

**SPECIAL MEETING OF THE BOARD OF DIRECTORS OF
THE MONTECITO FIRE PROTECTION DISTRICT**

Held at Fire District Headquarters, 595 San Ysidro Road, May 11, 2009. The meeting was called to order by Director Venable at 4:02 p.m. Present were, Director Venable and Director Newquist. Director Jensen arrived after the meeting was called to order. Others present at the meeting: M. Lee, M. Manion, M. Nelson, P. Purguy, G. Ventura, K. Wallace.

1. There was no public comment.
2. Chief Wallace reminded the Board that GASB45 is an accounting standard that the state of California adopted, which dictates how public agencies account for post retirement benefits and becomes effective 2009/10.

AON consulting prepared a draft report of the possible actions the District can take to follow the GASB45 requirements.

Chief Wallace presented a review of current funding, estimating that at the end of this fiscal year, Fund 3653 (which is set aside for land and building) will have \$5, 994,892.92.

At 9:04 am, Carlos Trujillo and Brad Au from AON consulting joined the meeting via conference call.

Mr. Trujillo advised that the District needs to decide how much involvement they want in managing of a trust if they want to prefund for GASB45. They can choose to use Cal PERS or establish a Section 115 trust. The Section 115 trust provides the most flexibility, but requires more management. Cal PERS handles all formation and management.

Director Venable asked if we could utilize a local bank to manage the fund. Mr. Trujillo advised that the District could utilize a local bank, but suggested using a firm with experience with these types of accounts.

Director Newquist stated that he worries that the state could take funds from Cal PERS if they needed money. Mr. Trujillo advised that it is safe in either vehicle of investment; once money is deposited in an irrevocable trust, it cannot be taken out for anything but post retirement benefits.

Director Venable asked if the District could pull out and move to another firm if we were unhappy with their management. Mr. Manion advised that the PARS agreement he recently reviewed allows for transfer to another irrevocable trust, but requires 90 days notice.

Minutes of the May 11, 2009 Special Meeting

Director Venable asked what happens if the District had a bond and defaulted on it. Mr. Trujillo advised that there would be a risk of losing assets that are mortgaged for the bond.

Director Jensen stated that he would like to see the District utilize Cal PERS, as they are the easiest to work with and we already a relationship with them. He stated that managing the fund ourselves would require a new unit within the District to manage it.

The conference call concluded at 9:22 am.

Chief Wallace advised that he feels prefunding is a wise choice for the District to pursue, however, there may be problems with transferring funds from Fund 3653. He will research to see how this can be done, and bring back information for the Board to review.

Director Newquist suggested that until it can be determined whether or not the funds in 3653 can be transferred, the District should put the money that the District has previously been putting into the Station 3 land and building fund into an account that can be used for prefunding in the 2009/10 Fiscal Budget.

The Board directed the Fire Chief to include prefunding in next year's budget and research the fees associated with Cal PERS and at least one other funding option.

3. Chief Wallace reviewed the current status of the Jesusita Fire.
4. President Jensen adjourned the meeting at 9:50 am

Roland J. Jensen

John Venable