

Moraga-Orinda Fire Protection District



BOARD OF DIRECTORS SPECIAL BOARD MEETING MINUTES

September 27, 2017
(Approved October 18, 2017)

1. **Opening Ceremonies**

The Board of Directors convened in Open Session at 5:30 P.M. on September 27, 2017 at the Moraga Library Community Room, 1500 Saint Mary's Road, Moraga. President Famulener called the meeting to order. Present were the following Directors and Staff:

President Famulener	Director Jex	Gloriann Sasser, Admin Service Director
Director Anderson	Director Jorgens	Grace Santos, District Clerk
Director Barber	Jerry Lee, Interim Fire Chief	

2. **Public Comment**

There was no comment from the public.

3. **Consent Agenda**

Director Barber asked to pull Item 3.2 Monthly Financial Report from the Consent Agenda to discuss separately.

Motion by Director Anderson and seconded by Director Jorgens to approve and file item 3.1 Meeting Minutes. Said motion carried a unanimous 5-0 roll-call vote (Ayes: Anderson, Barber, Famulener, Jex, and Jorgens).

Director Barber stated he was not sure if the District was above or below its run rate and asked if we are where we expect to be at this time. ASD Sasser stated that she has no concerns at this point in the fiscal year.

Director Jorgens asked if it would be possible to change the format of the report because it is hard to read. He is used to seeing this period's actuals versus this period's part of the budget. ASD Sasser stated that she could make the change.

Director Jex asked if it was unusual that the strike team overtime budget was almost depleted. ASD Sasser explained that strike team overtime is seasonal and occurs mostly in July, August, and September. It is normal to see most of it expended.

Motion by Director Jorgens and seconded by Director Jex to approve and file item 3.2 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 **Draft GASB 75 OPEB Valuation Report as of June 20, 2017 and Approval of OPEB Funding Policy**

The District provides retiree health insurance benefits to employees. Government Accounting Standards Board Statement No. 75 requires the District to complete an actuarial valuation of the other post-employment benefits (OPEB) plan. As a result, the District contracted with GovInvest to complete an actuarial report calculating the long-term cost associated with the District's OPEB plan. The draft GASB 75 OPEB Valuation Report as of June 30, 2017 has been completed.

In September 2016 the Government Finance Officers Association recommended that every state and local government that offers OPEB formally adopt a funding policy that provides reasonable assurance that the cost of those benefits will be funded in an equitable and sustainable manner. Staff recommends the Board adopt the OPEB Funding Policy. If the Board decides to accelerate reduction of the net OPEB liability, the Policy will need to be modified.

Director Jex stated that the implementation of GASB No. 75 was not reflected in the Draft CAFR. ASD Sasser stated that GASB No. 75 will be implemented. The information was not available in the Draft CAFR but will be in the final version.

Roger Burton, from GovInvest, reviewed the report. There was concern about one of the paragraphs in some of the caveats about disclosure. He does not see a problem about removing that caveat, especially if it is agreed to in the contract. If the report will be disclosed publicly or available for public disclosure, it negates the disclosure caveats.

Director Jorgens commented about a meeting with the GovInvest President. Director Jorgens pointed out that it could be a strain on the use of a model and it was agreed that the content would be removed from the confidentiality agreement. Mr. Burton agreed to remove it in the final copy.

Director Jex asked if the expense is what goes into the financials. Mr. Burton said the expense goes in the income statement and the OPEB liability will go with the balance sheet.

Director Jorgens asked if the amount of \$1.4 included the amount to fund the trust and goes under last year's approved amount. Mr. Burton stated that it is under the actuarial determined contribution calculated the same as the actuarial required contribution under GASB 45 was calculated. It is not under the accelerated payment. It is a 20-year amortization period, with a 7.25% discount rate.

Director Barber asked about the difference between explicit and implicit subsidy in the calculation of total contributions. Mr. Burton explained that the healthcare cost of a retiree is x dollars per year, but the dollar amount tends to be higher for employees until they go into Medicare. The rate that is charged those pre-Medicare retirees is the same rate that is charged the active employees. The active employee is paying a little bit more and the retiree is paying a little bit less on average. The active employees are subsidizing those pre-Medicare retirees, which is the implicit subsidy. The explicit subsidy is the actual cost for the retiree and the implicit subsidy is the portion of that cost that the active employees are supplying to their premiums.

Director Jex inquired on the refunds of employee contributions. Mr. Burton stated that if MOFD has refunds of employee contributions, they would be included. ASD Sasser explained that MOFD employees pay a share of the medical insurance but do not refund any costs. Mr. Burton stated that they could strike the language since MOFD does not have any.

Director Anderson commented on the unrealistic District's investment strategy goal of 7.25% ASD Sasser explained that GASB 75 requires using 7.25% in the valuation. GASB 75 is written that way – the amount that you are trying to achieve based on your investments is the discount rate that has to be used. The Board expressed their concern about being too aggressive and ASD Sasser suggested offset it by funding the actuarially determined contribution at a lower discount rate or shortening the term.

Director Jorgens stated that he did not realize that they were accepting an assumed rate of return when the Board agreed to invest and did not think it was possible.

Director Anderson stated that he did not know that GASB 75 required that number to be used in the actuary report and the only way to change the 7.25% is to redo the investment strategy with the trust manager.

Director Jorgens asked how often the number was updated and if the Board has any input on what the number is. ASD Sasser stated that it has been less than a year, but she feels that it should be looked at annually.

Director Jorgens asked if the fund manager has changed the expected returns on the District's portfolio, if that number should be what is reflected for GASB, and if the return expectation has changed since the District made the investment. ASD Sasser stated that she has not received any correspondence from HighMark Capital or PARS that the expected return has changed.

Mr. Burton explained that if the projected assets are insufficient and you contribute to the trust at the actuarial determined contribution level of 7.25%, it will build up the trust fund to so that it is sufficient to cover the liability. You are allowed to use a full long-term expected rate of return discount rate. If the assets fell short and you were contributing at an amount less than the ADC, they would have to blend the higher and lower rate. If you chose a pay-as-you-go method, they would use solely the lower 20-year bond rate.

Director Jorgens asked ASD Sasser to get in touch with the money manager and inquire if they changed the expected rate of return for the District's portfolio for the long term and make sure to put it where the current number is. He asked if it is an accurate way to correct the difference in expected return, or if the timing difference makes it a problem.

Mr. Burton explained that the timing differences would change it. If the District does not believe the fund manager and expects a lower long-term rate of return, it may be possible to use the lower rate. That would increase the District's liability, but the actuarial determined contribution would also be higher. Mr. Burton explained that the 7.25% discount rate has a lower liability. The District could use 6.25% but the liability and the ADC will be higher.

ASD Sasser stated that according to the auditor, the District must follow GASB 75 and use the assumed rate of return at 7.25%. The auditor stated that the report would not comply with GASB 75 if the District did not use 7.25% for the discount rate to calculate the liability. The expected rate of return is what the investment manager is trying to achieve, which is the rate the District has to use.

Mr. Burton agreed with ASD Sasser and stated that the auditor will not approve the Board not going with the fund manager's discount rate.

Director Jex stated that the District would be understating its liabilities and contributions required to meet the obligations. He would rather see something more realistic that is achievable.

Director Anderson suggested that Director Jex discuss the issue with the auditor since he is the Ad Hoc Audit Committee.

Director Jorgens suggested using a different discount rate or change the amortization period.

Director Barber asked why the particular amortization periods were used and if there was a connection between the years and a specific life cycle. Mr. Burton stated that there was not but believes that the auditors frown upon a longer amortization period. He has not seen anything in the actual language saying it cannot be done. Twenty years is becoming the standard for GASB 75.

Director Jex recommended using 6.25% in 15 years, which is conservative and ensures the numbers are adequately met and funded to meet obligations.

Mr. Burton stated that 6.25% for calculating the contribution is equivalent to a 17.5-year amortization period and would increase the contribution by just under \$84K a year. A 15-year amortization period, would be between 4.25-5.25% and would increase the contribution by \$226K per year. Shortening the amortization period is simpler, but it can be done either way. They both end up with an increase in contribution so it can be calculated as one or the other and get the same result as a combination. It is fine to do the combination so that the discount rate and length of amortization matches what is expected. A 6% amortization at a 15-year period would be more than \$226K, but less than \$325K per year.

Director Jorgens stated that the three things they are looking for are the amortization period, discount rate and approval of the number that it implies, which is unknown. He suggested using inflation plus 4% from the Philadelphia Fed.

Mr. Burton stated that they need a funding policy from the Board. If the Board picks 6% or 6.25%, he asked what it was based on, what it will be based on in the future, and how it would be worded so that it is consistent each year.

ASD Sasser stated that Attachment B is a draft of the proposed OPEB Funding Policy. The second paragraph, third sentence states that the actuarially determined contribution will be calculated using a discount rate of 7.25%. If the Board wants it to be 6%, we would change it. She recommended the Board adopt the funding policy and decide what they want the discount rate number to be as well as the unfunded liability amortization period.

Director Jorgens stated that 6.25% is a more realistic rate of return for the portfolio. In addition to having the right discount rate, we should be paying our obligations back over a 15-year period.

President Famulener stated that the Board has an option to do 17.5-year period instead of 15 years for only \$80K a year. If we go to 15 years, it will cost at most \$300K a year, which is a huge difference.

Director Jorgens stated he would like to bring this item back at a later meeting. He would like to see what the numbers really are and include a table that explains it.

Mark McCullah, MOFD Captain and Local 1230 representative, addressed the obligation bonds. In one year, there has been a decrease of \$1.5M and 9.8%. The District is addressing the problem and it is working well. If the money is not available, services might need to get cut in order to fund it. The \$80K or \$300K would be in addition to the \$1.7M that is already being spent. He does not want a formal policy that requires the District to pay it on a yearly basis, which may affect service levels.

Mr. Burton commented that the District could shorten the amortization period to 15-years, but if on top of that you decrease the discount rate used to calculate the contribution, the District will be contributing at a higher rate than what is required according to the long-term expected rate of 7.25%. What that will do is shorten the actual amortization period below 15-years. He estimates it would cost between \$225K and \$300K more per year.

President Famulener stated that in 2022 the District will have an extra \$2M in the general fund every year. She suggested that the Ad Hoc Long-Range Planning Committee come up with a long range policy to include being able to use the money to pay off the unfunded liabilities, or a portion of it. She suggested accepting the policy as written for the next fiscal year.

ASD Sasser stated that the CAFR is scheduled to be finalized at the October meeting and staff needs direction and a final policy decision. Last year, the Board directed staff to have the CAFR completed earlier this year and the goal was to have it done by October.

Director Barber asked what the affect would be of adopting either the reduction in discount rate, the reduction in amortization period, or both, on the operating budget next year and in subsequent years.

Director Jorgens stated that part of the rationale during budget discussions was to take the money the District would be saving from budget cuts this year and put it into the OPEB and pension trusts. The number left over in budget cuts was roughly \$400K. There is more money left than this would require.

President Famulener stated that there was never a vote on agreeing to that.

Director Jex agreed with Director Jorgens and stated that it was their justification for doing what they did. GASB 75 will be implemented this year and it should be done so it is reliable and believable, and 6.25% will be thought of as more realistic.

Director Barber asked if the operating budget can absorb the additional costs next year and in five years going forward. He asked if staff could make an assumption and do a projection about whether an additional \$80K, \$225K or \$250K would be possible or too great a burden on the operating budget.

ASD Sasser stated that it can be done. There are surpluses. The Long Range Financial Plan is regularly updated, and there are general fund surpluses that are significant over the next five years. The policy of this plan is that it should be reviewed annually so if something changes significantly, it could be changed. This is a policy decision by the Board, and if the priority is to pay down the unfunded liabilities because they are a significant threat to the District, then that is a Board decision. A policy needs to be adopted so that the District can get it done for this year, and a year from now, the Board could again consider the policy.

Director Jorgens stated that he would like the Actuary to prepare the numbers using a matrix to show different discount rates and different amortization periods. He would like to talk to both the District's auditor and money manager to see if the rate has to be used, and if it is still the current rate.

Director Barber suggested looking at different amortization schedules. He wants to see what the implications of adopting one of the two models, or both, would be on the District's operating statement going forward to beyond the point of paying off the pension obligation bond.

ASD Sasser stated that this would delay the CAFR to November, and asked the Board if they want Mr. Burton to come again next month.

The Board stated that they did not need the actuary to return as long as they are provided with all the numbers.

Mr. Burton stated that GASB 75 says that the contribution can be calculated however the Board wants by using a different discount rate, amortization period, or a combination of the two. Other options include adding a fixed dollar amount or a lump sum amount in total each year.

4.2 Approval of Contract for Station 43 Construction Management Services with Consolidated Construction Management, Inc. in the Amount Not to Exceed \$229,638 and Approval of Capital Projects Fund Expenditure Budget Adjustment Increase in the Amount of \$243,050

Station 43 construction management services with Stewart Enterprises will expire October 9, 2017. Staff was directed to seek other construction management services to complete the project. Staff reached out to two construction management companies that had previously bid the station 43 project and two other companies based on referrals.

Consolidated Construction Management (CM), Inc., had previously bid on the station 43 project and understands the scope of work that is necessary to complete this project. Consolidated CM specializes in fire station construction management and is proposing a seasoned team of professionals who bring recent, specific, in-depth knowledge of fire station construction management and inspection, and are available to mobilize immediately. Recent fire station construction projects include Menlo Park Fire Protection District station #2, and station #6 (in progress). Reference checks from recent clients have been very strong.

Additional items added to the scope of work are for continuous field inspections and labor compliance services to comply with state law. The proposal from Consolidated CM is in the amount of \$229,638. Total capital projects fund expenditure budget adjustment that will be required is \$243,050 to include \$13,412 of invoices from Stewart Enterprises.

Construction management is considered a professional service and is exempt from the bidding requirements in MOFD Ordinance No. 16-01 for purchase of goods and services.

Chief Lee clarified that continuous field inspections means continuous oversight and knowledge of the project, not that an inspector will be at the project site every single day. He introduced Scott Ritter from Consolidated CM, who was available to answer questions.

Director Anderson asked why there was an 11-month cap on the project. Chief Lee stated that according to the contract with FSG, once we give them the notice to proceed, they have 335 days to complete the project.

Mr. Ritter stated that they felt a half-time budget for the duration of the contract should be adequate. There will be rain and if nothing is happening on the site, they will not be expending funds. They will supply a time and material invoice not to exceed half time. If there is a delay due to rain and the project takes twelve months, they would slow down their invoices. It is a time-and-material contract.

Director Anderson stated he interpreted the contract differently – that if the time exceeds 11 months and is not under Consolidated CM's control, the District owes them more money. It is a time-and-material contract with no cap, and if it runs out of time, Consolidated CM will keep billing the District. He stated that 11 months is an unrealistic timeframe.

Mr. Ritter stated that it is a "not-to-exceed" for \$229,638 in that duration. They will not charge a straight half-time. If construction is stalled for weather conditions, they will not be charging time to the project, which is where potential savings would come and that could be used at the end of the job. They could describe it better in the contract.

Mr. Ritter said they could do a fixed amount for each month that the contract is extended. They could add several more months for a rain/unexpected buffer, and they could add a line for a certain dollar amount per month if it goes beyond the 11 months.

Director Anderson suggested changing it to 15 months and to keep the same price. Mr. Ritter agreed.

Director Jorgens asked if the additional \$13K is the entire bill. ASD Sasser explained that it is how much was paid to Steve Stewart in the current fiscal year, plus the outstanding invoice that has not been paid. The unpaid invoice is part of the budget adjustment that is proposed.

The Board agreed that the unpaid invoice is a different issue and needs to be voted on separately. They are not prepared to approve any more money to Steve Stewart.

Motion by President Famulener and seconded by Director Jex to approve the contract with Consolidated Construction Management, Inc., with the amendment of 15 months, not to exceed \$229,638. Said motion carried a unanimous 5-0 roll-call vote (Ayes: Anderson, Barber, Famulener, Jex, and Jorgens).

President Famulener announced that the second part of this item would be discussed after the public workshop.

5. **Public Workshop**

The Moraga-Orinda Fire District Board is in the process of preparing a position description for the Fire Chief and seeks the public's advice and input.

John Wyro, Orinda resident, submitted comments that he and Fred Weil, Moraga resident, drafted. The comments included a list of important traits the new fire chief should have (Attachment A).

Kathy Finch, Orinda resident, voiced her concern about the pension fund and stated that the community needs a new fire chief with some financial background. Ms. Finch submitted her comments in writing (Attachment B).

Janet Maiorana, Orinda resident, commented on issues that faced MOFD over the past 20 years. Ms. Maiorana stated that the new chief should be informed about the past 20 years, have solutions to the District's problems, have communities pay their fair share, have solutions to reform the broken pension system, be a good steward of the tax payers' dollars, and take advice from tax payers.

Richard Nelson, Orinda resident, stated that leadership is a crucial issue. The District needs a chief who can manage our firefighter/paramedics in executing their roles, and a leader who looks for new and better ways to serve Moraga and Orinda's needs. The chief should be a dynamic person who is open to new ways of organizing fire departments, who can lead us in facing serious problems, and someone who will look at new technology in doing things.

Steve Cohn, Orinda resident commented that MOFD is doing a very good job on its primary responsibility of providing emergency services to the community. The availability of funds to provide those services is threatened because of the retirement benefit obligation. Historically, fire departments are run by experienced firefighters skilled in operations. MOFD is in need of a leader with a strong resume in finance, fiscal management and long-range financial planning. MOFD needs to be led by a business person. Mr. Cohn submitted written comments (Attachment C).

Jonathan Goodwin, Canyon resident, stated that the primary quality of a successful fire chief is the practice of good political skills, have a good track record of working well with stakeholder groups to successfully implement existing policy and instituting prudence, working well with the rank-and-file, chief officers, other staff, community members, local politicians, municipal staff and its Board of Directors. Mr. Goodwin submitted written comments (Attachment D).

Eugene Gottfried, Orinda resident, agreed with the previous comments on the qualifications an ideal fire chief should have. The new fire chief should be a leader who is respected by the firefighters and the Board, someone who will communicate and have a good business sense, be familiar with emergency medical services (EMS) and new technologies. Problems with prior chiefs was their lack of communication with the community in which they work. The new chief should be someone who knows the communities of Moraga and Orinda spends time in community activities.

Gordon Nathan, Orinda resident, stated that the community needs a fire chief for all seasons. The ultimate decision belongs to the MOFD Board but they need to select a recruiting firm and trust them to bring in qualified candidates. The new chief should be someone who works collaboratively with the firefighters, has EMS experience to better relate to the staff, and good public relations skills.

Tom Norris, Orinda resident, echoed concerns about pensions and added his own concerns of wildfire fuel reductions.

Mr. Nelson asked the Board to consider the length of employment for this new fire chief and consider someone who lives in the community.

Karen Norris, Orinda resident, echoed the concerns about the pension issue, and stated that they are very proud of the Fire District and grateful to the Fire Chief. She said that the financial situation is a turning point on the back of the Board.

Director Barber asked if staff would include the names of the people who have written in and submitted their comments and incorporate their statement into the minutes.

President Famulener directed staff to include the written correspondence as attachments. In addition to the speakers who read their comments at the meeting, also attached are written correspondence from Moraga Town Manager Robert Priebe (Attachment E), Richard Olsen (Attachment F & G), and Linda See (Attachment H).

Director Anderson asked for Local 1230 Union President Vince Well's thoughts. Mr. Wells stated that they would like to see a new chief who knows the business, someone they can rely on for their expertise on policies, procedures, and operational plans. The chief should be able to work collaboratively with the Board, have the trust and support of the Board, communicate with the community, and have the confidence and trust of the community. The new fire chief should understand the community, listen to various political agendas of the community, but still make the best decisions on protecting the firefighters and the community.

At 8:05 P.M., President Famulener announced that they would take a break.

President Famulener reconvened the regular business meeting of the Moraga-Orinda Fire District Board of Directors at 8:14 P.M.

Anthony Stephens, Vice President of Local 1230 and MOPFA President, gave a brief PowerPoint presentation.

After the Public Workshop, the Board returned to discussing Item 4.2. President Famulener asked staff to explain what the additional \$13K was for.

ASD Sasser stated that the \$13K is for services authorized in fiscal year 2017-18. Mr. Stewart was already paid for all of it except for approximately \$4K, which is the final unpaid invoice. Staff is asking for a budget adjustment to reflect the payments for the work that he did, which totals \$13,412, of which \$4K has not been paid out. This was authorized by the previous Fire Chief for work requested by the Board, which has been going on since July, for various assignments.

Motion by Director Barber and seconded by Director Famulener to adjust the budget to add \$13,412 to pay for services already requested and rendered. Said motion carried a 4-1 roll-call vote (Ayes: Barber, Famulener, Jex, and Jorgens; Noes: Anderson).

4.3 2016 FEMA SAFER Grant

In the winter of 2016, MOFD staff submitted a grant application to the FEMA Staffing for Adequate Firefighter & Emergency Response (SAFER) program. MOFD requested funding for four (4) positions in the amount of \$1,391,200 over three years, to restore a dedicated full-time ambulance in Orinda (Medic 145). Notification of award was received on August 18, 2017.

Under normal circumstances, recipients have 30 calendar days to accept or decline the award. A 30-day extension was granted to the District to allow additional time to discuss and deliberate the impact(s) to the District.

The District's maintenance number for the three-year period of performance is 56. This number represents the number of rostered firefighter at the time of work, plus SAFER firefighters.

Chief Lee gave a PowerPoint presentation and answered questions from the Board.

Chief Lee stated that the Board has a few options. The Board can say no to the SAFER grant; say yes to the SAFER grant and the Board can provide direction on a staffing option; say yes to the SAFER grant and defer a staffing option.

Director Anderson asked why a decision had to be made so soon on the staffing option and stated that it is the Chief's responsibility to tell the Board what the best staffing option is. It is an operational decision.

Director Jorgens stated that the Board should accept it now using floaters, and leave the rest of it open to future input from the Chief and recommendations.

Captain McCullah stated that the intent of the grant is to restore a dedicated full-time ambulance in Orinda. It is up to the Board to honor it but it is the reason MOFD received the funding, which is included in the Strategic Plan and supported by the Union. The shutting down of Medic 45 had nothing to do with pension costs. It was due to a recession that affected the entire country. The grant was written and accepted for a reason.

Chief Lee stated that the grant proposal was written to restore Medic 45 or 19 staffing. However, the District is not bound to any specific deployment model once awarded the grant.

Local 1230 Representative and MOFD Firefighter Paramedic Lucas Lambert stated that the District would not have been awarded the grant if it was written for anything other than restoring staffing to what it was pre-recession. The recession numbers were due to a world recession, not due to the pensions of our firefighters. Local 1230 will lean on the Fire Chief for options for what the District will look like in the upcoming year. There are a number of different things that will impact the District, the community and the citizens greatly – what the staffing model will look like, if we will return to a full-time ambulance that primarily services North Orinda, the appropriate staffing for the new Tiller truck, and the upcoming station bids.

Captain McCullah added that a lot of the overtime incurred by the firefighters occurs over the summer with strike-team and single-resource deployments. That is reimbursed by the state not only for the person who is out on the strike-team but also for the person who is filling in for them at the station.

Director Jex asked if the number in the financial statements was net of reimbursement from the state or if it was gross. ASD Sasser stated that the overtime is gross and the reimbursement from the state is recorded as revenue. The District has not received any revenue yet for this fiscal year. It would come later in the year.

Director Famulener asked what month the firefighters put in their station bids. Captain McCullah stated that bids typically occur this month, which is why the deployment model is time-sensitive to the membership. The current bids expire at the end of this year.

Director Anderson asked the membership if the staffing decision is one that should come from the new fire chief. Mr. Wells stated that ethically, MOFD asked for the grant that was approved for 19 staffing. When you are awarded a grant, you use it for what they gave it to you for. That is the principal. The District should make this decision on the number of personnel it wants to hire. The new fire chief will not have a problem with having two more firefighters on duty.

Director Jorgens stated that there is a lot of work that other departments around the state and the country does to help guide their intuition about how to staff things properly. He feels that there is a lot more research and analysis that needs to be done before he can make a fully informed decision about how to staff the system, and the ideal way to provide the best emergency services for the community.

Motion by Director Jorgens and seconded by Director Jex to accept the SAFER grant and maintain current staffing (17 minimum / 59 positions), subject to the Fire Chief presenting a staffing model on how to use the extra SAFER firefighters (other than as floaters) to the Board for approval. Said motion carried a unanimous 5-0 roll-call vote (Ayes: Anderson, Barber, Famulener, Jex, and Jorgens).

4.4 Draft Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2017

Each year the District engages a certified public accountant to audit the financial statements of the District. The District's Administrative Services Division prepared the financial statements for the fiscal year ending June 30, 2017. The financial statements have been audited by Vavrinek, Trine, Day & Co., LLP. A draft Comprehensive Annual Financial Report (CAFR) has been Completed.

The draft CAFR is complete except for items relating to the net OPEB liability. The net OPEB liability is pending completion of the actuarial valuation.

The final CAFR is scheduled to be completed and presented to the Board at the October 18, 2017 board meeting.

Director Jex stated that the draft is done but there are two things that will be required before finishing it. A decision with regards to what the Board will do to the adoption of GASB 75 in terms of the discount rate. That is open until a decision is made and it is not reflected in the draft CAFR. After doing that, the changes will need to be made. If the Board has any recommendations regarding changes or modifications they would like to see in the draft CAFR regarding disclosure or comments, provide them to ASD Sasser. Once it is a final document, they will review with the auditor and bring it to the Board for approval.

The Board received the draft CAFR.

6. Closed Session

At 9:45 P.M., the Board adjourned into Closed Session.

7. Reconvene the Meeting

President Famulener reconvened the regular business meeting of the Moraga-Orinda Fire District Board of Directors at 10:15 P.M. Present were the following Directors and Staff:

President Famulener	Director Jex	Gloriann Sasser, Admin Service Director
Director Anderson	Director Jorgens	
Director Barber	Jerry Lee, Interim Fire Chief	

8. Report of Closed Session Action

There was no reportable action taken in Closed Session on item 6.1 Conference with Legal Counsel – Potential Litigation., 6.2 Public Employee Appointment, 6.3 Conference with Labor Negotiator (Local 1230), 6.4 Conference with Labor Negotiator (Local 2700), and 6.5 Conference with Labor Negotiator (MOFCOA)

9. Public Comment

There was no comment from the public.

10. Adjournment

At 10:15 P.M., President Famulener called for adjournment of the regular meeting.



Glace Santos
Secretary to the Board

Attachment A

Thoughts on the selection of the next MOFD Chief

Fred Weil and John Wyro

The Fire Chief is the chief executive officer of the District

The Chief must interact with the staff, the public, other governmental agencies and must gain their trust if the District is to operate at its most effective levels.

It is important for the Board to appoint as Chief someone with the technical skills to earn the respect of the firefighters, EMTs and paramedics and the personal skills to inspire the confidence of the public and Board.

The Chief should be at the table with the Board's labor representative in contract negotiations with the unions because the Chief interacts daily with the staff, and no one else is likely to understand the issues of importance to the staff. This was abundantly clear in the negotiations a few years ago when the staff accepted a 9 percent decrease in compensation in order to preserve services for the residents—this did not happen because the Board was smart or charming. It was entirely the result of a Chief having built a trusting relationship with our staff.

What of the Board? The Board is responsible to hire the Chief and evaluate the Chief's performance against agreed upon goals.

The Board is responsible for budgets in collaboration with the Chief, including long term planning, but Board members must remember the limitations of their roles and the reason why a strong Chief is imperative. Board members have the authority of the District only while they meet in accordance with the law—individually, they are private citizens like everyone else.

Individual Board members do not run the District and should not get involved in setting line items in budgets or in operational matters.

It is important for each member to work collaboratively with each other and the Chief

It is important to understand how easy it is for board members to create problems when they step out of their roles. These principles are not new, and this Board must not lose sight of them. Hopefully, with the hiring of a strong Chief worthy of respect of the Board and community, all parties will work within their roles to create a positive work environment for the benefit of the community.

It is import to hire a Chief who is not just building a resume. The staff will quickly see through that kind of person and that Chief will never be credible.

It is important that the Chief you hire have the prospect of remaining for at least 5 years because the District's financial situation will begin to change radically, starting in 2021, when the last of the outstanding bonds are paid off. There will be an opportunity to radically

Attachment A

decrease the District's retirement and OPEB liabilities, and to set in motion a plan to essentially eliminate them over the following 10 years or so

There will be other demands, including a desire of the staff for compensation that more clearly reflects parity with that of nearby districts. Those are needs you must be cognizant of – they cannot be ignored without risking the loss of highly trained staff and facing difficulties in replacing departing staff.

There will also be legitimate demands for improvements in District services, including how to better serve north Orinda. It is important that the new Chief have an understanding of the District as it stands today and the vision to lead the District to what it can be as the financial situation improves.

The Board should do everything possible to select a new Chief who will have the skill, strength and integrity to gain the trust of the staff and community, trust needed to be able to fulfill this most critical role and once selected, the Board must do everything in its power to support its Chief.

Between Fred and I, we have played a role in the selection of every Chief the district has had. **It is the most critical decision you will make as a Board** – we know you will undertake this seriously and not just settle – get the right person or keep looking. Once selected let the Chief do his/her job and be supportive of those efforts.

There are good people out there and you must gain their trust as well – it is most assuredly a two-way street – respect the process and the candidate and good things can happen.

Fred and I would like to volunteer to be further involved in the process, such as on an interview panel.

Attachment B

From: [kathymfinch](#)
To: [Santos, Grace](#)
Subject: Community meeting tonight
Date: Wednesday, September 27, 2017 3:36:37 PM

Dear Ms. Santos,

My husband and I, both Orinda residents, look forward to tonight's meeting regarding the MOFD and we have a few questions we would like to address.

For example, in light of the amount of money funding the Fire Dep't through property taxes (24 million) and the underfunding of the employee retirement program (70 million), we believe that there should be someone in the Fire Dep't who has experience in finance, preferably someone who is a neutral party. I think we need someone who can figure out how to grow the Dept's assets so as to be able to meet the pension requirements of our hard-working firemen.

We are also concerned that Orinda provides significantly more property tax revenue to fund the MOFD than does Moraga and that the dep't emergency response time to Orinda is slower than the response time to Moraga. Additionally, both response times don't meet the district and national response guides 40% of the time.

I hope that we can discuss these issues tonight! Thank you for providing this opportunity to the community.

Sincerely,

Kathleen and Robert Finch

Attachment C

To: The Moraga-Orinda Fire District Community
Subject: Items to consider in selecting a new fire chief
From: Steve Cohn
Date: September 17, 2017

The following comments are for the community workshop which MOFD has scheduled for Wednesday September 27 regarding issues likely to confront the District during the tenure of a new Chief.

The main task of MOFD is to provide emergency service to Orinda and Moraga. The emergencies covered are broad but mainly they include emergency medical response (the preponderance of incidents) and response to fires including structure, vegetation, vehicle and others. There are a multitude of other situations MOFD responds to.

With regards this primary function of the District, I have never heard of any complaint regarding the proficiency of the District's employees or management in dealing with emergency incidents. With one exception and that is response times. When I studied the response times for all incidents in 2009, 40 percent of Code 3 emergencies in Orinda were responded to in excess of the District's six minute bench mark and 25 percent in Moraga. Response time is dictated by proximity of stationed responders to an incident. In the twenty years since MOFD was formed, the location of incidents has probably remained relatively stable as Orinda and Moraga for the most part are "built out" and the same five stations exist today as existed in 1997. Therefore, the response times today are probably about the same as they were 20 years ago. Nothing has changed. Why not? Is it impossible to improve on a 60 percent success rate? We have an average of 3.4 responders per station. 90% of Code 3 emergencies requiring rapid response are medical in nature. Does it take 3.4 responders to be an effective first responder to a medical emergency with backup following in a few minutes? Hopefully a new Chief might have some ideas on how to improve response times.

While MOFD is primarily an emergency response entity, it is actually two businesses. One is emergency response, the second is finance due to its capital needs but more importantly its employee retirement programs.

This year's budget is \$26 million. \$10.7 million is for salary and personnel insurance benefits and \$2.1 million in operating expenses for a total of \$12.8 million; about half the budget. The other half is for funding retirement benefits (\$11.5 million) and capital expenses (\$1.5 million). The balance sheet is even more skewed to the finance business. The operations side of the business has \$4.7 million in assets and \$1.9 million in liabilities for a net asset of \$2.8 million. On the "finance side", The District has \$18.4 million in capital assets, including \$6 million in cash, and only \$4.1 million in liabilities. But the tail that is wagging the dog is attached to the District's employee retirement liabilities. The District has approximately two thirds of a billion dollars in retirement benefit liabilities spread out over the next sixty years. Discounting those future liabilities to today at a seven percent discount rate results in a current liability of \$190 million. Plus the district has a Pension Obligation Bond with a current balance of \$17 million resulting in total current liabilities of \$207 million (eight times the annual budget). The District also has \$135 million in pension assets which means that its retirement plans are underfunded by about \$70 million. That is assuming that the pension assets will earn at a seven percent rate of return which they have been unable to do in the past (thus the underfunding). If they can only earn at six percent as many suggest, the liabilities increase by another \$30 million.

So the question is, what will it take, and who will it take, for MOFD to come up with the \$100 million in underfunding and after it does, what will it take to maintain a retirement fund with \$250 million in

Attachment C

assets hopefully earning \$15 million a year in order to pay down the two thirds of a billion dollars in retirement benefit liabilities? This is high finance. This requires a serious money manager with business acumen. It is a skill set that an emergency responder, even with decades of experience, may not have.

In the corporate world a company with two hundred million dollar balance sheet and twenty five million in revenues might have a CFO to deal with finances, a COO to deal with operations, and a CEO to coordinate the two. The person we normally think of as Fire Chief mostly fits the COO position. The fact that MOFD is \$100 million in debt indicates that in the past the CFO and CEO positions have been neglected. Maybe now MOFD has an opportunity to change that. I understand that traditionally “fire departments” (I don’t understand why the term “fire department” is still used when only five percent of all emergencies are fires, but that is for another day) are run by a professional fire fighter. With the district \$100 million in debt, maybe that tradition should be questioned.

There is also an issue within MOFD which management has been sweeping under the rug for years and that is issue of service equity between Orinda and Moraga. This is the elephant in the room. MOFD was formed when Orinda chose to discontinue ConFire’s service and formed MOFD with Moraga because ConFire was using Orinda tax dollars to service other communities. Orinda needed those tax dollars to improve service in Orinda. A mechanism should have put in place when MOFD was formed to measure what Orinda and Moraga were contributing to the District and what it was costing to service each community. But there wasn’t and the result is we are right back where we started with Orinda tax dollars being used to pay for services not in Orinda.

Currently there are nine firefighters stationed in Orinda’s three stations and eight in Moraga’s two stations. 85 percent of MOFD’s expenses are employee compensation costs so it is not unreasonable to allocate all expenses to these 17 positions. This year Orinda taxpayers will provide about \$15.3 million of property tax revenue to MOFD while Moraga taxpayers will provide about \$8.3 million. This means that MOFD is charging Orinda \$1.7 million per firefighter while it is only charging Moraga \$1.0 million. Why is MOFD charging Orinda 70% more than Moraga when Orinda is actually getting worse service (60 percent on time responses in Orinda vs. 75 percent in Moraga)? Because no one has been willing to admit that Orinda is being overcharged while Moraga is being undercharged. What will eventually happen if this continues to be ignored and the disparity grows, as it has (three years ago Orinda was “only” charged an additional 60%)? Why does Orinda have the same substandard fire hydrants it had twenty years ago? Why is there no fuel reduction program in North Orinda, much of which is classified a Very High Fire Hazard Severity Zone?

Because Orinda’s tax dollars are being used to provide basic service in Moraga. This should concern the head of MOFD. If this service inequity, or call it a funding inequity, is not cured, it will destroy MOFD. Orinda has no long term obligation to remain in MOFD. It partnered with Moraga to get better service than it was getting from ConFire and AMR. It can switch partners again. It will if conditions do not improve. A leader of MOFD should make sure that the Orinda / Moraga partnership stays intact and that will not happen by simply telling Orinda that there is no problem to cure.

These are the main issues a new Chief or management team will need to address:

- * **Huge retirement benefit liabilities and the funds required to pay them.**
- * **Response time deficits.**
- * **Service and funding equity between Orinda and Moraga.**

Attachment D

From: [CanyonFire](#)
To: [Kathleen Famulener](#); [brad.barber@sbcglobal.net](#); [Jorgens, Craig](#); [mjjex@yahoo.com](#); [sfecanard@aol.com](#); [Lee, Jerry](#); [Santos, Grace](#)
Cc: [nick@lamorindaweekly.com](#); [jill.ray@bos.cccounty.us](#)
Subject: Comments on Hiring a New Fire Chief
Date: Wednesday, September 27, 2017 8:55:34 AM

To: The MOFD Board of Directors
From: Jonathan Goodwin, Canyon, Calif.
Re: Comments on hiring a new Fire Chief

From what I've seen in fire agencies in Morgan Hill, Sacramento and in local areas, the primary quality of a markedly successful Fire Chief is the masterful practice of good political skills. Any one of us can have good ideas as to how an organization should be run, but few are they who have a track record of working well with a broad range of stakeholder groups to successfully implement existing policy, not to mention instituting improvements. The next Chief you hire should have a record of working well with the rank-in-file, Chief officers, other staff, community members, local politicians and municipal staff and, above all, with the Board of Directors. The new Chief should be able to show actual collaborative projects done with these groups and come well recommended by them. One local example I would point to in this regard, just to give you a bearing, is El Cerrito Fire Chief Lance Maples.

The Board should choose a Chief who has a track record of informing his/her Board about how his/her fire agency actually functions. One of the Board's most important responsibilities is approving the budget. What is a budget, but a way of trading off one value for another? You can't spend money on everything all at once, so some items must be traded off for others. Thus, the Board cannot, some would argue, do a proper job of governance with without actually understanding what is going on within the organization in areas such as GPS & mapping, SCBA readiness, what the Prevention Bureau is supposed to be doing, what proper training is supposed to look like, how well medical calls are going, what the water supply issues are, how well existing facilities serve staff and the district in general, etc.

Moreover, the Fire Service is currently going through major changes, and MOFD is no exception. For example, should the District re-organize its services to reflect the fact that more than 80% of its calls are for EMS and that fires have become far less frequent in recent decades? Should the District cut costs now in order to put money in reserve for known enormous "balloon payments" that will come in the future to cover pensions and OPEB costs?

I would say to you that only a Chief with superlative political skills can help guide the Board through these extremely important--and very difficult--discussions. Otherwise, history clearly shows us, important votes will be cast by Board members falling back upon personal biases or upon blind loyalty to a Chief who dodges the critical matters, rather than Board members making well founded, farsighted decisions.

One thing I would add to the above is that the Board should choose a Fire Chief who will clearly inform the Board, not only of what is happening within this particular fire agency, but also how this compares to national trends as well as to other local and State agencies. Absent this sort of a broad knowledge base brought to the Board by a politically sensitive Chief, it is unclear to me how this Board can fulfill its mandate to properly govern our small fire district.

Attachment E

From: [Bob Priebe](#)
To: [Santos, Grace](#)
Subject: RE: MOFD Public Workshop
Date: Tuesday, September 26, 2017 8:54:03 AM
Attachments: [image001.png](#)

Hi Grace,

Only comments are that MOFD needs a leader with similar demeanor as Stephen with great sense of humor, calm demeanor, and recognition of need to keep both Moraga and Orinda Managers informed. Really need continuation of working together to share resources in emergency response training and in actual events. Successor should be politically savvy and comfortable in saying “no” when it needs to be said.

Hope this helps.

Bob

Robert Priebe
Town Manager

Town of Moraga
329 Rheem Blvd.
Moraga, CA 94556
(925) 888-7020
priebe@moraga.ca.us

From: Santos, Grace [mailto:gsantos@mofd.org]
Sent: Tuesday, September 26, 2017 7:53 AM
To: Bob Priebe
Subject: RE: MOFD Public Workshop

Good morning, Bob,

I wanted to follow up to see if you are still interested in submitting some comments for our workshop tomorrow night?

Thank you.

Best,

Grace Santos

District Secretary / Clerk
Moraga-Orinda Fire District

Attachment F

MORAGA-ORINDA FIRE DISTRICT
PUBLIC WORKSHOP
SEPTEMBER 27, 2017

NEXT FIRE CHIEF – ESSENTIAL QUALIFICATIONS

BACKGROUND & EXPERIENCE

- For Last 5 Years has been a Chief Officer at a Senior Level (Fire Chief, Deputy Chief or Assistant Chief);
- Has at least 15 years of total, continuous service as a full-time firefighter and paramedic;
- Is Certified as a Chief Officer by the State of California. (Completion of the Executive Fire Officer (EFO) Program at the National Fire Academy would be a strong plus);
- Is Currently a Certified Paramedic. (This is essential so that the Chief is able to evaluate the performance of the paramedics under his/her command);
- Currently works at a California Independent Fire District. (The next Chief needs to be familiar with the intricacies of working in an Independent Fire District environment -- as differentiated from working in either a Municipal or Dependent Fire District situation where significant administrative support is provided from outside the fire agency);
- Currently works at a Fire District that provides Fire District-operated ambulance service;
- Has Significant Urban Wildland Interface (UWI) Fire Prevention, Pre-Fire Planning and Fire Suppression Command experience;
- Has significant experience in teaching firefighters and paramedics in formal settings as well as on-the-job;
- Is serving in – or has served in – a Fire Service Leadership position to which she/he was elected by her/his fellow Chief Officers from other fire agencies;
- Is serving on – or has served on – a County, State or a National Fire Service Committee;
- Given the MOFD's proximity to the Hayward Fault and the inevitability of a Major Seismic Event locally, current or previous service on a FEMA Urban Search & Rescue Task Force would be highly desirable;
- The MOFD is a paramilitary organization with formal roles, responsibilities and hard-and-fast rules – particularly in emergency situations. Prior military service would be a definite plus.

EDUCATION

- A Bachelor's Degree from an accredited College or University with a major that has relevance to the fire service (e.g. fire science; fire protection administration and technology; engineering; business management; emergency planning).
- A Master's Degree from an accredited College or University in a professionally relevant area (e.g. fire science; emergency planning; business or public administration). Examples: An MPA from USC; an MBA from Saint Mary's College; an MS in Emergency Services Administration from CalState Long Beach; an Executive Masters in Emergency Management from Arizona State University.

PERSONAL & PROFESSIONAL QUALITIES

- A high level of personal integrity and honesty, as vouched for by current and former superiors, peers and subordinates;
- Demonstrated strong leadership skills as attested to by current and previous superior officers and also by Commissioners and Directors under whom she/he has served;
- An outgoing personality combined with a willingness to proactively perform aggressive community outreach, in order to inform and educate the public about the services the MOFD's provides to serve the public's needs;
- A good listener with a high follow-through commitment and record;
- A self-deprecating person who takes full responsibility for any problems while fully crediting the achievements of her/his subordinates;
- An open-mindedness about new EMS and fire service technologies and service delivery options and a willingness to explore and even experiment with them;
- Strong oral and written communication and formal presentation skills;

Attachment F

- A commitment to a STRONG Fire Prevention Program that includes fully utilizing line firefighters in business and institutional fire inspections, pre-fire planning, wildland vegetation surveying and compliance and with public education programs;
- A willingness to work collegially with the Firefighters Union and its representatives;
- A record of continuously upgrading his/her personal skill set combined with a commitment to leading – by example -- the MOFD’s employees to constantly elevate their skills and abilities;
- A commitment to physical fitness in which she/he leads by example and also strongly encourages fitness and dietary regimes that will maximize each firefighter’s capacity to perform optimally in emergency situations;
- Knowledge about and experience with the accounting for and funding of unfunded Pension and OPEB liabilities would be a big plus;
- A willingness to – if necessary – move within a relatively short (10 miles?) distance from the center of the district, in order to provide a timely response (10 to 15 minutes?) to major emergency events;
- A strong commitment to educating the MOFD’s Board members about all aspects of the district’s operations, so they can more fully evaluate and then help to guide the district’s performance of its responsibilities.

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Submitted by:

Richard J. (“Dick”) Olsen
1861 Saint Andrews Drive
Moraga, CA 94556-1057
Home Phone: 925/376-4386
Fax: 925/376-4319
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Attachment F

MORAGA-ORINDA FIRE DISTRICT
PUBLIC WORKSHOP
SEPTEMBER 27, 2017

ISSUES LIKELY TO CONFRONT THE MOFD'S NEXT FIRE CHIEF DURING HIS/HER TENURE

FINANCIAL SUSTAINABILITY:

The MOFD's Balance Sheet is in dire need of a drastic overhaul.

Current trends of ever-increasing unfunded liabilities for both Pensions and Other Post-Employment Benefits (OPEBs) are unsustainable over the long-term. As a direct result, the MOFD may have no choice but to significantly increase its current payments into the reserves that have been established to offset the unfunded liabilities. That would then necessitate significant adjustments to the Operating Budget.

If that were to occur, it would then be necessary for the MOFD's Board of Directors, in concert with its Fire Chief, the Firefighters Union and the Fire District's Taxpaying Public/Customers to make significant budgetary and operational changes in order to achieve a sustainable status.

The essential question is: How can the necessary sacrifices that would be required be made in an equitable manner while maintaining essential services and continuing to provide fair and reasonable firefighter and administrative staff compensation?

POSSIBLY CHANGING MAJOR ELEMENTS OF THE CURRENT SERVICE MODEL

There are at least two constraining constants that probably cannot be changed for both service and political reasons. The first is where the three recently built or rebuilt stations -- 42, 43 and 44 -- are located. The second is the current fire department-provided ambulance service -- which latter service has historically been a major source of public financial and political support.

I would like to suggest that the incoming Fire Chief could/should be authorized by the Board to Zero Base all the other services the MOFD provides -- including staffing and the facilities, apparatus and equipment that the MOFD currently utilizes. The goal of such an exercise would be to potentially achieve a more financially responsible and also, potentially, a more efficient and effective operational scheme.

ACHIEVING A HIGH MORALE ORGANIZATION

Given that the MOFD's current and likely future financial position is unsustainable-- which may ultimately necessitate adjustments that could cause unhappiness among the firefighters and administrative staff -- what strategies and tactics could potentially be deployed to help maintain morale?

RESPONDING TO EVER-INCREASING EMERGENCY MEDICAL SERVICE DEMANDS

An aging population has led to a continuous increase in Emergency Medical Service calls. Reference to "Pulse Point" clearly shows that three or more simultaneous or overlapping EMS calls are an increasingly common condition. Excessive EMS services demand leads to empty fire stations and also the need to respond into the district AMR ambulances from outside the district with delayed ambulance arrival times. That situation may force the MOFD's current staffing and equipment model to be modified to accommodate this EMS demand increase.

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Submitted by:

Richard J. ("Dick") Olsen
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Attachment G

From: [Linda](#)
To: [Santos, Grace](#)
Subject: New Fire Chief
Date: Wednesday, September 27, 2017 2:42:06 PM

I would like to take this opportunity to encourage the board to select a Chief who has the ability to balance a budget and will not continue to fiscally endanger our community long term with spending. Let's not continue to be the Wall Street Journal's poster child for pension spiking, or ill conceived plans for facilities.
Linda See