



Herald Fire Protection District

September 21, 2017

The Honorable Kevin R. Culhane, Presiding Judge
Sacramento County Superior Court
720 9th Street, Department 47
Sacramento, CA 95814

RE: Sacramento County Grand Jury 2016-17 Final Report

Dear Judge Culhane:

Pursuant to Penal Code Sections 933 and 933.05, the Governing Board (“Board”) of the Herald Fire Protection District (“District”) hereby submits its formal response to the 2016-2017 Sacramento County Grand Jury Final Report (“Grand Jury Report”) pertaining to various financial and operational matters of the District.

Requested Responses to Finding and Recommendations

Finding 2:

The annual financial audits have not been completed and there are still six years outstanding from FY 2010-2011 through FY 2015-2016.

Response to Finding 2:

Based on a strategic planning session on August 9, 2016, the Board prioritized that audits for FY 2010-2011 through FY 2015-2016 are to be completed by the close of the 2018 calendar year. It should be noted that due to the lack of adequate internal accounting controls that plagued the District for many years, as was outlined in the 2013-2014 Grand Jury Report, the forensic accounting of these outstanding financial records has proved time-consuming and labor intensive; thus slowing the intended completion of these audits. While we share in the Grand Jury’s concern that these audits are still outstanding, the District has committed to working with both our Accountant and independent auditors to ensure the audits are done in the most thorough manner possible, even if that takes extra time until their completion.

On August 30, 2017, Richardson & Company began the audit for FY 2010-2011 and FY 2011-2012. We expect those to be finalized in October 2017.

District staff has begun preparations for the remaining audits of FY 2012-2013 through FY 2015-2016 with a goal to begin those in the Spring of 2018. The completion of these remaining audits will remain a top priority of the District and we will continue to strive to meet our internal completion deadline of December 31, 2018.



Herald Fire Protection District

Recommendation 2:

The district should take steps to ensure that audits of past years are expedited to be completed and to bring the financial records up to date as soon as possible.

Response to Recommendation 2:

On August 30, 2017, Richardson & Company began the audit for FY 2010-2011 and FY 2011-2012. We expect those to be finalized in October 2017.

District staff has begun preparations for the remaining audits of FY 2012-2013 through FY 2015-2016 with a goal to begin those in the Spring of 2018. The completion of these remaining audits will remain a top priority of the District and we will continue to strive to meet our internal completion deadline of December 31, 2018. With each audit costing approximately \$7000, these audits are also subject to budgetary restrictions.

Recommendation 3:

The District should set aside a specific fund to pay any outstanding debts identified in the audits and the funds owed to CalPERS; this fund should not be tapped to pay other ongoing expenses.

Response to Recommendation 3:

At this time, the District has no outstanding debts of any kind, aside from the recent purchase of a new command vehicle, where a lease payment is due in 2018. All outstanding debts that were found by District staff or auditors have been paid, including all payments requested thus far from CalPERS.

The District began its dissolution of its contract with CalPERS on January 20, 2016, with an initial unanimous vote of the Board of Directors. The District was to wait for one year, before conducting a final vote to terminate our contract with CalPERS. That vote was conducted on January 20, 2017 and again was unanimous. The final contract termination letter was signed and submitted to CalPERS. The District received a letter from CalPERS, acknowledging their receipt of our intent to terminate our contract and indicated that a valuation of the potential unfunded liability or surplus would be provided to the District in 4-6 weeks.

The District did not receive any contact from CalPERS regarding this matter until August 28, 2017. To date, the District has still not received a final valuation on the potential unfunded liability or surplus from CalPERS. In each written communication the District has received from CalPERS, they have indicated that there could be a potential unfunded liability or a potential surplus of funds. Therefore, the District has chosen to budget neutrally for CalPERS, until we receive the final valuation.



Herald Fire Protection District

In 2016-2017, the District made the strategic move to spend a large sum of its contingency budget on the enhancement of our equipment, service delivery, and most importantly hired additional personnel. This allowed the District to remain in compliance with not only current State and Federal regulations but adapt to new regulations as well.

The District started with enhancing the individual safety equipment used by each volunteer, which included station uniforms that served as not only day to day clothing for station staffing but conformed to current wild land firefighting requirements and structural firefighting clothing (turnouts). All structural firefighting clothing is now under ten years old. An industrial washing machine was purchased to clean all safety clothing on-site, which will remove known carcinogens and blood borne pathogens. Individual SCBA and disposable respirator masks were given to each volunteer after fit testing and a medical evaluation. A newer generation of air packs, air bottles, and RIT equipment was purchased to increase inter-operability with other fire agencies in the IDLH environment. The entire investment of personal protection equipment totaled approximately \$20,000 per volunteer.

In addition to personal protection equipment, new 154mHz and 800mHz portable radios were purchased for each position on every vehicle to meet new federal narrow banding requirements. The mobile 800mHz radios were reprogrammed as well thus meeting the same narrow banding requirements.

For medical services, six new Automatic External Defibrillators were purchased and placed on the apparatus. This replaced the five older Automatic External Defibrillators that were not in compliance with current regulatory standards.

To enhance our apparatus, two new ventilation fans were purchased and placed on the two first out structural firefighting apparatus. This will help rapidly decrease the IDLH atmosphere found in a structure fire and aid in searching for victims. The necessary annual testing of the fire apparatus pumps, ladders, SCBA's and air bottle fill station were completed to comply with regulatory requirements.

The District reevaluated the training program and hired a Volunteer Battalion Chief in Training to improve the required skills and knowledge needed to work in the fire service. Additionally, by having a certified training officer on staff, it allows the District to conduct comprehensive training at a lower cost than hiring outside consultants. The District then started a new training program that utilizes the California State Fire Marshal Firefighter Level 1 curriculum. Twenty personnel were then hired to increase the staffing and overall emergency response levels. The new 24-hour station staffing model has begun and this has reduced emergency response times in the fire district. Therefore, with a volunteer roster that rapidly expanded in 2016, we chose to prioritize the safety of our volunteers and community members, over setting aside those funds to address our contract dissolution with CalPERS.



Herald Fire Protection District

In budget preparations for 2017-2018, the Budget sub-committee was prepared to address the potential unfunded liability with CalPERS, and had a valuation been presented in the 4-6 week time frame that was originally provided, we would have been able to do so. However, at the time our final budget needed to be approved and submitted to the County of Sacramento on August 31, 2017, we still had no final valuation from CalPERS as to what that potential unfunded liability could be.

The District's 2017-2018 budget is enclosed for your reference and it's a balanced budget of only \$665,000. This slim budget provides for the basic needs of the District, and the Board chose, at this time, not to delegate funds away from volunteer pay, training and education, fire apparatus maintenance, and other areas of safety concern, in order to create a fund for CalPERS, when we had no indication when that might be provided.

When the District receives that final valuation, we will at that time re-align our budget to balance the needs of the District and our community members, along with settling any unfunded liability with CalPERS. It has not been our intent to ignore our ongoing contract termination in any way, rather it has been a conscious effort to utilize our limited resources where it is most needed and that is protecting the safety of our volunteers and community, which we were commended for in Finding #1.

Conclusion

The District has diligently worked to address and correct the findings and recommendations originally presented in the 2013-2014 Grand Jury report. The Board of Directors is committed to continuing to enhance the services provided to our community and to providing a safe environment for all of our volunteer personnel. We appreciate the feedback and insight provided by the Grand Jury and hope that this response will answer the questions and provide additional information needed to satisfy any lingering concerns among members of the Grand Jury.

Respectfully submitted,

Lindsey Liebig
Chairman, Herald Fire Protection District Board of Directors