



**REGULAR MEETING OF THE BOARD OF DIRECTORS OF  
THE GOLDEN RAIN FOUNDATION OF LAGUNA WOODS  
A CALIFORNIA NON-PROFIT MUTUAL BENEFIT CORPORATION**

**Tuesday, February 1, 2022  
24351 El Toro Road, Laguna Woods, CA  
Virtual Meeting**

**ADDENDUM TO THE AGENDA**

---

**The following agenda items were available after the agenda packet was printed  
Please include the following items in your agenda packet:**

**OPEN AGENDA**

- 12b.** Entertain a Motion to Approve Information Technology Advisory Committee Enterprise Resource Planning System Recommendation
- 12c.** Entertain a Motion to Approve GRF Finance Committee Charter
- 12d.** Entertain a Motion to Approve Workers Comp Collateral Requirement

THIS PAGE INTENTIONALLY LEFT BLANK

**ENDORSEMENT (to board)**

**Cloud Based Enterprise Resource Planning System (ERP)**

Chuck Holland, Information Services Director, presented a staff report analyzing the Cloud Based Enterprise Resource Planning System (ERP) long term investment and capital expenditures. By integrating a cloud-based software, IT license fees are projected to decrease and increase company productivity. The total estimated gross capital expenditure is \$4,000,000.

CHARTS:

<b><u>IT Reserve/Capital Estimates</u></b>			
	<b><u>Old Technology</u></b>	<b><u>Cloud ERP</u></b>	<b><u>Variance</u></b>
<b>5 year Investment</b>	\$2,390,000	\$4,000,000	\$1,610,000
<b>10 Year Investment</b>	\$4,865,000	\$4,250,000	(\$615,000)
<b><u>IT Operating Expense Estimates</u></b>			
	<b><u>Old Technology</u></b>	<b><u>Cloud ERP</u></b>	<b><u>Variance</u></b>
<b>5 Year Cumulative</b>	\$2,107,000	\$1,408,000	(\$699,000)
<b>10 Year Cumulative</b>	\$4,214,000	\$2,022,000	(\$2,192,000)

The committee recommended that this item be presented at the next GRF Board for review and approval.

A motion was made and carried unanimously.

THIS PAGE INTENTIONALLY LEFT BLANK

## STAFF REPORT

---

**DATE:** February 1, 2022  
**FOR:** Board of Directors  
**SUBJECT:** Cloud Based Enterprise Resource Planning System (ERP)

---

### **RECOMMENDATION**

Review and recommend board approval of the proposed Cloud Based Enterprise Resource Planning System (ERP) and up to \$4,000,000 capital expenditure allocation over a 2.5 year period for the project.

### **BACKGROUND**

During late 2019, two United Directors, Sue Margolis and Andre Torng, received permission to form an Ad Hoc Committee comprised of members and residents to review options to the current “Software and Computer systems”. Such systems were reaching end-of-life (EOL) and thus vendor support was expiring. Additionally, technology had advanced significantly since the systems were originally installed. The Ad Hoc committee submitted its findings to the subsequently formed GRF Information Technology Advisory Committee (ITAC). ITAC members include experienced IT and business professionals and began in July 2021 to sort out the viable solutions. After weekly meetings and considering over twenty ERP candidates, the committee narrowed the choices to three and had each candidate make presentations to the committee. Each candidate also held four sessions of detailed demonstrations to the potential staff department users (stakeholders). The result of the evaluations by the stakeholders and the unanimous selection of the ITAC was that the Microsoft Dynamics 365 solution, represented by Advantiico, was the best strategic solution for the Village.

### **DISCUSSION**

In the past, software solutions for companies were provided by multiple packages centered around the financial software. They were combined or integrated by sometimes complex interface systems that had difficulty communicating with each other. The result was many inefficiencies, manual checks and balances, reconciliations, and duplicate efforts within the operations. Since the current software was also at EOL, an investment in a modern cloud-based technology that supports our future needs while creating the opportunity to provide greater service and efficiency is the most cost-efficient approach. The investment will increase security, reduce the system operating expense and eliminate the repetitive cycle of purchasing new software packages every 8 years.

The Business Valuation performed during the ITAC analysis indicates that the project would require an investment of approximately \$4.0 Million spread over two- and one-half years. This compares to an information technology reserve allocation of \$2.4 Million over a similar period. It should be noted that the reserves are estimates for a financial software package only while the new ERP integrates the financial modules with most of the service and administrative software modules using the same data base.

**FINANCIAL ANALYSIS**

The ERP project estimated gross capital expenditure of is \$4.0 million. The investment is expected to reduce IT license fees expenditures while increasing company productivity.

CHARTS:

<b><u>IT Reserve/Capital Estimates</u></b>			
	<b><u>Old Technology</u></b>	<b><u>Cloud ERP</u></b>	<b><u>Variance</u></b>
<b>5 year Investment</b>	\$2,390,000	\$4,000,000	\$1,610,000
<b>10 Year Investment</b>	\$4,865,000	\$4,250,000	(\$615,000)
<b><u>IT Operating Expense Estimates</u></b>			
	<b><u>Old Technology</u></b>	<b><u>Cloud ERP</u></b>	<b><u>Variance</u></b>
<b>5 Year Cumulative</b>	\$2,107,000	\$1,408,000	(\$699,000)
<b>10 Year Cumulative</b>	\$4,214,000	\$2,022,000	(\$2,192,000)

**Prepared By:** Chuck Holland, Information Services Director

**Reviewed By:** Steve Hormuth, Controller  
Jose Campos, Interim Financial Services Director

**RESOLUTION 90-22-XX**

**Financial Software Replacement (ERP)**

**WHEREAS** at the January 21, 2022 Information Technology Advisory (ITAC) meeting, staff recommended to authorize the Information Services Department replace the existing financial software package Microsoft AX 2012 with Microsoft Dynamics 365.

**WHEREAS** the existing financial software warranty and support ends December 31, 2022 and is not renewable. This requires the existing system to be replaced in order to prevent an impact to community operations.

**WHEREAS** the existing approved 2022 capital budget of \$1.5 million is insufficient to replace the current financial systems and consolidate other legacy software systems into a single cloud-based subscription service.

**WHEREAS** staff requests an additional \$2.5 million to the 2022 budget for a total of \$4 million to be funded by the reserves from the GRF budget for Microsoft Dynamics 365 enterprise resource planning (ERP) system.

**NOW THEREFORE BE IT RESOLVED**, February 1, 2022, that the Board of Directors of this Corporation hereby adopts approval of staff recommendation to approve the funding for the financial software replacement.

THIS PAGE INTENTIONALLY LEFT BLANK



## RESOLUTION 90-22-XX

### FINANCE COMMITTEE CHARTER

**WHEREAS**, a Finance Committee has been established pursuant to Article 7, Section 7.1.1 of the bylaws of the Corporation;

**NOW THEREFORE BE IT RESOLVED**, February 1, 2022, the Board of Directors of this corporation hereby assigns the duties and responsibilities of this Committee, as follows:

1. Perform the duties imposed upon all standing committees as set forth in the resolution entitled, "General Duties of Standing Committees."
2. Serve as liaison between the GRF Board and the Financial Services Division.
3. Review monthly financial statements and other reports affecting the financial status of this corporation and review performance in relation to the annual operating budget.
4. Review the capital requirements, service levels and projected revenues related to the Financial Services Division operations and recommend appropriate action to the GRF Board of Directors.
5. Review the proposed GRF Business Plan, and recommend to the GRF Board action regarding same, including the amount of the assessment required to meet the following year's operating budget and reserves.
6. Regularly review, in cooperation with Financial Services, all insurance and risk management programs for the Laguna Woods Village Community for which GRF is responsible. This may include GRF, the GRF Trust and the mutual housing corporations. Recommend to the Boards of the several corporations the actions to be taken to maintain adequate protection and coverage.
7. Review the investment of funds of GRF and the GRF Trust to determine that standards set by civil code and the GRF Board are being complied with and recommend to the GRF Board changes in such investment standards and procedures as may be deemed advisable.
8. Direct the preparation of Requests for Proposal for the annual audits of the financial statements of the Laguna Woods Village Corporations and recommend firm(s) to be engaged.
9. Review reports and recommendations from the auditors and recommend to the Board any appropriate action in connection therewith.
10. Examine the need for review(s) of the Managing Agent's organizational entities at least once each year. If a need for review(s) is perceived and determined to be feasible, recommend such to the Board. Direct the need for and preparation and submittal of RFPs and subsequent contracts for reviews. Serve as liaison between review consultants and the Board and make recommendations to the Board based on consultant's findings.
11. Review and evaluate any unplanned expenditure, proposal, or initiative to determine its financial impact on the operating budget or reserves, and make recommendations to the GRF Board Board.
12. Review financial policies and recommend appropriate action to the Board, as needed.

**RESOLVED FURTHER**, that the committee shall perform such other tasks as are assigned by the GRF President or the Board; and

**RESOLVED FURTHER**, that Resolution 90-20-49, adopted September 1, 2020, is hereby superseded and canceled.

THIS PAGE INTENTIONALLY LEFT BLANK

## RESOLUTION 90-22-XX

### FINANCE COMMITTEE CHARTER

**WHEREAS**, a Finance Committee has been established pursuant to Article 7, Section 7.1.1 of the bylaws of the Corporation;

**NOW THEREFORE BE IT RESOLVED**, ~~September 1, 2020~~February 1, 2022, the Board of Directors of this corporation hereby assigns the duties and responsibilities of this Committee, as follows:

1. Perform the duties imposed upon all standing committees as set forth in the resolution entitled, "General Duties of Standing Committees."
2. Serve as liaison between the GRF Board and the Financial Services Division.
3. Review monthly financial statements and other reports affecting the financial status of this corporation and review performance in relation to the annual operating budget.
4. Review the capital requirements, service levels and projected revenues related to the Financial Services Division operations and recommend appropriate action to the GRF ~~Business Planning Committee~~Board of Directors.
5. Review the proposed GRF Business Plan, ~~as presented by the GRF Business Planning Committee~~, and recommend to the GRF Board action regarding same, including the amount of the assessment required to meet the following year's operating budget and reserves.
6. Regularly review, in cooperation with ~~the~~ Financial Services ~~Director~~, all insurance and risk management programs for the Laguna Woods Village Community for which GRF is responsible. This may include, including GRF, the GRF Trust and the mutual housing corporations, ~~and R~~ and recommend to the Boards of the several corporations the actions to be taken to maintain adequate protection and coverage.
7. Review the investment of funds of GRF and the GRF Trust to determine that standards set by civil code and the GRF Board are being complied ~~with, and~~with and recommend to the GRF Board changes in such investment standards and procedures as may be deemed advisable.
8. Direct the preparation of Requests for Proposal for the annual audits of the financial statements of the Laguna Woods Village Corporations and recommend firm(s) to be engaged.
9. Review reports and recommendations from the auditors and recommend to the Board any appropriate action in connection therewith.
10. Examine the need for ~~one or more~~ review(s) of the Managing Agent's organizational entities at least once each year. If a need for review(s) is perceived and determined to be feasible, recommend such to the Board. ~~—~~ Direct the need for and preparation and submittal of RFPs and subsequent contracts for reviews. Serve as liaison between review consultants and the ~~Board, and~~Board and make recommendations to the Board based on consultant's findings.
11. Review and evaluate any unplanned expenditure, proposal, or initiative to determine its financial impact on the operating budget or reserves, and make recommendations to the GRF Board Board. ~~and determine the priority and propriety of any unplanned expenditures proposed by other committees to determine the impact on and adequacy of related reserves, and recommend appropriate action to the GRF Board.~~
12. Review financial policies and recommend appropriate action to the Board, as needed.

**RESOLVED FURTHER**, that the committee shall perform such other tasks as are assigned by the GRF President or the Board; and

Agenda Item # 12c

**RESOLVED FURTHER, FURTHER**, that Resolution 90-16-4020-49, adopted September 61, 201620162020, is hereby superseded and canceled. Page 3 of 4



**ENDORSEMENT (to board)**

**Workers Compensation Collateral Recommendation**

Dan Yost, Risk Manager, presented a staff report stating that the workers compensation insurance coverage bound with Safety Nation with the requirement of \$1,800,000 has increased by \$250,000 as of October 1, 2021 totaling to \$2,050,000. It was recommended that the letter of credit (LOC) be increased to meet the requirements. The associated costs in the amount of \$2,500 will be paid from the Operating Fund.

The committee recommended that this item be presented at the next GRF Board for review and approval.

A motion was made and carried unanimously.

THIS PAGE INTENTIONALLY LEFT BLANK

**STAFF REPORT**

---

**DATE:** February 1, 2022  
**FOR:** Board of Directors  
**SUBJECT:** Workers Compensation Collateral Recommendation

---

**RECOMMENDATION**

Staff recommends increasing the letter of credit (LOC) from \$1,800,000 to \$2,050,000 as required collateral for the workers compensation insurance policy. The expense associated with increasing the LOC is \$2,500 and will be paid from the Operating Fund.

**BACKGROUND**

To meet the collateral requirements of the workers compensation carrier, a LOC is issued by the bank. Carriers request collateral as security to ensure payment of workers compensation benefits in the event of a default. The amount of collateral required is based on an independent actuarial analysis of the projected ultimate retained loss for the workers compensation program.

**DISCUSSION**

The workers compensation program has been bound with Safety National since the October 1, 2018 renewal. At the October 1, 2020 insurance renewal, workers compensation insurance coverage was bound with Safety National, with a current collateral requirement of \$1,800,000. At the October 1, 2021 insurance renewal, workers compensation insurance coverage was bound with Safety National with a requirement of an additional \$250,000 in collateral.

**FINANCIAL ANALYSIS**

The workers compensation exposure as calculated by the carrier is \$5,859,000. This is calculated by the projected ultimate retained losses minus the actual paid losses. A collateralization percentage of 35% is multiplied by the exposure for a current collateral amount of \$2,050,000. The collateralization percentage of 35% is the lowest percentage offered by the carrier which is due to the favorable financial position of the corporation. The current annual LOC expense for \$1,800,000 is \$18,000 and would increase \$2,500 to \$20,500 based on the required increase in collateral.

**Prepared By:** Dan Yost, Risk Manager

**Reviewed By:** Steve Hormuth, Cotroller  
Jose Campos, Interim Financial Services Director  
Siobhan Foster, Chief Operating Officer

**ATTACHMENT(S)**

ATT 1 – Resolution 90-22-XX

THIS PAGE INTENTIONALLY LEFT BLANK





**RESOLUTION 90-22-XX**

**WHEREAS**, the Golden Rain Foundation maintains a letter of credit with Bank of America in an amount sufficient to meet collateral requirements for the workers compensation insurance policy; and

**WHEREAS**, Safety National, the workers compensation insurance provider, requires an increase in the letter of credit by \$250,000 to meet collateral requirements for renewal of the workers compensation policy.

**NOW THEREFORE BE IT RESOLVED**, that on February 1, 2022 the Board authorizes an increase in the letter of credit with Bank of America from \$1,800,000 to \$2,050,000.

**RESOLVED FURTHER**, that the officers and agents of this corporation are hereby authorized on behalf of the corporation to carry out this resolution.

THIS PAGE INTENTIONALLY LEFT BLANK