pilot is going to be sold. This asset has also been fully depreciated and is beyond its useful life. All proceeds from the sale of the vehicle will be added to surplus. Mary inquired about the variance in the budget for training which is well below projections. Charlie noted it was at 27% of the budget amount and is presently underutilized.

**Action: Motion to approve Financial Statements, MOIC and Investment Report, as presented. /M/Ritzma/S/Yulia Carter/C/unanimously approved**

- 5. Review of Preliminary Administrative Budget and Comparison to Prior Year** - Jim initiated discussion by pointing out the PLAN Admin Fund preliminary budget is \$2.46 million. This represents an increase of about 9% from prior year. He noted the indirect overhead rate has increased by 2 points from 42.95 to 44.95 equating to a 4.7% increase in the overhead rate. The budget is up by approximately \$200K, primarily driven by personnel costs. This year ABAG gave all staff a 3% salary increase based on collective bargaining requirements. Jim discussed the retirement of the Risk Management Officer and impact to budget. Direct costs are projected to increase \$25,000 the bulk of which is tied into the 3% cost escalator for TPA service fees. Other Direct Charges will remain relatively flat. Nick mentioned the financial audit fees went up and Jim acknowledged due to an unforeseen misfortune (FAN), financial audit activity was up for all ABAG funds. Committee discussed the ABAG and PLAN cost sharing formulas. Nick asked if there was an alternative to ABAG's cost sharing and administrative services costs. Jim informed Nick that it is open for future discussion. Ann Ritzma made a motion with amendment.

**Action: Motion to approve PLAN Administrative Budget for FY 2015/16 as presented with the provision that we look at other options as far as administrative operating services currently received from ABAG. /M/Ritzma/S/Liu/C/unanimously approved**

## **6. Other Business**

- a. PLAN Automobiles (Disposition report)** – Jim initiated discussion recommending the sale of the PLAN Honda Fleet vehicle. The age, depreciation of the vehicle, and smaller staff warrants the sale of the vehicle, without replacing the vehicle, the funds will be added to the administrative funds surplus. Nick asked for a motion to authorize the sale of the Honda, and mentioned that this is a great idea.

**/M/Yulia Carter/S/Ritzma/C/unanimously approved**

**6. Other Business (cont.)**

**a. FAN Update – Discussion Only – Closed Session announced at 12:45**

**No reportable action taken on closed agenda item.**

**7. Adjourn - Meeting was adjourned at 12:55 by Nick Pegueros**

Respectfully Submitted,



James Hill  
PLAN Risk Management Officer  
Corporate Secretary

DRAFT