

CALIFORNIA STATE ASSOCIATION OF COUNTIES  
 BOARD OF DIRECTORS  
 September 6, 2012  
 CSAC Conference Center, Sacramento

M I N U T E S

Presiding: Mike McGowan, President

1. ROLL CALL

Alameda	Keith Carson	Placer	Jim Holmes
Alpine	Terry Woodrow	Plumas	Jon Kennedy
Amador	absent	Riverside	John Benoit
Butte	Maureen Kirk	Sacramento	Susan Peters
Calaveras	Merita Callaway	San Benito	Margie Barrios (audio)
Colusa	absent	San Bernardino	Gary Ovitt (audio)
Contra Costa	Gioia/Glover	San Diego	Greg Cox
Del Norte	David Finigan	San Francisco	Eric Mar (audio)
El Dorado	John Knight	San Joaquin	Larry Ruhstaller
Fresno	Henry Perea	San Luis Obispo	Bruce Gibson
Glenn	John Viegas	San Mateo	Carole Groom
Humboldt	Mark Lovelace	Santa Barbara	Joni Gray (audio)
Imperial	Gary Wyatt	Santa Clara	Liz Kniss (audio)
Inyo	Susan Cash	Santa Cruz	absent
Kern	absent	Shasta	absent
Kings	Doug Verboon	Sierra	Lee Adams
Lake	absent	Siskiyou	Jim Cook (audio)
Lassen	Jim Chapman	Solano	Mike Reagan
Los Angeles	absent	Sonoma	Valerie Brown
Madera	Frank Bigelow (audio)	Stanislaus	Vito Chiesa
Marin	Judy Arnold (audio)	Sutter	absent
Mariposa	absent	Tehama	Robert Williams
Mendocino	Carre Brown	Trinity	absent
Merced	Hub Walsh (audio)	Tulare	Steve Worthley
Modoc	absent	Tuolumne	Richard Pland (audio)
Mono	Hap Hazard	Ventura	Kathy Long
Monterey	Fernando Armenta (audio)	Yolo	McGowan/Provenza
Napa	Brad Wagenknecht	Yuba	Roger Abe
Nevada	Ted Owens	Advisor:	Charles McKee
Orange	John Moorlach (audio)		

The presence of a quorum was noted.

2. APPROVAL OF MINUTES

The minutes of May 31, 2012 were approved as previously mailed.

3. CONSIDERATION OF NOVEMBER 2012 BALLOT INITIATIVES

**Proposition 30.** This is Governor Brown's measure that is jointly sponsored by the California Federation of Teachers which would increase personal income tax on annual earning over \$250,000 for seven years and increase sales and use tax by ¼ cent for four years. It also provides guaranteed funding for public safety services realigned from the state to local governments.

Three CSAC policy committees – Administration of Justice, Government Finance and Operations, and Health & Human Services – each recommended a 'Support' position on Proposition 30. The CSAC Executive Committee also considered this measure and is recommending that the Board of Directors adopt a 'support' position.

Motion and second to Support Proposition 30. Motion carried (30 votes in favor).

**Proposition 31.** This measure, sponsored by California Forward, establishes a two-year budget cycle and prohibits the Legislature from creating expenditures of more than \$25 million unless offsetting revenues or spending cuts are identified. It would also permit the Governor to make budget cuts unilaterally during declared fiscal emergencies if Legislature fails to act.

Sunne Wright McPeak, President & CEO of California Emerging Technology Fund spoke in favor of the initiative and Tom Adams from the League of Conservation Voters spoke against it.

Both the CSAC Government Finance & Operations policy committee and the Executive Committee considered this measure and are recommending that the Board of Directors adopt a 'support' position.

Motion and second to Support Proposition 31. Motion failed (28 votes in favor).

4. CSAC HIGH SPEED RAIL WORKING GROUP RECOMMENDATIONS

The CSAC Board of Directors established a Task Force on High-Speed Rail under the purview of the CSAC Housing, Land Use & Transportation Committee to review CSAC's position on High Speed Rail (HSR). In light of the Governor's recent signing of SB 1029, the bill that appropriates state and federal funds to begin construction of the initial operating segment through the Central Valley, the Task Force focused on issues related to implementation of the California HSR project.

Staff presented draft policies and priority issues as contained in the briefing materials. They address the following areas:

- Openness, Transparency & Accountability
- Robust Environmental Review
- Public Comment
- Conflicts with General Plans & Other Local Plans
- Direct and Indirect Economic Impacts
- Mitigation of Local Impacts
- Ongoing Funding for Capital, Operations & Maintenance

The CSAC Executive Committee considered the draft policies at its recent meeting and recommended that the Board of Directors approve the committee recommendations.

Motion and second to approve the CSAC Policies & Priority Issues for Implementation of the California High-Speed Rail Project as presented. Motion carried (1 no vote).

5. APPOINTMENT OF MEMBER TO CSCDA BOARD

Steve Keil recently resigned his position as a member of the California Statewide Communities Development Authority (CSCDA). Therefore, the CSAC Board of Directors was asked to approve the appointment of a replacement member. CSCDA staff requested that Dan Mierzwa, Treasurer-Tax Collector of Yuba County, be appointed to the position.

Motion and second to appoint Dan Mierzwa to serve on the CSCDA Board. Motion carried unanimously.

6. CSAC FINANCE CORPORATION REPORT

Nancy Parrish reported that the CSAC Finance Corporation will hold its fall Board meeting next week in San Diego. An agenda for that meeting was contained in the briefing materials.

The Finance Corporation recently issued an RFP for a program to offer more affordable healthcare options for Medicare eligible county retirees. By partnering with a provider who offers one or more individual plans, the CSAC Finance Corporation seeks to offer significant savings to employers and/or retirees.

7. STATE BUDGET AND LEGISLATIVE UPDATE

Staff reported that AB 1098 was amended on August 30, to reallocate Vehicle License Fee (VLF) revenues to recently incorporated cities and to cities that recently annexed inhabited territory. Specifically, this bill restores funding that these cities would have received under the law prior to the enactment of SB 89 in 2011, which dedicated these and other VLF revenues to 2011 Realignment. There are four newly incorporated cities, all in Riverside County, and over 100 cities with annexations that would qualify for this relief. This situation has created a great deal of fiscal uncertainty for these cities. CSAC opposed an earlier version of the bill, but was prepared to withdraw opposition if amendments were accepted to limit the scope of the bill to the four original cities. However, the bill is now before the Governor without CSAC's proposed amendments. Supervisor Benoit requested that the Board take action to support the bill, or at least remain neutral.

Motion and second to add consideration of AB 1098 to the Board agenda as an urgency item. Motion failed (14 in favor/15 opposed).

Given the potential future impact to realignment and the difficulty involved in securing a legislative remedy after the fact, CSAC will request that Governor Brown veto AB 1098, but include a strong commitment and interest in working with the Administration and Legislature to co-sponsor a solution that does not implicate realignment revenues to assist the four newly incorporated cities in Riverside County and those cities that have recently annexed property that lost VLF funding.

Staff reported that the State Department of Finance has formed a unit to deal with the dissolution of redevelopment agencies. It is being run by Steve Szalay, former CSAC Executive Director. CSAC is working with the county auditor-controllers to develop a list of concerns that can be presented to the Department of Finance.

Staff reported that the Legislature passed pension reform and workers compensation reform legislative packages during the final days of the legislative session. Highlights of the pension reform package include: As of January 1, 2013, new employees have a cap on income that can be used to calculate retirement; all new employees in the miscellaneous classification will receive a 2% at 62 benefit formula with a full benefit of 2.5% at 67 and a minimum retirement age of 52; formula for new safety members provides a lower benefit at 55 years of age; requires new employees to have an initial contribution rate of at least 50% of the normal cost rate; and final compensation will be calculated on average 3-year salary.

Questions were raised pertaining to the type of retirement plan offered to CSAC employees. Staff explained that CSAC participates in the San Bernardino County Employees' Retirement Association (SBCERA) plan, which is a 1937 Act system. Staff was directed to gather information regarding employee share of retirement costs and history of CSAC's participation in the SBCERA system.

8. UPDATE ON RESIGNATION OF PAUL McINTOSH AND EXECUTIVE DIRECTOR RECRUITMENT  
Paul McIntosh is currently on leave and will resign effective December 31, 2012. CSAC is currently undertaking a recruitment for a new executive director and Roberts Consulting Group has been retained to conduct the recruitment. The final filing date is September 28 and interviews will take place in October.

9. INFORMATION ITEMS  
The CSAC Institute for Excellence in County Government is developing a new Master of Public Administration program modeled after a similar program currently offered at Golden Gate University. The Institute is looking to partner with UC Berkeley, USC, Golden Gate University or UC Northridge. It will be a twelve to eighteen month program offered only to senior county executives and elected officials.

Reports on the CSAC Corporate Membership program, the Institute for Local Government, CCS Partnership and the CSAC Litigation Coordination program were contained in the briefing materials, but no presentations were given.

Meeting adjourned.

Date: September 19, 2012  
To: CSAC Board of Directors  
From: Steve Keil, Interim Executive Director  
Re: CSAC Employee Retirement Questions

During our Board of Directors Meeting on September 6, 2012, questions were asked pertaining to the CSAC employee retirement plan.

Staff was able to answer some of the questions during the meeting including:

- CSAC is an "other general member" (commonly referred to as special district participant) in the San Bernardino County Employees' Retirement Association (SBCERA).
- The SBCERA is a 1937 Act County Retirement System with a 2% at age 55 miscellaneous employee defined benefit retirement formula (Government Code 31515).
- CSAC is "pooled" with other special district participants in the SBCERA.
- The SBCERA is not a participant in Social Security indemnity.
- SBCERA permits participation of retirees in group retiree health insurance plans but no subsidy is currently provided by the employer or SBCERA.
- SBCERA assigns normal contribution rates (commonly called normal costs) to both the employer and to the employee as a percent of payroll for its defined benefit retirement plan. The employer normal cost is a fixed percent of payroll. The employee normal cost is an aggregated cost with employees who were older at time of employment paying higher rates than employees who were younger at the time of employment.
- SBCERA assigns the Unfunded Assumed Actuarial Liability (UAAL commonly referred to as unfunded liability) costs exclusively to the employer as an amortized payment obligation in addition to employer normal cost.

Staff was unable to answer additional questions raised at the Board of Directors meeting and agreed to report back with answers. Following communications with SBCERA staff and research by CSAC staff, below is the additional requested information:

- Effective June 30, 2011 (most recent actuarial evaluation) the SBCERA special district pool had 493 active members.
- CSAC reports 88 employees to SBCERA. This includes 28 CSAC employees plus 60 additional affiliate employees.
- We are unable to answer a question pertaining to the present value of the CSAC unfunded liability. All actuarial data is based upon the entire SBCERA special district pool. Any request for CSAC specific data would require an independent actuarial study. The cost of an actuarial study is estimated to be between \$15,000 and \$20,000. The cost of the study would be paid by CSAC.
- The current year employer contribution rate is 27.77% of payroll. Out of that rate, 10.66% represents normal cost and 15.11% represents unfunded liability.
- The unfunded liability is paid over a fixed twenty year period of time. The base for our unfunded liability was assigned beginning June 30, 2002, and additional unfunded liability is added to this base on a fixed twenty year amortization period following each actuarial period in which a determination is made that additional unfunded liability exists.

- SBCERA is unable to provide a CSAC specific funding ratio without an actuarial study. The entire SBCERA is 79.2% funded (20.8% unfunded liability) based upon its June 30, 2011 actuarial report.
- Because employee normal costs are aggregated, SBCERA was unable to provide CSAC specific costs for aggregated employee normal costs. CSAC staff has, however, calculated our annual costs to be 8.44% of payroll.
- Under current law the Board of SBCERA determines normal cost for employer and aggregated normal cost for employee based upon provisions in the Government Code Sections 31453.5 and 31621. The Government code is silent regarding the ability of an employer to assign additional normal obligation costs to the employee and CSAC staff believes we are bound by decisions of the SBCERA Board on this matter.
- The recent pension reform legislation requires new employees hired on or after January 1, 2013 to pay 50 percent of normal costs and prohibits the employer from paying any part of the employee's contribution. Starting on January 1, 2018, current employees may be required to pay 50 percent of normal costs, but no more than specified limits.
- The recent pension reform legislation also permits negotiated agreements with employees to pay portions of the unfunded liability. It is presently unclear the impact of this provision on employees who are unrepresented.

Additionally, we were asked at the recent Board of Directors meeting how long CSAC has paid the employee contribution to SBCERA, in addition to what process led to this decision. Unfortunately, we cannot provide that answer. We do know that CSAC has paid the employee contribution to SBCERA since prior to 1983 and we believe this practice dates back to the entry of CSAC into SBCERA in 1981. We do not have a record regarding original authorization for this practice.

Please contact me if you have additional questions or comments regarding this matter.

cc CSAC Finance Corporation Board of Directors