

**ROSS VALLEY FIRE DEPARTMENT
STAFF REPORT**

For the meeting of: July 12, 2017

To: Board of Directors

From: Dan Mahoney, Acting Fire Chief

Subject: Response to the Marin County Civil Grand Jury's Reports:

- Marin's Retirement Health Care Benefits: The Money Still Isn't There.
- The Budget Squeeze: How will Marin Fund Its Public Employee Pensions?

RECOMMENDATION:

That the Board approves the response to the Marin Civil Grand Jury Reports referenced above.

BACKGROUND:

On May 17, 2017 and June 5, 2017, the Marin Civil Grand Jury issued the following reports: "Marin's Retirement Health Care Benefits: The Money Still Isn't There" and "The Budget Squeeze: How will Marin Fund Its Public Employee Pensions?".

The reports investigate two topics and provide recommendations to the department.

The Fire Board, as a governing body, is required to respond in writing to the Findings and Recommendations contained in the report within 90 days.

Attachments: Response to Grand Jury Reports
Letter to Marin County Civil Grand Jury

AGENDA ITEM # 3
Date 7/12/17



Ross Valley Fire Department

777 San Anselmo Avenue, San Anselmo, CA 94960

Mark Mills
FIRE CHIEF

July 12, 2017

The Honorable Judge Kelly V. Simmons
Marin County Superior Court
P.O. Box 4988
San Rafael, CA 94913-4988

Dear Judge Simmons:

Enclosed please find Ross Valley Fire Departments response to the Grand Jury's report entitled "Marin's Retirement Health Care Benefits: The Money Still Isn't There". The Board of Directors of the Ross Valley Fire Department approved this response at their regularly scheduled board meeting on Wednesday, July 12, 2017.

If you have any questions regarding the responses, please contact Acting Fire Chief Dan Mahoney at 415-258-4688 or via email at dmahoney@rossvalleyfire.org.

Sincerely yours,

JoAnne Lewis
Administrative Assistant

Enclosures

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Ross Valley Fire Department

777 San Anselmo Avenue, San Anselmo, CA 94960

Mark Mills
FIRE CHIEF

This is the official response of the Ross Valley Fire Department to the recommendations of the Grand Jury's report entitled "Marin's Retirement Health Care Benefits: The Money Still Isn't There." The Board of Directors of the Ross Valley Fire Department approved this response at their regularly scheduled board meeting on July 12, 2017.

The Ross Valley Fire Department was required to respond to recommendations numbered R1 - R9.

Recommendations and Responses:

R1

Each agency should adopt a formal, written policy for contributions to its OPEB plan.

Response: This recommendation has been implemented. Ross Valley FD entered into the OPEB Agreement on May 13, 2010.

R2

Each agency's standard practice should be to consistently satisfy its formal written OPEB contribution policy.

Response: This recommendation has been implemented. The Ross Valley Fire Department adopted a funding policy to contribute consistently an amount equal to 100% of the ARC as determined in our OPEB valuations as well as submitting monthly "Pay Go" obligations.

R3

Each agency's OPEB contribution policy and practice should support a projection under GASB 75 that its OPEB plan assets will be sufficient to make all projected OPEB benefit payments.

Response: Ross Valley Fire agrees with this recommendation and also agrees that it will require further analysis. During the budgeting process, the current Actuarial Report is reviewed and discussed as to any changes that can be made in the pre-funding of OPEB related costs. Currently Ross Valley Fire Department is pre-funding prior liability on a 30 year, closed amortization period. This amortization period is the most fiscally responsible option for the Department at this time. However, with each new Actuarial Report, a discussion is held at a regularly scheduled board meeting concerning changes that could be made to amortization period.

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R4

Each agency that uses special reserve funds for Postemployment Benefits should transition to a trust meeting the criteria of GASB 75.

Response: This recommendation has been implemented in 2010. The Ross Valley Fire Department entered into the CalPERS/CERBT Trust in FY 2009-2010. The Department has continued to contribute the full ARC to the trust as well as submitting monthly "Pay as you Go" obligations

R5

Each term of service, elected or appointed officials of each agency should take a public agency financial class.

Response: The Ross Valley Fire Department has always, and will continue to, maintain its fiduciary responsibility. There are requirements listed in the First Amended JPA that outline fiduciary responsibility. Each year the Board members discuss the annual budget and audit at regularly scheduled meetings to ensure Board members have a clear understanding of the Department's short term and long term financial obligations.

R6

Each agency should make its CAFRs, Audits, and GASB valuations more readily understandable by the general public.

Response: This recommendation has been implemented. The Ross Valley Fire Department follows all current Government Auditing Standards and GASB Valuation Standards. All current reports are available on the Department's website, under the Financial tab. <http://www.rossvalleyfire.org/about/financial-information>. The staff reports accompanying the approval of the above documents by the Board do attempt to present the information in layperson's terms.

R7

Each agency should ensure that all of its public financial presentations are more readily understandable and scheduled during hours convenient for the public.

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Response: This recommendation has been implemented. All presentations related to financial, or any other matter, are presented at a duly noticed, publically accessible Board Meeting. They are regularly scheduled for the second Wednesday of each month, beginning at 6:30pm.

R8

Each agency should have the following downloadable and test-searchable documents readily accessible on their website: the last five years of CAFRs/Audits and the last three actuarial reports.

Response: This recommendation has been implemented. The Department has posted all financial statements and pertinent actuarial data on our website, <http://www.rossvalleyfire.org/about/financial-information>. However, the Department does not currently have the capability to make all these documents text-searchable. This feature will be considered in the future as the Department's resources allow.

R9

Before the next round of bargaining begins, each agency should prioritize the cost containment strategies to be used, including reducing or eliminating OPEB benefits for future employees.

Response: This recommendation has been implemented. This was discussed during the negotiations that occurred during 2012 and 2013. The Department and the Association met and conferred and agreed that any new employees hired after March 31, 2013, upon retirement, will be eligible for the Minimum Employer Contribution (MEC) established by PEMHCA with no additional reimbursement from the Authority. On August 1, 2013, the Authority established a Retirement Health Savings (RHS) plan for all employees covered by the Association, which contributes an amount equal to four (4) percent of the "Step E" salary for the Firefighter/Engineer, as established by the salary chart in Section 2 Salaries. Employees will contribute a matching amount to the RHS during the course of their employment.

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RESPONSE TO GRAND JURY REPORT

Report Title: Marin's Retirement Health Care Benefits

Report Date: May 17, 2017

Response Date: Aug 17, 2017

Agency Name: Ross Valley Fire Dept. Agenda Date: 7/12/17

Response by: Dan Mahoney Title: Acting Fire Chief

FINDINGS

- I (we) agree with the findings numbered: NA
- I (we) disagree *partially* with the findings numbered: NA
- I (we) disagree *wholly* with the findings numbered: NA

(Attach a statement specifying any portions of the findings that are disputed; include an explanation of the reasons therefor.)

RECOMMENDATIONS

- Recommendations numbered R1, R2, R4, R6, R7, R8, R9 have been implemented.
(Attach a summary describing the implemented actions.)
- Recommendations numbered _____ have not yet been implemented, but will be implemented in the future.
(Attach a timeframe for the implementation.)
- Recommendations numbered R3, R5 require further analysis.
(Attach an explanation and the scope and parameters of an analysis or study, and a timeframe for the matter to be prepared for discussion by the officer or director of the agency or department being investigated or reviewed, including the governing body of the public agency when applicable. This timeframe shall not exceed six months from the date of publication of the grand jury report.)
- Recommendations numbered _____ will not be implemented because they are not warranted or are not reasonable.
(Attach an explanation.)

Date: 7/12/17 Signed: Dan Mahoney

Number of pages attached _____



Ross Valley Fire Department

777 San Anselmo Avenue, San Anselmo, CA 94960

Mark Mills
FIRE CHIEF

July 12, 2017

The Honorable Judge Kelly V. Simmons
Marin County Superior Court
P.O. Box 4988
San Rafael, CA 94913-4988

Dear Judge Simmons:

Enclosed please find the Department's response to the Marin County Civil Grand Jury Report "The Budget Squeeze - How will Marin Fund Its Public Employee Pensions?". The responses were approved by the Board of Directors at a regularly scheduled meeting on Wednesday, July 12, 2017.

The Department would like to make one clarification with regards to the chart and information that are listed on page 18 of the report. In FY 2011-12, the Department obtained a Pension Obligation Bond to pay off the unfunded liability balance. Because of that purchase of the bond, the figures for that FY show a marked increase in pension spending. However, the payments for the bond were made over the next five years, with the final payment being made this month.

If you have any questions regarding the responses, please do not hesitate to contact Acting Fire Chief Dan Mahoney at 415-258-4688 or dmahoney@rossvalleyfire.org.

Sincerely,

JoAnne Lewis
Administrative Assistant

Enclosures

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This is the official response of the Ross Valley Fire Department to the recommendations of the Grand Jury's report entitled "The Budget Squeeze: How Will Marin Fund Its Public Employee Pensions?" The Board of Directors of the Ross Valley Fire Department approved this response at their regularly scheduled board meeting on July 12, 2017.

The Ross Valley Fire Department was required to respond to recommendations numbered R3, R4 and R8.

Recommendations and Responses:

R3

Agencies Should provide long-term budgets (ie., covering at least five years), update them every other year and report what percent of total revenue they anticipate spending on pension contributions.

Response: The Department recently contracted with the Town of San Anselmo to handle the Department's finance/accounting functions. This change will hopefully provide the Department the resources to develop five year forecasts to be included in the annual budget approval process. The five year forecast will include estimates on pension contributions since the current annual budget provides line item detail regarding pension contributions.

R4

Each agency should provide 10 years of audited financial statements and summary pension data for the same period (or links to them) on the financial page of its public website.

Response: This recommendation has been implemented. They can be viewed on our website, www.rossvalleyfire.org, under Financial Information. The audits do include basic data on the pension obligations for RVFD.

R8

Public agencies and public employee unions should begin to explore how introduction of defined contribution programs can reduce unfunded liabilities for public pensions.

Response: Ross Valley Fire agrees with the premise that government agencies in general need to properly manage pension costs. However, further analysis would be required to take a

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position on what effect changing to a defined contribution program/plan and the associated fiscal impact would have on the Department and its employees. During the next negotiation cycle with bargaining groups, the Department will broach the concept of a defined contribution program within the context of our broader discussion regarding unfunded retirement liability and its impact on the total departmental budget.

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AGENCY RESPONSE TO GRAND JURY REPORT

Report Title: **The Budget Squeeze: How Will Marin Fund Its Public Employee Pensions?**

Report Date: **June 5, 2017**

Response Date: **September 5, 2017**

Agency Name: Ross Valley Fire Dept Agenda Date: 7/12/17

Response by: Dan Mahoney Title: Acting Fire Chief

FINDINGS

- I (we) agree with the findings numbered: NA
- I (we) disagree *partially* with the findings numbered: NA
- I (we) disagree *wholly* with the findings numbered: NA

(Attach a statement specifying any portions of the findings that are disputed; include an explanation of the reasons therefor.)

RECOMMENDATIONS

- Recommendations numbered R4 have been implemented.
(Attach a summary describing the implemented actions.)
- Recommendations numbered R3 have not yet been implemented, but will be implemented in the future.
(Attach a timeframe for the implementation.)
- Recommendations numbered R8 require further analysis.
(Attach an explanation and the scope and parameters of an analysis or study, and a timeframe for the matter to be prepared for discussion by the officer or director of the agency or department being investigated or reviewed, including the governing body of the public agency when applicable. This timeframe shall not exceed six months from the date of publication of the grand jury report.)
- Recommendations numbered _____ will not be implemented because they are not warranted or are not reasonable.
(Attach an explanation.)

Date: 9/12/17 Signed: Dan Mahoney

Number of pages attached _____