



REGULAR MEETING OF THE FINANCE COMMITTEE

**Wednesday, February 19, 2020 – 1:30 p.m.
Laguna Woods Village Community Center Board Room
24351 El Toro Road**

AGENDA

1. Call to Order
2. Acknowledgment of Media
3. Approval of the Agenda
4. Approval of Meeting Report for December 18, 2019
5. Chair Remarks
6. Member Comments (Items Not on the Agenda)
7. Department Head Update

Reports

8. Preliminary Financial Statements dated January 31, 2020

Items for Discussion and Consideration

9. Section 5500 Operating and Reserve Accounts
10. Insurance Program Update
11. 2019 Audit Update
12. Investment Update
13. Endorsements from Standing Committees

Items for Future Agendas

Concluding Business

14. Committee Member Comments
15. Date of Next Meeting – Wednesday, April 22, 2020 at 1:30 p.m.
16. Recess to Closed Session

Pat English, Chair
Betty Parker, Staff Officer
Telephone: 949-597-4201



FINANCE COMMITTEE MEETING
REPORT OF THE REGULAR OPEN SESSION

Wednesday, December 18, 2019 – 1:30 p.m.
Laguna Woods Village Community Center Board Room, 24351 El Toro Road

MEMBERS PRESENT: Annette Soule, Chair; Bunny Carpenter (for English), Judith Troutman, Robert Mutchnick, Jon Pearlstone, Juanita Skillman (for Addington), Alfred Amado

MEMBERS ABSENT: Pat English, Sue Margolis, Elsie Addington

STAFF PRESENT: Betty Parker, Steve Hormuth, Christopher Swanson, Tim Moy

OTHERS: GRF – Joe Fitzekam, Egan Garthoffner, Yvonne Horton,
THIRD – Steve Parsons
VMS – Diane Phelps, Dick Rader

Call to Order

Director Soule chaired the meeting and called it to order at 1:32 p.m.

Approval of Meeting Agenda

A motion was made and carried unanimously to approve the agenda as presented.

Approval of the Regular Meeting Report of October 23, 2019

A motion was made and carried by a vote of 6-0-1 (Director Mutchnick abstained) to approve the report as presented.

Chair Remarks

Director Soule welcomed the new GRF board members and officers.

Member Comments (Items Not on the Agenda)

Patricia Brady (466-B) commented on the need for an accessibility ramp at her carport. The committee requested she bring this topic up at the next ACSC on January 16, 2020.

SueEllen Zima (823-D) commented on the Alternative Revenue Cost Sharing subcommittee.

Georgeann Albano (40-S) commented on the 2020 annual assessment letter.

Department Head Update

Betty Parker, CFO, informed the committee that 2020 Assessment Coupon Books were mailed to residents who have not signed up for EZ Pay (auto payment service). Additionally, the 2020 Greenbooks have been placed in the mailboxes of all board members. A PDF file of the Greenbook is available to residents on the website or in Central Services with a copy fee.

Review Preliminary Financial Statements dated November 30, 2019

The committee reviewed and commented on the financial statements dated November 30, 2019, issued under separate cover, and questions were addressed. The committee requested additional information for the following: proforma statement for Broadband, PAC expenditures, missed meal penalties, and security stand-by fees.

Ms. Parker provided an update on the investment transition from Merrill Lynch to SageView, noting that all holdings with BlackRock had been liquidated and reinvested with target allocations that include Fidelity and Vanguard index funds for U.S. treasuries, U.S. mortgaged backed securities, and investment grade corporate bonds. A handout was provided showing current positions. The committee requested a reconciliation of amounts sold vs. reinvested.

Insurance Program Update

The committee reviewed a staff report on the 2020 insurance renewal and agreed with the proposed timeline.

2020 GRF Finance Meeting Dates

The committee reviewed the 2020 GRF Finance Meeting Schedule, which will be revised to reflect the December meeting scheduled for December 16, 2020.

Gate 11 Security Improvement Funding

The committee reviewed a staff report on supplemental funding for Gate 11 Security Improvements. Tim Moy, Chief of Security, provided additional information on this topic and addressed questions. A motion was made and carried unanimously to recommend the board approve supplemental funding at their next open board meeting.

Future Agenda Items

- GRF Finance Committee Charter
- Discuss Non-Voting Advisors

Committee Member Comments

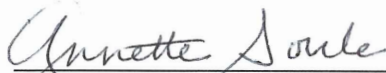
Director Skillman commented on investments and Gate 11 project approval. Director Pearlstone wished everyone happy holidays.

Date of Next Meeting

Wednesday, February 19, 2020 at 1:30 p.m.

Recess to Closed Session

The meeting recessed to closed session at 2:55 p.m.


Annette Soule, Chair



Agenda Item 7 – Department Head Update

Will be issued at the GRF Finance Committee meeting.



Agenda Item 8 – Preliminary Financial Statements dated January 31, 2020

Will be issued at the GRF Finance Committee meeting.

STAFF REPORT

DATE: February 19, 2020
FOR: Finance Committee
SUBJECT: Section 5500 Operating and Reserve Accounts

RECOMMENDATION

Staff and the United Finance Committee recommend awarding a Microsoft Dynamics AX coding change contract to our support provider, Avantico, at an estimated cost not to exceed \$25,000.

BACKGROUND

In February 2016 the record keeping for Golden Rain Foundation and the Mutuals transitioned from Platinum to Microsoft Dynamics AX as the primary enterprise financial software. The new system allows for expanded reporting of financial activity by fund type and corporation. Two new schedules that became part of the monthly financial package include: 1) Fund Balance Sheet, showing operating and reserve positions separately; and 2) Changes in Fund Balance Statement, detailing year-to-date revenue and expense activity by fund.

Assets and liabilities are reported by fund type in a single account line item on the Fund Balance Sheet labeled Receivable / (Payable) from operating fund. To meet a strict interpretation of Civil Code Section 5500 financial review requirement, the United Board has requested reporting of assets and liability accounts with ledger account detail, specifically cash, investments and accounts payable.

Staff reviewed current processes looking for ways to present the Fund Balance Sheet at an account level detail using current resources; however, a system limitation within AX was identified preventing entries from being booked to balance sheet ledger accounts by fund type.

On November 26, 2019 the United Finance Committee recommended a customization of Microsoft Dynamics AX code for increased functionality for financial reporting, to be funded from the Golden Rain Foundation as a capital equipment expenditure.

DISCUSSION

In November 2019 three options were reviewed by the United Finance Committee that would achieve the reporting goal. The following estimated costs and staff evaluations for each option were presented to the committee:

- 1) Open new cash and investment accounts in order for each fund type to have its own financial institution account. Staff currently manages six banking accounts and ten investment accounts for all three corporations. Opening an account for each fund type

would require a total of 54 accounts to be managed and reconciled across GRF, United and Third.

Opening thirty-eight new bank accounts would require additional staffing in Financial Services for accounting and accounts payable tasks. The incremental cost would be approximately \$70,000 annually. Staff does not recommend this option as it creates administrative inefficiencies.

- 2) Staff could manually track fund type activities via spreadsheet. At month end staff could book adjustments into the financial system to reflect the correct balances by fund.

Manually tracking fund activities through a spreadsheet analysis for all three corporations would require additional staffing in Financial Services for accounting activities. The incremental cost would be approximately \$40,000 annually; however, because of the potential for manual processes to create redundancy and error, staff does not consider this a viable option.

- 3) The financial system coding could be changed using a third-party support vendor to overcome the current system limitation allowing the system to calculate the correct balances in each fund type.

A third-party AX support vendor was provided the code modification requirements for the reporting changes and estimated the work to be completed at a one-time cost of \$25,000, without additional recurring charges. Staff recommends pursuing this alternative.

FINANCIAL ANALYSIS

To proceed with recommended software modifications, a supplemental appropriation in the amount of \$25,000 would be required from the Equipment Fund.

Prepared By: Steve Hormuth, Controller

Reviewed By: Betty Parker, Chief Financial Officer