MINUTES

Regular Board Meeting
December 14, 2021
5:30 p.m.
Location: Remote Via Zoom

Board of Directors

Nicole Johnson (Division 2) - President, Randy Mendosa (Division 3) - Vice-President,
Blaine Maynor (Division 1) - Eric Loudenslager (Division 4) - Director
David Rosen (Division 5) - Director

CALL TO ORDER

The regular session of the Board of Directors for the Arcata Fire District was called to order by President Nicole Johnson at 5:32 pm.

Prior to taking roll, President Johnson administered the Oath of Office to the new Division 4 Board Member, Eric Loudenslager.

PLEDGE OF ALLEGIANCE

The Pledge of Allegiance has been suspended during Shelter in Place.

ATTENDANCE AND DETERMINATION OF A QUORUM

The meeting continued with a quorum and the following were present remotely via zoom: President Nicole Johnson, Vice President Randy Mendosa, Director Eric Loudenslager, Director Blaine Maynor, and Director David Rosen.

Additional District administrative staff included Fire Chief Justin McDonald, Battalion Chief Sean Campbell, and Board Secretary Becky Schuette.

APPROVAL OF AGENDA

Prior to approval of the agenda, Board Secretary Schuette pointed out a typo in District Business item 7 Fiscal Year Audit. The audit year incorrectly read 2021-21 and should read 2020-21.

It was moved to approve the agenda with noted correction.

Motion: Maynor; Second: Mendosa
Roll Call: Ayes; Loudenslager, Maynor, Mendosa, Rosen and Johnson
Motion Carries

PUBLIC COMMENT

President Johnson called for public comments and there were none.

Senior Management Group – Nothing to report

Local 4981 – Local President Marcus Lillard offered a welcome aboard to Director Loudenslager. He added a thank you to contributors to Toys for Tots and another good collection year. He included that the collection was also able to help the Salvation Army toy drive which had a low collection this year.

Arcata Volunteer Firefighters Association (AVFA) – Roy Willis, President reviewed his submitted activity report. An added item included the graffiti tagging to the F Street side of the station overnight which had been painted over earlier in the day.

There were no additional comments from the public or the Board.

CONSENT CALENDAR

1. Minutes from November 9, 2021, Regular Meeting
2. Minutes from November 15, 2021, Special Meeting
3. November 2021 Financial Report
4. Renewal of Adoption of Resolution 21-247 for an Additional 30 Days, Making Findings Pursuant to Government Code Section 54953, As Amended by Assembly Bill 361 and Authorizing the Continued Use of Virtual Meetings
5. Adopt Resolution 21-249, with Exhibit A, Approving the Schedule of Dates, Time and Location for the 2022 Regular Board Meetings
6. Adopt Resolution 21-250 with Exhibit A, Approving Disposal of Surplus Equipment and Supplies
7. Claim for Damages Filed by Julianna Solomon

Director Rosen requested item 3 be pulled for discussion questions regarding the unfunded liability debt not being included in the financial report.

It was moved to approve the consent calendar minus item 3.

Motion: Mendosa; Second: Maynor
Roll Call: Ayes; Loudenslager, Maynor, Mendosa, Rosen and Johnson.
Motion Carries

As to consent item 3, Chief McDonald advised that the UAL debt was not available to him to be included in the November Finance Report, however, he now has the totals and will be communicating with our accountant to get it added. An updated November Finance report will be part of next month's consent calendar, along with the December Finance Report.

CORRESPONDENCE & COMMUNICATIONS

1. Public Correspondence – There was no correspondence.

2. Committee Reports

> **a.** Arcata Station Rent Committee – Committee did not meet this month; however, the topic is an agenda item later in the meeting.
>
> **b.** Fire Chief's Evaluation Committee – Committee did not meet this month but will be finalizing the Chief's evaluation and be provided to him during closed session later in the meeting.

3. Fire Chief's Monthly Report – Chief McDonald reviewed his monthly report.

When reviewing the appeals for assessments, he polled the board for a date for a special meeting. The meeting will be held on January 4, 2022, at 5:30 pm.

On the topic of the City of Arcata Gateway Project, Director Mendosa pointed out that the City of Arcata general plan expired in 2020 and the impact to the District for this project and the Cal Poly Humboldt will be great. There was brief discussion about making sure the District gets “a seat at the table” for this project and the extreme impact it will have on services. The item will be a future agenda topic.

4. Director Matters – There were none reported.

<u>DISTRICT BUSINESS</u>

1. Receive the Final Report from CalMuni Advisors Regarding the Unfunded Accrued Liability (UAL) Refinance and Adopt Resolution 21-251 with Exhibit A, UAL Pension Management Policy: Director Mendosa requested the Chief review his staff note for a meeting participant who was not present at the last meeting. Cameron Weist then reviewed the PowerPoint presentation included in the packet as Attachment 1.

Following completion of the PowerPoint, President Johnson called for Director questions or comments.

Director Rosen spoke to reiterate his objection to the topic and adoption of the resolution and policy, as he had in the past. Director Loudenslager asked him to explain again his reasons, as he had not previously attended a meeting on the topic. Following Director Rosen’s explanation, another discussion about what the alternatives were and the future cost impact it will have on the District.

Director Loudenslager requested clarification on a few of the items within the policy document. There was specific deliberation about “Review of the Policy” (page 9 of 9 in the Resolution) and use of the term “constant update” in the final section (“E”) of the policy. The extensive discussion resulted in a change to the language to the following:

> *“**E. Review of Policy.** Funding a defined benefit pension plan requires a long-term horizon planning approach. This Policy is intended to provide general objectives and guidelines, ~~which will require periodic review and constant update to consider changes in the District’s financial position and Pension Plan funded status over time. A~~ as such, District staff will review the policy for implementation of new best practices and will provide to Board for adoption on an as needed basis, not to exceed 5 years.”*

There were no further comments from the Directors and no public comments.

It was moved to Approve Resolution 21-251 with Exhibit A (UAL Policy), with the revisions as stated by counsel to item E page 82, (9 of 9) of the agenda, and direct Staff to work with the advisors to establish a trust under section 115 of the IRS code.

Motion: Mendosa; Second: Maynor
Roll Call: Ayes; Loudenslager, Maynor, Mendosa and Johnson. **Nays:** Rosen.
Motion Carries

A copy of the updated UAL Pension Management Policy is included as an attachment to these minutes.

President Johnson queried Attorney Plotz as to whether Item 2 could wait until after the closed session, Item 3, and he advised that this item should be handled prior to going into closed session.

2. Consider Appointing a Temporary Replacement Member to the Ad Hoc Committee to Act as District Representatives for the Possible Acquisition of the Arcata Station: Chief McDonald reviewed his staff note. For the sake of transparency, Director Mendosa requested a second temporary appointee. Both Director's Maynor and Loudenslager offered to be the appointee.

Following brief board discussion about the two Director volunteers, a motion was made.

There was no public comment.

It was moved to add Blaine (Maynor) to the ad hoc committee in replacement of you (President Johnson) who will be out on Medical leave.

Motion: Mendosa; Second: Loudenslager
Roll Call: Ayes; Loudenslager, Maynor, Mendosa, Rosen and Johnson.
Motion Carries

3. Closed Session:

Conference with Real Property Negotiators (Gov. Code Section 54956.8)
Property: *APN: 021-041-002-000, 631 9th Street, Arcata*
Agency Negotiators: *Director Nicole Johnson and Director Randy Mendosa*
Under Negotiation: *Price and Terms of Payment*

President Johnson adjourned to closed session at 7:14 pm.

The meeting resumed at 7:48 pm.

Report out of closed session by President Johnson; the Board gave direction to the negotiating team.

President Johnson called for a brief recess at this time due to the length of the meeting.

Recess called at 7:48 pm.

The meeting resumed at 7:55 pm.

4. Consider Establishing a Capital Assets Improvement and Maintenance Plan and Updating the Vehicle Replacement Policy: Chief McDonald reviewed his staff report.

There was a lengthy discussion about setting a specific date or mileage, repair costs, resale value, and "shall" within the language for replacement. There needs to be wiggle room and a change to 100,000 and 8 years and replace shall with may. Alternative options were discussed such as a check sheet instead of mileage and years, a metrics checklist, or the percentage of maintenance costs.

It was decided that the policy still needed some tweaking which would include replacing "shall" with "may" and that the policy is including support vehicles as well. The policy will be on a future agenda.

The Capital improvement projects portion of the item was also discussed at length, specifically in reference to upgrades at the Mad River Station. The Capital improvements is truly only a list, not a plan and it should be used as a guide for budget planning, help with grants and discussions should begin at the finance committee level before going to the Board for decisions.

Director Rosen requested a time check for completion of the meeting as it had already run three hours and there were still several topics to be discussed. Prior to deciding what to table, President Johnson confirmed that there were no public comments and that no action was necessary at this time. She then called agenda item 5.

5. Election of New Board Officer for 2022: Chief McDonald reviewed his staff note and requested a nomination for a new President. Based on the current circumstances and newness of the seated Directors, the Chief suggested that Director Mendosa should be considered for President and Director Maynor as Vice President.

With no further discussion and no public comment, a motion was made.

It was moved to nominate Director Mendosa as President and Director Maynor as Vice President.

Motion: Loudenslager; Second: Maynor
Roll Call: Ayes; Loudenslager, Maynor, Mendosa, Rosen and Johnson.
Motion Carries

A second time check for the lengthy meeting was requested by Director Rosen. Chief McDonald advised that the remainder of the items could be table for the next meeting. Director Maynor and President Johnson requested that item 9 not be tabled but discussed tonight. President Johnson then advised that items 6, 7 and 8 will be moved to next months meeting, January 11, 2022. She then called item 9.

8. Consideration of a Mandatory Covid-19 Vaccination Policy: Chief McDonald reviewed his staff note, which was followed by a lengthy discussion.

A majority of the Directors were in favor of the Version 1 policy. Numerous topics included boosters and who the process would be mandated, the definition of fully vaccinated, protection of the staff and the public, time of for vaccines and recovery and religious exemptions.

Ultimately, Chief McDonald reported that it would be necessary to reach out to District Counsel regarding the policy and to make sure that it will be defendable and if it will include exemptions.

Sean SMG strongly opposes version one and will submit thoughts in writing to the board for consideration.

The item was tabled for another meeting following input from District Counsel and no action was taken.

CLOSED SESSIONS

Conference with Labor Negotiator (Gov. Code Section 54957.6)
Employee Organization: *Local 4981*
Agency designated representative: *District Counsel Jack Hughes*

Conference with Labor Negotiator (Gov. Code Section 54957.6)
Employee Organization: *Senior Management Group*
Agency designated representative: *District Counsel Jack Hughes*

Public Employee Performance Evaluation (Gov. Code Section 54656.7)
Title: Fire Chief

President Johnson adjourned to closed session at 8:55 pm.

The meeting resumed at 9:50 pm.

Report out of closed session by President Johnson: The Chief's evaluation was tabled to January due to the length of this meeting and the Chief agreed.

There was nothing to report out in regard to the first two labor negotiation items.

ADJOURNMENT

Following a motion, President Johnson adjourned the meeting at 9:50pm.
Motion: Maynor; Second: Mendosa

The next Regular Meeting is scheduled for **January 11, 2022, at 5:30 pm.**

Respectfully submitted,

Becky Schuette

Becky Schuette,
Clerk of the Board

Attachment 1

UNFUNDED ACCRUED LIABILITY PENSION MANAGEMENT POLICY

Arcata Fire Protection District

Adopted by the Board of Directors of the
Arcata Fire Protection District

Pursuant to Resolution No. 21-251

December 14, 2021

ARCATA FIRE PROTECTION DISTRICT
UNFUNDED ACCRUED LIABILITY PENSION MANAGEMENT POLICY

Section 1. Purpose

The purpose of this Unfunded Accrued Liability Pension Management Policy (the "Policy") is to strategically address the existing and any future unfunded accrued liability (the "UAL") associated with the Arcata Fire Protection District's (the "District") California Public Employees' Retirement System (CalPERS) pension plans (the "Pension Plans"). This Policy also addresses some of the principal elements and core parameters central to the policy objectives discussed in this Policy. In the development of this Policy, the District strives to reduce its UAL and the associated financing costs in the most cost-efficient and fiscally responsible manner possible.

The District is committed to fiscal sustainability by employing long-term financial planning efforts, maintaining appropriate reserve levels, and employing prudent practices in governance, management, budget administration, and financial reporting. This Policy is intended to make all relevant information readily available to decision-makers and the public to improve the quality of decisions, identify policy goals, and to demonstrate a commitment to long-term financial planning. Adherence to this Policy signals to rating agencies and capital markets that the District is well managed and able to meet its obligations in a timely manner.

The Policy is intended to reflect a reasonable and conservative approach to managing the UAL costs associated with the Pension Plans. This Policy recognizes that the Pension Plans are subject to market volatility and that actual economic and demographic experience of the plans will differ from the actuarial assumptions. Accordingly, it is intended to allow for adaptive responses to changing circumstances, providing flexibility to address such volatility in a financially sound manner. As such, the District is required to continually monitor its Pension Plans and the corresponding UAL.

Section 2. Policy Goals and Objectives

The overarching goals and objectives of this Policy are as follows:

- Establish, attain, and maintain targeted pension plan funding levels
- Provide sufficient assets to permit the payment of all benefits under the Pension Plans
- Seek to manage and control future contribution volatility to the extent reasonably possible
- Strive to make Annual Discretionary Payments to accelerate UAL pay-down, reduce interest costs, and stabilize future payments
- Maintain the District's sound financial position and creditworthiness
- Provide guidance in making annual budget decisions
- Create sustainable and fiscally sound future budgets
- Demonstrate prudent financial management practices
- Ensure that pension funding decisions protect both current and future stakeholders
- Create transparency as to how and why the Pensions Plans are funded

Section 3. Background and Discussion

In General. Each Pension Plan is a multiple-employer defined benefit pension plan administered by the California Public Employee Retirement System ("CalPERS"). All full-time and certain part-time District employees are eligible to participate in the CalPERS retirement and disability benefits, annual cost of living adjustments and death benefits offered to plan members and their beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute.

The financial objective of a defined benefit pension plan is to fund the long-term cost of benefits provided to the plan participants. In order to assure its financial soundness and sustainability, the plan should accumulate adequate resources in a systematic and disciplined manner to ensure sufficient resources are available to meet employee benefit requirements. This Policy outlines the practices the District will utilize to address its actuarially determined contributions to fund the long-term cost of benefits to the Pension Plan participants and annuitants.

Pension Costs and Liabilities. In order to fund its employees' pension benefits, the District is required to make contributions (a portion of which may come from the employees) to CalPERS. CalPERS then invests these contributions to generate returns to help fund the pension benefits. The regular required contributions, known as the "normal cost," are calculated as a percent of salaries and represent the annual cost of service accrual for the upcoming fiscal year for active employees. If, for any reason, the actual Pension Plan experience and investment performance fall short of the actuarial assumptions, the Pension Plan can become underfunded (i.e., the Pension Plan's Normal Accrued Liability exceeds the Plan's market value of assets). This shortfall is known as the Unfunded Accrued Liability (the "UAL") and usually has to be covered by the District through a series of UAL Payments, which are above and beyond the "normal cost" contributions. The UAL Payments are calculated in total dollar amounts, not as a percent of salaries.

The UAL can be caused by multiple factors, including but not limited to, changes to CalPERS' actuarial amortization policy, retroactive pension benefit enhancements, investment underperformance, actuarial assumption changes, demographic factors, and discount rate reductions.

UAL is Debt. The UAL balance at any given point in time is a debt of the District owed to CalPERS which is amortized over a set period of time with interest accruing at the then current CalPERS discount rate (the "Discount Rate"). However, this debt can be prepaid at any time without penalties. Recognizing the UAL as debt helps the District identify proper steps to address it and minimize the associated financing costs.

Ongoing CalPERS Practices. Every year CalPERS prepares updated actuarial valuation reports for each of the District's Pension Plans wherein it calculates the District's total pension liability as of the end of the prior fiscal year (each a "Valuation Report"). If the investment performance during that fiscal year was different from the Discount Rate, or if CalPERS made any changes to its actuarial assumptions, or if the actual demographic or compensation experience within the Pension Plans was different from the actuarial assumptions, new line items, or UAL amortization "bases," may be added to the plan and result in a change to the UAL balance. Such UAL amortization bases may be positive (indicating funding shortfall for the

Pension Plans) or negative (indicating funding surplus for the Pension Plans). Since CalPERS can add new UAL amortization bases every year, the Pension Plans must be monitored annually and managed continually – there is no one-time solution.

CalPERS has adopted the UAL amortization methods that were meant to help public agencies "ease into" paying for the UAL increases. New UAL amortization bases are implemented incrementally, with a five-year ramp-up period, and at times include additional small increases in each of the subsequent years. The ramp-up period, while reducing the cash flow impact in the near term, increases the overall UAL repayment costs for the District by delaying repayment. Since the UAL balances accrue interest at the rate that is equal to the then current Discount Rate, the delayed payments prior to the commencement of the amortization and the reduced payments during the ramp-up period that do not fully cover the interest costs result in negative amortization, causing further increases to the UAL balance. To help reduce the overall costs of the UAL repayment, this Policy encourages level annual payments (i.e., no ramp-up) whenever possible.

Section 4. Policy

A. Funding Level Objective. It is the District's policy to strive to achieve and maintain a Pension "Funded Ratio" (being the ratio by which the Market Value of Assets—as set forth in the most recently published Valuation Report--exceeds the Entry Age Normal Accrued Liability or "AL"—as set forth in the most recently published Valuation Report) for each Pension Plan of at least 90%, but never dropping below 85% (the "Funding Level Objective").

Funding Level Objective = 90%

Achieving and maintaining the 90% Funding Level Objective ensures that the ongoing contributions of the District and its employees, and therefore the taxpayer funds, are properly and adequately funding the retirement benefits of retirees and today's workers. This concept is commonly referred to as the intergenerational equity. Falling short of this funded level forces future taxpayers to pay the costs of the poor planning and execution of today's Pension Plans. The reason for a Funding Level Objective of 90% rather than 100% is to allow some cushion for the possibility that good investment returns in a given year might push the Funded Ratio of a Pension Plan above 100% (commonly referred to as "superfunded status"), which means that the District and its employees had contributed into the Pension Plan more than was necessary. Thus, while the District remains committed to maintaining a 100% funded level, it shall manage the 10% differential (i.e., the difference between 90% and 100%) through its own investment process by creating the "Pension Rate Stabilization Fund" discussed herein.

Guidance: To achieve the Funding Level Objective, this Policy provides the following guidance:

1. ***Pre-Pay the Entire Annual UAL Payment by July 31st of each year.*** On or before July 1st of each year, the District receives its annual CalPERS UAL invoice. The District has two payments options. The invoice can be paid in equal monthly increments or be fully pre-paid at the beginning of the fiscal year by July 31st. By prepaying the entire invoice amount due by July 31st, the District can concurrently save approximately 3.5% compared to making the monthly payments. As such, every effort should be made to pre-pay the UAL payment upon receipt of the annual invoice.

2. ***Pre-Pay UAL from Reserves, One-Time Revenues and Fund Surpluses.*** Reserves (often invested in LAIF) regularly do not earn returns that can offset the interest rate that CalPERS charges on the outstanding UAL balance. Supplemental contributions into the Pension Plans from available reserves, one-time revenues and fund surpluses can generate substantial long-term net savings. Each supplemental contribution, referred to by CalPERS as an Additional Discretionary Payment (ADP), reduces the UAL balance, the Annual Required Contributions (ARC) for future years, and the total interest costs associated with the UAL. Therefore, during each budget cycle, the District staff shall review all available reserves, one-time revenues and fund surpluses to determine whether any such funds could be used to make an ADP to pay down the UAL, keeping in mind operational and capital budgetary constraints while maintaining adequate reserves and balancing the fiscal soundness of eliminating the high-interest UAL debt. ADPs should not adversely affect the general operations and fiscal soundness of the District.

3. ***Capital Financing.*** When considering capital projects, staff regularly reviews and plans for reserving capital to cash fund current and future projects. When considering how to pay for current and future capital projects, staff should review the current tax-exempt market to assess if it would be more cost effective to borrow at tax-exempt rates to pay for the capital projects and redirect the reserved funding (and/or such other appropriate funds of the District) to make ADPs to CalPERS.

   If there are projected cost savings by using this method, and a capital financing strategy is to be implemented, the Board of Directors would need to approve of the ADPs being paid to CalPERS prior to the financing to ensure that the annal savings generated by implementing the strategy are applied to UAL paydowns.

4. ***Utilize Savings Achieved from Refunding Outstanding Non-Pension Related Debt to Pre-Pay UAL.*** During each budget cycle, staff should review all outstanding long-term non-pension related debt of the District to determine whether a refunding of such debt might result in net present value savings of greater than 3%, and if so, consider a structure and strategy that frontloads the savings, which can then be used to pay down the UAL. This strategy should only be used if the interest rates on the currently outstanding debt is sufficiently below the then-current Discount Rate to ensure that overall savings are achieved by the District.

5. ***Sources of Revenue.*** All fees, rates and charges should incorporate full allocation of pension costs for employees providing associated services. While some funds cannot contribute more than their fair share (i.e., enterprise funds), they should not contribute less than their fair share. Staff shall review allocation of labor costs to proprietary and other funds to ensure full reimbursement of the pension cost burden. Staff shall provide, or cause to be provided, consistent and well-documented methodology for pension cost allocation to all funds.

6. ***Pension Obligation Financing.*** The District shall consider issuing taxable municipal debt obligations (generically hereafter referred to as "Pension Obligations") to refinance the UAL, in part or in whole, if such bond obligations are expected to produce minimum cash flow savings of at least 5%, taking into account all debt service and costs of issuance associated with such

bond obligations, in comparison to CalPERS' respective UAL amortization schedule and the then-current Discount Rate. Pension Obligations shall not utilize swaps or derivatives of any kind and should be structured with reasonable and flexible call provisions (with a maximum of 10-year call provision). Pension Obligations shall be used only to prepay the UAL liabilities, and shall not be used to finance normal cost payments. The issuance of Pension Obligations must be voted upon and approved by the Board of Directors.

7. **Annual Review of the CalPERS Actuarial Valuation Reports and Associated Tasks.** The District staff shall review or cause to be reviewed the annual CalPERS actuarial valuation reports within 30 days of their release by CalPERS, which usually takes place during the month of August. The review should focus on identifying the annual changes to each of the Pension Plans UAL, and quantifying the associated cost implications and the corresponding impact on the Funded Ratio. Staff should annually reach out to the District's CalPERS actuary to request a calculation of flat payments (rather than ramp-up payments) for all outstanding and new UAL amortization bases. In making ADPs, the District staff shall determine or cause to be determined the optimal application of the ADPs to the outstanding UAL amortization bases to achieve the Funding Level Objective as well as desired budgetary outcomes.

8. **ADPs Shared Between All Benefiting District Funds.** Whenever an ADP is made, the District will endeavor to ensure that all benefitting funds (the "Benefiting Funds") contribute their fair share in accordance with the District's allocation method of charging off its pension costs for each District fund.

B. Establishment and Operation of a Pension Rate Stabilization Fund.

1. ***Establishment of a Pension Rate Stabilization Fund.*** The District shall establish a Pension Rate Stabilization Fund, either self-managed or a Section 115 trust fund managed by a third-party investment manager (the "Investment Manager"). The Pension Rate Stabilization Fund will receive Sequestered Funds (defined below) as well as any other funds deposited into it at the discretion of the Board of Directors, based on recommendations made by the District staff during the annual budget process. Funds in the Pension Rate Stabilization Fund should only be used to manage the District's pension benefits costs to maintain each of the Pension Plans at the Funding Level Objective in accordance with the goals and objectives set forth in this Policy.

2. ***Funding the Pension Rate Stabilization Fund.***

   Sequestered Funds. Each Fiscal Year during the District's normal budget adoption process, beginning with the 2022-23 Fiscal Year budget, and for each of the following 10 Fiscal Years, a minimum of $841,000 (the "Sequestered Funds") will be appropriated from each year's budget for the payment of UAL costs to the extent due and payable in such Fiscal Year, and any residual shall be transferred and deposited into the Pension Rate Stabilization Fund.

3. ***Operation of the Pension Rate Stabilization Fund.*** Sequestered Funds (and any other amounts contributed by the District) shall be deposited in the Pension Rate Stabilization Fund and used solely for the purpose of making ADP's (and Normal Cost payments during a Fiscal Hardship,

and/or to the extent the amount therein exceeds the Pension Rate Stabilization Fund Maximum, as described below) to CalPERS for the purpose of achieving and maintaining Funding Level Objective.

With the goal of achieving and maintaining the Funding Level Objective, each year during the budget cycle, District staff shall calculate, or cause to be calculated, the upcoming Fiscal Year's estimated Funded Ratio by taking into account the most recent Valuation Report's statement of Funded Ratio and adjusting for the estimated Base that will be either added or subtracted due to the prior Fiscal Year's investment result of either exceeding or falling short of the then current Discount Rate for that Fiscal Year (the "Estimated Funded Ratio"). If the Estimated Funded Ratio is estimated to be less than the Funding Level Objective, to the extent funds are available in the Pension Rate Stabilization Fund, the appropriate member of staff shall either make, or shall direct the Investment Manger to make, an ADP to CalPERS in the amount necessary to bring the Funded Ration back up to the Funding Level Objective. Additionally, if sufficient funds are available in the Pension Rate Stabilization Fund, staff shall assess whether to fully amortize any new bases in order to reduce the long-term interest costs associated with the "ramping" procedures used by CalPERS.

Moneys in the Pension Rate Stabilization Fund shall not be used for normal costs until such time as the amount therein, when combined with the Market Value of Assets (as set forth in the most recently published Valuation Report) exceeds the Entry Age Normal Accrued Liability (as set forth in the most recently published Valuation Report) by 110% (the "Pension Rate Stabilization Fund Maximum"). To the extent monies in the Pension Rate Stabilization Fund on June 31st exceed the Pension Rate Stabilization Fund Maximum (after consideration has been given to the amounts therein required to be paid to CalPERS for the ensuing Fiscal Year to maintain the Estimated Funded Ratio at or above the Funding Level Objective), any accrued surplus over 110% may be used to offset the District's Normal Cost payment made to CalPERS in such Fiscal Year.

4. ***Fiscal Hardship***. In the event of a Fiscal Hardship (as defined below), transfers of Sequestered Funds may be abated and/or the Pension Rate Stabilization Fund may be utilized for either normal or UAL costs until the Fiscal Hardship is no longer in effect.

   "Fiscal Hardship" means the sunsetting of Measure F (without some other source of commensurate revenues to take the place of Measure F), or some other economic hardship, or other unanticipated fiscal emergency, that has been declared by resolution of the Board.

C. Transparency and Reporting. Funding of the Pension Plans should be transparent to all stakeholders, including plan participants, annuitants, the Board of Directors, and District residents. To achieve this Policy objective, copies of the annual actuarial valuation reports for each Pension Plan shall be made available to the Board of Directors, and shall be posted on the District's website. The District's audited financial statements shall also be posted on the District's because they include, among other things, information on the District's current and future annual Pension Plan contributions as well as the funded status of each Pension Plan.

D. **Annual Budget to Contain Policy Directed Information.** The District's annual operating budget shall consider the items specified in this Policy for inclusion in each such annual budget.

E. **Review of Policy.** Funding a defined benefit pension plan requires a long-term horizon planning approach. This Policy is intended to provide general objectives and guidelines, as such, District staff will review the policy for implementation of new best practices and will provide to Board for adoption on an as needed basis, not to exceed 5 years.