



Agenda Date: 5/16/2018

Agenda Placement: 8B

## Napa Sanitation District Board Agenda Letter

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**TO:** Honorable Board of Directors  
**FROM:** Jeff Tucker - Director of Administrative Services/CFO  
NS-Administration  
**REPORT BY:** Jeff Tucker, Director of Administrative Services/CFO - 707-258-6000  
**SUBJECT:** Approve Financial Policy on Pensions and OPEB

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### **RECOMMENDATION**

Approve the attached financial policy on pensions and OPEBs.

### **EXECUTIVE SUMMARY**

At the meeting on March 21, 2018, the Board provided direction to staff regarding funding for NapaSan's Unfunded Actuarial Liability (UAL). The Board directed that NapaSan should make additional annual contributions toward the UAL from the following sources, in amounts approved by the Board: annual savings from refinancing long-term debt, savings derived from the expiration of payments for NapaSan's side fund or other amortization bases, and/or from salary and benefit savings from short-term position vacancies.

The Board also directed the Finance Committee to make a recommendation regarding whether to make additional UAL payments directly to CalPERS or to establish a Trust account. After careful consideration of the pros and cons of each choice, the Finance Committee, at its meeting on April 2, 2018, recommended that NapaSan make the additional UAL payments directly to CalPERS.

The attached proposed financial policy documents these decisions. The policy also documents decisions made by the Board in prior years regarding the funding of NapaSan's OPEB liability. This financial policy will be added to NapaSan's current financial policies that were last modified in February 2017.

### **FISCAL IMPACT**

Is there a Fiscal Impact?                      Yes

Is it currently budgeted?	No
What is the revenue source?	Additional funding of NapaSan's UAL is expected to begin in FY 2018/19 and will come from annual debt savings of \$135,000 from refinancing the 2009B Certificates of Participation. Additional funding may come from salary and benefits savings from any temporary position vacancies. In FY 2020/21 and FY 2021/22, when NapaSan's "side fund" is paid off, it is expected that the Board will authorize an annual budget that puts the savings from the side fund payoff into additional UAL payments.
Is it Mandatory or Discretionary?	Discretionary
Discretionary Justification:	Making additional payments toward the UAL will lower the overall pension liability for NapaSan and will save ratepayers money over the long term.
Is the general fund affected?	Yes
Future fiscal impact:	The Board will decide every fiscal year how much to contribute toward the UAL. This action does not require NapaSan to make any UAL payments beyond the actuarially determined contribution required by CalPERS.
Consequences if not approved:	NapaSan could still make payments toward the UAL without the policy. It would be up to future Boards to determine the sources of funding for any future payment.
Additional Information:	None.

### **ENVIRONMENTAL IMPACT**

ENVIRONMENTAL DETERMINATION: The proposed action is not a project as defined by 14 California Code of Regulations 15378 (State CEQA Guidelines) and therefore CEQA is not applicable.

### **BACKGROUND AND DISCUSSION**

None.

### **SUPPORTING DOCUMENTS**

A . Proposed Financial Policy on Pensions and OPEB

Napa Sanitation District: Approve

Reviewed By: Jeff Tucker