



13001 GARDEN GROVE BOULEVARD
GARDEN GROVE, CA 92843-2102
PHONE: (714) 971-2421 • (949) 654-2421

FAX: (714) 971-3940
E-MAIL: ocvcd@ocvcd.org
WEB SITE: www.ocvcd.org

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DISTRICT MANAGER

GERARD GOEDHART

DATE: January 28, 2010

TO: President Joe Anderson
Members of the Board of Trustees

FROM: Gerard Goedhart, District Manager

SUBJECT: Weekly Memo – Week Ending January 29, 2010

Mid-Year Budget Review

Staff will be completing the Mid-Year Budget Review and preparation of the Five Year Financial Model next week. The District will remain in good financial condition. There will be no significant changes in the District's financial plan. However, there will be a few items that may be addressed as part of the Mid-Year review. Following is a brief review of the items:

- **CEQA Consultant.** The District will have to hire a consultant to prepare CEQA documents in order for the District to receive adulticiding permits. This requirement is a direct result of the Sixth Circuit Court decision last year. Estimated cost is \$50,000 to \$75,000.
- **OCERS Liability.** The District is obligated to pay for any liability to OCERS for our retirement service time prior to January 5, 2007. At that time, the District plan was funded at approximately 103%. However, the investment loss of 24% in 2008 has wiped out the surplus in the District account and a payment must be made in 2011. OCERS will be giving the District an estimate of the liability next week. Some good news is that OCERS has a 17.8% return through November 2009, which will help. The District has been setting aside funds in the Retirement Contingency Fund since 2008 and currently has over \$1.2 million in the fund. Additional funds may be needed.
- **OCERS Pre-Payment of Liability.** Related to the previous item is the possibility of the District making a payment to OCERS prior to December 31, 2011. This would allow the District to benefit from OCERS rate of return rather than the minimal rate of return from LAIF. Of course, as we learned in 2008, there is no guarantee and there is an element of risk. However, the early payment option is being discussed with OCERS staff.

"An Independent Special District Serving Orange County Since 1947"

The mission of the Orange County Vector Control District is to provide the citizens of Orange County with the highest level of protection from vectors and vector-borne diseases.

- **Retirement Trust Contribution.** Two weeks ago, I shared the status of funding for the District Retiree Medical Trust. Based on our most recent actuarial, the District's Annual Required Contribution (ARC) could be changed from \$362,000 to \$132,000 based on our changes to the retiree benefit last year. The District has remained an ARC of \$362,000 in order to pay for all past and future liability in two years (depending on the annual rate of return). I may recommend a reduction in the ARC amount of \$362,000 dependent on the OCERS liability figure.
- **Seasonal Employee Program.** Staff is reviewing the seasonal employee program to determine if some permanent savings can be realized beginning this year.
- **Benefit Assessment.** The 2010-11 Budget will include a further reduction in the 2004 Benefit Assessment. I anticipate the rate being reduced from \$5.06 to an average of \$5.02. In light of the recent Santa Clara and Tiburon court decisions, Willdan Associates will be completing their review of the benefit assessment in the next week with a presentation being made to the Board on February 18. The study may result in the establishment of service zones with different benefit assessment rates.

The Mid-Year and Five Year Model does not have any additional costs to the possible pilot program related to the privatizing of the rat program. It is clear that this program will result in additional costs to the District to establish and manage it. If the pilot program proceeds, the Board will have to address the increased District expense.

Pension Reform Update

The deadline for legislation to be introduced is February 19. Mike, Lora, and I will be going to Sacramento next Tuesday for a series of meetings with legislators to encourage the introduction of legislation to begin the process of reform. The legislation we are promoting is the approval of additional formulas that emphasize later employee retirement. It is my opinion that pension reform will be done in incremental steps over the next two to three years as economic realities and the need for fundamental change are realized.

Of special note is a meeting with Marcia Fritz of California Foundation for Fiscal Responsibility. I have included the retirement formulas in their pension reform initiative into the proposed legislation. Regardless of the outcome of the initiative process, additional formulas providing more choices and options for employers and employees to negotiate is a positive action that the state legislature can approve.

GG/vb

Attachments:

- A) Capitol Weekly Article on State Budget Plans to Cut Pensions, Health Care
- B) Departmental Weekly Memo