



County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
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<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA
Chief Executive Officer

August 14, 2014

To: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

Board of Supervisors
GLORIA MOLINA
First District

MARK RIDLEY-THOMAS
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

ACTUARIAL STUDY OF THE LIABILITY TRUST FUND

On July 29, 2014, the Chief Executive Office (CEO) received correspondence from the California Contract Cities Association Liability Trust Fund Oversight Committee (attached). The letter transmitted the June 30, 2013 actuarial study of the Liability Trust Fund, which is composed of two funds: 1) Sheriff; and 2) All Other Contracts. Contributions to the fund are a surcharge on the contracts paid by cities for services provided by the County of Los Angeles (County) for the purpose of addressing liabilities related to these services. On April 20, 2010, the Board approved an ongoing administrative surcharge review procedure to ensure that the Liability Trust Fund maintains funding at or above the 75-90 percent probability range. If the funding falls below the 75 percent level for two consecutive years, the surcharge rate will automatically increase by 0.5 percent; and if funding rises above the 90 percent level for two consecutive years, the surcharge rate will automatically decrease by 0.5 percent.

Based upon the current actuarial projections, the Liability Trust Fund is projected to fall below the 75 percent confidence level by the next actuarial report. While not subject to the automatic rate increase, it is projected that the funding needs for Fiscal Year 2014-15 will not be met at the current rate of 4 percent, and a shortfall is projected by June 30, 2015. Furthermore, it is projected that the shortfall will accelerate at a faster rate than the 0.5 percent rate increase that would become automatic at the second consecutive year threshold.

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The Liability Trust Fund Oversight Committee reviewed additional Sheriff analysis from the actuary and, with the support from the California Contract Cities Association, has made the following recommendation effective January 1, 2015:

- Sheriff Department Services 5 percent (1% increase)
- All Other Contracts 4 percent (no change)

The CEO Risk Management Branch has reviewed the actuarial study and discussed this matter with a representative from the Liability Trust Fund Oversight Committee. The representative has affirmed the validity of the analysis and, as such, we concur with the request. Accordingly, we are advising the Board, at the request of the Liability Trust Fund Oversight Committee and support of the California Contracts Cities Association, to adjust the surcharge for contract cities for contributions to the Liability Trust Fund. The rate for "Sheriff" will increase to 5 percent and the "All Other Contracts" rate will remain at 4 percent, effective January 1, 2015.

For more information, your staff may contact Steven T. Robles, Assistant Chief Executive Officer/County Risk Manager, at (213) 351-5346.

WTF:BC
STR:sg

Attachment

- c: Captain Richard T. Mouwen, Contract Law, Sheriff's Department
 Curtis Morris, Chair, Liability Trust Fund Oversight Committee
 Sam Olivito, Executive Director, California Contract Cities Association
 Jonathan Shull, Joint Powers Insurance Authority

CALIFORNIA CONTRACT CITIES ASSOCIATION
LIABILITY TRUST FUND OVERSIGHT COMMITTEE

California Contract Cities Association
11027 Downey Avenue
Downey, CA 90241
(562) 622-5533

Liability Trust Fund Oversight Committee
8081 Moody Street
La Palma, CA 90623
(562) 467-8700

July 9, 2014

Mr. William T. Fujioka, Chief Executive Officer
County of Los Angeles
Room 713, Hall of Administration
Los Angeles, CA 90012

RE: Liability Trust Fund: Surcharge Adjustment on Sheriff Services

Dear Mr. Fujioka:

As you know, the County of Los Angeles provides services to cities and agencies throughout the region through contracts for service. Cities that contract with the County for services pay a surcharge as part of the contract to address the liability associated with the provision of the services by the County. The surcharge is deposited in the Liability Trust Fund (LTF), which is maintained by the County. The LTF is comprised of two funds: the Sheriff's Fund and the All Other Fund.

On April 20, 2010, the Los Angeles County Board of Supervisors (BOS) approved an ongoing administrative surcharge review procedure to ensure that the LTF maintains funding at or above the 75-90% probability range. The BOS concurred that funding levels are to be reviewed annually in conjunction with the actuarial study, and automatic adjustments to the surcharge will be triggered using the following methodology:

- If funding falls below the 75% probability level for two consecutive years, the surcharge rate will automatically increase by 0.5%
- If funding rises above the 90% probability level for two consecutive years, the surcharge rate will automatically decrease by 0.5%

At its April 9, 2014 meeting, the Oversight Committee (Committee) reviewed the June 30, 2013 actuarial study, which is attached, and proposed surcharge rates for the LTF. The actuary projected the LTF's overall actuarial status to fall somewhat below the 75% confidence level by June 30, 2014. This would be the first year that it falls below the threshold for a rate increase, so the automatic increase would not yet be triggered. However, the projected funding needs for 2014-15 would not be met at the current 4% rate, and the anticipated shortfall by June 30, 2015

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would be significant. It is projected that the shortfall would continue to increase in succeeding years faster than the automatic triggers would increase the rate. The Committee discussed the Sheriff surcharge rate at its meetings in May and June, and reviewed additional analysis from the actuary regarding the Sheriff's fund.

With support from the California Contract Cities Association, the Liability Trust Fund Oversight Committee is electing to increase the Sheriff's surcharge rate by 1% on January 1, 2015, instead waiting for the automatic increase trigger allowed by the administrative process. Upon receipt of the June 30, 2014 actuarial report the Oversight Committee will further review the status of the surcharge, and determine any additional changes to the rate as needed.

To summarize, the Liability Trust Fund Oversight Committee and the California Contract Cities Association request that the Liability Trust Fund contribution rates be adjusted effective January 1, 2015 as follows:

Sheriff Department Services	5%	(1% increase)
All Other Departments	4%	(no change)

Please contact Jonathan Shull, California JPIA, at (562) 467-8717 if you have questions or need more information.

Sincerely,



Curtis Morris
Mayor, City of San Dimas
Chair, Liability Trust Fund Oversight Committee



Sam Olivito, Executive Director
California Contract Cities Association

Enclosures

cc: Jonathan Shull, California JPIA

