County Connection
2477 Arnold Industrial Way Concord, CA 94520-5326 (925) 676-7500 countyconnection.com

ADMINISTRATION & FINANCE COMMITTEE
MEETING AGENDA

Wednesday, January 4, 2017
9:00 a.m.

New Location

Candace Andersen's Office,
3338 Mt. Diablo Blvd. Lafayette, CA 94549

The committee may take action on each item on the agenda. The action may consist of the recommended action, a related action or no action. Staff recommendations are subject to action and/or change by the committee.

1. Approval of Agenda
2. Public Communication
3. Approval of Minutes of December 7, 2016*
4. Prop 1B Transit Security Funding FY2016-17*
5. PERS Actuarial Valuation for June 30, 2015; Rate for FY2018*
6. Review of Vendor Bills, December 2016**
7. Legal Services Statement, October 2016-General, October 2016-Labor**
8. Next Scheduled Meeting – February 6, 2017
9. Adjournment

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*Enclosure
**Enclosure for Committee Members
***To be mailed under separate cover

FY2016/2017 A&F Committee
Don Tatzin – Lafayette, Al Dessayer - Moraga, Sue Noack – Pleasant Hill, Candace Andersen – Contra Costa County

General Information

Public Comment: Each person wishing to address the committee is requested to complete a Speakers Card for submittal to the Committee 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 Committee Chair. Persons who wish to speak on matters set for Public Hearings will be heard when the Chair calls for comments from the public. After individuals have spoken, the Public Hearing is closed and the matter is subject to discussion and action by the Committee.

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.

Consent Items: All matters listed under the Consent Calendar are considered by the committee to be routine and will be enacted by one motion. There will be no separate discussion of these items unless requested by a committee member or a member of the public prior to when the committee votes on the motion to adopt.

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.countyconnection.com.

Accessible Public Meetings: Upon request, County Connection 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 County Connection at least 48 hours before the meeting convenes. Requests should be sent to the Assistant to the General Manager, Lathina Hill, at 2477 Arnold Industrial Way, Concord, CA 94520 or hill@countyconnection.com.

Shuttle Service: With 24-hour notice, a County Connection LINK shuttle can be available at the BART station nearest the meeting location for individuals who want to attend the meeting. To arrange for the shuttle service, please call Robert Greenwood – 925/680 2072, no later than 24 hours prior to the start of the meeting.

Currently Scheduled Board and Committee Meetings

Board of Directors:	Thursday, January 19, 9:00 a.m., County Connection Board Room
Administration & Finance:	Monday, February 6, 9:00 a.m., Supervisor Andersen's Office, 3338 Mt. Diablo Blvd. Lafayette, CA 9454
Advisory Committee:	TBA. County Connection Board Room
Marketing, Planning & Legislative:	Thursday, January 5, 8:30 a.m., 1676 N. California Blvd., S620, Walnut Creek
Operations & Scheduling:	Friday, January 6, 8:00 a.m. Supervisor Andersen's Office 309 Diablo Road, Danville, CA

The above meeting schedules are subject to change. Please check the County Connection Website (www.countyconnection.com) or contact County Connection staff at 925/676-1976 to verify date, time and location prior to attending a meeting.

This agenda is posted on County Connection's Website (www.countyconnection.com) and at the County Connection Administrative Offices, 2477 Arnold Industrial Way, Concord, California

County Connection

INTER OFFICE MEMO

Administration and Finance Committee
Summary Minutes
December 7, 2016

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

Committee Members:	Director Al Dessayer Director Don Tatzin Director Sue Noack Director Candace Anderson
Staff:	General Manager Rick Ramacier Director of Finance Erick Cheung Director of Transportation Bill Churchill Senior Manager of Human Resources Lisa Rettig Finance Manager Karol McKarty Hanson Bridgett Attorney Patrick Glenn Coleman Chavez Attorney Jessica Snyder

1. Approval of Agenda- Approved.
2. Public Communication- None.
3. Approval of Minutes of November 17, 2016- Approved.
4. Closed Session:
   a) Liability Claims (Government code Section 54956.95) Claim against Central Contra Costa Transit Authority; Claimant: Antonio De LaTorre

   b) Conference with Labor Negotiator (pursuant to Government Code Section 54957.6)
   Employee Organizations:
   Amalgamated Transit Union, Local 1605
   Machinists Automotive Trades District Lodge No. 1173
5. Open Session: Report of Action taken in Closed Session- Direction was given to refer both matters to the Board.
6. Amendment to Cafeteria Plan for Affordable Care Act Compliance. – Human Resources Manager Rettig presented amendments to the Cafeteria Plan to be in compliance with the Affordable Care Act. One of the amendments is for employees that waive coverage and receive a payment would need to annually attest to that the participant and all of his/her tax dependents have other group health coverage that provides minimum value within the meaning of the Affordable Care Act. The Committee recommended approval to the Board as a consent item.
7. FY 2016 Audit-Teleconference – Rosalva Flores, the Brown Armstrong partner in charge of the FY 2016 audit, reported by telephone on the audit. She reported that the audit report is unmodified, no findings, no material weaknesses nor deficiencies were identified and no material noncompliance issues were noted. She thanked County Connection's financial staff for working with her staff in completing the audit. The Committee recommended to the Board that the audit report be approved.

8. <u>County Connection Income Statements for the Three Months Ended September 30, 2016-</u> Director Cheung reported that the actual expenses are 11.2% under the year to date budget ($997,045). Wages, fringe benefits, services, materials and supplies, and no contingency currently needed accounted for most of the variance. General Manager Ramacier commented on the drop in fare revenue and will have Director Muzzini provide additional information on what the Clipper data is telling us in the future. Information only.

9. <u>County Connection Investment Policy-Quarterly Reporting Requirement-</u> Director Cheung reported that the investments as of September 30, 2016 comply with the CCCTA investment policy.

10. <u>Review of Vendor Bills, November 2016</u>- Reviewed.

11. <u>Legal Services Statement, September 2016, General & Labor-</u> Approved.

12. Adjournment- The meeting was adjourned. The next meetings will be tentatively scheduled for Wednesday, January 4th and Monday, February 6th at 9:00 a.m at 3338 Mt. Diablo Blvd, Lafayette, CA 94549.

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Erick Cheung, Director of Finance

County Connection

INTER OFFICE MEMO

Agenda Item # 4

To: Administration & Finance Committee

Date: 01/04/2017

From: Ruby Horta, Manager of Planning

Reviewed by:

SUBJECT: Prop 1 B Transit Security Funding FY 2016-17

Background:

The Highway Safety, Traffic Reduction, Air Quality and Port Security Bond Act of 2006, otherwise known as Proposition 1B provides funding for the California Transit Security Grant Program (TSGP). Funds from this source are made available to project sponsors in California for capital security and safety projects. Funds programmed for County Connection's use amount to $93,535 for FY16-17. This is the last final year of Prop 1B from Cal OES. In the past funds have been used for perimeter security (lighting), ITS routers on the bus, on-board cameras, and maintenance of the ITS system.

Since 2013 we have used these funds to support ongoing maintenance of our radio, onboard computer, CAD/AVL, and BusTime systems. This is an allowable TSGP expense because the funds are going to maintain a capital system that is directly related to security.

Recommendation:

Staff is proposing to apply for a grant amount of $93,535 in FY 2016-17 TSGP funds to defray the ongoing maintenance expenses related to the ITS systems. Staff recommends submittal of the attached resolution (Resolution No. 2017-008) to the Board, for approval.

Financial Implications:

Using FY 2016-17 TSGP funds to pay for ongoing ITS maintenance expenses will directly offset operating expenses. The funds previously were only used to support one-time capital expenses.

RESOLUTION NO. 2017-008

CENTRAL CONTRA COSTA TRANSIT AUTHORITY
BOARD OF DIRECTORS

* * *

AUTHORIZATION TO REQUEST AN ALLOCATION OF FISCAL YEAR 2016-17 PROPOSITION 1B CALIFORNIA TRANSIT SECURITY GRANT PROGRAM FUNDS

WHEREAS, the County of Contra Costa and the Cities of Clayton, Concord, the Town of Danville, Lafayette, Martinez, the Town of Moraga, Orinda, Pleasant Hill, San Ramon and Walnut Creek (hereinafter "Member Jurisdictions") have formed the Central Contra Costa Transit Authority ("CCCTA"), a joint exercise of powers agency created under California Government Code Section 6500 et seq., for the joint exercise of certain powers to provide coordinated and integrated public transportation services within the area of its Member Jurisdictions; and

WHEREAS, the California Transit Security Grant Program (CTSGP) is a funding program that is part of the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006, otherwise known as Proposition 1B, which was approved by California voters on November 7, 2006; and

WHEREAS, the State Controller develops an annual list with the amounts that each eligible project sponsor is programmed to receive; and

WHEREAS, in Fiscal Year (FY) 2017, the Central Contra Costa Transit Authority is programmed to receive $93,535; and

WHEREAS, Central Contra Costa Transit Authority recognizes that it is responsible for compliance with all Cal OES CTSGP grant assurances, and state and federal laws, including, but not limited to, laws governing the use of bond funds; and

WHEREAS, Cal OES requires Central Contra Costa Transit Authority to complete and submit a Governing Body Resolution for the purposes of identifying agent(s) authorized to act on behalf of Central Contra Costa Transit Authority to execute actions necessary to obtain CTSGP funds from Cal OES and ensure continued compliance with Cal OES CTSGP assurances, and state and federal laws.

WHEREAS, staff recommends that the Board authorize the General Manager, or his designee, to submit an allocation request to the California Governor's Office of Emergency Services (CalOES) and any other documents required to receive a total of $93,535 in FY17 CTSGP funds for ITS maintenance.

NOW THEREFORE, BE IT RESOLVED by the CCCTA Board of Directors that the General Manager, or his designee, is authorized to submit an allocation request to CalOES and any other documents required to receive a total of $93,535 in FY17 CTSGP funds for ITS maintenance; and

BE IT FURTHER RESOLVED that the General Manager, or his designee, is authorized to execute and file any assurances, certification, or furnish any additional information as CalOES may require in connection with the filing of this allocation request.

Regularly passed and adopted this 19th day of January 2017, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

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Chair
CCCTA Board of Directors

ATTEST:

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Lathina Hill, Clerk to the Board

County Connection

INTER OFFICE MEMO

To: Administration and Finance Committee **Date:** January 4, 2017

From: Erick Cheung
Director of Finance **Reviewed By:**

SUBJECT: PERS Actuarial Valuation for June 30, 2015; Rate for FY 2018

SUMMARY OF ISSUES:

The PERS Actuarial Valuation Report for the period ending June 30, 2015 was recently received. This valuation is used to set the rate for the next fiscal year and provides County Conneciton's funded status. **The employer rate for FY 2018 will be 7.471% and an unfunded liability payment of $47,020.** County Connection's funded status is currently **95.8% funded,** which is down from 99.9% since CalPERS investment return for 2015 was 2.4%.

CalPERS Updates

Beginning with FY 2018, CalPERS will collect employer contributions toward the plan's unfunded liability as dollar amounts instead of the prior method of a contribution rate. This change will address potential funding issues that could arise from a declining payroll or reduction in the number of active members in the plan. Funding the unfunded liability as a percentage of payroll could lead to the underfunding of the plans. Although employers will be invoiced at the beginning of the fiscal year for their unfunded liability payment the plan's normal cost contribution will continue to be collected as a percentage of payroll.

The CalPERS Board of Administration adopted a Risk Mitigation Policy which is designed to reduce funding risk over time. The policy establishes a mechanism whereby CalPERS investment performance that significantly outperforms the discount rate triggers adjustments to the discount rate, expected investment return and strategic asset allocation targets. A minimum excess investment return of 4% above the existing discount rate is necessary to cause a funding risk mitigation event.

CalPERS Assumptions & Projections

The updated projections shown below will be used for the budget and 10 year forecast. The revised projections for FY 2018 are less than the prior projection by $13,426 under the new method. Afterwards, the normal cost rate remains constatnt at 7.5%, but requires an unfunded liability payment for years that CalPERS didn't achieve the discount rate. CalPERS rate of return of 2.4% for FY 2015 and assumed 0.0% for FY 2016 (CalPERS reported entity wide 0.6% for FY 2016) are lower than the assumed discount rate 7.5%. Below are the CalPERS current projections compared with the prior report's projections:

	Current				Prior (Old Method)	Prior Forecast (Using New Method)			
	Payroll Rate	+	Unfunded Liability Payment		Payroll Rate	Payroll Rate	+	Unfunded Liability Payment	
FY 2017 Actual	7.553%		$	-	7.553%	7.553%		$	-
FY 2018	7.500%		$	47,020.00	7.900%	7.500%		$	60,446.00
FY 2019	7.500%		$	197,149.00	8.400%	7.500%		$	140,083.00
FY 2020	7.500%		$	356,243.00	8.800%	7.500%		$	208,413.00
FY 2021	7.500%		$	524,707.00	9.200%	7.500%		$	280,716.00
FY 2022	7.500%		$	702,955.00	9.500%	7.500%		$	357,169.00
FY 2023	7.500%		$	829,560.00	N/A	N/A			N/A

Estimates of future employer rates depend upon a variety of factors:

- Future investment returns of 7.5%.
- Payroll growth of 3%.
- Inflation growth of 2.75%.
- Demographic assumptions including the percentage of employees that will terminate employment, retire, or pass on in each future year.

Several pages of the actuarial report are attached.

Plan's Funded Status, Based on Market Value of Assets, Page 5

As stated earlier, the funded status is 95.8% with unfunded liability totaling $3,346,999. The prior year funded status was 99.9%, with the unfunded liability of $39,198. The main reason was the accrued liability increased $4,175,415 to $80.8 million and market value of assets only increased $797,614 to $77.4 million due to investment return of 2.4%.

Investment rate of return, Page 11

It is CalPERS' policy to use a constant investment return rate (7.5%) for the actuarial report rather than the actual rate of return. This is called *asset smoothing*- the delayed recognition of part of the investment gains or losses dampens the effect of short-term market value fluctuations in setting employers' rates. The CalPERS Board did approve recommendtation to change the amortization and rate smoothing policies. CalPERS employs a policy that amortizes all gains and losses over a fixed 30-year period. The increase or decrease in the rate is then spread directly over a 5 year period. This method is referred to as "direct rate smoothing." CalPERS no longer uses an actuarial value of assets and only uses the market value of assets.

The CalPERS history of investment returns in shown on **Page 11** of the report.

Other Information- C-1 & C-2

- There are 177 retirees receiving benefits
- The average annual benefit is $15,298
- The average age of retirees is 69.82
- There are 250 active members
- The average annual payroll of the active members is $54,040
- The covered annual payroll is $13,509,930
- The average age for active members is 50.94
- Page C-2 includes a breakdown of the active members by age and salaries & years of service. As of June 30, 2015, 23% or 58 employees was over 60 years of age.

FINANCIAL IMPLICATIONS: These rates will be used for the revised forecast.

ACTION REQUESTED: None; information only.

ATTACHMENTS: Selected pages of the PERS valuation report.

Required Contributions

		Fiscal Year 2017-18
Required Employer Contribution		
Employer Normal Cost Rate		**7.471%**
Plus Either		
1) Monthly Employer Dollar UAL Payment	**$**	**3,918**
Or		
2) Annual UAL Prepayment Option	**$**	**45,350**
Required PEPRA Member Contribution Rate		**6.75%**

*The total minimum required employer contribution is the **sum** of the Plan's Employer Normal Cost Rate (expressed as a percentage of payroll) **plus** the Employer Unfunded Accrued Liability (UAL) Contribution Amount (billed monthly in dollars). Only the UAL portion of the employer contribution can be prepaid (which must be received in full no later than July 31). Plan Normal Cost contributions will be made as part of the payroll reporting process. If there is contractual cost sharing or other change, this amount will change. §20572 of the Public Employees' Retirement Law assesses interest at an annual rate of 10 percent if a contracting agency fails to remit the required contributions when due. For additional detail regarding the determination of the required contribution for PEPRA members, see Appendix D. Required member contributions for Classic members can be found in Appendix B.*

		Fiscal Year 2016-17		Fiscal Year 2017-18
Normal Cost Contribution as a Percentage of Payroll				
Total Normal Cost		14.552%		14.438%
Employee Contribution[1]		6.999%		6.967%
Employer Normal Cost		7.553%		7.471%
Projected Annual Payroll for Contribution Year	$	14,442,599	$	14,762,665
Estimated Employer Contributions Based On Projected Payroll				
Total Normal Cost	$	2,101,687	$	2,131,434
Employee Contribution[1]		1,010,838		1,028,515
Employer Normal Cost		1,090,849		1,102,919
Unfunded Liability Contribution		0		47,020
Estimated Total Employer Contribution[2]	$	1,090,849	$	1,149,939

[1] For classic members, this is the percentage specified in the Public Employees Retirement Law, net of any reduction from the use of a modified formula or other factors. For PEPRA members, the member contribution rate is based on 50 percent of the normal cost. A development of PEPRA member contribution rates can be found in Appendix D. Employee cost sharing is not shown in this report.

[2] As a percentage of projected payroll the UAL contribution for Fiscal Year 2017-18 is 0.319 percent for an estimated total employer contribution rate of 7.790 percent. As determined in the June 30, 2014 valuation, the Fiscal Year 2016-17 UAL contribution is 0.000 percent for a total employer contribution rate of 7.553 percent.

Plan's Funded Status

	June 30, 2014	June 30, 2015
1. Present Value of Projected Benefits	$ 90,409,511	$ 94,643,089
2. Entry Age Normal Accrued Liability	76,635,740	80,811,155
3. Market Value of Assets (MVA)	$ 76,596,542	$ 77,394,156
4. Unfunded Accrued Liability (UAL) [(2) – (3)]	$ 39,198	$ 3,416,999
5. Funded Ratio [(3) / (2)]	99.9%	95.8%

Projected Employer Contributions

The estimated employer contribution for Fiscal Year 2018-19 is based on a projection of the most recent information we have available, including an estimated 0.0 percent investment return for Fiscal Year 2015-16.

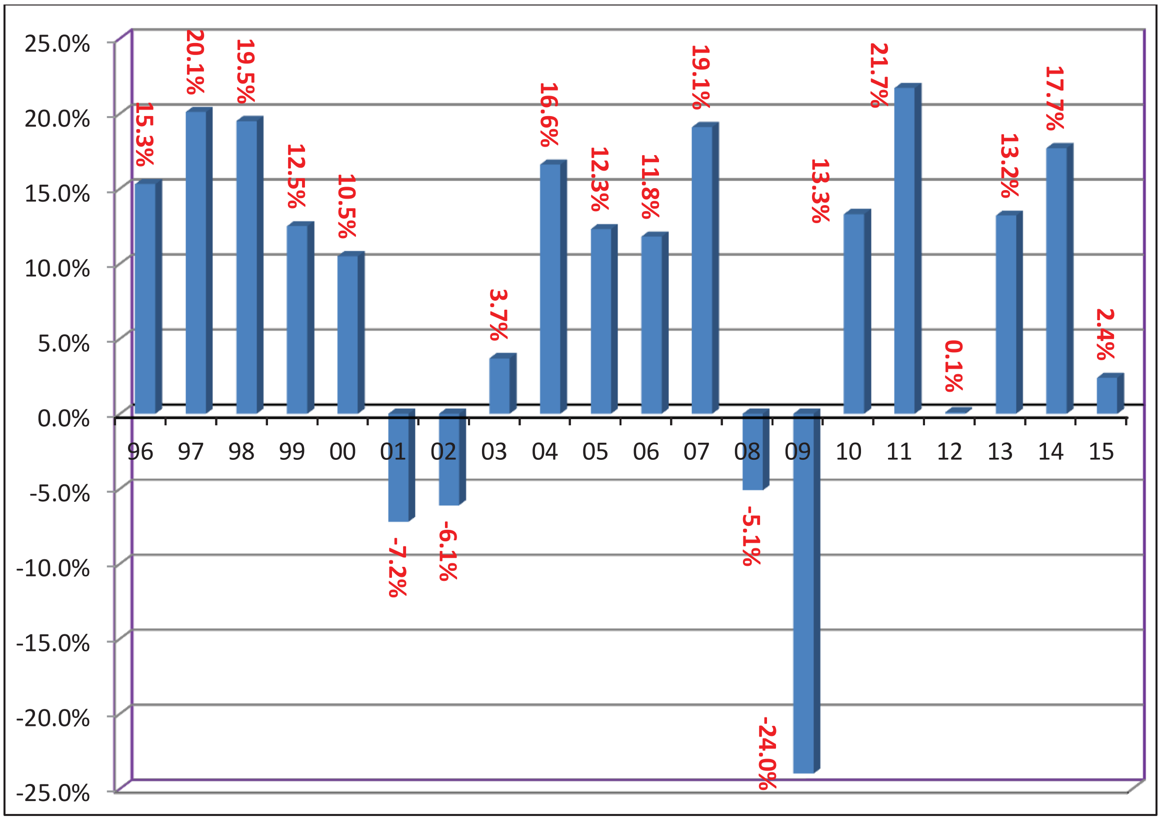
The table below shows projected employer contributions (before cost sharing) for the next five fiscal years, assuming CalPERS earns 0.0 percent for Fiscal Year 2015-16 and 7.50 percent every fiscal year thereafter, and assuming that all other actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur during the projection period. The projected normal cost percentages do not reflect that the normal cost will decline over time as new employees are hired into PEPRA or other lower cost benefit tiers.

	Required Contribution	Projected Future Employer Contributions				
Fiscal Year	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**2022-23**
Normal Cost %	7.471%	7.5%	7.5%	7.5%	7.5%	7.5%
UAL $	47,020	197,149	356,243	524,704	702,955	829,560

For projected contributions under alternate investment return scenarios, please see the "Analysis of Future Investment Return Scenarios" in the "Risk Analysis" section.

CalPERS History of Investment Returns

The following is a chart with the 20-year historical annual returns of the Public Employees Retirement Fund for each fiscal year ending on June 30. Beginning in 2002, the figures are reported as gross of fees.



The table below shows historical geometric mean annual returns of the Public Employees Retirement Fund for various time periods ending on June 30, 2015, (figures are reported as gross of fees). The geometric mean rate of return is the average rate per period compounded over multiple periods. It should be recognized that in any given year the rate of return is volatile. Although the expected rate of return on the recently adopted new asset allocation is 7.5 percent, the portfolio has an expected volatility of 11.76 percent per year. The volatility is a measure of the risk of the portfolio expressed in the standard deviation of the fund's total return distribution, expressed as a percentage. Consequently, when looking at investment returns, it is more instructive to look at returns over longer time horizons.

History of CalPERS Geometric Mean Rates of Return and Volatilities

	1 year	5 year	10 year	20 year	30 year
Geometric Return	2.4%	10.7%	6.1%	7.7%	9.1%
Volatility	–	9.4%	14.0%	11.8%	10.5%

Summary of Valuation Data

	June 30, 2014	June 30, 2015
1. **Active Members**		
a) Counts	254	250
b) Average Attained Age	50.62	50.94
c) Average Entry Age to Rate Plan	37.02	37.30
d) Average Years of Service	13.60	13.64
e) Average Annual Covered Pay	$ 52,036	$ 54,040
f) Annual Covered Payroll	13,217,024	13,509,930
g) Projected Annual Payroll for Contribution Year	14,442,599	14,762,665
h) Present Value of Future Payroll	100,022,764	100,926,914
2. **Transferred Members**		
a) Counts	25	58
b) Average Attained Age	50.92	45.49
c) Average Years of Service	2.24	1.49
d) Average Annual Covered Pay	$ 67,633	$ 55,040
3. **Terminated Members**		
a) Counts	104	115
b) Average Attained Age	51.97	51.95
c) Average Years of Service	2.96	3.24
d) Average Annual Covered Pay	$ 36,878	$ 37,896
4. **Retired Members and Beneficiaries**		
a) Counts	169	177
b) Average Attained Age	69.24	69.82
c) Average Annual Benefits	$ 14,500	$ 15,298
5. **Active to Retired Ratio** [(1a) / (4a)]	1.50	1.41

Counts of members included in the valuation are counts of the records processed by the valuation. Multiple records may exist for those who have service in more than one valuation group. This does not result in double counting of liabilities.

Average Annual Benefits represents benefit amounts payable by this plan only. Some members may have service with another agency and would therefore have a larger total benefit than would be included as part of the average shown here.

Active Members

Counts of members included in the valuation are counts of the records processed by the valuation. Multiple records may exist for those who have service in more than one valuation group. This does not result in double counting of liabilities.

Distribution of Active Members by Age and Service

	Years of Service at Valuation Date						
Attained Age	**0-4**	**5-9**	**10-14**	**15-19**	**20-25**	**25+**	**Total**
15-24	3	0	0	0	0	0	3
25-29	4	1	0	0	0	0	5
30-34	10	3	0	0	0	0	13
35-39	14	5	8	2	0	0	29
40-44	7	4	7	3	0	0	21
45-49	8	8	6	8	3	0	33
50-54	8	5	3	12	6	11	45
55-59	13	2	8	6	4	10	43
60-64	3	2	9	8	5	9	36
65 and over	1	3	2	3	8	5	22
All Ages	**71**	**33**	**43**	**42**	**26**	**35**	**250**

Distribution of Average Annual Salaries by Age and Service

	Years of Service at Valuation Date						
Attained Age	**0-4**	**5-9**	**10-14**	**15-19**	**20-25**	**25+**	**Average**
15-24	$42,277	$0	$0	$0	$0	$0	$42,277
25-29	46,764	58,768	0	0	0	0	49,165
30-34	44,197	57,027	0	0	0	0	47,157
35-39	52,469	47,097	55,734	57,829	0	0	52,813
40-44	48,376	56,694	61,572	55,326	0	0	55,352
45-49	45,708	47,947	51,771	60,514	51,128	0	51,435
50-54	44,692	56,015	41,766	55,558	82,239	52,337	55,528
55-59	44,388	46,987	51,000	45,942	54,616	75,165	54,065
60-64	51,063	101,186	55,760	44,551	64,470	52,282	55,742
65 and over	65,584	44,929	54,610	84,477	54,616	60,541	59,212
All Ages	**$47,156**	**$54,148**	**$54,229**	**$55,189**	**$62,483**	**$60,017**	**$54,040**