Quarterly Report of the Controller-Treasurer
Ending 6/30/14

1. STATE OF THE DISTRICT'S EMPLOYEE PENSIONS AND OTHER OBLIGATIONS

Background

- In 2008, the District implemented GASB 50 (previously GASB 27 implemented in 1998) and 45 which required disclosure and recognition of unfunded liabilities arising from unfunded pension and benefit obligations.

- The District currently provides benefits to employees which include, but are not limited to:
  - **Retirement Pension Plan** managed by the California Public Employee Retirement System (CALPERS), and funded by contributions from the District and it's employees. CALPERS is the largest pension plan in the United States with assets of approximately $300 billion.
  - **Retiree Medical Benefits** coverage funded by a Trust established by the District in 2005.

    The Trust as of 12/31/13

    a. Invested in a combination of stocks, bonds, REIT & cash,

    b. Benchmark 6.75%,

    c. Total net assets $183.6 million and inception to date return is 6.9%,

    d. Quarterly Report to the Unions
  - **Survivor Benefits** of active and retired employees funded by the employees ($15/month),
  - **Life Insurance** for retired employees which is currently unfunded but with a net required OPEB contribution of $14.4 million as of June 30, 2014.
  - The District also accrues liabilities through Property & Casualty insurance and workers compensation claims and maintains the required reserves related to its self-funded insurance programs for worker's compensation and general liability based on an annual actuarial study.

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The Current Status…

- The District **has** implemented funding plans to extinguish unfunded pension, medical and other post employment benefits and insurance liabilities. The District makes on-going payments to the different entities responsible for providing benefits.

  - **Retirement Pension Liabilities** – The District pays contribution to CALPERS which is based on the actuarial valuation of the miscellaneous and safety plans.
  - **Retiree Medical Benefits:** Like the calculation made for the CALPERS retirement contributions each year, the District contracts with an actuary to calculate the unfunded liabilities in the Retiree Health Benefit Trust.
  - **Survivor Benefits:** An actuarial study has not been done covering the survivors benefits program which provides coverage for dental, vision and retiree medical for survivors of active employees. This is currently being evaluated for action.
  - **Life Insurance:** The District has not funded actuarial obligations related to the life insurance benefits provided to retirees. This is currently being evaluated for action.
  - **Self Insured Property & Casualty Programs:** District funds these programs based on an actuarial study conducted annually.

- Collectively, the payments needed to extinguish all of the District's obligations is called the **Annual Required Contribution or ARC.**

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As a Quick Refresher…

- The ARC is comprised of two different pieces- the **Amortized** and the **Normal Cost**.
- The **Amortized Cost** is the amount required to reduce the unfunded accrued liability.
- The **Normal Cost** is the amount required to cover the projected benefits of current year plan costs.
- Taken together, these calculations are annually adjusted to ensure that over a time period, not to exceed 30 years, all previously unfunded liabilities are extinguished and current benefits are being funded on an on-going basis.

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So what are the numbers?

- The annual actuarial report on the District's PERS liability as of June 30, 2012, based on the most recent report from CALPERS, is $147,880,000 , 91.4% funded for the Miscellaneous Plan and $59,344,000, 73.7% funded for the Safety Plan.

- The annual actuarial report on the District's OPEB liability as of June 30, 2013 is $297,955,000, about 55.6% funded. Funding of this liability began in FY08, so funding percentage is catching up at a faster pace than pension.

- Life Insurance for retired employees which is currently unfunded but with a net required OPEB contribution of $14.4 million as of June 30, 2014. This will require an increase of our payments to the OPEB Trust to extinguish it. The annual required contribution for FY15 for this liability would be $2.5M.

- An actuarial report is also being undertaken for the Survivor Benefits obligation.

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2. <u>WHAT ABOUT THE BUSINESS ADVANCEMENT PLAN?</u>

- Since implementing Phase 2 over 3 years ago, the Board has heard of the challenges this brought. After a lot of hard work by a lot of people, I can report that BAP is working as designed. This is not to say that we are not “tweaking” it here and there but it is functioning.

- As I have stated in the past, it is a rigid system which means it is not easy to manipulate. This is a good thing for an enterprise system which handles the District accounting, procurement and inventory processes. This also makes it “less forgiving” of input errors which require additional staff time to track down and correct.

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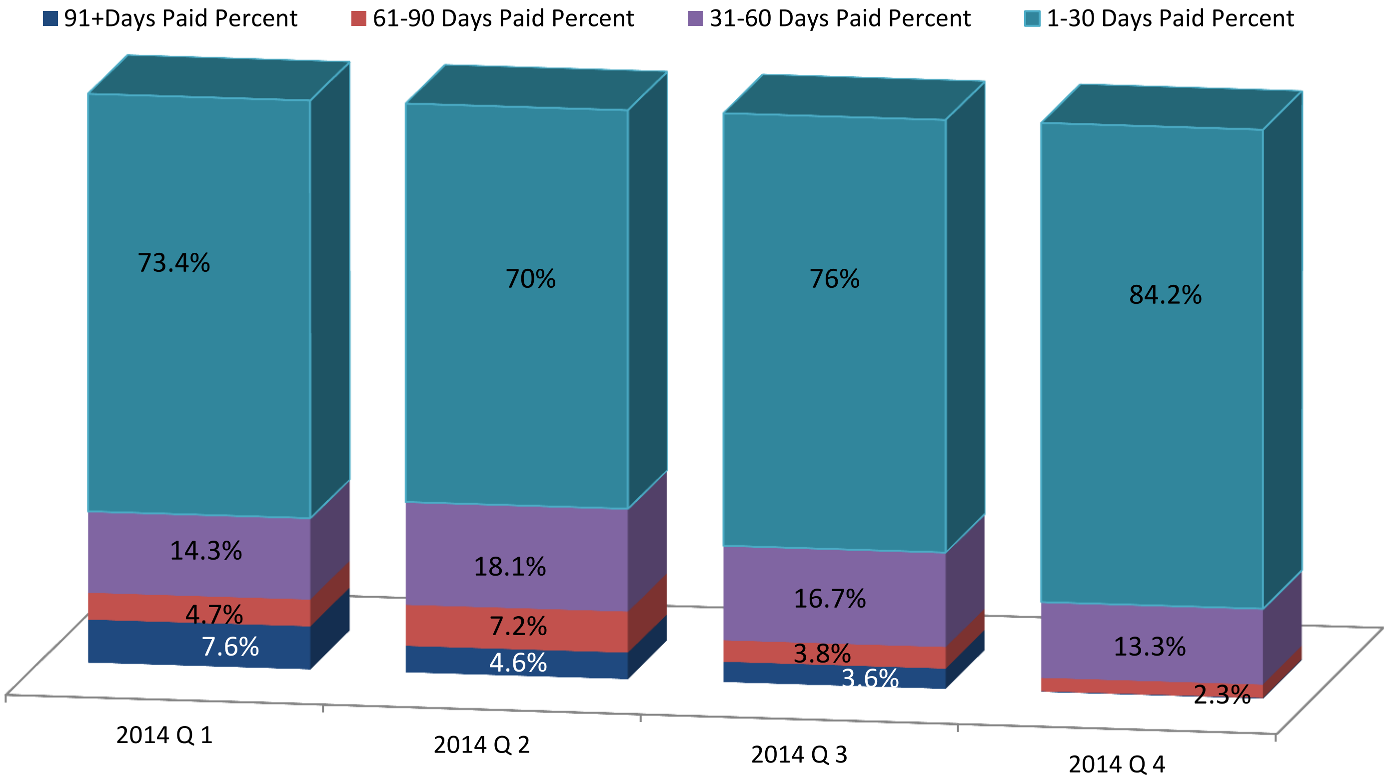
Accounts Payable

- We continue to keep our focus on getting our vendors paid as quickly as possible. During the most recent quarter, the District was able to process 84% of all invoices within 30 days. Of those that were not processed in 30 days, 13% were processed within 60 days, 2% were processed within 90 days, and 1% accounted for all the rest. The trend depicting the past year is shown here:

Quarterly Number of Voucher Payment Trend



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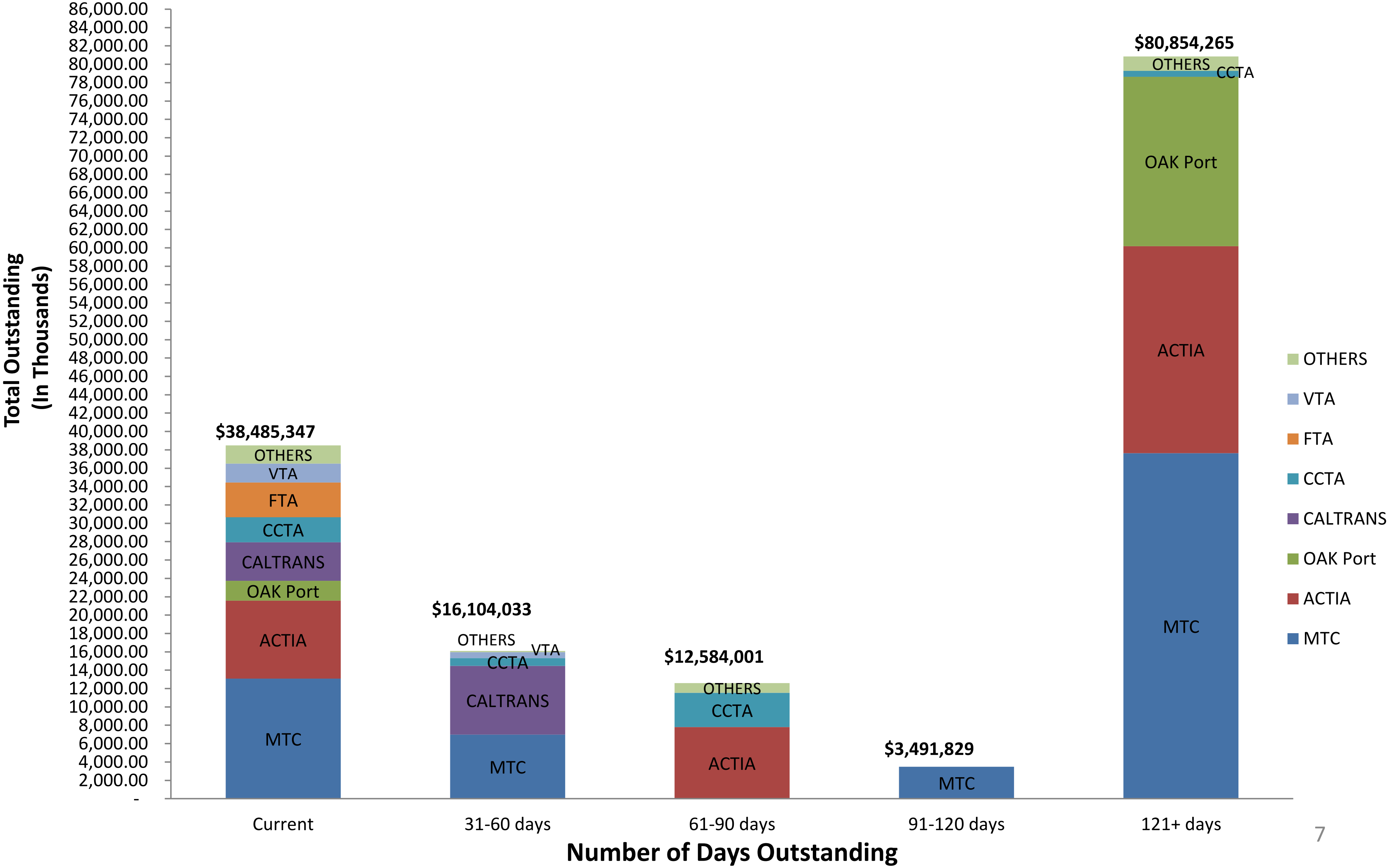
Accounts Receivable

- **The time to receive reimbursement funding from our funding partners is shown in the chart below. The amount outstanding is $151,519,475 as of June 30, 2014.**



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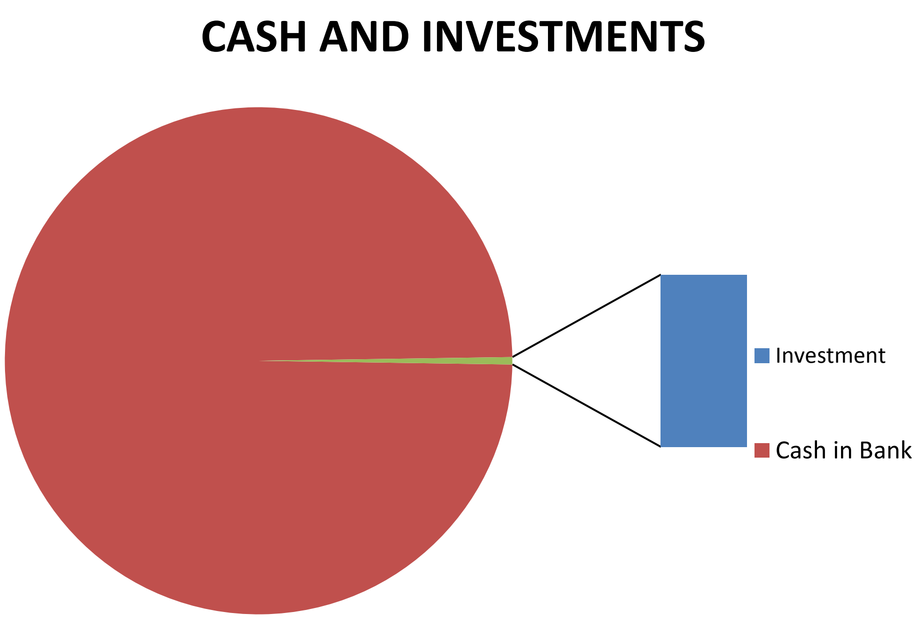
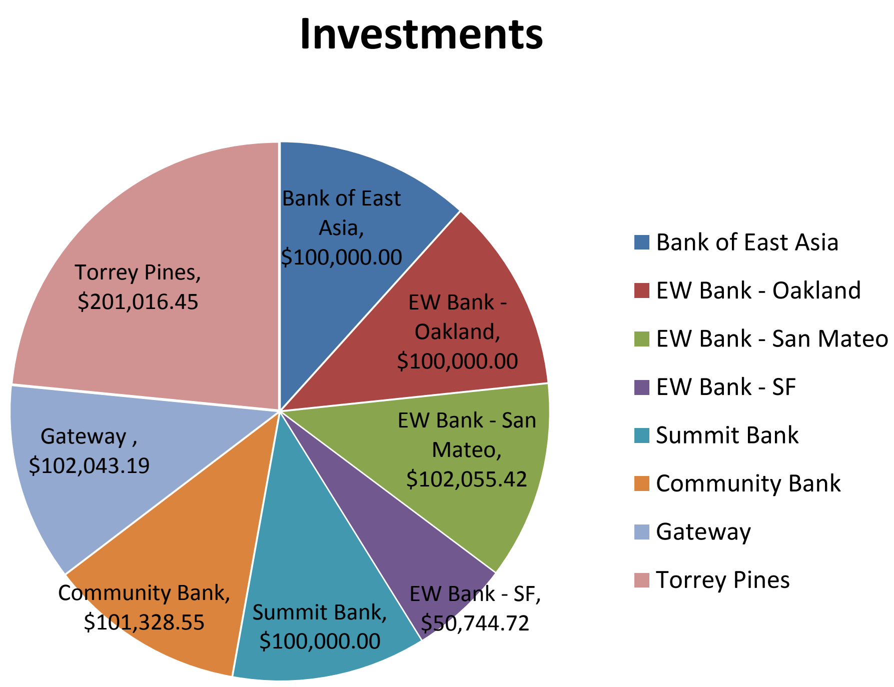
3. DISTRICT FINANCES

Cash and Investments

- Total Cash in Banks: $304,254,138.24
- Total Investments: $857,188.33
- Return on Investments: .458% - Poor investment environment, but always looking.
- Pie chart showing the different investments and banks





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Debt

- The District currently has two types of debt outstanding:
    1. Sales Tax Revenue Debt
    2. General Obligation Debt

<u>Sales Tax Revenue Debt</u>

- Currently outstanding debt of $719 million.
- Annual Debt Service paid $54 million.
- Debt Services comes “off the top” of sales tax revenues remitted to the district by the State Board of Equalization.
- This directly impacts the operating budget.

<u>General Obligation Bonds</u>

- These were passed by a 2/3 majority of eligible voters.
- Currently outstanding debt of $648 million.
- Issued $740 of $980 authorized.
- Debt paid by annual assessment of BART property tax holders and does not impact the operating budget.
- Most recent assessment as of this current year is $7.50/$100,000