

Moraga-Orinda Fire Protection District

BOARD OF DIRECTORS REGULAR BOARD MEETING MINUTES

June 21, 2017

(Approved July 18, 2017)



1. Opening Ceremonies

The Board of Directors convened in Open Session at 6:00 P.M. on June 21, 2017 at the Hacienda Mosaic Room, 2100 Donald Drive, Moraga, California. President Famulener called the meeting to order.

Present were the following Directors and Staff:

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| President Famulener | Director Jorgens |
| Director Anderson | Stephen Healy, Fire Chief |
| Director Barber | Gloriann Sasser, Admin Services Director |
| Director Jex | |

2. Public Comment

There were no comments from the public.

President Famulener thanked the MOFD firefighters for their hard work on the fires that occurred within the district.

3. Consent Agenda

Motion by Director Jex and seconded by Director Barber to approve and file items 3.1 Meeting Minutes, 3.2 Monthly Incident Report, 3.3 Monthly Check/Voucher Register, and 3.4 Monthly Financial Report. Said motion carried a unanimous 5-0 roll-call vote (Ayes: Anderson, Barber, Famulener, Jex, and Jorgens).

4. Regular Calendar

4.1 Authorize Agreement for Actuarial Consulting and Technology Services with GovInvest for Four Years from Software Delivery for an Amount Not to Exceed \$52,800

GovInvest provides cloud-based software to improve management of pension and postretirement healthcare benefits. The services include actuarial software, actuarial valuations, accounting valuations and actuarial consulting. The software provides real-time information, instant actuarial and financial analysis and insights into how to pay down unfunded liabilities. The services include actuarial valuations that meet the Governmental Accounting Standards Board reporting requirements.

Proper management of the District's unfunded pension and retiree medical liabilities is an important issue for the District. GovInvest will provide current information and updated actuarial valuations on an annual basis.

Ted Price, from GovInvest, gave a brief demo on the actuarial technology software.

President Famulener asked why some members of the Board would want to spend money on this now if an actuarial presentation isn't due for another year and a half.

ASD Sasser stated that it is not required by GASB, and, under accounting rules, the District is still good with its last valuation. However, the Board expressed that they want the current information and they want it updated every year.

Director Barber stated that the software would enable the District to have more current data to do multiple scenarios of the variables that affect pension and OPEB liability, enable the District to make specific financial goals, and to assess annually whether we are making progress or need to do something differently.

On a motion from Director Barber, and seconded by Director Jorgens, the Board authorized agreement for actuarial consulting and technology services with GovInvest for four years from

software delivery for an amount not to exceed \$52,800. Said motion carried a 3-2 roll-call vote (Ayes: Barber, Jex, and Jorgens; Noes: Anderson and Famulener).

4.2 Annual Operating Budget Fiscal Year 2017/18

The District has a Budget Development Policy (Policy.) In accordance with the Policy, the budget process began in February 2017. The proposed Annual Operating Budget was presented in detail to the Finance Committee on May 9, 2017 and to the Board on May 17, 2017. The Board directed staff to bring the Budget back to the Board for adoption. No changes were recommended.

Subsequently the Board approved acceptance of a federal grant for the purchase of new gurney systems. The Budget includes revenue and expenditure amounts for the grant in the Capital Projects Fund.

The Budget projects a surplus in two funds and a deficit in one fund:

- General Fund surplus \$72,340
- Capital Projects Fund deficit \$130,432
- Debt Service Fund surplus \$218,404

Director Jex expressed concern and stated that in his view, the budget does not reflect the long term needs of the organization. An operating budget has to reflect the future needs for capital, the financing, and for dealing with the current OPEB liabilities and pension obligations. Other similar organizations are doing a lot more to focus on the future in their budgeting process. Director Jex stated that he has a difficult time approving something which he feels is grossly inadequate.

President Famulener thanked Director Jex for his work on the survey and expressed her previous request that Director Jex include salaries in the survey. The organizations Director Jex mentioned have salaries 15-20% higher than MOFD's and they generate a lot more money than MOFD.

Director Jex stated his point is that they have strategically made decisions to increase their reserves in order to meet their obligations. The proposed budget gives no assurances that the District will meet its obligations because we do not currently have the resources to do it, and we are not budgeting or planning for it.

President Famulener agrees that the District should start planning. In 2022, MOFD will have a huge surge in income and must figure out how to plan and handle it. However, these are the District's rebuilding years. In 2013, the District was turning the lights out and took huge hits in every area of the budget.

Chief Healy agrees that the District is in a rebuilding phase, but should also be mindful of future obligations. It should be a balanced approach.

Director Anderson stated that the District should be fiscally prudent, which is why it has the pension stabilization fund and why it implemented the 10% reserve, which tonight may be taken up to 17%. He feels that the District is addressing the issues.

Director Jorgens commented on this year's operating, overtime expenses and salaries and benefits. He proposed to freeze operating expenses and overtime expenses to last year's level, and take the money and put it into the OPEB and pension trust.

President Famulener stated that staff has done a fabulous job of cutting down the budget to the core as best they could. After public hearings, the Finance Committee came up with the budget that was acceptable to the public.

Director Anderson stated that the District is not in the business of selling widgets. We are in the business of saving properties and lives. He is bitterly opposed to taking any dollar out of the operating budget that in any way inhibits the men and women of MOFD from protecting and saving lives of the residents of the district. President Famulener agreed.

Director Barber commented on the SAFER staffing grant that the District may receive. If the District receives the grant and decides to accept it, it will come with a financial commitment. He asked how

the District would pay that amount, where would it come from, and if the Board would need to amend the budget. He stated that the budget is already very tight, and there is not much of a margin if expenditures arise that are unanticipated.

ASD Sasser stated that there would be a cost to the District and the budget would have to be amended. The general fund budget has a surplus of \$72K.

Director Barber stated that a \$72K surplus out of an aggregate budget of \$21M strikes him as tight. If the District had to find money at the end of the year, it would be even more difficult to do rather than trying to find the money now.

ASD Sasser stated that she budgeted conservatively. Often property tax revenue exceeds budget, which has been the historical experience. It is possible that the District will have more revenue during the fiscal year, and there are also reserves as well. Staff will analyze the information and the Board can make the decision at the time the District is awarded the grant.

President Famulener stated that staff and Chief Healy worked very hard to work on the tightest budget they could. The Finance Committee held several meetings about the budget and there were some tweaks to the budget based on public input. Directors Anderson and Barber brought the final budget to the Board for approval. This may be the biggest fire season in a long time so the District will be paying tons of overtime, sending its firefighters out to support other agencies and to other areas of California. It will cost money and the District has to cover it. That is MOFD's mission. That is why we are here.

(58:04) Director Jorgens stated that Chief Healy previously said that it is not supposed to be the worst fire season because we had more water than normal and we were not going to have extra staffing during the hot days. He stated that Chief Healy and ASD Sasser said that they made no changes in the budget because the Finance Committee did not give them direction to do so. This budget is the same as when it went to the Finance Committee meeting. All the comment, and the work that has been done by the Board to make comments has not shown up in the budget and he is happy to give staff guidance.

Director Barber stated that the budget has little flexibility due to salary and benefits that it is contractually responsible for. It is a budget that does not have much reserves for any contingencies that may come up during the year and the Board should ask management to reduce the expenditures where they can. If the situation changes in six months, we could revisit the budget and see what could be done then. Director Barber is inclined to support Director Jorgens and begin the process of building reserves.

Director Jorgens moved to give Chief Healy guidance, that he maintain the operating and overtime budget at last year's level, and bring it back to the next meeting to present to the Board. Director Jex seconded the motion. No roll call was taken.

Vincent Wells, President of Local 1230, voiced his concern about the motion that was presented. It does not say anything about what level of response the Board wants the District to maintain. Mr. Wells asked what Director Jorgens means by keeping the budget the same as last year.

Director Jorgens explained that what it means to him is that the Chief will prepare a budget that meets those guidelines. Not changing the employee salaries but keeping the operating expenses and overtime level the same as last year.

Mr. Wells stated that his concern is operational – if it means that the District does not run an ambulance one day or close an engine company to stay within the guidelines. He asked the Board to be on the record and confirm what they are deciding to do so Local 1230 can have discussions with Chief Healy.

Director Jorgens stated that he hopes the Chief would not have to do that. He is confident that Chief Healy can find \$430K that has nothing to do with the operational performance that he can eliminate from the budget, that will not change a single ambulance or fire engine rule.

District Counsel Bakker stated that the item was placed on the agenda to approve the budget that staff recommended. There was a motion not to take up the staff recommendation but to do something that is germane to the agenda item. The motion is in order but the Board has to pass it.

On a motion from Director Jorgens, and seconded by Director Jex, the Board directed the Chief to bring the budget back to the Board with changes to the operating expenses equal to the projected actuals for FY 2016/17, and overtime expenses equal to that of last year – \$1,890,000.

Lucas Lambert, Local 1230 Representative and MOFD firefighter, stated that he would like the Board to take the next item on the agenda, Approval of Salary Schedules, into account. If staff follows the direction of Director Jorgens, it would account for a decrease in overtime, not taking into account the 6.1% that the firefighters are expecting to get.

ASD Sasser informed the Board that adopting a budget legally appropriates the money – it legally gives authority to the staff to spend the money. If the Board does not adopt a preliminary budget, the amount deemed appropriated shall be based on the budget of the preceding year, excluding fixed assets and new permanent employee positions. The District cannot spend any capital money effectively until the Board adopts a budget. We will continue appropriations based on the prior budget until this is resolved.

Director Anderson stated that the Board should approve this budget now so the District can spend the money, and then direct the Chief to come back with another budget with the proposed cuts.

Said motion carried a 3-2 roll-call vote (Ayes: Barber, Jex, and Jorgens; Noes: Anderson, Famulener).

4.3 Approval of Salary Schedules Effective July 1, 2017

Effective July 1, 2017, all employee classifications covered by Memorandums of Understanding (MOUs) shall receive a 4% salary increase plus an additional increase, not to exceed an additional 3%, equal to the percentage amount by which the District's actual property tax revenues in FY 2016/17 increased by more than 4%.

As a result of the property tax revenue increase, the total salary increase is 6.91% effective July 1, 2017.

The District also has employee classifications that are unrepresented and not covered by an MOU. Staff recommends unrepresented employees (except the Fire Chief) receive the same salary increase as represented employees. This is consistent with previous fiscal years.

Salary schedules have been updated to reflect the 6.91% salary increase.

Director Jorgens asked how many of these actually require increases.

Chief Healy stated that the contractual obligations are the firefighters of different ranks, Battalion Chiefs, and members of Local 2700, which includes the District Clerk, Accountant and Payroll Technician. Unrepresented employees would be the HR Manager, Fire Marshal, Administrative Services Director, and the Fire Inspector/Plans Examiner. The way it was done in the past is that an updated salary schedule is brought to the Board for approval. There is no contractual obligation to provide that percentage.

President Famulener commented that when the MOU-covered employees all took pay cuts, unrepresented employees also took pay cuts and deserve to have the same pay raise that everyone else gets.

On a motion from President Famulener, and seconded by Director Anderson, the Board approved the Salary Schedules Effective July 1, 2017. Said motion carried with a unanimous 5-0 roll call vote: (Ayes: Anderson, Barber, Famulener, Jex, and Jorgens).

4.4 Resolution 17-11 Establishing the Appropriations Limit for Fiscal Year 2017/18 Pursuant to Article XIII B of the California Constitution

Each year the Board of Directors is required to establish an appropriations limit for the District per

California Government Code Section 7910. In accordance with the calculation formula established in the Government Code, the District's appropriations limit for Fiscal Year 2017/18 is \$28,010,956.

On a motion from Director Barber, and seconded by Director Jex, the Board adopted Resolution No. 17-11 establishing the appropriations limit for Fiscal Year 2017/18 at \$28,010,956. Said motion carried with a unanimous 5-0 roll call vote: (Ayes: Anderson, Barber, Famulener, Jex, and Jorgens).

4.5 Resolution 17-12 Classifying the Various Components of Fund Balance as Defined in Governmental Accounting Standards Board Statement No. 54 and Adopting a Revised Fund Balance Policy

The District has a Fund Balance Policy (Policy) that was approved by the Board in 2013. At the May 17, 2017 Board meeting the Board directed staff to review the Policy and bring it to a future meeting.

Director Jorgens stated that he does not understand where the District will get the money from and asked what will it do differently to make the change.

ASD Sasser stated that in the long range plan, that is where we measure the fund balance at the end of the year. Increasing it to 17% is obviously a higher benchmark. The District already has that much – it is currently at 20% right now.

Director Jex asked if there are specific amounts that go into each of the five categories.

ASD Sasser stated that it is to be determined based on what the accounting requirements are.

On a motion from Director Jex, and seconded by Director Jorgens, the Board adopted Resolution 17-12 classifying the various components of fund balance as defined in Governmental Accounting Standards Board Statement No. 54 and adopting a fund balance policy. Said motion carried with a unanimous 5-0 roll call vote: (Ayes: Anderson, Barber, Famulener, Jex, and Jorgens).

4.6 DRAFT Long Range Facilities Plan

Initiative 16-9 in the 2017-21 Strategic Plan requires a Long-Range Facilities Plan (LRFACP). Attachment-A is the second draft of the report, based on recommendations from the Finance Committee on May 9, 2017. The report still requires further validation of the costs, advanced planning for the Station-41/Training/Admin project, and Board and public input. Cost estimates are based on direction from the Finance Committee as well as estimates from others and are still be developed.

Director Barber stated that the last sentence of the attachment pertaining to Station 41 regarding relocating the station slightly. "Slightly" is a relative term.

Chief Healy stated that there are two or three other sites that are very close to the station that would improve the response times into the Sanders Ranch area, which is an area that has longer response times. Land issues in Moraga tend to be contentious and there are pros and cons about moving the station. The advice given to him was to look at those things as a matter of due diligence, however the intuition to keep things at their current site is more prudent because of the complex land use issues in Moraga.

The fire trail EVA is going in, which was something that the District required. Beyond that, the District has not formally engaged in any discussions of putting in a road with the understanding that the residents that live at the end of Sanders Ranch would likely be opposed to it.

Chief Healy asked the Board to let him know if they have suggestions on how to improve the plan. He welcomed any input.

4.7 Establishment of an Ad Hoc Audit Committee

The District has contracted with an independent certified public accounting firm to conduct the annual external audit of financial statements. The Board desires to establish an ad hoc audit committee to work with the auditors during the fiscal year 2017/18 audit.

President Famulener asked how an ad hoc audit committee would work with the auditor on a regular basis without costing the District a lot of money.

Director Jex stated that he had the discussion with the auditor during the presentation and they told him that meetings with the audit committee would not be an additional fee. Their fee estimate included the assumption that we would work with them regularly.

Director Jex stated that he doesn't mind being a one-person committee, and welcomes anyone else. The audit committee typically fulfills the responsibility of the Board as a representative, particularly when it comes down to the adoption of the report, to ensure that the quality aspects meet our expectations, and deal with issues as they arise.

On a motion from President Famulener, and seconded by Director Jorgens, the Board approved the establishment of an Ad Hoc Audit Committee that consists of Director Jex. Said motion carried with a unanimous 5-0 roll call vote: (Ayes: Anderson, Barber, Famulener, Jex, and Jorgens).

4.8 Establishment of an Ad Hoc Long Range Financial Plan Committee

The Board desires to establish an ad hoc long range financial plan committee to recommend changes to the long range financial plan.

Director Barber stated this could be done with a committee but would do best to begin with a Long Range Plan that has specific objectives and goals.

ASD Sasser stated that it does not matter to her whether she meets with a committee or with a couple of directors to discuss development and changes to the Long Range Financial Plan.

Director Jex stated that if the District institutionalized it with a focus in the charter, some of the issues that were addressed earlier will hopefully be addressed in a structured way with targets set and actions taken to implement those things. It would go a long way to help resolve some issues.

On a motion from President Famulener, and seconded by Director Jorgens, the Board approved the establishment of an Ad Hoc Long Range Financial Plan Committee that consists of Directors Barber and Jex. Said motion carried with a 4-0 roll call vote: (Ayes: Barber, Famulener, Jex, and Jorgens; Noes: Anderson).

4.9 2017 Board Meeting Schedule

Currently, the Board of Directors have scheduled regular Board Meetings on the third Wednesday of each month. Special meetings are scheduled throughout the year to address time sensitive District issues.

At the May 17, 2017 Board meeting, staff was directed to bring the option of switching back to two meetings per month (First and Third Wednesdays). Returning to this schedule would allow the Board to cancel the first scheduled meeting of the month if not needed and reduce the need for calling special meetings.

Director Jorgens suggested keeping the regular meetings on the third Wednesday and use the first Wednesday for special meetings, if needed.

President Famulener stated that the Board should go back to meeting on the first and third Wednesday to accommodate having closed sessions twice a month and the Master Calendar items.

Director Jex commented that he planned his entire calendar around having one regular Board meeting a month. Meeting twice a month is very time consuming, and puts a burden on staff.

President Famulener made a motion to move back to regular meetings on the first and third Wednesday of every month. Director Anderson second. Said motion carried a 2-2 roll call vote: (Ayes: Anderson and Famulener; Noes: Jex and Jorgens; Abstain: Barber). The motion did not pass.

Chief Healy stated that there are typos on the calendar for June, July and August and asked that the calendar be amended to include the correct date of June 21, 2017, and to strike item 2 in both the Closed and Regular Sessions.

ASD Sasser stated that she and Chief Healy will need time to meet with the Management Team to come up with recommendations to reduce expenditures by about \$400K.

5. Committee Reports

5.1 Finance Committee (Directors Anderson and Barber)

The Committee did not meet.

5.2 Pension Review Ad Hoc Committee (Directors Barber and Jorgens)

The Committee did not meet.

5.3 Board of Directors and Fire Chief Roles & Responsibilities and Rules of Procedures Update Ad Hoc Committee (Directors Famulener and Jorgens)

The Committee has not officially met but there may be a couple items on the July agenda.

6. Announcements

6.1 Brief information only reports related to meetings attended by a Director at District expense

President Famulener reported that she and Chief Healy attended the County Fire Boards and Commissioners Association meeting on June 15, 2017. She announced that she is now the President of the Association and hopes that more Directors attended future meetings.

6.2 Questions and informational comments from Board members and Staff.

Chief Healy reported that the Station 43 project is delayed due to contract issues. Staff and the Board are working to resolve those issues with a goal of getting the station built as soon as possible.

6.3 District Updates for April 2017

MOFD Captain Steve Gehling gave a brief presentation on several significant incidents within the district in the last month. This includes four structure fires (one going to second alarm), three second-alarm or greater vegetation fires (one going to four-alarm), several stressful medical emergencies, and several fundraisers for charity.

7. Adjournment

At 9:48 P.M., President Famulener called for adjournment of the regular meeting.



Grace Santos
Secretary to the Board