



Midpeninsula Regional
Open Space District

R-13-43
Meeting 13-10
April 24, 2013

AGENDA ITEM 6

AGENDA ITEM

Authorization to Retire the District's Retrospective Deposit Obligation with the California Joint Powers Insurance Authority

GENERAL MANAGER'S RECOMMENDATION

Authorize the General Manager to pay the District's Retrospective Deposit Obligation with the California Joint Powers Insurance Authority (CJPIA) of approximately \$1.13 million.

SUMMARY

The District purchases its liability and workers' compensation insurance through the CJPIA. In 2010, the CJPIA changed from a retrospective funding model to a prospective funding model and deferred retrospective payments until 2013. The District now has a negative Retrospective Deposit balance of \$1.13 million which may be paid in full on July 1, 2013, or the District may elect to pay over a period of six years. The recommendation to pay the Retrospective Deposit balance on July 1, 2013, using District cash reserves has the concurrence of the District Controller based on the Board's overall strategic direction.

DISCUSSION

Since 2002, the District has purchased its workers' compensation and liability insurance through the CJPIA. The CJPIA operated under a retrospective funding model for its liability and workers' compensation programs until 2010 when it changed to a prospective funding model that will be fully implemented following the end of the 2012-13 coverage period (July 1, 2013). The CJPIA designated a three-year period from 2010 to 2013 to transition from the retrospective to the prospective funding model. During this transition, retrospective deposit payments have been deferred.

Historically, CJPIA member agencies have paid for retrospective deposit adjustments and received retrospective refunds in annual rolling installments of up to eight years in duration. With the change to a prospective funding model, this practice was modified so that the unpaid portion of all retrospective adjustments on coverage periods through 2009-10 was consolidated into a single aggregate retrospective balance. A separate retrospective balance was created for the three-year transition period to capture retrospective adjustments made to the coverage periods included within the transition period using cost allocation elements of the new funding model. Retrospective adjustments for both the historical and transition period were consolidated and temporarily deferred from payment until 2013.

The District's negative retrospective balance in FY2012-13 totaled \$560,000; however, this amount has increased to \$1.13 million as a result of both recent District and agency pool losses. The District has two payment options: 1) pay the full \$1.13 million on July 1, 2013, or 2) elect to pay over a period of up to six years with interest. The District must notify the CJPIA of its decision by April 30, 2013.

The interest charged on the deferred payment plan, based on the yield on the CJPIA asset portfolio at April 30, 2013, will not be announced until May. However, the CJPIA advises that it will probably be very close to the last calculated yield of 2.095% on January 31, 2013, for pay-off over six years. Based on this estimated rate, the District payment (in addition to normal annual premiums) would be \$161,461 on July 1, 2013 plus six annual payments of \$173,505.

While the deferred plan is attractive due to the low interest rate, it would also impact the District's operating expense (OpEx) budget by \$174,000 annually for the next six years, reducing the amount of money available for staffing or other activities. With the District now transitioning its primary focus on buying land (where having cash reserves is critical) to a balanced mission, having funds available for the OpEx becomes more important. In order to follow the Board's direction toward a more balanced implementation of the District's mission, management recommends paying the entire \$1.13 million from District cash reserves on July 1, 2013.

FISCAL IMPACT

The District's July 1, 2013, cash balance would be reduced by approximately \$1.13 million. Additionally, full payoff on July 1 would eliminate the need to include the annual installment payments of approximately \$174,000 in the annual operating budget over the next seven years, leaving those funds available for other operating expenses. The savings in interest payments resulting from paying off the balance as recommended is approximately \$72,000.

BOARD COMMITTEE REVIEW

The Action Plan and Budget Committee reviewed this proposal on April 15, 2013 and concurs with the General Manager's recommendation.

PUBLIC NOTICE

Public notice of this Agenda Item was provided per the Brown Act. No additional notice is required.

CEQA COMPLIANCE

No compliance is required as this action is not a project under the California Environmental Quality Act (CEQA).

NEXT STEPS

Upon Board approval, the General Manager will notify the CJPIA of the District's decision to pay the full \$1.13 million retrospective balance on July 1, 2013. Staff will process the District's payment to the CJPIA in June 2013.

Attachment:

Responsible Manager:
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Contact person:
Same as above