



LGS BOARD AGENDA

Agenda Materials may be viewed on the Agency's web site or by contacting the Executive Director prior to the meeting. For a teleconference meeting, the public may participate in the meeting at any of the teleconference locations listed.

REGULAR MEETING

Via Teleconference

May 17, 2018

1:30 p.m. or immediately following preceding meeting, whichever is earlier

Dublin Civic Center, City Manager's Office, 100 Civic Plaza, Dublin, CA 94568
Larkspur City Hall, City Manager's Office, 400 Magnolia Avenue, Larkspur, CA 94939
Walnut Creek City Hall, Assistant City Manager's Office, 1666 North Main St, Walnut Creek, CA 94596
Yountville Town Hall, Town Manager's Office, 6550 Yount Street, Yountville, CA 94599

1. CALL TO ORDER / ROLL CALL

2. 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.

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 April 23, 2018 Minutes Action

4. TREASURER'S REPORT - None

5. OLD BUSINESS

Recess to Closed Session

CONFERENCE WITH LEGAL COUNSEL--EXISTING LITIGATION

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

Name of Case: Administrative Appeal of CalPERS Audit Services Review

A. Possible Report Out of Closed Session Information

6. NEW BUSINESS

A. Approve Recommendation to Member Agencies to Mutually Dissolve LGS Action

B. Approve Draft Utilization Plan for Agency Assets and Authorize Executive Director and General Counsel to Select Appropriate Successor Agent to Administer Remaining Duties Action

C. Approve Resolution LGSBOD2018-01 to Dissolve Municipal Services Authority Action

7. EXECUTIVE DIRECTOR AND MEMBER REPORTS

A. Executive Director: Information

B. Members: Information

8. ADJOURN

The next Regular Meeting is scheduled to take place on August 16, 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
BOARD OF DIRECTORS MINUTES
APRIL 23, 2018**

The Local Government Services Authority held a special meeting of the Board of Directors on April 23, 2018 via teleconference. The meeting was called to order at 11:00 a.m.

1. CALL TO ORDER

Members Present: Steve Rogers, Chair
Julie Carter, Alternate Vice Chair
Fran Robustelli, Member
Dan Schwarz, Member
Other Attendees: Richard Averett, Executive Director
Sky Woodruff, JPA General Counsel
Scott Kivel, JPA Special Counsel

2. PUBLIC COMMENT – None

3. APPROVAL OF CONSENT AGENDA

A. Approval of **December 21, 2017** Minutes

Action: Moved and seconded (Schwarz/Carter) to approve consent agenda.
AYES: Rogers, Carter, Robustelli, Schwarz
NOES: None
ABSTAIN: None

4. TREASURER’S REPORT - None

5. OLD BUSINESS - None

6. NEW BUSINESS

11:05 a.m.

Recess to Closed Session

CONFERENCE WITH LEGAL COUNSEL--EXISTING LITIGATION

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

Name of Case: Administrative Appeal of CalPERS Audit Services Review

CONFERENCE WITH LEGAL COUNSEL--ANTICIPATED LITIGATION

Significant exposure to litigation pursuant to Government Code Section 54956.9(d)(2): One potential case.

11:35 a.m. Reconvened from Closed Session

A. Report Out of Closed Session – At a special meeting this morning, the LGS Board of Directors unanimously concurred with the Executive Director’s recommendation to resolve outstanding issues between LGS and MTC consistent with the terms of agreement presented.

7. EXECUTIVE DIRECTOR AND MEMBER REPORTS

A. Executive Director: The next regular meeting is calendared for August 16, but since there is no need for the Executive Committee meeting May 17, the Board will meet in regular session on May 17.
B. Members: None

8. ADJOURNMENT - The meeting adjourned at 11:45 a.m. The next regular meeting is scheduled for May 17, 2018 at 1:00 p.m. in Larkspur.

TO: BOARD OF DIRECTORS
FROM: RICHARD AVERETT, Executive Director/CFO
SUBJECT: DISSOLUTION OF JPA

BOD Meeting: 05-17-2018
Item: 6A

RECOMMENDATION

Approve recommending to Member Agencies that LGS be dissolved.

BACKGROUND

The JPA was formed in 2001 and began operations in 2002. Its purpose was to provide staffing for small agencies without sufficient staff to effectively and efficiently serve as its own employer, and to meet the grant-funded or other limited term staffing needs of larger agencies. LGS provided competitive compensation, including a CalPERS retirement benefit, and a shared platform for multiple agencies to use. Over the years, LGS served approximately a dozen agencies.

In 2006, CalPERS conducted a payroll and compensation audit of LGS and found the JPA only needed to correct its reporting of salaries, suggesting to LGS that it could report position salaries by client agency locations in order to comply with reporting requirements while paying market rates for the client's different geographic areas. LGS corrected its reporting of salaries to comply with the CalPERS audit.

LGS operations continued in the same manner, but eleven years later, in another CalPERS audit – this one lasting four and a half years – the single finding was that LGS should not have enrolled its employees in CalPERS because it did not exercise control of the workers. That is, CalPERS found the client agencies were the common law employers of LGS employees. All 144 LGS employees, from 2002 through 2017, were in jeopardy of losing the retirement service credit they had earned under LGS, service.

LGS appealed the audit conclusions, but the appeal has still not been heard one year after the audit was finalized. CalPERS has agreed to reallocate the service earned while under LGS to the agency where the employees were assigned, provided the agencies are CalPERS-contracting agencies. Fourteen LGS former employee were left 'stranded' without a CalPERS-contracting agency to receive their LGS service credit. LGS is working with CalPERS and receiving agencies to complete the reallocations. LGS is also working to reallocate several other employees' service credit, but it must turn its remaining resources to help the stranded employees receive some measure of the benefit value they and LGS expected when the employees were enrolled. The most effective way to for LGS to do this is to dissolve the JPA and stop the on-going cost of the administrative appeal of the audit determination.

DISSOLUTION PROCESS

Article V, section 2, of the joint powers agreement states that: "All Members may mutually agree to dissolve LGS at any time." "Members" refers to the public agencies belonging to LGS, of which there are currently four. Staff is recommending that each of the four agencies consider dissolving LGS at the earliest possible time following LGS Board determination that all financial, administrative and legal duties have been discharged, including if necessary appointment by the Board of an agent to discharge remaining duties consistent with direction of the Board.

TO: BOARD OF DIRECTORS **BOD Meeting: 05-17-2018**
FROM: RICHARD AVERETT, Executive Director/CFO **Item: 6B**
SUBJECT: APPROVE DRAFT UTILIZATION PLAN FOR AGENCY ASSETS

RECOMMENDATION

Approve the utilization plan for Agency assets.

The Executive Director and General Counsel will at a subsequent meeting recommend for Board consideration an appropriate successor agent to administer remaining duties after Agency dissolution.

BACKGROUND

As discussed at previous Board and Executive Committee meetings, Agency staff have been developing a plan to settle potential claims on the Agency resulting from the CalPERS audit and subsequent determination that LGS employees enrolled in the CalPERS retirement system under LGS' plan were common law employees of the agencies to which the employees were assigned. Of the 144 workers LGS employed since inception (2002), CalPERS plans to reallocate the retirement system service credit to client agencies in all but 14 cases. These workers – those assigned to non-CalPERS agencies - are referred to as “stranded” employees.

At least two groups of “reallocatable” employees - those assigned to Transbay Joint Powers Authority and the Water Emergency Transportation Authority - have already been reassigned without LGS' consent or knowledge. Another group (those assigned to Transportation Authority of Marin) were reallocated at the end of 2017. Staff is in the process of finalizing reallocation of nearly 70 former employees assigned to the Metropolitan Transportation Commission and those assigned to the City of Lincoln. Three of the stranded employees have ‘cashed out’ of the retirement system. Of the remaining 11 stranded employees, we are still pursuing reallocation with member agencies of the public sector entity or consortium of entities that benefited from the services provided by three of these LGS workers.

CalPERS has indicated that if the LGS appeal (and individual workers' appeals) of the adverse determination is dropped, they will return employee contributions with interest and possibly employer contributions with interest if those refunds are used for the former employees as replacement for the denied retirement benefit.

FINANCIAL IMPACT

These refunds of CalPERS contributions together would equal about 50 percent of the net present value of stranded employees' CalPERS benefits at a 7 percent discount rate. If the MSA Board approves the recommended distribution of MSA net assets, this \$1.1M would be used to pay the accumulated shortfall in LGS balance expended by FYE2018, and for other costs associated with CalPERS adverse determination. If insurance proceeds were to be received, they too could be used to satisfy LGS obligations. Therefore, what is requested is application of all available funds to disposition of current and anticipated debts and for settlement of potential claims for employee retirement benefits. It is expected these actions would exhaust all LGS assets.



**LOCAL
GOVERNMENT
SERVICES**

SERVING PUBLIC AGENCIES SINCE 2002

TO: BOARD OF DIRECTORS **BOD Meeting: 05-17-2018**
FROM: RICHARD AVERETT, Executive Director/CFO **Item: 6C**
SUBJECT: APPROVE RESOLUTION LGSBOD2018-01 DISSOLVING MSA

RECOMMENDATION

Approve resolution number LGSBOD2018-01 dissolving the Municipal Services Authority, a joint powers authority.

BACKGROUND

LGS is facing closure resulting from the impacts of the CalPERS audit and subsequent determination that LGS employees enrolled in the CalPERS retirement system under LGS' plan were common law employees of the agencies to which the employees were assigned. When LGS is dissolved, MSA will effectively be dissolved because it will only have one member agency, RGS.

PLANNING FOR DISSOLUTION

MSA provides many shared services for LGS and RGS, including insurance, employee benefits and a dental pool for multiple public agencies. Planning and actions are underway to ensure these service needs are addressed so there is no disruption to employees or other agencies when MSA is dissolved. There are advantages to dissolving MSA prior to the beginning of the next fiscal year, such as insurance policy years begin July 1. Staff is working toward being able to terminate MSA on or before June 30, 2018.

FINANCIAL IMPACT

The dissolution of MSA should have no discernible fiscal impact on LGS.

RESOLUTION NO. LGSBOD2018-01

A RESOLUTION OF THE BOARD OF DIRECTORS OF LOCAL GOVERNMENT SERVICES AUTHORITY DISSOLVING THE MUNICIPAL SERVICES AUTHORITY

WHEREAS, a Joint Powers Agreement was entered into on January 12, 2012 creating the Municipal Services Authority (“MSA”) pursuant to the Joint Exercise of Powers Act, Government Code section 6500 *et seq.* with the purpose of providing shared insurance and benefit pool for public agencies to achieve their goals cost-effectively; and

WHEREAS, the membership of MSA is currently comprised of the Local Government Services Authority and the Regional Government Services Authority; and

WHEREAS, two or more member agencies are required under Government Code section 6500 *et seq.* and one MSA member agency will be dissolved in the next few months; and

WHEREAS, under the terms of the Agreement that created the Joint Powers Authority, all Members may mutually agree to dissolve MSA at the end of any fiscal year, provided, however, that the Authority and the JPA Agreement shall continue to exist for the purpose of disposing of all obligations, distribution of assets, and all other functions necessary to conclude the affairs of the Authority; and

WHEREAS, after satisfaction of all debts, liabilities or obligations incurred by MSA, any and all remaining property of MSA, both real and personal, and all other assets of any kind shall be divided among the Members active as of the act of dissolution, in such manner as shall be agreed upon by the Members.

NOW, THEREFORE, BE IT RESOLVED AND ORDERED that Board of Directors of the Local Government Services Authority vote to dissolve the Municipal Services Authority as specified in the Joint Powers Authority Agreement, to be effective on or about June 30, 2018.

PASSED AND ADOPTED by the Board of Directors of Local Government Services Authority, this 17th day of May 2018 by the following vote, to wit:

AYES:

NOES:

ABSTAIN:

ABSENT:

ATTEST:

Board Secretary

Steve Rogers, Chair