

# NIPOMO COMMUNITY SERVICES DISTRICT

TUESDAY, MARCH 15, 2011

1:00 P.M.

## **SPECIAL MEETING NOTICE & AGENDA** **FINANCE AND AUDIT COMMITTEE**

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### COMMITTEE MEMBERS

LARRY VIERHEILIG, CHAIRMAN  
ED EBY, MEMBER

### PRINCIPAL STAFF

MICHAEL LEBRUN, INTERIM GENERAL MANAGER  
LISA BOGNUDA, ASST GM/FINANCE DIRECTOR  
JON SEITZ, GENERAL COUNSEL

**MEETING LOCATION - District Board Room**  
**148 S. Wilson Street, Nipomo, California**

1. **CALL TO ORDER, ROLL CALL AND FLAG SALUTE**
2. **REVIEW THE FOLLOWING FOR INCLUSION IN THE 2011-2012 FISCAL YEAR BUDGET:**
  - **PROPOSED FIXED ASSET PURCHASES**
  - **PROPOSED REPLACEMENT PROJECTS**
  - **PROPOSED CAPITAL IMPROVEMENT PROJECTS**

ACTION RECOMMENDED: Receive Report and make a recommendation to the Board of Directors.

3. **REVIEW CaIPERS BENEFITS**

ACTION RECOMMENDED: Receive Report and make a recommendation to the Board of Directors.

4. **ADJOURN**

TO: BOARD OF DIRECTORS  
FROM: MICHAEL LEBRUN  
INTERIM GENERAL MANAGER  
DATE: MARCH 11, 2011



REVIEW THE FOLLOWING FOR INCLUSION IN THE  
2011-2012 FISCAL YEAR BUDGET

**ITEM**

Review the following for inclusion in the 2011-2012 fiscal year budget.

**BACKGROUND**

The following items are for the Committee's review:

- PROPOSED FIXED ASSET PURCHASES (Page 1)
- PROPOSED REPLACEMENT PROJECTS (Page 2)
- PROPOSED CAPITAL IMPROVEMENT PROJECTS (Pages 3-4)
- PROPOSED FIVE YEAR CAPITAL IMPROVEMENT PLAN (Pages 5-6)

**RECOMMENDATION**

It is recommended that the Committee provide direction to Staff. Staff will incorporate the Committee's comments and recommendations into the draft 2011-2012 budget.

**ATTACHMENT**

Budget information Pages

NIPOMO COMMUNITY SERVICES DISTRICT  
 FIXED ASSET PURCHASES  
 2011-2012

<u>BUDGET ITEMS FOR 2011-2012</u>	#110 ADMIN	#125 WATER	#130 TOWN SEWER	#150 BL SEWER	TOTAL
Office Front Counter Safety Enclosure	20,000	0	0	0	20,000
Lab Equipment and Set Up	0	9,900	3,300	1,800	15,000
Preventive Maintenance Program & Training	0	79,200	26,400	14,400	120,000
1 Generator (replacement for Tefft Street Lift Station)	0	0	80,000	0	80,000
Vehicle Retrofit for Utility Body with Crane	0	16,500	5,500	3,000	25,000
	<u>20,000</u>	<u>105,600</u>	<u>115,200</u>	<u>19,200</u>	<u>260,000</u>

**DRAFT**

NIPOMO COMMUNITY SERVICES DISTRICT  
FUNDED REPLACEMENT PROJECTS  
2011-2012

<b>BUDGET ITEMS FOR 2011-2012</b>	#805 FUNDED REPLACEMENT WATER	#810 FUNDED REPLACEMENT TOWN SEWER	#830 FUNDED REPLACEMENT BLACKLAKE SEWER	TOTAL
Fire Hydrant Replacements (1)	72,600	0		72,600
Valve Replacements (1)	184,000	0		184,000
Air Vac Replacements (1)	16,500	0		16,500
Well Refurbishment	200,000			200,000
Manhole Rehabilitation (1)	0	90,000		90,000
Lift Station Rehabilitation (1)	0	100,000		100,000
Aerators	0	20,000		20,000
Frontage Road Trunk Sewer Replacement (47%) (2)	0	1,034,000		1,034,000
<b>TOTAL</b>	<b>473,100</b>	<b>1,244,000</b>	<b>203,000</b>	<b>1,920,100</b>

(3)

(1) Water and Sewer Master Plan Projects

(2) 47% of the total project cost is for replacing the existing trunk sewer line. 53% of the total project cost is to increase capacity in the new trunk sewer line.

(3) See Page 3

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**DRAFT**

NIPOMO COMMUNITY SERVICES DISTRICT  
CAPITAL IMPROVEMENTS  
SHARED PROJECT COST SUMMARY  
2011-2012

<u>BUDGET ITEMS FOR 2010-2011</u>	#700 WATER CAPACITY CHARGES	#710 TOWN SEWER CAPACITY CHARGES	#830 FUNDED REPLACEMENT BL SEWER	#500 SUPPLEMENTAL WATER CHARGES	TOTAL
Southland WWTF (1)	0	4,400,000	0	0	4,400,000
Bio-Solids Removal	0	200,000	160,000	0	360,000
SCADA Upgrades	140,000	120,000	40,000	0	300,000
Standpipe Mixing (1)	200,000	0	0	0	200,000
Shop Equipment Storage Building - Electrical	16,500	5,500	3,000	0	25,000
Willow Road Water Line (Phase 1)	300,000	0	0	0	300,000
Willow Road Water Line (Phase 2)	200,000	0	0	0	200,000
New Water Tank Site (1)	400,000	0	0	0	400,000
Frontage Road Trunk Sewer Upgrade (53%) (1) (2)	0	1,166,000	0	0	1,166,000
Subtotal	1,256,500	5,891,500	203,000	0	7,351,000

Supplemental Water Project

Design /Construction Management	0	0	0	232,885	232,885
Appraisals / Purchase	0	0	0	257,965	257,965
Construction	0	0	0	1,376,588	1,376,588
Assessment District Formation/Funding/Implementation	0	0	0	775,941	775,941
General Manager and District Engineer-Wages and Benefits Allocated	0	0	0	70,000	70,000
Subtotal for Supplemental Water Project	0	0	0	2,713,379	2,713,379

TOTAL	1,256,500	5,891,500	203,000	2,713,379	10,064,379
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(1) Water and Sewer Master Plan Projects

(2) 47% of the total project cost is for replacing the existing trunk sewer line. 53% of the total project cost is to increase capacity in the new trunk sewer line.

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**NIPOMO COMMUNITY SERVICES DISTRICT  
CAPITAL IMPROVEMENTS  
DESCRIPTION OF PROPOSED PROJECTS  
2011-2012**

**Water Projects**

New Water Tank Site - Discuss purchase of prospective site with respective owners, prepare appraisals; negotiate acquisition, acquire, preliminary and final design Water and Sewer Master Plan Project #19.

Willow Road Water Line (Phase 1) - Complete construction of Water and Sewer Master Plan Water Projects #2 and #26.

Willow Road Water Line (Phase 2) - Complete construction of Water and Sewer Master Plan Project #25.

Standpipe Mixing - Finalize design, bid and construct Water and Sewer Master Plan Project #27.

**Town Sewer Projects**

Southland Wastewater Treatment Facility (WWTF) (Phase 1) - Certify Final EIR; Apply for permits; Complete Design, Secure Funding, Advertise for Construction, Award Bids, Initiate Construction.

Southland WWTF Bio-Solids Removal - Prepare bid specification; advertise for work, award work, manage removal operation.

Frontage Road Trunk Sewer Upgrade (53%) - Complete construction. (47% will be funded with Funded Replacement - Town Sewer Reserves) Water and Sewer Master Plan Projects #1 - #3.

**Blacklake Sewer Projects**

Blacklake WWTF Bio-Solids Removal - Prepare bid specification; advertise for work, award work, manage removal operation.

**Water and Sewer Projects**

Supervisory Control And Data Acquisition (SCADA) Upgrades - Solicit Proposals; Award Quote; Complete.

Shop Equipment Storage Building - Installation of electrical system.

**Supplemental Water Project**

Final Design and Construction Management - Pre-Qualify Contractors; Prepare Bid Specifications; Advertise; Award; Secure Submittals; Execute Agreement; Manage Construction.

Appraisals/Purchase Land - Prepare appraisals; negotiate with Property Owners; Execute Purchase Agreements; Effect transfer of title.

Construction - Begin construction.

Assessment District Formation/Funding/Implementation - Finalize Purveyor Agreements; Complete Assessment Engineer's Report; Process Assessment Procedure; Arrange for entry of Assessment on Subsequent Tax Roll; Complete Rate Studies and Financial Plan; Propose Rate Changes; Process Proposition 218 Protest Proceeding; Arrange for new rates.

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**NIPOMO COMMUNITY SERVICES DISTRICT  
FIVE YEAR CAPITAL IMPROVEMENT PLAN  
WATER DIVISION**

SUPPLEMENTAL WATER - FUND #500	FY 11-12	FOR PLANNING PURPOSES ONLY				
		FY 12-13	FY 13-14	FY 14-15	FY 15-16	Total
WIP	2,713,379	10,483,107	2,995,247	0	0	16,191,733
Desalination	0	350,000	550,000	550,000	550,000	1,450,000
<b>TOTAL</b>	<b>2,713,379</b>	<b>10,483,107</b>	<b>3,345,247</b>	<b>550,000</b>	<b>550,000</b>	<b>17,641,733</b>

**WATER CAPACITY - FUND #700**

Backbone Improvements		FY 12-13	FY 13-14	FY 14-15	FY 15-16	Total
Water Storage Tank	400,000	1,200,000	400,000	0	0	2,000,000
Willow Road Extension Improvements						
Phase 1	300,000	0	0	0	0	300,000
Phase 2	200,000	0	0	0	0	200,000
Operational Improvements						
SCADA Upgrades - Water Fund Share	140,000	20,000	20,000	20,000	20,000	220,000
Shop Equipment Storage Building	16,500	0	0	0	0	16,500
Standpipe Mixing	200,000	0	0	0	0	200,000
Eliminate Existing Bottlenecks (1)						
Camino Caballo - Blue Gum to existing 16 inch	0	0	265,000	0	0	265,000
Grande-Cyclone to Orchard	0	0	0	120,000	0	120,000
S. Frontage - Hill to Grande	0	0	0	260,000	0	260,000
S. Frontage - Story to Banyon	0	0	0	0	65,000	65,000
Looping Dead-End Mains (1)						
Colt Lane	0	0	270,000	0	0	270,000
Grove	0	0	100,000	0	0	100,000
N. Blume	0	0	0	51,800	0	51,800
N. Crosby	0	0	0	14,000	0	14,000
Eve	0	0	0	66,500	0	66,500
Brytec Court	0	0	0	0	3,000	3,000
Branch	0	0	0	0	111,000	111,000
<b>TOTAL</b>	<b>1,256,500</b>	<b>1,220,000</b>	<b>1,055,000</b>	<b>532,300</b>	<b>199,000</b>	<b>4,262,800</b>
FUNDED REPLACEMENT PROJECTS - FUND #805						
Fire Hydrants	72,600	72,600	72,600	72,600	72,600	363,000
Valves	184,000	184,000	184,000	184,000	184,000	920,000
Air Vacs	16,500	16,500	16,500	16,500	16,500	82,500
Well Refurbishment	200,000	100,000	100,000	100,000	100,000	600,000
<b>TOTAL</b>	<b>473,100</b>	<b>373,100</b>	<b>373,100</b>	<b>373,100</b>	<b>373,100</b>	<b>1,965,500</b>

(1) Planned capital improvements provided adequate funding is available in future fiscal years.

**NIPOMO COMMUNITY SERVICES DISTRICT  
FIVE YEAR CAPITAL IMPROVEMENT PLAN  
TOWN AND BLACKLAKE SEWER DIVISIONS**

**TOWN SEWER CAPACITY - FUND #710**

Town Sewer Division	FY 11-12
Southland WWTF	4,400,000
Bio-Solids Removal	200,000

**FOR PLANNING PURPOSES ONLY**

FY 12-13	FY 13-14	FY 14-15	FY 15-16	Total
6,597,000	0	0	0	10,997,000
0	0	0	0	200,000

**Collection System - Town Sewer Division**

Frontage Road Trunk Sewer (53%)	1,166,000
Prohibition Zone Sewer Extensions (1)	0
Division Street, Beverly to Frontage (1)	0

0	0	0	0	1,166,000
0	50,000	0	0	50,000
0	390,000	0	0	390,000

**Operational Improvements - Town Sewer Division**

SCADA Upgrades - Wastewater Fund Share	120,000
Shop Equipment Storage Building	5,500
<b>TOTAL</b>	<b>5,891,500</b>

20,000	20,000	20,000	20,000	200,000
0	0	0	0	5,500
<b>6,617,000</b>	<b>460,000</b>	<b>20,000</b>	<b>20,000</b>	<b>13,008,500</b>

**FUNDED REPLACEMENT PROJECTS - TOWN SEWER DIVISION - FUND #810**

Manhole Rehabilitation	90,000
Lift Station Rehabilitation	100,000
Aerators	20,000
Frontage Road Trunk Sewer (47%)	1,034,000
<b>TOTAL</b>	<b>1,244,000</b>

FY 12-13	FY 13-14	FY 14-15	FY 15-16	Total
90,000	90,000	90,000	90,000	450,000
100,000	100,000	100,000	100,000	500,000
0	0	0	0	20,000
0	0	0	0	1,034,000
<b>190,000</b>	<b>190,000</b>	<b>190,000</b>	<b>190,000</b>	<b>2,004,000</b>

**FUNDED REPLACEMENT PROJECTS - BL SEWER - FUND #830**

Blacklake WWTF Sludge Removal	160,000
Blacklake Golfcourse Trunk Sewer	0
Woodgreen Lift Station Access	0
Lift Station Rehabilitation	0
Shop Equipment Storage Building	3,000
SCADA Upgrades - Wastewater Fund Share	40,000
<b>TOTAL</b>	<b>203,000</b>

FY 12-13	FY 13-14	FY 14-15	FY 15-16	Total
0	0	0	0	160,000
0	90,000	0	0	90,000
0	15,000	0	0	15,000
0	0	0	0	0
0	0	0	0	3,000
5,000	5,000	5,000	5,000	60,000
<b>5,000</b>	<b>110,000</b>	<b>5,000</b>	<b>5,000</b>	<b>328,000</b>

(1) Planned capital improvements provided adequate funding is available in future fiscal years.



TO: BOARD OF DIRECTORS  
 FROM: MICHAEL LEBRUN  
 INTERIM GENERAL MANAGER  
 DATE: MARCH 11, 2011

**AGENDA ITEM**  
**3**  
**MARCH 15, 2011**

**REVIEW PUBLIC EMPLOYEE RETIREMENT BENEFITS**

**ITEM**

Review public employee retirement benefits [consider information, direct staff]

**BACKGROUND**

The Finance and Audit Committee met on March 1, 2011 to review the CalPERS Actuarial Valuations.

**CalPERS Retirement Formula**

The District has been member of the California Public Employees' Retirement System (CalPERS) since 1975 and contracts with CalPERS to provide retirement benefits for its employees. The District does not participate in Social Security.

The District's current retirement formula is 3% @ 60, 1 year Final Average Compensation (FAC). In December 2010, the Board of Directors directed Staff to request actuarial valuations from CalPERS to review the fiscal impact of creating a second tier plan for new hires. By law, the retirement formula for current employees (first tier) cannot be changed.

CalPERS provided the District with three actuarial valuations (attachments 3a - 3f). Each actuarial compares the existing retirement formula of 3% @ 60, 1 year final compensation to the optional second tier plans.

**Option 1 (remain at 3% @ 60, but change to 3 year final average compensation)**

As of June 30, 2008 (see Page 4a)	Existing Plan	New First Tier Plan	New Second Tier Plan
	3% @ 60, 1-year FAC	3% @ 60, 1-year FAC	3% @ 60, 3 year FAC
Total Employer Contribution Rate	18.015%	18.015%	15.187%
2010-2011 Employee Contribution Rate (1) (paid by District)	8%	8%	8%

***Option 1 - For 2010-2011 the annual dollar savings is 0.673% times the second tier fiscal year payroll.***

**Option 2 (Change to 2% @ 60, but remain at 1 year final average compensation)**

As of June 30, 2008 (see Page 4c)	Existing Plan	New First Tier Plan	New Second Tier Plan
	3% @ 60, 1-year FAC	3% @ 60, 1-year FAC	2% @ 60, 1 year FAC
Total Employer Contribution Rate	18.015%	18.015%	8.902%
2010-2011 Employee Contribution Rate (1) (paid by District)	8%	8%	7%

***Option 2 - For 2010-2011 the annual dollar savings is 5.872% times the second tier fiscal year payroll.***

(1) Also referred to as Employer Paid Member Contribution (EPMC)

Option 3 (Change to 2% @ 60, and change to 3 year final compensation)

As of June 30, 2008	Existing Plan	New First Tier Plan	New Second Tier Plan
<b>(see Page 4e)</b>	3% @ 60, 1-year FAC	3% @ 60, 1-year FAC	2% @ 60, 3 year FAC
Total Employer Contribution Rate	18.015%	18.015%	8.438%
2010-2011 Employee Contribution Rate (1) (paid by District)	8%	8%	7%

**Option 3 - For 2010-2011 the annual dollar savings is 6.326% times the second tier fiscal year payroll.**

The Finance and Audit Committee directed Staff to add Option 3A. Option 3A includes the District paying for 50% of the Employee Contribution Rate for second tier employees.

Option 3A (Change to 2% @ 60, and change to 3 year final compensation)

As of June 30, 2008	Existing Plan	New First Tier Plan	New Second Tier Plan
<b>(see Page 4e)</b>	3% @ 60, 1-year FAC	3% @ 60, 1-year FAC	2% @ 60, 3 year FAC
Total Employer Contribution Rate	18.015%	18.015%	8.438%
2010-2011 Employee Contribution Rate (1) (paid by District)	8%	8%	3.5%

**Option 3A - For 2010-2011 the annual dollar savings is 9.826% times the second tier fiscal year payroll.**

(1) Also referred to as Employer Paid Member Contribution (EPMC)

The annual dollar savings presented above will apply to only new hires eligible to participate in CalPERS after the date of the adoption of the resolution.

Since the Finance and Audit Committee meeting held on March 1, 2011, Staff has confirmed with CalPERS that the District may reduce the EPMC. If the District chooses to fund the EMPC at a different percentage than its first tier employees, CalPERS will require the District to adopt a Resolution. The Resolution will state the amount of EMPC the District is funding for first tier employees and how much it will fund for its second tier employees.

CalPERS Medical Benefits

The District has been contracting with California Public Employees' Retirement System (CalPERS) to provide its employees and dependents with medical coverage since 1990. In 2005, the Board of Directors adopted Resolution 2005-959 to create a second tier of employees for medical coverage upon retirement. A retiree must work for the District at least five years and have a total of 20 years in the CalPERS system to be fully vested for medical coverage.

CalPERS does not offer further tiering of medical benefits. All employees – current, retirees and new hires – must be treated equally when it comes to medical benefits. This means the Board of Directors may make changes to the funding, however, it will affect all participants equally. In discussion with CalPERS Staff, they have indicated this very question has arisen quite frequently and that CalPERS may look into sponsoring legislation to change this in the future.

The Finance and Audit Committee directed Staff to place the medical benefits review on a future Committee agenda.

**STRATEGIC PLAN**

Strategic Plan Item 4.1 – Retain long-term employees and attract new employees by providing industry competitive salary/benefits.

**RECOMMENDATION**

At the March 1, 2011 Finance and Audit Committee, your Committee unanimously agreed to recommend to the Board of Directors to implement Option 3 or Option 3A for new hires (second tier).

Tentative Schedule for Adoption (refer to CalPERS schedule on page 3g):

- March 23, 2011 – Board of Directors select Option
- March 24, 2011 – Staff contacts CalPERS to initiate Contract Amendment
- Adopt CalPERS Resolution of Intent on May 11, 2011
- Adopt CalPERS Final Resolution on June 8, 2011

**ATTACHMENTS**

- CalPERS Actuarial Valuations (3a - 3f)
- Schedule of Agency Actions for Planning Your Amendment to Contract (3g)
- CalPERS Tables for Percentage of Final Compensation for 3% @ 60 and 2% @ 60(3h – 3i)
- CalPERS Formulas for other agencies in SLO County (3j)



**Actuarial Office**  
 P.O. Box 1494  
 Sacramento, CA 95812-1494  
 TTY for Speech and Hearing Impaired - (916) 795-3240  
 (888) CalPERS (or 888-225-7377) FAX (916) 795-3005

December 9, 2010

Employer Number: 1067  
 New Rate Plan Name: NIPOMO COMMUNITY SERVICES DISTRICT MISCELLANEOUS SECOND TIER PLAN

Re: New Second Tier Plan for Pooled Plans (Section 20475: Different Level of Benefits Provided for New Employees)

Dear Requestor:

Enclosed is the June 30, 2009 Section 2 Risk Pool actuarial valuation report applicable to your new second tier plan.

In the tables below, we show your 2010-2011 and 2011-2012 employer contribution rates before and after opening a second tier.

Of the five rate components, the first three are specific to the pool to which the plan belongs and the last two are specific to your agency. However, the Phase out of Normal Cost Difference will be 0% beginning with rates established for 2011-2012, so it has no impact from that time on.

The Side Fund will continue to be paid off by the first tier plan since all the past service on which it is based belongs to those current members who will continue in the first tier. The scheduled dollar amounts payable will continue as before. However, because newly hired members will be covered by the second tier, the number of members and payroll in the first tier will (after several years) gradually decline. The Amortization of Side Fund rate component is the dollars needed to pay off the side fund divided by the payroll. So as long as the Side Fund remains, **the first tier rate will increase as its payroll decreases**. The first tier side fund is scheduled to be paid off after 7 years from June 30, 2011.

Therefore, in determining the employer contributions savings, Amortization of Side Fund should be excluded. For your agency, the ultimate annual employer savings equals the difference between the pool-specific rates times the second tier payroll. For 2010-2011 the percentage savings is  $(10.492\%+1.560\%+1.815\%) - (10.492\%+1.560\%+1.142\%) = 0.673\%$ . **The annual dollar savings is then 0.673% times the second tier fiscal year payroll.**

As of June 30, 2008	Existing Plan	New First Tier Plan	New Second Tier Plan
	<b>3% @ 60, 1-YEAR FAC</b>	<b>3% @ 60, 1-YEAR FAC for continuing members</b>	<b>3% @ 60, 3-YEAR FAC for newly hired members</b>
2010-2011 Employer Contribution Rate:			
Risk Pool's Net Employer Normal Cost	10.492%	10.492%	10.492%
Risk Pool's Payment on Amortization Bases	1.560%	1.560%	1.560%
Surcharges for Class 1 Benefits	1.815%	1.815%	1.142%
Phase out of Normal Cost Difference	0.000%	0.000%	0.000%
Amortization of Side Fund	4.148%	4.148%	0.000%
<b>Total Employer Contribution Rate</b>	<b>18.015%</b>	<b>18.015%</b>	<b>13.194%</b>
2010-2011 Employee Contribution Rate	8.000%	8.000%	8.000%

For 2011-2012 the percentage savings is  $(10.257\%+3.896\%+1.707\%) - (10.257\%+3.896\%+1.034\%) = 0.673\%$ .  
**The annual dollar savings is then 0.673% times the second tier fiscal year payroll.**

As of June 30, 2009	Existing Plan	New First Tier Plan	New Second Tier Plan
	<b>3% @ 60, 1-YEAR FAC</b>	<b>3% @ 60, 1-YEAR FAC for continuing members</b>	<b>3% @ 60, 3-YEAR FAC for newly hired members</b>
2011-2012 Employer Contribution Rate:			
Risk Pool's Net Employer Normal Cost	<b>10.257%</b>	<b>10.257%</b>	<b>10.257%</b>
Risk Pool's Payment on Amortization Bases	<b>3.896%</b>	<b>3.896%</b>	<b>3.896%</b>
Surcharges for Class 1 Benefits	<b>1.707%</b>	<b>1.707%</b>	<b>1.034%</b>
Phase out of Normal Cost Difference	<b>0.000%</b>	<b>0.000%</b>	<b>0.000%</b>
Amortization of Side Fund	<b>4.436%</b>	<b>4.436%</b>	<b>0.000%</b>
<b>Total Employer Contribution Rate</b>	<b>20.296%</b>	<b>20.296%</b>	<b>15.187%</b>
2011-2012 Employee Contribution Rate	<b>8.000%</b>	<b>8.000%</b>	<b>8.000%</b>

To initiate an amendment to the contract, please complete the attached election form and mail or FAX (916) 795-3005 the form with a letter to the Contracts Maintenance Unit, indicating your wish to contract for Section 20475 (Different Level of Benefits) and identifying the group(s) to which the benefit reduction applies.

In sections 20463 (b) and (c), the California Public Employees' Retirement Law requires the governing body of a public agency within five days of receipt of the contract amendment cost analysis, to provide each employee organization with a copy of the analysis. If this cost analysis was requested by an employee organization, the employee organization is also required within five days of receipt of the analysis, to provide a copy of the analysis to the public agency.

If you have questions, please call (888) CalPERS (225-7377).



Barbara J. Ware, FSA, MAAA  
 Enrolled Actuary  
 Senior Pension Actuary, CalPERS



**Actuarial Office**  
 P.O. Box 1494  
 Sacramento, CA 95812-1494  
 TTY for Speech and Hearing Impaired - (916) 795-3240  
 (888) CalPERS (or 888-225-7377) FAX (916) 795-3005

December 9, 2010

Employer Number: 1067  
 New Rate Plan Name: NIPOMO COMMUNITY SERVICES DISTRICT MISCELLANEOUS SECOND TIER PLAN

Re: New Second Tier Plan for Pooled Plans (Section 20475: Different Level of Benefits Provided for New Employees)

Dear Requestor:

Enclosed is the June 30, 2009 Section 2 Risk Pool actuarial valuation report applicable to your new second tier plan.

In the tables below, we show your 2010-2011 and 2011-2012 employer contribution rates before and after opening a second tier.

Of the five rate components, the first three are specific to the pool to which the plan belongs and the last two are specific to your agency. However, the Phase out of Normal Cost Difference will be 0% beginning with rates established for 2011-2012, so it has no impact from that time on.

The Side Fund will continue to be paid off by the first tier plan since all the past service on which it is based belongs to those current members who will continue in the first tier. The scheduled dollar amounts payable will continue as before. However, because newly hired members will be covered by the second tier, the number of members and payroll in the first tier will (after several years) gradually decline. The Amortization of Side Fund rate component is the dollars needed to pay off the side fund divided by the payroll. So as long as the Side Fund remains, **the first tier rate will increase as its payroll decreases**. The first tier side fund is scheduled to be paid off after 7 years from June 30, 2011.

Therefore, in determining the employer contributions savings, Amortization of Side Fund should be excluded. For your agency, the ultimate annual employer savings equals the difference between the pool-specific rates times the second tier payroll. For 2010-2011 the percentage savings is  $(10.492\% + 1.560\% + 1.815\%) - (6.553\% + 0.202\% + 1.240\%) = 5.872\%$ . **The annual dollar savings is then 5.872% times the second tier fiscal year payroll.**

As of June 30, 2008	Existing Plan	New First Tier Plan	New Second Tier Plan
	<b>3% @ 60, 1-YEAR FAC</b>	<b>3% @ 60, 1-YEAR FAC for continuing members</b>	<b>2% @ 60, 1-YEAR FAC for newly hired members</b>
2010-2011 Employer Contribution Rate:			
Risk Pool's Net Employer Normal Cost	10.492%	10.492%	6.553%
Risk Pool's Payment on Amortization Bases	1.560%	1.560%	0.202%
Surcharges for Class 1 Benefits	1.815%	1.815%	1.240%
Phase out of Normal Cost Difference	0.000%	0.000%	0.000%
Amortization of Side Fund	4.148%	4.148%	0.000%
<b>Total Employer Contribution Rate</b>	<b>18.015%</b>	<b>18.015%</b>	<b>7.995%</b>
2010-2011 Employee Contribution Rate	8.000%	8.000%	7.000%



NIPOMO COMMUNITY SERVICES DISTRICT MISCELLANEOUS SECOND TIER PLAN (EMPLOYER # 1067)

December 9, 2010

Page 2

For 2011-2012 the percentage savings is  $(10.257\%+3.896\%+1.707\%) - (6.622\%+1.111\%+1.169\%) = 6.958\%$ .  
**The annual dollar savings is then 6.958% times the second tier fiscal year payroll.**

As of June 30, 2009	Existing Plan	New First Tier Plan	New Second Tier Plan
	<b>3% @ 60, 1-YEAR FAC</b>	<b>3% @ 60, 1-YEAR FAC for continuing members</b>	<b>2% @ 60, 1-YEAR FAC for newly hired members</b>
<b>2011-2012 Employer Contribution Rate:</b>			
Risk Pool's Net Employer Normal Cost	<b>10.257%</b>	<b>10.257%</b>	<b>6.622%</b>
Risk Pool's Payment on Amortization Bases	<b>3.896%</b>	<b>3.896%</b>	<b>1.111%</b>
Surcharges for Class 1 Benefits	<b>1.707%</b>	<b>1.707%</b>	<b>1.169%</b>
Phase out of Normal Cost Difference	<b>0.000%</b>	<b>0.000%</b>	<b>0.000%</b>
Amortization of Side Fund	<b>4.436%</b>	<b>4.436%</b>	<b>0.000%</b>
<b>Total Employer Contribution Rate</b>	<b>20.296%</b>	<b>20.296%</b>	<b>8.902%</b>
<b>2011-2012 Employee Contribution Rate</b>	<b>8.000%</b>	<b>8.000%</b>	<b>7.000%</b>

To initiate an amendment to the contract, please complete the attached election form and mail or FAX (916) 795-3005 the form with a letter to the Contracts Maintenance Unit, indicating your wish to contract for Section 20475 (Different Level of Benefits) and identifying the group(s) to which the benefit reduction applies.

In sections 20463 (b) and (c), the California Public Employees' Retirement Law requires the governing body of a public agency within five days of receipt of the contract amendment cost analysis, to provide each employee organization with a copy of the analysis. If this cost analysis was requested by an employee organization, the employee organization is also required within five days of receipt of the analysis, to provide a copy of the analysis to the public agency.

If you have questions, please call (888) CalPERS (225-7377).



Barbara J. Ware, FSA, MAAA  
 Enrolled Actuary  
 Senior Pension Actuary, CalPERS



**Actuarial Office**  
 P.O. Box 1494  
 Sacramento, CA 95812-1494  
 TTY for Speech and Hearing Impaired - (916) 795-3240  
 (888) CalPERS (or 888-225-7377) FAX (916) 795-3005

December 9, 2010

Employer Number: 1067  
 New Rate Plan Name: NIPOMO COMMUNITY SERVICES DISTRICT MISCELLANEOUS SECOND TIER PLAN

Re: New Second Tier Plan for Pooled Plans (Section 20475: Different Level of Benefits Provided for New Employees)

Dear Requestor:

Enclosed is the June 30, 2009 Section 2 Risk Pool actuarial valuation report applicable to your new second tier plan.

In the tables below, we show your 2010-2011 and 2011-2012 employer contribution rates before and after opening a second tier.

Of the five rate components, the first three are specific to the pool to which the plan belongs and the last two are specific to your agency. However, the Phase out of Normal Cost Difference will be 0% beginning with rates established for 2011-2012, so it has no impact from that time on.

The Side Fund will continue to be paid off by the first tier plan since all the past service on which it is based belongs to those current members who will continue in the first tier. The scheduled dollar amounts payable will continue as before. However, because newly hired members will be covered by the second tier, the number of members and payroll in the first tier will (after several years) gradually decline. The Amortization of Side Fund rate component is the dollars needed to pay off the side fund divided by the payroll. So as long as the Side Fund remains, **the first tier rate will increase as its payroll decreases**. The first tier side fund is scheduled to be paid off after 7 years from June 30, 2011.

Therefore, in determining the employer contributions savings, Amortization of Side Fund should be excluded. For your agency, the ultimate annual employer savings equals the difference between the pool-specific rates times the second tier payroll. For 2010-2011 the percentage savings is  $(10.492\% + 1.560\% + 1.815\%) - (6.553\% + 0.202\% + 0.786\%) = 6.326\%$ . **The annual dollar savings is then 6.326% times the second tier fiscal year payroll.**

As of June 30, 2008	Existing Plan	New First Tier Plan	New Second Tier Plan
	<b>3% @ 60, 1-YEAR FAC</b>	<b>3% @ 60, 1-YEAR FAC for continuing members</b>	<b>2% @ 60, 3-YEAR FAC for newly hired members</b>
2010-2011 Employer Contribution Rate:			
Risk Pool's Net Employer Normal Cost	10.492%	10.492%	6.553%
Risk Pool's Payment on Amortization Bases	1.560%	1.560%	0.202%
Surcharges for Class 1 Benefits	1.815%	1.815%	0.786%
Phase out of Normal Cost Difference	0.000%	0.000%	0.000%
Amortization of Side Fund	4.148%	4.148%	0.000%
<b>Total Employer Contribution Rate</b>	<b>18.015%</b>	<b>18.015%</b>	<b>7.541%</b>
2010-2011 Employee Contribution Rate	8.000%	8.000%	7.000%



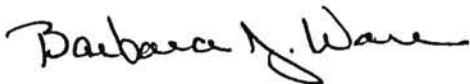
For 2011-2012 the percentage savings is  $(10.257\%+3.896\%+1.707\%) - (6.622\%+1.111\%+0.705\%) = 7.422\%$ .  
**The annual dollar savings is then 7.422% times the second tier fiscal year payroll.**

As of June 30, 2009	Existing Plan	New First Tier Plan	New Second Tier Plan
	<b>3% @ 60, 1-YEAR FAC</b>	<b>3% @ 60, 1-YEAR FAC for continuing members</b>	<b>2% @ 60, 3-YEAR FAC for newly hired members</b>
<b>2011-2012 Employer Contribution Rate:</b>			
Risk Pool's Net Employer Normal Cost	<b>10.257%</b>	<b>10.257%</b>	<b>6.622%</b>
Risk Pool's Payment on Amortization Bases	<b>3.896%</b>	<b>3.896%</b>	<b>1.111%</b>
Surcharges for Class 1 Benefits	<b>1.707%</b>	<b>1.707%</b>	<b>0.705%</b>
Phase out of Normal Cost Difference	<b>0.000%</b>	<b>0.000%</b>	<b>0.000%</b>
Amortization of Side Fund	<b>4.436%</b>	<b>4.436%</b>	<b>0.000%</b>
<b>Total Employer Contribution Rate</b>	<b>20.296%</b>	<b>20.296%</b>	<b>8.438%</b>
<b>2011-2012 Employee Contribution Rate</b>	<b>8.000%</b>	<b>8.000%</b>	<b>7.000%</b>

To initiate an amendment to the contract, please complete the attached election form and mail or FAX (916) 795-3005 the form with a letter to the Contracts Maintenance Unit, indicating your wish to contract for Section 20475 (Different Level of Benefits) and identifying the group(s) to which the benefit reduction applies.

In sections 20463 (b) and (c), the California Public Employees' Retirement Law requires the governing body of a public agency within five days of receipt of the contract amendment cost analysis, to provide each employee organization with a copy of the analysis. If this cost analysis was requested by an employee organization, the employee organization is also required within five days of receipt of the analysis, to provide a copy of the analysis to the public agency.

If you have questions, please call (888) CalPERS (225-7377).



Barbara J. Ware, FSA, MAAA  
 Enrolled Actuary  
 Senior Pension Actuary, CalPERS

**SCHEDULE OF AGENCY ACTIONS  
FOR PLANNING YOUR AMENDMENT TO CONTRACT**

CalPERS will prepare the documents necessary to amend your contract and provide them to you within 30 days of receipt of the Contract Amendment Request in our office. The contracting agency must have a current Amendment Cost Analysis before proceeding with an amendment to the contract.

1. \_\_\_\_\_ ENTER A DATE THAT IS 30 DAYS FROM THE DATE YOU EXPECT CalPERS TO RECEIVE THE CONTRACT AMENDMENT REQUEST FORM YOU SUBMITTED OR WILL BE SUBMITTING. This is the date you may expect to receive the documents from CalPERS that you will need to amend the Contract.
2. \_\_\_\_\_ THE DATE AN ACTUARY WILL BE PRESENT TO PROVIDE INFORMATION REGARDING THE ACTUARIAL IMPACT UPON FUTURE ANNUAL COSTS. (The presence of an actuary is required if future costs of the benefit changes exceed  $\frac{1}{2}$  of 1% of the future annual costs of the existing benefits.)
3. \_\_\_\_\_ ENTER THE DATE THE GOVERNING BODY WILL ADOPT THE RESOLUTION OF INTENTION DOCUMENT. Allow the necessary time after the date you expect to receive the needed documents from CalPERS (#1 above) to include adoption of the Resolution of Intention on the Governing Body's meeting agenda.
4. \_\_\_\_\_ ENTER THE DATE THE EMPLOYEE ELECTION WILL BE HELD. An employee election is required only if the employee contribution rate will change. If required, this election must follow the Governing Body's adoption of the Resolution of Intention (#3 above) and must be prior to the Adoption of the Final Resolution (#5 below).
5. \_\_\_\_\_ ENTER THE DATE THE GOVERNING BODY WILL ADOPT THE FINAL RESOLUTION. This date must be at least 20 days after the date the Governing Body adopts the Resolution of Intention (#3 above).
6. \_\_\_\_\_ ENTER THE EFFECTIVE DATE OF THE AMENDMENT TO CONTRACT. If there is no change in the employee or the employer contribution rates this date may be as early as the day after the date the final Resolution is adopted (#5 above). If there is a change in the employee and/or the employer contribution rates, this date must be the first day of a payroll period and may not be earlier than the day after the date the final Resolution is adopted (#5 above).

THIS FORM IS USED FOR PROPERLY PLANNING AND SCHEDULING THE AGENCY ACTIONS TO AMEND THE CONTRACT WITH CalPERS. CAREFULLY FOLLOWING THE GUIDELINES IN THIS FORM CAN PREVENT THE NEED TO RESCIND ACTIONS TAKEN BY YOUR GOVERNING BODY AND REPEATING THE PROCESS AS WELL AS AVOIDING UNNECESSARY DELAYS IN THE AMENDMENT EFFECTIVE DATE. THIS FORM SHOULD BE COMPLETED AND A COPY RETURNED TO THIS OFFICE WITH THE CONTRACT AMENDMENT REQUEST. PLEASE CALL YOUR CONTRACT ANALYST AT (888) 225-7377 IF YOU HAVE QUESTIONS.

PERCENTAGE OF FINAL COMPENSATION

3<sup>percent</sup>  
@60

Age	50	51	52	53	54	55	56	57	58	59	60
Benefit Factor	2.00	2.10	2.20	2.30	2.40	2.50	2.60	2.70	2.80	2.90	3.00
Years of Service	Percentage of Final Compensation										
5	10.00	10.50	11.00	11.50	12.00	12.50	13.00	13.50	14.00	14.50	15.00
6	12.00	12.60	13.20	13.80	14.40	15.00	15.60	16.20	16.80	17.40	18.00
7	14.00	14.70	15.40	16.10	16.80	17.50	18.20	18.90	19.60	20.30	21.00
8	16.00	16.80	17.60	18.40	19.20	20.00	20.80	21.60	22.40	23.20	24.00
9	18.00	18.90	19.80	20.70	21.60	22.50	23.40	24.30	25.20	26.10	27.00
10	20.00	21.00	22.00	23.00	24.00	25.00	26.00	27.00	28.00	29.00	30.00
11	22.00	23.10	24.20	25.30	26.40	27.50	28.60	29.70	30.80	31.90	33.00
12	24.00	25.20	26.40	27.60	28.80	30.00	31.20	32.40	33.60	34.80	36.00
13	26.00	27.30	28.60	29.90	31.20	32.50	33.80	35.10	36.40	37.70	39.00
14	28.00	29.40	30.80	32.20	33.60	35.00	36.40	37.80	39.20	40.60	42.00
15	30.00	31.50	33.00	34.50	36.00	37.50	39.00	40.50	42.00	43.50	45.00
16	32.00	33.60	35.20	36.80	38.40	40.00	41.60	43.20	44.80	46.40	48.00
17	34.00	35.70	37.40	39.10	40.80	42.50	44.20	45.90	47.60	49.30	51.00
18	36.00	37.80	39.60	41.40	43.20	45.00	46.80	48.60	50.40	52.20	54.00
19	38.00	39.90	41.80	43.70	45.60	47.50	49.40	51.30	53.20	55.10	57.00
20	40.00	42.00	44.00	46.00	48.00	50.00	52.00	54.00	56.00	58.00	60.00
21	42.00	44.10	46.20	48.30	50.40	52.50	54.60	56.70	58.80	60.90	63.00
22	44.00	46.20	48.40	50.60	52.80	55.00	57.20	59.40	61.60	63.80	66.00
23	46.00	48.30	50.60	52.90	55.20	57.50	59.80	62.10	64.40	66.70	69.00
24	48.00	50.40	52.80	55.20	57.60	60.00	62.40	64.80	67.20	69.60	72.00
25	50.00	52.50	55.00	57.50	60.00	62.50	65.00	67.50	70.00	72.50	75.00
26	52.00	54.60	57.20	59.80	62.40	65.00	67.60	70.20	72.80	75.40	78.00
27	54.00	56.70	59.40	62.10	64.80	67.50	70.20	72.90	75.60	78.30	81.00
28	56.00	58.80	61.60	64.40	67.20	70.00	72.80	75.60	78.40	81.20	84.00
29	58.00	60.90	63.80	66.70	69.60	72.50	75.40	78.30	81.20	84.10	87.00
30	60.00	63.00	66.00	69.00	72.00	75.00	78.00	81.00	84.00	87.00	90.00
31	62.00	65.10	68.20	71.30	74.40	77.50	80.60	83.70	86.80	89.90	93.00
32	64.00	67.20	70.40	73.60	76.80	80.00	83.20	86.40	89.60	92.80	96.00
33	66.00	69.30	72.60	75.90	79.20	82.50	85.80	89.10	92.40	95.70	99.00
34	—	71.40	74.80	78.20	81.60	85.00	88.40	91.80	95.20	98.60	102.00
35	—	—	77.00	80.50	84.00	87.50	91.00	94.50	98.00	101.50	105.00
36	—	—	—	82.80	86.40	90.00	93.60	97.20	100.80	104.40	108.00
37	—	—	—	—	88.80	92.50	96.20	99.90	103.60	107.30	111.00
38	—	—	—	—	—	95.00	98.80	102.60	106.40	110.20	114.00
39	—	—	—	—	—	—	101.40	105.30	109.20	113.10	117.00
40	—	—	—	—	—	—	—	108.00	112.00	116.00	120.00

3h

PERCENTAGE OF FINAL COMPENSATION

2<sup>percent</sup>  
@60

Age	50	51	52	53	54	55	56	57	58	59	60	61	62	63+
Benefit Factor	1.092	1.156	1.224	1.296	1.376	1.460	1.552	1.650	1.758	1.874	2.000	2.134	2.272	2.418
Years of Service	Percentage of Final Compensation													
5	5.46	5.78	6.12	6.48	6.88	7.30	7.76	8.25	8.79	9.37	10.00	10.67	11.36	12.09
6	6.55	6.94	7.34	7.78	8.26	8.76	9.31	9.90	10.55	11.24	12.00	12.80	13.63	14.51
7	7.64	8.09	8.57	9.07	9.63	10.22	10.86	11.55	12.31	13.12	14.00	14.94	15.90	16.93
8	8.74	9.25	9.79	10.37	11.01	11.68	12.42	13.20	14.06	14.99	16.00	17.07	18.18	19.34
9	9.83	10.40	11.02	11.66	12.38	13.14	13.97	14.85	15.82	16.87	18.00	19.21	20.45	21.76
10	10.92	11.56	12.24	12.96	13.76	14.60	15.52	16.50	17.58	18.74	20.00	21.34	22.72	24.18
11	12.01	12.72	13.46	14.26	15.14	16.06	17.07	18.15	19.34	20.61	22.00	23.47	24.99	26.60
12	13.10	13.87	14.69	15.55	16.51	17.52	18.62	19.80	21.10	22.49	24.00	25.61	27.26	29.02
13	14.20	15.03	15.91	16.85	17.89	18.98	20.18	21.45	22.85	24.36	26.00	27.74	29.54	31.43
14	15.29	16.18	17.14	18.14	19.26	20.44	21.73	23.10	24.61	26.24	28.00	29.88	31.81	33.85
15	16.38	17.34	18.36	19.44	20.64	21.90	23.28	24.75	26.37	28.11	30.00	32.01	34.08	36.27
16	17.47	18.50	19.58	20.74	22.02	23.36	24.83	26.40	28.13	29.98	32.00	34.14	36.35	38.69
17	18.56	19.65	20.81	22.03	23.39	24.82	26.38	28.05	29.89	31.85	34.00	36.28	38.62	41.11
18	19.66	20.81	22.03	23.33	24.77	26.28	27.94	29.70	31.64	33.73	36.00	38.41	40.90	43.52
19	20.75	21.96	23.26	24.62	26.14	27.74	29.49	31.35	33.40	35.61	38.00	40.55	43.17	45.94
20	21.84	23.12	24.48	25.92	27.52	29.20	31.04	33.00	35.16	37.48	40.00	42.68	45.44	48.36
21	22.93	24.28	25.70	27.22	28.90	30.66	32.59	34.65	36.92	39.35	42.00	44.81	47.71	50.78
22	24.02	25.43	26.93	28.51	30.27	32.12	34.14	36.30	38.68	41.23	44.00	46.95	49.98	53.20
23	25.12	26.59	28.15	29.81	31.65	33.58	35.70	37.95	40.43	43.10	46.00	49.08	52.26	55.61
24	26.21	27.74	29.38	31.10	33.02	35.04	37.25	39.60	42.19	44.98	48.00	51.22	54.53	58.03
25	27.30	28.90	30.60	32.40	34.40	36.50	38.80	41.25	43.95	46.85	50.00	53.35	56.80	60.45
26	28.39	30.06	31.82	33.70	35.78	37.96	40.35	42.90	45.71	48.72	52.00	55.48	59.07	62.87
27	29.48	31.21	33.05	34.99	37.15	39.42	41.90	44.55	47.47	50.60	54.00	57.62	61.34	65.29
28	30.58	32.37	34.27	36.29	38.53	40.88	43.46	46.20	49.22	52.47	56.00	59.75	63.62	67.70
29	31.67	33.52	35.50	37.58	39.90	42.34	45.01	47.85	50.98	54.35	58.00	61.89	65.89	70.12
30	32.76	34.68	36.72	38.88	41.28	43.80	46.56	49.50	52.74	56.22	60.00	64.02	68.16	72.54
31	33.85	35.84	37.94	40.18	42.66	45.26	48.11	51.15	54.50	58.09	62.00	66.15	70.43	74.96
32	34.94	36.99	39.17	41.47	44.03	46.72	49.66	52.80	56.26	59.97	64.00	68.29	72.70	77.38
33	36.04	38.15	40.39	42.77	45.41	48.18	51.22	54.45	58.01	61.84	66.00	70.42	74.98	79.79
34	—	39.30	41.62	44.06	46.78	49.64	52.77	56.10	59.77	63.72	68.00	72.56	77.25	82.21
35	—	—	42.84	45.36	48.16	51.10	54.32	57.75	61.53	65.59	70.00	74.69	79.52	84.63
36	—	—	—	46.66	49.54	52.56	55.87	59.40	63.29	67.46	72.00	76.82	81.79	87.05
37	—	—	—	—	50.91	54.02	57.42	61.05	65.05	69.34	74.00	78.96	84.06	89.47
38	—	—	—	—	—	55.48	58.98	62.70	66.80	71.21	76.00	81.09	86.34	91.88
39	—	—	—	—	—	—	60.53	64.35	68.56	73.09	78.00	83.23	88.61	94.30
40	—	—	—	—	—	—	—	66.00	70.32	74.96	80.00	85.36	90.88	96.72

Source: Heritage Ranch Community Services District

February 2009

Agency	CalPERS		Employee Representation
	Formula	Employer paid Employee contribution	
Heritage Ranch Community Services District	2.5% @ 55	8%	Employee Association
Cambria Community Services District	3% @ 60	8%	Union
City of Morro Bay	2.7% @ 55	7%	Union
City of Paso Robles	2.5% @ 55	7%	Union
City of Pismo Beach	2.5% @ 55	5.85% (Remaining 2.15% was added to posted salaries)	Union
City of San Luis Obispo	2.7% @ 55	8%	Union
Nipomo Community Services District	3% @ 60	8%	None
Oceano Community Services District	2% @ 55	7%	None
San Miguel Community Services District	2.5% @ 55	8%	Unavailable-office closed
Templeton Community Services District	3% @ 60	8%	Memorandum of Understanding