

SANTA CRUZ • PUBLIC  
**LIBRARIES**  
A City-County System

LIBRARY JOINT POWERS AUTHORITY BOARD  
FINANCE SUBCOMMITTEE

Monday, June 28, 2010  
Central Branch Community Meeting Room  
224 Church Street, Santa Cruz

5:00 PM PUBLIC MEETING

1. ROLL CALL
2. APPROVE AGENDA
3. APPROVE MINUTES OF APRIL 26, 2010 and May 24, 2010
4. ORAL COMMUNICATIONS
5. STAFF REPORTS
  - a. Financial reports though May 31, 2010
    - i. Consolidated balance sheet showing assets and liabilities
    - ii. Summary page showing fund balances for fiduciary and contingency funds
    - iii. Revenue and Expense report (Financial Status Balances)including encumbrances
    - iv. Interagency labor charges (52149) broken out into detail showing payroll costs and specific benefit costs;
    - v. Month End Cash Balances
  - b. Working Capital Loans- Santa Cruz City Council report
  - c. Calpers Actuarial Issues report
  - d. Cancel July meeting?

6. NEXT MEETING

The next regularly scheduled meeting is August 23, 2010

7. ADJOURN

The Library Joint Powers Authority Board Finance Subcommittee will adjourn from the regularly scheduled meeting of June 28, 2010 to the next regularly

scheduled public meeting on August 23, 2010 at 5:00 pm in the Community Meeting Room of the Central Branch Library.

The Santa Cruz City-County Library System does not discriminate against persons with disabilities. Out of consideration for people with chemical sensitivities, the Library requests that you attend fragrance free. The Central Branch Library is a fully accessible facility. If you wish to attend this public meeting, and you will require special assistance such as sign language or other special devices in order to attend and participate, please call (831) 420-5600 or TDD: (831) 420-5733 seventy-two (72) hours prior to the event to make arrangements for assistance. Upon request, agendas for public meetings can be provided in a format to accommodate special needs.

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SANTA CRUZ PUBLIC LIBRARIES  
A CITY-COUNTY SYSTEM

LIBRARY JOINT POWERS BOARD  
FINANCE COMMITTEE

MINUTES

April 26, 2010

Central Branch Meeting Room  
224 Church Street, Santa Cruz

4:30 PM PUBLIC MEETING

I. ROLL CALL

Present: Citizen Barbara Gorson, Councilmember Mike Rotkin,  
(Called to order at 4:45 pm)

Staff: Teresa Landers, Director of Libraries  
Jack Dilles, Director of Finance, City of Santa Cruz

II. APPROVAL OF MEETING AGENDA OF APRIL 26, 2010

**Councilmember Rotkin moved by consensus**

**that the Board approve the agenda of April 26, 2010**

UNAN

III. MINUTES OF February 22, 2010

**Councilmember Rotkin moved, seconded by Councilmember Gorson**

**that the Board approve the minutes of February 22, 2010.**

UNAN

IV. NOTE: Meeting March 29, 2010- no quorum present

V. STAFF REPORTS

- a. Financial reports through March 31 were reviewed. Expenditures continue to hold their own. Revenues remain consistent with previous months. 75% of the year is completed with no surprises.
- b. The cash balance is moving in the right direction; down.
- c. Year end projections were reviewed and are looking positive in terms of revenues and expenditures.
- d. Tentative budget numbers for FY10/11 were reviewed.
- e. Jack discussed 5 year retirement cost projections. Employer rates are expected to increase gradually from 13-18% over the next 4-5 years. He hopes to have firmer numbers for the June Board meeting.

V. NEXT MEETING TOPICS

Next meeting is scheduled for Monday May 24 2010 5:00-7:00 pm. in the Central Library meeting room.

VI. ADJOURN

The regular meeting adjourned at 5:05 p.m.

Respectfully submitted,

Teresa Landers  
Library Director

SANTA CRUZ PUBLIC LIBRARIES  
A CITY-COUNTY SYSTEM

LIBRARY JOINT POWERS BOARD  
FINANCE COMMITTEE

MINUTES

May 24, 2010

Central Branch Meeting Room  
224 Church Street, Santa Cruz

5:00 PM PUBLIC MEETING

I. ROLL CALL

Present: Councilmember Mike Rotkin, Councilmember Storey  
(Called to order at 5:13 pm)

Staff: Teresa Landers, Director of Libraries  
Jack Dilles, Director of Finance, City of Santa Cruz

II. APPROVAL OF MEETING AGENDA OF May 24,, 2010  
Councilmember Rotkin moved by consensus

that the Board approve the agenda of May 24, 2010

UNAN

III. MINUTES OF April 26, 2010

Continued to next month as a quorum of attendees present at the April 26, 2010 meeting was not present at the May 24, 2010 meeting.

IV. ORAL COMMUNICATIONS

Ruby Storey stated, "I like libraries because you get books and get to read them.."

V STAFF REPORTS

- a.. Financial reports through April 30 were reviewed. Expenditures continue to hold their own. Revenues remain consistent with previous months. 83% of the year is completed with no surprises. A copy of explanatory notes is attached.
- b. The cash balance is slightly positive and is expected to remain so through the end of the fiscal year.
- c. Year end projections were reviewed and are looking positive
- d. Budget numbers for FY10/11 were reviewed and indicate a positive fund balance can be achieved with the cuts in Temporaries and the materials budget but with no significant improvement to the lack of a reserve and dependent on the unions agreeing to continue the furlough. Councilmember Rotkin talked briefly about the difficult negotiations which are taking place with regards to the continuation of the furlough and related concessions.
- e. The 5 year projections were also reviewed. There was a lengthy discussion about the work of the Task Force on Library Service Models. Councilmember Storey requested the JPB be kept informed as financial information is developed. He is specifically interested in a cost allocation model by facility including costs/hour to operate. The issues surrounding various costing models were discussed. It was also suggested that the City monitor the new Health

Care Reform Act for possible effects (positive and negative) on the health insurance benefit cost projections.

V. NEXT MEETING TOPICS

Next meeting is scheduled for Monday June 28 2010 5:00-7:00 pm. in the Central Library meeting room.

VI. ADJOURN

The regular meeting adjourned at 6:05 p.m.

Respectfully submitted,

Teresa Landers  
Library Director

All documents referred to in these minutes are available in the Library Office.

Revenue Status Report  
 CITY OF SANTA CRUZ  
 5/1/2010 through 5/31/2010

Account Number	Library Joint Powers Authority	Adjusted Estimate	Revenues	Year-to-date Revenues	Balance	Prc't Rcvd
951-41000	TAXES					
951-00-00-0000-41211	Sales and use tax	5,612,255.00	318,871.35	4,423,178.74	1,189,076.26	78.81
Total	TAXES	5,612,255.00	318,871.35	4,423,178.74	1,189,076.26	78.81
951-43000	INTERGOVERNMENTAL					
951-36-00-0000-43210	State operating grants and contributions	70,000.00	0.00	74,143.00	-4,143.00	105.92
951-36-00-0000-43311	Maintenance of effort contributions	5,174,769.00	431,230.75	4,309,866.56	864,902.44	83.29
951-36-50-3510-43190	Federal grants - other	6,762.00	0.00	6,978.00	-216.00	103.19
951-36-55-3531-43210	State operating grants and contributions	2,500.00	185.50	1,589.50	830.50	66.78
Total	INTERGOVERNMENTAL	5,254,031.00	431,416.25	4,392,657.06	861,373.94	83.61
951-44000	CHARGES FOR SERVICES					
951-36-00-0000-44613	Internet use fee	7,000.00	346.70	3,679.75	3,320.25	52.57
951-36-00-0000-44630	Room rentals-library JPA	1,890.00	140.00	1,870.00	20.00	98.94
951-36-00-0000-44680	Interlibrary loan reimbursement	0.00	0.00	88.73	-88.73	0.00
951-36-00-0000-44901	Photocopy fee	10,000.00	621.26	7,065.29	2,934.71	70.65
Total	CHARGES FOR SERVICES	18,890.00	1,107.96	12,703.77	6,186.23	67.25
951-45000	FINES AND FORFEITS					
951-36-00-0000-45131	Library fines	300,000.00	19,237.43	193,713.56	106,286.44	64.57
951-36-00-0000-45132	Lost library items	40,000.00	2,365.45	23,091.17	16,908.83	57.73
Total	FINES AND FORFEITS	340,000.00	21,602.88	216,804.73	123,195.27	63.77
951-46000	MISCELLANEOUS REVENUES					
951-00-00-0000-46110	Pooled cash and investment interest	0.00	213.05	-2,876.96	2,876.96	0.00



951 Library Joint Powers Authority

Account Number	Adjusted Estimate	Revenues	Year-to-date Revenues	Balance	Prct Rcvd
951-00-00-0000-46190 Interest earnings - other	3,871.00	148.34	2,835.02	1,035.98	73.24
951-00-00-0000-46910 Miscellaneous operating revenue	0.00	0.00	314.00	-314.00	0.00
951-00-00-0000-46990 Miscellaneous non-operating revenue	60,000.00	214.00	40,816.84	19,183.16	68.03
951-36-00-0000-46303 Donations - library	36,791.00	0.00	44,037.60	-7,246.60	119.70
951-36-00-0000-46309 Donations - library - Friends of the Lib	72,143.00	0.00	75,271.99	-3,128.99	104.34
951-36-00-0000-46916 Cash over/short	0.00	-7.19	69.98	-69.98	0.00
951-36-00-0000-46918 Damaged property recovery	0.00	0.00	319.11	-319.11	0.00
951-36-00-0000-46923 Insurance reimbursements	0.00	0.00	10,588.22	-10,588.22	0.00
Total MISCELLANEOUS REVENUES	172,805.00	568.20	171,375.80	1,429.20	99.17
951-49000 OTHER FINANCING SOURCES					
951-00-00-0000-49122 From Library Private Trust Fund	19,455.00	0.00	19,455.00	0.00	100.00
951-00-00-0000-49191 Intra-entity fund transfer in	18,018.00	0.00	18,018.00	0.00	100.00
Total OTHER FINANCING SOURCES	37,473.00	0.00	37,473.00	0.00	100.00
<b>Grand Total</b>	11,435,454.00	773,566.64	9,254,193.10	2,181,260.90	80.93

<b>LIBRARY JOINT POWERS AUTHORITY</b>		
<b>COMBINED BALANCE SHEET</b>		
<b>JPA FUND AND ACCOUNT GROUPS</b>		
<b>MAY 2010</b>		
	<b>JPA</b>	
	<b>Total</b>	
<b>Assets</b>		
Pooled cash	25,912.58	
Pooled cash interest receivable	435.93	
Infrastructure	579,683.02	
Accumulated depreciation - infrastructure	(164,848.89)	
Buildings	1,758,907.67	
Accumulated depreciation - buildings	(765,044.52)	
Lease improvements - buildings	259,124.00	
Accumulated depreciation - lease imp-buildings	(163,048.94)	
Machinery and equipment	1,628,318.81	
Accumulated depreciation - machinery & equip	(1,471,843.15)	
Software	61,759.70	
Accumulated depreciation-software	(61,759.70)	
Construction in progress	52,613.65	
<b>Total Assets</b>	<b>1,740,210.16</b>	
<b>Liabilities</b>		
Accounts payable	41,713.80	
Sales tax payable	1,396.75	
Deferred grant revenue - unearned	529.84	
Unclaimed funds	1,100.45	
Payable to the County - noncurrent	120,879.18	
Other intergovernmental payable-noncurrent	391,139.91	
<b>Total Liabilities</b>	<b>556,759.93</b>	
<b>Equities</b>		
Unreserved, undesignated fund balance	(18,392.33)	
Investment in capital assets - Library	1,713,861.65	
Reserved for long-term debt	(512,019.09)	
<b>Total Equities</b>	<b>1,183,450.23</b>	
<b>Total Liabilities and Equities</b>	<b>1,740,210.16</b>	



LIBRARY JOINT POWERS AUTHORITY						
COMBINED BALANCE SHEET						
SPECIAL FUNDS						
MAY 2010						
	Fund #	955	956	957	960	Spec Funds
Fund Description		Contingency	Technology	Projects	Felton	Total
<b>Assets</b>						
Pooled cash		9,383.59	4,741.30	467.11	1,127.32	15,719.32
Pooled cash interest receivable		23.97	12.12	1.21	3.26	40.56
<b>Total Assets</b>		<b>9,407.56</b>	<b>4,753.42</b>	<b>468.32</b>	<b>1,130.58</b>	<b>15,759.88</b>
<b>Equities</b>						
Unreserved, undesignated fund balance		9,407.56	4,753.42	468.32	1,130.58	15,759.88
<b>Total Equities</b>		<b>9,407.56</b>	<b>4,753.42</b>	<b>468.32</b>	<b>1,130.58</b>	<b>15,759.88</b>

LIBRARY JOINT POWERS AUTHORITY						
COMBINED BALANCE SHEET						
TRUST FUNDS						
MAY 2010						
Fund #	931	932	933	934	Trust Funds	
Fund Description	McCaskill Loc His	McCaskill Vis Imp	Finkeldey	Whalen	Total	
<b>Assets</b>						
Pooled cash	263,100.79	254,001.68	9,639.44	143,383.95	670,125.86	
Pooled cash interest receivable	676.58	653.28	24.80	367.80	1,722.46	
<b>Total Assets</b>	263,777.37	254,654.96	9,664.24	143,751.75	671,848.32	
<b>Equities</b>						
Net assets held in trust-library prog	263,777.37	254,654.96	9,664.24	143,751.75	671,848.32	
<b>Total Equities</b>	263,777.37	254,654.96	9,664.24	143,751.75	671,848.32	

Expenditure Status Report  
 CITY OF SANTA CRUZ  
 5/1/2010 through 5/31/2010

951 Library Joint Powers Authority

Account Number	Adjusted Appropriation	Year-to-date Expenditures	Year-to-date Expenditures	Year-to-date Encumbrances	Balance	Prct Used
951-52000	SERVICES					
951-36-50-3510-52135	Financial services - outside	6,391.00	6,391.00	0.00	0.00	100.00
951-36-50-3510-52149	Interagency labor charges	653,046.00	44,118.98	0.00	64,353.15	90.15
951-36-50-3510-52199	Other professional & technical services	21,718.00	0.00	2,419.73	558.07	97.43
951-36-50-3510-52240	Office equipment operation/maint	4,620.00	89.48	0.00	1,285.69	72.17
951-36-50-3510-52244	Other equipment operation/maintenance	400.00	0.00	0.00	400.00	0.00
951-36-50-3510-52302	Travel and meetings	2,000.00	160.90	0.00	659.55	67.02
951-36-50-3510-52402	Telecommunications service - internal	82,224.00	0.00	0.00	20,556.00	75.00
951-36-50-3510-52403	Telecommunications service - outside	21,794.00	-94.39	14,689.91	-2,463.73	111.30
951-36-50-3510-52993	Liability insurance/surety bonds-outside	13,167.00	0.00	0.00	1,737.00	86.81
951-36-50-3510-52960	Advertising	3,000.00	0.00	0.00	3,000.00	0.00
951-36-50-3510-52961	Dues and memberships	2,720.00	0.00	0.00	1,425.00	47.61
951-36-50-3510-52971	Printing and binding-internal	0.00	0.00	0.00	-144.02	0.00
951-36-50-3510-52972	Printing and binding-outside	7,500.00	0.00	0.00	3,057.58	59.23
951-36-50-3510-52973	Moving Costs	8,170.00	0.00	0.00	1.08	99.99
951-36-50-3540-52135	Financial services - outside	599,526.00	40,290.81	0.00	139,302.96	76.76
951-36-51-3520-52131	Claims management services - outside	16,000.00	572.80	0.00	-2.60	100.02
951-36-51-3520-52149	Interagency labor charges	1,150,643.00	91,666.10	0.00	145,463.92	87.36
951-36-51-3520-52244	Other equipment operation/maintenance	2,500.00	0.00	0.00	1,456.00	41.76
951-36-51-3520-52248	Software maintenance services	24,838.00	280.90	0.00	14,412.16	41.98
951-36-51-3520-52972	Printing and binding-outside	10,000.00	0.00	0.00	7,640.25	23.60
951-36-52-3530-52149	Interagency labor charges	4,310,341.00	316,757.29	0.00	585,474.91	86.42
951-36-52-3530-52244	Other equipment operation/maintenance	3,000.00	0.00	0.00	1,211.96	59.60
951-36-52-3530-52302	Travel and meetings	2,055.00	73.00	0.00	1,157.64	43.67
951-36-52-3530-52972	Printing and binding-outside	3,000.00	0.00	0.00	1,821.24	39.29
951-36-53-3515-52149	Interagency labor charges	219,481.00	17,073.93	0.00	27,920.39	87.28
951-36-53-3515-52201	Water, sewer and refuse	64,706.00	3,290.76	0.00	19,221.71	70.29
951-36-53-3515-52211	Janitorial services	180,928.00	12,992.33	0.00	51,382.49	71.60
951-36-53-3515-52223	Vehicle operation charges - internal	38,103.00	3,295.05	0.00	6,083.17	84.03
951-36-53-3515-52246	Building and facility o & m - outside	141,611.00	12,307.16	0.00	2,490.25	98.24
951-36-53-3515-52247	Landscaping maintenance services	12,975.00	0.00	0.00	8,358.55	35.58
951-36-53-3515-52261	Equipment, building and land rentals	401,232.00	32,944.44	9,363.00	29,579.16	92.63
951-36-53-3515-52302	Travel and meetings	250.00	0.00	0.00	250.00	0.00

**Expenditure Status Report**  
**CITY OF SANTA CRUZ**  
 5/1/2010 through 5/31/2010

951 Library Joint Powers Authority

Account Number	Adjusted Appropriation	Expenditures	Year-to-date Expenditures	Year-to-date Encumbrances	Balance	Prct Used
951-36-53-3515-52932	15,500.00	0.00	11,625.00	0.00	3,875.00	75.00
951-36-53-3515-52933	33,187.00	0.00	28,693.00	0.00	4,494.00	86.46
951-36-54-3550-52149	544,351.00	41,774.31	476,291.83	0.00	68,059.17	87.50
951-36-54-3550-52199	22,000.00	2,348.25	12,926.54	2,977.46	6,096.00	72.29
951-36-54-3550-52248	66,051.00	0.00	31,730.39	0.00	34,320.61	48.04
951-36-54-3550-52249	54,100.00	1,269.81	34,310.56	2,483.58	17,305.86	68.01
951-36-54-3550-52302	1,430.00	53.00	875.20	0.00	554.80	61.20
951-36-54-3550-52403	58,423.00	1,054.21	82,847.41	5,124.67	-29,549.08	150.58
951-36-55-3560-52149	671,454.00	60,317.15	543,120.20	0.00	128,333.80	80.89
951-36-55-3560-52302	660.00	0.00	233.61	0.00	426.39	35.40
951-36-55-3560-52304	10,910.00	820.25	4,363.26	0.00	6,546.74	39.99
951-36-55-3560-52306	6,762.00	21.90	3,288.90	0.00	3,473.10	48.64
951-36-55-3560-52972	6,000.00	529.19	1,121.08	0.00	4,878.92	18.68
<b>Total SERVICES</b>	<b>9,498,767.00</b>	<b>684,007.61</b>	<b>8,057,590.06</b>	<b>54,712.10</b>	<b>1,386,464.84</b>	<b>85.40</b>
951-63000						
SUPPLIES						
951-36-50-3510-53101	17,000.00	515.21	5,527.98	0.00	11,472.02	32.52
951-36-50-3510-53102	16,500.00	1,429.51	12,301.30	0.00	4,198.70	74.55
951-36-51-3520-53106	809,000.00	46,952.22	412,532.51	0.00	396,467.49	50.99
951-36-51-3520-53107	76,939.00	3,946.80	57,868.88	0.00	19,070.12	75.21
951-36-51-3520-53112	141,791.00	9,247.21	78,455.61	1,394.80	61,940.59	56.32
951-36-52-3530-53109	7,248.00	0.00	4,155.95	0.00	3,092.05	57.34
951-36-53-3515-53108	3,690.00	257.85	1,504.98	0.00	2,185.02	40.79
951-36-53-3515-53113	18,000.00	1,660.00	13,849.68	0.00	4,150.32	76.94
951-36-53-3515-53311	152,710.00	10,160.22	127,156.86	0.00	25,553.14	83.27
951-36-53-3515-53312	25,200.00	1,647.18	19,976.32	0.00	5,223.68	79.27
951-36-54-3550-53110	18,000.00	1,726.39	8,794.89	0.00	9,205.11	48.86
<b>Total SUPPLIES</b>	<b>1,286,078.00</b>	<b>77,542.59</b>	<b>742,124.95</b>	<b>1,394.80</b>	<b>542,558.24</b>	<b>57.81</b>
951-64000						
OTHER MATERIALS AND SERVICES						
951-36-50-3510-54990	2,200.00	355.34	355.34	0.00	1,844.66	16.15
951-36-52-3530-54990	89.00	0.00	89.00	0.00	0.00	100.00
951-36-54-3550-54203	30,000.00	10,446.30	20,695.50	0.00	9,304.50	68.99
951-36-54-3550-54990	0.00	0.00	68.16	0.00	-68.16	0.00

Expenditure Status Report  
 CITY OF SANTA CRUZ  
 5/1/2010 through 5/31/2010

951 Library Joint Powers Authority

Account Number	Adjusted Appropriation	Expenditures	Year-to-date Expenditures	Year-to-date Encumbrances	Balance	Prct Used
951-36-55-3631-54990	2,500.00	190.00	1,469.45	366.00	664.55	73.42
951-36-55-3660-54990	7,275.00	166.58	4,274.68	0.00	3,000.32	58.76
<b>Total</b>	<b>42,064.00</b>	<b>11,158.22</b>	<b>26,952.13</b>	<b>366.00</b>	<b>14,745.87</b>	<b>64.94</b>
951-56000						
951-36-52-3530-56995	1,200.00	251.50	1,356.50	0.00	-156.50	113.04
<b>Total</b>	<b>1,200.00</b>	<b>251.50</b>	<b>1,356.50</b>	<b>0.00</b>	<b>-156.50</b>	<b>113.04</b>
951-57000						
951-36-51-3520-57401	14,230.00	0.00	14,229.53	0.00	0.47	100.00
951-36-54-3550-57409	6,200.00	0.00	6,183.47	0.00	16.53	99.73
<b>Total</b>	<b>20,430.00</b>	<b>0.00</b>	<b>20,413.00</b>	<b>0.00</b>	<b>17.00</b>	<b>99.92</b>
951-58000						
951-36-50-3540-58140	39,022.00	0.00	39,010.36	0.00	11.64	99.97
951-36-50-3540-58190	40,293.00	0.00	40,293.07	0.00	-0.07	100.00
951-36-50-3540-58240	41,508.00	0.00	21,507.52	0.00	20,000.48	51.82
951-36-50-3540-58290	8,500.00	0.00	3,932.60	0.00	4,567.40	46.27
<b>Total</b>	<b>129,323.00</b>	<b>0.00</b>	<b>104,743.55</b>	<b>0.00</b>	<b>24,579.45</b>	<b>80.99</b>
<b>Grand Total</b>	<b>10,977,862.00</b>	<b>772,959.92</b>	<b>8,953,180.20</b>	<b>56,472.90</b>	<b>1,968,208.90</b>	<b>82.07</b>

**Expenditure Status Report**  
**CITY OF SANTA CRUZ**  
 5/1/2010 through 5/31/2010

expstat.rpt  
 06/23/2010 10:41AM  
 Periods: 11 through 11

Account Number	General Fund	Library (City)	Adjusted Appropriation	Expenditures	Year-to-date Expenditures	Year-to-date Encumbrances	Balance	Prct Used
101-35-51000	PERSONNEL SERVICES							
Total	Regular full time		4,305,302.00	321,026.14	3,941,854.26	0.00	363,447.74	91.56
Total	Regular part time		610,327.00	57,312.87	640,701.07	0.00	-30,374.07	104.98
Total	Overtime		0.00	267.09	2,309.38	0.00	-2,309.38	0.00
Total	Termination pay		0.00	0.00	27,157.79	0.00	-27,157.79	0.00
Total	Temporary		510,086.00	30,086.36	322,464.27	0.00	187,621.73	63.22
Total	Other pay		0.00	0.00	1,032.15	0.00	-1,032.15	0.00
Total	Special vacation pay		0.00	0.00	12,576.42	0.00	-12,576.42	0.00
Total	Special sick leave pay		0.00	0.00	695.56	0.00	-695.56	0.00
Total	Vehicle allowance		2,880.00	250.00	3,000.00	0.00	-120.00	104.17
Total	Retirement contribution		631,119.00	49,501.67	595,260.47	0.00	35,858.53	94.32
Total	F.I.C.A.		61,081.00	1,357.16	15,606.70	0.00	45,474.30	25.55
Total	Group health insurance		943,722.00	76,171.18	792,838.20	0.00	150,883.80	84.01
Total	Group dental insurance		98,798.00	7,848.35	86,443.43	0.00	12,354.57	87.50
Total	Vision insurance		17,895.00	1,423.63	15,728.05	0.00	2,166.95	87.89
Total	Medicare insurance		58,208.00	5,331.70	88,645.20	0.00	-30,437.20	152.29
Total	Group life insurance		2,673.00	228.66	2,504.65	0.00	168.35	93.70
Total	Disability insurance		35,613.00	2,714.44	32,927.70	0.00	2,685.30	92.46
Total	Unemployment insurance		12,291.00	1,862.41	16,150.82	0.00	-3,859.82	131.40
Total	Workers' compensation		219,856.00	18,236.88	219,015.25	0.00	840.75	99.62
Total	Accrued vacation - period 13		0.00	0.00	0.00	0.00	0.00	0.00
<b>Grand Total</b>			7,509,851.00	573,618.54	6,816,911.37	0.00	692,939.63	90.77

Library - Fund 951  
 Month-End Cash Balances

	July	August	September	October	November	December	January	February	March	April	May	June
FY 2010 Pooled cash	(908,343.59)	(797,637.50)	(752,924.76)	(597,787.31)	(558,459.72)	(707,533.76)	290,832.95	(390,345.22)	(62,933.26)	15,984.66	25,912.58	
FY 2009 Pooled cash	(1,028,955.46)	(397,327.61)	(356,999.20)	252,949.44	(714,416.36)	(711,714.61)	(812,054.05)	(668,015.42)	(595,048.05)	(543,669.74)	222,502.65	(667,431.15)
FY 2008 Pooled cash	555,177.28	285,993.39	362,222.74	452,678.88	381,688.89	348,644.68	414,873.10	180,026.54	267,117.50	988,379.63	877,239.75	65,274.00
FY 2007 Pooled cash	378,173.37	260,209.81	(47,065.07)	77,967.52	141,276.32	331,082.13	1,134,207.34	1,970,264.04	582,080.73	688,990.25	693,402.17	260,082.00

## STAFF REPORT

DATE: June 22, 2010  
TO: Joint Powers Board  
FROM: Teresa Landers, Library Director  
RE: Working Capital Cash Loans

### BACKGROUND

Since July 2008, the Santa Cruz County Public Libraries Joint Powers Authority (Library JPA) operating fund has needed to borrow cash on a regular basis in order to meet its financial obligations. The need to borrow cash has primarily resulted from falling revenue in these tough economic times. The City's General Fund has stepped up to loan cash on a temporary basis as needed because this has been the most practical method given that the City routinely pays the bills of the Library JPA by agreement. The City has so far charged the Library JPA interest on these loans at the rate that the City would otherwise earn on its portfolio investments, although there has been discussion with the Library JPA Board and initial action (later reversed) in the past to charge a higher rate of interest.

Loans have typically been made each month until a check (for the prior month) is received by the Library JPA from the Santa Cruz County Library Financing Authority. When the County check is received, the loan is repaid to the City's General Fund. Since July 2008, there has been an outstanding loan on more days than not. During this time, the outstanding loan has exceeded \$700,000 on 94 calendar days, exceeded \$800,000 on 78 days, exceeded \$900,000 on 47 days, and exceeded \$1 million on 35 days. The longest consecutive stretch exceeding \$1 million was for 14 days.

### DISCUSSION

It appears, based upon the current financial position of the Library JPA and upon the proposed FY2011 Library JPA operating budget that there will continue to be a need for the Library JPA to borrow funds temporarily in order to meet its financial obligations.

City Finance staff recommends that the City's General Fund continue to loan funds to the Library JPA operating funds subject to the following conditions:

- 1) That total outstanding working capital loans from the City's General Fund to the Library JPA would not exceed \$1 million at any point in time, unless required for payroll expenditures;
- 2) That, if such total outstanding working capital loans would exceed \$1 million at any point as a result of accounts payable checks requested by the Library JPA, those checks would not be issued and released by City staff until the loan balance dropped enough to allow for payment of these checks;



- 3) That if a batch of requested accounts payable checks would cause the City loan to exceed \$1 million, City staff would seek guidance from Library staff as to which checks should and should not be paid, taking into account the amount of credit available;
- 4) That Library payroll costs would be paid even if outstanding working capital loans exceeded \$1 million;
- 5) That the rate of interest to be charged the Library JPA on such loans shall, during FY11, be equal to the City's pooled investments portfolio earnings rate;
- 6) That the rate of interest to be charged the Library JPA on such necessary loans shall, during FY12, be equal to the City's pooled investments portfolio earnings rate plus two percent per annum; and
- 7) That if the City's General Fund does not have cash to loan, no subsequent loans would be made to the Library JPA.
- 8) This action is conditional upon the judgment of the Finance Director and the City Manager.
- 9) This policy shall be reviewed annually.

**RECOMMENDATION:** Motion to Approve City Finance staff recommendations regarding making temporary working capital loans from the City's General Fund to the Santa Cruz County Public Libraries Joint Powers Authority according to the conditions described.



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**CalPERS Actuarial Issues  
6/30/08 Valuation**

June 2010



June 7, 2010



**CITY OF SANTA CRUZ**  
**CALPERS ACTUARIAL ISSUES – 6/30/08 VALUATION**  
**INTRODUCTION**

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The City of Santa Cruz retained Bartel Associates to provide actuarial consulting services. The following Executive Summary provides the City analysis of their CalPERS Safety and Miscellaneous pension plans. This analysis is designed to assist the City in evaluating their current funding situation.

It may be helpful to first review the summary of basic definitions starting on page 21.

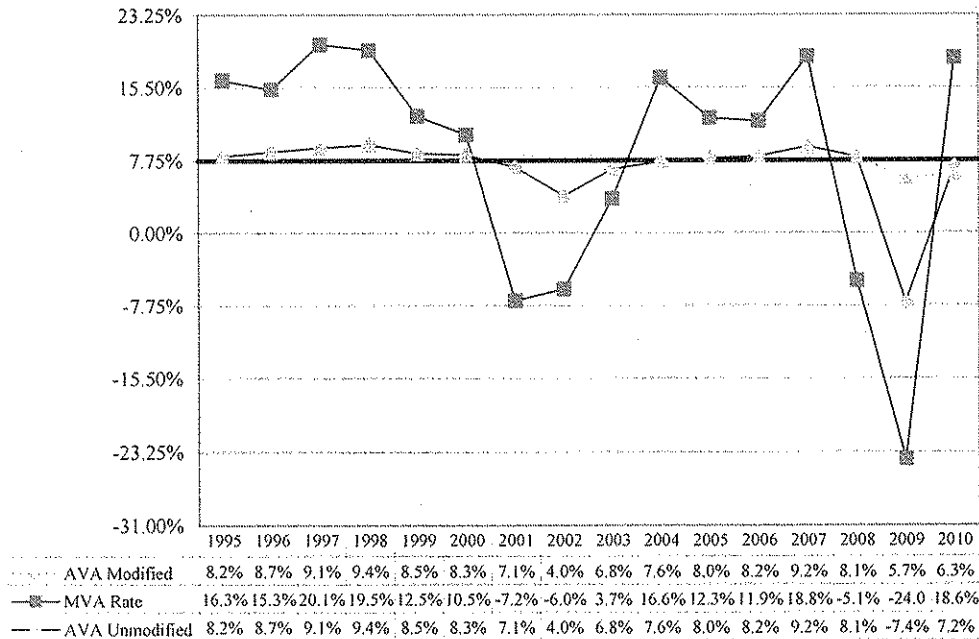
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**CITY OF SANTA CRUZ**  
**CALPERS ACTUARIAL ISSUES – 6/30/08 VALUATION**  
**CALPERS INVESTMENT RETURNS**

**CalPERS Historical Investment Return**

The following chart illustrates CalPERS market and actuarial value investment returns over the past several years:



The 2010 return shown is estimated based on CalPERS February 28, 2010 published rates of 12.0% and additional gain of 4.0% through March 31, 2010 and 7.75% to June 30, 2010. CalPERS' 10 year average annual return is 3.1%.

The chart shows three lines, AVA Modified (Actuarial Value of Assets with CalPERS recent smoothing modification), MVA (Market Value of Assets) Rate and AVA Unmodified (Actuarial Value of Assets based on CalPERS smoothing method prior to recent asset smoothing modification). The MVA Rate is the investment return CalPERS' assets actually earned during the respective fiscal year ends, while the AVA shows the investment return as a smoothed rate reflecting asset gains and losses over a period of time, rather than immediately. The actuarial value of asset investment return directly affects City contribution rates.

The chart indicates a -24.0% June 30, 2009 year end investment return. This compares to an expected return of +7.75%, for a net loss of 31.8%. This loss would have a significant impact on the City's 2011/12 Miscellaneous and Safety contribution rates. However, CalPERS smoothes asset gains and losses using a technique that generally recognizes one fifteenth of market asset gains or losses in a given year. In addition, the smoothing method does not allow the smoothed (actuarial) value to be less than 80% or more than 120% of the



**CITY OF SANTA CRUZ**  
**CALPERS ACTUARIAL ISSUES – 6/30/08 VALUATION**  
**CALPERS INVESTMENT RETURNS**

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market value (the 80-120% corridor). To mitigate the economic impact of the June 30, 2009 market decline, on June 13, 2009, CalPERS' Board approved a modification to the corridor, increasing it to 140% for the June 30, 2009 valuation and to 130% for June 30, 2010 valuation. The corridor will return to 120% for the June 30, 2011 and subsequent valuations. Complicating matters a bit is that each CalPERS valuation determines agency contribution rates two years later (for example, the June 30, 2009 valuation determines fiscal year 2011/12 contribution rates). The anticipated impact of the smoothing modifications are discussed in the Miscellaneous and Safety sections below.



June 7, 2010



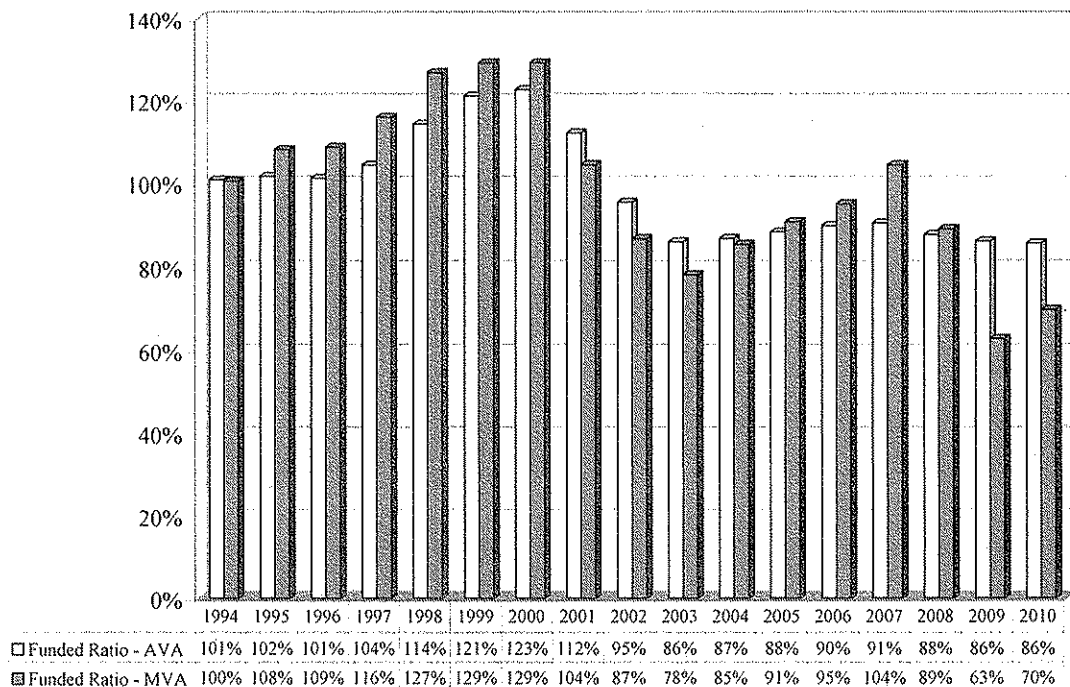
**CITY OF SANTA CRUZ**  
**CALPERS ACTUARIAL ISSUES – 6/30/08 VALUATION**  
**MISCELLANEOUS**

**Miscellaneous Plan**

The City provides CalPERS 2.0%@55 benefit formula for the Miscellaneous employees.

**Funded Status**

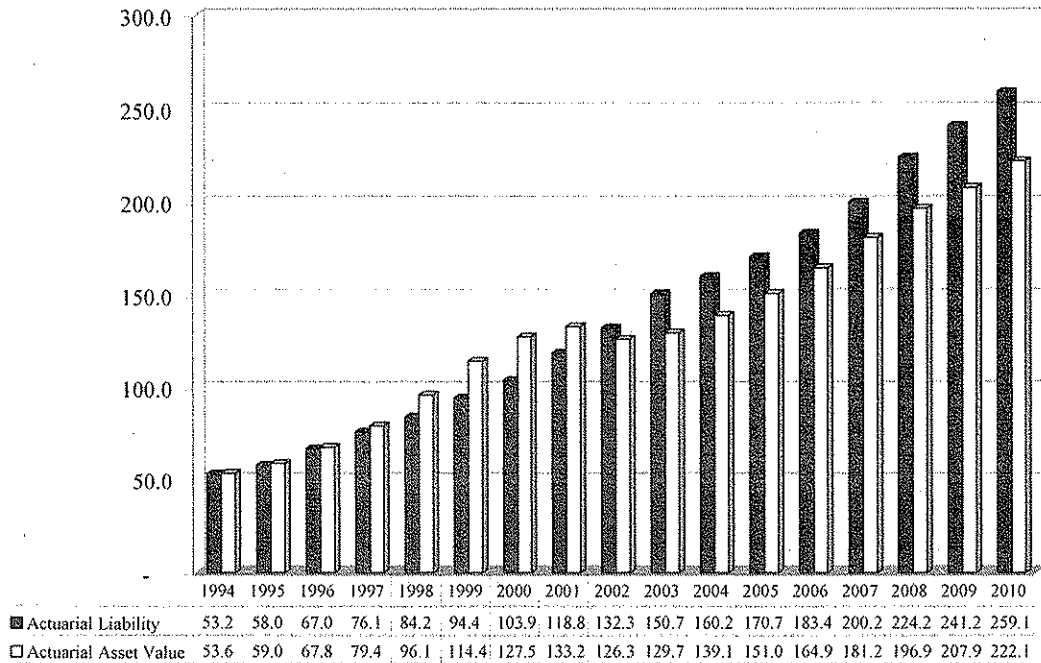
The following two charts show the City's Miscellaneous Plan's funded status. The first chart displays the funded status as a percentage of Actuarial Value of Assets and Market Value of Assets; the second chart compares the Actuarial Accrued Liability to the Actuarial Value of Assets (amount in millions). Note that the 6/30/09 and 6/30/10 asset values are estimated.



Having assets equal to Actuarial Liability should be viewed as a target. While this is an appropriate measuring stick, it is expected that assets will move above and sometimes below the actuarial liability. The funding percentage is subject to annual fluctuations based on numerous factors including asset and actuarial (non-asset) gains and losses, and will only become a concern if the plan is consistently under-funded or runs the risk of not being able to pay benefits.



**CITY OF SANTA CRUZ**  
**CALPERS ACTUARIAL ISSUES – 6/30/08 VALUATION**  
**MISCELLANEOUS**



The recent investment downturn will have significant impact on the plan's funded status. The following table shows the estimated market value investment losses for the Miscellaneous Plan from June 30, 2008 through June 30, 2010. The Actuarial asset "reserve" is the percent of market assets above actuarial value of assets. The market value of assets experienced a 31.8% loss from what is expected. This loss will be reflected in the June 30, 2009 funded status. Likewise, a projected 10.9% gain in assets for June 30, 2010. Summing these gains and losses together gives an estimated unrecognized loss.

■ Actuarial asset "reserve" at 6/30/08	1.5%
■ June 30, 2009 [-24.0% compared to 7.75%]	-31.8%
■ June 30, 2010 [18.6% compared to 7.75%]	<u>10.9%</u>
■ Total estimated % loss through June 30, 2010	-19.4%
■ Total estimated unrecognized loss [-19.4% x \$200]	\$-38.7 million

The estimated \$38.7 million unrecognized loss will eventually increase the current unfunded actuarial liability (UAL). The following table shows the UAL at June 30, 2007 and





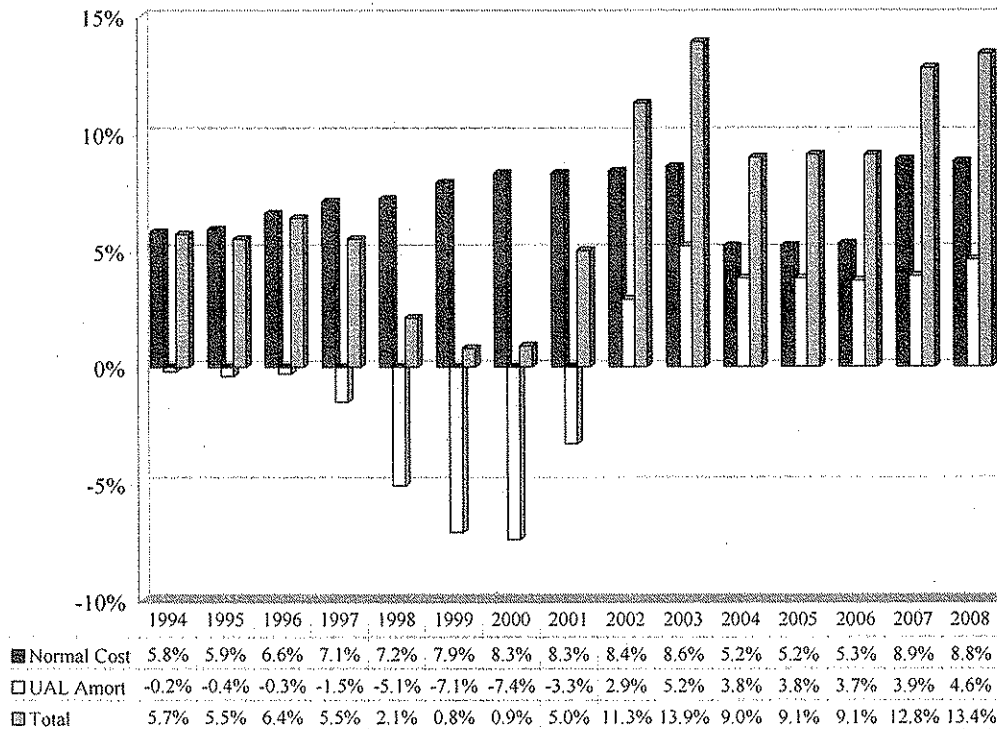
**CITY OF SANTA CRUZ**  
**CALPERS ACTUARIAL ISSUES – 6/30/08 VALUATION**  
**MISCELLANEOUS**

June 30, 2008, projected to June 30, 2010 and June 30, 2040 (in millions), using CalPERS gains/losses amortization method.

		Projected			
		<u>6/30/07</u>	<u>6/30/08</u>	<u>6/30/10</u>	<u>6/30/40</u>
■ UAL	\$ 19.0	\$ 27.3	\$ 28.0	\$ 27.3	
■ Investment losses 08/09			60.5	78.7	
■ Investment gain 09/10 <sup>1</sup>			(21.8)	(28.3)	
■ Total			66.7	77.7	

**Contribution Rates**

The following chart shows historical contribution rates for the City's Miscellaneous Plan over the past several years:



<sup>1</sup> Ignores future gains & losses (after June 30, 2010) and asset smoothing, and assumes continuance of 30-year rolling amortization method.



**CITY OF SANTA CRUZ**  
**CALPERS ACTUARIAL ISSUES – 6/30/08 VALUATION**  
**MISCELLANEOUS**

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The years in the above table reflect CalPERS valuation dates, which determine the City's contribution rates two years later. For example 2008 reflects CalPERS June 30, 2008 valuation which determines the City's 2010/11 contribution rates.

In October 2009, CalPERS completed its June 30, 2008 valuation cycle. The following table shows the contribution rates for the 2009/10 and 2010/11 fiscal years.

■ Valuation	<u>6/30/07</u>	<u>6/30/08</u>
■ Contribution Year	<u>2009/2010</u>	<u>2010/2011</u>
■ Normal cost	8.9%	8.8%
■ Amortization bases:		
● Method Change	-0.2%	-0.1%
● (Gain)/Losses	1.5%	2.3%
● Assumption Change	2.2%	2.0%
● Benefit Change	<u>0.4%</u>	<u>0.4%</u>
● Sub-total	<u>3.9%</u>	<u>4.6%</u>
■ Total	12.8%	13.4%

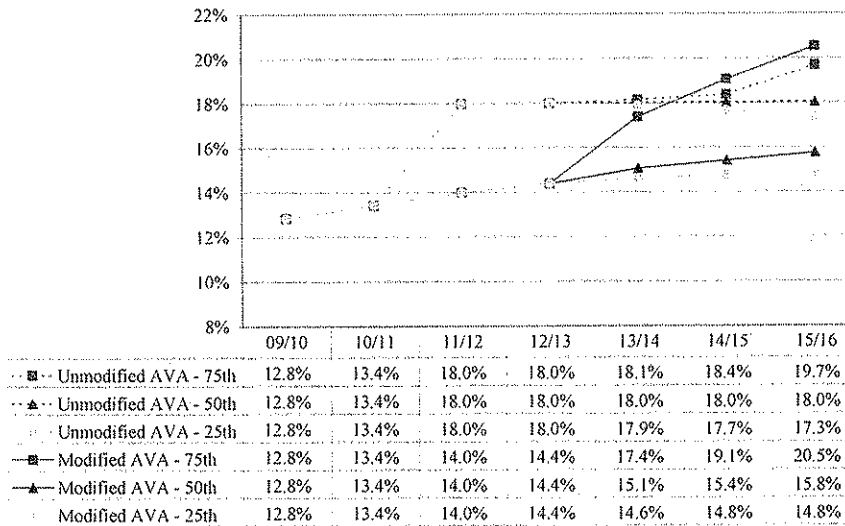


**CITY OF SANTA CRUZ**  
**CALPERS ACTUARIAL ISSUES – 6/30/08 VALUATION**  
**MISCELLANEOUS**

**Projected Contribution Rates**

CalPERS' actual investment return will significantly impact future City contribution rates. The following chart shows the City's projected contribution rates assuming future (6/30/10 and beyond) investment returns will average 0.4% - 4.3%, 7.75% and 11.8% - 15.3% (the 75<sup>th</sup>, 50<sup>th</sup> and 25<sup>th</sup> confidence limits<sup>2</sup>) respectively. The projections use an estimated 18.6%<sup>3</sup> return for June 30, 2010. This assumes no future benefit increases or Tier 2 implementation to the City's retirement plans.

**Investment Return Varies**



The graph above projects future contribution rates under both CalPERS' modified and unmodified asset smoothing methods. As mentioned in Page 2 of this report, last year CalPERS' Board approved a modification to increase the corridor used in the actuarial value assets to 140% for the June 30, 2009 valuation and to 130% for the June 30, 2010 valuation. As illustrated above, the asset loss of fiscal year 2008/09 is deferred for several years under the modified asset smoothing method. This will give the economy time to recover while allowing the City proper time to plan for the increases contribution rates.

On April 21, 2010, CalPERS' Board of Administration adopted updated actuarial assumption based on a recently completed experience study. The above projections do not reflect the new assumption. The assumption changes will likely increase the above projections by 1%-2% beginning with 2011/12.

<sup>2</sup> Investment Return will exceed the confidence limit by the given probability

<sup>3</sup> Based on CalPERS 2/28/10 published rate of return of 12.0%, an additional gain of 4.0% through 3/31/10 and 7.75% to 6/30/10.



**CITY OF SANTA CRUZ**  
**CALPERS ACTUARIAL ISSUES – 6/30/08 VALUATION**  
**POLICE SAFETY**

---

**Police Safety Plan**

The City participates in CalPERS 3%@50 risk pool for Police Safety employees.

**Contribution Rates**

In October 2009, CalPERS completed its June 30, 2008 valuation cycle. The following table shows the Police Safety Plan's contribution rates for the 2009/10 and 2010/11 fiscal years. The Police Safety Plan belongs to the 3% @ 50 risk pool.

	<u>6/30/07</u> <u>2009/2010</u>	<u>6/30/08</u> <u>2010/2011</u>
■ Employer Contribution Required		
● Normal Cost		
➤ Pool Rate	15.6%	15.7%
➤ Surcharge for Class I Benefits	2.7%	2.7%
➤ Phase out of Normal Cost Difference	<u>-0.2%</u>	<u>0.0%</u>
➤ Subtotal	18.1%	18.4%
● Amortization Bases		
➤ Risk Pool's Payment on Bases	1.7%	2.5%
➤ Amortization of Side Fund	<u>16.6%</u>	<u>14.7%</u>
➤ Subtotal	<u>18.3%</u>	<u>17.2%</u>
● Total Employer Contribution	<b>36.3%</b>	<b>35.6%</b>

**Side Funds**

A side fund was set up when CalPERS implemented Risk Pools as part of the June 30, 2003 valuation to account for the City UAL plan's at that time. The side funds June 30, 2008 balance was \$12,933,123 and the 2010/11 fiscal year payment will be \$1,399,366. There are 12 years of payments remaining. Below is a table displaying future payments and Side Fund balance.

<u>Contribution Year</u>	<u>Payment</u>	<u>Remaining Balance</u>	<u>Balance Date</u>
2010/11	\$1,399,366	\$12,933,123	6/30/08
2011/12	\$1,444,846	\$12,482,860	6/30/09
2012/13	\$1,491,803	\$11,950,493	6/30/10
2013/14	\$1,540,287	\$11,328,124	6/30/11
2014/15	\$1,590,346	\$10,607,194	6/30/12
2015/16	\$1,642,033	\$9,778,429	6/30/13
2016/17	\$1,695,399	\$8,831,783	6/30/14
2017/18	\$1,750,499	\$7,756,377	6/30/15
2018/19	\$1,807,390	\$6,540,430	6/30/16
2019/20	\$1,866,130	\$5,171,194	6/30/17
2020/21	\$1,926,780	\$3,634,868	6/30/18
2021/22	\$1,989,400	\$1,916,521	6/30/19
2022/23	\$0	\$0	6/30/20

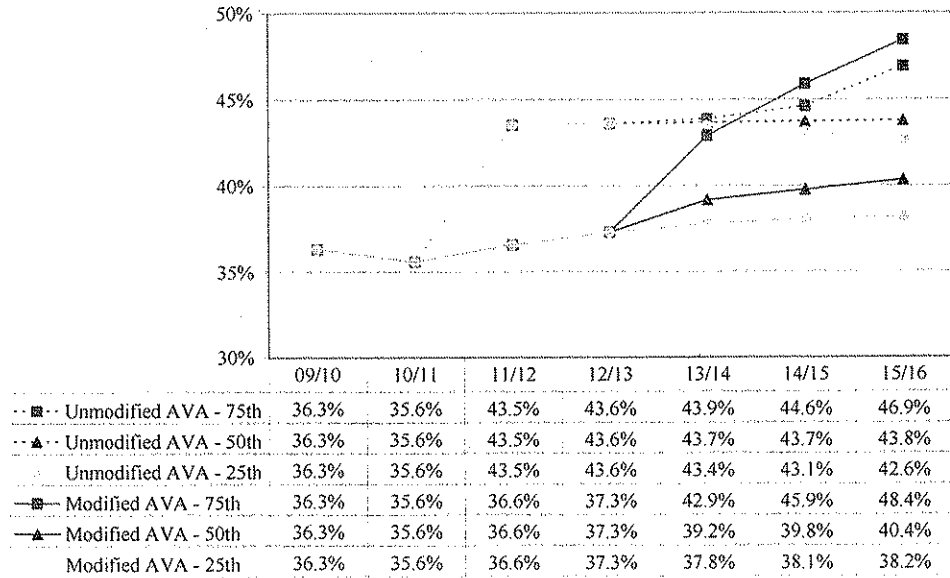


**CITY OF SANTA CRUZ**  
**CALPERS ACTUARIAL ISSUES – 6/30/08 VALUATION**  
**POLICE SAFETY**

**Projected Contribution Rates**

CalPERS' actual investment return will significantly impact future City contribution rates. The following chart shows the City's projected contribution rates assuming future (6/30/10 and beyond) investment returns will average 0.4% - 4.3%, 7.75% and 11.8% - 15.3% (the 75<sup>th</sup>, 50<sup>th</sup> and 25<sup>th</sup> confidence limits<sup>4</sup>) respectively. The projections use an estimated 18.6%<sup>5</sup> return for June 30, 2010. This assumes no future benefit increases or Tier 2 implementation to the City's retirement plans.

**Investment Return Varies**



The above graph projects future contribution rates under both CalPERS' modified and unmodified asset smoothing methods. As mentioned in Page 2 of this report, last year CalPERS' Board approved a modification to increase the corridor used in the actuarial value assets to 140% for the June 30, 2009 valuation and to 130% for the June 30, 2010 valuation. As illustrated above, the asset loss of fiscal year 2008/09 is deferred for several years under the modified asset smoothing method. This will give the economy time to recover while allowing the City proper time to plan for the increases contribution rates.

On April 21, 2010, CalPERS' Board of Administration adopted updated actuarial assumption based on a recently completed experience study. The above projection does not reflect the new assumption. The assumption charges will likely increase the above projections by 1-2 percentage points beginning with 2011/12 rates.

<sup>4</sup> Investment Return will exceed the confidence limit by the given probability  
<sup>5</sup> Estimate based on CalPERS 2/28/10 published rate of return of 12.0%, an additional gain of 4.0% through 3/31/10 based on CalPERS market value from the website and 7.75% thereafter.



**CITY OF SANTA CRUZ**  
**CALPERS ACTUARIAL ISSUES – 6/30/08 VALUATION**  
**FIRE SAFETY**

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**Fire Safety Plan**

The City participates in CalPERS 3%@50 risk pool for Fire Safety employees.

**Contribution Rates**

In October 2009, CalPERS completed its June 30, 2008 valuation cycle. The following table shows the Fire Safety Plan's contribution rates for the 2009/10 and 2010/11 fiscal years. The Fire Safety Plan belongs to the 3% @ 50 risk pool.

	<u>6/30/07</u> <u>2009/2010</u>	<u>6/30/08</u> <u>2010/2011</u>
■ Employer Contribution Required		
● Normal Cost		
> Pool Rate	15.6%	15.7%
> Surcharge for Class 1 Benefits	2.7%	2.7%
> Phase out of Normal Cost Difference	<u>-0.1%</u>	<u>0.0%</u>
> Subtotal	18.2%	18.4%
● Amortization Bases		
> Risk Pool's Payment on Bases	1.7%	2.5%
> Amortization of Side Fund	<u>21.2%</u>	<u>18.9%</u>
> Subtotal	<u>22.9%</u>	<u>21.4%</u>
● Total Employer Contribution	<b>41.1%</b>	<b>39.8%</b>

**Side Funds**

A side fund was set up when CalPERS implemented Risk Pools as part of the June 30, 2003 valuation to account for the City UAL plan's at that time. The side funds June 30, 2008 balance was \$10,418,902 and the 2010/11 fiscal year payment will be \$1,127,327. There are 12 years of payments remaining. Below is a table displaying future payments and Side Fund balance.

<u>Contribution Year</u>	<u>Payment</u>	<u>Remaining Balance</u>	<u>Balance Date</u>
2010/11	\$1,127,327	\$10,418,902	6/30/08
2011/12	\$1,163,965	\$10,056,171	6/30/09
2012/13	\$1,201,794	\$9,627,297	6/30/10
2013/14	\$1,240,853	\$9,125,917	6/30/11
2014/15	\$1,281,180	\$8,545,137	6/30/12
2015/16	\$1,322,819	\$7,877,486	6/30/13
2016/17	\$1,365,810	\$7,114,869	6/30/14
2017/18	\$1,410,199	\$6,248,524	6/30/15
2018/19	\$1,456,031	\$5,268,960	6/30/16
2019/20	\$1,503,352	\$4,165,905	6/30/17
2020/21	\$1,552,210	\$2,928,243	6/30/18
2021/22	\$1,602,657	\$1,543,946	6/30/19
2022/23	\$0	\$0	6/30/20

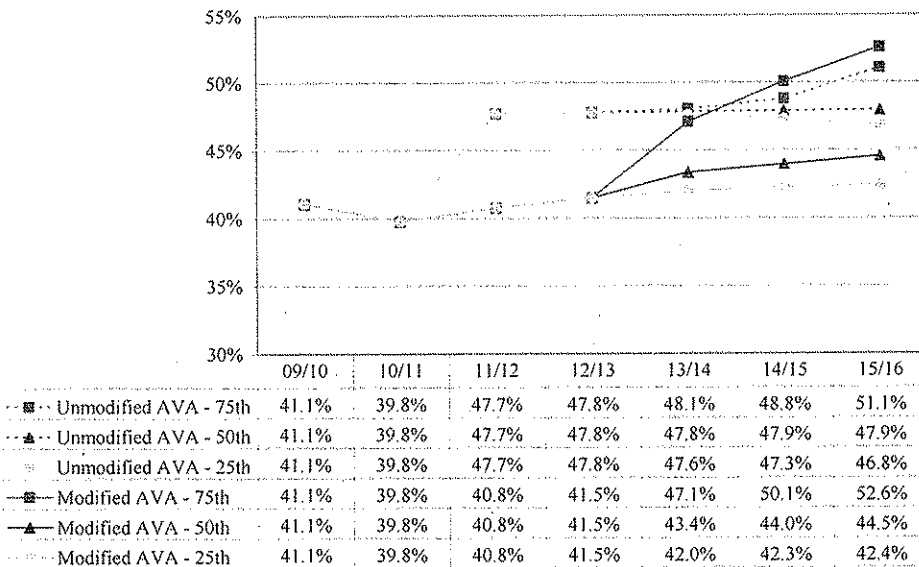


**CITY OF SANTA CRUZ**  
**CALPERS ACTUARIAL ISSUES – 6/30/08 VALUATION**  
**FIRE SAFETY**

**Projected Contribution Rates**

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**Investment Return Varies**



The above graph projects future contribution rates under both CalPERS' modified and unmodified asset smoothing methods. As mentioned in Page 2 of this report, last year CalPERS' Board approved a modification to increase the corridor used in the actuarial value assets to 140% for the June 30, 2009 valuation and to 130% for the June 30, 2010 valuation. As illustrated above, the asset loss of fiscal year 2008/09 is deferred for several years under the modified asset smoothing method. This will give the economy time to recover while allowing the City proper time to plan for the increases contribution rates.

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<sup>6</sup> Investment Return will exceed the confidence limit by the given probability

<sup>7</sup> Estimate based on CalPERS 2/28/10 published rate of return of 12.0%, an additional gain of 4.0% through 3/31/10 based on CalPERS market value from the website and 7.75% thereafter.



**CITY OF SANTA CRUZ**  
**CALPERS ACTUARIAL ISSUES – 6/30/08 VALUATION**  
**TIER 2 ALTERNATIVES**

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**Implication of a Second Benefit Tier**

For purposes of this report we have assumed employees hired on and after July 1, 2010 would be placed into a second tier (Tier 2) providing lower pension benefits. For current employees (Tier 1), benefits would remain the same. Contribution calculations would then be calculated on benefits depending on which tier they belong. However, it is important to note that moving new employees into a different benefit level has no impact on existing unfunded liabilities; it only impacts the level of benefit future employees would earn. This means that the amortization of any unfunded liability component of the contribution rate would remain the same for Tier 2 as it is for Tier 1, but the Normal Cost component of the contribution rate would be lower. As Tier 2 grows, and Tier 1 is closed, the cost for Tier 1 will decrease (as a dollar amount) and the replacement cost of the new Tier 2 participants would be less than if they had been in the current Tier 1 plan. This results in decreasing City contributions as a percent of payroll.

The following two pages show the CalPERS benefit factor comparison for Miscellaneous and Safety Plans.

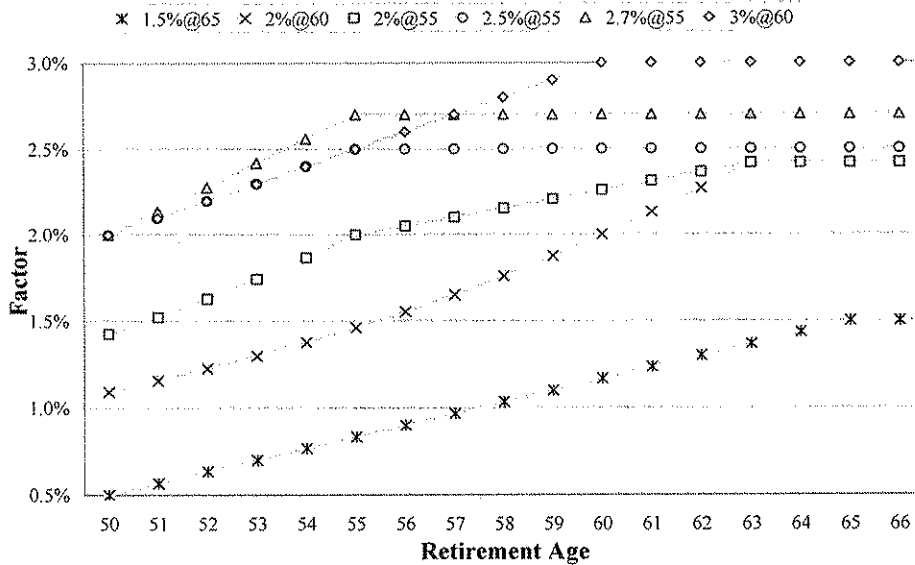




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**Miscellaneous**

**Benefit Factor Comparison**



<u>Age</u>	<u>1.5%@65</u>	<u>2%@60</u>	<u>2%@55</u>	<u>2.5%@55</u>	<u>2.7%@55</u>	<u>3%@60</u>
50	0.500%	1.092%	1.426%	2.000%	2.000%	2.000%
51	0.567%	1.156%	1.522%	2.100%	2.140%	2.100%
52	0.633%	1.224%	1.628%	2.200%	2.280%	2.200%
53	0.700%	1.296%	1.742%	2.300%	2.420%	2.300%
54	0.767%	1.376%	1.866%	2.400%	2.560%	2.400%
55	0.833%	1.460%	2.000%	2.500%	2.700%	2.500%
56	0.900%	1.552%	2.052%	2.500%	2.700%	2.600%
57	0.967%	1.650%	2.104%	2.500%	2.700%	2.700%
58	1.033%	1.758%	2.156%	2.500%	2.700%	2.800%
59	1.100%	1.874%	2.210%	2.500%	2.700%	2.900%
60	1.167%	2.000%	2.262%	2.500%	2.700%	3.000%
61	1.233%	2.134%	2.314%	2.500%	2.700%	3.000%
62	1.300%	2.272%	2.366%	2.500%	2.700%	3.000%
63	1.367%	2.418%	2.418%	2.500%	2.700%	3.000%
64	1.433%	2.418%	2.418%	2.500%	2.700%	3.000%
65	1.500%	2.418%	2.418%	2.500%	2.700%	3.000%

**Member Contribution Rate**

2%                  7%                  7%                  8%                  8%                  8%



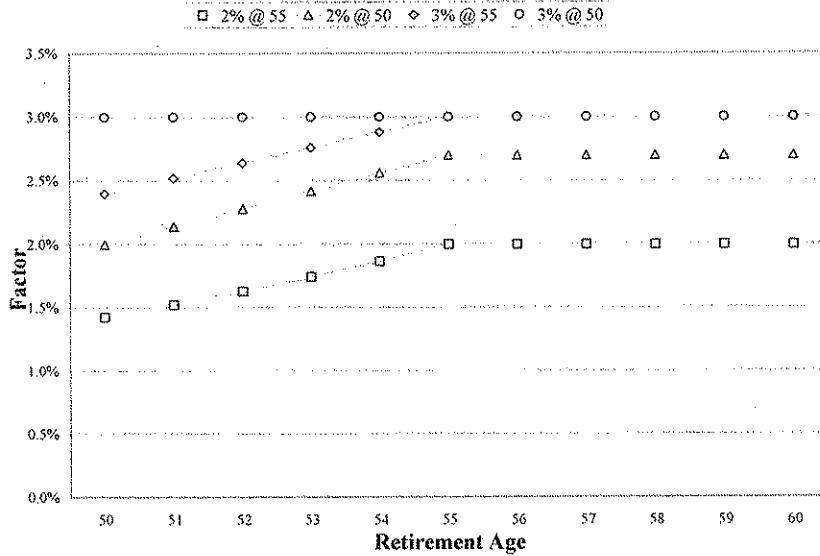
June 7, 2010



**CITY OF SANTA CRUZ**  
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**Safety**

**Benefit Factor Comparison**



<u>Age</u>	<u>2% @ 55</u>	<u>2% @ 50</u>	<u>3% @ 55</u>	<u>3% @ 50</u>
50	1.426%	2.000%	2.400%	3.000%
51	1.522%	2.140%	2.520%	3.000%
52	1.628%	2.280%	2.640%	3.000%
53	1.742%	2.420%	2.760%	3.000%
54	1.866%	2.560%	2.880%	3.000%
55	2.000%	2.700%	3.000%	3.000%
56	2.000%	2.700%	3.000%	3.000%
57	2.000%	2.700%	3.000%	3.000%
58	2.000%	2.700%	3.000%	3.000%
59	2.000%	2.700%	3.000%	3.000%
60	2.000%	2.700%	3.000%	3.000%

**Member Contribution Rate**

8%                      9%                      9%                      9%



June 7, 2010



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**CALPERS ACTUARIAL ISSUES – 6/30/08 VALUATION**  
**TIER 2 ALTERNATIVES**

The City's current benefit formula and 2010/11 contribution rates are:

	Miscellaneous	Police Safety	Fire Safety
● Benefit Formula	2.0% @ 55	3% @ 50	3% @ 50
● FAE	One Year (FAE1)	One Year (FAE1)	One Year (FAE1)
● PRSA	Yes	Yes	Yes
● COLA	2%	2%	2%
● EPMC	None	None	None
● 10/11 ER Contr.			
> Normal Cost	8.8%	15.7%	15.7%
> FAE 1 & PRSA	0.0 <sup>8</sup>	2.7	2.7
> Pool Amort.	0.0	2.5	2.5
> Amort/Side Fund <sup>9</sup>	4.6	14.7	18.9
> Subtotal	13.4	35.6	39.8
● EPMC	None	None	None

**Miscellaneous Alternative Formulas**

Miscellaneous alternative Tier 2 benefit is 2%@60<sup>10</sup>. This produces a cost savings for the City.

Miscellaneous Alternative Formulas	2%@60
● Normal Cost	7.0%
● FAE 1 & PRSA	0.5
● Total	7.5
● Savings from current formula	1.3%

<sup>8</sup> Included in normal cost

<sup>9</sup> Amortization Payments for Miscellaneous Plan and side fund payment for the pooled Safety Plans

<sup>10</sup> We did not include 1.5%@65 because no agency has contracted this formula.



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**TIER 2 ALTERNATIVES**

The following two tables show estimated cost savings (000s omitted) for the Miscellaneous Plan in dollar amounts.

**Estimated Savings - Miscellaneous**

Year	2% @ 60
2010/11	\$ 33
2011/12	70
2012/13	104
2013/14	139
2014/15	177
2015/16	215
2016/17	257
2017/18	300
2018/19	344
2019/20	392
2020/21	439

The above savings are based on the following Miscellaneous payroll projections shown separately for current (Tier 1) participants and future (Tier 2) participants (000s omitted):

**Payroll Projections - Miscellaneous**

Year	Tier 1	Tier 2	Total
2010/11	\$ 41,194	\$ 2,542	\$ 43,736
2011/12	39,741	5,416	45,157
2012/13	38,595	8,029	46,625
2013/14	37,386	10,754	48,140
2014/15	35,971	13,734	49,704
2015/16	34,698	16,622	51,320
2016/17	33,084	19,904	52,988
2017/18	31,473	23,237	54,710
2018/19	29,868	26,620	56,488
2019/20	27,966	30,358	58,324
2020/21	26,248	33,971	60,219

Total payroll is expected to grow annually at 3.25% each year. A slower payroll growth results in lower cost savings while a more rapid payroll growth results in greater cost savings.



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**CALPERS ACTUARIAL ISSUES – 6/30/08 VALUATION**  
**TIER 2 ALTERNATIVES**

**Police Safety Alternative Formulas**

Safety alternative Tier 2 benefits could be 3%@55, 2% @50 and 2%@55. Each of these produces a cost savings for the City. The table below shows the Employer rates and net savings for the reduced Tier 2 benefits.

Police Safety Alternative Formulas	3%@55	2%@50	2%@55
● Normal Cost	13.3%	11.5%	11.0%
● FAE 1 & PRSA	2.6	2.1	1.8
● Pool Amortization	<u>2.3</u>	<u>2.0</u>	<u>0.6</u>
● Total	18.2	15.6	13.4
● Savings from current formula	2.7%	5.3%	7.5%

The following two tables below show estimated cost savings (000s omitted) for the Safety Plan in dollar amounts. It is split between the three alternative benefit levels (3%@55, 2%@50, and 2%@55) for Tier 2 participants.

**Estimated Savings – Police Safety**

Year	3% @ 55	2% @ 50	2% @ 55
2010/11	\$ 10	\$ 20	\$ 28
2011/12	21	41	58
2012/13	34	66	94
2013/14	48	95	135
2014/15	66	131	184
2015/16	83	163	230
2016/17	101	198	280
2017/18	119	235	332
2018/19	141	278	392
2019/20	163	321	453
2020/21	185	364	514



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**CALPERS ACTUARIAL ISSUES – 6/30/08 VALUATION**  
**TIER 2 ALTERNATIVES**

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The above savings are based on the following Safety payroll projections shown separately for current (Tier 1) participants and future (Tier 2) participants (000s omitted):

**Payroll Projections - Police Safety**

Year	Tier 1	Tier 2	Total
2010/11	\$ 9,139	\$ 375	\$ 9,514
2011/12	9,048	775	9,823
2012/13	8,895	1,247	10,142
2013/14	8,681	1,791	10,472
2014/15	8,361	2,451	10,812
2015/16	8,111	3,052	11,163
2016/17	7,810	3,717	11,526
2017/18	7,487	4,414	11,901
2018/19	7,076	5,212	12,288
2019/20	6,664	6,023	12,687
2020/21	6,272	6,827	13,099

Total payroll is expected to grow annually at 3.25% each year. A slower payroll growth results in lower cost savings while a more rapid payroll growth results in greater cost savings.



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**TIER 2 ALTERNATIVES**

**Fire Safety Alternative Formulas**

Fire Safety alternative Tier 2 benefits could be 3%@55, 2% @50 and 2%@55. Each of these produces a cost savings for the City. The table below shows the Employer rates and net savings for the reduced Tier 2 benefits.

Fire Safety Alternative Formulas	3% <u>@55</u>	2% <u>@50</u>	2% <u>@55</u>
• Normal Cost	13.3%	11.5%	11.0%
• FAE 1 & PRSA	2.6	2.1	1.8
• Pool Amortization	<u>2.3</u>	<u>2.0</u>	<u>0.6</u>
• Total	18.2	15.6	13.4
• Savings from current formula	2.7%	5.3%	7.5%

The following two tables below show estimated cost savings (000s omitted) for the Fire Safety Plan in dollar amounts. It is split between the three alternative benefit levels (3%@55, 2%@50, and 2%@55) for Tier 2 participants.

**Estimated Savings – Fire Safety**

Year	3% <u>@ 55</u>	2% <u>@ 50</u>	2% <u>@ 55</u>
2010/11	\$ 6	\$ 13	\$ 18
2011/12	13	26	37
2012/13	21	42	59
2013/14	30	60	85
2014/15	42	82	116
2015/16	52	102	144
2016/17	63	124	175
2017/18	75	147	208
2018/19	88	174	246
2019/20	102	201	284
2020/21	116	228	322



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The above savings are based on the following Fire Safety payroll projections shown separately for current (Tier 1) participants and future (Tier 2) participants (000s omitted):

**Payroll Projections – Fire Safety**

Year	Tier 1	Tier 2	Total
2010/11	\$ 5,732	\$ 235	\$ 5,966
2011/12	5,674	486	6,160
2012/13	5,579	782	6,361
2013/14	5,444	1,123	6,567
2014/15	5,244	1,537	6,781
2015/16	5,087	1,914	7,001
2016/17	4,898	2,331	7,229
2017/18	4,695	2,768	7,464
2018/19	4,438	3,268	7,706
2019/20	4,179	3,777	7,957
2020/21	3,933	4,282	8,215

Total payroll is expected to grow annually at 3.25% each year. A slower payroll growth results in lower cost savings while a more rapid payroll growth results in greater cost savings.





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**BASIC DEFINITIONS**

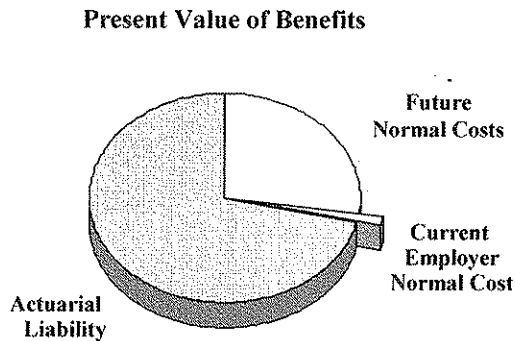
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*Understanding these terms makes it easier to understand the City's CalPERS actuarial information.*

**Present Value of Benefits:** When CalPERS (or any actuary) prepares a pension valuation, they first gather participant data (including active employees, former employees not in payment status, participants and beneficiaries in payment status) at the valuation date (for example June 30, 2008). Using this data and some actuarial assumptions, they project future benefit payments. (The assumptions predict, among other things, when people will retire, terminate, die or become disabled, as well as what salary increases, inflation and investment return might be.) Those future benefit payments are discounted, using expected future investment return, back to the valuation date. This discounted present value is the plan's present value of benefits. It represents the amount the plan needs as of the valuation date to pay all future benefits – if all assumptions are met and no future contributions (employee or employer) are made.

**Actuarial Liability:** This represents the portion of the present value of benefits that participants have earned (on an actuarial, not actual, basis) through the valuation date.

**Current Employer Normal Cost:** The total normal cost represents the portion of the present value of benefits expected to be earned (on an actuarial, not actual, basis) in the coming year. The current employer normal cost represents the employer's portion of the total normal cost – that is, the total normal cost offset by employee contributions.



The above chart shows the Present Value of Benefits as the sum of Actuarial Liability, Current Normal Cost, and Future Normal Costs. Once these amounts are calculated, the actuary compares actuarial assets to the Actuarial Liability. When assets equal liabilities, a plan is considered on track for funding. When assets are greater than liabilities, the plan has excess assets; when assets are less than liabilities, the plan has an unfunded liability.

**Contribution Rate:** CalPERS does not require an agency to make up any shortfall (unfunded liability) immediately, nor do they allow an immediate credit for any excess assets. Instead,



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the difference is amortized over time. An agency's contribution rate is nothing more complicated than the current employer normal cost, plus the amortized unfunded liability or less the amortized excess assets. Simply put, this contribution is the value of employer benefits earned during the year plus something to move the plan toward being on track for funding. There is a two-year delay from the valuation date to the contribution effective date. For example, the June 30, 2008 valuation generates an agency's 2010/11 fiscal year contribution. CalPERS instituted this delay a few years ago to ensure public agencies would have contribution rates as they begin their budgeting process for each fiscal year.

**Fresh Start:** When CalPERS prepares a valuation and determines an agency's contribution rate, it's usually in layers, such as gains/losses or plan changes, with each layer (base) adding up to the contribution rate. But if that calculation results in a zero contribution rate, CalPERS combines it into one base and tells the agency it will have a zero contribution for a fixed period. That combination is called a "fresh start." An agency with a fresh start will know it; the actuarial report will show a single base (labeled *fresh start*).

**Super-Funded:** A plan is super-funded when actuarial assets are greater than the present value of benefits. Referring to the above circle chart a plan has excess assets when assets exceed the Actuarial Liability and a super-surplus when asset exceed the Present Value of Benefit. When a plan is Super-Funded, the super-surplus (actuarial assets over present value of benefits) may be used to pay employee contributions. However, any super-surplus use must occur in the fiscal year for which the valuation report's contribution rate was calculated. For example, a plan super-funded in the June 30, 2008 valuation can use super-surplus to pay 2010/11 fiscal year employee contributions.

**Employer Paid Member Contribution (EPMC):** Each employee contributes towards his or her retirement based on the retirement formula. If employer chooses to pick up a portion or entire contribution for employees, the portion of member contribution that paid by employer is called Employer Paid Member Contribution.

**Final Average Earning (FAE):** The final average earning is the monthly average of the member's highest 12 or 36 consecutive months' earning.

**Post Retirement Survivor Allowance (PRSA):** The portion of retirement allowance will automatically be continued to certain statutory beneficiaries upon the death of the retiree, without a reduction of the retiree's allowance.

