

County Connection

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

ADMINISTRATION & FINANCE COMMITTEE MEETING AGENDA

Tuesday, January 7, 2020

9:00 a.m.

**City of Pleasant Hill Offices
100 Gregory Lane
Small Community Room
Pleasant Hill, CA 94523**

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 3, 2019*
4. CCCTA Investment Policy-Quarterly Reporting Requirement*
5. Uncashed Check Policy*
(Staff recommends that the A&F Committee approve a Resolution and Uncashed Check Policy and forward it to the Board.)
6. PERS Actuarial Valuation for June 30, 2018; Rate for FY2021; Pension Funding Policy*
7. Independent Accountant's Report on Federal Funding Allocation Data for Federal Transit Administration*
(Staff will request that the committee approve the report and forward to the Board.)
8. FY2020 Budget Update*
(Staff recommends that to the A&F Committee accept the Adopted and Updated Budget Forecast.)
9. Review of Vendor Bills, December 2019**
10. Approval of Legal Services Statement, October 2019 Labor; October and November 2019 General**
11. Next Scheduled Meeting – February 4, 2020
12. Adjournment

*Enclosure

**Enclosure for Committee Members

***To be mailed under separate cover

****To be available at the meeting.

FY2019/2020 A&F Committee

Don Tatzin – Lafayette, Al Dessayer-Moraga, Sue Noack-Pleasant Hill

Clayton • Concord • Contra Costa County • Danville • Lafayette • Martinez
Moraga • Orinda • Pleasant Hill • San Ramon • Walnut Creek

CENTRAL CONTRA COSTA TRANSIT AUTHORITY

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 advance 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 (925) 938-7433 between 8:00 am and 5:00 pm at least one day before the meeting.

Currently Scheduled Board and Committee Meetings

Board of Directors:	January 16, 9:00 a.m., County Connection Board Room
Administration & Finance:	Tuesday, February 4, City of Pleasant Hill Offices, 100 Gregory Lane, Large Community Room, Pleasant Hill, CA 94523
Advisory Committee:	TBA. County Connection Board Room
Marketing, Planning & Legislative:	Thursday, January 2, 8:30 a.m., Supervisor Andersen's Office, 3338 Mt. Diablo Blvd. Lafayette, CA 9454
Operations & Scheduling:	Friday, January 3, 8:15 a.m. Supervisor Andersen's Office, 3338 Mt. Diablo Blvd. Lafayette, CA 9454

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

INTER OFFICE MEMO

Administration and Finance Committee
Summary Minutes
December 3, 2019

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
 Assistant General Manager Bill Churchill
 Chief Financial Officer Erick Cheung
 Chief Operation Officer Scott Mitchell
 Director of Planning Ruby Horta
 Accounting Manager Karol McCarty

1. Approval of Agenda- Approved
2. Public Communication- None
3. Approval of Minutes of November 8, 2019- Approved.
4. Presentation of the Fiscal Year 2019 Audit- Ryan Nielsen, the Brown Armstrong partner in charge of the FY 2019 audit, reported that the audit report is unmodified, no findings, no material weaknesses nor deficiencies were identified, and no material noncompliance issues were noted. He thanked County Connection's financial staff for working with his staff in completing the audit. Mr. Cheung thanked Mr. Nielsen and his team, he also thanked finance staff and all of the various County Connection departments involved in the audit. The Committee recommended to the Board that the FY 2019 audit report be approved.
5. County Connection Income Statements for the Three Months Ended September 30, 2019- CFO Cheung reported that the actual expenses of \$9,371,663 are 5.5% under the year to date budget (\$547,395). Wages, fringe benefits, services, materials and supplies are under budget, and no contingency currently needed. Special Trip Services is currently over budget by \$262,843 due to paratransit services fuel costs, which will be addressed in another item in the agenda to increase the budget. The A&F Committee accepted the report for an information item to the Board.
6. San Ramon Valley USD Transition Program – Midday Free Request – Director Horta reported that the San Ramon Valley Unified School District staff with the request to have the Midday Free Program extended to students in their transition program. The transition program is located at Del Amigo High School. School District staff indicates students access County Connection services daily in order to travel to Alamo, Walnut Creek, Danville and San Ramon. The program at Del Amigo High School serves approximately 70 students and 30 staff. Additionally, staff indicated that other high schools in the school district have approximately 85 students and 40 staff that access County Connection's services, occasionally. This is similar to the action taken for the RES Success and Bridge Program that is operated by Martinez and Mt. Diablo Unified School District, respectively. A&F Committee requests staff to consider a procedure and policy for the future. Staff recommends that the A&F Committee authorize extending the Midday Free Program to the students and staff of the San Ramon Valley Unified School District Transition Program for the remainder of the school year as staff considers a policy for the future. The A&F Committee forward the recommendation to extend the Midday Free Program to the San Ramon Valley Unified School District's Transition Program for the remainder of the school year. Also, for staff to come forward with a policy for the following year and notifying all agencies of a possible change in the coming year for Board approval.

7. Paratransit Building Elevator Modernization – COO Mitchell reported that elevator in the Paratransit Building needs to be replaced. County Connection issued an Invitation for bids and did not receive any for this project. Staff has a proposal from OTIS Elevator that has been pre-bid under National IPA National Master Agreement in the amount of \$203,789. Mr. Mitchell noted that there was a change from the staff report by using California Proposition 1B funds as the match instead of Transportation Development Act funds. Staff request that the A&F Committee recommend to the Board approving the contract for the elevator replacement with OTIS Elevator. The A&F Committee recommended that the Board of Directors adopt a resolution authorizing the General Manager to award a contract to OTIS Elevator to replace the Paratransit Building elevator.
8. Budget Amendment request for Paratransit Operating Budget – AGM Churchill reported that the previous contract with First Transit for purchased transportation services incorporated the cost for fuel in the hourly rate. In response to significant input from potential bidders and to encourage competition, staff removed the fuel expense from the hourly rate and structured it as a pass-through expense in the Request for Proposals released in December 2018. When staff developed the FY2020 budget for purchased transportation services the old budget model was used, which assumed the expense for fuel was part of the hourly rate. As a result, the FY2020 budget does not reflect fuel as part of the costs to by Transdev, which will result in a significant shortfall for the projected purchased transportation expenses. Staff estimates the FY2020 purchased transportation expense to be approximately \$1,000,000 higher due to fuel. Staff projects a total budget shortfall of nearly \$1,000,000 and requests an amendment to the FY2020 Paratransit Operating Budget increasing the appropriations and TDA revenues to cover the additional expenses. The Committee asked if this cost has an impact to reserve balances. CFO Cheung stated that this would impact reserves and staff is planning on bringing back a report to address this change as well as others that have occurred since the budget was adopted in June. The A&F Committee recommended an amendment to the FY2020 Paratransit Operating Budget and increasing appropriations and TDA revenues in the amount of \$1,000,000 to the Board.
9. Planning and Marketing Department Organizational Update – AGM Churchill reported that staff has had difficulty to attract and retain a qualified Data Analysis. Based on evolving needs, staff is recommending combining the Data Analyst (Grade 7) and Assistant Scheduler (Grade 7) into a Planner (Grade 9). This position will perform data analysis, basic planning, as well as, serve as a back up to the Chief Scheduler. Staff feels this change will enable us to attract a qualified candidate that will best serve the department and CCCTA needs now and into the future. This item is information only.
10. Review of Vendor Bills, November 2019- Reviewed.
11. Legal Services Statement, September Labor - Approved.
12. Adjournment- The meeting was adjourned. The next meeting is set for scheduled for 9:00 am on Tuesday January 7th and February 4th in the City of Pleasant Hill.

Erick Cheung, Chief Financial Officer

INTER OFFICE MEMO

TO: Administration & Finance Committee

DATE: December 26, 2019

FROM: Rick Ramacier
General Manager

SUBJECT: CCCTA Investment Policy – Quarterly Reporting Requirement

Attached please find CCCTA's Quarterly Investment Policy Reporting Statement for the quarter ending September 30, 2019.

This certifies that the portfolio complies with the CCCTA Investment Policy and that CCCTA has the ability to meet the pool's expenditure requirements (cash flow) for the next six (6) months.

CCCTA
BANK CASH AND INVESTMENT ACCOUNTS
(ROUNDED OFF TO NEAREST \$)

FINANCIAL INST	ACCT #	TYPE	PURPOSE	PER BANK MAR 2019	PER BANK JUN 2019	PER BANK SEP 2019	PER GL* SEP 2019
FIXED ROUTE							
UNION BANK	274-00-26650	CHECKING	AP GENERAL	\$ 422,263	\$ 580,297	\$ 1,033,703	\$ 951,631
UNION BANK	274-00-26693	CHECKING	PAYROLL	\$ 84,088	\$ 105,746	\$ 67,264	\$ 51,311
UNION BANK	274-00-26723	CHECKING	CAPITAL PURCHASES	\$ 344,590	\$ 240,939	\$ 250,000	\$ 250,000
UNION BANK	274-00-26715	CHECKING	WORKERS' COMP - CORVEL	\$ 81,161	\$ 63,727	\$ 60,328	\$ 47,927
UNION BANK	274-00-26685	CHECKING	PASS SALES	\$ 10,052	\$ 12,829	\$ 27,512	\$ 27,512
UNION BANK	274-00-26707	CHECKING	CLIPPER CARDS	\$ -	\$ -	\$ 15,000	\$ 15,000
PAYPAL	27SAXUUFL9732	CHECKING	PAYPAL-PASS SALES	\$ 155	\$ 25	\$ 25	\$ 25
			TOTAL	\$ 942,309	\$ 1,003,563	\$ 1,453,832	\$ 1,343,406
PARATRANSIT							
UNION BANK	274-00-26669	CHECKING	AP GENERAL	\$ 374,130	\$ 267,234	\$ 856,705	\$ 263,848
			TOTAL	\$ 374,130	\$ 267,234	\$ 856,705	\$ 263,848
LAIF FUND							
LAIF ACCOUNT	4007001	INT-INVEST	OPERATING FUNDS	\$ 10,711,888	\$ 6,594,154	\$ 9,870,661	\$ 9,870,661
LAIF ACCOUNT		INT-INVEST	2014-15 Rolling Stock	\$ 688	\$ -	\$ -	\$ -
LAIF ACCOUNT		INT-INVEST	Lifeline Bus Stop Access	\$ 75,811	\$ 71,556	\$ 64,872	\$ 64,872
LAIF ACCOUNT		INT-INVEST	Facility Rehab	\$ 2,962,061	\$ 2,958,557	\$ 2,880,702	\$ 2,880,702
LAIF ACCOUNT		INT-INVEST	LCTOP - Martinez Amtrak I	\$ 133,633	\$ 37,670	\$ -	\$ -
LAIF ACCOUNT		INT-INVEST	LCTOP - Martinez Amtrak II	\$ -	\$ -	\$ 313,021	\$ 313,021
LAIF ACCOUNT		INT-INVEST	LCTOP - Electric Trolley II	\$ 287,546	\$ 285,477	\$ 280,073	\$ 280,073
LAIF ACCOUNT		INT-INVEST	LCTOP - FREE Monument (Routes 11/14/16)	\$ -	\$ -	\$ 567,630	\$ 567,630
LAIF ACCOUNT		INT-INVEST	Pass-Through CA	\$ 968,876	\$ 872,936	\$ 878,887	\$ 878,887
LAIF ACCOUNT		INT-INVEST	Safe Harbor Lease Reserve	\$ 1,499,731	\$ 1,509,138	\$ 1,518,782	\$ 1,518,782
LAIF ACCOUNT		FMV ADJ.	Fair Market Value Adjustment for Year-End	\$ -	\$ 21,105	\$ -	\$ -
			TOTAL	\$ 16,640,234	\$ 12,350,593	\$ 16,374,628	\$ 16,374,628
CCCTA EMPLOYEE							
UNION BANK	274-00-26677	CHECKING	EMPLOYEE FITNESS FUND	\$ 11,503	\$ 11,088	\$ 11,606	\$ 11,606
UNION BANK	274-00-26502	CHECKING	EMPLOYEE FUNCTION	\$ 508	\$ 508	\$ 508	\$ 508
			TOTAL	\$ 12,011	\$ 11,596	\$ 12,114	\$ 12,114
12/6/2019	GRAND TOTAL			\$ 17,968,684	\$ 13,632,986	\$ 18,697,279	\$ 17,993,996

KLM

* GL balances reduced by outstanding checks and increased by deposits in transit, if any.

This is to certify that the portfolio above complies with the CCCTA Investment Policy and that CCCTA has the ability to meet its expenditures (cash flow) for the next six months.



Rick Ramacier
General Manager

To: Administration and Finance Committee

Date: January 7, 2020

From: Erick Cheung, Chief Finance Officer

SUBJECT: Uncashed Check Policy

SUMMARY OF ISSUES:

County Connection has a few outstanding checks that remain unclaimed, even though attempts have and are being made to contact the payees and reissue the checks. Normally these unclaimed funds consist of checks issued through Accounts Payable or Payroll. State law allows for uncashed checks which are more than one year old and less than \$15.00, or greater than \$15.00 and more than three years old, to become the property of County Connection following publication on its website or in the local newspaper.

Staff proposes that the City Council adopt a formal policy regarding the proper handling of unclaimed money that follows the requirements of Government Code Section 50050-50057. Adoption of this policy will set up a procedure to escheat these funds to the City after proper notice has been satisfied. The attached policy was developed and approved by the Authority's Attorney and they are preparing a resolution for the Board meeting.

FINANCIAL IMPLICATIONS: None.

ACTION REQUESTED:

Staff requests that the committee approve the Resolution and Uncashed Check Policy and forward to the Board.

ATTACHMENTS:

- A. Resolution Adopting the CCCTA Uncashed Check Policy
- B. Central Contra Costa Transit Authority – Uncashed Check Policy

RESOLUTION NO. 2020-__

**BOARD OF DIRECTORS CENTRAL CONTRA COSTA TRANSIT AUTHORITY
STATE OF CALIFORNIA**

* * *

ADOPTING THE CCCTA UNCASHED CHECKS POLICY

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;

WHEREAS, from time to time, CCCTA has money under its control for which there is no claimant, including but not limited to, uncashed CCCTA-issued checks;

WHEREAS, State law provides procedures under which CCCTA can claim money under its control that remains unclaimed for specific periods of time;

WHEREAS, the Chief Financial Officer ("CFO") prepared an uncashed checks policy ("Uncashed Checks Policy"), under which CCCTA may treat uncashed checks as unclaimed property under Government Code sections 50050-50057; and

WHEREAS, the Administration & Finance Committee and the CFO recommend that the Board of Directors adopt the attached Uncashed Checks Policy.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of the Central Contra Costa Transit Authority hereby adopts the Uncashed Checks Policy, attached hereto, and authorizes the General Manager to take such actions as are reasonable and appropriate to implement the procedures necessary to enforce the policy.

Regularly passed and adopted this ____ day of January 2020, by the following vote.

AYES:

NOES:

ABSTENTIONS:

ABSENT:

Candace Andersen, Chair, Board of Directors

ATTEST:

Lathina Hill, Clerk to the Board

Central Contra Costa Transit Authority

UNCASHED CHECKS POLICY

1. Purpose

The purpose of this Central Contra Costa Transit Authority (County Connection) Uncashed Checks Policy (Policy) is to establish an accounting and disposition procedure for uncashed checks in accordance with California law. County Connection's Chief Financial Officer (CFO), or the CFO's designee(s), will implement this Policy in a manner that complies with the standards set by the Governmental Accounting Standards Board (GASB), the Generally Accepted Accounting Principles (GAAP), and Government Code sections 50050-50057.

2. Applicable State Law

This Policy is established pursuant to Government Code sections 50050-50057. Government Code section 50050 provides special rules for handling money representing restitution collected on behalf of victims. Checks representing restitution for victims are not subject to this Policy. The CFO will consult with County Connection's legal counsel prior to taking action on uncashed victim restitution checks.

3. Definitions

"Uncashed check" is a check, excluding restitution to victims, that has been issued by and delivered by County Connection to the payee, but that has not been cashed by the payee six months after the check issue date.

4. Procedure

- a. Identification of Uncashed Checks. Annually or as needed, the CFO will identify and review all uncashed checks.
- b. Uncashed Checks Under \$15 and One Year Past Issue Date. Uncashed checks that are under \$15 and remain unclaimed for at least one year past the check issue date will be voided and the money will be returned to the fund from which the money was originally drawn against.
- c. Public Notice Required for Uncashed Checks Over \$15 and Three Years Past Issue Date. Uncashed checks that exceed \$15 and remain unclaimed for three years past the check issue date become the property of County Connection after public notices are published in accordance with the requirements stated below, if the uncashed check is not claimed or if no verified complaint is filed and served. Once per week for two successive weeks, the CFO will publish a public notice in a local newspaper of general circulation containing all of the following information for each uncashed check over \$15 and remaining unclaimed for three years past issue date:
 - i. Payee name
 - ii. Amount of the check
 - iii. County Connection fund in which the money is held
 - iv. Instructions for claiming the check

- v. Date on which the money will become County Connection's property if not claimed (45 days from the date the first public notice was published)
- d. Processing Uncashed Checks Over \$15 and Three Years Past Issue Date. Within 45 days after the publication of the first public notice, a claimant must submit a claim for the uncashed check, or a portion thereof, to the CFO containing the claimant's name, address, amount of claim, grounds on which the claim is made, and any other information the CFO requires.
 - i. If the CFO receives a timely and complete claim, the CFO will accept the claim and release the money, by voiding the original check and issuing a new check, to the depositor of the uncashed check, their heir, beneficiary, or duly appointed representative in accordance with Government Code Section 50052.5.
 - ii. If the CFO rejects the claim, the CFO will send a rejection letter to the claimant stating the reason the claim was rejected. Pursuant to Government Code section 50052, the claimant may file a verified complaint seeking to recover all, or a portion of, the money in a court of competent jurisdiction in Contra Costa County. A copy of the complaint and the summons must be served within 30 days of the date of the rejection letter. If a court action is filed, the CFO will take no further action on the uncashed check until the action is resolved. If no court action is filed, the CFO will void the check and return the money to the fund from which the money was originally drawn against.
 - iii. If no claim is timely filed pursuant to the public notice, the CFO will void the unclaimed check and return the money to the fund from which the money was originally drawn against.

5. Accounting Transactions and Documentation

The CFO will make all appropriate accounting entries in order to substantiate any action that results from this Policy, and will retain all records necessary to document the actions taken.

INTER OFFICE MEMO

To: Administration and Finance Committee

Date: December 3, 2019

From: Erick Cheung
Chief Finance Officer

SUBJECT: PERS Actuarial Valuation for June 30, 2018; Rate for FY 2021

SUMMARY OF ISSUES:

The PERS Actuarial Valuation Report (Report) for the period ending June 30, 2018 is used to set the rate for the next fiscal year and provides County Connection's funded status. **The employer rate for FY 2021 will be 8.785% along with an unfunded liability payment of \$537,865.** County Connection's funded status is currently **89.8% funded**, which is down from 91.5%. CalPERS investment return for 2018 was 8.6%, which was over the discount rate of 7.0% as they phase in the lowered discount rate from 7.50% to 7.00%.

CalPERS Assumptions & Projections

The updated projections shown below will be used for the budget and 10 year forecast. The revised unfunded liability payments are slightly lower as CalPERS rate of return was 8.6% for FY 2018. As shown in the table, the payments for unfunded liability payments over the next 6 fiscal years are down slightly by \$160,135 (assuming assumptions are met in future years). CalPERS has recently announced it achieved 6.8% in FY 2019, which is less than 7.0% and will bring these rates probably closer to the prior forecast.

Below are the CalPERS current projections compared with the prior projections:

	Current			Prior Forecast			Difference		
	Payroll Rate	+	Unfunded Liability Payment	Payroll Rate	+	Unfunded Liability Payment	Payroll Rate	+	Unfunded Liability Payment
FY 2020 Actual	8.313%		\$ 349,903	8.313%		\$ 349,903	n/a		n/a
FY 2021	8.785%		\$ 537,865	8.900%		\$ 548,000	-1.292%		\$ (10,135)
FY 2022	8.800%		\$ 741,000	8.900%		\$ 762,000	-1.124%		\$ (21,000)
FY 2023	8.800%		\$ 897,000	8.900%		\$ 928,000	-1.124%		\$ (31,000)
FY 2024	8.800%		\$ 937,000	8.900%		\$ 980,000	-1.124%		\$ (43,000)
FY 2025	8.800%		\$ 1,017,000	8.900%		\$ 1,072,000	-1.124%		\$ (55,000)
FY 2026	8.800%		\$ 1,045,000	8.900%		n/a	-1.124%		n/a
Unfunded Liab Payment Total			\$ 5,524,768						
Unfunded Liab Payment Total FY 2020-FY2025			\$ 4,479,768			\$ 4,639,903			\$ (160,135)

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

- Future investment returns of 7.00%.
- Payroll growth of 2.75%.
- Inflation growth of 2.50%.
- 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 Actuarial Report)

As stated earlier, the funded status is 89.8% with the unfunded liability totaling \$10.2 million. The prior year funded status was 91.5%, with the unfunded liability of \$7.8 million. The reasons for the increase in the unfunded accrued liability (UAL) of \$2.4 million was due to an update to the financial system and the reduction in the discount rate from 7.25% to 7.00% as mentioned above.

Investment Rate of Return

It is CalPERS' policy to use a constant investment return rate 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. Prior to fiscal year 2019, CalPERS employed a policy that amortizes all gains and losses over a fixed 30-year period, which was smoothed by ramping up/down the increase or decrease over a 5 year period. This method is referred to as "direct rate smoothing." Beginning this fiscal year, the CalPERS Board approved amortizing gains/losses over a 20 a year period based on a level dollar amount. In addition, the new policy removes the 5 year ramping on UAL bases attributable to assumption changes and non-investment gains/losses. Finally, CalPERS does not use the actuarial value of assets, but uses the market value of assets.

The CalPERS history of investment returns is shown on Page 11 of the actuarial report.

Other Information

- There are 197 retirees receiving benefits.
- The average annual benefit is \$17,792.
- The average age of retirees is 70.32.
- There are 251 active members.
- The average annual payroll of the active members is \$59,089.
- The covered annual payroll is \$14,831,366.
- The average age for active members is 51.25.
- Pages C-1 & C-2 include a breakdown of the active members by age and salaries & years of service. As of June 30, 2018, 25% or 63 employees were over 60 years of age.

Options to Reduce Pension Liability

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 Fund has been adopted or considered by many agencies throughout California including some of our member agencies. As we discussed last year and more recently in July (PARS update item), the Section 115 Pension Trust is currently not an option for County Connection. We are heavily funded by grants allocated by Metropolitan Transportation Commission (MTC). These funds include Transportation Development Act 4.0 (TDA 4.0 revenue is from sales tax) and State Transit Assistance (STA revenue is from sales tax on diesel) and represent about 60% (based on FY2020 budget) of our total revenue. These revenue sources must be used for current operations and/or capital. If we were to open and deposit funds in the Section 115 Pension Trust, under current accounting rules, we could not expense those contributions as we do for pension costs. This transaction would be similar to 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 CalPERS 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%. Staff informed the A&F Committee of these changes as they occurred and subsequently these changes have reduced our funding level to 89.8% or an unfunded liability of \$10.2 million as mentioned earlier. Therefore, paying CalPERS directly is an option available to County Connection, since we are currently not fully funded.

CalPERS provides options to reduce the liability from amortizing the debt on a shorter basis (i.e. 15 years or 10 years), which it calls a "Fresh Start" (see CalPERS Actuarial Report PP18) to paying one time additional payments. The Fresh Start is similar to refinancing a home mortgage from 30 years to 15 years, but unlike a home mortgage, once you decide to begin a Fresh Start it cannot be undone. If an agency believed they could make the scheduled payments today, but due to financial or economic changes (i.e. CalPERS lowering discount rate) were no longer able to make the Fresh Start payments, CalPERS cannot reverse nor refinance the Fresh Start. Also, County Connection doesn't have additional funding that it could provide to pay for the Fresh Start amounts other than drawing down on reserves or reducing service. Thus, the Fresh Start option is not viable for County Connection. Therefore, the only option would be to make additional payments similar to paying additional principal on a monthly home mortgage payment.

The respective gains/losses (table below or see PP16 of PERS Actuarial Report if table is difficult to read) represent our asset/liability each fiscal year at that point in time and total \$10.2 million as of 6/30/18. Each fiscal year has its own bases and will include an addition of future gains or losses and assumption changes.

CalPERS Actuarial Valuation - June 30, 2018
Miscellaneous Plan of the Central Contra Costa Transit Authority
CalPERS ID: 2146548042

Schedule of Amortization Bases

Reason for Base	Date Established	Ramp Up/Down 2020-21	Escalation Rate	Amortization Period	Balance 6/30/18	Expected Payment 2018-19	Balance 6/30/19	Expected Payment 2019-20	Balance 6/30/20	Scheduled Payment for 2020-21
FS SURPLUS TO 30 YEARS	06/30/14	No Ramp	2.750%	26	\$(104,746)	\$(6,436)	\$(105,421)	\$(6,612)	\$(105,961)	\$(6,684)
(GAIN)/LOSS	06/30/15	80% ^	2.750%	27	\$4,009,331	\$108,187	\$4,178,075	\$166,740	\$4,298,063	\$224,806
ASSUMPTION CHANGE	06/30/16	60% ^	2.750%	18	\$1,637,074	\$30,892	\$1,719,714	\$63,476	\$1,774,434	\$96,609
(GAIN)/LOSS	06/30/16	60% ^	2.750%	28	\$5,623,125	\$78,030	\$5,936,029	\$160,361	\$6,185,672	\$243,089
ASSUMPTION CHANGE	06/30/17	40% ^	2.750%	19	\$1,084,552	\$(41,412)	\$1,203,308	\$22,729	\$1,264,028	\$46,093
(GAIN)/LOSS	06/30/17	40% ^	2.750%	29	\$(3,820,283)	\$0	\$(4,087,703)	\$(56,791)	\$(4,315,097)	\$(114,702)
METHOD CHANGE	06/30/18	20% ^	2.750%	20	\$488,090	\$6,248	\$515,793	\$6,420	\$545,258	\$10,166
ASSUMPTION CHANGE	06/30/18	20% ^	2.750%	20	\$2,626,857	\$(95,855)	\$2,909,890	\$(98,491)	\$3,215,462	\$59,951
(GAIN)/LOSS	06/30/18	20% ^	2.750%	30	\$(1,372,583)	\$0	\$(1,468,664)	\$0	\$(1,571,470)	\$(21,463)
TOTAL					\$10,171,418	\$79,654	\$10,801,021	\$257,832	\$11,290,389	\$537,865

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 savings of \$542 thousand in interest payments based on CalPERS amortization tables. Obviously, if we were able to make larger payments against the debt, there could be increased savings in interest payments. 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.

Also, staff has discussed with CalPERS staff how the bases amount could be changed by the CalPERS Board as reflected below:

1. If CalPERS discount rates were decreased, this would cause an assumption change and increase the liability for the year of implementation. The bases liability would not change but slightly decrease the payments since the rate for previous bases would be lower. For example, if the CalPERS Board approved lowering the discount rate to 6.75% in FY 2020, this change would cause a FY 2020 Assumption Change liability in the FY 2020 bases. But it would also slightly reduce the previous payments on previous year's unfunded liability bases since the interest rate is now lower.
2. If CalPERS were to decrease the escalation rate (aka salary growth rate) of 2.75% to a lower rate, this would cause a slight gain in year of implementation, but would slightly increase the payments on previous year's unfunded liability bases. CalPERS staff noted that if the escalation rate were lowered, it is likely that the discount rate would be lowered.

There are concerns about paying CalPERS additional funds, but it is a matter of paying now or paying much more later. It's a reasonable goal to make smaller one time payments (as noted in the example earlier) 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.

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

ACTION REQUESTED: A&F Committee recommend approval of the Resolution and Pension Funding Policy to the Board.

ATTACHMENTS:

- A. Selected pages of the PERS valuation report.
- B. Resolution for Pension Funding
- C. Pension Funding Policy



**Actuarial Valuation
as of June 30, 2018**

**for the
Miscellaneous Plan
of the
Central Contra Costa Transit Authority**

**(CalPERS ID: 2146548042)
(Valuation Rate Plan ID: 1380)**

**Required Contributions
for Fiscal Year
July 1, 2020 – June 30, 2021**

Required Contributions

		Fiscal Year
Required Employer Contribution		2020-21
Employer Normal Cost Rate		8.785%
<i>Plus, Either</i>		
1) Monthly Employer Dollar UAL Payment	\$	44,822
<i>Or</i>		
2) Annual UAL Prepayment Option*	\$	519,974
Required PEPRA Member Contribution Rate		7.25%
<p>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).</p> <p>* Only the UAL portion of the employer contribution can be prepaid (which must be received in full no later than July 31). Any prepayment totaling over \$5 million requires a 72-hour notice email to FCSD_public_agency_wires@calpers.ca.gov. 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.</p> <p>In accordance with Sections 20537 and 20572 of the Public Employees' Retirement Law, if a contracting agency fails to remit the required contributions when due, interest and penalties may apply.</p> <p>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.</p>		

	Fiscal Year		Fiscal Year	
	2019-20		2020-21	
Normal Cost Contribution as a Percentage of Payroll				
Total Normal Cost		15.256%		15.859%
Employee Contribution ¹		6.943%		7.074%
Employer Normal Cost ²		8.313%		8.785%
Projected Annual Payroll for Contribution Year	\$	15,548,429	\$	16,088,911
Estimated Employer Contributions Based On Projected Payroll				
Total Normal Cost	\$	2,372,068	\$	2,551,541
Employee Contribution ¹		1,079,527		1,138,130
Employer Normal Cost ²		1,292,541		1,413,411
Unfunded Liability Contribution		349,903		537,865
% of Projected Payroll (illustrative only)		2.250%		3.343%
Estimated Total Employer Contribution	\$	1,642,444	\$	1,951,276
% of Projected Payroll (illustrative only)		10.563%		12.128%

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 The Employer Normal Cost is a blended rate for all benefit groups in the plan. A breakout of normal cost by benefit group is shown in Appendix D.

Plan's Funded Status

	June 30, 2017	June 30, 2018
1. Present Value of Projected Benefits	\$ 106,730,707	\$ 115,493,189
2. Entry Age Normal Accrued Liability	91,813,858	99,433,809
3. Market Value of Assets (MVA)	\$ 84,006,011	\$ 89,262,391
4. Unfunded Accrued Liability (UAL) [(2) – (3)]	\$ 7,807,847	\$ 10,171,418
5. Funded Ratio [(3) / (2)]	91.5%	89.8%

This measure of funded status is an assessment of the need for future employer contributions based on the selected actuarial cost method used to fund the plan. The UAL is the present value of future employer contributions for service that has already been earned and is in addition to future normal cost contributions for active members. For a measure of funded status that is appropriate for assessing the sufficiency of plan assets to cover estimated termination liabilities, please see "Hypothetical Termination Liability" in the "Risk Analysis" section.

Projected Employer Contributions

The table below shows the required and projected employer contributions (before cost sharing) for the next six fiscal years. Projected results reflect the adopted changes to the discount rate described in Appendix A, "Actuarial Methods and Assumptions." The projections also assume that all 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 in the projections below 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 (Assumes 7.00% Return for Fiscal Year 2018-19)				
Fiscal Year	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Normal Cost %	8.785%	8.8%	8.8%	8.8%	8.8%	8.8%
UAL Payment	537,865	741,000	897,000	937,000	1,017,000	1,045,000
<i>Total as a % of Payroll*</i>	<i>12.1%</i>	<i>13.3%</i>	<i>14.1%</i>	<i>14.2%</i>	<i>14.5%</i>	<i>14.5%</i>
<i>Projected Payroll</i>	<i>16,088,911</i>	<i>16,531,356</i>	<i>16,985,969</i>	<i>17,453,082</i>	<i>17,933,042</i>	<i>18,426,201</i>

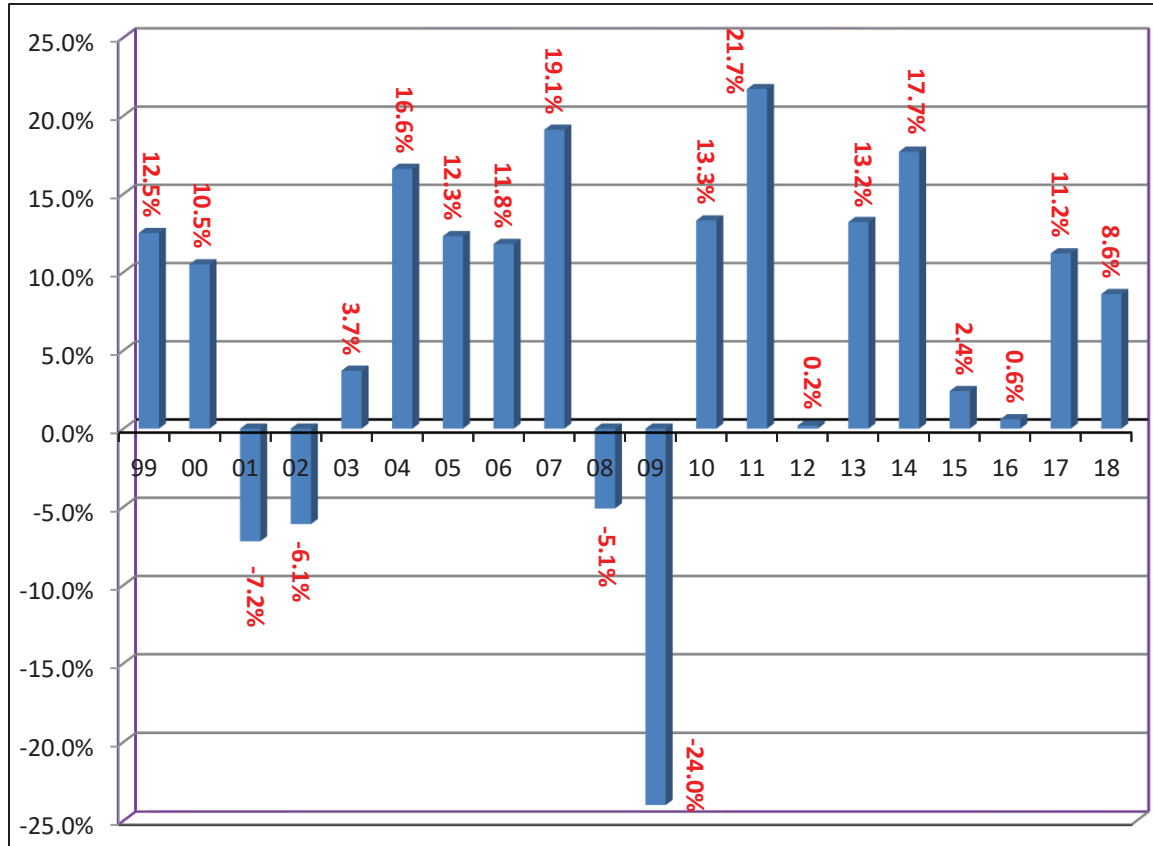
*Illustrative only and based on the projected payroll shown.

Changes in the UAL due to actuarial gains or losses as well as changes in actuarial assumptions or methods are amortized using a 5-year ramp up. For more information, please see "Amortization of the Unfunded Actuarial Accrued Liability" under "Actuarial Methods" in Appendix A. This method phases in the impact of changes in UAL over a 5-year period and attempts to minimize employer cost volatility from year to year. As a result of this methodology, dramatic changes in the required employer contributions in any one year are less likely. However, required contributions can change gradually and significantly over the next five years. In years where there is a large increase in UAL the relatively small amortization payments during the ramp up period could result in a funded ratio that is projected to decrease initially while the contribution impact of the increase in the UAL is phased in.

For projected contributions under alternate investment return scenarios, please see the "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, 2018 (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. The portfolio has an expected volatility of 11.4 percent per year based on the most recent Asset Liability Modelling study. 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	8.6%	7.9%	5.7%	6.0%	8.3%
Volatility	—	6.9%	12.9%	11.1%	10.1%

Schedule of Amortization Bases

Reason for Base	Date Established	Ramp Up/Down 2020-21	Escalation Rate	Amortization Period	Balance 6/30/18	Expected Payment 2018-19	Balance 6/30/19	Expected Payment 2019-20	Balance 6/30/20	Scheduled Payment for 2020-21
FS SURPLUS TO 30 YEARS	06/30/14	No Ramp	2.750%	26	\$(104,746)	\$(6,436)	\$(105,421)	\$(6,612)	\$(105,961)	\$(6,684)
(GAIN)/LOSS	06/30/15	80% ↗	2.750%	27	\$4,009,331	\$108,187	\$4,178,075	\$166,740	\$4,298,063	\$224,806
ASSUMPTION CHANGE	06/30/16	60% ↗	2.750%	18	\$1,637,074	\$30,892	\$1,719,714	\$63,476	\$1,774,434	\$96,609
(GAIN)/LOSS	06/30/16	60% ↗	2.750%	28	\$5,623,125	\$78,030	\$5,936,029	\$160,361	\$6,185,672	\$243,089
ASSUMPTION CHANGE	06/30/17	40% ↗	2.750%	19	\$1,084,552	\$(41,412)	\$1,203,308	\$22,729	\$1,264,028	\$46,093
(GAIN)/LOSS	06/30/17	40% ↗	2.750%	29	\$(3,820,283)	\$0	\$(4,087,703)	\$(56,791)	\$(4,315,097)	\$(114,702)
METHOD CHANGE	06/30/18	20% ↗	2.750%	20	\$488,090	\$6,248	\$515,793	\$6,420	\$545,258	\$10,166
ASSUMPTION CHANGE	06/30/18	20% ↗	2.750%	20	\$2,626,857	\$(95,855)	\$2,909,890	\$(98,491)	\$3,215,462	\$59,951
(GAIN)/LOSS	06/30/18	20% ↗	2.750%	30	\$(1,372,583)	\$0	\$(1,468,664)	\$0	\$(1,571,470)	\$(21,463)
TOTAL					\$10,171,418	\$79,654	\$10,801,021	\$257,832	\$11,290,389	\$537,865

Amortization Schedule and Alternatives

The amortization schedule on the previous page shows the minimum contributions required according to CalPERS amortization policy. There has been considerable interest from many agencies in paying off these unfunded accrued liabilities sooner and the possible savings in doing so. As a result, we have provided alternate amortization schedules to help analyze the current amortization schedule and illustrate the advantages of accelerating unfunded liability payments.

Shown on the following page are future year amortization payments based on 1) the current amortization schedule reflecting the individual bases and remaining periods shown on the previous page, and 2) alternate "fresh start" amortization schedules using two sample periods that would both result in interest savings relative to the current amortization schedule. Note that the payments under each alternate scenario increase by 2.75 percent per year.

The Current Amortization Schedule typically contains individual bases that are both positive and negative. Positive bases result from plan changes, assumption changes or plan experience that result in increases to unfunded liability. Negative bases result from plan changes, assumption changes or plan experience that result in decreases to unfunded liability. The combination of positive and negative bases within an amortization schedule can result in unusual or problematic circumstances in future years such as:

- A positive total unfunded liability with a negative total payment,
- A negative total unfunded liability with a positive total payment, or
- Total payments that completely amortize the unfunded liability over a very short period of time

In any year where one of the above scenarios occurs, the actuary will consider corrective action such as replacing the existing unfunded liability bases with a single "fresh start" base and amortizing it over a reasonable period.

The Current Amortization Schedule on the following page may appear to show that, based on the current amortization bases, one of the above scenarios will occur at some point in the future. It is impossible to know today whether such a scenario will in fact arise since there will be additional bases added to the amortization schedule in each future year. Should such a scenario arise in any future year, the actuary will take appropriate action based on guidelines in the CalPERS amortization policy.

Amortization Schedule and Alternatives

Date	<u>Current Amortization Schedule</u>		<u>Alternate Schedules</u>			
	Balance	Payment	20 Year Amortization		15 Year Amortization	
			Balance	Payment	Balance	Payment
6/30/2020	11,290,389	537,865	11,290,389	835,206	11,290,389	1,018,322
6/30/2021	11,524,344	741,495	11,216,773	858,174	11,027,356	1,046,326
6/30/2022	11,564,040	896,581	11,114,245	881,773	10,716,942	1,075,100
6/30/2023	11,446,092	936,803	10,980,129	906,022	10,355,036	1,104,665
6/30/2024	11,278,280	1,016,795	10,811,541	930,938	9,937,214	1,135,043
6/30/2025	11,015,981	1,044,761	10,605,380	956,539	9,458,721	1,166,257
6/30/2026	10,706,390	1,073,490	10,358,305	982,843	8,914,446	1,198,329
6/30/2027	10,345,412	1,103,012	10,066,725	1,009,872	8,298,896	1,231,283
6/30/2028	9,928,626	1,133,344	9,726,777	1,037,643	7,606,169	1,265,144
6/30/2029	9,451,289	1,164,511	9,334,305	1,066,178	6,829,926	1,299,935
6/30/2030	8,908,300	1,196,534	8,884,843	1,095,498	5,963,358	1,335,683
6/30/2031	8,294,179	1,229,439	8,373,590	1,125,624	4,999,151	1,372,415
6/30/2032	7,603,029	1,263,249	7,795,386	1,156,579	3,929,455	1,410,156
6/30/2033	6,828,527	1,297,989	7,144,688	1,188,385	2,745,840	1,448,935
6/30/2034	5,963,874	1,286,603	6,415,542	1,221,066	1,439,259	1,488,781
6/30/2035	5,050,473	1,238,989	5,601,550	1,254,645		
6/30/2036	4,122,386	1,079,554	4,695,843	1,289,148		
6/30/2037	3,294,252	910,416	3,691,048	1,324,599		
6/30/2038	2,583,107	731,160	2,579,245	1,361,026		
6/30/2039	2,007,606	595,274	1,351,936	1,398,454		
6/30/2040	1,532,383	491,013				
6/30/2041	1,131,742	504,516				
6/30/2042	689,088	518,390				
6/30/2043	201,097	208,016				
6/30/2044						
6/30/2045						
6/30/2046						
6/30/2047						
6/30/2048						
6/30/2049						
Total		22,199,799		21,880,212		18,596,374
Interest Paid		10,909,410		10,589,823		7,305,985
Estimated Savings				319,587		3,603,425

Contribution Volatility	June 30, 2017		June 30, 2018	
1. Market Value of Assets without Receivables	\$	83,822,678	\$	89,084,606
2. Payroll		14,280,946		14,831,366
3. Asset Volatility Ratio (AVR) [(1) / (2)]		5.9		6.0
4. Accrued Liability	\$	91,813,858	\$	99,433,809
5. Liability Volatility Ratio (LVR) [(4) / (2)]		6.4		6.7

Hypothetical Termination Liability

The hypothetical termination liability is an estimate of the financial position of the plan had the contract with CalPERS been terminated as of June 30, 2018. The plan liability on a termination basis is calculated differently from the plan's ongoing funding liability. For this hypothetical termination liability calculation, both compensation and service are frozen as of the valuation date and no future pay increases or service accruals are assumed. This measure of funded status is not appropriate for assessing the need for future employer contributions in the case of an ongoing plan, that is, for an employer that continues to provide CalPERS retirement benefits to active employees.

A more conservative investment policy and asset allocation strategy was adopted by the CalPERS Board for the Terminated Agency Pool. The Terminated Agency Pool has limited funding sources since no future employer contributions will be made. Therefore, expected benefit payments are secured by risk-free assets and benefit security for members is increased while limiting the funding risk. However, this asset allocation has a lower expected rate of return than the PERF and consequently, a lower discount rate assumption. The lower discount rate for the Terminated Agency Pool results in higher liabilities for terminated plans.

The effective termination discount rate will depend on actual market rates of return for risk-free securities on the date of termination. As market discount rates are variable the table below shows a range for the hypothetical termination liability based on the lowest and highest interest rates observed during an approximate 2-year period centered around the valuation date.

Market Value of Assets (MVA)	Hypothetical Termination Liability^{1,2} @ 2.50%	Funded Status	Unfunded Termination Liability @ 2.50%	Hypothetical Termination Liability^{1,2} @ 3.25%	Funded Status	Unfunded Termination Liability @ 3.25%
\$89,262,391	\$162,891,689	54.8%	\$73,629,298	\$149,837,587	59.6%	\$60,575,196

¹ The hypothetical liabilities calculated above include a 5 percent contingency load in accordance with Board policy. Other actuarial assumptions can be found in Appendix A.

² The current discount rate assumption used for termination valuations is a weighted average of the 10-year and 30-year U.S. Treasury yields where the weights are based on matching asset and liability durations as of the termination date. The discount rates used in the table are based on 20-year Treasury bonds, rounded to the nearest quarter percentage point, which is a good proxy for most plans. The 20-year Treasury yield was 2.91 percent on June 30, 2018, and was 2.83 percent on January 31, 2019.

In order to terminate the plan, you must first contact our Retirement Services Contract Unit to initiate a Resolution of Intent to Terminate. The completed Resolution will allow the plan actuary to give you a preliminary termination valuation with a more up-to-date estimate of the plan liabilities. CalPERS advises you to consult with the plan actuary before beginning this process.

Summary of Valuation Data

	June 30, 2017	June 30, 2018
1. Active Members		
a) Counts	246	251
b) Average Attained Age	51.08	51.25
c) Average Entry Age to Rate Plan	37.93	38.29
d) Average Years of Credited Service	13.15	12.65
e) Average Annual Covered Pay	\$ 58,053	\$ 59,089
f) Annual Covered Payroll	14,280,946	14,831,366
g) Projected Annual Payroll for Contribution Year	15,548,429	16,088,911
h) Present Value of Future Payroll	102,031,128	105,609,728
2. Transferred Members		
a) Counts	50	52
b) Average Attained Age	47.07	48.58
c) Average Years of Credited Service	1.52	1.48
d) Average Annual Covered Pay	\$ 62,611	\$ 66,272
3. Terminated Members		
a) Counts	134	128
b) Average Attained Age	52.04	51.61
c) Average Years of Credited Service	3.07	3.28
d) Average Annual Covered Pay	\$ 39,052	\$ 39,798
4. Retired Members and Beneficiaries		
a) Counts	199	197
b) Average Attained Age	70.08	70.32
c) Average Annual Benefits	\$ 16,763	\$ 17,792
5. Active to Retired Ratio [(1a) / (4a)]	1.24	1.27

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

Attained Age	Years of Service at Valuation Date						Total
	0-4	5-9	10-14	15-19	20-24	25+	
15-24	3	0	0	0	0	0	3
25-29	9	1	0	0	0	0	10
30-34	9	2	3	0	0	0	14
35-39	8	4	2	0	0	0	14
40-44	14	6	7	7	2	0	36
45-49	11	6	5	7	1	0	30
50-54	12	3	2	8	9	2	36
55-59	10	4	6	7	3	15	45
60-64	8	4	2	11	3	10	38
65 and over	1	2	1	7	3	11	25
All Ages	85	32	28	47	21	38	251

Distribution of Average Annual Salaries by Age and Service

Attained Age	Years of Service at Valuation Date						Average
	0-4	5-9	10-14	15-19	20-24	25+	
15-24	\$38,415	\$0	\$0	\$0	\$0	\$0	\$38,415
25-29	47,775	93,149	0	0	0	0	52,312
30-34	56,712	54,475	64,151	0	0	0	57,986
35-39	56,628	58,478	61,987	0	0	0	57,922
40-44	57,547	62,892	53,173	58,803	73,299	0	58,707
45-49	60,149	53,806	49,157	79,219	52,841	0	61,254
50-54	53,964	55,780	51,207	54,339	73,444	54,475	58,944
55-59	45,863	52,450	56,745	54,435	54,430	77,730	60,426
60-64	49,736	53,386	60,628	55,284	59,483	85,248	62,414
65 and over	61,019	44,647	65,832	53,641	61,902	57,181	56,253
All Ages	\$53,424	\$56,755	\$55,871	\$58,841	\$66,089	\$72,536	\$59,089

RESOLUTION NO. 2020-__

**BOARD OF DIRECTORS CENTRAL CONTRA COSTA TRANSIT AUTHORITY
STATE OF CALIFORNIA**

* * *

ADOPTING THE CCCTA PENSION FUNDING POLICY

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 ("County Connection"), 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;

WHEREAS, County Connection is contracted with CalPERS to provide a defined benefit pension plan;

WHEREAS, CalPERS issues an actuarial report ("Report") each year to inform County Connection of the funded status of the defined benefit pension plan, and if County Connection is underfunded, CalPERS provides an unfunded liability amount, which must be paid separately from the rates required to be paid by County Connection the following fiscal year;

WHEREAS, County Connection has paid the required contributions reflected in the Report, however, staff also wants to set up a process to make additional payments to provide interest savings under certain circumstances if County Connection is not fully funded;

WHEREAS, the Chief Financial Officer ("CFO") prepared a CalPERS pension funding policy ("Pension Funding Policy"), under which County Connection may directly make additional annual payments, to CalPERS to reduce County Connection's unfunded liability; and

WHEREAS, the Administration & Finance Committee and the CFO recommend that the Board of Directors adopt the attached Pension Funding Policy.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of the Central Contra Costa Transit Authority hereby adopts the Pension Funding Policy, attached hereto, and authorizes the General Manager to take such actions as are reasonable and appropriate to implement the procedures necessary to enforce the policy.

Regularly passed and adopted this ____ day of January 2020, by the following vote.

AYES:

NOES:

ABSTENTIONS:

ABSENT:

ATTEST:

Candace Andersen, Chair, Board of Directors

Lathina Hill, Clerk to the Board

Central Contra Costa Transit Authority

PENSION FUNDING POLICY

1. Purpose

The purpose of this Central Contra Costa Transit Authority (County Connection) Pension Funding Policy (Policy) is to establish a procedure to fund County Connection's pension and make additional payments based on certain criteria assuming there is an unfunded liability.

2. CalPERS

County Connection is contracted with CalPERS to provide a defined benefit pension plan. CalPERS acts as the common investment and administrative agent for members participating in the plan. Benefit provisions under the defined benefit pension plan are established by State statute and County Connection Resolution.

3. Funding

CalPERS issues an actuarial report (Report) each year (normally in July) to inform County Connection of the funded status of the defined benefit pension plan. The Report informs us of the rates that are required to be paid by the Employer and Employee for the following fiscal year. Also, if County Connection is underfunded based on the Report, CalPERS provides an unfunded liability amount that is owed to CalPERS, which must be paid separately from the rates. County Connection has paid the required contributions reflected in the Report. However, we also want to set up a process to make additional payments to provide interest savings under certain circumstances if we are not fully funded.

4. Procedure for additional unfunded liability payments

The CFO shall recommend annually to the General Manager additional payments to CalPERS if County Connection is not fully funded and the payments provide savings to County Connection.

The amount of the additional payment will be based on:

- a. 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.
- b. Additional payment amounts over \$100,000 could be recommended by staff and approved by the A&F Committee and Board as part of the May budget review.

Any additional payments made by County Connection to CalPERS would be adjusted for in the Wage Increase determination done by the auditors each year (if condition is applicable). The Wage Increase provision is included in Memorandum of Understanding with our bargaining groups and states that wage increases can be reduced to zero if certain conditions occur. One of those conditions is if the dollar amount County Connection paid to CalPERS for non-healthcare retirement benefits in the most recent closed fiscal year increases by \$1,000,000 when compared to the dollar amount County Connection paid to

CalPERS in the previously closed fiscal year for non-healthcare retirement benefits. County Connection has the auditors prepare an Agreed Upon Procedure report each year to reflect this condition. Therefore, if an additional payment amount were paid, this amount would 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.

To: Administration and Finance Committee

Date: January 7, 2020

From: Erick Cheung
Chief Finance Officer

SUBJECT: Independent Accountant's Report on Federal Funding Allocation Data for Federal Transit Administration

SUMMARY OF ISSUES:

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.

We filed the NTD report in October and Brown Armstrong completed their review in December. Brown Armstrong reviewed the data and financial information and issued the reports without exceptions.

FINANCIAL IMPLICATIONS: None.

ACTION REQUESTED: Staff requests that the committee approve the report and forward to the Board.

ATTACHMENTS:

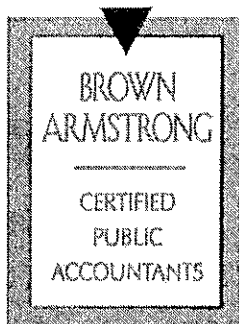
- A. Independent Accountant's Report on Applying Agreed-Upon Procedures For Federal Funding Allocation Data Federal Transit Administration

CENTRAL CONTRA COSTA TRANSIT AUTHORITY

NATIONAL TRANSIT DATABASE REPORTING

**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES
FOR FEDERAL FUNDING ALLOCATION DATA
FEDERAL TRANSIT ADMINISTRATION**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2019**



BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Administrative and Finance Committee and Board of Directors of
Central Contra Costa Transit Administration
and the Federal Transit Administration

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The Federal Transit Administration (FTA) has established the following standards with regard to the data reported to it in the Federal Funding Allocation Statistics Form (FFA – 10) of the Central Contra Costa Transit Authority's (the Authority) annual National Transit Database (NTD) report:

- A system is in place and maintained for recording data in accordance with NTD definitions. The correct data are being measured and no systematic errors exist.
- A system is in place to record data on a continuing basis and the data gathering is an ongoing effort.
- Source documents are available to support the reported data and are maintained for FTA review and audit for a minimum of three years following FTA's receipt of the NTD report. The data are fully documented and securely stored.
- A system of internal controls is in place to ensure the data collection process is accurate and that the recording system and reported comments are not altered. Documents are reviewed and signed by a supervisor, as required.
- The data collection methods are those suggested by FTA or otherwise meet FTA requirements.
- The deadhead miles, computed as the difference between the reported total actual vehicle miles data and the reported total actual vehicle revenue miles (VRM) data, appear to be accurate.
- Data are consistent with prior reporting periods and other facts known about transit agency operations.

We have performed the procedures to the Federal Funding Allocation (FFA) – 10 described in Attachment A. Such procedures, which were agreed to by Central Contra Costa Transit Authority (the Authority) and specified by the FTA in the Declarations section of the *2019 NTD Policy Manual*, were applied solely to assist you in evaluating whether the Authority complied with the standards described in the first paragraph of this report and that the information included in the NTD report and that the FFA-10 for the fiscal year ended June 30, 2019 is presented in conformity with the requirements of the Uniform System of Accounts (USOA) and records and Reporting System; Final Rule, as specified in Section 49 Code of Federal Regulations (CFR) Part 630, *Federal Register*, dated January 15, 1993, and as presented in the *2019 NTD Policy Manual*. The Authority's management is responsible for the compliance with those standards. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described in Attachment A either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated results and findings, if applicable, are described in Attachment A.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not, conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the accounting records as of fiscal year ended June 30, 2019. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management of the Authority and the FTA and is not intended to be, and should not be, used by anyone other than those specified parties.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
December 31, 2019

**CENTRAL CONTRA COSTA TRANSIT AUTHORITY
NATIONAL TRANSIT DATABASE REPORTING
ATTACHMENT A – AGREED UPON PROCEDURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

The procedures described below, which are referenced in order to correspond to the *2019 National Transit Database (NTD) Policy Manual* procedures, were applied separately to each of the information systems used to develop the reported actual vehicle revenue miles, passenger miles traveled, and operating expenses of the Central Contra Costa Transit Authority (the Authority) for the year ended June 30, 2019, for the *Motor Bus Service – Directly Operated (MBDO)*, *Motor Bus Service – Purchased Transportation (MBPT)*, and *Demand Response – Purchased Transportation (DRPT)*.

Our results and findings, if any, are as follows:

- A. Obtain and read a copy of written system procedures for reporting and maintaining data in accordance with NTD requirements and definitions set forth in 49 Code of Federal Regulations (CFR) Part 630, *Federal Register*, dated January 15, 1993, and as presented in the *2019 NTD Policy Manual*. If there are no procedures available, discuss the procedures with the personnel assigned with the responsibility for supervising the NTD data preparation and maintenance.

Result: We discussed procedures related to the system for reporting and maintaining data in accordance with the NTD requirements and definitions set forth in 49 CFR Part 630, *Federal Register*, dated January 15, 1993, and as presented in the *2019 NTD Policy Manual* with the personnel assigned with the responsibility of supervising the preparation and maintenance of NTD data. No exceptions were noted as a result of applying this procedure.

- B. Discuss the procedures (written or informal) with the personnel assigned with the responsibility for supervising the preparation and maintenance of NTD data to determine:

- The extent to which the Authority followed the procedures on a continuous basis, and
- Whether Authority personnel believe such procedures result in accumulation and reporting of data consistent with NTD definitions and requirements set forth in 49 CFR Part 630, *Federal Register*, dated January 15, 1993, and as presented in the *2019 NTD Policy Manual*.

Result: We discussed with various personnel the procedures noted in Procedure "A" above to determine whether the Authority follows the procedures on an ongoing basis and that the procedures result in the accumulation and reporting of data consistent with the NTD requirements and definitions as set forth in the *Uniform System of Accounts (USOA) and Records and Reporting System; Final Rule*, and specified in the 49 CFR Part 630, *Federal Register*, dated January 15, 1993, and the most recent *2019 NTD Policy Manual*. No exceptions were noted as a result of applying this procedure.

- C. Ask these same personnel about the retention policy that the Authority follows as to source documents supporting NTD data reported on the Federal Funding Allocation Statistics Form (FFA – 10).

Result: We noted that the retention policy that is followed by the Authority regarding source documents supporting the FFA – 10 data reported are retained for a minimum of three years by the Authority. In addition, we noted that the Authority maintains the computer files more than three years depending on the need of historical data. No exceptions were noted as a result of applying this procedure.

- D. Based on a description of the Authority's procedures from Procedures "A" and "B" above, identify all the source documents that the Authority must retain for a minimum of three years. For each type of source document, select three months out of the year and determine whether the document exists for each of these periods.

Result: We identified the source documents that are to be retained by the Authority for a minimum of three years. We randomly selected three months out of the fiscal year ended June 30, 2019, November 2018, February 2019, and April 2019, and verified that each type of source document existed for each of these periods. No exceptions were noted as a result of applying this procedure.

- E. Discuss the system of internal controls. Inquire whether separate individuals (independent of the individuals preparing source documents and posting data summaries) review the source documents and data summaries for completeness, accuracy, and reasonableness and how often these individuals perform such reviews.

Result: We discussed the system of internal control with personnel responsible for supervising and maintaining the NTD data. The method is mostly automated with a few manual procedures. We determined that individuals preparing source documents were independent of individuals posting data summaries, reviewing the source documents, and summarizing data for completeness, accuracy, and reasonableness. No exceptions were noted as a result of applying this procedure.

- F. Select a random sample of the source documents and determine whether supervisors' signatures are present as required by the system of internal controls. If supervisors' signatures are not required, inquire how personnel document supervisors' reviews.

Result: As noted above, the method is mostly automated. As such, there are no physical signatures documenting the supervisors' review and approval of the source documents. The software utilized automatically accumulates the data from the Clever Devices Automatic Passenger Counter on each vehicle. Monthly reports are prepared for the Operating and Scheduling Committee and are reviewed by management electronically, as allowed by the 2019 NTD Policy Manual. Approval is given by authorizing the posting of the monthly data to NTD. No exceptions were noted as a result of applying this procedure.

- G. Obtain the worksheets used to prepare the final data that the Authority transcribes onto the FFA-10. Compare the periodic data included on the worksheets to the periodic summaries prepared by the transit agency. Test the arithmetical accuracy of the summaries.

Result: We obtained from the Authority's year-end cumulative reports that are used to prepare the FFA - 10. We compared the prior year data to the current year data and investigated any changes over 10%. We also compared from the source documents to the year-end cumulative report (Form S-10). We also recalculated summarizations of supporting documentation which were tested in (D) above. No exceptions were noted as a result of applying this procedure.

- H. Discuss the procedure for accumulating and recording passenger miles traveled (PMT) data in accordance with NTD requirements with the Authority's staff. Inquire whether the procedure is one of the methods specifically approved in the 2019 NTD Policy Manual.

Result: During fiscal year 2019, the Authority used the procedure of an estimate of passenger miles traveled (PMT) based on statistical sampling, meeting FTA's 95% confidence and +10% precision requirements based on a qualified statistician's determined procedure. No exceptions were noted as a result of applying this procedure.

- I. Discuss with the Authority's staff (the auditor may wish to list the titles of the persons interviewed) the Authority's eligibility to conduct statistical sampling for PMT data every third year. Determine whether the Authority meets NTD criteria that allow transit agencies to conduct statistical samples for accumulating PMT data every third year rather than annually. Specifically:

- According to the 2010 Census, the public transit agency serves an urbanized area (UZA) with a population less than 500,000.
- The public transit agency directly operates fewer than 100 revenue vehicles in all modes in annual maximum revenue service (VOMS) (in any size UZA).

- Service purchased from a seller is included in the transit agency's NTD report.
- For transit agencies that meet one of the above criteria, review the NTD documentation for the most recent mandatory sampling year (2019) and determine that statistical sampling was conducted and meets the 95% confidence and $\pm 10\%$ precision requirements.
- Determine how the transit agency estimated annual PMT for the current report year.

Result: For MBDO, the Authority uses an alternative sampling technique, which is a statistically valid technique, other than 100 percent count, which was certified by a qualified statistician in 2009 when the Authority was testing the method to ensure it met the mandated accuracy and precision levels. We reviewed the certification of the statistician and determined that the individual was qualified and had the proper credentials. We also ensured that the statistician certified that the Authority's alternative technique used the minimal 95% confidence and $\pm 10\%$ precision requirements for estimating boarding and passenger miles. We also obtained an understanding of how the Authority collects data, software utilized, and the estimation process. No exceptions were noted as a result of applying this procedure. For DRPT, the Authority does not use estimates, but rather uses the information collected by LINK, the service purchase seller. This data is derived from driver counts and data generated from Trapeze. The information from the Purchase Services Seller is included on the NTD report. No exception noted.

- J. Obtain a description of the sampling procedure for estimation of PMT data used by the transit agency. Obtain a copy of the transit agency's working papers or methodology used to select the actual sample of runs for recording PMT data. If the transit agency used average trip length, determine that the universe of runs was the sampling frame. Determine that the methodology used to select specific runs from the universe resulted in a random selection of runs. If the transit agency missed a selected sample run, determine that a replacement sample run was random. Determine that the transit agency followed the stated sampling procedure.

Result: We obtained a description of the sampling procedure for estimation of PMT data used by the Authority. We obtained a copy of the Authority's working papers and methodology used to select the actual sample of runs for recording PMT data. We determined that the Authority followed the stated sampling procedure. No exceptions were noted as a result of applying this procedure.

- K. Select a random sample of the source documents for accumulating PMT data and determine that the data are complete (all required data are recorded) and that the computations are accurate. Select a random sample of the accumulation periods and recompute the accumulations for each of the selected periods. List the accumulation periods that were tested. Test the arithmetical accuracy of the summary.

Result: We randomly selected three months, November 2018, February 2019, and April 2019. We obtained the source documents for accumulating PMT data, determined they were complete, and recomputed the accumulation periods without exception. In addition, we tested a sample of manual routes that are not tracked by the Ridecheck software. We randomly selected trip cards for the months of November 2018, February 2019, and April 2019. No exceptions were noted as a result of applying this procedure.

- L. Discuss the procedures for systematic exclusion of charter, school bus, and other ineligible vehicle miles from the calculation of actual vehicle revenue miles with transit agency staff and determine that they follow the stated procedures. Select a random sample of the source documents used to record charter and school bus mileage and test the arithmetical accuracy of the computations.

Result: We discussed the procedures for systematic exclusion of charter, school bus, and other ineligible vehicle miles from the calculation of vehicle revenue miles with the Authority staff and determined that stated procedures were not applicable as the Authority does not provide a charter or school bus service.

M. For actual VRM data, document the collection and recording methodology and determine that deadhead miles are systematically excluded from the computation. This is accomplished as follows:

- If actual VRMs are calculated from schedules, document the procedures used to subtract missed trips. Select a random sample of the days that service is operated, and recompute the daily total of missed trips and missed VRMs. Test the arithmetical accuracy of the summary.
- If actual VRMs are calculated from hubodometers, document the procedures used to calculate and subtract deadhead mileage. Select a random sample of the hubodometer readings and determine that the stated procedures for hubodometer deadhead mileage adjustments are applied as prescribed. Test the arithmetical accuracy of the summary of intermediate accumulations.
- If actual VRMs are calculated from vehicle logs, select random samples of the vehicle logs and determine that the deadhead mileage has been correctly computed in accordance with FTA definitions.

Result: We discussed with personnel the procedures for the collection and recording of VRM data and noted that VRMs are calculated upon inception of the route based on the distance between the first stop and last stop, including deadhead miles. We noted that the scheduled deadhead miles are systematically excluded to calculate VRMs. Furthermore, daily trip sheets are used to subtract missed trips and unscheduled deadhead miles. We also discussed the accumulation of VRMs for Demand Response Purchased Transportation (DRPT). We noted that VRMs for DRPT are accumulated and reported by the respective contractors through trip sheets and monthly ridership worksheets by route. These schedules are submitted by the contractors and are reviewed for clerical accuracy by Authority personnel. We recalculated the VRMs and agreed the total VRMs to the Authority's Month-End Ridership Summary report for a sample of trips in the months of November 2018, February 2019, and April 2019. No exceptions were noted as a result of applying this procedure.

N. For rail modes, review the recording and accumulation sheets for actual VRMs and determine that locomotive miles are not included in the computation.

Result: We inquired of personnel the procedures in which the Authority accumulates actual VRMs for rail modes. We noted that the Authority does not provide such service. Therefore, this procedure was not applicable.

O. If fixed guideway or High Intensity Bus directional route miles (FG or HIB DRM) are reported, interview the person responsible for maintaining and reporting NTD data whether the operations meet the FTA definition of fixed guideway (FG) or High Intensity Bus (HIB) in that the service is:

- Rail, trolleybus (TB), ferryboat (FB), or aerial tramway (TR); or
- Bus (Mode: Bus (MB), Commuter Bus (CB), or Bus Rapid Transit (RB)) service operating over exclusive or controlled access rights-of-way (ROW); and
 - Access is restricted;
 - Legitimate need for restricted access is demonstrated by peak period level of service D or worse on a parallel adjacent highway; and
 - Restricted access is enforced for freeways; priority lanes used by other high occupancy vehicles (HOV) (i.e., vanpools (VP), carpools) must demonstrate safe operation;

Result: We inquired of personnel the procedures in which the Authority reports VRMs, passenger miles, and operating expenses for fixed guideways segments. We noted that the Authority does not provide such services. Therefore, this procedure was not applicable.

P. Discuss the measurement of FG and HIB DRM with the person reporting NTD data and determine that the he or she computed mileage in accordance with the FTA definitions of FG/HIB and DRM. Inquire of any service changes during the year that resulted in an increase or decrease in DRMs. If a service change resulted in a change in overall DRMs, recompute the average

monthly DRMs, and reconcile the total to the FG/HIB DRM reported on the Federal Funding Allocation Statistics Form.

Result: We inquired of personnel the procedures in which the Authority measures fixed guideway directional route miles (DRMs). We noted that the Authority does not provide such services. Therefore, this procedure was not applicable.

- Q. Inquire if any temporary interruptions in transit service occurred during the report year. If these interruptions were due to maintenance or rehabilitation improvements to a FG segment(s), the following apply:

- Report DRMs for the segment(s) for the entire report year if the interruption is less than 12 months in duration. Report the months of operation on the FG/HIB segments form as 12. The transit agency should document the interruption.
- If the improvements cause a service interruption on the FG/HIB DRMs lasting more than 12 months, the transit agency should contact its NTD validation analyst to discuss. The FTA will make a determination on how to report the DRMs.

Result: We inquired of personnel the procedures in which the Authority measures fixed guideway directional route miles through the use of maps or retracing routes. We noted that the Authority does not provide such services. Therefore, this procedure was not applicable.

- R. Measure FG/HIB DRM from maps or by retracing route.

Result: We inquired of personnel whether other public transit agencies operate service over the same fixed guideway (FG) as the Authority. We noted that the Authority does not provide such service. Therefore, this procedure was not applicable.

- S. Discuss whether other public transit agencies operate service over the same FG/HIB as the transit agency. If yes, determine that the transit agency coordinated with the other transit agency (or agencies) such that the DRMs for the segment of FG/HIB are reported only once to the NTD on the Federal Funding Allocation Form. Each transit agency should report the actual VRM, PMT, and operating expense (OE) for the service operated over the same FG/HIB.

Result: We inquired of personnel the procedures for revenue service for each fixed guideway segment. We noted that the Authority does not provide such service. Therefore, this procedure was not applicable.

- T. Review the FG/HIB segments form. Discuss the Agency Revenue Service Start Date for any segments added in the 2019 report year with the persons reporting NTD data. This is the commencement date of revenue service for each FG/HIB segment. Determine that the date reported is the date that the agency began revenue service. This may be later than the Original Date of Revenue Service if the transit agency is not the original operator. If a segment was added for the 2019 report year, the Agency Revenue Service Date must occur within the transit agency's 2019 fiscal year. Segments are grouped by like characteristics. Note that for apportionment purposes, under the State of Good Repair (§5337) and Bus and Bus Facilities (§5339) programs, the 7-year age requirement for fixed guideway/High Intensity Bus segments is based on the report year when the segment is first reported by any NTD transit agency. This pertains to segments reported for the first time in the current report year. Even if a transit agency can document an Agency Revenue Service Start Date prior to the current NTD report year, the FTA will only consider segments continuously reported to the NTD.

Result: We inquired of personnel the procedures for revenue service for each fixed guideway segment. We noted that the Authority does not provide such service. Therefore, this procedure was not applicable.

- U. Compare operating expenses with audited financial data after reconciling items are removed.

Result: We reconciled operating expenses presented to the audited financial statements. No exceptions were noted as a result of applying this procedure.

- V. If the transit agency purchases transportation services, interview the personnel reporting the NTD data on the amount of purchased transportation (PT)-generated fare revenues. The PT fare revenues should equal the amount reported on the Contractual Relationship form (Form B-30).

Result: We compared the data reported on the Form B-30 to the purchased transportation fare revenues. No exceptions were noted as a result of applying this procedure.

- W. If the transit agency's report contains data for PT services and assurances of the data for those services are not included, obtain a copy of the Independent Auditor Statement (IAS-FFA) regarding data for the PT service. Attach a copy of the statement to the report. Note as an exception if the transit agency does not have an Independent Auditor Statement for the PT data.

Result: This procedure is not applicable as assurances over the PT services data are included in Procedures "A" through "V" above.

- X. If the transit agency purchases transportation services, obtain a copy of the PT contract and determine that the contract specifies the public transportation services to be provided; the monetary consideration obligated by the transit agency or governmental unit contracting for the service; the period covered by the contract (and that this period overlaps the entire, or a portion of, the period covered by the transit agency's NTD report); and is signed by representatives of both parties to the contract. Interview the person responsible for retention of the executed contract, and determine that copies of the contracts are retained for three years.

Result: We obtained copies of the purchased transportation contracts and noted that all contracts specified the specific mass transportation services to be provided; specified the monetary consideration obligated by the Authority; specified the period covered by the contract and that this period is the same as, or a portion of, the period covered by the Authority's NTD report; and signed by representatives of both parties to the contract. We determined that executed contracts are maintained for a minimum of three years. No exceptions were noted as a result of applying this procedure.

- Y. If the transit agency provides service in more than one UZA, or between an UZA and a non-UZA, inquire of the procedures for allocation of statistics between UZAs and non-UZAs. Obtain and review the FG segment worksheets, route maps, and urbanized area boundaries used for allocating the statistics, and determine that the stated procedure is followed and that the computations are correct.

Result: We inquired of personnel whether the Authority provides services in more than one UZA, or between a UZA and a non-urbanized area (non-UZA). This procedure is not applicable as the Authority does not provide services in more than one UZA.

- Z. Compare the data reported on the Federal Funding Allocation Statistics Form to data from the prior report year and calculate the percentage change from the prior year to the current year. For actual VRM, PMT, or OE data that have increased or decreased by more than 10%, or FG DRM data that have increased or decreased, interview transit agency management regarding the specifics of operations that led to the increases or decreases in the data relative to the prior reporting period.

Result: We compared the data reported on the FFA - 10 to comparable data for the prior report year and calculated the percentage change from the prior year to the current year. For VRM, passenger mile, or operating expense data that have increased or decreased by more than 10 percent, we inquired with the Authority management regarding the specifics of operations that led to the increases or decreases in the data relative to the prior reporting period. The VRM and operating expense for DR PT increased by 13%. This resulted from a combination of service hours being up about 10% and 3% increase of COLA in the contract. No exceptions were noted as a result of applying this procedure.

AA. The auditor should document the specific procedures followed, documents reviewed, and tests performed in the work papers. The work papers should be available for FTA review for a minimum of three years following the NTD report year. The auditor may perform additional procedures, which are agreed to by the auditor and the transit agency, if desired. The auditor should clearly identify the additional procedures performed in a separate attachment to the statement as procedures that were agreed to by the transit agency and the auditor but not by the FTA.

Result: We have documented the specific procedures followed, documents reviewed, and tests performed in the work papers. The work papers are available for FTA review for a minimum of three years following the NTD report year. No exceptions were noted as a result of applying this procedure.

To: Administration and Finance Committee

Date: 1/7/2020

From: Erick Cheung, CFO

SUBJECT: Budget Update

Background:

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 wanted to provide this information to the A&F Committee since the amounts are material and provided an updated budget forecast based on items noted below.

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.

Bus Bridge Revenue – BART were doing improvements to their infrastructure system wide which included disruptions in service. County Connection and BART agreed on certain dates for those service interruptions which we would provide Bus Bridges. During the budget process that was still being negotiated and was not included in the budget. This amount includes one-time additional revenue for FY 2020 for \$0.3 million.

Advertising Revenue – The advertising revenue contract expired at the end of calendar 2019. Staff went through a Request for Proposal (RFP) process and the Board approved an agreement with a new contractor for \$0.5 million in the first year of the contract. The previous contractor was proving \$0.6 million in the final year of their contract. The budget assumed that we would be

receiving the same amount as the previous contractor and the estimate will need to be reduced by \$0.1 million.

Midday Free Program for Educational Programs – County Connection implemented a service and fare restructure in March of 2019. The fare restructure was financially difficult for some of the school districts/non-profits for riders with development disabilities and the respective staff. They requested the Midday Free Program be allowed for their programs to provide these riders with important life skills which might be eliminated due the additional costs. The preliminary estimate of revenue loss was approximately \$58 thousand annually.

Paratransit Services Fuel Costs – The FY2020 budget for purchased transportation services used the old budget model, which assumed the expense for fuel was part of the hourly rate as staff was going through the RFP process. As a result, the FY2020 budget did not reflect fuel costs as a separate part of the contract services and a shortfall for the projected purchased transportation expenses. Staff estimated the FY2020 purchased transportation expense to be approximately \$1.0 million higher due to fuel. This item was adjusted for in December but obviously has an impact in the Budget forecast.

Recommendation:

Staff recommends that the A&F Committee accept the report.

Financial Implications:

The impact will be reflected in the proposed FY 2021 Budget and FY 2020 estimates.

Action Requested:

This memo is informational item only.

Attachment:

Adopted and Updated Budget Forecast based on items notes above.

County Connection

CENTRAL CONTRA COSTA TRANSIT AUTHORITY

TDA RESERVE \$ In Thousands

ADOPTED

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
46 Beginning Balance	\$ 11,783	\$ 12,076	\$ 15,089	\$ 17,519	\$ 19,426	\$ 19,852	\$ 18,919	\$ 16,391	\$ 14,346	\$ 11,530	\$ 5,180
47 Estimated TDA 4.0 Allocation	\$ 17,899	\$ 20,061	\$ 20,909	\$ 21,223	\$ 21,541	\$ 21,918	\$ 22,302	\$ 22,748	\$ 23,203	\$ 23,725	\$ 24,259
	3.88%	12.08%	4.23%	1.50%	1.50%	1.75%	1.75%	2.00%	2.00%	2.25%	2.25%
TDA 4.0 Needed for Operations and Capital:											
48 Used for Fixed route operations	(16,756)	(15,860)	(17,093)	(17,839)	(19,316)	(20,485)	(21,512)	(22,620)	(23,763)	(24,956)	(26,200)
49 Used for Paratransit operations	(199)	(714)	(697)	(1,140)	(1,399)	(1,538)	(1,681)	(1,829)	(1,976)	(2,135)	(2,298)
50 TDA Used for Operations	(16,955)	(16,574)	(17,790)	(18,979)	(20,715)	(22,023)	(23,193)	(24,449)	(25,739)	(27,091)	(28,498)
51 Used for Capital Program	(651)	(474)	(689)	(337)	(400)	(828)	(1,637)	(344)	(280)	(2,984)	(370)
52 Ending TDA Reserve	\$ 12,076	\$ 15,089	\$ 17,519	\$ 19,426	\$ 19,852	\$ 18,919	\$ 16,391	\$ 14,346	\$ 11,530	\$ 5,180	\$ 571

Number Of Months of Operating Expenses

53 in Reserve	3.9	4.6	5.1	5.5	5.4	4.9	4.1	3.5	2.7	1.2	0.1
54 Percentage of operating budget	32.6%	38.3%	42.1%	45.7%	44.8%	41.2%	34.5%	29.2%	22.7%	9.9%	1.1%

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
55 Reserve Percentage of:											
12%	\$ 4,448	\$ 4,732	\$ 4,990	\$ 5,103	\$ 5,320	\$ 5,512	\$ 5,697	\$ 5,892	\$ 6,094	\$ 6,303	\$ 6,519
56 Amount Above/(Below) Reserve Level	\$ 7,628	\$ 10,357	\$ 12,529	\$ 14,323	\$ 14,532	\$ 13,407	\$ 10,694	\$ 8,454	\$ 5,436	\$ (1,123)	\$ (5,948)
57 16%	\$ 5,931	\$ 6,309	\$ 6,653	\$ 6,804	\$ 7,094	\$ 7,350	\$ 7,596	\$ 7,857	\$ 8,125	\$ 8,404	\$ 8,692
58 Amount Above/(Below) Reserve Level	\$ 6,145	\$ 8,780	\$ 10,866	\$ 12,622	\$ 12,758	\$ 11,569	\$ 8,795	\$ 6,489	\$ 3,405	\$ (3,224)	\$ (8,121)

County Connection
CENTRAL CONTRA COSTA TRANSIT AUTHORITY
TDA RESERVE \$ In Thousands (as of December 2019)

		FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
46	Beginning Balance	\$ 11,783	\$ 12,076	\$ 16,342	\$ 16,670	\$ 16,239	\$ 14,305	\$ 10,998	\$ 6,054	\$ 1,523	\$ (3,851)	\$ (12,835)
47	Estimated TDA 4.0 Allocation	\$ 17,899 3.88%	\$ 19,043 6.39%	\$ 20,109 5.60%	\$ 20,411 1.50%	\$ 20,717 1.50%	\$ 21,080 1.75%	\$ 21,449 1.75%	\$ 21,878 2.00%	\$ 22,315 2.00%	\$ 22,817 2.25%	\$ 23,331 2.25%
TDA 4.0 Needed for Operations and Capital:												
48	Used for Fixed route operations	(16,756)	(13,989)	(17,695)	(18,630)	(20,080)	(21,226)	(22,256)	(23,393)	(24,564)	(25,788)	(27,064)
49	Used for Paratransit operations	(199)	(314)	(1,397)	(1,875)	(2,171)	(2,333)	(2,500)	(2,672)	(2,845)	(3,029)	(3,220)
50	TDA Used for Operations	(16,955)	(14,303)	(19,092)	(20,505)	(22,251)	(23,559)	(24,756)	(26,065)	(27,409)	(28,817)	(30,284)
51	Used for Capital Program	(651)	(474)	(689)	(337)	(400)	(828)	(1,637)	(344)	(280)	(2,984)	(370)
52	Ending TDA Reserve	\$ 12,076	\$ 16,342	\$ 16,670	\$ 16,239	\$ 14,305	\$ 10,998	\$ 6,054	\$ 1,523	\$ (3,851)	\$ (12,835)	\$ (20,158)
53	Number Of Months of Operating Expenses in Reserve	3.9	5.0	4.7	4.5	3.8	2.8	1.5	0.4	(0.9)	(2.9)	(4.4)
54	Percentage of operating budget	32.6%	41.4%	39.4%	37.5%	31.7%	23.5%	12.5%	3.0%	-7.5%	-24.0%	-36.5%
55	Reserve Percentage of:	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
	12%	\$ 4,448	\$ 4,732	\$ 5,074	\$ 5,191	\$ 5,413	\$ 5,608	\$ 5,795	\$ 5,994	\$ 6,198	\$ 6,410	\$ 6,630
56	Amount Above/(Below) Reserve Level	\$ 7,628	\$ 11,610	\$ 11,596	\$ 11,048	\$ 8,892	\$ 5,390	\$ 259	\$ (4,471)	\$ (10,049)	\$ (19,245)	\$ (26,788)
57	16%	\$ 5,931	\$ 6,309	\$ 6,765	\$ 6,921	\$ 7,217	\$ 7,477	\$ 7,727	\$ 7,992	\$ 8,264	\$ 8,547	\$ 8,840
58	Amount Above/(Below) Reserve Level	\$ 6,145	\$ 10,033	\$ 9,905	\$ 9,318	\$ 7,088	\$ 3,521	\$ (1,673)	\$ (6,469)	\$ (12,115)	\$ (21,382)	\$ (28,998)