



Fiscal Year 2023
Unfunded Liabilities and
Unfunded Infrastructure Needs Report
Part I- Pension and OPEB

City Council
23 May 2023

OVERVIEW

▪ **Purpose:**

- Receive a report on unfunded liabilities and infrastructure needs
- Comply with Resolution No. 65,748-N.S.
 - Biennial report on current and projected liabilities
 - Employee and retiree benefit costs over 10 years
 - Summary of general obligation and revenue bonds
 - Summary of capital assets and infrastructure

▪ **Overview:**

- City's pension (CalPERS) & other-post employment benefits retiree medical plans
- City workers' compensation plan
- City debt obligations
- (Separate public meeting on infrastructure needs of \$2.52 billion)

▪ **Presentation from City's Actuarial on Pension and OPEB**

▪ **Discussion**

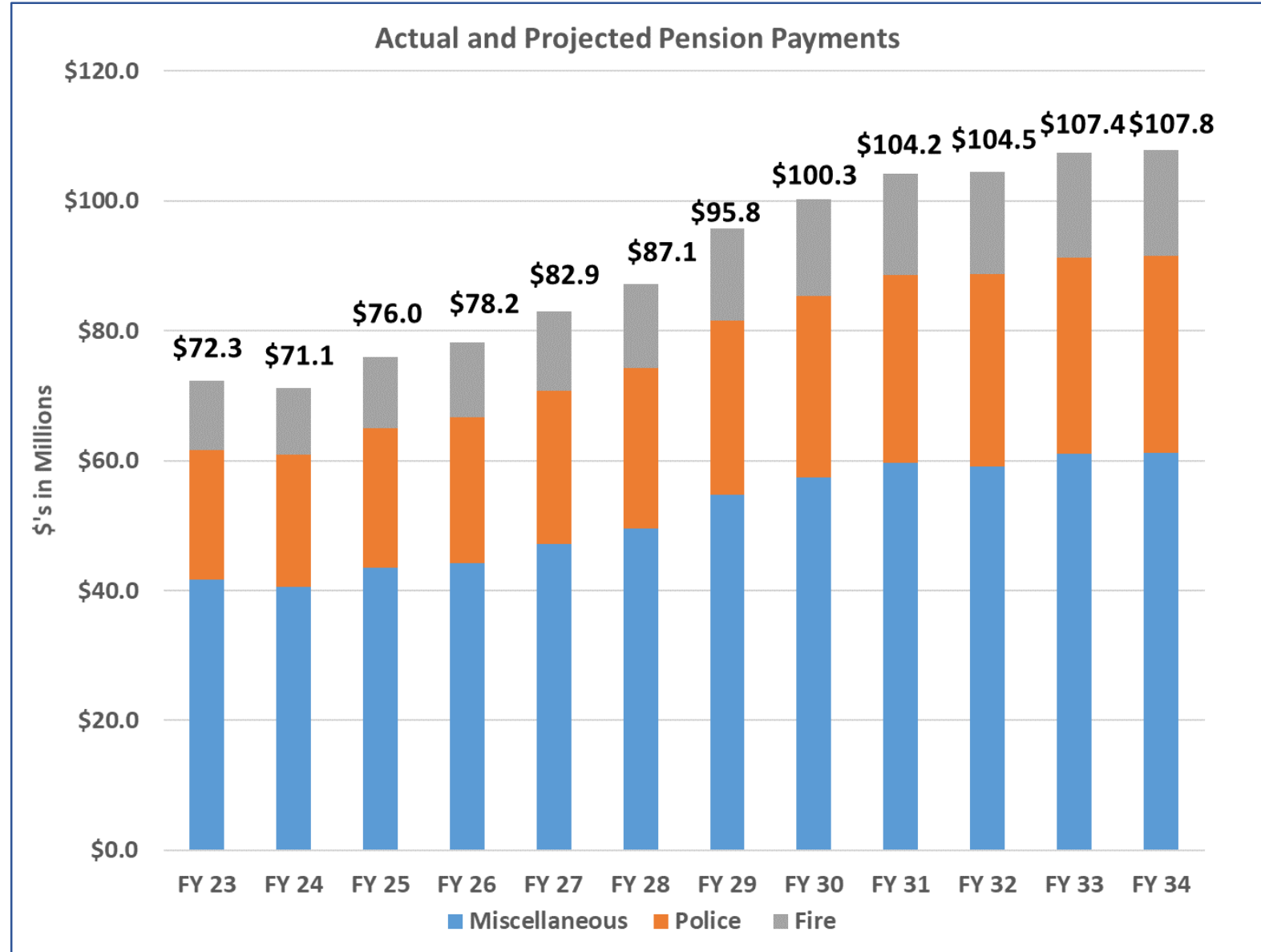
PENSION SUMMARY

Funded Status:

- City provides retirement (defined benefit pension plan) through CA Public Employees' Retirement System (CalPERS)
- As of June 30, 2021, CalPERS plans funding status:
 - Miscellaneous: 80%
 - Police: 69%
 - Fire: 81%

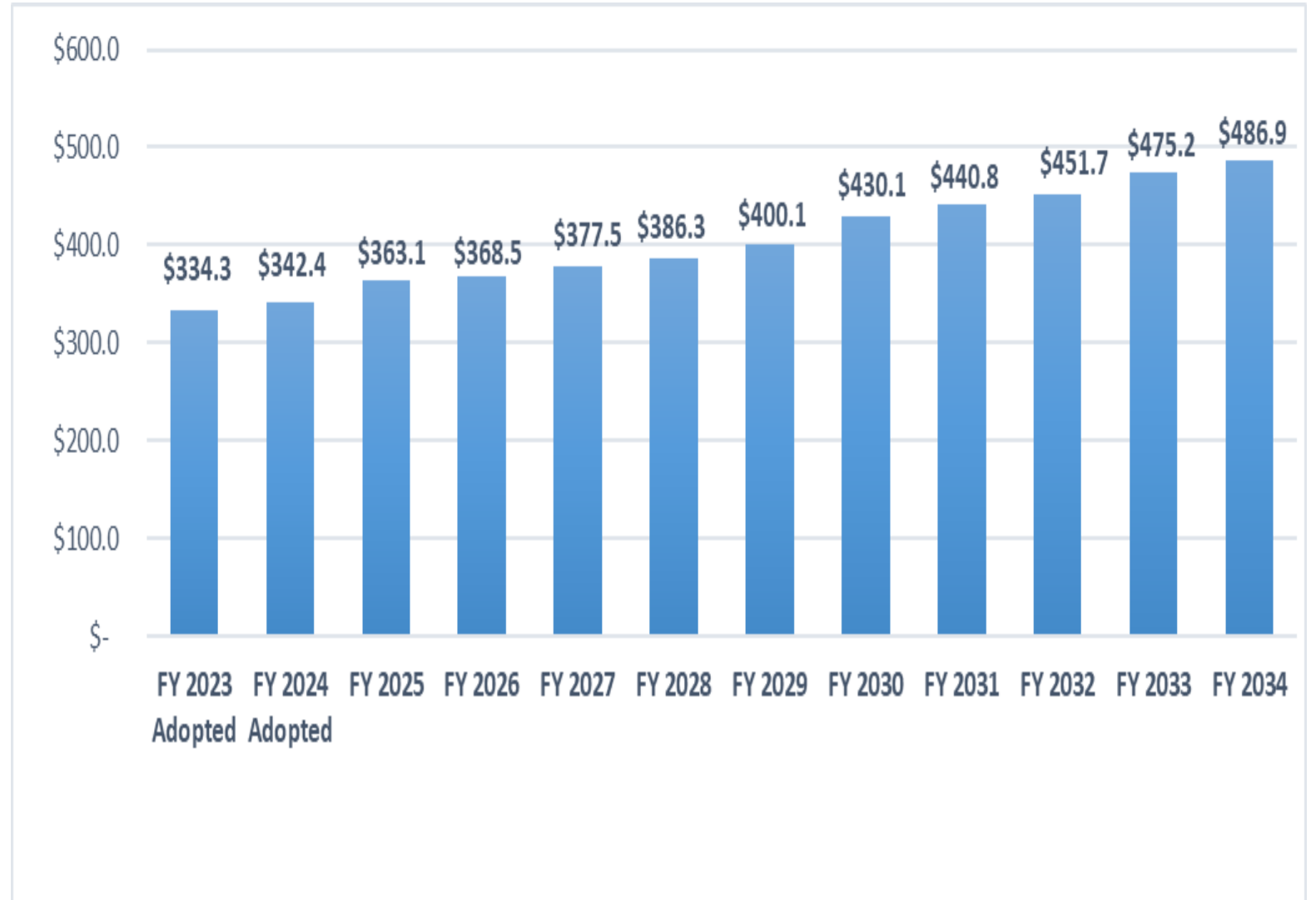
Estimated Payments

- \$31.8M projected increase in CalPERS costs from FY 2025 to FY 2034; estimated at \$107.8M in FY 2034 from CalPERS recent losses



PERSONNEL COSTS: 10-YEAR PROJECTION

- Payroll Costs projected to grow from \$342.4 in FY 2024 to \$486.9 in FY 2034
- Projected payroll costs assumes no COLA so increase of \$144.5 is in the cost of benefits only
- Factor driving increase in benefits are Health Care Premiums and Employer Paid CalPERS Costs



RETIREE MEDICAL PLANS SUMMARY

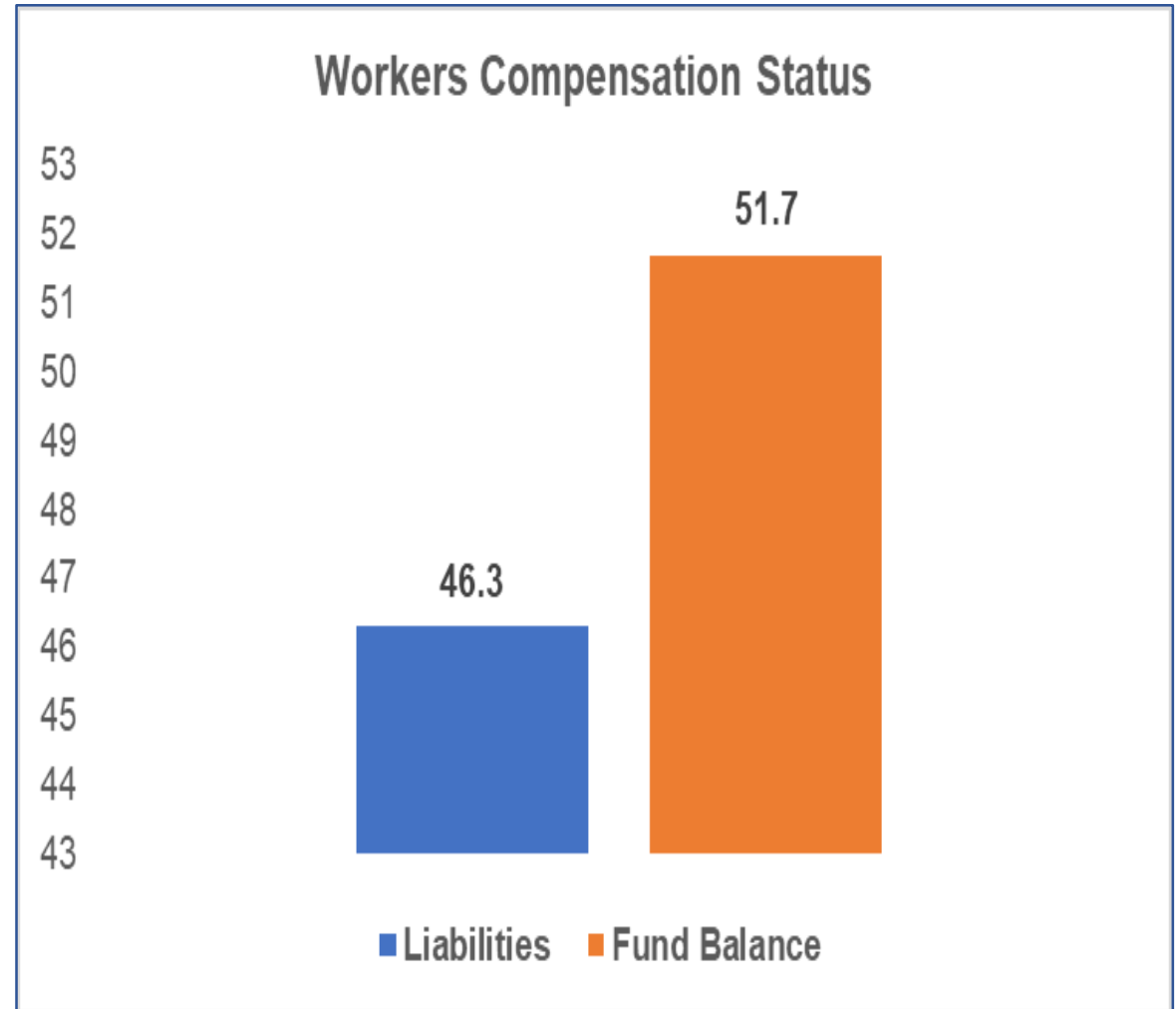
Funded Status:

- City provides post-retirement health insurance benefits through 4 plans
 - Miscellaneous
 - Fire
 - Police Retirement Income Plan (PERIP)
 - Police
- Retiree health plans are significantly underfunded
 - Funded status range from 6.93% to 51.22%
- Recommendation by actuarial for full pre-funding
 - \$8.8 million additional per year (over current payment of \$6.5M) for a total of \$15.3M
- More details on status and funding options in actuarial report and presentation

WORKERS COMPENSATION SUMMARY

Funded Status:

- Self-insured program
- Liabilities driven by claims costs, claims administration costs, program costs and program assets
- Liabilities at \$46.3M (6/30/23)
- Fund balance at \$51.7M (6/20/22)
- Improvement since 2021:
Liabilities of \$42.4M (6/30/21)
Fund balance of \$41.5M (6/30/20)



DEBT OBLIGATION SUMMARY

Summary:

- Includes 5 outstanding general obligation bond authorizations
- Oldest authorization from 1992
- Aggregate bond tax rate for FY 2023 is 0.0623 (\$62.30 for each \$100,000 in assessed value)
- Aggregate bond tax rate of 0.0540 in FY 2020 (last unfunded liabilities report)
- Historical peak of ~\$95 per \$100,000 in assessed value in the tax year 1999-2000

CONCLUSION & NEXT STEPS

Summary:

- Pension and Other Post Employment Benefits liabilities total \$614 million
- Projected structural deficit as pension costs increase

Action To Date:

- Council created Section 115 Pension Trust with target of \$5.5 million annually
- Council created fiscal policies to allocate funding into trust annually

▪ Next steps:

- Discuss funding recommendations by actuarial
- Council presentation on infrastructure needs
- Work with Budget and Finance Policy Committee to:
 - Incorporate funding recommendations into FY 2024 and beyond
 - Continue discussion on long-term options for unfunded liabilities and infrastructure