

**ROSS VALLEY FIRE DEPARTMENT
STAFF REPORT**

For the meeting of: May 13, 2015

To: Board of Directors
From: Mark E. Mills, Fire Chief *MEM*
Subject: CalPERS Unfunded Liability Payments

RECOMMENDATION:

Staff recommends that the Board discusses the possible financing option and advise staff which option to include in the 2015/16 budget.

DISCUSSION/ANALYSIS:

The CalPERS Safety Plan employer contribution rate was modified by CalPERS to reflect a higher mortality rate for employees. Additionally, a new amortization was implemented over a fixed 30-year period. This created a new Unfunded Liability for the department in the amount of \$323,997 annually which only applies to the prior authority members.

Staff was directed to pursue additional financing options that might result in long-term savings for the Department. CalPERS has presented three options for the financing of the entire amount of \$8,051,187.

Amortization Schedule				
CalPERS				
Period	2015 -16 Payment	Total Payments	Total Interest	Savings
30	\$323,997.00	\$20,577,374.00	\$ 12,526,187.00	
25	\$532,139.00	\$19,401,396.00	\$ 11,350,209.00	\$1,175,978.00
20	\$607,908.00	\$16,334,716.00	\$ 8,283,529.00	\$4,242,658.00

Staff also contacted the County of Marin to solicit possible financing options. The County's policy is to finance for no longer than 5 years and then interest rate increases annually. The entire annual note plus the corresponding interest must be paid in full

each year. While this option saves the most money over the term of the loan, it may not be affordable for the members of the JPA.

Marin County								
	Interest Year 1 3.5%	Interest Year 2 3.5%	Interest Year 3 3.5%	Interest Year 4 3.75%	Interest Year 5 4.0%	Total Interest	Principal & Interest at Maturity	
Note 1	1,640,000.00	57,400.00					57,400.00	1,697,400.00
Note 2	1,590,000.00	55,650.00	55,650.00				111,300.00	1,701,300.00
Note 3	1,540,000.00	53,900.00	53,900.00	53,900.00			161,700.00	1,701,700.00
Note 4	1,490,000.00	52,150.00	52,150.00	52,150.00	55,875.00		212,325.00	1,702,325.00
Note 5	1,440,000.00	50,400.00	50,400.00	50,400.00	54,000.00	57,600.00	262,800.00	1,702,800.00
	7,700,000.00						805,525.00	8,505,525.00

FISCAL IMPACT:

Currently, the Department has been provided financing by CalPERS for the unfunded liability in the amount of \$8,051,187 at a 7.5% interest rate for 30 years. By changing the amortization to 25 years the Department could save \$1,175,978 and by lowering the amortization to 20 years the Department could save \$4,242,658. By utilizing the County of Marin financing offer the Department could save \$12,071,849.