

Moraga-Orinda Fire Protection District



BOARD OF DIRECTORS REGULAR BOARD MEETING MINUTES

February 15, 2017
(Approved March 15, 2017)

Opening Ceremonies

The Board of Directors convened in Open Session at 7:00 P.M. on February 15, 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:

President Famulener	Director Jorgens	Grace Santos, District Clerk
Director Anderson	Stephen Healy, Fire Chief	
Director Barber	Gloriann Sasser, Admin Services Director	
Director Jex	Jennifer Faught, Legal Counsel	

2. Public Comment

There were no comments from the public.

3. Celebration of Life Award

Michelle Voos and Jesse Allured, from the Contra Costa EMS Agency, recognized the heroic efforts of the Moraga-Orinda Fire District. Ms. Voos told of the survival and remarkable recovery of Matthew Scanlan.

Mr. Allured showed a brief video from the 2016 Survivors' Reunion Luncheon. Mr. Scanlan said a few words and gave his heartfelt thanks to MOFD and its firefighters. Mr. Allured presented a "Celebration of Life" plaque to Mr. Scanlan, and recognized Firefighter Mark DeWeese for exemplary teamwork in saving a life. On behalf of Contra Costa EMS Director Pat Frost and the agency, Mr. Allured thanked the Board for the impact that they make so that the MOFD firefighters can do their jobs. He stated that MOFD is always professional and shows integrity second to none.

4. Consent Agenda

Motion by Director Anderson and seconded by Director Barber to receive and file Items 4.1 Meeting Minutes, 4.2 Monthly Incident Report, 4.3 Monthly Check/Voucher Register, 4.4 Quarterly Treasurer's Report and 4.5 Quarterly Ambulance Billing Report. Said motion carried a unanimous 5-0 roll-call vote (Ayes: Anderson, Barber, Famulener, Jex and Jorgens).

5. Committee Reports

5.1 Finance Committee

Director Anderson stated that the Finance Committee met on February 7, 2017. The Committee reviewed the budget and Long Range Financial Plan (LRFP) and did not make any material changes. They reviewed the Pension Stabilization Trust and received good input from the community. Those who attended the meeting were all in agreement. Based upon the input at the meeting, the Finance Committee decided to recommend the second most aggressive investment strategy and have it passively managed. The LRFP was addressed and some changes were made to some of the assumptions, making it a little more realistic. The issue of the auditor was not addressed at the meeting. The Finance Committee is waiting for the input from the Finance Reporting Ad Hoc Committee before they address the issue.

Director Barber felt that the meeting was very productive and everyone seemed to agree on everything. The Committee made a reasoned recommendation reflecting the District's current financial health. Other districts who set up similar pension stabilization funds do so with the expectation that it is a rainy-day fund, like cash in the bank. Our projections

are sufficiently robust and positive that in the event of a reasonable downturn, we could fund what we need without having to go into a rainy-day fund. It gives us the opportunity to do something that is better for the long-term health of the district and for the financial health of current and future retirees by making sure we have the resources available in the long-run.

President Famulener commented that it would make more sense to move directly to Item 6.1 since they were already discussing the issue. The other Board members agreed.

6. Regular Calendar

6.1 **Authorize Investment in the PARS Public Agencies Post-Employment Benefits Trust Passively Managed Capital Appreciation Portfolio for Pension Funds, Authorize Transfer of OPEB Trust Funds from the Actively Managed Capital Appreciation Portfolio to the Passively Managed Capital Appreciation Portfolio, Approve the Investment Guidelines Documents for the Pension and OPEB Plans and Authorize a Pension Contribution in the Amount of \$256,000 to the PARS Trust in Fiscal Year 2016/17**

On January 18, 2017 the Board authorized participation in the PARS Public Agencies Post-Employment Benefits Trust also called a pension rate stabilization program (PRSP). The PRSP is an irrevocable trust designed exclusively for California public agencies to prefund pension costs. The purpose of the PRSP is to accumulate funds to pay for fluctuating pension costs. The funds deposited into the District's PRSP trust account will be invested and can only be used to pay pension costs. As money is accumulated in the trust, the investment returns help fund the benefits.

The next step in the process is to determine the investment strategy for the funds in the trust account. This was presented and discussed at the Finance Committee meeting on February 7, 2017. The Finance Committee was presented with five different investment strategy choices.

In addition, the District needs to decide whether the trust account will be actively managed or passively managed. The goal of active investment management is to outperform a stated benchmark. Securities are regularly traded by the investment manager under active management. The goal of passive investment management is to meet the stated benchmark. Under passive management, securities would be purchased to mirror a market index. Actively managed accounts incur higher fees. However, the actively managed portfolios have consistently outperformed the passive portfolios net of fees.

The District also needs to decide how much money to put into the PRSP. After a lengthy and thoughtful discussion at the Finance Committee meeting, which included public comment and input, Staff and the Finance Committee recommend the Board approve putting the same amount into the PRSP as the District puts into the OPEB trust.

ASD Sasser stated that Finance Committee requested two versions of the LRFP to be prepared – one that shows a contribution the same as OPEB, and one with a contribution of twice of OPEB. Because Andrew Brown, from HighMark Capital, had not yet arrived, ASD Sasser suggested that they continue discussion and make note of any questions that the investor would need to answer.

Director Jorgens asked if the Finance Committee saw the two scenarios of the LRFP. ASD Sasser stated that the only LRFP version presented at the Finance Committee meeting was the one with the equal contributions.

Director Anderson stated that it would be appropriate to look at the LRF attachment in Item 6.3 to understand the proposed changes.

ASD Sasser stated that there are two versions in Item 6.3 Attachment B is Version A – Pension Rate Stabilization Program contributions same as OPEB contributions, and Attachment C is version B – Pension Rate Stabilization Program contributions two times OPEB contributions. The Board has to decide how much to contribute for the current fiscal year 2016/17. Under Version A, with a contribution of \$256,000, the General Fund on line 4 is projected to have a surplus of approximately \$48,000. That includes a \$256,000 contribution to the pension fund. In the next version, if you double that, the General Fund will be projected to have a deficit of \$208,000. The General Fund has sufficient fund balance to use some of the \$208,000 worth of reserves and still be above the 10% minimum fund balance requirement.

Director Jorgens asked ASD Sasser to clarify that if we doubled the number, we could do so and still have the 10% cushion that we are legally supposed to have. ASD Sasser said that was correct. Director Anderson stated that the District is not legally required to provide a 10% cushion. President Famulener added that it was a Board resolution.

Director Barber asked what would the Board need to put into the pension stabilization fund to make up for a shortfall in return from CCCERA. Rather than just choose \$256,000 or \$512,000, maybe choose \$256,000 now because it is in the budget, but for subsequent years, look at a number that we derive from what we think the problem is going to be and see if that still fits in our plan. Director Barber anticipates that it will be a bigger number, particularly in the out years.

Director Anderson stated that part of the charter of the two ad hoc committees is to establish, and only for the purpose of the LRF, what our unfunded liabilities are. When we have that information, we as a Board can do what Director Barber is suggesting because we will know what the shortfall is. We will know what CCCERA is projecting, whether it is right or wrong. We will have real numbers that we can realistically work with. We do not have those numbers right now because we do not truly know what our absolute unfunded liabilities are.

Director Barber stated that he would hate to take money out of the District's reserves only to put it into a different kind of reserve. He likes having very healthy reserves, even if they do not have an opportunity to earn significant income, whereas the pension stabilization trust has the opportunity to grow.

Director Jex stated that it is a critical thing that we meaningfully fund them. When you look at the liability that we have reported by CCCERA, and even what we do on the post-retiree benefit program, those numbers are huge and probably not going to get smaller. A meaningful fund, even if we doubled it, is not meaningful. He suggested that we plan for a meaningful contribution when putting the budget together for the next fiscal year, and take action to see that it is done. Place a meaningful contribution of a couple million dollars a year into one, and a million into the other.

Director Jorgens asked if the Board puts in a certain amount tonight and finds out that it was better to put in a bigger number, would there be any reason why we could not do it later. Director Anderson stated that the Board has the ability to make changes anytime during the year and HighMark Capital is prepared to handle that. Whether it is meaningful or not, Director Anderson stated that the key is to begin to do this.

Director Jex had no objection to making the contribution this year. He stated that he does not like going into the reserve for other purposes to do it, but feels it appropriate to make some contribution to establish it.

Director Jorgens asked how much the District could put in without dipping into the reserve. ASD Sasser stated that the Board could do \$256,000 plus an additional \$48,000. We have done \$256,000 already into the OPEB trust, and now we are discussing putting another \$256,000 into the pension trust. The Board could do approximately \$300,000 and not use reserves.

The Board agreed to put in \$300,000 for the pension contribution.

Motion by Director Barber and seconded by Director Jorgens to authorize investment in the PARS Public Agencies Post-Employment Health Care Plan Trust passively managed Capital Appreciation portfolio for the pension funds, authorize transfer of OPEB trust funds from the actively managed Capital Appreciation portfolio to the passively managed Capital Appreciation portfolio, approve the Investment Guidelines Documents for the Pension and OPEB plans and authorize a pension contribution in the amount of \$300,000 to the PARS trust in fiscal year 2016/17. Said motion carried a unanimous 5-0 roll-call vote (Ayes: Anderson, Barber, Famulener, Jex and Jorgens).

5.2 Pension Review Ad Hoc Committee

Director Barber stated that the Pension Review Ad Hoc Committee met. The committee met with Professor Sarah Anzia of the Goldman School of Public Policy at UC Berkeley, who is an expert on state and local finance, public pensions, public employment laws and regulations to try to get a better understanding of the circumstance and how this fits into the CCCERA pension and the issues facing other public agencies.

The committee also met with Joe Nation, former assemblyman and now with the Public Policy Institute at Stanford University, an expert in public pensions. He and his colleagues run a business that analyzes for cities, counties and special districts the funding needs of their pensions. The committee does not recommend to use them but it might be useful to do so in the long run.

The committee called CCCERA to try to understand better the relationship of this MOFD to CCCERA, and what our legal and financial obligations and liabilities are to in the event of future changes in the financial markets. The committee spent some time reading handbooks for employees at CCCERA. They began to try to understand the implications of the 37 Act CERL, which is the legislation that established county and special district pension funds. Director Barber stated that he would like to understand the act well enough to be able to vote in an informed way when the time comes. He wants to understand better what the obligations and liabilities are for an unpooled member of CCCERA. Director Barber stated that the committee needs to do more research and currently has no recommendations.

Director Barber stated that it would be good to have a presentation from CCCERA, or someone who is truly an expert and experienced in these matters, to give Board members a better understanding of the obligations and practical aspects of how the pension plan operates, how CCCERA operates, and what our obligations are as directors.

Director Jex asked if they found out what the actual rate of return they have been earning versus what they are using with their discount rate. Director Barber stated that Director Jorgens spoke to them and that CCCERA was well below their targeted discount rate for the last several years.

President Famulener thinks that everyone would like to hear from a CCCERA representative and asked if the committee would find an expert willing to do a presentation.

5.3 Financial Reporting Ad Hoc Committee

Director Jorgens reported that the committee met and had their first meeting with Chief Healy and ASD Sasser on January 25, 2017.

Director Jorgens reported that everyone has the same objective, which is to make sure our financial statements reflect reality and comply with the GASB rules. The committee is currently struggling with whether there is a prepaid asset on our balance sheet in addition to a net pension liability. They met with staff to go over their ideas. They discussed the early implementation of GASB 74, and with feedback from the outside actuary, it was going to cost several thousand dollars and delay us by several weeks. The committee decided that it was not a wise thing to do.

Director Jex stated that in the implementation that number in the balance sheet now shows a liability of \$6M, but under the implementation next year that number will add probably anywhere from \$10M-\$20M in 2018.

Director Jorgens reported that the committee did a lot of research with outside folks, CCCERA accountants and auditors, Contra Costa County accountants and auditors, and other outside auditors. He feels that District staff and auditor have a different opinion than that of the committee. The committee offered a proposal to solve the issue. GASB offers an official process for providing guidance in the application of standards. Michelle Czerkawski was on the internal GASB staff as a manager who guided the development of GASB 68 over the five-year period. The GASB 68 implementation guide describes her as the project manager and primary staff author and she is probably the most knowledgeable in the country. She offered to provide implementation guidance and recommends that the District first submit the data appropriate for the various positions, and then have all the appropriate parties (staff, auditor, and ad hoc committee) on a single call. Their staff would provide guidance for the proper implementation of GASB 68. She is the ultimate authority that wrote the rules and tells everyone how to implement them. The Financial Reporting Ad Hoc Committee asked staff to prepare and arrange for the call and get the appropriate guidance from what they think is a definitive source.

President Famulener stated that there are some other opinions on the issue and staff has gone to the national level to get a different opinion.

Director Jorgens stated the national level is the GASB staff, and there is no other authority. District staff went to the people who provide the Certificate of Excellence, which is an organization you can join, and not the governing body that determines the rules.

President Famulener stated that the Board needs to receive the CAFR and have it on the books. It can be edited later if the Board wants to do so.

Director Anderson stated that there is a middle ground. From an accounting aspect, there are differences of opinions. He is convinced that the Board will be underreporting the unfunded liabilities based on the CAFR as it exists now, but he is not convinced that the Board should delay receiving the CAFR as it is written now. What they should do is receive the CAFR and note that the Board believes the opinion from the ad hoc committee is that the District is underreporting its unfunded liabilities.

Director Jorgens moved that the Board delay action on this until next month.

Director Jex stated that there is a simple view of what the issue is and it is not something to be ignored. In his view, there are two years out there that are false, misleading and inadequate. He stated that GASB 68 was implemented incorrectly. What you are doing is if you borrowed \$30M and you end up turning it over to CCCERA to meet an obligation. They picked it up and showed it as an asset, just like your other donations, and it is netted against your net pension liability on the books that they gave you.

President Famulener asked if there were not two different equally valid ways of reporting GASB 68. Directors Jex and Jorgens stated that there are not.

Director Jex stated that all the auditors that they spoke to, including the largest in the County, wrote off \$300M.

Director Jorgens stated that the County is one of the largest members of CCCERA and they wrote it off, contrary to what our accountant said. He did not categorize CCCERA as the proper kind of organization. He specifically said that the question 272, which was given by a local person here to GASB as the exact example for pension assets is why they developed the last question in the GASB implementation guideline. It applies to all kinds of pension funds, not just the cost sharing, the agent multiple employer, or the single employer – it applies to all of them. In ASD Sasser's June 3, 2015 report to the Board, it said that the prepaid asset should go away and be netted in the net pension liability, which is exactly what all the other auditors that we talked to said.

Director Jorgens stated that ASD Sasser was right and that it is interesting that we changed a \$20M current asset to a \$20M long-term asset in one year. Maybe there was a question about what the proper classification for it was. It should have been written off and made a pre-paid item in 2014, and if we publish the CAFR or put it on our website and say that it is accurate, we will then be materially misstating a fact by \$20M. Director Jorgens stated that he, as a Board member, and the entire Board, should be nervous about the idea that we are materially misrepresenting the financial status of our company and something that we agree is public. The only fair way to do that is to go to the advisor from GASB and have them make a determination so that we all feel comfortable that we got the right answer.

President Famulener asked if it is staff's position that there are two ways to report GASB 68, that we just chose a less conservative way to report it, but that both ways are correct. ASD Sasser stated that when she implemented GASB 68 in 2015, she followed the California Commission on Municipal Accounting's white paper. During the implementation there were a lot of meetings, it was brand new, it was very complex, and there were a lot of different issues around different agencies. For example, there were several series of meetings at CCCERA with all of CCCERA member agencies, as well as the agency auditors, and CCCERA auditor. There were a lot of different webinars and seminars that were put on by different CPA firms across the state that ASD Sasser participated in. There were many discussions and a lot of questions on the 250 page document. ASD Sasser followed the recommended standard at the time, which was to follow the CCMA white paper. ASD Sasser did the journal entries the way they said to do them, she gave the journal entries and all the backup to the auditor during the audit. The auditor audited it with no audit adjustments, and the CAFR was produced. ASD Sasser pointed out that the CAFR was also reviewed by the Government Finance Officers Association (GFOA). She spoke with the GFOA Technical Director who clarified that the CAFR was reviewed by three different individuals – two qualified reviewers from outside of California and an in-house staff person at GFOA. When you get the award, GFOA produces a document with several different sections. The GFOA Director told ASD Sasser that if we had implemented it wrong, they would tell her, and if something were deficient, we would not have gotten

the award. They would have told us if GASB 68 was implemented incorrectly. The CAFR was audited by the District's auditor and it was reviewed by the GFOA.

Director Jorgens stated that the Financial Reporting Ad Hoc Committee talked to Contra Costa County's outside auditor, which has several different offices outside the state. There are 11 counties in California that had prepaid pension obligations and 100% of those wrote off the assets in accordance with the way ASD Sasser had told the Board back on June 3, 2015. Director Jorgens looked at places all across the country that had prepaid pension bond assets and they all wrote them off in 2015.

Director Jex stated that the disclosure in terms of showing the net pension liability is all in there. The problem is that you cannot count the same asset twice, which is why they wrote it off. Because in calculating the net pension obligation, those funds are shown as an asset on CCCERA's books, not ours. So they report to us the net liability, which is all the assets we've given to them, payments that we've made to the contributions by the employee, or whatever it is that's gone into CCCERA to fund it. The assets associated with that reduce our pension liability to a net pension liability.

Director Barber stated that he feels this to be a highly technical matter and nothing that he has heard so far has educated him well enough to feel that he can make a well-educated judgement. He asked if deferring action on this matter until after the conversation with the personnel from GASB would cause a problem.

Director Jex stated that the issue is the auditor, who has taken a position and may refuse to sign a report, which was the ad hoc committee's concern when they met with staff. They want to proceed in a way that we would not have to have it re-audited by somebody else, therefore deferring it even further.

Director Barber stated that GASB might say that the auditor was correct all along. President Famulener agreed and stated that GASB may say that there are two different ways to do it.

Director Jex stated that there are not two different ways, just one right way.

President Famulener suggested speaking with the woman at GASB, and then schedule another board meeting in two weeks.

Director Jorgens stated that they went through everything with District Counsel Bakker in front of the staff and the conclusion from him was that it was not something that we needed to hurry on and we specifically should not hurry and do it improperly.

President Famulener stated that the Board could hold a special meeting in two weeks if this can get done. Director Jorgens agreed. Director Jex stated that once the decision is made, it will take some time for staff – they would have to go back and restate 2014, 2015 and 2016. It is not a simple matter in terms of the time required to get the disclosure and the presentation correctly.

President Famulener asked if the CAFRs that have been received and posted on MOFD's website can be changed if the GASB person says to change it. Director Jex stated that it has to all be done at one time.

Director Anderson said that he does not understand why they could not have a minority opinion. You can produce a financial statement and have an opinion that they have been reviewed, however, we are of the opinion that there is a potential that the net pension liability is not \$20M, it's \$40M, or whatever it actually is.

Director Jorgens stated that the auditor would not sign it, and he has to. Otherwise, it does not meet the criteria because we have creditors, including new ones.

Director Jex stated that if there were a financial statement that the auditor or any public agency knew was incorrect, they would sue you. The liability is so horrendous and he could not be involved with it. He would not be able to serve on the Board if you put out a financial statement that we know is incorrect.

Director Jorgens stated that the Board does not need to have a special meeting until the report is ready to be received, which may not happen in two weeks. If it was not done properly, it will take however long staff and the outside auditor think it will take to get it done.

ASD Sasser stated that she would have to work with the auditor and it depends on his schedule, but she will make it a priority and do it as quickly as possible.

Director Jex stated that the implementation guides and recommendations are that you have to go back and restate 2015 and 2014. It should have been implemented and reflected as a prior period adjustment going back beyond 2015. There is not a lot of math but there are numbers involved.

Director Anderson stated if we go that route, we might need a new auditor. If the individual who audited this agrees to that change, then it is just a matter of time. We cannot take and recast our prior financial statements with a brand new auditor without him doing some research.

President Famulener stated that she cannot believe that the District's auditor would not go along with whatever GASB says.

Director Barber stated that he does not understand what the harm would be in trying to get the advice from GASB now and reconvening as soon as possible after that.

President Famulener suggested that staff schedule a special meeting in two weeks. If we do not have the GASB answer or if there is a problem, we can always cancel the meeting.

Director Anderson stated that he would like to listen in on the conference call with the GASB experts. Jennifer Fraught stated that the definition of a meeting in the Brown Act is the majority of the members at the same time, place and location to hear, discuss or deliberate on any action item or any item of business that is within the subject matter jurisdiction. If you have a majority hearing the conference call, it will be a meeting that needs to be noticed within 24 hours.

Chief Healy stated that it might be better for the auditor to have it in the form of an ad hoc committee meeting. He supported the idea of scheduling a special meeting in a couple weeks – on Wednesday, March 1, 2017. The Board took a short break at 8:45 P.M. to check their calendars for availability.

President Famulener reconvened the meeting at 8:54 P.M. She announced that all Board members are available to attend a special meeting on March 1, 2017. On the agenda would be the closed session items, an update from the Financial Reporting Ad Hoc Committee, an item to receive the CAFR (if the GASB issue has been resolved), and the audit services contract.

6.2 Formation of an Ad Hoc Committee to Update Policy 11 Board of Directors and Fire Chief Roles and Responsibilities, and Resolution 11-03, Adopting Rules of Procedures for Board Meetings and Related Functions and Activities

District Policy 11 (Board of Directors and Fire Chief Roles and Responsibilities and Resolution) was created in 2011 and Resolution 11-03 (Adopting Rules of Procedures for Board Meetings and Related Functions and Activities) was last updated in 2011. Some elements of both documents are out-of-date and need to be updated.

President Famulener asked to remove this item and include it on next month's meeting agenda. Director Anderson agreed and stated that there are currently enough committees and a lot of work to do.

Motion by Director Famulener and seconded by Director Jorgens that Item 6.2 be dropped from the agenda this evening and placed on the March 15, 2017 agenda. Said motion carried a 4-1 roll-call vote (Ayes: Barber, Famulener, Jex and Jorgens; Noes: Anderson).

6.3 Mid-Year Budget Review 2016/17, Approve Budget Adjustments and Long Range Financial Plan Update

Staff conducted a mid-year budget review of the District's Fiscal Year 2016/17 Budget. The review was presented and discussed at the Finance Committee meeting on February 7, 2017. The review allows us to take a broad look at the District's financial picture at the mid-point of the fiscal year. The review included a detailed examination of revenue and expenditures. Current financial reports are attached for your information. The financial reports contain updated revenue and expenditure projections for the current fiscal year. In addition, the Long Range Financial Plan has been updated which provides a financial forecast over the next 15-year period.

The primary goal in developing the 2016/17 Annual Operating Budget was to produce a balanced financial plan that retains current service levels and addresses capital equipment needs to fully maintain firefighter safety and operational effectiveness. Considerable effort was made to reduce costs wherever possible. The budget adopted in June 2016 projected a General Fund surplus of \$250K, a Debt Service Fund surplus of \$205K and a Capital Projects Fund deficit of \$4.3M due to the construction of Station 43. The Mid-Year Budget Review projects a General Fund surplus of \$48K, a Debt Service Fund surplus of \$208K and a Capital Projects Fund deficit of \$4.2M for FY 2016/17.

Director Jex thought that the budget was clearly explained in the documents that were given to the Board. The overtime number stood out to Director Jex and he had some discussion with management about it. The number is literally 25% of salaries and the equivalent of what would be another 15 additional people. He recommended that the committee that handles the 2017/2018 budget look into it. Director Jex stated that if we save a million dollars from that, by either tweaking some additional staffing or whatever it might be, we could then budget a meaningful number to go into the post-employment benefit funding. The committee can look at how we might make some changes that would still allow us to make a substantial contribution and include it in the budget.

President Famulener stated that when we pay overtime, we are not paying benefits. If we hire more employees, we look at a whole new set of benefits and pension obligations. The number is not as big as it looks off the top.

Director Anderson stated that the Chief well documented the staffing levels in both the Strategic and Business Plans. We are well aware of the overtime costs, which have been a result of a lot of effort due to the 2008 debacle.

Director Jex commented that we need to budget and plan for a major contribution or it will not happen. We need to generate the resources to do it.

Director Jorgens asked if ASD Sasser made an assumption about the financing plan for the purchase of the ambulances and fire engine in the budget, and when it would be brought to the Board. ASD Sasser stated that it was included and the plan is to issue a lease financing for the apparatus purchase earlier this year. In order to do that, we issue Requests for Proposals (RFP) from different banks and they bid on it to get the most competitive rates. There are 18 months from when the resolution was passed to do this, which we will do in the near future.

President Famulener commented that the District could not apply for any loans unless we have a CAFR on the books.

Director Jorgens stated that the District should not want to do that anyway. We do not have to get a bid to be able to do the rough math and see whether it is a good idea or not. If we have an option of borrowing money for almost zero and we are earning zero on the capital balance that we have, why would you not use some of the capital balance, which you can use as just cash. Borrow the money from our plan at almost zero instead of paying any interest rate that regardless of how attractive it may be. Every alternative would be worse than just using the cash that we have.

President Famulener stated that there were some that lived through when the District almost had to “turn the lights out”, and we are a little skittish about touching the capital account.

Motion by Director Jorgens and seconded by Director Jex to accept the following as amended:

- Approve an increase in the General Fund revenue budget in the amount of \$323,948
- Approve an increase in General Fund expenditure appropriations in the amount of \$431,516
- Approve an increase in the Capital Projects Fund revenue budget in the amount of \$2,960,024
- Approve a decrease in the Capital Projects Fund expenditure appropriations in the amount of \$13,394
- Approve an increase in the Debt Service Fund revenue budget in the amount of \$3,000.

Said motion carried a unanimous 5-0 roll-call vote (Ayes: Anderson, Barber, Famulener, Jex and Jorgens).

6.4 Annual Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016

In January of 2017, the Board of Directors sent the Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016 to the Ad Hoc Financial Reporting Committee with a review due at the February 15, 2017 Board meeting.

President Famulener stated that it has already been announced that Items 6.4 and 6.5 would be discussed at a special meeting on March 1, 2017. Counsel stated that a separate vote was not necessary.

6.5 Audit Services Contract for Fiscal Year 2016/17

The District is required to contract with an independent certified public accounting firm to conduct the annual external audit of financial statements. The District's contract with the current accounting firm of JJACPA, Inc. covered the audits for FY 2013/14, 2014/15 and 2015/16. The current contract ends with the audit of the financial statements as of June 30, 2016. The District has the option to renew with JJACPA, Inc. for up to two subsequent years.

Director Jorgens stated that if the beginning of the process is to put out an RFP for an auditor, there is nothing that should preclude us from doing that. President Famulener agreed and directed staff to begin the RFP process. Director Jorgens suggested including an option that they may need to go back and do the two prior audits.

Director Anderson commented on whether we want to start the RFP process given we are going to be asking the current auditor to possibly accept changes that he may not be willing to sign off on. Director Jex stated that they were hoping to re-engage the auditor, get him to agree, understand why adjustments need to be made, and then reflect it.

President Famulener suggested putting Item 6.5 off until the March 1, 2017 meeting.

7. Announcements

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

There was nothing to report.

7.2 Questions and informational comments from Board members and Staff

Chief Healy stated that he sent an invitation to the Board an invitation for the retirement reception for Janet Keeter, the City Manager for the City of Orinda, on February 16, 2017. February 21, 2017 will be her last City Council meeting, where he will be presenting Ms. Keeter with a proclamation and plaque from the District.

Director Barber asked staff if it would it be possible for East Bay Municipal Utility District (EBMUD) to give an update on their efforts to identify the costs associated with improvements. Chief Healy said that he sent them an email, but has not heard back. He stated he would follow up with them. Director Barber asked for a report, if any, at a subsequent meeting.

Fire Captain Mike Lacy gave a slideshow presentation on calls for service during the last few months. There were approximately 400 calls between District engines, trucks, rescues and ambulance crews. The presentation included information on incidents such as the Miner Road sinkhole, the landslide at Van Tassel, accidents in Moraga and Lafayette, automatic aid to two structure fires in Lafayette, a tree that crashed into a house, a vehicle that crashed into a house, and a large tree that fell onto the freeway. The Board thanked Captain Lacy for the presentation.

8. Adjournment

At 9:30 P.M., President Famulener called for adjournment of the regular meeting.



Grace Santos
Secretary to the Board