A Tradition of Stewardship
A Commitment to Service

Agenda Date: 10/22/2019
Agenda Placement: 10B

NAPA COUNTY BOARD OF SUPERVISORS
Board Agenda Letter

TO:	Board of Supervisors
FROM:	Minh Tran - County Executive Officer County Executive Office
REPORT BY:	Mary Booher, Assistant County Executive Officer - 707-253-4153
SUBJECT:	Cash advance for payment of Tier 1 Safety Pension Liability

RECOMMENDATION

County Executive Officer requests approval of Budget Transfer No. CEO009:

1. Appropriating $13,458,148 from cash balance in Accumulated Capital Outlay Fund to Transfers Out (4/5 vote required) ;
2. Releasing these funds from the assignment for Capital Replacement (4/5 vote required) ;
3. Appropriating $13,458,148 in the non-departmental budget with offsetting revenues from Accumulated Capital Outlay Fund as a cash advance for prepayment of the Tier 1 Safety Pension liability (4/5 vote required) ; and
4. Direct staff to refund this cash advance with proceeds from the sale of capital assets.

EXECUTIVE SUMMARY

As part of Napa County's retirement plan with California Public Employees Retirement System (CalPERS), the County receives annual actuarial valuation reports showing the unfunded actuarial liabilities (UAL). For the Safety benefits, the liability is broken into 4 different categories. The Tier 1 Safety liability is $14.8 million, based on the 2017 actuarial, which is used to calculate the rates for 21019-20 payroll. Since none of the current Napa County employees are covered by the Tier 1 benefits, and this tier is closed to new participants, staff is recommending paying off this liability as part of the County's strategic investment in paying down long-term liabilities. In paying down this liability, the County will realize approximately $10 million in savings over the next 16 years.

While the liability is $14.8 million, a prepayment of $1.4 million has already been made in this fiscal year, leaving a net balance of $13,458,148. Staff is recommending advancing cash assigned to the Jail in Accumulated Capital Outlay Fund, in order to maximize the value of this pay down. Accumulated Capital Outlay will be refunded for the entire amount, primarily with proceeds from the sale of capital assets, and, if needed, Excess ERAF. It is anticipated that this advance will be completely refunded by the end of FY 2019-20.

PROCEDURAL REQUIREMENTS

1. Staff reports.
2. Public comments.
3. Motion, second, discussion and vote on the item.

FISCAL & STRATEGIC PLAN IMPACT

Is there a Fiscal Impact?	Yes
Is it currently budgeted?	No
What is the revenue source?	Cash advance from Accumulated Capital Outlay Fund, to be refunded with the proceeds from the sale of capital assets.
Is it Mandatory or Discretionary?	Discretionary
Discretionary Justification:	The County will realize $10 million in savings over the next 16 years, partially offset by employee cost sharing provisions.
Is the general fund affected?	Yes
Future fiscal impact:	This will reduce future contributions to retirement for the County.
Consequences if not approved:	The General Fund will be responsible for the increased retirement contributions.
County Strategic Plan pillar addressed:	Effective and Open Government
Additional Information:	

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

Napa County employees are assigned to two plans in CalPERS, Safety and Miscellaneous. The Safety plan is limited to sworn deputies in the Sheriff's Office and Investigators in the District Attorney's Office. The Miscellaneous plan includes the rest of the County employees, which includes employees largely funded by State and Federal resources, but also the Court employees.

Based on the 2017 Actuarial Valuations from CalPERS, Napa County has a UAL of $238 million, which is used to determine the employer and employee contributions for fiscal year 2019-20. This UAL is a combination of 4 safety tiers and one miscellaneous tier, and the valuations for each are updated annually.

The Tier 1 Safety liability used to calculate the 2019-20 contribution rates is $14.8 million. Staff is recommending paying off this tier, because there are no active members in this tier, it is closed to new members, and members in the safety plan are all County employees, so the General Fund is the benefactor. By comparison, the miscellaneous plan has County employees funded by state and federal sources as well as employees of other agencies (Courts). Paying down the miscellaneous liability would result in the General Fund absorbing some of the financial responsibility of the State and Federal funding sources without appropriate reimbursement. Staff is recommending paying off the Tier 1 Safety liability, which will result in $10 million in savings over the next 16 years. This is also consistent with the Board-adopted budget policy of reducing long-term liabilities.

Staff is recommending the use of the cash that has been set aside in Accumulated Capital Outlay (ACO) Fund for the jail project, and we will maximize our interest savings by paying down this liability soon, and the cash will not be needed for jail construction until October of 2020. Staff recommends that the net proceeds from the sale of capital assets (Calistoga Fairgrounds and Old Sonoma Road) be used to refund this advance, with any remaining balance to come from the 2019-20 Excess ERAF.

As an alternative, staff evaluated the use of the $8 million held in the 115 Trust for Pension, and recommends that those funds remain in the trust, which has been designed with a long-term investment strategy goal. In the future, the funds held in trust can be used to pay the County's share of the pension liability, while still maximizing reimbursement from the State and Federal funding sources.

SUPPORTING DOCUMENTS

None

CEO Recommendation: Approve

Reviewed By: Helene Franchi