



# 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 [RGS.CA.gov](http://RGS.CA.gov) or by contacting the Executive Director prior to the meeting at the contact information below.

**REGULAR MEETING**  
**November 15, 2012**  
**2:15 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 **August 16, 2012** Minutes

**Action**

**4. TREASURER'S REPORT**

A. Review Preliminary FY2012 Audit Results

**Information**

**5. OLD BUSINESS - None**

**6. NEW BUSINESS**

A. Approval of Finance Committee Recommendation to LGS Board to Make Additional LGS Insurance Pool Contribution to MSA

**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: February 21, 2013, 2:15 p.m., at Dublin City Hall Regional Meeting Room**

**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.

**LOCAL GOVERNMENT SERVICES  
JOINT POWERS AUTHORITY  
BOARD OF DIRECTORS MINUTES  
AUGUST 16, 2012**

The Local Government Services Joint Powers Authority held a regular meeting of the Board of Directors at the Falkirk Cultural Center, 1408 Mission Avenue, San Rafael, CA. The meeting was called to order at 3:33 p.m.

**1. CALL TO ORDER**

Members Present: Dan Schwarz, Chair  
Steve Rogers, Vice-Chair  
Nancy Mackle, Member  
Ken Nordhoff, Member  
Herb Pike, Member  
Members Absent: Joni Pattillo, Member  
Other Attendees: Jim Hill, Alternate Member  
Mike Garvey, Executive Committee Member  
Richard Averett, Executive Director/CFO  
Glen Lazof, RGS Project Manager  
Sherry Kelly, Authority Clerk

**2. CHANGES TO THE ORDER OF AGENDA - None**

**3. APPROVAL OF CONSENT AGENDA**

A. Approval of **May 17, 2012** Minutes  
**Action:** Moved, seconded (Pike/Young) and carried unanimously to approve the minutes as presented.

**4. TREASURER'S REPORT - None**

**5. OLD BUSINESS - None**

**6. NEW BUSINESS**

A. Confirm MSA Board Acting on Behalf of LGS Approving Resolution LGS2012-01  
**Action:** Moved, seconded (Pike/Mackle) and carried unanimously to confirm MSA Board acting on behalf of LGS approving Resolution LGS2012-01.

**7. PUBLIC COMMENT – None**

**8. ADJOURNMENT –** The meeting adjourned at 3:35 p.m. The next meeting is scheduled for November 15, 2012 at 3:00 p.m. at the Yountville Community Boardroom.



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**TO:** BOARD OF DIRECTORS **BOD Meeting: 11-15-12**  
**FROM:** GLENN LAZOF, Project Manager **Item: 4A**  
**SUBJECT: REVIEW OF PRELIMINARY AUDIT REPORTS FOR FISCAL YEAR ENDING  
JUNE 30, 2012**

## **RECOMMENDATION**

Review the preliminary independent audit reports for fiscal year 2012.

## **BACKGROUND**

The outside audit firm of Mayer Hoffman McCann, P.C. is in the process of completing the FY2012 audits of both Local and Regional Government Services Authorities. MHC has provided that attached preliminary financial results for the fiscal year ending June 30, 2012.

## **PRELIMINARY AUDIT RESULTS**

Preliminary financial results for LGS and RGS are attached, with summary information below. The results below include accrued liabilities for OPEB and unused vacation balances, but not sick and administrative leave which are traditionally not paid out when an employee separates from employment. Additional perspective and analysis will be provided in the Management Discussion and Analysis section of each audit report when audit reports are finalized. Overall, the FY2012 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.

## ***PRELIMINARY FINANCIAL STATEMENT HIGHLIGHTS***

- LGS change in net assets equals \$277,660 for the fiscal-year-end (FYE). Net assets at the end of the fiscal year equal \$1,501,881.
- RGS change in net assets equals \$650,070 for the FYE. Net assets at the end of the fiscal year equal \$1,229,169.
- Combined LGS and RGS change in net assets equals \$927,730 for the 2012 FYE. Combined LGS and RGS total net assets at the end of the fiscal year equal \$2,731,050.

The FY2012 adopted budgets LGS and RGS were \$4,984,200 and \$7,112,200 respectively, for a combined budget of \$12,096,400. The budgeted net income was \$109,101 combined. After eight months into the fiscal year, staff was projecting combined net income over \$408,000.

LOCAL GOVERNMENT SERVICES AUTHORITY

Statements of Net Assets

June 30, 2012

(with comparative information for the prior year)

	<u>2012</u>
<u>Assets</u>	
Current assets:	
Cash and investments (note 2)	\$ 2,012,120
Accounts receivable	473,153
Due from other governments	-
Prepays	30,907
Deposits	<u>44,061</u>
Total current assets	<u>2,560,241</u>
Total assets	<u>2,560,241</u>
<u>Liabilities</u>	
Current liabilities:	
Accounts payable	166,082
Deferred revenue	179,500
Client deposits	240,403
Compensated absences - current portion (note 3)	<u>55,311</u>
Total current liabilities	<u>641,296</u>
Noncurrent liabilities:	
Compensated absences - long term (note 3)	129,060
Claims payable - long term (note 3 and 7)	-
OPEB liability - long term (note 3 and 8)	<u>288,004</u>
Total noncurrent liabilities	<u>417,064</u>
Total liabilities	<u>1,058,360</u>
<u>Net Assets</u>	
Net assets:	
Unrestricted (note 4)	<u>1,501,881</u>
Total net assets	<u>\$ 1,501,881</u>

See accompanying notes to the basic financial statements.

LOCAL GOVERNMENT SERVICES AUTHORITY  
 Statements of Revenues, Expenses and Changes in Net Assets  
 Year ended June 30, 2012  
 (with comparative information for the prior year)

	<u>2012</u>
Operating revenues:	
Charges for services	\$ <u>6,892,026</u>
Total operating revenues	<u>6,892,026</u>
Operating expenses:	
Salaries & benefits	5,645,615
Professional services	2,756
Administration	<u>965,995</u>
Total operating expenses	<u>6,614,366</u>
Change in net assets	277,660
Net assets at beginning of year, as restated (note 9)	<u>1,224,221</u>
Net assets at end of year	<u>\$ 1,501,881</u>

See accompanying notes to the basic financial statements.



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**TO:** BOARD OF DIRECTORS **RGS BOD Meeting: 11-15-12**  
**FROM:** GLENN LAZOF, Project Manager **Item: 6A**  
**SUBJECT: ADDITIONAL RGS AND LGS CONTRIBUTIONS TO MSA INSURANCE POOL**

## **RECOMMENDATIONS**

Approve additional RGS and LGS insurance pool contributions of \$300,000 and \$500,000 respectively, to the Municipal Services Authority. The Finance Committee recommended the Boards' approval of these additional contributions at their November 6, 2012 meeting.

## **BACKGROUND**

The FY12 MSA Budget planned for a \$100,000 contribution from RGS and LGS, its member agencies, to MSA insurance reserves for claims expenses. When carrier proposals were accepted, the savings from budgeted amounts resulted in an additional \$46,000 being available for claims reserves. However, the Workers' Compensation per occurrence deductible of \$1 million with \$200,000 cash protection, created more exposure for MSA than what was desired at this early phase of the pool's build-up of reserves. (Property and casualty coverage has a \$50,000 per occurrence deductible.)

Preliminary fiscal year 2012 financial results show net income for the year greater than expected; much of that growth attributable to a former client from whom we have exposure to potentially substantial claims costs. Therefore, staff is recommending use of net equity from both JPAs to increase MSA funding by \$800,000. Note that RGS and LGS general reserves (\$627,000 at the end of fiscal year 2011) have remained intact, as they have not been used to fund MSA's claims reserve. In accordance with the JPAs' reserve policy, another \$463,500 (one-half of net income) will be added to JPA reserves.

The Finance Committee also made two additional recommendations 1) That the Board of Directors reconsider appropriate reserve levels for LGS, RGS and MSA in light of MSA formation for insurance pooling; and 2) That the Board of Directors consider an inter-agency loan approval policy for reserve funds. Staff will recommend revisions to the Financial and Administrative Policies and Procedures to accomplish these objectives. Those recommendations will first be presented to the Finance Committee at a subsequent committee meeting. Finance Committee recommendations will be presented to the Board for consideration at the last regularly scheduled meeting of the fiscal year.

## **FISCAL IMPACT**

The impact of this recommendation, if approved by the RGS and LGS Boards of Directors, would be a reduction in net equity of the two agencies by \$300,000 and \$500,000. Both agencies would be left with roughly equal net equity - \$900,000 to \$1 million. MSA's reserves would be increased to \$946,000 which would preemptively fund claims expectations of the three cases being managed by our prior pooled program (and which will be passed through to the JPAs per prior agreements). The actual cost of the pending claims will likely be less than the maximum exposure which is reflected in the increased reserve, leaving enhanced reserves for future exposures.