SAN BERNARDINO VALLEY WATER CONSERVATION DISTRICT
SPECIAL BOARD OF DIRECTORS MEETING

MINUTES OF October 19, 2020
1:30 p.m.

President Corneille called the meeting of the Board of Directors to order at 1:37 p.m. by teleconference and Zoom meeting; all those in attendance stood for the pledge of allegiance led by Vice President McDonald.

ROLL CALL:

BOARD MEMBERS PRESENT:

Richard Corneille, President
Melody McDonald, Vice President
David E. Raley, Director (Departed 2:52 p.m.)
Robert Stewart, Director

BOARD MEMBERS ABSENT:

John Longville, Director

GENERAL COUNSEL PRESENT:

David Cosgrove, Rutan & Tucker

STAFF PRESENT:

Daniel Cozad, General Manager
Betsy Miller, Land Resources Manager/Assistant General Manager
Erwin Fogerson, Senior Engineer/Project Manager
Athena Monge, Administrative Specialist
Katelyn Scholte, Assistant Engineer

GUESTS PRESENT:

T. Milford Harrison, San Bernardino Valley Municipal Water District
Cindy Saks, San Bernardino Valley Municipal Water District
David E. Smith, East Valley Water District

1. PUBLIC PARTICIPATION

President Corneille announced that any person present, who so desired, may make an oral presentation to the Board of Directors. There being none, the meeting continued with the posted agenda items.

2. ACTION ITEMS

A. CALPERS UNFUNDED ACTUARIAL LIABILITY AND RESERVE LEVEL TARGETS AND ALLOCATIONS

Mr. Cozad presented this item for discussion. He noted that the hyperlinks to other agencies CalPERS assessments are included in the memo on package page 3 for comparison. He delivered a PowerPoint presentation included in the package on pages 6 to 21. Mr. Cozad provided background information on CalPERS. He indicated that there are three funding sources: employer contributions, employee contributions, and investment returns. The history of CalPERS returns was reviewed for the period from 1993 to current. CalPERS began lowering the discount rate gradually in 2004 from 8.25% to 7%; this increases the Unfunded Actuarial Liability (UAL). In 2013, CalPERS implemented the Public Employee Pension Reform Act (PEPRA), which limited options to new CalPERS employees. In 2017 the pre-PEPRA fund was 68% fully funded, and in 2018 the fund was 71% funded. CalPERS data received is behind by two years to account for the time needed to close their investments for the year, pay debts, and reconcile and audit the data, resulting in an approximately eighteen month lag in providing valuation reports to member agencies.

The future benefit cost estimates are based on an estimate of an individual's life expectancy, investment returns of the plan, wage increases, years of life after retirement, inflation, and specifics related to the benefit plan. The District currently has five employees in the Classic Plan and four employees in the PEPRA Plan. Mr. Cozad indicated that for those employees who have worked for multiple CalPERS agencies, those costs are shared among those agencies. The normal costs and UAL costs were reviewed from the report. The UAL is adjusted annually based on the previous five-year experience. The District budgets the pension liability based on the table shown on package page 16, which represents the CalPERS five year forecast of normal cost and UAL included in their annual valuation reports.

President Corneille asked if the Classic Plan and PEPRA Plan employee and employer rates were blended to get a percentage bugeted. Mr. Cozad indicated that for Classic Plan members they are paying half of the employee contribution, but the PEPRA Plan members pay the full amount of their employee contribution as required by PEPRA. The PEPRA plan rates are set by CalPERS, and the normal cost for the Classic Plan fluctuates depending on the actual cost of the plan. The reason the District does not have a blended rate is because staff makes estimates based on each individual employees' plan rate and projected salary for the year. The pool funding status was reviewed. Mr. Cozad indicated that the 'District's share of the pools accrued liability decreases as it pays off its UAL.

Budget options for UAL payment are shown on package page 19. These options are provided by CalPERS to each member agency. Mr. Cozad said that another option not listed within the amortization schedule is to pay off all or most of the UAL with a lump sum payment. Mr. Cozad reviewed the budget implications shown on package page 20. The Classic Plan valuation report is included on package page 22, and the PEPRA Plan valuation report is included on package page 51.

Mr. Cozad said that the sidenote from CalPERS was paid off in 2015 was about $720,000. This was a separate debit and not part of what is identified as UAL being discussed here today. The memo from 2015 is included on package page 81. Director Raley asked what the District is saving by paying off the UAL. Mr. Cozad said that if the District continues to pay the 17-year amortization, it is $5,000 to $60,000 annual cost range with a total of $358,000; the change to 15 year amortization would be a $51,321/year interest cost, $320,000; and the change to 10-year amortization schedule would be $66,550/year interest cost, $215,000. If we pay off the UAL, the District saves an estimated $2,682/month on interest. Staff is proposing to pay down the $387,402 rather than risk a future overfund situation. Future year returns may improve as COVID recedes. The District's share of the pooled UAL goes down if the District pays off its UAL.

It was moved by President Corneille and seconded by Vice President McDonald to authorize staff to payoff the Unfunded Actuarial Liability of $387,402. The motion carried 4-0 with all Board members present voting in the affirmative, and Director Longville noted absent from the vote.

President Corneille: Yes
Vice President McDonald: Yes
Director Longville: Absent
Director Raley: Yes
Director Stewart: Yes

Discussion ensued regarding reserve levels. President Corneille expressed concern over the large deficit in the Land Resource Enterprise due to the land purchase made last year and now with the payment of the UAL. He indicated by selling conservation easements, the District may replenish its reserve levels. Mr. Cozad said once " Robertson's mines under their lease they will release the prepayment requirement and those funds would be a Land Resource Enterprise asset.

It was moved by President Corneille and seconded by Director Stewart to increase the Compensated Absences Reserve from $120,227 to $175,000. The motion carried 4-0 with all Board members present voting in the affirmative, and Director Longville noted absent from the vote.

President Corneille: Yes
Vice President McDonald: Yes
Director Longville: Absent
Director Raley: Yes
Director Stewart: Yes

3. <u>ADJOURN MEETING</u>

It was moved by Vice President McDonald and seconded by Director Stewart to adjourn. The motion carried 3-0 with all Directors present voting in the affirmative and Directors Raley and Longvilled noted absent from the vote.

President Corneille: Yes
Vice President McDonald: Yes
Director Longville: Absent
Director Raley: Absent
Director Stewart: Yes

At 2:55 p.m., the meeting adjourned to the regularl Board meeting scheduled for 1:30 p.m. on November 18, 2020, via Zoom.

Daniel B. Cozad
General Manager