

FIVE CITIES FIRE AUTHORITY

Keith Storton, Chair
Jeff Lee, Vice Chair
Karen White, Board Member



Stephen C. Lieberman, Executive Officer
Tricia Meyers, Clerk to the Board
David P. Hale, General Counsel

AGENDA BOARD MEETING FRIDAY, MARCH 19, 2021-10:00 A.M.

In the interest of the Governor's Executive Order N-25-20, members of the Board or staff will participate in this meeting via teleconference. Members of the public may listen to the meeting and provide public comment via telephone by calling 1(833)611-0393. Members of the public may also participate in the meeting electronically by submitting public comments to the Clerk to the Board at tmeyers@fivecitiesfire.org no later than the meeting start time of 10:00 A.M. Emailed comments will be received directly by the Clerk and will be read out loud during the meeting. Public comment is subject to the customary 3-minute time limit.

CALL TO ORDER

FLAG SALUTE

ROLL CALL

AGENDA REVIEW:

At this time the Board will review the order of business to be conducted and receive requests for, or make announcements regarding any change(s) in the order of the day. The Board should, by motion, approve the agenda as presented or as revised.

APPROVAL OF MINUTES:

1. **Consideration of Approval of Minutes** (MEYERS)
Recommended Action: Approve the minutes of the Board Meeting of February 19, 2021.

COMMUNITY COMMENTS AND SUGGESTIONS:

This public comment period is an invitation to members of the community to present issues, thoughts, or suggestions on matters not scheduled on this agenda. Comments should be limited to those matters that are within the jurisdiction of the Board. The Brown Act restricts the Board

BOARD MEETING AGENDA – MARCH 19, 2021
PAGE 2

from taking formal action on matters not published on the agenda. In response to your comments, the Chair or Vice Chair may:

- Direct Authority staff to assist or coordinate with you.
- A Board Member may state a desire to meet with you.
- It may be the desire of the Board to place your issue or matter on a future Board agenda.

CONSENT AGENDA:

The following routine items listed below are scheduled for consideration as a group. The recommendations for each item are noted. Any member of the public who wishes to comment on any Consent Agenda item may do so at this time. Any Board Member, the Fire Chief or General Counsel may request that any item be pulled from the Consent Agenda to permit discussion or change the recommended course of action. The Board may approve the remainder of the Consent Agenda on one motion.

1. **Consideration of Cash Disbursement Activity**(LIEBERMAN)
Recommended Action: Receive and file the listing of cash disbursements for the period of February 1, 2021 through February 28, 2021.
2. **Consideration of Approval of Amendment to the Fire Chief's Employment Agreement**(HALE)
Recommended Action: Approve amendment No. 4 to the Fire Chief/Executive Officer's employment agreement.
3. **Consideration of Approval of the Amendment to the General Counsel's Employment Agreement**(HALE)
Recommended Action: Approve amended employment agreement for the General Counsel.

CONTINUED BUSINESS:

None.

NEW BUSINESS:

- a. **Consideration of Financial Statements for Fiscal Year 2019-20 and Mid-Year Budget Review for Fiscal Year 2020-21.** (VALENTINE/LIEBERMAN)
Recommended Action: Receive, approve and file the reports.

BOARD MEMBER ITEMS:

The following item(s) are placed on the agenda by a Board Member who would like to receive feedback, obtain consensus to direct staff to prepare information, and/or request a formal agenda report be prepared and the item placed on a future agenda. No formal action can be taken.

- a. **Consideration of Changing Board Meeting Time**(BOARD MEMBER WHITE)

**BOARD MEETING AGENDA – MARCH 19, 2021
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FIRE CHIEF ITEMS:

The following item(s) are placed on the agenda by the Fire Chief in order to receive comments, feedback and/or request direction from the Board. No formal action can be taken.

- a. Fire Chief Updates

GENERAL COUNSEL ITEMS:

The following item(s) are placed on the agenda by the General Counsel in order to receive comments, feedback and/or request direction from the Board. No formal action can be taken.

None.

BOARD COMMUNICATIONS:

Correspondence/Comments as presented by the Board.

CLOSED SESSION:

None.

ADJOURNMENT

All staff reports or other written documentation, including any supplemental material distributed to a majority of the Board within 72 hours of a regular meeting, relating to each item of business on the agenda are available for public inspection during regular business hours in the Clerk to the Board's office, 140 Traffic Way, Arroyo Grande. If requested, the agenda shall be made available in appropriate alternative formats to persons with a disability, as required by the Americans with Disabilities Act. To make a request for disability-related modification or accommodation, contact the Clerk to the Board's office at 805-473-5490 as soon as possible and at least 48 hours prior to the meeting date.

Any documentation or materials to be submitted by the General Public for consideration by the Board shall be submitted to the Clerk to the Board by email at tmeyers@fivecitiesfire.org, no later than 24 hours prior to the above scheduled time for the Five Cities Fire Authority Board meeting. Failure to submit documents or any materials at least 24 hours prior to the scheduled time for the Board meeting shall be grounds for the Board to reject consideration or review of those items unless otherwise required by state or local laws.

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This agenda was prepared and posted pursuant to Government Code Section 54954.2. Agendas are posted at the Arroyo Grande City Hall, 300 E. Branch Street, Arroyo Grande, Headquarters ~ Station 1, 140 Traffic Way, Arroyo Grande, the Grover Beach City Hall, 154 S. 8th Street, Grover Beach, Station 2, 701 Rockaway Avenue, Grover Beach, and Oceano Community Services District, 1655 Front Street, Oceano.

Agenda reports can be accessed and downloaded from the Five Cities Fire Authority Website at www.fivecitiesfireauthority.org.

MINUTES

FIVE CITIES FIRE AUTHORITY BOARD MEETING FRIDAY, FEBRUARY 19, 2021

Due to the County of San Luis Obispo's Executive Order to shelter at home and Pursuant to the Governor's Executive Order N-25-20, members of the Board and staff participated in this meeting via teleconference. Members of the public were invited to participate in the meeting by listening in and could comment electronically by submitting public comments to the Clerk to the Board at tmeyers@fivecitiesfire.org.

CALL TO ORDER:

Chair Storton called the Five Cities Fire Authority (FCFA) Board meeting to order at 10:00 a.m.

FLAG SALUTE:

Chair Storton led the Flag Salute.

ROLL CALL:

FCFA Board: Chair Keith Storton, Vice Chair Jeff Lee and Board Member Karen White.

FCFA Staff Present: Fire Chief Stephen Lieberman, General Counsel Dave Hale and Clerk to the Board Tricia Meyers.

AGENDA REVIEW:

Chief Lieberman requested that New Business Item B. be pulled from the agenda for staff to review the purchasing policy.

Action: Board Member White moved, Vice Chair Lee seconded, and the motion passed unanimously to approve the revised Five Cities Fire Authority's Agenda by a roll call vote.

AYES: White, Lee, Storton
NOES: None
ABSENT: None
ABSTAIN: None

APPROVAL OF MINUTES:

Consideration of Approval of Minutes

Action: Approved the minutes of the Board Meeting on January 15, 2021 with a roll call vote.

AYES: White, Lee, Storton
NOES: None
ABSENT: None
ABSTAIN: None

COMMUNITY COMMENTS AND SUGGESTIONS:

None.

CONSENT AGENDA:

1. Consideration of Cash Disbursement Activity.

Chair White asked about overtime costs and Personal Protective Equipment(PPE) purchase. Chief Lieberman explained that the PPE were for structural turnouts that were identified in the current budget. He also reported that there was additional overtime due to staff working at the vaccination sites. No public comment received.

Action: Received and filed the listing of cash disbursements for the period of January 1, 2021 through January 31, 2021.

AYES: Lee, White, Storton
NOES: None
ABSENT: None
ABSTAIN: None

PUBLIC HEARINGS:

None.

CONTINUED BUSINESS:

None.

NEW BUSINESS:

- a. Consideration of Authorization to Execute Agreement for Reimbursement of Costs Associated with COVID-19 Vaccination Efforts.** Chief Lieberman presented the staff report regarding an agreement for reimbursement costs for staff working at the point of distribution(POD) sites. The agreement lays out a framework for cost reimbursement from the County for Five Cities Fire Authority staff time hours worked at POD sites. No public comment received.

Action: Vice Chair Lee moved, and Board Member White seconded the motion to authorize the Fire Chief to execute an agreement with the County of San Luis Obispo to facilitate the reimbursement of costs incurred associated with supporting the County's COVID-19 vaccination efforts. The motion passed on the following roll call vote:

AYES: Lee, White, Storton
NOES: None
ABSENT: None
ABSTAIN: None

BOARD MEMBER ITEMS:

None.

GENERAL COUNSEL ITEMS:

None.

FIRE CHIEF ITEMS:

- a. Chief Lieberman is working on leads to sell the Ford Explorer.
- b. The county has obtained a contract with an organization called SnapNurse, which will begin to provide the staffing at the POD vaccine sites. Department staff will no longer be needed. Chief Lieberman is trying to identify an alternate site for Arroyo Grande due to students returning to school at Arroyo Grande High School. The South County Regional Center is an option.
- c. Chief Lieberman plans on bringing a mid-year budget review and the audit report for last fiscal year to the Board in March. The mid-year budget review will include unanticipated strike team revenue and the purchase of needed Kenwood radio equipment.
- d. Staff will be prioritizing equipment that is needed for the next fiscal year budget.
- e. Chief Lieberman followed Board direction and reached out to city managers regarding the needed replacement of a Type 3 Engine. The first lease payment would be due on July 1, 2022.
- f. Five Cities Fire Authority(FCFA) has made operational changes in regards to the Reserve Firefighter positions. The department has three Reserve positions working at Station 3. One Reserve is unable to work due to an injury and another is actively testing for a full-time position with other departments. Chief Lieberman made the decision to fill open shifts with career personnel to avoid closing Station 3. This change will have an impact on the budget.
- g. Friends of FCFA voted to purchase an \$8,000.00 forcible entry prop for the department. FCFA is very grateful for their support.

BOARD COMMUNICATIONS:

Chair White has requested the meeting time of the Five Cities Fire Authority board meeting be placed on a future agenda to discuss possible changes.

CLOSED SESSION:

None.

ADJOURNMENT:

Chair Storton adjourned the meeting at 10:35 a.m. The next Board meeting is scheduled for March 19, 2021, at 10:00 a.m. via teleconference.

KEITH STORTON, CHAIR

ATTEST:

TRICIA MEYERS, CLERK TO THE BOARD



STAFF REPORT

TO: Chair and Board Members **MEETING DATE:** March 19, 2021

FROM: Stephen C. Lieberman, Fire Chief
Margaret Conway-Pearson, City of Arroyo Grande Interim Accounting Manager

SUBJECT: Consideration of Cash Disbursement Ratification

RECOMMENDATION

It is recommended that the Five Cities Fire Authority (FCFA) Board of Directors review, receive and accept the attached listing of cash disbursements for the period February 1 through February 28, 2021.

BACKGROUND

The FCFA JPA agreement identifies the City of Arroyo Grande as the agency providing financial services to the fire department. The City processes payroll and accounts payable on behalf of the FCFA. Historically, the City has processed FCFA payroll on City checks (using a City bank account). The City recovers 100% of these payroll costs along with related staff time. FCFA staff is working with the City to determine if payroll can be processed utilizing FCFA checks/bank account.

Cash disbursements are made weekly based on the submission of all required documentation and supporting invoices for costs incurred/services rendered. The Fire Chief reviews all disbursement documents before they are submitted to the City for processing.

FISCAL IMPACT

There is a \$1,228,619.95 fiscal impact that includes the following items:

- Accounts Payable Checks \$ 865,219.33
- Payroll and Benefit Checks \$ 363,400.62

ALTERNATIVES

The following alternatives are provided for the Board's consideration:

1. Approve the staff recommendation
2. Do not approve the staff recommendation
3. Provide other direction.

ATTACHMENTS

February 1 through February 28, 2021 Accounts Payable Register
February 1 through February 28, 2021 Payroll and Check Register

PREPARED BY

Stephen C. Lieberman, Fire Chief

FIVE CITIES FIRE AUTHORITY
CHECK LISTING
FEBRUARY 1-FEBRUARY 28, 2021

ATTACHMENT 1

Line	Check Date	Check #	Description	Acct #	Vendor Name
1	02/05/2021	7526	374,536.46 fcfa costs nov 2020	290.0000.2002	CITY OF ARROYO GRANDE
2	02/05/2021	7526	388,716.70 fcfa costs dec 2020	290.0000.2002	CITY OF ARROYO GRANDE
3	02/05/2021	7527	173.92 monthly circuit chgs - 2~	290.4211.5403	AT&T
4	02/05/2021	7527	173.92 monthly circuit chgs - 3~	290.4211.5403	AT&T
5	02/05/2021	7527	753.07 phone lines 12/25/2 - 1/24/21	290.4211.5403	AT&T
6	02/05/2021	7528	99.00 usps	290.4211.5208	BANK OF AMERICA
7	02/05/2021	7528	75.20 ups store	290.4211.5208	BANK OF AMERICA
8	02/05/2021	7528	54.36 amazon drum funnel	290.4211.5255	BANK OF AMERICA
9	02/05/2021	7528	43.03 basco round cone top can	290.4211.5255	BANK OF AMERICA
10	02/05/2021	7528	41.47 amazon dry chem extinguisher	290.4211.5255	BANK OF AMERICA
11	02/05/2021	7528	79.63 office max	290.4211.5201	BANK OF AMERICA
12	02/05/2021	7528	36.88 office max	290.4211.5201	BANK OF AMERICA
13	02/05/2021	7528	34.81 office depot	290.4211.5201	BANK OF AMERICA
14	02/05/2021	7528	37.60 amazon laser checks	290.4211.5201	BANK OF AMERICA
15	02/05/2021	7528	30.16 office depot	290.4211.5201	BANK OF AMERICA
16	02/05/2021	7528	112.56 office depot	290.4211.5201	BANK OF AMERICA
17	02/05/2021	7528	34.22 secure conferences	290.4211.5201	BANK OF AMERICA
18	02/05/2021	7528	35.00 call in studio	290.4211.5403	BANK OF AMERICA
19	02/05/2021	7528	14.99 zoom	290.4211.5403	BANK OF AMERICA
20	02/05/2021	7528	652.25 symbol arts - public relations	290.4211.5504	BANK OF AMERICA
21	02/05/2021	7528	652.25 symbol arts - public relations	290.4211.5504	BANK OF AMERICA
22	02/05/2021	7528	0.99 apple	290.4211.6103	BANK OF AMERICA
23	02/05/2021	7528	129.21 smartwool lopresti uniform	290.4211.5276	BANK OF AMERICA
24	02/05/2021	7528	82.39 running warehouse lopresti uni	290.4211.5276	BANK OF AMERICA
25	02/05/2021	7528	187.06 pelican brand shop - lopresti	290.4211.5276	BANK OF AMERICA
26	02/05/2021	7528	31.24 amazon lopresti uniform	290.4211.5276	BANK OF AMERICA
27	02/05/2021	7528	105.99 winsoftmagic software	290.4211.5607	BANK OF AMERICA
28	02/05/2021	7528	61.08 kaultz chevron	290.4211.5601	BANK OF AMERICA
29	02/05/2021	7528	159.75 paypal utv 1 part	290.4211.5601	BANK OF AMERICA

30	02/05/2021	7528	115.71	amazon radiator cooling fan	290.4211.5601	BANK OF AMERICA
31	02/05/2021	7528	622.68	mastertech automotive	290.4211.5601	BANK OF AMERICA
32	02/05/2021	7528	43.10	heacock trailers latch kit	290.4211.5601	BANK OF AMERICA
33	02/05/2021	7528	25.86	heacock trailers latch kit	290.4211.5601	BANK OF AMERICA
34	02/05/2021	7528	30.16	amazon latch set for stakeside	290.4211.5601	BANK OF AMERICA
35	02/05/2021	7529	57.89	lumber	290.4211.5255	BURKE AND PACE OF AG, INC
36	02/05/2021	7530	3,076.50	professional services jan 2021	290.4211.5303	DAVID P HALE
37	02/05/2021	7531	65.00	western division due - lieberman	290.4211.5503	IAFC MEMBERSHIP
38	02/05/2021	7531	195.00	iafc membership dues - lieberman	290.4211.5503	IAFC MEMBERSHIP
39	02/05/2021	7532	197.55	vehicle maint	290.4211.5601	LAWSON PRODUCTS, INC

Line	Check Date	Check #	Description	Acct #	Vendor Name
40	02/05/2021	7533	250.10 cleaning supplies	290.4211.5604	PROCARE JANITORIAL SUPPLY
41	02/05/2021	7534	938.37 GAS SERVICES 12/26/2 - 1/26/21	290.4211.5401	SOCALGAS
42	02/05/2021	7535	3,275.00 premier membership platform &	290.4211.5607	TARGETSOLUTIONS LEARNING, LLC
43	02/05/2021	7536	582.80 14 phone lines~	290.4211.5403	VERIZON WIRELESS
44	02/10/2021	7537	101.30 argon/oxygen rental	290.4211.5303	AIRGAS USA, LLC
45	02/10/2021	7538	238.63 shop supplies - rental	290.4211.5303	ARAMARK
46	02/10/2021	7539	921.50 repair air cart model mp4hp:mb	290.4211.5603	BAUER COMPRESSORS, INC
47	02/10/2021	7539	323.25 compressed air 415 regulator	290.4211.5603	BAUER COMPRESSORS, INC
48	02/10/2021	7540	204.98 internet - station 1	290.4211.5401	CHARTER COMMUNICATIONS
49	02/10/2021	7541	275.00 nipa fire sprinkler system review	290.4211.5303	COLLINGS & ASSOCIATES LLC
50	02/10/2021	7542	108.92 monthly users fee	290.4211.5607	CREWSENSE LLC
51	02/10/2021	7543	909.64 fuel	290.4211.5608	J B DEWAR, INC
52	02/10/2021	7544	42.76 shipping charges	290.4211.5208	FEDEX
53	02/10/2021	7545	1,133.58 pg&e costs - station 2	290.4211.5401	CITY OF GROVER BEACH
54	02/10/2021	7545	1,090.64 pg&e costs - station 2	290.4211.5401	CITY OF GROVER BEACH
55	02/10/2021	7546	66,366.40 pierce engine - customer 33436	290.4211.5803	J.P. MORGAN EQUIPMENT FINANCE
56	02/10/2021	7547	3.43 straps	290.4211.5255	MINER'S ACE HARDWARE, INC
57	02/10/2021	7547	5.38 maint on stakeside truck	290.4211.5601	MINER'S ACE HARDWARE, INC
58	02/10/2021	7547	67.84 utv maint.	290.4211.5601	MINER'S ACE HARDWARE, INC

FIVE CITIES FIRE AUTHORITY
CHECK LISTING
FEBRUARY 1-FEBRUARY 28, 2021

ATTACHMENT 1

59	02/10/2021	7547	36.62	vehicle maint.	290.4211.5601	MINER'S ACE HARDWARE, INC
60	02/10/2021	7548	165.68	zip sweaters (admin) and beanies	290.4211.5276	R & T EMBROIDERY, INC
61	02/10/2021	7549	300.08	batteries	290.4211.5255	RETAIL ACQUISITION & DEV., INC
62	02/10/2021	7550	188.56	solvent & disposal	290.4211.5325	SAFETY-KLEEN SYSTEMS, INC
63	02/10/2021	7551	186.50	steri-safe compliance	290.4211.5303	STERICYCLE INC.
64	02/10/2021	7552	635.73	2 gas detector sensors	290.4211.5603	WINEMA INDUSTRIAL &
65	02/19/2021	7553	388.46	thorogood bunker boots - ferguson	290.4211.5272	ALLSTAR FIRE EQUIPMENT, INC
66	02/19/2021	7553	72.50	leather shield for firefighter	290.4211.5272	ALLSTAR FIRE EQUIPMENT, INC
67	02/19/2021	7554	33.34	circuit line to AGPD~	290.4211.5403	AT & T
68	02/19/2021	7555	40.00	pest control services	290.4211.5605	AUTHORIZED PEST CONTROL
69	02/19/2021	7555	40.00	pest control services	290.4211.5605	AUTHORIZED PEST CONTROL
70	02/19/2021	7556	16.02	parts cleaner	290.4211.5601	CARQUEST AUTO PARTS
71	02/19/2021	7556	16.49	fuel filter	290.4211.5601	CARQUEST AUTO PARTS
72	02/19/2021	7556	50.52	oil filter - utv service	290.4211.5601	CARQUEST AUTO PARTS
73	02/19/2021	7557	204.98	acct#82451010138133 internet	290.4211.5401	CHARTER COMMUNICATIONS
74	02/19/2021	7557	204.98	acct#8245101000239800 internet	290.4211.5401	CHARTER COMMUNICATIONS
75	02/19/2021	7558	95.90	replacement battery	290.4211.6201	COAST ELECTRONICS
76	02/19/2021	7559	91.33	pail, pump, hose	290.4211.5255	J B DEWAR, INC
77	02/19/2021	7559	645.96	fuel	290.4211.5608	J B DEWAR, INC
78	02/19/2021	7560	5,000.00	deductible - occurrence #202000	290.4211.5576	FAIRA
Line	Check Date	Check #	Description	Acct #	Vendor Name	
79	02/19/2021	7561	26.95 shipping charges	290.4211.5208	FEDEX	
80	02/19/2021	7562	750.00 fir report	290.4211.5303	MOSS, LEVY & HARTZHEIM LLP	
81	02/19/2021	7563	683.50 turnout cleaning & repairs	290.4211.5276	TURNOUT MAINTENANCE CO LLC	
82	02/25/2021	7564	236.63 shop supplies rental	290.4211.5303	ARAMARK	
83	02/25/2021	7565	326.17 ipad wireless charges	290.4211.5403	AT&T MOBILITY	
84	02/25/2021	7566	414.59 medical supplies	290.4211.5206	BOUND TREE MEDICAL, LLC	
85	02/25/2021	7567	169.67 utv belts	290.4211.5601	CARQUEST AUTO PARTS	
86	02/25/2021	7568	210.66 station 1 tv	290.4211.5401	CHARTER COMMUNICATIONS	
87	02/25/2021	7569	1,073.23 fuel	290.4211.5608	J B DEWAR, INC	

FIVE CITIES FIRE AUTHORITY
DEPARTMENTAL LABOR DISTRIBUTION
PAY PERIOD
01/22/2021 - 02/04/2021
2/12/2021

BY ACCOUNT

5101	Salaries Full time	83,530.17
5102	Salaries Part-Time - PPT	-
5103	Salaries Part-Time - TPT	3,564.00
5105	Salaries OverTime	38,743.43
5106	Salaries Strike Team OT	-
5108	Holiday Pay	4,316.25
5109	Sick Pay	4,881.28
5110	Annual Leave Buyback	-
5111	Vacation Buyback	-
5112	Sick Leave Buyback	-
5113	Vacation Pay	1,320.96
5114	Comp Pay	1,301.76
5115	Annual Leave Pay	-
5121	PERS Retirement	21,847.64
5122	Social Security	10,683.12
5123	PARS Retirement	-
5126	State Disability Ins.	1,104.51
5127	Deferred Compensation	125.00
5131	Health Insurance	17,101.93
5132	Dental Insurance	968.16
5133	Vision Insurance	267.04
5134	Life Insurance	121.52
5135	Long Term Disability	154.34
		<u>190,031.11</u>

FIVE CITIES FIRE AUTHORITY
DEPARTMENTAL LABOR DISTRIBUTION
PAY PERIOD
02/05/2021 - 02/18/2021

2/26/2021

BY ACCOUNT

5101	Salaries Full time	70,839.18
5102	Salaries Part-Time - PPT	-
5103	Salaries Part-Time - TPT	3,168.00
5105	Salaries OverTime	33,767.06
5106	Salaries Strike Team OT	-
5108	Holiday Pay	7,701.63
5109	Sick Pay	492.00
5110	Annual Leave Buyback	-
5111	Vacation Buyback	-
5112	Sick Leave Buyback	-
5113	Vacation Pay	629.04
5114	Comp Pay	6,268.16
5115	Annual Leave Pay	1,233.23
5121	PERS Retirement	19,741.87
5122	Social Security	9,746.14
5123	PARS Retirement	-
5126	State Disability Ins.	1,045.21
5127	Deferred Compensation	125.00
5131	Health Insurance	17,101.93
5132	Dental Insurance	968.16
5133	Vision Insurance	267.04
5134	Life Insurance	121.52
5135	Long Term Disability	154.34
		<u>173,369.51</u>



STAFF REPORT

TO: Chair and Board Members **MEETING DATE:** March 19, 2021

FROM: Dave Hale, General Counsel

SUBJECT: Approval of Amendment No. 4 to Employment Agreement for Stephen C. Lieberman as Fire Chief/ Executive Officer

RECOMMENDATION

It is recommended that the Board approve Amendment No. 4 to the Fire Chief/Executive Officer's employment agreement.

BACKGROUND

The Board performed an annual evaluation of Chief Lieberman during their January 15, 2021 Board meeting and concluded to increase the base pay to the Fire Chief's salary by 3%. This would move his base salary from \$155,652 to \$160,322.

FISCAL IMPACT

Fiscal impact is consistent with the approved increase to the annual salary range approved by the Board in the January 15, 2021 meeting.

ALTERNATIVES

No alternatives are presented.

ATTACHMENTS

Amendment No. 4

AMENDMENT NO. 4 TO
EMPLOYMENT AGREEMENT
FOR
STEPHEN C. LIEBERMAN

This Amendment No. 4 to the Employment Agreement for Stephen C. Lieberman, dated December 8, 2014, ("Agreement") is hereby made and entered into this 22nd day of January, 2021 by and between the Five Cities Fire Authority, a Joint Powers Authority under California Government Code, Sections 6500 et seq., ("Authority") and Stephen C. Lieberman, an individual ("the Employee"), collectively referred to herein as ("Parties"), both of whom agree to the terms and conditions of this Amendment No. 4 to the Agreement as follows:

NOW THEREFORE, in consideration of mutual covenants herein contained, the parties agree as follows:

1.) Section 3 entitled "Salary" is modified as follows:

Authority agrees that Employee's annual base salary shall be \$160,322.00 commencing on January 22, 2021. The annual base salary is payable in equal installments at the same time as other employees of Authority are paid. Subsequent increases in salary may be considered annually at the time of Employees Performance Evaluation, pursuant to Section 6 below.

2) To the extent this Amendment No. 4 is inconsistent with the Agreement dated December 8, 2014, this Amendment shall govern and prevail over the Agreement. All other provisions of the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the Authority has caused this Amendment No. 4 to the Agreement to be signed and executed on its behalf by the Chair of the Authority Board, and duly attested by its Clerk to the Board, and Employee has signed and executed this Amendment No. 4, both in duplicate, the 22nd day of January, 2021.

FIVE CITIES FIRE AUTHORITY

Keith Storton, Chair

EMPLOYEE

Steve Lieberman

APPROVED AS TO FORM

David P. Hale, General Counsel



STAFF REPORT

TO: Chair and Board Members **MEETING DATE:** March 19, 2021

FROM: Dave Hale, General Counsel

SUBJECT: Approval of Amendment No. 1 to Employment Agreement for David P. Hale,
a Professional Corporation/General Counsel Services

RECOMMENDATION

It is recommended that the Board approve Amendment No. 1 to the General Counsel's Employment Agreement.

BACKGROUND

The Board performed an annual evaluation of General Counsel, David Hale, during their January 15, 2021 Board meeting and concluded to increase the hourly rate to the General Counsel's hourly rate. The current approved hourly is rate is \$185.00 an hour for transactional work and \$200.00 an hour for litigation. The attached Amendment No. 1 also includes updates to the agreement to make the contract consistent with statutory requirements for non-contingency fee agreements between attorneys and their clients.

FISCAL IMPACT

Fiscal impact is consistent with the approved budget amounts for General Counsel services and no additional budget adjustments are required at this time.

ALTERNATIVES

No alternatives are presented.

ATTACHMENTS

Amendment No. 1

AMENDMENT NO. 1 TO
EMPLOYMENT AGREEMENT
FOR
DAVID P. HALE, A PROFESSIONAL CORPORATION

This Amendment No. 1 ("Amendment") to the Employment Agreement for David P Hale, a Professional Corporation, dated December 1, 2013, ("Agreement") is hereby made and entered into this 19th day of March, 2021, by and between the Five Cities Fire Authority, a Joint Powers Authority under California Government Code, Section 6500 et seq., ("Authority") and David P. Hale, a Professional Corporation, a California Professional Corporation, ("Attorney"), collectively referred to herein as ("Parties"), both of whom agree to the terms and conditions of this Amendment No. 1 to the Agreement as follows:

NOW THEREFORE, in consideration of mutual covenants herein contained, the parties agree as follows:

- 1) As to all sections and provisions of the Agreement, the term "Koczanowicz & Hale" shall be replaced with "David P. Hale, a Professional Corporation".
- 2) Section 1 entitled "Duties and Firm Status" is amended as follows:

SECTION 1. DUTIES AND FIRM STATUS

Authority hereby retains Attorney as General Counsel to perform such functions and duties and to provide legal advice and perform legal services for Authority consistent with the role of General Counsel and as specified in the California Government Code and other applicable state law. David P Hale who serves as the City Attorney for Grover Beach shall serve in the role of General Counsel for the Authority. The Assistant City Attorney for City of Grover Beach, Molly Thurman, shall serve as the Assistant General Counsel and may be called upon to provide legal services to the Authority as necessary. These services shall consist but not be limited to, representing the Board at each monthly meeting, advising the Fire Chief and staff related to daily legal request, defend or prosecute litigation on behalf of the Authority and employment and labor issues or negotiations.

- 3) Section 2 entitled "Compensation" is amended as follows:

SECTION 2. COMPENSATION

All legal advisory services to Authority will be billed at a rate of \$185.00 per hour. All related costs will be reimbursed on a direct billing basis. All legal services performed for Authority in litigation matters shall be billed separately at the rate of \$200 per hour. Paralegal services shall be billed at the rate of \$110 per hour. Litigation matters are defined for these purposes as any court action or any adjudicatory proceeding before an

administrative agency, hearing officer, mediator, or arbitrator. Attorney or Assistant General Counsel will provide a detailed hourly bill on a monthly basis for all legal services being performed by Attorney or Assistant General Counsel. The Parties understand that these fees are not set by law and are negotiable between Attorney and Authority.

Billable time includes reviewing materials, drafting letters and pleadings, research, telephone calls, consultations, depositions, appearances in court (including waiting for the case to be called), and any other time required to represent Authority in each matter. Attorney does not charge for travel time for each Authority regularly scheduled business meeting, which shall be limited to one per month. All other travel time will be billed at the advisory rate of \$185.00 per hour.

All bills rendered by Attorney or the Assistant General Counsel shall clearly state the basis thereof. Bills for the fee portion of the bill shall include the amount, rate, basis for calculation, or other method of determination of Attorney's fees and costs. Bills for the cost and expense portion of the bill shall clearly identify the costs and expenses incurred and the amount of the costs and expenses. Upon request by Authority, Attorney shall provide a bill to the Authority no later than 10 days following the request unless Attorney has provided a bill to the Authority within 31 days prior to the request, in which case Attorney may provide a bill to the Authority no later than 31 days following the date the most recent bill was provided. The Authority is entitled to make similar requests at intervals of no less than 30 days following the initial request. In providing responses to the Authority requests for billing information, Attorney may use billing data that is currently effective on the date of the request, or, if any fees or costs to that date cannot be accurately determined, they shall be described and estimated. Notwithstanding the above, statements are generated monthly and are due and payable within 30 days of the statement date; any amounts not paid within 30 days of the statement date accrue interest at the current legal rate per annum from the statement date until paid. Attorney shall have the right to discontinue rendering services to Authority for non-payment of fees.

4) The first sentence of Section 3 entitled "Status of Firm Confidentiality and Absence of Conflict" shall be amended as follows and all other provisions of Section 3 shall remain unchanged unless otherwise amended by this Agreement:

Attorney, David P Hale , is currently a Professional Corporation.

5) Section 7 entitled "Notices" shall be amended as follows:

Notices pursuant to this Agreement shall be given by deposit in the United States Postal Service, postage prepaid, as follows:

SECTION 7. NOTICES

AUTHORITY:

Chief Steve Lieberman
140 Traffic way
Arroyo Grande, CA 93420

ATTORNEY:

David P Hale, a Professional Corporation
Attention: David P Hale
1233 W. Shaw Avenue, Suite 106
Fresno, CA 93711

Alternatively, notices required pursuant to this Agreement may be personally served in the same manner as applicable to civil judicial process. Notice shall be deemed given as of the date of personal service or as of the date of deposit of such notice in the United States Postal Service.

6) Subsection G of Section 9 entitled "General Provisions" shall be amended as follows with all other subsections remaining unchanged:

G. Attorney agrees to scrupulously avoid performing services for any party or entering into any contractual or other relationship with any party which might create a conflict with the rendering of services under this Agreement. Attorney shall immediately inform Authority of any conflict of interest or potential conflict of interest which may arise during the term of this Agreement by virtue of any past, present, or prospective act or omission of Attorney. Notwithstanding the provisions of this subsection, the Parties acknowledge and understand the Conflict Waiver, dated May 11, 2018 between Attorney, Authority and member agencies of the Authority, are in agreement to the terms of that Conflict Waiver, and also acknowledge there are currently at the time of signing this Amendment no actual conflicts which require notice by Attorney pursuant to that Conflict Waiver.

7) To the extent this Amendment No. 1 is inconsistent with the Agreement dated December 1, 2013, this Amendment shall govern and prevail over the Agreement. All other provisions of the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the Authority has caused this Amendment No. 1 to the Agreement to be signed and executed on its behalf by the Chair of the Authority Board, and duly attested by its Clerk to the Board, and Attorney has signed and executed this Amendment No. 1, both in duplicate, the 19th day of March, 2021.

FIVE CITIES FIRE AUTHORITY

Keith Storton, Chair

ATTORNEY

David P. Hale, General Counsel



STAFF REPORT

TO: Chair and Board Members **MEETING DATE:** March 19, 2021

FROM: Stephen C. Lieberman, Fire Chief/Executive Officer
Nicole Valentine, Accounting Manager/City of Arroyo Grande

SUBJECT: Consideration of Financial Statements for Fiscal Year 2019-20 and Mid-Year Budget Review for Fiscal Year 2020-21

RECOMMENDATION

It is recommended that the Board of Directors:

- 1) Receive and file the Audit Report (financial statements) for the fiscal year ended June 30, 2020.
 - 2) Review and approve the amended Mid-Year Budget for Fiscal Year 2020-21.
-

BACKGROUND – AUDIT REPORT

Auditors may issue three different types of opinions at the conclusion of an audit; an unmodified, modified, or adverse opinion. An unmodified opinion provides assurance that the information presented in the Financial Statements fairly represents the financial position of the Five Cities Fire Authority (FCFA). A modified opinion represents that the information is fairly presented except for a particular issue. An adverse opinion indicates that the agency has major accounting and/or internal control issues and no reliance may be placed on the financial statements. The FCFA financial statements audited by Moss, Levy & Hartzheim and received an unmodified opinion, meaning that the statements fairly present the financial position of the Authority as of June 30, 2020.

Net position is just one measure of the financial health of an organization and, although important, it does not provide information regarding the ability of the FCFA to meet ongoing needs. Net position includes all the assets of the organization, even those that are capital in nature, as well as all liabilities, even those that will not be paid for many years. For a better understanding of the FCFA's ability to meet day-to-day services, a comparison of how revenues and expenditures have changed over time may be more useful. During the 2019-20 fiscal year, the organization's revenues exceeded expenditures by \$400,286.

BACKGROUND – MID YEAR BUDGET

The Board of Directors (Board) approved the Fiscal Year (FY) 2020-21 budget in June 2020. Since that time, COVID-19 and the worst Wildfire Season in California history impacted the Five Cities Fire Authority (FCFA) budget. The attached mid-year budget updates the beginning fund balance with audited financial results from FY 2019-20 and reflects all approved Board actions

through March 1, 2021. In addition, staff recommends the following budget adjustments for Board approval, as reflected in the mid-year budget:

- Reflect \$487,000 in reimbursement revenues to offset incurred overtime, vehicle, and administrative expenditures for FCFA response in support of fire season 2020.
- Reflect \$32,000 in revenue for the sale of the surplus Ford Explorer command vehicle. It is recommended that the proceeds be reflected in the Vehicle Replacement Fund Balance. A replacement vehicle is planned to be acquired in FY 2021-22.
- Formally assign \$130,000 of Fund Balance for future Vehicle Replacement.
- Reflect \$10,520 in revenue for the sale of surplus radio equipment to offset the purchase of needed radio equipment.
- Adjustments to Salaries and Benefits reflect a total increase of \$474,320:
 - Increase Strike Team Overtime by \$487,000 as discussed above.
 - Reduce Permanent Part-Time Salaries by \$27,000 to account for an open position that will not be filled until FY 2021-22.
 - Increase Regular Overtime by \$50,000 to account for open Captain's position and open shifts due to work related employee injury.
 - Reduce CalPERS Unfunded Accrued Liability (UAL) by \$35,680 to reflect actual cost that was paid in full in July of this fiscal year.
- Services & Supplies – Adjustments reflect a total increase of \$15,309. These minor adjustments to eight accounts are intended to better reflect actual expenditures through the remainder of the fiscal year.
- Equipment Replacement – Adjustment reflects a total increase of \$3,500 related to the final costs of the UTV-1 project.

The Authority is projected to have undesignated fund balance at the end of the fiscal year of approximately \$798,301. This fund balance reflects a reserve of approximately 12.3% of ongoing expenditures, or 14.3% including the proposed restricted vehicle replacement fund balance. The FCFA Board of Directors has discussed the consideration of a fund balance reserve policy in the past, but given the terms of the third amendment to the Joint Powers Authority (JPA) agreement, staff would recommend delaying action until the timeline associated with the JPA amendment passes.

Based on staff analysis, the greatest vulnerability for the FY 2020-21 budget is the cost of vehicle maintenance. As the Board is aware, the aging fleet continues to require significant repair and replacement of parts at considerable expense. As of the date of this report, staff anticipates fully expending the existing vehicle maintenance budget. Should additional repairs become necessary, staff would first look to savings in other line item budgets; however, if that is insufficient, a future Board appropriation would be necessary. Staff will be presenting a proposal for a replacement Type III Wildland engine in the FY 2021-22 budget.

FISCAL IMPACT

The fund balance at the end of FY 2020-21 is projected to be \$928,300.

ALTERNATIVES

The following alternatives are provided for the Council's consideration:

1. Receive and file the Audit Report (financial statements) for the fiscal year ended June 30, 2020, and approve the staff recommended adjustments to the FY 2020-21 budget.
2. Do not approve the staff recommendation and provide other direction.

ATTACHMENTS

1. Audit Report for the Fiscal Year Ended June 30, 2020
2. FY 2020-21 Mid-Year Budget

PREPARED BY

Stephen C. Lieberman, Fire Chief
Nicole Valentine, Acting Treasurer

FIVE CITIES FIRE AUTHORITY



AUDIT REPORT

For the Fiscal Year Ended June 30, 2020

FIVE CITIES FIRE AUTHORITY
AUDIT REPORT
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For the Fiscal Year Ended June 30, 2020

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FIVE CITIES FIRE AUTHORITY



FINANCIAL SECTION



Moss, Levy & Hartzheim LLP

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Five Cities Fire Authority
Arroyo Grande, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Five Cities Fire Authority (the Authority) as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Five Cities Fire Authority, as of June 30, 2020, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 9 to the basic financial statements in March 2020, the World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern." Given the uncertainty of the situation, the duration of any financial impact cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the budgetary information on page 25, the schedule of changes in OPEB liability and related ratios on page 26, the schedule of OPEB contributions on page 27, the schedule of proportionate share of net pension liability on page 28, and the schedule of pension contributions on page 29, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2021, on our consideration of the Five Cities Fire Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Moss, Rice & Spitzgrain LLP

Santa Maria, California
February 4, 2021

FIVE CITIES FIRE AUTHORITY
STATEMENT OF NET POSITION
June 30, 2020

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 1,765,297
Receivables:	
Accounts	177
Interest	1,817
Capital assets:	
Depreciable:	
Vehicles and equipment	3,130,056
Accumulated depreciation	<u>(2,003,787)</u>
Total assets	<u>2,893,560</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension	1,232,293
OPEB	79,278
Total deferred outflows of resources	<u>1,311,571</u>
LIABILITIES	
Accounts payable	526,924
Accrued payroll	234,775
Unearned revenue	325
Noncurrent liabilities:	
Due within one year:	
Capital leases	85,318
Compensated absences	134,774
Due in more than one year:	
Capital leases	496,260
Compensated absences	404,321
Net pension liability	3,052,561
Other postemployment benefits	1,153,154
Total liabilities	<u>6,088,412</u>
DEFERRED INFLOWS OF RESOURCES	
Pension	502,946
OPEB	204,386
Total deferred inflows of resources	<u>707,332</u>
NET POSITION	
Net investment in capital assets	544,691
Unrestricted	<u>(3,135,304)</u>
Total net position	<u>\$ (2,590,613)</u>

The notes to the basic financial statements are an integral part of this statement.

FIVE CITIES FIRE AUTHORITY
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2020

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Contributions and Grants</u>	
Governmental Activities:				
Fire protection services	<u>\$ 6,387,861</u>	<u>\$ 5,919,790</u>	<u>\$ 15,485</u>	<u>\$ -</u>
Total governmental activities	<u>\$ 6,387,861</u>	<u>\$ 5,919,790</u>	<u>\$ 15,485</u>	<u>\$ -</u>
		General Revenues:		
			Investment Income	<u>10,159</u>
			Change in net position	<u>(442,427)</u>
			Net position at beginning of fiscal year	<u>(2,148,186)</u>
			Net position at end of fiscal year	<u>\$ (2,590,613)</u>

The notes to the basic financial statements are an integral part of this statement.

FIVE CITIES FIRE AUTHORITY
GOVERNMENTAL FUND
BALANCE SHEET
June 30, 2020

	<u>General Fund</u>
ASSETS	
Cash and investments	\$ 1,765,297
Receivables:	
Accounts	177
Interest	<u>1,817</u>
Total assets	<u>\$ 1,767,291</u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ 526,924
Accrued payroll	234,775
Unearned revenue	<u>325</u>
Total liabilities	<u>762,024</u>
Fund Balance:	
Unassigned	<u>1,005,267</u>
Total fund balance	<u>1,005,267</u>
Total liabilities and fund balance	<u>\$ 1,767,291</u>

The notes to the basic financial statements are an integral part of this statement.

FIVE CITIES FIRE AUTHORITY
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF NET POSITION
For the Fiscal Year Ended June 30, 2020

Total fund balance - governmental fund \$ 1,005,267

In the governmental fund, only current assets are reported. In the statement of net position all assets are reported, including capital assets and accumulated depreciation.

Capital assets at historical cost	\$	3,130,056	
Accumulated depreciation		(2,003,787)	
		1,126,269	
Net capital assets			1,126,269

In the governmental fund, only current liabilities are reported. In the statement of net position all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Capital lease	\$	581,578	
Compensated absences		539,095	
Net pension liability		3,052,561	
Other postemployment benefits		1,153,154	
		5,326,388	
Total long-term liabilities			(5,326,388)

In governmental funds, pension obligations and OPEB obligations are deferred because they do not meet current financial obligations. However, in government-wide statement of net position, deferred outflows and deferred inflows of resources related to pensions and OPEB are recorded. The difference between deferred outflows of resources of \$1,311,571 and deferred inflows of resources of \$(707,332) is:

	604,239
	604,239
Total net position - governmental activities	\$ (2,590,613)

The notes to the basic financial statements are an integral part of this statement.

FIVE CITIES FIRE AUTHORITY
GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2020

	<u>General Fund</u>
REVENUES	
Member contributions	\$ 5,734,218
Use of money and property	10,159
Grant revenue	15,485
Charges for services	167,478
Other revenue	<u>18,094</u>
Total revenue	<u>5,945,434</u>
EXPENDITURES	
Salaries and benefits	4,620,501
Services and supplies	778,978
Capital outlay	44,473
Debt Service:	
Principal	83,072
Interest	<u>18,124</u>
Total expenditures	<u>5,545,148</u>
Excess of revenue over(under) expenditures	400,286
Fund balance, July 1, 2019	<u>604,981</u>
Fund balance, June 30, 2020	<u>\$ 1,005,267</u>

The notes to the basic financial statements are an integral part of this statement.

FIVE CITIES FIRE AUTHORITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2020

Total net change in fund balance - governmental fund \$ 400,286

Capital outlays are reported in the governmental fund as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which additions to capital outlay is less than depreciation expense in the period. (148,427)

In the statement of activities, compensated absences are measured by the amounts earned during the fiscal year. In the governmental fund, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts paid). For this fiscal year ended, vacation earned exceeded the amounts used by: (161,567)

In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This fiscal year, the difference between accrual-basis OPEB costs and actual employers contributions was: (79,399)

In governmental funds, repayments of long-term debt are reported as expenditures. In government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Payment of capital lease principal of \$83,072. 83,072

In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was: (536,392)

Change in net position - governmental activities \$ (442,427)

The notes to the basic financial statements are an integral part of this statement.

FIVE CITIES FIRE AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Five Cities Fire Authority (FCFA) has been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant FCFA's accounting policies are described below:

A. Reporting Entity

FCFA was established on July 9, 2010, by a joint powers agreement between the Cities of Arroyo Grande, Grover Beach, and Oceano Community Services District. The FCFA governing board consists of one member appointed from each participating entity, as determined by the respective City Council or Board of Directors. All financial decisions are made by this three-member board. Each participating entity contributes its pro rata share of operating costs to FCFA based on a funding formula, calculated annually.

The reporting entity is the Five Cities Fire Authority. There are no component units in this report which meet the criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statements No. 39, No. 61 and No. 80.

B. Basis of Accounting and Presentation

The accounts of FCFA are organized in one general fund. The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

The governmental general fund is reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Under this method, revenues are recognized when *measurable and available*. FCFA considers all revenues reported in the governmental general fund to be available if the revenues are collected within sixty days after the fiscal year-end. Expenditures are recorded when the related fund liability is *incurred*, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent that they have matured. Capital asset acquisitions are reported as expenditures in the general fund. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Non-exchange transactions, in which FCFA gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Other revenues susceptible to accrual include other taxes, intergovernmental revenues, interest, and charges for services.

Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, FCFA may fund certain programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, either restricted and unrestricted fund balances or net position may be available to finance program expenditures/expenses. FCFA's policy is to first apply restricted grant resources to such programs, followed by general revenues, if necessary.

FIVE CITIES FIRE AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

B. Basis of Accounting and Presentation – continued

Government-wide Statements

The Statement of Net Position and the Statement of Activities display information about FCFA. These statements include the financial activities of the overall FCFA government. Eliminations have been made to minimize the double counting of internal activities. Government activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the FCFA's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program, and (c) fees, grants, and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the FCFA's general fund.

C. Cash and Investments

FCFA pools its available cash for investment purposes. FCFA considers pooled cash and investments, with original maturities of three months or less, to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

D. Capital Assets

Capital assets are defined as costs related to the acquisition or purchase of property, plant, and equipment. Capital assets are reported in the applicable governmental activities columns in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair value on the date contributed. It is FCFA's policy to capitalize all capital assets with costs exceeding \$5,000 and with useful lives exceeding one year.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The purpose of depreciation is to spread the cost of capital assets equitable among all users over the life of these assets. The amount charged to depreciation expense each fiscal year represents that fiscal year's pro rata share of the cost of capital assets. GASB Statement No. 34 requires that all capital assets with limited useful lives be depreciated over their estimated useful lives. Depreciation is provided using the straight-line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each fiscal year until the asset is fully depreciated. FCFA has assigned the useful lives listed below to capital assets:

Structures and improvements	50 years
Equipment	5 – 25 years

FIVE CITIES FIRE AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

E. Compensated Absences

In compliance with GASB Statement No. 16, FCFA has established a liability for accrued sick leave and vacation. All vacation is accrued when incurred in the government-wide statements. This liability is calculated for current employees at the current rates of pay. FCFA employees accrue vacation and sick leave that vary in amounts, based primarily on employment status and years of service. In the event of termination or retirement, employees are reimbursed for the total value of their accumulated vacation days and compensatory time. In the event of retirement, employees may choose to be paid 50% of their unused sick leave, to a maximum of 480 hours at the current rate of pay. In addition, unused accumulated sick leave may be converted to PERS retirement credit per the FCFA's contract with PERS.

F. Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, FCFA recognizes deferred outflows and inflows of resources.

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by FCFA that is applicable to a future reporting period. FCFA has two items which qualify for reporting in this category; refer to Note 5 and Note 6 for a detailed listing of the deferred outflows of resources FCFA has reported.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by FCFA that is applicable to a future reporting period. FCFA has two items which qualify for reporting in this category; refer to Note 5 and 6 for a detailed listing of the deferred inflows of resources FCFA has reported.

G. Fund Balances and Net Position

Fund balance is the difference between the assets and liabilities reported in the governmental general fund. In compliance with GASB Statement No. 54, FCFA has established the following fund balance types:

Nonspendable – The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted – The restricted fund balance classification includes amounts that reflect constraints placed on the use of resources (other than non-spendable items) that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (legislation, resolution, ordinance, etc.) it employed to previously commit those amounts. Committed fund balance should also incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – The assigned fund balance classification includes amounts that are constrained by the government's intent to be used for specific purposes, but that are neither restricted nor committed. Such intent to be established by (a) the governing body itself or (b) a body or official to which the governing body had delegated the authority to assign amounts to be used for specific purposes.

FIVE CITIES FIRE AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

G. Fund Balances and Net Position – continued

Unassigned – The unassigned fund balance classification includes amounts that do not fall into one of the above four categories. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned for specific purposes within the General Fund. The General Fund is the only fund that should report this category of fund balance.

Governmental Accounting Standards Board Statement No. 63 requires that the difference between assets added to the deferred outflows of resources and liabilities added to the deferred inflows of resources be reported as net position. Net position is classified in the following categories:

Net Investment in Capital Assets – Net position that is net investment in capital assets consist of capital assets, net of accumulated depreciation, and reduced by outstanding debt directly attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position – The restricted net position is the portion of net position that has external constraints placed on it by external creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions or enabling legislation.

Unrestricted Net Position – The unrestricted net position classification is the amount remaining that does not fall into one of the above two categories.

FCFA’s policy that when an expenditure is incurred for which both restricted and unrestricted fund balances are available, the restricted fund balance be spent first followed by committed, then assigned, and, if applicable, unassigned.

H. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of FCFA’s California Public Employees Retirement System (PERS) plan and additions to or deductions from the PERS plan fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

I. Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Authority’s plan (OPEB Plan) and additions to/deductions from the Plans’ fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

J. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimations and assumptions that affect the reported amounts of assets, liabilities, revenues, expenditures or expenses as appropriate. Actual results could differ from those estimated.

K. Future Accounting Pronouncements

Statement No. 84	"Fiduciary Activities"	The provisions of this statement are effective for fiscal years beginning after December 15, 2019.
Statement No. 87	"Leases"	The provisions of this statement are effective for fiscal years beginning after June 15, 2021.
Statement No. 89	"Accounting for Interest Cost Incurred before the End of a Construction Period"	The provisions of this statement are effective for fiscal years beginning after December 15, 2020.

FIVE CITIES FIRE AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

K. Future Accounting Pronouncements – continued

Statement No. 90	"Majority Equity Interests-an Amendment of GASB Statements No. 14 and No. 61"	The provisions of this statement are effective for fiscal years beginning after December 15, 2019.
Statement No. 91	"Conduit Debt Obligations"	The provisions of this statement are effective for fiscal years beginning after December 15, 2021.
Statement No. 92	"Omnibus 2020"	The provisions of this statement are effective for fiscal years beginning after June 15, 2021.
Statement No. 93	"Replacement of Interbank Offered Rates"	The provision of this statement except for paragraphs 11b, 13, and 14 are effective for fiscal years beginning after June 15, 2020. Paragraph 11b is effective for fiscal years beginning after December 31, 2021. Paragraphs 13 and 14 are effective for fiscal years beginning after June 15, 2021.
Statement No. 94	"Public-Private and Public-Public Partnerships and Availability Payment Arrangements"	The provisions of this statement are effective for fiscal years beginning after June 15, 2022.
Statement No. 96	"Subscription-Based Information Technology Arrangements"	The provisions of this statement are effective for fiscal years beginning after June 15, 2022.
Statement No. 97	"Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32"	The provisions of this statement are effective for fiscal years beginning December 15, 2019.

NOTE 2 – CASH AND INVESTMENTS

The composition of cash and investments as of June 30, 2020, is as follows:

	<u>Total</u>
Cash in bank and on hand	\$ 1,267,218
Investments	<u>498,079</u>
Total cash and investments, statement of net position	<u>\$ 1,765,297</u>

The Authority categorizes its fair value measurements within the fair value hierarchy established by U.S. Generally Accepted Accounting Principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. These principles recognize a three-tiered fair value hierarchy. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Authority had investments in the Local Agency Investment Fund and that external pool is measured under Level 2.

Investments Authorized by the California Government Code and FCFA’s Investment Policy

The table on the following page identifies the investment types that are authorized for FCFA by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

FIVE CITIES FIRE AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 2 – CASH AND INVESTMENTS – continued

Investments Authorized by the California Government Code and FCFA’s Investment Policy – continued

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	60%	None
U.S. Agency Securities	5 years	None	None
Bankers’ Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	20%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base value	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Fund	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
JPA Pools (other investment pools)	N/A	None	None
Guaranteed Investment Contract	15 months	None	None

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 FCFA manages 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 flows and liquidity needed for operations. Information about the sensitivity of the fair values of FCFA’s investments to market interest rate fluctuations is provided below that shows the distribution of FCFA’s investments by maturity:

<u>Investment Type</u>	<u>Remaining Maturity (in Months)</u>				
	<u>Carrying Amount</u>	<u>12 Months or Less</u>	<u>13-24 Months</u>	<u>25-60 Months</u>	<u>More than 60 Months</u>
Local Agency Investment Fund	\$ 498,079	\$ 498,079	\$ -	\$ -	\$ -
Total	\$ 498,079	\$ 498,079	\$ -	\$ -	\$ -

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 rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, FCFA’s investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type:

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Fiscal Year End</u>		
				<u>AAA</u>	<u>AA</u>	<u>Not Rated</u>
Local Agency Investment Fund	\$ 498,079	N/A	\$ -	\$ -	\$ -	\$ 498,079
Total	\$ 498,079		\$ -	\$ -	\$ -	\$ 498,079

FIVE CITIES FIRE AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 2 – CASH AND INVESTMENTS – continued

Concentration of Credit Risk

The investment policy of FCFA 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 FCFA's investments.

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 California Government Code and FCFA's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, 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 fair 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 FCFA's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

None of FCFA's deposits with financial institutions in excess of the Federal Depository Insurance Corporation's limits were held in uncollateralized accounts.

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 FCFA's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or governmental investment pools (such as LAIF).

Investment in State Investment Pool

FCFA 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 FCFA's investment in this pool is reported in the accompanying basic financial statements at the amounts based upon FCFA'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.

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2020, is as follows:

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020
Depreciable capital assets				
Equipment	\$ 552,746	\$ -	\$ -	\$ 552,746
Vehicles	2,532,837	44,473		2,577,310
Total depreciable capital assets	3,085,583	44,473		3,130,056
Less accumulated depreciation	(1,810,887)	(192,900)		(2,003,787)
Net capital assets	<u>\$ 1,274,696</u>	<u>\$ (148,427)</u>	<u>\$ -</u>	<u>\$ 1,126,269</u>

FIVE CITIES FIRE AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 4 – LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities

Long-term liability activity for the fiscal year ended June 30, 2020, is as follows:

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020	Due Within One year
Governmental Activities					
Capital Leases	\$ 664,650	\$ -	\$ 83,072	\$ 581,578	\$ 85,318
Compensated absences	377,528	325,845	164,278	539,095	134,774
Net pension liability	3,399,770	123,409	470,618	3,052,561	
OPEB	1,065,321	111,625	23,792	1,153,154	
Total	<u>\$ 5,507,269</u>	<u>\$ 560,879</u>	<u>\$ 741,760</u>	<u>\$ 5,326,388</u>	<u>\$ 220,092</u>

B. Compensated Absences

FCFA employees accumulate earned but unused vacation and sick pay benefits, which can be converted to cash at termination of employment. Since no means exists to reasonably estimate the amounts that might be liquidated with expendable currently available financial resources, if any, they are reported as long-term debt on the Statement of Net Position. No expenditure is reported for these amounts in the general fund statement. The non-current portion of these vested benefits (payable in accordance with various collective bargaining agreements) at June 30, 2020, total \$496,260.

C. Net Pension Liability

During the 2014-15 fiscal year, GASB issued Statement No. 68 which required FCFA to measure and report the liabilities associated with pension liability. See Note 5 for further detail.

D. Other Postemployment Benefits

In 2004, GASB issued Statement No. 45 which required FCFA to measure and report the liabilities associated with other post-employment benefits (OPEB). In 2017, GASB issued Statement No. 75 that updated the requirements for OPEB. FCFA’s annual OPEB requirement was determined to be \$1,153,154 at June 30, 2020. FCFA is currently funding the liability on a pay-as-you-go basis. See Note 6 for further detail.

E. Capital Leases

During the 2015-16 fiscal year, the Authority entered into a capital lease for the purchase of a new fire engine. The lease terms are for 10 years at an interest rate of 2.5% per annum, with the amount financed of \$580,843. During the 2016-17 fiscal year, the Authority entered into a capital lease for the purchase of a new fire engine. The lease terms are for 10 years at an interest rate of 3.12% per annum, with the amount financed of \$554,275. See Note 7 for further detail.

NOTE 5 – DEFINED BENEFIT PENSION PLAN

A. General Information about the Pension Plans

Plan Description, Benefits Provided and Employees Covered – The Five Cities Fire Authority’s defined pension plan, Public Employees’ Retirement System (PERS), provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS is part of the Public Agency portion of the California Public Employees’ Retirement System (CalPERS), cost-sharing multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by State statutes with the Public Employees’ Retirement Law. FCFA selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance (other local methods). FCFA is enrolled in two plans; Miscellaneous and Safety. CalPERS issue a separate comprehensive annual financial report. Copies of the CalPERS’ annual financial report may be obtained from the CalPERS Executive Office – 400 P Street – Sacramento, CA 95814.

FIVE CITIES FIRE AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 5 – DEFINED BENEFIT PENSION PLAN - continued

A. General Information about the Pension Plans – continued

The defined benefit pension plan provisions and benefits at June 30, 2020, are summarized below:

	<u>Miscellaneous Plan</u>	
	<u>Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>
Hire date	2013	January 1, 2013
Benefit formula	2.5% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Required employee contribution rates	8.000%	6.250%
Required employer contribution rates	11.432%	6.985%

	<u>Safety Plan</u>	
	<u>Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>
Hire date	2013	January 1, 2013
Benefit formula	3.0% @ 55	2.7% @ 57
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	57
Required employee contribution rates	9.000%	12.000%
Required employer contribution rates	20.073%	13.034%
Required employer payment of unfunded liability	\$107,764	\$1,097

Contribution Description – Section 20814(c) of the California Public Employees’ Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS’ annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan’s actuarially determined rate is based on the estimated amount necessary to pay the Plan’s allocated share of the risk pool’s costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Contributions to the pension plan from FCFA during the 2019-20 fiscal year were \$28,036 for the miscellaneous plan and \$511,327 for the safety plan.

At June 30, 2020, FCFA reported a liability of \$259,515 for the miscellaneous plan and \$2,793,046 for the safety plan for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 which was updated for June 30, 2019 using standard procedures. FCFA’s proportion of the net pension liability was based on a projection of FCFA’s long-term share of contributions to the pension plan relative to the projected contributions of all pension plan participants, actuarially determined. At June 30, 2019, FCFA’s proportionate share of the net pension liability for each Plan as of June 30, 2018 and June 30, 2019 was as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Proportion-June 30, 2018	0.00450%	0.05474%
Proportion-June 30, 2019	<u>0.00648%</u>	<u>0.04474%</u>
Adjustment due to differences in proportions	<u>0.00198%</u>	<u>-0.01000%</u>

FIVE CITIES FIRE AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 5 – DEFINED BENEFIT PENSION PLAN - continued

B. Pension Liabilities, Deferred Outflows and Inflows, and Pension Expense Related to Pensions

For the fiscal year ended June 30, 2020, FCFA recognized pension expense of \$1,075,755. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gains or losses, actuarial gains or losses, actuarial assumptions or method, and plan benefits. At June 30, 2020, FCFA reported deferred outflows and inflows of resources related to pension from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 539,363	\$ -
Net difference between projected and actual earnings on pension plan investment		42,960
Differences between expected and actual experience	198,987	
Changes of assumptions	126,857	26,728
Adjustment due to differences in proportions	341,163	347,814
Differences between employer’s contribution and the employer’s proportionate share of contributions	25,923	85,444
Total	<u>\$ 1,232,293</u>	<u>\$ 502,946</u>

The reported deferred outflows of resources related to pensions in the amount of \$539,363 resulting from FCFA contributions subsequent to the measurement date will be recognized as a reduction of the pension liability in the 2020-21 fiscal year. The additional amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30	Amount
2021	\$ 303,998
2022	(34,173)
2023	(88,232)
2024	8,391
Total	<u>\$ 189,984</u>

Actuarial Assumptions – The total pension liability for both the miscellaneous and safety plans in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.0% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table (1)	Derived using CalPERS’ Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

1 – The mortality table used was developed based on CalPERS’ specific data. The table includes 15 years of mortality improvements using 90% of Scale MP 2016 published by the Society of Actuaries.

FIVE CITIES FIRE AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 5 – DEFINED BENEFIT PENSION PLAN - continued

B. Pension Liabilities, Deferred Outflows and Inflows, and Pension Expense Related to Pensions - continued

Discount Rate – The discount rate used to measure the total pension liability was 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.15% will be applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimated ranges of expected future real rates of return (expected returns, net pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns on all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (the first 10 years) and the long-term (11 to 60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses,

<u>Asset Class</u>	<u>Current Target Allocation</u>	<u>Real Return Years 1-10¹</u>	<u>Real Return Years 11+²</u>
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%

1 – An expected inflation of 2.00% used for this period

2 – An expected inflation of 2.92% used for this period

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following represents FCFA’s proportionate share of the net pension liability calculated using the discount rate of 7.15%, as well as what FCFA’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.15%) and one percentage point higher (8.15%) than the current rate:

<u>Plan’s Net Pension Liability</u>	<u>Discount Rate -1% (6.15%)</u>	<u>Current Discount Rate (7.15%)</u>	<u>Discount Rate +1% (8.15%)</u>
Miscellaneous	\$ 374,898	\$ 259,515	\$ 164,274
Safety	4,911,119	2,793,046	1,056,559
Total	<u>\$ 5,286,017</u>	<u>\$ 3,052,561</u>	<u>\$ 1,220,833</u>

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

FIVE CITIES FIRE AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 5 – DEFINED BENEFIT PENSION PLAN – continued

C. Payable to the Pension Plan

At June 30, 2020, FCFA had no amount outstanding for contributions to the pension plan required for the 2019-20 fiscal year.

NOTE 6 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

FCFA provides post-retirement health benefits, in accordance with State statutes, to all employees retiring from FCFA and enrolled in an insurance program under the California Public Employees’ Medical and Hospital Care (PEMHCA). The CalPERS PEMHCA plan is a defined contribution, multiple employer, and healthcare plan providing benefits to active and retired employees. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided

FCFA participates in the CalPERS Health Benefit Program where all employee groups were under the equal contribution option. FCFA’s contribution is an equal amount for both employees and retirees. The mandatory employer contribution for active and retiree health insurance is increased annually in accordance with PEMHCA regulation.

Employees Covered

Active plan members	21
Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees or beneficiaries entitled to but not yet receiving benefits	<u>1</u>
Total	<u>27</u>

The Authority currently finances benefits on a pay-as-you go basis.

OPEB Liability

The Authority’s OPEB liability was measured as of June 30, 2019 and the total OPEB liability used to calculate the Net OPEB liability was determined by an actuarial valuation dated June 30, 2019.

Actuarial assumptions. The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	3.00%
Medical cost trend rate	Pre-Medicare: 7.25%
	Post-Medicare: 6.30%

Pre-retirement mortality rates were based on the CalPERS 1997-2015 Experience Study and the mortality improvement was projected fully generational with Scale MP-2019.

Actuarial assumptions used in the June 30, 2019 valuation were based on a review of plan experience during the period July 1, 2018 to June 30, 2019.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. To achieve the goal set by the investment policy, plan assets will be managed to earn, on a long-term basis, a rate of return equal to or in excess of the target rate of return of 3.50 percent.

FIVE CITIES FIRE AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 6 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - continued

Change in assumptions. The discount rate was decreased from 3.87 percent to 3.50 percent.

Discount rate. GASB 75 requires a discount rate that reflects the following:

- a) The long-term expected rate of return on OPEB plan investments — to the extent that the OPEB plan's fiduciary net position (if any) is projected to be sufficient to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return;
- b) A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher — to the extent that the conditions in (a) are not met.

To determine a resulting single (blended) rate, the amount of the plan's projected fiduciary net position (if any) and the amount of projected benefit payments is compared in each period of projected benefit payments. The discount rate used to measure the Authority's total OPEB liability is based on these requirements and the following information:

Reporting Date	Measurement Date	Long Term Expected Return of Plan Investments	Municipal 20 Year High Grade Rate Index	Discount Rate
June 30, 2020	June 30, 2019	3.50%	3.50%	3.50%
June 30, 2019	June 30, 2018	3.87%	3.87%	3.87%
June 30, 2018	June 30, 2017	3.58%	3.58%	3.58%

Changes in the OPEB Liability

	Total OPEB Liability
Balance at June 30, 2019 (Valuation Date June 30, 2019)	\$ 1,065,321
Changes recognized for the measurement period:	
Service cost	82,183
Interest	43,948
Changes of assumptions	60,807
Difference between expected and actual experience	(75,313)
Contributions - employer	
Benefit payments	(23,792)
Net Changes	87,833
Balance at June 30, 2020 (Measurement Date June 30, 2019)	\$ 1,153,154

Sensitivity of the OPEB liability to changes in the discount rate. The following presents the OPEB liability, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.50 percent) or 1 percentage point higher (4.50 percent) than the current discount rate:

	1% Decrease 2.50%	Current Rate 3.50%	1% Increase 4.50%
OPEB Liability	\$ 1,378,606	\$ 1,153,154	\$ 978,425

FIVE CITIES FIRE AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 6 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - continued

Sensitivity of the OPEB liability to changes in the healthcare trend rates. The following presents the OPEB liability, as well as what the OPEB liability would be if it were calculated using a healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
OPEB Liability	\$ 969,167	\$ 1,153,154	\$ 1,411,647

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2020, the Authority recognized OPEB expense of \$103,951. As of the fiscal year ended June 30, 2020, the Authority reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB contributions subsequent to measurement date	\$ 24,552	\$ -
Change in assumptions	54,726	136,604
Difference between expected and actual experience		<u>67,782</u>
	<u>\$ 79,278</u>	<u>\$ 204,386</u>

The reported deferred outflows of resources related to pensions in the amount of \$24,552 resulting from FCFA contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the 2020-21 fiscal year. Amounts reported as deferred outflows and inflows of resources will be recognized in OPEB expense as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2021	\$ (22,224)
2022	(22,224)
2023	(22,224)
2024	(22,224)
2025	(22,224)
Thereafter	(38,540)
	<u>\$ (149,660)</u>

NOTE 7 – CAPITAL LEASE

On February 23, 2016, the Authority entered into a capital lease agreement with JPMorgan Chase Bank, N.A. The lease proceeds were used for the purchase and acquisition of a new fire engine. The amount of the lease was \$508,843 and accrued interest at 2.5 percent. The lease is secured by the fire engine itself and any and all proceeds thereof. Annual lease payments are due February 26 of each year and commenced on February 26, 2017. Future minimum lease payments are as shown on the following page:

FIVE CITIES FIRE AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 7 – CAPITAL LEASE - continued

Fiscal year Ending <u>June 30</u>	<u>Amount</u>
2021	\$ 66,366
2022	66,366
2023	66,367
2024	66,366
2025	66,366
2026	<u>66,367</u>
Total minimum lease payments	398,198
Less amount representing interest	<u>(32,643)</u>
Present value of net minimum lease payments	<u>\$ 365,555</u>

On February 13, 2017, the Authority entered into a capital lease agreement with JPMorgan Chase Bank, N.A. The lease proceeds were used for the purchase and acquisition of a new fire engine. The amount of the lease was \$554,275 and accrued interest at 3.12 percent. The lease is secured by the fire engine itself and any and all proceeds thereof. An immediate principal reduction of \$260,509 was recognized due to the pre-payment of the City of Arroyo Grande’s proportional share of the cost of the fire engine. Annual lease payments are due April 15 of each year and commence on April 15, 2018. Future minimum lease payments are as follows:

Fiscal year Ending <u>June 30</u>	<u>Amount</u>
2021	\$ 34,830
2022	34,830
2023	34,830
2024	34,830
2025	34,830
2026-2027	<u>69,660</u>
Total minimum lease payments	243,810
Less amount representing interest	<u>(27,787)</u>
Present value of net minimum lease payments	<u>\$ 216,023</u>

NOTE 8 – CONTINGENCIES AND COMMITMENTS

There are no contingent liabilities are outstanding and no lawsuits are pending of real financial consequence as of the end of the fiscal year.

FCFA has received State and Federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under the term of the grants, it is believed that any required reimbursement will not be material.

FIVE CITIES FIRE AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

NOTE 9 – SUBSEQUENT EVENTS

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Authority’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Authority is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity as of the date of issuance of these financial statements.

FIVE CITIES FIRE AUTHORITY



REQUIRED SUPPLEMENTARY INFORMATION SECTION (unaudited)

FIVE CITIES FIRE AUTHORITY
BUDGETARY INFORMATION - MAJOR GOVERNMENTAL FUND
General Fund
For the Fiscal Year Ended June 30, 2020

	Budget Amounts		Actual Amounts	Variance Over/(Under)
	Original	Final		
REVENUES				
Member contributions	\$ 5,734,218	5,734,218	\$ 5,734,218	\$ -
Use of money and property	700	700	10,159	9,459
Grant revenue			15,485	15,485
Charges for services	24,300	24,300	167,478	143,178
Other revenue	96,250	111,897	18,094	(93,803)
Total revenues	5,855,468	5,871,115	5,945,434	74,319
EXPENDITURES				
Salaries and benefits	4,710,800	4,710,800	4,620,501	90,299
Services and supplies	853,288	868,935	778,978	89,957
Capital outlay	190,150	190,150	44,473	145,677
Debt Service:				
Principal	83,072	83,072	83,072	
Interest	18,158	18,158	18,124	34
Total expenditures	5,855,468	5,871,115	5,545,148	325,967
Excess of revenue over expenditures			400,286	400,286
Fund balance, July 1, 2019	604,981	604,981	604,981	
Fund balance, June 30, 2020	\$ 604,981	\$ 604,981	\$ 1,005,267	\$ 400,286

FIVE CITIES FIRE AUTHORITY
SCHEDULE OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS
Last 10 Years*
As of June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service Cost	\$ 82,183	\$ 85,394	\$ 98,895
Interest	43,948	39,023	32,286
Actual and expected experience difference	(75,313)		
Changes in assumptions	60,807	(53,294)	(139,901)
Benefit payments	(23,792)	(20,862)	(20,279)
	<u>87,833</u>	<u>50,261</u>	<u>(28,999)</u>
Net change in total OPEB Liability			
	87,833	50,261	(28,999)
Total OPEB liability - beginning	<u>1,065,321</u>	<u>1,015,060</u>	<u>1,044,059</u>
Total OPEB liability - ending	<u>\$ 1,153,154</u>	<u>\$ 1,065,321</u>	<u>\$ 1,015,060</u>
Covered payroll	\$ 3,125,277	\$ 3,114,826	\$ 2,161,110
Authority's OPEB liability as a percentage of covered payroll	36.90%	34.20%	46.97%

*- Fiscal year 2018 was the 1st year of implementation, therefore only three years are shown.

FIVE CITIES FIRE AUTHORITY
SCHEDULE OF OPEB CONTRIBUTIONS
Last 10 Years*
As of June 30, 2020

The Authority's contribution for the fiscal year ended June 30, 2020 was \$24,552. The Authority did not have an irrevocable OPEB trust and therefore did not have an actuary calculate the Actuarially Determined Contribution for the fiscal year ended June 30, 2020. As a result, the Authority does not need to comply with GASB 75's Required Supplementary Information requirements.

The Authority's contribution for the fiscal year ended June 30, 2019 was \$23,792. The Authority did not have an irrevocable OPEB trust and therefore did not have an actuary calculate the Actuarially Determined Contribution for the fiscal year ended June 30, 2019. As a result, the Authority does not need to comply with GASB 75's Required Supplementary Information requirements.

The Authority's contribution for the fiscal year ended June 30, 2018 was \$20,862. The Authority did not have an irrevocable OPEB trust and therefore did not have an actuary calculate the Actuarially Determined Contribution for the fiscal year ended June 30, 2018. As a result, the Authority does not need to comply with GASB 75's Required Supplementary Information requirements.

*- Fiscal year 2018 was the 1st year of implementation, therefore only three years are shown.

FIVE CITIES FIRE AUTHORITY
NET PENSION LIABILITY - SCHEDULE OF PROPORTIONATE SHARE
Last 10 Years*
As of June 30, 2020

Fiscal Year End	2020	2019	2018	2017	2016
Proportion of the net pension liability	0.02979%	0.03528%	0.02712%	0.02599%	0.01632%
Proportionate share of the net pension liability	\$ 3,052,561	\$ 3,399,770	\$ 2,689,117	\$ 2,248,800	\$ 1,119,860
Covered payroll	\$ 2,176,596	\$ 1,789,707	\$ 1,642,433	\$ 1,682,511	\$ 1,543,995
Proportionate share of the net pension liability as percentage of covered payroll	140.24%	189.96%	163.73%	133.66%	72.53%
Plan's total pension liability	\$ 41,426,453,489	\$ 38,944,855,364	\$ 37,161,348,332	\$ 33,358,627,624	\$ 31,771,217,402
Plan's fiduciary net position	\$ 31,179,414,067	\$ 29,308,589,559	\$ 27,244,095,376	\$ 24,705,532,291	\$ 24,907,305,871
Plan's fiduciary net position as a percentage of the plan's total pension liability	75.26%	75.26%	73.31%	74.06%	78.40%
Fiscal Year End	2015				
Proportion of the net pension liability	0.01888%				
Proportionate share of the net pension liability	\$ 1,174,799				
Covered payroll	\$ 1,617,249				
Proportionate share of the net pension liability as percentage of covered payroll	72.64%				
Plan's total pension liability	\$ 30,829,966,631				
Plan's fiduciary net position	\$ 24,607,502,515				
Plan's fiduciary net position as a percentage of the plan's total pension liability	79.82%				

Notes to Schedule:

Change in Assumptions

In 2018, inflation was changed from 2.75 percent to 2.50 percent and individual salary increases and overall payroll growth was reduced from 3.00 percent to 2.75 percent.

In 2017, as part of the Asset Liability Management review cycle, the discount rate was changed from 7.65 percent to 7.15 percent.

In 2016, the discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense.

In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected ages of general employees.

* - The 2014-15 fiscal year was the first year of implementation, therefore only six years are shown.

FIVE CITIES FIRE AUTHORITY
SCHEDULE OF PENSION CONTRIBUTIONS
Last 10 Years*
As of June 30, 2020

Fiscal Year End June 30	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 539,363	\$ 470,618	\$ 385,687	\$ 351,661	\$ 341,236
Contributions in relation to the actuarially determined contribution	(539,363)	(470,618)	(385,687)	(351,661)	(341,236)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 2,302,970	\$ 2,176,596	\$ 1,789,707	\$ 1,642,433	\$ 1,682,511
Contributions as a percentage of covered payroll	23.42%	21.62%	21.55%	21.41%	20.28%

Fiscal Year End June 30	2015
Actuarially determined contribution	\$ 376,592
Contributions in relation to the actuarially determined contribution	(376,592)
Contribution deficiency (excess)	\$ -
Covered payroll	\$ 1,526,801
Contributions as a percentage of covered payroll	24.67%

Notes to Schedule

Measurement Date June 30	2019	2018	2015 - 2017	2014
Valuation Date June 30	2018	2017	2014 - 2016	2013
Actuarial Cost Method	Entry Age Normal			
Actuarial Assumptions:				
Discount Rate	7.15%	7.375%	7.65%	7.50%
Inflation	2.50%	2.75%	2.75%	2.75%
Salary Increases	Varies by Entry Age and Service			
Investment Rate of Return (Net of Pension Plan Investment and Administrative Expenses; includes Inflation)	7.15%	7.375%	7.65%	7.50%
Mortality Rate Table (1)	Derived using CalPERS' Membership Data for all Funds			
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter			

* - The 2014-15 fiscal year was the first year of implementation, therefore only six years are shown.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Five Cities Fire Authority
Arroyo Grande, California

We have audited, in accordance with the 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, the financial statements of the governmental activities and the major fund of Five Cities Fire Authority (the Authority), as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Authority's basic financial statements, and have issued our report thereon dated February 4, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss, Levy & Hartzheim LLP

February 4, 2021
Santa Maria, California



February 4, 2021

To the Board of Directors
Five Cities Fire Authority

We have audited the financial statements of the governmental activities and the major fund of Five Cities Fire Authority for the fiscal year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 17, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Five Cities Fire Authority are described in Note 1 to the financial statements. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the Authority's financial statements was (were):

Management's estimate of the useful lives of capital assets is based on experience with other capital assets and on their standard table of useful lives. We evaluated the key factors and assumptions used to develop the useful lives of capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the Other Postemployment Benefits (OPEB) liability and deferred inflows and outflows related to OPEB are based on the actuary's expertise and experience. We evaluated the key factors and assumptions used to develop the OPEB liability and deferred inflows and outflows related to OPEB in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the net pension liability and deferred inflows and outflows related to pension are based on the CalPERS actuary's expertise and experience. We evaluated the key factors and assumptions used to develop the net pension liability and deferred inflows and outflows related to pension in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure(s) affecting the financial statements were:

The disclosure of Pension Plan in Note 5 and Other Postemployment Benefits in Note 6 to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 4, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

Finding: During our testing of cash receipts, we noticed that the fee paid for a Burn Permit, did not match with the Authority's Master Fee Schedule. Also, for one of the receipts, the revenue was recorded in the wrong account.

Recommendation: Per discussion with staff, it appears that the Burn Permit fee was inadvertently changed when other fees were updated and the fee actually paid was what the Authority intended. The Authority should however, examine the Master Fees Schedule before it is passed and ensure that fees are correctly stated. The authority should also review the general ledger revenue accounts periodically to ensure that all receipts were properly recorded to the correct revenue accounts.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of Five Cities Fire Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Moss, Remy & Halsey LLP

Santa Maria, California

FIVE CITIES FIRE AUTHORITY
MID-YEAR BUDGET SUMMARY
For the Fiscal Year Ending June 30, 2021

	Actual			Original Budget		Amended Budget	
	2018	2019	2020	2021	2021	2021	2021
Beginning Fund Balance	\$ 381,290	\$ 677,438	\$ 604,981	\$ 1,005,267	\$ 1,005,267	\$ 1,005,267	\$ 1,005,267
Revenues	5,047,681	5,751,762	5,945,434	5,886,438	5,886,438	6,415,958	6,415,958
Expenditures:							
Salaries & Benefits	4,001,716	4,601,143	4,620,501	4,891,090	4,891,090	5,365,410	5,365,410
Services & Supplies	518,453	670,708	657,644	885,508	885,508	900,817	900,817
Equipment Replacement	130,168	451,172	165,807	122,000	122,000	125,500	125,500
Debt Service	101,197	101,197	101,196	101,197	101,197	101,197	101,197
Total Expenditures	4,751,533	5,824,219	5,545,148	5,999,795	5,999,795	6,492,924	6,492,924
Prior period adjustment	-	-	-	-	-	-	-
Other financing sources (uses)	-	-	-	-	-	-	-
Change in Fund Balance	296,148	(72,457)	400,286	(113,357)	(113,357)	(76,966)	(76,966)
Ending Fund Balance	\$ 677,438	\$ 604,981	\$ 1,005,267	\$ 891,910	\$ 891,910	\$ 928,301	\$ 928,301
Designated Reserve	\$ 55,000	\$ -	\$ -	\$ -	\$ -	\$ 130,000	\$ 130,000
Undesignated Fund Balance	622,438	604,981	1,005,267	891,910	891,910	798,301	798,301
Total Fund Balance	\$ 677,438	\$ 604,981	\$ 1,005,267	\$ 891,910	\$ 891,910	\$ 928,301	\$ 928,301

FIVE CITIES FIRE AUTHORITY
MID-YEAR BUDGET

For the Fiscal Year Ending June 30, 2021

ACT ACCOUNT NAME	Actual			Original Budget		Mid-Year Amended		Original vs. Amended Budget
	2018	2019	2020	2021	2021	2021		
REVENUES								
4301 INTEREST	\$ 6,732	\$ 11,645	\$ 10,159	700	700			-
4422 ARROYO GRANDE FIRE REIMBURSEMENT	2,223,604	2,523,661	2,580,955	2,580,955	2,580,955			-
4443 GROVER BEACH FIRE REIMBURSEMENT	1,608,407	1,798,108	2,015,115	2,015,115	2,015,115			-
4444 OCEANO FIRE REIMBURSEMENT	873,719	987,362	1,138,148	1,138,148	1,138,148			-
4458 STATE GRANT	-	-	-	28,520	28,520			-
4491 SAFER GRANT	-	-	-	-	-			-
4462 LOCAL GRANT	11,859	44,553	15,485	-	-			-
4805 INSPECTIONS	-	-	80,746	87,000	87,000			-
4726 FIRE FEES	4,205	9,351	3,784	3,000	3,000			-
4729 FIRE-FIRST RESPONDER SUPPORT	22,712	23,520	24,331	24,000	24,000			-
4730 FIRE-STRIKE TEAM REIMBURSEMENT	243,899	247,392	58,617	-	487,000			487,000
4803 SALES-EQUIPMENT/MATERIALS	12,700	-	-	-	42,520			42,520
4807 EXPENSE RECOVERY	39,844	106,169	2,447	-	-			-
4809 DONATIONS	-	-	15,647	9,000	9,000			-
4816 PROCEEDS FROM DEBT ISSUANCE	-	-	-	-	-			-
GRAND TOTAL REVENUES	\$ 5,047,681	\$ 5,751,762	\$ 5,945,434	\$ 5,886,438	\$ 6,415,958			\$ 529,520

FIVE CITIES FIRE AUTHORITY
MID-YEAR BUDGET

For the Fiscal Year Ending June 30, 2021

ACT ACCOUNT NAME	Actual			Original Budget	Mid-Year Amended	Original vs. Amended Budget
	2018	2019	2020			
EXPENDITURES						
5101 SALARIES FULL-TIME	1,439,985	1,707,703	1,847,424	2,401,300	2,401,300	-
5102 SALARIES PERMANENT PART-TIME	16,591	19,476	16,857	37,100	10,100	(27,000)
5103 SALARIES TEMPORARY PART-TIME	366,708	313,654	150,367	131,400	131,400	-
5105 SALARIES OVERTIME	516,636	591,517	771,370	600,000	650,000	50,000
5106 SALARIES - STRIKE TEAM OVERTIME	184,635	213,078	63,237	-	487,000	487,000
5108 HOLIDAY PAY	85,973	107,571	108,086	105,500	105,500	-
5109 SICK LEAVE PAY	49,498	46,582	13,190	-	-	-
5110 ANNUAL LEAVE BUY BACK	9,088	45,206	8,307	10,000	10,000	-
5111 VACATION BUY BACK	24,558	29,073	30,451	31,000	31,000	-
5112 SICK LEAVE BUY BACK	2,085	2,012	1,247	2,000	2,000	-
5113 VACATION LEAVE PAY	73,913	43,265	50,806	-	-	-
5114 COMPENSATION PAY	29,840	43,841	48,621	-	-	-
5115 ANNUAL LEAVE	27,224	39,135	11,657	-	-	-
5121 PERS RETIREMENT	459,345	549,934	608,829	484,600	484,600	-
5122 SOCIAL SECURITY	183,345	223,377	222,111	202,700	202,700	-
5123 PARS RETIREMENT	6,414	1,955	309	600	600	-
5126 STATE DISABILITY INS. (SDI)	16,593	19,377	22,277	20,500	20,500	-
5127 DEFERRED COMPENSATION	2,936	3,184	3,019	3,000	3,000	-
5128 UAL (UNFUNDED ACCRUED LIABILITY)	-	-	-	159,600	123,920	(35,680)
5131 HEALTH INSURANCE	341,963	386,385	394,297	437,000	437,000	-
5132 DENTAL INSURANCE	20,890	22,502	23,285	25,200	25,200	-
5133 VISION INSURANCE	5,398	6,148	6,424	6,800	6,800	-
5134 LIFE INSURANCE	2,298	2,693	2,932	3,200	3,200	-
5135 LONG TERM DISABILITY INSURANCE	8,561	9,092	8,913	8,800	8,800	-
5136 RETIREES HEALTH INSURANCE	8,835	11,501	12,607	8,200	8,200	-
5141 WORKERS COMPENSATION	113,626	154,522	193,152	206,690	206,690	-
5142 UNEMPLOYMENT INSURANCE	4,050	7,633	-	5,000	5,000	-
5143 UNIFORM ALLOWANCE	-	-	-	-	-	-
5147 EMPLOYEE ASSISTANCE PROGRAM	727	727	727	900	900	-
Subtotal Salaries & Benefits	4,001,716	4,601,143	4,620,501	4,891,090	5,365,410	474,320

FIVE CITIES FIRE AUTHORITY
MID-YEAR BUDGET

For the Fiscal Year Ending June 30, 2021

ACT ACCOUNT NAME	Actual			Original Budget		Mid-Year Amended		Original vs. Amended Budget
	2018	2019	2020	2021	2021			
5201 SUPPLIES - OFFICE	6,446	6,673	6,431	7,140	7,140	-	-	-
5206 SUPPLIES - EMS	7,428	14,238	17,987	15,300	20,000	4,700	4,700	4,700
5208 POSTAGE/MAILING	1,878	2,421	3,063	1,836	3,500	1,664	1,664	1,664
5255 SPECIAL DEPARTMENT SUPPLIES	21,809	23,509	40,943	18,480	18,480	-	-	-
5272 PROTECTIVE/SAFETY CLOTHING	42,144	39,107	50,529	52,100	55,000	2,900	2,900	2,900
5273 SMALL TOOLS	2,558	3,076	4,112	3,060	3,060	-	-	-
5276 UNIFORMS	18,797	24,059	25,026	30,500	30,500	-	-	-
5301 ADVERTISING	-	-	-	-	-	-	-	-
5303 CONTRACTUAL SERVICES	96,817	196,611	161,181	310,000	310,000	-	-	-
5306 PRINTING SERVICES	953	1,323	1,810	3,000	3,000	-	-	-
5315 PRE-EMPLOYMENT PHYSICALS	6,826	395	1,787	11,220	2,500	(8,720)	(8,720)	(8,720)
5316 JOB RECRUITMENT EXPENSE	420	-	1,902	-	-	-	-	-
5324 FORENSIC MANDATE SERVICES	-	224	46	1,000	-	(1,000)	(1,000)	(1,000)
5325 HAZMAT/SAFETY PROGRAM	13,141	13,557	14,055	15,800	15,800	-	-	-
5401 UTILITIES	47,890	50,655	55,467	50,000	50,000	-	-	-
5403 TELECOMMUNICATIONS	25,051	26,861	25,894	28,000	28,000	-	-	-
5501 CONFERENCE/TRAINING	7,362	8,137	4,173	12,240	12,240	-	-	-
5512 TRAVEL	7,470	3,648	2,620	2,100	2,100	-	-	-
5503 MEMBERSHIPS & SUBSCRIPTIONS	2,108	2,148	2,488	3,000	3,000	-	-	-
5504 PUBLIC RELATIONS	5,666	4,606	2,316	5,100	5,100	-	-	-
5508 MISC EXPENSE	1,899	2,467	1,193	2,000	2,000	-	-	-
5553 RENT-BUILDING AND LAND	15,000	15,000	15,000	15,000	15,000	-	-	-
5555 BANK CHARGES	-	-	4	306	1,800	1,494	1,494	1,494
5576 LIABILITY INSURANCE-JPA SHARE	12,775	14,199	13,947	19,300	23,051	3,751	3,751	3,751
5599 WEED ABATEMENT	6,589	29,085	5,103	12,240	12,240	-	-	-
5601 MAINTENANCE - VEHICLES	92,590	126,284	118,917	125,000	125,000	-	-	-
5602 MAINTENANCE - OFFICE EQUIPMENT	4,888	2,513	2,811	3,672	3,672	-	-	-
5603 MAINTENANCE - MACH & EQUIP	20,709	5,774	17,639	15,300	15,300	-	-	-
5604 MAINTENANCE - BUILDINGS	9,699	8,371	13,808	9,500	9,500	-	-	-
5605 MAINTENANCE - GROUNDS	376	351	320	1,000	1,000	-	-	-
5606 MAINTENANCE - RADIO COMMUNICATIONS	5,201	9,111	7,894	8,364	18,884	10,520	10,520	10,520
5607 MAINTENANCE - COMPUTER SOFTWARE	-	-	-	63,150	63,150	-	-	-

FIVE CITIES FIRE AUTHORITY
MID-YEAR BUDGET

For the Fiscal Year Ending June 30, 2021

ACT ACCOUNT NAME	Actual			Original Budget	Mid-Year Amended	Original vs. Amended Budget
	2018	2019	2020			
5608 GAS & OIL	33,961	36,304	39,179	40,800	40,800	-
<u>Subtotal Services & Supplies</u>	<u>518,453</u>	<u>670,708</u>	<u>657,644</u>	<u>885,508</u>	<u>900,817</u>	<u>15,309</u>
5803 LEASE PURCHASE PAYMENTS	101,197	101,197	101,197	101,197	101,197	-
<u>Subtotal Debt Service</u>	<u>101,197</u>	<u>101,197</u>	<u>101,197</u>	<u>101,197</u>	<u>101,197</u>	<u>-</u>
6101 DATA PROCESSING EQUIPMENT	13,748	29,364	5,432	32,000	32,000	-
6103 COMPUTER LICENSING SOFTWARE	24,617	34,585	43,092	-	-	-
6201 MACHINERY & EQUIPMENT	31,560	387,223	61,823	50,000	50,000	-
6301 VEHICLES	60,243	-	55,461	40,000	43,500	3,500
<u>Subtotal Equip Replacement</u>	<u>130,168</u>	<u>451,172</u>	<u>165,807</u>	<u>122,000</u>	<u>125,500</u>	<u>-</u>
GRAND TOTAL EXPENDITURES	\$ 4,751,533	\$ 5,824,219	\$ 5,545,149	\$ 5,999,795	\$ 6,492,924	489,629