

THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS
ACTION AGENDA SUMMARY

DEPT: Chief Executive Office

BOARD AGENDA # *B-2

Urgent

Routine

AGENDA DATE January 13, 2015

CEO Concurs with Recommendation YES NO
(Information Attached)

4/5 Vote Required YES NO

SUBJECT:

Approval to Accept the Closeout Report of the Modesto Regional Fire Authority

STAFF RECOMMENDATIONS:

Accept the Closeout Report of the Modesto Regional Fire Authority (MRFA).

FISCAL IMPACT:

The close-out of the Modesto Regional Fire Authority (MRFA) included final distribution of assets (not including the Less Than Countywide tax revenue) totaling \$2,882,150 as follows:

City of Modesto	\$2,500,721
Stanislaus County	\$ 321,807
Salida Fire Protection District	\$ 59,622

Continued on Page 2

BOARD ACTION AS FOLLOWS:

No. 2015-20

On motion of Supervisor Chiesa, Seconded by Supervisor Monteith

and approved by the following vote,

Ayes: Supervisors: O'Brien, Chiesa, Monteith, De Martini, and Chairman Withrow

Noes: Supervisors: None

Excused or Absent: Supervisors: None

Abstaining: Supervisor: None

1) X Approved as recommended

2) _____ Denied

3) _____ Approved as amended

4) _____ Other:

MOTION:

ATTEST: Christine Ferraro
CHRISTINE FERRARO TALLMAN, Clerk

File No.

FISCAL IMPACT (Continued):

Additionally, the County received \$71,926 as the value of sick and vacation accruals for former MRFA employees who subsequently became County employees with the dissolution of MRFA. As a result, a total of \$393,733 was returned to the General Fund from prior contributions to MRFA.

Finally, funding in the amount of \$192,761 was returned to Stanislaus County to reimburse the County Fire Service Fund for unused Less Than Countywide tax revenue.

DISCUSSION:

On June 10, 2014, the Board of Supervisors approved the dissolution of the Modesto Regional Fire Authority (MRFA) effective Midnight on June 30, 2014. Similarly, the City of Modesto and the Salida Fire Protection District also approved the dissolution of MRFA effective the same date. Finally, the MRFA Board of Directors approved the dissolution of MRFA on June 11, 2014, also effective Midnight on June 30, 2014.

An Executive Committee comprised of the County Chief Executive Officer, City Manager and Salida Fire Chief were delegated the authority to implement the dissolution of MRFA under a Memorandum of Understanding (MOU) that directed the transition of fire and emergency services (to include human resources, fiscal, assets and liabilities) away from MRFA and back to the member agencies. The MOU anticipated all actions would be completed by December 31, 2014 which was set as its termination date.

Since July 1, 2014 the Executive Committee has met regularly to oversee the transition out of MRFA. As of December 29, 2014, the Fiscal Year 2013-2014 Financial and Single Audits have been completed and reports issued by the independent audit firm of Brown Armstrong Certified Public Accountants. A review of the use of Less than Countywide tax revenues for the period July 1, 2011 through June 30, 2014 was also conducted by the independent auditors to ensure appropriate use of the funds. The distribution of all remaining assets was based on the ratio of cumulative contributions of the member agencies, as described in the Closeout report at Attachment 1.

POLICY ISSUE:

In accordance with the Board of Supervisors' direction to dissolve MRFA, acceptance of the Closeout report supports the Board's priorities of Effective Partnerships and Efficient Delivery of Public Services.

STAFFING IMPACT:

The Executive Committee appreciates the hard work and diligence of many County, City and Salida employees in completing the transition out of MRFA. Two subcommittees were responsible for the day-to-day activities of the transition and included City

employees Gloriette Genereux, Joe Lopez, Adam Lindgren, Rolly Stevens, DeAnna Espinoza, Sean Slamon and Kristen Reffalt. Salida Fire Protection District employees included Dale Skiles and Mimi Jackson. County employees included Patricia Hill Thomas, Jack Doering, Jody Hayes, Cindy Thomlison and Leticia Lomeli. Without their efforts and follow-through, the transition would have been far more challenging.

CONTACT:

Stan Risen, Chief Executive Officer. (209) 525-6333

**To: Modesto Regional Fire Authority (MRFA) Executive Committee
James Holgersson, City Manager, City of Modesto
Stan Risen, County Executive Officer, County of Stanislaus
Dale Skiles, Fire Chief, Salida Fire Protection District**

From: Gloriette Genereux, Director of Finance, City of Modesto



**CC: Joe Lopez, Administrative Services Director, City of Modesto
Jody Hayes, Assistant Executive Officer, County of Stanislaus
Adam U. Lindgren, City Attorney, City of Modesto
John P. Doering, County Counsel, County of Stanislaus
DeAnna Espinoza, Principal Accountant, City of Modesto**

Date: December 29, 2014

Subject: Modesto Regional Fire Authority (MRFA) Closeout Memo

On June 10, 2014 the Stanislaus County Board of Supervisors, City of Modesto Council and Salida Fire Protection District Board of Directors all voted to take action towards dissolving the MRFA Joint Power Agreement (JPA). With the dissolution of this JPA, the three partner agencies have collectively reviewed what final actions need to be completed to complete the final closeout of this JPA. Each section has been summarized below based on the category.

Less than County-wide (LTCW) Agreed Upon Procedures report

The MRFA Executive Committee executed an engagement letter for the auditing firm, Brown Armstrong to perform an agreed upon procedures to audit the LTCW service cost and contributions to ensure all calculations and supporting documentation were sufficient. The results of the final audit report were presented at the December 15, 2014 Executive Committee and copies will be available with City of Modesto Finance Department. The final results of the report will require MRFA to issue a payment to Stanislaus County in the amount of \$192,761.

Fiscal Year 2013-2014 Financial and Single Audit Reports

The MRFA Executive Committee approved the engagement letter for the auditing firm, Brown and Armstrong to perform the Fiscal Year 2013-2014 Financial and Single Audit for MRFA's financial records. The auditors performed several procedures to assess the risk of material misstatement of the financial statements and test internal controls based on selective sampling of revenue and expenditure activity during this fiscal year. The auditors have issued a clean opinion and have identified no material weaknesses during the financial audit review.

During the Single Audit review for Fiscal Year 2013-2014, the auditors reviewed the compliance and internal controls for the Staffing for Adequate Fire and Emergency Response (SAFER) grant. During their review, no material weaknesses were identified but one audit finding was reported. The audit finding was due to the untimely submission of the financial and performance reports. The details of the finding are located on page 11 of the MRFA Single Audit report.

All MRFA Financial and Single Audit reports will be available, upon request, from the City of Modesto and will be presented at the December 29, 2014 Executive Committee meeting.

Distribution of Assets

Based on the audited financial statements reported on June 30, 2014, the distribution of assets have been calculated from these audited statements. The distribution to each agency was allocated based on the approved allocation presented under Option B from the November 17, 2014 Executive Meeting. The percentage allocation to distribute all assets that were not directly related to a specific agency was based on cumulative agency contributions less the Less than County-wide (LTCW) contribution made by Stanislaus County. I have summarized the percentage calculations below:

	FY 11/12	FY 12/13	FY 13/14	Total	% based on Cummulative Contributions
City of Modesto	23,358,566	24,458,938	24,090,642	71,908,146	86.94%
Salida Fire District Protection	1,110,903	1,763,664	1,269,201	4,143,768	5.01%
Stanislaus County	2,176,885	2,236,220	2,245,080	6,658,186	8.05%
Total Contribution	26,646,354	28,458,822	27,604,923	82,710,100	100%

The MRFA Distribution of Assets worksheet provided is a detailed trial balance which provides, by account, the closing trial balance amounts for MRFA. The Trial Balance Ending June 30, 2014 represents the final audited trial balance reviewed by the external auditors, Brown Armstrong, for preparation of the annual MRFA financial statements. At this time, any audit adjustments have been accounted for in this trial balance based on the current feedback provided by the auditors. The MRFA Closing Adjustments accounts for all of the year-end closing entries to account for the closeout of all of the revenue and expenditure activity to fund balance and all receivables and payments recorded in June 30, 2014 that were subsequently paid in July 2014.

I have summarized the cash flow activity that is accounted for under the Closing Adjustments below:

	General Checking	Capital Equipment Fund	Reserve Fund	Petty Drawer	Total
Cash Balance as of July 1, 2014	2,906,078.75	55,051.09	1,021,213.07	100.00	3,982,442.91
Receipts of Account Receivables	208,531.91	-	-	-	208,531.91
Funds owed by MRFA Staff	36.76	-	-	-	36.76
Payment of Accounts Payables	(280,293.64)	-	-	-	(280,293.64)
Cash balance after Closing Adj	2,834,353.78	55,051.09	1,021,213.07	100.00	3,910,717.94

The final MRFA Fiscal Year 2014-15 Activity represents the revenue and expense activity that occurred after June 30, 2014. I have summarized all transactions below that have an impact to the cash flow activity for MRFA:

1. Interest Earnings on MRFA bank accounts - \$422.38
2. Receipts on Accounts Receivables - \$121,764.10
3. Purchasing Card rebates - \$429.70
4. MRFA auditing services paid by the City of Modesto – (\$13,500)
5. MRFA auditing services owed to Brown Armstrong– (\$11,100)
6. MRFA expenses paid by the City– (\$934,055.26)
7. Less than County-wide payment to Stanislaus County – (\$192,760.81)
8. Additional Interest Earnings reported after the 12/15/14 Executive Meeting - \$232.04
9. Cancellation of uncleared MRFA checks - \$513.46

Total Net Cash Activity Increase (Decrease) – (\$1,028,054.39)

The outstanding vendor checks not cashed by MRFA vendors will be transferred over to the City of Modesto for stale dating review. Once all checks have been cleared or have completed the stale date review, the City will follow-up via email to the Executive Committee to report any funds that might be due to the three partner agencies or confirm all checks have been cleared.

All MRFA interest-bearing bank accounts were transferred to the General Checking on December 18, 2014.

The final ending cash balance is accounted below based on Fiscal Year 2014-15 activity referenced above.

	General Checking	Capital Equipment Fund	Reserve Fund	Petty Drawer	Total
Cash balance after Closing Adj	2,834,353.78	55,051.09	1,021,213.07	100.00	3,910,717.94
Receipt of Petty Drawer to Checking	100.00	-	-	(100.00)	-
Transfer bank accounts to Gen Checking	1,076,789.58	(55,062.63)	(1,021,726.95)	-	-
FY 14-15 MRFA Activity	(1,028,579.81)	11.54	513.88	-	(1,028,054.39)
Final Cash balance as of Dec 15, 2014	2,882,663.55	(0.00)	(0.00)	-	2,882,663.55

The MRFA Fixed Assets recorded in the MRFA accounting system were reviewed by MRFA personnel and were distributed between the three parent agencies based on the inventory reviewed by Fire Chief Slamon and Dale Skiles. The fixed asset balance allocated to each partner was factored into the total assets that were distributed to each partner to ensure the overall assets were allocated based on the approved agency percentages. Further review will be done by Fire Chief Slamon and Dale Skiles to review tangible assets that were less than the MRFA capitalization threshold.

I have summarized the fixed asset net value allocation by agency below:

MRFA Fixed Assets	City of Modesto	Stanislaus County	Salida Fire Protection District	Grand Total
Station and Office Equipment	18,441.95	-	-	18,441.95
Staff Vehicles	55,071.19	-	-	55,071.19
Computer and Network Equipment	116,655.31	21,823.70	12,348.38	150,827.39
Advanced Life Support Equipment	26,326.05	-	-	26,326.05
Firefighting Equipment	1,149,694.15	-	145,944.00	1,295,638.15
Accumulated Depreciation	(97,697.44)	(7,045.24)	(7,792.44)	(112,535.12)
Total	1,268,491.21	14,778.46	150,499.94	1,433,769.61

It was agreed by all agencies that the auditing services for the financial, single audit and agreed upon procedures LTCW audit would be split evenly between the three agencies. The final distribution of assets to each agency is presented below with the shared percentage.

Final Distribution of MRFA Assets	City of Modesto	Stanislaus County	Salida Fire Protection District	Grand Total
Fixed Assets	1,268,491.21	14,778.46	150,499.94	1,433,769.61
Accounts Receivable	17,733.83	6,253.63	-	23,987.46
MRFA Cash Balance	2,509,320.76	330,407.34	68,222.00	2,907,950.10
Total Distribution of Assets (not including audit services)	3,795,545.80	351,439.43	218,721.94	4,365,707.17
Percentage of MRFA assets (not including audit services)	86.94%	8.05%	5.01%	100.00%
Add: MRFA Outstanding Checks	513.46	-	-	513.46
Less: MRFA Cash Balance for audit services	(8,600.00)	(8,600.00)	(8,600.00)	(25,800.00)
Total MRFA Distribution of Assets	3,787,459.26	342,839.43	210,121.94	4,340,420.63

If the presented allocation is agreed upon by all MRFA agencies all final checks will be issued to all agencies at the December 29, 2014 Executive Committee. The checks issued to each agency will present the following:

1. Stanislaus County – LTCW fund owed - \$192,760.81
2. Stanislaus County – MRFA Distribution of Assets - \$321,788.66
3. Stanislaus County – MRFA Distribution of Assets (additional interest earnings) - \$18.68
4. Salida Fire Protection District (SFPD) - MRFA Distribution of Assets - \$59,610.37
5. SFPD - MRFA Distribution of Assets (additional interest earnings) - \$11.63
6. City of Modesto – MRFA expenses paid by the City - \$947,555.26
7. City of Modesto - MRFA Distribution of Assets - \$2,500,519.02
8. City of Modesto - MRFA Distribution of Assets (additional interest earnings) - \$201.73
9. City of Modesto – Transfer of Outstanding MRFA checks - \$513.46

All supporting documentation for all MRFA invoices, receipts, and payment activity will be retained by the City of Modesto Finance Department and can be provided at any time to any of the agency partners.

MRFA Internal Service Funds

This memo is to document the previously approved direction regarding assets and liabilities associated with employee benefits and workers' compensation claims related to MRFA. The MRFA Executive Committee has been delegated authority from each of the respective Boards/Councils to enter into agreements regarding the dissolution of these assets and claims.

From 2011 through June 30, 2014, the partner agencies of MRFA (City of Modesto, County of Stanislaus, and Salida Fire Protection District) made monetary contributions to fund the services provided by the Authority. Within the contributions, monies were placed in the MRFA Employee Benefits Fund (EBF) to cover future retiree medical and accrued leave cashouts for employee separation. Monies were also placed in a Workers' Compensation Fund to fund claims associated with employment related injuries and illnesses. The parties have agreed to the following distribution of these funds:

Employee Benefits

The City of Modesto has provided an accounting of accrued benefit liabilities since the inception of MRFA, including leave balances accrued during MRFA as well as accounting for the employees who separated during this period. All time accrued during MRFA was charged to the MRFA Employee Benefits Fund and time accrued before or after was charged to the partner agency.

The current MRFA Employee Benefits Fund has \$755,402.43. Upon the dissolution of MRFA, five (5) employees were transferred from MRFA to the County of Stanislaus. The leave balances of those employees were transferred to the County of Stanislaus resulting in a liability of \$71,295.91. The executive committee agreed to transfer the \$71,295.91 from the MRFA EBF to cover the future costs of the five (5) employees. A check will be issued from the City of Modesto to the Stanislaus County for the payment of this liability. Because a major portion of the liability is related to the City of Modesto Fire, and absent the five (5) employees transferring back to the County, the remaining balance of the EBF will be transferred to the City and placed in the City's EBF fund to cover the future liabilities of those remaining employees. As the City of Modesto has assumed all remaining benefit liabilities, no additional liabilities and/or assets will be shared from the EBF with the County of Stanislaus or the Salida Fire Protection District.

Workers' Compensation

The parties have agreed that the existing funds (\$1,704,071) held in trust for workers' compensation claims associated with MRFA and all MRFA workers' compensation claims filed as of July 1, 2014 are transferred to the City of Modesto. The City of Modesto will adjust the existing claims and will be solely responsible for liability associated with these claims and the current cash on hand for this fund will be transferred over to the City of Modesto.

All parties to this agreement agree to act in good faith in compliance with this agreement and agree they will not attempt to join MRFA in any new cumulative trauma claims and/or claims that have occurred but have not been reported that may be associated with work exposure during periods of employment under MRFA. Each entity will bear the sole responsibility of their current respective employees at the time the claim is filed and further agree to waive any subrogation rights against the other parties for any claims that may have occurred during employment with MRFA. This agreement does not limit potential subrogation rights for periods of employment outside of MRFA.

The City of Modesto and the County of Stanislaus are permissibly self-insured employers and this agreement will be included in the final dissolution process of MRFA. Entities that elect to purchase primary insurance agree to disclose this agreement to their insurance carriers present and future and will solicit written acknowledgement of this agreement. Copies of such written acknowledgement shall be forwarded to the other parties upon policy renewal for a period of five years from the date of dissolution.

Please feel free to contact either Joe Lopez or Jody Hayes with any questions related to the information provided in this summary.

General Liability

The City Attorney's Office and Office of County Counsel have evaluated potential liability of the Modesto Regional Fire Authority and have concluded that the risk of liability is very low. Under the Government Claims Act, most claims for damages must be filed within 6-months after the event, transaction or occurrence giving rise to potential liability. No claims have been filed with or against the Authority since it was dissolved effective June 30, 2014. Consequently, it is unlikely that any claims asserted after December 31, 2014, would result in liability to the Authority or its members.

In the event a valid claim for damages is filed against the Authority or its member agencies, the executives of the agencies can resolve any claims within the existing authority delegated to them without action by the governing bodies of the member agencies. If a claim or lawsuit results in defense costs or a judgment exceeding the authority of the member agency executives, it is expected that (1) member agencies would enter into a Joint Defense Agreement to provide a common defense, and (2) any liability, includes costs of defense, would be shared among the member agencies as contemplated in the Modesto Regional Fire Authority Joint Powers Agreement. That agreement provides in relevant part that "each Member shall indemnify and contribute to satisfaction of such judgment against the Authority, the Authority Directors, officers, employees, agents and representatives, upon any liability arising out of the performance or of this Agreement in proportion to that Member's contribution to the Authority budget in the fiscal year in which an incident causing such liability occurs.