

## AGENDA BUDGET AND FINANCE COMMITTEE MEETING

### 2016 Committee

Chair  
Simón Salinas  
*County Member*

Ralph Rubio  
*City Member*

Graig R. Stephens  
*Special District Member*

Friday, March 4, 2016  
9:00 a.m.

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

### Call to Order

### Staff

Kate McKenna, AICP  
*Executive Officer*

### Counsel

Leslie J. Girard  
*General Counsel*

### Roll Call

### Public Comments

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

### Special Business

1. Conduct Election of Budget and Finance Committee Chair.  
Recommended Action: Select a Committee Chair for Calendar Year 2015.

### New Business

2. Consider Draft Financial Statements for Period Ending December 31, 2015.  
Recommended Action: Recommend Commission approval of the financial statements.
3. Consider Draft Profit/Loss Budget vs. Actuals Worksheet dated February 25, 2016.  
Recommended Action: Receive and accept report as information only.
4. Consider Actuarial Valuation Reports of the CalPERS Retirement Plan for the Year Ended June 30, 2016.  
Recommended Actions: Receive and accept reports as information only.
5. Consider Professional Services Agreement with James Marta & Company LLP to Calculate the Retiree Healthcare Liability (GASB 45) for the Years Ended June 30, 2016 and 2017.  
Recommended Action: Recommend Commission approval of the agreement.
6. Consider Preliminary Draft Annual Work Program for Fiscal Year 2016-2017.  
Recommended Action: Recommend Commission approval of the draft work program.
7. Consider Preliminary Draft Annual Budget for Fiscal Year 2016-2017.  
Recommended Action: Recommend Commission approval of the draft budget.

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Salinas, CA 93901

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[www.monterey.lafco.ca.gov](http://www.monterey.lafco.ca.gov)

8. Consider Three-Year Financial Forecast (FY 2016-2017 through FY 2018-2019).  
Recommended Action: Receive and accept report as information only.

### Other Business

### Adjournment

The next Regular Budget and Finance Committee Meeting is Wednesday, May 4, 2016 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*

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## LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

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  
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DATE: March 4, 2016  
TO: Budget and Finance Committee  
FROM: Kate McKenna, AICP, Executive Officer  
SUBJECT: ELECTION OF COMMITTEE CHAIR

### SUMMARY OF RECOMMENDATION:

Select Chair for calendar year 2016.

### 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.

Respectfully,



Kate McKenna, AICP  
Executive Officer

# LAFCO *of Monterey County*

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## LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

KATE McKENNA, AICP  
Executive Officer

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DATE: March 4, 2016  
TO: Budget and Finance Committee  
FROM: Kate McKenna, AICP, Executive Director  
SUBJECT: DRAFT FINANCIAL STATEMENTS FOR PERIOD ENDING  
DECEMBER 31, 2015.

### SUMMARY OF RECOMMENDATION:

Recommend that the Commission accept this item at the next regular LAFCO meeting on March 28.

### EXECUTIVE OFFICER'S REPORT:

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

Mr. Mike Briley, CPA, Managing Partner, Hayashi & Wayland, will join me in presenting this item.

Respectfully Submitted,



Kate McKenna, AICP,  
Executive Officer

Attachment: Draft Financial Statements

**Local Agency Formation Commission  
of Monterey County  
Financial Statements  
December 31, 2015**

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, 2015. 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.

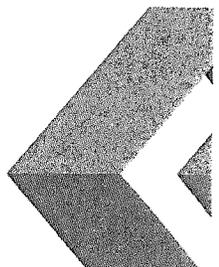
Management is responsible for the preparation and fair presentation of the financial statements included in the form prescribed by LAFCO and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

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**.

February 25, 2016



**LAFCO of Monterey County**  
**Balance Sheets**  
**December 31, 2015 and 2014**

<b>ASSETS</b>			
	<b>ACCT #</b>	<b>2015</b>	<b>2014</b>
<b>CURRENT ASSETS:</b>			
<b>Cash Held in Bank:</b>			
Rabobank Operating	1000	\$ 10,693.54	\$ 73,471.79
Wells Fargo Operating	1007	100,312.42	36,778.84
<b>Total Cash Held in Bank</b>		<u>111,005.96</u>	<u>110,250.63</u>
<b>Cash Held in County Treasury:</b>			
Cash Held for Operating Expenses	1010	636,459.02	618,093.61
Designated Cash for Reserve for Litigation	1012	300,036.51	300,036.51
Designated Cash for Accrued Leave	1013	43,937.78	49,313.85
Designated Cash for Post Retirement (GASB 45)	1014	9,379.00	9,968.00
Designated Cash for Reserve for Contingency	1015	156,779.00	156,779.00
<b>Total Cash Held in County Treasury</b>		<u>1,146,591.31</u>	<u>1,134,190.97</u>
Petty Cash	1100	100.00	100.00
<b>Total Cash</b>		<u>1,257,697.27</u>	<u>1,244,541.60</u>
<b>Other Current Assets:</b>			
Accounts Receivable - For Fiscal Yr Ending 6/15	1227	-	9.00
Accounts Receivable - For Fiscal Yr Ending 6/16	1228	41.00	-
Wells Fargo Bank Receivable	1310	-	221.85
Prepaid Insurance	1400	3,815.20	3,360.89
Prepaid Expenses	1405	3,499.36	2,241.98
<b>Total Other Current Assets</b>		<u>7,355.56</u>	<u>5,833.72</u>
<b>Total Current Assets</b>		<u>1,265,052.83</u>	<u>1,250,375.32</u>
<b>NON-CURRENT ASSETS:</b>			
Equipment	1500	13,753.18	29,120.35
Accumulated Depreciation	1550	(9,835.88)	(23,434.14)
<b>Total Non-Current Assets</b>		<u>3,917.30</u>	<u>5,686.21</u>
<b>DEFERRED OUTFLOWS OF RESOURCES (GASB 68):</b>			
Deferred Outflows of Resources - PERS Contributions	1800	146,482.21	-
Deferred Outflows of Resources - Actuarial	1805	18,876.00	-
<b>Total Deferred Outflows of Resources (GASB 68)</b>		<u>165,358.21</u>	<u>-</u>
		<u>\$ 1,434,328.34</u>	<u>\$ 1,256,061.53</u>
<b>LIABILITIES AND EQUITY</b>			
	<b>ACCT #</b>	<b>2015</b>	<b>2014</b>
<b>CURRENT LIABILITIES:</b>			
Accounts Payable	2000	\$ 5,430.10	\$ 4,258.90
Payroll Liabilities	2200	281.09	(2,668.75)
CalPers 457 Liability	2205	-	(2,523.26)
Direct Deposit Liabilities	2210	-	(7,671.27)
Accrued Leave	2220	43,937.78	49,313.85
<b>Total Current Liabilities</b>		<u>49,648.97</u>	<u>40,709.47</u>
<b>NON-CURRENT LIABILITIES:</b>			
Post Retirement (GASB 45)	2230	9,379.00	9,968.00
Net Pension Liability (GASB 68)	2400	108,773.00	-
<b>Total Non-Current Liabilities</b>		<u>118,152.00</u>	<u>9,968.00</u>
<b>DEFERRED INFLOWS OF RESOURCES (GASB 68):</b>	2500	48,732.00	-
<b>EQUITY:</b>			
Beginning Net Position (GASB 68)	3400	(108,279.00)	-
Invested in Capital Assets	3700	3,917.30	5,686.21
Encumbered Funds	3710	2,316.90	14,681.90
Reserve for Litigation	3800	300,036.51	300,036.51
Reserve for Contingency	3810	156,779.00	156,779.00
Unreserved Fund*	3850	863,024.66	728,200.44
<b>Total Equity</b>		<u>1,217,795.37</u>	<u>1,205,384.06</u>
		<u>\$ 1,434,328.34</u>	<u>\$ 1,256,061.53</u>

\*Includes revenue received in the current year to be used for operating expenses through 6/30/16

**LAFCO of Monterey County**  
**Income and Expense Budget Performance - Summary**  
**December 31, 2015**

ACCT #	Income:	Dec 15	Dec 14	% of Budget		July 15-Dec 15	July 14-Dec 14	Adopted 15/16 Budget	Remaining Budget Balance	% of Remaining Budget Balance
				Received/ Spent						
4000	Fees: Project	\$ 3,000.00	\$ -	30.00%		\$ 7,390.53	\$ 6,550.00	\$ 10,000.00	\$ (2,609.47)	-26.09%
4205	County Contributions	-	-	0.00%		269,068.00	249,367.00	269,067.00	1.00	0.00%
4210	City Contributions	-	-	0.00%		269,067.00	249,366.99	269,067.00	-	0.00%
4220	District Contributions	-	-	0.00%		269,067.00	249,367.00	269,067.00	-	0.00%
4300	Interest	-	0.59	0.00%		1,650.63	1,123.44	1,500.00	150.63	10.04%
	<b>Total Income</b>	<b>3,000.00</b>	<b>0.59</b>	<b>0.37%</b>		<b>816,243.16</b>	<b>755,774.43</b>	<b>818,701.00</b>	<b>(2,457.84)</b>	<b>-0.30%</b>
	<b>Expense:</b>									
VAR	Employee Salaries	41,611.39	34,473.58	9.35%		197,503.43	190,352.54	445,000.00	247,496.57	55.62%
VAR	Employee Benefits	12,741.42	14,727.48	6.89%		62,721.49	70,849.39	185,000.00	122,278.51	66.10%
7000	Postage and Shipping	160.42	158.77	5.35%		1,171.70	757.92	3,000.00	1,828.30	60.94%
7010	Books and Periodical	-	-	0.00%		449.21	651.01	1,000.00	550.79	55.08%
7030	Copy Machine	315.70	315.70	4.86%		3,134.84	3,097.19	6,500.00	3,365.16	51.77%
7040	Outside Printers	476.11	411.41	7.94%		557.95	1,668.21	6,000.00	5,442.05	90.70%
7060	Office Supplies	-	250.51	0.00%		2,059.74	1,530.83	4,500.00	2,440.26	54.23%
7070	Office Equipment & Furnishings	-	-	0.00%		-	-	1,000.00	1,000.00	100.00%
7080	Computer Hardware/Peripherals	172.96	171.16	5.77%		1,037.76	1,011.17	3,000.00	1,962.24	65.41%
7085	Computer Support Svcs Fixed Costs	-	667.00	0.00%		2,146.58	667.00	7,500.00	5,353.42	71.38%
7090	Computer Support Svcs Variable Costs	-	1,260.00	0.00%		1,087.17	1,260.00	12,000.00	10,912.83	90.94%
7100	Computer Software	-	69.99	0.00%		439.94	331.91	1,000.00	560.06	56.01%
7105	Meeting Broadcast Services	-	-	0.00%		1,950.00	-	3,300.00	1,350.00	40.91%
7110	Property and Gen Liability Insurance	419.78	422.30	7.92%		2,518.68	2,533.80	5,300.00	2,781.32	52.48%
7120	Office Maintenance Services	-	-	0.00%		-	-	400.00	400.00	100.00%
7140	Travel	-	457.90	0.00%		3,849.28	2,809.73	7,000.00	3,150.72	45.01%
7150	Training, Conferences & Workshops	-	160.24	0.00%		3,306.24	2,422.52	8,500.00	5,193.76	61.10%
7160	Vehicle Mileage	-	447.27	0.00%		135.70	447.27	2,000.00	1,864.30	93.22%
7170	Rental of Buildings	2,027.66	1,926.28	8.31%		12,165.96	11,557.68	24,400.00	12,234.04	50.14%
7200	Telephone Communications	329.90	443.09	5.50%		2,193.27	3,058.21	6,000.00	3,806.73	63.45%
7230	Temporary Help Services (Clerical)	2,756.15	-	11.02%		5,403.69	-	25,000.00	19,596.31	78.39%
7242	Outside Prof. Services: Accounting	3,000.00	3,000.00	8.00%		18,012.70	15,000.00	37,500.00	19,487.30	51.97%
7245	General and Special Legal Services	112.27	311.22	1.02%		1,085.67	518.70	11,000.00	9,914.33	90.13%
7247	Outside Prof. Services: Human Resources	-	-	0.00%		-	-	10,000.00	10,000.00	100.00%
7248	Outside Prof. Services: Annual Audit	-	-	0.00%		13,000.00	13,000.00	13,500.00	500.00	3.70%
7250	Miscellaneous Office Expense	33.24	19.30	5.54%		195.07	248.36	600.00	404.93	67.49%
7260	Legal Notices	-	-	0.00%		524.50	855.47	4,000.00	3,475.50	86.89%
7280	LAFCO Memberships	-	-	0.00%		3,221.00	4,239.00	4,700.00	1,479.00	31.47%
7285	Records Storage & Security	-	1,582.00	0.00%		-	7,394.00	10,000.00	10,000.00	100.00%
7300	Depreciation	170.00	231.00	0.00%		1,026.00	1,395.00	-	(1,026.00)	0.00%
	<b>Total Expense</b>	<b>64,327.00</b>	<b>61,506.20</b>	<b>7.58%</b>		<b>340,897.57</b>	<b>337,656.91</b>	<b>848,700.00</b>	<b>507,802.43</b>	<b>59.83%</b>
	<b>Net Ordinary Income (Loss)</b>	<b>(61,327.00)</b>	<b>(61,505.61)</b>			<b>475,345.59</b>	<b>418,117.52</b>	<b>(29,999.00)</b>		
	<b>Other Income/(Expense):</b>									
8110	From Unreserved Funds	-	-			-	-	30,000.00		
8111	Encumbered Funds: Computer Support Variable	(5,081.17)	-			(5,470.00)	-	-		
8112	Encumbered Funds: Recruitment Advertising	-	-			-	(862.50)	-		
8113	Encumbered Funds: Human Resources	-	-			(50.84)	-	-		
8114	Encumbered Funds: Temp Help Svcs -Clerical	-	-			(7,000.00)	-	-		
	<b>Total Other Income/(Expense)</b>	<b>(5,081.17)</b>	<b>-</b>			<b>(12,520.84)</b>	<b>(862.50)</b>	<b>30,000.00</b>		
	<b>Net Income (Loss)</b>	<b>\$ (66,408.17)</b>	<b>\$ (61,505.61)</b>			<b>\$ 462,824.75</b>	<b>\$ 417,255.02</b>	<b>\$ 1.00</b>		

LAFCO of Monterey County  
Income and Expense Budget Performance - Detail  
December 31, 2015

ACCT #	Income:	% of Budget Received/Spent			July 14-Dec 14	July 15-Dec 15	Adopted 15-16 Budget	Remaining Budget Balance	% of Budget Balance
		Dec 15	Dec 14	Dec 15					
4000	Fees: Project	\$ 3,000.00	\$ -	30.00%	\$ 7,390.53	\$ 6,550.00	\$ 10,000.00	\$ (2,609.47)	-26.09%
4205	County Contributions	-	-	0.00%	269,068.00	249,367.00	269,067.00	1.00	0.00%
4210	City Contributions	-	-	0.00%	269,067.00	249,366.99	269,067.00	-	0.00%
4220	District Contributions	-	-	0.00%	269,067.00	249,367.00	269,067.00	-	0.00%
4300	Interest	-	0.59	0.00%	1,650.63	1,123.44	1,500.00	150.63	10.04%
	<b>Total Income</b>	<b>3,000.00</b>	<b>0.59</b>	<b>0.37%</b>	<b>816,243.16</b>	<b>755,774.43</b>	<b>818,701.00</b>	<b>(2,457.84)</b>	<b>-0.30%</b>
<b>Expense:</b>									
6000	Employee Salaries-Other	-	-	-	-	-	-	-	-
6002	Regular Earnings	41,611.39	34,473.58	9.35%	197,503.43	190,352.54	445,000.00	247,496.57	55.62%
	<b>Employee Salaries</b>	<b>41,611.39</b>	<b>34,473.58</b>	<b>9.35%</b>	<b>197,503.43</b>	<b>190,352.54</b>	<b>445,000.00</b>	<b>247,496.57</b>	<b>55.62%</b>
6006	Flex Plan Cash	270.06	270.06		1,620.36	1,620.36			
6007	Management Expense Allowance	50.00	50.00		300.00	300.00			
6010	Accrued Leave	2,058.20	2,744.34		5,580.53	9,313.71			
6011	Car Allowance	400.00	400.00		2,400.00	2,400.00			
6101	Payroll Expenses	642.06	533.72		3,275.73	3,148.96			
6102	Worker's Compensation Insurance	135.62	129.33		813.72	776.00			
6103	Employee Memberships	-	-		728.00	718.00			
6104	Deferred Comp Plan Contribution	2,352.70	2,137.36		11,283.47	11,003.98			
6105	PERS Retirement	3,059.43	3,618.43		14,178.06	18,155.56			
6110	PERS Health - Other	11.83	17.61		67.26	87.83			
6111	PERS Health - Med ER Non-Elective	488.00	595.00		2,928.00	3,094.00			
6112	PERS Health - Med ER Pre Tax	2,251.97	3,355.13		13,511.82	15,478.14			
6131	LIFE	76.80	71.40		460.80	428.40			
6132	ADD	12.00	12.00		72.00	72.00			
6133	Dental	528.07	440.11		3,168.42	2,165.86			
6134	Vision	64.28	50.84		385.68	249.04			
6135	LTD	262.43	227.23		1,520.58	1,382.98			
6136	EAP	26.80	26.80		160.80	160.80			
6139	STD	51.17	48.12		316.26	293.77			
6140	Cobra Fee	-	-		(50.00)	-			
7000	Postage and Shipping	12,741.42	14,727.48	6.89%	62,721.49	70,849.39	185,000.00	122,278.51	66.10%
7010	Books and Periodical	160.42	158.77	5.35%	1,171.70	757.92	3,000.00	1,828.30	60.94%
7030	Copy Machine	315.70	315.70	0.00%	449.21	651.01	1,000.00	550.79	55.08%
7040	Outside Printers	476.11	411.41	4.86%	3,134.84	3,097.19	6,500.00	3,365.16	51.77%
7060	Office Supplies	-	250.51	7.94%	557.95	1,668.21	6,000.00	5,442.05	90.70%
7070	Office Equipment & Furnishings	-	-	0.00%	2,059.74	1,530.83	4,500.00	2,440.26	54.23%
7080	Computer Hardware/Peripherals	172.96	171.16	5.77%	1,037.76	1,011.17	3,000.00	1,962.24	65.41%
7085	Computer Support Svcs Fixed Costs	-	667.00	0.00%	2,146.58	667.00	7,500.00	5,353.42	71.38%
7090	Computer Support Svcs Variable Costs	-	1,260.00	0.00%	1,087.17	1,260.00	12,000.00	10,912.83	90.94%
7100	Computer Software	-	69.99	0.00%	439.94	331.91	1,000.00	560.06	56.01%
7105	Meeting Broadcast Services	-	-	0.00%	1,950.00	-	3,300.00	1,350.00	40.91%
7110	Property and Gen Liability Insurance	419.78	422.30	7.92%	2,518.68	2,533.80	5,300.00	2,781.32	52.48%
7120	Office Maintenance Services	-	-	0.00%	-	-	400.00	400.00	100.00%
7140	Travel	-	457.90	0.00%	3,849.28	2,809.73	7,000.00	3,150.72	45.01%
7150	Training, Conferences & Workshops	-	160.24	0.00%	3,306.24	2,422.52	8,500.00	5,193.76	61.10%
7160	Vehicle Mileage	-	447.27	0.00%	135.70	447.27	2,000.00	1,864.30	93.22%
7170	Rental of Buildings	2,027.66	1,926.28	8.31%	12,165.96	11,557.68	24,400.00	12,234.04	50.14%
7200	Telephone Communications	329.90	443.09	5.50%	2,193.27	3,058.21	6,000.00	3,806.73	63.45%
7230	Temporary Help Services (Clerical)	2,756.15	-	11.02%	5,403.69	-	25,000.00	19,596.31	78.39%
7242	Outside Prof. Services: Accounting	3,000.00	3,000.00	8.00%	18,012.70	15,000.00	37,500.00	19,487.30	51.97%
7245	General and Special Legal Services	112.27	311.22	1.02%	1,085.67	518.70	11,000.00	9,914.33	90.13%
7247	Outside Prof. Services: Human Resources	-	-	0.00%	-	-	10,000.00	10,000.00	100.00%
7248	Outside Prof. Services: Annual Audit	-	-	0.00%	13,000.00	-	13,500.00	500.00	3.70%
7250	Miscellaneous Office Expense	33.24	19.30	5.54%	195.07	248.36	600.00	404.93	67.49%
7260	Legal Notices	-	-	0.00%	524.50	855.47	4,000.00	3,475.50	86.89%
7280	LAFCO Memberships	-	-	0.00%	3,221.00	4,239.00	4,700.00	1,479.00	31.47%
7285	Records Storage & Security	-	1,582.00	0.00%	-	7,394.00	10,000.00	10,000.00	100.00%
7300	Depreciation	170.00	231.00	0.00%	1,026.00	1,395.00	-	(1,026.00)	0.00%
	<b>Total Expense</b>	<b>64,327.00</b>	<b>61,506.20</b>	<b>7.58%</b>	<b>340,897.57</b>	<b>337,656.91</b>	<b>848,700.00</b>	<b>507,802.43</b>	<b>59.83%</b>
	<b>Net Ordinary Income (Loss)</b>	<b>(61,327.00)</b>	<b>(61,505.61)</b>		<b>475,345.59</b>	<b>418,117.52</b>	<b>(29,999.00)</b>		
<b>Other Income/(Expense):</b>									
8110	From Unreserved Funds	-	-		-	-	30,000.00	-	
8111	Encumbered Funds: Computer Support Variable	(5,081.17)	-		(5,470.00)	-	-	(862.50)	
8112	Encumbered Funds: Recruitment Advertising	-	-		(50.84)	-	-	-	
8113	Encumbered Funds: Human Resources	-	-		(7,000.00)	-	-	-	
8114	Encumbered Funds: Temp Help Svcs-Clerical	-	-		(12,520.84)	-	-	-	
	<b>Total Other Income/(Expense)</b>	<b>(5,081.17)</b>	<b>-</b>		<b>(862.50)</b>	<b>(862.50)</b>	<b>30,000.00</b>	<b>(1,026.00)</b>	
	<b>Net Income (Loss)</b>	<b>\$ (66,408.17)</b>	<b>\$ (61,505.61)</b>		<b>\$ 462,824.75</b>	<b>\$ 417,255.02</b>	<b>\$ 1.00</b>		

**LAFCO of Monterey County**  
**Income and Expense by Month**  
**December 31, 2015**

Ordinary Income/Expense	July 15	Aug 15	Sept 15	Oct 15	Nov 15	Dec 15	Total
<b>Income:</b>							
4000 · Fees: Project	\$ 190.53	\$ -	\$ -	\$ 4,200.00	\$ -	\$ 3,000.00	\$ 7,390.53
4205 · County Contributions	269,068.00	-	-	-	-	-	269,068.00
4210 · City Contributions	269,067.00	-	-	-	-	-	269,067.00
4220 · District Contributions	269,067.00	-	-	-	-	-	269,067.00
4300 · Interest	-	-	-	1,650.63	-	-	1,650.63
<b>Total Income</b>	<b>807,392.53</b>	<b>-</b>	<b>-</b>	<b>5,850.63</b>	<b>-</b>	<b>3,000.00</b>	<b>816,243.16</b>
<b>Expense:</b>							
6000 · Employee Salaries	40,099.22	26,758.99	28,323.97	29,758.37	30,951.49	41,611.39	197,503.43
6100 · Employee Benefits	12,295.03	7,188.53	12,170.30	7,926.96	10,399.25	12,741.42	62,721.49
7000 · Postage and Shipping	-	-	847.28	164.00	-	160.42	1,171.70
7010 · Books and Periodical	238.00	161.51	-	49.70	-	-	449.21
7030 · Copy Machine	315.70	796.21	315.70	315.70	1,075.83	315.70	3,134.84
7040 · Outside Printers	-	-	81.84	-	-	476.11	557.95
7060 · Office Supplies	522.79	381.74	466.70	213.26	475.25	-	2,059.74
7080 · Computer Hardware/Peripherals	172.96	172.96	172.96	172.96	172.96	172.96	1,037.76
7085 · Computer Support Svcs Fixed Costs	-	-	756.26	1,390.32	-	-	2,146.58
7090 · Computer Support Svcs Variable Costs	-	-	338.25	748.92	-	-	1,087.17
7100 · Computer Software	239.97	-	-	199.97	-	-	439.94
7105 · Meeting Broadcast Services	-	-	1,950.00	-	-	-	1,950.00
7110 · Property and Gen Liability Insurance	419.78	419.78	419.78	419.78	419.78	419.78	2,518.68
7140 · Travel	-	-	3,044.16	409.68	395.44	-	3,849.28
7150 · Training, Conferences & Workshops	30.00	-	2,751.24	525.00	-	-	3,306.24
7160 · Vehicle Mileage	-	-	90.85	44.85	-	-	135.70
7170 · Rental of Buildings	2,027.66	2,027.66	2,027.66	2,027.66	2,027.66	2,027.66	12,165.96
7200 · Telephone Communications	303.62	687.43	311.81	343.20	217.31	329.90	2,193.27
7230 · Temporary Help Services (Clerical)	-	2,433.15	(2,433.15)	297.46	2,350.08	2,756.15	5,403.69
7242 · Outside Prof. Services: Accounting	-	3,000.00	3,000.00	3,000.00	6,012.70	3,000.00	18,012.70
7245 · General and Special Legal Services	-	-	656.74	-	316.66	112.27	1,085.67
7248 · Outside Prof. Services: Annual Audit	-	-	6,000.00	7,000.00	-	-	13,000.00
7250 · Miscellaneous Office Expense	29.32	32.96	33.15	33.24	33.16	33.24	195.07
7260 · Legal Notices	-	247.17	-	-	277.33	-	524.50
7280 · LAFCO Memberships	3,221.00	-	-	-	-	-	3,221.00
7300 · Depreciation	173.00	170.00	172.00	171.00	170.00	170.00	1,026.00
8111 · Encumbered Funds: Computer Support Variable	-	-	-	388.83	-	-	388.83
8113 · Encumbered Funds: Human Resources	-	-	50.84	-	-	-	50.84
8114 · Encumbered Funds: Temp Help Svcs -Clerical	-	-	4,462.69	2,537.31	-	-	7,000.00
<b>Total Expense</b>	<b>60,088.05</b>	<b>44,478.09</b>	<b>66,011.03</b>	<b>58,138.17</b>	<b>55,294.90</b>	<b>69,408.17</b>	<b>353,418.41</b>
<b>Net Income/(Loss)</b>	<b>\$ 747,304.48</b>	<b>\$ (44,478.09)</b>	<b>\$ (66,011.03)</b>	<b>\$ (52,287.54)</b>	<b>\$ (55,294.90)</b>	<b>\$ (66,408.17)</b>	<b>\$ 462,824.75</b>

**LAFCO of Monterey County  
Accounts Receivable Summary  
As of December 31, 2015**

**Accounts Receivable-For Fiscal Year Ending 6/2016:**

<u>Description</u>	<u>Date</u>	<u>Amount</u>
San Ardo Cemetery District	7/1/15	\$ <u>41.00</u>
	<b>ACCT # 1228</b>	<b>\$ <u>41.00</u></b>

DRAFT

**LAFCO of Monterey County  
Equipment Summary  
As of December 31, 2015**

**Equipment and Accumulated Depreciation:**

Description	Date In Service	Cost	Amount Depreciated
Credenza	9/1/2006	516.20	516.20
Bill Quick Basic Software	8/17/2007	564.95	564.95
Ergonomic Chair	6/29/2010	502.51	440.00
ThinkPad W510 Laptop	6/30/2010	2,146.73	2,146.73
SNAP OUT Telephone System	7/28/2010	2,185.00	1,883.00
Apple Mbair 13.3 CTO Laptop	6/14/2013	1,990.68	1,446.00
Microsoft Office Plus 2013 Software	6/16/2014	1,412.00	745.00
Adobe Acrobat XI Pro Software	6/16/2014	1,128.00	595.00
Apple Mbair 13.3 CTO Laptop	6/27/2014	1,914.35	1,041.00
Acer Aspire V5 Touchscreen Laptop	6/30/2014	759.94	413.00
Conference Room Table	7/13/2015	632.82	45.00
	<b>ACCT # 1500</b>	<b>\$ 13,753.18</b>	
		<b>ACCT # 1550</b>	<b>\$ 9,835.88</b>

**LAFCO of Monterey County  
Accounts Payable Summary  
As of December 31, 2015**

**Accounts Payable:**

Vendor	Description	Date	Inv#	Amount
Accountemps	Temp Help: Hutchison, Tiffany for Week Ending 12/25/15	12/31/2015	44755307	\$ 392.90
Corporate Express	Credit on Returned Supplies	6/17/2008	88070801	(43.97)
Monterey County Resource Mgmt Agency	GIS Mapping Services for 1/1/15-12/31/15	9/30/2015	0644816	<u>5,081.17</u>
			ACCT # 2000	<u>\$ 5,430.10</u>

Draft

**LAFCO of Monterey County  
Accrued Leave Summary  
As of December 31, 2015**

**Executive Officer and Analyst Positions:**

Employee	Title	Total Hours of Accrued Annual Leave *	Hourly Rate	Annual Leave Book Value
Kate McKenna	Executive Director	484.81	82.78	\$ 40,132.57
Darren McBain	Senior Analyst	51.80	46.78	2,423.20
				\$ 42,555.77

**Clerk / Administrative Secretary Position:**

Employee	Accrued Sick Leave	Accrued Vacation **	Hourly Rate	Sick Leave Book Value	Vacation Book Value
Gail Lawrence	21.66	22.13	31.56	\$ 683.59	\$ 698.42

Annual Leave \$ 42,555.77  
 Sick Leave 683.59  
 Vacation 698.42  
 Compensatory Time\*\*\*  


---

**ACCT # 2220 \$ 43,937.78**

**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, 2015**

**Encumbered Funds:**

Subject	Date Paid/ Inv. No.	Funds Received/(Paid)
<b>Human Resources Encumbered Funds:</b>		
Balance as of 6/30/10		\$ 5,395.00
10-11 Budget Carryover		500.00
11-12 Budget Carryover		500.00
12-13 Budget Carryover		500.00
Regional Government Services	4/30/15 Inv. No. 4957	(90.00)
Marriott Courtyard Lodging for Ms. Humphries (RGS)	Rabobank Visa X6757-5/28/2015	(215.84)
Regional Government Services	5/31/15 Inv. No. 5057	(2,700.00)
Regional Government Services	5/31/15 Inv. No. 5084	(319.13)
Regional Government Services	6/30/15 Inv. No. 5132	(3,330.00)
Marriott Courtyard Lodging for Ms. Humphries (RGS)	Rabobank Visa X6757-6/28/2015	(189.19)
Regional Government Services	9/30/15 Inv. No. 5163	(50.84)
		<u>(0.00)</u>
*RGS replaced Fenton & Keller in April 2015, with a contract for up to \$5,000.		
<b>Computer Support Svc Variable Encumbered Funds:</b>		
13-14 Budget Carryover		5,470.00
County of Monterey, Information Technology	10/23/15 Inv. No. Dept 812 P/E 7/15	(388.83)
Monterey County Resource Mgmt Agency	12/22/15 Inv. No. 001-8222-001493	(5,081.17)
		<u>-</u>
<b>Recruitment Advertising Encumbered Funds:</b>		
13-14 Budget Carryover		3,179.40
ID Concepts, LLC	7/15/14 Inv. No. LAFCO-01	(115.00)
Hardee Investigations	9/11/14 Inv. No. LAFCO-02	(460.00)
Hardee Investigations	10/3/2014 Inv. No.	(180.00)
ID Concepts, LLC	10/10/15 Inv. No. 303013	(107.50)
		<u>2,316.90</u>
<b>Temp Help Services (Clerical) Encumbered Funds:</b>		
14-15 Budget Carryover		7,000.00
Accountemps	8/1/15 Inv. No. 43642465	(500.31)
Accountemps	8/13/15 Inv No. 43693826	(491.28)
Accountemps	8/20/15 Inv No. 43744649	(742.66)
Accountemps	8/27/15 Inv. No. 43796532	(698.90)
Accountemps	9/3/15 Inv No. 43849850	(638.01)
Accountemps	9/10/15 Inv. No. 43898155	(301.10)
Accountemps	9/17/15 Inv. No. 43952569	(600.83)
Accountemps	9/24/15 Inv. No. 44005083	(489.60)
Accountemps	10/1/15 Inv. No. 44060290	(637.70)
Accountemps	10/8/15 Inv. No. 44114167	(239.90)
Accountemps	10/15/15 Inv. No. 44166864	(617.20)
Accountemps	10/22/15 Inv. No. 44220024	(650.86)
Accountemps	10/29/15 Inv. No. 44273822	(391.65)
		<u>-</u>
	<b>ACCT # 3710</b>	
		<u>\$ 2,316.90</u>

**LAFCO of Monterey County  
Detail of Reserve for Litigation Account  
As of December 31, 2015**

**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
		<b>ACCT # 3800</b>	<b>\$ 300,036.51</b>

\*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, 2015**

**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*		<u>(13,221.00)</u>
		<b>ACCT # 3800</b>	<b><u>\$ 156,779.00</u></b>

\*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.





## 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 2015/2016 fiscal year to date of February 26, 2016. 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.

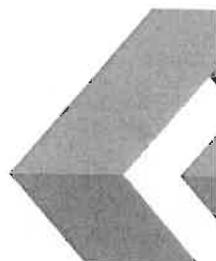
Management is responsible for the preparation and fair presentation of the financial statements included in the form prescribed by LAFCO and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

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**.

February 26, 2016



**LAFCO of Monterey County**  
**Profit Loss Budget vs. Actual (DRAFT)**  
**July 1, 2015 through February 26, 2016**

	<u>Jul 1, '15 - Feb 26, 16</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
<b>Ordinary Income/Expense</b>				
<b>Income</b>				
4000 · Fees	\$ 6,590.03	\$ 10,000.00	\$ (3,409.97)	65.9%
4205 · County Contributions	269,068.00	269,067.00	1.00	100.0%
4210 · City Contributions	269,067.00	269,067.00	-	100.0%
4220 · District Contributions	269,067.00	269,067.00	-	100.0%
4300 · Interest	3,570.97	1,500.00	2,070.97	238.07%
<b>Total Income</b>	<u>817,363.00</u>	<u>818,701.00</u>	<u>(1,338.00)</u>	<u>99.84%</u>
<b>Expense</b>				
7300 · Depreciation	1,200.00	-	1,200.00	100.0%
6000 · Employee Salaries	253,839.77	445,000.00	(191,160.23)	57.04%
6100 · Employee Benefits	87,296.35	185,000.00	(97,703.65)	47.19%
7000 · Postage and Shipping	1,427.30	3,000.00	(1,572.70)	47.58%
7010 · Books and Periodical	580.73	1,000.00	(419.27)	58.07%
7030 · Copy Machine	5,026.04	6,500.00	(1,473.96)	77.32%
7040 · Outside Printers	1,837.38	6,000.00	(4,162.62)	30.62%
7060 · Office Supplies	2,847.61	4,500.00	(1,652.39)	63.28%
7070 · Office Equipment and Furnishing	-	1,000.00	(1,000.00)	0.0%
7080 · Computer Hardware/Peripherals	1,383.68	3,000.00	(1,616.32)	46.12%
7085 · Computer Support Svc Fixed Cost	4,274.36	7,500.00	(3,225.64)	56.99%
7090 · Computer Support Svc Variable	2,549.92	12,000.00	(9,450.08)	21.25%
7100 · Computer Software	439.94	1,000.00	(560.06)	43.99%
7105 · Meeting Broadcast Services	1,950.00	3,300.00	(1,350.00)	59.09%
7110 · Property and Gen Liability Ins	3,358.24	5,300.00	(1,941.76)	63.36%
7120 · Office Maintenance Services	-	400.00	(400.00)	0.0%
7140 · Travel	3,849.28	7,000.00	(3,150.72)	54.99%
7150 · Training, Conferences & Wrkshps	3,306.24	8,500.00	(5,193.76)	38.9%
7160 · Vehicle Mileage	135.70	2,000.00	(1,864.30)	6.79%
7170 · Rental of Buildings	16,221.28	24,400.00	(8,178.72)	66.48%
7200 · Telephone Communications	2,669.16	6,000.00	(3,330.84)	44.49%
7230 · Temp Help Services (Clerical)	10,076.31	25,000.00	(14,923.69)	40.31%
7242 · Outside Prof Svc-Accounting	24,012.70	37,500.00	(13,487.30)	64.03%
7247 · Outside Prof Svc-Human Resource	-	10,000.00	(10,000.00)	0.0%
7248 · Outside Prof Svc-Annual Audit	13,000.00	13,500.00	(500.00)	96.3%
7245 · General Legal Services	1,364.18	11,000.00	(9,635.82)	12.4%
7250 · Miscellaneous Office Expense	255.84	600.00	(344.16)	42.64%
7260 · Legal Notices	578.98	4,000.00	(3,421.02)	14.48%
7280 · LAFCO Memberships	3,221.00	4,700.00	(1,479.00)	68.53%
7285 · Records Storage & Security	-	10,000.00	(10,000.00)	0.0%
<b>Total Expense</b>	<u>446,701.99</u>	<u>848,700.00</u>	<u>(401,998.01)</u>	<u>52.63%</u>
<b>Net Ordinary Income</b>	<u>370,661.01</u>	<u>(29,999.00)</u>	<u>400,660.01</u>	<u>-1,235.58%</u>
<b>Other Income/(Expense)</b>				
<b>Other Income</b>				
8110 · From Unreserved Funds	-	30,000.00	(30,000.00)	0.0%
8111 · E/F - Computer Support Variable	(5,470.00)	-	(5,470.00)	100.0%
8113 · E/F - Human Resources	(50.84)	-	(50.84)	100.0%
8114 · E/F - Temp Help Svcs-Clerical	(7,000.00)	-	(7,000.00)	100.0%
<b>Total Other Income/(Expense)</b>	<u>(12,520.84)</u>	<u>30,000.00</u>	<u>(42,520.84)</u>	<u>-41.74%</u>
<b>Net Income</b>	<u>\$ 358,140.17</u>	<u>\$ 1.00</u>	<u>\$ 358,139.17</u>	<u>35,814,017.0%</u>



**Pension Liability Reporting (Government Accounting Standards Board Statement 68)**

GASB 68 requires employers to report their net pension liability on their financial balance sheets. CalPERS provides these calculations on an annual fee for service basis (about \$850 per retirement plan). The information will be presented in the annual audit for the fiscal year ending June 30, 2016.

Mr. Mike Briley, Hayashi & Wayland, will assist in presenting this agenda item.

Respectfully Submitted,



Kate McKenna, AICP,  
Executive Officer

**Attachments:**

CalPERS Miscellaneous Plan of LAFCO, Annual Actuarial Report as of June 30, 2014 (Section 1)

CalPERS PEPRM Miscellaneous Plan of LAFCO, Annual Actuarial Report as of June 30, 2014 (Section 1)

**LAFCO** *of Monterey County*

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LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

Local Agency Formation Commission of  
Monterey County

CalPERS Actuarial Valuation

(As of June 30, 2014)

Miscellaneous Plan

Required Contributions for Fiscal Year

July 1, 2016-June 30, 2017



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](http://www.calpers.ca.gov)

**November 2015**

**MISCELLANEOUS PLAN OF THE LOCAL AGENCY FORMATION COMMISSION OF  
 MONTEREY COUNTY  
 (CalPERS ID: 7449296272)  
 Annual Valuation Report as of June 30, 2014**

Dear Employer,

As an attachment to this letter, you will find a copy of the June 30, 2014 actuarial valuation report of your pension plan.

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, 2014.

Section 2 can be found on the CalPERS website at ([www.calpers.ca.gov](http://www.calpers.ca.gov)). From the home page go to "Forms & Publications" and select "View All". In the search box enter "Risk Pool Report" and from the results list download the Miscellaneous or Safety Risk Pool Actuarial Valuation Report as appropriate.

Your 2014 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 November 30, 2015.

**Future Contribution Rates**

Fiscal Year	Employer Normal Cost Rate	+	Employer Payment of Unfunded Liability
2016-17	8.880%		\$0
2017-18 (projected)	8.9%		\$718

The exhibit above displays the Minimum Employer Contributions, before any cost sharing, for 2016-17 along with estimates of the contributions for 2017-18. The estimated contributions for 2017-18 are based on a projection of the most recent information we have available, including an estimated 2.4 percent investment return for fiscal 2014-15.

A projection of employer contributions beyond 2017-18 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 2017-18 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 2017-18 will be provided in next year's valuation report.

### **Changes since the Prior Year's Valuation**

This actuarial valuation includes Board adopted changes to the demographic assumptions based on the most recent experience report. The most significant of these is the improvement in post-retirement mortality acknowledging the greater life expectancies we are seeing in our membership and expected continued improvements. The actuarial assumptions and methods used in CalPERS public agency valuations are approved by the Board of Administration upon the recommendation of the Chief Actuary. The individual plan actuary whose signature appears in the actuarial certification in the accompanying report does not set plan specific actuarial assumptions.

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

Effective with the 2014 actuarial valuation Governmental Accounting Standards Board Statement No. 27 financial reporting information is no longer provided in CalPERS annual actuarial valuation reports. GASB 27 has been replaced with GASB 68 for financial statement reporting purposes. CalPERS is providing separate accounting valuation reports on a fee for service basis for our public agency employers. More details on GASB 68 and instructions for ordering your GASB 68 report are available on our website.

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 November 30 to contact us with actuarial related questions.

### **Potential Changes to Future Year Valuations**

One of CalPERS strategic goals is to improve the long-term pension benefit sustainability of the system through an integrated view of pension assets and liabilities. The Board of Administration has been engaging in discussions on the funding risks faced by the system and possible risk mitigation strategies to better protect our members. Recent Board actions on a new asset allocation, new actuarial assumptions and new smoothing and amortization policies have already lowered risk. However, future contribution rate volatility is expected as CalPERS pension plans continue to mature.

At its November 2015 Board of Administration meeting CalPERS adopted a Funding Risk Mitigation Policy that addresses these risks in a balanced manner. The policy will result in a gradual shifting of the asset allocation in a way that will lower investment risk. This shift means accepting lower future expected returns and a lower actuarial discount rate. In time, the policy is expected to lower the level of risk borne by employers and, ultimately, by members. Additional information on the CalPERS new Funding Risk Mitigation policy can be found on our website.

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

Sincerely,

A handwritten signature in cursive script, appearing to read "Alan Milligan".

ALAN MILLIGAN  
Chief Actuary

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**ACTUARIAL VALUATION**

as of June 30, 2014

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

**REQUIRED CONTRIBUTIONS  
FOR FISCAL YEAR  
July 1, 2016 - June 30, 2017**

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**SECTION 1 – PLAN SPECIFIC INFORMATION**

**SECTION 2 – RISK POOL ACTUARIAL VALUATION INFORMATION**

# Section 1

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

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**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, 2014 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, 2014 provided by employers participating in the Miscellaneous 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, 2014 and employer contribution as of July 1, 2016, 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

## **HIGHLIGHTS AND EXECUTIVE SUMMARY**

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

## Introduction

This report presents the results of the June 30, 2014 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 sets the Fiscal Year 2016-17 required employer contributions.

This actuarial valuation includes Board adopted changes to the demographic assumptions based on the most recent experience study report. The most significant of these is the improvement in post-retirement mortality acknowledging the greater life expectancies we are seeing in our membership and expected continued improvements. The actuarial assumptions and methods used in CalPERS public agency valuations are approved by the Board of Administration upon the recommendation of the Chief Actuary. The individual plan actuary whose signature appears in the actuarial certification in this report does not set plan specific actuarial assumptions.

Effective with the 2014 actuarial valuation, Governmental Accounting Standards Board Statement No. 27 financial reporting information is no longer provided in CalPERS annual actuarial valuation reports. GASB 27 has been replaced with GASB 68 for financial statement reporting purposes. CalPERS is providing separate accounting valuation reports on a fee for service basis for our public agency employers. More details on GASB 68 and instructions for ordering your GASB 68 report are available on our website.

## 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, 2014;
- Determine the required employer contribution for this plan for the Fiscal Year July 1, 2016 through June 30, 2017; and
- Provide actuarial information as of June 30, 2014 to the CalPERS Board of Administration and other interested parties.

The pension funding information presented in this report should not be used in financial reports subject to Governmental Accounting Standards Board (GASB) Statement Number 68 for a Cost Sharing Employer Defined Benefit Pension Plan. A separate accounting valuation report for such purposes is available from CalPERS and details for ordering are available on our website.

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 8.

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	Fiscal Year
	2015-16 <sup>1</sup>	2016-17
Employer Contributions (in Projected Dollars)		
Plan's Employer Normal Cost	\$ 23,276	\$ 23,128
Plan's Payment on Amortization Bases	3,958	0 <sup>2</sup>
Total Employer Contribution	\$ 27,234	\$ 23,128
Projected Payroll for the Contribution fiscal year	\$ 273,453	\$ 260,441
Required Employer Contributions (Percentage of Payroll)		
Pool's Base Employer Normal Cost	8.003%	8.377%
Surcharge for Class 1 Benefits <sup>3</sup>		
a) FAC 1	0.509%	0.503%
Phase out of Normal Cost Difference <sup>4</sup>	0.000%	0.000%
Pools Expected Employee Contribution for Formula	6.891%	6.886%
Plan's Total Normal Cost	15.403%	15.766%
Plan's Employee Contribution Rate	6.891%	6.886%
Employer Normal Cost Rate	8.512%	8.880%

### Required Employer Contribution for Fiscal Year 2016-17

<b>Employer Normal Cost Rate<sup>5</sup></b>	<b>8.880%</b>
<b>Plus Monthly Employer Dollar UAL Payment<sup>6</sup></b>	<b>\$ 0.00</b>
<b>Annual Lump Sum Prepayment Option</b>	<b>\$ 0</b>

*For Fiscal Year 2016-17 the total minimum required employer contribution is the **sum** of the Plan's Employer Normal Cost 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 Fiscal Year 2015-16 and beyond, only the UAL portion of the employer contribution can be prepaid. Late payments will accrue interest at an annual rate of 10 percent.*

Plan Normal Cost contributions will be made as part of the payroll reporting process. As a percentage of projected payroll your UAL contribution is 0.000 percent for a total Employer Contribution Rate of 8.880 percent.

<sup>1</sup> The results shown for Fiscal Year 2015-16 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.

<sup>2</sup> The Plan's Payment on Amortization Bases reflects the sum of all UAL amortization bases including the Plan's Side Fund (where applicable).

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

<sup>4</sup> 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.

<sup>5</sup> The minimum employer contribution under PEPRA is the greater of the required employer contribution or the total employer normal cost.

<sup>6</sup> The Plan's Payment on Amortization Bases Contribution amount for Fiscal Year 2016-17 will be billed as a level dollar amount monthly over the course of the year. Lump sum payments may be made through my|CalPERS. If you would like to prepay the entire Annual Payment toward your Plan's Unfunded Accrued Liability, you can submit the Annual Lump Sum Prepayment amount against the July Unfunded Accrued Liability receivable. The Annual Lump Sum Prepayment must be received in full on or before July 31. If there is contractual cost sharing or other change, this amount will change. § 20572 of the Public Employees' Retirement Law assesses interest at an annual rate of 10 percent if a contracting agency fails to remit the required contributions when due.

## Plan's Funded Status

	June 30, 2013	June 30, 2014
1. Present Value of Projected Benefits (PVB)	\$ 762,785	\$ 990,168
2. Entry Age Normal Accrued Liability	582,509	684,601
3. Plan's Market Value of Assets (MVA)	473,403	593,938
4. Unfunded Liability [(2) - (3)]	109,106	90,663
5. Funded Ratio [(3) / (2)]	81.3%	86.8%

## Projected Employer Contributions

The estimated rate for 2017-18 is based on a projection of the most recent information we have available, including an estimated 2.4 percent investment return for Fiscal Year 2014-15.

The table below shows projected employer contribution rates (before cost sharing) for the next five fiscal years, **assuming CalPERS earns 2.4% for Fiscal Year 2014-15 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 projection period.

	Required Contribution	Projected Future Employer Contribution Rates				
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
<b>Normal Cost %</b>	8.880%	8.9%	8.9%	8.9%	8.9%	8.9%
<b>UAL \$</b>	\$0	\$718	\$740	\$762	\$785	\$808

## **ASSETS AND LIABILITIES**

- **DEVELOPMENT OF PLAN'S SHARE OF POOL'S EXPERIENCE/ASSUMPTION CHANGE**
- **DEVELOPMENT OF PLAN'S SHARE OF POOL'S MVA**
- **SCHEDULE OF PLAN'S SIDE FUND & OTHER AMORTIZATION BASES**
- **ALTERNATIVE AMORTIZATION SCHEDULES**
- **FUNDING HISTORY**

## Allocation of Plan's Share of Pool's Experience/Assumption Change

It is the policy of the CalPERS to ensure equity within the risk pools by allocating the pool's experience gains/losses and assumption changes 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. For purposes of allocating the pool's experience gains/losses and impact of assumption changes to all the individual plans within the pool, an individual plan's share is allocated as follows:

1. Plan's Accrued Liability	\$	684,601
2. Projected UAL balance at 6/30/14		111,265
3. Pool's Accrued Liability	\$	13,137,020,035
4. Sum of Pool's Individual Plan UAL Balances at 6/30/14		2,787,798,208
5. Pool's 2013/14 Investment & Asset (Gain)/Loss		(915,890,797)
6. Pool's 2013/14 Other (Gain)/Loss		1,024,915
7. Plan's Share of Pool's Asset (Gain)/Loss [(1)-(2)]/[(3)-(4)] * (5)		(50,739)
8. Plan's Share of Pool's Other (Gain)/Loss [(1)]/[(3)] * (6)		53
9. Plan's New (Gain)/Loss as of 6/30/2014 [(7)+(8)]	\$	(50,686)
10. Increase in Pool's Accrued Liability due to Change in Assumptions		577,299,719
11. Plan's Share of Pool's Change in Assumptions [(1)]/[(3)] * (10)	\$	30,084

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

1. Plan's Accrued Liability	\$	684,601
2. Plan's UAL	\$	90,663
3. Plan's Share of Pool's MVA (1)-(2)	\$	<b>593,938</b>

## 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, 2014.
- The employer contribution determined by the valuation is for the fiscal year beginning two years after the valuation date; Fiscal Year 2016-17.

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 Accrued Liability (UAL) 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 UAL is rolled forward each year by subtracting the Payment on the UAL for the fiscal year and adjusting for interest.

Reason for Base	Date Established	Amortization Period	Balance 6/30/14	Payment 2014-15	Balance 6/30/15	Payment 2015-16	Amounts for Fiscal 2016-17	
							Balance 6/30/16	Scheduled Payment for 2016-17
FRESH START	06/30/14	30	\$90,663	\$114,190	\$(20,932)	\$(1,207)	\$(21,250)	\$0
<b>TOTAL</b>			<b>\$90,663</b>	<b>\$114,190</b>	<b>\$(20,932)</b>	<b>\$(1,207)</b>	<b>\$(21,250)</b>	<b>\$0</b>

Your plan's allocated share of the risk pool's pre-2013 UAL 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 payment for Fiscal Year 2014-15 was allocated based on your plan's payroll.

The (gain)/loss bases are your plan's allocated share of the risk pool's gain/loss for the fiscal year as disclosed on the previous page. These (gain)/loss bases 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 \$(21,250) as of June 30, 2016, which will require total payments of \$0.

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	2016-17 Payment	Level Rate		Savings
		Total Payments	Total Interest	
5	\$0	\$0	\$21,250	\$0

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
06/30/2014	684,601	593,938	90,663	86.8%	238,340

## **RISK ANALYSIS**

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

## 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, 2014	
1. Market Value of Assets	\$	593,938
2. Payroll		238,340
3. Asset Volatility Ratio (AVR = 1. / 2.)		2.5
4. Accrued Liability	\$	684,601
5. Liability Volatility Ratio (LVR = 4. / 2.)		2.9

## Analysis of Future Investment Return Scenarios

The investment return for Fiscal Year 2014-15 was announced July 14, 2015. The investment return in Fiscal Year 2014-15 is 2.4 percent before administrative expenses. For purposes of projecting future employer rates, we are assuming a 2.4 percent investment return for Fiscal Year 2014-15.

The investment return realized during a fiscal year first affects the contribution for the fiscal year two years later. Specifically, the investment return for 2014-15 will first be reflected in the June 30, 2015 actuarial valuation that will be used to set the 2017-18 employer contribution rates, the 2015-16 investment return will first be reflected in the June 30, 2016 actuarial valuation that will be used to set the 2018-19 employer contribution rates and so forth.

As part of this report, a sensitivity analysis was performed to determine the effects of various investment returns during fiscal years 2015-16, 2016-17 and 2017-18 on the 2018-19, 2019-20 and 2020-21 employer contributions. Once again, the projected contributions 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 5<sup>th</sup> percentile return from July 1, 2015 through June 30, 2018. The 5<sup>th</sup> percentile return corresponds to a -3.8 percent return for each of the 2015-16, 2016-17 and 2017-18 fiscal years.
- The second scenario is what one would expect if the markets were to give us a 25<sup>th</sup> percentile return from July 1, 2015 through June 30, 2018. The 25<sup>th</sup> percentile return corresponds to a 2.8 percent return for each of the 2015-16, 2016-17 and 2017-18 fiscal years.
- The third scenario assumed the return for 2015-16, 2016-17, 2017-18 would be our assumed 7.5 percent investment return which represents about a 49<sup>th</sup> percentile event.
- The fourth scenario is what one would expect if the markets were to give us a 75<sup>th</sup> percentile return from July 1, 2015 through June 30, 2018. The 75<sup>th</sup> percentile return corresponds to a 12.0 percent return for each of the 2015-16, 2016-17 and 2017-18 fiscal years.
- Finally, the last scenario is what one would expect if the markets were to give us a 95<sup>th</sup> percentile return from July 1, 2015 through June 30, 2018. The 95<sup>th</sup> percentile return corresponds to a 18.9 percent return for each of the 2015-16, 2016-17 and 2017-18 fiscal years.

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

2015-18 Investment Return Scenario	Estimated Employer UAL Contribution			Estimated Total Change in Employer UAL Contribution between 2017-18 and 2020-21
	2018-19	2019-20	2020-21	
(3.8%) (5th percentile)	\$1,848	\$4,107	\$7,520	\$6,802
2.8% (25th percentile)	\$1,201	\$2,184	\$3,709	\$2,991
7.5%	\$740	\$762	\$785	\$67
12.0%(75th percentile)	\$0	\$0	\$0	\$(718)
18.9%(95th percentile)	\$0	\$0	\$0	\$(718)

In addition to the UAL Contribution amounts shown above the estimated employer normal cost of 8.9 percent 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 2016-17 total normal cost rates and liabilities under two different discount rate scenarios. Shown below are the total normal cost rates 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 plan impacts 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 contribution rates.

<b>Sensitivity Analysis</b>			
<b>As of June 30, 2014</b>	<b>6.50% Discount Rate (-1%)</b>	<b>7.50% Discount Rate (assumed rate)</b>	<b>8.50% Discount Rate (+1%)</b>
Plan's Total Normal Cost	19.5%	15.8%	12.9%
Accrued Liability	\$771,726	\$684,601	\$611,842
Unfunded Accrued Liability	\$177,788	\$90,663	\$17,904

## Hypothetical Termination Liability

The hypothetical termination liability is an estimate of the financial position of your plan if you had terminated your contract with CalPERS as of June 30, 2014. Your plan liability on a termination basis is calculated differently compared to the plan's ongoing funding liability. For this hypothetical termination liability calculation both compensation and service are frozen as of the valuation date and no future pay increases or service accruals are included.

For the Terminated Agency Pool the CalPERS Board adopted a more conservative investment policy and asset allocation strategy. Since the Terminated Agency Pool has limited funding sources due to the fact that no future employer contributions will be made, expected benefit payments are secured by risk-free assets. With this change, CalPERS increased benefit security for members while limiting its funding risk. However, 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.

The effective termination discount rate will depend on actual market rates of return for risk-free securities on the date of termination. As market discount rates are variable the table below shows a range for the hypothetical termination liability based on the lowest and highest bond yields observed during the period from July 1, 2013 through June 30, 2015.

Valuation Date	Market Value of Assets (MVA)	Hypothetical Termination Liability <sup>1,2</sup> @ 2.00%	Unfunded Termination Liability @ 2.00%	Hypothetical Termination Liability <sup>1,2</sup> @ 3.75%	Unfunded Termination Liability @ 3.75%
06/30/14	\$ 593,938	\$ 1,413,588	\$ 819,650	\$ 1,098,287	\$ 504,349

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

<sup>2</sup> The current discount rate assumption used for termination valuations is a weighted average of the 10-year and 30-year U.S. Treasury yields where the weights are based on matching asset and liability durations as of the termination date. The discount rates used in the table are based on 20-year Treasury bonds, rounded to the nearest quarter percentage point, which is a good proxy for most plans. The 20-year Treasury yield was 3.00% on June 30, 2014 and 2.90% on June 30, 2015.

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 strongly advises you to consult with your plan actuary before beginning this process.

## Participant Data

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

	<b>June 30, 2013</b>	<b>June 30, 2014</b>
Projected Payroll for Contribution Purposes	\$ 273,453	\$ 260,441
Number of Members		
Active	2	2
Transferred	0	0
Separated	1	1
Retired	1	2

## List of Class 1 Benefit Provisions

- One Year Final Compensation

**PLAN'S MAJOR BENEFIT OPTIONS**

**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	
	Active Misc	Receiving Misc
Benefit Formula Social Security Coverage Full/Modified	2.0% @ 55 No Full	
Employee Contribution Rate	7.00%	
Final Average Compensation Period	One Year	
Sick Leave Credit	Yes	
Non-Industrial Disability	Standard	
Industrial Disability	No	
Pre-Retirement Death Benefits Optional Settlement 2W 1959 Survivor Benefit Level Special Alternate (firefighters)	Yes level 4 No No	No
Post-Retirement Death Benefits Lump Sum Survivor Allowance (PRSA)	\$500 No	\$500 No
COLA	2%	2%

## Section 2

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

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**Section 2 may be found on the CalPERS website  
([www.calpers.ca.gov](http://www.calpers.ca.gov)) in the Forms and  
Publications section**

LAFCO *of Monterey County*

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LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

Local Agency Formation Commission of  
Monterey County

CalPERS Actuarial Valuation

As of June 30, 2014

Pepra Miscellaneous Plan

Required Contributions for FY

July 1, 2016-June 30, 2017



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](http://www.calpers.ca.gov)

**November 2015**

**PEPRA MISCELLANEOUS PLAN OF THE LOCAL AGENCY FORMATION COMMISSION  
OF MONTEREY COUNTY  
(CalPERS ID: 7449296272)  
Annual Valuation Report as of June 30, 2014**

Dear Employer,

As an attachment to this letter, you will find a copy of the June 30, 2014 actuarial valuation report of your pension plan.

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, 2014.

Section 2 can be found on the CalPERS website at ([www.calpers.ca.gov](http://www.calpers.ca.gov)). From the home page go to "*Forms & Publications*" and select "*View All*". In the search box enter "*Risk Pool Report*" and from the results list download the Miscellaneous or Safety Risk Pool Actuarial Valuation Report as appropriate.

Your 2014 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 November 30, 2015.

**Future Contribution Rates**

Fiscal Year	Employer Normal Cost Rate	+	Employer Payment of Unfunded Liability
2016-17	6.555%		\$0
2017-18 (projected)	6.6%		\$1

The exhibit above displays the Minimum Employer Contributions, before any cost sharing, for 2016-17 along with estimates of the contributions for 2017-18. The estimated contributions for 2017-18 are based on a projection of the most recent information we have available, including an estimated 2.4 percent investment return for fiscal 2014-15.

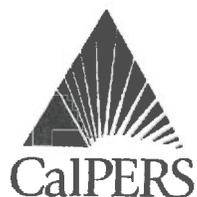
A projection of employer contributions beyond 2017-18 can be found in the Risk Analysis Section of this report, "*Analysis of Future Investment Return Scenarios*", under a variety of investment return scenarios. Please disregard any projections provided to you in the past. Member contributions, other 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.

At its November 2015 Board of Administration meeting CalPERS adopted a Funding Risk Mitigation Policy that addresses these risks in a balanced manner. The policy will result in a gradual shifting of the asset allocation in a way that will lower investment risk. This shift means accepting lower future expected returns and a lower actuarial discount rate. In time, the policy is expected to lower the level of risk borne by employers and, ultimately, by members. Additional information on the CalPERS new Funding Risk Mitigation policy can be found on our website.

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

Sincerely,

ALAN MILLIGAN  
Chief Actuary



# **ACTUARIAL VALUATION**

as of June 30, 2014

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

**REQUIRED CONTRIBUTIONS  
FOR FISCAL YEAR  
July 1, 2016 - June 30, 2017**

# Section 1

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

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

**(CalPERS ID: 7449296272)  
(Rate Plan: 27008)**

## ACTUARIAL CERTIFICATION

Section 1 of this report is based on the member and financial data contained in our records as of June 30, 2014 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, 2014 provided by employers participating in the Miscellaneous 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 PEPRA 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, 2014 and employer contribution as of July 1, 2016, 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

## Introduction

This report presents the results of the June 30, 2014 actuarial valuation of the PEPRA MISCELLANEOUS PLAN of the LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY of the California Public Employees' Retirement System (CalPERS). This actuarial valuation sets the Fiscal Year 2016-17 required employer contributions.

This actuarial valuation includes Board adopted changes to the demographic assumptions based on the most recent experience study report. The most significant of these is the improvement in post-retirement mortality acknowledging the greater life expectancies we are seeing in our membership and expected continued improvements. The actuarial assumptions and methods used in CalPERS public agency valuations are approved by the Board of Administration upon the recommendation of the Chief Actuary. The individual plan actuary whose signature appears in the actuarial certification in this report does not set plan specific actuarial assumptions.

Effective with the 2014 actuarial valuation, Governmental Accounting Standards Board Statement No. 27 financial reporting information is no longer provided in CalPERS annual actuarial valuation reports. GASB 27 has been replaced with GASB 68 for financial statement reporting purposes. CalPERS is providing separate accounting valuation reports on a fee for service basis for our public agency employers. More details on GASB 68 and instructions for ordering your GASB 68 report are available on our website.

## Purpose of Section 1

This section 1 report for the PEPRA 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, 2014;
- Determine the required employer contribution for this plan for the Fiscal Year July 1, 2016 through June 30, 2017; and
- Provide actuarial information as of June 30, 2014 to the CalPERS Board of Administration and other interested parties.

The pension funding information presented in this report should not be used in financial reports subject to Governmental Accounting Standards Board (GASB) Statement Number 68 for a Cost Sharing Employer Defined Benefit Pension Plan. A separate accounting valuation report for such purposes is available from CalPERS and details for ordering are available on our website.

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 8.

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.

## Plan's Funded Status

	June 30, 2013	June 30, 2014
1. Present Value of Projected Benefits (PVB)	\$ 84,627	\$ 97,732
2. Entry Age Normal Accrued Liability	81	13,997
3. Plan's Market Value of Assets (MVA)	109	14,652
4. Unfunded Liability [(2) - (3)]	(28)	(655)
5. Funded Ratio [(3) / (2)]	134.6%	104.7%

## Projected Employer Contributions

The estimated rate for 2017-18 is based on a projection of the most recent information we have available, including an estimated 2.4 percent investment return for Fiscal Year 2014-15.

The table below shows projected employer contribution rates (before cost sharing) for the next five fiscal years, **assuming CalPERS earns 2.4% for Fiscal Year 2014-15 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 projection period.

	Required Contribution	Projected Future Employer Contribution Rates				
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
<b>Normal Cost %</b>	6.555%	6.6%	6.6%	6.6%	6.6%	6.6%
<b>UAL \$</b>	\$0	\$1	\$14	\$27	\$41	\$55

## Allocation of Plan's Share of Pool's Experience/Assumption Change

It is the policy of the CalPERS to ensure equity within the risk pools by allocating the pool's experience gains/losses and assumption changes 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. For purposes of allocating the pool's experience gains/losses and impact of assumption changes to all the individual plans within the pool, an individual plan's share is allocated as follows:

1. Plan's Accrued Liability	\$	13,997
2. Projected UAL balance at 6/30/14		(30)
3. Pool's Accrued Liability	\$	13,137,020,035
4. Sum of Pool's Individual Plan UAL Balances at 6/30/14		2,787,798,208
5. Pool's 2013/14 Investment & Asset (Gain)/Loss		(915,890,797)
6. Pool's 2013/14 Other (Gain)/Loss		1,024,915
7. Plan's Share of Pool's Asset (Gain)/Loss $[(1)-(2)]/[(3)-(4)] * (5)$		(1,241)
8. Plan's Share of Pool's Other (Gain)/Loss $[(1)]/[(3)] * (6)$		1
9. Plan's New (Gain)/Loss as of 6/30/2014 $[(7)+(8)]$	\$	(1,240)
10. Increase in Pool's Accrued Liability due to Change in Assumptions		577,299,719
11. Plan's Share of Pool's Change in Assumptions $[(1)]/[(3)] * (10)$	\$	615

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

1. Plan's Accrued Liability	\$	13,997
2. Plan's UAL	\$	(655)
3. Plan's Share of Pool's MVA (1)-(2)	\$	<b>14,652</b>

## 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 \$(164) as of June 30, 2016, which will require total payments of \$0.

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			
	2016-17 Payment	Total Payments	Total Interest	Savings
N/A	N/A	N/A	N/A	N/A

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
06/30/2013	\$ 81	\$ 109	\$ (28)	134.6%	\$ 53,893
06/30/2014	13,997	14,652	(655)	104.7%	55,279

## 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.

<b>Rate Volatility</b>	<b>As of June 30, 2014</b>	
1. Market Value of Assets	\$	14,652
2. Payroll		55,279
3. Asset Volatility Ratio (AVR = 1. / 2.)		0.3
4. Accrued Liability	\$	13,997
5. Liability Volatility Ratio (LVR = 4. / 2.)		0.3

## Analysis of Discount Rate Sensitivity

The following analysis looks at the 2016-17 total normal cost rates and liabilities under two different discount rate scenarios. Shown below are the total normal cost rates 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 plan impacts 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 contribution rates.

<b>Sensitivity Analysis</b>			
<b>As of June 30, 2014</b>	<b>6.50% Discount Rate (-1%)</b>	<b>7.50% Discount Rate (assumed rate)</b>	<b>8.50% Discount Rate (+1%)</b>
Plan's Total Normal Cost	15.7%	12.8%	10.6%
Accrued Liability	\$15,494	\$13,997	\$12,692
Unfunded Accrued Liability	\$842	\$(655)	\$(1,960)

## Participant Data

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

	<b>June 30, 2013</b>	<b>June 30, 2014</b>
Projected Payroll for Contribution Purposes	\$ 58,890	\$ 60,405
Number of Members		
Active	1	1
Transferred	0	0
Separated	0	1
Retired	0	0

## List of Class 1 Benefit Provisions

- None

**SECTION 1 – PLAN SPECIFIC INFORMATION FOR THE PEPRRA 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
Benefit Formula	Active
Social Security Coverage Full/Modified	Misc
Employee Contribution Rate	2.0% @ 62
Final Average Compensation Period	No Full
Sick Leave Credit	6.25%
Non-Industrial Disability	Three Year
Industrial Disability	Yes
Pre-Retirement Death Benefits Optional Settlement 2W	Standard
1959 Survivor Benefit Level Special	No
Alternate (firefighters)	Yes
Post-Retirement Death Benefits Lump Sum	level 4
Survivor Allowance (PRSA)	No
COLA	No
	\$500
	No
	2%

# LAFCO *of Monterey County*

## LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

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](http://www.monterey.lafco.ca.gov)

DATE: March 4, 2016

TO: Budget and Finance Committee

FROM: Kate McKenna, AICP, Executive Officer

SUBJECT: AGREEMENT FOR PROFESSIONAL SERVICES WITH JAMES MARTA  
& COMPANY LLP TO CALCULATE THE POST-EMPLOYMENT  
HEALTHCARE LIABILITY (GASB 45)

### SUMMARY OF RECOMMENDATION:

Recommend that the agreement be approved by Commission on March 28, 2016.

### EXECUTIVE OFFICER'S REPORT:

Federal accounting rules require LAFCO to report any liability for retiree health benefits in annual audits. In 2013, James Marta & Company LLP, Certified Public Accountants, Sacramento, was retained to provide LAFCO with calculations for three fiscal years ending June 30, 2015. Following recent inquiries with several firms, I am satisfied that James Marta & Company is again qualified to provide this specialized actuarial service at a reasonable cost.

The parties now desire to execute a letter of agreement (see attachment) to assist LAFCO in calculating the liability for retiree health benefits in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 45, for postemployment benefits other than pensions. The report will cover a two-year period for the years ending June 30, 2016 and 2017. The cost of this service will not exceed \$1,100.

### Fiscal Impact

Funds are available for this purpose in Employee Benefits (Account No. 6100) of the adopted budget for FY 2015-2016.

Mr. Mike Briley, Hayashi & Wayland, will assist in presenting this agenda item.

Respectfully Submitted,



Kate McKenna, AICP,  
Executive Officer

Attachment: James Marta & Company LLP Draft Letter of Agreement, February 5, 2016



## **James Marta & Company LLP**

*Certified Public Accountants*

*Accounting, Auditing, Consulting, and Tax*

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February 5, 2016

Kate McKenna, Executive Officer  
Local Agency Formation Commission of Monterey County  
132 W. Gabilan Street, Suite 102  
Salinas, California 93901

We are pleased to confirm our understanding of the services we are to provide for Local Agency Formation Commission of Monterey County (“LAFCO”) for the year ended June 30, 2016 and 2017.

### **I. SCOPE OF WORK**

We have been engaged by LAFCO to perform the procedures described in Attachment A, which is incorporated as part of this Agreement. These procedures will be performed solely to assist LAFCO in the calculation of its liability for retiree health benefits using the Alternative Measurement Method as provided in the Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and to provide information necessary to comply with the requirements of said statement.

### **II. LAFCO’S RESPONSIBILITIES**

LAFCO will provide to us in a timely manner and in the format requested information regarding employee and retiree census data, benefits it provides to its employees and retirees, its retiree premium subsidies, and such other information necessary to accurately produce the OPEB valuation described in Attachment A.

LAFCO agrees that the information will be made available to us and will be complete and accurate and that LAFCO will issue a representation letter from management concerning these matters and that we may rely upon such information, documents, and data with no duty to inquire or audit it. Because of the importance of management’s representations as to the completeness and accuracy of the information, documents, and data which it provides to us, LAFCO agrees to release us from any claims, liabilities, costs, and expenses relating to our services under this letter attributable to any misrepresentations in the representation letter referenced above.

LAFCO further agrees to perform the following functions:

- make all management decisions and perform all management functions,
- designate a competent employee to oversee the services,
- evaluate the adequacy and results of the services performed,

- accept responsibility for the results of the services, and
- establish and maintain internal controls, including monitoring ongoing activities.

### **III. OUR RESPONSIBILITY**

This agreed-upon procedures engagement will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the LAFCO. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

We will deliver a formal Report including an Executive Summary, tables or charts presenting the development of the results, a description of all primary actuarial assumptions and methods, and a summary of the Plan benefits. This report will also contain GASB 45 accounting information including the Annual Required Contribution (ARC), annual Other Post Employment Benefits (OPEB) Cost, and the Net OPEB Obligation (NOO).

Our services are not of a legal nature and we will in no event give, or be required to give a legal opinion or provide legal representation to LAFCO.

### **IV. OTHER STIPULATIONS**

#### **Fees**

Our fee for this service will not exceed \$1,100. The amount is due and payable upon the delivery of the final report. Additional studies or other services requested by LAFCO will be performed based on fixed fee quotes provided in advance.

If we are required by government regulation, subpoena, or other legal process to produce documents or any personnel as a witness with respect to the services provided to LAFCO, LAFCO will reimburse us for the costs of professional time and expenses incurred in responding to such requests.

#### **Reports**

We will provide you with two bound copies of the report and an electronic (.pdf) copy. Our work is prepared solely for the internal business use of LAFCO. Except as required by law including any applicable public disclosure regulations, our work may not be provided to third parties without our prior written consent subject to the following exception(s):

- LAFCO may provide a copy of our work, in its entirety to their professional service advisors who are subject to a duty of confidentiality and who agree not to use our work for any purpose other than to benefit LAFCO.
- LAFCO may provide a copy of our work, in its entirety, to other governmental entities, as required by law.

### **Workpapers**

All processes, methodologies, procedures, tools, techniques, templates, programs, and workpapers we utilized in connection with the performance of this engagement will remain the our property and LAFCO shall acquire no right or interests in such property.

We agree to retain our workpapers related to the engagement for a period of at least seven (7) years from the date of our report. LAFCO should retain copies of all data, documents, reports, and determinations that it provides to us and that we provide to LAFCO.

### **Termination**

For any reason and without penalty, either party may terminate this engagement upon written notice at least thirty (30) days in advance of the termination. LAFCO shall be liable for properly incurred fees and expenses through the date of termination. We will reimburse for fees paid and not earned.

### **Mediation Provision**

Disputes arising under this agreement (including scope, nature, and quality of services to be performed by us, our fees and other terms of the engagement) shall be submitted to mediation. A competent and impartial third party, acceptable to both parties shall be appointed to mediate, and each disputing party shall pay an equal percentage of the mediator's fees and expenses. No suit or arbitration proceedings shall be commenced under this agreement until at least 60 days after the mediator's first meeting with the involved parties. If the dispute requires litigation, the court shall be authorized to impose all defense costs against any non-prevailing party found not to have participated in the mediation process in good faith.

If the foregoing is in accordance with your understanding, please indicate your agreement by signing the duplicate copy of this letter and returning it to us.

We appreciate the opportunity to serve you and look forward to working with you and your staff.

Sincerely,



James Marta & Company LLP  
Certified Public Accountants

RESPONSE:

This letter correctly sets forth our understanding.

Approved by: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

## **ATTACHMENT A**

### **To be provided by LAFCO**

1. Obtain a copy of audit report for the year ended June 30, 2015.
2. Obtain from LAFCO's management a copy of the retiree health benefits plan offered to employees of LAFCO as of July 1, 2015.
3. Obtain from LAFCO's management a list of employees and retirees as of July 1, 2015, which includes their employment status, gender, number of years employed, current age, marital status and spouses age.
4. Obtain from LAFCO's management a schedule of Medical, Dental, Vision, and Life Insurance premiums as applicable, as of July 1, 2015, for single and married employees both under and over the age of 65.
5. Obtain from LAFCO's management the minimum years of service required for employees to qualify for Retiree Health Benefits.

### **To be provided by James Marta & Company LLP**

6. Obtain the healthcare cost trend rate for 2013 - 2022 from the Department of Health and Human Services.
7. Obtain the expected long-term inflation rate from the United States Social Security Administration.
8. Obtain the estimated turnover rates from GASB Statement No. 45, paragraph 35b.
9. Obtain life expectancy data from the National Center for Health Statistics.
10. Calculate the projected future benefit payments for all employees and retirees in accordance with GASB Statement No. 45.
11. Calculate the normal cost, actuarial accrued liability, and annual required contribution using the Entry Age Cost Method with Level Percentage of Payroll as provided in GASB Statement No. 45 for the Alternative Measurement Method.
12. Prepare the footnote disclosure information required by GASB Statement No. 45.



## Government Relations and Administration

Two government relations tasks are identified on Page 3 as a follow-up to LAFCO studies done in 2015. One task is to continue technical training and professional development outreach assistance to small districts. The other task is to assist Greenfield-area local agencies in collaboration efforts. Administrative priorities include a comprehensive update of policies and procedures (Page 3), and continued progress in records management (Page 4).

## Fiscal Impact

Indications are that the work program – particularly MSR/Sphere of Influence studies and application processing – will continue to place a high level of demand on staff resources. Staff remain prepared to adjust timelines and priorities to assist local agencies with unanticipated needs that arise during the fiscal year.

The proposed work program can reasonably be accomplished with the proposed budget (Agenda Item No. 7).

## Alternative Actions

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

Respectfully Submitted,



Kate McKenna, AICP,  
Executive Officer

Attachment: Proposed Annual Work Program, Fiscal Year 2016-2017  
Report prepared by: Darren McBain, Senior Analyst

# LAFCO *of Monterey County*

## LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

### DRAFT WORK PROGRAM

### FISCAL YEAR 2016-2017

March 28, 2016

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><b><u>Carry Over as Continued Items from FY 2015-2016 Work Program</u></b></p> <ul style="list-style-type: none"> <li>• Marina Coast Water District</li> <li>• Seaside County Sanitation District</li> <li>• City of Soledad</li> <li>• City of Seaside</li> <li>• Salinas Valley Memorial Healthcare System</li> </ul> <p><b><u>Potential New MSR/Sphere Studies to be Initiated in FY 2016-2017</u></b></p> <ul style="list-style-type: none"> <li>• <b>Wastewater service districts:</b> Boronda, Pajaro, and Monterey Regional County Sanitation Districts</li> <li>• <b>Community services districts:</b> Pebble Beach, Santa Lucia</li> <li>• <b>Other government services:</b> Monterey Peninsula Airport District, Moss Landing Harbor District, North Salinas Valley Mosquito Abatement District, Resource Conservation District of Monterey County</li> </ul>	<p>Current status varies by agency; see Table 1 for more detail.</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>
<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.</p>	ONGOING	
<p>As needed, develop and update local policies, procedures, applications, and flowcharts for Spheres of Influence, annexations, reorganizations, and the creation of cities and districts.</p>	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	LAFCO staff is actively coordinating with County IT staff on the details of a comprehensive web site redesign for improved usability. Anticipated completion: April 2016
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	
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.

<p>Greenfield-area workshop to review all existing agencies' (City and special districts) services within the Greenfield community and discuss potential future opportunities for greater efficiency. LAFCO staff will coordinate with City staff and district representatives to develop a future workshop plan.</p>	<p>Spring-summer 2016</p>	<p>As recommended in the 2015 MSR/Sphere study adopted by the Commission on December 7, 2015.</p>
<p>Ongoing training and technical assistance outreach to special districts: compile and distribute a suggested orientation package for new Trustees/Board members and staff members of small special districts and establish a clearinghouse of professional development training and technical assistance resources for special districts. Depending on district representatives' interests and needs, similar opportunities may exist for an annual board member training update or other information-sharing events.</p>	<p>Ongoing, beginning in spring/summer 2016</p>	<p>As recommended in the 2015 MSR/Sphere study adopted by the Commission on December 7, 2015.</p>

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<p><b>4. COMMISSION AND COMMITTEE FUNCTIONS</b></p>		
<p><b>TASK</b></p>	<p><b>STATUS</b></p>	<p><b>COMMENTS</b></p>
<p>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.</p>	<p>ONGOING</p>	
<p>Hold monthly agenda review sessions with Chair and Vice-Chair.</p>	<p>ONGOING</p>	
<p>Conduct new Commissioner orientations, as needed.</p>	<p>ONGOING</p>	
<p>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.</p>	<p>ONGOING</p>	
<p>Provide Commission with regular updates of laws, policies, and procedures.</p>	<p>ONGOING</p>	

<p><b>5. ADMINISTRATIVE AND HUMAN RESOURCES MANAGEMENT</b></p>		
<p><b>TASK</b></p>	<p><b>STATUS</b></p>	<p><b>COMMENTS</b></p>
<p>Maintain the LAFCO project tracking system.</p>	<p>ONGOING</p>	
<p>Maintain the staff time keeping, cost tracking, and invoicing systems for applications.</p>	<p>ONGOING</p>	
<p>Comprehensively review and document Policies and Procedures for all LAFCO office functions, including human resources rules and regulations.</p>	<p>IN PROGRESS</p>	
<p>Identify and support staff training needs and opportunities, including professional certification, technical training, and ethics/harassment compliance.</p>	<p>ONGOING</p>	

<p>Implement LAFCO's 2014 Records Management Policy, including conversion of paper records to electronic format. This is a multi-year task.</p>	<p>ONGOING</p>	<p>To date, staff has scanned all 50+ years of meeting minutes and resolutions, and has indexed all resolutions in a searchable database. All available (1978 onward) LAFCO meeting packets that existed only on paper have also now been scanned. Next phase: Scanning of proposals (annexations, other boundary changes, etc.; approximately 800 paper files), currently underway.</p>
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<p>6. FINANCIAL MANAGEMENT</p>		
<p>TASK</p>	<p>STATUS</p>	<p>COMMENTS</p>
<p>Review and update the project fee schedule and hourly staffing rates, as needed.</p>	<p>ONGOING</p>	<p>No changes needed at this time.</p>
<p>Continue to review existing financial policies and procedures, and prepare new financial policies and procedures as necessary.</p>	<p>ONGOING</p>	<p>No changes needed at this time.</p>
<p>Continue to coordinate with the County Auditor, to obtain annual local agency contributions to LAFCO.</p>	<p>ONGOING</p>	
<p>Complete annual audit for Fiscal Year 2015-2016.</p>	<p>Start August 2016. Complete by December 2016.</p>	
<p>Conduct periodic review of Benefits, Services and Supplies with the goal of continuing to control costs.</p>	<p>ONGOING</p>	
<p>Continue use of a three-year financial forecast to project upcoming needs and to provide the resources to meet these needs.</p>	<p>ONGOING</p>	<p>This tool is for informal use by the Budget &amp; Finance Committee.</p>

**Table I: Partial List of Anticipated Agenda Items as of March 28, 2016****Anticipated Agenda Items by June 30, 2016**

1. **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 (*CEQA clearance completed by CAWD in December 2015. Application is being prepared; not yet received*).
2. **Recreation Districts** – Municipal Service Review and Sphere of Influence Studies for Carmel Valley Recreation and Park District, North County Recreation and Park District, and Monterey Peninsula Regional Park District (*To be initiated by LAFCO staff in April 2016*).

**Current FY Work Program Items to be Carried Over to FY 2016-2017**

3. **City of Greenfield** – Potential Commercial/Industrial and Residential Annexation Proposals (Franscioni, Scheid, and others). (*CEQA clearance, Williamson Act exchange agreements, and other “pre-LAFCO application” actions are in progress. Annexation application may be on file by approximately May 2016*).
4. **City of Soledad** – Sphere of Influence Amendment for Miravale III. 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 will potentially be initiated by LAFCO, if determined necessary depending on the scope of the proposed Sphere Amendments and Annexations. *A comprehensive City-County MOA was approved by the Soledad City Council in February 2016 and is anticipated to be before the Board of Supervisors in March or April. Applications for a Sphere Amendment and Annexations are anticipated to follow later this year.*
5. **King City** – Potential Sphere of Influence Amendment and Annexation of the existing College Ville farmworker housing complex located adjacent to existing city limits, and possibly one or more other nearby parcels. (*Applications have not yet been submitted*).
6. **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. A December 8, 2015 letter from SCSD to MCWD requested additional coordination on engineering studies. MSR and SOI adoption schedule is dependent on the districts*),
  - Sphere of Influence Amendment and Annexation of portions of the former Fort Ord, and/or the “Cemex” site, to provide water and wastewater services (*May be initiated by the District. See MSR discussion above*).
7. **Seaside County Sanitation District**
  - Municipal Service Review (*Initiated by LAFCO. Administrative draft MSR was prepared by LAFCO staff and reviewed with District. MSR and SOI adoption schedule is dependent on the two districts. See related MCWD item, above*).
  - 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*).
8. **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*). Sphere/annexation not yet submitted, pending CEQA clearance and other City/County actions
9. **Salinas Valley Memorial Healthcare System** – Municipal Service Review and Sphere of Influence Study (*Initiated by LAFCO in September 2014; information collection in progress*).

10. Potential formation of a **new community services district** to serve future development of Ferrini Ranch and other Highway 68-area properties. *(Not yet initiated by County of Monterey, property owners, or other parties).*
11. **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 *(LAFCO submitted a comment letter on the City’s Notice of Preparation of a draft, program-level EIR in December 2015. The EIR has not yet been circulated).*

Anticipated New Work Program Items to be Considered in FY 2015-2016

**Municipal Service Reviews and Sphere of Influence studies, pursuant to a comprehensive work program to update service reviews and spheres of influence, adopted in 2009:**

12. **Water and wastewater service districts:** Aromas Water District and the Boronda, Pajaro, and Monterey Regional County Sanitation Districts
13. **Community services districts:** Pebble Beach, Santa Lucia
14. **Other government services:** Monterey Peninsula Airport District, Moss Landing Harbor District, North Salinas Valley Mosquito Abatement District, Resource Conservation District of Monterey County



two line items in Supplies & Services. Current funding for those line items (\$35,000) would be eliminated in the proposed budget. By transitioning from temporary to salaried clerical help, the Commission can better address its high-volume workload, staff retention and cross-training needs.

The remainder of the proposed Salaries and Benefits increase is for merit increases/COLAs per employment agreements and salary scales updated in 2014 and 2015, and increases in some benefit costs. There are no changes to benefits, and no changes to the significant benefit reductions already in effect. LAFCO pays 0% of the employee share of the retirement plan contributions, and employees pay 100% of this cost.

Proposed total expenditures for Services and Supplies (\$200,000) will decrease slightly as compared to the current year (\$208,700). Even though line items for temporary clerical and records management help will not be funded in FY 2016-2017, those savings are offset by minor increases in various services and supplies, particularly related to computer support.

### 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 \$280,067 in FY 2016-2017. This is 4 percent higher than the current year shares (\$269,067).

Proposed revenue includes a contribution of \$50,000 from the Unreserved Fund Balance if necessary at year-end, to reduce the cost share for local agencies. This supplement would require an exception from Commission policy to not draw down the Unreserved Fund Balance; an exception was also made in the last and current fiscal years. No draw down was actually required last year, and no or minimal supplement is anticipated for June 30, 2016, due to anticipated year-end cost savings.

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 28 (to adopt a draft budget and distribute it to local agencies for review and comment), and on April 25 (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

Attachment: Preliminary Draft Annual Budget, Fiscal Year 2016-2017

LAFCO *of Monterey County*

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LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

# PRELIMINARY BUDGET FOR FY 2016-2017

March 4, 2016

Budget and Finance Committee

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**LAFCO** *of Monterey County*

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LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

SUMMARY OF PROPOSED  
EXPENDITURES AND REVENUES  
FOR PRELIMINARY FY 2016-2017 BUDGET

March 4, 2016

Budget and Finance Committee

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**LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY**  
**Preliminary Budget Worksheet for FY 2016-2017**  
**March 4, 2016**

		Adopted Budget for Fiscal Year 2015-16	Estimated Year-End Expenditures for Fiscal Year 2015-16 (Includes Adopted Budget Amendment No. 1)	Draft Preliminary Budget for Fiscal Year 2016-17
<b>SUMMARY OF PROPOSED EXPENDITURES - FISCAL YEAR 2016-17</b>				
6000	Employee Salaries	\$ 445,000.00	\$ 445,000.00	\$ 498,000.00
6100	Employee Benefits	\$ 195,000.00	\$ 185,000.00	\$ 205,000.00
7000	Postage and Shipping	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00
7010	Books and Periodicals	\$ 1,000.00	\$ 1,000.00	\$ 1,100.00
7030	Copy Machine Charges	\$ 6,500.00	\$ 6,500.00	\$ 10,000.00
7040	Outside Printers	\$ 6,000.00	\$ 6,000.00	\$ 6,000.00
7060	Office Supplies	\$ 4,500.00	\$ 4,500.00	\$ 5,500.00
7070	Office Equipment and Furnishings	\$ 1,000.00	\$ 1,000.00	\$ 5,000.00
7080	Computer/Hardware/Peripherals	\$ 3,000.00	\$ 3,000.00	\$ 4,000.00
7085	Computer Support Services (Fixed Costs)	\$ 7,500.00	\$ 7,500.00	\$ 10,000.00
7090	Computer Support Services (Variable Costs)	\$ 12,000.00	\$ 12,000.00	\$ 12,000.00
7100	Computer Software	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00
7105	Meeting Broadcast Services	\$ 3,300.00	\$ 3,300.00	\$ 4,000.00
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
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	\$ 2,500.00
7170	Rental of Buildings	\$ 24,400.00	\$ 24,400.00	\$ 25,000.00
7200	Telephone Communications	\$ 6,000.00	\$ 6,000.00	\$ 7,000.00
7230	Temporary Help Services (Clerical)	\$ 25,000.00	\$ 25,000.00	\$ -
7240	Outside Professional Services - Total for Line Items 7242 - 7249	\$ 62,000.00	\$ 72,000.00	\$ 72,000.00
	7242 Accounting and Financial Services	\$ 37,500.00	\$ 37,500.00	\$ 37,500.00
	7245 General Counsel and Special Counsel	\$ 11,000.00	\$ 11,000.00	\$ 11,000.00
	7247 Human Resources	\$ -	\$ 10,000.00	\$ 10,000.00
	7248 Annual Audit	\$ 13,500.00	\$ 13,500.00	\$ 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	\$ -	\$ -	\$ 1,000.00
7280	LAFCO Memberships	\$ 4,700.00	\$ 4,700.00	\$ 5,100.00
7290	Litigation Reserve	\$ -	\$ -	\$ -
7285	Records Storage and Security	\$ 10,000.00	\$ 10,000.00	\$ -
7295	Contingency Reserve (See Note 2)	\$ -	\$ -	\$ -
	<b>SUB TOTAL EXPENDITURES</b>	<b>\$ 848,700.00</b>	<b>\$ 848,700.00</b>	<b>\$ 903,000</b>
	<b>LESS PASS-THROUGH EXPENSES (Acct. 7261)</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>TOTAL EXPENDITURES (NET)</b>	<b>\$ 848,700.00</b>	<b>\$ 848,700.00</b>	<b>\$ 903,000</b>

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY  
 PROPOSED BUDGET WORKSHEET  
 FISCAL YEAR 2016-2017  
 March 4, 2016

<b>PROPOSED REVENUES - FISCAL YEAR 2016-2017</b>			
<b>Revenue</b>	<b>Adopted Budget Revenues for Fiscal Year 2015-16</b>	<b>Estimated Year-End Revenues Fiscal Year 2015-2016</b>	<b>Anticipated Budget Revenues for Fiscal Year 2016-2017</b>
Source:			
4000 - Project Fees - See Note 1	\$ 10,000	\$ 10,000.00	\$ 10,000.00
4001 - Pass-through Fees	\$ -	\$ -	\$ -
4205 - County Contribution	\$ 269,067	\$ 269,067.00	\$ 280,167.00
4210 - City Contributions	\$ 269,067	\$ 269,067.00	\$ 280,167.00
4220 - Independent Special District Contributions	\$ 269,067	\$ 269,067.00	\$ 280,167.00
3810 - Contingency Reserve	\$ -	\$ -	
3850 - Unreserved Fund Balance - Supplement (as needed)	\$ 30,000	\$ 30,000.00	\$ 50,000.00
4300 - Interest	\$ 1,500	\$ 1,500.00	\$ 2,500.00
<b>SUB TOTAL REVENUES</b>	<b>\$ 848,701</b>	<b>\$ 848,701.00</b>	<b>\$ 903,001.00</b>
<b>LESS PASS-THROUGH INCOME (Acct. 4001)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL REVENUE (NET)</b>	<b>\$ 848,701</b>	<b>\$ 848,701.00</b>	<b>\$ 903,001.00</b>

**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*

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LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

DETAIL OF PROPOSED EXPENDITURES FOR  
PRELIMINARY FY 2016-17 BUDGET

March 4, 2016

Budget and Finance Committee

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**LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY**  
**Preliminary Budget Worksheet for FY 2016-2017**  
**March 4, 2016**

	<b>Adopted Budget for Fiscal Year 2015-16</b>	<b>Estimated Year-End Expenditures for Fiscal Year 2015-16 (Includes Adopted Budget Amendment No. 1)</b>	<b>Draft Preliminary Budget for Fiscal Year 2016-17</b>
<p><b>6000 EMPLOYEE SALARIES</b></p> <p>This line item supports all work program activities of the Commission and four current 4.0 FTE positions. Approximately \$32K of proposed Salaries and \$10K of proposed Benefits are for the purpose of establishing a .5 FTE clerical assistant position. This half-time, at-will position would assume clerical and records management duties now performed by temporary agency help, and take on additional support duties. The transition from temporary to salaried clerical support will address workload, staff retention and cross-training needs of LAFCO. The transition can be accomplished with minimal fiscal impact by reallocating \$35K currently budgeted for temporary help (in Services &amp; Supplies) to Employee Salaries &amp; Benefits in FY 2016-2017. Line Items 7230 (Temporary Clerical Help) and 7285 (Records Management Help) will not be funded in FY 2016-2016, as those duties will be reassigned to the half-time clerical position. The remainder of the proposed Salaries increase is for merit step increases and COLAs per employment agreements (for staff retention) and overtime allowances for non-exempt employees (per law).</p>	\$ 445,000.00	\$ 445,000.00	\$ 498,000.00
<p><b>6100 EMPLOYEE BENEFITS</b></p> <p>This line item assumes no new benefits and no benefits changes for current 4.0 FTE employees, and no change in benefit reductions that are already in place. Assumes minor increase in some benefit costs. LAFCO pays 0% of the employee share of the employee share of retirement plan contributions; employees pay 100% of this cost. This line item also assumes partial benefits for the proposed .5 FTE clerical position, for recruitment and retention purposes. The estimated \$10K cost of these partial benefits can be accomplished with minimal impact by reallocating temporary clerical help funds (in Services &amp; Supplies) to Employee Salaries &amp; Benefits - please see discussion above.</p>	\$ 195,000.00	\$ 185,000.00	\$ 205,000.00
<b>TOTAL SALARIES &amp; BENEFITS</b>	<b>\$ 640,000.00</b>	<b>\$ 630,000.00</b>	<b>\$ 703,000.00</b>

**LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY**  
**Preliminary Budget Worksheet for FY 2016-2017**  
**March 4, 2016**

	<b>Adopted Budget for Fiscal Year 2015-16</b>	<b>Estimated Year-End Expenditures for Fiscal Year 2015-16 (Includes Adopted Budget Amendment No. 1)</b>	<b>Draft Preliminary Budget for Fiscal Year 2016-17</b>
<b>SERVICES &amp; SUPPLIES</b>			
<b>7000 Postage and Shipping</b> Includes postage for general correspondence and agenda packet delivery, express mail, courier service 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
<b>7010 Books &amp; Periodicals</b> 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	\$ 1,100.00
<b>7030 Copy Machine Charges</b> Includes anticipated increase in costs for copier machine lease, copies and maintenance. Assumes increase in in-house production of studies for LAFCO's Municipal Service Reviews/Sphere of Influence studies, for cost and quality control purposes. Assumes increase in activities associated with pre-application and application processing functions. Includes production of resource maps, district election mailing materials, educational outreach materials, and other work program needs.	\$ 6,500.00	\$ 6,500.00	\$ 10,000.00
<b>7040 Outside Printers</b> Includes copying of Commission/Committee agenda packets, some large volume publications, maps and other occasional needs.	\$ 6,000.00	\$ 6,000.00	\$ 6,000.00
<b>7060 Office Supplies</b> Includes annual consumable goods for office operations and work production. Assumes increase in supplies for production of documents (studies, educational materials, etc.).	\$ 4,500.00	\$ 4,500.00	\$ 5,500.00
<b>7070 Office Equipment &amp; Furnishings</b> Includes office furniture replacement, small tables and other miscellaneous items.	\$ 1,000.00	\$ 1,000.00	\$ 5,000.00
<b>7080 Computer Hardware and Peripherals</b> Includes annual lease of 5 work station computers, and occasional purchase of laptops and accessories.	\$ 3,000.00	\$ 3,000.00	\$ 4,000.00

**LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY**  
**Preliminary Budget Worksheet for FY 2016-2017**  
**March 4, 2016**

	<b>Adopted Budget for Fiscal Year 2015-16</b>	<b>Estimated Year-End Expenditures for Fiscal Year 2015-16 (Includes Adopted Budget Amendment No. 1)</b>	<b>Draft Preliminary Budget for Fiscal Year 2016-17</b>
<p><b>7085 Computer Support Services (Fixed Costs)</b>  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, and high volume cloud storage. County IT is primary vendor and fixes costs based on unit counts. County costs for device support are increasing in 2016. Occasional device support service by other vendors is not fixed.</p>	\$ 7,500.00	\$ 7,500.00	\$ 10,000.00
<p><b>7090 Computer Support Services (Variable Costs)</b>  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. Includes County support for 2016 upgrade of LAFCO website. Proposed budget reflects increases in data/mapping needs and increases in County rates. Charges are variable.</p>	\$ 12,000.00	\$ 12,000.00	\$ 12,000.00
<p><b>7100 Computer Software</b>  Includes software updates and licenses to extend the life and compatibility of computers.</p>	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00
<p><b>7105 Meeting Broadcast Services</b>  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	\$ 4,000.00
<p><b>7110 Property and General Liability Insurance</b>  Property and Errors &amp; 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 2016-2017**  
**March 4, 2016**

	<b>Adopted Budget for Fiscal Year 2015-16</b>	<b>Estimated Year-End Expenditures for Fiscal Year 2015-16 (Includes Adopted Budget Amendment No. 1)</b>	<b>Draft Preliminary Budget for Fiscal Year 2016-17</b>
<b>7120 Office Maintenance Services</b> 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
<b>7140 Travel</b> Provides partial funding for employee, counsel and Commissioner travel for annual CALAFCO conference (October 2016), annual CALAFCO staff workshop (March 2017), and training classes. Includes some transportation, hotel and meal costs.	\$ 7,000.00	\$ 7,000.00	\$ 7,000.00
<b>7150 Training, Conferences and Workshops</b> Provides partial funding for employee, counsel and Commissioner registrations at annual CALAFCO conference (October 2016), annual staff workshop (March 2017), and classes.	\$ 8,500.00	\$ 8,500.00	\$ 8,500.00
<b>7160 Vehicle Mileage</b> Reimbursement for use of personal vehicles, at the government rate.	\$ 2,000.00	\$ 2,000.00	\$ 2,500.00
<b>7170 Rental of Building</b> Continues a favorable five-year lease that included rent rollbacks for first two years and minor increases for the last three years. Includes utilities.	\$ 24,400.00	\$ 24,400.00	\$ 25,000.00
<b>7200 Telephone Communications</b> 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	\$ 7,000.00
<b>7230 Temporary Help Services (Clerical)</b> Provides temporary, part-time clerical assistance to support the sustained, high workload of the Clerk to the Commission and professional staff. Funded in FY 2015-2016 but not proposed to be funded in FY 2016-2017. These resources are instead redirected to Employee Salaries & Benefits (Line Items 6000 and 6100) for purposes of hiring a half-time clerical assistant. Current duties of the temporary agency clerk will be reassigned to the proposed half-time clerical assistant position. Please also see related proposal for Line Item 7285 (Records Management).	\$ 25,000.00	\$ 25,000.00	\$ -

**LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY**  
**Preliminary Budget Worksheet for FY 2016-2017**  
**March 4, 2016**

	<b>Adopted Budget for Fiscal Year 2015-16</b>	<b>Estimated Year-End Expenditures for Fiscal Year 2015-16 (Includes Adopted Budget Amendment No. 1)</b>	<b>Draft Preliminary Budget for Fiscal Year 2016-17</b>
<b>7240 Outside Professional Services</b>	<b>\$ 62,000.00</b>	<b>\$ 72,000.00</b>	<b>\$ 72,000.00</b>
This line item includes:			
7242: <b>Accounting and Financial Services.</b> 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: <b>General Counsel and Special Legal Counsel Services (Not Litigation).</b> 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).	11,000	11,000	\$ 11,000.00
7247: <b>Human Resources Services.</b> Variable rate services from County of Monterey or other vendor.	\$ -	10,000	\$ 10,000.00
7248: <b>Annual Audit.</b> Fixed rate contract with Bianchi, Kasavan & Pope.	13,500	13,500	\$ 13,500.00
7249: <b>Temporary Professional Services.</b> Intended to provide support during staff absences, vacancies or high workload periods. Not funded. All professional work is done by in-house staff.	\$ -	\$ -	\$ -
<b>7250 Miscellaneous Office Expenses</b>	<b>\$ 600.00</b>	<b>\$ 600.00</b>	<b>\$ 600.00</b>
Minor expenses for office operations, Commission meetings and recording fees for LAFCO-initiated activities.			
<b>7260 Legal Notices</b>	<b>\$ 4,000.00</b>	<b>\$ 4,000.00</b>	<b>\$ 4,000.00</b>
Expenses for actions requiring public notices, such as annexations, Sphere of Influence updates, municipal service reviews and budgets. Some of these costs are reimbursable.			
<b>7270 Recruitment Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,000.00</b>
To fill any vacant position.			

**LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY**  
**Preliminary Budget Worksheet for FY 2016-2017**  
**March 4, 2016**

**7280 LAFCO Memberships**

CALAFCO Membership (\$3700) and California Special Districts Association dues (\$1400). 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).

**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 2016-2017.

**7285 Records Management**

Provides temporary agency clerical assistance to support the ongoing process of implementing LAFCO's Record Management Policy (adopted in 2014). Progress is being made to inventory, organize and archive 50+ years of records. Funded in FY 2015-2016 but not proposed to be funded in FY 2016-2017. These resources are instead redirected to Employee Salaries & Benefits (Line Items 6000 and 6100) for purposes of hiring a half-time clerical assistant. Current duties of the temporary records clerk will be reassigned to the proposed half-time clerical assistant position. Please also see related proposal for Line Item 7230 (Temporary Clerical Help Services).

**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 \$156,000, which is about two-thirds of the target level for FY 2016-2017. No fund supplement is proposed for FY 2016-2017.

**SUBTOTAL SERVICES AND SUPPLIES**

**LESS PASS-THROUGH EXPENSES (Account 7261)**

**TOTAL SERVICES AND SUPPLIES (NET)**

**TOTAL SALARIES & BENEFITS**

**NET TOTAL FOR BUDGET UNIT**

	<b>Adopted Budget for Fiscal Year 2015-16</b>	<b>Estimated Year-End Expenditures for Fiscal Year 2015-16 (Includes Adopted Budget Amendment No. 1)</b>	<b>Draft Preliminary Budget for Fiscal Year 2016-17</b>
	\$ 4,700.00	\$ 4,700.00	\$ 5,100.00
	\$ -	\$ -	\$ -
	\$ 10,000.00	\$ 10,000.00	\$ -
	\$ -	\$ -	\$ -
	\$ 208,700.00	\$ 218,700.00	\$ 200,000.00
	\$ -	\$ -	
	\$ 208,700.00	\$ 218,700.00	\$ 200,000.00
	\$ 640,000.00	\$ 630,000.00	\$ 703,000.00
	\$ 848,700.00	\$ 848,700.00	\$ 903,000.00

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

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  
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DATE: March 4, 2016

TO: Budget and Finance Committee

FROM: Kate McKenna, AICP, Executive Director

SUBJECT: THREE-YEAR FINANCIAL FORECAST (FY 2016-2017 THROUGH FY  
2018-2019)

SUMMARY OF RECOMMENDATION:

Discuss for information only.

EXECUTIVE OFFICER'S REPORT:

A three-year financial forecast is attached 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.

Mr. Mike Briley, CPA, Managing Partner, Hayashi & Wayland, will assist me in presenting this information.

Respectfully Submitted,



Kate McKenna, AICP  
Executive Officer

Attached: Three Year Forecast

**LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY - 3 Year Forecast with Assumptions**  
**March 4, 2016**

Prepared February 29, 2016

Ordinary Income/ Expense	Estimated Actual Year- End Revenues and FY Expenditures for 2015-16	Preliminary Budget for FY 2016-17	Projected 2017-18	Projected 2018-19	Assumptions
<b>Income</b>					
4005 Project Fees	\$10,000	\$10,000	\$10,000	\$10,000	
3805 Unreserved Fund Balance	\$30,000	\$50,000	\$50,000	\$50,000	Assume year-end supplement from UFB as needed.
4205 County Contributions	\$269,067	\$280,167	\$297,583	\$316,338	
4210 City Contributions	\$269,067	\$280,167	\$297,583	\$316,338	
4220 District Contribution	\$269,067	\$280,167	\$297,583	\$316,338	
4300 Interest	\$ 1,500	\$ 2,500	\$ 2,500	\$ 2,500	
<b>Total Income</b>	<b>\$848,701</b>	<b>\$903,001</b>	<b>\$955,250</b>	<b>\$1,011,513</b>	
<b>Expense</b>					
7300 Depreciation					
<b>Employee Salaries</b>					
6002 Regular Earnings	\$445,000	\$498,000	\$530,000	\$565,000	Assume change from 4.0 to 4.5 FTE Employees in 2016-17
6000 Employee Salaries-Other					Assume COLAS and Merit Step Increases
<b>Total 6000 – Employee Salaries</b>	<b>\$445,000</b>	<b>\$498,000</b>	<b>\$530,000</b>	<b>\$565,000</b>	
<b>Employee Benefits</b>					
<b>Total 6100-Employee Benefits</b>	<b>\$185,000</b>	<b>\$205,000</b>	<b>\$215,250</b>	<b>\$226,013</b>	Assume 5% increase in 2017-18 and 2018-19
<b>Services and Supplies</b>					
<b>Total Services and Supplies</b>	<b>\$218,700</b>	<b>\$200,000</b>	<b>\$210,000</b>	<b>\$220,000</b>	Assume 5% increase in 2017-18 and 2018-19
<b>Total Expense</b>	<b>\$848,700</b>	<b>\$903,000</b>	<b>\$955,250</b>	<b>\$1,011,513</b>	