

1                                   **Washington Vaccine Association: Audit Committee Meeting**  
2                                   **July 10, 2018; 3:00-3:30 p.m. (PDT)**  
3                                   **Held at Cigna, Seattle**  
4

5 **I. Attendance.** Participating in all or part of the meeting were the following individuals.

6 Members:

7                   John Sobeck, M.D., Chairman – Market Medical Executive, Cigna  
8                   Jason Farber, Esq. – Davis Wright Tremaine, LLP- (T)  
9                   Derek LeBrun – Finance & Risk Adjustment, Coordinated Care- (T)

10  
11 Department of Health (DOH):

12                   Sheanne Allen, MPH, MCHES – Vaccine Management Section Manager- (T)

13 Others:

14                   Anne Redman, Esq. Perkins Coie  
15                   Tammy Baker

16  
17 KidsVax<sup>®</sup>:

18                   Julia Walter Zell – WVA, Executive Director (P)  
19                   Fred Potter – Managing Member (P)  
20                   Claire Roberge – Controller  
21                   Norman Roberge – Accountant  
22                   Peter Smith, CPA – Independent Financial Analyst  
23                   Heather Veen – Sr. Executive Assistant  
24                   Charlene Stryker – Executive Assistant

25  
26 **II. Summary of Actions Taken and/or Recommended**

27 **A. Actions Taken (votes adopted)**

- 28                   i. To approve putting funds into a short- term money market account until a  
29                   firm decision can be made.

30 **B. Follow up Tasks / Action Items**

- 31                   i. J. Zell and P. Smith will work on looking at options for outside management  
32                   and report back to the committee in approximately a month  
33                   ii. KV will provided all information requested by CLA to complete the  
34                   2017/18 Audit.

35  
36 **III. Meeting Minutes**

37                   At 3:30 p.m., a quorum having been established, Chairman John Sobeck called the meeting  
38                   to order. Introductions were made and Ms. Zell announced that the meeting was being  
39                   recorded for the benefit of the minute-taker and would be deleted following the final  
40                   approval of the minutes.

1 **Summary of WVA Cash Flows**

2 Mr. Smith provided highlights of the recent buildup of operating reserves by WVA and  
3 informed the committee that the current market interest rates rising are cause for the  
4 Association to consider options for prudent stewardship of funds on hand.  
5

6 **Overview of Investment Options**

7 **A. Discussion**

8 Ms. Zell reviewed the earnings and investment options detailed by Mr. Smith's  
9 memorandum beginning with:

- 10 1. A KeyBank Checking Account which retains funds in current non-interest-bearing  
11 account. An opportunity cost of \$650k per year is inherent in this option.  
12 2. A Money Market Account where market sweeps could be initiated which would yield  
13 between .75% and 1.25%. This option opportunity cost of up to \$312,500 per year.  
14 No trade authorizations would be needed but this does require a standard banking  
15 authorization to move funds between WVA accounts.  
16 3. A KeyBank Advised Account which include laddered prime and high-graded T-bills.  
17 This option requires WVA authorization for each buy and sell decision.  
18 4. A Morgan Stanley Managed or Outside Management of funds. Laddered prime and  
19 high-grade rated bonds and T-bills. This option does not require WVA authorization  
20 for each trade.  
21

22 After Mr. Smith elaborated on each option, general discussion erected. Various concerns  
23 brought up by the Committee members ensued liability of a non-outside management  
24 structure. Ms. Redman recommended not having Board members to defer liability of  
25 exposure on WVA.  
26

27 Mr. LaBrun agreed stating he believes more time is needed to make this decision. Ms. Zell  
28 along with Mr. Smith offered to look into more options for outsourced management and  
29 re-visit this in a month for discussion. Mr. Potter suggested looking at a more traditional  
30 Bank Trust.  
31

32 Chairman Sobek raised the question: should we be showing an excess of cash and then  
33 investing this cash? Mr. Potter responded that this is not uncommon. There was a target  
34 of \$20 million and we have exceeded that, which makes it investable money.

35 Ms. Zell agreed stating she believes this should be re-visited in November to see if these  
36 funds need to be entered back into the grid after the initial vaccine purchase is completed.  
37

38 **B. Committee Direction to WVA Ed**

39  
40 Continue to explore other options for outsource management of funds. In the meantime,  
41 place funds into a short-term money market.  
42

**Closing**

1            There being no further business, the meeting adjourned at 3:30 p.m.

What: Washington Vaccine Association (WVA) Finance, Compliance, & Audit Committee  
 Date and Time: July 10, 2018 / 12:00-12:30 pm PDT  
 Call in Numbers: (267) 930-4000; Conference ID: 103063718#

**Notice:** Meeting may be recorded for the benefit of the secretary. The WVA intends to delete the recording after the minutes of the meeting are approved.

**Agenda for Finance, Compliance, & Audit Committee Meeting**

Approx. Time	Topic/[Anticipated Action]	Presented by:
12:00-12:05	1. Welcome and Introductions	J. Sobeck
12:05-12:10	2. Summary of WVA Cash Flows*	P. Smith
12:10-12:25	3. Overview of Investment Options* A. Discussion B. Committee Direction to WVA ED	P. Smith All Committee
12:30	4. Closing	J. Sobeck

\*Indicates agenda item attached



WVA Cash Flow Projection Model  
As of June 21, 2018

Amounts in **BOLD** are actuals.

Month	Projected Net Cash Receipts	Projected DOH Reimb	Flu / CDC Advance	Admin Exp / Other	Interest income / expense	To/from Interest Bearing	Net Cash Change	Cash Balance (a)	LOC / Interest Bearing (b)	Net Liquidity (a + b)
Nov-15	7,027,691	(4,244,926)	-	(74,693)	(38,750)		2,669,322	4,454,955	(15,000,000)	(10,545,045)
Dec-15	7,426,578	(4,198,198)	-	(77,905)	(37,500)	(1,000,000)	2,112,975	6,567,930	(14,000,000)	(7,432,070)
Jan-16	4,834,017	(5,432,469)	-	(115,986)	(38,454)		(752,891)	5,815,038	(14,000,000)	(8,184,962)
Feb-16	5,893,278	(4,813,588)	-	(81,431)	(38,368)	(2,000,000)	(1,040,109)	4,774,930	(12,000,000)	(7,225,070)
Mar-16	6,879,529	(4,498,451)	-	(72,223)	(33,646)		2,275,209	7,050,138	(12,000,000)	(4,949,862)
Apr-16	5,359,159	(5,357,383)	-	(71,266)	(33,485)		(102,975)	6,947,163	(12,000,000)	(5,052,837)
May-16	5,346,077	(5,041,930)	-	(70,267)	(32,005)	(1,000,000)	(798,125)	6,149,039	(11,000,000)	(4,850,961)
Jun-16	6,318,973	(6,210,703)	-	(65,812)	(32,336)	(1,000,000)	(989,877)	5,159,161	(10,000,000)	(4,840,839)
Jul-16	5,626,346	(4,444,198)	(1,263,808)	(123,581)	(29,350)	-	(234,592)	4,924,570	(10,000,000)	(5,075,430)
Aug-16	7,739,005	(5,615,932)	-	(77,425)	(27,986)	(1,000,000)	1,017,663	5,942,233	(9,000,000)	(3,057,767)
Sep-16	9,041,533	(5,546,402)	(2,507,129)	(113,138)	(28,064)	(2,000,000)	(1,153,201)	4,789,032	(7,000,000)	(2,210,968)
Oct-16	7,482,696	(4,748,545)	-	(79,988)	(24,742)	(2,000,000)	629,420	5,418,452	(5,000,000)	418,452
Nov-16	8,855,104	(4,457,024)	-	(91,560)	(19,783)	(2,500,000)	1,786,737	7,205,189	(2,500,000)	4,705,189
Dec-16	6,135,734	(5,450,704)	-	(66,989)	(8,982)	(2,500,000)	(1,890,941)	5,314,248	-	5,314,248
Jan-17	5,339,947	(5,318,030)	-	(90,691)	-		(68,774)	5,245,474	-	5,245,474
Feb-17	5,824,066	(4,226,052)	-	(97,429)	-		1,500,584	6,746,058	-	6,746,058
Mar-17	6,844,922	(5,433,956)	-	(80,760)	-		1,330,207	8,076,265	-	8,076,265
Apr-17	5,261,908	(5,334,158)	-	(57,425)	-		(129,674)	7,946,590	-	7,946,590
May-17	5,811,994	(5,286,633)	-	(72,018)	-		453,342	8,399,932	-	8,399,932
Jun-17	6,302,549	(5,014,254)	-	(105,930)	-		1,182,365	9,582,298	-	9,582,298
Jul-17	5,608,570	(7,562,171)	-	(113,526)	-		(2,067,127)	7,515,171	-	7,515,171
Aug-17	7,828,758	(7,225,017)	-	(93,327)	-		510,414	8,025,584	-	8,025,584
Sep-17	8,086,399	(5,249,429)	(3,638,937)	(78,530)	-		(880,497)	7,145,088	-	7,145,088
Oct-17	7,116,156	(5,437,731)	-	(71,765)	-		1,606,659	8,751,747	-	8,751,747
Nov-17	8,215,489	(4,210,946)	-	(71,156)	-		3,933,387	12,685,134	-	12,685,134
Dec-17	6,422,096	(4,118,584)	-	(205,290)	-		2,098,222	14,783,356	-	14,783,356
Jan-18	5,886,214	(4,236,192)	-	(127,046)	-		1,522,975	16,306,331	-	16,306,331
Feb-18	6,033,821	(3,432,432)	-	(95,751)	-		2,505,638	18,811,969	-	18,811,969
Mar-18	18,263,903	(4,301,740)	-	(650,899)	-		13,311,264	32,123,233	-	32,123,233
Apr-18	5,411,000	(5,057,707)	-	(39,140)	-		314,154	32,437,387	-	32,437,387
May-18	6,186,270	(6,006,860)	-	(63,806)	-		115,604	32,552,991	-	32,552,991
Jun-18	7,153,450	(6,221,576)	-	(80,380)	-	(22,500,000)	(21,648,506)	10,904,484	22,500,000	33,404,484
Jul-18	7,885,844	(6,688,252)	-	(80,380)	41,813	(1,000,000)	159,025	11,063,510	23,500,000	34,563,510
Aug-18	7,760,371	(7,717,031)	-	(80,380)	43,671	(1,000,000)	(993,369)	10,070,141	24,500,000	34,570,141
Sep-18	8,109,564	(5,223,825)	-	(80,380)	45,529	(1,000,000)	1,850,889	11,921,029	25,500,000	37,421,029
Oct-18	5,968,285	(4,694,320)	(3,019,290)	(80,380)	47,388		(1,778,318)	10,142,711	25,500,000	35,642,711
Nov-18	5,185,858	(4,317,825)	-	(80,380)	47,388		835,041	10,977,752	25,500,000	36,477,752
Dec-18	4,776,595	(4,142,511)	-	(80,380)	47,388	(1,000,000)	(398,908)	10,578,844	26,500,000	37,078,844
Jan-19	4,646,680	(4,741,670)	-	(80,380)	49,246		(126,124)	10,452,720	26,500,000	36,952,720

Notes

< Adjust Rates as of 7/1 to 130% of current CDC)

< LOC Paid off by 12/31

< Includes TRICARE payment

< Grid Rates reduced by 1% on July 1

< Includes TRICARE expected payment of \$673,490

WVA Cash Flow Projection Model  
As of June 21, 2018

Amounts in **BOLD** are actuals.

Month	Projected Net Cash Receipts	Projected DOH Reimb	Flu / CDC Advance	Admin Exp / Other	Interest income / expense	To/from Interest Bearing	Net Cash Change	Cash Balance (a)	LOC / Interest Bearing (b)	Net Liquidity (a + b)	Notes
Feb-19	5,093,717	(4,183,544)		(80,380)	49,246		879,039	11,331,759	26,500,000	37,831,759	
Mar-19	4,797,229	(5,356,791)		(80,380)	49,246		(590,696)	10,741,062	26,500,000	37,241,062	
Apr-19	5,485,661	(4,856,839)		(80,380)	49,246		597,689	11,338,751	26,500,000	37,838,751	
May-19	5,319,361	(6,109,998)		(80,380)	49,246		(821,771)	10,516,980	26,500,000	37,016,980	< Includes estimated 4% CDC rate increase
Jun-19	6,364,360	(6,470,439)		(80,380)	49,246		(137,213)	10,379,767	26,500,000	36,879,767	
Jul-19	6,852,944	(6,955,782)		(80,380)	49,246		(133,972)	10,245,794	26,500,000	36,745,794	< Assumes no change to Grid Rates
Aug-19	6,812,581	(8,025,712)		(80,380)	49,246	1,000,000	(244,265)	10,001,529	25,500,000	35,501,529	
Sep-19	7,439,217	(5,432,778)		(80,380)	47,388		1,973,447	11,974,976	25,500,000	37,474,976	
Oct-19	5,474,939	(4,882,093)	(3,140,062)	(80,380)	47,388	1,000,000	(1,580,208)	10,394,768	24,500,000	34,894,768	
Nov-19	4,757,188	(4,490,537)		(80,380)	45,529		231,800	10,626,568	24,500,000	35,126,568	
Dec-19	4,381,756	(4,308,211)		(80,380)	45,529		38,694	10,665,262	24,500,000	35,165,262	
Jan-20	4,262,580	(4,931,337)		(80,380)	45,529	1,000,000	296,392	10,961,653	23,500,000	34,461,653	
Feb-20	4,672,664	(4,350,886)		(80,380)	43,671		285,069	11,246,722	23,500,000	34,746,722	
Mar-20	4,400,684	(5,571,063)		(80,380)	43,671		(1,207,088)	10,039,634	23,500,000	33,539,634	
Apr-20	5,032,210	(5,051,112)		(80,380)	43,671	1,000,000	944,388	10,984,022	22,500,000	33,484,022	
May-20	4,879,656	(6,354,397)		(80,380)	41,813	1,000,000	(513,309)	10,470,712	21,500,000	31,970,712	< Includes estimated 4% CDC rate increase
Jun-20	5,838,274	(6,729,257)		(80,380)	39,954	1,000,000	68,591	10,539,304	20,500,000	31,039,304	

## WVA Interest Earnings Options

The recent buildup of operating reserves by WVA and the current market interest rates rising are cause for the Association to consider options for prudent stewardship of funds on hand. T-Bill rates have gone up over 1% in the last year. Conservative investment would yield approximately 2.5% per year. Current WVA cash on hand is over \$33 million with approximately \$23-25 million that could be invested in a short-term laddered maturity portfolio. This creates an opportunity cost of up to \$650,000 per year.

KidsVax® has inquired with KeyBank and Morgan Stanley regarding options for risk-averse options that would follow the investment guidelines in the recently approved "Reserves Investment Policy." The below is a summary of the options reviewed.

### Definitions:

**Advised Portfolio Management:** This structure, similar to a brokerage account, requires individual trades to be authorized by the WVA Board or an authorized WVA agent/designee. The Financial Advisor will prepare the schedule of initial securities per the WVA Reserves Investment Policy but will require authorization to make trades as the instruments come to maturity and it is time to reinvest those funds. Securities are bought and sold at market value with any fees or commissions being transparent (included in the yield) to the WVA.

**Active Portfolio Management:** This structure places individual buying and selling decisions in the hands of the portfolio manager at the investment bank. No individual buy and sell authorizations would be needed by the WVA Board, WVA agent, or designee. A slight advantage is possible using active management to obtain undervalued securities or sell overvalued ones in order to receive higher yields (we anticipate such advantage in the current market to be minimal since the yield curves are relatively flat). Securities are bought and sold at market value with usual fees or commissions being transparent (included in the yield) to the WVA *plus* a fee is charged to the WVA for the active management.

### Options:

1. **KeyBank Checking:** Retain funds in current non-interest-bearing accounts. As mentioned above, an opportunity cost of \$650k per year is inherent in this option. This is mitigated by 50 basis points (.5%) credit toward bank lockbox fees. This option does not require any moving of funds or trade authorization.
2. **KeyBank Money Market:** Money market sweeps could be initiated which would yield between .75% and 1.25%. This option has an opportunity cost of up to \$312,500 per year. This option does not require trade authorizations but does require standard banking authorization to move funds between WVA accounts.
3. **KeyBank Advised:** Laddered prime and high-grade rated bonds and T-bills. This institutional investment portfolio would have average maturity of 1.75 years and average annual yield of 2.5%. This option would earn approximately \$650,000 per year. KeyBank offers easy access for funds transfers as WVA corporate checking is also with this bank. This option requires WVA authorization for each buy and sell decision.
4. **Morgan Stanley Managed:** Laddered prime and high-grade rated bonds and T-bills. This institutional investment portfolio would have average maturity of 1.75 years and average annual yield of 2.5%. This option would earn approximately \$650,000 per year less management fees of approximately \$75,000 (30 basis points). This option requires does not require WVA authorization for each trade.
5. **Seek Other Entities:** The Committee can instruct the WVA ED and KV to continue to seek other options for reserves investment and to bring back a recommendation at a subsequent meeting. This option carries with it the opportunity cost of approximately \$40,000 per month of return on investments.

### Conclusion:

The WVA Finance Committee will need to decide whether a managed portfolio is more desirable than designating an agent for trading authorization. If the WVA does not wish to have a director, officer, or agent make trading decisions then they could use the Active Management option at Morgan Stanley.

Sincerely,



Peter M. Smith, C.P.A.  
Financial & Internal Control Analyst

