

Children's Services Council

# Finance Committee Meeting

Thursday, March 31, 2016, 4:00 p.m.

## **AGENDA / MINUTES**

### **Welcome and introductions**

#### **Finance Committee Members:**

Tom Lynch, CSC Finance Committee Chair  
Thomas Bean, CSC Finance Committee Vice-chair  
Greg Langowski, Chair Children's Services Council  
Tom Weber, Vice Chair Children's Services Council  
Paul Dumar, Director Financial Services, Solid Waste Authority  
John Marino, Volunteer

#### **CSC Staff:**

Lisa Williams-Taylor, CEO  
Bill Cosgrove, CFO  
Jen Diehl, Controller  
Tom Sheehan, General Counsel  
Elsa Sanchez, Senior Executive Assistant

### **Agenda Items:**

- 1 Minutes February 25, 2016
- 2 Budget Workshop Summary (March 10, 2016)
- 3 February 29, 2016 Financial Statements
- 4 Budget Scenario 2016-2017
- 5 Investment Policy Review
- 6 Procurement Policy No Quote Spending Threshold
- 7 Change to Fund Balance Policy
- 8 Other
- 9 Adjournment

# Finance Committee Meeting

Thursday, February 25, 2016, 4:00 p.m.

## AGENDA / MINUTES

### Welcome and introductions

#### Finance Committee Members:

Tom Lynch, CSC Finance Committee Chair, **Present**  
Thomas Bean, CSC Finance Committee Vice-chair, **Present via telephone**  
Greg Langowski, Chair Children's Services Council, **Present**  
Tom Weber, Vice Chair Children's Services Council, **Present**  
Paul Dumar, Director Financial Services, Solid Waste Authority, **Not Present**  
John Marino, Volunteer, **Present**

#### CSC Staff:

Lisa Williams-Taylor, CEO, **Present**  
Bill Cosgrove, CFO, **Present**  
Jen Diehl, Controller, **Present**  
Tom Sheehan, General Counsel, **Present**  
Elsa Sanchez, Senior Executive Assistant, **Present**

### Agenda Items:

- 1 Presentation of Comprehensive Annual Financial Report (CAFR) by Caler, Donten, Levine, Cohen, Porter & Veil, P.A. **Mark Veil presented the CAFR to the Finance Committee. There was a clean or unmodified opinion and no material weaknesses or significant deficiencies were identified. There were some questions about the changes in the administrative expenditures over the years which is attributed to how costs are allocated to direct services, support services and administrative services. There was a request for journal entries to be sent to the finance committee in the future.**
- 2 Minutes January 28, 2016, **Approved unanimously**
- 3 January 31, 2016 Financial Statements, **Approved unanimously**
- 4 Budget Assumptions 2016-2017, **To be discussed in more detail at the Finance Committee Budget workshop on March 10, 2016**
- 5 Other
- 6 Adjournment

**CHILDREN'S SERVICES COUNCIL – FINANCE COMMITTEE**

**AGENDA ITEM 2**

**MARCH 31, 2016**

**TITLE:** Budget Workshop Summary

**CSC STAFF:** Jennifer Diehl, Controller

**SUMMARY:**

Attendees:

Tom Lynch, Tom Weber, Thomas Bean, Greg Langowski, Tom Sheehan, Bill Cosgrove, Lisa Williams-Taylor, Kasha Owers, Elsa Sanchez

As a review, the following proposals were made during the Finance Committee Budget Workshop on March 10, 2016:

- The Fund Balance Policy will be reduced to 27.5% from 30% of the total budget.
- Millage will be increased to .6865 for FY16/17 (may change slightly depending on updated budget scenario with more accurate figures).
- Projections will be based on an 8% increase of the property tax base rate.

Other matters to consider:

- Any new programs or initiatives identified by CSC will be brought forth to the Planning Session for further discussion with estimated costs.
- The following items will be brought to the Finance Committee on March 31:
  - Fund Balance Policy change to 27.5% from 30% of the total budget (referenced above)
  - Policy change for purchasing approval from \$1,000 to \$2,500
  - Newest budget scenario reflecting the items referenced above
  - Financial Statements
  - Change in Warrants List process – warrants pending Council approval to be identified as such

**AGENDA ITEM: 3**

**TITLE: Financial Statements – February 29, 2016  
(Unaudited)**

**STAFF:** Jennifer Diehl, Controller, Children’s Services Council of Palm Beach County

**SUMMARY:**

The financial statements are presented reflecting the estimated operating results of the General Fund and Special Revenue Fund (Prevention Partnerships for Children, Inc.) for the five months ended February 29, 2016. The audit of the Council for the fiscal year ended September 30, 2015 has been completed and the applicable figures represent audited numbers.

**Balance Sheet:**

As of February 29, 2016 the Council had \$100,451,777 in cash and investments. Of this balance, \$30,000,000, net of unamortized discounts and premiums, was held in federal government bonds, \$65,848,934 was held in a public funds money market account, and \$150,843 was held in the Morgan Stanley Institutional Liquidity Prime Advisory Fund #8341. The remainder of the funds was on deposit in the Council’s operating accounts.

The Capital Assets and the Investment in Capital Assets for \$19,554,398 represent the costs associated with furniture and fixtures, equipment, and building costs.

**Statement of Revenue and Expenses:**

The budgeted expenditure rate at February 29, 2016 is 41.67%. The estimated expenditure rate for Children’s Programs at February 29, 2016 is 36.68%.

**RECOMMENDATION:**

**I recommend the Finance Committee propose that the Council accept the February 29, 2016 Financial Statements as submitted.**

**CHILDREN'S SERVICES COUNCIL OF PALM BEACH COUNTY**

**BALANCE SHEET (Unaudited)**

**February 29, 2016**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total All Funds</u>
		<i>Prevention Partnership for Children, Inc.</i>	
<b><u>Assets</u></b>			
Cash & Investments	\$ 100,438,719	\$ 13,058	\$ 100,451,777
Accounts Receivable	1,892,058	4,987	1,897,045
Interest Receivable	28,937	-	28,937
Advances to Agencies	4,880,774	-	4,880,774
Prepaid Expenses	351,512	-	351,512
Due From - General Fund	-	174,734	174,734
Capital Assets	19,554,398	-	19,554,398
	<hr/>	<hr/>	<hr/>
Total Assets	<u>127,146,398</u>	<u>192,779</u>	<u>127,339,177</u>
<b><u>Liabilities &amp; Fund Balance</u></b>			
<u>Liabilities</u>			
Allocations to Children's Services Programs	7,314,800	184,923	7,499,723
Deferred Revenue	415,240	-	415,240
Accounts Payable	296,377	7,856	304,233
Due to - Special Revenue Fund	174,734	-	174,734
Total Liabilities	<u>8,201,151</u>	<u>192,779</u>	<u>8,393,930</u>
 Fund Balance			
Nonspendable:			
Prepaid Expenses	351,512	-	351,512
Assigned:			
Reserved in accordance with fund balance policy	33,491,795	-	33,491,795
Unassigned:	65,547,542	-	65,547,542
	<hr/>	<hr/>	<hr/>
Total Fund Balance	<u>99,390,849</u>	<u>-</u>	<u>99,390,849</u>
	<hr/>	<hr/>	<hr/>
Investment in Capital Assets	19,554,398	-	19,554,398
	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balance	<u>\$ 127,146,398</u>	<u>\$ 192,779</u>	<u>\$ 127,339,177</u>

**CHILDREN'S SERVICES COUNCIL OF PALM BEACH COUNTY  
STATEMENT OF REVENUE AND EXPENSES CHANGES IN FUND BALANCE  
FOR THE FIVE MONTHS ENDED FEBRUARY 29, 2016**

	<u>General Fund</u>					<u>Special Revenue Fund</u>					<u>Total</u>				
	<u>Approved</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>%</u>	<u>Approved</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>%</u>	<u>Approved</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>%</u>
	<u>2015/2016</u>	<u>Through</u>	<u>Through</u>			<u>2015/2016</u>	<u>Through</u>	<u>Through</u>			<u>2015/2016</u>	<u>Through</u>	<u>Through</u>		
	<u>Budget</u>	<u>2/29/2016</u>	<u>2/29/2016</u>	<u>YTD</u>	<u>YTD</u>	<u>Budget</u>	<u>2/29/2016</u>	<u>2/29/2016</u>	<u>YTD</u>	<u>YTD</u>	<u>Budget</u>	<u>2/29/2016</u>	<u>2/29/2016</u>	<u>YTD</u>	<u>YTD</u>
<b>Revenues</b>															
Ad Valorem Property Taxes	\$ 102,176,959	\$ 87,484,066	\$ 87,484,066	\$ -	85.62%	\$ -	\$ -	\$ -	\$ -	0.00%	\$ 102,176,959	\$ 87,484,066	\$ 87,484,066	\$ -	85.62%
Interest Income	300,000	125,000	205,915	80,915	68.64%	-	-	-	-	0.00%	300,000	125,000	205,915	80,915	68.64%
Unrealized Gain or Loss	-	-	14,618	14,618	100.00%	-	-	-	-	0.00%	-	-	14,618	14,618	100.00%
Department of Health/Agency for Health Care Administration	3,630,806	1,512,836	2,262,113	749,277	62.30%	-	-	-	-	0.00%	3,630,806	1,512,836	2,262,113	749,277	62.30%
Palm Beach County Head Start Match	3,100,000	1,291,667	1,384,764	93,097	44.67%	-	-	-	-	0.00%	3,100,000	1,291,667	1,384,764	93,097	44.67%
JPB Foundation	250,000	-	-	-	0.00%	-	-	-	-	0.00%	250,000	-	-	-	0.00%
Income from Tenants	70,000	29,167	31,398	2,231	44.85%	-	-	-	-	0.00%	70,000	29,167	31,398	2,231	44.85%
Other Income	100,000	41,667	117,399	75,732	117.40%	-	-	-	-	0.00%	100,000	41,667	117,399	75,732	117.40%
Cash Carryforward	14,843,281	-	-	-	0.00%	-	-	-	-	0.00%	14,843,281	-	-	-	0.00%
<b>Total Revenues</b>	<b>124,471,046</b>	<b>90,484,402</b>	<b>91,500,273</b>	<b>1,015,871</b>	<b>73.51%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.00%</b>	<b>124,471,046</b>	<b>90,484,402</b>	<b>91,500,273</b>	<b>1,015,871</b>	<b>73.51%</b>
<b>Expenditures</b>															
Administrative Expenditures	5,342,146	2,225,894	2,168,683	57,212	40.60%	-	-	628	(628)	100.00%	5,342,146	2,225,894	2,169,311	56,584	40.61%
Capital Expenditures	250,000	104,167	126,865	(22,698)	50.75%	-	-	-	-	0.00%	250,000	104,167	126,865	(22,698)	50.75%
Contingency	500,000	-	-	-	0.00%	-	-	-	-	0.00%	500,000	-	-	-	0.00%
Non-Operating Expenses	2,801,919	2,132,423	2,132,423	-	76.11%	-	-	-	-	0.00%	2,801,919	2,132,423	2,132,423	-	76.11%
Reserve for Uncollectible Taxes	5,108,848	-	-	-	0.00%	-	-	-	-	0.00%	5,108,848	-	-	-	0.00%
Children's Services Programs:															
Direct Services:															
Funded Programs & Initiatives	98,014,091	40,839,205	35,715,740	5,123,465	36.44%	2,682,701	670,675	953,814	(283,139)	35.55%	100,696,792	41,509,880	36,669,554	4,840,326	36.42%
Support Services:															
Programmatic Support	9,771,341	4,071,392	3,854,917	216,475	39.45%	-	-	-	-	0.00%	9,771,341	4,071,392	3,854,917	216,475	39.45%
Total Children's Programs	107,785,432	44,910,597	39,570,657	5,339,939	36.71%	2,682,701	670,675	953,814	(283,139)	35.55%	110,468,133	45,581,272	40,524,471	5,056,800	36.68%
<b>Total Expenses</b>	<b>121,788,345</b>	<b>49,373,081</b>	<b>43,998,628</b>	<b>5,374,453</b>	<b>36.13%</b>	<b>2,682,701</b>	<b>670,675</b>	<b>954,442</b>	<b>(283,767)</b>	<b>35.58%</b>	<b>124,471,046</b>	<b>50,043,756</b>	<b>44,953,070</b>	<b>5,090,686</b>	<b>36.12%</b>
<b>Excess Revenues over Expenses</b>			47,501,645					(954,442)					46,547,203		
<b>Other Financing Sources (Uses)</b>															
Transfers in (out)	(2,682,701)	(1,117,792)	(954,442)	(163,350)	35.58%	2,682,701	670,675	954,442	(283,767)	35.58%	-	-	-	-	0.00%
<b>Net Changes in Fund Balances</b>			46,547,203										46,547,203		
<b>Fund Balances</b>															
October 1, 2015			52,843,646					-					52,843,646		
February 29, 2016			<u>\$ 99,390,849</u>					<u>\$ -</u>					<u>\$ 99,390,849</u>		

**AGENDA ITEM: 4**

**TITLE: CSC BUDGET SCENARIO 2016-2017**

**STAFF: Jennifer Diehl, Controller, Children's Services Council of Palm Beach County**

**Revenues**

The millage rate will change in 2016-2017 to .6811 (may change slightly depending on decisions made at Planning Session).

The tax base will increase 8% (projected).

Grant income will remain the same.

Head Start Revenue will decrease as the match from the County decreases.

Interest income and Other income will remain the same.

**Expenditures**

The under expenditure rate is projected at 5%.

Health insurance is expected to increase by 10%.

Merit and Promotional increases of 3.5% are budgeted.

Children's programs expenditures are budgeted to increase approximately \$3.2 million which includes provider staff salaries and health insurance increases, an increase in the food bank program and policy briefs subject to approval by the Council.

No increase in number of budgeted CSC positions.

**Fund Balance**

The targeted fund balance is 27.5% of the total budget.

Children's Services Council of Palm Beach County  
Budget Forecast 2015/2016 - 2020/2021

Tax base increases 8% in 16/17, 4% in 17/18 and 3% every year after  
Under expenditure rate is projected at 5%  
Targeted fund balance is 27.5% of the total budget

Fiscal Year	Total PBC Tax Base	Millage Rate	CSC Ad Valorem Revenue	Other Funders/Income	Revenue from Fund Balance	Total CSC Budget	Balance in Fund Balance	27.5% of Budget
2015/16	153,028,244,853	0.6677	102,176,959	7,450,806	14,843,281	124,471,046	44,223,917	34,229,538
2016/17	165,270,504,441	0.6811	112,571,714	6,450,806	9,013,901	128,036,421	41,611,837	35,210,016
2017/18	171,881,324,619	0.7117	122,323,108	5,450,806	5,077,655	132,851,569	43,176,760	36,534,181
2018/19	177,037,764,357	0.7000	123,921,263	4,350,806	6,197,601	134,469,670	43,702,643	36,979,159
2019/20	182,348,897,288	0.6880	125,455,170	4,350,806	6,279,215	136,085,191	44,227,687	37,423,428
2020/21	187,819,364,207	0.6761	126,990,861	4,350,806	6,359,787	137,701,454	44,752,973	37,867,900

Revenues	FY 2015/2016	FY 2016/2017	FY 2017/2018	FY 2018/2019	FY 2019/2020	FY 2020/2021
Ad valorem Taxes	102,176,959	112,571,714	122,323,108	123,921,263	125,455,170	126,990,861
Grant Income	3,880,806	3,880,806	3,880,806	3,880,806	3,880,806	3,880,806
Head Start Revenue	3,100,000	2,100,000	1,100,000	-	-	-
Interest Income	300,000	300,000	300,000	300,000	300,000	300,000
Other Income	170,000	170,000	170,000	170,000	170,000	170,000
Cash Balances Brought Forward	14,843,281	9,013,901	5,077,655	6,197,601	6,279,215	6,359,787
<b>Total</b>	<b>124,471,046</b>	<b>128,036,421</b>	<b>132,851,569</b>	<b>134,469,670</b>	<b>136,085,191</b>	<b>137,701,454</b>

Expenditures	FY 2015/2016	FY 2016/2017	FY 2017/2018	FY 2018/2019	FY 2019/2020	FY 2020/2021
Personnel	12,227,415	12,353,718	13,001,656	13,388,776	13,775,896	14,163,017
Travel	251,130	221,950	251,130	251,130	251,130	251,130
Building Space	724,001	682,000	702,460	723,534	745,240	767,597
Communications	74,600	72,600	72,600	72,600	72,600	72,600
Printing & Supplies	229,001	200,400	200,400	200,400	200,400	200,400
Other Expenses	1,607,340	1,371,319	1,371,319	1,371,319	1,371,319	1,371,319
Capital Expenses	250,000	250,000	250,000	250,000	250,000	250,000
Non-Operating Expenses	2,801,919	2,859,056	2,859,056	2,859,056	2,859,056	2,859,056
Children's Programs and Initiatives	100,696,792	101,826,792	105,456,792	106,586,792	107,716,792	108,846,792
Children's Programs and Initiatives Cost Drivers	-	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000
Policy Briefs	-	870,000	870,000	870,000	870,000	870,000
Contingency	500,000	500,000	500,000	500,000	500,000	500,000
Reserve for Uncollectible Tax	5,108,848	5,628,586	6,116,155	6,196,063	6,272,758	6,349,543
<b>Total</b>	<b>124,471,046</b>	<b>128,036,421</b>	<b>132,851,568</b>	<b>134,469,670</b>	<b>136,085,191</b>	<b>137,701,454</b>

<b>Items included in projection:</b>	Promotional increases in salaries (.5%)	Capital - new computers 16/17
Added 10% health insurance increase	Programs based on projection plus cost drivers of 3% salary increase and 10% health insurance increase	
Merit increases in salaries (3%)	Policy briefs subject to Council approval	



**CHILDREN'S SERVICES COUNCIL – FINANCE COMMITTEE**

**AGENDA ITEM 5**

**MARCH 31, 2016**

**TITLE:** CSC Investment Policy Review

**CSC STAFF:** Bill Cosgrove, Chief Financial Officer

**SUMMARY:**

The Council adopted its Investment Policy on March 2, 2015. The policy contains the provision that the policy will be reviewed by the Finance Committee and the CFO on an annual basis. Although the policy was adopted in March, CSC did not execute a contract with its investment advisor, Davidson Fixed Income Management, until May 1, 2015.

A provision of the Investment Policy concerning maturity and liquidity requirements is that the Council's "Core Funds" shall not have a term that exceeds three (3) years and the duration of the funds as a whole may not exceed two (2) years.

The determination of how much to be considered Core Funds, although not stated in the policy, was tied to the current Fund Balance Policy requiring 30% of the annual budget to be the fund balance "floor". Based on the 30% requirement, the floor was considered to be \$36,000,000. Due to market and interest rate performance only \$30,000,000 of the \$36,000,000 has been placed in longer term investments as follows:

<b>Security Description</b>	<b>Trade Date</b>	<b>Par Value</b>	<b>Maturity Date</b>
Federal Farm Credit Bank	08/25/15	\$6,000,000	07/03/17
FNMA Agency	09/04/15	\$6,000,000	02/27/18
Federal Natl Mtg Assn	10/09/15	\$6,000,000	06/26/18
Federal Home Loan Banks	08/27/15	\$6,000,000	08/14/18
US Treasury Notes	11/23/15	\$6,000,000	06/15/18

Considering cash flow projections through the end of calendar year 2016 and the proposed reduction to the Fund Balance Policy which will lower the fund balance floor to 27.5%, it appears that \$30 million is currently the appropriate amount to have invested in two to three year securities.

To provide for liquidity in its current operating needs, the Council has the majority of its remaining funds invested in a Public Funds Money Market Account paying .45 basis points. As of February 29, 2016, approximately \$65.8 million was on deposit in that account.

An additional \$4.5 million to \$5 million is maintained in the Council's operating accounts.

CSC staff has twice recently requested feedback from its investment advisor, Davidson Fixed Income Management, regarding any changes they propose making to CSC's Investment Policy. To date, no feedback has been received regarding any changes. It is anticipated that any proposed changes they might suggest would focus on the types of investments permissible under the Investment Policy.

When the Investment Policy is reviewed again in March, 2017 or at any time between now and then, it may be more appropriate to consider adopting and implementing changes at that point.

**RECOMMENDATION:**

Based on the determination that CSC's core funding is at the appropriate amount with the earliest maturity date being 07/03/17 and that it would be hard to determine the gain/or loss from any early maturity of the core funding investments, I recommend that those investments remain as they are.

I also recommend leaving the current operating funds invested as they are in accordance with Davidson Fixed Income Management's previous recommendations.

**CHILDREN'S SERVICES COUNCIL – FINANCE COMMITTEE**

**AGENDA ITEM 6**

**MARCH 31, 2016**

**TITLE:** Procurement Policy: "No quote" Spending Threshold

**CSC STAFF:** Bill Cosgrove, Chief Financial Officer

**SUMMARY:**

At the February 25, 2016 Finance Committee meeting, Mark Veil from CSC's independent auditing firm, Caler, Donten, Levine, Cohen, Porter and Veil, P. A., presented the committee with a letter to the Finance Committee which contained two recommendations.

One of the recommendations was concerning the Council's procurement policy. Currently, the Council's procurement policy requires three written quotes or a CEO waiver for purchases between \$1,000 and \$35,000. In performing the audit, CSC staff could not provide documented support to the auditing firm to demonstrate that a bid process had taken place in the selection of a temporary staffing agency. In his presentation of the item, Mr. Veil suggested that the \$1,000 amount in the procurement policy may be too low and that the Council should consider increasing that amount.

As a result of Mr. Veil's suggestion, CSC staff surveyed seven governmental entities regarding their purchasing thresholds. All thresholds associated with informal quotes and formal bid requirements were in line with the majority of governmental agencies. CSC's management approval threshold for purchases less than or equal to \$1,000, fell within the mid-range of other entities.

CSC's Procurement Team is recommending increasing the "no quote" spending threshold to \$2,500. A revision to the CSC Procurement Policy will be presented to the Council at the April meeting.

**RECOMMENDATION:**

This item is being presented for your information only. A recommendation to amend the Council's procurement policy to reflect the \$2,500 "no quote" spending threshold will be presented to the full Council for a decision at the April 28, 2016 Council meeting.

**CHILDREN'S SERVICES COUNCIL – FINANCE COMMITTEE**

**AGENDA ITEM 7**

**MARCH 31, 2016**

**TITLE:** Change to CSC Fund Balance Policy

**CSC STAFF:** Bill Cosgrove, Chief Financial Officer

**SUMMARY:**

At the March 10, 2016 Finance Committee budget workshop, CSC's Fund Balance Policy was reviewed by the Finance Committee. The Committee reviewed the current policy's requirement that the fund balance should be at a floor of 30% of the subsequent year's annual operating budget.

The requirement was reviewed to determine the impact of reducing the requirement to 27.5% would have on: 1) the cash flow requirements for the first three months of CSC's fiscal year, 2) the need for contingency funds, and 3) ad valorem revenue and associated millage rate projections.

Based on the review, Committee members agreed that reducing the 30% requirement to 27.5% would provide CSC with an adequate reserve balance based on current needs.

The language in the policy that currently reads:

"The term "sufficient funds" as stated above is interpreted to represent a floor of 30% of the proposed annual operating budget for the subsequent year", will be revised to read:

"The term "sufficient funds" as stated above is interpreted to represent a floor of 27.5% of the proposed annual operating budget for the subsequent year."

All other language in the policy will remain unchanged, other than the date of this revision being added at the end.

**FISCAL IMPACT:** The reduction of the floor from 30% to 27.5% will provide a projected additional \$3.2 million in funding from the fund balance in the estimated 2016/2017 Total CSC budget and a corresponding reduction in the need for ad valorem revenue as well as a reduction in the projected millage rate to support the budget.

**RECOMMENDATION:** I recommend that the Finance Committee approve the suggested change that was made at the budget workshop to reduce the fund balance "floor" from 30% to 27.5%.