

A G E N D A

FINANCE COMMITTEE

REGULAR MEETING
TUESDAY, JULY 26, 2016, AT 9:00 AM
BOARD ROOM – GATEWAY COMPLEX

1. MEETING CALLED TO ORDER: David Smith, Chairman
2. ROLL CALL: Smith, Autrey, Dorband, Haley, Neff, Rosenzweig, and Yahng
3. APPROVAL OF REPORT OF JUNE 28, 2016 (Attachment)
4. ELECTION OF VICE CHAIRMAN
5. RESIDENTS' FORUM
6. CHAIRMAN'S REPORT – ANNOUNCEMENTS
7. STAFF REPORTS
 - a. CEO – General Comments
 - b. CFO – Monthly GRF Financials (copy in GRF Board Office Finance Committee mailbox)
 - c. Director of Mutual and Trust Operations – Trust Facilities and Property Maintenance, Projects, and Machinery/Equipment Acquisition Reports (Attachments)
8. UNFINISHED BUSINESS
 - a. Consider need for contingency reserve in Trust Estate.
9. NEW BUSINESS
 - a. Presentation on earthquake insurance by Arthur J. Gallagher. (Attachment)
 - b. Discuss December 31, 2016 operating cash forecast. (Attachment)
 - c. Consider if there are sufficient funds in the Trust Estate to purchase a new phone system in the amount of \$140,000. (Attachment)
10. ADJOURNMENT
11. NEXT MEETING: Tuesday, August 23, 2016, at 9:00 a.m. in the Board Room at Gateway Complex

RSC/kv
cc: GRF Board

FINANCE COMMITTEE REPORT

REGULAR MEETING
TUESDAY, JUNE 28, 2016, AT 9:01 A.M.

A regular meeting of the Finance Committee was convened by the Chairman, Christopher T. Yahng, at 9:01 a.m. on Tuesday, June 28, 2016, in the Board Room at Gateway Complex.

Present, in addition to the Chairman, were Jean A. Autrey, Vice Chairman, F. Attendance
William Dorband, Kenneth W. Haley, Mary K. Neff, Paul Rosenzweig, and David H. Smith. Also attending were Leslie Birdsall, President, Mary Lou Delpech, Secretary, and Sue DiMaggio Adams, Carl W. Brown, Robert D. Kelso, Geraldine Pyle, and Stephen D. Roath, Directors, GRF; Timothy O'Keefe, CEO; Richard S. Chakoff, CFO; Paul J. Donner, Director of Mutual and Trust Operations; Jeffrey P. Matheson, Resident Services Director; and two residents.

The Finance Committee's report of May 24, 2016, was unanimously approved as Report
written. Approved

Mr. Yahng announced that this would be his last meeting as Chairman of the Chairman's
Committee, but that he will remain on the Committee for another year. He thanked Report and
the Committee for its hard work and cooperation this past year, and noted that his Announce-
two years chairing the Committee has been great. The Committee, in turn, thanked ments
him for the hard work he has put in as Chairman.

Mr. O'Keefe commented on several matters.

Staff
Reports

Mr. Chakoff reviewed the monthly GRF financial reports and answered questions posed by the Committee.

Mr. Donner reviewed the Trust Facilities and Property Maintenance, Projects, and Machinery/Equipment Acquisition Reports. Discussion followed.

The Committee discussed the need for a contingency reserve in the Trust Estate Contingency
and agreed to defer additional discussion of this matter for a future meeting(s). Reserve

The Committee discussed the draft 2017 Operations Budget Principles and Recom-
proposed the following three amendments: mendation
to GRF

Principle #5 amended to read as follows: "The budget will include sufficient funds for Board re.
facility/property maintenance programs for 2017." Draft 2017

Principle #12 amended to read as follows: "There can be an increase in the GRF Budget
staffing level in 2017 if: 1) the Board approves new or expanded programs or Principles
additional staff, or 2) an emergency arises."

Add a new Principle #17 to read as follows: "The budget shall include TV and broadband services."

Following additional discussion, a motion was made by Mr. Smith, seconded, and CARRIED UNANIMOUSLY to recommend that the GRF Board approve the 2017 Operations Budget Principles, as amended.

The Committee discussed the staff report and proposal from Margen + Associates to complete an accessibility review of the Stanley Dollar Clubhouse in an amount not to exceed \$6,000, which includes a contingency and reimbursable expenses, to be paid from the Trust Estate Fund.

Recommendation to GRF Board re. Stanley Dollar Clubhouse Accessibility Review

A motion was made by Ms. Autrey and seconded by Mr. Smith to recommend to the GRF Board that it proceed with the agreement with Margen + Associates, and that the \$6,000 be paid out of the Trust Estate Fund.

A motion was made by Mr. Rosenzweig to amend the motion to indicate that the agreement with Margen + Associates include a reference to the historic designation of the Stanley Dollar Clubhouse. Ms. Autrey and Mr. Smith accepted the amendment to the motion. The vote on the amended motion was taken and the motion, as amended, CARRIED UNANIMOUSLY.

The Committee discussed the staff report requesting that it recommend to the GRF Board that the Trust Estate Fund is capable of funding a traffic study in the amount of \$33,400, and whether the study should be paid from the Trust Estate Fund or the Operating Fund. Mr. Smith left the meeting at the beginning of this discussion and did not vote on the following motion.

Recommendation To GRF Board re. Traffic Study

A motion was made by Ms. Autrey and seconded by Mr. Dorband to recommend to the GRF Board that it proceed with the traffic study to be paid from the Trust Estate Fund subject to review after the consultant's results have been received. A vote on the motion was then taken, and the motion CARRIED, with Ms. Autrey, Ms. Neff, Mr. Dorband, and Mr. Yahng voting "yes", and Messrs. Rosenzweig and Haley voting "no".

Prior to adjourning the meeting, the Chairman commented on, and the Committee discussed, ongoing recruitment efforts for new Committee members each year.

Recruitment Efforts/ Adjournment

There being no further business to come before the Committee, the meeting was adjourned at 10:35 a.m.

The next meeting of the Finance Committee will be held on Tuesday, July 26, 2016, at 9:00 a.m. in the Board Room at Gateway Complex.

Next Mtg. 7/26/16


Christopher T. Yahng, Chairman
Finance Committee

**YR2016 TRUST FACILITY / PROPERTY MAINTENANCE
COST & COMMITMENT REPORT**
Reporting Period: June 2016

Project	Approved Budget	Reporting Period Expenditures	Incurred To-Date	Forecast To-Complete	Est. Final Expenditure	Under/(Over) Budget	Status
Gateway							
Exterior Panels Replacement	25,000	0	3,700	21,300	25,000	0	
Hillside							
Women's Pool Shower Stall Inserts Installation	30,000	0	11,128	18,872	30,000	0	
Plumbing Improvements Study	20,000	0	3,600	16,400	20,000	0	
Valleywide							
Facilities Wood Staining And Sealing	67,000	0	0	67,000	67,000	0	
Facilities Carpet Replacements	75,000	0	53,500	21,500	75,000	0	
Light Pole Repainting	18,000	0	0	18,000	18,000	0	
Landscaping Rehabilitation	10,000	0	0	10,000	10,000	0	
Equipment Replacements	36,000	12,262	18,391	17,609	36,000	0	
Open Space							
Open Space Maintenance	21,000	571	12,429	8,571	21,000	0	
Defensible Space Fire Abatement	15,000	0	0	15,000	15,000	0	
Trails Maintenance	10,000	0	2,361	7,639	10,000	0	
Public Works							
Street Maintenance	441,000	41,213	276,521	164,479	441,000	0	
Sidewalk Maintenance	62,000	0	12,084	49,916	62,000	0	
Water, Drainage, Sewer Maintenance	15,000	0	8,530	6,470	15,000	0	
Golf Course							
Cart Path Repair Program	42,300	0	42,300	0	42,300	0	
TOTAL	887,300	54,046	444,543	442,757	887,300	0	

**CAPITAL PROJECTS
BUDGET AND EXPENDITURE REPORT**
Reporting Period: JUNE 2016

Project	Approved Budget	Reporting Period Expenditures	Incurred To-Date	Forecast To-Complete	Est. Final Expenditure	Under/(Over) Budget
Gateway HVAC Replacement Phase 1	180,000	27,923	184,275	0	184,275	(4,275)
Gateway HVAC Replacement Phase 2	160,000	30,052	153,560	6,440	160,000	0
Gateway Multi-Purpose Rooms Improvements	185,000		105,145	79,855	185,000	0
Gateway Clubhouse Electrical Improvements	25,000		5,131	19,869	25,000	0
Gateway Studios Space Study	25,000		6,770	18,230	25,000	0
Drop Creek Structure Construction	550,000		16,407	533,593	550,000	0
Del Valle Fitness Complex Study	157,421		157,380	0	157,380	41
Broadband Study Phase 1 Design	67,620		67,620	(0)	67,620	0
Broadband Study Phase 2 Design	91,875	588	82,989	8,886	91,875	0
Hillside Clubhouse Atrium Roof Design	12,000		8,150	3,850	12,000	0
Hillside Clubhouse Atrium Roof Construction	110,000	36,225	36,225	103,775	140,000	(30,000)
Hillside Shady Glen Park Concrete Pads	20,000			20,000	20,000	0
Solar Energy Consultant Phase 1	10,000		8,449	1,551	10,000	0
Solar Energy Consultant Phase 2	75,000	1,200	19,389	55,611	75,000	0
Vehicle Maintenance Shop Roll Up Doors	18,000		13,936	4,064	18,000	0
Del Valle Renovation Project	965,000	81,385	241,970	723,030	965,000	0
Traffic and Pedestrian Safety Study	33,400			33,400	33,400	0
Dollar Clubhouse Accessibility Study	6,000			6,000	6,000	0
TOTAL	2,691,316	177,373	1,107,395	1,618,155	2,725,550	(34,234)

Major Projects	Total Contingency	Contingency Reserved	Contingency Expended
Drop Creek Structure	70,000	0	0

**MACHINERY & EQUIPMENT
BUDGET AND EXPENDITURE REPORT**

Reporting Period: JUNE 2016

Project	Approved Budget	Incurred To-Date	Forecast To-Complete	Est. Final Expenditure	Under/(Over) Budget
MOD Vehicles	189,000		189,000	189,000	0
Del Valle Pools Ultra-Violet System	120,000		120,000	120,000	0
Mowers	111,100	76,189	34,911	111,100	0
GRF Pick-up Trucks	96,000		96,000	96,000	0
Data Storage System	92,000	91,889	111	92,000	0
Grinders	51,500	49,997	0	49,997	1,503
Peacock Hall Digital Projector	30,000	29,999	0	29,999	1
Dollar Clubhouse AV Upgrade	30,000	4,117	25,883	30,000	0
Gateway Clubhouse Automatic Doors	27,000		27,000	27,000	0
Digital Video Surveillance System	24,800	4,561	20,239	24,800	0
Dog Park Patio	20,000		20,000	20,000	0
Sand Dresser	17,350	17,193	0	17,193	157
Dollar Clubhouse Boiler	15,000		15,000	15,000	0
Las Trampas Room Tiered Risers	15,000	12,652	0	12,652	2,348
MOD Scaffolding	12,000	10,945	1,055	12,000	0
Rossmoor Gardens Chain Link Fence	10,000	7,552	2,448	10,000	0
Counseling Services Automatic Doors	6,500		6,500	6,500	0
Dollar Clubhouse Pool Heater	6,000		6,000	6,000	0
Event Center Acoustic Shell (1)	4,087	4,087	(0)	4,087	0
(2) TOTAL	877,337	309,181	564,147	873,328	4,009

(1) Total Expenditure 18,895
Less Donation -14,808
Net Expenditure 4,087

(2) Total Incurred to Date 309,181
Plus Donation 14,808
Total Expenditure to Date 323,989



**Golden Rain Foundation Trust Facilities Properties
Earthquake Premium Indications
July 13, 2016**

To evaluate the feasibility of earthquake insurance for the GRF Trust properties, Gallagher's Rossmoor Service Team has presented underwriting information to the insurance market and has obtained indications at various levels of coverage for the Trust buildings. These indications are provided by insurers currently active in the earthquake insurance market, and reflect market conditions that we expect to continue through the end of 2016 and into 2017. These indications should be viewed as "not-to-exceed" costs. If your decision is to pursue coverage, we will undertake a broader marketing effort, and the final premiums will likely be lower. However we do not expect the differential to be more than 10%. We have taken this approach to determine expected cost. Final, bindable quotes, when obtained, will be valid for only thirty days.

As earthquake insurance is normally provided on a loss-limit basis, we look to a risk modeling program to determine the expected loss for earthquakes at varying levels of severity and location. The modeling process develops expected losses, reflective of your specific properties, their construction, age and location. The projected damage levels are expressed as the most severe earthquake that can be expected in a given time period, e.g. a 250 or 500-year event – the longer the time period, the potential earthquake will be more severe. Lenders generally look to the 250-year event to set their earthquake requirements, however the 500-year event is also used in some situations.

Total Insurable Values (TIV): \$74,128,382

Expected Loss Amounts RMS Catastrophe Risk Modeling	Loss Excess of Deductible	Deductible Amount	Total Loss
100 Year Event	\$ 6,697,000	\$2,105,000	\$ 8,802,000
250 Year Event	\$12,438,000	\$2,320,000	\$14,758,000
500 Year Event	\$18,967,000	\$2,421,000	\$21,388,000

The maximum deductible at 5% of values is \$3,706,419. The modeling predicts a deductible loss below the maximum as all buildings will not likely be damaged. The loss limits below are tied into the expected loss amounts

Cost indications, with premiums based on the total insurable values and including California Surplus Lines taxes:

Coverage Amount	Premium by Layer	Cumulative Premium	Premium with SL Tax	Rate per \$100 of Value	Annual Cost per Manor	Monthly Cost
\$5 million	\$ 125,000	\$ 125,000	\$ 129,000	0.1740	\$ 19.32	\$ 1.61
\$10 million	\$ 55,000	\$ 180,000	\$ 185,760	0.2506	\$ 27.82	\$ 2.32
\$15 million	\$ 30,000	\$ 210,000	\$ 216,720	0.2924	\$ 32.45	\$ 2.70
\$20 million	\$ 7,500	\$ 217,500	\$ 224,460	0.3028	\$ 33.61	\$ 2.80
\$25 million	\$ 7,500	\$ 225,000	\$ 232,200	0.3132	\$ 34.77	\$ 2.90

**SUMMARY REPORT
GOLDEN RAIN FOUNDATION FINANCE COMMITTEE**

REPORT PREPARED BY:

Rick Chakoff, CFO

RECOMMENDATION:

Review the operating cash forecast prepared by staff in conjunction with recommending any cash to be used as a source of funds to offset operation costs in the 2017 budget.

BACKGROUND:

Budget principle 15 states that projected operating cash in excess of the amount targeted in principle 14 may be used as a source of funds to offset operation costs. Staff has prepared a forecast of the operating cash balance on December 31, 2016 to help determine how much, if any, cash in excess of the amount targeted will be available.

ALTERNATIVES AND OPTIONS:

The Finance Committee may accept the forecast as submitted or ask that it be revised.

SUBSEQUENT ACTIONS:

Staff will incorporate any recommended use of operating cash approved by the GRF Board in the 2017 budget.

FINANCIAL IMPACT:

There is no cost to accept the report however any use of cash included in the 2017 budget will reduce the operating cash balance. Based on the forecasted December 31, 2016 balance of \$1,914,000 and the targeted balance of \$1,500,000 there would be \$414,000 available to be used in 2017.

ATTACHMENTS:

The operating cash forecast prepared by staff.

**Golden Rain Foundation
Operating Cash Forecast
Prepared as of June 30, 2016**

Cash balance 6/30/2016	2,200,000	
Remaining 2016 operating budget	(429,000)	Note 1
Amortization of prepaid expenses	193,000	Note 2
Forecasted surplus July through December 2016	200,000	Note 3
Total cash forecasted at 12/31/16	<u>2,164,000</u>	
Less: maintenance reserve	(250,000)	
Forecasted operating cash at year-end	<u><u>1,914,000</u></u>	

Notes:

- (1) Total year budgeted operating revenue minus expenses (550,000)
Less: YTD budget at 6/30/2016 (121,000)
Budget July- Dec (429,000)
- (2) Certain expenses, primarily insurance are prepaid at the beginning of the year and the expense is recognized through the entire year. Since the cash has already been expended, there is no ongoing cash effect.
- (3) Forecast is based on YTD June 2016 results

Agenda Item: 9c
Subject: Phone System
Meeting Date: July 26, 2016

SUMMARY REPORT
GOLDEN RAIN FOUNDATION FINANCE COMMITTEE

REPORT PREPARED BY:

Rick Chakoff, CFO
Joe Bruzdzinski, IT Manager

REQUESTED ACTION:

Consider a recommendation to the GRF Board that the Trust Estate Fund is capable of funding the purchase of a phone system in the amount of \$140,000.

BACKGROUND:

The current analog phone system is over 12 years old and has been in a constant state of repair. Due to its age, support and replacement parts are very difficult to obtain. Over the last year GRF has experienced a multitude of system failures including dropped calls, delayed delivery of voicemails and complete system failures resulting in staff's inability to support residents.

The proposed new phone system would improve resident interactions with GRF staff in addition to providing new contact support options. These options include SMS (texting) and online chat. The new phone system would also integrate with a Rossmoor resident portal.

In the process of researching a replacement phone system we looked at multiple vendors such as AT&T, Comcast, Cisco, ShoreTel, RingCentral, 8X8 and Mitel. After an extensive review with staff and potential vendors, we determined that the Mitel system will provide the most robust feature rich system that will meet or current needs as well as grow with us in the future.

Staff solicited three quotes for the Mitel system and found that the quote from Maverick Networks provides our company with the most value for the complete phone system as well as ongoing support.

SUBSEQUENT ACTIONS:

Staff will present the phone system proposal to the Board for consideration and if approved, the current system will be replaced in phases to minimize impact to staff. Installation time to complete total replacement is 90 days

FINANCIAL IMPACT:

The cost of the system is \$140,000 including a 10% contingency. The cost would be shared equally between GRF and MOD.