

OTHER POST-EMPLOYMENT BENEFITS IN CONTRA COSTA COUNTY

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What are Other Post-Employment Benefits

- Other Post-Employment Benefits (OPEBs) refer to retiree benefits other than pensions
- The main type of OPEB is retiree health insurance although some governments also provide retiree life insurance
- These benefits can create a liability on the government's balance sheet if they are not fully funded while employees are still working
- In that case, current and future taxpayers are paying compensation for the past work of government employees



National Perspective

- \$1.2 trillion in Net OPEB Liabilities nationally compared to \$1.6 trillion in (reported) Net Pension Liabilities
- Only 15 governments account for half of the national total. These include the State of California and Los Angeles Unified School District
- Pension plans generally have more prefunding than OPEB plans
- When no prefunding is available OPEB liabilities are discounted at a long-term high quality municipal bond interest rate, around 3.5% in 2019
- For more please see my study at <https://reason.org/policy-study/survey-of-state-and-local-government-other-post-employment-benefit-liabilities/>

Largest OPEB Liabilities in Contra Costa County



Entity	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability	OPEB Assets / Liabilities	Total Revenue	Net OPEB Liabilities / Revenue
Contra Costa County	\$958,588,000	\$308,514,000	\$650,074,000	32.2%	\$1,138,158,000	57.1%
West Contra Costa Unified School District	246,223,941	25,936,099	220,287,842	10.5%	335,353,874	65.7%
Richmond	212,293,825	18,511,383	193,782,442	8.7%	330,395,675	58.7%
Mt. Diablo Unified School District	188,831,003	0	188,831,003	0.0%	391,127,000	48.3%
Contra Costa Community College District	250,544,990	118,123,940	132,421,050	47.1%	200,285,000	66.1%
All Others			463,331,427		5,946,089,911	7.8%
County-Wide Total			\$1,848,727,764		\$8,341,409,460	22.2%



Heaviest OPEB Liability Burden: Pinole

- Pinole's OPEB liability was \$35.3 million as of June 30, 2019
- This was greater than the city's annual revenue of \$34.3 million
- According to the financial statement:
 - The City sponsors and administers a single-employer health care plan for its employees. The plan includes healthcare coverage to long-service retirees. At retirement, City employees can elect Blue Shield, Kaiser, PERS Care, or PERS Choice medical coverage through the City at the City's expense. ... The City currently pays health insurance premiums of \$1,907 per month per family.
 - No prefunding is available
 - Employees hired after 2010 must be employed 20 years to fully vest in the benefit.

CoCo County Governments That Do Not Have OPEB Liabilities



- Danville
- Moraga
- Danville
- Oakley *
- Pleasant Hill
- Walnut Creek

- Byron Union Elementary School District **
- Canyon Elementary School District

* Oakley established a post-employment healthcare defined contribution plan for police officers in 2016. The city contributes \$450 per police officer per month which is administered by the Peace Officers Research Association of California (PORAC).

** Byron Union employees also provide special education administrative services to 15 other CoCo County school districts.



Largest OPEB Liabilities in Contra Costa County

- Use American Rescue Plan Act funds to begin making Actuarially Determined Contributions to the OPEB plan and make one time catch-up contributions
- Replace defined benefit OPEBs with retiree healthcare savings accounts
- Use ARPA funds to pay an insurance company to assume some or all of the OPEB liability
- Review benefit levels including vesting periods, spousal/dependent coverage
- Consider phasing out retiree health benefits for retirees receiving higher annual pensions and asking pre-65 retirees to purchase lower cost coverage on Covered California



EL CERRITO'S FINANCES

State Auditor's Dashboard



City Rankings		FROM WORST TO BEST	↓↑
5. Richmond	(36.21 out of 100 points)	█ █ █	
6. El Cerrito	(36.32 out of 100 points)	█ █ █	
15. Oakland	(46.22 out of 100 points)	█ █ █	
16. Albany	(46.37 out of 100 points)	█ █ █	
40. San Rafael	(52.03 out of 100 points)	█ █ █	
41. Vallejo	(52.13 out of 100 points)	█ █ █	
44. Hayward	(52.73 out of 100 points)	█ █ █	
70. Fremont	(55.6 out of 100 points)	█ █ █	
71. San Jose	(55.67 out of 100 points)	█ █ █	
74. Pacifica	(56.05 out of 100 points)	█ █ █	

400. Moraga	(90.94 out of 100 points)	█ █ █	
401. Woodside	(90.95 out of 100 points)	█ █ █	
407. Monte Sereno	(91.3 out of 100 points)	█ █ █	
414. Danville	(91.99 out of 100 points)	█ █ █	
415. Ross	(92.09 out of 100 points)	█ █ █	
431. Oakley	(94.33 out of 100 points)	█ █ █	
436. East Palo Alto	(95.4 out of 100 points)	█ █ █	
440. Lafayette	(95.53 out of 100 points)	█ █ █	
444. Los Altos Hills	(96.81 out of 100 points)	█ █ █	
448. Dublin	(97.26 out of 100 points)	█ █ █	

- State Auditor monitors financial statistics for over 450 California cities
- Ranks cities from worst to first based on several financial ratios
- Based on 2019 data, Richmond and El Cerrito were found to be the highest risk cities in Contra Costa County

General Fund Depletion



Figure 3

El Cerrito Depleted Its General Fund Reserves in Fiscal Year 2016–17

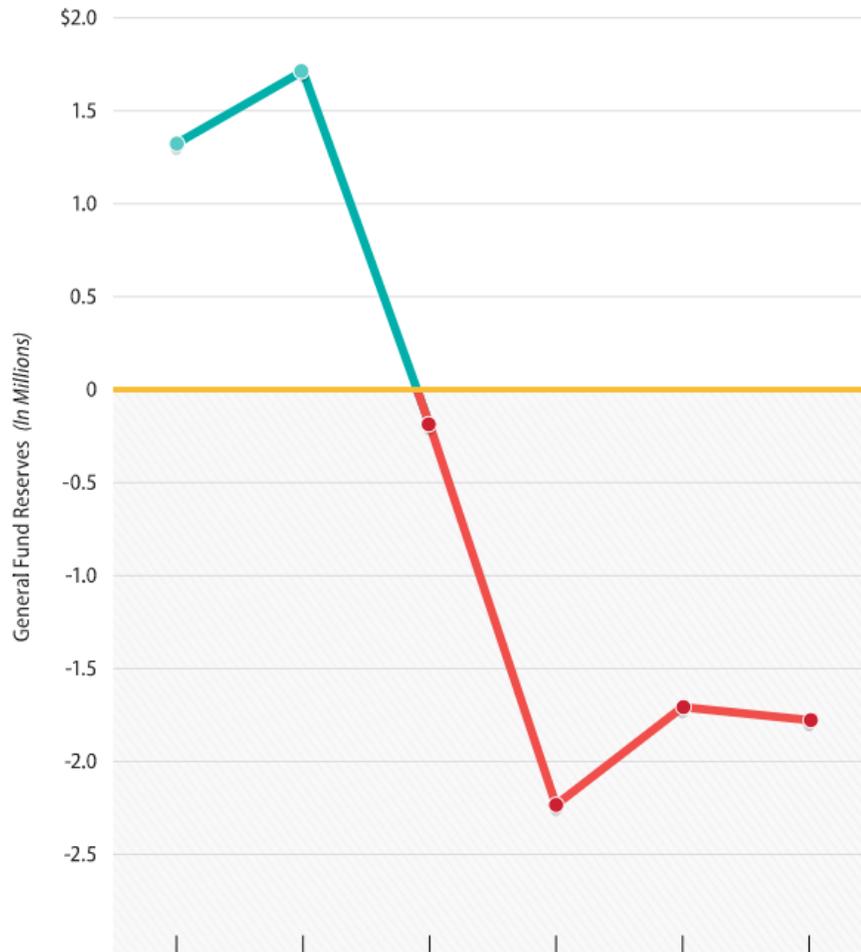


Table 1

El Cerrito Has Consistently Failed to Meet General Fund Reserve Goals

GFOA general fund reserve goal <i>(as a percentage of annual expenditures)</i>	17%*
El Cerrito's general fund reserve goal <i>(as a percentage of annual expenditures)</i>	10%

FISCAL YEAR	EL CERRITO'S RESERVES AS A PERCENTAGE OF ANNUAL EXPENDITURES
2009-10	7.3%
2010-11	9.2%
2011-12	8.1%
2012-13	4.1%
2013-14	3.5%
2014-15	4.4%
2015-16	5.4%
2016-17	(0.5)%
2017-18	(6.1)%
2018-19	(4.1)%
2019-20	(4.4)%

Source: El Cerrito's audited comprehensive annual financial reports for fiscal years 2009–10 through 2019–20.

* 17 percent represents two months of a full year (2 divided by 12) of expenditures, which is the GFOA's recommended minimum.

----- Fiscal Year 2020 General Fund Results -----			
Revenues	\$40.0	Unassigned Balance	-\$1.8
Expenditures	-\$39.7	City Target	\$4.0
Other Sources/Uses	-\$0.4	GFOA Target	\$6.6
Change in Balance	-\$0.1		

Summary of State Auditor Findings



[Continual diminishing of financial reserves through overspending](#)

- Expenditures exceeded revenue in nearly every year from fiscal years 2009–10 through 2019–20.
- Exhausted its general fund reserves in fiscal year 2016–17.
- Relies extensively on short-term loans to provide services to its community and avoid insolvency.
- Faces rapidly increasing pension costs.

[Ineffective budget development and monitoring practices](#)

- Lacks sufficient policies and practices for developing departmental budgets.
- Does not enforce safeguards to prevent departments from overspending.
- Does not provide the city council with sufficient information to properly monitor the city's financial condition.

[Lack of a formal financial recovery plan](#)

- Developed its budget to reduce spending, but most proposed reductions do not specify how the city will decrease its costs.
- Identified some cost savings, but most are short-term and do not address future budget challenges.
- Lacks a comprehensive approach to replenish its reserves and ensure accountability for reductions in spending.

[Insufficient reductions in ongoing costs](#)

- Pays above-average salaries for certain positions.
- Has not sufficiently addressed the costs of employee salaries and benefits in its police and fire departments.
- Established contracts with police staff that result in more overtime pay than required under the law.

[Missed opportunities to increase revenue](#)

- Fails to charge adequate fees to fully cover the costs of its swim center.
- Charges low or no fees for its senior services, which must be subsidized by the city's general fund.

Possible Reasons for Optimism



Staff projects a \$635k general fund surplus for the current fiscal year

American Rescue Plan Act is expected to result in El Cerrito receiving \$4.8 million of federal assistance over the next two years