



Moraga-Orinda Fire District
BOARD OF DIRECTORS
Audit Committee Minutes
March 15, 2023
(Approved April 6, 2023)

1. OPENING CEREMONIES

The Audit Committee convened in Open Session at 5:16 p.m. on March 15, 2023, at the Orinda Library, Gallery Room, 26 Orinda Way, Orinda, California 94563. The meeting was available for in-person attendance only.

Present were the following Directors and Staff:

Director Hasler	Dave Winnacker, Fire Chief (5:30 p.m. arrival)
Director Jex	Gloriann Sasser, Administrative Services Director
	Mary Smith, Finance Manager

2. PUBLIC COMMENT - ITEMS NOT ON THE AGENDA

There were no comments from members of the public.

3. CONSENT AGENDA

3.1 Audit Committee Meeting Minutes – April 18, 2022 (audio 00:00:57)

The minutes from April 18, 2022, Audit Committee meeting were approved as submitted, with Director Hasler making the motion and Director Jex seconding the motion. The motion passed unanimously by voice vote 2-0 (Ayes: Hasler and Jex; Noes: None).

There were no comments from members of the public.

4. REGULAR AGENDA

4.1 Review and Discuss Proposals Received for Audit Services Contract; Discuss Next Steps to Determine Recommendation for Selection of Audit Firm for the Fiscal Years Ending June 30, 2023 through 2025 with an Option to Extend Two Additional Years (audio 00:01:40).

Administrative Services Director Sasser provided the report. In January 2023, the District published a request for proposals (RFP) for Audit services. The District received six proposals from qualified firms of certified public accountants. A summary of the proposal results was provided in the board packet, as attachment A, along with each proposal received from the six accounting firms, as attachments B through G. The District's Purchasing Ordinance classifies Audit services as special services and requires the award of the contract to go to the lowest responsible bidder. Based on the proposal results, the lowest bidder is The Pun Group LLP, costing \$28,000 in the first year. Staff requested the Audit Committee (Committee) review the proposals and determine the next steps for the Committee to recommend to the full Board at the April board meeting.

Director Jex expressed reservations about the qualifications of The Pun Group and was not ready to recommend them as the lowest responsible bidder. Director Hasler agreed and stated he had reviewed all the proposals and thought there were better options than the lowest responsible bidder. Director Jex referenced an email from Fire Chief Winnacker regarding the selection process. Director Hasler read the email that stated Staff was requesting the Committee to provide direction on how the Committee would like to proceed. Options were for Committee members to check bidders' references, hold bidders' interviews, and then make a recommendation to the full Board. The Purchasing Ordinance directs the selection of the lowest responsible bidder.

Director Jex expressed concern that The Pun Group listed Menlo Park Fire Protection District as a similar client/reference; however, upon review, The Pun Group did not perform Menlo Park's audit for the 2022 year. Director Hasler noted Maze & Associates audited the City of Orinda and the Town of Moraga, and Badawi & Associates audited the San Ramon Fire District, City of Lafayette, and Walnut Creek. Director Jex stated Badawi & Associates and Maze & Associates are the two firms he wanted to pursue and felt they were close in price. Director Hasler added that the price difference was \$5,960 and not much higher than the lowest bidder. Director Jex shared that his reasoning for his recommendation was that the firms have clients in the same area and would be more inclined to provide good service.

Director Jex asked if Staff had contacted any of the references. ASD Sasser answered no. Director Hasler asked if that would be part of the Committee's responsibilities. ASD Sasser confirmed. Director Jex recalled the proposal process six years ago and the difficulties in getting bids.

Director Jex proposed asking Badawi & Associates and Maze & Associates to attend a meeting and present their services. During the presentation, the Committee could ask questions. Director Hasler asked if the presentations would be to the Committee or the full Board. Director Jex answered the Committee, and then the Committee would make the final recommendation to the Board.

Director Jex inquired if the Committee had to take the lowest bidder. ASD Sasser deferred to District Counsel. Director Jex requested the question be asked of Counsel and inquired about other fees in the proposals. ASD Sasser answered the price listed is the total cost for all the services. Director Hasler discussed the projections listed in the proposals. Director Jex asked what the District is currently paying. ASD Sasser answered \$35K. Director Jex asked how much does the Staff rely on the auditors for advice and input during the year. ASD Sasser answered it is minimal.

Fire Chief Winnacker stated that the current Auditor told him the District has very clean books. ASD Sasser added that the District has been very stable and has not done anything new or out of the ordinary. Fire Chief Winnacker affirmed that the District has not changed the format or acquired any new business entities, and the controls are well in place. Director Hasler asked if there had been any control issues. Director Jex answered there are no control issues. ASD Sasser confirmed.

Director Hasler inquired about the legalities of not choosing the lowest bidder. Fire Chief Winnacker referred to the District's Purchasing Ordinance 16-01, which requires the District to award the contract to the lowest responsible bidder. Responsible is subjective and shared a situation during the 10-year construction project of Station 43. The contractor selected was incapable of executing the project, and an example of where an additional review might have identified why the lowest bidder was not the lowest responsible bidder. Fire Chief Winnacker deferred to District Counsel. Director Jex reiterated his concerns about the proximity of some of the bidders and the validity of the references. Fire Chief Winnacker responded the concerns should be discussed with Counsel about what constitutes a non-responsible bidder. ASD Sasser recommended checking references for The Pun Group.

Director Jex reviewed his criteria for firms to have extensive fire district experience and are located in the East Bay Area to eliminate issues of transportation or accessibility. Director Jex proposed moving forward with Badawi & Associates and Maze & Associates. He opined that the District would receive good service if they had three clients all closely associated with each other.

Fire Chief Winnacker stated he would confer with District Counsel and ask if the rationale of requiring fire district experience, being local, and submitting accurate proposals are qualifying factors. Director Hasler noted that The Pun Group has a lot of fire districts listed in their proposal and listed being the Auditor for Menlo Park Fire Protection District from 2015 to the present. Fire Chief Winnacker stated that Staff would follow up to verify the reference in the proposal. Director Hasler noted that the bids are within \$10K of each other and asked Staff to include that information when checking with Counsel.

Director Jex repeated his recommendation to invite Badawi & Associates and Maze & Associates to come to make a presentation to the Committee. He asked if it was possible to contact Counsel by phone due to the time-sensitive timeline for them to make a recommendation before the April board meeting. ASD Sasser asked if the Committee wanted to try to pick a date for the next audit committee meeting. Director Jex responded he was available whenever the bidders were available. Director Hasler responded a meeting needed to be scheduled within the next two weeks due to his travel schedule. Both Directors agreed to meet within the next two weeks. Director Jex outlined the next agenda to include 15 minutes for each presentation and 15 minutes for questions. Director Hasler agreed.

Fire Chief Winnacker informed the Committee that Counsel was unavailable but would follow up. Director Hasler asked, with this approach, if the Committee would be able to make a recommendation in time for the next board meeting. ASD Sasser confirmed. ASD Sasser reviewed the Committee's direction that Staff would schedule an Audit Committee meeting within the next two weeks, invite Badawi & Associates and Maze & Associates to attend to give a 15-minute presentation, and 15 minutes for follow-up questions, and Staff to verify The Pun Group references and consult with District Counsel on the criteria regarding the lowest responsible bidder. Director Jex requested that the audit firms' managers and partners attend the meeting in person if possible.

There were no comments from members of the public.

4.2 Status of the June 30, 2022 Annual Comprehensive Financial Report and Audit (audio 00:33:00)

ASD Sasser provided the update. On March 1, 2023, Eide Bailly informed the District they had to further delay the audit until late March 2023 due to the retirements of partners in the Bay Area. Eide Bailly said the District would likely receive a draft Annual Comprehensive Financial Report (ACFR) in late March and be able to issue the final audit report for the April 2023 Board meeting.

Director Jex asked about the status of the disclosure statement on the unfunded pension liability for the June 30, 2022 audit report. ASD Sasser replied that CCCERA had issued a GASB 68 report that included the net pension liability. Director Jex asked if the report included the rate of return as of December 31, 2022. ASD Sasser responded the report is dated December 31, 2021. Director Jex inquired if Staff knew the amount expected to increase. ASD Sasser answered no. Director Jex stated that information would result in a significant balance sheet event relating to a period within the audit, and that information is normally disclosed. Director Jex inquired how Staff could obtain that information or estimated calculations because, based on his analysis, the variance of the unfunded pension liability could go over \$100M, which should be disclosed in a footnote on the post-balance sheet. Director Hasler agreed.

Director Hasler asked if Staff had the December 2022 information from CCCERA. ASD Sasser answered Staff has CCCERA's investment return rate of -10.6%. Fire Chief Winnacker explained there are several factors internal to CCCERA that Staff will not see until the September-October timeframe. Director Hasler stated (theoretically) there should be at least a disclosure. Fire Chief Winnacker responded that an accurate footnote would include the CCCERA returns as of December 31, 2022, post balance sheet was -10.6%. Director Hasler agreed.

Director Jex discussed the variance and the issues dealing with funding and how the District is going to manage. Fire Chief Winnacker stated CCCERA's decision to change their expected return would increase payroll. Because of the quarter point change, the District will pay 10% more of payroll to meet the pension obligation as of July 1, 2023. The Board has used 6% as an assumed rate of return, which has determined the actuarially recommended contribution for the Pension Stabilization Trust Fund and closing the delta between the assumed rate of return and the CCCERA assumed rate of return would reduce the ARC on the Pension Stabilization Trust Fund contribution. The closing of the gap will increase the District's payments but result in a decrease in the projected payments to the Pension Stabilization Trust Fund.

Director Hasler asked if the Pension Stabilization Trust Fund is fluid between the two funds because the District's rate is 7% and CCCERA's is 6%. Fire Chief Winnacker stated that the CCCERA rate is at 6.25%. Fire Chief Winnacker explained the difference between the two funds and that there will always be an annual contribution and delta between the two funds. Fire Chief Winnacker suggested, for the Board's consideration, a policy on what to do with the Pension Stabilization Trust Fund (at what point is the Fund considered adequate, and at what point would outflows be made from the Fund). Fire Chief Winnacker recommended the Board work through what constitutes an inability to make the pension payment and trigger an outflow from the Pension Stabilization Trust Fund. Director Jex responded that was one of the issues he plans to discuss during the upcoming workshop.

There were no comments from members of the public. No further discussion.

5. ADJOURNMENT

At 6:10 p.m., the Audit Committee called for the meeting adjournment.

Marcia Holbrook,

Marcia Holbrook

District Secretary/District Clerk