RESOLUTION NO.__________

BOARD OF TRUSTEES OF San Francisco COMMUNITY COLLEGE DISTRICT

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RESOLUTION DECLARING AN EXTRAORDINARY FINANCIAL CIRCUMSTANCE AND RECOMMENDATION TO DISBURSE $21 MILLION FROM THE RETIREE HEALTH CARE TRUST FUND SUB-TRUST TO PAY FOR THE SAN FRANCISCO COMMUNITY COLLEGE DISTRICT'S RETIREE MEDICAL BENEFITS IN FISCAL YEARS 2019/20 AND 2020/21

RESOLVED, by the Board of Trustees of the San Francisco Community College District (District), that

WHEREAS, in 2008, pursuant to Proposition B, the voters of the City and County of San Francisco established the creation of Retiree Health Care Trust Fund (RHCTF), which is incorporated in San Francisco City Charter sections 12.204 and A8.432; and

WHEREAS, on February 23, 2012, the District's Board of Trustees approved resolutions to participate in the RHCTF to set aside funds to pay for retiree health care costs; and

WHEREAS, the District has a responsibility to meet its financial obligations; and

WHEREAS, the District is currently facing an extraordinary financial circumstance due in part to COVID-19 and needs to create a funding source to pay its retiree health care costs for fiscal years (FY) 2019/20 and 2020/21; and

WHEREAS, the District's retiree health care cost for FY 2019/20 is $10.2 million; and

WHEREAS, the District's retiree health care cost for FY 2020/21 fiscal year are estimated to be $10.8 million; and

WHEREAS, the current balance of the District's RHCTF sub-trust is approximately $31 million; and

WHEREAS, in prior years, the District has intentionally made employer contributions in excess of those required under A8.432 in an amount of $16.9 million; and

WHEREAS, the investment income on these excess contributions through June 30, 2020 amounts to approximately $5.3 million; and

WHEREAS, the District will continue to deposit its A8.432 employee contributions without interruption; and

WHEREAS, the District's Participating Employer contributions for Fiscal Year (FY) 2019/20 is approximately $1.242 million and for FY 2020/21 is approximately $1.240 million, and the District's prior year excess employer contributions have satisfied its employer contributions for FY 2019/20 and FY 2020/21; and

WHEREAS, the District will resume its A8.432 participating employer contributions in FY 2021/22 fiscal year; and

WHEREAS, A8.432 allows the Retiree Health Care Trust Fund Board to approve a disbursement from a Participating Employer's sub-trust when that Participating Employer's Board, after consultation with the Participating Employer's Governmental Accounting Standards Board (GASB) Actuary, recommends such disbursement by a two-thirds vote; and

WHEREAS, a one-time disbursement of $21 million from the RHCTF sub-trust will satisfy the District's obligations to pay its retiree health care costs for FY 2019/20 and 2020/21 and also effectively balance the District's goal of attaining and maintaining a fully-funded trust against the District's overall financial obligations; and

WHEREAS, the District has obtained an actuarial opinion in accordance with A8.432(d)(4) that its proposed funding strategy will result in the San Francisco Community College District sub-trust being fully funded by 2046; and

WHEREAS, the District's proposed funding strategy to be fully funded in 26 years is similar to and consistent with the City and County of San Francisco's funding strategy; and

WHEREAS, the District recognizes that while the proposed disbursement increases its net Other Post-Employment Benefits (OPEB) liability on a short-term basis, the proposed disbursement aligns with the District's long-term funding strategy which balances the District's goal of attaining and maintaining a fully-funded sub-trust against the District's overall financial obligations;

NOW THEREFORE, BE IT RESOLVED that:

1. The District's Board of Trustees declares that the District is in an extraordinary financial circumstance and seeks a disbursement from its RHCTF sub-trust in excess of the 10% disbursement limitation; and

2. The District's Board of Trustees recommends to the RHCTF Board that $21 million be disbursed from the District's sub-trust effective immediately to pay for the District's retiree health care costs for FY 2019/20 and FY 2020/21; and

3. A $21 million disbursement from the RHCTF sub-trust will leave over 30% of the sub-trust balance intact; and

4. The District's Board of Trustees declares that if the actual retiree medical costs of the District for FY 2019/20 and FY 2020/21 are less than expected, the District commits to return that excess to the RHCTF sub-trust to assure that Governmental Accounting Standards Board (GASB) 75 requirements continue to be met; and

5. The District's Board of Trustees further declares that no further disbursements will be recommended until the sub-trust is fully funded; and

6. The District's Board of Trustees further declares that, as financial conditions permit, the District may deposit into the RHCTF employer contributions that exceed those prescribed in A8.432 with the goal of accelerating and achieving a fully-funded sub-trust earlier than currently proposed.