



Agenda Date: 4/18/2019

Agenda Placement: 4B

Napa Sanitation District Finance Committee Board Agenda Letter

TO: Finance Committee
FROM: Jeff Tucker - Director of Administrative Services/CFO
NS-Administration
REPORT BY: Jeff Tucker, Director of Administrative Services/CFO - 707-258-6000
SUBJECT: Provide Direction on Additional Pension Payment from Salary Savings

RECOMMENDATION

Provide direction to staff on whether to make an additional pension payment to CalPERS from salary savings in FY 2018/19.

EXECUTIVE SUMMARY

In 2018, the Board established a new policy for funding employee pension liabilities that includes making additional contributions to CalPERS on a regular basis. The policy identifies three sources of funding for that payment. The policy states, as follows:

NapaSan shall make additional contributions toward the Unfunded Actuarial Liability (UAL) if the most recent Annual Valuation Report identifies a UAL. The source and amount of funding shall be determined and approved by the Board and may include the following sources:

- | **Annual savings from the refinancing of long-term debt;**
- | **Savings derived from the expiration of payments for a retirement plan's side fund or other amortization bases; and/or**
- | **Salary and benefit savings realized by NapaSan through short-term position vacancies.**

In FY 2019/20, the proposed budget will include an additional \$135,000 payment to CalPERS, which is equal to savings in annual debt service payments realized by refinancing debt in December 2017 (first bullet).

The Side Fund is set to expire after the final payment is made in FY 2019/20. Therefore, the second bullet does not apply until FY 2020/21.

The third bullet requires staff to evaluate annually the expected salary and benefit savings and potentially make a payment in the year of the savings. In the current fiscal year, there have been salary savings from the retirement of a Plant Operator, the promotion of a Collection System Worker to Collection System Technician, and the resignation of a Collection System Worker. It is estimated that, from these three position vacancies, there will be underspending of \$240,000 in salaries and benefits in FY 2018/19.

Staff has made the commitment to the Board that it will seek Board guidance on whether to make an additional payment to CalPERS from salary and benefit savings, and if so, how much. Staff is therefore seeking the Finance Committee's recommendation regarding an additional payment.

FISCAL IMPACT

Is there a Fiscal Impact? No

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

In May 2017, the Board updated its Strategic Plan to include Objective 2B: Evaluate long-term liabilities, including pension liability and OPEB liability, and develop policy options for Board consideration.

At the March 21, 2018 Board meeting, the Board provided policy direction regarding whether to make additional payments toward NapaSan's pension liability and the sources of funding for such payments.

SUPPORTING DOCUMENTS

None

Napa Sanitation District Finance Committee: Approve

Reviewed By: Jeff Tucker