



To: Board of Supervisors
 From: Birgitta Corsello, County Administrator
 Date: March 3, 2014
 Subject: Significant Issues Update

1. County Administrator's Update on Contracts

The County Administrator signed the following contracts of significance since the last Significant Issues update:

- Health and Social Services, a contract with City of Vacaville TEAMS (effective February 1, 2014 to September 29, 2014) using Federal Community Transformation grant funds to provide education and information to the Vacaville Unified School District regarding health provisions for possible inclusion in the districts school wellness policy, for a total of \$30,000.

2. CalPERS Actuarial Changes to result in higher employer retirement costs

On February 18, 2014 the California Public Employees' Retirement Systems (CalPERS) Board of Administration (Board) adopted amendments which change actuarial assumptions, principally reflecting changes to mortality rates (people living longer) and retirement rates (some safety members retiring earlier than actuarially projected). These changes are designed to improve and strengthen the long-term financial sustainability of the CalPERS pension.

The changes adopted by the CalPERS Board become effective with the actuarial valuations dated June 30, 2014 and will first impact the County's retirement rates effective July 1, 2016 (FY2016/17). A five-year phase in of these changes will occur before the costs stabilize. As shown from the CalPERS agenda item below, the projected additional cost is estimated to increase over time, with the initial impact (Year 1, FY2016/17) less than the ultimate change (Year 5, FY2020/21).

	Est. for FY2016/17	Est. for FY2020/21
Category	Total Estimated Ultimate Change in Employer Rate (Year 1) (% of Payroll)	Total Estimated Ultimate Change in Employer Rate (Year 5) (% of Payroll)
Safety County Peace Officer ¹	2.3% to 3.1%	6.3% to 7.4%
Safety Police/Sheriff ¹	1.6% to 2.8%	4.3% to 8.0%
Misc. 2.7% at 55	0.6% to 1.4%	2.4% to 5.0%
Misc. 2% at 55	0.2% to 0.9%	0.9% to 3.7%
Misc. 2% at 60	0.2% to 0.6%	0.7% to 2.3%

Source: Adapted from CalPERS February 18, 2014 agenda, Attachment 5.

¹ Presented by CalPERS as a blended category.

On June 11, 2013 the Board of Supervisors received a presentation from the actuarial firm Bartel Associates with estimates on the County's CalPERS rates based on the anticipated changes the CalPERS Board would consider. Below is a chart that details those estimates. If all assumptions are proven correct over time, Bartel Associates estimated that the safety rate would increase from 19.3% in FY2012/13 to 33.1% in FY2019/20 with yearly estimated costs increasing from \$7.272 million (FY2012/13) to \$13.809 million (FY2019/20) and the miscellaneous rate would increase from 15.2% in FY2012/13 to 26.6% in FY2019/20 with yearly estimated costs increasing from \$20.340 million (FY2012/13) to \$39.490 million (FY2019/20). These rates do not include the statutory rates paid by employees.

Projected CalPERS Retirement Rates & Costs, as presented to the Board on June 11, 2013

	ACTUAL(1) FY2012/13	PROJECTED FY2013/14	PROJECTED FY2014/15	PROJECTED FY2015/16	PROJECTED FY2016/17	PROJECTED FY2017/18	PROJECTED FY2018/19	PROJECTED FY2019/20
MISC. RATE	15.20%	16.70%	17.90%	20.90%	22.30%	23.80%	25.20%	26.60%
Total Misc Cost	\$20.340	\$23.356	\$25.284	\$29.817	\$32.133	\$34.637	\$37.041	\$39.490
General Fund - Misc Cost (2)	\$4.137	\$4.594	\$4.973	\$5.865	\$6.320	\$6.813	\$7.286	\$7.767
SAFETY RATE	19.30%	20.70%	22.00%	25.90%	28.00%	29.70%	31.40%	33.10%
Total Safety Cost	\$7.272	\$8.135	\$8.732	\$10.383	\$11.337	\$12.146	\$12.970	\$13.809
General Fund - Safety Cost (3)	\$3.927	\$4.393	\$4.990	\$6.641	\$7.595	\$8.404	\$9.228	\$10.067
Total Cost (in millions) (4)	\$27.612	\$31.491	\$34.017	\$40.200	\$43.470	\$46.783	\$50.011	\$53.298
Total GF Cost (4)	\$8.064	\$8.987	\$9.963	\$12.506	\$13.915	\$15.217	\$16.514	\$17.834

(1) Based on payroll data as of 5/11/2013; projected to June 30, 2013

(2) General Fund (GF) - the increase in MISC salaries in FY13/14 is assumed to be a non-GF cost (primarily due to HSS); therefore, GF PERS costs is based on adjusted salaries and a fixed % for GF share of costs using FY12/13 as the base.

(3) Safety – the increase in retirement costs is assumed to be a GF cost; assume revenue from external sources (Prop. 172/AB109) are used to fund projected salary growth beginning in FY13/14, but is not sufficient to fund additional employer PERS costs beginning in FY14/15.

(4) The above costs do not include employee cost-sharing per the MOU agreements with the various bargaining units which are estimated between 2% for Safety and 4% for Miscellaneous.

The above chart was prepared with estimates of the County's CalPERS employer rate for FY2014/15. The County has since received the actual employer rates from CalPERS; the revised employer rate for FY2014/15 is 17.4% for Misc. and 21.8% for Safety.

In adopting the FY2013/14 budget the County established a committed fund balance allocation of \$13 million to help smooth the initial impact of anticipated CalPERS employer rate increases. As noted in the FY2013/14 budget resolution (action item (i) and Exhibit E – Uncertainties Risk Exposures), the recommended spending of this committed fund balance for Future CalPERS Employer Rate Increases is \$2 million in FY2014/15, \$4 million in FY2015/16, \$5 million in FY2016/17, and \$2 million in FY2017/18.

Next Steps:

- Bartel Associates will update its June 2013 study and present the findings to the Board in spring 2014.
- The County's Pension Advisory Committee is developing strategies to address the overall funded status of the County's retirement plans. The Pension Advisory Committee anticipates presenting recommendations to the Board in spring 2014.
- Contact: Marc Fox, Human Resources Director, 784-2552

3. Solano County's Efforts to Reduce Water Use by 20%

On January 17, 2014, Governor Brown declared the current drought a State of Emergency and requested public agencies and residents to voluntarily reduce water use by 20%. The Department of General Services, through its Facilities Operations Division, has completed an initial review and began to implement several water conservation measures and supports water conservation practices in the following ways:

- Installation of low-flow plumbing fixtures as part of new projects, including a water management system in the existing correctional facilities and the new Stanton Correctional Facility to control and monitor water usage.
- Adjusted automated faucets in County buildings to reduce minimum run times and continues timely efforts to identify and repair leaks.
- Reduced the County Administration Center Plaza Fountain operating hours by 42 hours weekly, which is a 53% reduction in operating hours. The Plaza Fountain uses recirculated water.
- General Services is commencing work to develop an educational brochure to assist employees and public for reducing water use in County buildings and at home, which will be available by the end of March.

Ongoing County practices have and continue to reflect a strategy to minimize water usage as part of ongoing cost savings measures. These have included existing drip irrigation systems, efficient sprinkler heads, and automated sprinkler control systems to reduce watering durations in landscaped areas, which staff estimates saves approximately 400,000 gallons of water annually. Staff will continue to explore landscaping efficiency upgrades, use of more efficient sprinklers or drip systems, and replacing thirsty plants with more natural drought tolerant plantings. Additional other efforts include the ongoing water usage audits of County buildings and the continued replacement/upgrade of older fixtures with new low-flow equipment in older buildings.

- Contact: Perry Sauro, Facilities Operations Manager, General Services, 784-1390