



**Contra
Costa
County**

To: Board of Supervisors
From: Monica Nino, County Administrator
Date: January 25, 2022

Subject: Budget and Key Issues - Repeal of Ordinance 62-10.002 Allocation of funds for OPEB

RECOMMENDATION(S):

1. ACCEPT report on Budget and Key Issues for FY 2022/23 and beyond;
2. ACKNOWLEDGE that at the American Rescue Plan Act Workshop on August 3, 2021, the Board postponed decisions related to the allocation of Year 2 American Rescue Plan - CSLFRF funds in the amount of \$112 million until more information was known about other American Rescue Plan revenue sources and the status of the COVID-19 pandemic response and related impacts on Contra Costa County;
3. ACKNOWLEDGE that the County Administrator will be recommending approximately \$53 million in Year 2 allocation of American Rescue Plan – CSLFRF funds for continued Health Services Department response to the COVID-19 pandemic in the FY 2022/23 Recommended Budget;
4. POSTPONE decisions related to the remaining \$59 million of Year 2 allocation of American Rescue Plan - CSLFRF funds until the status of the COVID-19 pandemic response and related impacts on Contra Costa County is better understood in January 2023; and
5. INTRODUCE Ordinance No. 2022-## repealing Ordinance Code chapter 62-10, Allocation of Funds for Other Post-Employment Benefits, WAIVE reading, and FIX February 1, 2022, for adoption.

☒ APPROVE

☐ OTHER

☒ RECOMMENDATION OF CNTY
ADMINISTRATOR

☐ RECOMMENDATION OF BOARD
COMMITTEE

Action of Board On: **01/25/2022** ☒ APPROVED AS RECOMMENDED ☐ OTHER

Clerks Notes:

VOTE OF SUPERVISORS

AYE: John Gioia, District I Supervisor
Candace Andersen, District II Supervisor
Diane Burgis, District III Supervisor
Karen Mitchoff, District IV Supervisor
Federal D. Glover, District V Supervisor

I hereby certify that this is a true and correct copy of an action taken and entered on the minutes of the Board of Supervisors on the date shown.

ATTESTED: January 25, 2022

, County Administrator and Clerk of the Board of Supervisors

Contact: Lisa Driscoll, County
Finance Director (925) 655-2047

By: June McHuen, Deputy

FISCAL IMPACT:

The financial impact of repealing Ordinance Code section 62-10, Other Post-Employment Benefits (OPEB) Funding, is approximately \$67.0 million which will be redirected to employee wages.

BACKGROUND:

Attached is the report on Budget and Key Issues.

On May 16, 2006, the Board of Supervisors received an actuarial analysis of the County's liability for retiree healthcare and other post-employment benefits (OPEB), which identified a total (and growing) liability of \$2.6 billion. On June 26, 2007, as part of a strategic funding strategy, the Board of Supervisors adopted an OPEB funding target of 100% of the potential liability for the retiree population. The volatility of the health benefit environment ruled out targeting 100% of the entire potential future liability. Additionally, the Board's goal to ensure our service delivery balance also made funding 100% of the liability impossible. Conversely, long-term impact to the County and General Fund balance sheets ruled out continuing to pay only current costs (pay-go). After discussion, the Board adopted an OPEB pre-funding policy targeting the entire amount associated with the retiree population, which equated to approximately 40% of the total liability at that time (\$1.029 billion).

The Board also adopted an allocation of specific future eligible resources to meet the requirements for OPEB funding. The following table lists those annual resources identified at that time (in millions):

Resource	Beginning FY	Amount
Redirect Workers Compensation	2008/09	\$10
Redirect UAAL Rate Adjustment	2009/10	\$10
Redirect POB Bond payments	2014/15	\$33
Redirect POB Bond payments	2022/23	<u>\$47</u>
Total Annual Future Resource Redirection	2024 - onward	\$100

On September 25, 2007 the Board of Supervisors approved the selection of an irrevocable trust structure (Internal Revenue Code Section 115) for OPEB funding for Contra Costa County. The purpose of the Trust is to hold assets to pay post employment health benefits and the purpose of the Plan is to provide post employment health benefits for certain retired employees and their spouses and dependents. The County began pre-funding benefits in the 2008/09 fiscal year. Due to budget constraint, in 2014, the allocation target was revised (by Ordinance) to (in millions):

Resource	Beginning FY	Amount
Redirect Workers Compensation	2008/09	\$10
Redirect UAAL Rate Adjustment	2009/10	\$10
Redirect POB Bond payments	2022/23	<u>\$47</u>
Total Annual Future Resource Redirection	2024 - onward	\$67

The most recent actuarial report (attached), as of June 30, 2021, identified the fiduciary net position as \$444.728 million, the current net position of the total OPEB liability as 50.6%, and the current percentage of retirees to actuals in the liability as 43.57%. The assets held in the OPEB Trust exceed the targeted funding level; therefore, the County is recommending that the on-going funding Ordinance be repealed.

CONSEQUENCE OF NEGATIVE ACTION:

Delay in repealing Ordinance on Other Post-Employment Benefits Funding, which impacts the allocation of resources in the annual budget.

CLERK'S ADDENDUM

Speakers: No name given; No name given; Dina Levine Lipsett, Chair of the Public Policy and Advocacy Committee; Marianna Moore, Ensuring Opportunity Campaign, Budget Justice Coalition; Marjorie Rocha, Executive Director of ECHO Housing.

ATTACHMENTS

Contra Costa County Update - Budget & Key Issues

Ordinance No. 2022-

OPEB Actuarial Report of October 6, 2021