

MINUTES OF A MEETING OF THE
FINANCE/INVESTMENT COMMITTEE
OF THE VALLECITOS WATER DISTRICT
TUESDAY, FEBRUARY 15, 2022 AT 1:00 P.M.
VIA TELECONFERENCE

Director Elitharp called the meeting to order at the hour of 1:00 p.m. The meeting was held via teleconference.

Present: Director Boyd-Hodgson
 Director Elitharp
 General Manager Pruum
 Assistant General Manager Gumpel
 Finance Manager Owen
 Accounting Supervisor Rathsam
 Information Technology Supervisor Labarrere
 Principal Financial Analyst Arthur
 Administrative Secretary Johnson

PUBLIC COMMENT

None.

ITEM(S) FOR DISCUSSION

FISCAL YEAR 2023 BUDGET PREPARATION

Finance Manager Owen facilitated the kickoff of the budget process for Fiscal Year (FY) 2022/2023 with a presentation that included:

- Budget to Actual – Water
- Budget to Actual – Sewer
- Budget Calendar

Water operating expenses for FY 2020/2021 were 6.61% under budget (\$846,147) in part due to COVID, difficulties procuring supplies and materials, and contractor issues. Sewer operating expenses for FY 2020/2021 were 1.18% under budget (\$84,218) with the greatest variances in the areas of Customer Accounts and Engineering.

Finance Manager Owen presented a tentative budget calendar subject to the Committee's availability as follows:

- March 21 (Committee Meeting)
- April 11 (Committee Meeting)
- May 5 (Board Workshop/Special Board Meeting)
- May 18 (Board Workshop/Regular Board Meeting)
- June 1 (Regular Board Meeting – approval of recommended budget for adoption)

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM FUNDING STATUS

Finance Manager Owen provided background information on the District's California Public Employees' Retirement System (CalPERS) Unfunded Accrued Liability (UAL) policy. The policy, approved on June 13, 2019, provides for discretionary payments to be made over three years in addition to the required payments to achieve 100% funding.

Finance Manager Owen facilitated a presentation on the CalPERS UAL Funding Policy as follows:

- Estimated CalPERS Returns
- Amortization Bases
- Actual CalPERS Returns
- Next Steps

Finance Manager Owen stated that CalPERS' rate of return for 2021 was 21.30% which will result in an estimated \$11.2 million gain for the District. This means with all else equal the District's UAL could be super funded by \$1.4 million at the end of 2021; however, when CalPERS achieves a high rate of return, per their Funding Risk Mitigation policy, they lower the discount rate. For Fiscal Year 2021 the discount rate was lowered to 6.8% from 7%, and as a result, the District's UAL balance will be increased by an estimated \$2.5 million to \$1.1 million. The District's UAL is currently estimated to be over 99% funded. Staff does not believe the budgeted \$2.6 million payment needs to be made to CalPERS this fiscal year, and will review this again when the new actuarial reports are released. By essentially paying off the UAL, the District saved approximately \$17 million in interest.

OTHER POST EMPLOYMENT BENEFITS FUNDING STATUS

General Manager Pruim stated Other Post Employment Benefits (OPEB) refers to retiree health insurance only and no other benefits. The District's OPEB became a closed system in July 2013. Employees hired after July 2013 are not eligible for the benefit. The District pays the cost of retiree health insurance until the retiree is eligible for Medicare or has health coverage elsewhere. To be eligible for OPEB, the employee must be vested in the program (10 years) and retire from the District.

Principal Financial Analyst Arthur provided an OPEB funding status update which included:

- Background
- Definitions
- Total OPEB Liability – January 2022
- Fiduciary Net Position (OPEB Funding)
- Net OPEB Liability
- Other Items

Principal Financial Analyst Arthur stated the OPEB trust balance is approximately 119% super funded, with about \$1.1 million in excess funding. Finance Manager Owen noted that deposits made in 2018 fully funded the trust and no other deposits have been made since then. Funds are now being withdrawn to pay for the retiree health insurance costs. The funds cannot be used for any other purpose.

General discussion took place regarding Public Employees' Pension Reform Act (PEPRA) employees' and "classic" CalPERS employees' retirement benefits. The UAL for PEPRA employees is \$137,000 as of June 30, 2020.

OTHER BUSINESS

None.

ADJOURNMENT

There being no further business to discuss, the meeting was adjourned at the hour of 1:51 p.m.