



Finance Committee Meeting

May 18, 2016
10:30am – 1:00pm

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

Presiding

Ann Ritzma

Jurisdiction

Foster City, CA

Committee Members Present

Richard Lee
Rebecca Mendenhall

South San Francisco, CA
San Carlos, CA

Staff Present – ABAG PLAN Corporation

Jim Hill, PLAN Risk Management Officer
Courtney Ruby, ABAG Finance Director
Kim Chase, ABAG PLAN Administrative Assistant

1. Call to Order:

Meeting was called to order at 10:40am by Ann Ritzma

2. Public Comments: None

3. Approval of Minutes – May 20th, 2015

Minutes for May 20th, 2015 were not approved due to the absence of a quorum. Minutes will be approved at next committee meeting.

4. Review of PLAN Financial and Investment Reports

a. FY 15/16 Audited Financial Statements and Memorandum of Internal Controls

Courtney gave presentation on the enclosed financial statements. PLAN's financial statements present fairly, in all material respects, the financial position of PLAN at June 30, 2015. The Statement of Net Position (Balance Sheet) shows assets of \$47,839,048 and net assets of \$23,586,316. The Statement of Activities (Income Statement) reports Program Revenues of \$8,971,816, Investment Income of \$1,127,371, Program expenses of \$249,331 and a total net income of \$9,614,652 (\$8,722,485 from Program). Net cash flows for the year were \$302,250 resulting in an ending cash balance of \$2,474,515. The auditors did not identify any deficiencies in internal controls that were considered to be material weaknesses during the course of their examination of PLAN's financial records.

Courtney opened up discussion by asking for questions. Richard Lee asked about the statement of activities on page 8, specifically the negative expense of 4.6 Million. Jim said those are the adjustments that are a result of the actuary reports and reconciliation. The results reflect an adjustment to expected losses (reserves).

b. Quarterly Financial Highlights / All Funds (QE March 2016)

Courtney pointed out that the Balance Sheet is a snapshot of the PLAN funds at a specific point in time. Total assets are \$50.2 million, up \$2.3 million from the balance of \$47.8 million at fiscal year-end June 30, 2015. Net Equity (total assets less total liabilities) is \$30 million, up \$5.7 million from the balance of \$24.2 million at fiscal year-end. The increase in net equity is a result of a current operating surplus of \$5.5 million in total: \$4.3 million in the Liability Fund, \$919 thousand in the Administration Fund, and a small surplus in the Property Fund of \$238 thousand (discussed in the following section). The balance sheet may be viewed as a measure of the financial strength of the organization. The PLAN balance sheet reflects a financially strong organization that has continued to increase its strength in the first nine months of the current fiscal year.

She then discussed and the committee reviewed the **Income Statement - Administration Fund**. Revenues year-to-date (YTD) for the first nine months of the fiscal year are at 100% of budget, \$2.5 million. However, if prorated the amount would be \$1.8 million (75% of the budget). Total YTD expenses are \$1.5 million, representing 62.63% of budget. Using the prorated revenues, we currently have a \$300 thousand surplus. The reduction in expenses is attributed to the following savings: \$215,000 in personnel costs and \$85,000 in claims and actuarial consultants. Other direct costs are slightly above budget. Technical consultants, printing in-house and miscellaneous, are considered less significant due to the dollar amounts and can be attributed to a timing issue in technical consultants (Risk Console/Safety Logic), increased printing and catering costs for meetings, and assigned office storage being categorized as miscellaneous expenses. Courtney asked for questions, none were raised.

Courtney then discussed each fund statement. No anomalies or concerns were noted.

c. FY 15/16 Investment Report – Portfolio & Policy

Investment Portfolio As of the end of March, there was a total amount invested of \$48.8 million (market value) with a current book value of \$48.7 million. Of this amount, \$33.0 million (market value) is invested in Federal Agency Securities providing an average annual yield of 1.504 percent, \$12.9 million LAIF deposit providing an average annual yield of 0.506 percent, and \$2.75 is invested in negotiable certificates of deposit providing an average annual yield of 1.17 percent. The combined average annual yield is 1.220 percent. A detailed listing of securities composing the portfolio is provided in your Board packet

Investment Policy The securities and deposits in the investment portfolio and all transactions related to acquisition and disposition of securities during the current fiscal year are in compliance with the guidelines and restrictions contained in PLAN's investment. Courtney recommended continuing the policy of holding securities to maturity and; therefore, short-term opportunities to diversify the composition of the portfolio are dependent on new funds being generated from operations or the maturing and recall of existing securities. The earliest maturity date in the current Federal Agency portfolio is December 29, 2017 and in the current Certificate of Deposit portfolio is April 7, 2017. In order to maintain our ability to invest in higher yielding securities should interest rates rise within the next two years, we will seek to invest funds that exceed expected current cash flow requirements into shorter term Federal Agency Securities and Guaranteed Bank Certificates of Deposit. Due to staff transitions we did not send out the quarterly investment reports to the Board as required. Going forward, quarterly investment reports will be sent out in a timely manner. These communications to the Board will occur by mail or electronic transmission.

The Board is required to review the investment policy annually and approve any modifications at a public meeting. At this time no modifications are requested to the investment policy.

Action: Motion to approve Financial Statements, MOIC and Investment Report, as presented. No action taken due to lack of a quorum.

5. Review of Preliminary Administrative Budget and Comparison to Prior Year

Staff reviewed and discussed the PLAN Administrative Budget for FY 2016/17. The PLAN Administrative budget is projected at \$2,397,859 and considers the utilization of York Risk Services as the program claims administrator. PLAN is entering into the third year of that contract and it calls for a 3% cost escalator to address inflation.

Staff stated that the administrative budget is balanced and focuses on the preservation of program assets and PLAN capital reserve funds (contingent reserve funds). Staff noted that the proposed budget is \$60,729 or (2%) below prior year budget. Line items were reviewed in more detail. ABAG indirect overhead rate of 44.95% is unchanged from prior year. The indirect cost equates to \$504,845. Staff noted that ABAG's current cost methodology continues to be evaluated within the context of the ABAG/MTC merger.

The committee inquired as to how the overhead rate and personnel hours were developed. Courtney agreed to provide more detailed information to the committee when it reconvenes.

Action: Motion to approve PLAN Administrative Budget for FY 2016/17. No action taken due to lack of a quorum.

6. Other Business - None

7. Adjourn - Meeting was adjourned at 12:07pm by Ann Ritzma

Respectfully Submitted,



James Hill
PLAN Risk Management Officer
Corporate Secretary