



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
Sheriff's Office



Date: February 21, 2013

Board Meeting Date: April 9, 2013

Special Notice / Hearing: None

Vote Required: Majority

To: Honorable Board of Supervisors

From: Sheriff Greg Munks

Subject: Amendment Three to the Law Enforcement Services Agreement with the City of Half Moon Bay

RECOMMENDATION:

Adopt a Resolution authorizing an amendment to the Law Enforcement Services Agreement with the City of Half Moon Bay adding the provision of the Retirement - Unfunded Actuarial Accrued Liabilities.

BACKGROUND:

On June 7, 2011, the County and the City of Half Moon Bay entered into an Agreement for Law Enforcement Services provided by the Sheriff's Office, for the term commencing on June 12, 2011 through June 30, 2016. The retirement rates reflected in the Law Enforcement Services Agreement are calculated using the County's employer contribution rate which is comprised of a normal cost component and the amortization of the County's Unfunded Actuarial Accrued Liability (UAAL). In brief, the UAAL is the shortfall between pension promises and the value of assets.

Although our contract cities have disbanded their police departments, CalPERS still retains Pension Trust responsibilities. For this reason, the cities are required to continue to fund its existing CalPERS UAAL. Since the County's agreement calls for cities to compensate the Sheriff's Office for the fully-loaded retirement costs, the cities in effect are making double UAAL payments. In order to provide relief to the cities, on October 12, 2011, this Board approved a resolution authorizing the Sheriff to include credit provisions in agreements for law enforcement services where the contracting agency has an ongoing commitment for related accrued unfunded liabilities. This resolution included the requirement that related amendments be brought back to the Board for approval.

Within this provision, the City of Half Moon Bay would pay the County's full retirement contribution less the annual amount due from the City to CalPERS for the UAAL payment made on behalf of the prior law enforcement Safety members. Under no circumstances would this credit exceed the County's total UAAL attributed to the City's Agreement or result in city obligations for retirement costs to the County falling below the County's normal cost as reflected in the annual actuarial valuation provided by SamCERA. As the obligation to CalPERS decreases, the City's payments to the County would increase and once the CalPERS obligation expires, the City would assume paying the County's fully loaded rate.

DISCUSSION:

The UAAL provision included in this amendment includes the ability to roll over payment amounts that exceed the County's UAAL within a given fiscal year, allowing the City to receive the credits in subsequent years. The City is in the CalPERS inactive risk pool that has two liability components: the City's side fund liability and the City's share of the risk pool's unfunded actuarial liability. The City would like to accelerate payments toward its side fund liability. If accelerated payments are made, the combination of the required CalPERS payment and lump sum payment will result in the City's payment to CalPERS from FY 2011-12 through FY 2013-14 exceeding the annual amount of County UAAL, under the Agreement.

With this added provision allowing the City to rollover credits, the City will be able to maximize the credit offered to them. Assuming the contract is extended, it is projected that the city will pay only normal cost through FY 2017-18 due to the rollover of credits and will begin to contribute toward the County's full UAAL annually thereafter through the contract term.

County Counsel has reviewed and approved the Resolution and Amendment as to form.

Approval of Amendment Three contributes to the Shared Vision 2025 outcome of a Collaborative Community by working with the City of Half Moon Bay to efficiently use funds to maximize municipal services provided to its residents.

FISCAL IMPACT:

The total amount of County UAAL in the contract is approximately \$350,000 annually. The maximum credit to be applied in FY 12-13 is \$698,767, which is the combined County UAAL in the agreement for FY 11-12 and FY 12-13. The cost to the County General Fund will be the amount the city contributes to CalPERS for UAAL payments during the length of the agreement, but under no circumstances will this amount exceed the County's UAAL attributed to this agreement. The Sheriff's Office will receive an additional allocation of Proposition 172 to backfill the credit given to the City of Half Moon Bay. There is no negative fiscal impact to the County with the added roll over provision.