
**BIG BEAR FIRE AUTHORITY
MINUTES FOR THE MEETING OF
OCTOBER 20, 2015**

A Regular Meeting of the Big Bear Fire Authority was called to order by Chairman Herrick at 5:10 p.m., Tuesday, October 20, 2015, at 39707 Big Bear Boulevard, Big Bear Lake, California.

PUBLIC FORUM FOR CLOSED SESSION None.

At the hour of 6:07 p.m., the Board adjourned Closed Session.

At the hour of 6:30 p.m., Chairman Herrick called Open Session to order.

Moment of Silence: Observed

Pledge of Allegiance: Led by Director Walsh

Directors Present: Chairman Rick Herrick
 Vice Chairman Paul Terry
 Director David Caretto
 Director John Green
 Director Bob Jackowski
 Director Bill Jahn
 Director Karyn Oxandaboure
 Director Randall Putz
 Director Larry Walsh
 Director Al Ziegler

Directors Excused: None

Directors Absent: None

Others Present: Jeff Willis, Fire Chief
 Mike Maltby, Battalion Chief
 Shirley Holt, Sr. Finance Officer
 Dawn Marschinke, Board Secretary

RESULTS OF CLOSED SESSION

1. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION
 Initiation of litigation pursuant to paragraph (4) of subdivision (D) of Government Code
 Section 54956.9
 One potential case.

No reportable action.

2. PUBLIC EMPLOYEE PERFORMANCE EVALUATION pursuant to Government Code Section 54957

Title of Position: Fire Chief

No reportable action.

OPEN SESSION

ANNOUNCEMENTS AND UPCOMING EVENTS

The Fire Authority's Administrative Office will be closed on Wednesday, November 11 in observance of Veteran's Day. The Administrative Office will re-open at 8:00 a.m. on Thursday, November 12, 2015. The Administrative Office will also be closed on Thursday and Friday, November 26-27, 2015 in observance of Thanksgiving. The Authority's office will re-open at 8:00 a.m. on Monday, November 30, 2015.

PRESENTATIONS

Chief Willis recognized the promotions for the following personnel:

- David Jayne, from Engineer to Captain
- Roger LaVoire, from Firefighter/Paramedic to Engineer

DIRECTORS' GENERAL ANNOUNCEMENTS

Director Caretto congratulated Captain Jayne and Engineer LaVoire for their promotions and thanked them for their service.

Director Green announced that he had the opportunity to go on the US Forest Service Hazardous Fuels Abatement Tour. He had not realized the scope of the fuels reduction program until he was able to see how much fuel had been cleared. He appreciated the ability to see the efforts.

Director Putz stated that at the recent League of California Cities, there were several fire related conference sessions which he was able to attend. The fire self-assessment model presented, which considered a step above an ISO rating, was very interesting. They also discussed the value of a community-based engagement program. Perhaps the Fire Authority will be able to put some of those things to work here.

Director Ziegler commented that he also attended the US Forest Service Hazardous Fuels Abatement tour which was very interesting.

GENERAL PUBLIC COMMENT

None.

CHIEF'S REPORT

Chief Willis provided an update on Administrative Services. Effective July 1, 2015, Big Bear Fire Authority assumed primary responsibility for administrative services for fire department services. This transition has gone fairly smoothly and required significant effort by all involved. Success is largely attributed to residual support of the City of Big Bear Lake and Community Services District Administrative Departments, as process and responsibility are assigned and acquired by the Administrative Department of Big Bear Fire Authority. There still remains significant work regarding this effort which will continue through the end of the year. Chief Willis commended the Fire Authority staff for a job well done.

Chief Willis provided an update on the strategic planning process. The initial steps have been taken in the development of a Strategic Plan with the primary focus on the mission, vision and goals of the Big Bear Fire Authority. Due to various factors, the process has stalled, but Chief Willis looks forward to get it moving again.

Chief Willis stated that at the October 8, 2015, Administrative Committee meeting, an updated cost estimate for the Station 281 administrative office expansion was presented. The estimated cost for construction has risen from an original estimate of \$450,000 to over \$800,000. Because of this, the Chief is advising the Board that no further work will be done regarding this project. There is a footprint and plan in place, but it will require much more work before it is brought back to the Board for consideration.

FINANCE DIRECTOR'S REPORT

Sr. Finance Officer Holt reported on the September year-to-date Budget Variance Report. The report shows the Revenue and Expense Variance to Budget, as of the end of the 1st quarter of operations for the Fire Authority. The Budget Variance shows total revenue is 40% funded year-to-date. Overall total operational expenses are 6% under budget. Salaries are 6% over budget due to an escalated fire season locally. Salaries are reduced on the last expense line by fully burdened Grant Wages moved to the Grant Fund, which improves the total Salary and Benefits to 1% over budget. Medical benefits will continue to run ahead of budget because the census changed since the budget was approved. The actual expense includes new hires, as well as more employees utilizing the family medical program than originally anticipated. Office Supplies, Education, Training and Travel are running slightly ahead of budget but are expected to fall in-line as the year progresses. She has been reviewing the budget variances with Suppression Management and they are aware of the areas where they need to control spending.

The Cash Disbursements for August 12 through September 30 are \$188,806.

Total "Summit Fire" Expenses are \$24,062. Non-reimbursable personnel costs total \$20,138, with reimbursable equipment and personnel costs at \$3,924.

Director Jackowski asked about Sr. Finance Officer Holt's statement that revenue is 40% funded going into 25% of the year, questioning the reason behind this high percentage.

Sr. Finance Officer Holt responded that it is attributed to the \$531,000 contribution from the Fire Protection District in support of the operating budget.

Director Caretto questioned how it is determined what portion of the "Summit Fire" is reimbursable.

Sr. Finance Officer Holt responded that reimbursement is based on the rules of the State. The first 24 hours of an incident are the local agency's responsibility. If Incident Command requests additional support, which they did for the "Summit Fire," the department is reimbursed for the additional support.

CONSENT CALENDAR

Motion by Director Caretto; seconded by Director Putz, to approve the Consent Calendar.

FA1. Approval of Meeting Minutes from the August 18, 2015 Regular Meeting of the Big Bear Fire Authority.

Chairman Herrick and Director Jahn abstained from voting on FA1. Neither were in attendance at this meeting.

AYES: Jackowski, Oxandaboure, Putz, Terry, Walsh, Ziegler, Caretto,
Green

NOES: None.

ABSENT: None.

ABSTAIN: Jahn, Herrick

Approved.

FA2. Approval of Monthly Activity Report for August 2015 and September 2015, for Big Bear Fire Authority.

AYES: Jackowski, Jahn, Oxandaboure, Putz, Terry, Walsh, Ziegler,
Caretto, Green, Herrick

NOES: None.

ABSENT: None.

ABSTAIN: None.

Received and filed.

FA3. Fire Authority Meeting Schedule for 2016

Board consideration of approving the proposed 2016 meeting schedule, which includes the adjournments of the Regular Meeting of August 2 to August 16, 2016; and December 6 to December 13, 2016.

Director Caretto requested to remove Item FA3 from the Consent Calendar.

ITEMS REMOVED FROM THE CONSENT CALENDAR

FA3. Fire Authority Meeting Schedule for 2016

Board consideration of approving the proposed 2016 meeting schedule, which includes the adjournments of the Regular Meeting of August 2 to August 16, 2016; and December 6 to December 13, 2016.

Director Caretto noted that the City Council takes a break between July 11 and August 22 and the Fire Authority has tried to work around the City Council schedule. However, with regards to the Option "A" calendar proposal, the meeting for August 16 is scheduled during that break. Director Caretto requests that instead of having the meeting on August 16, it be scheduled for August 23.

Chief Willis noted that staff looked into the availability of the facility and it is available, so the request can be accommodated.

Director Oxandaboure stated that she understands why Option "B" is not being recommended, due to public availability. She requests starting the meeting slightly earlier at 5:30 p.m. or 6 p.m.

Board Secretary Marschinke stated the facility is available at 5:30 p.m. However, based on the Fire Protection District Board setting their meetings at 5:30 p.m., directly prior to the Fire Authority meetings, there is a conflict if the Fire Authority meetings start at 5:30 p.m.

Chief Willis stated, that if necessary, the Fire Protection District calendar could be brought back for discussion if the Fire Authority Board desires.

Chairman Herrick agreed that 5:30 p.m would be fine, but if it gets any earlier, it can be difficult for Board members getting to the meeting on-time after work, or their ability to have dinner.

Director Caretto asked Chief Willis how much time he would anticipate needing for the 5:30 p.m. Fire Protection District meetings.

Chief Willis responded that meetings should be very short, consisting mainly of recordkeeping and housekeeping. If more time is needed for a longer discussion, a special meeting can be scheduled.

Chairman Herrick recommended a 6:00 p.m. start time for the Fire Authority Board meetings.

Motion by Director Caretto; seconded by Director Oxandaboure, to adopt the proposed 2016 meeting schedule, Option A, making the adjustment to adjourn the August 2 meeting to August 23 and change the start time of all meetings to 6:00 p.m.

AYES: Jahn, Oxandaboure, Putz, Terry, Ziegler, Caretto, Green,
Jackowski, Herrick
NOES: Walsh
ABSENT: None.
ABSTAIN: None.

Director Green requested an updated calendar be sent which includes start times.

PUBLIC HEARINGS

None.

NEW BUSINESS

FA4. Pension Alignment SBCERA Actuarial Studies

Board consideration of authorizing \$35,200 from 2015/16 Contingency Reserves for two actuarial studies to quantify options for entry into the SBCERA defined benefit plan.

Chief Willis reminded the Board that this subject has been discussed over the past couple of years. Approximately one year ago, discussion was stopped when the Fire Authority asked Assemblyman Obernolte to author a bill that will potentially assist the department with pension alignment. That bill, AB 868, is now legislation. Isabel Safie, Sr. Associate at BB&K is here to present considerations that must be given regarding the two different pension systems, SBCERA and CalPERS, as they pertain to the choices the Board must consider in deciding on the recommendation for two actuarial studies. This information parallels what was presented at the Administrative Committee meeting on October 8, 2015. As such,

such, an excerpt of the Administrative Committee meeting notes regarding pension alignment is presented below.

Isabel Safie presented where the department is today regarding pension alignment and explained the basis of why the Board is being asked to approve funding for two actuarial studies with respect to SBCERA.

OCTOBER 8, 2015: ADMINISTRATIVE COMMITTEE MEETING NOTES

Discussion Overview:

Isabel Safie stated that we are currently operating under two different pension systems that do not align smoothly. There are risks leaving one system to another. The goal is to outline a path that protects the JPA from unintended liability as well as liability of the two member districts of the JPA. Safie will outline the primary cost considerations of withdrawal liability and the increased annual cost of each system as well as ways to mitigate those costs. Chief Willis is seeking authorization to fund two actuarial studies from SBCERA that will help solidify the figures, enabling us to define a strategy for pension alignment. The price of these studies is in the range of \$18,000 to \$23,000 for each study or a maximum of \$46,000 for both. The studies should be completed in December.

According to Safie, currently, both systems have been taking a hands-off approach during the JPA's three-year transition period, as they know this is a difficult process. However, it also needs to be understood that the current arrangement of having three separate employers making up the JPA cannot be the long term solution.

Discussion – Pension Background:

Big Bear City (CSD) belongs to CalPERS and contributes to Social Security. This will provide social security benefits to CSD employees in addition to CalPERS pension benefits. Big Bear Lake Fire Protection District belongs to SBCERA. They do not contribute to Social Security, therefore, employees of the Fire Protection District will not receive Social Security Benefits.

It is important to be aware of the impact on Social Security contributions, particularly for CSD employees going from Social Security covered employment to non-Social Security covered employment. An individual must have worked and paid into Social Security accruing at least 40 quarters of service. Certain CSD employees may not have achieved the full 40 quarters of service that is required.

There is approximately a 35% difference in the annual rates paid by the employer between the two systems of CalPERS and SBCERA. We also have the effects within both systems of the Public Employee Pension Reform Act (PEPRA Jan. 1, 2013). PEPRA employees require a lower employer contribution rate than for Classic employees. We currently have nine PEPRA safety employees. Because of

PEPRA, over the next couple of decades, PEPRA employees will increase and employer's contribution rates should decrease.

The annual contribution rate to CalPERS is much smaller than to SBCERA because the risk pool for SBCERA is relatively small (approximately 60 active employees). Big Bear Fire Protection District and Barstow Fire are the only organizations sharing the cost in that risk pool. The other consideration is the way the two systems calculate liabilities which generates the employer contribution rates. SBCERA is considered to be more realistic in their calculations on investment returns and longevity (how long retirees will be drawing benefits from the system). This impacts the contribution rate, creating higher liability, and therefore a higher contribution rate from the employer. CalPERS has a more optimistic view about expectations. For example, last year CalPERS assumed rate of return was 7.5%, in actuality it was 2%. That means the cost of liability will increase, with the expectation that rates will adjust upward. Also, new legislation will cause CalPERS rates to increase over time. Estimates are that the changes in policy will increase the rate an additional 5%.

In both cases the withdrawal liability is significant. Multi-million dollar termination costs have been estimated for withdrawal from either plan. Withdrawal liability from CalPERS is estimated at \$17,828,700 and would be immediate. SBCERA is estimated at \$30 to \$33 million and could potentially occur over time.

Discussion – Options for Reducing Costs:

At a previous meeting with SBCERA's CEO, General Council, CFO and Chief of Member Services, as well as Isabel Safie, Chief Willis, Sr. Finance Officer Holt, and Big Bear Lake City Manager Jeff Mathieu, a discussion was had on ways to bring the cost down:

- By increasing the pool by half, roughly 30 more employees from the Community Services District and the JPA may have an effect on the rate. Actuarial studies will show what a 30 person increase would do to impact the employer contribution rate.
 - Chairman Herrick queried if there is a way for the Fire Authority to join the County Safety risk pool to achieve more favorable employer contribution rates. Chief Willis advised the Committee that the only way into the County safety pool is through annexation into the San Bernardino County Fire Protection District.
- Extending the period over which liabilities would be paid would lower the annual employer contribution rate, but increase cost over time.
- Avoid withdrawal liability altogether by virtue of the CSD maintaining its contract with CalPERS for miscellaneous employees at the CSD under CalPERS and allowing the safety portion of the CalPERS contract to go inactive.

Discussion: Triggering a Withdrawal Liability

In leaving SBCERA, drawdown of membership could potentially be gradual, with the final liability payment triggered sometime in the future. Because of that, we do not know what the exact withdrawal liability would be. SBCERA's membership would decrease over time as employees start to leave the Fire Protection District. This would push out the withdrawal as long as possible and the strategy would be to manage when we withdraw from the system. Hopefully, choosing a trigger date when rates are high and liability to withdraw is lower. The Board of SBCERA would need to determine what that trigger would be.

If safety employees of CSD leave CalPERS to join SBCERA, CSD would continue to hold miscellaneous employee contracts under CalPERS and allow CalPERS' safety contracts to go inactive, thus avoiding withdrawal liability. However, there would still be a funding liability to CalPERS.

With the passage of AB 868, the withdrawal liability can be eliminated completely if withdrawing from CalPERS to SBCERA. AB 868 allows for the accrued service of active employees of CalPERS to be moved to another system. From CSD perspective, it would lower the amount on its inactive safety contract and lower the costs that remain on its books with respect to the retirees that would remain on CalPERS. AB 868 is not mandatory legislation and is subject to the approval and acceptance of SBCERA.

DECEMBER 8, 2015: BOARD DISCUSSION

Director Caretto asked if CalPERS is chosen as the pension plan and CalPERS employees move to the Fire Authority, does the Fire Authority need to continue retiree medical benefits. He also questioned what happens to Social Security for those existing employees that will be moving over, and future employees.

Isabel Safie responded that retiree health is a separate contract in the pension contract with CalPERS. An employer can remain in CalPERS, with, or without the retiree medical benefits contract. Legally speaking, you can terminate retiree medical benefits. However, there are certain obligations that carry forward regarding promises that have been made. Consideration needs to be given to what those expectations have been, and what has been articulated to employees. Who would retain or obtain retiree health benefits going forward would be a policy decision made by the Fire Authority Board.

With regard to Social Security, Isabel Safie responded that the Community Services District has a contract with Social Security and can never cancel that contract. However, if changing systems for substantive reasons, the contract does not carry forward to the new pension system. That is why the Fire Authority was able to decide not to enter into an agreement with Social Security. Any accrued

benefits would remain with an employee that moves over to a system that does not contract with Social Security.

Chairman Herrick questioned if the current funded ratio of 4.1% is based on current known mortality rates and actuarial returns for SBCERA, and if they are looking as far into the future as they can with the information they have today.

Isabel Safie responded "yes," but that the funded ratio hasn't taken into consideration the return for the recently completed fiscal year. The funded ratio compares what the anticipated cost would be of paying for accrued benefits, versus the assets that are held in the system. The cost of mortality expectations, final compensation calculations, or other factors related to the actuarial analysis is taken into consideration with respect to the assumed cost to pay retirement benefits.

Director Walsh questioned if Barstow Fire Department, the only other organization in the pool, is aware that the Fire Authority is pursuing leaving SBCERA.

Chief Willis responded that we cannot base our decisions on something Barstow may or may not do.

Director Walsh expressed concern that Barstow Fire Department might lobby to prevent the department from leaving SBCERA based on the impact on them.

Isabel Safie stated that Barstow could not have any impact on the decision to leave SBCERA. That is a decision that is made by the SBCERA Board. Top management at SBCERA have indicated that they will do what they can do to make this happen.

Director Caretto asked how the Fire Authority avoids the payment of the \$17 million withdrawal liability, or are they avoiding an actuarial study by considering the Community Services District employees inactive.

Isabel Safie responded that withdrawal liability is avoided altogether. Withdrawal liability occurs only if the contract is terminated in its entirety. Because the Community Services District would retain its Miscellaneous contract, it would not trigger termination of the contract.

Director Caretto asked what benefit AB 868 provides when dealing with SBCERA.

Isabel Safie responded that with AB 868, if the contract goes inactive, there are still significant unfunded liabilities that remain with the Community Services District with respect to all benefits that have accrued under the Safety contract

with the Community Services District. AB 868 allows for a large portion of the accrued liability to be transitioned in its entirety, to the Fire Authority. It lessens the risk to the Community Services District of annual payments based on unfunded liabilities. The Fire Authority would assume the unfunded liability. The actuarial studies being considered will help determine this cost.

Isabel Safie stated that the Fire Authority is considering actuarial studies to get clarity from SBCERA on two separate things. The first would look at the impact of the Fire Authority joining the SBCERA system and adding approximately 30 employees to the pool. This would be a 50% increase in the safety pool with respect to the SBCERA contract. The expectation is that this would lower the rate of the contribution the Fire Authority would have to make. The second study would look at the cost of transferring the existing liability of the CalPERS contract to the SBCERA contract, and the effect on the contribution rate of the Fire Authority if it were to contract with SBCERA. The actuarial studies will provide a better idea of the effect on the Fire Authority.

Chairman Herrick commented on the possibility of joining the County's SBCERA pool which was brought up at the Administrative Committee meeting in October. He stated that he knows that this option would be difficult to accomplish, but he believes the possibility should still be investigated.

Isabel Safie indicated that this will be part of the actuarial studies.

Chairman Herrick stated that these studies would require \$35,200 from Contingency Reserves and \$10,800 from the Professional Services Budget.

Vice Chairman Terry asked to know the balance in the Contingency Reserves.

Sr. Finance Officer Holt responded that the projected balance would be \$100,000 at the end of 2016 with contributions and uses during the current year. The \$35,200 would be deducted from that amount.

Director Caretto stated that he didn't believe anything more could be done until the actuarial studies are completed. He motioned to accept staff's recommendation. Chairman Herrick agreed that he came to the same conclusion.

At 7:12 p.m. Director Jahn left the meeting, returning at 7:13 p.m.

Motion by Director Caretto; seconded by Vice Chairman Terry to approve staff recommendation to authorize two actuarial studies to be completed by SBCERA, with the cost not to exceed the maximum estimated amount of \$46,000. Funds will come from the 2015/16 budget as follows: \$35,200 from Contingency Reserves and \$10,800 from Professional Services.

Discussion:

Director Caretto asked if the contracts for the studies needed to come back to the Board.

Chief Willis responded no, they are both within his signature level of \$25,000.

Said Motion was approved by the following vote:

AYES: Oxandaboure, Putz, Terry, Walsh, Ziegler, Caretto, Green,
Jackowski, Jahn, Herrick
NOES: None.
ABSENT: None.
ABSTAIN: None.

FA5. Ambulance Purchase

Board consideration of authorizing \$111,000 from 2015/16 Vehicle Replacement Reserves for ambulance purchase.

Chief Willis stated that the Board gave authorization to the department to purchase a new ambulance last year. It is likely that the department will not receive the ambulance they are trying to purchase. The department still has a critical need for this ambulance. A new 2013 chassis with less than 50 miles on it has been identified for purchase; a refurbished box would be added. This purchase is with a reliable vendor that the department has used before. Sr. Finance Officer Holt has identified a path to make this purchase possible within this fiscal year, but it does require the Board's approval.

Sr. Finance Officer Holt stated that there is an existing purchase order that has a remaining \$49,000 from the original vendor which has rolled into this year's budget. Replacement Reserves of \$111,000 would be used to complete this purchase this year. Current Vehicle Replacement Reserves is \$423,791, less \$111,000 for this purchase leaves a remaining Vehicle Replacement Reserve of \$321,791 for the Fire Authority at the end of this year. This is not considering any Vehicle Replacement Reserves that are with the Fire Protection District or at Community Services District.

Vice Chairman Terry asked if the price stated is only the cost of the ambulance.

Chief Willis responded that everything is included in that price.

Motion by Vice Chairman Terry; seconded by Director Jackowski, to approve Staff recommendation to authorize \$111,000 from 2016/16 Vehicle Replacement Reserves for the ambulance purchase.

Discussion:

Director Caretto questioned if the department needed to go out to bid for this purchase.

Chief Willis stated that this is an existing vendor that the department has previous experience with and has already been vetted through the County bid for a fleet; therefore, it does not need to go out to bid.

Director Walsh stated that he understood the current purchase order was \$45,000 and the staff report indicates there is \$49,000 for the purchase order.

Sr. Finance Officer Holt responded that the \$45,000 was the down payment made against the ambulance purchase last year. Therefore, \$49,000 remained to roll-over to the new purchase order.

Director Jackowski asked if the new ambulance would cost \$111,000.

Sr. Finance Officer Holt responded that it would cost \$160,000.

Director Caretto explained that the \$160,000 cost for the ambulance came from the combination of the \$49,000 that was not spent on the prior purchase, plus \$111,000 from Vehicle Replacement Reserves.

Sr. Finance Officer Holt explained that any insurance recovery that the department retains will go back into Equipment Reserves.

Director Jackowski asked if this ambulance was an equivalent cost to the price of the previous ambulance.

Chief Willis responded that it is not. The price went up by \$58,000.

Chief Willis stated that an equivalent new ambulance could cost approximately \$185,000 based on information obtained from Chief Corley, Running Springs Fire Department. That department recently received pricing for an equivalent ambulance.

Said Motion was approved by the following vote:

AYES: Putz, Terry, Walsh, Ziegler, Caretto, Green, Jackowski, Jahn, Oxandaboure, Herrick

NOES: None.
ABSENT: None.
ABSTAIN: None.

COMMITTEE REPORT

Fire Authority Administrative Committee meeting held on October 8, 2015 represented by Chairman Herrick and Directors Walsh and Terry. Director Jahn was absent.

Chairman Herrick stated that there were great staff notes from this meeting and hoped the entire Board had the opportunity to read them.

Received and filed.

DIRECTORS' CLOSING COMMENTS


Chairman Herrick stated that he will be participating in the upcoming Stachtoberfest fundraiser being put on by Big Bear Professional Firefighters Association and is looking forward to the event.

Director Caretto asked if a new Vision/Mission meeting would be set-up soon.

Chief Willis responded that a date will be identified which the Board can get together to get strategic planning back on track.

ADJOURNMENT

There being no further business to come before the Fire Authority at this session, Chairman Herrick adjourned the meeting at 7:47 p.m.



Dawn E. Marschinke, Board Secretary

APPROVED AT THE MEETING OF DECEMBER 8, 2015

