

Executive Summary
For
The consideration of the issuance of bonds to fully fund the VEBA & WERS Trusts

PURPOSE

Pursuing the overarching goal of achieving long term financial stability for Washtenaw County Government utilizing recently issued state legislation which allows for bonding to address the liabilities and legacy costs of the County's VEBA and WCER's pension plans.

OBJECTIVE

Through strategic planning on the impact of the legacy costs associated with VEBA and WCERS Plans and the support of the labor unions, the County has entered into union labor agreements that provide for the closure of the Defined Benefit Pension Plan (WCERS) and the Retiree Medical Plan (VEBA). These actions reduce the cost of doing business for the County and provides for an opportunity to consider bonding for the liabilities of these plans. These actions in turn will also reduce the long term costs of operations.

The discussion below assumes that there would be one bond issue for both plans. The bond issue would clearly identify the amounts for each trust and all corresponding details. By issuing as one bond issue there will be savings of approximately \$650,000.

The amount borrowed is the anticipated need to fund all unfunded liabilities of each plan as well as the employer's annual required contribution for both health care and pension.

The total amount of the bond issue is anticipated not to exceed \$350,000,000 covering both plans with a 25 year maturity. The amount of the bond issue will be finalized upon the receipt of the actuarial reports for each plan.

Based on the markets today it is anticipated that the interest rate on the debt will range from 2.0% to 4.40% for an average debt service cost of 4.0%

On the next page is a chart that provides a 10 year comparison of the anticipated debt service payment (bond payment) and the projected required annual contribution.

The annual debt service payment is estimated to range from \$14.1 million to \$26.3 million for years 11 through 25. The structure of the bond payment will incorporate an 11 year payment ramp up which mirrors with the 10 year projected budget as to savings needed while smoothing cost and creating certainty .

As a comparison our annual required contribution as an employer would range from \$23.8 million to beyond \$50.2 million. These obligations are based upon the assumption of an annual growth of 7% for WCERS and 8% for VEBA. An eight year history shows that WCERS has grown on average 6.30% while VEBA has an eight year average growth history of 7.45%.

Comparison of Annual Cost – values are in millions

Figures below are All County; the proportional split between general fund and non-general fund is approximately 52% and 48% respectively

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Estimated Annual Debt Service Payment	\$18.6	\$14.1	\$15.2	\$16.3	\$17.4	\$18.7	\$20.0	\$21.4	\$22.9	\$24.5
Projected annual contribution to VEBA & WCERS	\$23.8	\$25.7	\$27.8	\$30.1	\$32.8	\$35.7	\$38.9	\$42.5	\$46.2	\$50.2
Difference	\$5.2	\$11.6	\$12.6	\$13.8	\$15.4	\$17.0	\$18.9	\$21.1	\$23.3	\$25.7

PROVISIONS OF THE NEW LAW

Public Act 329 of 2012 was passed by the Michigan Legislature in October of 2012 and signed into law effective October 9, 2012.

This bill allows during the period, beginning in October 2012 and ending on December 31, 2014, for a County to issue bonds to pay the costs of the unfunded accrued health care liability of the County. Before a County issues such bonds, the County must do the following:

1. It must publish a Notice of Intent to issue the bonds which must be published in a newspaper of general circulation within the County and which gives the County residents and tax payers the right to circulate referendum petitions.
2. The County must also prepare and make available to the public a comprehensive financial plan that includes all of the following:
 - (a) An analysis of the current and future obligations of the county, city, village, or township with respect to each retirement program and each postemployment health care benefit program of the county, city, village, or township.
 - (b) Evidence that the issuance of the municipal security together with other funds lawfully available will be sufficient to eliminate the unfunded pension liability or the unfunded accrued health care liability.
 - (c) A debt service amortization schedule and a description of actions required to satisfy the debt service amortization schedule.
 - (d) A certification by the person preparing the plan that the comprehensive financial plan is complete and accurate.
 - (e) If the proceeds of the borrowing are to be deposited in a health care trust fund, a plan in place from the county, city, village, or township to mitigate the increase in health care costs and may include a wellness program that promotes the maintenance or improvement of healthy behaviors.
3. Once the 45-day referendum period expires, the County then must apply to the Michigan Department of Treasury for permission to issue the bonds.
4. Once permission is received the County is authorized to issue the bonds.

Please see Attachment A for a draft of the proposed timeline for the above listed steps
Please see Attachment B for the legislation as approved on October 9, 2012

BENEFITS OF BONDING

- A. Bonding for the liabilities of the VEBA and Pension Trusts provides the opportunity to reduce the amount of the annual payment to these Trusts.
- B. The reduction in expense would provide the financial opportunity for consideration of future investments.
- C. Once bonds are issued the financial obligation to the annual budget becomes the annual bond payment amount (since the bond proceeds fulfill the annual required contribution). This creates a certainty of the payment amount for the life of the bond issue making long term budgeting easier by no longer having to anticipate fluctuating contribution requirements.
- D. The County in 25 years will have paid the bonds in full and will have eliminated both the VEBA's and the Pension liabilities.
- E. Proceeds held within an Intermediate Trust can be used to call the bonds in full if a future event eliminates either liability obligation. For bonds issued for 25 years the callable period would be approximately 9 years from date of issue.
- F. Committing to fund the unfunded liabilities is viewed favorably by the bond rating agencies.
- G. Currently the rates (cost) for bond issues are at a historic low. Rates this low have not been seen since the 1950's.
- H. Current legislation allows bonding utilizing general obligations bonds which have lower costs associated with them then Certificate of Participation bonds as issued by Oakland County in 2007.
- I. GASB 67 & 68 issued in 2012 and effective for the 12/31/2015 (CAFR issued in April 2016) reporting year deal with accounting for pension costs and liabilities. It will be required that unfunded liability of the pension fund is shown as a liability on the statement of net position thus significantly reducing net assets and potentially impacting our current bond rating negatively. By bonding the net asset of the bond would offset the net liability thus having a null impact on our bottom line.

RISKS OF BONDING

- A. The financial market conditions will always be a risk as we have no guaranteed method to predict actions that could influence the market.
- B. The total amount to be borrowed is much larger than any previous County borrowing.
- C. The County has a major stake in retaining and monitoring the investment professionals who handle the investments. There is an increased pressure to retain qualified investment advisors to oversee the bond proceeds.
- D. Default on bond would have more impact on County's general fund through its Full Faith & Credit (although it should be pointed out that Oakland County borrowed more than we're proposing to borrow—approximately half a billion dollars, right before the market crashed in 2008 and their bond proceeds have now fully recovered with access cash exceeding \$126 million from the losses they initially sustained in 2008).

ESTABLISHMENT OF AN INTERMEDIATE TRUST TO RECEIVE THE NET BOND PROCEEDS

The County will need to authorize the creation of an Intermediate Trust to receive the net proceeds from the sale of the bonds and to hold, invest and distribute the assets in accordance with the Trust Agreement. These funds will be distributed to the VEBA and Pension Trust in amounts as determined by the annual actuarial annual required contribution (ARC). These funds and their returns may be used for no other purpose than to fund the VEBA and Pension Trust funds and reasonable administrative expenses of the Intermediate Trust.

Creation of the Intermediate Trust to hold the fund proceeds is recommend as this allows the retention of a limited amount of flexibility. This flexibility would be desired in the event the County at some future point in time desired to call the bonds for refinancing or to pay them off early.

Please see Attachment C for a diagram on how funds will flow.

COMPARISON OF THE 2014-2018 BUDGETS BASED ON BONDING OR NO BONDING

- A. Attachment D is a five year projection on budget balances by year if bonding for the liabilities of VEBA and WCERS is entered into. These projections also include:
- a. assumption that the 2012 property tax revenues will come in at a +1.30%.
 - b. impact of the compensation adjustment for labor contracts approved on March 20, 2013
 - c. budget impact for all labor groups in compliance with PA 152 – health care for employees
 - d. these assumptions were included to provided information as realistic as can be assumed and calculated at this time.

With the above assumptions fiscal years 2014 through 2018 budgets reflect a range of positive balances. The five year total is a surplus of \$4,474,072

- B. Attachment E is a five year projection on budget balances by year if bonding for the liabilities of VEBA and WCERS if bonding is not entered into. These projections also include:
- a. assumption that the 2012 property tax revenues will come in at a +1.30%.
 - b. impact of the compensation adjustment for labor contracts approved on March 20, 2013
 - c. budget impact for all labor groups in compliance with PA 152 – health care for employees
 - d. these assumptions were included to provided information as realistic as can be assumed and calculated at this time.

With the above assumptions fiscal years 2014 through 2018 budgets reflect a range of negative balances creating a total shortfall of \$22,365,932 over the five years.

ATTACHMENT A

TIMETABLE

COUNTY OF WASHTENAW RETIREES HEALTH CARE AND RETIREE PENSION BONDS, SERIES 2013
(GENERAL OBLIGATION LIMITED TAX)

Action	Date
Working Session Presentation	May 2, 2013
Ways & Means Committee of the Board of Commissioners Approves Resolution Authorizing Insertion of Notice of Intent into the AnnArbor.com Ways & Means Committee of the Board of Commissioners Approves Bond Resolution and Continuing Disclosure Resolution	May 15, 2013
Full Board of Commissioners Approves Resolution Authorizing Insertion of Notice of Intent into the AnnArbor.com Full Board of Commissioners Approves Bond Resolution, and Continuing Disclosure Resolution	June 5, 2013
Ways & Means Approval of the creation of an Intermediate Trust to receive net bond proceeds	June 5, 2013
Notice of Intent is Published in the AnnArbor.com	June 9, 2013
Meetings with the Bond Rating Companies	June 12 & 13
Actuarial Experience Study to VEBA and WCERS Boards	June 24, 2013
Final Actuarial Report Due	July 8, 2013
Ways & Means Board of Commissioners Approves the Final Plan including the final bonding figure	July 10, 2013*
Full Board Approves the creation Intermediate Trust to receive net bond proceeds	July 10, 2013
Request Ratings on Bonds and Receive Ratings on Bonds	July 15, 2013
45 Day Referendum Period Expires	July 25, 2013
File for Approval with the Michigan Department of Treasury	July 26, 2013
Receive Approval from the Michigan Department of Treasury	September 26, 2013
Publish Notice of Sale and Circulate Official Statements	October 1, 2013
Hold Bond Sale	October 16, 2013
Award Bonds	October 30, 2013
Deliver Bonds	October 30, 2013

*There is only one meeting in July the board may desire to add an additional meeting (s) in July for the opportunity for further discussion and deliberation.

ATTACHMENT B

Act No. 329
Public Acts of 2012
Approved by the Governor
October 9, 2012
Filed with the Secretary of State
October 9, 2012
EFFECTIVE DATE: October 9, 2012
STATE OF MICHIGAN
96TH LEGISLATURE
REGULAR SESSION OF 2012

Introduced by Senator Colbeck

ENROLLED SENATE BILL No. 1129

AN ACT to amend 2001 PA 34, entitled "An act relative to the borrowing of money and the issuance of certain debt and securities; to provide for tax levies and sinking funds; to prescribe powers and duties of certain departments, state agencies, officials, and employees; to impose certain duties, requirements, and filing fees upon political subdivisions of this state; to authorize the issuance of certain debt and securities; to prescribe penalties; and to repeal acts and parts of acts," by amending sections 103, 305, and 503 (MCL 141.2103, 141.2305, and 141.2503) and by adding section 518.

The People of the State of Michigan enact:

Sec. 103. As used in this act:

(a) "Assessed value", "assessed valuation", "valuation as assessed", and "valuation as shown by the last preceding tax assessment roll", or similar terms, used in this act, any statute, or charter as a basis for computing limitations upon the taxing or borrowing power of any municipality, mean the state equalized valuation as determined under the general property tax act, 1893 PA 206, MCL 211.1 to 211.155.

(b) "Chief administrative officer" means that term as defined in section 2b of the uniform budgeting and accounting act, 1968 PA 2, MCL 141.422b.

(c) "Debt" means all borrowed money, loans, and other indebtedness, including principal and interest, evidenced by bonds, obligations, refunding obligations, notes, contracts, securities, refunding securities, municipal securities, or certificates of indebtedness that are lawfully issued or

assumed, in whole or in part, by a municipality, or will be evidenced by a judgment or decree against the municipality.

(d) "Debt retirement fund" means a segregated account or group of accounts used to account for the payment of, interest on, or principal and interest on a municipal security.

(e) "Deficit" means a situation for any fund of a municipality in which, at the end of a fiscal year, total expenditures, including an accrued deficit, exceeded total revenues for the fiscal year, including any surplus carried forward.

(f) "Defined benefit plan" means a retirement program other than a defined contribution plan.

(g) "Defined contribution plan" means a retirement program that provides for an individual account for each participant and for benefits based solely upon the amount contributed to the participant's account, and any income, expenses, gains, and losses credited or charged to the account, and any forfeitures of accounts of other participants that may be allocated to the participant's account.

(h) "Department" means the department of treasury.

(i) "Fiscal year" means a 12-month period fixed by statute, charter, or ordinance, or if not so fixed, then as determined by the department.

(j) "Governing body" means the county board of commissioners of a county; the township board of a township; the council, common council, or commission of a city; the council, commission, or board of trustees of a village; the board of education or district board of a school district; the board of an intermediate school district; the board of trustees of a community college district; the county drain commissioner or drainage board of a drainage district; the board of the district library; the legislative body of a metropolitan district; the port commission of a port district; and, in the case of another governmental authority or agency, that official or official body having general governing powers over the authority or agency.

(k) "Health care trust fund" means a trust or fund created in accordance with the public employee health care fund investment act, 1999 PA 149, MCL 38.1211 to 38.1216, or other state or federal statute, and used exclusively to provide funding for postemployment health care benefits for public employee retirees of a county, city, village, or township. A health care trust fund also includes the retiree health fund vehicle administered by the municipal employees retirement system described in the municipal employees retirement act of 1984, 1984 PA 427, MCL 38.1501 to 38.1555, for a county, city, village, or township that has adopted the municipal employee retirement system to provide funding for postemployment health care benefits for public employee retirees.

(l) "Municipal security" means a security that when issued was not exempt from this act or former 1943 PA 202 by the provisions of this act or by former 1943 PA 202 or by the provisions of the law authorizing its issuance and that is payable from or secured by any of the following:

- (i) Ad valorem real and personal property taxes.
- (ii) Special assessments.
- (iii) The limited or unlimited full faith and credit pledge of the municipality.
- (iv) Other sources of revenue described in this act for debt or securities authorized by this act.
- (m) "Municipality" means a county, township, city, village, school district, intermediate school district, community college district, metropolitan district, port district, drainage district, district library, or another governmental authority or agency in this state that has the power to issue a security. Municipality does not include this state or any authority, agency, fund, commission, board, or department of this state.
- (n) "Outstanding security" means a security that has been issued, but not defeased or repaid, including a security that when issued was exempt from this act or former 1943 PA 202, by the provisions of this act or by former 1943 PA 202 or by the provisions of the law authorizing its issuance.
- (o) "Qualified status" means a municipality that has filed a qualifying statement under section 303 and has been determined by the department to be qualified to issue municipal securities without further approval by the department.
- (p) "Refunding security" means a municipal security issued to refund an outstanding security.
- (q) "Retirement program" means a program of rights and obligations which a county, city, village, or township establishes, maintains, or participates in and which, by its express terms or as a result of surrounding circumstances, does 1 or more of the following:
 - (i) Provides retirement income to participants.
 - (ii) Results in a deferral of income for periods extending to the termination of covered employment or beyond.
- (r) "Security" means an evidence of debt such as a bond, note, contract, obligation, refunding obligation, certificate of indebtedness, or other similar instrument issued by a municipality, which pledges payment of the debt by the municipality from an identified source of revenue.
- (s) "Sinking fund" means a fund for the payment of principal only of a mandatory redemption security.
- (t) "Taxable value" means the taxable value of the property as determined under section 27a of the general property tax act, 1893 PA 206, MCL 211.27a.

(u) "Unfunded accrued health care liability" means the difference between the assets and liabilities of a health care trust fund as determined by an actuarial study according to the most recent governmental accounting standards board's applicable standards.

(v) "Unfunded pension liability" means the amount a defined benefit plan's liabilities exceed its assets according to the most recent governmental accounting standards board's applicable standards.

Sec. 305. (1) A municipal security authorized by law to be issued by a municipality may, notwithstanding the provisions of a charter, bear no interest as provided in this section or a rate of interest not to exceed a maximum rate established by the governing body of the issuing municipality as set forth in its resolution or ordinance authorizing the issuance of the municipal security, which rate shall not exceed 18% per annum or a per annum rate determined by the department at the request of the municipality, whichever is higher. In making its determination, the department shall establish a rate that shall bear a reasonable relationship to 80% of the adjusted prime rate determined by the department under section 23 of 1941 PA 122, MCL 205.23. Except as otherwise provided in this section, the rate determined by the department shall be conclusive as to the maximum rate of interest permitted for a municipal security issued under this act.

(2) Except as provided in subsection (3), a municipal security issued under this act shall not be sold at a discount exceeding 10% of the principal amount of the municipal security. The amortization of the discount shall be considered interest and shall be within the interest rate limitation set forth in subsection (1).

(3) A municipal security may be sold at a discount exceeding 10% of the principal amount of the municipal security only if 1 or more of the following conditions apply, as determined by the department:

(a) The sale will result in the more even distribution for the municipality of total debt service on proposed and outstanding municipal securities.

(b) The sale will result in an interest cost savings when compared to the best available alternative that does not include a municipal security being sold at a discount exceeding 10% of the principal amount.

(c) The issuance is based on the availability of specific revenues previously pledged for another purpose and lawfully available for this purpose.

(d) The municipal security is issued to this state or the federal government to secure a loan or agreement.

(e) The municipal security is issued pursuant to section 518.

(4) A municipal security issued in accordance with subsection (3)(a), (b), or (c) shall be rated investment grade by a nationally recognized rating agency or have insurance for payment of the principal and interest on the municipal security to the holders of the municipal security.

(5) Notwithstanding any other provision of this section, a municipal security meeting the requirements of subsection (3) that is a refunding security shall not have a maturity that exceeds the maturity of the existing municipal security.

(6) Not more than 25% of the total principal amount of any authorized issue of a municipal security shall meet the qualifications under subsection (3)(a), (b), and (c).

(7) A municipal security may bear no interest if sold in accordance with a federal program by which the holder of the municipal security, as a result of holding the municipal security, may declare a credit against a federal tax.

(8) A municipal security may bear no interest and appreciate as to principal amount if it meets the requirements of subsections (3), (4), and (6). The accreted principal amount of a municipal security shall be considered interest and shall be within the interest rate limitations provided in subsection (1).

Sec. 503. (1) Municipal securities of a single issue may mature serially or be subject to mandatory redemptions, or both, with maturities as fixed by the governing body of the municipality. In any case, the first maturity or mandatory redemption date shall occur not later than 5 years after the date of issuance, and the total principal amount maturing or subject to mandatory redemption in any year after 4 years from the date of issuance shall not be less than 1/5 of the total principal amount maturing or subject to mandatory redemption in any subsequent year.

(2) In the resolution authorizing the issuance of a municipal security, the governing body of the municipality may provide that the municipality may purchase municipal securities in the open market at a price not greater than that payable on the next redemption date in order to satisfy all or part of the next succeeding scheduled mandatory redemption.

(3) The governing body of the municipality may provide that some or all of the principal amounts maturing in any year may be redeemed at the option of the municipality at the times, on the terms and conditions, and at the price as provided by resolution of the governing body, except that a municipality shall not agree to pay a premium exceeding 3% of the principal amount being redeemed.

(4) All outstanding and authorized municipal securities of a school district payable out of taxes may be treated as a single issue for the purpose of fixing maturities. Several series of municipal securities issued under the same authorization may be treated as a single issue for the purpose of fixing maturities.

(5) A municipal security issued by a school district that is sold in accordance with a federal program in which the holder of the municipal security, as a result of holding the municipal security, may declare a credit against a federal tax is exempt from the provisions of subsection (1) if the school district deposits in trust payments to provide for the repayment of the municipal security and the first required payment shall occur not later than 5 years after the date of issuance and each required payment in any year after 4 years from the date of issuance shall not be less than 1/5 of the total required payment in any subsequent year.

(6) A municipal security issued by a county, city, village, or township pursuant to section 518 shall not be subject to the maturity and mandatory redemption requirements of subsection (1).

Sec. 518. (1) Through December 31, 2014, in connection with the partial or complete cessation of accruals to a defined benefit plan or the closure of the defined benefit plan to new or existing employees, and the implementation of a defined contribution plan, or to fund costs of a county, city, village, or township that has already ceased accruals to a defined benefit plan, a county, city, village, or township may by ordinance or resolution of its governing body, and without a vote of its electors, issue a municipal security under this section to pay all or part of the costs of the unfunded pension liability for that retirement program provided that the amount of taxes necessary to pay the principal and interest on that municipal security, together with the taxes levied for the same year, shall not exceed the limit authorized by law.

(2) Through December 31, 2014, a county, city, village, or township may by ordinance or resolution of its governing body, and without a vote of its electors, issue a municipal security under this section to pay the costs of the unfunded accrued health care liability provided that the amount of taxes necessary to pay the principal and interest on that municipal security, together with the taxes levied for the same year, shall not exceed the limit authorized by law or to refund in whole or in part a contract obligation issued for the same purpose. Postemployment health care or benefits may be funded by the county, city, village, or township. The funding of postemployment health care benefits by a county, city, village, or township as provided in this act shall not constitute a contract to pay the postemployment health care benefits.

(3) Before a county, city, village, or township issues a municipal security under this section, the county, city, village, or township shall publish a notice of intent to issue the municipal security. The notice of intent and the rights of referendum shall meet the requirements of section 517(2).

(4) Before a county, city, village, or township issues a municipal security under this section, the county, city, village, or township shall prepare and make available to the public a comprehensive financial plan that includes all of the following:

(a) An analysis of the current and future obligations of the county, city, village, or township with respect to each retirement program and each postemployment health care benefit program of the county, city, village, or township.

(b) Evidence that the issuance of the municipal security together with other funds lawfully available will be sufficient to eliminate the unfunded pension liability or the unfunded accrued health care liability.

(c) A debt service amortization schedule and a description of actions required to satisfy the debt service amortization schedule.

(d) A certification by the person preparing the plan that the comprehensive financial plan is complete and accurate.

(e) If the proceeds of the borrowing are to be deposited in a health care trust fund, a plan in place from the county, city, village, or township to mitigate the increase in health care costs and may include a wellness program that promotes the maintenance or improvement of healthy behaviors.

(5) Municipal securities issued under this section by a county, city, village, or township and the interest on and income from the municipal securities are exempt from taxation by this state or a political subdivision of this state.

(6) The proceeds of a municipal security issued under this section may be used to pay the costs of issuance of the municipal security. Except for a refunding, the proceeds of a municipal security issued under this section to cover unfunded health care liability shall be deposited in a health care trust fund, a trust created by the issuer which has as its beneficiary a health care trust fund, or, for a county, city, village, or township, a restricted fund within a trust that would only be used to retire the municipal securities issued under subsection (1) or (3). A county, city, village, or township shall have the power to create a trust to carry out the purposes of this subsection. The trust created under this subsection shall invest its funds in the same manner as funds invested by a health care trust fund. The trust created under this subsection shall comply with all of the following:

(a) Report its financial condition according to generally accepted accounting principles.

(b) Be tax exempt under the internal revenue code.

(7) A county, city, village, or township issuing municipal securities under this section may enter into indentures or other agreements with trustees and escrow agents for the issuance, administration, or payment of the municipal securities.

(8) Before a county, city, village, or township issues a municipal security under this section, the county, city, village, or township shall obtain the approval of the department.

(9) If a county, city, village, or township has issued a municipal security under this section, that county, city, village, or township shall not change the benefit structure of the defined benefit plan if the defined benefit plan is undergoing the partial cessation of accruals. However, a county, city,

village, or township may reduce benefits of the defined benefit plan for years of service that accrue after the issuance of municipal securities under this section.

(10) A county, city, village, or township shall not issue a municipal security under subsection (1) or (2) unless the county, city, village, or township has been assigned a credit rating within the category of AA or higher or the equivalent by at least 1 nationally recognized rating agency.

(11) A county, city, village, or township that issues a municipal security under subsection (1) shall covenant with the holders of the municipal security and this state that it will not, after the issuance of the municipal security and while the municipal security is outstanding, rescind whatever action it has taken to make a partial or complete cessation of accruals to a defined benefit plan or the closure of the defined benefit plan for new or existing employees.

This act is ordered to take immediate effect.

Secretary of the Senate

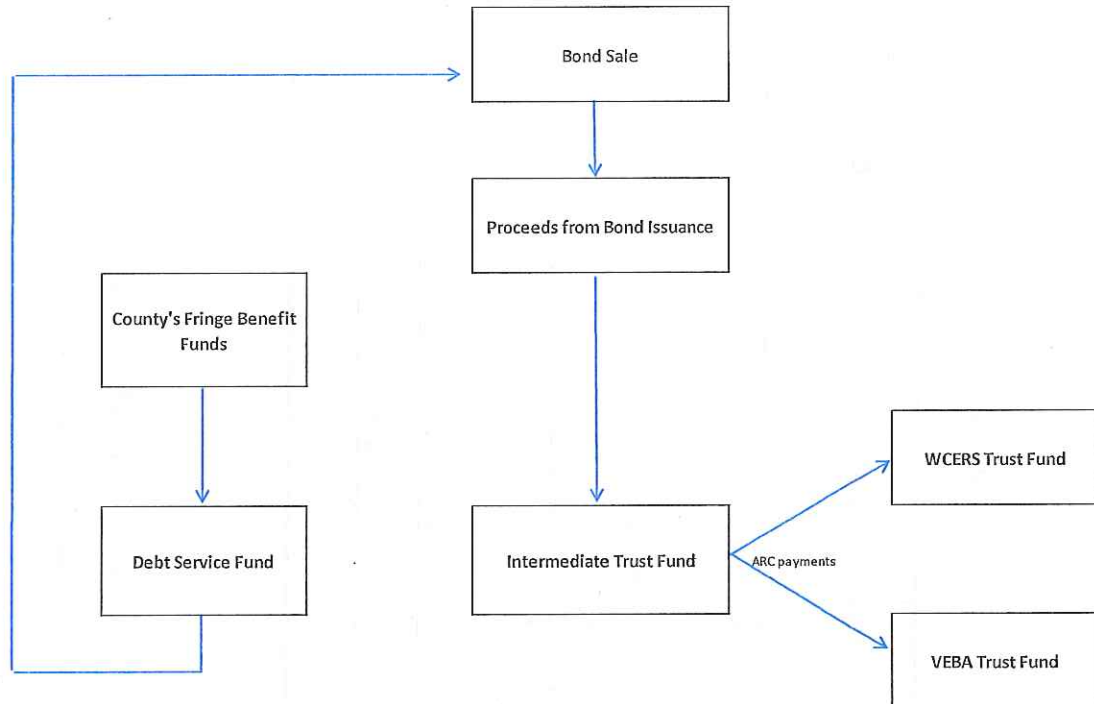
Clerk of the House of Representatives

Approved

Governor

ATTACHMENT C

Bond Issuance for VEBA and WCERS



- ❖ Current WCERS and VEBA Trust Funds – will be retained (final resting place of assets).
- ❖ Intermediate Trust Fund – will hold and invest the bond proceeds and pay the Annual Required Contributions (ARC) to WCERS & VEBA.
- ❖ Funds collected through the bi-weekly payroll process for Fringe Benefit expenses will be used to pay the annual debt service of the bond payment. Since the amount that will need to be collected for the debt service payment will be less than the amount that would have been needed for the Annual Required Contributions to WCERS and VEBA the difference will be the savings for each department.

ATTACHMENT D

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10 Year Budget Projections and Balancing Solutions					
	2014	2015	2016	2017	2018
Projected shortfall by year based on preliminary state of the County	\$ (3,934,580)	\$ (4,879,497)	\$ (6,556,284)	\$ (9,271,397)	\$ (9,952,480)
2013 Property Tax increase above projections, growth of a positive 1.3%	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000
Projected shortfall by year	\$ (1,932,566)	\$ (2,877,482)	\$ (4,554,268)	\$ (7,269,380)	\$ (7,950,462)
<u>Bonding and Compensation impact</u>					
Savings from bonding for VEBA obligations	\$ 1,434,980	\$ 2,938,059	\$ 3,342,377	\$ 4,047,810	\$ 4,980,861
Savings from bonding for Defined Benefit Pension obligations	\$ 1,277,279	\$ 1,744,569	\$ 2,029,039	\$ 2,374,158	\$ 2,670,873
Impact of compensation adjustments based on 10 year agreement	\$ (616,918)	\$ (308,459)	\$ (925,377)	\$ (1,147,295)	\$ (1,236,921)
Net impact of bond savings and compensation adjustments	\$ 2,095,341	\$ 4,374,169	\$ 4,446,039	\$ 5,274,673	\$ 6,414,813
<u>Other Balancing Solutions</u>					
PA 152 Compliance	\$ -	\$ 633,500	\$ 1,534,122	\$ 2,050,466	\$ 2,235,108
BALANCE - surplus / (deficit)	\$ 162,775	\$ 2,130,187	\$ 1,425,893	\$ 55,759	\$ 699,459

NOTES

* For the 2014 -2017 fiscal years there is a projected surplus of \$3,774,613. When you include 2018 that surplus grows to \$4,474,072

* In the past the board would have been looking to balance the first two years and just be aware of the next two years. So this is a great step forward in fiscal stability

ATTACHMENT E

DRAFT

DRAFT

10 Year Budget Projections and Balancing Solutions					
	2014	2015	2016	2017	2018
Projected shortfall by year based on preliminary state of the County	\$ (3,934,580)	\$ (4,879,497)	\$ (6,556,284)	\$ (9,271,397)	\$ (9,952,480)
2013 Property Tax increase above projections, growth of a positive 1.3%	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000
Projected shortfall by year	\$ (1,932,566)	\$ (2,877,482)	\$ (4,554,268)	\$ (7,269,380)	\$ (7,950,462)
Bonding and Compensation impact					
No Bonding for liabilities - No Savings VEBA obligations	\$ -	\$ -	\$ -	\$ -	\$ -
Savings from bonding for Defined Benefit Pension obligations	\$ -	\$ -	\$ -	\$ -	\$ -
Impact of compensation adjustments based on 10 year agreement	\$ (616,918)	\$ (308,459)	\$ (925,377)	\$ (1,147,295)	\$ (1,236,921)
Net impact of bond savings and compensation adjustments	\$ (616,918)	\$ (308,459)	\$ (925,377)	\$ (1,147,295)	\$ (1,236,921)
Other Balancing Solutions					
PA 152 Compliance	\$ -	\$ 633,500	\$ 1,534,122	\$ 2,050,466	\$ 2,235,108
BALANCE - surplus / (deficit)	\$ (2,549,484)	\$ (2,552,441)	\$ (3,945,523)	\$ (6,366,209)	\$ (6,952,275)
FTE Equivalent	29.7	29.8	46.0	74.2	81.1

NOTES

- * With no bonding for either the VEBA or WCERS the 2014 -2017 fiscal years project a shortfall of \$15,413,657.
- * When you include 2018 that shortfall grows to \$22,365,932
- * The County will need to continue to reduce the total county budget. This level of cuts will require a very hard look at how much funding is provided for mandated services.
- * In the past the board would have been looking to balance the first two years and just be aware of the next two years. So this is a great step forward in fiscal stability