

LGS EXECUTIVE COMMITTEE AGENDA

Agenda materials may be viewed on the Agency's web site or by contacting the Executive Director prior to the meeting.

REGULAR MEETING

November 16, 2017

10:35 a.m. or immediately following the preceding meeting,
whichever is earlier

Yountville Town Hall

Council Chambers

6550 Yount Street

Yountville, CA 94599

1. CALL TO ORDER / ROLL CALL

A. Election of Officers

Action

2. PUBLIC COMMENT

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

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 Executive Committee, staff or public request specific items to be removed for separate action.

A. Approval of **August 24, 2017** Minutes

Action

B. Acceptance of LGS Position Listings

C. Approval of Regularly Scheduled Meetings Calendar

D. Approval of Payments and Deposits made August 2017 through September 2017

4. TREASURER'S REPORT

A. Review of Preliminary Fiscal-Year-To-Date Financial Reports through September 2017

Information

B. Approval of Independently Audited FY2017 Financial Statements

Action

5. OLD BUSINESS - None

6. NEW BUSINESS - None

7. EXECUTIVE DIRECTOR AND MEMBER REPORTS

A. Executive Director:

Information

B. Members:

Information

8. ADJOURN

9. CONVENE SPECIAL LGS EXECUTIVE COMMITTEE MEETING—CLOSED SESSION

(11:10 a.m. or immediately following the Municipal Services Authority Board of Directors Meeting, whichever is earlier)

Recess to Closed Session

CONFERENCE WITH LEGAL COUNSEL—EXISTING LITIGATION

(Pursuant to Government Code Sections 54956.9(d)(1))

Name of Case: Administrative Appeal of CalPERS Audit Services Review

Reconvene Special Meeting

A. Possible Report Out of Closed Session

Information

10. ADJOURN Special LGS Executive Committee Meeting—Closed Session

The next Regular Meeting will take place on February 15, 2018 at 1:00 p.m. in Dublin.

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 (650) 587-7300. Notification in advance of the meeting will enable Agency to make reasonable arrangements to ensure accessibility.

**LOCAL GOVERNMENT SERVICES AUTHORITY
EXECUTIVE COMMITTEE MINUTES
AUGUST 24, 2017**

The Local Government Services Authority held a regular meeting of the Executive Committee on August 24, 2017 at the Walnut Creek City Hall 2nd Floor Conference Room. The meeting was called to order at 3:11 p.m.

1. CALL TO ORDER / ROLL CALL

Members Present: Steve Rogers, Chair
Julie Carter, Alternate Member, Vice Chair
Michael Garvey, Member
Fran Robustelli, Member
Dan Schwarz, Member
Other Attendees: Richard Averett, Executive Director
Jennifer Bower, Director of Administrative Services
Sky Woodruff, General Counsel

A. Election of Officers – This item was deferred for confirmation of last election.

2. PUBLIC COMMENT - None

3. APPROVAL OF CONSENT AGENDA

A. Approval of **May 26, 2017** Minutes
B. Approval of LGS Position Listings
C. Approval of Regularly Scheduled Meetings Calendar
D. Approval of Payments and Deposits made May 2017 through July 2017
Action: Moved and seconded (Garvey/Schwarz) to approve consent agenda
AYES: Rogers, Garvey, Robustelli, Schwarz, Carter
NOES: None
ABSTAIN: None

4. TREASURER'S REPORT

A. Review of Preliminary Fiscal-Year-To-Date Financial Reports through June 2017
Information item; no action was taken. Executive Director Averett noted that the loss this year was higher than predicted due to high legal costs in June. Administrative expenses continue to be about 30% below the first half of the fiscal year. The reserve is below the \$500,000 threshold. TAM is expected to leave at the end of October.

5. OLD BUSINESS

Recess to Closed Session 3:19 a.m.

1. CONFERENCE WITH LEGAL COUNSEL--ANTICIPATED LITIGATION
Initiation of litigation pursuant to Government Code Section 54956.9(d)(4): One potential case.

Reconvene Regular Meeting 4:08 p.m.

A. Report from Closed Session
The Chair noted that no reportable action was taken.

6. NEW BUSINESS - None

7. EXECUTIVE DIRECTOR AND COMMITTEE MEMBERS

- A. Executive Director: Staff is preparing a claim for insurance reimbursement of expenses related to CalPERS. A financial plan for going forward will be presented at the November meeting.
- B. Members: none.

- 8. ADJOURN** – The meeting adjourned at 4:10 p.m. The next regular meeting is scheduled for November 16, 2017 at 10:00 a.m. in Yountville.

LGS Position Listing

Base Department	Job Title	Status	Fulltime
6040-000 - TAM-General Hours	Advisor	1	
6040-000 - TAM-General Hours	Advisor	1	
6040-000 - TAM-General Hours	Program Advisor	1	
6040-000 - TAM-General Hours	Administrative Support	1	
6040-000 - TAM-General Hours	Advisor	1	
6040-000 - TAM-General Hours	CEO - Urban	1	
6040-000 - TAM-General Hours	Advisor	1	
6040-000 - TAM-General Hours	Advisor	1	
6040-000 - TAM-General Hours	Technical Assistant	1	
	FTE	9	
	Employee Count	9	

TO: EXECUTIVE COMMITTEE **EC Meeting: 11-16-2017**
FROM: TIFFANY BURAGLIO, Executive Assistant **Item: 3C**
SUBJECT: EXECUTIVE COMMITTEE AND BOARD OF DIRECTORS MEETINGS

MEETING SCHEDULE

The following are regularly scheduled meetings for the upcoming years, along with special topics to be discussed. Quarterly meetings are conducted in person at a Member Agency site on the third Thursday of the month, starting at 1:00 p.m. unless noted below.

Date	EXEC COMM	BOARD	Special Topics	Location	Notes
2017					
November 16-17 (Thursday, full day)	RGS LGS	RGS LGS MSA	FY17 Audited Financial Statements; Personnel Rules, Regulations & Policies, Study Session	Yountville	Beginning at 10:00am
2018					
February 15 (Thursday)	RGS LGS	MSA	Election of Officers (all)	Dublin	
May 17 (Thursday)	RGS LGS	MSA	FY19 Budget & MSA rates; Admin & Financial Policies, Conflict of Interest (even years)	Larkspur	
August 16 (Thursday)	RGS LGS	RGS LGS MSA	Exec Dir Compensation Committee	Walnut Creek	
November 15-16 (Thursday & Fri)	RGS LGS	MSA	FY18 Audited Financial Statements; Study Session	Yountville	
2019					
February 21 (Thursday)	RGS LGS	MSA	Election of Officers (all), Personnel Rules, Regulations & Policies	Dublin	
May 16 (Thursday)	RGS LGS	MSA	FY20 Budget & MSA rates; Admin & Financial Policies, Conflict of Interest (even years), Personnel Rules, Regulations & Policies	Larkspur	
August 15 (Thursday)	RGS LGS	RGS LGS MSA	Exec Dir Compensation Committee	Walnut Creek	
November 17-18 (Thursday & Fri)	RGS LGS	MSA	FY19 Audited Financial Statements; Study Session	Yountville	

TO: EXECUTIVE COMMITTEE **EC Meeting: 11-16-2017**
FROM: Richard Averett, CFO **Item: 3D**
SUBJECT: PAYMENTS AND DEPOSITS – AUGUST 2017 THROUGH SEPTEMBER 2017

RECOMMENDATION

Review and approve expenditures made by the JPA for the period indicated.

BACKGROUND

The Executive Committee reviews and approves expenditures made by the JPA on a quarterly basis. This approval process is a component of JPA internal controls. Deposit history is also included in the list.

The following procedures are being implemented to maintain effective internal controls.

1. Invoices are received by staff.
2. JPA staff review invoices for accuracy and assignment to correct general ledger accounts.
3. The Executive Director or designee reviews, prints and signs/authorizes checks. All payments, including electronic payments, are reviewed by the Executive Director in a weekly disbursement report submitted by the Finance Department. This report contains all disbursements from the previous week. Information provided includes: date of transaction, amount, vendor or recipient, method of payment, identity of first and second staff approvers, and check or journal number.
4. All payments are brought to the next regular meeting of Executive Committee (or Board of Directors) meeting for review and approval.

FISCAL IMPACT

The net impact of all payments and deposits made this period maintains a minimal bank cash balance consistent with meeting funding obligations, while maximizing interest earnings in the Rabobank money market account, in the Local Agency Investment Fund (LAIF) investment pool and in the CalTrust medium term and short term investment pools. Staff seeks to minimize bank charges at all times.

The fiscal impact of approving the attached list of expenditures is included in the approved budget or in subsequently approved action by the Board/Executive Committee.

Local Government Services Payment and Disbursement Report August through October 2017

Type	Date	Num	Name	Memo	Amount	Balance
110060 · Rabobank Checking						
General Journal	08/04/2017	1480	7/31/17 net pay		-36,194.16	-36,194.16
General Journal	08/04/2017	1482	7/15/17 PERS R Classic contribution Confirm #1000903146		-8,440.93	-44,635.09
General Journal	08/07/2017	1481	8/07/17 payroll taxes & fees		-13,394.62	-58,029.71
General Journal	08/10/2017	1485	7/31/17 Mass Mutual 457 contributions		-5,411.17	-63,440.88
General Journal	08/14/2017	1486	7/31/17 PERS R Classic contribution Confirm #1000908760		-8,751.95	-72,192.83
General Journal	08/21/2017	1492	8/15/17 net pay		-35,008.80	-107,201.63
General Journal	08/22/2017	1493	8/15/17 payroll taxes & fees		-12,749.81	-119,951.44
General Journal	08/25/2017	1510	8/15/17 Mass Mutual 457 contributions		-6,611.17	-126,562.61
Deposit	08/31/2017		Deposit		126,562.61	0.00
General Journal	09/07/2017	1511	8/30/17 net pay		-36,596.75	-36,596.75
General Journal	09/08/2017	1512	8/30/17 payroll taxes & fees		-13,659.07	-50,255.82
General Journal	09/14/2017	1515	8/31/17 Mass Mutual 457 contributions		-6,011.17	-56,266.99
General Journal	09/15/2017	1516	8/15/15 PERS R Classic contribution Confirm #1000597699		-8,666.39	-64,933.38
General Journal	09/15/2017	1517	8/31/17 PERS R Classic contribution Confirm #1000929311		-8,940.37	-73,873.75
General Journal	09/15/2017	1518	Calpers Monthly UAL Payment 2017-08		-6,155.62	-80,029.37
General Journal	09/15/2017	1519	Calpers Monthly UAL Payment 2017-09		-6,147.60	-86,176.97
General Journal	09/15/2017	1520	Calpers GASB 68 Payment		-700.00	-86,876.97
General Journal	09/15/2017	1521	Calpers Monthly UAL Payment 2017-07		-6,205.61	-93,082.58
General Journal	09/21/2017	1522	9/15/17 net pay		-35,665.98	-128,748.56
General Journal	09/22/2017	1523	9/15/17 payroll taxes & fees		-13,099.18	-141,847.74
General Journal	09/26/2017	1524	9/15/17 Mass Mutual 457 contributions		-6,011.17	-147,858.91
General Journal	09/28/2017	1525	9/15/17 PERS R Classic contribution Confirm #1000936501		-8,666.39	-156,525.30
Deposit	09/30/2017		Deposit		156,525.30	0.00
General Journal	10/05/2017	1536	9/30/17 net pay		-34,436.48	-34,436.48
General Journal	10/06/2017	1537	9/30/17 payroll taxes & fees		-12,367.81	-46,804.29
General Journal	10/12/2017	1548	9/30/17 Mass Mutual 457 contributions		-5,886.17	-52,690.46
General Journal	10/13/2017	1546	Calpers Annual UAL Classic Confirm# 1000945669		-6,106.57	-58,797.03
General Journal	10/13/2017	1546	Calpers Annual UAL Pepra Confirm# 1000945668		-41.03	-58,838.06
General Journal	10/13/2017	1547	9/30/17 PERS R Classic contribution Confirm #1000945659		-8,392.44	-67,230.50
General Journal	10/19/2017	1556	10/15/17 net pay		-35,727.40	-102,957.90
General Journal	10/20/2017	1557	10/15/17 payroll taxes & fees		-13,107.67	-116,065.57
General Journal	10/26/2017	1574	10/15/17 Mass Mutual 457 contributions		-4,136.17	-120,201.74
Total 110060 · Rabobank Checking					<u>-120,201.74</u>	<u>-120,201.74</u>
					<u>-120,201.74</u>	<u>-120,201.74</u>

TO: EXECUTIVE COMMITTEE
FROM: Jefferson Kise, Finance Manager
SUBJECT: FINANCIAL REPORT ANALYSIS

EC Meeting: 11-16-2017
Item: 4A

RECOMMENDATION

No action is required of the Executive Committee. These are informational, preliminary financial reports through September 2017, and are attached for review.

ANALYSIS

All reports are draft and unaudited and do not reflect any FY17 audit adjustments. Accruals for earned but not paid leave time are posted to the financials monthly. When cash is received on an advanced billing, it is posted to the deferred revenue liability account. Upon invoicing for services rendered the deferred revenue is reversed and revenue is recognized. There is no impact on net position of the agency.

Fiscal-year-to-date (FYTD), net income for the JPA is a loss of \$92,000. Sharply reduced client revenue because of CalPERS actions and related increased legal costs and professional services in response to the on-going CalPERS dispute, are the primary causes of this negative FYTD performance. Through the same period, net equity for the JPA is \$82,500, which is below the target balance of \$500,000.

As a result of CalPERS audits of LGS' largest client and then of LGS, the Agency lost its largest single source of revenue in the latter months of fiscal year 2016, a small client terminated during FY2017 and the remaining client will terminate services December 31, 2017. LGS' share of administrative services (overhead) costs has decreased markedly, but legal and other professional services costs have increased significantly.

Given the tenuous JPA financial condition, staff will outline its financial strategy to sustain LGS. There are three primary factors:

- **FY17 audit adjustments:** primary due to GASB 68 adjustments, the JPA net position as of June 30th, 2017 will be increased to \$244,000. Therefore, the true September 30th net position is \$152,000 versus the \$82,500 currently on the books.
- **The current and projected monthly losses:** on average, the JPA has lost \$30,000 per month over the last 12 months while still supporting its remaining client. Staff projects this level of monthly loss to continue through December 2017. In 2018 the JPA will no longer have a client to support, however will still have the administrative, legal and consulting expenses associated with the CalPERS audit. These costs are forecasted to be approximately \$25,000 per month, therefore staff forecasts the JPA to exhaust its reserves by the end of March 2018.
- **Potential insurance claim recovery funds:** Since 2015 RGS & LGS have funded over \$400,000 in direct CalPERS audit costs. The JPAs are insured through Municipal Services Authority (MSA) which has filed a claim with its General Liability carrier. The final claims recovery amount has not been determined and would be subject to the \$50,000 retention limit per claim. To provide continued funding for LGS operations staff will recommend that it seek reimbursement from MSA of its CalPERS audit costs once more specific information is available. This funding is projected to be sufficient to sustain LGS' work well into the next two fiscal years.

Staff will update the Committee regularly on remaining funds and insurance claims.

Local Government Services
Profit & Loss
 July through September 2017

	<u>Jul 17</u>	<u>Aug 17</u>	<u>Sep 17</u>	<u>TOTAL</u>
Ordinary Income/Expense				
Income				
440301 · Client Billings	160,144	171,948	165,058	497,150
480000 · Miscellaneous	1,626	1,643	1,606	4,875
Total Income	<u>161,770</u>	<u>173,591</u>	<u>166,664</u>	<u>502,025</u>
Gross Profit	161,770	173,591	166,664	502,025
Expense				
511010 · Salaries - Regular	109,754	111,124	108,000	328,878
511072 · Salaries non-billable	-3,166	-10,417	5,735	-7,848
512002 · Medicare Employer Expense	1,568	1,588	1,543	4,699
512004 · Employee Assistance Program	33	33	33	99
512005 · Health Insurance Expense	11,131	11,130	11,131	33,392
512006 · Dental Insurance Expense	1,111	1,111	1,111	3,333
512007 · Vision Insurance Expense	176	176	176	528
512008 · Life Insurance Expense	188	188	188	564
512009 · Long Term Disability Expense	212	212	212	636
512012 · Calpers Retirement Expense	23,475	24,041	23,992	71,508
512014 · Short Term Disability Expense	173	173	173	519
512018 · FSA Health & Day Care Expense	25	25	26	76
520107 · APS (ADP) Payroll Fees	192	192	192	576
520204 · Printing & Postage	12		59	71
520302 · Legal Services	9,825	5,115	20,464	35,404
520320 · Professional Services	4,000	9,400	8,225	21,625
529997 · Administrative Services - RGS	30,690	26,914	41,283	98,887
Total Expense	<u>189,399</u>	<u>181,005</u>	<u>222,543</u>	<u>592,947</u>
Net Ordinary Income	-27,629	-7,414	-55,879	-90,922
Other Income/Expense				
Other Expense				
529994 · Allowed OPEB / HRA Expense	375	375	375	1,125
529998 · Allocated Admin. Services	37,611	35,261	76,716	149,588
529999 · Allocated Unbillable Expenses	-37,611	-35,261	-76,716	-149,588
Total Other Expense	<u>375</u>	<u>375</u>	<u>375</u>	<u>1,125</u>
Net Other Income	<u>-375</u>	<u>-375</u>	<u>-375</u>	<u>-1,125</u>
Net Income	<u><u>-28,004</u></u>	<u><u>-7,789</u></u>	<u><u>-56,254</u></u>	<u><u>-92,047</u></u>

Local Government Services
Balance Sheet
 As of September 30, 2017

	Sep 30, 17
ASSETS	
Current Assets	
Accounts Receivable	
131320 · Accounts Receivable - Trade	192,797
Total Accounts Receivable	192,797
Other Current Assets	
143006 · Due from RGS	1,618,365
150006 · Prepaid Expenses	4,000
150007 · Prepaid Insurance	8
Total Other Current Assets	1,622,373
Total Current Assets	1,815,170
Other Assets	
170000 · Deferred Outflows	669,082
Total Other Assets	669,082
TOTAL ASSETS	2,484,252
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Other Current Liabilities	
2100*OE · Payroll Liabilities	0
214071 · Claims Reserve Payable MSA	1,292,649
221001 · Calpers Retirement Liab	8,832
221003 · 457/401A Retirement Liab	5,886
221006 · FSA Health & Day Care	592
221015 · Health Insurance Liability	0
221016 · Long Term Disability Liability	4
221017 · Short Term Disability Liability	2
221023 · Dental Insurance Liability	0
221024 · Vision Insurance Liability	36
221025 · Life Insurance/AD&D Liability	5
230060 · Accrued Salaries, Wages & Taxes	46,708
240010 · Deferred Revenue	140,000
240011 · Refundable Deposits	0
250001 · Accrued Vacation	156,752
250002 · Contra Vacation, Sick and Admin	0
Total Other Current Liabilities	1,651,466
Total Current Liabilities	1,651,466
Long Term Liabilities	
260003 · Health Reimbursement Account	-1,125
270000 · Net Pension Liability	560,643
280000 · Deferred Inflows	190,734
Total Long Term Liabilities	750,252
Total Liabilities	2,401,718
Equity	
32000 · Retained Earnings	-636,320
370000 · Fund Bal Unreserved/Unrestrictd	1,334,881
380000 · Prior Period Adjustment	-523,981
Net Income	-92,045
Total Equity	82,535
TOTAL LIABILITIES & EQUITY	2,484,253



TO: EXECUTIVE COMMITTEE **EC Meeting: 11-16-2017**
FROM: RICHARD AVERETT, Executive Director/CFO **Item: 4B**
**SUBJECT: APPROVAL OF AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR
ENDING JUNE 30, 2017**

RECOMMENDATION

Review and approve the independent audit reports for fiscal year (FY) 2017.

BACKGROUND

The outside audit firm of Badawi and Associates was retained to complete the FY2017 audit. The June 30, 2017 audited financial statements for the JPA, along with the audit report and Management Letter will be posted to the JPA web site.

AUDIT RESULTS

Audit results are summarized below, with more information and analysis in the Management Discussion and Analysis section of the audit report.

LGS FINANCIAL HIGHLIGHTS

- The JPA lost a significant client at the end of FY16, consequently FY17 revenue of \$2,145,434 is down 55% from FY16.
- In the fiscal year ended June 30, 2017, the Authority's net loss of \$479,994 is a significant drop from the net gain of \$190,758 in the prior fiscal year. The FY2016 net gain resulted from an operating loss of \$105,474 plus a \$296,232 reduction in the Authority's Pension expense as calculated under GASB 68.
- The JPA has been under-going a pension benefit audit by California Public Employee Retirement System (CalPERS) for over four years, costing LGS over \$200,000 in response costs for a second year in a row.
- Net Assets at the end of the fiscal year are \$246,242, roughly half the minimum target of \$500,000.