MTD Santa Barbara

AGENDA

Meeting
of the
FINANCE & HUMAN RESOURCES AND RISK COMMITTEE
of the
SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
A Public Agency
Tuesday, April 25, 2017
9:00 AM
John G. Britton Auditorium
550 Olive Street, Santa Barbara, CA 93101

1. CALL TO ORDER

2. ROLL CALL OF THE COMMITTEE MEMBERS
Dave Tabor, Chair; Paula Perotte, Director; Olivia Rodriguez, Director

3. REPORT REGARDING POSTING OF AGENDA

4. APPROVAL OF PRIOR MINUTES - (ATTACHMENT-ACTION MAY BE TAKEN)
The Board will be asked to waive the reading of and approve the draft minutes for the meeting of March 1, 2017.

5. PUBLIC COMMENT
Members of the public may address the Board on items within jurisdiction of the Board that are not scheduled for public hearing. The time allotted per speaker will be at the discretion of the Board Chair. If you wish to address the Board under this item number, please complete and deliver to the MTD Board Clerk, a “Request to Speak” form including a description of the subject you wish to address. Additional public comment will be allowed during each agenda item, including closed session items. Please fill out the Request to Speak form and indicate the agenda item number that you wish to comment on.

6. ESTABLISHMENT OF TRUST TO PREFUND OPEB OBLIGATIONS - (ACTION MAY BE TAKEN)
The Committee will review the proposed agreement with the California Employers’ Retiree Benefit Trust and resolutions 2017-06 and 2017-07 regarding Other Postemployment Benefits.

7. STATUS OF NOVA BUS REPLACEMENT ACQUISITIONS - (INFORMATIONAL)
Staff will update the Committee on the status of the acquisition of fourteen 40-foot transit buses to replace the remaining 1998 Nova bus fleet.

8. HUMAN RESOURCES AND RISK UPDATE - (INFORMATIONAL)
Staff will provide the committee with an update on the Drug and Alcohol policy and Insurance renewals.

9. OTHER BUSINESS AND REPORTS - (ACTION MAY BE TAKEN)
Committee members will be asked to report on other related issues.

10. ADJOURNMENT

AMERICAN WITH DISABILITIES ACT: If you need special assistance to participate in this meeting, please contact the MTD Administrative Office at 963-3364 at least **48 hours in advance** of the meeting to allow time for MTD to attempt a reasonable accommodation.

MINUTES

Meeting
of the
FINANCE & HUMAN RESOURCES AND RISK COMMITTEE
of the
SANTA BARBARA METROPOLITAN TRANSIT DISTRICT
A Public Agency
Wednesday, March 1, 2017
9:00 AM
John G. Britton Auditorium
550 Olive Street, Santa Barbara, CA 93101

1. **CALL TO ORDER**
Chair Tabor called the meeting to order at 9:00am.

2. **ROLL CALL OF THE COMMITTEE MEMBERS**
Chair Tabor reported all members were present with the exception of Director Perotte.

3. **REPORT REGARDING POSTING OF AGENDA**
Lilly Gomez, Office Administrator, reported that the agenda was posted on Friday, February 24, 2017 at MTD's Administrative office, mailed and emailed to those on the agenda list, and posted on MTD's website.

4. **APPROVAL OF PRIOR MINUTES - (ATTACHMENT-ACTION MAY BE TAKEN)**
Director Rodriguez moved to approve the draft minutes for the meeting of February 17, 2017. Chair Tabor seconded the motion. The motion passed unanimously.

5. **PUBLIC COMMENT**
None was made.

6. **DRAFT BUDGET FOR FISCAL YEAR 2017-18 - (ATTACHMENT – ACTION MAY BE TAKEN)**
Assistant General Manager Brad Davis reviewed the draft Fiscal Year 2017-18 budget with the Committee and sought authorization to forward it to the full Board for consideration. Director Rodriguez moved to authorize forwarding it to the full board. Chair Tabor seconded the motion. The motion passed unanimously.

7. **DISCUSSION OF GENERAL LIABILITY INSURANCE RENEWAL - (INFORMATIONAL)**
Manager of Human Resources and Risk Mary Gregg discussed the General Liability Insurance renewal. Ms. Gregg advised the committee that she would present the renewal to the full Board at the next regular scheduled meeting. Furthermore, she explained that National Interstate Insurance Company (NIIC) **is** offering a one-year policy only, because the carrier's actuaries have instructed underwriters to stop offering 2-year pricing commitments.

8. **OTHER BUSINESS AND REPORTS - (ACTION MAY BE TAKEN)**
No other items were discussed.

9. **ADJOURNMENT**
Director Rodriguez moved to adjourn the meeting at 10:11am. Chair Tabor seconded the motion. The motion passed unanimously.

MTD
Santa Barbara

FINANCE & HUMAN RESOURCE COMMITTEE REPORT

MEETING DATE: APRIL 25, 2017 **AGENDA ITEM #:** 6

TYPE: ACTION

PREPARED BY: BRAD DAVIS ____________________
Signature

REVIEWED BY: GENERAL MANAGER ____________________
Signature

SUBJECT: **Establishment of Trust to Prefund OPEB Obligations**

RECOMMENDATION:

Staff is requesting that the Finance & Human Resources Committee authorize forwarding to the full Board for its consideration the following recommendation to establish an irrevocable trust to prefund MTD's OPEB obligations.

Staff recommends that the Board:

1. Approve and execute an agreement with the California Employers' Retiree Benefit Trust (CERBT) Fund for the purpose of establishing an irrevocable trust for the prefunding of MTD's retiree health insurance obligations (OPEB).
2. Adopt a resolution for the Delegation of Authority to Request Disbursements from the Trust for the payment of OPEB obligations.
3. Approve prefunding the OPEB Trust with $1,000,000 from MTD reserves during fiscal year 2016-2017.
4. Approve the selection of CERBT Strategy 2 for the investment of prefunding assets.

DISCUSSION:

District Health Benefit

The District provides post-employment health benefits in the form of a monthly reimbursement towards retirees' personal health insurance premiums for eligible union and staff retirees and their spouses of amounts not to exceed $285 per month. Eligibility for the benefit requires that the employees be at least 65 years of age at the time of retirement and have worked 20 years at MTD. The authorities under which benefit provisions are established or may be amended are: the collective bargaining agreement for union employees; and policies established by the Board for non-union employees. MTD currently incurs the cost of this benefit on a "pay-as-you-go basis" in that actual cash outlays are limited to the reimbursement costs made to retirees. There is currently no prefunding of anticipated future retiree health benefit costs.

OPEB Reporting Requirements

The Government Accounting Standards Board (GASB) designates retiree health benefits as "other post-employment benefits" commonly referred to as OPEB (such benefits are "other" in that they do not include pension obligations which have separate standards). GASB Statement 45[1] requires the measurement and reporting of the liabilities associated with OPEB. Since 2009, such liabilities and other reportable figures have been determined by an actuarial valuation and reported on the District's audited financial statements each year.

The unfunded OPEB liability at the end of FY15-16 was $3,082,000. This liability represents the present value of all future benefits expected to be paid to current employees and retirees. Because MTD does not presently prefund OPEB and the amount of future retirement benefits is growing, this liability increases each year.

Benefits of Prefunding

Pre-funding OPEB through an irrevocable trust provides the following benefits:

- The generation of investment income to help pay for future retiree benefits
- A reduction in the OPEB liability reported on MTD's financial statements
- An improvement in the District's future financial condition and stability

Prefunding OPEB obligations generates investment income that can cover significant portions of OPEB costs over time, reducing an employer's future contributions. Additionally, using a trust can substantially increase investment income by widening the available investment options beyond relatively restrictive low-return instruments. Investments and the risk-return tradeoff, are discussed in more detail below in *CERBT Investment Strategies*.

To be considered a GASB-qualifying trust, the contributions must be irrevocable, dedicated to paying OPEB, and protected from creditors. Failure to meet these stipulations—for instance, by MTD prefunding internally and directly investing the proceeds—disallows the reduction of the reported OPEB liability. The anticipated higher rate of return of a trust also allows for use of a higher discount rate by the actuary which further reduces the present value of the OPEB liability reported on the District's financial statements.

Establishing and funding an OPEB trust enhances the ability of public agencies to meet their future benefit obligations. The Government Finance Officers Association, the largest public finance membership organization in the United States, strongly recommends prefunding as a best practice and considers it the most fiscally responsible action governmental agencies can take with respect to OPEB obligations.

Prefunding Contributions

Staff recommends that the District allocate $1 million this fiscal year to begin prefunding its OPEB obligations. Such action would make use of existing reserves. The five-year operating and capital budget projection has been updated and indicates the ability to fully fund reserves to their target levels with the allocation to OPEB prefunding.

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[1] GASB 45 is being replaced with GASB 75 effective next fiscal year. While the new statement will change the reporting requirements, it will not materially affect the determination of MTD's OPEB obligations.

Staff is not making a recommendation on the future prefunding of OPEB costs at this time. The matter will be revisited next fiscal year following completion of the OPEB actuarial valuation required for this year's annual financial audit. The valuation will include the recalculated Annual Required Contribution (ARC) that takes into account the prefund amount and the higher discount rate. This will significantly reduce the ARC, which was $231,000 in FY15-16. Staff anticipates recommending that MTD prefund OPEB at the ARC each year, although the final decision would need to take into account the financial condition of the District at that time.

Agencies are not required to make contributions to the CERBT Fund each year. The amount and timing of any prefunding is at the full discretion of MTD. It should be emphasized that prefunding through an irrevocable trust eliminates access to the funds for other purposes. The assets are only available for the payment of OPEB retiree benefits. In order to build investment earnings, MTD would not begin disbursing trust funds to pay retiree benefits for a number of years. Actual benefit costs each year would continue to be funded with the operating budget.

CERBT Description & Fees

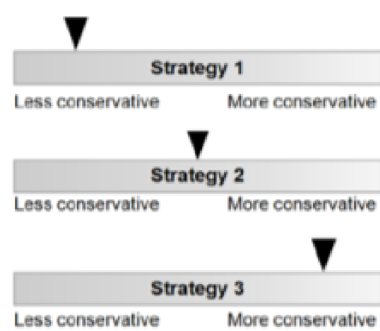
The California Employers' Benefit Trust (CERBT) Fund is a multiple-employer trust fund for prefunding OPEB for eligible California public agencies. It is administered by CalPERS although the CERBT fund is completely independent from the CalPERS pension fund. CERBT was created in 2007, shortly after GASB 45 was issued. CERBT assets are growing and exceed $6.3 billion representing OPEB prefunding of more than 500 California public agencies.

CERBT is a self-funded trust in which participating employers pay all administrative and investment expenses. Currently, CERBT annual expenses are 10 basis points (0.10%) of the agency's assets (e.g., $1,000,000 in assets x 0.10% = $1,000 in annual fees). The fee covers expenses borne by CalPERS for the administration and oversight of trust assets, investment and administrative fees to manage assets, recordkeeping fees to administer individual employer accounts, and preparation of data required for actuarial valuations. The fee changes over time and has been reduced two times in the last four years as costs have been spread over the growing asset base. CERBT is the only public OPEB trust available to MTD. There are for-profit prefunding trust alternatives. However, of the several public agency OPEB trust establishment reports reviewed by staff, all that discussed or solicited for-profit trust alternatives indicated significantly higher fees.

CERBT Fund Investment Strategies

CERBT offers three investment strategies which are determined by CalPERS. The difference between the strategies is the level of risk. The greater the risk, the greater the anticipated rate of return. The allocation between different investment classes for each strategy is as follows:

Asset Class Target Allocations	Strategy 1	Strategy 2	Strategy 3
Global Equity	57%	40%	24%
Fixed Income	27%	39%	39%
Treasury Inflation-Protected Securities	5%	10%	26%
Real Estate Investment Trusts	8%	8%	8%
Commodities	3%	3%	3%



The strategy chosen affects the discount rate used for the actuarial valuation of the unfunded OPEB liability. The higher the anticipated return, the higher the discount rate that is used for the valuation and, consequently, the lower the OPEB liability will be. The expected and historical rates of return for the three strategies are shown in the below table:

CERBT Performance as of March 31, 2017				
Fund	Expected Return	1 Year	3 Years*	5 Years*
Strategy 1	7.28%	9.85%	4.19%	6.80%
Strategy 2	6.73%	7.38%	3.79%	5.75%
Strategy 3	6.12%	5.14%	3.47%	4.72%

*Returns for periods greater than one year are annualized.

Staff recommends the selection of Strategy 2 for its prefunding contributions. With the recommendation to prefund nearly one-third of MTD's current OPEB liability, there is less need for higher risk because of the relatively large starting principle that will be earning investment returns. The majority of public agencies choose Strategy 1, the least conservative option. However, most government agencies have prefunded only a small part of their overall liability and thus desire greater earnings to make up the shortfall. It also results in the use of an higher actuarial discount rate used to value the unfunded liability. It can also be argued that the trust is a long-term investment with sufficient time to weather short-term volatility associated with the higher risk. MTD retains the option to change its funding strategy if determined appropriate.

Legal Review

The contract documents have been reviewed and approved by legal counsel which also prepared the necessary resolutions. CERBT requires that the contract be executed by MTD's presiding officer, which is the Chair of the Board.

Attachments:

1. Resolution for the *Agreement and Election of the Santa Barbara Metropolitan Transit District to Prefund Other Post-Employment Benefits through CalPERS* (the CERBT agreement is included as an exhibit to the resolution)
2. Resolution for the *Delegation of Authority to Request Disbursements from the Other Post-Employment Prefunding Plan*

RESOLUTION
of the
BOARD OF DIRECTORS
of the
SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

IN THE MATTER OF THE AGREEMENT AND ELECTION OF THE SANTA BARBARA METROPOLITAN TRANSIT DISTRICT TO PREFUND OTHER POST-EMPLOYMENT BENEFITS THROUGH CALPERS

RESOLUTION NO. 2017-06

WHEREAS, The Government Code, at section 22940, establishes an Annuitants' Health Care Coverage Fund in the State Treasury to prefund health care coverage for annuitants ("Prefunding Plan"); and

WHEREAS, The Prefunding Plan is a trust fund that (1) is intended to perform an essential governmental function within the meaning of Section 115 of the Internal Revenue Code, (2) serves as an agent multiple-employer defined benefit plan, as defined in Governmental Accounting Standards Board Statements of Accounting and Financial Reporting, Inc., particularly Statement No. 43, and (3) consists of an aggregation of single-employer plans, with pooled administrative and investment functions; and

WHEREAS, The California Public Employees' Retirement System ("CalPERS") Board of Administration ("CalPERS Board") will have sole and exclusive control and power over the administration and investment of the Prefunding Plan (sometimes also referred to as "CERBT"), the purposes of which include, but are not limited to, (i) receiving contributions from participating employers and establishing separate Employer Prefunding Accounts in the Prefunding Plan, (ii) investing contributed amounts and income thereon, if any, in order to receive yield on the funds, and (iii) disbursing contributed amounts and income thereon, if any, to pay for costs of administration of the Prefunding Plan and to pay for health care costs or other post-employment benefits in accordance with the terms of participating employers' plans; and

WHEREAS, The Santa Barbara Metropolitan Transit District ("SBMTD") desires to participate in the Prefunding Plan upon the terms and conditions set by the CalPERS Board and as set forth in the Agreement and Election of SBMTD to Prefund Other Post-Employment Benefits through CalPERS ("Agreement"), attached hereto as Exhibit 1.

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE SBMTD DOES RESOLVE AS FOLLOWS:

SECTION 1. The Board of Directors of the SBMTD hereby elects to participate in the Prefunding Plan or CERBT, and adopts the Agreement;

SECTION 2. The Board of Directors of the SBMTD hereby authorizes the General Manager to execute the Agreement and further authorizes the General Manager or his designee to file a true and correct original or certified copy of the Agreement with CalPERS and to take any additional actions necessary to comply with the procedures and processes established by CalPERS or CERBT to administer the Prefunding Plan, carry out the purposes of the Agreement and maintain the tax-exempt status of the Prefunding Plan;

SECTION 3. The SBMTD's Board Secretary shall certify the adoption of this Resolution and, thereafter, the same shall be in full force and effect.

PASSED AND ADOPTED by the Board of Directors of the Santa Barbara Metropolitan Transit District this 18th day of April, 2017 by the following vote:

AYES: ________
NAYS: ________
ABSENT: ________

____
Chair, Board of Directors

ATTEST:

____
Secretary, Board of Directors

CALIFORNIA EMPLOYERS' RETIREE BENEFIT TRUST PROGRAM ("CERBT")

AGREEMENT AND ELECTION OF SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

TO PREFUND OTHER POST-EMPLOYMENT BENEFITS THROUGH CalPERS

WHEREAS (1) Government Code Section 22940 establishes in the State Treasury the Annuitants' Health Care Coverage Fund for the prefunding of health care coverage for annuitants (Prefunding Plan); and

WHEREAS (2) The California Public Employees' Retirement System (CalPERS) Board of Administration (Board) has sole and exclusive control and power over the administration and investment of the Prefunding Plan (sometimes also referred to as CERBT), the purposes of which include, but are not limited to (i) receiving contributions from participating employers and establishing separate Employer Prefunding Accounts in the Prefunding Plan for the performance of an essential governmental function (ii) investing contributed amounts and income thereon, if any, in order to receive yield on the funds and (iii) disbursing contributed amounts and income thereon, if any, to pay for costs of administration of the Prefunding Plan and to pay for health care costs or other post-employment benefits in accordance with the terms of participating employers' plans; and

WHEREAS (3) **SANTA BARBARA METROPOLITAN TRANSIT DISTRICT** (Employer) desires to participate in the Prefunding Plan upon the terms and conditions set by the Board and as set forth herein; and

WHEREAS (4) Employer may participate in the Prefunding Plan upon (i) approval by the Board and (ii) filing a duly adopted and executed Agreement and Election to Prefund Other Post-Employment Benefits (Agreement) as provided in the terms and conditions of the Agreement; and

WHEREAS (5) The Prefunding Plan is a trust fund that is intended to perform an essential governmental function within the meaning of Section 115 of the Internal Revenue Code as an agent multiple-employer plan as defined in Governmental Accounting Standards Board (GASB) Statement No. 43 consisting of an aggregation of single-employer plans, with pooled administrative and investment functions;

NOW, THEREFORE, BE IT RESOLVED THAT EMPLOYER HEREBY MAKES THE FOLLOWING REPRESENTATION AND WARRANTY AND THAT THE BOARD AND EMPLOYER AGREE TO THE FOLLOWING TERMS AND CONDITIONS:

A. Representation and Warranty

Employer represents and warrants that it is a political subdivision of the State of California or an entity whose income is excluded from gross income under Section 115 (1) of the Internal Revenue Code.

B. Adoption and Approval of the Agreement; Effective Date; Amendment

(1) Employer's governing body shall elect to participate in the Prefunding Plan by adopting this Agreement and filing with the CalPERS Board a true and correct original or certified copy of this Agreement as follows:

Filing by mail, send to:	CalPERS Affiliate Program Services Division CERBT (OPEB) P.O. Box 1494 Sacramento, CA 95812-1494
Filing in person, deliver to:	CalPERS Mailroom Affiliate Program Services Division CERBT (OPEB) 400 Q Street Sacramento, CA 95811

(2) Upon receipt of the executed Agreement, and after approval by the Board, the Board shall fix an effective date and shall promptly notify Employer of the effective date of the Agreement.

(3) The terms of this Agreement may be amended only in writing upon the agreement of both CalPERS and Employer, except as otherwise provided herein. Any such amendment or modification to this Agreement shall be adopted and executed in the same manner as required for the Agreement. Upon receipt of the executed amendment or modification, the Board shall fix the effective date of the amendment or modification.

(4) The Board shall institute such procedures and processes as it deems necessary to administer the Prefunding Plan, to carry out the purposes of this Agreement, and to maintain the tax exempt status of the Prefunding Plan. Employer agrees to follow such procedures and processes.

C. Other Post-Employment Benefits (OPEB) Cost Reports and Employer Contributions

(1) Employer shall provide to the Board an OPEB cost report on the basis of the actuarial assumptions and methods prescribed by the Board. Such report shall be for the Board's use in financial reporting, and shall be prepared at least as often as the minimum frequency required by GASB 43. This OPEB cost report may be prepared as an actuarial valuation report or, if the employer is qualified under GASB 45 and 57, may be prepared as an Alternative Measurement Method (AMM) report.

(a) Unless qualified under GASB 45 and 57 to provide an AMM report, Employer shall provide to the Board an actuarial valuation report. Such report shall be for the Board's use in financial reporting, and shall be prepared at least as often as the minimum frequency required by GASB 43 and 57, and shall be:

1) prepared and signed by a Fellow or Associate of the Society of Actuaries who is also a Member of the American Academy of Actuaries or a person with equivalent qualifications acceptable to the Board;

2) prepared in accordance with generally accepted actuarial practice and GASB 43, 45 and 57; and,

3) provided to the Board prior to the Board's acceptance of contributions for the valuation period or as otherwise required by the Board.

(b) If qualified under GASB 45 and 57, Employer may provide to the Board an AMM report. Such report shall be for the Board's use in financial reporting, shall be prepared at least as often as the minimum frequency required by GASB 43 and 57, and shall be:

1) affirmed by Employer's external auditor, or by a Fellow or Associate of the Society of Actuaries who is also a Member of the American Academy of Actuaries or a person with equivalent qualifications acceptable to the Board, to be consistent with the AMM process described in GASB 45;

2) prepared in accordance with GASB 43, 45, and 57; and,

3) provided to the Board prior to the Board's acceptance of contributions for the valuation period or as otherwise required by the Board.

(2) The Board may reject any OPEB cost report submitted to it, but shall not unreasonably do so. In the event that the Board determines, in its sole discretion, that the OPEB cost report is not suitable for use in the Board's financial statements or if Employer fails to provide a required OPEB cost report, the Board may obtain, at Employer's expense, an OPEB cost report that meets the Board's financial reporting needs. The Board may recover from Employer the cost of obtaining such OPEB cost report by billing and collecting from Employer or by deducting the amount from Employer's account in the Prefunding Plan.

(3) Employer shall notify the Board of the amount and time of contributions which contributions shall be made in the manner established by the Board.

(4) Employer contributions to the Prefunding Plan may be limited to the amount necessary to fully fund Employer's actuarial present value of total projected benefits, as supported by the OPEB cost report acceptable to the Board. As used throughout this document, the meaning of the term "actuarial present value of total projected benefits" is as defined in GASB Statement No. 45. If Employer's contribution causes its assets in the Prefunding Plan to exceed the amount

required to fully fund the actuarial present value of total projected benefits, the Board may refuse to accept the contribution.

(5) No contributions are required. If an employer elects to contribute then the contribution amount should not be less than $5000 or the employer's annual required contribution (ARC), whichever amount is lower. Contributions can be made at any time following the seventh day after the effective date of the Agreement provided that Employer has first complied with the requirements of Paragraph C.

D. Administration of Accounts, Investments, Allocation of Income

(1) The Board has established the Prefunding Plan as an agent plan consisting of an aggregation of single-employer plans, with pooled administrative and investment functions, under the terms of which separate accounts will be maintained for each employer so that Employer's assets will provide benefits only under employer's plan.

(2) All Employer contributions and assets attributable to Employer contributions shall be separately accounted for in the Prefunding Plan (Employer's Prefunding Account).

(3) Employer's Prefunding Account assets may be aggregated with prefunding account assets of other employers and may be co-invested by the Board in any asset classes appropriate for a Section 115 Trust.

(4) The Board may deduct the costs of administration of the Prefunding Plan from the investment income or Employer's Prefunding Account in a manner determined by the Board.

(5) Investment income shall be allocated among employers and posted to Employer's Prefunding Account as determined by the Board but no less frequently than annually.

(6) If Employer's assets in the Prefunding Plan exceed the amount required to fully fund the actuarial present value of total projected benefits, the Board, in compliance with applicable accounting and legal requirements, may return such excess to Employer.

E. Reports and Statements

(1) Employer shall submit with each contribution a contribution report in the form and containing the information prescribed by the Board.

(2) The Board shall prepare and provide a statement of Employer's Prefunding Account at least annually reflecting the balance in Employer's Prefunding Account, contributions made during the period and income allocated during the period, and such other information as the Board determines.

F. Disbursements

(1) Employer may receive disbursements not to exceed the annual premium and other costs of post-employment healthcare benefits and other post-employment benefits as defined in GASB 43.

(2) Employer shall notify CalPERS in writing in the manner specified by CalPERS of the persons authorized to request disbursements from the Prefunding Plan on behalf of Employer.

(3) Employer's request for disbursement shall be in writing signed by Employer's authorized representative, in accordance with procedures established by the Board. The Board may require that Employer certify or otherwise establish that the monies will be used for the purposes of the Prefunding Plan.

(4) Requests for disbursements that satisfy the requirements of paragraphs (2) and (3) will be processed monthly.

(5) CalPERS shall not be liable for amounts disbursed in error if it has acted upon the written instruction of an individual authorized by Employer to request disbursements. In the event of any other erroneous disbursement, the extent of CalPERS' liability shall be the actual dollar amount of the disbursement, plus interest at the actual earnings rate but not less than zero.

(6) No disbursement shall be made from the Prefunding Plan which exceeds the balance in Employer's Prefunding Account.

G. Costs of Administration

Employer shall pay its share of the costs of administration of the Prefunding Plan, as determined by the Board.

H. Termination of Employer Participation in Prefunding Plan

(1) The Board may terminate Employer's participation in the Prefunding Plan if:

(a) Employer gives written notice to the Board of its election to terminate;

(b) The Board finds that Employer fails to satisfy the terms and conditions of this Agreement or of the Board's rules or regulations.

(2) If Employer's participation in the Prefunding Plan terminates for any of the foregoing reasons, all assets in Employer's Prefunding Account shall remain in the Prefunding Plan, except as otherwise provided below, and shall continue to be invested and accrue income as provided in Paragraph D.

(3) After Employer's participation in the Prefunding Plan terminates, Employer may not make contributions to the Prefunding Plan.

(4) After Employer's participation in the Prefunding Plan terminates, disbursements from Employer's Prefunding Account may continue upon Employer's instruction or otherwise in accordance with the terms of this Agreement.

(5) After thirty-six (36) months have elapsed from the effective date of this Agreement or at such earlier date as may be approved by the Board in its sole discretion:

(a) Employer may request a trustee to trustee transfer of the assets in Employer's Prefunding Account. Upon satisfactory showing to the Board that the transfer will satisfy applicable requirements of the Internal Revenue Code and the Board's fiduciary duties, then the Board shall effect the transfer within one hundred twenty (120) days. The amount to be transferred shall be the amount in the Employer's Prefunding Account as of the disbursement date and shall include investment earnings up to the investment earnings allocation date immediately preceding the disbursement date. In no event shall the investment earnings allocation date precede the transfer by more than 120 days.

(b) Employer may request a disbursement of the assets in Employer's Prefunding Account. Upon satisfactory showing to the Board that all of Employer's obligations for payment of post-employment health care benefits and other post-employment benefits and reasonable administrative costs of the Board have been satisfied, then the Board shall effect the disbursement within one hundred twenty (120) days. The amount to be disbursed shall be the amount in the Employer's Prefunding Account as of the disbursement date and shall include investment earnings up to the investment earnings allocation date immediately preceding the disbursement date. In no event shall the investment earnings allocation date precede the disbursement by more than 120 days.

(6) After Employer's participation in the Prefunding Plan terminates and at such time that no assets remain in Employer's Prefunding Account, this Agreement shall terminate.

(7) If, for any reason, the Board terminates the Prefunding Plan, the assets in Employer's Prefunding Account shall be paid to Employer after retention of (i) amounts sufficient to pay post-employment health care benefits and other post-employment benefits to annuitants for current and future annuitants described by the employer's current substantive plan (as defined in GASB 43), and (ii) amounts sufficient to pay reasonable administrative costs of the Board.

(8) If Employer ceases to exist but Employer's Prefunding Plan continues to exist and if no provision has been made by Employer for ongoing payments to pay post-employment health care benefits and other post-employment benefits to annuitants for current and future annuitants, the Board is authorized to and shall appoint a third party administrator to carry out Employer's Prefunding Plan. Any and all costs associated with such appointment shall be paid from the assets attributable to contributions by Employer.

(9) If Employer should breach the representation and warranty set forth in Paragraph A., the Board shall take whatever action it deems necessary to preserve the tax-exempt status of the Prefunding Plan.

I. General Provisions

(1) Books and Records.

Employer shall keep accurate books and records connected with the performance of this Agreement. Employer shall ensure that books and records of subcontractors, suppliers, and other providers shall also be accurately maintained. Such books and records shall be kept in a secure location at the Employer's office(s) and shall be available for inspection and copying by CalPERS and its representatives.

(2) Audit.

(a) During and for three years after the term of this Agreement, Employer shall permit the Bureau of State Audits, CalPERS, and its authorized representatives, and such consultants and specialists as needed, at all reasonable times during normal business hours to inspect and copy, at the expense of CalPERS, books and records of Employer relating to its performance of this Agreement.

(b) Employer shall be subject to examination and audit by the Bureau of State Audits, CalPERS, and its authorized representatives, and such consultants and specialists as needed, during the term of this Agreement and for three years after final payment under this Agreement. Any examination or audit shall be confined to those matters connected with the performance of this Agreement, including, but not limited to, the costs of administering this Agreement. Employer shall cooperate fully with the Bureau of State Audits, CalPERS, and its authorized representatives, and such consultants and specialists as needed, in connection with any examination or audit. All adjustments, payments, and/or reimbursements determined to be necessary by any examination or audit shall be made promptly by the appropriate party.

(3) Notice.

(a) Any notice, approval, or other communication required or permitted under this Agreement will be given in the English language and will be deemed received as follows:

1. Personal delivery. When personally delivered to the recipient. Notice is effective on delivery.

2. First Class Mail. When mailed first class to the last address of the recipient known to the party giving notice. Notice is effective three delivery days after deposit in a United States Postal Service office or mailbox.

3. Certified mail. When mailed certified mail, return receipt requested. Notice is effective on receipt, if delivery is confirmed by a return receipt.

4. Overnight Delivery. When delivered by an overnight delivery service, charges prepaid or charged to the sender's account, Notice is effective on delivery, if delivery is confirmed by the delivery service.

5. Telex or Facsimile Transmission. When sent by telex or fax to the last telex or fax number of the recipient known to the party giving notice. Notice is effective on receipt, provided that (i) a duplicate copy of the notice is promptly given by first-class or certified mail or by overnight delivery, or (ii) the receiving party delivers a written confirmation of receipt. Any notice given by telex or fax shall be deemed received on the next business day if it is received after 5:00 p.m. (recipient's time) or on a nonbusiness day.

6. E-mail transmission. When sent by e-mail using software that provides unmodifiable proof (i) that the message was sent, (ii) that the message was delivered to the recipient's information processing system, and (iii) of the time and date the message was delivered to the recipient along with a verifiable electronic record of the exact content of the message sent.

Addresses for the purpose of giving notice are as shown in Paragraph B.(1) of this Agreement.

(b) Any correctly addressed notice that is refused, unclaimed, or undeliverable because of an act or omission of the party to be notified shall be deemed effective as of the first date that said notice was refused, unclaimed, or deemed undeliverable by the postal authorities, messenger or overnight delivery service.

(c) Any party may change its address, telex, fax number, or e-mail address by giving the other party notice of the change in any manner permitted by this Agreement.

(d) All notices, requests, demands, amendments, modifications or other communications under this Agreement shall be in writing. Notice shall be sufficient for all such purposes if personally delivered, sent by first class, registered or certified mail, return receipt requested, delivery by courier with receipt of delivery, facsimile transmission with written confirmation of receipt by recipient, or e-mail delivery with verifiable and unmodifiable proof of content and time and date of sending by sender and delivery to recipient. Notice is effective on confirmed receipt by recipient or 3 business days after sending, whichever is sooner.

(4) Modification

This Agreement may be supplemented, amended, or modified only by the mutual agreement of the parties. No supplement, amendment, or modification of this Agreement shall be binding unless it is in writing and signed by the party to be charged.

(5) Survival

All representations, warranties, and covenants contained in this Agreement, or in any instrument, certificate, exhibit, or other writing intended by the parties to be a part of their Agreement shall survive the termination of this Agreement until such time as all amounts in Employer's Prefunding Account have been disbursed.

(6) Waiver

No waiver of a breach, failure of any condition, or any right or remedy contained in or granted by the provisions of this Agreement shall be effective unless it is in writing and signed by the party waiving the breach, failure, right, or remedy. No waiver of any breach, failure, right, or remedy shall be deemed a waiver of any other breach, failure, right, or remedy, whether or not similar, nor shall any waiver constitute a continuing waiver unless the writing so specifies.

(7) Necessary Acts, Further Assurances

The parties shall at their own cost and expense execute and deliver such further documents and instruments and shall take such other actions as may be reasonably required or appropriate to evidence or carry out the intent and purposes of this Agreement.

A majority vote of Employer's Governing Body at a public meeting held on the 18th day of the month of April in the year 2017, authorized entering into this Agreement.

Signature of the Presiding Officer: ______________________________

Printed Name of the Presiding Officer: David Davis, Chairman of the Board of Directors

Name of Governing Body: Board of Directors

Name of Employer: Santa Barbara Metropolitan Transit District

Date: April 18, 2017

BOARD OF ADMINISTRATION
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BY ______________________________
NAME
AFFILIATE PROGRAM SERVICES DIVISION
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

To be completed by CalPERS The effective date of this Agreement is: April 18, 2017

RESOLUTION
of the
BOARD OF DIRECTORS
of the
SANTA BARBARA METROPOLITAN TRANSIT DISTRICT

IN THE MATTER OF THE DELEGATION OF AUTHORITY TO REQUEST DISBURSEMENTS FROM THE OTHER POST-EMPLOYMENT PREFUNDING PLAN

RESOLUTION NO. 2017-07

WHEREAS, The Government Code, at section 22940, establishes an Annuitants' Health Care Coverage Fund in the State Treasury to prefund health care coverage for annuitants ("Prefunding Plan"); and

WHEREAS, The California Public Employees' Retirement System ("CalPERS") Board of Administration ("CalPERS Board") has sole and exclusive control and power over the administration and investment of the Prefunding Plan (sometimes also referred to as "CERBT"); and

WHEREAS, The Santa Barbara Metropolitan Transit District ("SBMTD") desires to participate in the Prefunding Plan upon the terms and conditions set by the CalPERS Board and as set forth in the Agreement and Election of SBMTD to Prefund Other Post-Employment Benefits through CalPERS ("Agreement"); and

WHEREAS, One purpose of the Prefunding Plan is disbursing contributed amounts and income thereon, if any, to pay for health care costs or other post-employment benefits; and

WHEREAS, the Delegation of Authority to Request Disbursements, attached hereto as Exhibit 1, formalizes the method by which the SBMTD will request disbursements from the Prefunding Plan.

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE SBMTD DOES RESOLVE AS FOLLOWS:

SECTION 1. The Board of Directors of SBMTD hereby delegates to the General Manager, Assistant General Manager/Controller, and/or Assistant Controller authority to request, on behalf of the SBMTD, disbursements from the Prefunding Plan and to certify as to the purpose for which the disbursed funds will be used;

SECTION 2. The Board of Directors of SBMTD authorizes the General Manager, Assistant General Manager/Controller, and/or Assistant Controller to execute the Delegation of Authority to Request Disbursements and further authorizes the General Manager or his designee to file a true and correct original or certified copy of the Delegation of Authority to Request Disbursements with CalPERS;

SECTION 3. The SBMTD Board Secretary shall certify the adoption of this Resolution, and, thereafter, the same shall be in full force and effect.

PASSED AND ADOPTED by the Board of Directors of the Santa Barbara Metropolitan Transit District this 18th day of April, 2017 by the following vote:

AYES: ________
NAYS: ________
ABSENT: ________

____
Chair, Board of Directors

ATTEST:

____
Secretary, Board of Directors

CalPERS

DELEGATION OF AUTHORITY TO REQUEST DISBURSEMENTS

RESOLUTION
OF THE

Board of Directors
(GOVERNING BODY)

OF THE

Santa Barbara Metropolitan Transit District
(NAME OF EMPLOYER)

The Board of Directors delegates to the incumbents
(GOVERNING BODY)

in the positions of General Manager and
(TITLE)

Assistant General Manager/Controller and/or
(TITLE)

Assistant Controller authority to request on
(TITLE)

behalf of the Employer disbursements from the Other Post Employment Prefunding Plan and to certify as to the purpose for which the disbursed funds will be used.

By David Davis

Title Chair, Board of Directors

Witness Bill Shelor,
Secretary, Board of Directors

Date April 18, 2017

MTD Santa Barbara

FINANCE & HUMAN RESOURCES COMMITTEE REPORT

MEETING DATE: APRIL 25, 2017 **AGENDA ITEM #:** 7

TYPE: INFORMATIONAL

PREPARED BY: BRAD DAVIS

Signature

REVIEWED BY: GENERAL MANAGER

Signature

SUBJECT: **STATUS OF NOVA BUS REPLACEMENT ACQUISITIONS**

SUMMARY:

Staff will update the Committee on the status of the acquisition of 14 forty-foot transit buses to replace the remaining 1998 Nova bus fleet.

DISCUSSION:

The project consists of purchasing 10 40-foot diesel buses and four 40-foot electric buses as replacements for the remaining 1998 Nova fleet. The draft budget for fiscal year 2017-18 presented to the Committee and Board last March included $7 million for the project. The ability to replace all of the remaining Nova buses at once is made possible by last year's award of $5,652,500 in federal funds under the FTA Section 5339(b) discretionary grant program. It is staff's intent to make use of "piggybacking" on an existing transit agency contracts to obtain the vehicles.

MTD Santa Barbara

FINANCE & HUMAN RESOURCES COMMITTEE REPORT

MEETING DATE: APRIL 25, 2017 **AGENDA ITEM #:** 8

TYPE: ACTION

PREPARED BY: MARY GREGG ______________________
Signature

REVIEWED BY: JERRY ESTRADA ______________________
GM Signature

SUBJECT: INFORMATIONAL

DISCUSSION:
Staff will provide the Committee with a progress update on the following items:

- Commercial Property Insurance and Earthquake Insurance renewal
- Cyber Liability Insurance
- Sexual Harassment Training for California Supervisors (AB1825)
- FTA Triennial – Drug & Alcohol Policy review