LOCAL AND REGIONAL GOVERNMENT SERVICES AUTHORITIES

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RGS BOARD AGENDA

Agenda materials may be viewed on the Agency's web site RGS.CA.gov or by contacting the Executive Director prior to the meeting at the contact information below.

REGULAR MEETING
November 15, 2012
2:00 p.m.

Yountville Community Center
Board Room
6516 Washington Street
Yountville, CA 94599

1. **CALL TO ORDER**

2. **CHANGES TO THE ORDER OF AGENDA**

3. **APPROVAL OF CONSENT AGENDA**
   Consent agenda items are considered to be routine and will be enacted by one motion. There will be no separate discussion on these items unless members of the Board, staff or public request specific items to be removed for separate action.
   A. Approval of **August 16, 2012** Minutes — *Action*

4. **TREASURER'S REPORT**
   A. Review Preliminary FY2012 Audit Results — *Information*

5. **OLD BUSINESS**
   A. Auditor Rotation Policy – Finance Committee Authority to Award Auditor Engagement — *Action*

6. **NEW BUSINESS**
   A. Approval of Finance Committee Recommendation to RGS and LGS Boards to Make Additional RGS and LGS Insurance Pool Contributions to MSA — *Action*
   B. Defined Benefit Plan – Establishment Process for 2.5% at 55 — *Action*
   C. Defined Benefit Plan – Establishment Process for 2% at 60 — *Action*

7. **PUBLIC COMMENT**
   Each speaker is limited to two minutes. If you are addressing the Board on a non-agenda item, the Board may briefly respond to statements made or questions posed as allowed by the Brown Act (Government Code Section 54954.2). However, the Board's general policy is to refer items to staff for attention, or have a matter placed on a future Board agenda for a more comprehensive action or report.

8. **NEXT MEETING: February 21, 2013, 2:00 p.m., at Dublin City Hall Regional Meeting Room**

9. **ADJOURN**

Americans with Disabilities Act

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact Richard Averett at (831) 308.1508. Notification in advance of the meeting will enable Agency to make reasonable arrangements to ensure accessibility.

DRAFT ACTION MINUTES

REGIONAL GOVERNMENT SERVICES
JOINT POWERS AUTHORITY
BOARD OF DIRECTORS MINUTES
AUGUST 16, 2012

The Regional Government Services Joint Powers Authority held a regular meeting of the Board of Directors at the Falkirk Cultural Center, 1408 Mission Avenue, San Rafael, CA. The meeting was called to order at 3:31 p.m.

1. CALL TO ORDER

Members Present: Dan Schwarz, Chair
Steve Rogers, Vice-Chair
Nancy Mackle, Member
Ken Nordhoff, Member
Herb Pike, Member

Members Absent: Joni Pattillo, Member

Other Attendees: Jim Hill, Alternate Member
Mike Garvey, Executive Committee Member
Richard Averett, Executive Director/CFO
Glenn Lazof, RGS Project Manager
Sherry Kelly, Authority Clerk

2. CHANGES TO THE ORDER OF AGENDA - None

3. APPROVAL OF CONSENT AGENDA

A. Approval of **May 17, 2012** Minutes
Action: Moved, seconded (Nordhoff/Pike) and carried unanimously to approve the minutes as presented.

4. TREASURER'S REPORT - None

5. OLD BUSINESS - None

6. NEW BUSINESS

A. Confirm MSA Board Acting on Behalf of RGS Approving Resolution RGS2012-01
Action: Moved, seconded (Pike/Young) and carried unanimously to confirm MSA Board acting on behalf of RGS approving Resolution RGS2012-01.

7. PUBLIC COMMENT – None

8. ADJOURNMENT – The meeting adjourned at 3:33 p.m. The next meeting is scheduled for November 15, 2012 at 2:00 p.m. at the Yountville Community Boardroom.

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TO: BOARD OF DIRECTORS **BOD Meeting: 11-15-12**
FROM: GLENN LAZOF, Project Manager **Item: 4A**
SUBJECT: REVIEW OF PRELIMINARY AUDIT REPORTS FOR FISCAL YEAR ENDING JUNE 30, 2012

RECOMMENDATION

Review the preliminary independent audit reports for fiscal year 2012.

BACKGROUND

The outside audit firm of Mayer Hoffman McCann, P.C. is in the process of completing the FY2012 audits of both Local and Regional Government Services Authorities. MHC has provided that attached preliminary financial results for the fiscal year ending June 30, 2012.

PRELIMINARY AUDIT RESULTS

Preliminary financial results for LGS and RGS are attached, with summary information below. The results below include accrued liabilities for OPEB and unused vacation balances, but not sick and administrative leave which are traditionally not paid out when an employee separates from employment. Additional perspective and analysis will be provided in the Management Discussion and Analysis section of each audit report when audit reports are finalized. Overall, the FY2012 audit results indicate continuation of very positive financial results based on a sound business model. These financial results better enable the JPAs to provide quality services to our clients and employees.

PRELIMINARY FINANCIAL STATEMENT HIGHLIGHTS

- LGS change in net assets equals $277,660 for the fiscal-year-end (FYE). Net assets at the end of the fiscal year equal $1,501,881.
- RGS change in net assets equals $650,070 for the FYE. Net assets at the end of the fiscal year equal $1,229,169.
- Combined LGS and RGS change in net assets equals $927,730 for the 2012 FYE. Combined LGS and RGS total net assets at the end of the fiscal year equal $2,731,050.

The FY2012 adopted budgets LGS and RGS were $4,984,200 and $7,112,200 respectively, for a combined budget of $12,096,400. The budgeted net income was $109,101 combined. After eight months into the fiscal year, staff was projecting combined net income over $408,000.

REGIONAL GOVERNMENT SERVICES AUTHORITY

Statements of Net Assets

June 30, 2012
(with comparative information for the prior year)

	2012
Assets	
Current assets:	
Cash and investments (note 2)	$ 1,664,970
Accounts receivable	723,948
Prepaid expenses	36,490
Deposits	2,677
Total current assets	2,428,085
Total assets	2,428,085
Liabilities	
Current liabilities:	
Accounts payable	330,177
Due to other governments	-
Deferred revenue	387,000
Compensated absences - current portion (note 3)	57,449
Total current liabilities	774,626
Noncurrent liabilities:	
Compensated absences - long term (note 3)	172,346
Claims payable - long term (note 3 and 6)	58,940
OPEB liability - long term (note 3 and 7)	193,004
Total noncurrent liabilities	424,290
Total liabilities	1,198,916
Net Assets	
Net assets:	
Unrestricted (note 4)	1,229,169
Total net assets	$ 1,229,169

See accompanying notes to the basic financial statements.

REGIONAL GOVERNMENT SERVICES AUTHORITY

Statements of Revenues, Expenses and Changes in Net Assets

Year ended June 30, 2012
(with comparative information for the prior year)

	2012
Operating revenues:	
Charges for services	$ 8,705,763
Total operating revenues	8,705,763
Operating expenses:	
Salaries & benefits	7,388,026
Professional services	263,052
Administration	404,615
Total operating expenses	8,055,693
Change in net assets	650,070
Net assets at beginning of year, as restated (note 8)	579,099
Net assets at end of year	$ 1,229,169

See accompanying notes to the basic financial statements.

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TO: BOARD OF DIRECTORS **BOD Meeting: 11-15-12**
FROM: GLENN LAZOF, Project Manager **Item: 5A**
SUBJECT: **Authorize Finance Committee to Select Auditor**

RECOMMENDATION

Authorize the Finance Committee to select the Auditor pursuant to the RFP scheduled for issuance December 3, 2012.

BACKGROUND

The Board approved the formation of the Finance Committee May 17, 2012. Duties of the Finance Committee include oversight of the Authorities' Independent Annual Audit. The Auditor Rotation Policy was also approved by the Board on May 17, 2012, in recognition that changing the independent auditing firm periodically provides the Authority with a fresh approach to testing risks. The Policy did not, however, state which body (Finance Committee, Executive Committee or Board of Directors) had the authority to select the auditor following the Request For Proposals.

Following a review by the Finance Committee on November 6, 2012, the Request For Proposals for Independent Audit Services will be issued December 3, 2012. The recommended action would authorize the Finance Committee to select the successful audit firm. It is anticipated that an audit firm will be selected by February 21, 2013. In accordance with Auditor Rotation Policy, the successful proposer will be contracted to conduct three audits from the current year through June 30, 2016, with an option for two one-year extensions.

Staff would prepare an amended Auditor Rotation Policy to include this authority as part of the Finance Committee's oversight role. All proposed new and amended Finance and Administrative Policies and Procedures will be presented to the Finance Committee during the year and annually to the Board at their last regularly scheduled meeting in the fiscal year.

FISCAL IMPACT

There is no fiscal impact from authorizing the Finance Committee to select the Auditor.

LOCAL AND REGIONAL GOVERNMENT
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TO: BOARD OF DIRECTORS **RGS BOD Meeting: 11-15-12**
FROM: GLENN LAZOF, Project Manager **Item: 6A**
SUBJECT: ADDITIONAL RGS AND LGS CONTRIBUTIONS TO MSA INSURANCE POOL

RECOMMENDATIONS

Approve additional RGS and LGS insurance pool contributions of $300,000 and $500,000 respectively, to the Municipal Services Authority. The Finance Committee recommended the Boards' approval of these additional contributions at their November 6, 2012 meeting.

BACKGROUND

The FY12 MSA Budget planned for a $100,000 contribution from RGS and LGS, its member agencies, to MSA insurance reserves for claims expenses. When carrier proposals were accepted, the savings from budgeted amounts resulted in an additional $46,000 being available for claims reserves. However, the Workers' Compensation per occurrence deductible of $1 million with $200,000 cash protection, created more exposure for MSA than what was desired at this early phase of the pool's build-up of reserves. (Property and casualty coverage has a $50,000 per occurrence deductible.)

Preliminary fiscal year 2012 financial results show net income for the year greater than expected; much of that growth attributable to a former client from whom we have exposure to potentially substantial claims costs. Therefore, staff is recommending use of net equity from both JPAs to increase MSA funding by $800,000. Note that RGS and LGS general reserves ($627,000 at the end of fiscal year 2011) have remained intact, as they have not been used to fund MSA's claims reserve. In accordance with the JPAs' reserve policy, another $463,500 (one-half of net income) will be added to JPA reserves.

The Finance Committee also made two additional recommendations 1) That the Board of Directors reconsider appropriate reserve levels for LGS, RGS and MSA in light of MSA formation for insurance pooling; and 2) That the Board of Directors consider an inter-agency loan approval policy for reserve funds. Staff will recommend revisions to the Financial and Administrative Policies and Procedures to accomplish these objectives. Those recommendations will first be presented to the Finance Committee at a subsequent committee meeting. Finance Committee recommendations will be presented to the Board for consideration at the last regularly scheduled meeting of the fiscal year.

FISCAL IMPACT

The impact of this recommendation, if approved by the RGS and LGS Boards of Directors, would be a reduction in net equity of the two agencies by $300,000 and $500,000. Both agencies would be left with roughly equal net equity - $900,000 to $1 million. MSA's reserves would be increased to $946,000 which would preemptively fund claims expectations of the three cases being managed by our prior pooled program (and which will be passed through to the JPAs per prior agreements). The actual cost of the pending claims will likely be less than the maximum exposure which is reflected in the increased reserve, leaving enhanced reserves for future exposures.

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TO: BOARD OF DIRECTORS **BOD Meeting: 11-15-12**
FROM: RICHARD H. AVERETT, RGS Executive Director **Item: 6B**
SUBJECT: DEFINED BENEFIT PLAN – ESTABLISHMENT PROCESS FOR 2.5% AT 55

RECOMMENDATION

Receive actuarial study findings. Staff will ensure proper posting of plan costs.

BACKGROUND

In early 2012, RGS began meeting with staff and legal counsel of LA IMPACT to discuss RGS becoming the Employer of Record for its administrative staff. Formed in 1991. this JPA is the Los Angeles Intra-agency Metropolitan Police Apprehension Crime Task Force, which is a county-wide task force consisting of local, state, and federal law enforcement agencies in the Los Angeles area. LA IMPACT's role is in investigating major crimes and apprehending serious felons. Most of LA IMPACT's funds are derived from asset forfeiture, as well two other small grants.

RGS will be the employer of record for the administrative staff, not the public safety staff, who are still employees of their own local law enforcement agencies. Although still in the final discussion phase for Employer of Record status, RGS needed to make changes in its retirement program based on the new legislation and to prepare for LA IMPACT and other potential clients staff to become RGS employees.

The current LA IMPACT administrative staff are employees of four different local agencies/organizations. LA IMPACT desires to consolidate all administrative staff in one employer, with consistent benefits, policies, and practices. However, some of the LA IMPACT assigned staff are currently participating in CalPERS, while others are in social security only and do not want to be in CalPERS. In an attempt to keep CalPERS employees 'whole' in a new retirement plan, RGS in discussion with LA IMPACT management, determined that the best way to accomplish this was to develop and offer to those employees already in CalPERS a defined benefit plan with PARS (Public Agency Retirement Services) or the existing STARS Defined Contribution Retirement Plan with some modifications.

The decision as to which way to go has still not been decided as it will be based on an employee vote before the end of November. LA IMPACT desires sustainability, as well as a comparability for employees who come over to RGS from a PERS agency.

Effective 1/1/2013, California law will be modified for retirement benefits (PEPRA) with new criteria for service credit as well as other retirement formulas, including changes to retirement benefit structure. Because RGS was already working with LA IMPACT to bring them over into the RGS plan prior to the enactment of the legislation, it was necessary accelerate our efforts to meet this deadline. The first step was to have an actuarial study conducted to determine the cost of the PARS program.

The PARS benefit parameters include a Defined Benefit Plan for all full-time miscellaneous employees based on 2.5% @ 55 formula, vesting at five years of Agency service, and final compensation based on the highest average consecutive 36 months of compensation with the agency. Employees' would contribution of 7% to 8% of compensation toward the total cost of the benefit.

Objectives:

LA IMPACT's goals for evaluating retirement benefit are:

1. Keeping employees whole as much as possible.
2. Controlling financial costs and sustaining the organization for many years to come.
3. Consistency in employee benefits.
4. Retaining quality employees and maintaining staff continuity.
5. Offer the affected employees a voice in the plan chosen.

RGS's goals for evaluating the retirement benefit are:

1. Controlling financial costs and sustaining the organization for many years to come.
2. Consistency in employee benefits.
3. Retaining quality employees and maintaining staff continuity.

The PARS plan offers flexibility in investment, benefit, and design choices; security in safeguarding assets; control at the agency level; savings from labor and benefit costs; service from an experienced and dedicated team; and integrity on a long term commitment to helping serve the public interest. The PARS Trust is administered by PARS using US Bank as the Trustee.

PARS offers Defined Benefit Plans under the Internal Revenue Code (IRC) 401(a) with over 600 member agencies and over 1,200 different retirement plans under their administration. Some of the local agencies under PARS plans include County of Solano, City of Vacaville, and the City of Fairfield. Under PARS, the ability to design a more flexible plan that meets the specific needs of the agency and its employees was possible. It also offers the agency more stability in the attraction and retention of its valuable employees and fiscal constraints. In addition, PARS would give RGS staff (those assigned to LA IMPACT and other possible future employees) the added diversity of a defined benefit retirement plan that would not be reciprocal with CalPERS. In considering the PARS retirement alternative, staff reviewed benefit options and conducted a full actuarial study through Bartel Associates

If this plan is selected, only those current 6 fulltime employees assigned to LA IMPACT who currently have a defined benefit plan will be eligible to participate. Those impacted employees terminating employment with the RGS after five years of service, but prior to age 55 may elect to receive a deferred retirement benefit upon attaining retirement age or a refund of the employee's contributions plus 3% per annum interest. Employees terminating employment with less than 5 years service credit would also receive a refund of the employee's contributions. The monthly retirement benefit is equal to the PARS Age Factor (2.5%@Age 55) multiplied by the Years of Service Credit multiplied by Final Pay. Final Pay is the highest average consecutive 36 months of compensation with the RGS. Other options include a pre-retirement death benefit to the employee's eligible beneficiary. This benefit plan would not apply to future fulltime RGS employees assigned to LA IMPACT or to those employees who are currently working for LA IMPACT, but not currently part of a defined benefit plan.

On 11/14/2012, the actuarial valuation for the PARS Plan is scheduled to be completed. The recommended plan provisions are:

1. Those 6 fulltime employees who currently have a defined benefit plan and transfer over to RGS by 12/30/2012 will be included in the plan;
2. Benefit service based on Agency years of service credit; purchases of additional service credit are not included;
3. Vesting service is lapsed time of continuous service with LA IMPACT and RGS.
4. Employee contribution is required equal to 7 or 8% of compensation;
5. Final average compensation is the average of the highest 36 months of compensation;
6. Employee is eligible for the benefit upon meeting the minimum age of 55, completing 5 years continuous service;
7. No disability benefit under this plan, other than the return of the employee contribution with 3% interest per annum;
8. The plan provides a pre-retirement death benefit to spouses or registered domestic partners of the employees who met the age and service condition for retirement;
9. Employees who terminate employment will receive a refund of their contributions with 3% interest per annum;
10. The Plan is a life-only annuity;
11. The Plan payment will increase by 2% annually for cost of living.

The actuarial valuation and assumption results are still not known at the time this report was prepared, but will be available for the meeting of 11/15/2012. It is anticipated that it will meet the original anticipated cost. The following represents the format for displaying the results of the actuarial assumptions based on the demographic information of LA IMPACT's six CalPERS members, and using the FY 2012-13 annual salary budgets as of July 1, 2012:

A.	Present Value of Future Benefits	$
B.	Present Value of Normal Costs	$
	Actuarial Liability (A - B)	$
	Total FY 2012-13 Budget Cost (xx%)	$
	Total FY 2012-13 Employee Cost (xx%)	$
	Total PARS Contribution FY 2012-13	$

Should the Board want to pursue adopting the PARS Defined Benefit Plan for the Agency, then at a special meeting would have to held in 2012, no sooner than two weeks from November 15. The following actions would be considered at that time:

1. Approval of a Resolution establishing the PARS Defined Benefit Plan;
2. Authorize the Executive Director to execute any and all documents to establish the Defined Benefit Plan with PARS; and
3. Award a contract to PARS for the administration and management of the PARS Plan Trust;
4. Authorize the Executive Director to have an actuarial study executed every two years.

As required by the Government Code Section 7507 and recent changes made by Senate Bill 1123 (Stats. 2008, Ch. 371) effective 1/1/2009, an actuarial is required for any proposed defined benefit enhancement in retirement benefits or in Other Post Employment Benefits (OPEB).

FISCAL IMPACT

The RGS LA IMPACT assigned employees contribution for FY 2012-13 to the proposed PARS Defined Benefit Plan will be provided at the meeting. Any and all employer costs associated with this defined benefit plan would be borne by the client or clients benefitting from the services provided by RGS employees participating in the plan.

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TO: BOARD OF DIRECTORS **BOD Meeting: 11-15-12**
FROM: RICHARD H. AVERETT, RGS Executive Director **Item: 6C**
SUBJECT: **DEFINED BENEFIT PLAN – ESTABLISHMENT PROCESS FOR 2% AT 60**

RECOMMENDATION
No action is required. This is an informational item.

BACKGROUND
In early 2012, RGS began meeting with staff and legal counsel of LA IMPACT to discuss RGS becoming the Employer of Record for its administrative staff. RGS would be the employer of record for the administrative staff, who are currently employees of four different local agencies/organizations. LA IMPACT desires to consolidate all administrative staff in one employer, while offering a defined benefit plan to those employees currently CalPERS members. As noted earlier in this meeting, management of RGS and LA IMPACT have been investigating the use of a PARS DB plan within RGS to accomplish the goal of a single employer platform.

The Solano County Transit (SolTrans) agency also desired a single employer for assigned staff currently 'loaned' to the agency from the County and a city member of the JPA. SolTrans was unsuccessful in their attempt to establish a CalPERS DB plan prior to January 1, 2013, so they have established a plan with PARS for their first three employees. Subsequent employees would be provided by RGS and participate in the RGS defined contribution retirement plan. Staff is in discussions with SolTrans staff about possibly RGS establishing a 2% at 60 DB tier identical to the SolTrans DB plan, and moving plan assets and employees to RGS, so all SolTrans staff could have use of the same benefit plans.

If the Board approves establishing the PARS 2.5% at 55 plan contemplated earlier in this meeting, no further noticing would be required for the 2% at 60 plan because it would be considered not an enhancement, but a second tier. RGS would have to complete an actuarial study prior to January 1, but since the census and terms would be identical to SolTrans' actuarial, it is possible to have the study completed in time.

Effective 1/1/2013, California law will be modified for retirement benefits (PEPRA) with new criteria for service credit as well as other retirement formulas, including changes to retirement benefit structure. Because RGS was already working with LA IMPACT to bring them over into the RGS plan prior to the enactment of the legislation, the SolTrans effort can be aided by the work done for LA IMPACT to meet this deadline.

FISCAL IMPACT
Any and all employer costs associated with this defined benefit plan would be borne by the client or clients benefitting from the services provided by RGS employees participating in the plan.