

The County Connection

2477 Arnold Industrial Way Concord, CA 94520-5326 (925) 676-7500 www.cccta.org

MEETING NOTICE & AGENDA
ADMINISTRATION & FINANCE COMMITTEE
1676 N. California Blvd, Suite 620
Walnut Creek, CA 94596
Friday, December 2, 2011
9:00 a.m.

The Committee may take action on any item on the agenda.

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| 1. Adoption of Agenda | (Action) |
| 2. Public Communication | |
| 3. Summary Minutes of November 10, 2011 A&F Committee Meetings* | (Review/Action) |
| 4. CCCTA Income Statements for the Three Months Ended September 30, 2011* | (Review/Action) |
| 5. Review and Update CCCTA Travel Policy* | (Review/Action) |
| 6. Draft OPEB Actuarial Report* | (Review/Action) |
| 7. Review of Vendor Bills, November 2011** | (Review) |
| 8. Adjournment | |

*Enclosure

A&F Committee Members

**Enclosure for Committee Members

Al Dessayer, Candace Andersen and Rob Schroder

General Information

Public Comment: Each person wishing to address the A&F Committee is requested to advise the Chair before the meeting convenes or the applicable agenda item is discussed. Persons who address the Committee are also asked to furnish a copy of any written statement to the Chair. A period of thirty (30) minutes has been allocated for public comments concerning items of interest within the subject matter jurisdiction of the Committee. Each individual will be allotted three minutes, which may be extended at the discretion of the Committee Chair.

Availability of Public Records: All public records relating to an open session item on this agenda, which are not exempt from disclosure pursuant to the California Public Records Act, that are distributed to a majority of the legislative body, will be available for public inspection at 2477 Arnold Industrial Way, Concord, California, at the same time that the public records are distributed or made available to the legislative body. The agenda and enclosures for this meeting are posted also on our website at www.CCCTA.org.

Accessible Public Meetings: Upon request, CCCTA will provide written agenda materials in appropriate alternative formats, or disability-related modification or accommodation, including auxiliary aids or services, to enable individuals with disabilities to participate in public meetings. Please send a written request, including your name, mailing address, phone number and brief description of the requested materials and preferred alternative format or auxiliary aid or service so that it is received by CCCTA at least 48 hours before the meeting convenes. Requests should be sent to Lathina Hill, Assistant to the General Manager, at 2477

Arnold Industrial Way, Concord, CA 94520 or Hill@CCCTA.org.

The agenda is posted on CCCTA's Website (www.CCCTA.org) and at the following location:

CCCTA Administrative Offices, 2477 Arnold Industrial Way, Concord

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Administration and Finance Committee
Summary Minutes
November 10, 2011

The meeting was called to order at 9:00 a.m. at the Walnut Creek offices of Hanson Bridgett. Those in attendance were:

Board of Director Al Dessayer
Board of Director Rob Schroder
Board of Director Candacé Andersen

Staff: General Manager Rick Ramacier
Director of Finance Kathy Casenave
Director of Maintenance Scott Mitchell
Legal Counsel Pat Glenn

1. Adoption of the Agenda- The agenda was amended to add Discussion of the Goals of the Committee. Approved.
2. Public Communication- None.
3. Summary Minutes of September 29, 2011- Approved.
4. Closed Session- Consultation with Labor Counsel regarding Long term Bargaining Strategies with represented Employees- The Committee met in closed session. Reconvening in open session Chair Dessayer stated that direction was given and this item will be placed on the Board's agenda as a closed session item.
5. PERS actuarial Valuation Rate for FY 2013- Director Casenave reported that the employer rate for FY 2013 has been set at 5.219%. The rate went up slightly from the current rate of 5.218%. The rate for FY 2014 has been estimated at 5.5%. Info only. This item will be included in the Board packet.
6. Revised Forecast- Director Casenave prepared two revised forecast for the Committee's review and discussion. She was given direction on preparing a revised forecast for review at the January meeting.
7. FY 2011 Financial Statement- Director Casenave reported that the FY 2011 expenses were 6.2% under budget (\$1,922,849). The major categories under budget were wages, fringe benefits, services and purchased transportation. Info only. This item will be included in the Board packet.
8. Inventory and Maintenance Software Upgrade and Replacement- Director Mitchell reported that the software used by the Maintenance Dept, TMIS, has been in use for over 20 years. It has been upgraded several times but it is programmed in Visual Basic 6, which is not upgradeable to

current development environments. This program must be rewritten from scratch to be compatible. The cost for this will not exceed \$240,000. Research by staff has generated quotes from other inventory and maintenance managements systems in the \$500,000 range. After much discussion, the committee approved the request to enter into a professional services contract with DragonPoint Systems to rewrite the software program for modern compatibility. The Committee will recommend to the Board that the staff recommendation be approved.

9. Legal Services statement, August/Sept 2011 - Approved.
10. Review of Vendor Bills, October 2011- The committee reviewed the vendor bills.
11. Goals of the Committee- Committee members discussed issues that they would like to tackle in the next year. It was decided to revisit the travel policy, the fare increase slated for the summer of 2012, the OPEB trust investment rate of return, and the possible marketing opportunity of the upgraded maintenance software. They also requested an updated forecast every two months as the revenue situation is uncertain.
12. Adjournment- The meeting was adjourned. The next meetings will be Friday, December 2 at 9:00 a.m. and Friday at the Walnut Creek offices of Hanson Bridgett, 1676 N. California St, Walnut Creek.



Kathy Casenave
Kathy Casenave, Director of Finance

The County Connection

Inter Office Memo

To: A&F Committee
 From: Kathy Casenave *KC*
 Director of Finance

Date: November 21, 2011

Reviewed by: *PLB*

SUBJECT: CCCTA Income Statements for the Three Months Ended September 30, 2011

The attached unaudited CCCTA Income Statements for the three months of FY 2012 are presented for your review. The combined actual expenses, Fixed Route and Paratransit, (Schedule 1), **are 8% under the year to date budget (\$667,074). The expense categories with the most significant variances are:**

Wages	\$(168,138)	(5.2)%	Operator wages are \$87k under budget (see Schedule 5 for details) and other wages are \$80k under budget, mainly in the Maintenance Dept.
Materials & Supplies	\$(205,759)	(21.3)%	Diesel fuel accounts for most of the variance.
Special trip services	\$(85,243)	(6.2)%	Purchased transportation is lower than budgeted mainly due to lower service hours.

Fixed route and Paratransit revenues and expenses are presented on **Schedules 2 and 3**. Actual expenses are compared to the year-to-date approved budget. Fixed route expenses are 8.4% under budget and Paratransit expenses are 5.8% under budget.

The combined revenues are under budget because TDA revenue is not considered earned unless needed for expenses and after other revenue is used. Another category with a significant variance:

Other revenue	\$ 63,831	206.2%	The variance is due to timing of receipts. It is anticipated that actual revenue will be close to budget by end of the year.
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Schedule 4 provides selected statistical information for the current year compared to the last two years:

Fixed route:

- Passenger fares are virtually the same as FY 2011 and 9% more compared to FY 2010.
- The farebox recovery ratio is down compared to FY 2011 but up compared to FY 2010. The ratio is 15.7% in FY 2012; 16.9% in FY 2011 and 14.8% in FY 2010.
- Operating expenses are 13.9% more than in FY 2011 and 5.5% more than in FY 2010. Most of this is attributable to recording 7 pay periods in FY 2012 and 6 pay periods in FY 2011.
- Fixed route revenue hours are 1.6% less than FY 2011 and 4.5% less than FY 2010.

- The cost per revenue hour has increased 15.8% compared to FY 2011 and 9.6% compared to FY 2010.
- Passengers have decreased .1% compared to FY2011 but increased 4.4% compared to FY 2010.
- The cost per passenger has increased 13.9% compared to FY 2011 and 1% compared to FY 2010.
- Passengers per revenue hour have increased 1.5% compared to FY 2011 and 8.5% compared to FY 2010.

Paratransit:

- Passenger fares have increased 27.1% over FY 2011 and 13.5% over FY 2010.
- The farebox ratio is more compared to FY 2011 and FY 2010. The ratio is 12.7% in FY 2012; 10.5% in FY 2011; and 11.2% in FY 2010.
- Expenses have increased 5% from the prior year and 1.3% compared to FY 2010.
- Revenue hours are 4.2% less than FY 2011 and 5% less than FY 2010.
- Passengers have increased .7% compared to FY 2011 and decreased 3.1% compared to FY 2010.
- The cost per passenger has increased 4.2% since FY 2011 and 4.2% compared to FY 2010.
- Paratransit passengers per revenue hour have increased 5.1% compared to FY 2011 and 1.9% compared to FY 2010.

Fixed Route Operator Wages (Schedule 5)

Schedule 5 compares various components of operator wages with the budget.

- Actual work time wages (Platform, turn in and report time) are 4.5% less than projected.
- Guarantees are 12% under budget.
- Overtime is 23.4% under budget.
- Training is 51.2% more than budget.
- Overall wages for operators are 4.6% under budget.

CENTRAL CONTRA COSTA TRANSIT AUTHORITY

FY 2012 Year to Date Comparison of Actual vs Budget

For the Three Months Ended September 30, 2011

Combined Fixed Route and Paratransit Income Statement

	Actual	Budget	Variance	% Variance
Revenues				
Passenger fares	\$ 949,782	\$ 954,805	\$ (5,023)	-0.5%
Special fares	223,690	204,741	18,949	9.3%
	1,173,472	1,159,546	13,926	1.2%
Advertising	137,187	132,501	4,686	3.5%
Safe Harbor lease	1,439	6,250	(4,811)	-77.0%
Other revenue	94,781	30,950	63,831	206.2%
Federal operating	1,254,905	1,254,905	-	0.0%
TDA earned revenue	2,691,603	3,478,713	(787,110)	-22.6%
STA revenue	797,910	797,910	-	100.0%
Measure J	1,086,062	1,086,062	-	0.0%
Other operating assistance	484,082	441,679	42,403	9.6%
	6,547,969	7,228,970	(681,001)	-9.4%
Total Revenue	\$ 7,721,441	\$ 8,388,516	\$ (667,074)	-8.0%
Expenses				
Wages- Operators	\$ 1,819,121	\$ 1,906,272	\$ (87,151)	-4.6%
Wages-Other	1,229,253	1,310,240	(80,987)	-6.2%
	3,048,374	3,216,512	(168,138)	-5.2%
Fringe Benefits	1,932,195	1,930,525	1,670	0.1%
Services	472,301	498,808	(26,507)	-5.3%
Materials & Supplies	759,129	964,888	(205,759)	-21.3%
Utilities	57,591	73,860	(16,269)	-22.0%
Insurance	85,933	94,842	(8,909)	-9.4%
Taxes	49,534	66,128	(16,594)	-25.1%
Interest	-	-	-	0.0%
Leases and Rentals	6,245	9,500	(3,255)	-34.3%
Miscellaneous	30,524	31,094	(570)	-1.8%
Special Trip Services	1,279,615	1,364,858	(85,243)	-6.2%
Operations	7,721,441	8,251,015	(529,574)	-6.4%
Contingency Reserve	0	137,500	(137,500)	-100.0%
Total Expenses	\$ 7,721,441	\$ 8,388,515	\$ (667,074)	-8.0%
Net Income (Loss)	\$ -	\$ -	\$ -	
<i>Revenue Hours</i>	<i>71,322</i>	<i>71,129</i>	<i>193</i>	<i>0.3%</i>
<i>Cost per Rev Hr</i>	<i>\$ 108.17</i>	<i>\$ 117.80</i>	<i>\$ (9.63)</i>	<i>-8.2%</i>
<i>Passengers</i>	<i>832,381</i>	<i>828,491</i>	<i>3,890</i>	<i>0.5%</i>
<i>Cost per Passenger</i>	<i>\$ 9.28</i>	<i>\$ 10.13</i>	<i>\$ (0.85)</i>	<i>-8.4%</i>
<i>Farebox ratio</i>	<i>15.2%</i>	<i>13.8%</i>	<i>1.4%</i>	<i>9.9%</i>

(fares, spec fares/Oper exp-w/o contingency-leases)

CENTRAL CONTRA COSTA TRANSIT AUTHORITY

FY 2012 Year to Date Comparison of Actual vs Budget For the Three Months Ended September 30, 2011 *Fixed Route Income Statement*

	Actual		Budget		Variance		% Variance
Revenues							
Passenger fares	\$ 782,068	\$	811,406	\$	(29,338)		-3.6%
Special fares	\$ 223,690		204,741		18,949		9.3%
	<u>1,005,758</u>		<u>1,016,147</u>		<u>(10,389)</u>		<u>-1.0%</u>
Advertising	\$ 137,187		132,501		4,686		3.5%
Safe Harbor lease	\$ 1,369		6,250		(4,881)		-78.1%
Other revenue	\$ 79,281		30,875		48,406		156.8%
Federal operating	\$ 1,064,448		1,064,448		-		0.0%
TDA earned revenue	\$ 2,255,117		2,917,265		(662,148)		-22.7%
STA revenue	\$ 577,028		577,028		-		100.0%
Measure J	\$ 846,218		846,218		-		0.0%
Other operating assistance	\$ 437,228		399,180		38,048		9.5%
	<u>5,397,876</u>		<u>5,973,766</u>		<u>(575,889)</u>		<u>-9.6%</u>
Total Revenue	\$ 6,403,634	\$	6,989,912	\$	(586,278)		-8.4%
Expenses							
Wages- Operators	\$ 1,819,121	\$	1,906,272	\$	(87,151)		-4.6%
Wages-Other	1,204,959		1,289,184		(84,225)		-6.5%
	<u>3,024,080</u>		<u>3,195,456</u>		<u>(171,376)</u>		<u>-5.4%</u>
Fringe Benefits	1,920,664		1,919,513		1,151		0.1%
Services	468,665		492,050		(23,385)		-4.8%
Materials & Supplies	759,006		964,175		(205,169)		-21.3%
Utilities	53,135		68,250		(15,115)		-22.1%
Insurance	85,933		94,842		(8,909)		-9.4%
Taxes	49,523		66,000		(16,477)		-25.0%
Leases and Rentals	6,245		9,500		(3,255)		-34.3%
Miscellaneous	30,447		30,813		(366)		-1.2%
Purchased Transportation	5,936		11,813		(5,877)		-49.8%
Operations	6,403,634		6,852,412		(448,778)		-6.5%
Contingency Reserve			137,500		(137,500)		
Total Expenses	\$ 6,403,634	\$	6,989,912	\$	(586,278)		-8.4%
Net Income (Loss)	\$ -	\$	-	\$	-		
Revenue Hours	51,205		52,100		(895)		-1.7%
Cost per Rev Hr	\$ 124.94	\$	133.98	\$	(9.04)		-6.8%
Passengers	793,838		790,942		2,896		0.4%
Cost per Passenger	\$ 8.07	\$	8.84	\$	(0.77)		-8.7%
Passengers per Rev Hr	15.50		15.18		0.32		2.1%
Farebox recovery ratio	15.7%		14.8%		0.9%		5.9%

(fares,spec fares/Oper exp-w/o contingency-leases)

CENTRAL CONTRA COSTA TRANSIT AUTHORITY

FY 2012 Year to Date Comparison of Actual vs Budget For the Three Months Ended September 30, 2011

Paratransit Income Statement

	Actual	Budget	Variance	% Variance
Revenues				
Passenger fares	\$ 167,714	\$ 143,399	\$ 24,315	17.0%
Special fares		-	-	0.0%
	167,714	143,399	24,315	17.0%
Advertising		-	-	
Interest	70	75	(5)	100.0%
Other revenue	15,500		15,500	
Federal operating	190,457	190,457	-	0.0%
TDA earned revenue	436,486	561,447	(124,961)	-22.3%
STA revenue	220,882	220,882	-	
Measure J	239,844	239,844	-	0.0%
Other operating assistance	46,854	42,499	4,355	10.2%
	1,150,093	1,255,204	(105,111)	-8.4%
Total Revenue	\$ 1,317,807	\$ 1,398,603	\$ (80,796)	-5.8%
Expenses				
Wages-Other	\$ 24,294	\$ 21,056	\$ 3,238	15.4%
	24,294	21,056	3,238	15.4%
Fringe Benefits	11,531	11,012	519	4.7%
Services	3,636	6,758	(3,122)	-46.2%
Materials & Supplies	123	713	(590)	-82.7%
Utilities	4,456	5,610	(1,154)	-20.6%
Insurance		-	-	0.0%
Taxes	11	128	(117)	-91.4%
Interest		-	-	0.0%
Leases and Rentals		-	-	0.0%
Miscellaneous	77	281	(204)	-72.6%
Special Trip Services	1,273,679	1,353,045	(79,366)	-5.9%
	1,273,679	1,353,045	(79,366)	-5.9%
Total Expenses	\$ 1,317,807	\$ 1,398,603	\$ (80,796)	-5.8%
Net Income (Loss)	\$ -	\$ -	\$ -	
<i>Revenue Hours</i>	<i>20,117</i>	<i>19,029</i>	<i>1,088</i>	<i>5.7%</i>
<i>Cost per Rev Hr</i>	<i>\$ 65.51</i>	<i>\$ 73.50</i>	<i>\$ (7.99)</i>	<i>-10.9%</i>
<i>Passengers</i>	<i>38,543</i>	<i>37,549</i>	<i>994</i>	<i>2.6%</i>
<i>Cost per Passenger</i>	<i>\$ 34.19</i>	<i>\$ 37.25</i>	<i>\$ (3.06)</i>	<i>-8.2%</i>
<i>Passengers per Rev Hr</i>	<i>1.92</i>	<i>1.97</i>	<i>(0.06)</i>	<i>-2.9%</i>
<i>Farebox ratio</i>	<i>12.7%</i>	<i>10.3%</i>	<i>2.5%</i>	<i>24.1%</i>

(fares, spec fares/Oper exp-leases)

CENTRAL CONTRA COSTA TRANSIT AUTHORITY

Statistics

FY 2011 Year to Date Comparison of FY2010 Actual & FY 09 Actual
For the Three Months Ended September 30, 2011

	Actual FY2012	Actual FY2011	Variance Actual 2012 to Actual 11	Actual FY2010	Variance Actual 2012 to Actual
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Fixed Route

Fares	\$ 782,068	\$ 782,301	0.0%	\$ 711,455	9.0%
Special Fares	\$ 223,690	\$ 168,370	32.9%	\$ 181,071	19.1%
Total Fares	\$ 1,005,758	\$ 950,671	5.8%	\$ 892,526	11.3%
<i>Fares box recovery ratio</i>	<i>15.7%</i>	<i>16.9%</i>	<i>-7.1%</i>	<i>14.8%</i>	<i>6.1%</i>
Operating Exp (Less leases)	\$ 6,397,389	\$ 5,617,776	13.9%	\$ 6,046,271	5.5%
<i>Revenue Hours</i>	<i>51,205</i>	<i>52,054</i>	<i>-1.6%</i>	<i>53,519</i>	<i>-4.5%</i>
<i>Cost per Rev Hour</i>	<i>\$ 124.94</i>	<i>\$ 107.92</i>	<i>15.8%</i>	<i>\$ 112.97</i>	<i>9.6%</i>
<i>Passengers</i>	<i>793,838</i>	<i>794,777</i>	<i>-0.1%</i>	<i>759,117</i>	<i>4.4%</i>
<i>Cost per Passenger</i>	<i>\$ 8.06</i>	<i>\$ 7.08</i>	<i>13.9%</i>	<i>\$ 7.97</i>	<i>1.0%</i>
<i>Passengers per Rev Hr</i>	<i>15.50</i>	<i>15.27</i>	<i>1.5%</i>	<i>14.18</i>	<i>8.5%</i>

Paratransit

Fares	\$ 167,714	\$ 131,970	27.1%	\$ 145,087	13.5%
<i>Fares box recovery ratio</i>	<i>12.7%</i>	<i>10.5%</i>	<i>21.0%</i>	<i>11.2%</i>	<i>12.4%</i>
Operating Exp (Less leases)	\$ 1,317,807	\$ 1,255,084	5.0%	\$ 1,301,168	1.3%
<i>Revenue Hours</i>	<i>20,117</i>	<i>20,999</i>	<i>-4.2%</i>	<i>21,127</i>	<i>-5.0%</i>
<i>Cost per Rev Hour</i>	<i>\$ 65.51</i>	<i>\$ 59.77</i>	<i>9.6%</i>	<i>\$ 61.59</i>	<i>6.0%</i>
<i>Passengers</i>	<i>38,543</i>	<i>38,264</i>	<i>0.7%</i>	<i>39,725</i>	<i>-3.1%</i>
<i>Cost per Passenger</i>	<i>\$ 34.19</i>	<i>\$ 32.80</i>	<i>4.2%</i>	<i>\$ 32.75</i>	<i>4.2%</i>
<i>Passengers per Rev Hr</i>	<i>1.92</i>	<i>1.82</i>	<i>5.1%</i>	<i>1.88</i>	<i>1.9%</i>

Operator Wages
For the Three Months Ended September 30, 2011

	Actual	Year to Date Budget	Variance	% Variance
Platform/report/turn in	\$ 1,460,416	\$ 1,529,404	\$ (68,988)	-4.5%
Guarantees	75,684	85,991	(10,307)	-12.0%
Overtime	56,043	73,150	(17,107)	-23.4%
Spread	43,966	46,779	(2,813)	-6.0%
Protection	81,100	87,740	(6,640)	-7.6%
Travel	56,989	57,380	(391)	-0.7%
Training	23,981	15,860	8,121	51.2%
Other Misc	20,942	9,967	10,975	110.1%
	\$ 1,819,121	\$ 1,906,272	\$ (87,151)	-4.6%

TO: A&F Committee

DATE: November 23, 2011

FROM: Rick Ramacier
General Manager



SUBJECT: Travel Policy

Background

For many years, CCCTA has had a board travel policy that allows for each board member to travel to one out of state transit conference and to travel to one in state transit conference each fiscal year. The policy for staff travel has been for staff to travel when it is deemed necessary or clearly beneficial to CCCTA under the direction of the General Manager. Staff travel has also been controlled by the budget.

In late 2008, the board discussed updating the board travel policy in response to CCCTA's financial situation. As a result, the board decided to limit board travel through the budget. Thus, in fiscal year 2009, fiscal year 2010, and fiscal year 2011, the budget allowed only three total CCCTA trips by board members in each of those fiscal years.

For FY 2012, the board decided to provide a budget for up to five board members to during the fiscal year. This was to accommodate travel to the very valuable and useful triennial APTA Expo. Typically, board attendance at the triennial APTA Expo is higher than at other transit conferences. Since Expo is only every three years, it was believed to be a sound decision to budget for more board members to attend.

Thus, in FY12 CCCTA budgeted \$10,000 for board travel as opposed to \$2,000 in FY09, FY10, and, FY11. I anticipate that we will budget \$2,000 for board travel in FY13 as it is not an Expo year.

In terms of an attendance controller, the budget has proven to be effective as a total of four board member attendees went to a total of five conferences - less than one per conference between November 2008 and September 2011.

Staff travel in recent years has been budgeted at \$20,000 annually. A number of CCCTA staff serve on the boards and committees of both state and federal transit associations in critical capacities. This necessitates their travel. Also, much of staff travel facilitates important training and staff improvement that is critical to our success. Staff does not travel on behalf of CCCTA unless a direct benefit(s) to CCCTA can be shown.

Travel Policy Update

Staff believes that controlling board and staff travel has been largely effective through the budget. While concern has been raised regarding the number of board members who attended the recent triennial APTA Expo in New Orleans, it should be noted that the total number of board member trips over the past three years is nine. Moreover, having an appropriate number of board members attend the triennial APTA Expo is both a proven value to both the individual board member as well as CCCTA.

There are ways to tighten the application of the board travel policy through budget by doing the following:


- Set the amount of money to be made available for board travel for the coming fiscal year in the initial draft budget for that fiscal year.
- Have that noted by the Board of Directors prior to budget adoption.
- Maintain the board travel budget at relatively low levels with a modest and justified increase in Expo years or when it is determined that additional board members should go to Washington DC to address explicate and significant federal concerns affecting CCCTA.
- Have the Board Chair – working with the Board Clerk – determine how many board members can travel to certain conferences based on the available budget. Attendees to be selected on a first come, first serve basis.
- The first come, first serve basis will be processed by the Board Clerk.
- The Board Chair and the Vice Chair will have first call to attend any conference that CCCTA deems as important and appropriate for board member attendance.

Another alternate approach is to cap the number of board members that can attend anyone conference. If this approach is used, the number could be set by conference type. For example, CCCTA could set a policy that only X number of board members can travel to the annual APTA Legislative Conference, while Y number can go to the APTA Annual Conference, and Z can go to the triennial APTA Expo. This approach though is less flexible than a budget based process.

Action Requested

At this time, staff is not yet making a formal recommendation. We seek to receive your feedback and discussion of this topic at your meeting on December 2nd. Afterwards, staff will develop a specific proposal if desired.

To: A&F Committee
From: Kathy Casenave
Director of Finance

Date: November 28, 2011
Reviewed By: 

SUBJECT: November 2011 Actuarial Report on Postretirement Medical Benefits

BACKGROUND:

The Government Accounting Standards Board (GASB) has issued reporting standards that require government entities to recognize and report in their financial statements the present value of future medical benefits that employees have earned, even though the actual payment of the benefits will be over many future periods.

CCCTA was required to comply with this statement (GASB 45) starting in FY 2009 (July 1, 2008-June 30, 2009) and is required to commission a new actuarial report every two years.

UPDATE:

The draft report was emailed to me today. The report shows two scenarios- the Paygo method discounted at 5% and the fully funded at 7.75%.

Our actuary will prepare a final report after the Committee determines the investment rate of return.

ANALYSIS:

The following analysis compares the October 2009 report with the draft November 2011 report.

	PAYGO- (5%)		
	October 2009	November 2011	
Normal Cost	\$154,458	\$141,232	\$(13,226)
30 Yr amortization of unfunded liability	<u>\$211,818</u>	<u>\$235,054</u>	<u>\$ 23,236</u>
Annual Required Contribution	\$366,276	\$376,286	\$ 10,010
Unfunded Actuarial Accrued Liability (UAAL)	\$6,354,552	\$7,051,618	\$697,066

Fully funded with 7.75% Discount rate

	October 2009	November 2011	
Normal Cost	\$ 88,193	\$ 79,508	\$(8,685)
30 Yr amortization of unfunded liability	<u>\$146,153</u>	<u>\$206,354</u>	<u>\$ 60,201</u>
Annual Required Contribution	\$234,346	\$237,481	\$ 51,516
Unfunded Actuarial Accrued Liability (UAAL)	\$4,384,592	\$4,739,204	\$354,612

The unfunded liability has increased since the last report, even though over \$600,000 was in the trust. The actuary has stated that this is normal. Active employees have earned two additional years of benefits since the last report and there is less time before they retire; therefore investment earnings will be less.

The actuary also stated that the ARC will fall between these two options. It is the intent of the Board to fully fund, and even if a 5% investment rate is chosen, the ARC will be less than the Paygo option of \$376,286 on prior page because that option represents paying only the amount owed monthly for current retirees receiving medical benefits.

ATTACHMENTS:

Draft Postretirement Medical Valuation Report dated November 2011.

November 23, 2011

DRAFT

Ms. Katherine Casenave
Director of Finance
Central Contra Costa Transit Authority
2477 Arnold Industrial Way
Concord, CA 94520-5326

RE: Postretirement Medical Valuation Results as of July 1, 2011

Dear Ms. Casenave:

This letter presents the results of Buck Consultants' (Buck's) actuarial analysis of the current liability for Central Contra Costa Transit Authority's (CCCTA) postemployment medical benefits. Using 2011 census and cost data and current plan provisions, the GASB 45 liability was developed as of July 1, 2011. This valuation updates the previous retiree medical valuation completed in 2009.

The amount that CCCTA currently contributes toward medical benefits for CalPERS covered retirees is a frozen percentage of the total plan premium for Administration and Teamster retirees and 50% of the active contribution for ATU retirees. Mechanics and Service workers do not participate in the retiree medical plan.

The ATU contribution will increase by 5% annually until it reaches 100% of the frozen active ATU premium contribution in the year 2021. Retiring employees that are at least age 50 with 5 years of service and participating in the CalPERS pension plan are eligible for this benefit.

This analysis includes all actives and retirees of CCCTA that are eligible for postretirement medical benefits. All results rely on census and medical plan data provided by CalPERS and CCCTA. A listing of 251 active employees with an average age of 51.4 years and average service of 14.0 years was used for this study. An additional file containing 36 participating retirees with an average age of 67.8 was also provided for this study.

Table 1 summarizes the Actuarial Accrued Liability (AAL) as of July 1, 2011 as calculated for all participants under the current contribution schedule. The AAL is defined as the actuarial present value of benefits attributed to employee service rendered to a particular date.

The table also shows the Normal Cost (NC), which is the amount of benefit to be earned by the active employees for service in fiscal year 2011-2012. A discount rate of 7.75% is used throughout this valuation result. The 7.75% discount rate reflects full funding of the Annual Required Contribution (ARC) net of pay-as-you-go costs to a dedicated irrevocable trust.

Table 1
 CCCTA Postemployment Medical Plan
 AAL and Normal Cost as of July 1, 2011

	AAL @ 5.0% (PAYGO)	AAL @ 7.75% (Fully Funding)	NC @ 5.0% (PAYGO)	NC @ 7.75% (Fully Funding)
Active Employees				
Administration	\$2,252,359	\$1,541,234	\$61,945	\$36,212
Teamsters	538,375	366,871	1,369	704
ATU	<u>3,496,094</u>	<u>2,323,637</u>	<u>77,918</u>	<u>42,592</u>
Active Total	\$6,286,828	\$4,231,742	\$141,232	\$79,508
Retirees				
Administration	\$794,908	\$643,052	\$0	\$0
Teamsters	128,884	106,524		
ATU	<u>640,896</u>	<u>513,044</u>	<u>0</u>	<u>0</u>
Retiree Total	\$1,564,688	\$1,262,620	\$0	\$0
Grand Total	\$7,851,516	\$5,494,362	\$141,232	\$79,508

Government Accounting Standards Board (GASB) Statement Number 45 provides disclosure requirements for Other Postemployment Benefit (OPEB) plans effective as early as plan years beginning after December 15, 2006. GASB Statement 45 requires the calculation of an Annual Required Contribution (ARC) consisting of the Normal Cost and a not greater than 30 year amortization of the Unfunded Actuarial Accrued Liability (UAAL). There is no requirement for CCCTA to actually fund the ARC. The UAAL is the Actuarial Accrued Liability (AAL) less any assets held for the plan.

Most government postretirement medical plans are currently funded on a pay-as-you-go basis with no dedicated assets or funding scheme. For fiscal years beginning after December 15, 2006 the GASB statement requires that these plan liabilities be recognized on an accounting basis if not through an actual pre-funding arrangement.

Table 2 shows the ARC for the fiscal year that begins July 1, 2011 under the current health benefit plan under the full funding discount rate assumption.

Table 2
CCCTA Postemployment Medical Plan
Annual Required Contribution for Fiscal Year 2011-2012

	5.0% Discount Rate (PAYGO)	7.75% Discount Rate (Fully Funding)
Total AAL	\$7,851,516	\$5,494,362
Present Value of Future Employee Contributions	186,190	141,450
Assets	<u>613,708</u>	<u>613,708</u>
UAAL	\$7,051,618	\$4,739,204
Annual Required Contribution		
Normal Cost	\$141,232	\$79,508
30 Year Amortization of UAAL	<u>235,054</u>	<u>206,354</u>
ARC	\$376,286	\$237,481

CCCTA has initiated prefunding of this liability through the Public Agency Retirement Services (PARS) GASB 45 Program Trust. This is a dedicated, irrevocable, 115 Trust which offsets the AAL in Table 2 resulting in a lower unfunded liability as well as a lower ARC under GASB 45.

Table 3 shows the expected 25-year cash flows based on the current plan and valuation assumptions for the current retirees as well as the currently active employees that are expected to retire in the future. These cash flow projections are independent of the chosen discount rate.

Table 3
 CCCTA Postemployment Medical Plan
 Projected 25-Year Cash Flows as of July 1, 2011

Fiscal Year	Actives	Retirees	Total Cash Flow	Retiree Count
2012	\$14,018	\$127,294	\$141,312	40
2013	82,816	127,386	210,202	54
2014	134,899	127,302	262,201	64
2015	187,594	127,015	314,609	75
2016	236,472	126,498	362,970	83
2017	281,400	125,721	407,121	90
2018	328,589	124,655	453,244	97
2019	372,319	123,276	495,595	103
2020	411,818	121,566	533,384	108
2021	450,617	119,508	570,125	112
2022	475,258	114,547	589,805	116
2023	499,106	109,359	608,465	119
2024	521,978	103,956	625,934	123
2025	541,405	98,375	639,780	124
2026	556,429	92,656	649,085	126
2027	570,245	86,848	657,093	128
2028	579,368	81,008	660,376	128
2029	584,937	75,178	660,115	128
2030	588,416	69,398	657,814	128
2031	591,845	63,702	655,547	127
2032	591,061	58,115	649,176	126
2033	586,316	52,672	638,988	124
2034	578,829	47,396	626,225	121
2035	568,668	42,323	610,991	118
2036	557,015	37,493	594,508	115

It should be noted that valuation results are assumption driven, especially with regard to the future participation assumptions for currently active employees. The final discount rate should be based on whether or not full prefunding of the ARC to a dedicated, irrevocable trust continues in the future and will be an interpolated result of two rates (7.75% full funding and 5.0% pay-as-you-go) based on that expected level of prefunding if any.

Appendix A provides the assumptions used for the actuarial analysis. This list includes items such as expected turnover rates, retirement rate, future trend rates, and mortality rates. The rates that we used are consistent with those used by CalPERS in its CCCTA pension plan actuarial valuation. Appendix B provides a glossary of commonly used terms for postretirement medical valuations. Finally, Appendix C provides an alternative split of the Table 2 results by Administration, Teamsters, and ATU.

Please contact us at (619) 725-1769 should you have any questions.

Sincerely,

Michael W. Schionning, FSA, MAAA
Principal & Consulting Actuary

James A. Summers, FSA, MAAA
Director & Consulting Actuary

APPENDIX A

Valuation Assumptions

Mortality Rates—CalPERS Mortality Table from the CCCTA pension valuation.

Withdrawal Rates—Representative values are shown below

Duration of Service	Entry Age 30	Entry Age 35
0	0.1622	0.1553
1	0.1423	0.1353
2	0.1224	0.1154
3	0.1025	0.0955
4	0.0826	0.0756
5	0.0232	0.0206
10	0.0139	0.0117
15	0.0083	0.0064
20	0.0041	0.0025
25	0.0009	0.0002
30	0.0002	0.0002

New Entrants—None Assumed.

Dependent Assumptions—For active employees, 56% are assumed married at retirement. Female spouses are assumed to be three (3) years younger than their husbands.

APPENDIX A

Discount Rate—7.75%.

Participation Assumption—80% active participation assumed upon retirement for Administration and Teamsters, 50% for ATU members.

Medical Demographic Information—251 active employees and 36 retirees as of July 1, 2011.

Retirement Rates

Representative Rates	
Age	
50	1.65%
51	1.13%
52	1.78%
53	2.00%
54	2.11%
55	3.83%
56	3.48%
57	4.00%
58	5.05%
59	6.46%
60	11.87%
61	12.12%
62	24.26%
63	24.36%
64	18.75%
65	33.39%
66	18.25%
67	24.53%

Probability of retiring at age 70 equals 100%.

APPENDIX A

Health Care Cost and Expense Trend—Annual trend rates are shown below.

Medical Trend Rates by Fiscal Year	
FYE12	10%
FYE13	9%
FYE14	8%
FYE15	7%
FYE16	6%
FYE17+	5%

Central Contra Costa Transit Authority 2011-2012 Rates and Contributions

Administration

The Admin employees will have the ER contribution frozen at 57% of the 2010 Premium. Since this group has been in the PERS medical program for over 20 yrs, this contribution amount will not increase.

Frozen Contribution

Blue Shield EE	\$329.08
Blue Shield +1	658.16
Blue Shield +2	855.60
Kaiser EE	303.56
Kaiser +1	607.12
Kaiser +2	789.26
PERS Choice EE	289.98
PERS Choice +1	579.96
PERS Choice +2	753.95
PERSCARE EE	494.86
PERSCARE +1	989.71
PERSCARE +2	1,286.63

APPENDIX A

Teamsters

The Teamsters have had the ER contribution frozen since September 2008, at the below rates. This group also has been in the PERS medical program for over 20 yrs, so this will not increase.

	Frozen Contribution
Blue Shield EE	\$280.28
Blue Shield +1	560.57
Blue Shield +2	728.74
Kaiser EE	254.15
Kaiser +1	508.30
Kaiser +2	660.79
PERS Choice EE	241.24
PERS Choice +1	482.48
PERS Choice +2	627.22
PERSCARE EE	374.91
PERSCARE +1	749.83
PERSCARE +2	974.78

ATU

This has been frozen since the last contract in 2007. But this group joined PERS Medical much later. In 2011, CCCTA is paying 50% of the below amounts for retiree, in 2012 it will be 55% and so on, until 100% is reached.

Blue Shield EE	\$266.47
Blue Shield +1	532.93
Blue Shield +2	692.81
Kaiser EE	235.34
Kaiser +1	470.67
Kaiser +2	611.87
PERS Choice EE	241.24
PERS Choice +1	482.48
PERS Choice +2	627.22
PERSCARE EE	374.92
PERSCARE +1	749.83
PERSCARE +2	974.78
PERS Select EE	233.59
PERS Select +1	467.18
PERS Select +2	607.34

Glossary of Terminology

Actuarial Accrued Liability (AAL) - The actuarial present value of benefits attributed to employee service rendered to a particular date.

Active Plan Participant - Any active employee who has rendered service during the credited service period and is expected to receive benefits, including benefits to or for any beneficiaries and covered dependents, under the postretirement benefit plan.

Actuarial Present Value - The value, as of a specified date, of a future benefit cost or a series of benefit costs, with each amount adjusted to reflect (a) the time value of money (through discounts for interest and (b) the probability of payment (for example, by means of decrements for events such as death, disability, withdrawal or retirement) between the specified date and the expected date of payment.

Amortization - Systematic reduction of the principal portion (only) of an asset or liability.

Annual Required Contribution – Consists of the normal cost and a portion of the total unfunded actuarial accrued liability (UAAL). The normal cost and UAAL are derived from the actuarial present value of benefits, the actuarial cost method and the plan assets.

Attribution Period - The period of an employee's service to which the expected postretirement benefit obligation for that employee is assigned.

Discount Rate - The interest rate used in developing present values to reflect the time value of money.

APPENDIX B

Health Care Cost Trend Rate - An assumption about the annual rate(s) of change in the cost of health care benefits currently provided by the postretirement benefit plan, due to factors other than changes in the composition of the plan population by age and dependency status, for each year from the measurement date until the end of the period in which benefits are expected to be paid. The Health Care Cost Trend Rate implicitly considers estimates of health care inflation, changes in health care utilization or delivery patterns, technological advances, and changes in the health status of plan participants. Differing types of service, such as hospital care and dental care, may have different trends.

Normal Cost - The portion of the Expected Postretirement Benefit Obligation attributed to employee service during a period.

Substantive Plan - The terms of a postretirement benefit plan as understood by an employer that provides postretirement benefits and the employees who render services in exchange for those benefits. The substantive plan is the basis for the accounting for that exchange transaction. In some situations an employer's cost-sharing policy, as evidenced by past practice or by communication of intended changes to a plan's cost-sharing provisions, or a past practice of regular increases in certain monetary benefits may indicate that the substantive plan differs from the extant written plan.

APPENDIX C

Table 2 Additional Split
CCCTA Postemployment Medical Plan

DRAFT

	7.75% Discount Rate <u>(Fully Funding)</u>
Administration	
Total AAL	\$2,184,286
Present Value of Future Employee Contributions	0
Assets	<u>243,980</u>
UAAL	\$1,940,306
Annual Required Contribution	
Normal Cost	\$36,212
30 Year Amortization of UAAL	<u>64,676</u>
ARC	\$100,888

DRAFT

	7.75% Discount Rate <u>(Fully Funding)</u>
Teamsters	
Total AAL	\$473,395
Present Value of Future Employee Contributions	7,898
Assets	<u>52,877</u>
UAAL	\$412,620
Annual Required Contribution	
Normal Cost	\$704
30 Year Amortization of UAAL	<u>13,754</u>
ARC	\$14,458

APPENDIX C

DRAFT

7.75% Discount Rate
(Fully Funding)

ATU

Total AAL	\$2,836,681
Present Value of Future Employee Contributions	133,552
Assets	<u>316,851</u>
UAAL	\$2,386,278
Annual Required Contribution	
Normal Cost	\$42,592
30 Year Amortization of UAAL	<u>79,543</u>
ARC	\$122,135