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Agenda Item 8A
SVCW Manager Compensation
Recommendation

i. Chair Summarizes Recommended Action
ii. Approve Annual Compensation for SVCW Manager
Agenda Item 8B

Section 115 Trust for Public Agencies Post-Employment Benefits
Background

- In 2015, GASB 68 required Net Pension Liabilities be disclosed as a line item in Balance Sheet

- Before 2015, unfunded pension liabilities could only be reduced via additional contributions to CalPERS

- There are now other options to fund this liability
# Unfunded Pension Liability: Options

<table>
<thead>
<tr>
<th>Option</th>
<th>Pros</th>
<th>Cons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restructure Amortization Bases</td>
<td>Shorter amortization period lowers overall interest costs.</td>
<td>Locked into higher annual payments; can crowd out services and/or require more revenue.</td>
</tr>
<tr>
<td>• Fresh Start</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Soft Fresh Start</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Make Additional Discretionary Payments</td>
<td>Offsets net pension liability on CAFR; Can pay off specific amortization base.</td>
<td>No flexibility with investments. Does not provide rate stabilization.</td>
</tr>
<tr>
<td>(ADPs) to CalPERS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Invest in Internal Reserve Funds</td>
<td>Retains total local control – money may be used for other purposes.</td>
<td>Restricted investments means lower investment returns.</td>
</tr>
<tr>
<td>Prefund: Contribute to a Section 115 Trust</td>
<td>More local control Broad investment options Provides rate stabilization</td>
<td>Liability offset but not reduced. Fees can be high.</td>
</tr>
</tbody>
</table>
Why Prefund?

- Follows similar path that funded OPEB Liability
- Employer pension contributions are increasing
- Asset-liability relationships can be volatile
- Increased investment income can reduce employer pension contributions from principal assets and save employers money
Prefunding Gives Budget Control

- Control amount and timing of contributions
- Direct how funds are invested
- Decide amount/timing of asset transfers to CalPERS
- Elect timing and extent of using assets for:
  - Reimbursing SVCW for CalPERS contributions
  - Paying plan expenses (actuarial valuation, audit)
Members' Funding Approaches

- **WBSD**: 115 Trust (PARS); established July 2016
- **RWC**: 115 Trust (PARS); established Sep. 2016
- **San Carlos**: Hybrid; 115 Trust (PARS) and ADPs
- **Belmont**: "Soft" fresh start via ADP contributions
Steps to Implement a 115 Trust

- Adopt resolution to establish / enter the trust
- Execute legal documents
- Develop investment policy and guidelines
- Via annual budget, develop funding guidelines for annual contributions and disbursements
PFM Asset Management, LLC

- Comparing firms to manage Trust for SVCW
- Staff recommends PFM
- Extensive experience in managing investments, including Section 115 Trusts
- Collaborative approach
- Investment strategies tailored for SVCW
- Competitive fees
Recommendation

Approve Adoption of Post-Employment Benefits Section 115 Trust Program Administered by PFM Asset Management, LLC
Agenda Item 8C
Design Task Order for Above Ground Diesel Tank
Diesel Storage Tank Locations

- All Single Walled Tanks must be decommissioned by December 31, 2025
- Replace with an Above Ground Tank
Diesel Storage Tank Replacement

- Specialty contractor required to do the work
- Tanks provide for emergency power generation; no downtime allowed
- Design through 2020; construction in 2021
Recommendation

Approve Task Order for Design Services – Kennedy/Jenks ($148,800)
Thank You