



Agenda Date: 4/2/2020

Agenda Placement: 4B

Napa Sanitation District Finance Committee Board Agenda Letter

TO: Finance Committee
FROM: Timothy Healy - General Manager
NS-Administration
REPORT BY: Cyndi Bolden, Senior Accountant - 258-6001
SUBJECT: Provide Direction on Additional Pension Payment Towards Unfunded Liability

RECOMMENDATION

Provide direction to staff on whether to make an additional pension payment to CalPERS from salary savings in FY 2019/20, savings realized from refinancing debt, and a reduction in the annual minimum contribution as a result of paying off the Tier 1 "side fund".

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 2020/21, the proposed budget will include an additional \$645,950 payment to CalPERS, which keeps the contribution payment the same as the minimum contribution for FY 2019/20. This includes both the first and second bullets. NapaSan refinanced its debt in December 2017 and realized a savings of \$135,000. This amount was made as an additional payment in FY 2019/20. The Tier 1 side fund has expired after the final payment was made in FY 2019/20. This reduces the minimum contribution by a little more than \$500,000.

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 resignation of the Director of Administrative Services, the promotion of a Collection System Worker to a Collection System Technician, and the retirement of a Plant Attendant. It is estimated that, from these three position vacancies, there will be underspending of about \$200,000 in salaries and benefits in FY 2019/20.

Total savings in summary:

Long-term debt refinance - \$135,000
Expiration of side fund - \$500,000
Salary and benefits savings - \$200,000

Total savings - \$835,000

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 & STRATEGIC PLAN 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

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: Timothy Healy