



BIGHORN-DESERT VIEW WATER AGENCY

"To provide a high quality supply of water and reliable service to all customers at a fair and reasonable rate."

Finance/Public Relations/Education and Personnel Standing Committee Meeting Agenda

Committee Members: President McBride & Director Coulombe

**BOARD MEETING OFFICE
1720 N. CHEROKEE TR.
LANDERS, CALIFORNIA 92285**

**September 18, 2019
Time – 9:00 A.M.**

- 1. CALL TO ORDER**
- 2. PLEDGE OF ALLEGIANCE**
- 3. ROLL CALL**
- 4. APPROVAL OF AGENDA**

Discussion and Action Items - The Committee and Staff will discuss the following items and the Committee will consider taking action, if so inclined. The public is invited to comment on any item on the agenda during discussion of that item. When giving your public comment, please have your information prepared. If you wish to be identified for the record then please state your name. Due to time constraints, each member of the public will be allotted three-minutes to provide their public comment.

- 5. Consider Recommending a Budget Adjustment to Pay the CalPERS "Side Fund" in FY2019/20 Saving the Agency Approximately \$18,775 in Interest**
- 6. Consent Items** – The following items are expected to be routine and non-controversial and will be acted on by the Committee at one time without discussion, unless a member of the Public or member of the Committee requests that the item be held for discussion or further action.

- a. FPREP Committee Special Meeting Minutes, July 17, 2019**

Recommended Action:
Approve as presented (Item a)

7. Public Comment Period

Any person may address the Committee on any matter within the Agency's jurisdiction on items not appearing on this agenda. When giving your public comment, please have your information prepared. If you wish to be identified for the record then please state your name. Due to time constraints, each member of the public will be allotted three minutes to provide their public comment. State Law prohibits the Committee from discussing or taking action on items not included on the agenda.

8. Verbal Reports - Including Reports on Courses/Conferences/Meetings.

1. Committee Members' Comments/Reports
2. General Manager's Report

9. Adjournment

In accordance with the requirements of California Government Code Section 54954.2, this agenda has been posted in the main lobby of the Bighorn-Desert View Water Agency, 622 S. Jemez Trail, Yucca Valley, CA not less than 72 hours if prior to a Regular meeting, date and time above; or in accordance with California Government Code Section 54956 this agenda has been posted not less than 24 hours if prior to a Special meeting, date and time above. As a general rule, agenda reports or other written documentation have been prepared or organized with respect to each item of business listed on the agenda. Copies of these materials and other disclosable public records in connection with an open session agenda item, are also on file with and available for inspection at the Office of the Agency Secretary, 622 S. Jemez Trail, Yucca Valley, California, during regular business hours, 8:00 A.M. to 4:30 P.M., Monday through Friday. If such writings are distributed to members of the Board of Directors on the day of a Board meeting, the writings will be available at the entrance to the Board of Directors meeting room at the Bighorn-Desert View Water Agency.

Internet: Once uploaded, agenda materials can also be viewed at www.bdvwa.org

Public Comments: You may wish to submit your comments in writing to assure that you are able to express yourself adequately.

Per Government Code Section 54954.2, any person with a disability who requires a modification or accommodation, including auxiliary aids or services, in order to participate in the meeting, should contact the Board's Secretary at 760-364-2315 during Agency business hours.

Item # 5

**BIGHORN DESERT VIEW WATER AGENCY STANDING COMMITTEE
FINANCE/PUBLIC RELATIONS/EDUCATION/PERSONNEL
AGENDA ITEM SUBMITTAL**

Meeting Date: September 18, 2019

To: FPREP Committee Members

Budgeted: No

Budgeted Amount: \$0

Cost: \$59,957

Funding Source: Unrestricted Reserves

From: Marina D. West

General Counsel Approval: N/A

CEQA Compliance: N/A

Subject: Consider Recommending a Budget Adjustment to Pay the CalPERS "Side Fund" in FY2019/20 Saving the Agency Approximately \$18,775 in Interest

SUMMARY

The Agency's total unfunded pension liability for the Miscellaneous Classic Members is compiled from a CalPERS "Schedule of Plan's Amortization Bases". This document was last produced in July 2019 for the measurement date of June 30, 2018. During the audit process it was noted by the Agency's accounting consultant that if the "Side Fund" were paid off now it would save the Agency the interest charges on that fund applied over the next 7 years.

RECOMMENDATION

Provide direction to staff regarding payoff of the CalPERS Side Fund

BACKGROUND/ANALYSIS

The Agency's total unfunded pension liability for the Miscellaneous Classic Members is compiled from a CalPERS "Schedule of Plan's Amortization Bases". This document was last produced in July 2019 for the measurement date of June 30, 2018. From this the Agency's total unfunded pension liability is projected to be \$736,086 as of June 30, 2019. The schedule is comprised of many line items which are based on assumptions. However, while many of the line items are estimates, the Side Fund balance is reliable.

In 2003 CalPERS combined all public agencies with less than 100 employees into risk pools to calculate annual pension contribution rates. Combining these agencies reduced the volatility of retirement rates from year to year. However, all agencies came into the risk pools with different funding levels. CalPERS created "Side Funds" for each agency to account for the amount that they were under funded when they joined the risk pool. CalPERS charges 7% interest on the Side Fund unfunded liability until it is paid off, which at this point will be 7 years from now.

The total balance of the side fund for the District on 6/30/19 is \$59,597. The Agency would save money by taking its excess cash in LAIF, which is only earning about 2.5%, and paying off the Side Fund to eliminate the future 7% interest payments. The amount of savings in

interested paid to CalPERS vs. interested earned in LAIF is projected to be \$18,775 in interest.

To date the Agency has only recognized the total unfunded liability payment owed to CalPERS on an annual basis in its budgets. This annual payment is made at the beginning of the fiscal year to avoid the 7% interest charged on the annual amount. A portion of the Side Fund balance is paid from the annual total unfunded liability. Therefore, if the Side Fund is paid in full then the total annual unfunded liability principle will adjust down according to the "Schedule of Plan's Amortization Base" and its fluctuating assumptions under a 30-year amortization schedule.

Staff is seeking input from the Committee as to whether or not the Side Fund should be paid as soon as possible. If the Committee concurs then staff will request a budget adjustment from the full Board. If not, staff would like feedback from the Committee on what additional information they would like presented in order to develop a sound recommendation to the full Board for reducing the unfunded liability, if desired, faster than 30-year amortization schedule imposed by CalPERS has projected.

PRIOR RELEVANT BOARD ACTION(S)

none

Schedule of Plan's Amortization Bases

Reason for Base	Date Established	Ramp Up/Down 2020-21	Escalation Rate	Amortization Period	Amounts for Fiscal 2020-21					
					Balance 6/30/18	Payment 2018-19	Balance 6/30/19	Payment 2019-20	Balance 6/30/20	Scheduled Payment for 2020-21
SHARE OF PRE-2013 POOL UAL	06/30/13	No Ramp	2.750%	16	\$195,440	\$15,675	\$192,906	\$16,101	\$189,754	\$16,339
NON-ASSET (GAIN)/LOSS	06/30/13	100% →	2.750%	25	\$(14,113)	\$(748)	\$(14,327)	\$(961)	\$(14,336)	\$(972)
ASSET (GAIN)/LOSS	06/30/13	100% →	2.750%	25	\$211,566	\$11,218	\$214,772	\$14,406	\$214,904	\$14,578
NON-ASSET (GAIN)/LOSS	06/30/14	100% →	2.750%	26	\$203	\$8	\$209	\$11	\$212	\$14
ASSET (GAIN)/LOSS	06/30/14	100% →	2.750%	26	\$(181,017)	\$(7,216)	\$(186,224)	\$(9,885)	\$(189,035)	\$(12,500)
SIDE FUND	2013 or Prior	No Ramp	2.750%	7	\$64,085	\$8,675	\$59,597	\$8,908	\$54,554	\$9,074
ASSUMPTION CHANGE	06/30/14	100% →	2.750%	16	\$117,541	\$6,466	\$119,080	\$8,857	\$118,254	\$11,245
NON-ASSET (GAIN)/LOSS	06/30/15	80% ↗	2.750%	27	\$(9,476)	\$(256)	\$(9,875)	\$(394)	\$(10,159)	\$(531)
ASSET (GAIN)/LOSS	06/30/15	80% ↗	2.750%	27	\$114,756	\$3,097	\$119,585	\$4,772	\$123,020	\$6,434
NON-ASSET (GAIN)/LOSS	06/30/16	60% ↗	2.750%	28	\$(17,587)	\$(244)	\$(18,566)	\$(502)	\$(19,346)	\$(760)
ASSET (GAIN)/LOSS	06/30/16	60% ↗	2.750%	28	\$141,484	\$1,963	\$149,357	\$4,035	\$155,638	\$6,116
ASSUMPTION CHANGE	06/30/16	60% ↗	2.750%	18	\$44,955	\$848	\$47,225	\$1,743	\$48,728	\$2,653
NON-ASSET (GAIN)/LOSS	06/30/17	40% ↗	2.750%	29	\$(3,629)	\$0	\$(3,883)	\$(54)	\$(4,099)	\$(109)
ASSET (GAIN)/LOSS	06/30/17	40% ↗	2.750%	29	\$(70,013)	\$0	\$(74,914)	\$(1,041)	\$(79,081)	\$(2,102)
ASSUMPTION CHANGE	06/30/17	40% ↗	2.750%	19	\$47,183	\$(2,779)	\$53,360	\$1,008	\$56,053	\$2,044
NON-ASSET (GAIN)/LOSS	06/30/18	20% ↗	2.750%	30	\$10,236	\$0	\$10,952	\$0	\$11,719	\$160
ASSET (GAIN)/LOSS	06/30/18	20% ↗	2.750%	30	\$(20,371)	\$0	\$(21,797)	\$0	\$(23,323)	\$(319)
METHOD CHANGE	06/30/18	20% ↗	2.750%	20	\$19,923	\$(138)	\$21,460	\$(142)	\$23,109	\$431
ASSUMPTION CHANGE	06/30/18	20% ↗	2.750%	20	\$70,106	\$(2,084)	\$77,169	\$(2,142)	\$84,786	\$1,581
TOTAL					\$721,272	\$34,485	\$736,086	\$44,720	\$741,352	\$53,376

The (gain)/loss bases are the plan's allocated share of the risk pool's (gain)/loss for the fiscal year as disclosed in "Allocation of Plan's Share of Pool's Experience/Assumption Change" earlier in this section. These (gain)/loss bases will be amortized according to Board policy over 30 years with a 5-year ramp-up.

If the total Unfunded Liability is negative (i.e., plan has a surplus), the scheduled payment is \$0, because the minimum required contribution under PEPR must be at least equal to the normal cost.

No public comment

Verbal Reports

No Verbal Reports

Adjournment – President McBride adjourned the meeting at 4:41 P.M.

Approved by:

Michael McBride, Committee Chair