

AGENDA

BUDGET/PERSONNEL COMMITTEE

Friday, June 5, 2015
1:00 P.M.
Sand City Council Chambers
#1 Sylvan Park, Sand City, CA 93955

1. CALL TO ORDER

2. ROLL CALL

3. COMMUNICATIONS

Members of the Public may address the Budget/Personnel Committee on matters not appearing on the Budget/Personnel Committee Agenda at this time for up to three minutes. In order that the Budget/Personnel Committee Secretary may later identify the speaker in the minutes of the meeting, it is helpful if the speakers state their names. Public comments regarding items on the scheduled agenda will be heard at the time the item is being considered by the Budget/Personnel Committee.

4. NEW BUSINESS

- 1) Discussion on Public Employee Performance Evaluation Process
- 2) Discussion on GASB 68 Requirements

5. OLD BUSINESS

- 1) Consideration and Review of proposed City budget for FY 2015-2016
- 2) Consideration and Review of proposed Successor Agency budget for 2015-2016

6. ADJOURNMENT

This is intended to be a draft agenda. The City reserves the right to add or delete to this agenda as required.

AGENDA

ITEM

4)1

City of Sand City
City Administrator Six (6) Month Evaluation/Improvement Action Plan
May 25, 2015

This City Administrator Improvement Action Plan is intended to address the concerns discussed in the City Administrator performance review session held in May 2015. Below are the general categories taken from the performance evaluation showing action steps with general timelines. This Improvement Plan is developed with the understanding that the City Administrator will provide a State of City Presentation and Organizational Strategic Plan with added depth to the Council by **XX/XX/XXXX** (insert date).

Below is the City Administrator improvement Plan; including but not limited to, the following:

City Administrator's Financial Acuity and Leadership

The City Administrator must develop a plan to manage the financial requirements of the City, and communicate that Plan to the Council, employees, and City residents (as appropriate).

Action

1. Finance and budget training. Immediately attend classes, seminars, and webinars for California local government budget and finance training, and continue that effort as needed. The following sessions have been scheduled:
 - Take Accounting I **on August 24, 2015** at CSUMB \$365/unit (4 units x \$345 = \$1460).
 - Immediately enroll in a Finance and Budget League of California Cities and Association of Accountant Professionals, particularly as it relates to the new GASB 68 Rules on Pensions.
 - Webinar – Future CALPERS Rate Increases Being Studied to Manage Risk and Volatility – **June 4, 2015**.

2. Establish **weekly meetings** with the Director of Administration to review actual status vs. projections as well as preliminary planning for remedies/improvements. A quarterly meeting will be arranged to include the Chief of Police and any other pertinent personnel. This meeting will involve more long range issues such as capital improvements, financial policies, etc. Below are examples of possible tasks:

Task 1: In **6 to 8 months** identify, catalogue, review, amend, and develop financial policies.

Task 2: **Within 6 months**, study the current and anticipated capital improvements needs for the City, develop criteria for prioritization, and present a plan to the City Council. Prepare a Capital

Improvements Program Schedule for pavement, sidewalk, utilities, trails, buildings, rolling stock, etc.

Task 3: In **1 to 2 months**, examine the possibility in reducing certain administrative costs (office supplies, copier, contracts, and services).

Task 4: **Immediately (but ongoing)** explore options and/or partnerships, and contracting in an effort to reduce costs, increase revenue, and improve services.

Task 5: **Immediately** explore ways to further reduce the City costs of post retirement pension and health care. Complete an analysis for Council **by July 2015**.

Task 6: Re-evaluate/revise employee performance review process (Actually start honestly conducting evaluations) and policies and complete this by **July 2015**.

Task 7: Negotiate the POA agreement. **July 2015**.

Task 8. Update Personnel Policies or Manual **July 2015**.

3. Continue to develop relationships with Monterey County City Managers and other officials for exchange of Best Practice information and opportunities for a more complete understanding of local/state requirements and norms.

Goal: Substantive conversation with at least one community/business/entity leader at coffee or lunch **twice per month**.

4. Within **1 year**, develop specific financial strategies to ensure the long-term financial health of the City. Consider retaining a professional financial adviser who is experienced in government fiscal policy; and potentially provide recommendations for the City's overall global financial picture.

City Administrator's Employee Management Ability

The City Administrator must gain a full understanding of the division of labor among City employees, potentially redistribute duties in the interest of efficiency, and monitor and evaluate the effectiveness of each employee's contribution to the City's goals and needs.

Action

1. Management Training. Attend specific programs/webinars/seminars:
 - Mastering the Fundamentals of Day-to-Day Management/AMA – cost \$995 for 3 month subscription.

- Collaborative Governance and Leadership: A 2012 Survey of Local Government Collaboration (e-Document) – cost \$10.98.
2. Identify opportunities to apply labor work force resources more effectively i.e., cross-training, delegating, replacement, outsourcing, redeployment etc. In **3 to 6 months**, develop a staffing needs assessment, which is thereafter reviewed every **6 months**. This assessment will help assist the City Administrator in understanding the division of labor and best practices for staffing efficiency, effectiveness, succession planning, and subsequent recommendations. An employee questionnaire for key personnel in administration was completed in April.
 3. In **3 to 6 months**, develop a succession plan for critical positions and identify training/development opportunities for employees in writing with specific tasks/assignments/training.

City Administrator's Economic Development Leadership & Vision

In the current economic environment, clear and well-planned efforts on behalf of the City Administrator, employees, and other stakeholders are crucial to secure the ongoing economic health of the City. This is a top priority, and appears to have gone unaddressed.

Action

1. Actively engage in promoting California economic developments in concert with EMC Planning Group, City Staff, Committee and Council and other relevant entities to focus extensively with the following developments:
 - a. The South of Tioga project (**ongoing**).
 - b. The Costco Service Station at Tioga (**ongoing**). Negotiate w/DBO land acquisition price.
 - c. Ghandour – Monterey Bay Coastal Resort Project (**ongoing**).
 - d. King Ventures – Collections on Monterey Bay Coastal Resort Projects (**ongoing**). Data collection and City staff time to help King get his coastal permit.
 - e. Long Range Property Management Plan. Draft completed by Kelly Morgan. City Attorney is revising. **Summer of 2015**.
2. In **3 months to 1 year**, develop a Community Development Department Action Plan. Completed or in process are the following:
 - a. Catalogue of City Planning, Housing, and Economic Development Documents (**Completed**)
 - b. Draft Reimbursement Agreements are **completed**. Distribution to Committee by June 30th.
 - c. Flexibility to Parking Requirements. Windshield survey completed. Draft completion due in **August 2015**.
 - d. Amend Subdivision Ordinance. Council approval in **August 2015**.

- e. Amend General Plan for Eventual Update. **2016.**
- f. New Fee Schedule Adoption. Distribution to Committee by **June 3, 2015.**
- g. Identify Grant Funding. **June to December 2015** (and beyond).
- h. Assess Departmental Big Picture Planning and Economic Development improvements. **December 2015.**
- i. Housing Element Update. Public Outreach (**August 2015**). City review of draft in **October 2015.** Council Adoption in **February 2016** (EMC draft schedule in hand).
- j. Hire a part-time contract Code Enforcement person.

City Administrator's Management of External Relationships

The City Administrator must develop, as part of the Strategic Plan, a methodology to review management of all strategic partnerships and resources. Developing relationships with other governmental entities, as well as service providers, should be evaluated and managed actively.

Action

1. The City Administrator has developed external relationships since his tenure. Each of this relationship should be evaluated and determined if it is appropriate. Am regularly attending the following agency meetings:
 - a. AMBAG Technical/Planning.
 - b. FORA Administrative Committee and Working Group.
 - c. MBAIF/MBASIA – Linda mainly, but am going to attend moving forward
 - d. MRWPCA Technical Committee.
 - e. Monterey County Business Council.
 - f. Sand City Oversight Board (Successor Agency).
 - g. TAMC Board Member.
 - h. Monterey Peninsula Water Management District (Technical Advisory Committee)
2. The City Administrator will continue to expand upon networking with local and regional managers and agencies through ongoing meetings. The focus will always be for the promotion, added value, and benefit of Sand City.
3. The City Administrator will evaluate all service providers for efficacy and cost effectiveness in delivery of services. These would include the following groups:
 - a. Planning and Development support entities
 - b. Public Safety support entities
 - c. Contingent staffing entities
 - d. Physical infrastructure support, e.g. street cleaning providers, contractors for commercial areas support
 - e. Administrative/infrastructure support entities, e.g. human resources, IT, accounting
 - f. Contracted maintenance support, e.g. copiers, leased/rented equipment
 - g. Licenses and contracts, e.g. software, vehicle maintenance, inspection

City Administrator's Communication & Leadership Skills

Developing and utilizing methods to get appropriate review and feedback for written communication should be explored and located in order to ensure information is appropriately communicated to each level at which the Administrator must provide information.

Action

Continue the following already instituted:

1. Deliver City Administrator Report to Council/Staff – consult with Council and Staff for suggestions/recommendations of additions/deletions/elaborations.
2. Utilize email and telephone to provide immediate communication where required.
3. Conduct City staff and department head meetings on a weekly, monthly, quarterly basis.
4. Direct staff, and check for staff understanding to facilitate staff communication. Improvements have been made in this area as of this report.
5. **Immediately** take steps to ensure complete understanding of current operations, practices, and procedures as well as ongoing monitoring of these. Take a “hands on” approach. Shadow employees through any process where it would improve complete knowledge. For example, walk through the conditional use process with the Associate Planner and through a typical scenario with the Accounting Technician II. I plan on starting with each Department Head and relevant employee **immediately**.

City Administrator's Council Support

Replying to Council requests and updating previously discussed items is important, but the Council relies on the City Administrator to bring forward and evaluate items that may become future concerns, either verbally or in writing. The Administrator also needs to develop professional writing skills in order to provide appropriate written guidance or information to the Council on matters.

Action

1. The City Administrator will stay relevant, and bring forward items that may be of future concern to the Council. **Bi-Monthly, or as needed**, developing an appropriate list of reading material to stay abreast of developments important to the City and copying Council and staff as appropriate to explain potential impact of relevant items on current (sources: Local newspapers, League news blasts, state agency updates, etc.). Relevant information for a particular party rather than all information to all parties will generally be relayed.
2. Take Business Communication (business writing) class on **January 2, 2016** at MPC (cost: \$46/unit x 3 units = \$138).
3. Conduct an “open forum” type of quarterly presentation to the citizens of Sand City starting in **September 2015**.

In Conclusion

The intent of the Improvement Plan is to provide a structured outline, which can be modified as time progresses. The details will be developed and expanded in forthcoming documents and updates regarding accomplishments and measurable accounts along the way. This will take time to develop and be a work in progress.

Possible Project Goals

1. Complete discussions/negotiations with TAMC on the California Avenue ROW extension through the railroad to Costco, and implement project.
2. Implement the extension of Sand Dunes Drive and the bike trail to Playa Avenue, even if the King Project fails or is delayed.
3. Build a public parking facility centered in the West End area (Carol Property) or Independent Easement. Link that available parking to Zoning Code parking requirements to more easily enable desired uses with high parking demands (i.e., restaurants/café's, exercise studios, class studios, galleries, etc.) in satisfying zoning requirements.
4. Complete street work (sidewalk, curb, gutter, etc.) throughout the West End to include handicapped ramps at corners, decorative crosswalks, etc. Include improved pedestrian link between City Hall and the public plaza at the Independent.
5. Implement the parking concept envisioned in the 2004 Parking Study; starting on 500 and 600 blocks of Ortiz. Program will require evaluation on where this can best be implemented and where it will not work.
6. Convert to underground utilities service (where feasible), and evaluate potential sources to actuate this goal.
3. Implement the transition from PG&E cobra-head lights to decorative street lights for the West End district (multiyear).
4. Evaluation of previous street tree placements and bulb-outs, and determine locations to maintain, replace, or remove. Emphasis should be on expanding street tree opportunities. Tree species to be evaluated to address dropping of leaf issues. This will require identification of appropriate expert input.
5. Improve traffic circulation in and out of the Shopping centers. Could include roundabouts, improved stacking, light re-time, etc.
6. Address development constraints in the East Dunes (primarily Habitat) to promote further residential development.

City Administrator Successes

1. Participated in and negotiated hiring the new Police Chief.
2. Facilitated a City Council Strategic Planning Goal Setting Session in January 2015.
3. Negotiated update of City's website -- currently in progress.
4. Implemented the City newsletter.
5. Directed efforts in fostering the development of the South of Tioga, Costco Service Station, King Venture, and Monterey Bay Shores projects.
6. Marketed the voter approved measure ½ cent sales and use transaction tax, including door-to-door promotion.
7. Hired EMC Planning Group for several community development initiatives, both accomplished and underway. Supervising efforts ongoing.
8. Established recurring staff and department head meetings.
9. Established a fresh outlook and open door management/team oriented philosophy.
10. Established a regular written City Administrator Report.
11. Respond in timely manner to Council inquiries/concerns.

AGENDA

ITEM

4)2

Introduction

This report presents the results of the June 30, 2013 actuarial valuation of the MISCELLANEOUS PLAN of the CITY OF SAND CITY of the California Public Employees' Retirement System (CalPERS). This actuarial valuation was used to set the 2015-16 required employer contribution rates.

On April 17, 2013, the CalPERS Board of Administration approved a recommendation to change the CalPERS amortization and rate smoothing policies. Beginning with the June 30, 2013 valuations that set the 2015-16 rates, CalPERS will employ an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period. The impact of this new actuarial methodology is reflected in the "Analysis of Future Investment Return Scenarios" subsection of the "Risk Analysis" section of your report.

On January 1, 2013, the Public Employees' Pension Reform Act of 2013 (PEPRA) took effect. In addition to creating new retirement formulas for newly hired members PEPRA also effectively closed all existing active risk pools to new employees. As such it is no longer appropriate to assume that the payroll of the risk pools for the classic formulas will continue to grow at 3 percent annually. Funding the promised pension benefits as a percentage of payroll would lead to the underfunding of the plans. In addition the current allocation of the existing unfunded liabilities based on payroll would create equity issues for employers within the risk pools. Furthermore the declining payroll of the classic formula risk pools will lead to unacceptable levels of employer rate volatility.

In order to address these issues the CalPERS Board of Administration approved at their May 21, 2014 meeting structural changes to the risk pools. All pooled plans will be combined into two active pools, one for all miscellaneous groups and one for all safety groups, effective with the 2013 valuations. By combining the pools this way the payroll of the risk pools and the employers within the pools can once again be expected to increase at the assumed 3 percent annual growth. However two important changes are being made which will affect employers.

1. Beginning with FY 2015-16 CalPERS will collect employer contributions toward your unfunded liability and side fund as dollar amounts instead of the prior method of a contribution rate. This change will address the funding issue that would still arise from the declining population of classic formula members. Although employers will be invoiced at the beginning of the fiscal year for their unfunded liability and side fund payments the plan's normal cost contribution will continue to be collected as a percentage of payroll.
2. The pool's unfunded liability will be allocated to each individual plan based on the plan's total liability rather than by the plan's individual payroll. This will allow employers to track their own unfunded liability and pay it down faster if they choose. The change in the allocation of unfunded liabilities will result in some employers paying more towards their unfunded liability and some paying less.

The impact of most of the PEPRA changes will first show up in the rates and the benefit provision listings of the June 30, 2013 valuation that sets the contribution rates for the 2015-16 fiscal year. For more detailed information on changes due to PEPRA, please refer to the CalPERS website.

In 2014 CalPERS completed a 2-year asset liability management study incorporating actuarial assumptions and strategic asset allocation. On February 19, 2014 the CalPERS Board of Administration adopted relatively modest changes to the current asset allocation that will reduce the expected volatility of returns (see Appendix). The adopted asset allocation is expected to have a long-term blended return that continues to support a discount rate assumption of 7.5 percent. The Board also approved several changes to the demographic assumptions that more closely align with actual experience. The most significant of these is mortality improvement to acknowledge the greater life expectancies we are seeing in our membership and expected continued improvements. The new actuarial assumptions will be used to set the FY 2016-17 contribution rates for public agency employers. The increase in liability due to new actuarial assumptions will be calculated in the 2014 actuarial valuation and will be amortized over a 20-year period with a 5-year ramp-up/ramp-down in accordance with Board policy.

Purpose of Section 1

This section 1 report for the MISCELLANEOUS PLAN of the CITY OF SAND CITY of the California Public Employees' Retirement System (CalPERS) was prepared by the Plan Actuary in order to:

- Set forth the assets and accrued liabilities of this plan as of June 30, 2013;
- Determine the required employer contribution for this plan for the fiscal year July 1, 2015 through June 30, 2016;
- Provide actuarial information as of June 30, 2013 to the CalPERS Board of Administration and other interested parties; and
- Provide pension information as of June 30, 2013 to be used in financial reports subject to Governmental Accounting Standards Board (GASB) Statement Number 27 for a Cost Sharing Multiple Employer Defined Benefit Pension Plan.

The use of this report for any other purposes may be inappropriate. In particular, this report does not contain information applicable to alternative benefit costs. The employer should contact their actuary before disseminating any portion of this report for any reason that is not explicitly described above.

California Actuarial Advisory Panel Recommendations

This report includes all the basic disclosure elements as described in the *Model Disclosure Elements for Actuarial Valuation Reports* recommended in 2011 by the California Actuarial Advisory Panel (CAAP), with the exception of including the original base amounts of the various components of the unfunded liability in the Schedule of Amortization Bases shown on page 12.

Additionally, this report includes the following "Enhanced Risk Disclosures" also recommended by the CAAP in the Model Disclosure Elements document:

- A "Deterministic Stress Test," projecting future results under different investment income scenarios
- A "Sensitivity Analysis," showing the impact on current valuation results using a 1 percent plus or minus change in the discount rate.

Required Employer Contribution

Actuarially Determined Employer Contributions:	Fiscal Year	Fiscal Year
	2014-15 ¹	2015-16
Employer Contributions (in Projected Dollars)		
Plan's Employer Normal Cost	\$ 116,194	\$ 124,675
Plan's Payment on Amortization Bases	64,122	164,260 ²
Surcharge for Class 1 Benefits ³		
a) FAC 1	6,973	7,358
Phase out of Normal Cost Difference ⁴	0	0
Amortization of Side Fund	98,064	0
Total Employer Contribution	\$ 285,353	\$ 296,293
Projected Payroll for the Contribution Fiscal Year	\$ 1,115,745	\$ 1,126,753
Required Employer Contributions (Percentage of Payroll)		
Plan's Net Employer Normal Cost	10.414%	11.065%
Plan's Payment on Amortization Bases	5.747%	14.578% ²
Surcharge for Class 1 Benefits ³		
a) FAC 1	0.625%	0.653%
Phase out of Normal Cost Difference ⁴	0.000%	0.000%
Amortization of Side Fund	8.789%	0.000%
Total Employer Contribution Rate	25.575%	26.296%

plus change rate changes

Required Employer Contribution for FY 2015-16	
Employer Contribution Rate ⁵	11.718%
Plus Monthly Employer Dollar UAL Payment ⁶	\$ 13,688
Annual Lump Sum Prepayment Option	\$ 158,426

of payroll = 116,256

For FY 2015-16 the total minimum required employer contribution is the sum of the Plan's Employer Contribution Rate (expressed as a percentage of payroll) plus the Employer Unfunded Accrued Liability (UAL) Contribution Amount (in dollars). Whereas in prior years it was possible to prepay total employer contributions for the fiscal year, beginning with FY 2015-16 and beyond, only the UAL portion of the employer contribution can be prepaid.

¹ The results shown for FY 2014-15 reflect the prior year valuation and do not reflect any lump sum payment, side fund payoff or rate adjustment made after annual valuation report is completed.

² For FY 2015-16 the Plan's Payment on Amortization Bases reflects the sum of all UAL amortization bases including the Plan's Side Fund (where applicable).

³ Section 2 of this report contains a list of Class 1 benefits and corresponding surcharges for each benefit.

⁴ Risk pooling was implemented for most plans as of June 30, 2003. The normal cost difference was scheduled to be phased out over a five year period. The phase out of normal cost difference is 100 percent for the first year of pooling, and is incrementally reduced by 20 percent of the original normal cost difference for each subsequent year.

⁵ The minimum employer contribution under PEPRA is the greater of the required employer contribution or the total employer normal cost.

⁶ The Plan's Payment on Amortization Bases Contribution amount for FY 2015-16 will be billed as a level dollar amount monthly over the course of the year. Late payments will accrue interest at an annual rate of 7.5 percent. Lump sum payments may be made through myCalPERS. Plan Normal Cost contributions will be made as part of the payroll reporting process. As a percentage of payroll your UAL contribution is 14.578 percent.

Plan's Funded Status

	June 30, 2012	June 30, 2013
1. Present Value of Projected Benefits (PVB)	\$ 7,865,754	\$ 8,045,342
2. Entry Age Normal Accrued Liability	6,805,486	6,998,599
3. Plan's Market Value of Assets (MVA)	4,474,304	4,947,553
4. Unfunded Liability [(2) - (3)]	2,331,182	2,051,046
5. Funded Ratio [(3) / (2)] <i>assets / compared to costs</i>	65.8%	70.7%

Ideally you want 100% -

Projected Contributions

*average coverage plans - 60-80% -
 MSC.
 Safety*

The contribution rate and amount shown below is an estimate for the employer contribution for fiscal year 2016-17. The estimated contribution is based on a projection of the most recent information we have available, including an estimate of the investment return for fiscal year 2013-14, namely 18.0 percent. It also reflects implementation of the direct rate smoothing method and the impact of new actuarial assumptions.

Projected Employer Contribution Rate:	12.6%
Projected Plan UAL Contribution	\$ 179,820

The estimate also assumes that there are no liability gains or losses among the plans in your risk pool, that your plan has no new amendments in the next year, and that your plan's and your risk pool's payrolls both increase exactly 3.0 percent in the 2013-14 fiscal year. Therefore, the projected employer contribution for 2016-17 is strictly an estimate. Your actual rate for 2016-17 will be provided in next year's valuation report. A more detailed analysis of your projected employer contributions over the next five years can be found in the "Risk Analysis" section of this report.

*NON-pooled -
 90%+ 1%
 80-90 4%
 70-80 3%
 less than 70% - 15%
 not applicable 48%*

pooled

Schedule of Plan's Side Fund and Other Amortization Bases

There is a two-year lag between the Valuation Date and the Contribution Fiscal Year.

- The assets, liabilities and funded status of the plan are measured as of the valuation date; June 30, 2013.
- The employer contribution determined by the valuation is for the fiscal year beginning two years after the valuation date; fiscal year 2015-16.

This two-year lag is necessary due to the amount of time needed to extract and test the membership and financial data, and due to the need to provide public agencies with their employer contribution well in advance of the start of the fiscal year.

The Unfunded Liability is used to determine the employer contribution and therefore must be rolled forward two years from the valuation date to the first day of the fiscal year for which the contribution is being determined. The Unfunded Liability is rolled forward each year by subtracting the expected Payment on the Unfunded Liability for the fiscal year and adjusting for interest. The Expected Payment on the Unfunded Liability for a fiscal year is equal to the Expected Employer Contribution for the fiscal year minus the Expected Normal Cost for the year. The Employer Contribution Rate for the first fiscal year is determined by the actuarial valuation two years ago and the rate for the second year is from the actuarial valuation one year ago. The Normal Cost Rate for each of the two fiscal years is assumed to be the same as the rate determined by the current valuation. All expected dollar amounts, with the exception of the Side Fund base, are determined by multiplying the rate by the expected payroll for the applicable fiscal year, based on payroll as of the valuation date.

11/15/13

Reason for Base	Date Established	Amortization Period	Amounts for Fiscal 2015-16						
			Expected Payment 2013-14	Balance 6/30/14	Expected Payment 2014-15	Balance 6/30/15	Scheduled Payment for 2015-16	Payment as Percentage of Payroll	
SIDE FUND	06/30/13	8							
SHARE OF PRE-2013 POOL UAL	06/30/13	21	\$763,249	\$721,780	\$98,064	\$674,239	\$101,005	8.964%	
ASSET (GAIN)/LOSS	06/30/13	30	\$750,276	\$756,553	\$66,453	\$744,395	\$54,518	4.839%	
NON-ASSET (GAIN)/LOSS	06/30/13	30	\$578,990	\$622,414	\$0	\$669,095	\$9,411	0.835%	
TOTAL			\$2,051,046	\$2,056,168	\$143,425	\$2,039,807	\$164,260	14.578%	

2013 VA UAL 14.578%

Commencing with the June 30, 2013 actuarial valuations, the side fund will be treated as a liability as opposed to an asset. Prior to June 30, 2013, a positive side fund conveyed that a public agency had a surplus when risk pooling began June 30, 2003. Conversely, a negative side fund signified that a public agency had an unfunded liability that required elimination through an amortization payment schedule. After June 30, 2013 a positive side fund will signify that an agency has an unfunded liability while a negative side fund will indicate a surplus asset. The amortization schedule will remain unchanged, with the exception that a plan with a negative side fund may have its amortization period extended at the discretion of the plan actuary.

Your plan's allocated share of the risk's pool's unfunded accrued liability is based on your plan's accrued liability and is amortized over the average amortization period of the combined existing amortization bases prior to June 30, 2013. The payments on this base for Fiscal Year 2013-14 and 2014-15 are allocated by your plan's payroll.

The (gain)/loss base is your plan's allocated share of the risk pool's asset gain/loss for the Fiscal Year 2012-13, the change in unfunded accrued liability due to direct rate smoothing and your plan's allocated share of the risk pool's other liability gains and losses for fiscal year 2012-13. This base will be amortized according to Board policy over 30 years with a 5-year ramp-up.

Required Employer Contribution

	Fiscal Year 2014-15 ¹	Fiscal Year 2015-16
Actuarially Determined Employer Contributions:		
Employer Contributions (in Projected Dollars)		
Plan's Employer Normal Cost	\$ 145,236	\$ 148,624
Plan's Payment on Amortization Bases	55,883	72,526 ²
Surcharge for Class 1 Benefits ³		
a) FAC 1	8,311	8,522
Phase out of Normal Cost Difference ⁴	0	0
Amortization of Side Fund	23,194	0
Total Employer Contribution	\$ 232,624	\$ 229,672
Projected Payroll for the Contribution Fiscal Year	\$ 941,260	\$ 951,071
Required Employer Contributions (Percentage of Payroll)		
Plan's Net Employer Normal Cost	15.430%	15.627%
Plan's Payment on Amortization Bases	5.937%	7.625% ²
Surcharge for Class 1 Benefits ³		
a) FAC 1	0.883%	0.896%
Phase out of Normal Cost Difference ⁴	0.000%	0.000%
Amortization of Side Fund	2.464%	0.000%
Total Employer Contribution Rate	24.714%	24.148%

Required Employer Contribution for FY 2015-16	
Employer Contribution Rate⁵	16.523%
Plus Monthly Employer Dollar UAL Payment⁶	\$ 6,044
Annual Lump Sum Prepayment Option	\$ 69,950

For FY 2015-16 the total minimum required employer contribution is the **sum** of the Plan's Employer Contribution Rate (expressed as a percentage of payroll) **plus** the Employer Unfunded Accrued Liability (UAL) Contribution Amount (in dollars). Whereas in prior years it was possible to prepay total employer contributions for the fiscal year, beginning with FY 2015-16 and beyond, only the UAL portion of the employer contribution can be prepaid.

¹ The results shown for FY 2014-15 reflect the prior year valuation and do not reflect any lump sum payment, side fund payoff or rate adjustment made after annual valuation report is completed.

² For FY 2015-16 the Plan's Payment on Amortization Bases reflects the sum of all UAL amortization bases including the Plan's Side Fund (where applicable).

³ Section 2 of this report contains a list of Class 1 benefits and corresponding surcharges for each benefit.

⁴ Risk pooling was implemented for most plans as of June 30, 2003. The normal cost difference was scheduled to be phased out over a five year period. The phase out of normal cost difference is 100 percent for the first year of pooling, and is incrementally reduced by 20 percent of the original normal cost difference for each subsequent year.

⁵ The minimum employer contribution under PEPRA is the greater of the required employer contribution or the total employer normal cost.

⁶ The Plan's Payment on Amortization Bases Contribution amount for FY 2015-16 will be billed as a level dollar amount monthly over the course of the year. Late payments will accrue interest at an annual rate of 7.5 percent. Lump sum payments may be made through my|CalPERS. Plan Normal Cost contributions will be made as part of the payroll reporting process. As a percentage of payroll your UAL contribution is 7.625 percent.

Plan's Funded Status

	June 30, 2012		June 30, 2013
1. Present Value of Projected Benefits (PVB)	\$ 7,564,302	\$	7,886,510
2. Entry Age Normal Accrued Liability	5,669,056		6,123,170
3. Plan's Market Value of Assets (MVA)	4,198,178		4,840,698
4. Unfunded Liability [(2) - (3)]	1,470,878		1,282,472
5. Funded Ratio [(3) / (2)]	74.1%		79.1%

Projected Contributions

The contribution rate and amount shown below is an estimate for the employer contribution for fiscal year 2016-17. The estimated contribution is based on a projection of the most recent information we have available, including an estimate of the investment return for fiscal year 2013-14, namely 18.0 percent. It also reflects implementation of the direct rate smoothing method and the impact of new actuarial assumptions.

Projected Employer Contribution Rate:	17.4%
Projected Plan UAL Contribution	\$ 84,611

The estimate also assumes that there are no liability gains or losses among the plans in your risk pool, that your plan has no new amendments in the next year, and that your plan's and your risk pool's payrolls both increase exactly 3.0 percent in the 2013-14 fiscal year. Therefore, the projected employer contribution for 2016-17 is strictly an estimate. Your actual rate for 2016-17 will be provided in next year's valuation report. A more detailed analysis of your projected employer contributions over the next five years can be found in the "Risk Analysis" section of this report.

Schedule of Plan's Side Fund and Other Amortization Bases

There is a two-year lag between the Valuation Date and the Contribution Fiscal Year.

- The assets, liabilities and funded status of the plan are measured as of the valuation date; June 30, 2013.
- The employer contribution determined by the valuation is for the fiscal year beginning two years after the valuation date; fiscal year 2015-16.

This two-year lag is necessary due to the amount of time needed to extract and test the membership and financial data, and due to the need to provide public agencies with their employer contribution well in advance of the start of the fiscal year.

The Unfunded Liability is used to determine the employer contribution and therefore must be rolled forward two years from the valuation date to the first day of the fiscal year for which the contribution is being determined. The Unfunded Liability is rolled forward each year by subtracting the expected Payment on the Unfunded Liability for the fiscal year and adjusting for interest. The Expected Payment on the Unfunded Liability for a fiscal year is equal to the Expected Employer Contribution for the fiscal year minus the Expected Normal Cost for the year. The Employer Contribution Rate for the first fiscal year is determined by the actuarial valuation two years ago and the rate for the second year is from the actuarial valuation one year ago. The Normal Cost Rate for each of the two fiscal years is assumed to be the same as the rate determined by the current valuation. All expected dollar amounts, with the exception of the Side Fund base, are determined by multiplying the rate by the expected payroll for the applicable fiscal year, based on payroll as of the valuation date.

Reason for Base	Date Established	Amortization Period	Balance 6/30/13	Expected Payment 2013-14	Balance 6/30/14	Expected Payment 2014-15	Amounts for Fiscal 2015-16			
							Balance 6/30/15	Scheduled Payment for 2015-16	Payment as Percentage of Payroll	
SIDE FUND	06/30/13	4	\$117,414	\$22,519	\$102,872	—	\$23,194	\$86,539	\$23,890	2.512%
SHARE OF PRE-2013 POOL UAL	06/30/13	22	\$564,942	\$44,711	\$560,955	—	\$54,842	\$546,165	\$38,881	4.088%
ASSET (GAIN)/LOSS	06/30/13	30	\$639,754	\$0	\$687,736	\$0	\$0	\$739,316	\$10,399	1.093%
NON-ASSET (GAIN)/LOSS	06/30/13	30	\$(39,638)	\$0	\$(42,611)	\$0	\$0	\$(45,807)	\$(644)	(0.068%)
TOTAL			\$1,282,472	\$67,230	\$1,308,952	\$78,036	\$78,036	\$1,326,213	\$72,526	7.625%

Commencing with the June 30, 2013 actuarial valuations, the side fund will be treated as a liability as opposed to an asset. Prior to June 30, 2013, a positive side fund conveyed that a public agency had a surplus when risk pooling began June 30, 2003. Conversely, a negative side fund signified that a public agency had an unfunded liability that required elimination through an amortization payment schedule. After June 30, 2013 a positive side fund will signify that an agency has an unfunded liability while a negative side fund will indicate a surplus asset. The amortization schedule will remain unchanged, with the exception that a plan with a negative side fund may have its amortization period extended at the discretion of the plan actuary.

Your plan's allocated share of the risk's pool's unfunded accrued liability is based on your plan's accrued liability and is amortized over the average amortization period of the combined existing amortization bases prior to June 30, 2013. The payments on this base for Fiscal Year 2013-14 and 2014-15 are allocated by your plan's payroll.

The (gain)/loss base is your plan's allocated share of the risk pool's asset gain/loss for the Fiscal Year 2012-13, the change in unfunded accrued liability due to direct rate smoothing and your plan's allocated share of the risk pool's other liability gains and losses for fiscal year 2012-13. This base will be amortized according to Board policy over 30 years with a 5-year ramp-up.