

# Moraga-Orinda Fire Protection District



## BOARD OF DIRECTORS REGULAR BOARD MEETING MINUTES

May 17, 2017

(Approved June 21, 2017)

### 1. **Opening Ceremonies**

The Board of Directors convened in Open Session at 6:30 P.M. on May 17, 2017 at the Hacienda Mosaic Room, 2100 Donald Drive, Moraga, California. Director Jorgens was absent. President Famulener called the meeting to order.

Present were the following Directors and Staff:

President Famulener  
Director Anderson  
Director Barber  
Director Jex

Stephen Healy, Fire Chief  
Gloriann Sasser, Admin Services Director  
Grace Santos, District Clerk

### 2. **Public Comment**

Director Anderson spoke for the residents of Canyon and expressed their appreciation to MOFD for its efforts to providing the community with emergency services while the bridge is out. He urged the Chief to discuss the severity of the situation for Canyon residents with the Moraga Town Council.

Firefighter Lucas Lambert introduced Reed Robertson, who gave a presentation on a bicycling accident he had in Orinda. He was riding his bike home in the evening when he hit a crack in the road and crashed. MOFD Paramedic Jacob Airola and his crew showed up and rushed him to the hospital. He was diagnosed with a spinal cord injury and paralyzed from the neck down. It has been a long road to recovery since his accident in September, but Mr. Robertson is now able to walk and continues to do rehabilitation.

### 3. **Consent Agenda**

Motion by Director Barber and seconded by Director Jex to approve and file items 7.1 Meeting Minutes and 7.2 Monthly Incident Report. Said motion carried a unanimous 4-0 roll-call vote (Ayes: Anderson, Barber, Famulener, and Jex; Absent: Jorgens).

### 4. **Regular Calendar**

#### 4.1 **Public Hearing on Exterior Hazard Control Notices (Weed Abatement)**

On April 15, 2017, the District mailed approximately 13,000 notices to the owners of properties located within the District. Ordinance 16-02 requires the Board to conduct a public hearing after the notices are sent and prior to the compliance date for the purpose of receiving comments as to why the order should not be enforced.

President Famulener opened the hearing to accept comments from the public. There was no comment from the public. President Famulener closed the public hearing.

The Board directed staff to proceed with the exterior hazard control process.

#### 4.2 **Resolution 17-08 Establishing the 2017/18 Fire Flow Tax Rates for the Orinda and Moraga Service Zones**

Every year the District is required to set the rate for the Fire Flow Tax in each of the District's two service zones. In order to place the tax on the County Assessor's rolls for fiscal year 2017/18, the tax rate must be established by Board action and then levied against each parcel.

On a motion from Director Anderson, and seconded by Director Barber, the Board adopted Resolution 17-08, Adopting Fire Flow Tax Rates of Six Cents (\$.06) in the Moraga Service Zone and Six Cents (\$.06) in the Orinda Service Zone, for Fiscal Year 2017/18. Said motion carried with a 4-0 roll call vote: (Ayes: Anderson, Barber, Famulener, and Jex; Absent: Jorgens).

**4.3 Authorize Agreement for Audit Services with Vavrinek, Trine, Day & Co., LLP for the Fiscal Years Ending June 30, 2017 Through June 30, 2019 in the Amount Not to Exceed \$52,027**

The District is required to contract with an independent certified public accounting firm to conduct the annual external audit of financial statements. In March 2017 the Board established an Ad Hoc Committee to recruit and negotiate a contract with a District financial auditor. The Financial Auditor Ad Hoc Committee met and identified several firms to invite to bid on the District's audit services contract for the fiscal years ending June 30, 2017 through June 30, 2019, with an option to extend two additional fiscal years.

The District received one proposal from Vavrinek, Trine, Day & Co., LLP (VTD). The Financial Auditor Ad Hoc Committee interviewed VTD. VTD is a leading provider of auditing services to cities, counties and special districts throughout California.

Director Jex stated that the Ad Hoc Committee and staff met. They recommend that the Board approve a 3-year contract with Vavrinek, Trine, Day & Co., LLP (VTD). If an extension is desired, they would come back before the Board in three years for an extension.

On a motion from Director Jex, and seconded by Director Barber, the Board authorized staff to execute an agreement for audit services with Vavrinek, Trine, Day & Co., LLP for the fiscal years ending June 30, 2017 through June 30, 2019 in the amount not to exceed \$52,027. Said motion carried with a 4-0 roll call vote: (Ayes: Anderson, Barber, Famulener, and Jex; Absent: Jorgens).

**4.4 Termination of Ad Hoc Financial Auditor Committee**

The Ad Hoc Financial Auditor Committee has completed its work and termination of the Ad Hoc Financial Auditor Committee is recommended.

On a motion from Director Anderson, and seconded by Director Famulener, the Board voted to terminate the Ad Hoc Financial Auditor Committee. Said motion carried with a 4-0 roll call vote: (Ayes: Anderson, Barber, Famulener, and Jex; Absent: Jorgens).

**4.5 Resolution 17-09 Adopting a Modified Schedule of Cost Recovery Fees for Emergency Medical Services**

Emergency medical services are partially paid for by ambulance transport cost recovery fees and non-transport emergency medical services cost recovery fees. District Resolution No. 13-02, approved in May 2013, adopted a modified schedule of fees. This Resolution and the District's Ambulance Service Agreement with Contra Costa County EMS include a provision for an annual modification to emergency medical services fees.

The District may charge an additional first-responder fee to recover the cost of any emergency medical services it provides. These fees are assessed to help defray the cost of maintaining the vehicles and personnel necessary to respond immediately to emergency situations. In addition to the current medical services cost recovery fees, a first-responder fee may be assessed on any medical emergency requiring an additional first responder unit.

Staff recommended the Board adopt a first-responder fee in the amount of \$475 and increase ambulance transport fees based on the Consumer Price Index (CPI) for the San Francisco – Oakland – San Jose, CA area. The February 2017 CPI increased 3.44%.

Director Barber asked about the 3.44% CPI increase. ASD Sasser explained that our fees are based on the District's estimate on what it costs for various types of transports. Every year, the District adjusts its rates by the CPI, which is a very defensible position in terms of charging the rates under the California state law. The fees are comparable to other agencies within Contra Costa County.

Director Jex asked how the District can maximize income that it can recover and ask if there are other options in increasing the fees over and above the CPI. ASD Sasser stated that costs are higher. President Famulener suggested looking into raising the rates in the future.

On a motion from Director Jex, and seconded by Director Anderson, the Board adopted Resolution 17-09 Adopting a Modified Schedule of Cost Recovery Fees for Emergency Medical Services. Said

motion carried with a 4-0 roll call vote: (Ayes: Anderson, Barber, Famulener, and Jex; Absent: Jorgens).

District Counsel Bakker arrived at 6:46 P.M.

**4.6 Authorization to Enter into a Tax-Exempt Lease-Purchase Agreement with U.S. Bancorp Government Leasing and Finance, Inc. in the amount of \$2,855,000 at a fixed interest rate of 1.90%**

In 2017 the District purchased two new ambulances, two fire engine pumpers and one tractor drawn aerial fire truck. At the time of the purchases the Board adopted resolutions declaring the intention to reimburse expenditures for the purchases of the new apparatus from the proceeds of debt to be issued in the future. A Request for Proposals to finance the cost of the new apparatus was issued in March 2017.

The requested amount of financing is \$2,855,000, which is the amount that will be paid for the apparatus. The District requested a tax exempt municipal lease agreement to reimburse the District and spread the cost of the vehicles across the life of the vehicles. The term options are 5 or 7 years with semi-annual payments of principal and interest in arrears.

For collateral purposes, the District is required to grant the lessor a first priority security interest in the financed equipment. Title to the apparatus would be held in the name of the District with the lessor holding a security interest in the apparatus during the term.

Director Jex stated that whatever is in the capital fund should be used for capital expenses only. ASD Sasser stated that the money in the Capital Projects Fund can only be used for capital, which is based on Board direction. The Board has the authority to transfer the money out and into the general fund to use for general fund purposes. In 2013, some of the fire flow tax money was used in the general fund. But when it is in the capital fund, and without Board authority, it can only be used for capital projects issues.

Director Barber asked if the District can pay off the loan earlier without penalties. ASD Sasser stated that pre-payment in whole, not in part, on any payment date at 103% of principal outstanding after the payment due. There is a 3% of the principal outstanding penalty for pre-paying. It is set up to be semi-annual payments, twice a year.

Director Barber asked to see the Long Range Financial Plan (LRFP) redone with things broken out so it is clear to follow the cash flows. He asked staff to do that the next time the Board convenes.

District Counsel Bakker stated that the item requires three votes. Ordinarily an abstention counts for the majority but an action like this requires three votes of the majority of the full board.

President Famulener stated that the District can always pay it off early when it has the money.

Director Barber stated that he will vote yes with reluctance. If the capital fund is not a true capital fund, he suggested either changing the name or making it a true capital fund. He would like to revise the Long Range Financial Plan, as well as the Board policies with respect to capital versus operating and would like it discussed at a subsequent meeting. He would like a Board policy clearly established on how the District will handle that.

President Famulener stated that it can be done the next time the Long Range Financial Plan is discussed.

On a motion from Director Famulener, and seconded by Director Anderson, the Board authorized issuance of a five year, tax-exempt lease-purchase agreement with U.S. Bancorp Government Leasing and Finance, Inc. in the amount of \$2,855,000 at a fixed interest rate of 1.90%. Said motion carried with a 3-1 roll call vote: (Ayes: Anderson, Barber, and Famulener; Noes: Jex; Absent: Jorgens).

#### **4.7 Proposed Annual Operating Budget Fiscal Year 2017/18**

Over the past several months the proposed Annual Operating Budget for Fiscal Year 2017/18 (Budget) has been developed. Staff developed proposed goals, projections and budget proposals based on the Strategic Plan and Business Plan. The proposed Budget was presented to the Finance Committee on May 9, 2017.

The proposed Budget projects a total General Fund surplus of \$68K and a Debt Service Fund surplus of \$218K. The budget projects a planned Capital Projects Fund deficit of \$140K.

Director Barber asked staff to provide the Board with information on what has been the greatest swing, positive and negative, for revenue and payments to CCCERA.

Director Jex voiced some general concerns on the break-even budget. He stated that efforts need to be made to either increase revenue or look at how money is being spent. The District needs to think seriously about adding significantly to the general fund and look at an unbalanced budget where revenues exceed expenditures in a meaningful way where we increase the general fund over a period of time to meet obligations when they arise.

President Famulener stated that during these years the District needs to rebuild, take care of deferred maintenance projects and deferred salary increases for its employees. In 2022, when the bond is paid off, the District will have an extra \$2M in the general fund and can really do something towards the future. Right now it is rebuilding time.

Director Anderson suggested forming an ad hoc committee to go back and look at the way we are doing the Long Range Financial Plan, compare it with the strategic plan and its goals. Then begin to address how they would like to relate the goals of the organization to the actual elements within the plan, and how we would address the budget.

Director Barber suggested thinking of the long term plan as a roadmap to what the District's long-term objectives are. Whether it is to build reserves, achieve unfunded liability of pension and healthcare of no more than a certain percentage. Staff may need some help by hiring a consultant to advise them.

President Famulener stated that an ad hoc committee could be formed to look into what the District will have in 2022, and what risk, liabilities and options it has.

Director Barber stated that whether it's a committee or management, we need to integrate the strategic plan and the long term financial projects to develop a long term financial plan that looks towards building significant operating and capital reserves, reducing the unfunded pension liability to a figure where we can survive a 30% correction in the market without having to lay people off or reduce services.

President Famulener directed staff to begin looking into it.

Director Barber stated that he would like to understand what ratio we need to get to so that when there is a market correction, it won't have such an adverse impact on the District that we have to resort to extraordinary measures. Management and the Board will have to get help from outsiders to do this kind of analyses. Maybe the actuary can help. He stated that once we get a figure, then we could work backwards to see what we need to put aside in reserves or what we need to do to accelerate the funding to CCCERA and the OPEB trust. He would like to have a plan that looks for enough flexibility so that when reasonably foreseeable things occur, like market fluctuations, the District is not forced into a dire situation.

President Famulener stated that the annual operating budget does not show any new positions in the 2017/18 budget and the newly leased vehicles may begin arriving as early as November. We will need more people trained to drive them. She directed staff to place an item on next month's agenda to discuss whether or not we should go back to 19 firefighters on duty.

Director Barber stated that if that's the recommendation for the operating budget for 2017/18, we need a new operating budget and new long term plan to see what the financial impact will be. When he voted for the purchase of equipment, he did so because he was correctly differential to the Chief.

If the purchase of the equipment necessitated the addition of additional staff, it should have been discussed at the time the equipment was needed, unless the two are really independent of each other.

Chief Healy stated that they are concurrent – one does not depend on the other, but staff has said in the strategic plan for some time that we would continue to evaluate the appropriateness of what our staffing level is. The data indicated that 1) we are generally meeting the needs of the community; and 2) ambulance response times in Orinda are longer than they have been in the past, and longer than anyone would like. There are stake holders in the community that feel very strongly that we restore the previous staffing and response model. We have to balance those issues. We had planned on recommending that in the FY 2018/19 budget because it made sense that when the new truck arrived, that would be the time to do it. Now that the new truck is arriving possibly in November and going in service in January or February, that potentially would accelerate it. The recommendation would be based not just on the arrival of new equipment or new response model, but also the needs of the community and its expectations. It wasn't included in this year's budget, however, it can be done at mid-year or it can become part of the conversation for this budget.

Director Barber commented that if the Chief believes that you could accommodate additional staffing within the budget even at mid-year, without going into an operating deficit, maybe we should hear it. But if it becomes an operating deficit this year, it would be a problem.

Chief Healy stated that part of the conversation should be what the proper use of the fire flow tax is. It is true that the Board has a great deal of discretion to use that money for a variety of different things. Part of the bigger question is when and if you use fire flow tax money to also not assist, augment or supplement the general fund but to do the things that we are expected to do. It's complex because there are competing issues – facility needs, issues with unfunded liabilities, remaining competitive in a regional job market, community expectations and ambulance response times. It is expensive to operate an ambulance franchise as a fire district. All those issues are always in competition with each other. As we go forward, we have to continue to evaluate those issues and take it all into consideration because they are all important.

Director Jex asked if staff had to reduce expenditures by \$1M, what they would be and what would have to be done.

Chief Healy stated that he could not recommend reducing \$1M worth of service from the budget.

ASD Sasser stated that with existing labor contracts, it is not possible. There is no way to cut \$1M out of the budget and still be in compliance with existing labor contracts.

Chief Healy stated that the only way to do it would be to cut staff and the only way to do that would be to have less people on duty. That would not be safe.

ASD Sasser stated that the minimum daily staffing is 17 safety personnel. That is in the labor contract, which we have to honor through June 30, 2018.

#### **4.8 Long Range Financial Plan Draft Update**

The Long Range Financial Plan (Plan) has been updated as part of the budget development process. The Plan was presented to the Finance Committee on May 9, 2017. The Plan covers a 15-year period from fiscal year 2016/17 through fiscal year 2031/32.

Director Jex stated that the 10% goal is inadequate. The policy should be moved up to 30-40%, which is adequate.

Director Anderson suggested adding an item on a future agenda to discuss and revisit the Investment Policy and potentially make it a goal.

Director Barber would like to know what happens if certain assumptions are changed.

Chief Healy asked the Board if they would like staff to create a version B which shows 19 staffing beginning in either January or July of 2018. The Board is not compelled to approve it at the next

meeting. It can always be done at the mid-year budget. There are a lot of things that can change between now and then.

Director Barber and President Famulener stated that they would like to see one to show how much more it would cost from January to July, 2017.

ASD Sasser stated that the budget is scheduled for adoption at the next meeting. After deliberation and final changes, the Budget shall be adopted by the Board of Directors. Preferably the Budget shall be adopted in June, prior to the beginning of the next fiscal year. In the event of unusual circumstances, the Budget may be adopted after the beginning of the fiscal year. Regardless, in accordance with Health and Safety Code Section 13895, the final Budget shall be adopted by October 1 of each fiscal year.

Firefighter DeWeese stated that in the strategic plan, increased staffing is scheduled to be discussed in March. It seems like the District is deviating from the long range strategic plan, and changing the way it traditionally operates. He is concerned to see where the organization is going.

#### **4.9 Draft Long Range Facilities Plan**

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

Chief Healy stated that if the Board would like to postpone discussion on this item until the next meeting on June 21, that would be fine. He recommended the Board tour the current facilities before the next meeting.

#### **4.10 Resolution 17-10 Authorizing Spending Limits for the Station 43 Project**

Presently, \$1,589,311 of the \$4,965,244 budget (32%) for the Station-43 project has been expended. Although it is not atypical to incur significant costs for public projects before construction actually begins, the District wants to control costs.

President Famulener directed staff to strike the word "Healy" from number 1 of Resolution 17-10.

On a motion from Director Jex, and seconded by Director Anderson, the Board adopted Resolution 17-10 Authorizing Spending Limits for the Station 43 Project as amended. Said motion carried with a 4-0 roll call vote: (Ayes: Anderson, Barber, Famulener, and Jex; Absent: Jorgens).

### **5. Committee Reports**

#### **5.1 Finance Committee (Directors Anderson and Barber)**

The Committee did not meet.

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

The Committee did not meet.

#### **5.3 Financial Auditor Ad Hoc Committee (Directors Jex and Jorgens)**

The Committee has been terminated.

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

The Committee has not met and does not plan to meet until sometime in the summer.

### **6. Announcements**

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

There was nothing to report.

#### **6.2 Questions and informational comments from Board members and Staff.**

Director Jex stated that there should be a decision made regarding how to handle the audit committee responsibilities for working with the auditor. In the auditor's plan, there should be a meeting with the audit committee or finance committee of the Board for discussion of scope and other issues that are normally dealt with prior to the commencement of the auditor.

District Counsel Bakker stated that a committee can be just one person, however, he is not sure what is exactly in the auditor's scope. He stated that the item needs to be placed on the next meeting agenda for formal direction to be given.

Director Jex stated that he can provide information on what the audit committee's responsibilities would be. It is critical to assure the quality of the audit and meet the objectives of the Board and their responsibilities. It should function and be active both before, during and after.

Director Anderson and President Famulener feel that it should be a committee separate from the Finance Committee.

President Famulener directed staff to place the creation of an ad hoc audit committee on the agenda for the next regular meeting on June 21, 2017.

**7. Adjournment**

At 9:51 P.M., President Famulener called for adjournment of the regular meeting.



Grace Santos  
Secretary to the Board