

FY2020/21 Budget Introduction

May 14, 2020



Humboldt Bay Municipal
Water District



Scheduled Budget Meetings

❖ MAY 14TH SERVICE & SUPPLY AND
SALARIES & EMPLOYEE BENEFITS

❖ MAY 29TH PROJECT BUDGET

❖ JUNE 11TH REVIEW DRAFT OF ENTIRE BUDGET

❖ JULY 9TH CONSIDERATION & APPROVAL OF
FY2020/21 BUDGET

Service & Supply Budget

- ❖ Service and Supply Budget includes:
 - ❖ Operations Expenses
 - ❖ Maintenance Expenses
 - ❖ Administration Expenses
 - ❖ General Expenses



Service & Supply Budget

OVERVIEW OF REALLOCATIONS

• MAINTENANCE & REPAIRS	<\$5,000>
• MATERIALS & SUPPLIES	+\$3,000
• TOOLS & EQUIPMENT	+\$2,000
• AUTO OPERATIONS & MAINTENANCE	<\$300>
• RADIO/COMM. SYSTEM MAINTENANCE	<\$2,000>
• USGS STATION	+\$300
• TELEPHONE	<\$1,000>
• INTERNET	<\$1,000>
• IT & SOFTWARE MAINTENANCE	+\$2,000
• DUES & SUBSCRIPTIONS	+\$2,100
• <u>COUNTY PROPERTY TAX</u>	<\$100>
NET CHANGE	\$0

ADDITIONAL INFORMATION PROVIDED ON FOLLOWING SLIDE

Service & Supply Budget

ADDITIONAL DETAIL

- **USGS STATION**
ESTIMATED CPI INCREASE
+\$150
- **IT & SOFTWARE MAINTENANCE**
ESTIMATED INCREASE
+\$2,000
- **DUES & SUBSCRIPTIONS**
 - CSDA – ESTIMATED INCREASE \$ 380
 - ACWA/JPIA – ESTIMATED INCREASE \$1,720**+\$2,100**

Questions?

Service & Supply Budget

EXTRA - POWER ANALYSIS

The cost of power paid by the District has seen an **unprecedented** increase.

As part of the review and generation of the FY21 Budget, staff completed a thorough analysis of PG & E bills for the past three years.

POWER ANALYSIS

Service & Supply Budget

PG&E bills have many components and rate calculations including:

“Demand Charges” are additional fees charged to commercial accounts for maintaining a constant supply of electricity. These charges are based on the energy used during different peak rates (time-of-day).

“Energy Charges” are the charges for the electricity actually used. These charges are also based on different peak rates.

“Generation Charges” are the charges for the production of electricity. These rates are both seasonally and peak rated. (The District pays RCEA these fees).

“Customer Charges” are based on the number of days in the billing period.

“Power Charge Indifference Adjustment” (PCIA) is an exit fee charged by California utility companies on entities that leave the bundled service and choose another provider of electricity generation service (RCEA).

Service & Supply Budget

POWER ANALYSIS

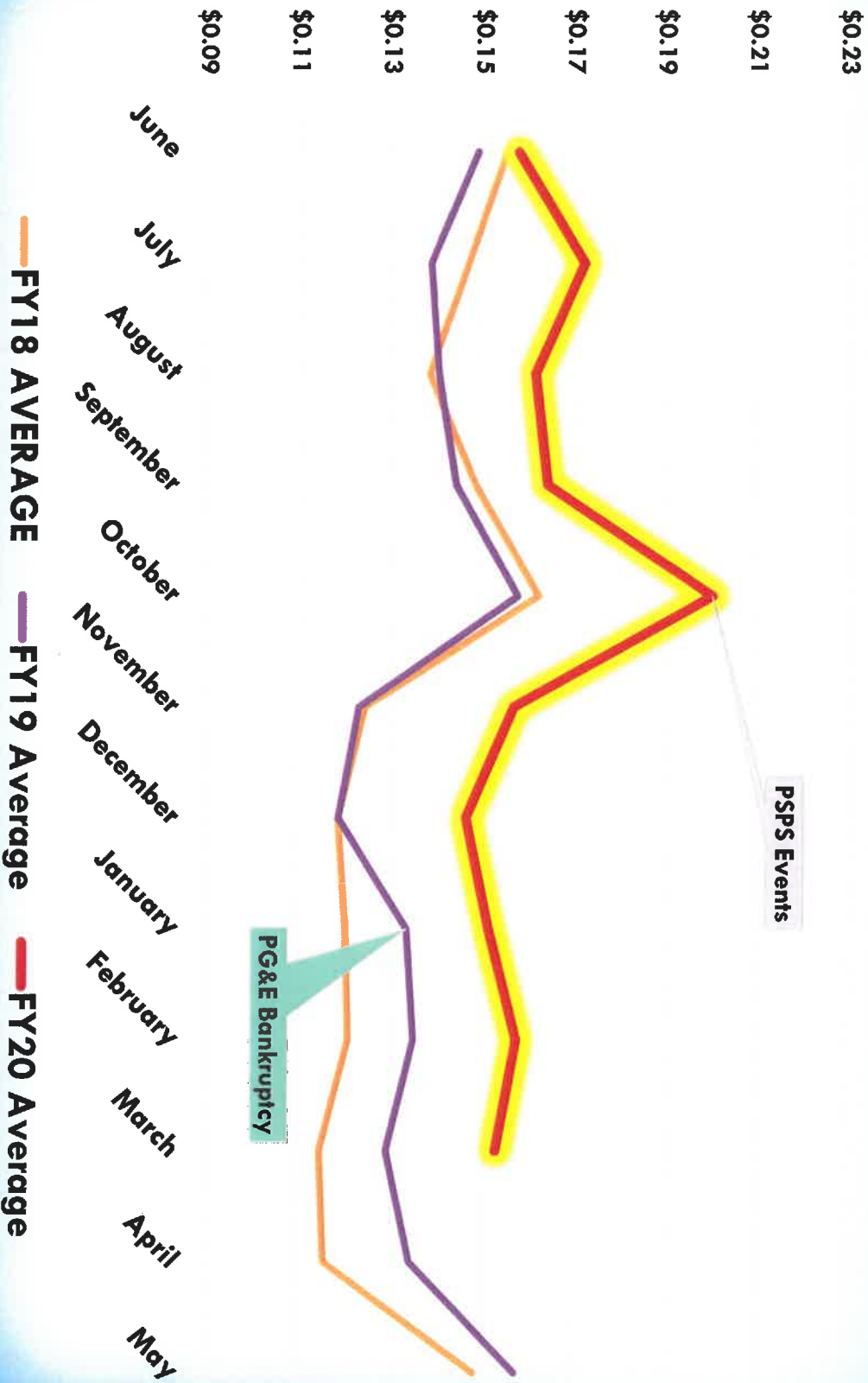
- FY20 saw increases in essentially all aspects of the PG&E bills, including:

Customer Charges	+ ≈ 30%
Demand Charges	+ ≈ 28%
Energy Charges	+ ≈ 7%
PCIA	+ ≈ 11%
Generation Charges	+ ≈ 8.9%-9.6%
- FY20 Average Monthly PG&E Expense, including all facilities: \$66,120 (FY18 \$56,033 & FY19 \$59,078)
- Pumping and TRF electricity accounts for 97.3% of the total power expense on average.

Service & Supply Budget

POWER ANALYSIS

PUMPING – Average Cost of kWh*

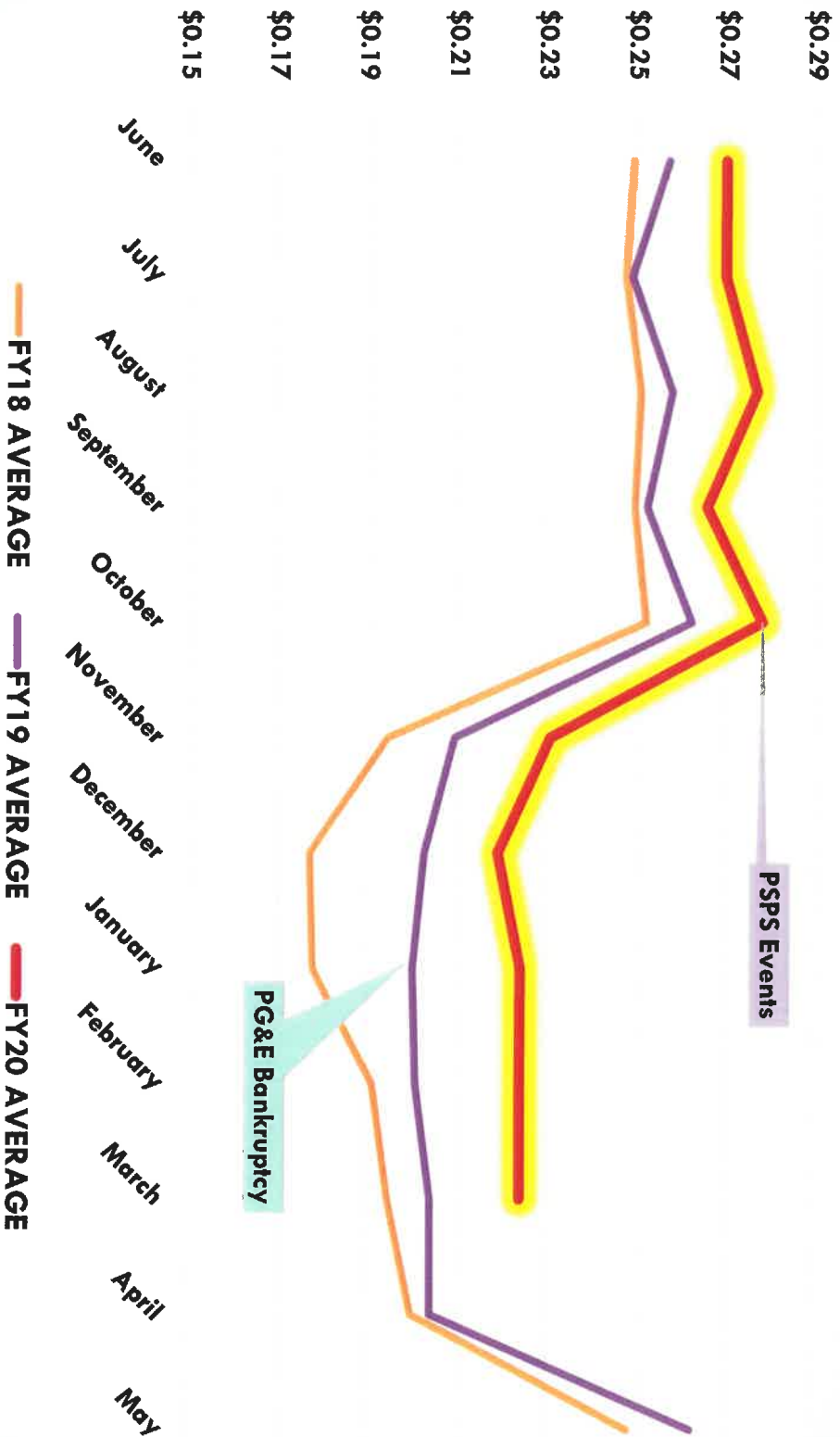


*Calculated by dividing the kWh used during the month by the amount of the bill – this average includes all aspects of the monthly bill.

Service & Supply Budget

POWER ANALYSIS

TRF – Average Cost of kWh*

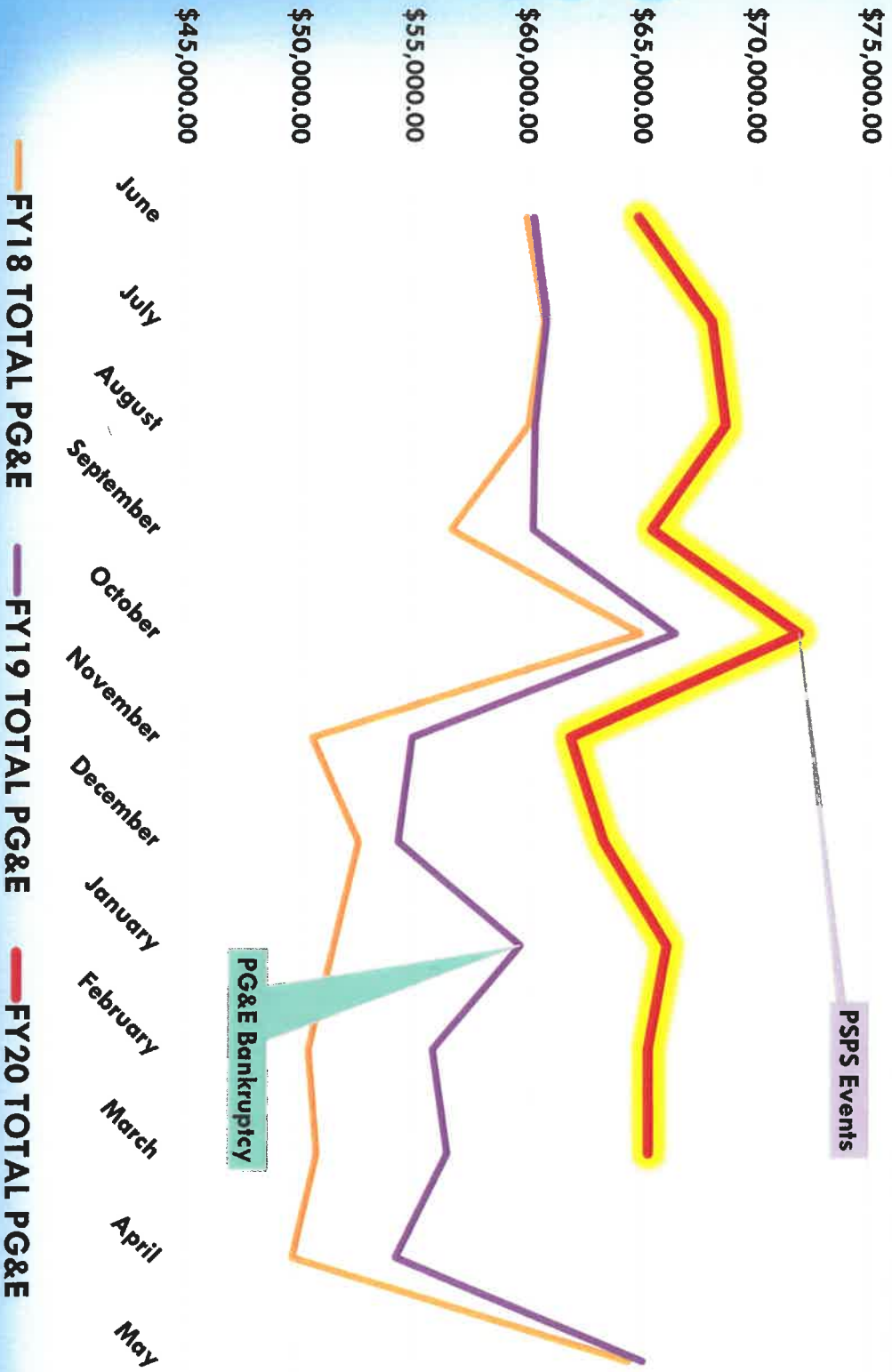


*Calculated by dividing the kWh registered on this meter by the amount of the bill for same meter – this average includes all aspects of the monthly bill.

Service & Supply Budget

POWER ANALYSIS

All PG&E Expenses by Month



POWER ANALYSIS-PSPS October 2019

October 2019 PSPS Events

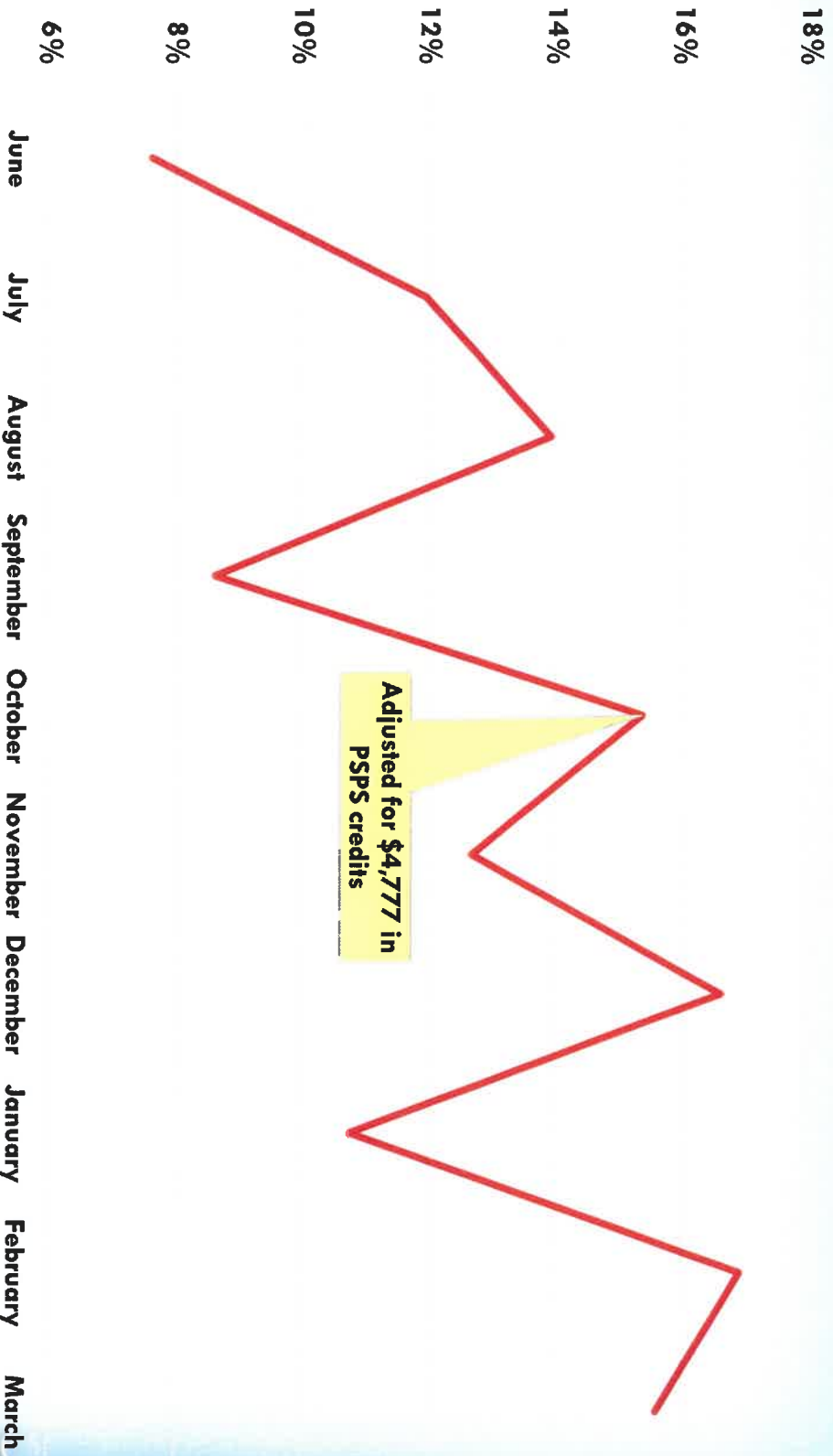
- District lost power for \approx 5days. (Essex operated on generator power, resulting in increased use of diesel fuel.)
- **Charges for October are highest for entire year at \$71,969**
 - This includes $<$ \$4,777 $>$ in "Electric Adjustments/PSPS credits"
 - Cost per kWh in October= $\$0.201$ (September= $\$0.164$ and November= $\$0.157$)
- Rate Increases in OCTOBER:
 - Demand Charges:
 - Max Peak **increased** from \$18.94 to \$22.38 kW
 - Part Peak **increased** from \$5.14 to \$5.94 kW
 - Max Demand **increased** from \$15.87 to \$17.37 kW
 - Customer Charges
 - **Increased** from \$32.85 to \$49.28/day
 - Power Generation Charges (**every rate increased**)
 - Demand On-Peak Summer **increased** from \$13.09 to \$15.65

Service & Supply Budget

Service & Supply Budget

POWER ANALYSIS

Average % PG&E Expense Increase FY20 Compared to FY19



— Average Increase

**Average Increase FY20 through
March 2020=12.29%**

POWER ANALYSIS - RATE INCREASES*

PG & E submitted a General Rate Case (GRC) to the California Public Utilities Commission (CPUC) for the following rate increases:

- PG & E requested a rate increase of **12.4%** for 2020
 - $\$680,800 \times 12.4\% = \$84,400$ **\$765,200 District Cost**
- PG & E has requested a rate increase of **4.7%** for 2021
 - $\$765,200 \times 4.7\% = \$36,000$ **\$801,200 District Cost**
- PG & E has requested a rate increase of **4.8%** for 2022
 - $\$801,200 \times 4.8\% = 38,500$ **\$839,700 District Cost**

Service & Supply Budget

*From CPUC.CA.GOV/PG&E GRC Proceedings and PG&E.com

Service & Supply Budget

NECESSARY BUDGET INCREASE

- **POWER** +\$83,700 (12.29%)

Questions/ Input?

Service & Supply

Operations & Maintenance	2019/20 Budget	2020/21 Budget	Change \$
General Engineering	\$75,000	\$75,000	\$0
Maintenance & Repairs (General & TRF)	\$73,000	\$68,000	<\$5,000>
Materials & Supplies (General & TRF)	\$70,000	\$73,000	\$3,000
Safety Equip. & Training (General & TRF)	\$24,000	\$24,000	\$0
Tools & Equipment	\$3,000	\$5,000	\$2,000
Laboratory Services	\$13,000	\$13,000	\$0
Auto Operations & Maintenance	\$40,000	\$39,850	<\$150>
Radio/Comm. System Maint.	\$10,500	\$8,500	<\$2,000>
USGS Stations	\$8,200	\$8,350	\$150
Ruth Lake License	\$1,500	\$1,500	\$0
Total Operations & Maint.	\$318,200	\$316,200	<\$2,000>

Service & Supply

<u>General /Admin & Power</u>	2019/20 Budget	2020/21 Budget	Change \$
Accounting Services	\$18,000	\$18,000	\$0
Legal Services	\$35,000	\$35,000	\$0
Professional Services	\$20,000	\$20,000	\$0
Insurance	\$105,000	\$105,000	\$0
Telephone	\$50,000	\$49,000	<\$1,000>
Internet	\$11,000	\$10,000	<\$1,000>
Office Maintenance	\$16,000	\$16,000	\$0
Office Expense	\$40,500	\$40,500	\$0
IT & Software Maintenance	\$29,000	\$31,000	\$2,000
Travel/Conference	\$25,000	\$25,000	\$0
Dues/Subscriptions	\$26,000	\$28,100	\$2,100
Subtotal General/Admin	\$375,500	\$377,600	\$2,100

Service & Supply

General/Admin & Power (con't)	2019/20 Budget	2020/21 Budget	Change \$
Technical Training/Development	\$14,500	\$14,500	\$0
GM Training	\$3,000	\$3,000	\$0
Safety Apparel	\$3,000	\$3,000	\$0
County Property Tax	\$1,100	\$1,000	<\$100>
Regulatory Agency Fees	\$139,000	\$141,000	\$2,000
Ruth Lake Programs	\$5,000	\$5,000	\$0
Miscellaneous Expenses	\$11,500	\$11,500	\$0
Power	\$680,800	\$764,500	\$83,700
Subtotal General/Admin & Power	\$857,900	\$943,500	\$85,600
Total General/Admin & Power	\$1,233,400	\$1,321,100	\$85,700

Service & Supply Budget

	2019/20 Budget	2020/21 Budget	Change \$	Change %
Total Operations & Maintenance (Slide 14)	\$318,200	\$316,200	<\$2,000>	<0.6%>
Total General/Admin & Power (Slides 15-16)	\$1,233,400	\$1,321,100	\$87,700	7.1%
GRAND TOTAL Service & Supply Budget	\$1,551,600	\$1,637,300	\$85,700	5.5%

Discussion?

Service & Supply Budget

**UP
NEXT**

Salary & Wages Budget



Salary & Wages Budget

EDUCATIONAL - Wage Analysis

- Using a stepped salary schedule is one of the many factors that is different between public sector employment and private sector employment.
- The District currently uses a 5-Step Salary Schedule for all Full-Time Employees.
- Other local agencies use between 5 -10 step salary schedules. The Federal Government uses a 10-step model.
- Depending on the position, and depending on the new employees experience and skill level, they may start at a step above step one.
- With Satisfactory job performance, typically an employee moves up one step with each annual evaluation, until they reach step five.

EDUCATIONAL - Wage Analysis, con't.

- Once at step five, the employee is at their maximum pay level.
- While most government agencies (including the District) approve COLA increases for staff relatively consistently, COLA's do not increase employees wages. Instead, COLA's keep employees' wages equivalent to prior years' purchasing power, to prevent their salaries actually buying less due to inflation.
- Without additional step increases, staff at their maximum pay, face “pay stagnation” where regardless of their continued increase in knowledge and ability, the employee does not receive an increase in pay.
- This can cause an employee to look elsewhere, where their skill level is compensated by a more attractive salary schedule.

Salary & Wages Budget

EDUCATIONAL - Wage Analysis, con't.

- To combat “pay stagnation” and to encourage longevity in employees, the District has implemented “longevity pay” at 5, 10, 20, 25, 30, and 35 years of employment.
- The District’s longevity pay increases range from 2½% to 7.5%
- The challenge to any government agency, is to ensure their salary step schedule remains competitive with other agencies.
- In order to accomplish this, both the salary schedule and the actual work performed needs to be reviewed on a regular basis.
- This review is accomplished through a “Wage and Time-Study Analysis”

EDUCATIONAL - Wage Analysis, con't.

- Without an analytical review and comparison to other agencies, an agency risks becoming out-dated regarding their pay and job descriptions.
- Additionally, without regular review and comparison of pay rates, an agency risks having to manage large necessary wage increases once the analysis is completed.
- The last time the District completed this process was in 2008. At that time, the analysis resulted in an increase in employee pay rates between 5%-25%.
- Staff proposes to complete an in-depth Wage and Time-Study analysis of current pay rates and job descriptions as compared to other agencies over the next six months.
- Staff will bring the findings back to the Board at that time for review and discussion.

Salary & Wages Budget

- ❖ **Salary and Wages Budget includes:**
 - ❖ **All Salary and Wage Expenses**
 - ❖ **Regular Pay**
 - ❖ **Special Pay**
 - ❖ **Shift Differential**
 - ❖ **Stand-By**
 - ❖ **Overtime**
 - ❖ **Holiday**
 - ❖ **Longevity, Step, and COLA Increases**

Salary & Wages Budget

OVERVIEW COMPARED TO PRIOR BUDGET

- **NEW REQUEST*** – Add permanent, part-time staff to Maintenance Worker 5-Step wage schedule
+\$5,900
 - **NEW REQUEST*** – Cost of Living Adjustment (COLA)
(3.0% Calculated)
+\$65,300
 - Misc. Step Increases, Other Longevity Increases
(Change is negative due to long-term employee retirement)
<\$5,300>
-
- Total Increase** **+\$65,900**

*Additional information on following slides

Salary & Wages Budget

NEW REQUEST

INCLUDE PERMANENT PART-TIME STAFF IN STANDARD 5-STEP WAGE SCHEDULE

- ❖ Currently two (2) permanent part-time positions both at Ruth Hydro.
- ❖ Ruth Hydro Operator is a critical operation, security, and safety position.
- ❖ Past practice has been to hire permanent part-time staff at current "part-time-rate."
- ❖ "Part-Time-Rate" has historically been less than the hourly rate of full-time staff doing the same work.
- ❖ Current practice does not allow for increased compensation commensurable with experience for permanent part-time employees.

Salary & Wages Budget

NEW REQUEST
INCLUDE PERMANENT PART-TIME STAFF IN
STANDARD 5-STEP WAGE SCHEDULE

❖ Cost for FY20/21	\$5,900
❖ FY21/22	\$4,400
❖ FY22/23	\$2,000



Discussion?

Salary & Wages Budget

NEW REQUEST

**Cost of Living Allowance (COLA)
& Consumer Price Index (CPI)**

**CPI Indices used to help establish
basis for COLA since 1975**

**COLA's help employees
address inflation over time**

**COLA's help maintain compensation
parity with other local agencies**

Cost of Living Allowance (COLA)

2020 CONSUMER PRICE INDEX* OVERVIEW

U.S. City Average	2.5%
West Region (Urban areas in one of four US regions)	2.9%
West Region Size Class B/C (Cities in West Region with population under 2.5 million)	2.8%
San Francisco-Oakland-Hayward	3.3%

*District has historically used the January CPI as guideline

Cost of Living Allowance (COLA)

WHAT ARE OTHER AGENCIES DOING?

	COLA FY19/20	COLA FY20/21
McKinleyville CSD	3.45%	2.75%
Humboldt CSD	3.30%	2.7%
City of Arcata	1% 7/19+\$200 2% 1/20 plus new Salary Step 5A (+2.5%)	1% July 2020 + 2% January 2021
City of Eureka	1.0% January 2019	Contract Negotiations
ACWA/JPIA	2.5%	2.5%
HBMWD	2.7%	3.0% Requested

Cost of Living Allowance (COLA)

HISTORICAL COLA RATES

Agency	FY17	FY18	FY19	FY20	FY21 Request
HCSD	0%	1.9%	2.8%	3.3%	2.7%
MCSO	1.15%	1.8%	2.75%	3.45%	2.75%
City of Eureka	0%	1%	1%	1%	N/A
City of Arcata	1.5%	1.5%	2.5%	3% plus 2.5% Salary Step	3%
HBMWD	2.0%	2.5%	3.0%	2.7%	3%

Salary & Wages Budget

NEW REQUEST

Cost of Living Allowance (COLA)

Calculated COLA %	FY20/21 Impact
2.5%	\$54,400
2.7%	\$58,800
2.8%	\$60,900
2.9%	\$63,100
3.0%	\$65,300
3.3%	\$71,800



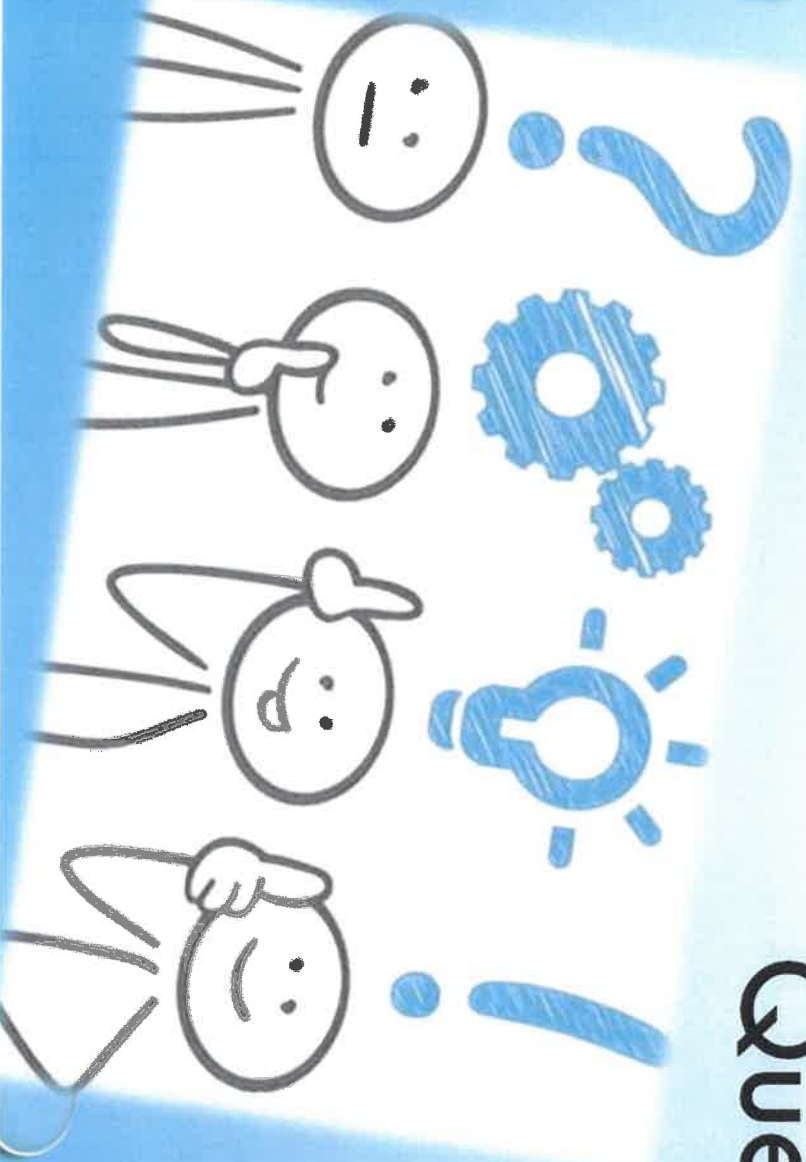
Salary & Wages Budget

NEW REQUEST

Cost of Living Allowance (COLA)

Questions?

Input?



Salary & Wages Budget

SUMMARY

NEW — Add permanent part-time employees to 5-step schedule \$3,800

NEW - COLA (CALCULATED AT 3.0%) \$65,300

Misc. step & other longevity increases <\$5,300>

Total Change +\$63,800

TOTAL SALARY & WAGES BUDGET

\$2,465,200 +2.6%

DISCUSSION?

Service & Supply Budget

Salary & Wages Budget

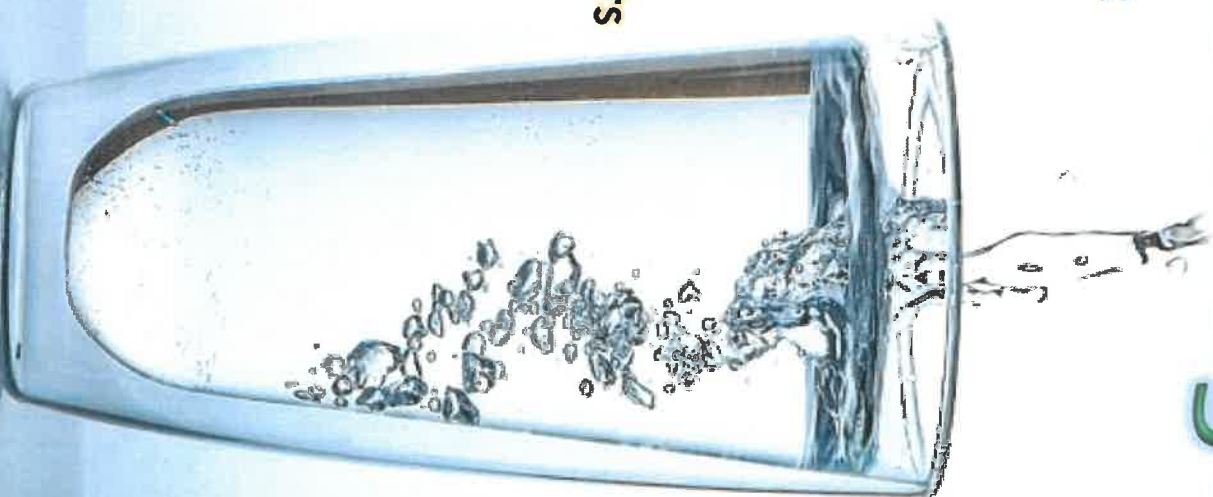
UP
NEXT

Employee Benefits Budget

Employee Benefits Budget

Employee Benefits Budget Includes:

- All Health Insurance:
 - Medical
 - Dental
 - Vision
 - Air-med Care
 - Retiree Medical
- Current and Unfunded CalPERS Pension Costs
- Social Security And Medicare Tax
- Unemployment Insurance
- Long-term Disability Insurance
- Worker's Compensation Insurance
- Deferred Compensation 457(b)
- Employee Assistance Plan



Employee Benefits Budget

OVERVIEW OF CHANGES

• NEW REQUEST – HSA Incentive – On-Going	+\$1,000*
• CALPERS Pension Liabilities	+\$27,400
• Unfunded Liability	+\$ 8,000
• Monthly Pension Liabilities	+\$19,400
• Worker's Compensation Ins. (ExMod Est. 1.36)	+\$15,000
• Payroll Tax Expenses	+\$2,300
• Medical Insurance Premiums	+\$17,700
• JPIA estimated between 2%-6% increase	
Total Increase	+\$63,400

*Represents cost for FY21. If all current enrollees were eligible, expense to District would total +\$10,000

Employee Benefits Budget

OVERVIEW OF CHANGES con't.

- **No Estimated Rate Increases For:**
 - Long Term Disability
 - Unemployment Insurance
 - Life Insurance
 - Vision & Dental Insurance (JPJA Estimate)



Employee Benefits Budget

NEW REQUEST – HSA INCENTIVE - ONGOING

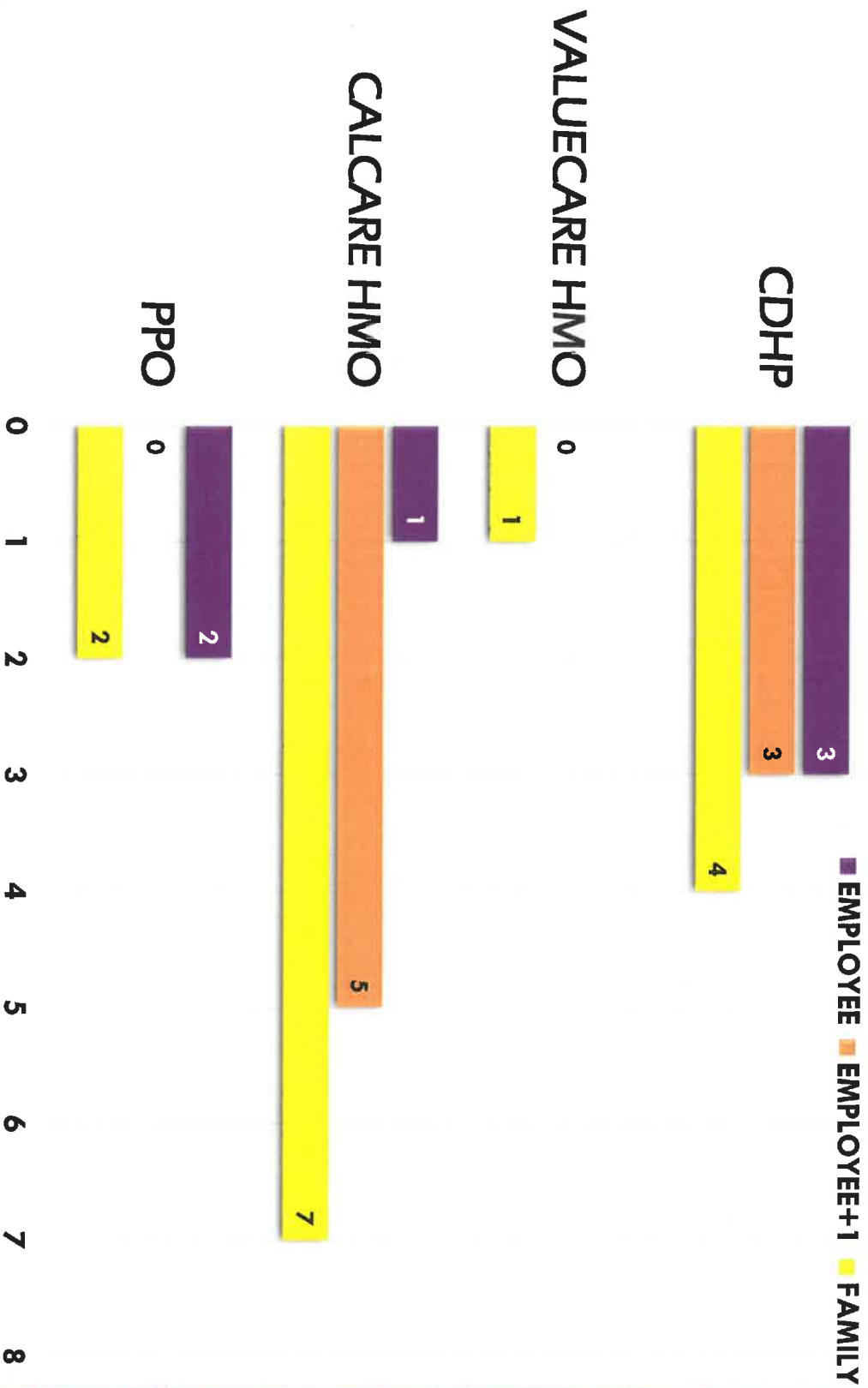
Currently HSA “incentive” is available for the first 4-years of Consumer-Driven Health Plan (CDHP) enrollment.

- District contributes the Deductible to the HSA for staff (\$1,500/\$3,000 for single/all others).
- District incentive is the additional \$1,000 Maximum Out-of-Pocket costs for enrollees. This amount is also contributed to the employees HSA.
- Current Cost of Plans:
 - PPO Family \$30,750/year
 - HMO Family \$30,750/year
 - CDHP Family \$24,500/year + District contributions=\$28,500/year
- Savings of \$2,250/year per family.
- Annual savings based on current CDHP enrollment=\$25,800

Employee Benefits Budget

NEW REQUEST - HSA INCENTIVE - ONGOING

Employee Insurance Enrollment



Historical Review

The Evolution of Retiree Health Contributions

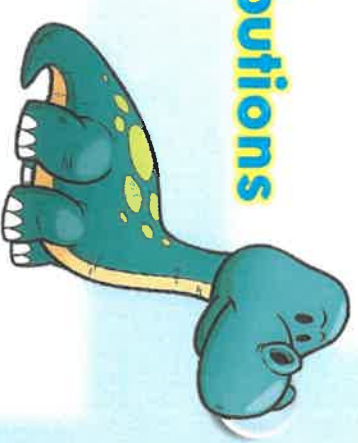


There are many layers involved in an analysis of Retiree Medical Insurance Premium Contributions made by the District.

- **Facts to keep in mind:**
 - **The District has two separate contracts with CALPERS for staff retirement plans:**
 - **A: Classic Members** – Retirement eligible at age 55, 2% for each year of service.
 - *Currently, Classic employees have an average of 1.7-years until retirement eligibility.*
 - **B: PEPPRA Members** – Retirement eligible at age 62, 2% for each year of service.
 - *Currently, PEPPRA employees have an average of 18-years until retirement eligibility.*

Historical Review

The Evolution of Retiree Health Contributions

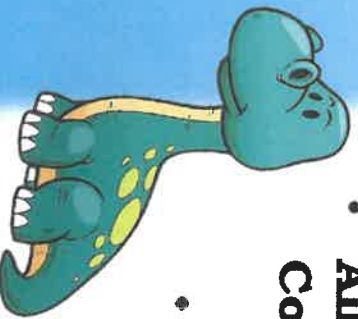


- **Additional facts to keep in mind:**
 - **The District currently has two separate tiers for Retiree Medical Insurance Contributions:**
 - 1: Tier One: Lifetime District medical contribution of \$640/month. This tier includes all employees hired prior to July 8th, 2004 (eight employees).
 - 2: Tier Two: District medical contribution of \$640/month for maximum of 10-years or until age 65 (whichever is first). This tier includes all employees hired July 9th, 2004 or later (twenty employees).

Historical Review

The Evolution of Retiree Health Contributions

- **Even more facts to keep in mind:**
 - The District has “Classic” employees in both tiers for Retiree Medical Insurance Contributions:
 - CALPERS retirement eligible at age 55, lifetime retiree medical contributions = eight employees
 - CALPERS retirement eligible at age 55, maximum of 10 years/65 retiree medical contributions = ten employees
 - Of the eighteen “Classic” employees, eight are currently eligible for retirement
 - **All PEPPRA employees are in Tier Two of Retiree Medical Contributions:**
 - CALPERS retirement eligible at age 62, maximum of 10 years/65 retiree medical contributions = ten employees



The Evolution of Retiree Health Contributions

- The Last facts to keep in mind:
 - The District (like many agencies) currently manages it's Retiree Medical Plan as "Pay-as-you-Go."
 - This means as staff retires, the District pays the post retirement medical contribution expense.
 - This also means that when the District incurs these expenses, remaining employed staff must find a way to fund these payments.
 - This is how "**Unfunded OPEB* Liability**" has been created. The District does not have the funds set aside for these future financial obligations. (The solution to this is to establish a Section-1115 OPEB Trust, but that is a discussion for another day ☺)
 - As with any liability, the Unfunded OPEB Liability (currently \$4.2M) is included on the Balance Sheet.
 - High liabilities will potentially decrease borrowing options to fund large projects in the future.



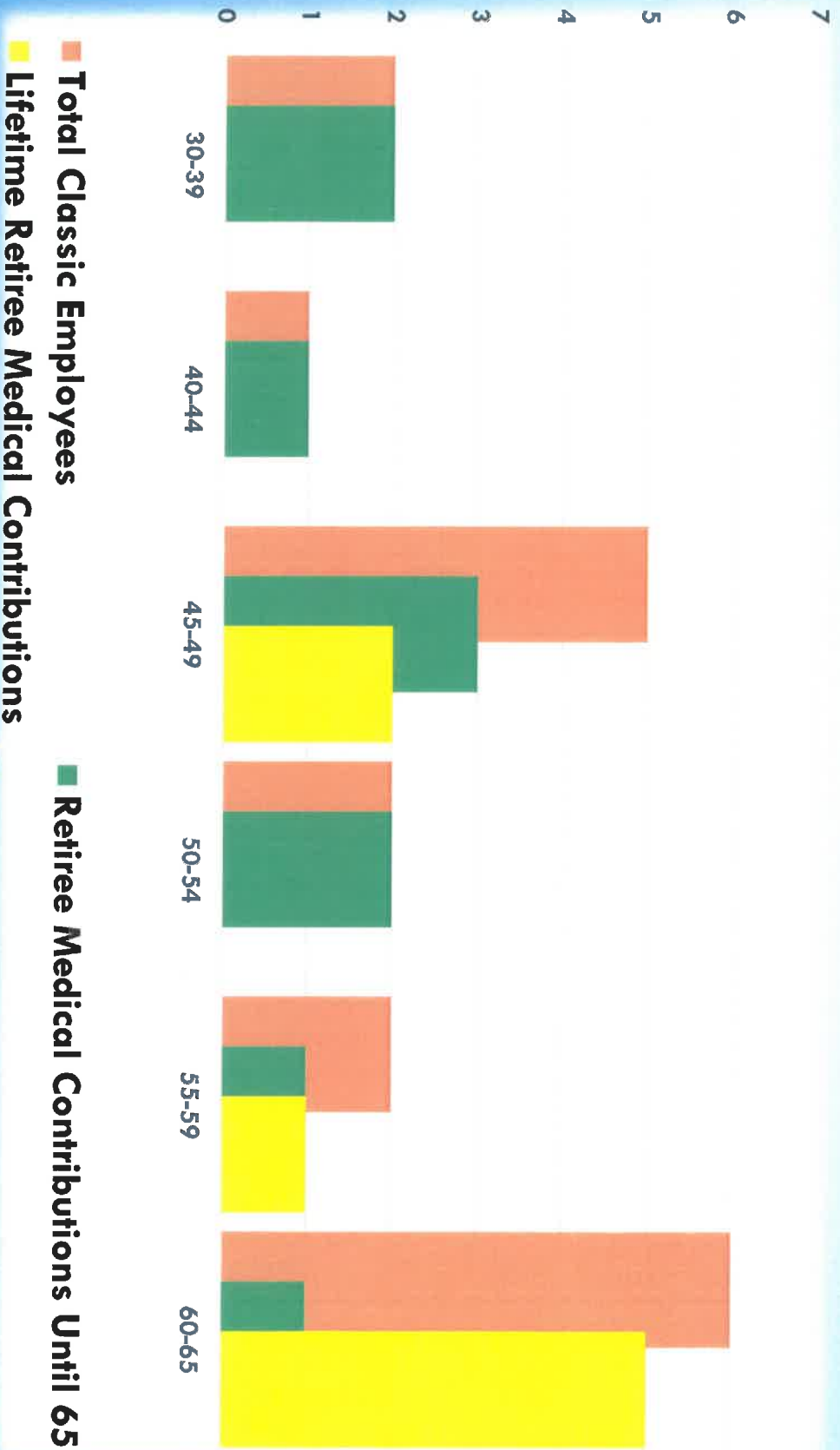
*OPEB: Other Post Employment Benefits

Employee Benefits Budget

Historical Review

The Evolution of Retiree Health Contributions

“Classic” Employees, eligible to retire at 55



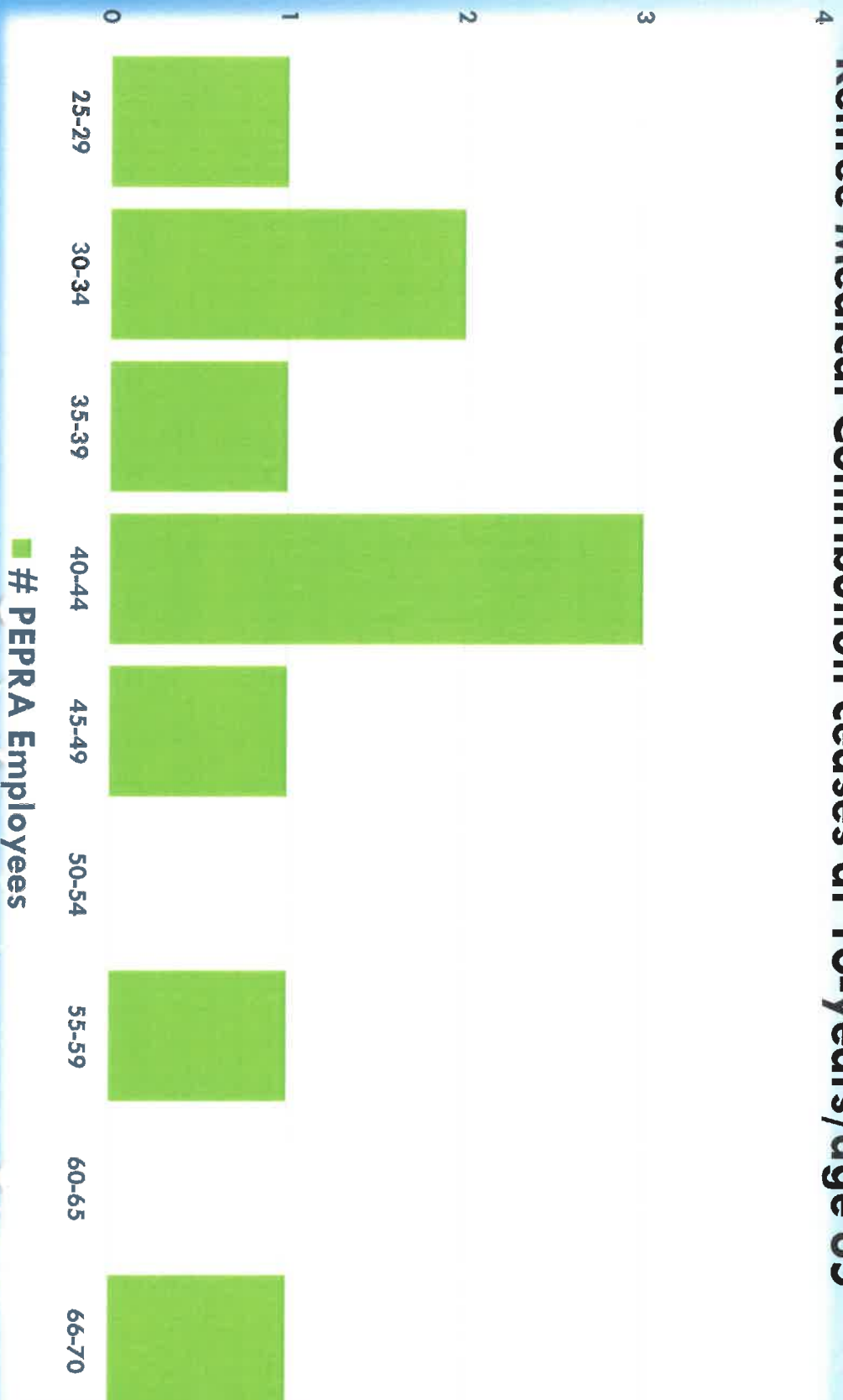
Employee Benefits Budget

Historical Review

The Evolution of Retiree Health Contributions

“PEPRA” Employees, eligible to retire at 62

Retiree Medical Contribution ceases at 10-years/age 65

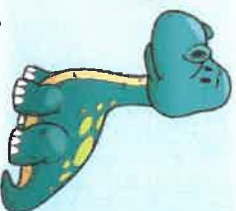


Employee Benefits Budget

Historical Review

The Evolution of Retiree Health Contributions

The beginning... 1992



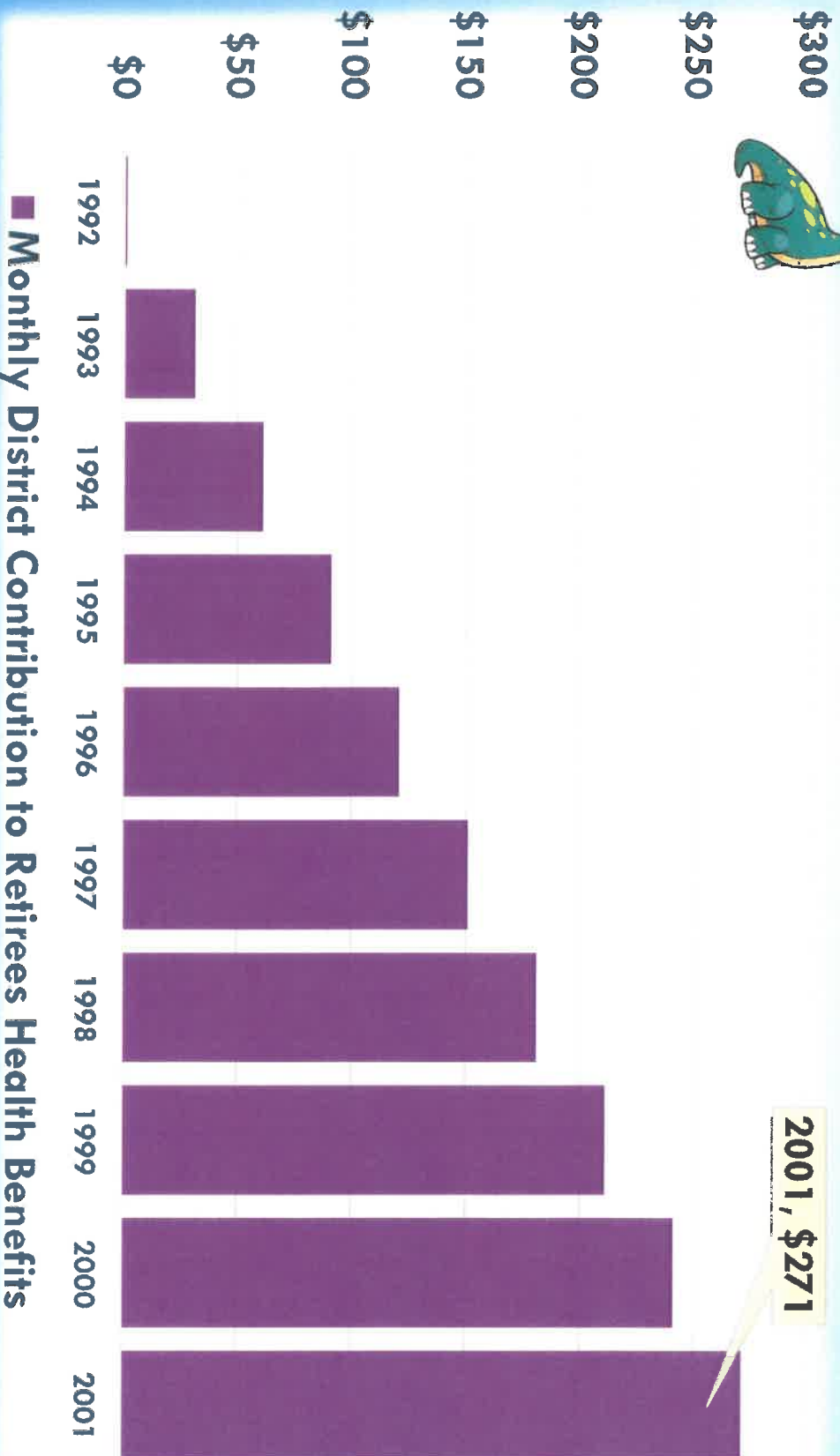
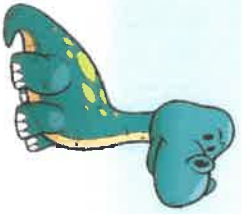
- In 1992, as required by the District's Health Care Provider (PERS), the District began providing health care benefits to retirees.
- The initial District contribution was \$1.00/month, and was increased annually by 5% of the maximum monthly District medical contribution for active employees.
- At the time, the District maximum monthly medical contribution for active employee was \$600/month.
- By 2001, the District was contributing \$271/month for retiree Health Care benefits. The maximum monthly medical contribution for active employee remained at \$600/month.

Employee Benefits Budget

Historical Review

The Evolution of Retiree Health Contributions

The beginning... 1992, con't.



■ Monthly District Contribution to Retirees Health Benefits

Employee Benefits Budget

Historical Review

The Evolution of Retiree Health Contributions

The next step...2002/2003



- In 2002, the District moved from PERS to ACWA/HBA (now ACWA/JPIA) for lower premiums and additional plan options for employees.
- ACWA/HBA required monthly retiree medical benefit contributions of at least 50% of the “employee-only health premium of the least expensive plan”.
- January 2002, the District began paying 50% of retiree medical premiums, not to exceed \$600.00.

Employee Benefits Budget

Historical Review

The Evolution of Retiree Health Contributions



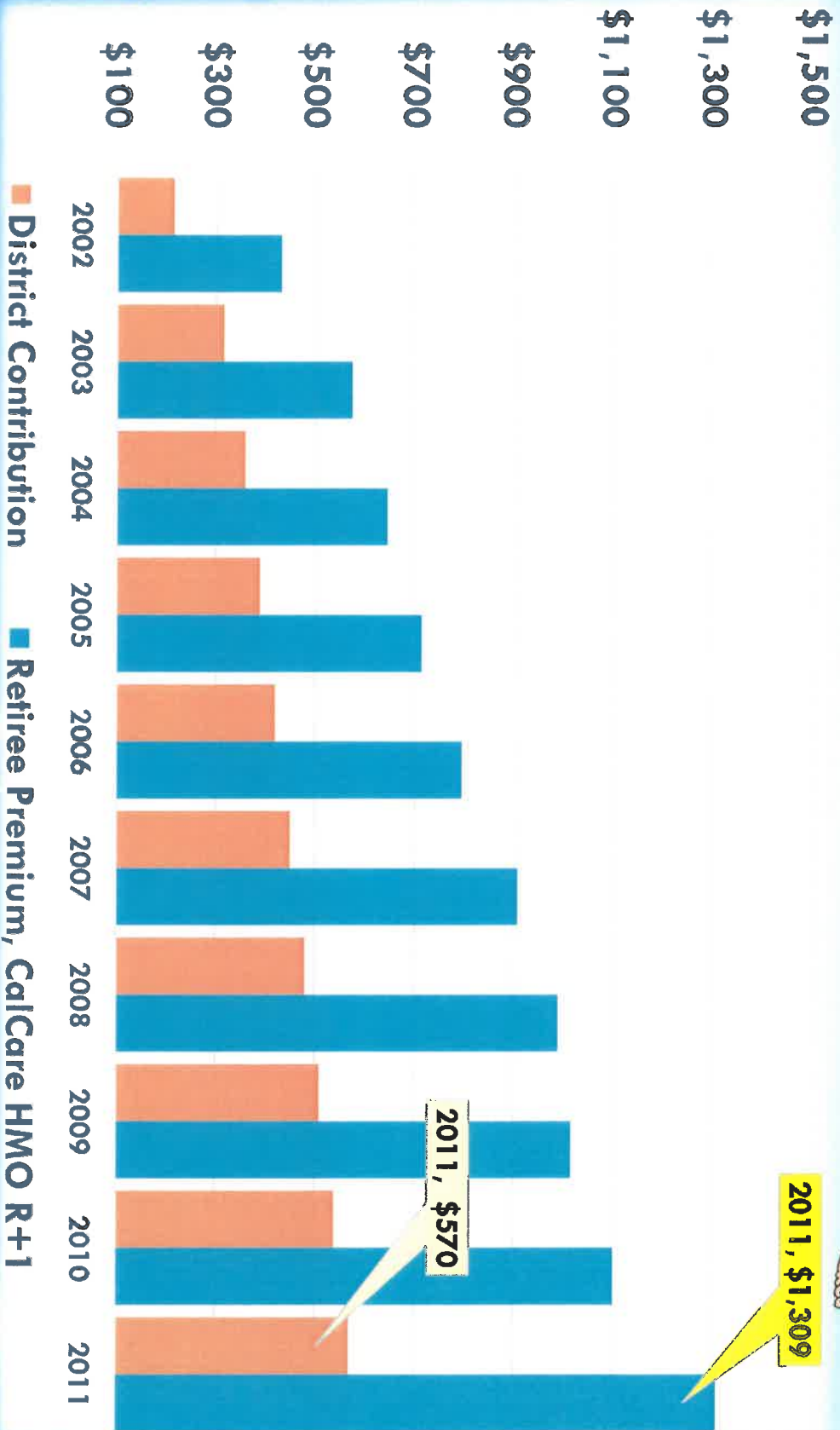
The next step...2002/2003, con't

- **January 2003, District continued with the annual 5% increases to the retiree medical contribution, not to “exceed the maximum District contribution for active employees.”**
- **The maximum monthly medical contribution for active employees increased from \$600/month to \$800.00/month July 2003.**

Employee Benefits Budget

Historical Review

The Evolution of Retiree Health Contributions
The next step...2002/2003, con't



2011, \$1,309

2011, \$570

District Contribution

Retiree Premium, CalCare HMO R+1

Historical Review



The Evolution of Retiree Health Contributions

...and the step after that...2011

- In 2011, the District transitioned to the “incentive” rates offered by ACWA/JPIA, resulting in an over-all rate reduction of 4%.
- In order to qualify for new “incentive” rates, the District was required to increase the retiree medical contribution from \$600 to \$640/month.
- The District medical contribution for retirees was increased to \$640/month with no time limit for employees hired before July 8, 2004.
- For employees hired after July 8, 2004, the District medical contribution for retirees was increased to \$640/month for a maximum of up to ten (10) years or until age 65, whichever comes first.

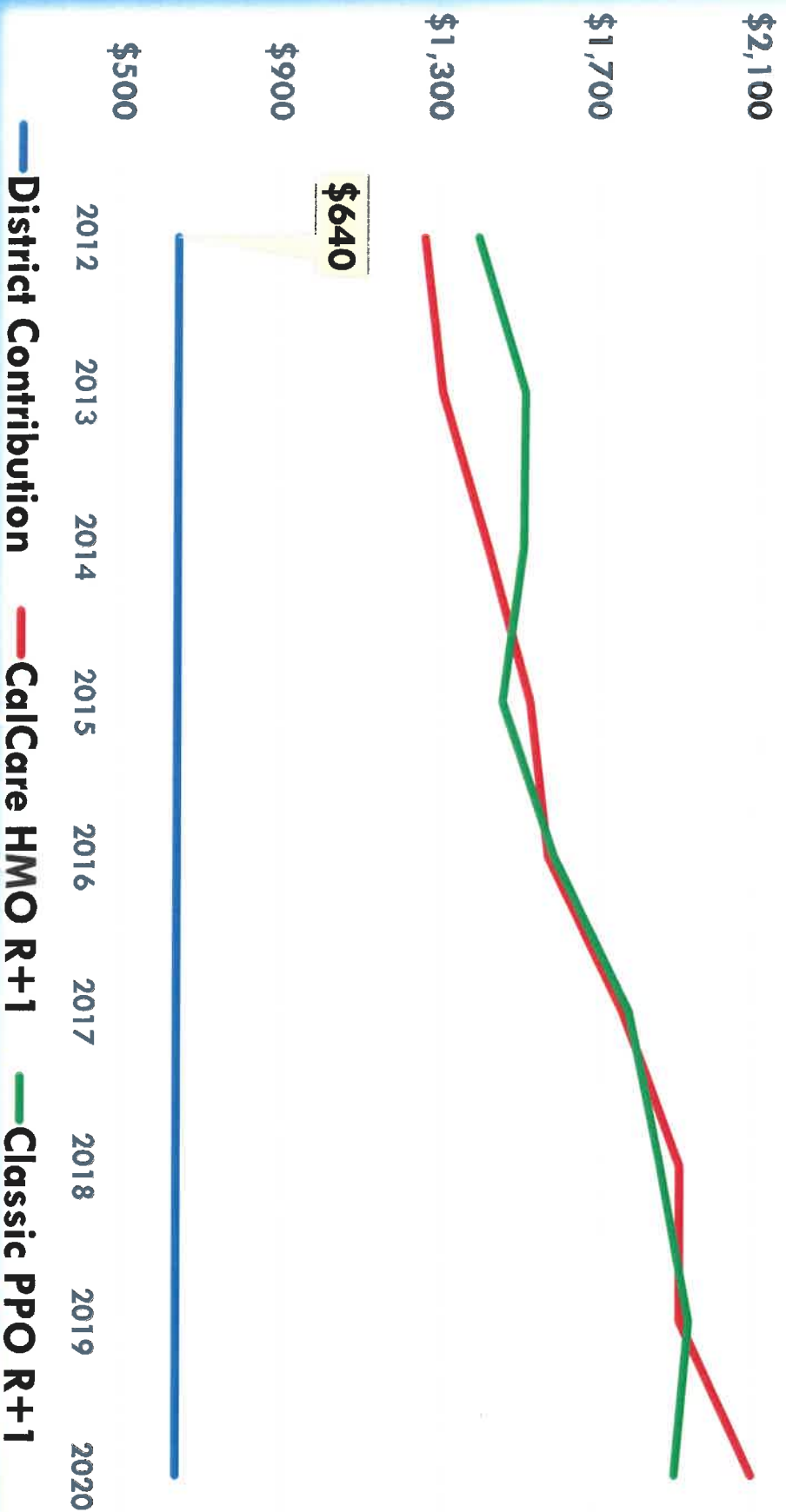


Historical Review

The Evolution of Retiree Health Contributions

...and the step after that...2011, con't

Comparison of District Retiree Medical Contribution to
Non-Medicare Health Care Premiums



— District Contribution — CalCare HMO R+1 — Classic PPO R+1

Historical Review

The Evolution of Retiree Health Contributions

Questions from staff members:

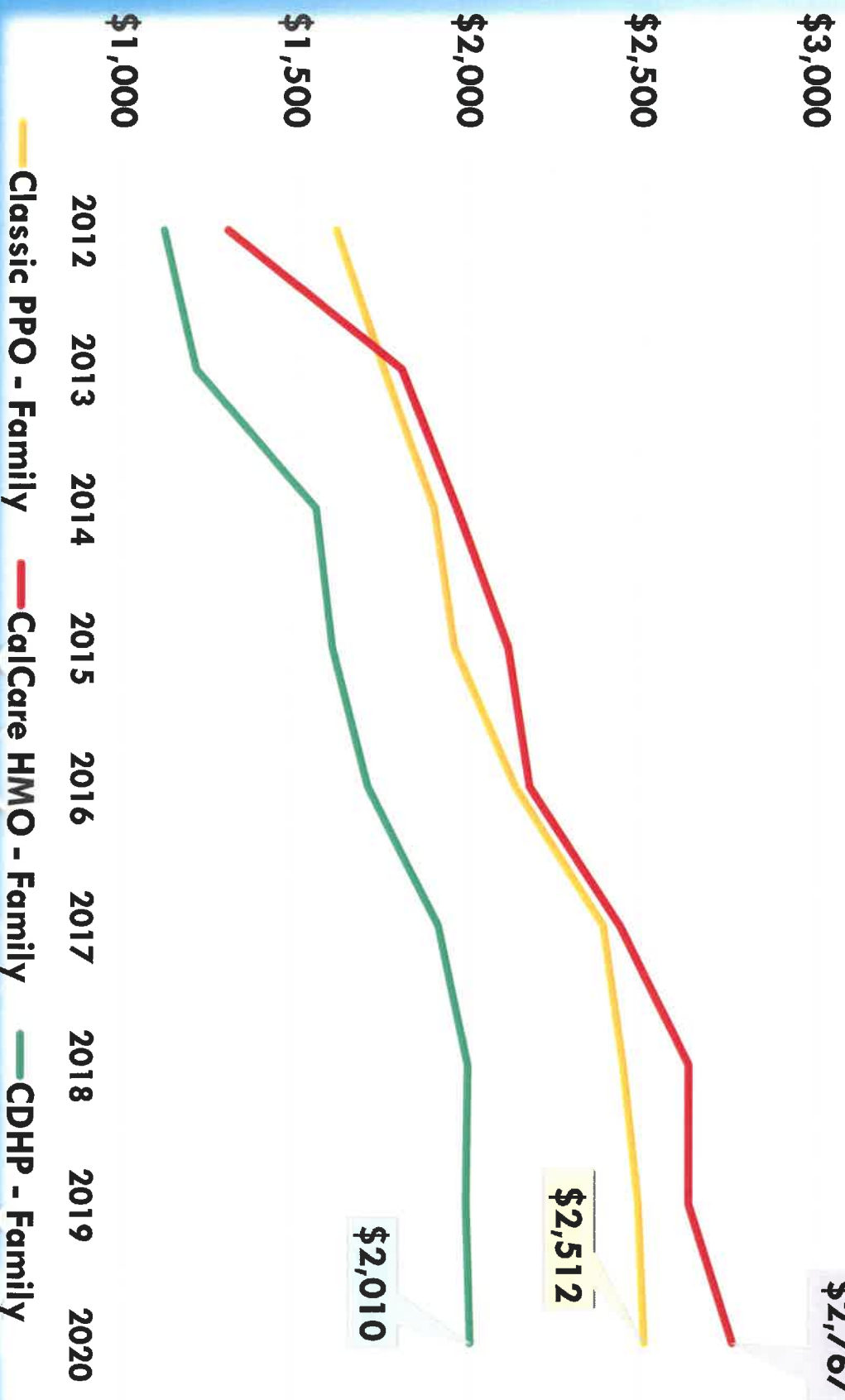
1. When was the last time the District adjusted the medical premium [contribution] for Retiree's?
 - ❖ 2012
2. What was the average cost of plans at the time, or the cost at the time of the Classic Family PPO?
 - ❖ The average monthly premium for all plans in 2012 was \$1,348
 - ❖ The monthly premium for Classic Family PPO in 2012 was \$1,619
3. How much have our health insurance premiums gone up since the time the cap was instituted?
 - ❖ From 2012 – Present: average of 5.7% each year across all plans, see graph following.

Historical Review

The Evolution of Retiree Health Contributions

Questions from staff members, con't.:

“How Much Have Our Premiums Gone Up Since 2012?”



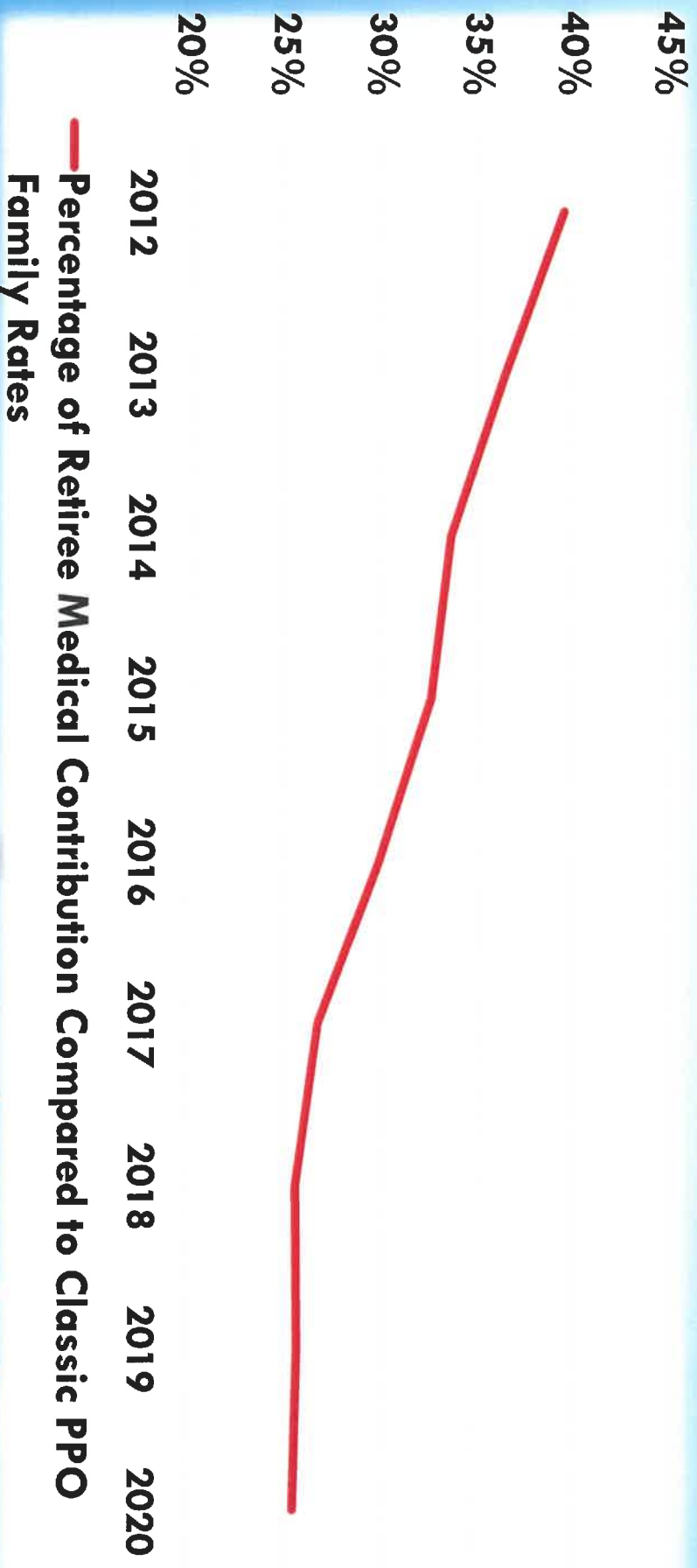
Historical Review

The Evolution of Retiree Health Contributions

Questions from staff members, con't.:

4. *At the time the District placed a cap on that benefit, what percentage of the Family Classic PPO premium was the retiree's premium?*

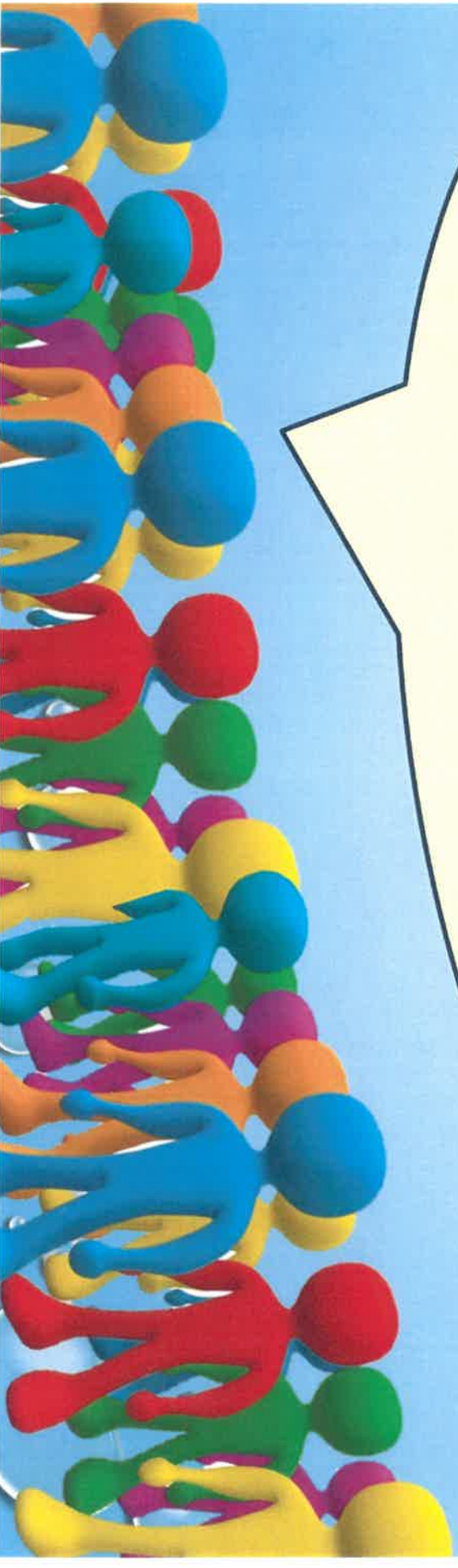
❖ At that time (2012) the percentage was 39.5%



NEW REQUEST

Retiree Health Insurance Increase

“Request that the Board increase the retirees health insurance premium, and further consider making the retirees premium a percentage of the Family Classic PPO premium annually.”



Employee Benefits Budget

NEW REQUEST – Retiree Health Insurance Increase

“Request that the Board increase the retirees health insurance premium, and further consider making the retirees premium a percentage of the Family Classic PPO premium annually.”

Ideas:

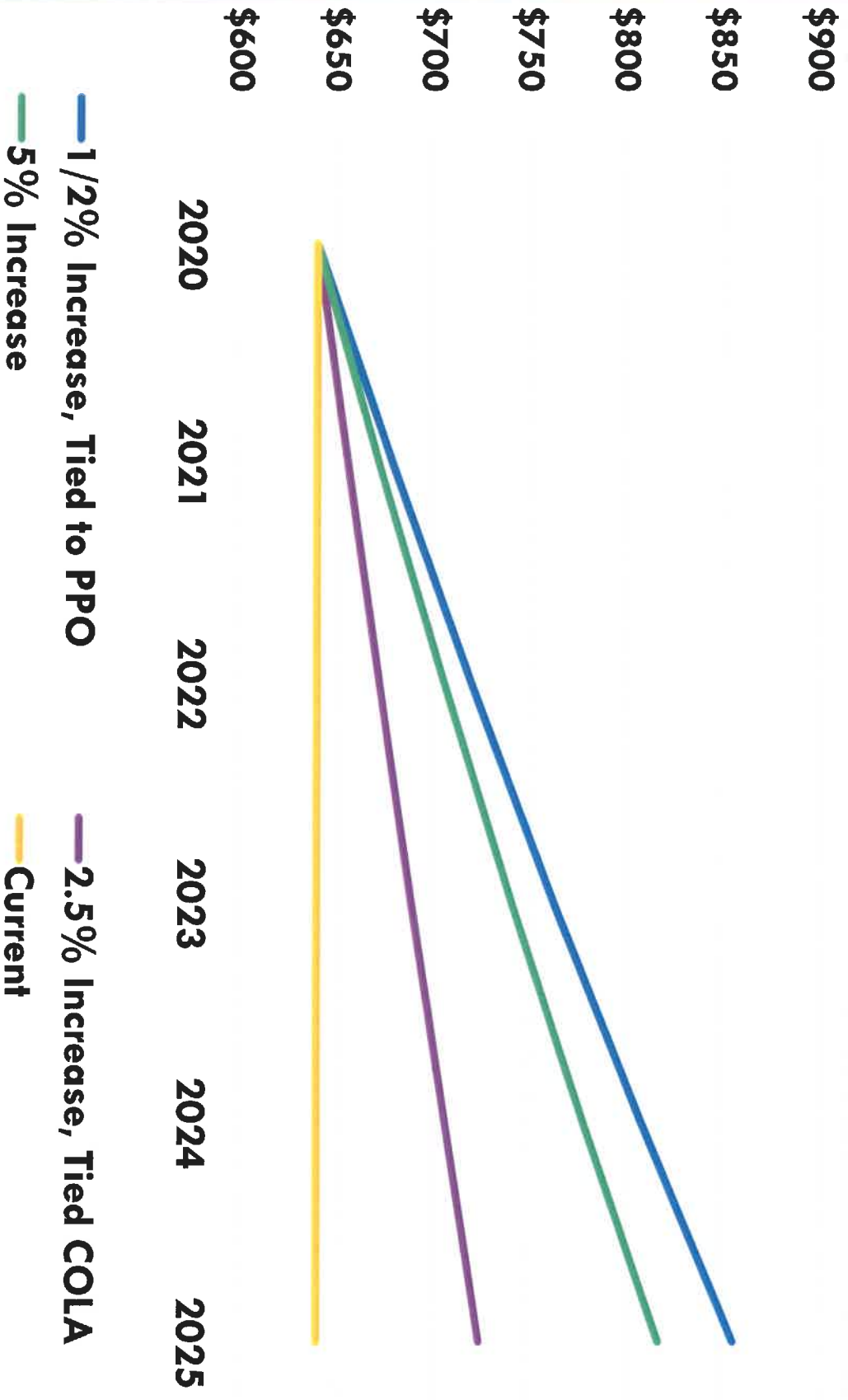
1. For retirees that retire after January 1, 2021, tie the retiree medical contribution to the Classic Family PPO monthly premium for the next 5-years, increasing by $\frac{1}{2}$ % each year. After the 5-year increases, the contribution remains at the last increase amount. Sample graph in the following slide.
2. For retirees that retire after January 1, 2021, tie the retiree medical contribution to any COLA's approved by the board for the next five years. After the 5-year increases, the contribution remains at the last increase amount. Sample graph in the following slide.
3. Return to the method the District has used in the past of increasing the medical contribution by 5% on an annual basis for the next five years. After the 5-year increases, the contribution remains at the last increase amount. Sample graph in the following slide.

NEW REQUEST – Retiree Health Insurance Increase

Increase of Retiree Medical Insurance Contribution Amount

Assumptions: Classic Family PPO Premium increase of 4% annually.

Average COLA 2.5% annually.



Employee Benefits Budget

NEW REQUEST – Retiree Health Insurance Increase



But Wait...

**THERE'S
MORE!**

Employee Benefits Budget

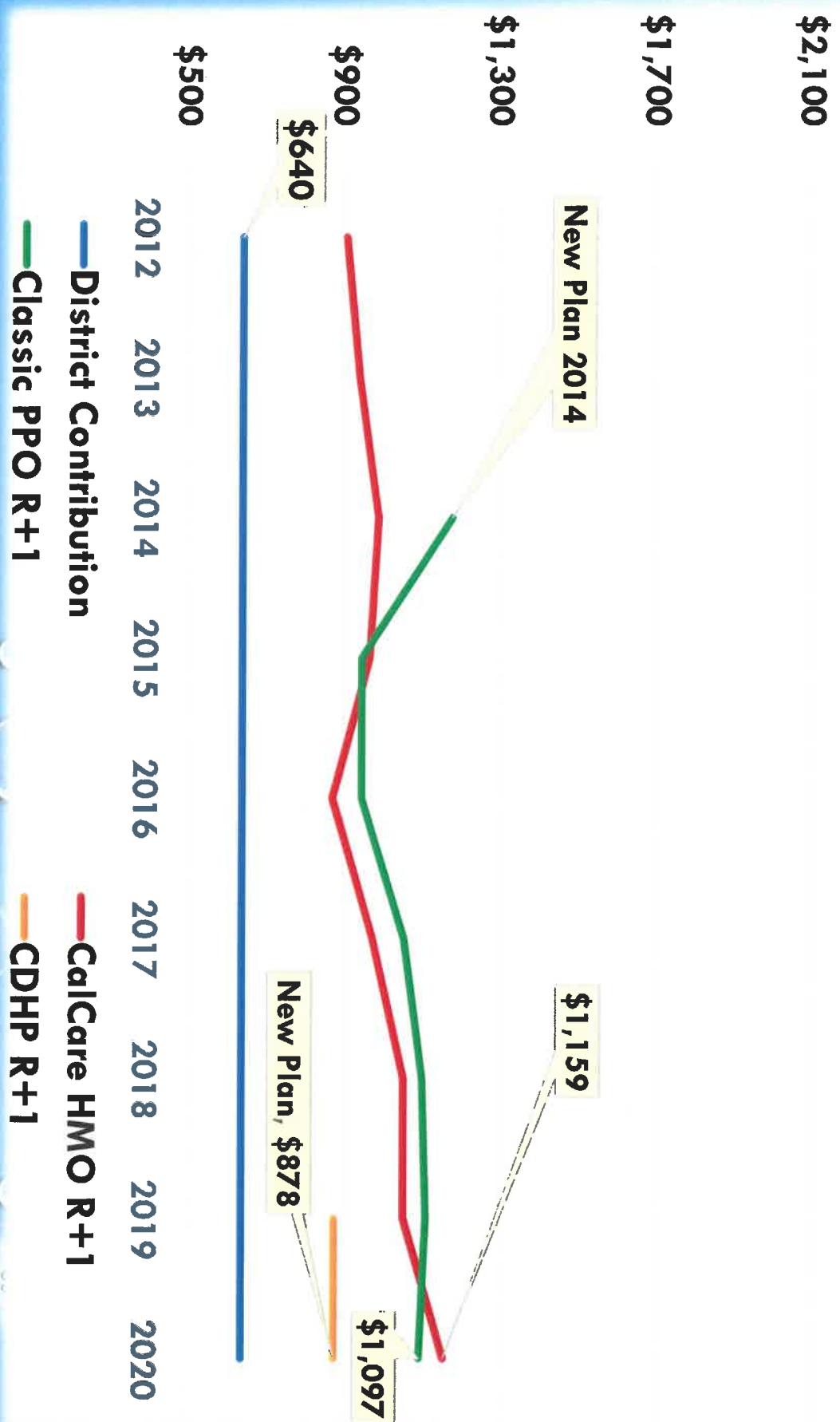
NEW REQUEST – Retiree Health Insurance Increase

Medicare Coverage and the Related Impact on Retiree Insurance Expense

- Once retiree's are 65-years old, they are required by ACWA/JPIA to shift to Medicare as their primary insurance.
- Retiree insurance coverage provided by the District then becomes secondary insurance (supplemental).
- Supplemental insurance premiums are always less expensive. Currently the monthly premiums for supplemental insurance are on average **56.7% less** than primary insurance premiums.
- Retiree's may also manage their insurance expenses by changing plans as needed through open enrollment (January) on an annual basis.

NEW REQUEST – Retiree Health Insurance Increase

Comparison of District Retiree Medical Contribution to Medicare Health Care Premiums



Employee Benefits Budget

NEW REQUEST – Retiree Health Insurance Increase

If everyone eligible to retire suddenly retired in January 2021....

Current Anticipated Cost, calculating in the different CALPERS Contracts, the current two retiree medical contribution tiers, calculating a change in monthly medical contributions,

AND assuming a lifespan of 85:

1. With **No Change**, the estimated cost to the District for these eight retirees would be \$1,098,240 over the next 28 years.
 - The District is Pay-As-You-Go – this cost varies from a high of \$61,440/yr. to a low of \$7,680/yr.
2. With implementing a **tie to the PPO** of ½% annually for five years, the estimated cost to the District of these eight retirees would be: \$1,528,032 over the next 28 years (+\$429,792).
 - With the Pay-As-You-Go – this cost varies from a high of \$65,184/yr. to a low of \$10,272/yr.

Employee Benefits Budget

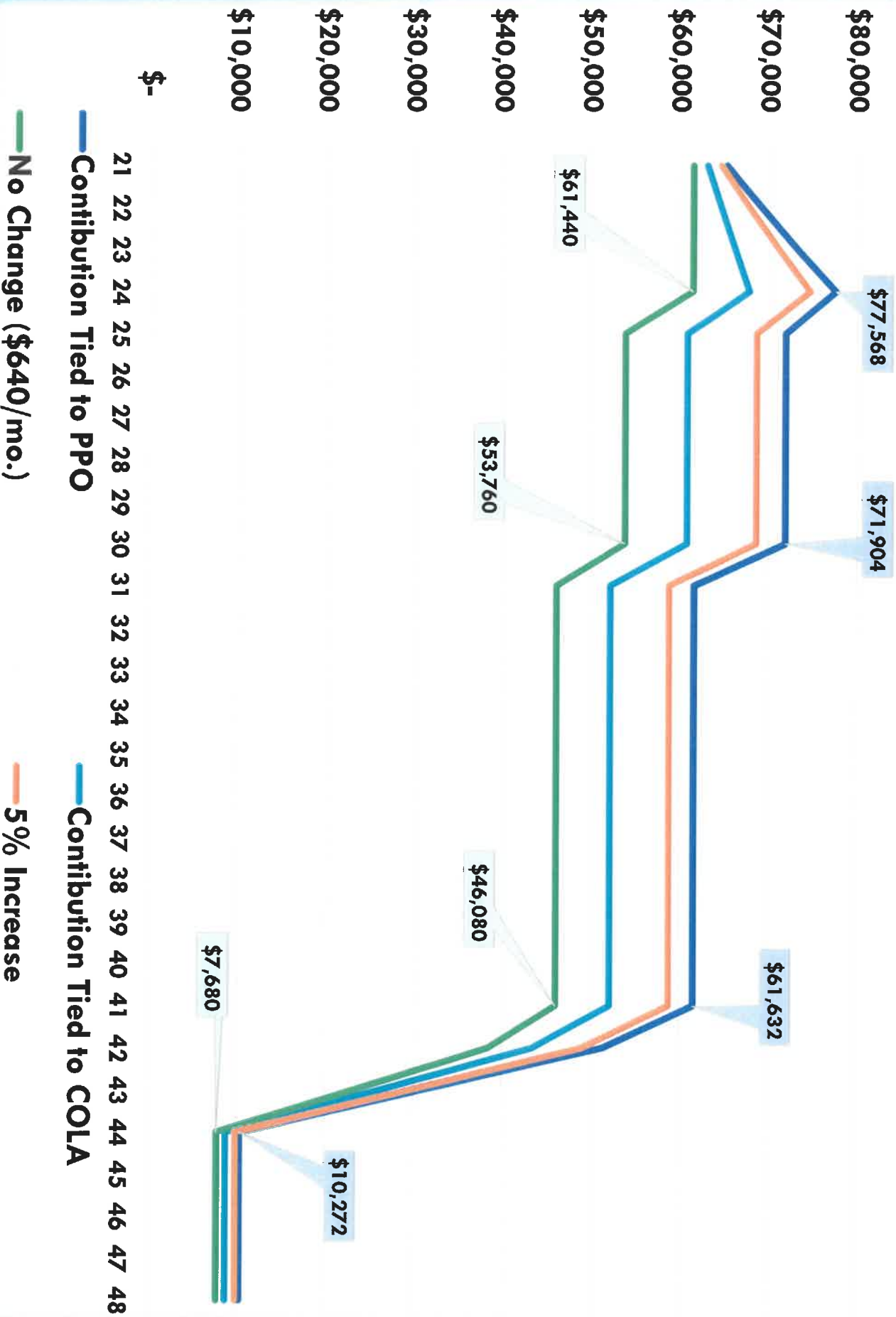
NEW REQUEST – Retiree Health Insurance Increase

If everyone eligible to retire suddenly retired in January 2021...(con't)

Current Anticipated Cost, calculating in the different CalPERS Contracts, the current two retiree medical contribution tiers, calculating a change in monthly medical contributions, AND assuming a lifespan of 85:

3. With implementing a **tie to an (estimated) COLA** of 2½% annually for five years, the cost to the District of these eight retirees would be: \$1,312,656 over the next 28 years (+\$214,416).
 - With the Pay-As-You-Go – this cost varies from a high of \$62,976/yr. to a low of \$8,688/yr.
4. With implementing a **5% increase** annually for five years, the cost to the District of these eight retirees would be: \$1,370,510 over the next 28 years (+\$272,270).
 - With the Pay-As-You-Go – this cost varies from a high of \$64,512/yr. to a low of \$9,802/yr.

Comparison of Estimated Annual Cost to District – Lifetime OPEB Employees Only (Est. Life Expectancy=85yrs.)



\$77,568

\$71,904

\$61,632

\$61,440

\$53,760

\$46,080

\$7,680

\$10,272

- 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48
- Contribution Tied to PPO
- Contribution Tied to COLA
- No Change (\$640/mo.)
- 5% Increase

SUMMARY

The Continuing Evolution of Retiree Health Contributions

- Staff is not anticipating a decision regarding changing the retiree health contribution during this budget process.
- As can be seen, this is an incredibly complex issue with long, long, reaching impact.
- The only way to get a complete picture of the impact of any changes is to engage the services of an actuarial consultant.
- Staff is looking for guidance as to the direction the board would like to go

Employee Benefits Budget

- **NEW REQUEST** – HSA Incentive – On-Going **+\$ 1,000**
- **CalPERS Pension Liabilities** **+\$27,400**
- **Worker's Compensation Ins.** (ExMod Est. 1.36) **+\$15,000**
- **Payroll Tax Expenses** **+\$ 2,300**
- **Medical Insurance Premiums** **+\$17,700**

Total Increase +\$63,400

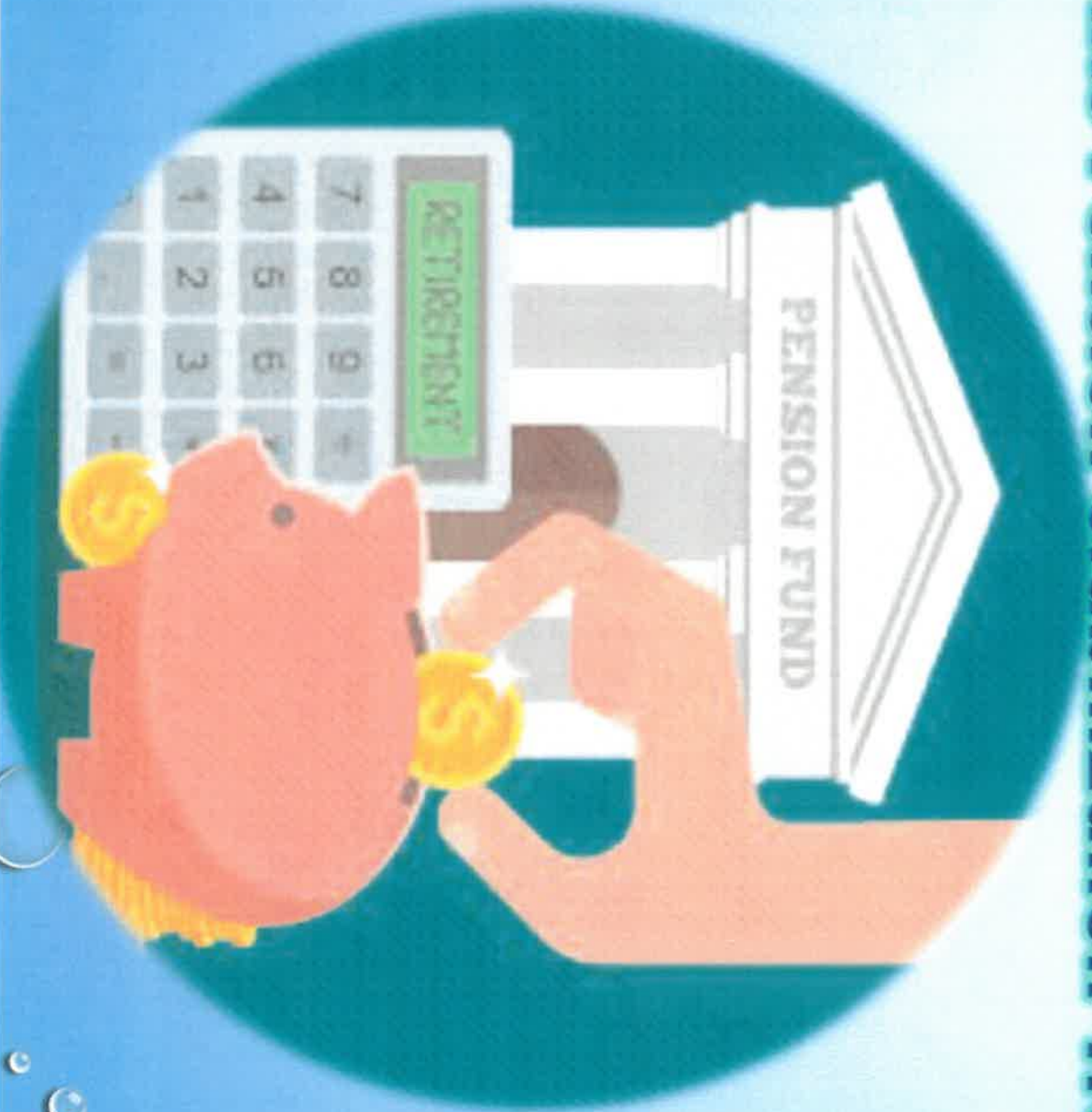
TOTAL Employee Benefits Budget

\$1,746,500 +3.8%

Discussion?

Employee Benefits Budget

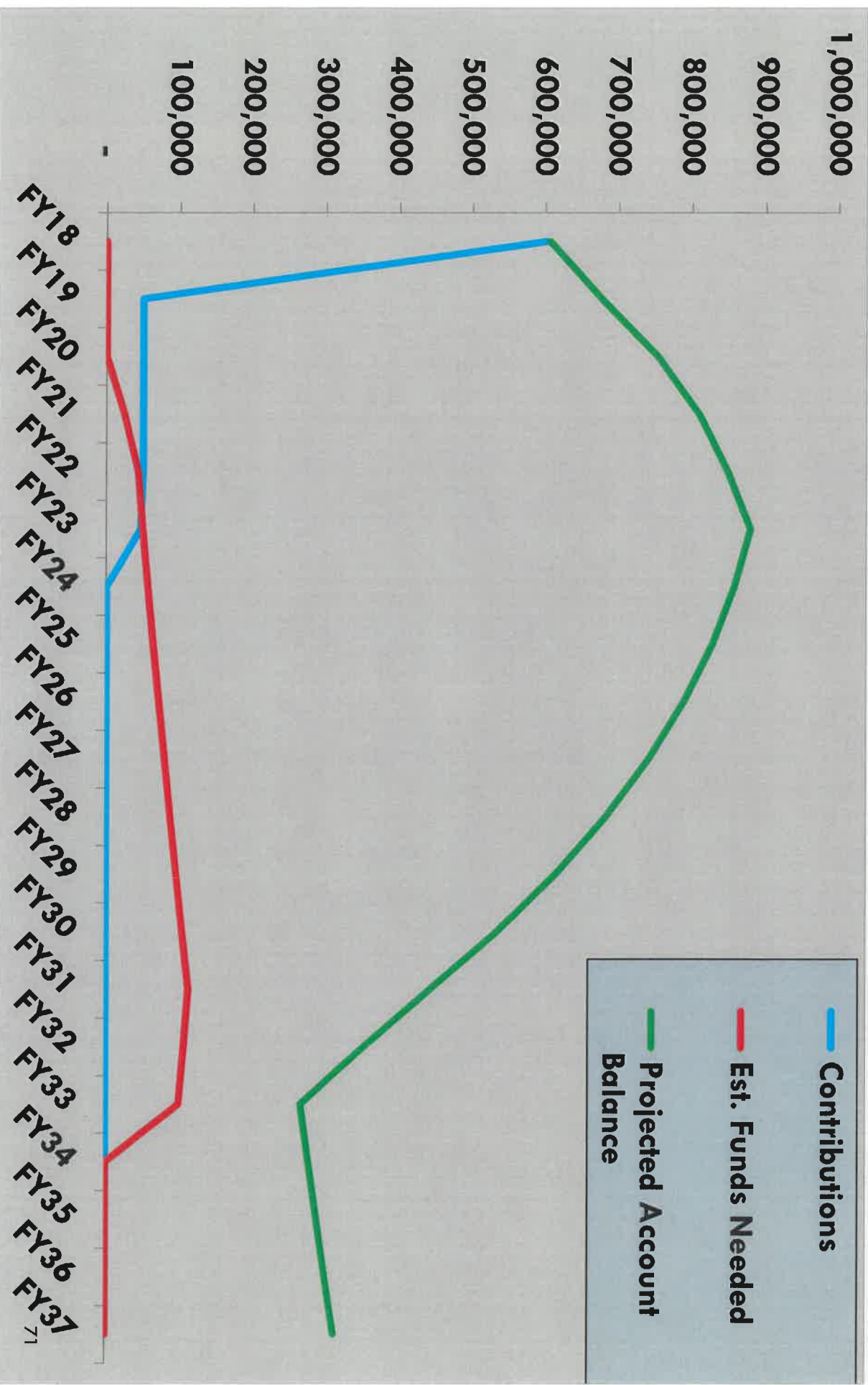
EXTRA - FOLLOW-UP **PARS Pension Stabilization Trust**



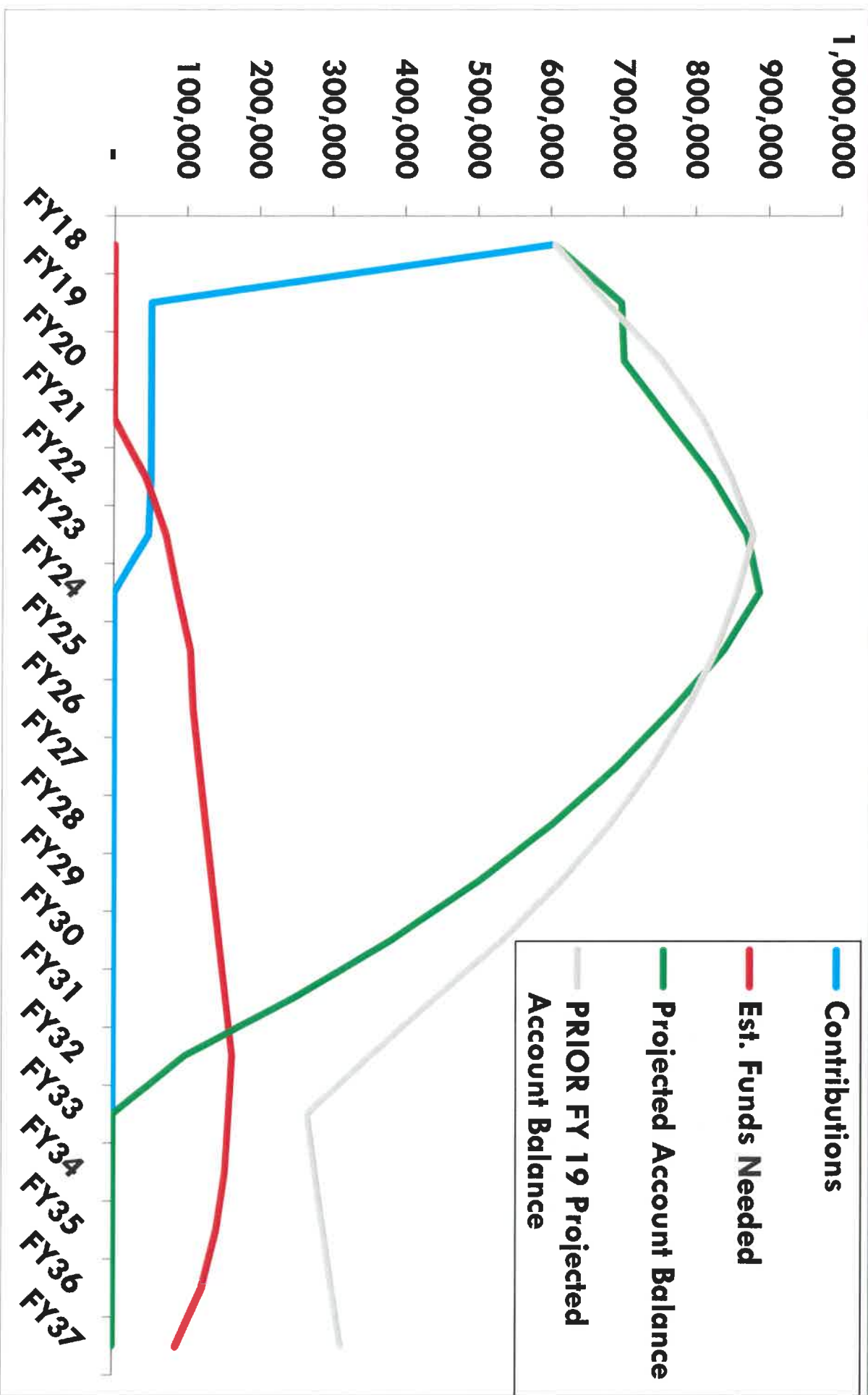
PARS Pension Stabilization Trust

- PARS Section-115 Pension Stability Trust Account established March 2018 with initial \$600,000 investment
 - Additional contributions of \$50,000 made/planned each year through FY23
- FY21 Unfunded Liability Payment \$208,100
- No withdrawal from Trust planned due to COVID-19 impact on market conditions
 - \$8,100 will be paid out of operating funds rather than trust account.

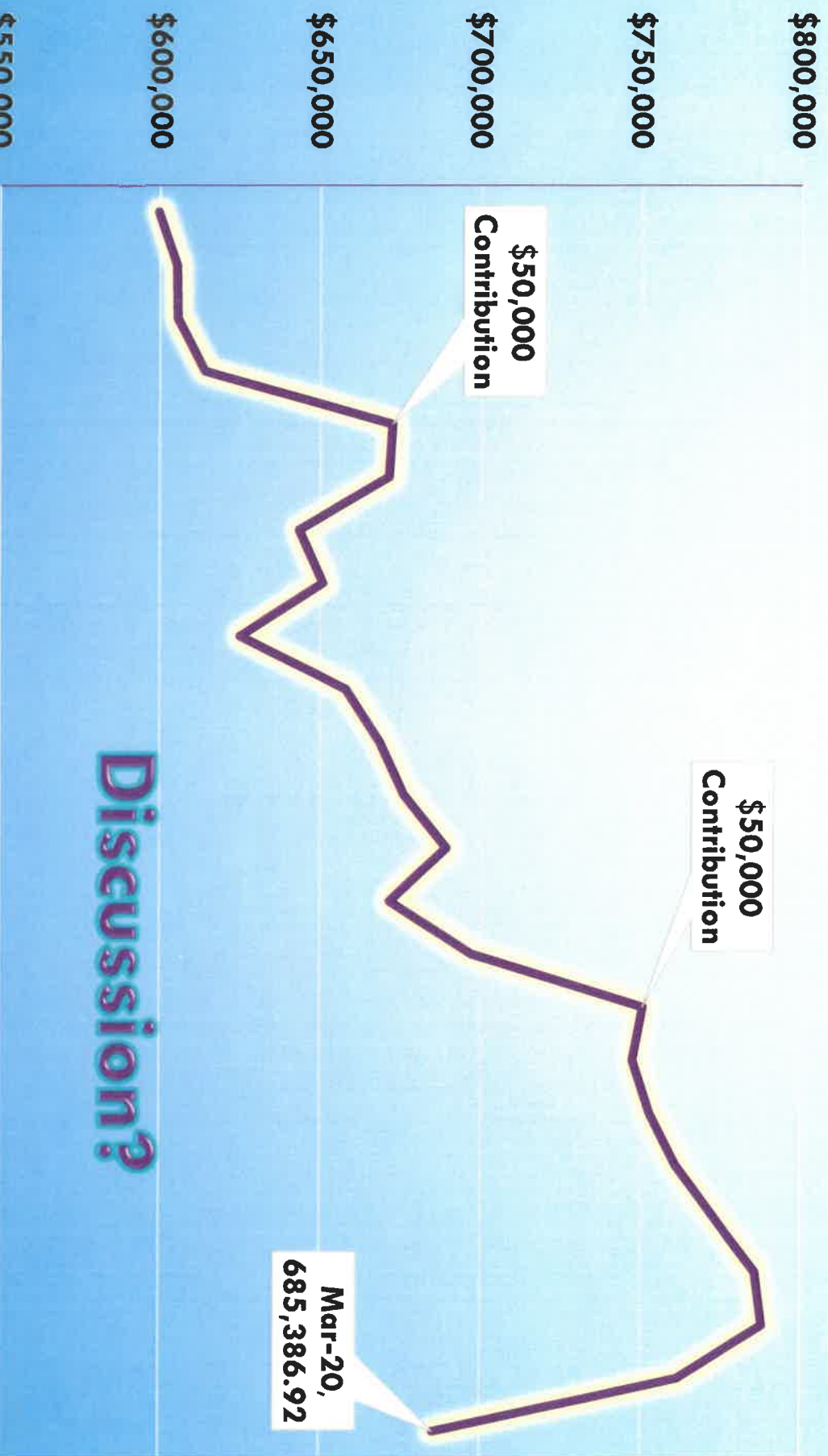
LAST YEAR - PARS Trust & Unfunded Pension Liability Projections



CURRENT - PARS Trust & Unfunded Pension Liability Projections



PARS Trust Account Balance



Discussion?

Service & Supply Budget

Salary & Wages Budget

Employee Benefits Budget

UP NEXT

Summary and Comparison

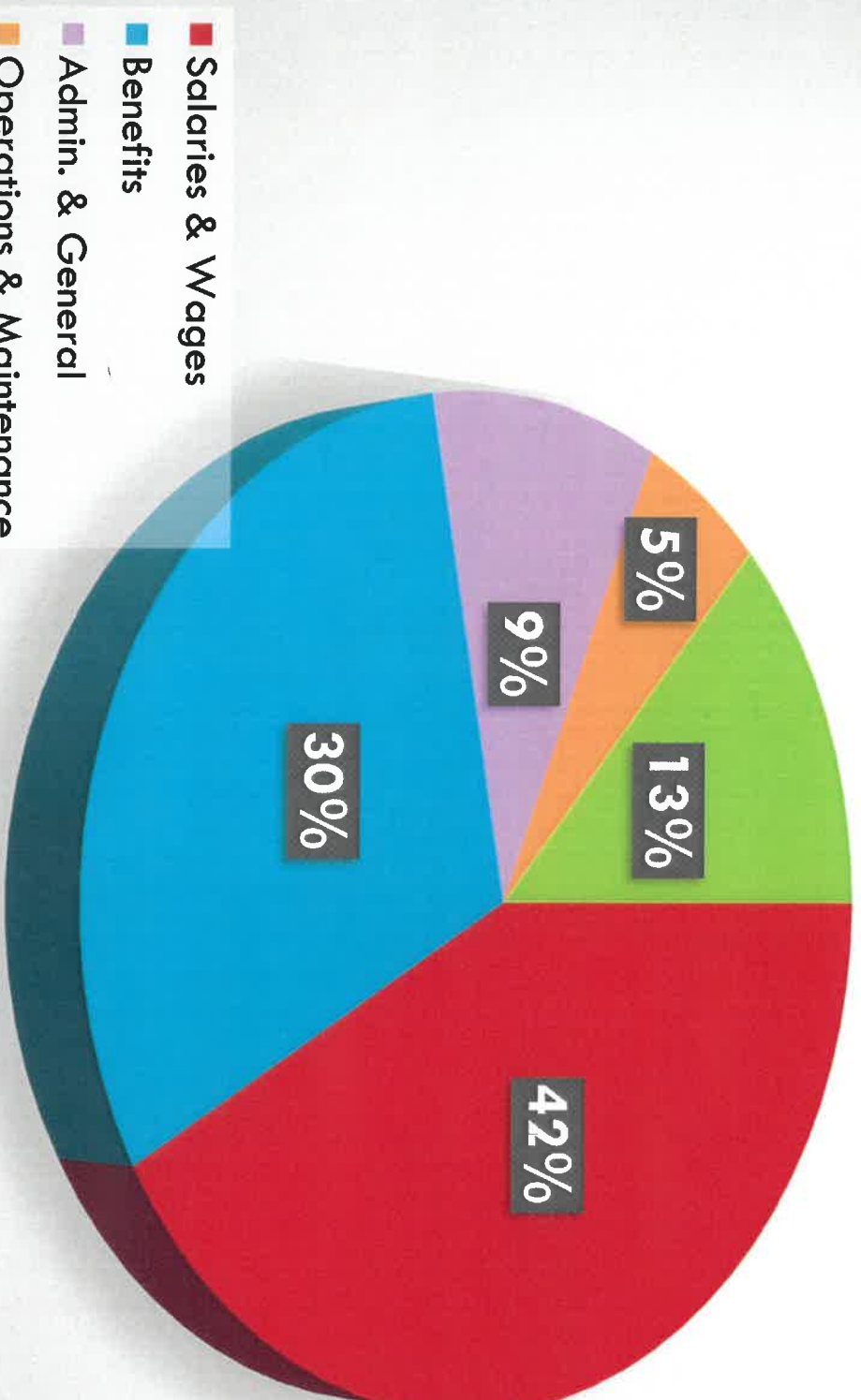
Summary and Comparison

Service & Supply and Salaries & Employee Benefits

	2019/20 Budget	2020/21 Budget	Difference \$	%
Service & Supply Budget	\$1,551,600	\$1,637,300	\$85,700	5.5%
Salary & Wage Budget	\$2,401,400	\$2,465,200	\$63,800	2.6%
Employee Benefits Budget	\$1,683,100	\$1,746,500	\$63,400	3.8%
Total S&S and SEB Budgets	\$5,636,100	\$5,849,000	\$212,900	3.7%

Summary and Comparison

Service & Supply and Salaries & Employee Benefits



Summary and Comparison

YEAR	S&S	SEB	TOTAL	\$ CHANGE	% CHANGE
FY2014/15	\$1,420,400	\$3,160,611	\$4,581,011	\$165,556	3.75%
FY2015/16	\$1,439,400	\$3,453,292	\$4,892,692	\$311,681	6.80%
FY2016/17	\$1,432,400	\$3,596,134	\$5,028,034	\$135,342	2.77%
FY2017/18	\$1,482,365	\$3,742,276	\$5,224,641	\$196,607	3.91%
FY2018/19	\$1,508,214	\$3,938,118	\$5,446,332	\$221,691	4.24%
FY2019/20	\$1,551,600	\$4,084,484	\$5,636,084	\$189,752	3.48%
FY2020/21	\$1,637,300	\$4,211,700	\$5,849,000	\$212,900	3.78%

Summary and Comparison

5-yr Projection of Charges to Municipal Customers

YEAR	TOTAL MUNI CHARGES	\$ CHANGE	% CHANGE
FY2016/17	\$6,744,300	\$604,211	9.84%
FY2017/18	\$5,534,500	<\$1,209,835>	<17.94%>
FY2018/19	\$7,006,200	\$1,471,700	26.59%
FY2019/20	\$7,188,057	\$181,900	2.59%
FY20/21 (Projected)	\$7,403,600	\$215,500	2.99%
FY21/22 (Projected)	\$7,587,600	\$184,000	2.49%

An aerial photograph of a snowy mountain landscape. A winding road or path cuts through the white snow, leading towards a cluster of dark evergreen trees on the right side. The sky is a pale, clear blue. The text is overlaid on the right side of the image.

Conclusion of FY2020/21 Budget Proposal

**QUESTIONS AND
ADDITIONAL REQUESTS?**