County Connection

INTER OFFICE MEMO

Administration and Finance Committee
Summary Minutes
January 7, 2020

The meeting was called to order at 9:00 a.m. at 100 Gregory Lane Small Conference Room in Pleasant Hill. Those in attendance were:

Committee Members:	Director Al Dessayer Director Sue Noack Director Don Tatzin
Staff:	General Manager Rick Ramacier Chief Financial Officer Erick Cheung Assistant General Manager Bill Churchill

1. Approval of Agenda- Approved
2. Public Communication- None
3. Approval of Minutes of December 3, 2019- Approved.
4. CCCTA Investment Policy – Quarterly Reporting Requirements – CFO Cheung reported that the portfolio as of September 30, 2019 complies with County Connection's Investment Policy with a balance of $17,993,996. Approved for the Board consent agenda item.
5. Uncashed Check Policy – CFO Cheung stated that County Connection has a few outstanding checks remain unclaimed even though attempts have been made to contact the payees. Staff proposes that the Board adopt a formal policy regarding the proper handling of unclaimed money that follows the requirements of Government Code Section 50050-50057. Adoption of the policy and Board Resolution will set up a procedure to escheat these funds to County Connection after proper notice has been satisfied. Director Noack requested that staff include in the policy that we attempted to reach out to payees prior to the public notice. Mr. Cheung informed the Committee that attempts have and will continue to be made prior to the escheatment of funds and will include in policy. The A&F Committee approved the Uncashed Check Policy and Resolution for Board approval with this inclusion for consent agenda item.
6. PERS Actuarial Valuation for June 30, 2018; Rate for FY 2021- Mr. Cheung reported that the employer rate for PERS retirement for FY 2021 will be 8.785% and unfunded liability payment of $537,865. County Connection's funded status is currently 89.8%, which is down from 91.5% due to PERS reducing the discount rate from 7.5% to 7.0%. The projections are slightly lower than the prior year by $160,135 over the next 5 years. PERS recently announced it achieved 6.8% for the June 30, 2019 valuation, which is less than 7.0%. The difference will probably bring these rates and payments probably closer to the prior year forecast. Staff will incorporate the revised unfunded liability payment and contribution rates in the FY 2021 Budget but use the prior year unfunded liability forecast for the Ten Year Forecast.

   Mr. Cheung also noted that staff has been considering options to reduce the pension liability -- from a Section 115 Pension Trust to additional payments to CalPERS. The Section 115 Pension Trust is currently not an option for County Connection since we are heavily funded by grants allocated by Metropolitan Transportation Commission (MTC). This revenue sources must be used for current operations and/or capital. Using a Section 115 Pension Trust would be like a transfer from a checking account to a savings account. Since we are so heavily grant funded, MTC could request and we would be required to spend and/or return these funds, since they are not being used for current operations and/or capital expense.

   The second option is to directly provide additional funding to CalPERS to reduce the liability. In the past, this option was not available to us because we were over 100% funded through FY 2011. Even as recent as FY 2017, County Connection was 99.9% funded. The PERS Board has made changes in the last few years, from updating mortality rates, changes on how it amortizes gain/losses, and most importantly lowered the discount rate from 7.5% to 7.0%. These changes have reduced our funding level to 89.8% or an unfunded liability of $10.2 million. Therefore, paying CalPERS directly is an option available to County Connection, since we are currently not fully funded.

   The option that would make reasonable sense to County Connection would be to make additional payments, similar to paying additional principal on a monthly home mortgage payment. If additional contributions were provided, we would be required to notify CalPERS of the additional payment and direct which bases to reduce. For example, an additional payment of $50 thousand a year over 10 years against the loss in 6/30/2016 would provide estimated savings of $542 thousand in interest payments based on CalPERS amortization tables. A concern could be that any additional payments would increase the expense for that fiscal year and decrease fare box ratio, but we would eventually be paying those costs in the future plus the interest.

It's a reasonable goal to make smaller one-time payments and achieve interest savings over time. The following is a framework of how those additional payments could be made:

1. If the estimate for pension related costs are less than budget by the May budget presentation, and would not require a draw on the contingency, nor additional TDA allocations; allow the General Manager to authorize additional payments to CalPERS up to $100,000.
2. Additional payment amounts over $100,000 could be recommended by staff and approved by the A&F and Board as part of the May budget review.
3. Any additional payments made by County Connection to CalPERS would be adjusted for in the Wage Increase determination done by the auditors each year. In the auditors' Agreed Upon Procedure report, that additional payment amount will be reduced from total pension expense for that fiscal year. This amount shall not be included as part of the increase of additional pension costs of $1,000,000 for that fiscal year, which might cause a reduction of wage increases.

The A&F Committee approved the policy and Resolution for Board discussion and approval.

7. Independent Accountant's reports on Federal Transit Administration National Transit Database Reports – CFO Cheung reported that annually our independent auditors, Brown Armstrong, CPA's, are required to review the data we report to FTA on Form FFA-10, which is included in the National Transit Database report (NTD). The form reports hours, miles, passengers, passenger miles and total operating expenses. Beginning in FY 2019. We filed the NTD report in October and Brown Armstrong completed their review in December. Brown Armstrong reviewed the data and issued the report without exception. There A&F Committee approved the reports to the Board for consent agenda item.

8. Fiscal Year 2020 Budget Update – CFO Cheung noted there have been several recent updates since the Fiscal Year (FY) 2020 Budget was adopted last June that will impact the current fiscal year and be incorporated into the FY 2021 Budget. Staff stated that there are several items in the report but touched on the following items:

   - **Transportation Development Act (TDA)** – Metropolitan Transportation Commission (MTC) originally estimated $18.3 million in FY 2019 TDA sales tax in September 2018. The estimate was revised in February 2019 to $20.0 million based on improved sales but was adjusted to actuals and came in at $19.0 million in July 2019. The final amount was better than the original estimate but less than what was used in the FY 2020 Budget Forecast. MTC did not revise the amount for FY 2020 for $20.9 million in July but this amount is probably overestimated. MTC will release the revised estimate for FY 2020 and FY 2021 in late February 2020.
   - **State Transit Assistance (STA) –** The State of California State Controller (Controller) provides estimates for STA revenue in January of each year for budgeting purposes. The Controller notified Transportation Planning Agencies that their original estimate of $772.5 million in diesel fuel tax was high based on actual receipts, this amount was revised to $696.5 million. In November, MTC had to reduce the allocations for STA revenue for all entities as the revenue was lowered. The budgeted STA amount was $5.5 million and was lowered $0.6 million to a revised $4.9 million in FY 2020.

   The changes above and others noted in the staff report modify the Budget Forecast. By FY 2026, the TDA reserves are negative $1.5 million compared to the original forecast which showed a reserve of $571 thousand in FY2028. This memo is an informational item.

9. Review of Vendor Bills, December 2019- Reviewed.
10. Legal Services Statement, October Labor and October and November 2019 General - Approved.
11. Adjournment- The meeting was adjourned. The next meeting is set for scheduled for 9:30 am on Tuesday February 4th and March 4th at 8:30 am in the City of Pleasant Hill.

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Erick Cheung, Chief Financial Officer