LOCAL AND REGIONAL GOVERNMENT SERVICES AUTHORITIES

Providing Solutions to California Public Agencies

P.O. Box 1350 · Carmel Valley, CA 93924 · 650.587.7300

LGS BOARD AGENDA

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

REGULAR MEETING
January 12, 2012
1:00 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 **June 9, 2011** Minutes — *Action*

4. **TREASURER'S REPORT**
   A. Approval of FY2011 Audit — *Action*

5. **OLD BUSINESS**

6. **NEW BUSINESS**
   A. Approve the Formation of Insurance JPA — *Action*
   B. Appointment of Board Representative and Alternate Representative to new JPA — *Action*
   C. Adoption of an Amended Cooperation Agreement — *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: June 14, 2012, 11:00 a.m., location to be determined**

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

LOCAL GOVERNMENT SERVICES
JOINT POWERS AUTHORITY
BOARD MINUTES

The Local Government Services Joint Powers Authority held the annual Board meeting on **June 9, 2011** at Cavallo Point Lodge at the Golden Gate, Suite 2404, 601 Murray Circle, Fort Baker, Sausalito, CA 94965. The meeting was called to order at **1:53 p.m.**

1. CALL TO ORDER

Members Present: Dan Schwarz, Board Chair
Steven Rogers, Board Vice-Chair
Nancy Mackle, Board Member
Joni Pattillo, Board Member
Members Absent: Herb Pike, Board Member
Other Attendees: Mike Garvey, Executive Committee Chair
Richard Averett, Executive Director/CFO
Jennifer Bower, Human Resources Director

A. Appointment of new JPA Executive Committee Member, Walnut Creek City Manager, Ken Nordhoff
ACTION: **M/S Mackle/Rogers** to approve the Walnut Creek City Manager as a JPA Executive Committee Member.
AYES: Chair Schwarz, Vice-Chair Rogers, Members Mackle and Pattillo
NOES: None
ABSTAIN: None

2. CHANGES TO THE ORDER OF AGENDA - None.

3. APPROVAL OF CONSENT AGENDA

A. Approval of **December 9, 2010** Minutes
ACTION: **M/S Rogers/Mackle** to approve the December 9, 2010 Minutes as presented.
AYES: Chair Schwarz, Vice-Chair Rogers, Members Mackle and Pattillo
NOES: None
ABSTAIN: None

4. TREASURER'S REPORT

A. Approval of the FY2010 Audit with SAS 114 Letter. The Executive Director reviewed the financial statements which had previously been presented to the Executive Committee and distributed to the Board.
ACTION: **M/S Rogers/Mackle** to approve the Audit for Fiscal Year 2010 with SAS 114 letter as presented.
AYES: Chair Schwarz, Vice-Chair Rogers, Members Mackle and Pattillo
NOES: None
ABSTAIN: None

B. Approval of 2012 Budget. Presented by the Executive Director and discussed by the Board.
ACTION: **M/S Mackle/Rogers** to approve 2012 Budget as presented.
AYES: Chair Schwarz, Vice-Chair Rogers, Members Mackle and Pattillo
NOES: None
ABSTAIN: None

C. Approval of Investment Policy Update. The Executive Director reviewed the investment policy and recommended no changes.
ACTION: **M/S Pattillo/Mackle** Approval of Investment Policy Update as presented.
AYES: Chair Schwarz, Vice-Chair Rogers, Members Mackle and Pattillo
NOES: None
ABSTAIN: None

D. Approval of Reserve Policy Designation for OPEB.
ACTION: **M/S Rogers/Mackle** to approve Reserve Policy Designation for OPEB.
AYES: Chair Schwarz, Vice-Chair Rogers, Members Mackle and Pattillo
NOES: None
ABSTAIN: None

5. **OLD BUSINESS** - None

6. **NEW BUSINESS**
   A. Approval of Rules and Regulations Update. The Director of Human Resources reviewed the changes to the Rules and Regulations.
   ACTION: **M/S Rogers/Pattillo** to approve the Rules and Regulations Update as presented.
   AYES: Chair Schwarz, Vice-Chair Rogers, Members Mackle and Pattillo
   NOES: None
   ABSTAIN: None
   B. Approval of Records Retention Policy – The Human Resources Director presented a Records Retention Policy to be adopted by the Joint Powers Authority.
   ACTION: **M/S Rogers/Mackle** to approve the Records Retention Policy as presented.
   AYES: Chair Schwarz, Vice-Chair Rogers, Members Mackle and Pattillo
   NOES: None
   ABSTAIN: None

7. **PUBLIC COMMENT -** None

8. **NEXT MEETING –** June 14, 2012, at 10:30 a.m. location to be determined.

9. **ADJOURNED -** Meeting adjourned at 2:09 p.m.

LOCAL AND REGIONAL GOVERNMENT SERVICES AUTHORITIES

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TO:	EXECUTIVE COMMITTEE	**BOD Meeting: 1-12-12**
FROM:	RICHARD H. AVERETT, CFO/TREASURER	**Item: 4A**
SUBJECT:	**APPROVAL OF AUDIT REPORTS FOR FISCAL YEAR ENDING JUNE 30, 2011**	

RECOMMENDATION

Review and approve the independent audit reports for fiscal year 2011.

BACKGROUND

The outside audit firm of Mayer Hoffman McCann, P.C. was retained to complete the fiscal year (FY) 2007 and FY2008 audits, and has since completed the FY2009 and FY2010 audits of both Local and Regional Government Services Authorities. Mayer Hoffman recently completed the FY2011 audits, and hardcopies will be distributed to Members in approximately three weeks. All audit reports are posted to the JPA's web site.

AUDIT RESULTS

Summaries of LGS and RGS audit results are below, with more information and analysis in the Management Discussion and Analysis section of each audit report. Overall, the FY2011 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.

The audit results include four categories of significant audit adjustment:

1. Revenues – Every year the auditors review revenues to assure they are in booked in the appropriate year. It is not unusual to have several fiscal year start or end revenues rebooked as belonging to the preceding or following year. In addition to those routine adjustments, this year however, LGS revenues were reduced by $130,000 because one client disputed and a settlement of this dispute was not predictable at the time of the audit. The JPA's legal counsel is in discussions with the client's counsel.
2. Insurance (net) - Every year our workers' compensation and general liability pool (California Joint Powers Insurance Authority – CJPIA) makes retroactive adjustments to their annual charges based on loss experience, pool funding needs and each member agency's change in risk exposure. For FY11, LGS' retroactive adjustment was a credit of $45,400 and RGS' adjustment was an expense of $52,135. In addition, earlier this fiscal year LGS and RGS made an early payment on CJPIA retroactive adjustments of $96,000 and received a two percent per year discount. This expense was not booked at the time, but is now reflected in year-end financials.
3. Vacation Accruals (net) – Every year the net changes in unused vacation accruals are booked at year end. For FY11, the accrual postings were $40,195 for LGS and $80,674 for RGS.
4. OPEB Funding – The actuaries recommended OPEB funding for FY10 and FY11 of $181,000 (LGS) and $110,000 (RGS). These amounts have been expensed and recorded as liabilities for each JPA. Per Board actions in June 2011, both agencies set aside reserves of 50 percent of net assets for these and other liabilities. If the OPEB expenses are added to the reserve of assets, the total equals 50 percent of net assets.

LGS FINANCIAL HIGHLIGHTS

- Total net assets increased $143,059 in FY2011 and $309,835 in FY2010.
- Revenues from client reimbursements for services provided increased $1,542,921 in FY2011 and $351,975 in FY2010.
- Total operating expenditures increased $1,709,697 in FY2010 and $320,456 in FY2010.
- Net assets at the end of FY2011 were $1,077,360 and at the end of FY2010 were $934,301.

RGS FINANCIAL HIGHLIGHTS

- Total net assets increased $181,613 in FY2011 and increased $227,635 in FY2010.
- Revenues from client reimbursements for services provided increased $2,423,792 in FY2011 and $1,218,079 in FY2010.
- Total operating expenditures increased $2,469,814 in FY2010 and increased $1,044,824 in FY2010.
- Net assets at the end of the fiscal year were $468,982 in FY2009 and were $287,369 in FY2010.

LOCAL GOVERNMENT SERVICES AUTHORITY

Basic Financial Statements

Years ended June 30, 2011 and 2010

LOCAL GOVERNMENT SERVICES AUTHORITY

Basic Financial Statements

Years ended June 30, 2011 and 2010

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Mayer Hoffman McCann P.C.
An Independent CPA Firm

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Board of Directors
Local Government Services Authority
Carmel Valley, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying basic financial statements of the Local Government Services Authority (the "Authority") as of and for the years ended June 30, 2011 and 2010 as listed in the table of contents. These basic financial statements are the responsibility of the management of the Authority. Our responsibility is to express an opinion on these basic financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2011 and 2010 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The information identified in the accompanying table of contents as *management's discussion and analysis* is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 4, 2012 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mayer Hoffman McCann P.C.

Irvine, California
January 4, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

LOCAL GOVERNMENT SERVICES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Years ended June 30, 2011 and 2010

The following discussion and analysis of the financial performance of Local Government Services Authority ("Authority") provides an overview of the Authority's financial activities for the fiscal years ended June 30, 2011 and 2010. Please read it in conjunction with the financial statements identified in the accompanying table of contents.

FINANCIAL HIGHLIGHTS

- Total net assets increased $143,059 in FY 2011 and increased $309,835 in FY2010.
- Revenues from client reimbursements for services provided increased $1,542,921 in FY2011 from fiscal year 2010 and $351,975 in FY2010 from fiscal year 2009.
- Total operating expenditures increased $1,709,697 in FY 2011 from the 2010 fiscal year and increased $320,456 in FY2010 from the 2009 fiscal year.
- Net assets at the end of the fiscal year are $1,077,360 in FY2011 and were $934,301 in FY2010.

OVERVIEW OF THE FINANCIAL STATEMENTS

Using the Accompanying Financial Statements

The annual report consists of three parts – *management's discussion and analysis* (this section), the *basic financial statements,* and *notes to the basic financial statements*:

The basic financial statements include the following:

- The Statement of Net Assets provides both *long-term* and *short-term* information about the Authority's overall financial status.
- The Statement of Revenues, Expenses and Changes in Net Assets reports the revenues and expenses of the Authority for the fiscal year on an accrual basis of accounting and relates this to the increase in the net assets of the Authority.
- The Statement of Cash Flows reports the Authority's operating cash flow and reconciles operating income to the net cash provided by operating activities.

The notes to the financial statements provide additional information about the nature of the Authority's activities and operations and its significant accounting policies, as well as, more detailed explanations about some of the information contained in the basic financial statements.

The Authority operates as an enterprise, meaning that charges for services are expected to cover all expenses. Therefore, the Authority uses *proprietary fund* statements.
Proprietary fund statements offer *short-* and *long-term* financial information about the activities the government operates in a manner similar to a private business.

Government Fund Reporting:

Figure A-1 summarizes the major features of government financial statements, including the portion of the government they cover and the types of information they contain. Because the Authority is an enterprise fund, the financial statements adhere to the Proprietary Funds format.

Figure A-1
Major Features of Government-wide and Fund Financial Statements

		Fund Statements		
	Government-wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Authority government (except fiduciary funds) and the Authority's component units	The activities of the Authority that are not proprietary or fiduciary	Activities the Authority operates similar to private businesses	Instances in which the Authority is the trustee or agent for someone else's resources
Required financial statements	• Statement of net assets • Statement of activities	• Balance sheet • Statement of revenues, expenditures and changes in fund balances	• Statement of net assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows	• Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Modified accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term debt included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Authority's fiduciary funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid.

Reporting the Authority as a Whole

The accompanying **basic financial statements** include two statements that present financial data for the Authority as a whole. One of the most important questions asked about the Authority's finances is, "Is the Authority, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets report information about the Authority as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Authority's net assets and changes in them. You can think of the Authority's net assets – the difference between assets and liabilities –as one way to measure the Authority's financial health, or *financial position*. Over time, *increases and decreases* in the Authority's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other factors, however, such as changes in client needs/agreements for services and changes in the Authority's cost structure, to assess the *overall health* of the Authority.

In the Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets, the Authority services are presented as Business-type activities:

- Business-type activities – The Authority charges a fee to customers to help it cover all of the cost of the services accounted for in the fund.

Reporting the Authority's Proprietary Fund

The **accompanying basic financial statements** provide detailed information on the Authority's only fund – and thus the Authority as a whole. The Authority Board may establish other funds to help it control and manage money for particular purposes or to show that it is meeting administrative responsibilities for using certain grants or other money. The Authority's one fund is a *proprietary fund.*

Proprietary funds – When an agency charges customers for the services it provides – whether to outside customers or to other units of the agency – these services are generally reported in proprietary funds. Required financial statements for proprietary funds include a Statement of Net Assets; a Statement of Revenues, Expenses and Changes in Net Assets; and a Statement of Cash Flows.

LOCAL GOVERNMENT SERVICES AUTHORITY
Statement of Net Assets
June 30, 2009, 2010 & 2011

Table 1

	Business-Type Activities		
	2009	**2010**	**2011**
ASSETS			
Current Assets	$1,400,816	$1,939,682	$2,607,415
Total Assets	$1,400,816	$1,939,682	$2,607,415
LIABILITIES			
Long-term Debt Outstanding	290,567	391,389	665,637
Liabilities	485,783	613,992	864,418
Total Liabilities	$ 776,350	$1,005,381	$1,530,055
NET ASSETS			
Unreserved	$ 624,466	$ 934,301	$1,077,360
Total Net Assets	624,466	934,301	1,077,360
Total net assets and liabilities	$1,400,816	$1,939,682	$2,607,415

The increase in net assets is an indication that the overall financial position of the Authority improved during each of the last two years: by $143,059 in FY2011 and by $309,835 in FY2010, as indicated in the Changes in Net Assets Table 2 below. The net assets of the Authority's business-type activities increased by 15 percent in 2011 and by 50 percent in 2010. The net assets (financial position) of the Authority increased despite two-year funding (FY2010 and FY2011) of the Agency's Other Post-Employment Benefit (OPEB) obligation in FY2011 and the temporary write-down of revenues while the Agency and a client resolve a fee dispute.

A summary of the statement of activities follows:

Change in Net Assets – Year Ended
June 30, 2009, 2010 & 2011
Table 2

	Business - Type Activities		
	2009	2010	2011
Operating Revenues			
Charges for services	$ 5,391,171	$ 5,743,146	$ 7,286,067
Total revenues	$ 5,391,171	$ 5,743,146	$ 7,286,067
Operating Expenses			
Salaries and benefits	$ 4,541,129	4,702,001	5,914,003
Professional services	-	1,678	2,756
Administration	571,726	729,632	1,226,249
Total expenses	$ 5,112,855	5,433,311	7,143,008
Change in net assets	$ 278,316	309,835	143,059
Beginning net assets	346,150	624,466	934,301
Ending net assets	$ 624,466	$ 934,301	1,077,360
Less Reserve		467,151	448,180
Remaining Net Assets		467,150	629,180

Business-Type Activities

Revenues of the Authority's operations (see Table 2) increased by 27 percent in F2011 and by 7 percent in FY2010. Operating expenses increased by 31 percent in FY2011 from FY2010, and by 6 percent in FY2010 from FY2009.

LONG-TERM DEBT

The Authority (JPA) has no long-term debt other than compensated absences and cumulative retrospective deposits payable to the California Joint Powers Insurance Authority for general liability and workers' compensation coverage. Additional information on the Authority's long-term debt can be found in the notes to the accompanying basic financial statements.

BUDGET VERSUS ACTUAL PERFORMANCE

In FY2011, the primary reason for the variances from budget was the growth in client services during the fiscal year. This growth is reflected in revenues and expenses that increased 16% and 22% respectively (including the FY10 and FY11 OPEB contributions), above budgeted levels. The budget was adopted anticipating a $456,125 addition to net earnings. Client growth, a two-year OPEB contribution and additional costs for the OPEB actuarial study and implementation of a new on-line timekeeping system, resulted in the actual net addition to net assets being $313,066 less than budgeted.

Budget Performance – Budget vs. Actual
June 30, 2011
Table 3

	Budget Performance Budget vs. Actual		
	FY11 Budget	FY11 Actual	Variance
Operating Revenues			
Charges for Services	$6,298,200	$7,286,067	$ 987,867
Total Revenues	$6,298,200	$7,286,067	$ 987,867
Operating Expenses			
Salaries and Benefits	$5,293,560	$5,914,003	$ 620,443
Professional Services	10,640	2,756	(7,884)
Administration	537,875	1,226,249	688,374
Total Expenses	$5,842,075	$7,143,008	$1,300,933
Net Addition/(Reduction) in net Assets	$ 456,125	$ 143,059	$(313,066)

Future Financial Performance

One existing major client, with 12 to 13 assigned staff, is anticipated to discontinue JPA services in fiscal year 2012. However, JPA support services remain structured so that changes in service demand can quickly adjust up or down to client needs. Therefore, we do not expect this decrease in client services nor normal fluctuations in the number of clients or level of client services provided to significantly impact the JPA's financial position. Additional client growth has historically more than offset decreased revenue from projects completed during the year. The loss of a major client is anticipated to reduce net additional assets by fiscal year end 2012, with $47,401 net income budgeted for the year.

Since restructuring its administrative functions during fiscal year 2008, the JPA has experienced sustained, positive financial performance. The JPA has been successful in adding new clients to replace completed client assignments. Management is not aware of any other commitments or conditions that may have a significant impact on the financial condition or operating results of the Authority after the date of the financial statements presented.

Contacting the Authority's Financial Management

This financial report is designed to provide our customers and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Chief Financial Officer, Local Government Services Authority, PO Box 1350, Carmel Valley, CA 93924.

BASIC FINANCIAL STATEMENTS

LOCAL GOVERNMENT SERVICES AUTHORITY

Statements of Net Assets

June 30, 2011 and 2010

	2011	2010
Assets		
Current assets:		
Cash and investments (note 2)	$ 1,158,786	$ 1,305,679
Accounts receivable	1,062,001	594,471
Due from other governments	305,875	-
Prepaids	44,481	39,532
Deposits	36,272	-
Total current assets	2,607,415	1,939,682
Total assets	2,607,415	1,939,682
Liabilities		
Current liabilities:		
Accounts payable	229,276	188,384
Deferred revenue	214,500	13,875
Client deposits	240,403	240,403
Compensated absences - current portion (note 3)	180,239	171,330
Total current liabilities	864,418	613,992
Noncurrent liabilities:		
Compensated absences - long term (note 3)	420,559	318,183
Claims payable - long term (note 3 and 7)	64,078	73,206
OPEB liability - long term (note 3 and 8)	181,000	-
Total noncurrent liabilities	665,637	391,389
Total liabilities	1,530,055	1,005,381
Net Assets		
Net assets:		
Unrestricted (note 4)	1,077,360	934,301
Total net assets	$ 1,077,360	$ 934,301

See accompanying notes to the basic financial statements.

LOCAL GOVERNMENT SERVICES AUTHORITY

Statements of Revenues, Expenses and Changes in Net Assets

Years ended June 30, 2011 and 2010

	2011	2010
Operating revenues:		
Charges for services	$ 7,286,067	$ 5,743,146
Total operating revenues	7,286,067	5,743,146
Operating expenses:		
Salaries & benefits	5,914,003	4,702,001
Professional services	2,756	1,678
Administration	1,226,249	729,632
Total operating expenses	7,143,008	5,433,311
Change in net assets	143,059	309,835
Net assets at beginning of year	934,301	624,466
Net assets at end of year	$ 1,077,360	$ 934,301

See accompanying notes to the basic financial statements.

LOCAL GOVERNMENT SERVICES AUTHORITY

Statements of Cash Flows

Years ended June 30, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Cash received from customers	$ 6,713,287	$ 5,755,428
Cash paid to suppliers for goods and services	(1,057,462)	(729,707)
Cash paid to employees for services	(5,802,718)	(4,526,704)
Net cash provided by (used for) operating activities	(146,893)	499,017
Net increase (decrease) in cash and cash equivalents	(146,893)	499,017
Cash and cash equivalents at beginning of year	1,305,679	806,662
Cash and cash equivalents at end of year	$ 1,158,786	$ 1,305,679
Reconciliation of change in net asset to net cash provided by (used for) operating activities:		
Change in net assets	$ 143,059	$ 309,835
Adjustments to reconcile change in net asset to net cash provided by (used for) operating activities:		
(Increase) decrease in accounts receivable	(467,530)	(317)
(Increase) decrease in due from other governments	(305,875)	-
(Increase) decrease in prepaids	(4,949)	(39,532)
(Increase) decrease in deposits	(36,272)	-
Increase (decrease) in accounts payable	40,892	41,135
Increase (decrease) in deferred revenue	200,625	13,875
Increase (decrease) in client deposits	-	(1,276)
Increase (decrease) in compensated absences	111,285	102,091
Increase (decrease) in claims payable	(9,128)	73,206
Increase (decrease) in OPEB liability	181,000	-
Total adjustments	(289,952)	189,182
Net cash provided by (used for) operating activities	$ (146,893)	$ 499,017

There were no significant noncash financing or investing activities for the period ended June 30, 2011 and 2010.

See accompanying notes to the basic financial statements.

(1) Summary of Significant Accounting Policies

Nature of Business

The Local Government Services Authority (the "Authority") was organized March 1, 2001 under the provisions of the Joint Exercise of Powers Act of the Government Code of the State of California. The purpose of the Authority is to provide services for public agencies and other non-profit entities at reduced net costs.

Members of the Authority currently include the City of San Rafael, City of Larkspur, the Association of Bay Area Governments (ABAG), the Town of Yountville and the City of Dublin. A five-member board consisting of one representative from each member controls the Authority. None of the member entities exercise specific control over budgeting and financing of the Authority's activities beyond their representation on the board. Accounting services are provided by McGilloway, Ray, Brown & Kaufman.

The following is a summary of the significant accounting policies of the Authority:

Basis of Accounting

The Authority is accounted for as an enterprise fund (proprietary fund type). A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity. The activities of enterprise funds closely resemble those of ongoing businesses in which the purpose is to conserve and add to basic resources while meeting operating expenses from current revenues. Enterprise funds account for operations that provide services on a continuous basis and are substantially financed by revenues derived from user charges. The Authority utilizes the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized as they are incurred.

The Authority applies all applicable GASB pronouncements in accounting and reporting for proprietary operations as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB's) of the Committee on Accounting Procedure.

Investments

For financial reporting purposes, investments are adjusted to their fair value whenever the difference between fair market value and the carrying amount is material. Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

(1) Summary of Significant Accounting Policies, (Continued)

Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates, and have an original maturity date of 3 months or less.

Receivables

The Authority extends credit to customers in the normal course of operations. The Authority did not experience any significant bad debt losses; accordingly, no provision has been made for doubtful accounts, and accounts receivable is shown at full value.

Compensated Absences

The Authority has a PTO (paid time off) policy in effect. It is the Authority's policy to permit employees to accumulate earned but unused vacation leave. Vacation hours can accrue up to a maximum of two times the annual allowable amount, subject to the individual employment agreement. The Authority pays all earned vacation pay upon termination. All accumulated vacation pay is recorded as an expense and a liability at the time the benefit is earned.

Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) Cash and Investments

Cash and investments held by the Authority at June 30, 2011 consist of the following:

Deposits with financial institutions	$ (90,440)
Investments	1,249,226
Total cash and investments	$1,158,786

Cash and investments held by the Authority at June 30, 2010 consist of the following:

Deposits with financial institutions	$ (37,070)
Investments	1,342,749
Total cash and investments	$1,305,679

Investments Authorized by the California Government Code and the Authority's Investment Policy

The table below identifies the investment types that are authorized for California local governments by the California Government code. The Authority's investment policy is more restrictive as to investment vehicles permitted for use by the Authority. The table also identifies certain provisions of the California Government Code (or the Authority's investment policy, if more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

Investment Types Authorized by State Law	Authorized By Investment Policy	*Maximum Maturity	*Maximum Percentage Of Portfolio	*Maximum Investment In One Issuer
Local Agency Bonds	Yes	1 year	75%	None
U.S. Treasury Obligations	Yes	5 years	None	None
U.S. Agency Securities	Yes	5 years	25%	None
Banker's Acceptances	No	180 days	40%	30%
Commercial Paper	No	270 days	25%	10%
Negotiable Certificates of Deposit	Yes	5 years	25%	None
Repurchase Agreements	No	1 year	None	None
Reverse Repurchase Agreements	No	92 days	20% of base value	None
Medium-Term Notes	No	5 years	30%	None
Mutual Funds	No	N/A	20%	10%
Money Market Mutual Funds	No	N/A	20%	10%
Mortgage Pass-Through Securities	No	5 years	20%	None
CalTrust Investment Pool	Yes	N/A	None	None
Local Agency Investment Fund (LAIF)	Yes	N/A	40 million	None

*Based on state law requirements or investment policy requirements, whichever is more restrictive.

(2) Cash and Investments, (Continued)

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that an agency can manage its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the Authority's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the Authority's investments by maturity for year ended June 30, 2011:

		Remaining Maturing (in Months)			
Investment Type	Total	12 Months Or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
CalTRUST investment pool	$1,220,257	1,220,257	-	-	-
State investment pool (LAIF)	28,969	28,969	-	-	-
Total	$1,249,226	1,249,226	-	-	-

Information about the sensitivity of the fair values of the Authority's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the Authority's investments by maturity for year ended June 30, 2010:

		Remaining Maturing (in Months)			
Investment Type	Total	12 Months Or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
CalTRUST investment pool	$1,045,663	1,045,663	-	-	-
State investment pool (LAIF)	297,086	297,086	-	-	-
Total	$1,342,749	1,342,749	-	-	-

(2) Cash and Investments, (Continued)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the Authority's investment policy, or debt agreements, and the actual rating as of year end June 30, 2011 for each investment type was as follows.

Investment Type	Total	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year End AAA	Aa	Not Rated
CalTRUST investment pool	$1,220,257	N/A	-	-	-	1,220,257
State investment pool (LAIF)	28,969	N/A	-	-	-	28,969
Total	$1,249,226	N/A	-	-	-	1,249,226

Presented below is the minimum rating required by (where applicable) the California Government Code, the Agency's investment policy, or debt agreements, and the actual rating as of year end June 30, 2010 for each investment type was as follows.

Investment Type	Total	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year End AAA	Aa	Not Rated
CalTRUST investment pool	$1,045,663	N/A	-	-	-	1,045,663
State investment pool (LAIF)	297,086	N/A	-	-	-	297,086
Total	$1,342,749	N/A	-	-	-	1,342,749

Concentration of Credit Risk

The investment policy of the Authority contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of total Authority investments for the years ended June 30, 2011 and 2010, respectively.

(2) Cash and Investments, (Continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Authority deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Investment in State Investment Pool

The Authority is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the Authority's investment in this pool is reported in the accompanying financial statements at amounts based upon the Authority's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Investment in CalTRUST Investment Pool

The Authority is a voluntary participant in the Investment Trust of California (CalTRUST), a public joint powers authority formed to pool and invest the funds of public agencies. CalTRUST invests in fixed income securities eligible for investment pursuant to California Government Code Sections 53601 and 53635. Investment guidelines adopted by the board of Trustees may further restrict the types of investments help by the Trust. Leveraging within the Trust's portfolios is prohibited. The fair value of the Authority's investment in this pool is reported in the accompanying financial statements at amounts based upon the Authority's pro-rata share of the fair value provided by CalTRUST for the entire CalTRUST portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by CalTRUST, which are recorded on an amortized cost basis.

(3) Long-Term Debt

The following is a schedule of changes in long-term liabilities for the year ended June 30, 2011:

	Balance at July 1, 2010	Additions	Deletions	Balance at June 30, 2011	Portion Due Within One Year
Compensated absences	$489,513	260,790	149,505	600,798	180,239
Claims payable	73,206	64,078	73,206	64,078	-
OPEB liability	-	181,000	-	181,000	-
Total	$562,719	505,868	222,711	845,876	180,239

The following is a schedule of changes in long-term liabilities for the year ended June 30, 2010:

	Balance at July 1, 2009	Additions	Deletions	Balance at June 30, 2010	Portion Due Within One Year
Compensated absences	$387,422	241,971	139,880	489,513	171,330
Claims payable	-	73,206	-	73,206	-
Total	$387,422	315,177	139,880	562,719	171,330

(4) Net Assets

Net assets consisted of the following as of June 30:

	2011	2010
Unrestricted net assets available for operations	$ 629,180	467,151
Unrestricted, board designated net assets:		
Reserve for contingencies**	448,180	467,150
Total unrestricted net assets	1,077,360	934,301
Total restricted net assets	-	-
Total net assets	$1,077,360	934,301

**At the June 10, 2010 Board of Directors meeting, the Authority's Board of Directors authorized designation of general funds as reserves for insurance and normal operations.

(5) Defined Benefit Pension Plan (PERS)

Plan Description

The Authority contributes to the California Public Employees Retirement System (PERS), a cost-sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. PERS issues a publicly available financial report that includes financial statements and required supplementary information for the cost sharing plans that are administered by PERS. Copies of PERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, California 95814.

Contributions

The participant's portion to contribute is 7% of their annual covered salary. The Authority has designated four groups of employees for whom the Authority makes the contributions required of Agency employees on their behalf and for their account. Benefit provisions and all other requirements are established by state statute and individual employment agreement.

For each of the fiscal years shown below, the Authority has contributed at the actuarially determined rate provided by PERS' actuaries. Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2010 to June 30, 2011 has been determined by an actuarial valuation of the plan as of June 30, 2008. The Authority's covered payroll for PERS was $4,441,896 for the year ended June 30, 2011, while the Authority's total payroll for all employees was $4,600,755 during the same period. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2011, the contribution rate is multiplied by the payroll of covered employees that were paid during the period from July 1, 2010 to June 30, 2011.

Three-Year Trend Information

Fiscal Year	Employer Contribution Rate	Employer Contribution	Percentage Contributed	Net Pension Obligation
6/30/09	10.484%	$ 607,004	100%	-
6/30/10	9.586%	596,917	100%	-
6/30/11	9.068%	707,131	100%	-

(6) Defined Contribution Plans

The Authority has established a deferred compensation plan in accordance with Internal Revenue Code Section 457(b), whereby employees may elect to defer portions of their compensation in a self-directed investment plan for retirement. Plan assets are invested in each individual's name with a deferred compensation plan provider. Distributions are made upon the participant's termination, retirement, death or total disability, and in a manner in accordance with the election made by the participant. All employees are eligible for plan participation.

The Authority believes it has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The Authority has formally established a trust in accordance with Internal Revenue Code Section 457(g) for all of its deferred compensation plans to provide protection from the claims of the employer's general creditors. Accordingly deferred compensation assets placed in the trust are not reflected in these financial statements.

The Authority has also established a defined contribution plan in accordance with Internal Revenue Code Section 401(a). The employer may match employee contributions up to 5% on behalf of the employee subject to individual employment agreement. Plan assets are invested in each individual's name with the defined contribution plan provider. Distributions are made upon the participant's termination, retirement, death or total disability, and in a manner in accordance with the election made by the participant.

The Authority believes it has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The Authority has formally established a trust in accordance with Internal Revenue Code Section 401(f) for its defined contribution plan to provide protection from the claims of the employer's general creditors. Accordingly defined contribution assets placed in the trust are not reflected in these financial statements.

(7) Liability, Insured Programs and Workers' Compensation Protection

For the years ended June 30, 2011 and 2010, the JPIA Executive Committee used a "rolling" retro payment and refund schedule for members. One-fourth of the retro amount is paid or refunded each year. The effect is that payments and refunds will partially net out, thus reducing cash flow fluctuations from year to year. At June 30, 2011 and 2010 the cumulative retrospective deposit payable for general liability is $64,078 and $87,940, respectively. At June 30, 2011 and 2010 the cumulative retrospective deposit refund for workers' compensation is $36,272 and $14,734, respectively. As of June 30, 2010 the liability and asset was netted to a payable of $73,206, whereas on a going forward basis these two will be reported separately.

(7) Liability, Insured Programs and Workers' Compensation Protection, (Continued)

Description of Self-Insurance Pool Pursuant to Joint Powers Agreement

The Authority is a member of the California Joint Powers Insurance Authority (Cal JPIA). Cal JPIA is composed of 121 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of Cal JPIA is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The California JPIA began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a 9-member Executive Committee.

A revised cost allocation methodology was introduced in 2010-11, however it retains many elements of the previous cost allocation methodology. Each member pays an annual contribution (formerly called the primary deposit) to cover estimated losses for the coverage period. This initial funding is paid at the beginning of the coverage period. After the close of the coverage period, outstanding claims are valued. A retrospective deposit computation is then conducted annually thereafter until all claims incurred during the coverage period are closed on a pool-wide basis. This subsequent cost re-allocation among members based on actual claim development can result in adjustments of either refunds or additional deposits required.

The total funding requirement for self-insurance programs is estimated using actuarial models and pre-funded through the annual contribution. Costs are allocated to individual agencies based on exposure (payroll) and experience (claims) relative to other members of the risk-sharing pool. Additional information regarding the cost allocation methodology is provided below.

Self-Insurance Programs of the Authority

General Liability In the liability program claims are pooled separately between police and non-police exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to $30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from $30,000 to $750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of $750,000 up to the reinsurance attachment point of $5 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from $5 million to $10 million are paid under a reinsurance contract subject to a $2.5 million annual aggregate deductible. Costs of covered claims from $10 million to $15 million are paid under two reinsurance contracts subject to a combined $3 million annual aggregate deductible. On a cumulative basis for all 2010-11 reinsurance contracts the

(7) Liability, Insured Programs and Workers' Compensation Protection, (Continued)

annual aggregate deductible is $5.5 million. (6) Costs of covered claims from $15 million up to $50 million are covered through excess insurance policies.

The overall coverage limit for each member including all layers of coverage is $50 million per occurrence.

Costs of covered claims for subsidence losses are paid by reinsurance and excess insurance with a pooled sub-limit of $35 million per occurrence. This $35 million subsidence sub-limit is composed of (a) $5 million retained within the pool's SIR, (b) $10 million in reinsurance and (c) $20 million in excess insurance. The excess insurance layer has a $20 million annual aggregate.

Workers' Compensation In the workers' compensation program claims are pooled separately between public safety (police and fire) and non-public safety exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to $50,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from $50,000 to $100,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of $100,000 up to the reinsurance attachment point of $2 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from $2 million up to statutory limits are paid under a reinsurance policy. Protection is provided per statutory liability under California Workers' Compensation Law.

Employer's Liability losses are pooled among members to $2 million. Coverage from $2 million to $4 million is purchased as part of a reinsurance policy, and Employer's Liability losses from $4 million to $10 million are pooled among members.

Purchased Insurance

Crime Insurance The Authority purchases crime insurance coverage in the amount of $1,000,000 with a $25,000 deductible. The fidelity coverage is provided through the California JPIA. Premiums are paid annually and are not subject to retroactive adjustments.

Adequacy of Protection

During the past three fiscal years, none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There also are no significant reductions in pooled or insured liability coverage from coverage in 2010-11.

(8) Post Employment Benefit Plan

Plan Description: Certain employees who retire from the Authority with 10 years of service are eligible to receive health care benefits covering themselves and any qualified members. For those employees with employment agreements stipulating this benefit, the Authority pays 100% of the single rate premium charged to active employees under a health benefit plan administered by the Public Employee's Retirement System (PERS) in which the individual is able to select, on an annual basis, an insurance carrier from a number of insurance carriers. All other retirees are eligible for the PERS mandated benefit coverage, under which the Authority currently would pay up to \$108 per month for any health coverage, subject to the PERS vesting schedule.

Funding Policy: The Authority's actuarially-based funding plan began in fiscal year 2010 with contributions being set aside in an Authority reserve, beginning in fiscal year 2011. The Authority has not elected to participate in the CalPERS OPEB Trust or form its own or participate in another OPEB Trust because it does not intend to remain in CalPERS Medical Plan indefinitely. The Authority is pursuing other pay-as-you-go retiree medical benefit plans that are more consistent with its business plan of servicing public and non-profit agencies.

CalPERS publishes separate financial statements conforming to GASB Statement No. 43 in separately issued financial statements for the CalPERS OPEB Trust. Copies of PERS' annual financial reports for its OPEB Trust may be obtained from its executive office at 400 "Q" Street, Sacramento, California 95811.

Annual OPEB Cost and Net OPEB Obligation. The Authority's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC),* an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed fifteen years, with a sensitivity analysis of 10 years. The following table shows the components of the Authority's annual OPEB cost for the fiscal year ending June 30, 2011, the amount actually contributed to the plan, and changes in the Authority's net OPEB obligation for these benefits:

(8) Post Employment Benefit Plan, (Continued)

Annual required contribution	$103,000
Interest on annual required contribution	3,000
Amortization	(6,000)
Adjustment to annual required contribution	81,000
Annual OPEB cost (expense)	181,000
Contributions made (including premiums paid)	-
Increase in net OPEB obligation	181,000
Net OPEB obligation—beginning of year	-
Net OPEB obligation—end of year	$181,000

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2009	N / A	N / A	N / A
6/30/2010	$ 81,000	0.0%	$ 81,000
6/30/2011	$ 100,000	0.0%	$ 181,000

The amounts reported as annual OPEB cost for the fiscal year ended June 30, 2010 was not recorded as an expense until the fiscal year ended June 30, 2011 as the actuarial valuation was not made available before issuance of the June 30, 2010 financial statements.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress is designed to present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

(8) Post Employment Benefit Plan, (Continued)

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with the long-term perspective of the calculations.

The actuarial cost method used for determining the benefit obligations is the Entry Age Normal Cost Method. The actuarial assumptions included a 7.75 percent investment rate of return, which is the assumed rate of the expected long-term investment returns (4 % discount rate) on plan assets calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 10 percent initially, reduced by decrements of .6% per year to an ultimate rate of 5 percent after the tenth year. Both rates included a 3.0 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an closed basis over 30 years. It is assumed the Authority's payroll will increase 3.25% per year.

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL)- Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Actuarial UAAL as a Percentage of Covered Payroll (b-a)/c)
6/30/2010	$0	$205,000	$205,000	0%	$4,252,000	4.82%

LOCAL AND REGIONAL GOVERNMENT SERVICES AUTHORITIES

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TO: BOARD OF DIRECTORS **BOD Meeting: 1-12-2012**
FROM: RICHARD H. AVERETT, Executive Director **Item: 6A**
SUBJECT: **FORMATION OF NEW JPA FOR THE PURPOSE OF BUYING INSURANCE**

RECOMMENDATION

Review and approve the JPA's membership in the Municipal Services Authority (MSA).

BACKGROUND

RGS and LGS joined the California Joint Powers Insurance Authority in August, 2008 for the purpose of obtaining General Liability, Workers Compensation and Crime insurance coverage. The initial annual premium deposit was $140,000. While it was understood that retrospective adjustments to each policy year were possible, given the very low risk profile and negligible actual losses, RGS and LGS envisioned receiving outyear refunds of a portion of premiums and declining premiums over time. The initial appeal of the CJPIA program was the pooling of purchasing power, pooling of losses and excellent risk management training resources.

While the training resources performed as expected, administrative service challenges (e.g. obtaining client coverage letters and assistance with contract terms review) arose and, most significantly, insurance costs increased dramatically. Over the first four years, premiums increased over 200% and retrospective adjustments totaled hundreds of thousands of dollars. RGS and LGS have the lowest loss experience of the 121 CJPIA members. The worker risk profile of the RGS and LGS staff is that of a professional, office-based employee, whereas the majority of the other CJPIA membership includes Public Works, Parks & Recreation and other higher risk positions and agency functions. For over a year, RGS and LGS have attempted to reconcile with CJPIA the variance in expected versus actual experience. By their own admission, CJPIA has difficulty costing and servicing the unique JPA business model into their service and pricing model for cities and special districts.

ANALYSIS AND ACTIONS TAKEN

As required by the CJPIA membership agreement, on July 1st, 2011 RGS and LGS gave provisional notice to CJPIA of their intention to terminate membership as of June 30th, 2012. The ensuing 9 months provides RGS and LGS to the opportunity to seek replacement General Liability, Workers Compensation and Crime Insurance coverage, as well as risk management training and support services. Should suitable alternative coverage not be discovered, the JPA are afforded the opportunity to rescind their termination before April 1st, 2012.

JPA management has undertaken a thorough review of other insurance alternatives. Coverage options considered were: joining another existing JPA; forming an insurance JPA; and self-insuring to a greater or lesser degree (i.e. higher or lower deductibles). One action that positively impacts all insurance options (except staying with CJPIA) is the pooling of RGS and LGS employee headcounts and risk exposure into one new JPA for the purpose of improving purchasing power. The calculation of premiums for larger entities is often more heavily weighted on loss experience, whereas for smaller entities premium costs is weighted more heavily on payroll. The negligible loss experience of RGS and LGS (members of the new insurance JPA) will be a very positive factor in the premium costs for MSA.

As part of obtaining and administering these new insurance policies, MSA would need to engage an experienced insurance broker. Staff has worked with Keenan and Associates because of their extensive municipal experience, market knowledge, risk management and training resources, and client contract support services. JPA staff has participated in four separate meetings with Keenan staff to discuss RGS and LGS insurance needs, including a site visit to their San Jose office to meet the support staff that would be assigned to MSA.

The new insurance program MSA would implement on behalf of its members RGS and LGS will likely be high deductable insurance contracts. High deductable plans should result in significant cost savings, taking advantage of the JPAs' low risk profiles and reserves capacity to cover deductible expenses, thus keeping these reserves working for the JPAs rather than spending them on purchased policies. While it is still too early to get July 1st pricing from insurance carriers, it is reasonable to expect that premium costs will be approximately one third of current CJPIA annual costs. In addition to premiums, the MSA will need to fund a reserve to cover the deductibles. These reserves will stay within control of MSA and can be invested to accrue to its benefit. It is important to note that each contract year will stand on its own. That is, there will be no retrospective adjustments as there have been with CJPIA. Also important is the fact that RGS and LGS will no longer be sharing risks (and partial costs of claims) of agencies with much high loss history than either JPA.

Municipal Services Authority (MSA) Joint Exercise of Powers Agreement

January 12, 2011

MUNICIPAL SERVICES AUTHORITY (MSA)
JOINT EXERCISE OF POWERS AGREEMENT

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J O I N T E X E R C I S E O F P O W E R S A G R E E M E N T C R E A T I N G T H E M U N I C I P A L S E R V I C E S A U T H O R I T Y (M S A)

THIS AGREEMENT is entered into pursuant to the provisions of Title 1, Division 7, Chapter 5, Article 1 (Sections 6500, et seq.) of the California Government Code, relating to the joint exercise of powers, by and between the Local Government Services Authority and the Regional Government Services Authority for the purpose of creating an agency to be known and designated as Municipal Services Authority (MSA) (hereinafter referred to as "the Authority").

W I T N E S S E T H :

WHEREAS, it is to the mutual benefit of the parties herein subscribed and in the best public interest of said parties to join together to establish this Joint Exercise of Powers Agreement to accomplish the purposes hereinafter set forth; and

WHEREAS, Title 1, Division 7, Chapter 5, Article 1, of the California Government Code authorizes two or more public agencies to create a separate entity to administer the joint exercise of any power common to them; and

WHEREAS, the signatories hereto have determined that there is a need by the Members for a Joint Program for Workers' Compensation, Liability and Crime Insurance Protection Program ("the Program"); and

WHEREAS, it is the desire of the signatories hereto to study and from time to time to incorporate other forms of property, casualty or employee benefit health and welfare programs into a Joint Program such as that described herein.

NOW, THEREFORE, IN CONSIDERATION OF THE MUTUAL PROMISES SET OUT HEREIN, THE PARTIES DO AGREE AS FOLLOWS:

1. CREATION OF THE JOINT POWERS ENTITY

A joint powers entity, separate and apart from the public agencies signatory hereto, is hereby created and shall hereafter be designated as the Municipal Services Authority (MSA).

2. FUNCTIONS OF THE AUTHORITY

A. The Authority is established for the purposes of providing the services necessary and appropriate for the establishment, operation and maintenance of the Program for the benefit of its Members.

B. The functions of the Authority are:

(1) To provide a Joint Program and system for Workers' Compensation, Liability and Crime Insurance Programs to each Member, for Workers' Compensation, Liability and Crime Program claims against the Members of the Authority and as such, to perform, or contract for the performance of, the financial administration, policy formulation, claim service, legal representation, safety engineering, and other services as necessary for the payment and handling of all Workers' Compensation, Liability and Crime Insurance Program claims against Members.

(2) To pursue the Member's right of Subrogation against a third party when in the discretion of the Authority the same is deemed appropriate. Any and all proceeds resulting from the assertion of such Subrogation rights shall accrue to the benefit of the Authority.

3. POWERS OF THE AUTHORITY

Pursuant to and to the extent required by Government Code Section 6509, the Authority shall be restricted in the exercise of its powers in the same manner as a general law city. MSA shall have the power to do any of the following in its own name:

(1) To enter into contracts.

(2) To obtain appropriate other coverage as determined by the Authority.

(3) To acquire, hold, and dispose of property, real and personal, all for the purpose of providing the Members with the necessary administration, education, study and development services need to implement the Joint Program including, but not limited to, the acquisition of facilities and equipment, the employment of personnel, and the operation and maintenance of a system for the administration of the Joint Program.

(4) To incur debts, liabilities, and obligations necessary to accomplish the purposes of this Agreement.

(5) To receive gifts, contributions, and donations of property, funds, services, and other forms of assistance from persons, firms, corporations, associations, and any governmental entity.

(6) To invest funds as deemed appropriate by the Authority, and as subject to law.

(7) To provide a forum for discussion, study, development, and implementation of recommendations of mutual interest regarding other Joint Programs.

(8) To sue and be sued in the name of the Authority.

(9) To perform such other functions as may be necessary or appropriate to carry out the purposes of this Agreement, so long as such other functions so performed are not prohibited by any provision of law.

(10) To join other joint powers authorities to provide services and coverages to the Authority.

(11) To adopt rules, regulations, policies, bylaws and procedures governing its operation.

4. TERM OF THE AGREEMENT

This Agreement shall be effective and binding on any signatory thereto upon execution. This Agreement shall continue in effect until lawfully terminated as provided herein and in the Bylaws. In the event of a reorganization of one or more of the Members, the successor or successors in interest to the assets and/or obligations of that Member shall succeed as a party or as parties to this Agreement. However if said reorganization creates a material change in the risk profile of the Member as determined by the Authority's Board, then continuing membership by such reorganized Member shall be subject to Board approval.

5. BYLAWS

A. The Authority shall be governed pursuant to those certain Bylaws attached hereto as Exhibit "A" and incorporated herein by this reference, and by such amendments to the Bylaws as may from time to time be adopted ("the Bylaws").

B. Procedures for amending the Bylaws shall be as provided in the Bylaws so long as said procedures are not inconsistent with this Agreement.

6. MEMBERSHIP IN THE AUTHORITY

A. Each party to this Agreement must be eligible for membership in the Authority as defined in this Agreement and shall become a Member of the Authority on the effective date of this Agreement, except as provided herein below. Each party that becomes a Member of the Authority shall be entitled to the rights and privileges of, and shall be subject to the obligations of, membership as provided in this Agreement and in the Bylaws.

B. Upon two-thirds (2/3) vote of the Members present at a Board of Directors' meeting, any public agency that desires to join the Authority created hereby, may become a Member hereof by executing a copy of this Agreement.

7. WITHDRAWAL FROM OR TERMINATION OF MEMBERSHIP

A. Any Member that has completed a one year term as a Member of the Authority may voluntarily withdraw from this Agreement. Such withdrawal of membership shall become effective subject and according to the conditions, manner and means set forth in the Bylaws.

B. Withdrawal by any party to the Agreement shall not be construed as a completion of the purpose of the Agreement and shall not require the repayment or return to the Members of all or any part of any contributions, payments, or advances made by the Members unless and until the Agreement is terminated.

C. A Member may be involuntarily removed from the Authority upon a two-thirds (2/3) vote of the Members present at a Board of Directors' meeting, as provided in the

Bylaws. Such removal from membership shall become effective subject and according to the conditions, manner and means set forth in the Bylaws.

8. TERMINATION OF AGREEMENT

This Agreement may be terminated effective at the end of any fiscal year by a two thirds (2/3) vote of the Members, provided, however, that the Authority and this 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.

9. DISPOSITION OF PROPERTY, FUNDS AND OBLIGATIONS

A. In the event of the dissolution of the Authority by the Members, any property interest remaining in the Authority following a discharge of all obligations shall be disposed of as provided for in the Bylaws.

B. In the event a Member withdraws from this Agreement, any property interest of that Member remaining in the Authority following discharge of all obligations shall be disposed of as provided for in the Bylaws.

C. After the completion of its purpose, any surplus money remaining in the Authority's self-funded pool shall be returned to the Members in proportion to the contributions made and the claims or losses paid.

10. AMENDMENTS

This Agreement may be amended at any time by a subsequent written agreement signed by two thirds (2/3) of the parties hereto. Any such amendment shall be effective upon the date of final execution thereof by all the parties hereto.

11. SEVERABILITY

Should any portion, term, condition, or provision of this Agreement be decided by a court of competent jurisdiction to be illegal or in conflict with any law of the State of California, or any other applicable law, or be otherwise rendered unenforceable or ineffectual, the validity of the remaining portions, terms, conditions, and provisions shall not be affected thereby.

12. LIABILITY

A. The Members of the Authority shall not be jointly or severally liable for the debts, liabilities or obligations of the Authority.

B. The Authority may insure/reinsure itself, to the extent deemed necessary or appropriate by the Board of Directors, against loss, liability, and claims arising out of or connected with this Agreement.

13. ENFORCEMENT

The Authority is hereby given authority to enforce this Agreement. In the event suit is brought by the Authority to enforce this agreement and judgment is recovered against a Member, the losing party shall pay all costs reasonably incurred by the prevailing party, including reasonable attorney's fees as fixed by the court.

14. MULTIPLE COUNTERPARTS

The Agreement may be executed in multiple counterparts, each of which shall be considered an original.

15. DEFINITIONS

The terms used herein and in the Bylaws shall have the following meanings:

A. "The Authority" shall mean the Municipal Services Authority created by this Agreement.

B. "Board of Directors" shall mean the governing board of the Authority established by the Bylaws to direct and control the Authority.

C. "Claim Liability" shall mean those liabilities established by the Authority which represents Excess Property & Liability Program liabilities as respects to claims that have been incurred but unpaid and incurred but not reported.

D. "Contribution" shall mean money paid by a Member to the Authority, or monies assessed a Member of the Authority.

E. "Joint Program" shall mean the group purchasing of insurance/reinsurance or the setting aside of funds and reserves to pay for a self-insured retention or for losses not covered by insurance/reinsurance.

F. "Member" shall mean the original parties to this Agreement (which have not withdrawn from the Authority) and such other California public entities as may join MSA after execution of this Agreement.

G. "Memorandum of Coverage" shall mean the description of the scope of protection provided to the Members for Program claims.

H. "Program Year" shall mean one year of the Joint Program, separate from each and every other Program Year and shall operate on a fiscal year from July 1st through June 30th, or as otherwise determined by the Board of Directors.

I. "Subrogation" shall mean the recovery of payments which the Authority has made on behalf of a Member. Subrogation monies received are the properties of the Authority and for the Basis of Contribution are credited to the account of the Member.

16. ENTIRE AGREEMENT

This Agreement constitutes the entire agreement between the Authority and the Members, and as such, supersedes all prior agreements, understandings, negotiations and representations.

17. CONTROLLING LAW

This Agreement shall be governed by and construed in accordance with the laws of the State of California.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their authorized officers thereunto duly authorized as set forth herein below.

Members:	RGS	LGS
Date:	____________________	______________________
By:	____________________	________________________
Title:	_____________________	____________________

Exhibit A

BYLAWS

BYLAWS

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BYLAWS

AUTHORITY

PREAMBLE

Municipal Services Authority (MSA) ("the Authority") is established for the purpose of providing the services and other items necessary and appropriate for the establishment, operation, and maintenance of a joint program for Workers' Compensation, Liability and Crime Insurance Program protection for the public agencies who are Members hereof, and to provide a forum for discussion, study, development, and implementation of recommendations of mutual interest regarding programs of insurance and self insurance.

ARTICLE I

BOARD OF DIRECTORS

A. A Board of Directors is hereby established to direct and control the Authority.

B. Each Member of the Authority shall be entitled to appoint one representative and one alternate to the Board of Directors. The Board representative and the alternate representative must be employees or authorized agents of the member and shall serve at the pleasure of the member by whom appointed. Only the designated Board representative or designated alternate representative may represent a member. The designated representative and designated alternate may invite Members of their agencies' staffs or consultants to attend meetings of the Board of Directors in an advisory capacity only. If a Member Agency's representative and alternate are not available for a regularly scheduled MSA meeting, the MSA Board may accept interim appointment by the Member Agency's Board Chair of an interim representative to the MSA meeting. The interim representative shall have full representative rights for that upcoming meeting.

C. The Board of Directors shall conduct meetings consistent with the Ralph M. Brown Act, provided, however, that it will hold at least one regular meeting each fiscal year. The date, time, and place for each such regular meeting shall be fixed by the Chair of Board of Directors, which shall be publicly posted prior to the meeting on a public bulletin board to be designated by the Chair of the Board of Directors and filed with each Member of the Authority. All meetings of the Board of Directors shall be called, held, and conducted in accordance with the terms and provisions of the Ralph M. Brown Act (Sections 54950, et seq., of the California Government Code), as said Act may be modified by subsequent legislation, and as the same may be augmented by rules of the Board of Directors not inconsistent therewith. The Board of Directors shall cause minutes of its meetings to be kept, and shall promptly transmit to the Members of the Authority true and correct copies of the minutes of such meetings.

D. The Board of Directors, by resolution, shall designate a specific location at which it will receive notices, correspondence, and other communications, and shall designate a Secretary who may, but does have to be a Member, for the purpose of receiving service on behalf of the Authority. The Authority shall comply with the provisions of Sections 6503.5 and 53051 of the Government Code requiring the filing of a statement with the Secretary of State.

E. The Board of Directors may establish and dissolve working committees. The Board Chair shall appoint the Chairperson and Members of committees from the Authority's active Membership.

F. The Board of Directors shall determine contributions and the method by which contributions will be paid to a General Fund. The Board of Directors shall also provide for additional assessments during the year, if necessary or appropriate, to allow for increased costs and expenses that may occur. The Board of Directors shall insure that a complete and accurate system of accounting of the General Fund shall be maintained at all times consistent with established auditing standards and accounting procedures. The Board of Directors shall determine the manner in which Workers' Compensation, Liability and Crime Insurance Program claims shall be processed. Such processing shall conform to all provisions of law now in effect or later enacted.

H. The Board of Directors shall have the power, authority and duty to handle all aspects of Workers' Compensation, Liability and Crime Program claims against Members of the Authority.

I. The Board of Directors shall directly or by contract provide for services required to effectively implement all aspects of this joint program.

ARTICLE II

RULES OF THE BOARD OF DIRECTORS

A. The Board of Directors may establish rules governing its own conduct and procedure and have such expressed or implied authority as is not inconsistent with, or contrary to, the laws of the State of California, these Bylaws, or the Joint Powers Agreement.

B. A quorum for the transaction of business by the Board of Directors shall consist of a majority of the Board of Directors.

C. No one serving on the Board of Directors shall receive any salary or compensation from the Authority.

D. The Board of Directors may approve reimbursement for expenses incurred at its direction.

E. The Officers of the Authority shall serve a term of two years, beginning July 1 of even-numbered years, except that in the formation year the initial term will run from the date of formation until the succeeding July 1.

ARTICLE III

OFFICERS

A. Principal Officers shall be a Chair, a Vice Chair, and an Executive Director.

B. Election of Officers:

1. The Board shall elect a Chair and Vice-Chair from among the Directors, for a term of two (2) years.

2. Officer elections shall take place at a regularly scheduled Board of Directors meeting every other fiscal year. Representatives to the Board of Directors may make nominations of individuals who meet the requirements for the office at the time of election. If such nomination

is seconded, the nominated individual shall be a candidate for that office for which the candidate was nominated. The candidate with the greatest number of votes shall assume the office.

3. Any person elected as an officer may be removed at any time, with or without cause, by a majority vote of the Board of Directors.

4. All vacancies arising may be filled at any time by a two thirds 2/3 vote of the Directors present at that Board of Directors meeting.

C. The Chair and Vice Chair shall perform the duties normal to such offices, and shall perform such other duties as may be imposed by the Board. The Vice-Chair shall perform all of the Chair's duties in the absence of the Chair. The Executive Director shall be appointed by the Board and shall be the chief executive officer and shall have general supervision and direction of the business of the Authority, shall see that all orders and resolutions of the Board of Directors are carried into effect, and shall have other powers and perform such other duties as may be prescribed from time to time by the Board of Directors. Pursuant to Government Code Section 6505.6, the Executive Director shall serve as or be responsible for the provision of Treasurer duties, including serving as the JPA Auditor, Controller and Treasurer. The Treasurer shall be the depositary, shall have custody of all of the accounts, funds and money of MSA from whatever source, shall have the duties and obligations set forth in Government Code Sections 6505 and 6505.5 and shall assure that there shall be strict accountability of all funds and reporting of all receipts and disbursements of MSA. The Executive Director shall serve as or be responsible for the provision of Secretary duties, including recording all votes and the minutes of all proceedings. The Secretary shall give, or cause to be given, notice of all meetings of the Board of Directors when notice is required by law or these Bylaws. The Secretary shall have such other powers and perform such other duties as may be prescribed from time to time by the Board of Directors or the Chair.

D. The Treasurer shall be the chief financial officer of the Authority and shall assume the duties described in Sections 6505.1 and 6505.5 of the California Government Code, as follows:

1. Receive all money of the Authority and place it in the designated depository to the credit of the Authority;

2. Be responsible for the safekeeping and disbursement of all money of the Authority held by the Treasurer;

3. Pay, when due, out of money of the Authority all legitimate and verifiable sums payable by the Authority only upon checks authorized by the Treasurer from a commercial account in a financial institution designated by the Board of Directors;

4. Verify and report in writing at least annually, to the Board of Directors, the amount of money held for the Authority, the amount of receipts since the last Treasurer's Report, and the amount paid out since the last Treasurer's Report;

5. Custodian of the Authority's property.

The Treasurer shall have such other powers and perform such other duties as may be prescribed from time to time by law or by the Board of Directors or the Chair.

ARTICLE IV

FINANCE

A. The Authority shall operate on a fiscal year from July 1st through June 30th.

B. Authority staff shall develop, on or before June 1st of each year, a budget estimating the amount of money that will be needed for the ensuing year. On or before June 30th of each year, the Authority shall adopt a final budget showing each of the purposes for which the Authority will need money for the ensuing fiscal year. A copy of the budget shall be transmitted to each of the participating Members.

C. Each Member shall pay to the Authority the Contribution as calculated and adopted by the Board of Directors pursuant to the following:

1. Member's share shall be based upon each Member's Total Insurable Values, Loss History, Unusual Exposures and other information relative to providing coverage for the Member as determined by the Board. This shall be considered the Base Contribution Rate.

2. The Base Contribution Rate may be subject to modification based upon a Member’s claim experience and weighted against the relative size of the Member. The methodology for modification will be calculated by the Authority.

3. A share of all other costs as determined by the Authority.

4. Contributions are due and payable on receipt of invoice and shall be considered past due 30 days from receipt of invoice and a penalty assessed on the unpaid amount as determined by the Board of Directors.

D. Each fiscal year of the Authority shall operate separately from every other fiscal year in regard to its assets and Obligations and in accordance with GASB rules and regulations. Those assets and Obligations are pooled assets and Obligations of the Members who participate in each distinct and separate Program Year.

E. A General Fund, if necessary, shall be established and maintained to receive monies, pay operating expenses hold reserves and pay claims of the Authority. The Authority shall accept and deposit in the General Fund all monies received.

F. An Operating Account if necessary shall be established and maintained out of monies received and deposited in the General Fund for:

1. Insurance/reinsurance premiums;
2. Claims management expenses;
3. Safety engineering;
4. Data processing costs;
5. Administration and Professional Services, and Miscellaneous operating expenses;
6. Loss Control.

ARTICLE V
EVIDENCE OF COVERAGE

A. By June 1st of each year preceding the July 1st inception date of new or renewal programs, the Authority shall distribute to Members Insurance Certificates, Memorandum of Coverage or other documents summarizing the coverage that will be implemented July 1st. Within 60 days of the effective date of each new or renewing program formal polices or other documents will be provided to each member detailing the price, terms and conditions of each program.

B. The documents described in item A shall include at a minimum:

1. The basis of premium contributions;
2. The scope of protection provided for the Program;
3. Other terms and conditions which the Board of Directors may consider necessary.

ARTICLE VI

ACCOUNTS AND RECORDS

A. The Authority shall designate a depository in accordance with California Government Code sections 6505.5 and 6505.6.

B. The Authority is strictly accountable for all funds received and disbursed by it and, to that end, the Authority shall establish and maintain such funds and accounts as may be required by Generally Accepted Accounting Principles or by any provision of law or any resolution of the Authority. Books and records of the Authority in the hands of the Treasurer shall be open to inspection at all reasonable times by representatives of the Members. The Authority, as soon as practical after the close of each fiscal year, shall give, or cause to be given, a complete written report of all financial activities for such fiscal year to each Member of the Authority.

C. The Board of Directors shall make, or contract with a Certified Public Accountant to make, an annual audit of the accounts, records, and financial affairs of the Authority. In each case the minimum requirements of the audit shall be those prescribed by the State Controller for Special Districts under Section 26909 of the California Government Code and shall conform to Generally Accepted Auditing Standards and accounting principles. When such an audit of accounts and reports is made by a Certified Public Accountant, a report thereof shall be filed as a public record with each of the Members of the Authority. Such reports shall be filed with the State within twelve (12) months of the end of the fiscal year under examination.

D. Controller's Office. Any costs of the audit, including contracts with, or employment of, Certified Public Accountants in making the audit(s) provided for herein, shall be appropriate administrative charges against the funds of the Authority.

ARTICLE VII

RISK MANAGEMENT

The Authority may adopt minimum standards for risk management/loss control practices. Each of the Members hereby agrees to implement in its agency the minimum standards of risk management practices developed by the Authority.

ARTICLE VIII

WITHDRAWAL FROM OR TERMINATION OF MEMBERSHIP

A. Any Member may withdraw from its status as a Member and party to the Joint Powers Agreement at the end of a fiscal year by notifying the Authority of its intention, in writing, with provisional notice of withdrawal within nine months of the new Program year.

B. The Member filing the notice of withdrawal shall notify the Authority in writing, together with a copy of the Member's Board resolution or meeting minutes authorizing such action, six (6) months prior to the start of the new Program year as to its final decision to leave the Authority.

C. The incurred claims, incurred but not reported claims, and all contributions of the withdrawing Member shall stay with the Authority. The withdrawing Member shall continue to participate in each of the Program Years for which the agency was a Member. The allocation of assets and obligations that were in effect for those years the withdrawing Member was a Member shall continue to stay in effect until those years are closed and cleared of assets and/or obligations.

D. A Member may be involuntarily terminated from the Authority upon a vote of two-thirds (2/3) of all the remaining Members of the Board of Directors. Involuntary termination shall have the effect of eliminating the party as a signatory of the Joint Powers Agreement and as a Member of the Authority, effective at the end of the fiscal year in which the action is taken or upon such other date as the Board of Directors may specify, but in no case less than sixty (60) days after notice of involuntary termination is given. The responsibility and participation of an involuntarily terminated Member shall be the same as stated in Subparagraph C. of this ARTICLE.

E. Grounds for involuntary termination:

1. Failure or refusal to abide by the Agreement or Bylaws;

2. Failure or refusal to fulfill the Member’s responsibility to participate in Authority governance.

3. Failure or refusal of a Member to abide by an amendment which has been adopted by the Board of Directors or by the Members of the Authority as provided in the Agreement or these Bylaws;

4. Failure or refusal to pay Contributions or assessments to the Authority as provided in the Agreement or Bylaws;

5. Failure to comply with risk management or safety standards implemented by the Authority;

6. Failure of a Member to disclose a material fact to the Authority or its Manager, whereby said material fact constitutes fraud, misrepresentation or concealment for the purposes of obtaining coverage with the Authority.

ARTICLE IX

DISPOSITION OF PROPERTY AND FUNDS

A. In the event of the dissolution of the Authority, the complete rescission, or other final termination of the Joint Powers Agreement by all Members or other public agencies then a party to the Agreement, any property interest remaining in the Authority following a discharge of all Obligations shall be disposed of pursuant to a plan adopted by the Board of Directors with the objective of returning to each Member or other agency which is then or was therefore a party preceding the termination of the agreement, a Pro Rata Share of each Program Year's equity to which each Member was a participant. The plan adopted by the Board of Directors shall include, but not be limited to, the following:

   1. Claims outstanding, and incurred but not reported to, the Authority shall be audited and calculated by an independent claims auditor and actuary selected by the Board of Directors for determination of future liabilities for expenses and costs to bring these claims to a conclusion.

   2. The current fair value of the Authority's properties shall be determined by the Board of Directors. If a Member disagrees with the current fair value of the Authority's properties as determined by the Board of Directors, the current fair value of said properties shall be determined by an independent appraiser selected by the Board of Directors.

B. If the Authority determines a return of contributions is to be declared, such return of contribution shall be computed as determined by the Board of the Authority

ARTICLE X

INVESTMENT OF SURPLUS FUNDS

A. The Authority shall have the power to invest or cause to be invested, in compliance with Section 6509.5 of the California Government Code, such funds as are not necessary for the immediate operation of the Authority as allowed by Section 53601 of the California Government Code.

B. The level of cash to be retained for the actual operation of the Authority shall be determined by the Executive Director.

ARTICLE XI

AMENDMENT

A. Amendment to these Bylaws may be proposed by any Member of the Authority.

B. All amendments to these Bylaws must be approved by a two-thirds (2/3) vote of the members of the Board of Directors before the amendment shall become effective. Such amendments shall be binding upon all Members of the Authority. The effective date of any amendment will be on the first day of the next month following adoption, unless otherwise stated.

ARTICLE XII

SEVERABILITY

Should any portion, term, condition, or provision of these Bylaws be decided by a court of competent jurisdiction to be illegal or in conflict with any law of the State of California, or be otherwise rendered unenforceable or ineffectual, the validity of the remaining portions, terms, conditions, and provisions shall not be affected thereby.

ARTICLE XIII

EFFECTIVE DATE

These Bylaws shall become effective immediately upon the effective date of the Joint Powers Agreement.

The Agreement may be executed in multiple counterparts, each of which shall be considered an original.

ARTICLE XIV

DEFINITIONS

A. “Contribution” shall mean the method by which the Authority computes the Members share of the cost of each Program Year of the Joint Program.

B. “Joint Program” shall mean the group purchasing of insurance or reinsurance or the setting aside of funds and reserves to pay for a self-insured retention or for losses not covered by insurance.

C. “Net Contribution Available for Pool Operations” shall mean the Contribution by each Member for each Program Year less amounts paid for Member’s share of any excess insurance and individual risk management services.

D. “Obligations” shall mean to include, but not limited to, all payments required by law together with all Claim Liabilities and any other legal obligations incurred by the Authority pursuant to this Agreement and Bylaws.

E. “Program Year” shall mean one year of the “Joint Program” separate from each and every other Program Year and shall operate on fiscal year from July 1^{st} through June 30^{th}, or as otherwise determined by the Board of Directors.

F. “Subrogation” shall mean the recovery of payments, which the Authority has made on behalf of a Member. Subrogation monies received are the properties of the Authority and for the Basis of Contribution are credited to the account of the Member.

LOCAL AND REGIONAL GOVERNMENT SERVICES AUTHORITIES

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TO:	BOARD OF DIRECTORS	**BOD Meeting: 1-12-12**
FROM:	RICHARD H. AVERETT, EXECUTIVE DIRECTOR	**Item: 6C**
SUBJECT:	**ADOPTION OF AN AMENDED COOPERATION AGREEMENT**	

RECOMMENDATION

Approve revisions to the cooperation agreement between RGS and LGS.

BACKGROUND

The original cooperation agreement was formed in June, 2002, to facilitate the provision of services to clients of Regional Government Services Authority and Local Government Services Authority.

The cooperation agreement needs to be updated to more specifically address sharing administrative services, including management, staffing, vendor goods and services, banking and co-mingled investment funds and other services between RGS and LGS. In addition to these clarifications and if the Boards of RGS and LGS approve formation of the new insurance JPA (Municipal Services Authority), the cooperation agreement would need to be revised to include all three entities. It is envisioned that the existing JPA administrative team would also administer and management the new Authority.

AGREEMENT BETWEEN
REGIONAL GOVERNMENT SERVICES AUTHORITY,
LOCAL GOVERNMENT SERVICES AUTHORITY AND MUNICIPAL SERVICES AUTHORITY
FOR COOPERATION IN PERFORMANCE OF SERVICES FOR
CLIENTS OF THESE AUTHORITIES AND FOR ONE ANOTHER

This Agreement is made and is effective this 12th day of January 2012, by and between the Regional Government Services Authority, a joint powers authority (RGS),Local Government Services Authority, a joint powers authority (LGS) and Municipal Services Authority, a joint powers authority (MSA). RGS, LGS and MSA shall be referred to as the parties to this agreement.

RECITALS

WHEREAS, RGS is a joint powers authority formed to provide service delivery for regional programs benefiting the regional public interest, including management, financial, and professional services. LGS is a joint powers authority formed to maximize the efficiency and effectiveness of service delivery at the local and sub regional level, including management, financial, and professional services. MSA is a joint powers authority formed to pool the insurance resources of RGS and LGS to maximize the purchasing power and shared risks of these agencies.

WHEREAS, both RGS and LGS desire to perform work for other public agencies. However, neither RGS nor LGS may have the ability to provide all of the services desired by clients of either JPA.

WHEREAS, in order to maximize the ability of both RGS and LGS to obtain contracts with clients to provide the services needed, RGS and LGS enter into this Agreement for the purpose of cooperating in the provision of services should both RGS and LGS be retained by the same client or should either RGS or LGS be retained by a client and need services offered by the other joint powers authority.

WHEREAS, both RGS and LGS desire to perform work for other entities which need the services which RGS and LGS can, respectively, provide. Both RGS and LGS anticipate there will be opportunities to provide services to current clients and wish, in this agreement, to provide for cooperation in the future in obtaining other contracts to perform work for other entities.

WHEREAS, RGS, LGS and MSA desire to share administrative resources, including staff and vendor services, to most cost-effectively achieve and coordinate the operational needs of these entities.

NOW, THEREFORE, in consideration of the mutual promises set out above, RGS, LGS and MSA agree as follows:

AGREEMENT

Section 1. Cooperation in Provision of Client Services. RGS and LGS agree they will cooperate in the performance of services in order to assure that clients will receive the services which they seek. Such cooperation may include RGS and LGS employees working together jointly to perform services for the client. Such cooperation may also include the supervision and/or direction by a RGS employee of a LGS employee or the supervision and/or direction by a LGS employee of a RGS employee. Similarly, such cooperation may include a RGS employee being directed or supervised by a LGS employee or an employee of LGS being directed or supervised by a RGS employee. RGS and LGS agree that the supervision or direction of their employees by employees of the other party to this agreement shall not be deemed to make any employee of one party the employee of the other party.

Section 2. Cooperation in Provision of Administrative Services. RGS, LGS and MSA agree they will cooperate in the performance of services to support the administration of RGS, LGS and MSA in order to assure that the parties to this agreement will receive the services which they seek, in a cost-effective and coordinated manner. Such cooperation may include RGS, LGS and/or MSA employees working together jointly to perform administrative and support services for the parties to this agreement, so that efficiency is maximized, costs are minimized and programs and services of the parties are coordinated for the benefit of each entity.. Such cooperation may also include the supervision and/or direction by an employee of one of the parties by an employee of one of the other parties RGS, LGS and MSA agree that the supervision or direction of their employees by employees of the another party to this agreement shall not be deemed to make any employee of one party the employee of the other party.

To facilitate provision of services to current clients and any other future clients of both RGS and LGS, the parties agree that RGS will bill all clients of both RGS and LGS for services rendered by both RGS and LGS.

The parties may also cooperate in other administrative matters, such as sharing office supplies, office equipment, post office boxes, investment of surplus funds, use of vendor services for banking, financial services, insurance, payroll, employee benefits, financial audits and all other services that may be more effectively managed by a shared administrative function. In the event that any expenses or costs which are the responsibility of one joint powers authority are paid by another party, RGS, LGS and MSA agree they will reimburse the appropriate entity when and in the manner so requested. This provision includes the cost of administrative services provided by one party to either or both of the other parties, as well as the costs for client services staffing and externally provided goods and services.

Section 3. Insurance Provisions. It is the parties' intent that MSA will pool the insurance resources of RGS and LGS to maximize the purchasing power and shared risks of these agencies.

For purposes of Unemployment Insurance Code §606.5(b), RGS will be the "temporary services employer" or "leasing employer" of the workers that RGS provides to perform services to any client of both RGS and LGS and LGS will be the "temporary services employer" or "leasing employer" of the workers that LGS provides to perform services to any client of both RGS and LGS.

RGS will provide Workers' Compensation Insurance for those persons who have a written employment agreement with RGS, LGS will provide Workers' Compensation Insurance for those employees who have a written employment agreement with LGS, and MSA will provide Workers' Compensation Insurance for those employees who have a written employment agreement with MSA.

Section 4. Previous Agreement. This Agreement shall supersede that certain Agreement Between Regional Government Services Authority and Local Government Services Authority For Cooperation In Performance Of Services For Clients Of Both Authorities and For One Another, entered into on June 3, 2002.

Section 5. Effective Date. This Agreement shall be effective upon approval by the Boards of Directors of RGS, LGS and MSA and shall remain in effect until there are no longer two or more parties. Participation of a party may be terminated by one of the parties hereto by 30 days' advance written notice of termination to the other parties.

Section 6. No Joint Venture. By entering into this Agreement, the parties do not intend to create a joint venture among them. The purpose of this agreement is as indicated in the Recitals, to provide cooperation for the performance of services to current clients and other potential clients of both RGS and LGS which RGS and LGS are qualified to perform and to provide cooperation for the performance of services to the parties for the administration and management of the respective parties.

REGIONAL GOVERNMENT SERVICES AUTHORITY

Dated: ____________________ ________________________

By: ______________________

Its: Chair, Board of Directors

LOCAL GOVERNMENT SERVICES AUTHORITY

Dated: ____________________ ________________________

By: ______________________

Its: Chair, Board of Directors

MUNICIPAL SERVICES AUTHORITY

Dated: ____________________ ________________________

By: ______________________

Its: Chair, Board of Directors

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