

AGENDA
BUDGET AND FINANCE COMMITTEE MEETING

2015
Committee

Chair
Simón Salinas
County Member

Ralph Rubio
City Member

Graig R. Stephens
Special District Member

Friday, February 13, 2015
11:00 a.m.

LAFCO Office
132 W. Gabilan Street, Suite 102
Salinas, California

Roll Call

Staff

Kate McKenna, AICP
Executive Officer

Call to Order

Public Comments

Anyone may address the Committee briefly concerning items not already on the agenda.

Special Business

1. Election of Budget and Finance Committee Chair.
Recommended Action: Select a Committee Chair for calendar year 2015.

New Business

1. Draft Financial Statements for Period Ending December 31, 2014.
Recommended Action: Recommend Commission approval of the financial statements.
2. Profit/Loss Budget vs. Actuals Worksheet dated January 30, 2015.
Recommended Action: Discuss and accept report as information only.
3. CalPERS Retirement Plan Actuarial Valuation Report as of June 30, 2013.
Recommended Action: Discuss report and provide direction as appropriate.
4. Preliminary Draft Annual Work Program for Fiscal Year 2015-2016.
Recommended Action: Recommend Commission approval of Preliminary Annual Work Program for FY 2015-2016.
5. Preliminary Draft Annual Budget for Fiscal Year 2015-2016.
Recommended Action: Recommend Commission approval of Preliminary Annual Budget for FY 2015-2016.

132 W. Gabilan Street, #102
Salinas, CA 93901

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6. Three-Year Financial Forecast (FY 2015-16 through FY 2017-2018).
Recommended Action: Discuss and accept report as information only.
7. Salary Schedule Update for Administrative Secretary/Clerk to the Commission Position.
Recommended Action: Recommend Commission approval of an adjustment to the current salary range for one position.

Other Business

Adjournment

The next Regular Budget and Finance Committee Meeting – Friday, May 8, 2015 at 11:00 a.m. in the LAFCO Conference Room.

This agenda is posted at least 72 hours before the meeting. Please visit the LAFCO website or call our office for more information about any of the agenda items. Alternative Formats and Facility Accommodations: If requested, the agenda will be made available in alternative formats to persons with a disability, as required by Section 202 of the Americans with Disabilities Act of 1990 (42 USC 2132) and the federal rules and regulations adopted in implementation thereof. Also, if requested, facility accommodations will be made for persons with disabilities. Please contact (831) 754-5838 for assistance.

LAFCO *of Monterey County*

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

**2015
Committee**

Chair
Simón Salinas
County Member

Ralph Rubio
City Member

Graig R. Stephens
Special District Member

DATE: February 13, 2015

TO: Budget and Finance Committee

FROM: Kate McKenna, AICP, Executive Officer

SUBJECT: ELECTION OF COMMITTEE CHAIR

SUMMARY OF RECOMMENDATION:

Select Chair for calendar year 2015.

Staff

Kate McKenna, AICP
Executive Officer

EXECUTIVE OFFICER'S REPORT:

The Budget and Finance Committee is a standing committee of the Local Agency Formation Commission. The Committee selects a Chair on an annual basis.

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Respectfully,



Kate McKenna, AICP
Executive Officer

LAFCO *of Monterey County*

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

DATE: February 13, 2015

**2015
Committee**

TO: Budget and Finance Committee

Chair
Simón Salinas
County Member

FROM: Kate McKenna, AICP, Executive Director

Ralph Rubio
City Member

SUBJECT: DRAFT FINANCIAL STATEMENTS FOR PERIOD ENDING
DECEMBER 31, 2014.

Graig R. Stephens
Special District Member

SUMMARY OF RECOMMENDATION:

Recommend that the Commission accept this item at the next regular LAFCO meeting on February 23.

Staff

Kate McKenna, AICP
Executive Officer

EXECUTIVE OFFICER'S REPORT:

Enclosed are draft financial statements for the second quarter of the current fiscal year. Overall revenue and expenditures are as anticipated for this period.

Ms. Stephanie Gonzalez, Hayashi Wayland, will join me in presenting this item.

132 W. Gabilan Street, #102
Salinas, CA 93901

Respectfully Submitted,

P. O. Box 1369
Salinas, CA 93902



Voice: 831-754-5838
Fax: 831-754-5831

Kate McKenna, AICP,
Executive Officer

www.monterey.lafco.ca.gov

Enclosure

**Local Agency Formation Commission
of Monterey County
Financial Statements
December 31, 2014**

Draft

**LOCAL AGENCY FORMATION COMMISSION
OF MONTEREY COUNTY**

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HAYASHI | WAYLAND

ACCOUNTANTS' COMPILATION REPORT

**To the Chair and Commissioners
Local Agency Formation Commission
LAFCO of Monterey County
Salinas, California**

We have compiled the accompanying financial statements of the **Local Agency Formation Commission of Monterey County (LAFCO)** as of and for the six months ended December 31, 2014. We have not audited or reviewed the financial statements included in the accompanying prescribed form and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements included in the form prescribed by LAFCO and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist LAFCO in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

The financial statements included in the accompanying prescribed form are presented in accordance with the requirements of LAFCO, which differ from accounting principles generally accepted in the United States of America. Accordingly, these financial statements are not designed for those who are not informed about such differences.

We are not independent with respect to LAFCO.

January 31, 2015



LAFCO of Monterey County
Balance Sheets
December 31, 2014 and 2013

ASSETS			
	ACCT #	2014	2013
CURRENT ASSETS:			
Cash Held in Bank:			
Rabobank Operating	1000	\$ 73,471.79	\$ 224,814.50
Wells Fargo Operating	1007	36,778.84	-
Total Cash Held in Rabobank		<u>110,250.63</u>	<u>224,814.50</u>
Cash Held in County Treasury:			
Cash Held for Operating Expenses	1010	618,093.61	421,549.94
Designated Cash for Reserve for Litigation	1012	300,036.51	300,036.51
Designated Cash for Accrued Leave	1013	49,313.85	44,378.66
Designated Cash for Post Retirement (GASB 45)	1014	9,968.00	9,084.00
Designated Cash for Reserve for Contingency	1015	156,779.00	156,779.00
Total Cash Held in County Treasury		<u>1,134,190.97</u>	<u>931,828.11</u>
Petty Cash	1100	100.00	100.00
Total Cash		<u>1,244,541.60</u>	<u>1,156,742.61</u>
Other Current Assets:			
Accounts Receivable - For Fiscal Yr Ending 6/15	1227	9.00	-
Wells Fargo Bank Receivable	1310	221.85	-
Prepaid Insurance	1400	3,360.89	3,977.27
Prepaid Expenses	1405	2,241.98	2,241.98
Total Other Current Assets		<u>5,833.72</u>	<u>6,219.25</u>
Total Current Assets		<u>1,250,375.32</u>	<u>1,162,961.86</u>
PROPERTY AND EQUIPMENT:			
Equipment	1500	29,120.35	23,906.06
Accumulated Depreciation	1550	(23,434.14)	(21,149.65)
Total Property and Equipment		<u>5,686.21</u>	<u>2,756.41</u>
TOTAL ASSETS		<u>\$ 1,256,061.53</u>	<u>\$ 1,165,718.27</u>
LIABILITIES AND EQUITY			
	ACCT #	2014	2013
CURRENT LIABILITIES:			
Accounts Payable	2000	\$ 4,258.90	\$ 3,360.55
Payroll Liabilities*	2200	(2,668.75)	210.00
CalPers 457 Liability*	2205	(2,523.26)	-
Direct Deposit Liability*	2210	(7,671.27)	-
Accrued Leave	2220	49,313.85	44,378.66
Post Retirement (GASB 45)	2230	9,968.00	9,084.00
Total Current Liabilities		<u>50,677.47</u>	<u>57,033.21</u>
Total Liabilities		<u>50,677.47</u>	<u>57,033.21</u>
EQUITY:			
Invested in Capital Assets	3700	5,686.21	2,756.41
Encumbered Funds	3710	14,681.90	6,895.00
Reserve for Litigation	3800	300,036.51	300,036.51
Reserve for Contingency	3810	156,779.00	156,779.00
Unreserved Fund**	3850	728,200.44	642,218.14
Total Equity		<u>1,205,384.06</u>	<u>1,108,685.06</u>
TOTAL LIABILITIES AND EQUITY		<u>\$ 1,256,061.53</u>	<u>\$ 1,165,718.27</u>

*Negative balances due to payroll direct deposits occurring on 12/31/14, for payroll dated 1/2/15

**Includes revenue received in the current year to be used for operating expenses through 6/30/15

LAFCO of Monterey County
Income and Expense Budget Performance - Summary
December 31, 2014

ACCT #	Income:	Dec 14	Dec 13	% of Budget Received/Spent		July 14-Dec 14	July 13-Dec 13	Adopted 14/15 Budget	Remaining Budget Balance	% of Remaining Budget Balance
				Dec 14	July 14-Dec 14					
4000	Fees: Project	\$ -	\$ -	0.00%	\$ 6,550.00	\$ 9,446.47	\$ 10,000.00	\$ (3,450.00)	-34.50%	
4205	County Contributions	-	-	0.00%	249,367.00	250,164.00	249,367.00	-	0.00%	
4210	City Contributions	-	-	0.00%	249,366.99	250,164.01	249,367.00	(0.01)	0.00%	
4220	District Contributions	-	-	0.00%	249,367.00	250,166.00	249,366.00	1.00	0.00%	
4300	Interest	0.59	-	0.04%	1,123.44	870.57	1,500.00	(376.56)	-25.10%	
	Total Income	0.59	-	0.00%	755,774.43	760,811.05	759,600.00	(3,825.57)	-0.50%	
	Expense:									
VAR	Employee Salaries	34,473.58	28,096.09	8.23%	190,352.54	182,582.17	419,000.00	228,647.46	54.57%	
VAR	Employee Benefits	14,727.48	12,436.99	7.96%	70,849.39	74,392.34	185,000.00	114,150.61	61.70%	
7000	Postage and Shipping	158.77	158.77	5.29%	757.92	878.09	3,000.00	2,242.08	74.74%	
7010	Books and Periodical	-	60.00	0.00%	651.01	766.28	1,000.00	348.99	34.90%	
7030	Copy Machine	315.70	1,122.01	4.86%	3,097.19	2,670.95	6,500.00	3,402.81	52.35%	
7040	Outside Printers	411.41	-	8.23%	1,668.21	1,972.28	5,000.00	3,331.79	66.64%	
7060	Office Supplies	250.51	904.92	5.57%	1,530.83	2,902.76	4,500.00	2,969.17	65.98%	
7080	Computer Hardware/Peripherals	171.16	-	6.85%	1,011.17	-	2,500.00	1,488.83	59.55%	
7085	Computer Support Svcs Fixed Costs	667.00	628.67	8.89%	667.00	2,529.68	7,500.00	6,833.00	91.11%	
7090	Computer Support Svcs Variable Costs	1,260.00	1,352.00	21.00%	1,260.00	2,202.00	6,000.00	4,740.00	79.00%	
7100	Computer Software	69.99	-	0.00%	331.91	-	500.00	168.09	33.62%	
7105	Meeting Broadcast Services	-	-	0.00%	-	-	3,300.00	3,300.00	100.00%	
7110	Property and Gen Liability Insurance	422.30	341.14	7.97%	2,533.80	2,046.84	5,300.00	2,766.20	52.19%	
7120	Office Maintenance Services	-	-	0.00%	-	-	400.00	400.00	100.00%	
7140	Travel	457.90	206.10	6.54%	2,809.73	6,042.47	7,000.00	4,190.27	59.86%	
7150	Training, Conferences & Workshops	160.24	-	1.89%	2,422.52	4,465.31	8,500.00	6,077.48	71.50%	
7160	Vehicle Mileage	447.27	-	22.36%	447.27	1,036.50	2,000.00	1,552.73	77.64%	
7170	Rental of Buildings	1,926.28	1,926.28	8.27%	11,557.68	11,557.68	23,300.00	11,742.32	50.40%	
7200	Telephone Communications	443.09	479.74	7.38%	3,058.21	2,638.23	6,000.00	2,941.79	49.03%	
7230	Temporary Help Services (Clerical)	-	720.35	0.00%	-	720.35	7,000.00	7,000.00	100.00%	
7242	Outside Prof. Services: Accounting	3,000.00	3,000.00	8.00%	15,000.00	15,900.00	37,500.00	22,500.00	60.00%	
7245	General and Special Legal Services	311.22	470.28	4.79%	518.70	1,196.46	6,500.00	5,981.30	92.02%	
7248	Outside Prof. Services: Annual Audit	-	-	0.00%	13,000.00	13,000.00	13,000.00	-	0.00%	
7250	Miscellaneous Office Expense	19.30	53.38	3.22%	248.36	548.47	600.00	351.64	58.61%	
7260	Legal Notices	-	-	0.00%	855.47	961.49	4,000.00	3,144.53	78.61%	
7280	LAFCO Memberships	-	-	0.00%	4,239.00	4,116.00	4,700.00	461.00	9.81%	
7285	Records Storage & Security	1,582.00	294.13	15.82%	7,394.00	5,000.00	10,000.00	2,606.00	26.06%	
7300	Depreciation	231.00	117.00	0.00%	1,395.00	698.00	-	(1,395.00)	0.00%	
	Total Expense	61,506.20	52,367.85	7.89%	337,656.91	340,824.35	779,600.00	441,943.09	56.69%	
	Net Ordinary Income (Loss)	(61,505.61)	(52,367.85)		418,117.52	419,986.70	(20,000.00)			
	Other Income/(Expense):									
8106	Prior Year Project Fees Returned	-	-	-	-	(3,100.00)	-	-	-	
8107	Use of Contingency Reserve	-	-	-	-	(13,221.00)	-	-	-	
8110	From Unreserved Funds	-	-	-	-	-	20,000.00	-	-	
8112	Encumbered Funds: Recruitment Advertising	-	-	-	(862.50)	-	-	-	-	
	Total Other Income/(Expense)	-	-		(862.50)	(16,321.00)	20,000.00			
	Net Income (Loss)	\$ (61,505.61)	\$ (52,367.85)		\$ 417,255.02	\$ 403,665.70	\$ -			

**LAFCO of Monterey County
Income and Expense Budget Performance - Detail
December 31, 2014**

ACCT #	Income:	% of Budget Received/Spent				Adopted 14/15 Budget	Remaining Budget Balance	% of Remaining Budget Balance	
		Dec 14	Dec 13	Dec 14	Dec 14				
4000	Fees: Project	\$ -	\$ -	0.00%	\$ 6,550.00	\$ 9,446.47	\$ 10,000.00	\$ (3,450.00)	-34.50%
4205	County Contributions	-	-	0.00%	249,367.00	250,164.00	249,367.00	-	0.00%
4210	City Contributions	-	-	0.00%	249,366.99	250,164.01	249,367.00	(0.01)	0.00%
4220	District Contributions	-	-	0.00%	249,367.00	250,166.00	249,366.00	1.00	0.00%
4300	Interest	0.59	-	0.04%	1,123.44	870.57	1,500.00	(376.56)	-25.10%
	Total Income	0.59	-	0.00%	755,774.43	760,811.05	759,600.00	(3,825.57)	-0.50%
	Expense:								
6000	Employee Salaries-Other	34,473.58	28,096.09		190,352.54	178,582.16	4,000.01		
6002	Regular Earnings	34,473.58	28,096.09	8.23%	190,352.54	182,582.17	419,000.00	228,647.46	54.57%
	Employee Salaries	270.06	270.06		1,620.36	1,635.01			
6006	Flex Plan Cash	50.00	50.00		300.00	300.00			
6007	Management Expense Allowance	2,744.34	1,505.50		9,313.71	(22,621.94)			
6010	Accrued Leave	400.00	400.00		2,400.00	2,400.00			
6011	Car Allowance	533.72	435.83		3,148.96	3,655.18			
6101	Payroll Expenses	129.33	616.66		776.00	3,977.17			
6102	Worker's Compensation Insurance				718.00	718.00			
6103	Employee Memberships				11,003.98	11,072.04			
6104	Deferred Comp Plan Contribution	2,137.36	1,741.95		18,155.56	20,748.81			
6105	PERS Retirement	17.61	15.23		87.83	81.57			
6110	PERS Health - Other	595.00	575.00		3,094.00	3,105.00			
6111	PERS Health - Med ER Non-Elective	3,355.13	2,778.77		15,478.14	16,797.75			
6112	PERS Health - Med ER Pre Tax	71.40	95.20		428.40	547.40			
6131	LIFE	12.00	16.00		72.00	92.00			
6132	ADD	440.11	388.12		2,165.86	2,314.00			
6133	Dental	50.84	45.67		249.04	267.12			
6134	Vision	227.23	223.31		1,382.98	1,303.11			
6135	LTD	26.80	26.80		160.80	160.80			
6136	EAP	48.12	47.11		293.77	271.36			
6139	STD								
7294	Accrued Leave Reserve					27,567.96			
7000	Employee Benefits	14,727.48	12,436.99	7.96%	70,849.39	74,392.34	185,000.00	114,150.61	61.70%
7010	Postage and Shipping	158.77	158.77	5.29%	757.92	878.09	3,000.00	2,242.08	74.74%
7010	Books and Periodical	60.00	60.00	0.00%	651.01	766.28	1,000.00	348.99	34.90%
7030	Copy Machine	315.70	1,122.01	4.86%	3,097.19	2,670.95	6,500.00	3,402.81	52.35%
7040	Outside Printers	411.41	-	8.23%	1,668.21	1,972.28	5,000.00	3,331.79	66.64%
7060	Office Supplies	250.51	904.92	5.57%	1,530.83	2,902.76	4,500.00	2,969.17	65.98%
7080	Computer Hardware/Peripherals	171.16	-	6.85%	1,011.17	-	2,500.00	1,488.83	59.55%
7085	Computer Support Svcs Fixed Costs	667.00	628.67	8.89%	667.00	2,529.68	7,500.00	6,833.00	91.11%
7090	Computer Support Svcs Variable Costs	1,260.00	1,352.00	21.00%	1,260.00	2,202.00	6,000.00	4,740.00	79.00%
7100	Computer Software	69.99	-	14.00%	331.91	-	500.00	168.09	33.62%
7105	Meeting Broadcast Services						3,300.00	3,300.00	100.00%
7110	Property and Gen Liability Insurance	422.30	341.14	7.97%	2,533.80	2,046.84	4,000.00	400.00	100.00%
7120	Office Maintenance Services						7,000.00	7,000.00	100.00%
7140	Travel	457.90	206.10	0.00%	2,809.73	6,042.47	7,000.00	4,190.27	59.86%
7150	Training, Conferences & Workshops	160.24	-	6.54%	2,422.52	4,465.31	8,500.00	6,077.48	71.50%
7160	Vehicle Mileage	447.27	-	1.89%	447.27	1,036.50	2,000.00	1,552.73	77.64%
7170	Rental of Buildings	1,926.28	1,926.28	22.36%	11,557.68	11,557.68	23,300.00	11,742.32	50.40%
7200	Telephone Communications	443.09	479.74	8.27%	3,058.21	2,638.23	6,000.00	2,941.79	49.03%
7230	Temporary Help Services (Clerical)	720.35	720.35	0.00%	15,000.00	15,900.00	37,500.00	22,500.00	60.00%
7242	Outside Prof. Services: Accounting	3,000.00	3,000.00	8.00%	518.70	1,196.46	6,500.00	7,000.00	100.00%
7245	General and Special Legal Services	311.22	470.28	4.79%	13,000.00	13,000.00	13,000.00	-	0.00%
7248	Outside Prof. Services: Annual Audit	19.30	53.38	0.00%	248.36	548.47	600.00	351.64	58.61%
7260	Miscellaneous Office Expense	-	-	0.00%	855.47	961.49	4,000.00	3,144.53	78.61%
7280	Legal Notices	-	-	0.00%	4,239.00	4,116.00	4,700.00	461.00	9.81%
7285	Records Storage & Security	1,582.00	294.13	0.00%	7,394.00	5,000.00	10,000.00	2,606.00	26.06%
7300	Depreciation	231.00	117.00	15.82%	1,395.00	698.00	-	(1,395.00)	0.00%
	Total Expense	61,506.20	52,367.85	7.89%	337,656.91	340,824.35	779,600.00	441,943.09	56.69%
	Net Ordinary Income (Loss)	(61,505.61)	(52,367.85)		418,117.52	419,986.70	(20,000.00)		
	Other Income/(Expense):								
8106	Prior Year Project Fees Returned	-	-	-	-	-	(3,100.00)	-	-
8107	Use of Contingency Reserve	-	-	-	-	-	(13,221.00)	-	-
8110	From Unreserved Funds	-	-	-	-	-	20,000.00	-	-
8112	Encumbered Funds: Recruitment Advertising	-	-	-	(862.50)	-	-	-	-
	Total Other Income/(Expense)	-	-	-	(862.50)	(16,321.00)	20,000.00	(1,395.00)	-0.16%
	Net Income (Loss)	\$(61,505.61)	\$(52,367.85)		\$ 417,255.02	\$ 403,665.70	\$ -		

LAFCO of Monterey County
Income and Expense by Month
December 31, 2014

	July 14	Aug 14	Sept 14	Oct 14	Nov 14	Dec 14	Total
Ordinary Income/Expense							
Income:							
4000 - Fees: Project	249,367.00	3,750.00	3,000.00	(200.00)	-	-	6,550.00
4205 - County Contributions	249,366.99	-	-	-	-	-	249,367.00
4210 - City Contributions	249,367.00	-	-	-	-	-	249,366.99
4220 - District Contributions	-	-	-	-	-	-	249,367.00
4300 - Interest	-	-	1,122.75	-	0.10	0.59	1,123.44
Total Income	748,100.99	3,750.00	3,000.00	922.75	0.10	0.59	755,774.43
Expense:							
6000 - Employee Salaries	25,950.44	40,423.04	28,666.50	30,495.45	30,343.53	34,473.58	190,352.54
6100 - Employee Benefits	9,191.20	11,605.38	9,933.32	11,400.70	13,991.31	14,727.48	70,849.39
7000 - Postage and Shipping	-	39.83	158.77	372.84	27.71	158.77	757.92
7010 - Books and Periodical	238.00	161.32	161.32	-	251.69	-	651.01
7030 - Copy Machine	315.70	315.70	315.70	315.70	966.21	315.70	3,097.19
7040 - Outside Printers	-	868.18	-	-	443.11	411.41	1,668.21
7060 - Office Supplies	92.57	448.85	567.74	813.69	171.16	250.51	1,530.83
7080 - Computer Hardware/Peripherals	155.37	171.16	171.16	171.16	171.16	171.16	1,011.17
7085 - Computer Support Svcs Fixed Costs	-	-	-	-	-	667.00	667.00
7090 - Computer Support Svcs Variable Costs	-	-	-	-	-	1,260.00	1,260.00
7100 - Computer Software	81.95	79.98	-	99.99	-	69.99	331.91
7110 - Property and Gen Liability Insurance	422.30	422.30	422.30	422.30	422.30	422.30	2,533.80
7140 - Travel	-	-	-	2,351.83	-	457.90	2,809.73
7150 - Training, Conferences & Workshops	-	80.12	-	2,182.16	-	160.24	2,422.52
7160 - Vehicle Mileage	-	-	-	-	-	447.27	447.27
7170 - Rental of Buildings	1,926.28	1,926.28	1,926.28	1,926.28	1,926.28	1,926.28	11,557.68
7200 - Telephone Communications	149.36	1,546.97	427.50	341.51	149.78	443.09	3,058.21
7242 - Outside Prof. Services: Accounting	-	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	15,000.00
7245 - General and Special Legal Services	-	-	5,000.00	207.48	-	311.22	5,187.70
7248 - Outside Prof. Services: Annual Audit	-	20.75	19.46	11.00	-	-	13,000.00
7250 - Miscellaneous Office Expense	12.00	-	236.25	-	165.85	19.30	248.36
7260 - Legal Notices	-	-	-	-	619.22	-	855.47
7280 - LAFCO Memberships	3,158.00	-	-	1,081.00	-	-	4,239.00
7285 - Records Storage & Security	1,152.00	592.00	1,154.00	1,496.00	1,418.00	1,582.00	7,394.00
7300 - Depreciation	232.00	235.00	231.00	233.00	233.00	231.00	1,395.00
8112 - Encumbered Funds: Recruitment Advertising	575.00	-	180.00	107.50	-	-	862.50
Total Expense	43,652.17	61,459.84	52,571.30	57,029.59	62,300.31	61,506.20	338,519.41
Net Income/(Loss)	\$ 704,448.82	\$ (57,709.84)	\$ (49,571.30)	\$ (56,106.84)	\$ (62,300.21)	\$ (61,505.61)	\$ 417,255.02

**LAFCO of Monterey County
Accounts Receivable Summary
As of December 31, 2014**

Accounts Receivable-For Fiscal Year Ending 6/2015:

<u>Description</u>	<u>Date</u>	<u>Amount</u>
Monterey Co. Resource Conservation	7/1/14	<u>\$ 9.00</u>
	ACCT # 1227	<u><u>\$ 9.00</u></u>

Draft

**LAFCO of Monterey County
Equipment Summary
As of December 31, 2014**

Equipment and Accumulated Depreciation:

Description	Date In Service	Cost	Amount Depreciated
Computer Equipment	10/24/2005	\$ 6,749.91	\$ 6,749.91
Dell Computer System	6/1/2006	2,268.22	2,268.22
Credenza	9/1/2006	516.20	516.20
Computer Equipment	9/20/2006	3,120.20	3,120.20
Bill Quick Basic Software	8/17/2007	565.00	565.00
Adobe Systems, Inc. Software	1/18/2008	399.00	399.00
HP Compaq DC 9700 Computer	6/23/2009	975.49	975.49
Microsoft Office Pro 2010 Software	6/30/2010	2,041.24	2,041.24
Acrobat V.9 Computer Software	6/30/2010	445.88	445.88
Ergonomic Chair	6/29/2010	502.51	394.00
ThinkPad W510 Laptop	6/30/2010	2,146.73	2,048.00
SNAP OUT Telephone System	7/28/2010	2,185.00	1,693.00
Apple Mbair 13.3 CTO Laptop	6/14/2013	1,990.68	1,083.00
Microsoft Office Plus 2013 Software	6/16/2014	1,412.00	275.00
Adobe Acrobat XI Pro Software	6/16/2014	1,128.00	219.00
Apple Mbair 13.3 CTO Laptop	6/27/2014	1,914.35	459.00
Acer Aspire V5 Touchscreen Laptop	6/30/2014	759.94	182.00
	ACCT # 1500	\$ 29,120.35	
		ACCT # 1550	\$ 23,434.14

**LAFCO of Monterey County
Accounts Payable Summary
As of December 31, 2014**

Accounts Payable:

Vendor	Description	Date	Inv#	Amount
AT&T	Telephone Service 11/12/14-12/11/14	11/12/2014	5927945	\$ 148.08
AT&T Mobility	Telephone Service 11/14/14-12/13/14	11/13/2014	287257567904x112114	157.38
Cardmember Service	Telephone Expense, Calafco Hotel Charges, Office Supplies	12/15/2014	x6757	792.93
Corporate Express	Credit on Returned Supplies	6/17/2008	88070801	(43.97)
County of Monterey, Information Technology	Computer Support Services through 10/31/14	12/18/2014	Dept 812 P/E 10/31/14	1,927.00
Office of County Counsel-Co. of Monterey	Legal Services through 11/30/14	12/23/2014	14-000237	311.22
Pitney Bowes	Credit on Returned Supplies	6/8/2014	80000-9090-0108-3804	(721.85)
Pitney Bowes Global Financial Svcs Inc.	Mailing Rental 9/30/14-12/30/14	12/13/2014	7128192-DC14	158.77
Principal Life	January 2015 Benefits: LTD, ADD, STD, Life	12/17/2014	1/1/15-1/31/15	358.75
Quality Water Enterprises, Inc.	Water Stand Rental and Water	12/20/2014	484389	19.30
SlingShot Connections	Temp Services: Jimenez, Alma for W/E 12/14/14	12/17/2014	4940	384.00
SlingShot Connections	Temp Services: Jimenez, Alma for W/E 12/21/14	12/23/2014	4978	176.00
SlingShot Connections	Temp Services: Jimenez, Alma for W/E 12/28/14	12/30/2014	5024	280.00
Staples Advantage	Office Supplies	12/10/2014	3250988154	255.26
Staples Advantage	Office Supplies	12/24/2014	3252138023	56.03
			ACCT # 2000	<u>\$ 4,258.90</u>

Draft

**LAFCO of Monterey County
Accrued Leave Summary
As of December 31, 2014**

Executive Officer and Analyst Positions:

Employee	Title	Total Hours of Accrued Annual Leave *	Hourly Rate	Annual Leave Book Value
Kate McKenna	Executive Director	532.44	80.37	\$ 42,792.20
Darren McBain	Senior Analyst	45.88	43.25	1,984.31
Taven Kinison Brown	Associate Analyst	16.74	37.63	629.93
				\$ 45,406.44

Clerk / Administrative Secretary Position:

Employee	Accrued Sick Leave	Accrued Vacation **	Hourly Rate	Sick Leave Book Value	Vacation Book Value
Gail Lawrence	61.50	57.50	27.91	\$ 1,716.47	\$ 1,604.83

Annual Leave	\$ 45,406.44
Sick Leave	1,716.47
Vacation	1,604.83
Compensatory Time***	586.11
ACCT # 2220	\$ 49,313.85

Executive Officer and Senior Analyst Positions:

* Maximum of 250 or 850 hours of Annual Leave may be accrued. This is a general description of benefits only. Actual benefits are defined in individual employment agreements.

Clerk/Admin Secretary Position:

** Maximum of 260 hours of Accrued Vacation may be accrued. This is a general description of benefits only. Actual benefits are defined in employment agreement.

***Compensatory time: Overtime eligible employees can accrue compensatory time-off in lieu of overtime payments. A maximum of 80 hours of compensatory time may be accrued. The compensatory time off balances are considered current year liabilities. These benefits are a general description only.

**LAFCO of Monterey County
Detail of Encumbrances
As of December 31, 2014**

Encumbered Funds:

Subject	Date Paid/ Inv. No.	Funds Received/(Paid)
Human Resources Encumbered Funds:		
Contract Transfer*		\$ 3,460.00
06-07 Budget Carryover		5,000.00
Fenton & Keller	10/04/07 Inv No. 60042	(1,233.00)
Fenton & Keller	4/30/07 Inv. No. 62165	(2,764.50)
07-08 Budget Carryover		400.00
08-09 Budget Carryover		500.00
09-10 Budget Carryover		500.00
Fenton & Keller	10/27/10 Inv. No. 69698	(467.50)
10-11 Budget Carryover		500.00
11-12 Budget Carryover		500.00
12-13 Budget Carryover		500.00
		<u>6,895.00</u>
Computer Support Svc Variable Encumbered Funds:		
13-14 Budget Carryover		5,470.00
		<u>5,470.00</u>
Recruitment Advertising Encumbered Funds:		
13-14 Budget Carryover		3,179.40
ID Concepts, LLC	7/7/2014	(115.00)
Hardee Investigations	7/15/14 Inv. No. LAFCO-01	(460.00)
Hardee Investigations	9/11/14 Inv. No. LAFCO-02	(180.00)
ID Concepts, LLC	10/3/2014	(107.50)
		<u>2,316.90</u>
	ACCT # 3710	\$ <u>14,681.90</u>

*RGS was replaced by Fenton & Keller in September 2007.

The original contract with RGS was for \$10,000. The balance of \$3,460 was transferred to Fenton & Keller on September 1, 2007.

LAFCO of Monterey County
Detail of Reserve for Litigation Account
As of December 31, 2014

Reserve for Litigation:

Date	Vendor/Description	Invoice #	Amount
	Beginning Balance as of 7/1/08		\$ 18,330.28
7/1/2008	08/09 Budget Amount		25,000.00
8/22/2008	Office of County Counsel-Co. of Monterey	08-000147	(564.69)
8/27/2008	Best, Best & Krieger	582486	(2,713.66)
10/14/2008	Best, Best & Krieger	586916	(390.00) *
2/19/2009	Best, Best & Krieger	596717	(2,106.00) *
3/13/2009	Best, Best & Krieger	598793	(19.50)
3/13/2009	Best, Best & Krieger	599174	(6,907.12) *
4/22/2009	Best, Best & Krieger	601472	(156.00)
5/26/2009	Best, Best & Krieger	603629	(175.50)
7/1/2009	09/10 Budget Amount		10,000.00
10/15/2009	Best, Best & Krieger	614071	(312.00)
7/1/2010	10/11 Budget Amount		30,000.00
6/30/2011	Transfer from Unreserved Fund		174,950.70
7/1/2011	11/12 Budget Amount		30,000.00
7/1/2012	12/13 Budget Amount		25,000.00
7/1/2013	13/14 Budget Amount		100.00
		ACCT # 3800	\$ <u>300,036.51</u>

*The original invoice is greater than the amount stated above. This is the amount allocated to the litigation reserve. The remaining balance is allocated to general and special legal services.

**LAFCO of Monterey County
Detail of Reserve for Contingency Account
As of December 31, 2014**

Reserve for Contingency:

Date	Vendor/Description	Invoice #	Amount
	Beginning Balance as of 7/1/13		\$ 170,000.00
10/8/2013	Soledad Community Health Care District*		(13,221.00)
		ACCT # 3800	<u>\$ 156,779.00</u>

*The Executive Director of Lafco along with the Commission approved a one time contribution from the Contingency Reserve to go toward the 2013-2014 fees due from Soledad Community Health Care District. This was intended to provide short term relief from hardships of a sudden 200-fold increase as compared to previous years. The original amount invoiced was \$13,722.00. Lafco received payment in the amount of \$501.00.

LAFCO *of Monterey County*

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

**2015
Committee**

Chair
Simón Salinas
County Member

Ralph Rubio
City Member

Graig R. Stephens
Special District Member

DATE: February 13, 2015

TO: Budget and Finance Committee

FROM: Kate McKenna, AICP, Executive Director

SUBJECT: PROFIT/LOSS BUDGET VS. ACTUAL WORKSHEET DATED
JANUARY 30, 2015

SUMMARY OF RECOMMENDATION:

This item is for information only.

Staff

Kate McKenna, AICP
Executive Officer

EXECUTIVE OFFICER'S REPORT:

Enclosed is the most recent Profit and Loss Budget vs. Actual worksheet, dated January 30, 2015.

Expense Account No. 7090 (Computer Support-Variable) costs are higher than planned for this period. This is explained by GIS data and mapping needs for our stepped up volume of Municipal Service Reviews and Sphere of Influence studies. It is likely that the line item will be overspent by the fourth quarter. Any necessary internal adjustments for this or other line items will be discussed with the Budget and Finance Committee in May.

Ms. Stephanie Gonzalez, Hayashi Wayland, will join me in presenting this item.

Respectfully Submitted,



Kate McKenna, AICP,
Executive Officer

Enclosure

132 W. Gabilan Street, #102
Salinas, CA 93901

P. O. Box 1369
Salinas, CA 93902

Voice: 831-754-5838
Fax: 831-754-5831

www.monterey.lafco.ca.gov



HAYASHI | WAYLAND

ACCOUNTANTS' COMPILATION REPORT

**To the Chair and Commissioners
Local Agency Formation Commission
LAFCO of Monterey County
Salinas, California**

We have compiled the accompanying Profit and Loss Actual vs. Budget draft report for the **Local Agency Formation Commission of Monterey County (LAFCO)** as of 2014/2015 fiscal year to date of January 30, 2015. We have not audited or reviewed the financial statement included in the accompanying prescribed form and, accordingly, do not express an opinion or provide any assurance about whether the financial statement is in accordance with accounting principles generally accepted in the United States of America.

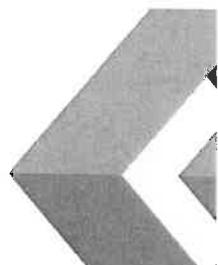
Management is responsible for the preparation and fair presentation of the financial statements included in the form prescribed by LAFCO and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist LAFCO in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

The financial statement included in the accompanying prescribed form is presented in accordance with the requirements of LAFCO, which differ from accounting principles generally accepted in the United States of America. Accordingly, this financial statement is not designed for those who are not informed about such differences.

We are not independent with respect to **LAFCO**.

January 29, 2015



LAFCO of Monterey County
Profit & Loss Budget vs. Actual (DRAFT)
July 1, 2014 through January 30, 2015

	Jul 1, '14 - Jan 30, 15	Budget	\$ Over Budget	% of Budget
Ordinary Income/Expense				
Income				
4000 · Fees	\$ 5,512.97	\$ 10,000.00	\$ (4,487.03)	55.13%
4205 · County Contributions	249,367.00	249,367.00	-	100.0%
4210 · City Contributions	249,366.99	249,367.00	(0.01)	100.0%
4220 · District Contributions	249,367.00	249,366.00	1.00	100.0%
4300 · Interest	1,123.44	1,500.00	(376.56)	74.9%
Total Income	<u>754,737.40</u>	<u>759,600.00</u>	<u>(4,862.60)</u>	<u>99.36%</u>
Expense				
7300 · Depreciation	1,395.00	-	1,395.00	100.0%
6000 · Employee Salaries	236,972.16	419,000.00	(182,027.84)	56.56%
6100 · Employee Benefits	101,227.41	185,000.00	(83,772.59)	54.72%
7000 · Postage and Shipping	757.92	3,000.00	(2,242.08)	25.26%
7010 · Books and Periodical	651.01	1,000.00	(348.99)	65.1%
7030 · Copy Machine	3,412.89	6,500.00	(3,087.11)	52.51%
7040 · Outside Printers	1,668.21	5,000.00	(3,331.79)	33.36%
7060 · Office Supplies	1,599.95	4,500.00	(2,900.05)	35.55%
7070 · Office Equipment and Furnishing	-	-	-	0.0%
7080 · Computer Hardware/Peripherals	1,182.33	2,500.00	(1,317.67)	47.29%
7085 · Computer Support Svc Fixed Cost	667.00	7,500.00	(6,833.00)	8.89%
7090 · Computer Support Svc Variable	4,623.00	6,000.00	(1,377.00)	77.05%
7100 · Computer Software	331.91	500.00	(168.09)	66.38%
7105 · Meeting Broadcast Services	-	3,300.00	(3,300.00)	0.0%
7110 · Property and Gen Liability Ins	2,956.10	5,300.00	(2,343.90)	55.78%
7120 · Office Maintenance Services	-	400.00	(400.00)	0.0%
7140 · Travel	2,809.73	7,000.00	(4,190.27)	40.14%
7150 · Training, Conferences & Wrkshps	2,422.52	8,500.00	(6,077.48)	28.5%
7160 · Vehicle Mileage	447.27	2,000.00	(1,552.73)	22.36%
7170 · Rental of Buildings	13,483.96	23,300.00	(9,816.04)	57.87%
7200 · Telephone Communications	3,517.15	6,000.00	(2,482.85)	58.62%
7230 · Temp Help Services (Clerical)	-	7,000.00	(7,000.00)	0.0%
7242 · Outside Prof Svc-Accounting	18,000.00	37,500.00	(19,500.00)	48.0%
7248 · Outside Prof Svc-Annual Audit	13,000.00	13,000.00	-	100.0%
7245 · General Legal Services	518.70	6,500.00	(5,981.30)	7.98%
7250 · Miscellaneous Office Expense	292.66	600.00	(307.34)	48.78%
7260 · Legal Notices	855.47	4,000.00	(3,144.53)	21.39%
7280 · LAFCO Memberships	4,239.00	4,700.00	(461.00)	90.19%
7285 · Records Storage & Security	7,936.00	10,000.00	(2,064.00)	79.36%
Total Expense	<u>424,967.35</u>	<u>779,600.00</u>	<u>(354,632.65)</u>	<u>54.51%</u>
Net Ordinary Income	<u>329,770.05</u>	<u>(20,000.00)</u>	<u>349,770.05</u>	<u>-1,648.85%</u>
Other Income/Expense				
Other Income				
8130 · Gain/Loss on County Investments	(205.37)	-	(205.37)	100.0%
8110 · From Unreserved Funds	-	20,000.00	(20,000.00)	0.0%
Total Other Income	<u>(205.37)</u>	<u>20,000.00</u>	<u>(20,205.37)</u>	<u>-1.03%</u>
Other Expense				
8100 · Prior Year Encumbered Funds	862.50	-	862.50	100.0%
Total Other Expense	<u>862.50</u>	<u>-</u>	<u>862.50</u>	<u>100.0%</u>
Net Other Income	<u>(1,067.87)</u>	<u>20,000.00</u>	<u>(21,067.87)</u>	<u>-5.34%</u>
Net Income	<u>\$ 328,702.18</u>	<u>\$ -</u>	<u>\$ 328,702.18</u>	<u>100.0%</u>

LAFCO *of Monterey County*

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

DATE: February 13, 2015

TO: Budget and Finance Committee

**2015
Committee**

FROM: Kate McKenna, AICP, Executive Director

Chair
Simón Salinas
County Member

SUBJECT: CALPERS RETIREMENT PLAN – ACTUARIAL REPORT

Ralph Rubio
City Member

SUMMARY OF RECOMMENDATIONS:

Graig R. Stephens
Special District Member

1. Receive report;
2. Discuss options to pay down LAFCO's share of the risk pool's unfunded pension liability;
3. Discuss GASB 68 reporting requirements, and
4. Provide direction.

Staff

Kate McKenna, AICP
Executive Officer

EXECUTIVE OFFICER'S REPORT:

132 W. Gabilan Street, #102
Salinas, CA 93901

Enclosed is the July 30, 2013 actuarial valuation report for LAFCO's CalPERS Retirement Plan. This plan is in a risk pool. Section 1 provides information about future contribution rates of the employer and employees, and LAFCO's unfunded pension liability. Section 2 provides information about the employer risk pool.

P. O. Box 1369
Salinas, CA 93902

Employer Contribution Rate and Employee Required Contributions (Information Only)

Voice: 831-754-5838
Fax: 831-754-5831

LAFCO's employer contribution rate for classic members in FY 2015-16 is 8.512%, and the projected rate for FY 2016-17 is 8.9% (Page 1). Projected rates through FY 2020-2021 (8.9%) are shown on Page 18. These rates are lower than the current year rate (11.52%). The lower rate is partly the result of a pay-off of LAFCO's \$14,621 side-fund liability in 2013. It is mainly the result of a change in what is included in the rate. Effective July 1, 2015, the employer contribution rate will no longer include the employer's share of the pool's unfunded accrued liability. For the first time, the share of unfunded pension liability is identified for individual employers, and will be billed as a separate cost (see below).

www.monterey.lafco.ca.gov

LAFCO pays 0% of employee required contributions to the plan. The employees pay 100% of their required contributions (approximately 7% of salary). LAFCO and its employees began sharing this cost in 2012. Employees picked up the full cost beginning on July 1, 2014. The result is a cost savings to LAFCO.

Unfunded Pension Liability, Payment Options and Fiscal Implications

LAFCO's share of the pool's unfunded pension liability will be \$110,367 as of June 30, 2015

(Page 13). This liability will require total payments of \$288,038 if paid in annual increments over 30 years. The first annual payment would be \$3,958 (Page 18), and future year payments would escalate. LAFCO has the option to pay off this unfunded liability by June 30, 2015, or to pay it down faster. Payment options are listed on Page 13. Beginning in FY 2015-2016, CalPERS will invoice employers for contributions toward the unfunded pension liability (and any side fund liability – not applicable to this LAFCO).

There is considerable interest in paying off the unfunded accrued liability sooner in order to realize savings. It is recommended that the Committee discuss the options and fiscal implications, and provide direction.

Pension Liability Reporting (Government Accounting Standards Board Statement 68)

GASB 68 affects how public agencies report pension liabilities. Beginning with FY 2014-2015, employers will be required to report their net pension liability on their financial balance sheet. CalPERS will provide GASB 68 calculations and notes for employers, at a cost and schedule to be set soon. The Executive Officer will obtain the information for discussion at the next Committee meeting.

Ms. Stephanie Gonzalez, Hayashi Wayland, will assist in presenting this report.

Respectfully Submitted,



Kate McKenna, AICP,
Executive Officer

Enclosure



California Public Employees' Retirement System
Actuarial Office
P.O. Box 942709
Sacramento, CA 94229-2709
TTY: (916) 795-3240
(888) 225-7377 phone – (916) 795-2744 fax
www.calpers.ca.gov

October 2014

**MISCELLANEOUS PLAN OF THE LOCAL AGENCY FORMATION COMMISSION OF
MONTEREY COUNTY
(CalPERS ID: 7449296272)
Annual Valuation Report as of June 30, 2013**

Dear Employer,

As an attachment to this letter, you will find a copy of the June 30, 2013 actuarial valuation report of your pension plan. Because this plan is in a risk pool and the CalPERS Board approved structural changes to risk pooling on May 21, 2014 you will notice some changes between your last actuarial report and this one. An overview of the changes to pooling is provided below and we urge you to carefully review the information provided in this report.

Because this plan is in a risk pool, the following valuation report has been separated into two Sections:

- Section 1 contains specific information for your plan, including the development of your pooled employer contributions and projected employer contributions, and
- Section 2 contains the Risk Pool Actuarial Valuation appropriate to your plan, as of June 30, 2013.

Section 2 can be found on the CalPERS website at (www.calpers.ca.gov) then select in order "Employers", "Actuarial, Risk Pooling & GASB 27 Information", "Risk Pooling", "Risk Pool Annual Valuation Reports", then select the appropriate pool report.

Your 2013 actuarial valuation report contains important actuarial information about your pension plan at CalPERS. Your CalPERS staff actuary, whose signature appears in the Actuarial Certification Section on page 1, is available to discuss your report with you after October 31, 2014.

Future Contribution Rates

Fiscal Year	Employer Normal Cost Rate	+	Employer Payment of Unfunded Liability
2015-16	8.512%		\$ 3,958
2016-17 (projected)	8.9%		\$ 4,925

The exhibit above displays the Minimum Employer Contributions, before any cost sharing, for 2015-16 along with estimates of the contributions for 2016-17. The estimated contributions for 2016-17 are based on a projection of the most recent information we have available, including an estimated 18.0 percent investment return for fiscal 2013-14, the impact of the new amortization methods adopted by the CalPERS Board in April 2013 that will impact employer rates for the first time in 2015-16 and new actuarial assumptions adopted by the CalPERS Board in February 2014 that will impact rates for the first time in 2016-17. These new demographic assumptions include a 20-year projected improvement in mortality.

A projection of employer contributions beyond 2016-17 can be found in the Risk Analysis Section of this report, **"Analysis of Future Investment Return Scenarios"**, under a variety of investment return scenarios. Please disregard any projections provided to you in the past. Member contributions, other than cost sharing (whether paid by the employer or the employee), are in addition to the above amounts. The employer contributions in this report do not reflect any cost sharing arrangements you may have with your employees.

The estimate for 2016-17 also assumes that there are no future contract amendments and no liability gains or losses (such as larger than expected pay increases, more retirements than expected, etc.) This is a very important assumption because these gains and losses do occur and can have a significant effect on your contributions. Even for the largest plans or pools, such **gains and losses can impact the employer's contribution rate by one or two percent of payroll or even more** in some less common circumstances. These gains and losses cannot be predicted in advance so the projected employer contributions are estimates. Your actual employer contributions for 2016-17 **will be provided in next year's valuation report.**

Changes since the Prior Year's Valuation

On April 17, 2013, the CalPERS Board of Administration approved a recommendation to change the CalPERS amortization and rate smoothing policies. Beginning with the June 30, 2013 valuations that set the 2015-16 rates, CalPERS will employ an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period. The impact of this new actuarial methodology is reflected in the **"Analysis of Future Investment Return Scenarios"** subsection of the **"Risk Analysis"** section of your report.

On January 1, **2013, the Public Employees' Pension Reform Act of 2013 (PEPRA) took effect.** In addition to creating new retirement formulas for newly hired members PEPRA also effectively closed all existing active risk pools to new employees. As such it is no longer appropriate to assume that the payroll of the risk pools for the classic formulas will continue to grow at 3 percent annually. Funding the promised pension benefits as a percentage of payroll would lead to the underfunding of the plans. In addition the current allocation of the existing unfunded liabilities based on payroll would create equity issues for employers within the risk pools. Furthermore the declining payroll of the classic formula risk pools will lead to unacceptable levels of employer rate volatility.

In order to address these issues the CalPERS Board of Administration approved at their May 21, 2014 meeting structural changes to the risk pools. All pooled plans will be combined into two active pools, one for all miscellaneous groups and one for all safety groups, effective with the 2013 valuations. By combining the pools this way the payroll of the risk pools and the employers within the pools can once again be expected to increase at the assumed 3 percent annual growth. However two important changes are being made which will affect employers.

1. Beginning with FY 2015-16 CalPERS will collect employer contributions toward your unfunded liability and side fund as dollar amounts instead of the prior method of a contribution rate. This change will address the funding issue that would still arise from the declining population of classic formula members. Although employers will be invoiced at the beginning of the fiscal year for their unfunded liability and side fund

payments the plan's normal cost contribution will continue to be collected as a percentage of payroll.

2. **The pool's unfunded liability will be allocated to each individual plan based on the plan's total liability rather than by plan individual payroll.** This will allow employers to track their own unfunded liability and pay it down faster if they choose. The change in the allocation of unfunded liabilities will result in some employers paying more towards their unfunded liability and some paying less.

On January 1, 2013, the Public Employees' Pension Reform Act of 2013 (PEPRA) took effect. The impact of the PEPRA changes are included in the rates and the benefit provision listings of the June 30, 2013 valuation for the 2015-16 rates. For more information on PEPRA, please refer to the CalPERS website.

In 2014 CalPERS completed a 2-year asset liability management study incorporating actuarial assumptions and strategic asset allocation. On February 19, 2014 the CalPERS Board of Administration adopted relatively modest changes to the current asset allocation that will reduce the expected volatility of returns. The adopted asset allocation is expected to have a long-term blended return that continues to support a discount rate assumption of 7.5 percent. The Board also approved several changes to the demographic assumptions that more closely align with actual experience. The most significant of these is mortality improvement to acknowledge the greater life expectancies we are seeing in our membership and expected continued improvements. The new actuarial assumptions will be used to set the FY 2016-17 contribution rates for public agency employers. The increase in liability due to new actuarial assumptions will be calculated in the 2014 actuarial valuation and will be amortized over a 20-year period with a 5-year ramp-up/ramp-down in accordance with Board policy.

Besides the above noted changes, there may also be changes specific to your plan such as contract amendments and funding changes.

Further descriptions of general changes are included in the *"Highlights and Executive Summary"* section and in Appendix A, *"Statement of Actuarial Data, Methods and Assumptions"* of your section 2 report. We understand that you might have a number of questions about these results. While we are very interested in discussing these results with your agency, in the interest of allowing us to give every public agency their result, we ask that, you wait until after October 31 to contact us with actuarial related questions.

If you have other questions, please call our customer contact center at (888) CalPERS or (888-**225-7377**).

Sincerely,



ALAN MILLIGAN
Chief Actuary

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ACTUARIAL VALUATION

as of June 30, 2013

**for the
MISCELLANEOUS PLAN
of the
LOCAL AGENCY FORMATION COMMISSION
OF MONTEREY COUNTY
(CalPERS ID: 7449296272)**

**REQUIRED CONTRIBUTIONS
FOR FISCAL YEAR
July 1, 2015 - June 30, 2016**

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SECTION 1 – PLAN SPECIFIC INFORMATION

SECTION 2 – RISK POOL ACTUARIAL VALUATION INFORMATION

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Section 1

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

**Plan Specific Information
for the
MISCELLANEOUS PLAN
of the
LOCAL AGENCY FORMATION
COMMISSION OF MONTEREY COUNTY**

**(CalPERS ID: 7449296272)
(Rate Plan: 5580)**

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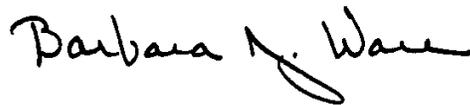
ACTUARIAL CERTIFICATION

Section 1 of this report is based on the member and financial data contained in our records as of June 30, 2013 which was provided by your agency and the benefit provisions under your contract with CalPERS. Section 2 of this report is based on the member and financial data as of June 30, 2013 provided by employers participating in the SAFETY risk pool to which your plan belongs and benefit provisions under the CalPERS contracts for those agencies.

As set forth in Section 2 of this report, the Pool Actuary has certified that, in their opinion, the valuation of the Risk Pool containing your MISCELLANEOUS PLAN has been performed in accordance with generally accepted actuarial principles consistent with standards of practice prescribed by the Actuarial Standards Board, and that the assumptions and methods are internally consistent and reasonable for the Risk Pool as of the date of this valuation and as prescribed by the CalPERS Board of Administration according to provisions set forth in the **California Public Employees' Retirement Law**.

Having relied upon the information set forth in Section 2 of this report and based on the census and benefit provision information for your plan, it is my opinion as your Plan Actuary that the Side Fund and other Unfunded Accrued Liability bases as of June 30, 2013 and employer contribution rate as of July 1, 2015, have been properly and accurately determined in accordance with the principles and standards stated above.

The undersigned is an actuary for CalPERS, who is a member of both the American Academy of Actuaries and Society of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.



BARBARA J. WARE, FSA, MAAA
Enrolled Actuary
Senior Pension Actuary, CalPERS
Plan Actuary

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HIGHLIGHTS AND EXECUTIVE SUMMARY

- **INTRODUCTION**
- **PURPOSE OF SECTION 1**
- **REQUIRED EMPLOYER CONTRIBUTION**
- **PLAN'S FUNDED STATUS**
- **PROJECTED CONTRIBUTIONS**

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Introduction

This report presents the results of the June 30, 2013 actuarial valuation of the MISCELLANEOUS PLAN of the LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY of the **California Public Employees' Retirement System (CalPERS)**. This actuarial valuation was used to set the 2015-16 required employer contribution rates.

On April 17, 2013, the CalPERS Board of Administration approved a recommendation to change the CalPERS amortization and rate smoothing policies. Beginning with the June 30, 2013 valuations that set the 2015-16 rates, CalPERS will employ an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period. The impact of this new actuarial methodology is reflected in the *"Analysis of Future Investment Return Scenarios"* subsection of the *"Risk Analysis"* section of your report.

On January 1, 2013, the Public Employees' Pension Reform Act of 2013 (PEPRA) took effect. In addition to creating new retirement formulas for newly hired members PEPRA also effectively closed all existing active risk pools to new employees. As such it is no longer appropriate to assume that the payroll of the risk pools for the classic formulas will continue to grow at 3 percent annually. Funding the promised pension benefits as a percentage of payroll would lead to the underfunding of the plans. In addition the current allocation of the existing unfunded liabilities based on payroll would create equity issues for employers within the risk pools. Furthermore the declining payroll of the classic formula risk pools will lead to unacceptable levels of employer rate volatility.

In order to address these issues the CalPERS Board of Administration approved at their May 21, 2014 meeting structural changes to the risk pools. All pooled plans will be combined into two active pools, one for all miscellaneous groups and one for all safety groups, effective with the 2013 valuations. By combining the pools this way the payroll of the risk pools and the employers within the pools can once again be expected to increase at the assumed 3 percent annual growth. However two important changes are being made which will affect employers.

1. Beginning with FY 2015-16 CalPERS will collect employer contributions toward your unfunded liability and side fund as dollar amounts instead of the prior method of a contribution rate. This change will address the funding issue that would still arise from the declining population of classic formula members. Although employers will be invoiced at the beginning of the fiscal year for their **unfunded liability and side fund payments the plan's normal cost contribution will continue to** be collected as a percentage of payroll.
2. **The pool's unfunded liability will be allocated to each individual plan based on the plan's total** liability rather than by the plan's individual payroll. This will allow employers to track their own unfunded liability and pay it down faster if they choose. The change in the allocation of unfunded liabilities will result in some employers paying more towards their unfunded liability and some paying less.

The impact of most of the PEPRA changes will first show up in the rates and the benefit provision listings of the June 30, 2013 valuation that sets the contribution rates for the 2015-16 fiscal year. For more detailed information on changes due to PEPRA, please refer to the CalPERS website.

In 2014 CalPERS completed a 2-year asset liability management study incorporating actuarial assumptions and strategic asset allocation. On February 19, 2014 the CalPERS Board of Administration adopted relatively modest changes to the current asset allocation that will reduce the expected volatility of returns (see Appendix). The adopted asset allocation is expected to have a long- term blended return that continues to support a discount rate assumption of 7.5 percent. The Board also approved several changes to the demographic assumptions that more closely align with actual experience. The most significant of these is mortality improvement to acknowledge the greater life expectancies we are seeing in our membership and expected continued improvements. The new actuarial assumptions will be used to set the FY 2016-17 contribution rates for public agency employers. The increase in liability due to new actuarial assumptions will be calculated in the 2014 actuarial valuation and will be amortized over a 20-year period with a 5-year ramp-up/ramp-down in accordance with Board policy.

Purpose of Section 1

This section 1 report for the MISCELLANEOUS PLAN of the LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY of the California Public Employees' Retirement System (CalPERS) was prepared by the Plan Actuary in order to:

- Set forth the assets and accrued liabilities of this plan as of June 30, 2013;
- Determine the required employer contribution for this plan for the fiscal year July 1, 2015 through June 30, 2016;
- Provide actuarial information as of June 30, 2013 to the CalPERS Board of Administration and other interested parties; and
- Provide pension information as of June 30, 2013 to be used in financial reports subject to Governmental Accounting Standards Board (GASB) Statement Number 27 for a Cost Sharing Multiple Employer Defined Benefit Pension Plan.

The use of this report for any other purposes may be inappropriate. In particular, this report does not contain information applicable to alternative benefit costs. The employer should contact their actuary before disseminating any portion of this report for any reason that is not explicitly described above.

California Actuarial Advisory Panel Recommendations

This report includes all the basic disclosure elements as described in the *Model Disclosure Elements for Actuarial Valuation Reports* recommended in 2011 by the California Actuarial Advisory Panel (CAAP), with the exception of including the original base amounts of the various components of the unfunded liability in the Schedule of Amortization Bases shown on page 12.

Additionally, this report includes **the following "Enhanced Risk Disclosures"** also recommended by the CAAP in the Model Disclosure Elements document:

- A **"Deterministic Stress Test,"** projecting future results under different investment income scenarios
- A **"Sensitivity Analysis,"** showing the impact on current valuation results using a 1 percent plus or minus change in the discount rate.

Required Employer Contribution

Actuarially Determined Employer Contributions:	Fiscal Year 2014-15¹	Fiscal Year 2015-16
Employer Contributions (in Projected Dollars)		
Plan's Employer Normal Cost	\$ 21,395	\$ 21,884
Plan's Payment on Amortization Bases	8,772	3,958 ²
Surcharge for Class 1 Benefits ³		
a) FAC 1	1,340	1,392
Phase out of Normal Cost Difference ⁴	0	0
Amortization of Side Fund	0	0
Total Employer Contribution	\$ 31,507	\$ 27,234
Projected Payroll for the Contribution Fiscal Year	\$ 273,453	\$ 273,453
Required Employer Contributions (Percentage of Payroll)		
Plan's Net Employer Normal Cost	7.824%	8.003%
Plan's Payment on Amortization Bases	3.208%	1.447% ²
Surcharge for Class 1 Benefits ³		
a) FAC 1	0.490%	0.509%
Phase out of Normal Cost Difference ⁴	0.000%	0.000%
Amortization of Side Fund	0.000%	0.000%
Total Employer Contribution Rate	11.522%	9.959%

Required Employer Contribution for FY 2015-16	
Employer Contribution Rate⁵	8.512%
Plus Monthly Employer Dollar UAL Payment⁶	\$ 330
Annual Lump Sum Prepayment Option	\$ 3,817
<p><i>For FY 2015-16 the total minimum required employer contribution is the sum of the Plan's Employer Contribution Rate (expressed as a percentage of payroll) plus the Employer Unfunded Accrued Liability (UAL) Contribution Amount (in dollars). Whereas in prior years it was possible to prepay total employer contributions for the fiscal year, beginning with FY 2015-16 and beyond, only the UAL portion of the employer contribution can be prepaid.</i></p>	

¹ The results shown for FY 2014-15 reflect the prior year valuation and do not reflect any lump sum payment, side fund payoff or rate adjustment made after annual valuation report is completed.

² For FY 2015-16 the **Plan's Payment on Amortization Bases** reflects the sum of all UAL amortization bases including the **Plan's Side Fund** (where applicable).

³ Section 2 of this report contains a list of Class 1 benefits and corresponding surcharges for each benefit.

⁴ Risk pooling was implemented for most plans as of June 30, 2003. The normal cost difference was scheduled to be phased out over a five year period. The phase out of normal cost difference is 100 percent for the first year of pooling, and is incrementally reduced by 20 percent of the original normal cost difference for each subsequent year.

⁵ The minimum employer contribution under PEPR is the greater of the required employer contribution or the total employer normal cost.

⁶ **The Plan's Payment on Amortization Bases** Contribution amount for FY 2015-16 will be billed as a level dollar amount monthly over the course of the year. Late payments will accrue interest at an annual rate of 7.5 percent. Lump sum payments may be made through my|CalPERS. Plan Normal Cost contributions will be made as part of the payroll reporting process. As a percentage of payroll your UAL contribution is 1.447 percent.

Plan's Funded Status

	June 30, 2012		June 30, 2013
1. Present Value of Projected Benefits (PVB)	\$ 706,845	\$	762,785
2. Entry Age Normal Accrued Liability	514,167		582,509
3. Plan's Market Value of Assets (MVA)	383,936		473,403
4. Unfunded Liability [(2) - (3)]	130,231		109,106
5. Funded Ratio [(3) / (2)]	74.7%		81.3%

Projected Contributions

The contribution rate and amount shown below is an estimate for the employer contribution for fiscal year 2016-17. The estimated contribution is based on a projection of the most recent information we have available, including an estimate of the investment return for fiscal year 2013-14, namely 18.0 percent. It also reflects implementation of the direct rate smoothing method and the impact of new actuarial assumptions.

Projected Employer Contribution Rate:	8.9%
Projected Plan UAL Contribution	\$ 4,925

The estimate also assumes that there are no liability gains or losses among the plans in your risk pool, that **your plan has no new amendments in the next year, and that your plan's and your risk pool's payrolls both increase exactly 3.0 percent in the 2013-14 fiscal year.** Therefore, the projected employer contribution for 2016-17 is strictly an estimate. Your actual rate for 2016-17 **will be provided in next year's** valuation report. A more detailed analysis of your projected employer contributions over the next five years can be found in the "Risk Analysis" section of this report.

ASSETS AND LIABILITIES

- **DEVELOPMENT OF PLAN'S SHARE OF POOL'S UAL**
- **DEVELOPMENT OF PLAN'S SHARE OF POOL'S MVA**
- **SCHEDULE OF PLAN'S SIDE FUND & OTHER AMORTIZATION BASES**
- **ALTERNATIVE AMORTIZATION SCHEDULES**
- **FUNDING HISTORY**
- **PLAN'S TOTAL NORMAL COST RATE**

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Development of the Plan's Share of Pool's Unfunded Accrued Liability

It is the policy of the CalPERS to ensure equity within the risk pools by allocating the pool's unfunded accrued liability in a manner that treats each employer fairly and that maintains benefit security for the members of the System while minimizing substantial variations in employer contributions. Commencing with the June 30, 2013 actuarial valuations and for purposes of allocating the pool's unfunded accrued liability to all the individual plans within the pool, an individual plan's total unfunded accrued liability (Preliminary Plan UAL) on a specific valuation date will be set equal to the sum of the outstanding unamortized balances on the valuation date for the following:

a) Side Fund		
b) Plan's share of Pool UAL due to benefit changes (including golden handshakes) provided to the members of that plan		
c) Plan's share of the Pool UAL created before the valuation date for reasons other than benefit changes		
1. Plan's Accrued Liability	\$	582,509
2. Plan's Side Fund		0
3. Increase in Plan's AL for amendments in FY 2012-13		0
4. Pool's Accrued Liability	\$	4,434,848,248
5. Sum of Pool's Individual Plan Side Funds		108,339,918
6. Increase in Pool's AL for amendments in FY 2012-13		409,907
7. Pre-2013 Pool's UAL	\$	371,706,237
8. Plan's Share of Pre-2013 Pool's UAL $[(1)-(2)-(3)]/[(4)-(5)-(6)] * (7)$	\$	50,050
9. Pool's 2013 Investment & Asset (Gain)/Loss		442,846,571
10. Pool's 2013 Other (Gain)/Loss		(4,364,079)
11. Plan's Share of Pool's Asset (Gain)/Loss $[(1)-(2)-(3)]/[(4)-(5)-(6)] * (9)$		59,629
12. Plan's Share of Pool's Other (Gain)/Loss $[(1)]/[(4)] * (10)$		(573)
13. Plan's UAL as of 6/30/2013 $[(2)+(8)+(11)+(12)]$	\$	109,106

Development of the Plan's Share of Pool's Market Value of Assets

1. Plan's Accrued Liability	\$	582,509
2. Plan's UAL	\$	109,106
3. Plan's Share of Pool's MVA (1)-(2)	\$	473,403

Schedule of Plan's Side Fund and Other Amortization Bases

There is a two-year lag between the Valuation Date and the Contribution Fiscal Year.

- The assets, liabilities and funded status of the plan are measured as of the valuation date; June 30, 2013.
- The employer contribution determined by the valuation is for the fiscal year beginning two years after the valuation date; fiscal year 2015-16.

This two-year lag is necessary due to the amount of time needed to extract and test the membership and financial data, and due to the need to provide public agencies with their employer contribution well in advance of the start of the fiscal year.

The Unfunded Liability is used to determine the employer contribution and therefore must be rolled forward two years from the valuation date to the first day of the fiscal year for which the contribution is being determined. The Unfunded Liability is rolled forward each year by subtracting the expected Payment on the Unfunded Liability for the fiscal year and adjusting for interest. The Expected Payment on the Unfunded Liability for a fiscal year is equal to the Expected Employer Contribution for the fiscal year minus the Expected Normal Cost for the year. The Employer Contribution Rate for the first fiscal year is determined by the actuarial valuation two years ago and the rate for the second year is from the actuarial valuation one year ago. The Normal Cost Rate for each of the two fiscal years is assumed to be the same as the rate determined by the current valuation. All expected dollar amounts, with the exception of the Side Fund base, are determined by multiplying the rate by the expected payroll for the applicable fiscal year, based on payroll as of the valuation date.

Reason for Base	Date Established	Amortization Period	Balance 6/30/13	Expected Payment 2013-14	Balance 6/30/14	Expected Payment 2014-15	Amounts for Fiscal 2015-16		
							Balance 6/30/15	Scheduled Payment for 2015-16	Payment as Percentage of Payroll
SIDE FUND	06/30/13	3	\$0	\$0	\$0	\$0	\$0	\$0	0.000%
SHARE OF PRE-2013 POOL UAL	06/30/13	22	\$50,050	\$5,810	\$47,780	\$8,915	\$42,120	\$2,998	1.096%
ASSET (GAIN)/LOSS	06/30/13	30	\$59,629	\$0	\$64,101	\$0	\$68,909	\$969	0.354%
NON-ASSET (GAIN)/LOSS	06/30/13	30	\$(573)	\$0	\$(616)	\$0	\$(662)	\$(9)	(0.003%)
TOTAL			\$109,106	\$5,810	\$111,265	\$8,915	\$110,367	\$3,958	1.447%

Commencing with the June 30, 2013 actuarial valuations, the side fund will be treated as a liability as opposed to an asset. Prior to June 30, 2013, a positive side fund conveyed that a public agency had a surplus when risk pooling began June 30, 2003. Conversely, a negative side fund signified that a public agency had an unfunded liability that required elimination through an amortization payment schedule. After June 30, 2013 a positive side fund will signify that an agency has an unfunded liability while a negative side fund will indicate a surplus asset. The amortization schedule will remain unchanged, with the exception that a plan with a negative side fund may have its amortization period extended at the discretion of the plan actuary.

Your plan's allocated share of the risk's pool's unfunded accrued liability is based on your plan's accrued liability and is amortized over the average amortization period of the combined existing amortization bases prior to June 30, 2013. The payments on this base for Fiscal Year 2013-14 and 2014-15 are allocated by your plan's payroll.

The (gain)/loss base is your plan's allocated share of the risk pool's asset gain/loss for the Fiscal Year 2012-13, the change in unfunded accrued liability due to direct rate smoothing and your plan's allocated share of the risk pool's other liability gains and losses for fiscal year 2012-13. This base will be amortized according to Board policy over 30 years with a 5-year ramp-up.

Alternate Amortization Schedules

The amortization schedule shown on the previous page shows the minimum contributions required according to CalPERS amortization policy. There has been considerable interest from many agencies in paying off these unfunded accrued liabilities sooner and the possible savings in doing so. As a result, we have provided alternate amortization schedules to help analyze your current amortization schedule and illustrate the advantages of **accelerating unfunded liability payments towards your plan's unfunded liability of \$110,367** as of June 30, 2015, which will require total payments of \$288,038.

Shown below are the level rate payments required to amortize your plan's unfunded liability assuming a fresh start over the various periods noted. Note that the payments under each scenario would increase by 3 percent for each year into the future.

Period	Level Rate			
	2015-16 Payment	Total Payments	Total Interest	Savings
25	\$ 7,295	\$ 265,970	\$ 155,603	\$ 22,068
20	\$ 8,333	\$ 223,911	\$ 113,544	\$ 64,127

Current CalPERS Board policy calls for lump sum contributions in excess of the required employer contribution shall first be used to eliminate the side fund, if applicable, and then the plan's share of the pool's unfunded accrued liability.

Please contact your plan actuary before making such a payment to ensure that the payment is applied correctly.

Funding History

The Funding History below shows the actuarial accrued liability, the **plan's share of the pool's** market value of assets, **plan's share of the pool's unfunded liability**, funded ratio and the annual covered payroll.

Valuation Date	Accrued Liability (AL)	Share of Pool's Market Value of Assets (MVA)	Plan's Share of Pool's Unfunded Liability	Funded Ratio	Annual Covered Payroll
06/30/2011	\$ 446,659	\$ 350,377	\$ 96,282	78.4%	\$ 249,306
06/30/2012	514,167	383,936	130,231	74.7%	250,248
06/30/2013	582,509	473,403	109,106	81.3%	250,248

Plan's Total Normal Cost Rate

The Public Employees' Pension Reform Act of 2013 requires that new employees pay at least 50 percent of the total annual normal cost and that current employees approach the same goal through collective bargaining. Please refer to the CalPERS website for more details.

Shown below are the total annual normal cost rates for your plan.

	Fiscal Year 2014-15	Fiscal Year 2015-16
Plan's Net Total Normal Cost Rate for 2% @ 55	14.711%	14.894%
Surcharge for Class 1 Benefits		
a) FAC 1	<u>0.490%</u>	<u>0.509%</u>
Plan's Total Normal Cost Rate	15.201%	15.403%

RISK ANALYSIS

- **VOLATILITY RATIOS**
- **PROJECTED EMPLOYER CONTRIBUTIONS**
- **ANALYSIS OF FUTURE INVESTMENT RETURN SCENARIOS**
- **ANALYSIS OF DISCOUNT RATE SENSITIVITY**
- **HYPOTHETICAL TERMINATION LIABILITY**

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Volatility Ratios

The actuarial calculations supplied in this communication are based on a number of assumptions about very long-term demographic and economic behavior. Unless these assumptions (terminations, deaths, disabilities, retirements, salary growth, and investment return) are exactly realized each year, there will be differences on a year-to-year basis. The year-to-year differences between actual experience and the **assumptions are called actuarial gains and losses and serve to lower or raise the employer's rates from one year to the next.** Therefore, the rates will inevitably fluctuate, especially due to the ups and downs of investment returns.

Asset Volatility Ratio (AVR)

Plans that have higher asset to payroll ratios produce more volatile employer rates due to investment return. For example, a plan with an asset to payroll ratio of 8 may experience twice the contribution volatility due to investment return volatility, than a plan with an asset to payroll ratio of 4. Below we have **shown your asset volatility ratio, a measure of the plan's current rate volatility. It should be noted that this ratio is a measure of the current situation. It increases over time but generally tends to stabilize as the plan matures.**

Liability Volatility Ratio (LVR)

Plans that have higher liability to payroll ratios produce more volatile employer rates due to investment return and changes in liability. For example, a plan with a liability to payroll ratio of 8 is expected to have twice the contribution volatility of a plan with a liability to payroll ratio of 4. The liability volatility ratio is also included in the table below. It should be noted that this ratio indicates a longer-term potential for contribution volatility and the asset volatility ratio, described above, will tend to move closer to this ratio as the plan matures.

Rate Volatility	As of June 30, 2013	
1. Market Value of Assets	\$	473,403
2. Payroll		250,248
3. Asset Volatility Ratio (AVR = 1. / 2.)		1.9
4. Accrued Liability	\$	582,509
5. Liability Volatility Ratio (LVR = 4. / 2.)		2.3

Projected Employer Contributions

The estimated rate for 2016-17 is based on a projection of the most recent information we have available, including an estimated 18.0 percent investment return for fiscal 2013-14, the impact of the new smoothing methods adopted by the CalPERS Board in April 2013 that will impact employer rates for the first time in 2015-16 and new actuarial assumptions adopted by the CalPERS Board in February 2014. These new demographic assumptions include a 20-year projected improvement in mortality. A complete listing of the new demographic assumptions to be implemented with the June 30, 2014 annual actuarial valuation and incorporated in the projected rates for FY 2016-17 and beyond can be found on the CalPERS website at: <http://www.calpers.ca.gov/eip-docs/about/pubs/employer/actuarial-assumptions.xls>

The table below shows projected employer contribution rates (before cost sharing) for the next five Fiscal Years, **assuming CalPERS earns 18.0% for fiscal year 2013-14 and 7.50 percent every fiscal year thereafter**, and assuming that all other actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur between now and the beginning of the fiscal year 2016-17.

	New Rate	Projected Future Employer Contribution Rates				
	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Normal Cost %:	8.512%	8.9%	8.9%	8.9%	8.9%	8.9%
UAL \$	\$ 3,958	\$ 4,925	\$ 5,946	\$ 7,024	\$ 8,162	\$ 8,249

Analysis of Future Investment Return Scenarios

In 2014 CalPERS completed a 2-year asset liability management study incorporating actuarial assumptions and strategic asset allocation. On February 19, 2014 the CalPERS Board of Administration adopted relatively modest changes to the current asset allocation that will reduce the expected volatility of returns. The adopted asset allocation is expected to have a long- term blended return that continues to support a discount rate assumption of 7.5 percent. The newly adopted asset allocation has a lower expected investment volatility that will result in better risk characteristics than an equivalent margin for adverse deviation. The current asset allocation has an expected standard deviation of 12.45 percent while the newly adopted asset allocation has a lower expected standard deviation of 11.76 percent.

The investment return for fiscal year 2013-14 was announced July 14, 2014. The investment return in fiscal year 2013-14 is 18.42 percent before administrative expenses. This year, there will be no adjustment for real estate and private equities. For purposes of projecting future employer rates, we are assuming a 18.0 percent investment return for fiscal year 2013-14.

The investment return realized during a fiscal year first affects the contribution rate for the fiscal year 2 years later. Specifically, the investment return for 2013-14 will first be reflected in the June 30, 2014 actuarial valuation that will be used to set the 2016-17 employer contribution rates, the 2014-15 investment return will first be reflected in the June 30, 2015 actuarial valuation that will be used to set the 2017-18 employer contribution rates and so forth.

Based on a 18.0 percent investment return for fiscal year 2013-14, the April 17, 2013 CalPERS Board-approved amortization and rate smoothing method change, the February 18, 2014 new demographic assumptions including 20-year mortality improvement using Scale BB and assuming that all other actuarial assumptions will be realized, and that no further changes to assumptions, contributions, benefits, or funding will occur between now and the beginning of the fiscal year 2016-17, the effect on the 2016-17 Employer Rate is as follows:

	Estimated 2016-17 Employer Contribution	Estimated Increase in Employer Contribution between 2015-16 and 2016-17
Normal Cost %:	8.9%	0.4%
UAL \$	\$ 4,925	\$ 967

As part of this report, a sensitivity analysis was performed to determine the effects of various investment returns during fiscal years 2014-15, 2015-16 and 2016-17 on the 2017-18, 2018-19 and 2019-20 employer rates. Once again, the projected rate increases assume that all other actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur.

Five different investment return scenarios were selected.

- The first scenario is what one would expect if the markets were to give us a 5th percentile return from July 1, 2014 through June 30, 2017. The 5th percentile return corresponds to a -3.8 percent return for each of the 2014-15, 2015-16 and 2016-17 fiscal years.
- The second scenario is what one would expect if the markets were to give us a 25th percentile return from July 1, 2014 through June 30, 2017. The 25th percentile return corresponds to a 2.8 percent return for each of the 2014-15, 2015-16 and 2016-17 fiscal years.
- The third scenario assumed the return for 2014-15, 2015-16, 2016-17 would be our assumed 7.5 percent investment return which represents about a 49th percentile event.
- The fourth scenario is what one would expect if the markets were to give us a 75th percentile return from July 1, 2014 through June 30, 2017. The 75th percentile return corresponds to a 12.0 percent return for each of the 2014-15, 2015-16 and 2016-17 fiscal years.
- Finally, the last scenario is what one would expect if the markets were to give us a 95th percentile return from July 1, 2014 through June 30, 2017. The 95th percentile return corresponds to a 18.9 percent return for each of the 2014-15, 2015-16 and 2016-17 fiscal years.

The table below shows the estimated projected contribution rates and the estimated increases for your plan under the five different scenarios.

2014-17 Investment Return Scenario	Estimated Employer UAL Contribution			Estimated Total Change in Employer UAL Contribution between 2016-17 and 2019-20
	2017-18	2018-19	2019-20	
-3.8% (5th percentile)	\$ 6,949	\$ 10,043	\$ 14,225	\$ 9,300
2.8% (25th percentile)	\$ 6,363	\$ 8,308	\$ 10,795	\$ 5,870
7.5%	\$ 5,946	\$ 7,024	\$ 8,162	\$ 3,237
12.0%(75th percentile)	\$ 5,547	\$ 5,759	\$ 0	\$ (4,925)
18.9%(95th percentile)	\$ 4,934	\$ 0	\$ 0	\$ (4,925)

In addition to the UAL Contribution amounts shown above the estimated employer normal cost of 8.9% of payroll will also be payable in each of the fiscal years shown above. The projected plan normal cost is expected to remain relatively stable over this time period.

Analysis of Discount Rate Sensitivity

The following analysis looks at the 2015-16 employer contributions under two different discount rate scenarios. Shown below are the employer contributions assuming discount rates that are 1 percent lower and 1 percent higher than the current valuation discount rate. This analysis gives an indication of the potential required employer contribution rates if the PERF were to realize investment returns of 6.50 percent or 8.50 percent over the long-term.

This type of analysis gives the reader a sense of the long-term risk to the employer contributions.

2015-16 Employer Contribution			
As of June 30, 2013	6.50% Discount Rate (-1%)	7.50% Discount Rate (assumed rate)	8.50% Discount Rate (+1%)
Plan's Employer Normal Cost	12.0%	8.5%	5.8%
Accrued Liability	\$ 654,402	\$ 582,509	\$ 522,051
Unfunded Accrued Liability	\$ 180,999	\$ 109,106	\$ 48,648

Hypothetical Termination Liability

Below is an estimate of the financial position of your plan if you had terminated your contract with CalPERS as of June 30, 2013 using the discount rates shown below. Your plan liability on a termination basis is **calculated differently compared to the plan's ongoing funding liability**. For this hypothetical termination liability both compensation and service is frozen as of the valuation date and no future pay increases or service accruals are included. In December 2012, the CalPERS Board adopted a more conservative investment policy and asset allocation strategy for the Terminated Agency Pool. Since the Terminated Agency Pool has limited funding sources, expected benefit payments are secured by risk-free assets. With this change, CalPERS increased benefit security for members while limiting its funding risk. This asset allocation has a lower expected rate of return than the PERF. Consequently, the lower discount rate for the Terminated Agency pool results in higher liabilities for terminated plans.

In order to terminate your plan, you must first contact our Retirement Services Contract Unit to initiate a Resolution of Intent to Terminate. The completed Resolution will allow your plan actuary to give you a preliminary termination valuation with a more up-to-date estimate of your plan liabilities. CalPERS advises you to consult with your plan actuary before beginning this process.

Valuation Date	Hypothetical Termination Liability ¹	Market Value of Assets (MVA)	Unfunded Termination Liability	Termination Funded Ratio	Termination Liability Discount Rate ²
06/30/2011	\$ 637,308	\$ 350,377	\$ 286,931	55.0%	\$ 4.82%
06/30/2012	956,195	383,936	572,259	40.2%	2.98%
06/30/2013	951,043	473,403	477,640	49.8%	3.72%

¹ The hypothetical liabilities calculated above include a 7 percent mortality load contingency in accordance with Board policy. Other actuarial assumptions, such as wage and inflation assumptions, can be found in appendix A.

² The discount rate assumption used for termination valuations is a weighted average of the 10 and 30-year US Treasury yields in effect on the valuation date that equal the duration of the pension liabilities. For purposes of this hypothetical termination liability estimate, the discount rate used, is the yield on the 30-year US Treasury Separate Trading of Registered Interest and Principal of Securities (STRIPS). Note that as of June 30, 2014 the 30-year STRIPS rate is 3.55 percent.

Participant Data

The table below shows a summary of **your plan's** member data upon which this valuation is based:

	June 30, 2012	June 30, 2013
Projected Payroll for Contribution Purposes	\$ 273,453	\$ 273,453
Number of Members		
Active	2	2
Transferred	0	0
Separated	1	1
Retired	1	1

List of Class 1 Benefit Provisions

- One Year Final Compensation

Information for Compliance with GASB Statement No. 27 for Cost-Sharing Multiple-Employer Defined Benefit Plan

Disclosure under GASB 27 follows. However, note that effective for financial statements for fiscal years beginning after June 15, 2014, GASB 68 replaces GASB 27. Disclosure required under GASB 68 will require additional reporting. CalPERS is intending to provide GASB 68 disclosure information upon request for an additional fee. We urge you to start discussions with your auditors on how to implement GASB 68.

Your plan is part of the Miscellaneous Risk Pool, a cost-sharing multiple-employer defined benefit plan. Under GASB 27, an employer should recognize annual pension expenditures/expense equal to its contractually required contributions to the plan. Pension liabilities and assets result from the difference between contributions required and contributions made. The contractually required contribution for the period July 1, 2015 to June 30, 2016 has been determined by an actuarial valuation of the plan as of June 30, 2013. Your unadjusted contribution for the indicated period is a normal cost contribution of 8.512 percent of payroll and an unfunded accrued liability dollar amount of \$3,958. In order to calculate the dollar value of the contractually required contributions for inclusion in financial statements prepared as of June 30, 2016, this normal cost contribution rate, less any employee cost sharing, and as modified by any subsequent financing changes or contract amendments for the year, would be multiplied by the payroll of covered employees that was actually paid during the period July 1, 2015 to June 30, 2016 combined with the UAL amount of \$3,958. However, if this contribution is fully prepaid in a lump sum, then the dollar value of contractually required contributions is equal to the lump sum prepayment. The employer and the employer's auditor are responsible for determining the contractually required contributions. Further, the required contributions in dollars and the percentage of that amount contributed for the current year and each of the two preceding years is to be disclosed under GASB 27.

A summary of principal assumptions and methods used to determine the contractually required contributions is shown below for the cost-sharing multiple-employer defined benefit plan.

Valuation Date	June 30, 2013
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Asset Valuation Method	Market Value
Actuarial Assumptions	
Discount Rate	7.50% (net of administrative expenses)
Projected Salary Increases	3.30% to 14.20% depending on Age, Service, and type of employment
Inflation	2.75%
Payroll Growth	3.00%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%.

Complete information on assumptions and methods is provided in Appendix A of the Section 2 report. Appendix B of the Section 2 report contains a description of benefits included in the Risk Pool Actuarial Valuation.

A Schedule of Funding for the Risk Pool's actuarial value of assets, accrued liability, their relationship, and the relationship of the unfunded liability (UL) to payroll for the risk pool(s) to which your plan belongs can be found in Section 2 of the report.

PLAN'S MAJOR BENEFIT OPTIONS

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SECTION 1 – PLAN SPECIFIC INFORMATION FOR THE MISCELLANEOUS PLAN OF THE LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

Plan’s Major Benefit Options

Shown below is a summary of the major optional benefits for which your agency has contracted. A description of principal standard and optional plan provisions is in Appendix B within Section 2 of this report.

Benefit Provision	Contract package	
	Receiving	Active Misc
Benefit Formula		2.0% @ 55
Social Security Coverage		no
Full/Modified		full
Final Average Compensation Period		12 mos.
Sick Leave Credit		yes
Non-Industrial Disability		standard
Industrial Disability		no
Pre-Retirement Death Benefits		
Optional Settlement 2W		yes
1959 Survivor Benefit Level		level 4
Special		no
Alternate (firefighters)		no
Post-Retirement Death Benefits		
Lump Sum	\$500	\$500
Survivor Allowance (PRSA)	no	no
COLA	2%	2%

Section 2

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

**Section 2 may be found on the CalPERS website
(www.calpers.ca.gov) then selecting:**

- **Employers**
- **Actuarial & GASB 27 Information**
- **Risk Pooling**
- **Risk Pool Annual Valuation Report**



Section 2

ACTUARIAL VALUATION

as of June 30, 2013

for CalPERS

MISCELLANEOUS RISK POOL

REQUIRED CONTRIBUTIONS

FOR FISCAL YEAR

July 1, 2015 – June 30, 2016

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ACTUARIAL CERTIFICATION

To the best of our knowledge, this **Section 2** report is complete and accurate and contains sufficient information to disclose, fully and fairly, the funded condition of the **newly joined** Miscellaneous Risk Pools. This valuation is based on the member and financial data as of June 30, 2013 provided by the various CalPERS databases and the benefits under this Risk Pool with CalPERS as of the date this report was produced. In the opinion of the actuaries whose signatures appear below the valuation has been performed in accordance with generally accepted actuarial principles, in accordance with standards of practice prescribed by the Actuarial Standards Board, and that the assumptions and methods are internally consistent and reasonable for this risk pool, as prescribed by the CalPERS Board of Administration according to provisions set forth in the **California Public Employees' Retirement Law**.

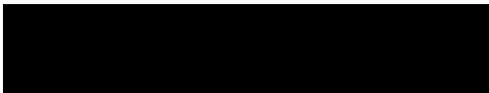
The undersigned are CalPERS staff actuaries who are members of the American Academy of Actuaries and the Society of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.



SHELLY CHU, ASA, MAAA
Senior Pension Actuary, CalPERS
Risk Pool Actuary



KELLY STURM, ASA, MAAA
Senior Pension Actuary, CalPERS
Risk Pool Reviewing Actuary



FRITZIE ARCHULETA, ASA, MAAA
Senior Pension Actuary, CalPERS
Risk Pool Reviewing Actuary

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HIGHLIGHTS AND EXECUTIVE SUMMARY

- **PURPOSE OF SECTION 2**
- **RISK POOL'S REQUIRED EMPLOYER CONTRIBUTION**
- **DEVELOPMENT OF RISK POOL'S EMPLOYER NORMAL COST BY BENEFIT FORMULA**
- **FUNDED STATUS OF THE RISK POOL**
- **COST**
- **CHANGES SINCE THE PRIOR YEAR'S VALUATION**
- **SUBSEQUENT EVENTS**

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Purpose of Section 2

This Actuarial Valuation for the Miscellaneous Risk Pool of the California Public Employees' Retirement System (CalPERS) was performed by CalPERS' staff actuaries using data as of June 30, 2013 in order to:

- Set forth the assets and accrued liabilities of this risk pool as of June 30, 2013
- Determine the required contributions to the risk pool for the fiscal year July 1, 2015 through June 30, 2016
- Provide actuarial information as of June 30, 2013 to the CalPERS Board of Administration and other interested parties

The use of this report for any other purposes may be inappropriate. In particular, this report does not contain information applicable to alternative benefit costs. The employer should contact their actuary before disseminating any portion of this report for any reason that is not explicitly described above.

Risk Pool's Required Employer Contribution

		Fiscal Year 2015-16
1) Contribution in Projected Dollars		
a)	Total Risk Pool's Normal Cost	\$ 349,701,728
b)	Employee Contribution	153,381,565
c)	Risk Pool's Employer Normal Cost [(1a) – (1b)]	\$ 196,320,163
d)	Payment on Risk Pool's Amortization Bases	160,711,302
e)	Total Required Employer Contribution* [(1c)+(1d)]	\$ 357,031,465
	* Total may not add up due to rounding	
2) Normal Cost Contribution as a Percentage of Projected Pay		
a)	Total Risk Pool's Normal Cost	16.758%
b)	Employee Contribution	7.350%
c)	Risk Pool's Employer Normal Cost [(2a) – (2b)]	9.408%

Development of Risk Pool's Employer Normal Cost by Benefit Formula

Benefit Formula	2% at 62	2% at 60	2% at 55	2.5% at 55	2.7% at 55	3% at 60
Normal Cost Contribution as Percentage of Projected Payroll for Fiscal Year 2015-16						
1) Total Employer Normal Cost Base Benefit	6.179%	6.179%	6.179%	6.179%	6.179%	6.179%
2) Class 0 Benefit	0.000%	0.530%	1.824%	2.888%	4.119%	4.886%
3) Class 1 Benefits	0.167%	0.240%	0.610%	0.773%	0.899%	1.193%
4) Expected Employee Contribution	6.308%	6.880%	6.891%	7.942%	7.947%	7.762%
5) Total Normal Cost Contribution [(1)+(2)+(3)+(4)]	12.654%	13.829%	15.504%	17.782%	19.144%	20.020%
6) Employer Normal Cost [(5)-(4)]	6.346%	6.949%	8.613%	9.840%	11.197%	12.258%

The normal costs shown above are averages for the benefit formula listed.

Funded Status of the Risk Pool

	June 30, 2013
1. Present Value of Projected Benefits	\$ 14,197,513,753
2. Entry Age Normal Accrued Liability	\$ 11,805,627,557
3. Market Value of Assets (MVA)	\$ 9,093,458,815
4. Unfunded Liability (MVA Basis) [(2) - (3)]	\$ 2,712,168,742
5. Funded Ratio (MVA Basis) [(3) / (2)]	77.0%

The funded status shown above is the average for all plans in the risk pool. The funded status of your plan can be found in Section 1.

Cost

Actuarial Cost Estimates in General

What will this plan or risk pool cost? Unfortunately, there is no simple answer. There are two major reasons for the complexity of the answer:

First, all actuarial calculations, including those in this report, are based on a number of assumptions about the future. These assumptions can be divided into two categories.

- Demographic assumptions include the percentage of employees that will terminate, die, become disabled, and retire in each future year.
- Economic assumptions include future salary increases for each active employee, and the assumption with the greatest impact, future asset returns at CalPERS for each year into the future until the last dollar is paid to current members of your plan.

While CalPERS has set these assumptions as our best estimate of the real future of your plan, it must be understood that these assumptions are very long term predictors and will surely not be realized in any one year. For example, while the asset earnings at CalPERS have averaged more than the assumed return of 7.5 percent over the past twenty year period ending June 30, 2013, returns for each fiscal year ranged from -24 percent to +21.7 percent.

Second, the very nature of actuarial funding produces the answer to the question of plan or risk pool cost as the sum of two separate pieces:

- The Normal Cost (i.e., the future annual premiums in the absence of surplus or unfunded liability) expressed as a percentage of total active payroll, and
- The Past Service Cost or Accrued Liability (i.e., representing the current value of the benefit for all credited past service of current members) which is expressed as a lump sum dollar amount.

Changes since the Prior Year's Valuation

Actuarial Methods and Assumptions

On April 17, 2013, the CalPERS Board of Administration approved a recommendation to change the CalPERS amortization and rate smoothing policies. Beginning with the June 30, 2013 valuations that set the 2015-16 rates, CalPERS will employ an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period. The new amortization and smoothing policy is used in this valuation.

A change in the calculation of termination with vested benefits liability was made this year to better reflect the retirement experience. After termination with vested benefits, a miscellaneous member is assumed to retire at age 59 and a safety member at age 54 rather than at earliest retirement age. The higher benefit factors at these ages results in a higher liability and an increase in normal cost.

Public Employees' Pension Reform Act of 2013 (PEPRA)

On January 1, 2013, the Public Employees' Pension Reform Act of 2013 (PEPRA) took effect. In addition to creating new retirement formulas for newly hired members, PEPRA also effectively closed all existing active risk pools to new employees. As such, it is no longer appropriate to assume that the payroll of the risk pools for the classic formulas will continue to grow at 3 percent annually. Funding the promised pension benefits as a percentage of payrolls would lead to the underfunding of the plans. In addition the current allocation of the existing unfunded liabilities based on payroll would create equity issues for employers within the risk pools. Furthermore, the declining payroll of the classic formula risk pools will lead to unacceptable levels of employer rate volatility.

In order to address these issues the CalPERS Board of Administration approved at their May 21, 2014 meeting structural changes to the risk pools. All pooled plans will be combined into two active risk pools, one for all miscellaneous groups and one for all safety groups, effective with the 2013 valuations. By combining the risk pools

this way the payroll of the risk pools and the employers within the risk pools can once again be expected to increase at the assumed 3 percent annual growth. This change will allow the continuation of current level percent of payroll amortization schedule. However, two important changes are being made which will affect employers.

Beginning with FY 2015-16, CalPERS will collect employer contributions toward your unfunded liability and side fund as dollar amounts instead of the prior method of a contribution rate. This change will address the funding issue that would still arise from the declining population of classic formula members. Although employers will be invoiced at the beginning of the fiscal year for their unfunded liability and side fund payments, **the plan's normal cost contribution will continue to be collected as a percentage of payroll.**

The risk **pool's unfunded liability will be allocated to each individual plan based on the plan's total liability rather than by the plan's individual payroll.** This will allow employers to track their own unfunded liability and pay it down faster if they choose. The change in the allocation of unfunded liabilities will result in some employers paying more towards their unfunded liability and some paying less.

The impact of most of the PEPRA changes will first show up in the rates and the benefit provision listings of the June 30, 2013 valuation that sets the contribution rates for the 2015-16 fiscal year. For more detailed information on changes due to PEPRA, please refer to the CalPERS website.

Subsequent Events

Actuarial Methods and Assumptions

In 2014 CalPERS completed a 2-year asset liability management study incorporating actuarial assumptions and strategic asset allocation. On February 19 the CalPERS Board of Administration adopted relatively modest changes to the current asset allocation that will reduce the expected volatility of returns (see Appendix). The adopted asset allocation is expected to have a long- term blended return that continues to support a discount rate assumption of 7.5 percent.

The Board also approved several changes to the demographic assumptions that more closely align with actual experience. The most significant of these is mortality improvement to acknowledge the greater life expectancies we are seeing in our membership and expected continued improvements. The new actuarial assumptions will be used to set the FY 2016-17 contribution rates for public agency employers. The increase in liability due to new actuarial assumptions will be calculated in the 2014 actuarial valuation and will be amortized over a 20-year period with a 5-year ramp-up/ramp-down in accordance with Board policy. The impacts of assumption changes for your plan are **included in the "Projected Rates" subsection of the "Risk Analysis" discussion in Section 1 of your actuarial valuation report.**

ASSETS

- **RISK POOL'S MARKET VALUE OF ASSETS**
- **ASSET ALLOCATION**
- **CALPERS HISTORY OF INVESTMENT RETURNS**

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Risk Pool's Market Value of Assets

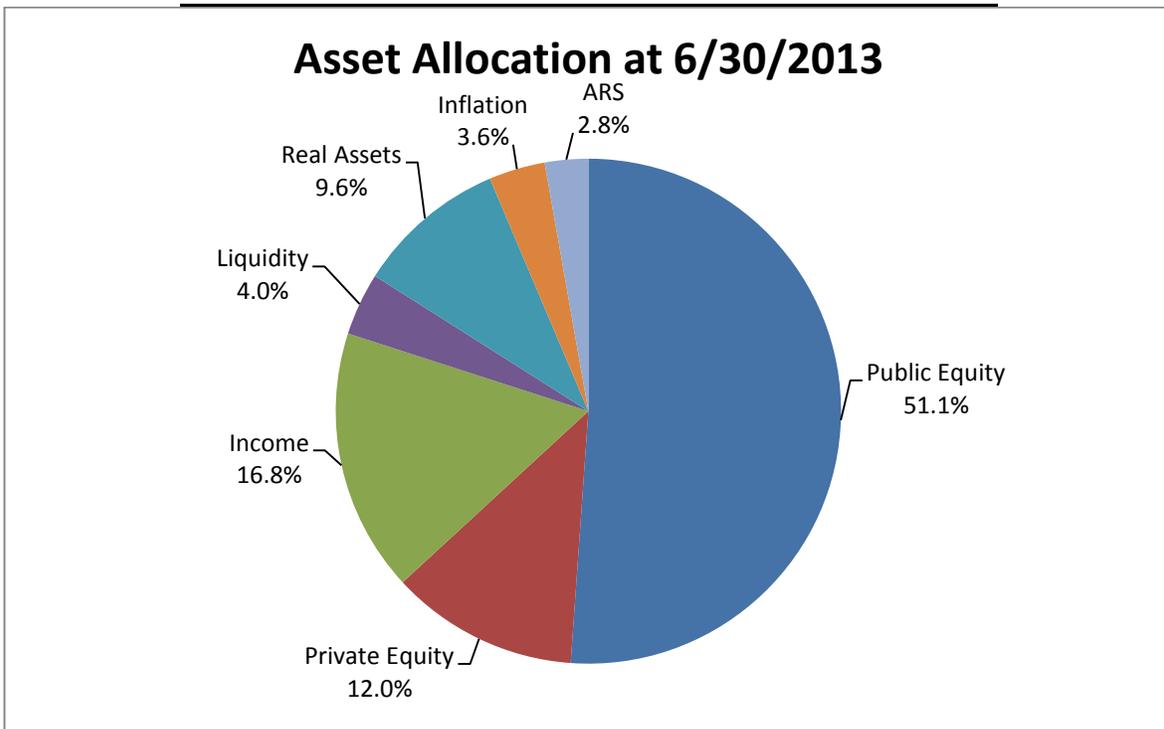
Market Value of Assets as of June 30, 2013 Including Receivables \$ 9,093,458,815

Asset Allocation

CalPERS adheres to an Asset Allocation Strategy which establishes asset class allocation policy targets and ranges, and manages those asset class allocations within their policy ranges. CalPERS recognizes that over 90 percent of the variation in investment returns of a well-diversified pool of assets can typically be attributed to asset allocation decisions. On February 19, 2014 the CalPERS Board of Administration adopted changes to the current asset allocation as shown in the Policy Target Allocation below expressed as percentage of total assets. The asset allocation has an expected long term blended rate of return of 7.5%.

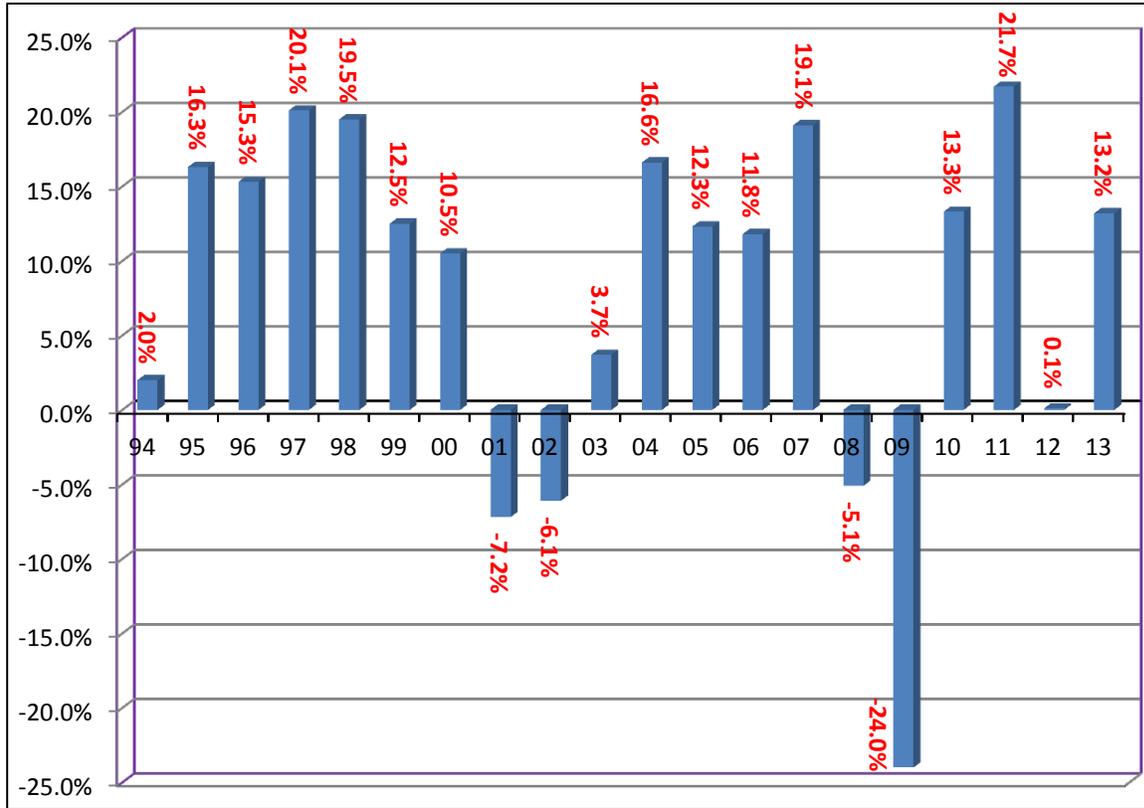
The asset allocation and market value of assets shown below reflect the values of the Public Employees Retirement Fund (PERF) in its entirety as of June 30, 2013. The assets for the risk pool are part of the Public Employees Retirement Fund (PERF) and are invested accordingly.

(A) Asset Class	(B) Market Value (\$ Billion)	(C) Policy Target Allocation
1) Public Equity	133.4	47.0%
2) Private Equity	31.4	12.0%
3) Fixed Income	43.9	19.0%
4) Cash Equivalents	10.5	4.0%
5) Real Assets	25.2	11.0%
6) Inflation Assets	9.4	3.0%
7) Absolute Return Strategy (ARS)	7.2	0.0%
Total Fund	\$261.0	100.0%



CalPERS History of Investment Returns

The following is a chart with the 20-year historical annual returns of the Public Employees Retirement Fund for each fiscal year ending on June 30. Beginning in 2002, the figures are reported as gross of fees.



The table below shows historical geometric mean annual returns of the Public Employees Retirement Fund for each fiscal year ending on June 30, 2013, (figures are reported as gross of fees). The geometric mean rate of return is the average rate per period compounded over multiple periods. It should be recognized that in any given year the rate of return is volatile. Although the expected rate of return on the recently adopted new asset allocation is 7.5 percent the portfolio has an expected volatility of 11.76 percent per year. Consequently when looking at investment returns it is more instructive to look at returns over longer time horizons.

History of CalPERS Geometric Mean Rates of Return and Volatilities					
	1 year	5 year	10 year	20 year	30 year
Geometric Return	13.2%	3.5%	7.0%	7.6%	9.4%
Volatility	-	17.9%	13.9%	11.8%	11.6%

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LIABILITIES AND RATES

- **DEVELOPMENT OF RISK POOL'S ACCRUED AND UNFUNDED LIABILITIES**
- **DEVELOPMENT OF RISK POOL'S ANNUAL REQUIRED BASE CONTRIBUTION**
- **RISK POOL'S CONTRIBUTION HISTORY**
- **FUNDING HISTORY**

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Development of Risk Pool's Accrued and Unfunded Liabilities

	June 30, 2013
1. Present Value of Projected Benefits	
a) Active Members	\$ 7,105,486,840
b) Transferred Members	881,896,195
c) Separated Members	392,962,999
d) Members and Beneficiaries Receiving Payments	<u>5,817,167,719</u>
e) Total	\$ 14,197,513,753
2. Present Value of Future Employer Normal Costs	\$ 1,291,890,320
3. Present Value of Future Employee Contributions	\$ 1,099,999,303
4. Entry Age Normal Accrued Liability	
a) Active Members [(1a) - (2) - (3)]	\$ 4,713,600,644
b) Transferred Members (1b)	881,896,195
c) Separated Members (1c)	392,962,999
d) Members and Beneficiaries Receiving Payments (1d)	<u>5,817,167,719</u>
e) Total	\$ 11,805,627,557
5. Market Value of Assets (MVA) Including Receivables	\$ 9,093,458,815
6. Unfunded Accrued Liability (MVA Basis) [(4e) - (5)]	2,712,168,742
7. Funded Ratio (MVA Basis) [(5) / (4e)]	77.0%

Development of Risk Pool's Annual Required Base Contribution

	Fiscal Year 2015-16
1. Contribution in Projected Dollars	
a) Total Normal Cost	\$ 349,701,728
b) Employee Contribution	153,381,565
c) Risk Pool's Employer Normal Cost [(1a) - (1b)]	196,320,163
d) Payment on Risk Pool's Amortization Bases	<u>160,711,302</u>
e) Total Required Employer Contributions [(1c) + (1d)]	\$ 357,031,465
2. Annual Covered Payroll as of Valuation Date	\$ 1,909,639,449
3. Projected Payroll for Contribution Fiscal Year	\$ 2,086,714,587
4. Normal Cost Contribution as a % of Projected Pay	
a) Total Normal Cost [(1a) / (3)]	16.758%
b) Employee Contribution [(1b) / (3)]	7.350%
c) Risk Pool's Employer Normal Cost [(1c) / (3)]	9.408%

Risk Pool's Contribution History

Fiscal Date	Total Employer Normal Cost	Payment on Risk Pool's Amortization Bases	Total Employer Contribution
06/30/2013	\$196,320,163	\$160,711,302	\$357,031,465

Funding History

Valuation Date	Accrued Liabilities (AL)	Market Value of Assets (MVA)	Unfunded Liabilities (UL)	Funded Ratio (MVA/AL)	Annual Covered Payroll	UL As a % of Payroll
06/30/2013	\$ 11,805,627,557	\$ 9,093,458,815	\$ 2,712,168,742	77.0%	\$ 1,909,639,449	142.0%

Information shown here is for compliance with GASB No. 27 for a cost-sharing multiple-employer defined benefit plan. However, note that beginning next year, GASB 68 will supersede GASB 27. Disclosure required under GASB 68 will require additional reporting which CalPERS intends to provide for an additional cost.

LAFCO *of Monterey County*

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

**2015
Committee**

Chair
Simón Salinas
County Member

Ralph Rubio
City Member

Graig R. Stephens
Special District Member

DATE: February 13, 2015
TO: Budget and Finance Committee
FROM: Kate McKenna, AICP, Executive Officer
SUBJECT: PRELIMINARY DRAFT ANNUAL WORK PROGRAM FOR FY 2015-2016

SUMMARY OF RECOMMENDATION:

Recommend that the Commission conduct a public hearing and adopt the proposed annual work program for Fiscal Year 2015-2016.

Staff

Kate McKenna, AICP
Executive Officer

132 W. Gabilan Street, #102
Salinas, CA 93901

P. O. Box 1369
Salinas, CA 93902

Voice: 831-754-5838
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EXECUTIVE OFFICER'S REPORT:

Enclosed is a preliminary draft work program for FY 2015-2016. The annual work program identifies essential services to accomplish the Commission's legislative purposes, mandates and local priorities. It is organized by six functions: application processing, special studies, government and community relations, Commission and Committee functions, administrative and human resource management, and financial management. The emphasis remains on the cost-efficient delivery of core services in a responsive, professional and legally defensible manner.

A continuing focus is staff's preparation of special studies for districts and cities – Municipal Service Reviews and Sphere of Influence Studies (Page 1). A new feature of these studies is that LAFCO staff now provides educational resources and training about basic State requirements. This educational component was introduced as a staff initiative in January 2015. It is mainly geared to smaller, older districts with limited resources and outdated policies, procedures and practices. Our goal is to help these districts to improve their compliance with current State laws, particularly relating to accountability and transparency. Training is tailored to the needs of each district. This component adds time to the LAFCO study process, but will help our districts perform to the best of their abilities. It is also consistent with the good government purposes of LAFCO.

Staff's other major activity is assisting cities, special districts and the County in preparing and processing applications for boundary changes, formations and reorganizations. A partial list of anticipated items is attached to the work program. Most applications require months or years of informal dialogue and pre-application assistance. The Commission supports this investment of staff time early in the process, and the results are beneficial for all parties.

Indications are that the work program will continue to place a high level of demand on staff resources. Timelines and priorities are flexible to enable staff to address unanticipated needs that may arise during the fiscal year.

Alternative Actions

The Budget and Finance Committee may modify the proposed work program or provide other direction.

Respectfully Submitted,

A handwritten signature in blue ink that reads "Kate McKenna". The signature is fluid and cursive, with the first name "Kate" and last name "McKenna" clearly legible.

Kate McKenna, AICP,
Executive Officer

Enclosure: Exhibit A (Work Program)

LAFCO *of Monterey County*

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

PRELIMINARY WORK PROGRAM

FISCAL YEAR 2015-2016

February 13, 2015

1. APPLICATION PROCESSING FUNCTIONS		
TASK	STATUS	COMMENTS
<p>Process applications for boundary changes in a responsive, professional and efficient manner.</p> <p>(A partial list of potential applications that have been discussed with local government agencies is attached to this Work Program. See Table 1.)</p>	ONGOING	Priority fast-tracking is given to applications for economic development, public health and safety, or other urgent needs.
<p>Provide Commission with legally defensible recommendations and alternatives, and alert to litigation risks, liabilities and alternatives associated with potential actions.</p>	ONGOING	No active or anticipated litigation.

2. SPECIAL STUDIES		
TASK	STATUS	COMMENTS
<p>Prepare Municipal Service Reviews and Sphere of Influence Studies for the following anticipated agencies (See Table 1 for more detail):</p> <p><u>Carry Over as Continued Items from FY 2014-2015 Work Program</u></p> <ul style="list-style-type: none"> • All Cemetery Districts: Gonzales, Soledad, Greenfield, King City, San Lucas, San Ardo, Cholame, and Castroville • Independent special districts that provide water, memorial, and recreation services in the central and south Salinas Valley: San Ardo and San Lucas County Water Districts, Greenfield Memorial District, and Soledad Mission and Greenfield Public Recreation Districts. • Marina Coast Water District • Seaside County Sanitation District • City of Seaside • Salinas Valley Memorial Healthcare System <p><u>Potential New MSR/Sphere Studies to be Initiated in FY 2015-2016</u></p> <ul style="list-style-type: none"> • Spreckels-area independent special districts: Spreckels Community Services District and Spreckels Memorial District. • Recreation districts: Carmel Valley Recreation and Park District, North County Recreation and Park District, and Monterey Peninsula Regional Park District • Formation of a new community services district to serve future development of Ferrini Ranch and other Highway 68-area properties. • Others, as needed 	<p>Varies by district.</p> <p>For smaller, older districts, LAFCO staff is engaging in educational outreach about the basics of State law, as a first step in the study process. This is a new service.</p> <p>All studies will include administrative and public hearing drafts.</p>	<p>Priorities and schedule are flexible to accommodate unanticipated needs and other work program tasks, including the priority processing of applications.</p>

As needed, update and publish LAFCO local agency and resource maps on the LAFCO web site. Also, respond to agency requests for custom mapping of boundary/service information.	ONGOING	
As needed, develop and update local policies, procedures, applications, and flowcharts for Spheres of Influence, annexations, reorganizations, and the creation of cities and districts.	ONGOING	

3. GOVERNMENT AND COMMUNITY RELATIONS		
TASK	STATUS	COMMENTS
Initiate informal meetings to discuss budget and policy issues with Cities, Special Districts, and County, as appropriate.	ONGOING	
Attend meetings as requested by individual Special Districts; attend quarterly Special Districts Association and the Special Districts General Managers' Group meetings; and provide support for the election of Special District LAFCO Members.	ONGOING	
Attend meetings as requested by Cities, the City Managers Group and City Mayors Association, and provide support for the appointment of City Members to LAFCO.	ONGOING	
Attend meetings as requested by the County of Monterey.	ONGOING	
Provide early notice to County, Cities, and Special Districts of issues that may affect them, and opportunities to participate in the LAFCO process.	ONGOING	
Post public information on the LAFCO website and review website layout, graphics, and content for ease of public use.	ONGOING	Website update is underway.
Encourage and provide early LAFCO participation in Sphere of Influence updates, General Plan updates, City-County-District dialogues, and environmental review activities that affect government boundaries & services.	ONGOING	
Participate in regional activities for which LAFCO has indirect or direct responsibilities, as required by State law.	ONGOING	For example, the Senior Analyst will serve on a new water-wastewater technical advisory committee for the Salinas Valley.
Participate in community educational opportunities to promote understanding and dialogue with various sectors of the Monterey County economy.	ONGOING	
Promote Monterey LAFCO's interests in statewide issues through active participation in the California Association of Local Agency Formation Commissions (CALAFCO).	ONGOING	The Commission receives a monthly CALAFCO activities report, and participates in policy, legislative and other issues. Commissioners and staff actively participate in CALAFCO conferences, workshops, and courses.

4. COMMISSION AND COMMITTEE FUNCTIONS		
TASK	STATUS	COMMENTS
Provide support to ten regularly-scheduled Commission meetings, special meetings as needed, and Committee meetings, including the provision of public notices, agenda packets, web meeting broadcasts, and minutes.	ONGOING	
Hold monthly agenda review sessions with Chair and Vice-Chair.	ONGOING	
Conduct new Commissioner orientations, as needed.	ONGOING	
Continue to participate in the CALAFCO legislative process to ensure that local interests are coordinated with policies and activities of the statewide organization. Continue to monitor state legislation. Continue to provide feedback to legislators and CALAFCO as needed. Continue to update local policies and procedures for consistency with approved legislation.	ONGOING	
Provide Commission with regular updates of laws, policies, and procedures.	ONGOING	

5. ADMINISTRATIVE AND HUMAN RESOURCES MANAGEMENT		
TASK	STATUS	COMMENTS
Maintain the LAFCO project tracking system.	ONGOING	
Maintain the staff time keeping, cost tracking, and invoicing systems for applications.	ONGOING	
Comprehensively review and document Policies and Procedures for all LAFCO office functions, including human resources rules and regulations.	IN PROGRESS	
Identify and support staff training needs and opportunities, including professional certification, technical training, and ethics/harassment compliance.	ONGOING	
Implement LAFCO's 2014 Records Management Policy, including conversion of paper records to electronic format. This is a multi-year task.	ONGOING	To date, staff has scanned all 50+ years of meeting minutes and resolutions, has indexed all resolutions, and is scanning all meeting packets.

6. FINANCIAL MANAGEMENT		
TASK	STATUS	COMMENTS
Review and update the project fee schedule and hourly staffing rates, as needed.	ONGOING	No changes needed at this time.
Continue to review existing financial policies and procedures, and prepare new financial policies and procedures as necessary.	ONGOING	No changes needed at this time.
Continue to coordinate with the County Auditor, to obtain annual local agency contributions to LAFCO.	ONGOING	
Complete annual audit for Fiscal Year 2014-2015.	Start August 2015. Complete by December 2015.	
Conduct periodic review of Benefits, Services and Supplies with the goal of continuing to control costs.	ONGOING	
Continue use of a three-year financial forecast to project upcoming needs and to provide the resources to meet these needs.	ONGOING	This tool is for informal use by the Budget & Finance Committee.

Table 1: Partial List of Anticipated Agenda Items as of February 13, 2015Anticipated Agenda Items in the Current Fiscal Year (by June 30, 2015)

1. **Monterey Regional Waste Management District** – Municipal Service Review and Sphere of Influence Study (*Initiated by LAFCO. Public review draft MSR is available for review. Public meeting scheduled for February 23, 2015*).
2. **Pajaro-Sunny Mesa Community Services District** – Municipal Service Review, Sphere of Influence Amendment, and Annexation of former Alisal Water Company (ALCO)-served areas (*MSR Initiated by LAFCO. SOI and annexation application initiated by PSMCSD in December 2014*).
3. **South Monterey County Fire Protection District** – Sphere of Influence Amendment and Annexation of 5,000+ acres in southern Monterey County. (*Application was filed on July 10, 2013. Incomplete status, pending the District-County approval of a property tax transfer agreement*).
4. **Carmel Area Wastewater District** – Municipal Service Review (*Initiated by LAFCO in March 2014*); Sphere of Influence Amendment and Annexation of all or significant portions of the District's existing Sphere of Influence near the mouth of the Carmel Valley and potentially other areas (*Application is being prepared; not yet received*).

Anticipated FY 2015-2016 Agenda Items Carried Over from Current/Previous Work Programs

5. **All Cemetery Districts** – Municipal Service Review and Sphere of Influence Study for Gonzales, Soledad, Greenfield, King City, San Lucas, San Ardo, Cholame, and Castroville Cemetery Districts (*Initiated by LAFCO in December 2014*).
6. Independent special districts that provide **water, memorial, and recreation services in the central and south Salinas Valley** – Municipal Service Review and Sphere of Influence Study for the San Ardo and San Lucas County Water Districts, Greenfield Memorial District, and Soledad Mission and Greenfield Public Recreation Districts. (*Initiated by LAFCO in December 2014*).
7. **Marina Coast Water District**
 - Municipal Service Review (*Initiated by LAFCO. Administrative draft was prepared by LAFCO staff and reviewed with District in 2013. In February 2014, MCWD formed an ad hoc committee to meet with Seaside County Sanitation District to resolve ongoing issues regarding establishment of an appropriate boundary between the two districts. MSR and SOI adoption schedule is dependent on the districts*), and
 - Sphere of Influence Amendment and Annexation of portions of the former Fort Ord, and/or the "Cemex" site, to provide water and wastewater services (*To be initiated by the District. See MSR discussion above*).
8. **Seaside County Sanitation District**
 - Municipal Service Review (*Initiated by LAFCO. Administrative draft MSR was prepared by LAFCO staff and reviewed with District. As of February 2015, SCSD is continuing to coordinate with MCWD to resolve ongoing engineering and feasibility issues, and then will arrange a stakeholders meeting to discuss a proposed Sphere of Influence. MSR and SOI adoption schedule is dependent on the two districts*).
 - Sphere of Influence Amendment and Annexation of portions of the former Fort Ord to Provide Wastewater Services (*To be initiated by District. See MSR discussion and related MCWD item above*).
9. **City of Seaside** – Municipal Service Review (*Will be initiated by LAFCO at such time as warranted by schedule for potential SOI Amendment*); Sphere of Influence Amendment and Annexation of the Proposed Monterey Downs Project, Horse Park and Central Coast Veterans Cemetery (*to be initiated by City*).
10. **Aromas Water District** – Annexation of several parcels within the District's existing Sphere of Influence Amendment, near the recently completed Oak Ridge – Via del Sol annexation (*to be initiated by District*).

11. **City of Soledad** – Sphere of Influence Amendment and Annexation of Miravale IIB Subdivision. Additional potential inclusions: Existing 10-Unit Residential Development Near Gabilan Drive, Front Street freeway interchange safety improvements, 4.35-acre expansion area within the “Soledad Entry Commercial Annexation,” Metz Road bypass, Los Coches Adobe vicinity; possibly others. Municipal Service Review and Sphere of Influence Update will potentially be initiated by LAFCO, if determined necessary depending on the scope of the proposed Sphere Amendment and Annexation.
12. **City of Greenfield** – Potential Commercial/Industrial and Residential Annexation Proposals (Franscioni, Scheid, and others). (*Initial Preliminary Discussion*)
13. **Salinas Valley Memorial Healthcare System** – Municipal Service Review and Sphere of Influence Study (*Initiated by LAFCO in September 2014*)

Anticipated New FY 2015-2016 Agenda Items

14. **Spreckels-area independent special districts** – Municipal Service Review and Sphere of Influence Study for Spreckels Community Services District and Spreckels Memorial District.
15. **Recreation districts** – Municipal Service Review and Sphere of Influence Study for Carmel Valley Recreation and Park District, North County Recreation and Park District, and Monterey Peninsula Regional Park District
16. Potential formation of a **new community services district** to serve future development of Ferrini Ranch and other Highway 68-area properties.
17. **City of Salinas** – proposed Economic Development Element of the City’s General Plan. Review and comment on the City’s environmental document (with LAFCO as a responsible agency under CEQA) and other tasks related to potential future Sphere of Influence Amendments and Annexations to the City of Salinas. A Municipal Service Review update will likely be appropriate.

KATE McKENNA, AICP
Executive Officer

LOCAL AGENCY FORMATION COMMISSION
P.O. Box 1369 132 W. Gabilan Street, Suite 102
Salinas, CA 93902 Salinas, CA 93901
Telephone (831) 754-5838 Fax (831) 754-5831
www.monterey.lafco.ca.gov

DATE: February 13, 2015
TO: Budget and Finance Committee
FROM: Kate McKenna, AICP, Executive Officer
SUBJECT: PRELIMINARY DRAFT ANNUAL BUDGET FOR FY 2015-2016

SUMMARY OF RECOMMENDATION:

Recommend that the Commission conduct a public hearing to consider adoption of the proposed budget.

EXECUTIVE OFFICER'S REPORT:

LAFCO works responsibly to control its costs. The emphasis remains on the cost-efficient delivery of core services in a responsive, professional and legally defensible manner. The core services, and indicators of the anticipated workload for FY 2015-2016, are described in the proposed work program (Agenda Item No. 5). While no significant changes are proposed in the new work program, the demands for some of LAFCO's services – processing applications and preparing Municipal Service Reviews/Sphere of Influence studies, in particular – will continue to make high demands on existing staff resources. By carefully managing these demands, no additional staff resources will be necessary in FY 2015-2016.

Proposed Expenditures

Attached for consideration is a preliminary draft annual budget for FY 2015-2016. The proposed budget (\$848,700) is an 8.8 percent increase as compared to the current year budget (\$779,600). It is also 6.4 percent less than LAFCO's annual budget in FY 2007-2008 (\$903,351).

Total expenditures for Employee Salaries and Benefits (\$640,000) will increase 5.9 percent as compared to the current year budget (\$608,391). The increase is for merit increases/COLAs per employment agreements, for staff retention purposes. It also includes minor increases in some benefit costs. There are no changes to benefits, and no changes to the significant benefit reductions already in effect. Total expenditures for Services and Supplies (\$208,700) will increase 18.8 percent as compared to the current year (\$175,600). The increase (\$33,100) is primarily for part-time, temporary clerical help to support the busy Clerk to the Commission position (\$25,000), and GIS data/mapping for a high volume of Municipal Service Reviews/Sphere of Influence studies.

Proposed Revenue

The primary revenue source is contributions from the County, cities and independent special districts. The proposed share for each of the three groups would be \$269,067 in FY 2015-2016. This is 7.9 percent higher than the current year shares (\$249,367). Proposed revenue includes a contribution of \$30,000 from the Unreserved Fund Balance if necessary at year-end, to reduce the cost share for local agencies.

This would require an exception from Commission policy to not draw down the Unreserved Fund Balance; an exception was also made in the current fiscal year. Proposed revenue also includes minor income from project fees and interest.

Cost share estimates for independent special districts will be available for distribution with the proposed budget, based on a formula updated in May 2014. Cost share estimates for cities will be based on revenue data that becomes available in April or May.

Process and Schedule

The Budget and Finance Committee may change the preliminary budget or provide other direction. Commission hearings are tentatively set for March 30 (to adopt a draft budget and distribute it to local agencies for review and comment), and on April 27 (to adopt a final budget). Local agencies will receive copies of all reports and budgets presented to the Commission. Final cost allocations will be calculated and distributed by the County Auditor Controller's Office by early June.

Respectfully Submitted,



Kate McKenna, AICP
Executive Officer

Enclosure

LAFCO *of Monterey County*

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

PRELIMINARY BUDGET FOR FY 2015-2016

February 13, 2015

Budget and Finance Committee

LAFCO *of Monterey County*

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

SUMMARY OF PROPOSED
EXPENDITURES AND REVENUES
FOR PRELIMINARY FY 2015-2016 BUDGET

February 13, 2015

Budget and Finance Committee

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY
Preliminary Budget Worksheet for FY 2015-2016
February 13, 2015

		Adopted Budget for Fiscal Year 2014-15	Estimated Year-End Expenditures for Fiscal Year 2014-15 (Includes Adopted Budget Amendment No. 1)	Draft Preliminary Budget for Fiscal Year 2015-16
SUMMARY OF PROPOSED EXPENDITURES - FISCAL YEAR 2014-15				
6000	Employee Salaries	\$ 419,000.00	\$ 419,000.00	\$ 445,000.00
6100	Employee Benefits	\$ 185,000.00	\$ 185,000.00	\$ 195,000.00
7000	Postage and Shipping	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00
7010	Books and Periodicals	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00
7030	Copy Machine Charges	\$ 6,500.00	\$ 6,500.00	\$ 6,500.00
7040	Outside Printers	\$ 5,000.00	\$ 5,000.00	\$ 6,000.00
7060	Office Supplies	\$ 4,500.00	\$ 4,500.00	\$ 4,500.00
7070	Office Equipment and Furnishings	\$ -	\$ -	\$ 1,000.00
7080	Computer/Hardware/Peripherals	\$ 2,500.00	\$ 2,500.00	\$ 3,000.00
7085	Computer Support Services (Fixed Costs)	\$ 7,500.00	\$ 7,500.00	\$ 7,500.00
7090	Computer Support Services (Variable Costs)	\$ 6,000.00	\$ 6,000.00	\$ 12,000.00
7100	Computer Software	\$ 500.00	\$ 500.00	\$ 1,000.00
7105	Meeting Broadcast Services	\$ 3,300.00	\$ 3,300.00	\$ 3,300.00
7110	Property and General Liability Insurance	\$ 5,300.00	\$ 5,300.00	\$ 5,300.00
7120	Office Maintenance Services	\$ 400.00	\$ 400.00	\$ 400.00
7130	Other Equipment Maintenance	\$ -	\$ -	\$ -
7140	Travel	\$ 7,000.00	\$ 7,000.00	\$ 7,000.00
7150	Training, Conferences and Workshops	\$ 8,500.00	\$ 8,500.00	\$ 8,500.00
7160	Vehicle Mileage	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00
7170	Rental of Buildings	\$ 23,300.00	\$ 23,300.00	\$ 24,400.00
7200	Telephone Communications	\$ 6,000.00	\$ 6,000.00	\$ 6,000.00
7230	Temporary Help Services (Clerical)	\$ 2,000.00	\$ 7,000.00	\$ 25,000.00
7240	Outside Professional Services - Total for Line Items 7242 - 7249	\$ 62,000.00	\$ 57,000.00	\$ 62,000.00
	7242 Accounting and Financial Services	\$ 37,500.00	\$ 37,500.00	\$ 37,500.00
	7245 General Counsel and Special Counsel	\$ 11,500.00	\$ 6,500.00	\$ 11,000.00
	7247 Human Resources	\$ -	\$ -	\$ -
	7248 Annual Audit	\$ 13,000.00	\$ 13,000.00	\$ 13,500.00
	7249 Temporary Professional Services	\$ -	\$ -	\$ -
7250	Miscellaneous Office Expenses	\$ 600.00	\$ 600.00	\$ 600.00
7260	Legal Notices	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00
7261	Pass-Through Expenses	\$ -	\$ -	\$ -
7270	Recruitment Expenses	\$ -	\$ -	\$ -
7280	LAFCO Memberships	\$ 4,700.00	\$ 4,700.00	\$ 4,700.00
7290	Litigation Reserve	\$ -	\$ -	\$ -
7285	Records Storage and Security	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00
7295	Contingency Reserve (See Note 2)	\$ -	\$ -	\$ -
	SUB TOTAL EXPENDITURES	\$ 779,600.00	\$ 779,600.00	\$ 848,700.00
	LESS PASS-THROUGH EXPENSES (Acct. 7261)	\$ -	\$ -	\$ -
	TOTAL EXPENDITURES (NET)	\$ 779,600.00	\$ 779,600.00	\$ 848,700.00

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY
 PROPOSED BUDGET WORKSHEET
 FISCAL YEAR 2014-2015
 March 24, 2014

PROPOSED REVENUES - FISCAL YEAR 2015-2016			
Revenue	Adopted Budget Revenues for Fiscal Year 2014-15	Estimated Year-End Revenues Fiscal Year 2014-2015	Anticipated Budget Revenues for Fiscal Year 2015-2016
Source:			
4000 - Project Fees - See Note 1	\$ 10,000	\$ 10,000.00	\$ 10,000.00
4001 - Pass-through Fees	\$ -	\$ -	\$ -
4205 - County Contribution	\$ 249,367	\$ 249,367.00	\$ 269,067.00
4210 - City Contributions	\$ 249,367	\$ 249,367.00	\$ 269,067.00
4220 - Independent Special District Contributions	\$ 249,367	\$ 249,367.00	\$ 269,067.00
3810 - Contingency Reserve	\$ -	\$ -	
3850 - Unreserved Fund Balance - Supplement	\$ 20,000	\$ 20,000.00	\$ 30,000.00
4300 - Interest	\$ 1,500	\$ 1,500.00	\$ 1,500.00
SUB TOTAL REVENUES	\$ 779,601	\$ 779,601.00	\$ 848,701.00
LESS PASS-THROUGH INCOME (Acct. 4001)	\$ -	\$ -	\$ -
TOTAL REVENUE (NET)	\$ 779,601	\$ 779,601.00	\$ 848,701.00

NOTE 1 Commission policy is to show anticipated project fees as revenue in the year in which the fees are collected.

LAFCO *of Monterey County*

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

DETAIL OF PROPOSED EXPENDITURES FOR
PRELIMINARY FY 2015-16 BUDGET

February 13, 2015

Budget and Finance Committee

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY
Preliminary Budget Worksheet for FY 2015-2016
February 13, 2015

	Adopted Budget for Fiscal Year 2014-15	Estimated Year-End Expenditures for Fiscal Year 2014-15 (Includes Adopted Budget Amendment No. 1)	Draft Preliminary Budget for Fiscal Year 2015-16
<p>6000 EMPLOYEE SALARIES</p> <p>This line item continues to fund four staff positions that support all work program activities of the Commission (Executive Officer, Senior Analyst, Associate Analyst, Clerk). Includes merit increases/COLA per employment agreements, for staff retention purposes. Includes overtime allowance for Clerk to the Commission.</p>	\$ 419,000.00	\$ 419,000.00	\$ 445,000.00
<p>6100 EMPLOYEE BENEFITS</p> <p>This line item assumes no new benefits, no benefit changes, and a continuation of significant benefit reductions already in effect. LAFCO pays 0% of the employee share of retirement plan contributions; employees pay 100% of this cost. Assumes minor increase in some benefit costs.</p>	\$ 185,000.00	\$ 185,000.00	\$ 195,000.00
TOTAL SALARIES & BENEFITS	\$ 604,000.00	\$ 604,000.00	\$ 640,000.00

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY
Preliminary Budget Worksheet for FY 2015-2016
February 13, 2015

	Adopted Budget for Fiscal Year 2014-15	Estimated Year-End Expenditures for Fiscal Year 2014-15 (Includes Adopted Budget Amendment No. 1)	Draft Preliminary Budget for Fiscal Year 2015-16
SERVICES & SUPPLIES			
7000 Postage and Shipping Includes postage for general correspondence and agenda packet delivery, express mail, and certified mail. Also includes LAFCO election mailings to independent special districts, and distribution of budget.	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00
7010 Books & Periodicals Includes newspaper subscriptions, publications and codes on LAFCO law, CEQA, employment law and other publications necessary to keep current on laws and trends.	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00
7030 Copy Machine Charges Includes copier machine lease (contract).	\$ 6,500.00	\$ 6,500.00	\$ 6,500.00
7040 Outside Printers Includes copying of agenda packets, large volume publications, maps and other occasional needs.	\$ 5,000.00	\$ 5,000.00	\$ 6,000.00
7060 Office Supplies Includes annual consumable goods for office operations and work production.	\$ 4,500.00	\$ 4,500.00	\$ 4,500.00
7070 Office Equipment & Furnishings Includes office furniture such as small tables and miscellaneous items. Not funded.	\$ -	\$ -	\$ 1,000.00
7080 Computer Hardware and Peripherals Includes lease of work station computers and occasional purchase of accessories.	\$ 2,500.00	\$ 2,500.00	\$ 3,000.00

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY
Preliminary Budget Worksheet for FY 2015-2016
February 13, 2015

	Adopted Budget for Fiscal Year 2014-15	Estimated Year-End Expenditures for Fiscal Year 2014-15 (Includes Adopted Budget Amendment No. 1)	Draft Preliminary Budget for Fiscal Year 2015-16
<p>7085 Computer Support Services (Fixed Costs) Under contract with the County of Monterey or other vendor, this line item provides device support (e.g. computers and network printers). Services also include web site housing, email, internet and network access. County IT is primary vendor, and costs for device support are fixed by unit count. Occasional device support service by other vendors is not fixed.</p>	\$ 7,500.00	\$ 7,500.00	\$ 7,500.00
<p>7090 Computer Support Services (Variable Costs) Under contract with the County of Monterey, this line item provides micro systems (software) support, mapping and GIS support for LAFCO data layers that are stored in the County's centralized GIS system. Includes mapping/data analysis for LAFCO's busy Municipal Service Review/Sphere of Influence Update program. Proposed budget reflects increases in data/mapping needs and increases in County rates. Charges are variable.</p>	\$ 6,000.00	\$ 6,000.00	\$ 12,000.00
<p>7100 Computer Software Includes software updates and licenses to extend the life and compatibility of computers.</p>	\$ 500.00	\$ 500.00	\$ 1,000.00
<p>7105 Meeting Broadcast Services This account funds the live cable TV coverage of LAFCO meetings, and weekly TV re-broadcasts, under contract with the County of Monterey and its vendors. Costs are variable depending on number and length of meetings.</p>	\$ 3,300.00	\$ 3,300.00	\$ 3,300.00
<p>7110 Property and General Liability Insurance Property and Errors & Omissions Insurance is obtained by contract with the Special Districts Risk Management Authority. Premiums reflect discounts for no claim history. Cost is fixed annually.</p>	\$ 5,300.00	\$ 5,300.00	\$ 5,300.00

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY
Preliminary Budget Worksheet for FY 2015-2016
February 13, 2015

	Adopted Budget for Fiscal Year 2014-15	Estimated Year-End Expenditures for Fiscal Year 2014-15 (Includes Adopted Budget Amendment No. 1)	Draft Preliminary Budget for Fiscal Year 2015-16
7120 Office Maintenance Services Includes general office cleaning, including blinds, cabinets and underneath furniture. (Basic janitorial service to empty trash and sweep floors is included in office lease.)	\$ 400.00	\$ 400.00	\$ 400.00
7130 Other Equipment Maintenance Includes maintenance agreements for small office equipment. Not funded.	\$ -	\$ -	\$ -
7140 Travel Provides partial funding for employee, counsel and Commissioner travel for annual CALAFCO conference (Sept. 2015), annual CALAFCO staff workshop (April 2016), and training classes. Includes some transportation, hotel and meal costs.	\$ 7,000.00	\$ 7,000.00	\$ 7,000.00
7150 Training, Conferences and Workshops Provides partial funding for employee, counsel and Commissioner registrations at annual CALAFCO conference (Sept. 2015), annual staff workshop (April 2016), and classes.	\$ 8,500.00	\$ 8,500.00	\$ 8,500.00
7160 Vehicle Mileage Reimbursement for use of personal vehicles, at the government rate.	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00
7170 Rental of Building Continues a favorable five-year lease that included rent rollbacks for first two years. Includes utilities.	\$ 23,300.00	\$ 23,300.00	\$ 24,400.00
7200 Telephone Communications Includes telephone, cell and fax charges, office wi-fi "hotspot" for laptop/visitor use, and system maintenance and repairs.	\$ 6,000.00	\$ 6,000.00	\$ 6,000.00
7230 Temporary Help Services (Clerical) Includes temporary, part-time clerical assistance. Proposed increase is to relieve the sustained, high workload of the Clerk to the Commission.	\$ 2,000.00	\$ 7,000.00	\$ 25,000.00

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY
Preliminary Budget Worksheet for FY 2015-2016
February 13, 2015

	Adopted Budget for Fiscal Year 2014-15	Estimated Year-End Expenditures for Fiscal Year 2014-15 (Includes Adopted Budget Amendment No. 1)	Draft Preliminary Budget for Fiscal Year 2015-16
7240 Outside Professional Services	\$ 62,000.00	\$ 57,000.00	\$ 62,000.00
This line item includes:			
7242: Accounting and Financial Services. Fixed rate contract with Hayashi Wayland. Includes \$1,500 for other services by HW or other vendor.	37,500	37,500	\$ 37,500.00
7245: General Counsel and Special Legal Counsel Services (Not Litigation). General Counsel costs are variable, with an annual cap of \$15,000 (per contract with County Counsel's Office). This line item fund is also intended for variable Special Legal Counsel costs, depending on need (per contract with Michael Colantuono).	11,500	6,500	\$ 11,000.00
7247: Human Resources Services. Variable rate services from County of Monterey or other vendor. Not funded. Funds are encumbered from a prior year for this purpose.	\$ -	0	\$ -
7248: Annual Audit. Fixed rate contract with Bianchi, Kasavan & Pope.	13,000	13,000	\$ 13,500.00
7249: Temporary Professional Services. Intended to provide support during staff absences, vacancies or high workload periods. Not funded. All professional work is done by in-house staff.	\$ -	\$ -	\$ -
7250 Miscellaneous Office Expenses	\$ 600.00	\$ 600.00	\$ 600.00
Minor expenses for office operations, Commission meetings and recording fees for LAFCO-initiated activities.			
7260 Legal Notices	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00
Expenses for actions requiring public notices, such as annexations, Sphere of Influence updates, municipal service reviews and budgets. Some of these costs are reimbursable.			
7270 Recruitment Expenses	\$ -	\$ -	\$ -
To fill any vacant position. Not funded. Funds are encumbered from FY 2014-2014 for this purpose.			

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY
Preliminary Budget Worksheet for FY 2015-2016
February 13, 2015

	Adopted Budget for Fiscal Year 2014-15	Estimated Year-End Expenditures for Fiscal Year 2014-15 (Includes Adopted Budget Amendment No. 1)	Draft Preliminary Budget for Fiscal Year 2015-16
7280 LAFCO Memberships CALAFCO Membership (\$3550) and California Special Districts Association dues (\$1300). CALAFCO membership provides access to legislative and educational activities. CSDA membership is required in order to get the Special District Authority's Workers Compensation Insurance and Property & Liability Insurance (Acct.# 7110).	\$ 4,700.00	\$ 4,700.00	\$ 4,700.00
7290 Litigation Reserve Per Commission policy, the target funding for the litigation defense reserve is \$300,000. This target would be sufficient for one-year's estimated expenses. This balance sheet reserve is currently funded to target level. LAFCO has no current or anticipated litigation. Accordingly, no fund supplement is proposed for FY 2015-2016.	\$ -	\$ -	\$ -
7285 Records Management A program is underway to inventory, organize and archive 50+ years of records. This multi-year staff effort is guided by a Records Management Policy adopted in 2014.	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00
7295 Contingency Reserve Per Commission policy, the target funding for the general contingency reserve is 25 percent of the annual budget. This balance sheet reserve is currently funded at three-fourths (\$156K) of the current year target level. No fund supplement is proposed for FY 2015-2016.	\$ -	\$ -	\$ -
SUBTOTAL SERVICES AND SUPPLIES	\$ 175,600.00	\$ 175,600.00	\$ 208,700.00
LESS PASS-THROUGH EXPENSES (Account 7261)	\$ -	\$ -	
TOTAL SERVICES AND SUPPLIES (NET)	\$ 175,600.00	\$ 175,600.00	\$ 208,700.00
TOTAL SALARIES & BENEFITS	\$ 604,000.00	\$ 604,000.00	\$ 640,000.00
NET TOTAL FOR BUDGET UNIT	\$ 779,600.00	\$ 779,600.00	\$ 848,700.00

LAFCO *of Monterey County*

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

DATE: February 13, 2015

**2015
Committee**

TO: Budget and Finance Committee

Chair
Simón Salinas
County Member

FROM: Kate McKenna, AICP, Executive Director

*Ralph Rubio
City Member*

SUBJECT: THREE-YEAR FINANCIAL FORECAST (FY 2015-2016 THROUGH FY 2017-2018)

Graig R. Stephens
Special District Member

SUMMARY OF RECOMMENDATION:

Staff

Discuss for information only.

Kate McKenna, AICP
Executive Officer

EXECUTIVE OFFICER'S REPORT:

*132 W. Gabilan Street, #102
Salinas, CA 93901*

*P. O. Box 1369
Salinas, CA 93902*

*Voice: 831-754-5838
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A three-year financial forecast is enclosed for reference. The purpose is to provide an informal assessment of LAFCO's financial health in the current and next three fiscal years. Current year-end estimates were done as part of preparing the annual budget for the coming year. The forecast for other years provides a longer view projection of available financing sources and anticipated expenditures.

Stephanie Gonzalez, Hayashi Wayland, will assist me in presenting this information.

Respectfully Submitted,



Kate McKenna, AICP
Executive Officer

Enclosure

**Local Agency Formation Commission of Monterey County
3-Year Forecast with Assumptions - February 13, 2015**

	Est Actual Yr End Expenditures for FY 2014--2015	Preliminary Budget for 2015-2016	2016-2017	2017-2018
Ordinary Income/Expense				
Income				
4000 · Fees	0			
4005 · Project	0	0	0	0
Total 4000 · Fees	10,000	10,000	10,000	10,000
3805 Unreserved Fund Balance	20,000	30,000	30,000	30,000
4205 · County Contributions	249,367	269,067	282,147	297,021
4210 · City Contributions	249,367	269,067	282,147	297,021
4220 · District Contributions	249,367	269,067	282,147	297,021
4300 · Interest	1,500	1,500	1,500	1,500
Total Income	779,601	848,701	887,941	932,563
Expense				
7300 · Depreciation				
6000 · Employee Salaries				
6002 · Regular Earnings	0	445,000	470,000	500,000
6000 · Employee Salaries - Other	0			
Total 6000 · Employee Salaries	419,000	445,000	470,000	500,000
6100 · Employee Benefits				
Total 6100 · Employee Benefits	185,000	195,000	205,000	215,000
7000 · Postage and Shipping	3,000	3,000	3,000	3,000
7010 · Books and Periodical	1,000	1,000	1,000	1,000
7030 · Copy Machine	6,500	6,500	7,000	7,000
7040 · Outside Printers	5,000	6,000	7,000	7,000
7060 · Office Supplies	4,500	4,500	4,500	4,500
7070 · Office Equipment & Furnishings	0	1,000	1,000	1,000
7080 · Computer Hardware/Peripherals	2,500	3,000	3,000	3,000
7085 · Computer Support Svc Fixed Cost	7,500	7,500	8,000	8,000
7090 · Computer Support Svc Variable	6,000	12,000	12,000	12,000
7105 · Meeting Broadcast Services	3,300	3,300	4,000	4,000
7100 · Computer Software	500	1,000	1,000	1,000
7110 · Property and Gen Liability Ins	5,300	5,300	6,000	6,000
7120 · Office Maintenance Services	400	400	400	400
7130 · Other Equipment Maintenance	0	0	0	0
7140 · Travel	7,000	7,000	7,000	7,000
7150 · Training, Conferences & Workshops	8,500	8,500	8,500	8,500
7160 · Vehicle Mileage	2,000	2,000	2,000	2,000
7170 · Rental of Buildings	23,300	24,400	24,940	25,564
7200 · Telephone Communications	6,000	6,000	6,000	6,000
7230 · Temporary Help Services (Clerical)	2,000	25,000	25,000	25,000
7242 · Outside Prof Svc-Accounting	37,500	37,500	37,500	40,000
7247 · Outside Prof Svc-Human Resource	0	0	0	0
7248 · Outside Prof Svc-Annual Audit	13,000	13,500	13,500	15,000
7245 · General Legal Services	11,500	11,000	11,000	11,000
7249 · Temporary Professional Services	0	0	0	0
7250 · Miscellaneous Office Expense	600	600	600	600
7260 · Legal Notices	4,000	4,000	4,000	4,000
7285 · Records, Storage and Security	10,000	10,000	10,000	10,000
7270 · Recruitment Advertising	0	0	0	0
7280 · LAFCO Memberships	4,700	4,700	5,000	5,000
7290 · Litigation Reserve	0	0	0	0
7295 · Contingency Reserve	0	0	0	0
Total Expense	779,600	848,700	887,940	932,564

Assumptions

Ordinary Income/Expense

Income

4000 · Fees	Assume fees will remain constant
4005 · Project	
Total 4000 · Fees	
3805 Unreserved Fund Balance	Assumes Supplement from Unreserved Fund Balance
4205 · County Contributions	Assume contributions will increase over next 3 years
4210 · City Contributions	Assume contributions will increase over next 3 years
4220 · District Contributions	Assume contributions will increase over next 3 years
4300 · Interest	Assume interest earned at County will remain constant over next 3 years

Total Income

Expense

7300 · Depreciation	No cash impact
6000 · Employee Salaries	Assume merit step increases + COLA for 3 positions. Assumes salary adjustment and COLA per Executive Officer Employment Agreement.
6002 · Regular Earnings	
6000 · Employee Salaries - Other	
Total 6000 · Employee Salaries	
6100 · Employee Benefits	Assume reduction in retirement benefits. Assume no changes to other benefits. Assume minor cost increases for some benefits.

Total 6100 · Employee Benefits

7000 · Postage and Shipping	Assume no change
7010 · Books and Periodical	Assume no change
7030 · Copy Machine	Contract through July 30, 2016 Assume minor increase in later years
7040 · Outside Printers	Assume minor increase
7060 · Office Supplies	Assume no change
7030 · Office Equipment and Furnishings	Assume no change
7080 · Computer Hardware/Peripherals	Assume no change. Lease agreement- 4 work (computer) stations thru 2016 w no increase in new lease
7085 · Computer Support Svc Fixed Cost	Assume minor increase
7090 · Computer Support Svc Variable	Assume no change
7105 · Meeting Broadcast Services	Assume minor increase
7100 · Computer Software	Assume no change
7110 · Property and Gen Liability Ins	Assume minor increase
7120 · Office Maintenance Services	Assume no change
7130 · Other Equipment Maintenance	Assume no funding
7140 · Travel	Assume no change
7150 · Training, Conferences & Workshops	Assume no change
7160 · Vehicle Mileage	Assume no change
7170 · Rental of Buildings	Rates established per 5 year agreement -(14/15 \$1926.28/mo;15/16 \$2027.66/mo, 16/17 \$2078.35/mo or \$24,940/yr; 17/18 \$2130.31 or \$25,564/yr.)
7200 · Telephone Communications	Assume no change
7230 · Temporary Help Services Clerical	Assume increase in 2015-16 and no change in future years. Rates established per agreement. New agreement needed for 2016-17 (1 year option 2017). Assume minor increase in 2018
7242 · Outside Prof Svc-Accounting	Assume no funding
7247 · Outside Prof Svc-Human Resource	Assume no funding
7248 · Outside Prof Svc-Annual Audit	Per contract, 14/15 \$13,000, 15/16 \$13,500, 16/17 \$13,500 (1 year option 2017)
7245 · General Legal Services	Rates established per agreement. Cap is \$15K; Budgeted for less
7249 · Temporary Professional Services	Assume no funding
7250 · Miscellaneous Office Expense	Assume no change
7260 · Legal Notices	Assume no change
7285 · Records, Storage and Security	Assume no change
7270 · Recruitment Advertising	Assume no funding
7280 · LAFCO Memberships	Assume minor increase
7290 · Litigation Reserve	Assume no funding (Reserve at target)
7295 · Contingency Reserve	Assume no funding (Reserve at close to target)

Total Expense

LAFCO *of Monterey County*

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

DATE: February 13, 2015

**2015
Committee**

TO: Budget and Finance Committee

Chair
Simón Salinas
County Member

FROM: Kate McKenna, AICP, Executive Director

Ralph Rubio
City Member

SUBJECT: SALARY SCHEDULE – CLERK TO THE COMMISSION POSITION

Graig R. Stephens
Special District Member

SUMMARY OF RECOMMENDATION:

Recommend that the Commission update the salary range for the “Administrative Secretary (Confidential)/Clerk to the Commission” position.

Staff

EXECUTIVE OFFICER’S REPORT:

Kate McKenna, AICP
Executive Officer

To better align compensation levels with the broad range of duties of the position, the Committee is requested to support a minor salary range adjustment for the Administrative Secretary (Confidential)/Clerk to the Commission position. The change would raise the entire salary range by 5 percent.

132 W. Gabilan Street, #102
Salinas, CA 93901

Fiscal Impact

P. O. Box 1369
Salinas, CA 93902

The proposed change will not affect the adopted budget, and will have minimal impact on salary costs in future years.

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Respectfully Submitted,

www.monterey.lafco.ca.gov



Kate McKenna, AICP,
Executive Officer