



MINUTES REGULAR MEETING

OVERSIGHT BOARD FOR THE SUCCESSOR AGENCY TO THE CITY OF SOUTH SAN FRANCISCO REDEVELOPMENT AGENCY

P.O. Box 711 (City Hall, 400 Grand Avenue)
South San Francisco, California 94083

CITY HALL
LARGE CONFERENCE ROOM, TOP FLOOR
400 GRAND AVENUE

TUESDAY, MARCH 12, 2013
2:00 P.M.

CALL TO ORDER.

Time: 2:03 p.m.

ROLL CALL.

Present: Boardmembers Addiego,
Beaudin, Christensen, Farrales, Patti
Ernsberger as Alternate for Vice
Chairperson Porterfield and Chairperson
Cullen.

Absent: Boardmember Scannell

PLEDGE OF ALLEGIANCE

Lead by Patti Ernsberger as Alternate for Vice Chairperson Porterfield.

AGENDA REVIEW

None.

PUBLIC COMMENTS

None.

MATTERS FOR CONSIDERATION

1. Discussion with actuary related to fair cost methodology for allocating retiree health liabilities (OPEB costs) associated with employees providing services to the former RDA.

Finance Director Steele introduced Actuary Doug Pryor from Bartell and Associates. He noted that the issue presented was to determine how to fairly calculate the OPEB and CalPERS unfunded liabilities associated with employees that had provided services to the former RDA.

Actuary Pryor first noted that CalPERS and OPEB are very different. In the case of CalPERS, someone who works for the city for five (5) years receives a benefit, whereas, OPEB only provides benefits to those employees that have worked for the city for more than five (5) years and also retire from the city. He opined it would make sense to allocate the unfunded pension liability that former RDA employees accrued on payroll if the RDA employee group was similar to other employees on payroll. In regards to OPEB, accrued liability should be thought of as a target asset value, and thus, the unfunded liability in that case does not adhere to a particular benefit.

Finance Director Steele reiterated that CalPERS and OPEB were different because with OPEB, the City only pays benefits for employees that retire with at least five (5) years of work for the City.

To Chairman Cullen's inquiry on CalPERS calculations, Actuary Pryor explained that CalPERS would not make that calculation because it would be an additional undertaking.

Boardmember Christensen believed CalPERS had made the calculation for Redwood City's Oversight Board.

Finance Director Steele responded that with respect to Redwood City, he had seen a total liability and an allocation calculation based on Full Time Employees (FTE) that had been approved and/or reviewed by CalPERS.

Chairman Cullen pointed to question 2, which referred to the handling of allocated positions.

Actuary Pryor provided the example of having 10 employees and assigning 2 of them to the RDA, which would clearly result in the 2 employees having unfunded liabilities. It would be a little different if all 10 people allocated 20 percent of their time to the RDA.

Chairman Cullen queried whether the Actuary would take into consideration the ages or real length of service of employees. He believed that the liability would differ amongst different age groups.

Actuary Pryor clarified that an inherent assumption was that the RDA group mirrored the composition of the City employee group.

Chairman Cullen noted the issue that the former RDA had no specific employees, but rather, was staffed by City employees that performed work for the RDA.

Finance Director Steele added that South San Francisco was similar to Redwood City in this respect, in that the Fire Department hired code enforcement officers that spent twenty percent of their time working for the RDA. Finance Director Steel explained that staff would be allocating 20% of the total.

Chairman Cullen questioned the 20 percent calculation because of possible disparities that might be blended in.

Actuary Pryor clarified that this pertained to the payroll allocation.

Boardmember Christensen queried whether the liability extended back to the time of Agency formation.

Actuary Pryor stated that implicit in the methodology was the assumption that it would not account for the Agency being ramped up over time.

Boardmember Addiego noted he was present when the Redevelopment Agency began and stated it started with quite a team managing the Gateway Project.

Vice Chair Alternate Ernsberger queried how the unfunded liability percentage changes would be accounted for on an annual basis.

Actuary Pryor explained that the unfunded liabilities were allocated on payroll. The number was arrived at by looking at the most recent liability reports and rolling assets forward from the June 2010 report.

Chairman Cullen assumed that this would be a fixed onetime calculation.

Actuary Pryor agreed.

Boardmember Farrales asked if Redwood City had also enhanced their benefits since they came up with their numbers so easily. She opined that for employees that worked for RDA, the action to be taken was clear. But she questioned whether this would be a reasonable methodology for code enforcement employees, for example.

Finance Director Steele noted his understanding that if you take a 55 year old and a 30 year old and average them, costs are not necessarily equalized.

Boardmember Farrales queried whether allocating 40% on the whole would be a fair methodology. She further queried whether this pertained only to code enforcement employees

Finance Director Steele noted that it was not just code enforcement, but rather, a variety of employees that were identified on the list.

Chairman Cullen sought a clarification as to whether the Actuary would question the City's numbers moving forward.

Finance Director Steele clarified that the Board would have to question the numbers from a policy perspective because the Actuary would not do so. He believed the Actuary would show the Board the methodology to be applied once the Board determined the FTEs at issue. He further opined that until the Board was comfortable with a methodology that could be used, it would not make sense to even look at FTEs.

Boardmember Addiego queried whether the discussion focused on individual classifications or the City's workforce as a whole.

Actuary Pryor responded that the calculation would consider the whole workforce. It would take the most recent information available- the entire unfunded liability, the RDA payroll and total City payroll- and allocate the unfunded portion attributable to RDA.

Chairman Cullen wanted to confirm his understanding that if the Board identified 26 full time RDA employees versus 400 employees for the whole City and that 60% of code enforcement employees worked for the RDA, then these employees would be grouped before the allocation.

Actuary Pryor stated the only grouping would be the separation between miscellaneous employees and public safety employees. He believed the calculation would be very similar to what Redwood City arrived at.

Boardmember Addiego reiterated that unless the Board would be reviewing each individual's calculation, it would be better to look at the whole workforce because the average number would be lower.

Boardmember Farrales wished to separate general employees from those in public safety.

Finance Director Steele queried whether the Board wanted to see the CalPERS liability calculated for specific employees.

Chairman Cullen did not believe there was a determination on that.

Boardmember Beaudin believed it would result in a snapshot of one point in time.

Chairman Cullen stated that considering Redwood City's arrival at a calculation, a situation which may be similar to what would occur here, he was comfortable with the generalization concept as it would be more cost effective. He inquired as to the precise number of City employees noting the 145 City employee figure included in the report.

Finance Director Steele clarified that there are 400 total City employees, but only 145 employees in classifications that supported the RDA. For example, Water Quality Control Plant ("WQCP") employees were excluded from the total City employee calculation in the report since no WQCP employee ever supported the RDA.

Boardmember Christensen queried whether question 4 had been answered.

Finance Director Steele noted that the question had to do with the CalPERS benefit increase that was granted in 2000-2001. For the record, for public safety employees it went from 2% at 50 to 3% at 50. For miscellaneous employees, it went up from 2% at 55 to 2.7% at 55. He queried whether that enhancement would have an impact on the calculation, and if so, how.

Chairman Cullen queried whether the change impacted the amount the employees pay into the program.

Finance Director Steele responded that the employees paid 1% more and the City picked up the difference.

Actuary Pryor clarified that if the benefit increase was the same for all affected employees, he did not believe that the benefit improvement would be misappropriated.

Vice Chair Alternate Ernsberger queried whether the Board wished to utilize the proposed FTE list and whether the selected employees would be compared against the entire City payroll.

Finance Director Steele believed this was relevant to the total former RDA FTE number. He noted staff proposed that 18 FTEs worked for the former RDA and could be compared against the 145 employees working in classifications that served the RDA or the total 400 City employee figure.

Actuary Pryor did not believe this would affect the calculation and stated the suggested methodology would compare against the 400 person City employee pool with Public Safety Employees separated out.

Chairman Cullen inquired if the health benefit was tied to years of service.

Finance Director Steele clarified that 5 years of service formerly would have provided an employee lifetime medical benefits at the time of retirement. This is not the case for new hires.

Chairman Cullen stated that in the end, he preferred a clear methodology rather than a complicated one that others would not understand.

Boardmember Addiego shared his belief that positions that were not at all related to the RDA should be excluded from the calculation with the base number of employees being 145.

Boardmember Christensen questioned if it would make sense to go back in time, in intervals of 5 or 10 years, and measure employment levels at the time.

City Attorney Mattas and Boardmember Addiego stated that going back 10 years would likely yield an upswing in employee FTEs that serviced the former RDA in the most recent years.

Assistant City Manager Van Duyn observed that it was all relative to the accumulation of tax increment funds and the ability to stimulate investment. Thus, there were peaks as projects were ramping up over time.

Boardmember Christensen added that as revenue grew, staff grew as well. Chairman Cullen reiterated the Board's preference that public safety and non public safety employees be separated out.

Boardmember Christensen recommended that data from 1982, 1992, 2002 and 2012 be considered.

Chairman Cullen queried whether such data was available.

Finance Director Steele responded that the FTEs could be identified, but no payroll detail information for that time existed.

Boardmember Farrales believed the Board needed some confidence that the number of FTEs proposed was comparable against the former RDA's staffing throughout its existence.

Assistant City Manager Van Duyn asserted that the core staff had not grown that much.

Staff agreed to look at 1982, 1992 and 2002 staffing levels.

The Board determined to bring the item back for consideration at an upcoming meeting.

2. Motion to approve the Minutes of the Special Meeting of February 14, 2013.

Motion— Boardmember Addiego/Second— Boardmember Beaudin: to approve the Minutes of the Special Meeting of February 14, 2013. Approved by the following voice vote: AYES: Boardmembers Addiego, Beaudin, Christensen and Farrales, Patti Ernsberger as alternate for Vice Chairperson Porterfield and Chairman Cullen. NOES: None. ABSTAIN: None. ABSENT: Boardmember Scannell.

3. Resolution No. 8-2013 of the Oversight Board approving of a grant of Public Utility Easement to Pacific Gas and Electric Company.

Assistant City Manager Van Duyn presented the staff report recommending adoption of a Resolution granting a Utility Easement to Pacific Gas and Electric Company. He presented an aerial photo depicting the route of the PG&E gas replacement program. The easement would allow PG&E some security for future pipe replacements along the gas line. Staff had no objections to the easement. Regarding vegetation, PG&E assured it would replace any vegetation in coordination with the City's Parks and Recreation Department.

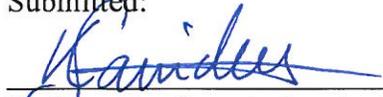
Motion— Boardmember Christensen/ Second— Boardmember Farrales: to approve Resolution No. 8-2013. Approved by the following voice vote: AYES: Boardmembers Addiego, Beaudin, Christensen and Farrales, Patti Ernsberger as alternate for Vice Chairperson Porterfield and Chairman Cullen. NOES: None. ABSTAIN: None. ABSENT: Boardmember Scannell.

4. Future Agenda Items.
 - a) Long Range Property Management Plan.

ADJOURNMENT

Chairman Cullen adjourned the meeting at 3:09 p.m.

Submitted:



Kathryn Reodica, Acting Assistant Clerk
City of South San Francisco

Approved:



Neil Cullen, Chairperson
Oversight Board for the Successor Agency to the
City of South San Francisco Redevelopment
Agency