



FALLBROOK PUBLIC UTILITY DISTRICT
MEETING OF THE FISCAL POLICY AND INSURANCE
COMMITTEE

AGENDA

FRIDAY, FEBRUARY 10, 2017
1:30 P.M.

FALLBROOK PUBLIC UTILITY DISTRICT
990 E. MISSION RD., FALLBROOK, CA 92028
PHONE: (760) 728-1125

If you have a disability and need an accommodation to participate in the meeting, please call the Secretary at (760) 728-1125 for assistance so the necessary arrangements can be made.

Writings that are public records and are distributed during a public meeting are available for public inspection at the meeting if prepared by the local agency or a member of its legislative body or after the meeting if prepared by some other person.

I. PRELIMINARY FUNCTIONS

CALL TO ORDER / ROLL CALL

PUBLIC COMMENT (*limit 3 minutes*)

II. ACTION / DISCUSSION -----(ITEMS A - B)

A. BUDGET FORMAT

B. CALPERS DATA REVIEW

III. ADJOURNMENT OF MEETING

DECLARATION OF POSTING

I, Mary Lou Boultinghouse, Secretary of the Board of Directors of the Fallbrook Public Utility District, do hereby declare that I posted a copy of the foregoing agenda in the glass case at the entrance of the District Office located at 990 East Mission Road, Fallbrook, California, at least 72 hours prior to the meeting in accordance with Government Code § 54954.2(a).

I, Mary Lou Boultinghouse, further declare under penalty of perjury and under the laws of the State of California that the foregoing is true and correct.

February 7, 2017
Dated / Fallbrook, CA


Secretary, Board of Directors

M E M O

TO: Fiscal Policy & Insurance Committee
FROM: Brian J. Brady, General Manager
DATE: February 10, 2017
SUBJECT: 2017-2018 Budget Format

Based upon committee discussions over the past months, staff is recommending a new budget format to facilitate the Board review and approval process as well as providing our public the information necessary to understand the District's budgeting process.

The format comprises three elements:

- A four to five page introductory narrative section which:
 - Describes the District
 - Describes our budgeting process
 - Provides brief narratives regarding potable, wastewater, and recycled operations; as well as capital asset management
- Three budget schedules which:
 - Summarize the 2017-2018 Operating and Capital Budget, and
 - Break down the summary budget by enterprise fund (i.e., potable, wastewater, recycled operations)
 - Capital Asset Management Budget
- Supplemental Information section containing:
 - Wages and Fringes schedule
 - Debt Amortization schedule
 - CalPERS information
 - Authorized Personnel table

The introductory narrative sections are primarily aimed at our ratepayers and other public who are not familiar with the District's budget process and operations.

The second element of the budget is the bottom-line recommendation to the Board from the committee.

The third element contains supplemental information deemed important by the committee to provide greater budget detail on topics of particular concern (e.g., CalPERS).

The format, attached, contains the following:

- Title page
- Table of Contents
- Graphic (Budget Trend Overview) to be used with the executive summary
- Summary 2017-2018 Operating and Capital Budget
- Summary Budget by enterprise fund
- Capital Asset Management Budget
- Supplemental Information

The narratives, for pages 1-5, will be developed as budget data is finalized.

The numbers shown on the attached schedules are for 2016-2017 and shown for illustration purposes.

Recommendation

That the Committee adopt and/or modify staff's recommendation.

FALLBROOK PUBLIC UTILITY DISTRICT

Operating & Capital Budget

Fiscal Year 2017-18

(Date)



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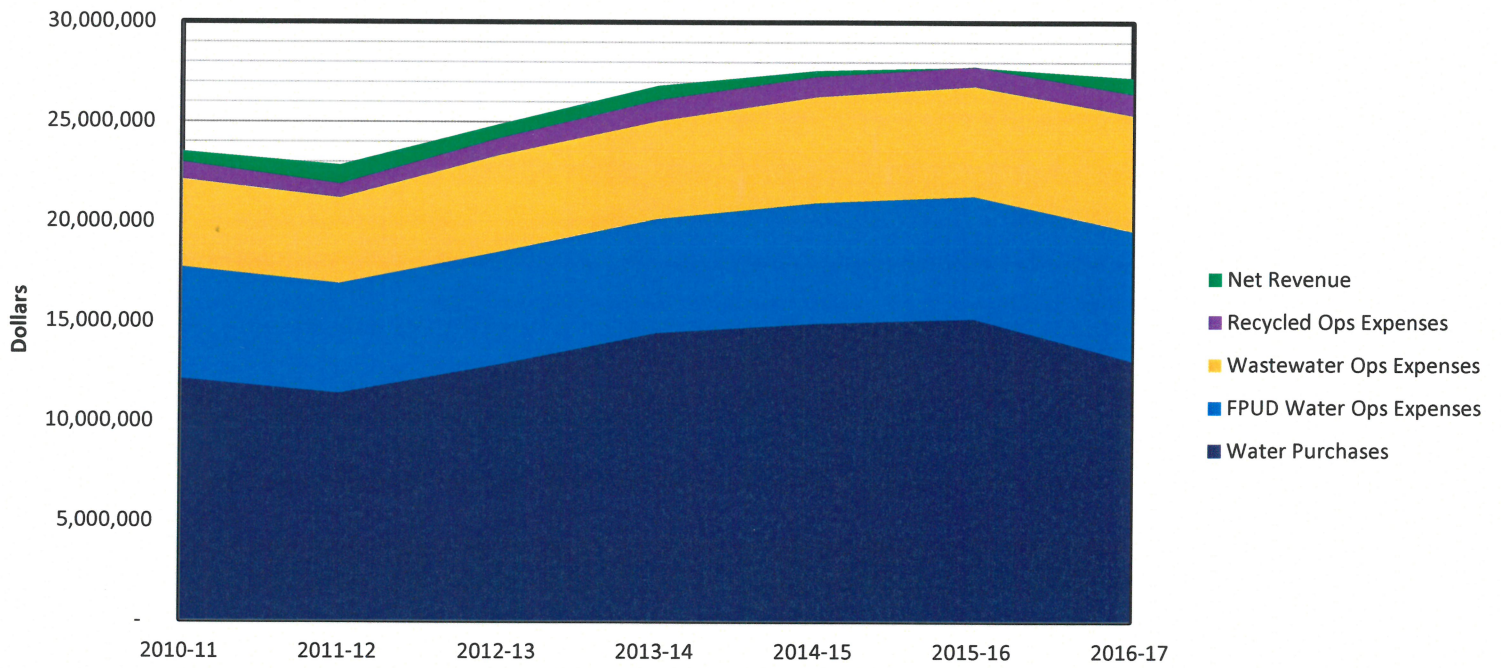
 Wages and Fringes

 Debt Amortization Schedule

 CalPERS Information

 Authorized Personnel

Operating Expenses vs Net Revenue



To be included in Executive Summary Section

**Fallbrook Public Utility District
2016-17 Budget Overview-Through 12/31/16**

	2016-2017 Adopted Budget	2016-2017 Actual YTD	2016-17 Projected	Change from Projected to Adopted Budget	Percent Change from Prior Budget
REVENUES:					
Water and Recycled Sales	9,740	5,522	8,935	(805)	-8.3%
Operating Revenues:					
Water Sales	14,854,447	8,060,711	13,043,222	(1,811,225)	-12.2%
MWD Readiness to Serve	398,232	255,052	398,232	-	0.0%
CWA Infracture Access Charge	398,056	195,297	398,056	-	0.0%
Meter Service Charges	5,338,784	2,539,941	5,079,881	(258,903)	-4.8%
Wastewater Service Charges	5,804,379	2,763,827	5,527,653	(276,726)	-4.8%
Overuse Penalties	0	0	0	-	0.0%
Sundry Other Revenue	306,100	121,864	243,728	(62,373)	-20.4%
CWA Rebates	148,000	71,380	115,502	(32,498)	-22.0%
Total Operating Revenue	27,247,998	14,008,071	24,806,273	(2,441,725)	-9.0%
Non Operating Revenues:					
Capital Improvement Charge	2,282,000	1,109,814	2,219,627	(62,373)	-2.7%
Property Taxes	1,814,077	688,651	1,814,077	-	0.0%
Water Standby/Availability Charge	203,000	37,496	203,000	-	0.0%
Water/Wastewater Capacity Charges	107,315	96,468	107,315	-	0.0%
Portfolio Interest	175,000	87,798	175,595	595	0.3%
Pumping Charge	60,000	28,296	56,592	(3,408)	-5.7%
Prop 84 & 50 Funds	0	109,755	109,755	109,755	100.0%
SRF Loan Proceeds	0	0	0	-	0.0%
CSI Rebate	559,450	363,930	363,930	(195,520)	-34.9%
Facility Rents & Other Non Operating Revenues	185,000	122,543	245,085	60,085	32.5%
Total Non Operating Revenues	5,385,842	2,644,751	5,294,977	(90,865)	-1.7%
Total Budgeted Revenues	32,633,840	16,652,821	30,101,251	(2,532,589)	-7.8%
EXPENDITURES:					
Operating Expenses:					
Purchased Water Expense	12,263,929	6,851,861	12,103,623	(160,306)	-1.3%
MWD Readiness to Serve	398,232				
CWA Infracture Access Charge	398,056				
Production-Water Quality & Treatment	1,270,610	420,839	841,678	(428,932)	-33.8%
Distribution	2,047,562	928,577	1,857,154	(190,408)	-9.3%
Customer Service	1,290,349	477,179	954,358	(335,991)	-26.0%
General Administration	5,182,798	2,308,264	4,616,527	(566,271)	-10.9%
Collection, Treatment & Disposal	2,818,664	1,438,813	2,877,627	58,963	2.1%
Total Operating Expenses	25,670,200	12,425,533	23,250,968	(1,622,944)	-9.4%
Debt Service Expenses					
Red Mountain SRF	395,893	197,925	395,893	-	0.0%
WWTP SRF	1,845,745	0	1,845,745	-	0.0%
QECC Solar Debt	349,024	180,420	349,024	-	0.0%
CalPERS Unfunded Actuarial Liability Lump Sum Pymt	466,860	466,860	466,860	-	0.0%
Total Debt Service Expenses	3,057,522	845,205	3,057,522	-	0.0%
Net Revenue/(loss) From Operations and Debt Service	3,906,118	3,382,083	3,792,761	(113,357)	0.0%
Capital Project Expenses-completed and ongoing projects	5,966,926	1,039,173	5,966,926	-	
NET REVENUES & EXPENDITURES	(2,060,808)	2,342,910	(2,174,165)	(113,357)	5.5%
Estimated Reserves as of 7/1/16	14,841,858	14,841,858	14,841,858	-	
Estimated Reserves as of 6/30/17	12,781,050	17,184,768	12,667,693	(113,357)	-0.9%

**Fallbrook Public Utility District
2016-17 Budget Overview**

	2016-2017 Water Ops Adopted Budget	2016-2017 WW Ops Adopted Budget	2016-17 Recycled Ops Adopted Budget	2016-17 Total
REVENUES:				
AF Sales	9,000	-	740	9,740
Operating Revenues:				
Water Sales	13,862,004	-	992,443	14,854,447
MWD Readiness to Serve	398,232	-	-	398,232
CWA Infracture Access Charge	398,056	-	-	398,056
Meter Service Charges	5,268,977	-	69,807	5,338,784
Wastewater Service Charges	-	5,804,379	-	5,804,379
Overuse Penalties	-	-	-	-
Sundry Other Revenue	300,000	1,100	5,000	306,100
CWA Rebates	-	-	148,000	148,000
Total Operating Revenue	20,227,269	5,805,479	1,215,250	27,247,998
Non Operating Revenues:				
Capital Improvement Charge	1,189,000	1,093,000	-	2,282,000
Property Taxes	951,320	862,757	-	1,814,077
Water Standby/Availability Charge	203,000	-	-	203,000
Water/Wastewater Capacity Charges	74,440	32,875	-	107,315
Portfolio Interest	175,000	-	-	175,000
Pumping Charge	60,000	-	-	60,000
Prop 84 & 50 Funds	-	-	-	-
SRF Loan Proceeds	-	-	-	-
CSI Rebate	-	559,450	-	559,450
Facility Rents & Other Non Operating Revenues	185,000	-	-	185,000
Total Non Operating Revenues	2,837,760	2,548,082	-	5,385,842
Total Budgeted Revenues	23,065,029	8,353,561	1,215,250	32,633,840
EXPENDITURES:				
Operating Expenses:				
Purchased Water Expense	12,263,929	-	-	12,263,929
MWD Readiness to Serve	398,232	-	-	398,232
CWA Infracture Access Charge	398,056	-	-	398,056
Production-Water Quality & Treatment	709,280	-	561,330	1,270,610
Distribution	1,928,202	-	119,360	2,047,562
Customer Service	1,290,347	-	-	1,290,347
General Administration	2,591,400	2,280,432	310,968	5,182,800
Collection, Treatment & Disposal	0	2,818,664	-	2,818,664
Total Operating Expenses	19,579,446	5,099,096	991,658	25,670,200
Debt Service Expenses				
Red Mountain SRF	395,893	-	-	395,893
WWTP SRF	-	1,845,746	-	1,845,746
QECB Solar Debt	-	349,024	-	349,024
CalPERS Unfunded Actuarial Liability Lump Sum Pymt	238,193	209,611	19,055	466,860
Total Debt Service Expenses	634,086	2,404,381	19,055	3,057,522
Net Revenue/(loss) From Operations and Debt Service	2,851,497	850,084	204,537	3,906,118
Capital Project Expenses-completed and ongoing projects	4,847,753	1,039,173	80,000	5,966,926
NET REVENUES & EXPENDITURES	(1,996,256)	(189,089)	124,537	(2,060,808)
Estimated Reserves as of 7/1/16	12,929,566	380,379	1,531,913	14,841,858
Estimated Reserves as of 6/30/17	10,933,310	191,290	1,656,450	12,781,050

Capital Asset Management

	Budget	Projected	Budget	Outyear	Outyear	Outyear
	2015-16	2015-16	2016-17	2017-18	2018-19	2019-20
<u>Water Capital Improvement Projects</u>						
Field Equipment	601,000	419,088	543,500	183,500	183,500	533,500
Reservoirs	696,853	940,747	333,950	1,234,697	703,443	530,812
Seismic Retrofit	30,000	-	0	0	0	0
Pipelines	1,478,602	765,152	1,785,401	1,180,174	1,170,383	1,404,917
Yard/SCADA/Facility	221,000	27,805	196,000	50,000	0	150,000
DLSA Improvements	100,000	289,093	100,000	50,000	100,000	100,000
Pressure Stations	38,000	30,645	38,000	48,000	90,000	20,000
Santa Margarita Conj. Use	1,500,000	1,065,815	50,000	20,940,000	20,940,000	20,000
Santa Margarita Water Rights	122,140	185,234	139,630	215,112	140,867	141,910
Pump Stations	720,000	982,177	400,000	300,000	195,000	50,000
Water Supply Facilities	80,000	17,300	70,000	50,000	50,000	90,000
Meter Service Replacement	445,000	289,500	445,000	400,000	400,000	400,000
Meter Installations	59,334	14,000	75,702	92,070	108,438	108,438
Facility Upgrades & Security	113,000	-	116,000	118,000	104,000	104,000
Total Water Capital Improvement	6,204,929	5,026,556	4,293,183	24,861,553	24,185,631	3,653,578

Wastewater Capital Improvement Projects

Collection System	431,395	98,717	679,173	533,048	607,039	661,151
Treatment Works	3,316,000	4,812,256	260,000	130,000	150,000	150,000
Outfall	450,000	313,906	200,000	200,000	200,000	100,000
Minor System Improvements						
Developer	50,000	-	50,000	143,333	143,333	143,333
Total Wastewater Capital Improvement	4,247,395	5,224,879	1,189,173	1,006,381	1,100,373	1,054,484

Recycled Capital Improvement Projects

New Services						
Improvements/Extensions	1,725,000	1,945,300	10,000	5,000	5,000	100,000
Out of District Connections						
Tertiary Treatment Rehab:						
Total Recycled Capital Improvement	2,304,000	1,915,080	70,000	160,000	85,000	10,000
	4,029,000	3,860,380	80,000	165,000	90,000	110,000

Admin Capital Improvement Projects

System & Server Upgrades	181,500	241,000	234,570	20,000	25,000	25,000
CADD/GIS/GPS	30,000	10,000	5,000	105,000	55,000	30,000
Fac Improve/Upgrades/Security	40,000	104,540	110,000	45,000	45,000	35,000
Total Admin Capital Improvement	251,500	355,540	349,570	170,000	125,000	90,000

Total Capital Improvements

	14,732,824	14,467,355	5,911,925	26,202,934	25,501,004	4,908,061
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Supplemental Information

**Fallbrook Public Utility District
2016-17 Budget Overview**

	2016-2017 Adopted Budget	2016-2017 Actual YTD	2016-17 Projected	Change from Projected to Adopted Budget
Labor Costs:				
Annual Wages	5,698,680	-	-	(5,698,680)
Direct Benefits:				
Medical/Dental/Vision	964,259	0	0	(964,259)
Other Post Employment Benefits (OPEB) contribution	150,000	0	0	(150,000)
Life Insurance/Long Term Disability	38,418	0	0	(38,418)
Uniforms/Safety Equipment	38,317	0	0	(38,317)
Auto Allowance & Rec Fund	18,700	0	0	(18,700)
	0	0	0	-
Total Direct Benefits	1,209,694	0	0	(1,209,694)
Indirect Benefits:				
CalPERS/401A*	897,630	0	0	(897,630)
CalPERS Lump Sum Unfunded Liability Payment	459,468			
CalPERS Side Fund Payoff**	485,000	0	0	(485,000)
CalPERS Unfunded Liability contribution	100,000	0	0	(100,000)
FICA/Social Security	419,177	0	0	(419,177)
Workers Comp Premiums	130,558	0	0	(130,558)
		0	0	-
*Employer Contribution 10.808% for Misc Members and 6.93% for PEPRAs Members		0	0	-
**Reimburse Reserves for 6/30/14 Side Fund Payoff		0	0	-
***Actuarial Unfunded Liability of \$9.8M		0	0	-
Total Indirect Benefits	2,491,833	0	0	(2,032,365)
Total Direct and Indirect Benefits:	3,701,527	0	0	(3,242,059)
Total Wages and Fringe Benefits	9,400,207			

Debt Service Budget Summary
Total annual principal and interest payment

WATER DEPT Year Ending June 30	Water Dept Red Mtn SRF*	Water Dept Conjunctive Use	Wastewater Dept** Solar QECB	Wastewater Dept*** WWTP SRF	FPUD CalPERS UAL****	District Totals
2017	395,893	-	349,024	1,845,746	459,468	\$ 3,050,131
2018	395,893	1,496,183	372,854	1,845,746	712,075	\$ 4,822,751
2019	395,893	2,992,366	384,937	1,845,746	967,274	\$ 6,586,217
2020	395,893	2,992,366	397,422	1,845,746	1,058,782	\$ 6,690,209
2021	395,893	2,992,366	410,322	1,845,746	1,100,213	\$ 6,744,539
Totals	1,979,466	10,473,281	1,914,560	9,228,729	4,297,811	27,893,847

*\$4,776,244 is the balance of the Red Mountain SRF. The loan will be paid off on January 1, 2031.

**\$4,330,461 is the balance of the Solar QECB loan. The loan will be paid off on November 18, 2027.

***\$29,609,644 is the balance of the WWTP SRF loan. The loan will be paid off on March 31, 2036.

****CalPERS is changing the discount rate by .25% over a seven year period. UAL will increase substantially due to this change. Current balance of the UAL is \$9,798,549 amortized over 30 years.

Amortization Schedules for Miscellaneous Plan of the Fallbrook Public Utility District

as of 6/30/15 actuarial valuation date		Pre-2013 Pool UAL		2013 Gain/Loss		2013 Gain/Loss		2014 Gain/Loss		Assump Change		2015 Gain/Loss		2015 Gain/Loss		Golden Handshake 2014		Golden Handshake 2015		TOTALS		With Discount	
Yr	Side Fund	Pmt	Yr	Balance	Pmt	Yr	Balance	Pmt	Yr	Balance	Pmt	Yr	Balance	Pmt	Yr	Balance	Balance	Pmt	Yr	Balance	Payment	Rate changes	% Increase
1	4	0.000%	19	3,879,713	54,568	30	3,879,713	54,568	30	3,879,713	54,568	30	3,879,713	54,568	30	3,879,713	54,568	30	3,879,713	54,568	593,281	593,281	3%
2	3	0.000%	18	4,114,114	112,411	29	4,114,114	112,411	29	4,114,114	112,411	29	4,114,114	112,411	29	4,114,114	112,411	29	4,114,114	112,411	691,335	691,335	6%
3	2	0.000%	17	4,306,123	173,675	28	4,306,123	173,675	28	4,306,123	173,675	28	4,306,123	173,675	28	4,306,123	173,675	28	4,306,123	173,675	794,738	794,738	15%
4	1	0.000%	16	4,449,012	238,513	27	4,449,012	238,513	27	4,449,012	238,513	27	4,449,012	238,513	27	4,449,012	238,513	27	4,449,012	238,513	841,108	841,108	20%
5	0	0.000%	15	4,535,392	307,086	26	4,535,392	307,086	26	4,535,392	307,086	26	4,535,392	307,086	26	4,535,392	307,086	26	4,535,392	307,086	882,318	882,318	25%
6	0	0.000%	14	4,557,154	316,298	25	4,557,154	316,298	25	4,557,154	316,298	25	4,557,154	316,298	25	4,557,154	316,298	25	4,557,154	316,298	906,576	906,576	30%
7	0	0.000%	13	4,570,996	325,787	24	4,570,996	325,787	24	4,570,996	325,787	24	4,570,996	325,787	24	4,570,996	325,787	24	4,570,996	325,787	933,773	933,773	40%
8	0	0.000%	12	4,576,037	335,561	23	4,576,037	335,561	23	4,576,037	335,561	23	4,576,037	335,561	23	4,576,037	335,561	23	4,576,037	335,561	961,786	961,786	
9	0	0.000%	11	4,571,323	345,627	22	4,571,323	345,627	22	4,571,323	345,627	22	4,571,323	345,627	22	4,571,323	345,627	22	4,571,323	345,627	990,640	990,640	
10	0	0.000%	10	4,555,818	355,996	21	4,555,818	355,996	21	4,555,818	355,996	21	4,555,818	355,996	21	4,555,818	355,996	21	4,555,818	355,996	1,020,359	1,020,359	
11	0	0.000%	9	4,528,400	366,676	20	4,528,400	366,676	20	4,528,400	366,676	20	4,528,400	366,676	20	4,528,400	366,676	20	4,528,400	366,676	1,050,969	1,050,969	
12	0	0.000%	8	4,487,852	377,676	19	4,487,852	377,676	19	4,487,852	377,676	19	4,487,852	377,676	19	4,487,852	377,676	19	4,487,852	377,676	1,082,499	1,082,499	
13	0	0.000%	7	4,432,858	389,007	18	4,432,858	389,007	18	4,432,858	389,007	18	4,432,858	389,007	18	4,432,858	389,007	18	4,432,858	389,007	1,114,974	1,114,974	
14	0	0.000%	6	4,361,991	400,677	17	4,361,991	400,677	17	4,361,991	400,677	17	4,361,991	400,677	17	4,361,991	400,677	17	4,361,991	400,677	1,148,423	1,148,423	
15	0	0.000%	5	4,273,710	412,697	16	4,273,710	412,697	16	4,273,710	412,697	16	4,273,710	412,697	16	4,273,710	412,697	16	4,273,710	412,697	1,189,896	1,189,896	
16	0	0.000%	4	4,166,344	425,078	15	4,166,344	425,078	15	4,166,344	425,078	15	4,166,344	425,078	15	4,166,344	425,078	15	4,166,344	425,078	1,242,881	1,242,881	
17	0	0.000%	3	4,038,090	437,831	14	4,038,090	437,831	14	4,038,090	437,831	14	4,038,090	437,831	14	4,038,090	437,831	14	4,038,090	437,831	1,307,282	1,307,282	
18	0	0.000%	2	3,710,948	450,965	13	3,710,948	450,965	13	3,710,948	450,965	13	3,710,948	450,965	13	3,710,948	450,965	13	3,710,948	450,965	1,381,104	1,381,104	
19	0	0.000%	1	3,115,897	478,429	12	3,115,897	478,429	12	3,115,897	478,429	12	3,115,897	478,429	12	3,115,897	478,429	12	3,115,897	478,429	1,468,543	1,468,543	
20	0	0.000%	0	3,274,700	492,782	11	3,274,700	492,782	11	3,274,700	492,782	11	3,274,700	492,782	11	3,274,700	492,782	11	3,274,700	492,782	1,568,809	1,568,809	
21	0	0.000%	0	3,009,376	507,566	10	3,009,376	507,566	10	3,009,376	507,566	10	3,009,376	507,566	10	3,009,376	507,566	10	3,009,376	507,566	1,682,281	1,682,281	
22	0	0.000%	0	2,708,824	522,793	9	2,708,824	522,793	9	2,708,824	522,793	9	2,708,824	522,793	9	2,708,824	522,793	9	2,708,824	522,793	1,811,558	1,811,558	
23	0	0.000%	0	2,369,942	538,476	8	2,369,942	538,476	8	2,369,942	538,476	8	2,369,942	538,476	8	2,369,942	538,476	8	2,369,942	538,476	2,000,000	2,000,000	
24	0	0.000%	0	1,989,384	554,631	7	1,989,384	554,631	7	1,989,384	554,631	7	1,989,384	554,631	7	1,989,384	554,631	7	1,989,384	554,631	2,240,008	2,240,008	
25	0	0.000%	0	1,563,535	571,269	6	1,563,535	571,269	6	1,563,535	571,269	6	1,563,535	571,269	6	1,563,535	571,269	6	1,563,535	571,269	2,530,245	2,530,245	
26	0	0.000%	0	1,088,495	470,726	5	1,088,495	470,726	5	1,088,495	470,726	5	1,088,495	470,726	5	1,088,495	470,726	5	1,088,495	470,726	3,082,245	3,082,245	
27	0	0.000%	0	682,073	363,636	4	682,073	363,636	4	682,073	363,636	4	682,073	363,636	4	682,073	363,636	4	682,073	363,636	3,895,757	3,895,757	
28	0	0.000%	0	356,203	249,697	3	356,203	249,697	3	356,203	249,697	3	356,203	249,697	3	356,203	249,697	3	356,203	249,697	5,000,000	5,000,000	
29	0	0.000%	0	124,027	128,594	2	124,027	128,594	2	124,027	128,594	2	124,027	128,594	2	124,027	128,594	2	124,027	128,594	6,511,117	6,511,117	
30	0	0.000%	0	0	0	1	0	0	1	0	0	1	0	0	1	0	0	1	0	0	61,571	61,571	
																					61,571	61,571	



Actuarial Circular Letter

California Public Employees' Retirement System
P.O. Box 942715
Sacramento, CA 94229-2715
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January 19, 2017

Circular Letter: 200-004-17
Distribution: VI

To: All Public Agency Employers

Subject: Discount Rate Change

The purpose of this Circular Letter is to inform you of recent changes to the CalPERS discount rate assumption and the impact these changes are expected to have on required employer and PEPR member contributions. This Circular Letter will assist you in calculating projected pension cost increases in future years. The June 30, 2016, annual valuations will provide updated projections of expected future year pension contributions. These reports will be available this summer.

At the December 21, 2016, meeting, the CalPERS Board of Administration approved lowering the CalPERS discount rate assumption, the long-term rate of return, from 7.50 percent to 7.00 percent over the next three years. This will increase public agency employer contribution costs beginning in Fiscal Year 2018-19.

The phase-in of the discount rate change approved by the Board for the next three Fiscal Years is as follows:

Valuation Date	Fiscal Year for Required Contribution	Discount Rate
June 30, 2016	2018-19	7.375%
June 30, 2017	2019-20	7.25%
June 30, 2018	2020-21	7.00%

Lowering the discount rate means plans will see increases in both the normal costs (the cost of pension benefits accruing in one year for active members) and the accrued liabilities. These increases will result in higher required employer contributions.

In addition, active members hired after January 1, 2013, under the Public Employees' Pension Reform Act (PEPRA) may also see their contribution rates rise.

The benefits of reducing the discount rate include:

- Strengthening long-term sustainability of the fund
- Reducing negative cash flows; additional contributions will help to offset the cost to pay pensions
- Reducing the long-term probability of funded ratios falling below undesirable levels
- Improving the likelihood of CalPERS investments earning our assumed rate of return
- Reducing the risk of contribution increases in the future from volatile investment markets

Results

Employer contribution increases as a result of the discount rate changes are estimated below by Normal Cost and required Unfunded Accrued Liability (UAL) payment. The Total Employer Contribution is the sum of the Normal Cost Rate applied to reported payroll plus the Unfunded Accrued Liability payment. The Normal Cost portion of the Employer Contribution is expected to increase by the listed percentages of payroll. Increases to the UAL payments are provided as relative increases to be applied to the projected UAL payments in the June 30, 2015, valuation report.

Valuation Date	Fiscal Year Impact	Normal Cost		UAL Payments	
		Misc. Plans	Safety Plans	Misc. Plans	Safety Plans
6/30/2016	2018-19	0.25% - 0.75%	0.5% - 1.25%	2% - 3%	2% - 3%
6/30/2017	2019-20	0.5% - 1.5%	1.0% - 2.5%	4% - 6%	4% - 6%
6/30/2018	2020-21	1.0% - 3.0%	2.0% - 5.0%	10% - 15%	10% - 15%
6/30/2019	2021-22	1.0% - 3.0%	2.0% - 5.0%	15% - 20%	15% - 20%
6/30/2020	2022-23	1.0% - 3.0%	2.0% - 5.0%	20% - 25%	20% - 25%
6/30/2021	2023-24	1.0% - 3.0%	2.0% - 5.0%	25% - 30%	25% - 30%
6/30/2022	2024-25	1.0% - 3.0%	2.0% - 5.0%	30% - 40%	30% - 40%

The changes to the Unfunded Accrued Liability (UAL) due to changes of actuarial assumptions are amortized over a fixed 20-year period with a 5-year ramp up at the beginning and a 5-year ramp down at the end of the amortization period. The 5-year ramp up means that the payments in the first four years of the amortization schedule are 20 percent, 40 percent, 60 percent and 80 percent of the ultimate payment, which begins in year five. The 5-year ramp down means that the reverse is true and the payments in the final four years are ramped down by the above percentages. A new ramp is established with each change to the discount rate. There will be three ramps established in the first three years. As a result of the 5-year ramp up and effective date of the increase, it will be seven years until the full impact of the discount rate change is completely phased in. The shaded rows above are the expected increases beyond the five year projection quoted in your June 30, 2015, valuation report.

To illustrate how this table can be used as a guide to include the change in the discount rate in the calculation of pension contributions, a Miscellaneous plan with a current normal cost of 15 percent of payroll can expect an increase to 15.25 percent to 15.75 percent of payroll in the first year (Fiscal Year 2018-19), and 16 percent to 18 percent in the fifth year (Fiscal Year 2022-23). For the UAL payment, a plan with a projected payment of \$500,000 in Fiscal Year 2018-19 and \$600,000 in Fiscal Year 2022-23 can expect the revised payment to be \$510,000 - \$515,000 ($\$500,000 \times 2.00\% / \$500,000 \times 3.00\%$) for Fiscal Year 2018-19, and \$720,000 - \$750,000 ($\$600,000 \times 20\% / \$600,000 \times 25\%$) for Fiscal Year 2022-23. These estimated increases incorporate both the impact of the discount rate change and the ramp up.

Please keep in mind the above table is a tool for you to calculate broad estimates and should only be used as a general guide. The annual valuation report that will be released this summer will provide updated projections for your specific plan.

If you have any questions about the information provided or how to apply it to your current valuations, please call our CalPERS Customer Contact Center at **888 CalPERS** (or **888-225-7377**) and ask to have your plan actuary contact you.

Scott Terando
Chief Actuary

Authorized Personnel Listing

	FY 2016-17 Current	FY 2017-18 Add/(Delete)	Total
Administration			
General Manager	1		1
Administrative Services Manager/Treasurer	1		1
Human Resources Manager	1		1
Public Affairs Specialist	0.8		0.8
Secretary	1		1
Accounting Supervisor	1		1
Accounting/Customer Service Assistant I/II	2		2
Information Systems Technician	1		1
Customer Service Specialist	1		1
Customer Service Representative I/II	2		2
Administration	11.8	0	11.8
Engineering			
Assistant General Manager	1		1
Engineering Supervisor	1		1
Engineering Technician I/II/III	3		3
GIS Specialist	1		1
Administrative Office Specialist	1		1
Drought Management Coordinator	1		1
Operations Specialist	1		1
Engineering	9	0	9
Collections			
Collections Supervisor	1		1
Utility Technician	2		2
Utility Worker I/II/III	5		5
Collections	8	0	8
Construction/Maintenance			
Construction/Maintenance Supervisor	1		1
Utility Technician	2		2
Utility Worker I/II/III	5		5
Construction/Maintenance	8	0	8
System Services			
System Service/Shop Supervisor	1		1
Utility Technician	2		2
Backflow/Cross-Connection Tech	1		1
Equipment Technician	1		1
Equipment Mechanic	1		1
Utility Worker I/II/III	4		4
System Services	10	0	10
System Operations			
System Operations Manager	1		1
Lead System Operator	1		1
System Operator I/II	3		3
Utility Tech	1		1
Instrumentation & Controls Specialist	1		1
Utility Worker I/II/III	1		1
Maintenance Electrician	1		1
System Operations	9	0	9

Authorized Personnel Listing

Operations Support

Safety & Risk Administrator	1		1
Warehouse Supervisor	1		1
Warehouse/Purchasing Specialist	1		1
Operations Support	<u>3</u>	0	<u>3</u>

Wastewater Plant Operations

Chief Plant Operator	1		1
Lead Plant Operator	2		2
Environmental Compliance Tech	1		1
Plant Operator I/II	2		2
Mechanical Technician	1		1
Laboratory Technician I	1		1
Plant Maintenance Worker I/II	1		1
Wastewater Plant Operations	<u>9</u>	0	<u>9</u>

Total District

	<u>67.8</u>	0	<u>67.8</u>
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M E M O

TO: FP&I Committee
FROM: Marcie Eilers, Administrative Services Manager
DATE: February 10, 2017
SUBJECT: Updated CalPERS actuarial study and effects of reduction of their assumed discount rate

Purpose

To update the FP&I committee on the newest CalPERS actuarial study and the effects of reducing their assumed discount rate.

Summary

During the last several committee meetings, the committee tasked staff with getting an updated Actuarial study from our CalPERS actuary. The updated study was received last week with the Unfunded Actuarial Liability (UAL) at a balance of \$9,798,549 and a lump sum payment due in FY 17-18 of \$593,281. Attached is a printout of this study with current balance of the UAL and lump sum payments. While this study has been updated for the current fiscal year, it has not been updated with the new actuarial assumptions that CalPERS recently approved to lower the discount rate. CalPERS has used a discount rate of 7.5% for the last several years when in reality their investment portfolio was earning well below the target 7.5%.

Also attached is the CalPERS circular letter which explains how the .25% per year reduction in the discount rate will affect employer required contributions and how it also affects the annual UAL lump sum payments. For Misc Plans, this UAL payment will increase substantially year over year beginning at 2%-3% for FY 18-19 and up by 30%-40% by FY 2024-25 with an expected lump sum payment of \$1,307,282 at the 40% increase. The employer rate will also be increasing by anywhere between .25% and 3%.

These changes in assumptions made by CalPERS could influence the FP&I committee recommendations to place additional funds in PARS.

Recommended Action

No action required, information item only.



Actuarial Circular Letter

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Scott Terando
Chief Actuary

Amortization Schedules for Miscellaneous Plan of the Fallbrook Public Utility District

as of 6/30/15 actuarial valuation date		Pre-2013 Pool UAL		2013 Gain/Loss		2014 Gain/Loss		Assump Change		2015 Gain/Loss		2015 Gain/Loss		Golden Handshake 2014		Golden Handshake 2015		TOTALS		With Discount				
Yr	Side Fund	Pmt	Yr	Balance	Pmt	Yr	Balance	Pmt	Yr	Balance	Pmt	Yr	Balance	Pmt	Yr	Balance	Pmt	Yr	Balance	Payment	Rate changes	% Increase		
1	4	0.000%	19	3,879,713	54,568	30	3,879,713	3,688	52	2,125,861	40,493	20	2,099,534	29,530	30	1,735,523	46,709	4	109,484	593,281	593,281	712,075	3%	
2	3	0.000%	18	4,114,114	112,411	29	4,114,114	3,911	107	2,243,317	83,415	19	2,226,382	60,832	29	1,840,007	36,843	3	92,101	691,335	691,335	842,422	6%	
3	2	0.000%	17	4,449,012	173,675	28	4,449,012	4,093	165	2,325,079	128,876	18	2,300,289	93,985	28	1,975,994	25,836	2	72,647	794,738	794,738	967,274	15%	
4	1	0.000%	16	4,535,392	238,513	27	4,535,392	4,229	227	2,365,838	176,990	17	2,330,289	129,073	27	1,989,985	13,590	1	50,943	841,108	841,108	1,058,781	20%	
5	0	0.000%	15	4,557,154	307,086	26	4,557,154	4,311	292	2,359,769	227,875	16	2,407,614	166,181	26	2,028,849	26,797	0	26,797	973,526	973,526	1,100,213	25%	
6	0	0.000%	14	4,570,996	316,298	25	4,570,996	4,332	301	2,359,769	234,711	15	2,454,360	171,167	25	2,032,822	-	0	9,354,321	880,170	880,170	1,178,548	30%	
7	0	0.000%	13	4,576,037	325,787	24	4,576,037	4,345	310	2,359,769	241,752	14	2,466,136	176,302	24	2,044,441	-	0	9,115,937	906,576	906,576	1,307,282	40%	
8	0	0.000%	12	4,578,800	335,561	23	4,578,800	4,350	319	2,359,769	249,005	13	2,473,804	181,591	23	2,044,441	-	0	8,831,476	933,773	933,773	-	-	
9	0	0.000%	11	4,528,400	345,627	22	4,528,400	4,331	329	2,359,769	256,475	12	2,476,355	187,039	22	2,044,441	-	0	8,496,636	961,786	961,786	-	-	
10	0	0.000%	10	4,487,852	355,996	21	4,487,852	4,305	338	2,359,769	264,169	11	2,473,804	192,650	21	2,032,822	-	0	8,106,767	990,640	990,640	-	-	
11	0	0.000%	9	4,432,858	366,676	20	4,432,858	4,266	349	2,359,769	272,094	10	2,465,413	198,429	20	2,025,336	-	0	7,656,844	1,020,359	1,020,359	-	-	
12	0	0.000%	8	4,361,991	377,676	19	4,361,991	4,214	359	2,359,769	280,257	9	2,450,575	204,382	19	2,007,222	-	0	7,141,439	1,050,969	1,050,969	-	-	
13	0	0.000%	7	4,273,710	389,007	18	4,273,710	4,146	370	2,359,769	288,665	8	2,428,633	210,514	18	1,982,263	-	0	6,554,688	1,082,499	1,082,499	-	-	
14	0	0.000%	6	4,166,344	400,677	17	4,166,344	4,063	381	2,359,769	297,325	7	2,398,872	216,829	17	1,959,093	-	0	5,890,261	1,114,974	1,114,974	-	-	
15	0	0.000%	5	4,038,090	412,697	16	4,038,090	3,960	392	2,359,769	306,244	6	2,360,522	223,334	16	1,915,145	-	0	5,141,320	1,148,423	1,148,423	-	-	
16	0	0.000%	4	3,710,948	425,078	15	3,710,948	3,839	404	2,359,769	315,432	5	2,324,647	230,034	15	1,866,343	-	0	4,367,859	1,177,896	1,177,896	-	-	
17	0	0.000%	3	3,170,948	437,831	14	3,170,948	3,695	429	2,359,769	325,916	4	2,254,647	236,935	14	1,800,607	-	0	3,571,010	1,084,505	1,084,505	-	-	
18	0	0.000%	2	2,479,894	450,965	13	2,479,894	3,528	442	2,359,769	337,613	3	2,103,474	244,043	13	1,738,849	-	0	2,752,139	1,048,104	1,048,104	-	-	
19	0	0.000%	1	1,153,897	478,429	11	1,153,897	3,334	455	2,359,769	346,883	2	2,008,206	251,364	12	1,658,975	-	0	1,912,869	1,008,543	1,008,543	-	-	
20	0	0.000%	0	606,961	492,782	10	606,961	3,113	468	2,359,769	354,110	1	1,898,201	258,905	11	1,568,883	-	0	1,727,169	936,999	936,999	-	-	
21	0	0.000%	0	0	507,566	9	507,566	2,861	482	2,359,769	361,000	0	1,772,127	266,672	10	1,464,463	-	0	1,517,667	836,809	836,809	-	-	
22	0	0.000%	0	0	522,793	8	522,793	2,575	497	2,359,769	368,000	0	1,628,545	274,673	9	1,344,597	-	0	1,282,281	746,914	746,914	-	-	
23	0	0.000%	0	0	538,476	7	538,476	2,253	512	2,359,769	375,000	0	1,465,899	282,913	8	1,211,544	-	0	1,018,764	657,321	657,321	-	-	
24	0	0.000%	0	0	554,631	6	554,631	1,891	527	2,359,769	382,000	0	1,282,511	291,400	7	1,059,977	-	0	724,693	551,558	551,558	-	-	
25	0	0.000%	0	0	571,269	5	571,269	1,486	543	2,359,769	389,000	0	1,076,569	300,142	6	889,977	-	0	518,224	440,008	440,008	-	-	
26	0	0.000%	0	0	583,636	4	583,636	1,035	547	2,359,769	396,000	0	846,118	309,147	5	699,930	-	0	308,245	308,245	308,245	-	-	
27	0	0.000%	0	0	682,073	3	682,073	648	546	2,359,769	399,000	0	589,047	254,737	4	486,684	-	0	156,013	169,117	169,117	-	-	
28	0	0.000%	0	0	249,697	2	249,697	339	546	2,359,769	399,000	0	369,109	196,784	3	305,066	-	0	70,511	13,723	13,723	-	-	
29	0	0.000%	0	0	128,594	1	128,594	118	546	2,359,769	399,000	0	192,762	135,125	2	159,931	-	0	61,571	63,838	63,838	-	-	
30	0	0.000%	0	0	0	0	0	0	546	2,359,769	399,000	0	67,118	69,589	1	5,547	-	0	0	0	0	0	-	-