



OFFICE OF THE  
COUNTY ADMINISTRATOR

November 13, 2012

Matthew H. Hymel  
COUNTY ADMINISTRATOR

Marin County Board of Supervisors  
3501 Civic Center Drive  
San Rafael, CA 94903

Mona Miyasato  
CHIEF ASSISTANT  
COUNTY ADMINISTRATOR

**SUBJECT:** \$32.2 million allocation of one-time funds to accelerate payment of unfunded pension liability

Dear Supervisors:

Marin County Civic Center  
3501 Civic Center Drive  
Suite 325  
San Rafael, CA 94903  
415 473 6358 T  
415 473 4104 F  
CRS Dial 711  
[www.marincounty.org/cao](http://www.marincounty.org/cao)

**RECOMMENDATION:** Approve Recommended Budget and Balance Sheet Adjustments as Detailed in Attachment A

**OVERVIEW**

The County's unfunded pension liability is valued at \$370 million as of June 30, 2011. Currently, this unfunded liability is paid over a 17-year period as opposed to CALPERS' 30 year amortization schedule. A \$32.2 million one-time contribution at this time would further accelerate the payment of the County's unfunded pension liability and reduce the estimated liability to approximately \$338 million.

Consistent with your Board's direction and the public feedback we received at our October 2<sup>nd</sup> one-time allocation workshop, staff is recommending a \$32.2 million one-time contribution, or roughly 70% of the available one-time sources, toward the County's unfunded pension liability. Specific recommended budget and balance sheet adjustments are detailed in Attachment A.

Staff plans to return to your Board in January to allocate the remaining \$13.8 million in available reserves to accelerate the payment of unfunded retiree health liabilities. We are currently in a Request for Proposals (RFP) process to establish an Other Post-Employment Benefits (OPEB) trust. In January, we plan to request that your Board establish an OPEB trust and to allocate the remaining \$13.8 million in reserves. Combined with current-year budgeted set-asides of approximately \$12 million, the \$13.8 million in remaining reserves would enable the County to establish a \$26 million investment into the new OPEB trust by the end of FY 2012-13.

**FISCAL IMPACT**

If your Board approves this action, the County's estimated unfunded pension liability will be reduced from \$370 million to approximately \$338 million. In addition, we would expect annual savings of \$2.4 million beginning in FY 2014-15, assuming current investment returns and demographic assumptions are met. Please let me know if you have any questions or concerns.

Sincerely,

Daniel Eilerman  
Deputy County Administrator

Reviewed by,

Matthew H. Hymel  
County Administrator

Attachment A

Fund	Fund Description	Department	Expense	Revenue	NCC/Use of Fund Balance	Notes
10000	General	Non Departmental	\$30,660,000		\$30,660,000	1
		<i>Use of available Prior Year fund balance (3121015)</i>		(\$30,660,000)	(\$30,660,000)	1
		Non Departmental	(\$1,000,000)		(\$1,000,000)	2
		<i>Establish Prior Year fund balance (3121015)</i>		\$1,000,000	\$1,000,000	2
		<i>Use of available Prior Year fund balance (3121250)</i>		(\$2,000,000)	(\$2,000,000)	3
		<i>Establish Prior Year fund balance (3121015)</i>		\$2,000,000	\$2,000,000	3
	<b>Subtotal</b>		<b>\$29,660,000</b>	<b>(\$29,660,000)</b>	<b>\$0</b>	
20100	Roads	Public Works	\$304,500		\$304,500	1
		<i>Use of available Prior Year fund balance (3121015)</i>		(\$304,500)	(\$304,500)	1
	<b>Subtotal</b>		<b>\$304,500</b>	<b>(\$304,500)</b>	<b>\$0</b>	
20300	Library	Library	\$485,100		\$485,100	1
		<i>Use of available Prior Year fund balance (3121015)</i>		(\$485,100)	(\$485,100)	1
	<b>Subtotal</b>		<b>\$485,100</b>	<b>(\$485,100)</b>	<b>\$0</b>	
20500	Child Support Services	Child Support Services	\$105,700		\$105,700	1
		<i>Use of available Prior Year fund balance (3121015)</i>		(\$105,700)	(\$105,700)	1
	<b>Subtotal</b>		<b>\$105,700</b>	<b>(\$105,700)</b>	<b>\$0</b>	
20600	Open Space Dist	Open Space District	\$190,329		\$190,329	1
		<i>Use of available Prior Year fund balance (3121015)</i>		(\$190,329)	(\$190,329)	1
	<b>Subtotal</b>		<b>\$190,329</b>	<b>(\$190,329)</b>	<b>\$0</b>	
20800	Building Inspection	Community Development	\$114,800		\$114,800	1
		<i>Use of available Prior Year fund balance (3121015)</i>		(\$114,800)	(\$114,800)	1
	<b>Subtotal</b>		<b>\$114,800</b>	<b>(\$114,800)</b>	<b>\$0</b>	
20900	Environmental Health Services	Community Development	\$154,000		\$154,000	1
		<i>Use of available Prior Year fund balance (3121015)</i>		(\$154,000)	(\$154,000)	1
	<b>Subtotal</b>		<b>\$154,000</b>	<b>(\$154,000)</b>	<b>\$0</b>	
22050	CDBG	Community Development	\$21,700		\$21,700	1
		<i>Use of available Prior Year fund balance (3121015)</i>		(\$21,700)	(\$21,700)	1
	<b>Subtotal</b>		<b>\$21,700</b>	<b>(\$21,700)</b>	<b>\$0</b>	
27900	Capital	Public Works	\$3,290		\$3,290	1
		<i>Use of available Prior Year fund balance (3121015)</i>		(\$3,290)	(\$3,290)	1
	<b>Subtotal</b>		<b>\$3,290</b>	<b>(\$3,290)</b>	<b>\$0</b>	
31010	Airport Operations	Public Works	\$8,750		\$8,750	1
		<i>Use of available Prior Year fund balance (3121015)</i>		(\$8,750)	(\$8,750)	1
	<b>Subtotal</b>		<b>\$8,750</b>	<b>(\$8,750)</b>	<b>\$0</b>	
32010	Workers Comp SIR	County Administrator	\$9,660		\$9,660	1
		<i>Use of available Prior Year fund balance (3121015)</i>		(\$9,660)	(\$9,660)	1
	<b>Subtotal</b>		<b>\$9,660</b>	<b>(\$9,660)</b>	<b>\$0</b>	
33020	Retirement Operations	Retirement	\$105,700		\$105,700	1
		<i>Use of available Prior Year fund balance (3121015)</i>		(\$105,700)	(\$105,700)	1
	<b>Subtotal</b>		<b>\$105,700</b>	<b>(\$105,700)</b>	<b>\$0</b>	
<b>All Funds Total</b>			<b>\$31,163,529</b>	<b>(\$31,163,529)</b>	<b>\$0</b>	

Notes:	
1	Appropriate expense to credit all funds total of \$32.2 million to Employees' Retirement Fund No. 33010 to accelerate the payment of the County's unfunded pension liability offset with use of available prior year fund balance (3121015 Retiree Liabilities)
2	Return \$1 million budgeted set-aside in Non-Departmental to offset increase to designation 3121015 (Retiree Liabilities)
3	Journal \$2 million from designation 3121250 (1-Time Capital Projects Reserve) into designation 3121015 (Retiree Liabilities)