

A G E N D A
REGULAR JOINT MEETING OF
THE BOARD OF DIRECTORS,
EXECUTIVE COMMITTEE AND USER COMMITTEE
TUESDAY, FEBRUARY 21, 2017, 2:00 PM
SOUTH BAY REGIONAL PUBLIC COMMUNICATIONS AUTHORITY
SECOND FLOOR CONFERENCE ROOM
4440 W. BROADWAY, HAWTHORNE, CA

1. **CALL TO ORDER**

2. **PUBLIC DISCUSSION**

Anyone wishing to discuss items of interest to the public within the Executive Committee's jurisdiction may do so at this time. Comments shall be limited to five minutes per speaker.

3. **ACTION ITEMS**

3a. Approval of Minutes – January 17, 2017*

3b. Budget Performance Report – January 31, 2017*

3c. Mid-Year Budget Performance Report/Fiscal Year 2016-2017*

3d. Audited Financial Statements Year Ended June 30, 2016*

3e. Hermosa Beach Contract

4. **EXECUTIVE DIRECTOR'S REPORT**

5. **NEW BUSINESS**

6. **ADJOURNMENT**

*Written material attached.

**Written material distributed in closed session.

Posting Place:

4440 W. Broadway, Hawthorne, CA 90250

Posting Date/Time:

February 15, 2017/3:00 PM

Signature:



Ralph Mailloux, Executive Director

January 17, 2017

**MINUTES OF A REGULAR JOINT MEETING
OF THE EXECUTIVE COMMITTEE AND
THE USER COMMITTEE**

1. **CALL TO ORDER**

The Executive Committee and the User Committee convened in a regular joint session at 2:10 PM on Tuesday, January 17, 2017, in the second floor conference room of the South Bay Regional Public Communications Authority, 4440 W. Broadway, Hawthorne, CA.

ROLL CALL

Present: City Manager Mark Danaj, City of Manhattan Beach
City Manager Mitch Lansdell, City of Gardena
Acting City Manager Arnie Shadbeh, City of Hawthorne
Interim Chief Pete Bonano, Hermosa Beach Fire Department
Chief Chris Donovan, El Segundo Fire Department
Chief Robert Espinosa, Manhattan Beach Fire Department
Chief Bob Fager, Hawthorne Police Department
Chief Ed Medrano, Gardena Police Department
Chief Sharon Papa, Hermosa Beach Police Department

Absent: Chief Eve Irvine, Manhattan Beach Police Department
Chief Mitch Tavera, El Segundo Police Department

Also Present: Executive Director Ralph Mailloux
Operations Manager Shannon Kauffman
Administration Manager John Krok
Finance Manager Valerie Mohler
Captain Mike Ishii, Hawthorne Police Department
Mr. Carl Jacobson

2. **PUBLIC DISCUSSION**

None.

3. **ACTION ITEMS**

3a. **Approval of Minutes – October 18, 2016**

MOTION: City Manager Lansdell moved for the approval of the October 18, 2016 minutes as written. The motion was seconded by Acting City Manager

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Shadbehr and passed by unanimous vote.

3b. **Budget Performance Report**

3b1. October 31, 2016

3b2. November 30, 2016

Finance Manager Mohler presented the Budget Performance Report as of November 30, 2016 per written material of record in the staff report. She related the staff recommendation to receive and file. In answer to a question from Acting City Manager Shadbehr, Ms. Mohler clarified that 73% of the budgeted funds for salaries is available.

MOTION: City Manager Lansdell moved to receive and file the Budget Performance Reports as of October 31, 2016 and November 30, 2016. The motion was seconded by Acting City Manager Shadbehr and passed by unanimous vote.

3c. **Cash & Investments Report – December 31, 2016**

Finance Manager Mohler presented the Cash & Investments Report as of December 31, 2016 per written material of record in the staff report. She noted that interest rates are slowly increasing and that all idle cash continues to be invested in the Local Agency Investment Fund (LAIF).

MOTION: City Manager Lansdell moved to receive and file the Cash & Investments Report as of December 31, 2016. The motion was seconded by Acting City Manager Shadbehr and passed by unanimous vote.

3d. **Hermosa Beach Assessment**

Discussed later in the meeting (see page 3).

4. **EXECUTIVE DIRECTOR'S REPORT**

Executive Director Mailloux shared updated information on Culver City's transition to the Authority, including the new target date of March 1, 2017. He explained that Manhattan and Hermosa Beach Parking and Animal Control (PAC) will utilize mobile data computers (MDCs) and move to their main frequency, which will free up a dispatcher for Culver City. Once the Interoperability Network of the South Bay (INSB) is up and running there will be numerous channels/talk groups that PAC will be able to use to talk to one another. He also provided input about the updated mobile data computer (MDC) guides; the completed contract with the Los Angeles Regional Interoperability Communications System (LA-RICS) for the Gardena shelter; and the upgrades to the Authority's uninterrupted power supply (UPS).

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5. **NEW BUSINESS**

None.

Discussion returned to Agenda Item No. 3d.

3d. **Hermosa Beach Assessment**

City Manager Lansdell explained that a new assessment methodology adopted in 2016 was used for Culver City. He noted that the agreement with Hermosa Beach has been year-to-year since 2008 and related his opinion that it would not be realistic to double their assessment, which would essentially be the case with the new methodology. Mr. Lansdell highlighted the importance of developing a new assessment for Hermosa Beach, particularly since Executive Director Mailloux's employment with the Authority is short-term, that would include some type of a flat rate for the next few years and eventually lead to an increase.

City Manager Danaj suggested that a plan be developed for Hermosa Beach to pay the new assessment over the next few years.

City Manager Lansdell entertained the idea of charging Hermosa Beach a fixed fee assessment over the next few years with an increase greater than the consumer price index (CPI) and implementing the new assessment methodology when El Segundo's contract is negotiated in 2020.

Executive Director Mailloux advised that, should the Executive Committee agree to apply the new assessment methodology to Hermosa Beach at some point, a plan to bring them up to the new amount, an increase of approximately \$495,000, could be formulated and a new long-term Hermosa Beach contract could be entered into. He pointed out that, should an increase be implemented and a long-term contract signed, consideration could be given to Hermosa Beach having a full-time dispatcher.

Noting that Hermosa Beach has been a good partner and the new methodology came about very quickly, Chief Medrano entertained the idea of increasing their annual charges by \$50,000 for the next three years and renegotiating their contract in 2020 when El Segundo's contract is up for renewal. He commented that the numerous big projects under way make it more difficult to increase Hermosa Beach's annual charges at this time.

City Manager Danaj questioned the value of renegotiating Hermosa and Manhattan Beach's contracts at the same time. He related his initial thoughts in favor of a fast approach, but one that would result in matching the new methodology. Mr. Danaj commented that increasing Hermosa Beach's annual fee sooner than 2020 would send a message to El Segundo on what to expect.

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Executive Director Mailloux indicated that El Segundo is aware of the new formula since it was discussed at previous meetings.

Chief Fager observed that the three member agencies would be subsidizing Hermosa Beach for the next three years and he recommended that the feasibility of bringing Hermosa Beach up to the new annual charge be examined.

In response to a question from City Manager Danaj, Executive Director Mailloux shared information about Hermosa Beach's contract being year-to-year since 2008. He explained that the topic of how to address the adjustment with new contract agencies has been discussed and that, other than Friday and Saturday nights, Hermosa Beach has shared a dispatch frequency and dispatcher.

Executive Director Mailloux provided input for Acting City Manager Shadbehr on the specifics of the new assessment methodology, which was adopted late in 2015. He confirmed for City Manager Danaj that Hermosa Beach has not offered a counter proposal to the new assessment. For Chief Fager, he advised that approximately 95% of the assessment methodology is based on calls for service.

Interim Chief Bonano advised City Manager Danaj that, should Hermosa Beach Fire go to Los Angeles County, the \$495,000 increase would be reduced by approximately \$73,000, for a total of \$425,000.

City Manager Danaj asked Authority staff to prepare a comparison of the estimated increase to Hermosa Beach over five and ten years.

At the request of Chief Donovan, Executive Director Mailloux shared information on the previous formula for determining annual costs. He advised that El Segundo's annual increases are based on the Los Angeles County CPI and that the new assessment formula was distributed to the Executive and User Committees some time ago.

Chief Donovan asked for another copy of the new cost methodology.

Acting City Manager Shadbehr commented that Hermosa Beach's contract is, essentially, eight years behind since it expired in 2008. He noted that much equipment must be purchased for the INSB and related his support for negotiating a five-year contract with Hermosa Beach.

Chief Medrano discussed that the new assessment methodology adopted in 2015 could be significantly changed based on a number of factors that could be considered. He suggested that it be examined to see if it can be further refined.

Interim Chief Bonano related his understanding that Hermosa Beach does not have an additional \$425,000. He entertained the idea of forming a subcommittee to discuss an incremental process for increasing Hermosa Beach's annual fees.

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Chief Donovan suggested that, since dispatch services are related to both fire and police, as many representatives as possible from both serve on a subcommittee.

Executive Director Mailloux affirmed that Authority staff will look at five- and ten-year increases and will further discuss with Hermosa Beach to obtain feedback.

City Manager Danaj offered to assist with this process.

4. **EXECUTIVE DIRECTOR'S REPORT**

Considered earlier in the meeting (see page 2).

5. **NEW BUSINESS**

Captain Ishii offered information about the status of the Mark 43 computer aided dispatch/records management system (CAD/RMS), for which Hawthorne will be invoiced and ultimately be paid by the member and contract cities.

6. **CLOSED SESSION**

None.

7. **ADJOURNMENT**

The meeting was adjourned at 3:10 PM.



Staff Report

South Bay Regional Public Communications Authority

TO: Executive Committee

THROUGH: Ralph Mailloux

FROM: Valerie Mohler

DATE: February 21, 2017

SUBJECT: Budget Performance Report/January 31, 2017

RECOMMENDATION:

Receive and file the attached Budget Performance Report as of January 31, 2017.

FISCAL IMPLICATION:

So far, overall revenues and expenses are within the budgeted amounts. Staff anticipates slight budgetary savings at year-end in the salaries and benefits category.

BACKGROUND:

If solely based on a 12-month operating cycle, both revenues and expenses should be at the 58.33% mark with 41.67% remaining in the budget. However, depending on the nature and the timing of when revenues are received or when expenses are incurred and recorded, variances could occur.

Budget overruns are noted on some line accounts, which will be absorbed by savings in other accounts. At this time, Computer Contract Services/CAD-Tiburon and Software Maintenance Services in Administration show overages due to the consultant for the CAD software project and additional security services required to prevent outsiders from hacking our servers. The Overtime overrun in Operations should be covered by vacant position salaries.

DISCUSSION:

Attachment 1 shows, as of this reporting period, revenue is approximately \$2.5 million over expenses and encumbrances. The third quarter assessments have been received, with only 15% remaining to be billed; for Hermosa Beach and El Segundo, 25% remains to be billed, per established schedules. Culver City will be billed for the entire 2016-2017 assessment in March at the same time all other agencies are billed for the fourth quarter. The current revenue excess over expenses is supposed to fund the Authority's activities through the end of March, including capital outlay.

Attachment 2 shows revenues are on track with the budget except for Reimbursements for Billable Parts, which are offset by expenses under Parts Billing. As shown on the summary schedule, overall, expenses for each department are within the budget allocation, although, overruns in some line accounts may be offset by savings in other accounts.

Attachment 3 shows the details by department/by account and the variances between the budget and the actual expenses. Some of the variances in the Salaries & Benefits category may be attributed to salary savings from vacant positions. Salary savings may be offset by higher overtime and part-time costs due to minimum manning requirements. Some of the variances in the Supplies & Services category may be attributed to when supplies are purchased or when services are rendered.

Staff is available to respond if you have any questions.

Attachments: Attachment 1– Budget Performance Summary
Attachment 2 – Revenue Status Report (pages 1-2)
Attachment 3 – Expenditure Status Report (page 1-5)

SBRPCA
SUMMARY BUDGET PERFORMANCE REPORT
JANUARY 31, 2017

Attachment 1

<u>ACCOUNT DESCRIPTION</u>	<u>AMENDED BUDGET</u>	<u>CURRENT MONTH</u>	<u>YTD ACTUAL</u>	<u>ENCUM</u>	<u>BALANCE</u>	<u>PERCENT BALANCE</u>
TOTAL REVENUE	\$ 9,638,163	\$ 45,047	\$ 8,051,039	\$ -	\$ 1,587,124	16.47%
EXPENSE SUMMARY:						
Administration						
Salaries & Benefits	\$ 949,720	\$ 109,956	\$ 565,879	\$ -	\$ 383,841	40.42%
Supplies/Services/Equipment	668,601	27,389	467,377	-	201,224	30.10%
Total Expenses - Administration	\$ 1,618,321	\$ 137,345	\$ 1,033,256	\$ -	\$ 585,065	36.15%
Operations						
Salaries & Benefits	\$ 6,316,206	\$ 645,064	\$ 3,396,841	\$ -	\$ 2,919,365	46.22%
Supplies/Services/Equipment	226,902	11,232	86,036	-	140,866	62.08%
Total Expenses - Operations	\$ 6,543,108	\$ 656,295	\$ 3,482,877	\$ -	\$ 3,060,231	46.77%
Technical Services						
Salaries & Benefits	\$ 1,043,846	\$ 79,585	\$ 561,744	\$ -	\$ 482,102	46.19%
Supplies/Services/Equipment	642,560	49,329	413,079	-	229,481	35.71%
Total Expenses - Technical Services	\$ 1,686,406	\$ 128,914	\$ 974,823	\$ -	\$ 711,583	42.20%
Total Operating Expenses	\$ 9,847,835	\$ 922,555	\$ 5,490,956	\$ -	\$ 4,356,879	44.24%
Capital Outlay	\$ 381,653	\$ -	\$ 80,307	\$ 94,855	\$ 206,491	54.10%
GRAND TOTAL	\$ 10,229,488	\$ 922,555	\$ 5,571,263	\$ 94,855	\$ 4,563,370	44.61%
RECAP						
Administration	\$ 1,618,321	\$ 137,345	\$ 1,033,256	\$ -	\$ 585,065	36.15%
Operations	6,543,108	656,295	3,482,877	-	3,060,231	46.77%
Technical Services	1,686,406	128,914	974,823	-	711,583	42.20%
Capital Outlay	381,653	-	80,307	94,855	206,491	54.10%
TOTAL EXPENSES	\$ 10,229,488	\$ 922,555	\$ 5,571,263	\$ 94,855	\$ 4,563,370	44.61%
Salaries & Benefits	\$ 8,309,772	\$ 834,605	\$ 4,524,465	\$ -	\$ 3,785,307	45.55%
Supplies/Services/Equipment	1,538,063	87,950	966,491	-	571,572	37.16%
Capital Outlay	381,653	-	80,307	94,855	206,491	54.10%
TOTAL EXPENSES	\$ 10,229,488	\$ 922,555	\$ 5,571,263	\$ 94,855	\$ 4,563,370	44.61%

YTD REVENUES OVER YTD EXPENSES

\$ 2,479,776

Attachment 1

Revenue Status Report

South Bay Regional PCA
 1/1/2017 through 1/31/2017

10 SBRPCA Enterprise Fund

<u>Account Number</u>	<u>Adjusted Estimate</u>	<u>Revenues</u>	<u>Year-to-date Revenues</u>	<u>Balance</u>	<u>Prct Rcvd</u>
10-50 Administration					
10-50-111 Administration					
10-50-111-4110 Gardena	2,391,301.00	0.00	2,032,605.85	358,695.15	85.00
10-50-111-4120 Hawthorne	3,359,598.00	0.00	2,855,658.30	503,939.70	85.00
10-50-111-4130 Manhattan Beach	1,703,280.00	0.00	1,447,788.00	255,492.00	85.00
10-50-111-4140 Hermosa Beach	671,081.00	0.00	503,310.75	167,770.25	75.00
10-50-111-4145 El Segundo	1,271,063.00	0.00	953,297.25	317,765.75	75.00
10-50-111-4150 El Camino Community College	16,000.00	0.00	62.87	15,937.13	0.39
10-50-111-4151 Palos Verdes Estates Annual Maint	1,330.00	0.00	0.00	1,330.00	0.00
10-50-111-4152 Medical Director Services/Hermosa Beach	0.00	0.00	25,000.00	-25,000.00	0.00
10-50-111-4153 Medical Director Service/Manhattan Beach	0.00	0.00	25,000.00	-25,000.00	0.00
10-50-111-4154 Medical Director Services/El Segundo	0.00	0.00	25,000.00	-25,000.00	0.00
10-50-111-4210 Investment Earnings (LAIF)	7,500.00	5,250.20	9,087.57	-1,587.57	121.17
10-50-111-4220 POST Reimbursements	600.00	0.00	0.00	600.00	0.00
10-50-111-4230 Bond Expenses (Reimbursements)	5,000.00	0.00	0.00	5,000.00	0.00
10-50-111-4255 Unrealized Gain/Loss on Investments	0.00	0.00	-1,473.11	1,473.11	0.00
10-50-111-4410 Vending Machine Revenue	4,500.00	0.00	1,811.65	2,688.35	40.26
10-50-111-4430 Other Miscellaneous Revenue	5,000.00	2.68	74.93	4,925.07	1.50
Total Administration	9,436,253.00	5,252.88	7,877,224.06	1,559,028.94	83.48
10-60 Operations					
10-60-211 Communications Center					

Revenue Status Report

South Bay Regional PCA
 1/1/2017 through 1/31/2017

10 SBRPCA Enterprise Fund

<u>Account Number</u>	<u>Adjusted Estimate</u>	<u>Revenues</u>	<u>Year-to-date Revenues</u>	<u>Balance</u>	<u>Prct Rcvd</u>
10-60-211-4215 DUI Reimbursement-Overtime	5,000.00	461.51	1,880.52	3,119.48	37.61
10-60-211-4435 Reimbursements Sprint Wireless	72,000.00	0.00	0.00	72,000.00	0.00
10-60-211-4440 Reimbursements/Verizon Wireless	3,500.00	0.00	0.00	3,500.00	0.00
Total Operations	80,500.00	461.51	1,880.52	78,619.48	2.34
10-70 Technical Services					
10-70-311 Technical Services					
10-70-311-4360 Reimbursements for Billable Parts	75,000.00	39,332.92	168,676.72	-93,676.72	224.90
10-70-311-4365 Reimbursements for Vehicle Antennas	6,000.00	0.00	0.00	6,000.00	0.00
10-70-311-4370 Reimbursements for GST Software	40,410.00	0.00	3,258.00	37,152.00	8.06
Total Technical Services	121,410.00	39,332.92	171,934.72	-50,524.72	141.61
Total SBRPCA Enterprise Fund	9,638,163.00	45,047.31	8,051,039.30	1,587,123.70	83.53
Grand Total	9,638,163.00	45,047.31	8,051,039.30	1,587,123.70	83.53

Expenditure Status Report

South Bay Regional PCA
 1/1/2017 through 1/31/2017

10 SBRPCA Enterprise Fund

<u>Account Number</u>	<u>Adjusted Appropriation</u>	<u>Expenditures</u>	<u>Year-to-date Expenditures</u>	<u>Year-to-date Encumbrances</u>	<u>Balance</u>	<u>Prct Used</u>
50 Administration						
50-100 Administration						
50-100-5000 Expenditures						
50-111-5101 Salaries (Full-Time)	688,786.00	80,105.55	401,950.24	0.00	286,835.76	58.36
50-111-5104 Acting Pay	1,000.00	0.00	0.00	0.00	1,000.00	0.00
50-111-5107 Merit Pay	2,650.00	850.00	2,650.00	0.00	0.00	100.00
50-111-5108 Sick Leave Payoff	25,000.00	0.00	13,537.09	0.00	11,462.91	54.15
50-111-5109 Vacation Leave Payoff	30,000.00	6,895.21	28,270.06	0.00	1,729.94	94.23
50-111-5112 Other Pay	1,200.00	100.00	700.00	0.00	500.00	58.33
50-111-5201 Medical Insurance	50,000.00	6,304.92	31,440.69	0.00	18,559.31	62.88
50-111-5202 Dental Insurance	2,800.00	305.25	1,644.02	0.00	1,155.98	58.72
50-111-5203 Vision Insurance	1,224.00	90.00	704.20	0.00	519.80	57.53
50-111-5204 Life Insurance	624.00	44.00	348.00	0.00	276.00	55.77
50-111-5205 Medicare	11,104.00	1,232.17	6,586.69	0.00	4,517.31	59.32
50-111-5207 Workers' Compensation	9,750.00	681.97	4,912.59	0.00	4,837.41	50.39
50-111-5208 PERS Contributions	104,730.00	11,294.71	60,791.72	0.00	43,938.28	58.05
50-111-5209 Retirees' Medical Insurance	13,652.00	1,152.01	7,843.77	0.00	5,808.23	57.46
50-111-5212 Deferred Comp Matching Benefit	7,200.00	900.00	4,500.00	0.00	2,700.00	62.50
50-111-5301 Communications Contract Services	31,000.00	1,829.54	12,559.15	0.00	18,440.85	40.51
50-111-5302 Computer Contract Services/CAD-Tiburón	12,000.00	0.00	54,898.75	0.00	-42,898.75	457.49
50-111-5303 Bond Services/Reimbursable Expenses	5,000.00	0.00	0.00	0.00	5,000.00	0.00
50-111-5304 Accounting/Auditing Services	12,400.00	0.00	11,950.00	0.00	450.00	96.37
50-111-5305 Legal Services	22,000.00	0.00	5,264.00	0.00	16,736.00	23.93
50-111-5306 Recruitment Costs	35,333.00	1,942.18	7,660.71	0.00	27,672.29	21.68
50-111-5307 Software Maintenance Services	33,772.00	0.00	40,576.66	0.00	-6,804.66	120.15
50-111-5308 Banking Services (Fees)	6,000.00	386.92	2,802.34	0.00	3,197.66	46.71
50-111-5309 Online/Website Maintenance Services	3,000.00	225.00	1,835.00	0.00	1,165.00	61.17
50-111-5312 Medical Director Services/Paramedics	0.00	6,250.00	37,500.00	0.00	-37,500.00	0.00
50-111-5401 Memberships & Dues	810.00	0.00	270.00	0.00	540.00	33.33
50-111-5402 Publications	350.00	0.00	0.00	0.00	350.00	0.00

Expenditure Status Report

South Bay Regional PCA
 1/1/2017 through 1/31/2017

10 SBRPCA Enterprise Fund

<i>Account Number</i>	<i>Adjusted Appropriation</i>	<i>Expenditures</i>	<i>Year-to-date Expenditures</i>	<i>Year-to-date Encumbrances</i>	<i>Balance</i>	<i>Prct Used</i>
50-111-5403 Conferences, Meetings & Travel	11,436.00	0.00	9,468.59	0.00	1,967.41	82.80
50-111-5404 Employee Services/EC-BOD	1,500.00	531.20	1,070.91	0.00	429.09	71.39
50-111-5407 Tuition Reimbursement	4,000.00	567.00	2,835.00	0.00	1,165.00	70.88
50-111-5501 Office Supplies	9,000.00	231.14	2,573.16	0.00	6,426.84	28.59
50-111-5502 Miscellaneous Supplies	1,100.00	0.00	0.00	0.00	1,100.00	0.00
50-111-5504 Vending Machine Supplies	4,500.00	0.00	1,141.42	0.00	3,358.58	25.36
50-111-5505 Voice Recording Tapes	1,500.00	0.00	0.00	0.00	1,500.00	0.00
50-111-5507 Postage	2,000.00	330.39	740.88	0.00	1,259.12	37.04
50-111-5509 Reproduction	1,500.00	0.00	495.75	0.00	1,004.25	33.05
50-111-5511 Office Equipment Lease	11,500.00	1,244.93	8,147.16	0.00	3,352.84	70.84
50-111-5513 General Liability Insurance Premium	170,600.00	0.00	140,151.60	0.00	30,448.40	82.15
50-111-5517 Vehicle Operations	2,000.00	0.00	636.33	0.00	1,363.67	31.82
50-111-5601 Telephone - Administration	17,750.00	-39.52	2,494.52	0.00	15,255.48	14.05
50-111-5701 Maintenance - HQ	139,050.00	6,449.41	64,311.66	0.00	74,738.34	46.25
50-111-5702 Maintenance - Other Sites	6,500.00	0.00	750.78	0.00	5,749.22	11.55
50-111-5703 Electricity - HQ	97,000.00	5,478.93	46,392.43	0.00	50,607.57	47.83
50-111-5704 Electricity - Grandview	1,800.00	140.34	879.84	0.00	920.16	48.88
50-111-5705 Electricity - Punta Place	5,700.00	383.04	2,864.43	0.00	2,835.57	50.25
50-111-5706 Gas - HQ	12,000.00	1,241.98	4,503.02	0.00	7,496.98	37.53
50-111-5707 Water - HQ	3,500.00	65.98	1,641.45	0.00	1,858.55	46.90
50-111-5715 Electricity-MB Water Tower	3,000.00	130.80	961.39	0.00	2,038.61	32.05
Total Administration	1,618,321.00	137,345.05	1,033,256.00	0.00	585,065.00	63.85
60 Operations						
60-200 Operations						
60-200-5000 Expenditures						
60-211-5101 Salaries (Full-Time)	4,013,434.00	398,105.70	2,028,065.96	0.00	1,985,368.04	50.53
60-211-5102 Salaries (Part-Time)	220,536.00	4,139.17	18,393.76	0.00	202,142.24	8.34
60-211-5103 Overtime	350,000.00	94,523.24	415,380.06	0.00	-65,380.06	118.68
60-211-5104 Acting Pay	7,500.00	0.00	819.69	0.00	6,680.31	10.93
60-211-5105 Bilingual Pay	9,600.00	1,600.00	5,656.00	0.00	3,944.00	58.92
60-211-5108 Sick Leave Payoff	100,000.00	0.00	89,815.68	0.00	10,184.32	89.82

Expenditure Status Report

South Bay Regional PCA
 1/1/2017 through 1/31/2017

10 SBRPCA Enterprise Fund

<i>Account Number</i>	<i>Adjusted Appropriation</i>	<i>Expenditures</i>	<i>Year-to-date Expenditures</i>	<i>Year-to-date Encumbrances</i>	<i>Balance</i>	<i>Prct Used</i>
60-211-5109 Vacation Leave Payoff	40,000.00	0.00	20,393.46	0.00	19,606.54	50.98
60-211-5110 Training Pay	5,000.00	0.00	798.57	0.00	4,201.43	15.97
60-211-5114 Holiday Payoff	45,000.00	0.00	32,792.37	0.00	12,207.63	72.87
60-211-5115 Education Incentive Pay	95,229.00	9,430.32	46,139.95	0.00	49,089.05	48.45
60-211-5116 Overtime - Ridealongs with Member Cities	16,500.00	0.00	0.00	0.00	16,500.00	0.00
60-211-5201 Medical Insurance	517,498.00	57,313.64	283,228.28	0.00	234,269.72	54.73
60-211-5202 Dental Insurance	33,542.00	2,856.25	14,054.14	0.00	19,487.86	41.90
60-211-5203 Vision Insurance	14,041.00	918.25	6,730.07	0.00	7,310.93	47.93
60-211-5204 Life Insurance	7,644.00	473.00	3,739.00	0.00	3,905.00	48.91
60-211-5205 Medicare	71,133.00	7,381.29	38,769.80	0.00	32,363.20	54.50
60-211-5206 Unemployment Insurance	15,000.00	0.00	3,597.00	0.00	11,403.00	23.98
60-211-5207 Workers' Compensation	53,500.00	3,997.75	28,797.92	0.00	24,702.08	53.83
60-211-5208 PERS Contributions	633,754.00	59,604.38	327,039.51	0.00	306,714.49	51.60
60-211-5209 Retirees' Medical Insurance	58,180.00	4,638.55	31,918.35	0.00	26,261.65	54.86
60-211-5211 Social Security	9,115.00	82.13	711.91	0.00	8,403.09	7.81
60-211-5401 Memberships & Dues	190.00	0.00	0.00	0.00	190.00	0.00
60-211-5402 Publications	1,960.00	790.46	973.52	0.00	986.48	49.67
60-211-5403 Conferences, Meetings & Travel	31,752.00	0.00	5,458.89	0.00	26,293.11	17.19
60-211-5404 Employee Services/EC-BOD	2,500.00	0.00	731.05	0.00	1,768.95	29.24
60-211-5405 Employee Awards	500.00	0.00	0.00	0.00	500.00	0.00
60-211-5406 POST Training	2,000.00	1,199.60	1,995.92	0.00	4.08	99.80
60-211-5407 Tuition Reimbursement	18,000.00	0.00	11,179.50	0.00	6,820.50	62.11
60-211-5506 Uniforms/Safety Equipment	8,000.00	148.37	148.37	0.00	7,851.63	1.85
60-211-5509 Reproduction	500.00	0.00	353.00	0.00	147.00	70.60
60-211-5603 Telephone - El Segundo	3,000.00	0.00	1,047.04	0.00	1,952.96	34.90
60-211-5604 Telephone - Gardena	8,000.00	0.00	932.69	0.00	7,067.31	11.66
60-211-5606 Telephone - Hawthorne	6,500.00	408.47	3,180.69	0.00	3,319.31	48.93
60-211-5607 Telephone - Hermosa Beach	16,000.00	1,035.56	9,801.45	0.00	6,198.55	61.26
60-211-5608 Telephone - Manhattan Beach	13,000.00	204.71	2,286.08	0.00	10,713.92	17.59
60-211-5609 Telephone - MB Water Tower	8,500.00	0.00	0.00	0.00	8,500.00	0.00
60-211-5611 Telephone - Punta Place	15,000.00	310.61	2,183.21	0.00	12,816.79	14.55
60-211-5612 Telephone - RCC	16,000.00	44.51	4,340.94	0.00	11,659.06	27.13
60-211-5613 Sprint Wireless Reimbursable	72,000.00	6,384.04	37,886.53	0.00	34,113.47	52.62
60-211-5614 Verizon Wireless Reimbursable	3,500.00	705.21	3,536.75	0.00	-36.75	101.05

Expenditure Status Report

South Bay Regional PCA
 1/1/2017 through 1/31/2017

10 SBRPCA Enterprise Fund

<u>Account Number</u>	<u>Adjusted Appropriation</u>	<u>Expenditures</u>	<u>Year-to-date Expenditures</u>	<u>Year-to-date Encumbrances</u>	<u>Balance</u>	<u>Prct Used</u>
Total Operations	6,543,108.00	656,295.21	3,482,877.11	0.00	3,060,230.89	53.23
70 Technical Services						
70-300 Technical Services						
70-300-5000 Expenditures						
70-311-5101 Salaries (Full-Time)	646,878.00	48,593.97	347,317.22	0.00	299,560.78	53.69
70-311-5103 Overtime	13,500.00	6,434.11	6,558.77	0.00	6,941.23	48.58
70-311-5104 Acting Pay	5,746.00	0.00	0.00	0.00	5,746.00	0.00
70-311-5106 Callback Pay	2,500.00	0.00	0.00	0.00	2,500.00	0.00
70-311-5107 Merit Pay	2,700.00	0.00	2,650.00	0.00	50.00	98.15
70-311-5108 Sick Leave Payoff	15,000.00	0.00	8,273.71	0.00	6,726.29	55.16
70-311-5109 Vacation Leave Payoff	25,000.00	0.00	16,731.96	0.00	8,268.04	66.93
70-311-5114 Holiday Payoff	12,000.00	0.00	9,211.61	0.00	2,788.39	76.76
70-311-5115 Education Incentive Pay	5,084.00	0.00	2,467.59	0.00	2,616.41	48.54
70-311-5201 Medical Insurance	74,737.00	6,796.79	46,583.14	0.00	28,153.86	62.33
70-311-5202 Dental Insurance	6,983.00	275.00	2,293.91	0.00	4,689.09	32.85
70-311-5203 Vision Insurance	2,673.00	153.50	1,307.96	0.00	1,365.04	48.93
70-311-5204 Life Insurance	1,092.00	55.00	563.00	0.00	529.00	51.56
70-311-5205 Medicare	9,855.00	825.84	4,976.00	0.00	4,879.00	50.49
70-311-5207 Workers' Compensation	96,500.00	7,078.36	50,989.18	0.00	45,510.82	52.84
70-311-5208 PERS Contributions	98,758.00	6,859.77	48,974.37	0.00	49,783.63	49.59
70-311-5209 Retirees' Medical Insurance	23,040.00	2,512.85	12,845.75	0.00	10,194.25	55.75
70-311-5212 Deferred Comp Matching Benefit	1,800.00	0.00	0.00	0.00	1,800.00	0.00
70-311-5302 Computer Contract Services/CAD-Tiburon	280,000.00	0.00	0.00	0.00	280,000.00	0.00
70-311-5311 GST Software Reimbursable	40,410.00	0.00	41,268.00	0.00	-858.00	102.12
70-311-5403 Conferences, Meetings & Travel	2,650.00	0.00	64.80	0.00	2,585.20	2.45
70-311-5503 General Technical Supplies	7,500.00	0.00	291.94	0.00	7,208.06	3.89
70-311-5506 Uniforms/Safety Equipment	2,500.00	0.00	437.93	0.00	2,062.07	17.52
70-311-5514 Parts - Billing	75,000.00	39,084.26	238,545.15	0.00	-163,545.15	318.06
70-311-5515 Parts - Telecommunications	20,000.00	0.00	3,392.46	0.00	16,607.54	16.96
70-311-5516 Install Wire, Loom & Hardware	16,000.00	0.00	6,587.29	0.00	9,412.71	41.17
70-311-5517 Vehicle Operations	4,500.00	244.84	1,164.61	0.00	3,335.39	25.88

Expenditure Status Report

South Bay Regional PCA
 1/1/2017 through 1/31/2017

10 SBRPCA Enterprise Fund

<u>Account Number</u>	<u>Adjusted Appropriation</u>	<u>Expenditures</u>	<u>Year-to-date Expenditures</u>	<u>Year-to-date Encumbrances</u>	<u>Balance</u>	<u>Prct Used</u>
70-311-5520 Equipment Repair	18,000.00	0.00	77.39	0.00	17,922.61	0.43
70-311-5521 Outside Technical Serv-Towers & Equip	120,000.00	10,000.00	86,900.00	0.00	33,100.00	72.42
70-311-5522 Vehicle Antennas-Reimbursable	6,000.00	0.00	0.00	0.00	6,000.00	0.00
70-311-5524 GETAC Project	50,000.00	0.00	4,368.00	0.00	45,632.00	8.74
70-311-5820 Other Equipment	0.00	0.00	29,981.16	0.00	-29,981.16	0.00
Total Technical Services	1,686,406.00	128,914.29	974,822.90	0.00	711,583.10	57.80
80 Capital Infrastructure Projects						
80-400 CIP						
80-400-5000 Expenditures						
80-406-5901 Uniform Replacement	0.00	0.00	380.82	0.00	-380.82	0.00
80-435-5901 CIP Exp-Hawthorne Allocation	58,454.00	0.00	0.00	0.00	58,454.00	0.00
80-436-5901 CIP Exp-MB Allocation	67,615.00	0.00	6,417.85	0.00	61,197.15	9.49
80-446-5901 CIP Exp-Interoperability Radio Sys Proj	13,338.00	0.00	0.00	0.00	13,338.00	0.00
80-449-5901 Backup Stand Alone Radio System-Comm Ctr	142,246.00	0.00	72,619.85	0.00	69,626.15	51.05
80-451-5901 Replace UPS Sys/Comp & Tower Radio Rms	100,000.00	0.00	888.65	94,855.25	4,256.10	95.74
Total Capital Infrastructure Projects	381,653.00	0.00	80,307.17	94,855.25	206,490.58	45.90
Total SBRPCA Enterprise Fund	10,229,488.00	922,554.55	5,571,263.18	94,855.25	4,563,369.57	55.39
Grand Total	10,229,488.00	922,554.55	5,571,263.18	94,855.25	4,563,369.57	55.39



Staff Report

South Bay Regional Public Communications Authority

TO: Board of Directors/Executive Committee

THROUGH: Ralph Mailloux

FROM: Valerie Mohler

DATE: February 21, 2017

SUBJECT: Mid-Year Budget Performance Report/Fiscal Year 2016-2017

RECOMMENDATIONS:

- a) Receive and file the attached Mid-Year Budget Performance Report as of December 31, 2016.
- b) Approve the following budget amendments per Attachment 1:
 - \$281,653 Budget carryovers and the associated encumbrances for capital projects from fiscal year 2015-2016.

FISCAL IMPLICATION:

At this time, staff anticipates budgetary savings at year end in the salary and benefits categories due to vacant positions. Staff will be able to provide an estimate of the total net savings during the budget process which will began this month.

BACKGROUND:

If solely based on a 12-month operating cycle, both revenues and expenses should be at the 50% mark. However, depending on the nature and the timing of when revenues are received or expenses are incurred and recorded, variances could occur. At this point, the expenditure report shows a total of 46.37% has been expended with 53.63% remaining in the budget.

DISCUSSION:

Attachment 1 is a reconciliation of the adopted budget and the subsequent amendments. Based on this reconciliation, the \$591,325 expenses over revenues were funded from the available fund balance. The operating reserve of \$326,266 remains the same as does the \$250,000 for OPEB Liability funding.

Attachment 2 shows, as of this reporting period, revenue is \$3.4 million over expenses and encumbrances. The third quarter assessments have been billed and/or received, with only 15% remaining to be billed; for Hermosa Beach and El Segundo, 25% remains to be billed, per the established schedule. The revenue excess over expenses is supposed to fund the Authority's activities through the end of March, including capital outlay.

Attachment 3 shows revenues are on track with the budget except for Reimbursements for Billable Parts, which are offset by expenses under Parts Billing. Other reimbursable revenue will be billed as a part of the 4th quarter assessment and is also offset by expenses. As shown on the summary schedule, overall, expenses for each department are within the budget allocation, although overruns in some line accounts should be offset by savings in other accounts.

Attachment 4 shows the details by department/by account and the variances between the budget and the actual expenses. Some of the variances in the Salaries & Benefits category may be attributed to salary savings from vacant positions. Salary savings may be offset by higher overtime costs due to minimum manning requirements. Some of the variances in the Supplies & Services category may be attributed to when supplies are purchased or when services are rendered.

Staff is available to respond if you have any questions.

Attachments: Attachment 1 – Mid-Year Budget Reconciliation
Attachment 2 – Budget Performance Summary
Attachment 3 – Revenue Status Report (pages 1-2)
Attachment 4 – Expenditure Status Report (page 1-5)

**SBRPCA
MID-YEAR BUDGET RECONCILIATION
DECEMBER 31, 2016**

Attachment 1

DESCRIPTION	AMOUNT
<i>Revenues</i>	
Member Assessments	\$ 7,454,179
Client Contract Revenue (El Segundo)	1,271,063
Client Contract Revenue (Hermosa Beach)	671,081
Other Revenues	241,840
Total Revenues	9,638,163
 <i>Proposed amendments:</i>	
Total Amended Revenues	9,638,163
 <i>Expenses</i>	
Adopted budget	9,947,835
 <i>Budget amendments:</i>	
Carryovers from FY 15-16	
Hawthorne Equipment Allocation	58,454
Manhattan Beach Equipment Allocation	67,615
Interoperability Radio System Project	13,338
Backup Stand Alone Radio System and Battery backup for RF sites	142,246
Sub-total carryovers	281,653
Additional Appropriations:	
None	-
<i>Total amendments</i>	281,653
<i>Amended budget</i>	10,229,488
Estimated Operating Revenues Over (Under) Expenses @ 06/30/17	\$ (591,325)

*Funded from unreserved fund balance including designated for carryovers.

Attachment 1

Revenue Status Report

South Bay Regional PCA
 12/1/2016 through 12/31/2016

10 SBRPCA Enterprise Fund

<u>Account Number</u>	<u>Adjusted Estimate</u>	<u>Revenues</u>	<u>Year-to-date Revenues</u>	<u>Balance</u>	<u>Prct Rcvd</u>
10-50 Administration					
10-50-111 Administration					
10-50-111-4110 Gardena	2,391,301.00	597,825.25	2,032,605.85	358,695.15	85.00
10-50-111-4120 Hawthorne	3,359,598.00	839,899.50	2,855,658.30	503,939.70	85.00
10-50-111-4130 Manhattan Beach	1,703,280.00	425,820.00	1,447,788.00	255,492.00	85.00
10-50-111-4140 Hermosa Beach	671,081.00	167,770.25	503,310.75	167,770.25	75.00
10-50-111-4145 El Segundo	1,271,063.00	317,765.75	953,297.25	317,765.75	75.00
10-50-111-4150 El Camino Community College	16,000.00	0.00	62.87	15,937.13	0.39
10-50-111-4151 Palos Verdes Estates Annual Maint	1,330.00	0.00	0.00	1,330.00	0.00
10-50-111-4152 Medical Director Services/Hermosa Beach	0.00	0.00	25,000.00	-25,000.00	0.00
10-50-111-4153 Medical Director Service/Manhattan Beach	0.00	0.00	25,000.00	-25,000.00	0.00
10-50-111-4154 Medical Director Services/El Segundo	0.00	0.00	25,000.00	-25,000.00	0.00
10-50-111-4210 Investment Earnings (LAIF)	7,500.00	0.00	3,837.37	3,662.63	51.16
10-50-111-4220 POST Reimbursements	600.00	0.00	0.00	600.00	0.00
10-50-111-4230 Bond Expenses (Reimbursements)	5,000.00	0.00	0.00	5,000.00	0.00
10-50-111-4255 Unrealized Gain/Loss on Investments	0.00	0.00	-1,473.11	1,473.11	0.00
10-50-111-4410 Vending Machine Revenue	4,500.00	0.00	1,811.65	2,688.35	40.26
10-50-111-4430 Other Miscellaneous Revenue	5,000.00	2.68	72.25	4,927.75	1.45
Total Administration	9,436,253.00	2,349,083.43	7,871,971.18	1,564,281.82	83.42
10-60 Operations					
10-60-211 Communications Center					

Revenue Status Report

South Bay Regional PCA
 12/1/2016 through 12/31/2016

10 SBRPCA Enterprise Fund

<i>Account Number</i>	<i>Adjusted Estimate</i>	<i>Revenues</i>	<i>Year-to-date Revenues</i>	<i>Balance</i>	<i>Prct Rcvd</i>
10-60-211-4215 DUI Reimbursement-Overtime	5,000.00	0.00	1,419.01	3,580.99	28.38
10-60-211-4435 Reimbursements Sprint Wireless	72,000.00	0.00	0.00	72,000.00	0.00
10-60-211-4440 Reimbursements/Verizon Wireless	3,500.00	0.00	0.00	3,500.00	0.00
Total Operations	80,500.00	0.00	1,419.01	79,080.99	1.76
10-70 Technical Services					
10-70-311 Technical Services					
10-70-311-4360 Reimbursements for Billable Parts	75,000.00	36,701.56	129,343.80	-54,343.80	172.46
10-70-311-4365 Reimbursements for Vehicle Antennas	6,000.00	0.00	0.00	6,000.00	0.00
10-70-311-4370 Reimbursements for GST Software	40,410.00	0.00	3,258.00	37,152.00	8.06
Total Technical Services	121,410.00	36,701.56	132,601.80	-11,191.80	109.22
Total SBRPCA Enterprise Fund	9,638,163.00	2,385,784.99	8,005,991.99	1,632,171.01	83.07
Grand Total	9,638,163.00	2,385,784.99	8,005,991.99	1,632,171.01	83.07

Expenditure Status Report

South Bay Regional PCA
 12/1/2016 through 12/31/2016

10 SBRPCA Enterprise Fund

<u>Account Number</u>	<u>Adjusted Appropriation</u>	<u>Expenditures</u>	<u>Year-to-date Expenditures</u>	<u>Year-to-date Encumbrances</u>	<u>Balance</u>	<u>Prct Used</u>
50 Administration						
50-100 Administration						
50-100-5000 Expenditures						
50-111-5101 Salaries (Full-Time)	688,786.00	53,403.70	321,844.69	0.00	366,941.31	46.73
50-111-5104 Acting Pay	1,000.00	0.00	0.00	0.00	1,000.00	0.00
50-111-5107 Merit Pay	2,650.00	0.00	1,800.00	0.00	850.00	67.92
50-111-5108 Sick Leave Payoff	25,000.00	0.00	13,537.09	0.00	11,462.91	54.15
50-111-5109 Vacation Leave Payoff	30,000.00	1,838.72	21,374.85	0.00	8,625.15	71.25
50-111-5112 Other Pay	1,200.00	100.00	600.00	0.00	600.00	50.00
50-111-5201 Medical Insurance	50,000.00	4,203.17	25,135.77	0.00	24,864.23	50.27
50-111-5202 Dental Insurance	2,800.00	200.47	1,338.77	0.00	1,461.23	47.81
50-111-5203 Vision Insurance	1,224.00	104.25	614.20	0.00	609.80	50.18
50-111-5204 Life Insurance	624.00	44.00	304.00	0.00	320.00	48.72
50-111-5205 Medicare	11,104.00	916.29	5,354.52	0.00	5,749.48	48.22
50-111-5207 Workers' Compensation	9,750.00	681.97	4,230.62	0.00	5,519.38	43.39
50-111-5208 PERS Contributions	104,730.00	8,157.77	49,497.01	0.00	55,232.99	47.26
50-111-5209 Retirees' Medical Insurance	13,652.00	1,152.01	6,691.76	0.00	6,960.24	49.02
50-111-5212 Deferred Comp Matching Benefit	7,200.00	600.00	3,600.00	0.00	3,600.00	50.00
50-111-5301 Communications Contract Services	31,000.00	1,824.61	10,729.61	0.00	20,270.39	34.61
50-111-5302 Computer Contract Services/CAD-Tiburón	12,000.00	0.00	54,898.75	0.00	-42,898.75	457.49
50-111-5303 Bond Services/Reimbursable Expenses	5,000.00	0.00	0.00	0.00	5,000.00	0.00
50-111-5304 Accounting/Auditing Services	12,400.00	0.00	11,950.00	0.00	450.00	96.37
50-111-5305 Legal Services	22,000.00	0.00	5,264.00	0.00	16,736.00	23.93
50-111-5306 Recruitment Costs	35,333.00	2,654.07	5,718.53	0.00	29,614.47	16.18
50-111-5307 Software Maintenance Services	33,772.00	15,722.90	40,576.66	0.00	-6,804.66	120.15
50-111-5308 Banking Services (Fees)	6,000.00	506.21	2,415.42	0.00	3,584.58	40.26
50-111-5309 Online/Website Maintenance Services	3,000.00	225.00	1,610.00	0.00	1,390.00	53.67
50-111-5312 Medical Director Services/Paramedics	0.00	6,250.00	31,250.00	0.00	-31,250.00	0.00
50-111-5401 Memberships & Dues	810.00	0.00	270.00	0.00	540.00	33.33
50-111-5402 Publications	350.00	0.00	0.00	0.00	350.00	0.00

Expenditure Status Report

South Bay Regional PCA
 12/1/2016 through 12/31/2016

10 SBRPCA Enterprise Fund

<u>Account Number</u>	<u>Adjusted Appropriation</u>	<u>Expenditures</u>	<u>Year-to-date Expenditures</u>	<u>Year-to-date Encumbrances</u>	<u>Balance</u>	<u>Prct Used</u>
50-111-5403 Conferences, Meetings & Travel	11,436.00	0.00	9,468.59	0.00	1,967.41	82.80
50-111-5404 Employee Services/EC-BOD	1,500.00	354.73	539.71	0.00	960.29	35.98
50-111-5407 Tuition Reimbursement	4,000.00	0.00	2,268.00	0.00	1,732.00	56.70
50-111-5501 Office Supplies	9,000.00	480.32	2,342.02	0.00	6,657.98	26.02
50-111-5502 Miscellaneous Supplies	1,100.00	0.00	0.00	0.00	1,100.00	0.00
50-111-5504 Vending Machine Supplies	4,500.00	50.03	1,141.42	0.00	3,358.58	25.36
50-111-5505 Voice Recording Tapes	1,500.00	0.00	0.00	0.00	1,500.00	0.00
50-111-5507 Postage	2,000.00	54.98	410.49	0.00	1,589.51	20.52
50-111-5509 Reproduction	1,500.00	0.00	495.75	0.00	1,004.25	33.05
50-111-5511 Office Equipment Lease	11,500.00	1,905.32	6,902.23	0.00	4,597.77	60.02
50-111-5513 General Liability Insurance Premium	170,600.00	0.00	140,151.60	0.00	30,448.40	82.15
50-111-5517 Vehicle Operations	2,000.00	556.75	636.33	0.00	1,363.67	31.82
50-111-5601 Telephone - Administration	17,750.00	1,256.82	2,534.04	0.00	15,215.96	14.28
50-111-5701 Maintenance - HQ	139,050.00	12,177.74	57,862.25	0.00	81,187.75	41.61
50-111-5702 Maintenance - Other Sites	6,500.00	0.00	750.78	0.00	5,749.22	11.55
50-111-5703 Electricity - HQ	97,000.00	5,808.55	40,913.50	0.00	56,086.50	42.18
50-111-5704 Electricity - Grandview	1,800.00	142.96	739.50	0.00	1,060.50	41.08
50-111-5705 Electricity - Punta Place	5,700.00	0.00	2,481.39	0.00	3,218.61	43.53
50-111-5706 Gas - HQ	12,000.00	889.31	3,261.04	0.00	8,738.96	27.18
50-111-5707 Water - HQ	3,500.00	283.67	1,575.47	0.00	1,924.53	45.01
50-111-5715 Electricity-MB Water Tower	3,000.00	150.70	830.59	0.00	2,169.41	27.69
Total Administration	1,618,321.00	122,697.02	895,910.95	0.00	722,410.05	55.36
60 Operations						
60-200 Operations						
60-200-5000 Expenditures						
60-211-5101 Salaries (Full-Time)	4,013,434.00	264,943.02	1,629,960.26	0.00	2,383,473.74	40.61
60-211-5102 Salaries (Part-Time)	220,536.00	3,154.97	14,254.59	0.00	206,281.41	6.46
60-211-5103 Overtime	350,000.00	67,552.94	320,856.82	0.00	29,143.18	91.67
60-211-5104 Acting Pay	7,500.00	0.00	819.69	0.00	6,680.31	10.93
60-211-5105 Bilingual Pay	9,600.00	800.00	4,056.00	0.00	5,544.00	42.25
60-211-5108 Sick Leave Payoff	100,000.00	0.00	89,815.68	0.00	10,184.32	89.82

Expenditure Status Report

South Bay Regional PCA
 12/1/2016 through 12/31/2016

10 SBRPCA Enterprise Fund

<i>Account Number</i>	<i>Adjusted Appropriation</i>	<i>Expenditures</i>	<i>Year-to-date Expenditures</i>	<i>Year-to-date Encumbrances</i>	<i>Balance</i>	<i>Prct Used</i>
60-211-5109 Vacation Leave Payoff	40,000.00	0.00	20,393.46	0.00	19,606.54	50.98
60-211-5110 Training Pay	5,000.00	0.00	798.57	0.00	4,201.43	15.97
60-211-5114 Holiday Payoff	45,000.00	0.00	32,792.37	0.00	12,207.63	72.87
60-211-5115 Education Incentive Pay	95,229.00	6,252.36	36,709.63	0.00	58,519.37	38.55
60-211-5116 Overtime - Ridealongs with Member Cities	16,500.00	0.00	0.00	0.00	16,500.00	0.00
60-211-5201 Medical Insurance	517,498.00	35,261.82	225,914.64	0.00	291,583.36	43.66
60-211-5202 Dental Insurance	33,542.00	1,869.00	11,197.89	0.00	22,344.11	33.38
60-211-5203 Vision Insurance	14,041.00	969.12	5,811.82	0.00	8,229.18	41.39
60-211-5204 Life Insurance	7,644.00	471.00	3,266.00	0.00	4,378.00	42.73
60-211-5205 Medicare	71,133.00	4,983.43	31,388.51	0.00	39,744.49	44.13
60-211-5206 Unemployment Insurance	15,000.00	0.00	3,597.00	0.00	11,403.00	23.98
60-211-5207 Workers' Compensation	53,500.00	3,997.75	24,800.17	0.00	28,699.83	46.36
60-211-5208 PERS Contributions	633,754.00	43,965.76	267,435.13	0.00	366,318.87	42.20
60-211-5209 Retirees' Medical Insurance	58,180.00	4,638.55	27,279.80	0.00	30,900.20	46.89
60-211-5211 Social Security	9,115.00	86.12	629.78	0.00	8,485.22	6.91
60-211-5401 Memberships & Dues	190.00	0.00	0.00	0.00	190.00	0.00
60-211-5402 Publications	1,960.00	30.01	183.06	0.00	1,776.94	9.34
60-211-5403 Conferences, Meetings & Travel	31,752.00	645.00	5,458.89	0.00	26,293.11	17.19
60-211-5404 Employee Services/EC-BOD	2,500.00	731.05	731.05	0.00	1,768.95	29.24
60-211-5405 Employee Awards	500.00	0.00	0.00	0.00	500.00	0.00
60-211-5406 POST Training	2,000.00	446.32	796.32	0.00	1,203.68	39.82
60-211-5407 Tuition Reimbursement	18,000.00	742.50	11,179.50	0.00	6,820.50	62.11
60-211-5506 Uniforms/Safety Equipment	8,000.00	0.00	0.00	0.00	8,000.00	0.00
60-211-5509 Reproduction	500.00	0.00	353.00	0.00	147.00	70.60
60-211-5603 Telephone - El Segundo	3,000.00	193.18	1,047.04	0.00	1,952.96	34.90
60-211-5604 Telephone - Gardena	8,000.00	111.93	932.69	0.00	7,067.31	11.66
60-211-5606 Telephone - Hawthorne	6,500.00	493.67	2,772.22	0.00	3,727.78	42.65
60-211-5607 Telephone - Hermosa Beach	16,000.00	1,292.17	8,765.89	0.00	7,234.11	54.79
60-211-5608 Telephone - Manhattan Beach	13,000.00	381.94	2,081.37	0.00	10,918.63	16.01
60-211-5609 Telephone - MB Water Tower	8,500.00	0.00	0.00	0.00	8,500.00	0.00
60-211-5611 Telephone - Punta Place	15,000.00	310.66	1,872.60	0.00	13,127.40	12.48
60-211-5612 Telephone - RCC	16,000.00	786.81	4,296.43	0.00	11,703.57	26.85
60-211-5613 Sprint Wireless Reimbursable	72,000.00	6,314.39	31,502.49	0.00	40,497.51	43.75
60-211-5614 Verizon Wireless Reimbursable	3,500.00	707.29	2,831.54	0.00	668.46	80.90

Expenditure Status Report

South Bay Regional PCA
 12/1/2016 through 12/31/2016

10 SBRPCA Enterprise Fund

<u>Account Number</u>	<u>Adjusted Appropriation</u>	<u>Expenditures</u>	<u>Year-to-date Expenditures</u>	<u>Year-to-date Encumbrances</u>	<u>Balance</u>	<u>Prct Used</u>
Total Operations	6,543,108.00	452,132.76	2,826,581.90	0.00	3,716,526.10	43.20
70 Technical Services						
70-300 Technical Services						
70-300-5000 Expenditures						
70-311-5101 Salaries (Full-Time)	646,878.00	43,297.04	298,723.25	0.00	348,154.75	46.18
70-311-5103 Overtime	13,500.00	0.00	124.66	0.00	13,375.34	0.92
70-311-5104 Acting Pay	5,746.00	0.00	0.00	0.00	5,746.00	0.00
70-311-5106 Callback Pay	2,500.00	0.00	0.00	0.00	2,500.00	0.00
70-311-5107 Merit Pay	2,700.00	0.00	2,650.00	0.00	50.00	98.15
70-311-5108 Sick Leave Payoff	15,000.00	0.00	8,273.71	0.00	6,726.29	55.16
70-311-5109 Vacation Leave Payoff	25,000.00	1,849.02	16,731.96	0.00	8,268.04	66.93
70-311-5114 Holiday Payoff	12,000.00	0.00	9,211.61	0.00	2,788.39	76.76
70-311-5115 Education Incentive Pay	5,084.00	498.60	2,467.59	0.00	2,616.41	48.54
70-311-5201 Medical Insurance	74,737.00	7,837.19	39,786.35	0.00	34,950.65	53.24
70-311-5202 Dental Insurance	6,983.00	151.83	2,018.91	0.00	4,964.09	28.91
70-311-5203 Vision Insurance	2,673.00	174.25	1,154.46	0.00	1,518.54	43.19
70-311-5204 Life Insurance	1,092.00	66.00	508.00	0.00	584.00	46.52
70-311-5205 Medicare	9,855.00	689.87	4,150.16	0.00	5,704.84	42.11
70-311-5207 Workers' Compensation	96,500.00	7,078.36	43,910.82	0.00	52,589.18	45.50
70-311-5208 PERS Contributions	98,758.00	4,456.17	42,114.60	0.00	56,643.40	42.64
70-311-5209 Retirees' Medical Insurance	23,040.00	2,371.23	10,332.90	0.00	12,707.10	44.85
70-311-5212 Deferred Comp Matching Benefit	1,800.00	0.00	0.00	0.00	1,800.00	0.00
70-311-5302 Computer Contract Services/CAD-Tiburon	280,000.00	0.00	0.00	0.00	280,000.00	0.00
70-311-5311 GST Software Reimbursable	40,410.00	0.00	41,268.00	0.00	-858.00	102.12
70-311-5403 Conferences, Meetings & Travel	2,650.00	0.00	64.80	0.00	2,585.20	2.45
70-311-5503 General Technical Supplies	7,500.00	0.00	291.94	0.00	7,208.06	3.89
70-311-5506 Uniforms/Safety Equipment	2,500.00	296.28	437.93	0.00	2,062.07	17.52
70-311-5514 Parts - Billing	75,000.00	47,624.95	199,460.89	0.00	-124,460.89	265.95
70-311-5515 Parts - Telecommunications	20,000.00	1,274.20	3,392.46	0.00	16,607.54	16.96
70-311-5516 Install Wire, Loom & Hardware	16,000.00	384.05	6,587.29	0.00	9,412.71	41.17
70-311-5517 Vehicle Operations	4,500.00	226.04	919.77	0.00	3,580.23	20.44

Expenditure Status Report

South Bay Regional PCA
 12/1/2016 through 12/31/2016

10 SBRPCA Enterprise Fund

<u>Account Number</u>	<u>Adjusted Appropriation</u>	<u>Expenditures</u>	<u>Year-to-date Expenditures</u>	<u>Year-to-date Encumbrances</u>	<u>Balance</u>	<u>Prct Used</u>
70-311-5520 Equipment Repair	18,000.00	0.00	77.39	0.00	17,922.61	0.43
70-311-5521 Outside Technical Serv-Towers & Equip	120,000.00	20,000.00	76,900.00	0.00	43,100.00	64.08
70-311-5522 Vehicle Antennas-Reimbursable	6,000.00	0.00	0.00	0.00	6,000.00	0.00
70-311-5524 GETAC Project	50,000.00	0.00	4,368.00	0.00	45,632.00	8.74
70-311-5820 Other Equipment	0.00	0.00	29,981.16	0.00	-29,981.16	0.00
Total Technical Services	1,686,406.00	138,275.08	845,908.61	0.00	840,497.39	50.16
80 Capital Infrastructure Projects						
80-400 CIP						
80-400-5000 Expenditures						
80-406-5901 Uniform Replacement	0.00	0.00	380.82	0.00	-380.82	0.00
80-435-5901 CIP Exp-Hawthorne Allocation	58,454.00	0.00	0.00	0.00	58,454.00	0.00
80-436-5901 CIP Exp-MB Allocation	67,615.00	0.00	6,417.85	0.00	61,197.15	9.49
80-446-5901 CIP Exp-Interoperability Radio Sys Proj	13,338.00	0.00	0.00	0.00	13,338.00	0.00
80-449-5901 Backup Stand Alone Radio System-Comm Ctr	142,246.00	17,017.51	72,619.85	0.00	69,626.15	51.05
80-451-5901 Replace UPS Sys/Comp & Tower Radio Rms	100,000.00	0.00	888.65	94,855.25	4,256.10	95.74
Total Capital Infrastructure Projects	381,653.00	17,017.51	80,307.17	94,855.25	206,490.58	45.90
Total SBRPCA Enterprise Fund	10,229,488.00	730,122.37	4,648,708.63	94,855.25	5,485,924.12	46.37
Grand Total	10,229,488.00	730,122.37	4,648,708.63	94,855.25	5,485,924.12	46.37



Staff Report

South Bay Regional Public Communications Authority

TO: Executive Committee

THROUGH: Ralph Mailloux

FROM: Valerie Mohler

DATE: February 21, 2017

SUBJECT: Audited Financial Statements for the Year Ended June 30, 2016

RECOMMENDATION:

Receive and file the attached audited Financial Statements and Management Report for the Year Ended June 30, 2016.

FISCAL IMPLICATION:

The statements reflect the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pension Plans-an amendment to GASB Statement No. 27, and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment to GASB Statement No. 68 which is required for financial statements beginning with fiscal year ended June 30, 2015.

BACKGROUND:

The Pun Group LLP, the Authority's independent auditing firm, has completed the audit of the Authority's fiscal activities for the year ended June 30, 2016. Accordingly, they have issued the Authority's Financial Statements for the period.

The auditors have rendered an unqualified opinion on the Authority's Financial Statements for the Year Ended June 30, 2016. In their opinion, the Financial Statements present fairly, in all material respects, the financial position of the Authority as of that date, and the respective changes in financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America and the State of California's regulations governing special districts.

DISCUSSION:

The Authority's net position was \$4,571,544 for the fiscal year ended June 30, 2016 reflecting an increase of approximately 2.5 percent since June 30, 2015. The Total Net position includes the implementation of GASB Statement No. 68 and GASB Statement No. 71. The effect of this implementation has resulted in a negative unrestricted net position balance at June 30, 2016. The retirement plan administrators for CalPERS will require increases in contribution amounts to reduce the net pension liability in future years. The Authority has budgeted for increased contributions in fiscal year 2016.17.

LEGAL REVIEW:

None.

CONCLUSION:

The Authority received a clean audit report. Staff is available to respond if you have any questions on the financial statements.

Attachment: Financial Statements for the Year Ended June 30, 2016

South Bay Regional Public Communications Authority

Hawthorne, California

Annual Financial Report

For the Year Ended June 30, 2016





Board of Directors as of June 30, 2016

<u>Name</u>	<u>City Represented</u>	<u>Title</u>
Dan Medina	City of Gardena	Councilmember
Haidar Awad	City of Hawthorne	Councilmember
David Lesser	City of Manhattan Beach	Councilmember

*South Bay Regional Public Communications Authority
4440 West Broadway
Hawthorne, California 90250*

**South Bay Regional Public Communications Authority
Annual Financial Report
For the Year Ended June 30, 2016**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of the South Bay Regional Public Communications Authority
Hawthorne, California

Report on the Financial Statements

We have audited the accompanying financial statements of the South Bay Regional Public Communications Authority (Authority), which comprise of the statement of net position as of June 30, 2016, and the related statements of revenues, expenses and changes in net position, and cash flows, for the year then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements.

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 an opinion 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 entity'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 entity'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of June 30, 2016, and the respective changes in financial position, and, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
of the South Bay Regional Public Communications Authority
Hawthorne, California

Emphasis of Matter

Net Pension Liability

The deficit unrestricted net position in the amount of \$(4,159,275) as of June 30, 2016 resulted from the reporting of the net pension liability as discussed in Note 9. At June 30, 2016, the net pension liability amounted to \$4,084,007. 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 that the Management's Discussion and Analysis on pages 5 to 8, and the Schedule of the Authority's Proportionate Share of the Plan's Net Pension Liability, Schedule of the Authority's Contributions to the Pension Plan, and Schedule of Funding Progress – Other Post-Employment Benefit Plan on pages 35 to 37, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Government 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2016, on our consideration of the 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.



Santa Ana, California
December 20, 2016



**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***

Independent Auditors' Report

To the Board of Directors
of the South Bay Regional Public Communications Authority
Hawthorne, 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 statement of net position as of June 30, 2016, and the related statements of revenues, expenses and changes in net position, and cash flows, for the year then ended, and the related notes to the financial statements, which collectively comprises the Authority's basic financial statements, and have issued our report thereon dated December 20, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of 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*.

To the Board of Directors
of the South Bay Regional Public Communications Authority
Hawthorne, California

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The PwC Group, LLP

Santa Ana, California
December 20, 2016

South Bay Regional Public Communications Authority
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2016

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the South Bay Regional Public Communications Authority (Authority) provides an introduction to the financial statements of the Authority for the year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

Financial Highlights

- In 2016, the Authority's net position increased 2.5% or \$112,080 to \$4,571,544.
- In 2016, the Authority's operating revenues increased 7.6% or \$725,735 to \$10,330,995, from the prior year, due primarily to an increase in member assessments and contract reimbursements.
- In 2016, the Authority's operating expenses increased 2.4% or \$220,587 to \$9,581,298, due primarily to an increase in salaries and benefits.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's financial statements. The financial statements are comprised of two components: 1) financial statements and, 2) notes to financial statements.

This report also contains other supplementary information in addition to the financial statements themselves. The financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Authority's assets, deferred outflow of resources, liabilities, and deferred inflow of resources with the difference between the four reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *statement of revenues, expenses and changes in net position* presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The *statement of cash flows* presents information showing the sources and uses of cash related to operating activities, noncapital financing activities, capital and related financing activities and investing activities. In addition, the statement provides information about significant non-cash investing, capital and financing activities.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 14 through 32.

Financial Analysis of the Authority

One of the most important questions asked about the Authority's finances is, "Is the Authority better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the Authority in a way that helps answer this question.

**South Bay Regional Public Communications Authority
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2016**

Financial Analysis of the Authority (Continued)

These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the Authority's *net position* and changes in them. One can think of the Authority's net position – the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources – as a way to measure the Authority's financial health, or *financial position*. Over time, *increases or decreases* in the Authority's net position are one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions.

Condensed Statement of Net Position

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Change</u>
Assets:			
Current assets	\$ 3,668,069	\$ 2,270,596	\$ 1,397,473
Capital assets, net	<u>8,730,819</u>	<u>8,471,369</u>	<u>259,450</u>
Total assets	<u>12,398,888</u>	<u>10,741,965</u>	<u>1,656,923</u>
Deferred outflows of resources	<u>588,074</u>	<u>541,402</u>	<u>46,672</u>
Liabilities:			
Current liabilities	1,947,603	315,972	1,631,631
Noncurrent liabilities	<u>5,606,555</u>	<u>5,144,278</u>	<u>462,277</u>
Total liabilities	<u>7,554,158</u>	<u>5,460,250</u>	<u>2,093,908</u>
Deferred inflows of resources	<u>861,260</u>	<u>1,363,653</u>	<u>(502,393)</u>
Net position:			
Net investment in capital assets	8,730,819	8,471,369	259,450
Unrestricted (Deficit)	<u>(4,159,275)</u>	<u>(4,011,905)</u>	<u>(147,370)</u>
Total net position	<u>\$ 4,571,544</u>	<u>\$ 4,459,464</u>	<u>\$ 112,080</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets and deferred outflows of resources of the Authority exceeded liabilities and deferred inflows of resources by \$4,571,544 as of June 30, 2016.

By far the largest portion of the Authority's net position reflects its investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The Authority uses these capital assets to provide services to its members and client agencies; consequently, these assets are *not* available for future spending.

At the end of fiscal year 2016, the Authority shows a negative balance in its unrestricted net position of (\$4,159,275), which is due primarily to the net pension liability on the statement of net position of \$4,084,007. The Executive Committee has taken action to reserve aspects of the unrestricted net position for specified purposes such as operating reserves and future other post-employment benefits funding.

**South Bay Regional Public Communications Authority
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2016**

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Change</u>
Revenues:			
Operating revenues	\$ 10,330,995	\$ 9,605,260	\$ 725,735
Non-operating revenues	<u>9,670</u>	<u>7,460</u>	<u>2,210</u>
Total revenues	<u>10,340,665</u>	<u>9,612,720</u>	<u>727,945</u>
Expenses:			
Operating expenses	9,581,298	9,360,711	220,587
Depreciation expense	<u>647,287</u>	<u>505,670</u>	<u>141,617</u>
Total expenses	<u>10,228,585</u>	<u>9,866,381</u>	<u>362,204</u>
Change in net position	<u>112,080</u>	<u>(253,661)</u>	<u>365,741</u>
Net Position:			
Beginning of year	4,459,464	9,550,467	(5,091,003)
Prior period adjustments	<u>-</u>	<u>(4,837,342)</u>	<u>4,837,342</u>
End of year	<u>\$ 4,571,544</u>	<u>\$ 4,459,464</u>	<u>\$ 112,080</u>

The Statement of Revenues, Expenses, and Changes in Net Position show how the Authority's net position changed during the fiscal year. In the case of the Authority, net position increased by \$112,080 as of June 30, 2016.

In 2016, a closer examination of the sources of changes in net position reveals that the Authority's total revenues increased by \$727,945, due primarily to increases in member assessments and contract reimbursements. In addition, total expenses increased by \$362,204, due primarily to increases in salaries, benefits and depreciation expense.

Capital Asset Administration

Capital assets balances as of June 30, are as follows:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Non-depreciable assets	\$ 495,554	\$ 1,178,999
Depreciable assets	14,261,399	12,849,081
Accumulated depreciation	<u>(6,026,134)</u>	<u>(5,556,711)</u>
Total capital assets, net	<u>\$ 8,730,819</u>	<u>\$ 8,471,369</u>

The capital asset activities of the Authority are summarized above and in Note 3 to the basic financial statements.

Conditions Affecting Current Financial Position

The operations of the Authority are funded by assessments from its members. Changes in the economy are unlikely to directly impact the Authority. Management is not aware of past, present or future conditions that would have a significant impact on the Authority's financial position and/or net position

**South Bay Regional Public Communications Authority
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2016**

Requests for Information

This financial report is designed to provide the Authority's funding sources, customers, stakeholders and other interested parties with an overview of the Authority's financial operations and financial condition. Questions regarding the information included in this report, or requests for additional financial information should be addressed to South Bay Regional Public Communications Authority, 4440 West Broadway, Hawthorne, CA 90250.

BASIC FINANCIAL STATEMENTS

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South Bay Regional Public Communications Authority

Balance Sheet

June 30, 2016

ASSETS	
Current assets:	
Cash and investments (Note 2)	\$ 3,138,554
Accrued interest receivable	2,430
Accounts receivable	377,928
Prepaid items	62,229
Materials and supplies inventory	86,928
Total current assets	<u>3,668,069</u>
Noncurrent assets:	
Capital assets, net (Note 4)	8,730,819
Total noncurrent assets	<u>8,730,819</u>
Total assets	<u>12,398,888</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension contributions made after the measurement date (Note 9)	553,317
Adjustment due to differences in proportions (Note 9)	2,216
Differences between expected and actual experience (Note 9)	32,541
Total deferred outflows of resources	<u>588,074</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	119,424
Accrued salaries and benefits	223,668
Member deposits and unearned revenue (Note 3)	1,493,625
Long-term liabilities – due within one year:	
Compensated absences (Note 5)	110,886
Total current liabilities	<u>1,947,603</u>
Noncurrent liabilities:	
Long-term liabilities – due within one year:	
Compensated absences (Note 5)	332,659
Net other post-employment benefits payable (Note 7)	1,189,889
Net pension liability (Note 9)	4,084,007
Total noncurrent liabilities	<u>5,606,555</u>
Total liabilities	<u>7,554,158</u>
DEFERRED INFLOWS OF RESOURCES	
Differences between projected and actual earnings on pension plan investments (Note 9)	154,336
Difference between actual and proportionate share of employer contributions (Note 9)	159,935
Adjustment due to differences in proportions (Note 9)	239,119
Changes in assumptions (Note 9)	307,870
Total deferred inflows of resources	<u>861,260</u>
NET POSITION	
Investment in capital assets	8,730,819
Unrestricted (Deficit)	(4,159,275)
Total net position	<u>\$ 4,571,544</u>

South Bay Regional Public Communications Authority
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2016

Operating revenues:	
Assessments from member cities	\$ 9,315,144
Charges for services	687,142
Reimbursement from the State and other governmental agencies	291,969
Other revenue	<u>36,740</u>
Total operating revenues	<u>10,330,995</u>
Operating expenses:	
Administration	1,304,138
Operations	5,902,212
Technical services	2,110,201
Other projects	<u>264,747</u>
Total operating expenses	<u>9,581,298</u>
Operating income before depreciation expense	<u>749,697</u>
Depreciation expense	(594,318)
Depreciation expense – SHSG Punta	<u>(52,969)</u>
Total depreciation expense	<u>(647,287)</u>
Operating income	<u>102,410</u>
Non-operating revenues(expenses):	
Investment earnings	<u>9,670</u>
Total non-operating revenues	<u>9,670</u>
Change in net position	112,080
Net position:	
Beginning of year	<u>4,459,464</u>
End of year	<u><u>\$ 4,571,544</u></u>

South Bay Regional Public Communications Authority
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2016

Cash flows from operating activities:	
Cash receipts for dispatching services	\$ 11,506,659
Cash paid to vendors and suppliers for materials and services	(3,606,749)
Cash paid for salaries and wages	<u>(5,573,142)</u>
Net cash provided by operating activities	<u>2,326,768</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(906,737)</u>
Net cash (used in) capital and related financing activities	<u>(906,737)</u>
Cash flows from investing activities:	
Proceeds from investment earnings	<u>8,817</u>
Net cash provided by investing activities	<u>8,817</u>
Net increase in cash and investments	1,428,848
Cash and cash equivalents:	
Beginning of year	<u>1,709,706</u>
End of year	<u><u>\$ 3,138,554</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 102,410</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	647,287
Changes in assets – (increase)decrease:	
Accounts receivable	(317,307)
Prepaid items	106,963
Materials and supplies inventory	242,572
Change in deferred outflows of resources – (increase)decrease	
Pension contributions made after the measurement date	(45,623)
Adjustment due to differences in proportions	1,231
Differences between expected and actual experience	(32,541)
Changes in liabilities – increase(decrease):	
Accounts payable and accrued expenses	91,978
Accrued salaries and benefits	41,973
Member deposits and unearned revenue	1,492,971
Compensated absences	18,837
Net other post-employment benefits payable	255,832
Net pension liability	192,317
Change in deferred inflows of resources – increase(decrease)	
Differences between projected and actual earnings on pension plan investments	(1,153,452)
Difference between actual and proportionate share of employer contributions	134,331
Adjustment due to differences in proportions	239,119
Changes in assumptions	<u>307,870</u>
Total adjustments	<u>2,224,358</u>
Net cash provided by operating activities	<u><u>\$ 2,326,768</u></u>
Non-cash investing, capital and financing transactions:	
Change in fair-value of investments	<u><u>\$ 1,092</u></u>

See accompanying Notes to the Basic Financial Statements.

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NOTES TO THE BASIC FINANCIAL STATEMENTS

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South Bay Regional Public Communications Authority
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

Note 1 – Reporting Entity and Summary of Significant Accounting Policies

Organization and Operations of the Reporting Entity

The South Bay Regional Public Communications Authority (Authority) was organized on October 14, 1975, under the provisions of the Joint Exercise of Powers Act of the Government Code of the State of California. The purpose of the Authority is to provide a forum for discussion, study, development, implementation, operations, and maintenance of a consolidated regional public safety services communications system. At the present time, the Authority serves the Cities of Gardena, Hawthorne, and Manhattan Beach in the aforementioned capacity. Additionally, the Authority serves the Cities of Hermosa Beach and El Segundo in a non-member capacity.

Basis of Presentation

Financial statement presentation follows the recommendations promulgated by the Governmental Accounting Standards Board (GASB) commonly referred to as accounting principles generally accepted in the United States of America (U.S. GAAP). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting standards.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Financial Statements (i.e., the statement of net position, the statement of revenues, expenses and changes in net position, and statement of cash flows) report information on all of the activities of the primary government. The Authority accounts for its operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services on a continuing basis be financed or recovered primarily through member assessments and charges for services; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The 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 when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as all eligibility requirements have been met. Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal period.

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources, and Net Position*, the Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

Deferred Outflows of Resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

Deferred Inflows of Resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, will not be recognized as a revenue until that time

Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in net position during the reporting period. Actual results most likely will differ from those estimates.

South Bay Regional Public Communications Authority
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Substantially all of the Authority's cash is invested in interest bearing accounts. The Authority considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Investments

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the statement of net position, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

Level 1 – Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.

Level 2 – Inputs, other than quoted prices included in Level 1 that are observable for the assets or liabilities through corroboration with market data at the measurement date.

Level 3 – Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the assets or liabilities at the measurement date.

Accounts Receivable

Management deems all accounts receivable as collectible at year-end. Accordingly, an allowance for doubtful accounts has not been recorded. Historical experience indicates that uncollectible accounts receivable are immaterial.

Prepaid Items

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

Materials and Supplies Inventory

Materials and supplies inventory consists primarily of equipment for police vehicles such as sirens, modems, light fixtures and wire harness. Inventory is valued at cost using a weighted average cost method. Inventory items are charged to expense at the time that individual items are inventoried at year-end.

Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. The Authority's policy has set the capitalization threshold for reporting capital assets at \$5,000. Donated assets are recorded at estimated fair market value at the date of donation. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized. Depreciation is recorded on a straight-line basis over the estimated useful life of the assets. The estimated useful life of buildings, automobiles, property, and equipment ranges from five to forty years.

South Bay Regional Public Communications Authority
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Construction-in-Process

The costs associated with developmental stage projects are accumulated in an in-progress account until the project is fully developed. Once the project is complete and in use, the entire cost of the project is transferred to a capital asset account and depreciated over its estimated useful life.

Compensated Absences

The Authority accounts for compensated absences (unpaid vacation, compensatory time and holiday leave) in accordance with generally accepted accounting principles. The Authority is required to accrue a liability, with a corresponding charge to current operations, for employees' right to receive compensation in future years when certain conditions are met. The Authority accrues unpaid vacation, compensatory time and holiday leave.

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 pension of the Authority's pension plans and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

The following timeframes are used for pension reporting:

CalPERS

Valuation date	June 30, 2014
Measurement date	June 30, 2015
Measurement period	July 1, 2014 to June 30, 2015

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retirees) as of the beginning of the measurement period.

Net Position

The financial statements utilize a net position presentation. Net position is categorized as follows:

Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt outstanding against the acquisition, construction or improvement of those assets.

Restricted– This component of net position consists of external constraints placed on net position imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This This component of net position is the amount of the assets, deferred outflows or resources, liabilities, and deferred inflows of resources that are not included in the determination of net investments in capital assets or the restricted component of net position.

South Bay Regional Public Communications Authority
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Accounting Changes

During year ended June 30, 2016, the Authority has implemented the following new GASB pronouncement:

Statement No. 72, *Fair Value Measurement and Application*, which provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosure related to all fair value measurements. Application of this statement is effective for fiscal year ending June 30, 2016.

Statement No. 73, *Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (those not covered by GASB Statements 67 and 68). Application of this statement is effective for the Authority’s fiscal year ending June 30, 2016, except those provisions that address employers and governmental nonemployer contributing entities that are not within the scope of GASB Statement 68, which are effective for financial statements for fiscal year ending June 30, 2017.

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement reduces the generally accepted accounting principles (GAAP) hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the American Institute of Certified Public Accountants that is cleared by the GASB. Application of this statement is effective for fiscal year ending June 30, 2016.

Note 2 – Cash and Investments

Cash and investments as of June 30, 2016 consist of the following:

Description	Balance
Cash on hand	\$ 1,133
Deposits with financial institutions	764,646
Investments	2,372,775
Total cash and investments	\$ 3,138,554

South Bay Regional Public Communications Authority
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 2 – Cash and Investments (Continued)

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 the Authority’s investment policy does 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 market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies.

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 Code and the Authority’s investment policy contains legal and 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 external investment pools.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The longer the maturity an investment has the greater its fair value has sensitivity to changes in market interest rates. The Authority’s investment policy follows the Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

Credit Risk

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 a rating by a nationally recognized statistical rating organization.

Concentration of Credit Risk

The Authority’s investment policy contains various limitations on the amounts that can be invested in any one governmental agency or non-governmental issuer as stipulated by the California Government Code. There were no investments in any one non-governmental issuer that represent 5% or more of the Authority’s total investments as of June 30, 2016.

<u>Investments</u>	<u>Measurement Input</u>	<u>Fair Value June 30, 2016</u>	<u>Maturity 12 Months or Less</u>
External Investment Pools:			
California Local Agency Investment Fund (LAIF)	Level 2	\$ 2,372,775	\$ 2,372,775
Total investments		<u>\$ 2,372,775</u>	<u>2,372,775</u>

South Bay Regional Public Communications Authority
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 2 – Cash and Investments (Continued)

Authorized Investments and Investment Policy

The Authority has adopted an investment policy directing the Fiscal Officer to deposit funds in financial institutions.

Investments are to be made in the following areas:

- California Local Agency Investment Fund (LAIF)
- Non-negotiable certificates-of-deposit
- Governmental agency securities

Investment in California – Local Agency Investment Fund (LAIF)

The Authority is a voluntary participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the Authority's investment in this pool is reported in the accompanying financial statements at amounts based upon the entity'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. Further information about LAIF is available on the California State Controller's website: www.treasurer.ca.gov/pmia-laif/

The Authority's investments with LAIF at June 30, 2016, included a portion of the pool funds invested in structured notes and asset-backed securities:

Structured Notes: debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities: generally mortgage-backed securities that entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (for example, Collateralized Mortgage Obligations) or credit card receivables.

The Authority has \$2,372,775 invested in LAIF, which had invested 2.81% of the pooled investment funds as of June 30, 2016 in structured notes and medium-term asset-backed securities. The LAIF fair value factor of 1.000621222 was used to calculate the fair value of the investments in LAIF as of June 30, 2016.

Note 3 – Member Deposits and Unearned Revenue

At June 30, 2016, The City of El Segundo advance paid its first-quarter fiscal year 2016-2017 installment to the Authority of \$317,766 and the City of Hawthorne advance paid its first-quarter fiscal year 2016-2017 installment to the Authority of \$1,175,859 for a total of \$1,493,625.

South Bay Regional Public Communications Authority
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 4 – Capital Assets

Changes in capital assets for the year ended June 30, 2016, were as follows:

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>
Non-depreciable assets:				
Land and easements	\$ 495,554	\$ -	\$ -	\$ 495,554
Construction-in-process	683,445	-	(683,445)	-
Total non-depreciable assets	<u>1,178,999</u>	<u>-</u>	<u>(683,445)</u>	<u>495,554</u>
Depreciable assets:				
Buildings and improvements	6,177,726	211,630	-	6,389,356
Vehicles and equipment	6,671,355	1,378,552	(177,864)	7,872,043
Total depreciable assets	<u>12,849,081</u>	<u>1,590,182</u>	<u>(177,864)</u>	<u>14,261,399</u>
Accumulated depreciation:				
Buildings and improvements	(1,992,006)	(172,879)	-	(2,164,885)
Vehicles and equipment	(3,564,705)	(474,408)	177,864	(3,861,249)
Total accumulated depreciation	<u>(5,556,711)</u>	<u>(647,287)</u>	<u>177,864</u>	<u>(6,026,134)</u>
Total depreciable assets, net	<u>7,292,370</u>	<u>942,895</u>	<u>-</u>	<u>8,235,265</u>
Total capital assets, net	<u>\$ 8,471,369</u>	<u>\$ 942,895</u>	<u>\$ (683,445)</u>	<u>\$ 8,730,819</u>

A significant portion of total capital asset additions this year of \$906,737 relates to the remodeling of the communication center and the new equipment installed during the remodel.

Note 5 – Compensated Absences

<u>Balance July 1, 2015</u>	<u>Earned</u>	<u>Taken</u>	<u>Balance June 30, 2016</u>	<u>Current Portion</u>	<u>Non-current Portion</u>
\$ 424,708	\$ 321,320	\$ (302,483)	\$ 443,545	\$ 110,886	\$ 332,659

Note 6 – Deferred Compensation Savings Plan

For the benefit of its employees, the Authority participates in a 457 Deferred Compensation Programs (Programs). The purpose of this Program is to provide deferred compensation for public employees that elect to participate in the Program. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death, or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes. Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the Authority is in compliance with this legislation. Therefore, these assets are not the legal property of the Authority, and are not subject to claims of the Authority's general creditors and are not included in the accompanying financial statements. Market value of all plan assets held in trust by ICMA-RC Services, LLC at June 30, 2016, was \$2,597,699.

South Bay Regional Public Communications Authority
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 7 – Net Other Post-Employment Benefits Payable (OPEB)

The Authority provides certain health insurance benefits, in accordance with a memorandum of understanding with its retired employees. Employees, who are at least 50 years of age and have 10 years continuous service with the Authority, become eligible for benefits if they reach normal retirement age while working for the Authority. The Authority recognizes the cost of providing those benefits by expensing \$89,506, which was the portion of the premium paid by the Authority to provide benefits for 11 retirees for fiscal year 2016. The benefits for various bargaining groups are as follows:

Teamsters (Communications Operators):

- 10 years of service – will get \$125/mo. from retirement date till age 65
- 15 years of service – will get \$175/mo. from retirement date till age 65
- 20 years of service – will get \$375/mo. from retirement date till age 65

Those who retired prior to July 1, 2008, shall continue to receive \$582.33 per month, and those who retire prior to July 1, 2018, shall receive \$600 per month, as long as the Authority remains in the Public Employees' Medical & Hospital Care Act (PEMHCA); if no longer in PEMHCA, they will receive above depending on years of service. This includes the minimum contribution required under Government Code Section 22892(b) of PEMHCA, \$115 per month for 2016.

Teamsters (Communications Technicians):

- 10 years of service – will get \$125/mo. from retirement date till age 65
- 15 years of service – will get \$175/mo. from retirement date till age 65
- 20 years of service – will get \$375/mo. from retirement date till age 65

Those who retire prior to July 1, 2018, shall continue to receive \$960.00 per month, as long as the Authority remains in PEMHCA; if no longer in PEMHCA, they will receive above depending on years of service. This includes the minimum contribution required under Government Code Section 22892(b) of PEMHCA, \$115 per month for 2016.

CWA (Communications Supervisors):

- 15 years of service – will get \$250/mo. from retirement date till age 65
- 20 years of service – will get \$450/mo. from retirement date till age 65

Those who retire from the Authority before July 1, 2014, shall receive \$750.00 per month as long as the Authority remains in PEMHCA, or the above if no longer in PEMHCA. This includes the minimum contribution required under Government Code Section 22892(b) of PEMHCA, \$122 per month for 2016.

Management & Confidential

Management and confidential employees receive a benefit of \$30 times the number of years of service as a monthly benefit from their retirement date until the age of 65 (with minimum 10 years of service with the Authority). Those who retire that are classified as management will receive from the Authority before July 1, 2018, \$960.00 per month as long as the Authority remains in PEMHCA, or the above if no longer in PEMHCA. This includes the minimum contribution required under Government Code Section 22892(b) of PEMHCA, \$115 per month for 2016.

South Bay Regional Public Communications Authority
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 7 – Net Other Post-Employment Benefits (OPEB) (Continued)

All Bargaining Groups

The Authority currently contracts with CalPERS for employee group insurance health benefits. If the Authority should terminate its contract with CalPERS, all employees hired prior to April 1, 1986, who are ineligible to participate in Medicare and retire from a classification covered by the memorandum of understanding of each bargaining unit, are receiving retirement benefits from CalPERS and have a minimum of twenty (20) years of full-time employment, shall be entitled to enroll in an Authority-selected health benefit plan. The benefits provided in the health plan selected by the Authority shall equal or exceed the benefits the employee would have received had he/she been eligible to participate in Medicare. The Authority agrees to pay the cost of coverage for the plan in which the employee is enrolled. If the employee resides outside the State of California at the time of eligibility, the Authority agrees to pay the employee the cash equivalent of the cost of coverage for the plan in which the employee would have been enrolled had he/she lived in California. This benefit commences upon the employee reaching the age of 65, at which time he/she would have otherwise been eligible to participate in Medicare. The benefit shall cease if and when the employee becomes eligible to participate in Medicare or an equivalent Government health benefit program.

Annual OPEB Cost and Net OPEB Obligation

The Authority implemented GASB Statement No. 45, which changed the accounting and financial reporting used by local government employers for other post-employment benefits. Previously, the costs of such benefits were generally recognized as expenses of local government employers on a pay-as-you-go basis. The new reporting requirements for these benefit programs as they pertain to the Authority are set forth below.

Plan Description

As previously noted, the Authority pays a portion of the cost of health insurance for retirees subject to certain restrictions as determined by the Authority.

Membership in the OPEB plan consisted of the following members as of July 1, 2015 actuarial valuation:

Active plan members	52
Retirees and beneficiaries receiving benefits	11
Separated plan members entitled to but not yet receiving benefits	-
	-
Total plan membership	63

Funding Policy

The Authority’s annual OPEB cost is calculated based on the *Annual Required Contribution (ARC) of the Employer*, which is an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each fiscal year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate is 4.65% of the annual covered payroll. The Authority currently funds the plan on a pay-as-you-go basis and records a liability for the difference between pay-as-you-go and the actuarially determined ARC cost.

South Bay Regional Public Communications Authority
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 7 – Net Other Post-Employment Benefits (OPEB) (Continued)

Annual Cost

For the year ended June 30, 2016, the Authority's Annual OPEB cost was \$345,338. The Authority's net OPEB obligation amounted to \$1,189,889 for the year ended June 30, 2016. The Authority contributed \$89,506 to the OPEB obligation for the year ended June 30, 2016.

Annual OPEB cost:	
Annual required contribution (ARC)	\$ 334,781
Interest on beginning net OPEB obligation	37,362
Adjustment to annual required contribution	<u>(26,805)</u>
Total annual OPEB cost	345,338
Contributions made	<u>(89,506)</u>
Total change in net OPEB obligation	255,832
Net OPEB obligation:	
Beginning of year	<u>934,057</u>
End of year	<u><u>\$ 1,189,889</u></u>

The Authority's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2015 and the two preceding fiscal years were as follows:

<i>Three-Year History of Net OPEB Obligation</i>				
Fiscal Year Ended	Annual OPEB Cost	Contributions	Percentage of Annual OPEB Cost of Retiree Benefits	Net OPEB Obligation Payable
6/30/2015	\$ 345,338	\$ 85,283	24.70%	\$ 1,189,889
6/30/2014	231,494	85,283	36.84%	934,057
6/30/2013	225,299	70,441	31.27%	787,846

The most recent valuation (dated July 1, 2015) includes an Actuarial Accrued Liability and Unfunded Actuarial Accrued Liability of \$3,493,132. There are no plan assets because the Authority funds on a pay-as-you-go basis. The covered payroll (annual payroll of active employees covered by the plan) for the year ended June 30, 2015, was \$5,420,367. The ratio of the unfunded actuarial accrued liability to annual covered payroll is 64.44%.

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and the pattern of sharing of costs between the employer and plan members to that point. Consistent with the long-term perspective of actuarial calculations, actuarial methods, and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities for benefits.

South Bay Regional Public Communications Authority
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 7 – Net Other Post-Employment Benefits (OPEB) (Continued)

Actuarial Methods and Assumptions (Continued)

The following is a summary of the actuarial assumptions and methods:

Valuation date	July 1, 2015
Actuarial cost method	Projected unit credit
Amortization method	Level dollar
Remaining amortization period	24 Years of the valuation date
Asset valuation method:	30 Year smoothed market
Actuarial assumptions:	
Discount rate	4.00%
Projected salary increase	3.00%
Inflation - discount rate	4.00%
Healthcare trend rate	8.00%

Note 8 – Conduit Debt

In January 2001, the Authority issued three series of bonds to finance the costs of the acquisition, construction, installation, and equipping of the main facility with emergency communications equipment (the Project). The \$3,060,000 2001 Revenue Bonds Series A, \$4,300,000 2001 Variable Rate Demand Revenue Bonds Series B, and \$2,180,000 2001 Variable Rate Demand Revenue Bonds Series C, are payable from the revenues derived primarily from project financing and operating payments by the Cities of Gardena, Hawthorne, and Manhattan Beach, respectively. In fiscal year 2007, the Cities of Gardena and Hawthorne refunded their portion of the conduit debt. In fiscal year 2013, the City of Manhattan Beach paid off their portion of the conduit debt.

Those bond issues are not reflected as the Authority's long-term debt because the individual debt is solely payable from and secured by specific revenue sources described in the official statements of the respective issues. Neither the faith and credit of the Authority, nor the taxing power the State of California or any political subdivision thereof, is pledged for payment of these bonds. Accordingly, since this debt does not constitute an obligation of the Authority, it is not included in the accompanying basic financial statements.

	Original Issuance	Amount Outstanding July 1, 2015	Reductions	Amount Outstanding June 30, 2016
2007 Refunding Bonds – City of Gardena	\$ 2,800,000	\$ 2,015,000	\$ (85,000)	\$ 1,930,000
2007 Refunding Bonds – City of Hawthorne	3,925,000	3,030,000	(135,000)	2,895,000
Total	\$ 6,725,000	\$ 5,045,000	\$ (220,000)	\$ 4,825,000

South Bay Regional Public Communications Authority
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 9 – Net Pension Liability and Defined Benefit Pension Plan

Summary

<u>Type of Account</u>	<u>Balance as of July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance as of June 30, 2016</u>
Deferred Outflows of Resources:				
Pension contributions made after the measurement date:				
CalPERS – Miscellaneous Plan	\$ 507,694	\$ 553,317	\$ (507,694)	\$ 553,317
Difference between actual and proportionate share of employer contributions:				
CalPERS – Miscellaneous Plan	25,153	-	(25,153)	-
Adjustment due to differences in proportions:				
CalPERS – Miscellaneous Plan	8,555	-	(6,339)	2,216
Differences between expected and actual experience:				
CalPERS – Miscellaneous Plan	-	44,163	(11,622)	32,541
Total deferred outflows of resources	<u>\$ 541,402</u>	<u>\$ 597,480</u>	<u>\$ (550,808)</u>	<u>\$ 588,074</u>
Net Pension Liability:				
CalPERS – Miscellaneous Plan	<u>\$ 3,891,690</u>	<u>\$ 700,011</u>	<u>\$ (507,694)</u>	<u>\$ 4,084,007</u>
Deferred Inflows of Resources:				
Differences between projected and actual earnings on pension plan investments:				
CalPERS – Miscellaneous Plan	\$ 1,307,788	\$ 15,501	\$ (1,168,953)	\$ 154,336
Difference between actual and proportionate share of employer contributions:				
CalPERS – Miscellaneous Plan	50,757	169,565	(60,387)	159,935
Adjustment due to differences in proportions:				
CalPERS – Miscellaneous Plan	5,108	324,519	(90,508)	239,119
Changes in assumptions:				
CalPERS – Miscellaneous Plan	-	417,823	(109,953)	307,870
Total deferred inflows of resources	<u>\$ 1,363,653</u>	<u>\$ 927,408</u>	<u>\$ (1,429,801)</u>	<u>\$ 861,260</u>

South Bay Regional Public Communications Authority
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 9 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

General Information about the Pension Plans

The Plans Description Schedule

The Authority has engaged with CalPERS to administer the following pension plans for its employees (members):

	Miscellaneous Plans		
	Classic Tier 1	Classic Tier 2	PEPRA Tier 3
Hire date	Prior to December 24, 2011	December 24, 2011 to December 31, 2012	On or after January 1, 2013
Benefit formula	2.5% @ 55	2.0 @ 60	2.0 @ 62
Benefit vesting schedule	5-years or service	5-years or service	5-years or service
Benefits payments	monthly for life	monthly for life	monthly for life
Retirement age	55 - 60 & up	60-65 & up	62 - 67 & up
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.092 to 2.418	1.0% to 2.5%
Required member contribution rates	7.000%	7.000%	6.250%
Required employer contribution rates	11.522%	8.005%	6.237%

Plan Description

The Authority contributes to the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A full description of the pension plan, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2014 Annual Actuarial Valuation Report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

Members Covered by Benefit Terms

At June 30, 2014 (Valuation Date), the following members were covered by the benefit terms:

Plan Members	Miscellaneous Plans			Total
	Classic Tier 1	Classic Tier 2	PEPRA Tier 3	
Active members	55	2	3	60
Transferred and terminated members	92	2	-	94
Retired members and beneficiaries	45	-	-	45
Total plan members	192	4	3	199

South Bay Regional Public Communications Authority
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 9 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

General Information about the Pension Plans (Continued)

Benefits Provided

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A Classic CalPERS Miscellaneous member becomes eligible for service retirement upon attainment of age 55 with at least 5 years of credited service. Public Employees' Pension Reform Act (PEPRA) Miscellaneous members become eligible for service retirement upon attainment of age 62 with at least 5 years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the monthly average of the member's highest 36 full-time equivalent monthly pay. Retirement benefits for Classic Miscellaneous and Safety members are calculated as a percentage of their plan based the average final 36 months compensation. Retirement benefits for PEPRA Miscellaneous members are calculated as a percentage of their plan based the average final 36 months compensation.

Participant members are eligible for non-industrial disability retirement if they become disabled and have at least 5 years of credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8% of final compensation, multiplied by service. Industrial disability benefits are not offered to miscellaneous employees.

A member's beneficiary may receive the basic death benefit if the member dies while actively employed. The member must be actively employed with the Authority to be eligible for this benefit. A member's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the members' accumulated contributions, where interest is currently credited at 7.5 percent per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

Upon the death of a retiree, a one-time lump sum payment of \$500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Benefit terms provide for annual cost-of-living adjustments to each member's retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 3%.

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers will 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 CalPERS' annual actuarial valuation process. The public agency cost-sharing plans covered by the Miscellaneous risk pool, 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 members. For the measurement period ended June 30, 2015 (Measurement Date), the active member contribution rate for the Classic Miscellaneous Plan and the PEPRA Miscellaneous Plan are based above in the Plans Description schedule.

South Bay Regional Public Communications Authority
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 9 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans

Actuarial Methods and Assumptions Used to Determine the Total Pension Liability

For the measurement period ended June 30, 2015 (Measurement Date), the total pension liability was determined by rolling forward the June 30, 2014 total pension liability. Both the June 30, 2014 and the June 30, 2015 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds. The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. The long-term expected rate of return on the pension plan investments was determined in which best-estimate ranges of expected future real rates are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were considered. 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.

The long-term expected rate of return on pension 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 pension plan investment expense and inflation) are developed for each major *asset class*.

The table below reflects 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 geometric rates of return are net of administrative expenses.

South Bay Regional Public Communications Authority
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 9 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Discount Rate (Continued)

<u>Investment Type</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10¹</u>	<u>Real Return Years 11+²</u>
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
	<u>100.00%</u>		

¹ An expected inflation rate-of-return of 2.5% is used for years 1 – 10.

² An expected inflation rate-of-return of 3.0% is used for years 11+.

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.65%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65%) or 1 percentage-point higher (8.65%) than the current rate:

<u>Plan Type</u>	<u>Plan's Net Pension Liability/(Asset)</u>		
	<u>Discount Rate - 1%</u>	<u>Current Discount</u>	<u>Discount Rate + 1%</u>
	<u>6.65%</u>	<u>Rate 7.650%</u>	<u>8.65%</u>
CalPERS – Miscellaneous Plan	\$ 7,405,640	\$ 4,084,007	\$ 1,341,613

Pension Plan Fiduciary Net Position

Detail information about the plan's fiduciary net position is available in the separately issued CalPERS financial report and can be obtained from CalPERS' website under Forms and Publications.

Proportionate Share of Net Pension Liability and Pension Expense

The following table shows the plan's proportionate share of the risk pool collective net pension liability over the measurement period for the Miscellaneous Plan:

<u>Plan Type and Balance Descriptions</u>	<u>Plan Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Change in Plan Net Pension Liability</u>
CalPERS – Miscellaneous Plan:			
Balance as of June 30, 2014 (Measurement Date)	\$ 22,931,075	\$ 19,039,385	\$ 3,891,690
Balance as of June 30, 2015 (Measurement Date)	\$ 24,390,296	\$ 20,306,289	\$ 4,084,007
Change in Plan Net Pension Liability	<u>\$ 1,459,221</u>	<u>\$ 1,266,904</u>	<u>\$ 192,317</u>

South Bay Regional Public Communications Authority
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 9 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool.

- (1) In determining a cost-sharing plan’s proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2014). The risk pool’s fiduciary net position (“FNP”) subtracted from its total pension liability (TPL) determines the net pension liability (NPL) at the valuation date.
- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2015). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool’s FNP at the measurement date denotes the aggregate risk pool’s FNP at June 30, 2015 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2014-15 fiscal year).
- (3) The individual plan’s TPL, FNP and NPL are also calculated at the valuation date.
- (4) Two ratios are created by dividing the plan’s individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool’s total TPL and FNP, respectively.
- (5) The plan’s TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan’s FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.
- (6) The plan’s NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

The Authority’s proportionate share of the net pension liability was as follows:

	<u>Percentage Share of Risk Pool</u>		<u>Change Increase/ (Decrease)</u>
	<u>Fiscal Year Ending June 30, 2016</u>	<u>Fiscal Year Ending June 30, 2015</u>	
Measurement Date	June 30, 2015	June 30, 2014	
Percentage of Risk Pool Net Pension Liability	0.148863%	0.157463%	-0.008600%
Percentage of Plan (PERF C) Net Pension Liability	0.059500%	0.062543%	-0.003043%

For the year ended June 30, 2016, the Authority recognized pension expense/(credit) in the amounts of \$196,572 for the CalPERS Miscellaneous Plan.

The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized over 5-years straight line. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period.

South Bay Regional Public Communications Authority
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 9 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the risk pool. The EARSL for risk pool for the 2014-15 measurement period is 3.8 years, which was obtained by dividing the total service years of 460,700 (the sum of remaining service lifetimes of the active employees) by 122,789 (the total number of participants: active, inactive, and retired).

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Account Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions made after the measurement date	\$ 553,317	\$ -
Adjustment due to differences in proportions	2,216	-
Differences between expected and actual experience	32,541	-
Differences between projected and actual earnings on pension plan investments	-	154,336
Difference between actual and proportionate share of employer contributions	-	159,935
Adjustment due to differences in proportions	-	239,119
Changes in assumptions	-	307,870
Total Deferred Outflows/(Inflows) of Resources	\$ 588,074	\$ 861,260

The Authority will recognize \$553,317 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date as a reduction of the net pension liability in the fiscal year ended June 30, 2017, as noted above.

Amortization of Deferred Outflows of Resources and Deferred Inflows of Resources

Other remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized to pension expense in future periods as follows:

<u>Amortization Period Fiscal Year Ended June 30</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2017	\$ 566,170	\$ 372,945
2018	12,607	371,117
2019	9,297	314,483
2020	-	(197,285)
Total	\$ 588,074	\$ 861,260

South Bay Regional Public Communications Authority
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 10 – Risk Management

The Authority is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority is insured for all risks of loss through insurance companies. The following is a summary of the insurance policies carried by the Authority as of June 30, 2016:

<u>Insurance Risk</u>	<u>Coverage per Incident</u>	<u>Coverage in Aggregate</u>	<u>Deductible</u>
Commerical general liability	\$ 1,000,000	\$ 1,000,000	N/A
Automobile	1,000,000	N/A	N/A
Property coverage	N/A	10,446,000	2,500
Excess commerical general liability	4,000,000	4,000,000	N/A
Workers' compensation	Statutory	N/A	N/A
Government crime	250,000	N/A	2,500
Employee-related practices liability	5,000,000	5,000,000	15,000
Public entity management liability	1,000,000	1,000,000	15,000
Employee benefits liability	1,000,000	3,000,000	1,000
Law enforcement liability	1,000,000	1,000,000	15,000

Note 11 – Commitments and Contingencies

Grant Awards

Grant funds received by the Authority are subject to audit by the grantor agencies. Such audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the Authority believes that such disallowances, if any, would not be significant.

Litigation

In the ordinary course of operations, the Authority is subject to claims and litigation from outside parties. In the opinion of the Authority's management, there is no pending litigation which is likely to have a material adverse effect on the financial position of the Authority.

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REQUIRED SUPPLEMENTARY INFORMATION

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South Bay Regional Public Communications Authority
Required Supplementary Information (Unaudited)
Schedule of the Authority's Proportionate Share of the Plan's Net Pension Liability
For the Year Ended June 30, 2016

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Measurement Date:	<u>June 30, 2015¹</u>	<u>June 30, 2014¹</u>
Authority's Proportion of the Net Pension Liability	0.059500%	0.062543%
Authority's Proportionate Share of the Net Pension Liability	\$ 4,084,007	\$ 3,891,690
Authority's Covered-Employee Payroll	\$ 4,665,871	\$ 4,485,167
Authority's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	<u>87.53%</u>	<u>86.77%</u>
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	<u>78.40%</u>	<u>79.82%</u>

¹ Historical information is required only for measurement periods for which GASB No. 68 is applicable.

South Bay Regional Public Communications Authority
Required Supplementary Information (Unaudited)
Schedule of the Authority's Contributions to the Pension Plan
For the Year Ended June 30, 2016

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Fiscal Year:	<u>2015-16¹</u>	<u>2014-15¹</u>	<u>2013-14¹</u>
Actuarially Determined Contribution ²	\$ 553,317	\$ 507,694	\$ 480,107
Contribution in Relation to the Actuarially Determined Contribution ²	<u>(553,317)</u>	<u>(507,694)</u>	<u>(480,107)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's Covered-Employee Payroll ³	<u>\$ 4,773,439</u>	<u>\$ 4,665,871</u>	<u>\$ 4,485,167</u>
Contributions as a Percentage of Covered-Employee Payroll	<u>11.59%</u>	<u>10.88%</u>	<u>10.70%</u>

¹ Historical information is required only for measurement periods for which GASB No. 68 is applicable.

² Employers are assumed to make contributions equal to the actuarially determined contributions (which is the actuarially determined contribution). However, some employers may choose to make additional contributions towards their side-fund or their unfunded liability. Employer contributions for such plan exceed the actuarial determined contributions. CalPERS has determined that employer obligations referred to as *side-funds* are not considered separately financed specific liabilities.

³ Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB No. 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

Notes to the Schedule:

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes)

South Bay Regional Public Communications Authority
Required Supplementary Information (Unaudited)
Schedule of Funding Progress – Other Post-Employment Benefit Plan
For the Year Ended June 30, 2016

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Unfunded (Overfunded) Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2015	\$ -	\$ 3,493,132	\$ 3,493,132	0.00%	\$ 5,420,367	64.44%
July 1, 2012	\$ -	\$ 2,197,020	\$ 2,197,020	0.00%	\$ 4,881,175	45.01%
July 1, 2009	\$ -	\$ 1,657,755	\$ 1,657,755	0.00%	\$ 4,409,444	37.60%

Notes to the Schedule:

Funding progress is presented for the year(s) that an actuarial study has been prepared since the effective date of GASB Statement 45. Actuarial review and analysis of the post-employment benefits liability and funding status is performed every two years or annually, if there are significant changes in the plan. The next scheduled actuarial review and analysis of the post-employment benefits liability and funding status will be performed in fiscal year 2018, based on the year ending June 30, 2017.