

MUNICIPAL SERVICES AUTHORITY (MSA) AGENDA

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

REGULAR MEETING

March 30, 2017

12:45 p.m. or immediately following the preceeding meeting,
whichever is earlier

Dublin Civic Center
Regional Meeting Room
100 Civic Plaza
Dublin, CA 94568

1. CALL TO ORDER / ROLL CALL

A. Election of Officer(s)

Action

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

A. Approval of **November 17, 2016** Minutes

Action

4. TREASURER'S REPORT

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

Information

5. OLD BUSINESS

A. Dental Pool Update

Information

6. NEW BUSINESS

A. Authorize New Audit Services Firm Contract

Action

7. EXECUTIVE DIRECTOR AND MEMBER REPORTS

A. Executive Director: May meeting reschedule

Information

B. Members:

Information

8. ADJOURN

The next Regular Meeting will take place on May 18, 2017 at 1:00 p.m. in Larkspur.

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) 587-7301. Notification in advance of the meeting will enable Agency to make reasonable arrangements to ensure accessibility.

**MUNICIPAL SERVICES AUTHORITY
BOARD OF DIRECTORS MINUTES
NOVEMBER 17, 2016**

Draft Action Minutes

The Municipal Services Authority held a regular meeting of the Board of Directors on November 17, 2016 at the Yountville Community Center Art Room. The meeting was called to order at 11:45 a.m.

1. CALL TO ORDER

Members Present: Ken Nordhoff, Chair

Dan Schwarz, Vice-Chair

Steve Rogers, Member

Other Attendees: Richard Averett, Executive Director

Jennifer Bower, Director of Administrative Services

Julie Carter, RGS Executive Committee Member

Jeff Kise, Finance and Operations Manager

Fran Robustelli, Walnut Creek ACM

2. PUBLIC COMMENT – None

3. APPROVAL OF CONSENT AGENDA

A. Approval of **September 15, 2016** Minutes

Action: Moved and seconded (Rogers/Schwarz) to approve consent agenda items.

AYES: Nordhoff, Schwarz, Rogers

NOES: None

ABSTAIN: None

4. TREASURER'S REPORT

A. Review of Preliminary Fiscal-Year-To-Date Financial Reports through September 2016

This is an information item and no action was taken. Executive Director Averett reviewed the financial performance of the agency, noting the agency is on track to achieve the budgeted performance. Actual claims may be greater or less than actuarially estimated.

B. Approval of independently audited FY2016 Financial Statements

Action: Moved and seconded (Rogers/Schwarz) to approve Independently Audited FY2016 Financial Statements.

AYES: Nordhoff, Schwarz, Rogers

NOES: None

ABSTAIN: None

5. OLD BUSINESS - None

6. NEW BUSINESS

A. Approval of Auditor RFP and Authorization to Issue RFP

Action: Moved and seconded (Schwarz/Rogers) to approve Auditor RFP and Authorization to Issue RFP

AYES: Nordhoff, Schwarz, Rogers

NOES: None

ABSTAIN: None

7. EXECUTIVE DIRECTOR AND MEMBER REPORTS:

A. Executive Director: none

B. Members: none

8. ADJOURNMENT – The meeting adjourned at 11:48 p.m. The next regular meeting is scheduled for February 16, 2017 at 10:00 a.m. in Dublin.

TO: BOARD OF DIRECTORS
FROM: Jefferson Kise, Finance Manager
SUBJECT: FINANCIAL REPORT ANALYSIS

EC Meeting: 3-30-2017
Item: 4A

RECOMMENDATION

No action is required of the Board of Directors. These are informational, preliminary financial reports through February 2017, and are attached for review.

ANALYSIS

All reports are draft and unaudited.

Fiscal year to-date (FYTD) net income for the JPA was \$116,009. The results reflect budgeted member contribution revenue and the amortization of prepaid premiums for Worker's Compensation and General Liability Insurance, as well as broker and administration fees. Worker's compensation claims expense totals \$19,635 fiscal year to-date. The FYTD net position is \$2,250,991 reflecting the JPA's continued emphasis on building prudent reserves for potential claims.

9:28 AM

03/21/17

Accrual Basis

Municipal Services Authority
Profit & Loss
July 2016 through February 2017

	<u>Jul 16</u>	<u>Aug 16</u>	<u>Sep 16</u>	<u>Oct 16</u>	<u>Nov 16</u>	<u>Dec 16</u>	<u>Jan 17</u>	<u>Feb 17</u>	<u>TOTAL</u>
Income									
440410 · Member Contributions	38,083	38,083	38,083	38,083	38,083	38,083	38,083	38,083	304,667
Total Income	<u>38,083</u>	<u>38,083</u>	<u>38,083</u>	<u>38,083</u>	<u>38,083</u>	<u>38,083</u>	<u>38,083</u>	<u>38,083</u>	<u>304,667</u>
Expense									
520100 · Broker Expense	3,536	3,536	3,536	3,536	3,536	3,536	3,536	3,536	28,291
520200 · Admin Fee Expense	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	52,000
520300 · Gen Liability Insur Exp	5,283	5,283	5,283	5,283	5,283	5,283	5,283	5,283	42,267
520400 · Worker Comp Insur ...	5,808	5,808	5,808	5,808	5,808	5,808	5,808	5,808	46,465
550200 · Claims Expense - WC	288	1,918	840	3,132	3,130	6,010	1,488	2,829	19,634
Total Expense	<u>21,415</u>	<u>23,045</u>	<u>21,968</u>	<u>24,260</u>	<u>24,258</u>	<u>27,138</u>	<u>22,616</u>	<u>23,957</u>	<u>188,658</u>
Net Income	<u><u>16,668</u></u>	<u><u>15,038</u></u>	<u><u>16,115</u></u>	<u><u>13,824</u></u>	<u><u>13,825</u></u>	<u><u>10,945</u></u>	<u><u>15,467</u></u>	<u><u>14,126</u></u>	<u><u>116,009</u></u>

Municipal Services Authority
Balance Sheet
As of February 28, 2017

	<u>Feb 28, 17</u>
ASSETS	
Current Assets	
Checking/Savings	
110010 · Union Bank Cash	2,474
Total Checking/Savings	<u>2,474</u>
Accounts Receivable	
120100 · Due From/To RGS-LGS	3,144,937
Total Accounts Receivable	<u>3,144,937</u>
Other Current Assets	
130100 · Prepaid Expenses	58,512
Total Other Current Assets	<u>58,512</u>
Total Current Assets	<u>3,205,923</u>
TOTAL ASSETS	<u>3,205,923</u>
LIABILITIES & EQUITY	
Liabilities	
Long Term Liabilities	
260001 · IBNR - GL	12,500
260002 · IBNR - WC	44,235
260003 · Case Reserves - WC	30,765
260010 · Workers Comp Claims Liab - ...	23,929
260011 · General Liability Claims - LGS	55,747
260020 · Workers Comp Claims Liab - ...	164,754
260021 · General Liability Claims - RGS	623,002
Total Long Term Liabilities	<u>954,932</u>
Total Liabilities	954,932
Equity	
320000 · Unrestricted Net Assets	2,134,982
Net Income	116,009
Total Equity	<u>2,250,991</u>
TOTAL LIABILITIES & EQUITY	<u>3,205,923</u>

TO: BOARD OF DIRECTORS
FROM: RICHARD AVERETT, Executive Director
SUBJECT: DENTAL POOL UPDATE

BOD Meeting: 3-30-2017
Item: 5A

INFORMATIONAL UPDATE ON GOVERNANCE STRUCTURE

It was contemplated that the dental pool would have an Executive Director appointed Benefits Advisory Committee comprised of a representative of each participating agency to provide input into direction and operation of the dental benefit pool. Based on several factors, staff and representatives of Keenan & Associates are requesting postponement of this governance structure until such time that those factors can be resolved.

BACKGROUND

MSA began hosting a dental pool program on August 1, 2014, for its member agencies, including Regional Government Services Authority and Local Government Services Authority, along other public agencies. The purpose of the pool was to increase the competitiveness of the employers' benefit plan and to gain enough size to consider self-insuring – thus realizing further savings in benefit costs.

The pool currently has 8 agencies participating, covering over 2,000 employee lives with approximately 4,500 total lives covered. Agencies participating include: MSA (for Regional Government Services Authority and Local Government Services Authority), City of Larkspur/CMPA, City of Bishop, City of Chino, Cosumnes Community Service District, East Contra Costa Fire Protection District, Metropolitan Transportation Commission and the County of Mendocino. This would have provided sufficient scale to consider self-insuring at the next opportunity – July 1, 2017. However, Delta Dental is now stating the self-insuring threshold is 5,000 employee lives. Keenan is discussing this matter with Delta Dental, attempting to bring this number down to a more reasonable level.

At present, there is no formal governance structure of the pool: MSA hosts the pool and Keenan Associates markets, negotiates and serves as broker for the participating agencies. To take a significant step such as self-insuring, participating agencies' input could be invaluable in gaining the support of the agencies and in growing the program further.

ANALYSIS

To gain the input and support of participating employers, several possible structures have been considered:

1. Advisory Committee of the MSA Executive Director – This group would meet as needed to evaluate the pros and cons of self-insuring and make other recommendations as to the operation of the pool. This structure has the most flexibility and responsiveness to market conditions and to initial operation of the pool. It is also the least costly (governance structure) to MSA and participating agencies, while providing an opportunity for agencies to have input in the direction of the pool and keeping ultimate control with the MSA Board of Directors. A more formal structure could be considered when the demands on the pool warrant.

2. Trust – The trust would be established as a separate entity comprised of the participating agencies. This structure would give more governance responsibility to the participating agencies, but would entail outside costs (e.g. legal services) for set-up. Control of the direction of the pool would be ceded to the Board of Trustees.
3. Joint Powers Agreement – The participating agencies could establish an agreement between themselves or establish a new agency to administer the pool. Control of the direction of the pool would be ceded to the Board of Directors, which would operate under JPA statutes and laws governing public agencies in California.

An Advisory Committee would allow agencies to self-select their level of involvement in the pool. Some agencies may only want to participate in the benefit program because it is cost effective due to the number of lives covered. Others may want to achieve greater savings from pool growth, self-insuring and/or adding new benefits (vision, life insurance, etc.) under the pool's umbrella.

Staff will explore with legal counsel the possibility of utilizing RGS Associate Membership status to gain access to the MSA pool(s) and possible governance structures among Associate Members participating in one or more pools. Proposed policy changes would be brought to the MSA Board of Directors for consideration.

FISCAL IMPACT

Authorizing the Executive Director to establish a Benefits Advisory Committee would not have a fiscal impact to the Agency other than staff costs to support/meet with representatives of the Committee.

TO: BOARD OF DIRECTORS **BOD Meeting: 3-30-2017**
FROM: JEFFERSON KISE, Finance & Operations Manager **Item: 6A**
SUBJECT: PROPOSALS FOR INDEPENDENT AUDIT SERVICES

RECOMMENDATION

Approval of Executive Director’s contract with a firm for audit services consistent with the Agency’s auditor rotation policy for an independent auditor and the award date contained in the RFP.

BACKGROUND

The current auditor, Marta & Associates, has performed the Agency’s independent audit for the last four years. Staff issued an RFP for a new firm on November 28, 2016, with a deadline for submission of December 23, 2016. The RFP was posted on the JPA’s website and sent to auditors receiving positive comments in a CSMFO survey of 40 firms. Four responses were received. The successful proposer will conduct the FY 2017 Audit. The contract period is three years with the option to extend two additional years.

ANALYSIS

Of the four proposals received, two were ranked highest based on scoring and references. Staff developed a scoring sheet to evaluate each RFP response. Based on the scoring sheet results, staff identified the two best candidates and conducted 3 reference checks on each and interviewed the audit partner at each firm. Those two firms - Badawi & Associates and Maze & Associates – also received favorable comments from RGS Finance advisors who had worked with one or both firms.

COMMENTS BY REFERENCES

Badawi & Associates	Maze & Associates
The district has been with Badawi for 7 years, and compliments their communication during and outside of the audit period. Badawi is proactive in notifying clients about the impact of upcoming rules and regulations changes. The audit work was thoughtfully spread between the Interim period and the final audit period, and the senior audit staff earns great praise. There was no trouble with lost documents, incomplete information requests or over-concentration of junior staff assigned.	Contact had three significant criticisms of Maze. He indicated having trouble with documents being lost which his staff would have to reproduce. He was frustrated by Maze’s cookie cutter approach where subsequent year’s audits didn’t reflect the lessons learned about the Agency. Finally, he was frustrated by ‘surprise findings’ where there was no opportunity to discuss concerns prior to them being included on a draft report. He felt Maze’s methodology is focused on cities and ACWA’s business is very different.
Despite being the sole audit partner in the firm, she found Ahmend Badawi very responsive. Likewise, she complimented the work of the senior audit staff. There was no trouble with lost documents, incomplete information requests or over-concentration of junior staff assigned.	Contact started half way through an audit and was not satisfied with the existing audit staff. In her first full audit with Maze she pushed to have quality staff assigned and has been satisfied ever since. She was happy with the partner and found them to be accessible and responsive. There was no trouble with lost documents, incomplete information requests or over-concentration of junior staff assigned.
Contact was very complimentary of Badawi. They have been through two audits with the firm and he characterized them as the smoothest audits of his career. This was despite year one having a complicated capital asset restatement and being the first year of GASB 68. He further complimented the ‘PBC’ list used to track the audit, and that Badawi’s document portal contains folders by topic so there’s no question about whether documents have been lost. There was no trouble with lost documents, incomplete information requests or over-concentration of junior staff assigned.	Contact had high praise for the audit partner and staff. He found them to be responsive, comprehensive and timely. There was no trouble with lost documents, incomplete information requests or over-concentration of junior staff assigned.

The other two firms who responded to the RFP were Brown Armstrong and Hudson Henderson & Co. Staff was concerned the Brown Armstrong team assigned to the JPA was made up of junior accountants, and there was no designated information technology testing resource. Hudson Henderson was at the other end of the scale; it is a 3-year-old firm with just five people, and the Hudson proposal did not score as well as the others.

The evaluation scoring sheet used reflected compliance with only those elements of the responses representing material compliance with RFP Submission Requirements. The table below summarizes the cost proposals from each submittal. The RFP is for audit services of RGS, LGS and MSA.

Respondent:	Badawi & Assoc	Brown Armstrong	Hudson Hendrson & Co	Maze & Assoc
Fiscal Year Bid				
FY 2017	\$25,230	\$28,880	\$26,280	\$28,510
FY 2018	\$25,960	\$28,880	\$26,280	\$29,651
FY 2019	\$26,790	\$28,880	\$26,280	\$30,836
Three Year Total	\$77,980	\$86,640	\$78,840	\$88,997
Evaluation Score (18 max)	17	16	14	17

Based upon staff’s evaluation of the RFP responses, qualifications, references, pricing and final score, the firm of Badawi & Associates was the highest ranked respondent.

FISCAL IMPACT

Funds for the annual audits were included in the RGS annual budget. Total fees for the FY2016 RGS, LGS and MSA audits were \$28,800 combined. The recommended firm’s price is approximately 10% under the current cost.