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# Projections of Future Liabilities

**City Council Work Session  
February 19, 2013**

# Resolution No. 65,7480-N.S.

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- ❖ Adopted May 29, 2012; directed publication of report every 2 years:
  - Employee/retiree benefit costs over 10 yrs
  - Costs for current active employees & over 10 yrs
  - Summary of current obligations (debt)
  - Summary of capital assets and infrastructure
    - Public Buildings/IT; 5 year costs
    - Streets & Roads; PCI of 75 in 5 years
    - Sewers/Storm Drains; 5 year costs

# Report Contributors

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- ❖ Human Resources
- ❖ Finance
- ❖ Parks, Recreation and Waterfront
- ❖ Public Works
- ❖ Information Technology
- ❖ NHA Financial Advisors
- ❖ John Bartel, Actuary

# PERS Employer Rate Projections

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	<b>CalPers Actuals FY 2013</b>	<b>CalPers Actuals FY 2014</b>	<b>Estimates FY 2015</b>
<b>Police</b>	42.0%	45.7%	45.9%
<b>Fire</b>	29.1%	31.5%	32.0%
<b>Miscellaneous</b>	19.2%	20.9%	21.1%

# PERS Funded Status

*(dollars in millions)*

Plan	Actuarial Estimated Liability	Plan Assets	% Funded on Actuarial Basis
Police	\$304.4	\$214.5	70%
Fire	\$208.3	\$177.3	85%
Miscellaneous	\$709.3	\$580.5	82%

# PERS payment projections, 10 years

## Future Payments to California Public Employees' Retirement System (dollars in millions)

	FY 13	FY14	FY15	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22
<b>Police</b>	9.5	10.3	10.3	10.6	10.9	11.2	11.6	11.9	12.2	12.5
<b>Fire</b>	4.7	5.0	5.0	5.2	5.5	5.7	5.9	6.1	6.3	6.5
<b>Misc*</b>	23.8	26.3	26.5	27.9	29.6	30.6	31.6	32.7	33.7	34.8
<b>TOTAL</b>	<b>38.0</b>	<b>41.6</b>	<b>41.8</b>	<b>43.7</b>	<b>46.0</b>	<b>47.5</b>	<b>49.1</b>	<b>50.7</b>	<b>52.2</b>	<b>53.8</b>

\* Includes 8% City paid employee contribution, which only applies to “classic employees”. The City does not pick up this cost for new employees.

# Annual Required Contribution v.s. Actual Contribution

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- ❖ Annual Required Contribution (ARC)
  - Amount determined by actuary that is needed to adequately fund the plan
  - Calculated based on a percent of estimated of payroll
- ❖ Actual Contribution
  - Calculated based on a percent of actual payroll

# Retiree Medical Costs ARC v.s. Pay-as-You Go

1	2	3	4	5	6	7
Valuation Date July 1, 2012	Actuarial Estimated Liabilities	Plan Assets	% Funded *	Actuarial Unfunded Liability	Annual Required Contribution (ARC)	Actual Contribution
<b>Police Supplemental Retirement and Income Plan (closed)</b>	\$ 41,452,818	\$ 6,246,804	15.07%	\$ 35,206,014	\$ 1,829,234	\$ 1,470,202
<b>Police Employees Retiree Health Plan (new)*</b>	\$ 17,255,382	\$ -	0.00%	\$ 17,255,382	\$ 2,347,270	\$ 21,745
<b>Police Sick Leave Conversion Health Benefits (closed)</b>	\$ 474,862	\$ 322,955	68.01%	\$ 151,907	\$ 61,139	\$ 61,139
<b>Fire Employees Retiree Health Plan</b>	\$ 12,017,316	\$ 6,348,008	52.82%	\$ 5,669,308	\$ 730,784	\$ 967,100
<b>Retiree Health Premium Assistance Plans (Non-Safety Members)</b>	\$ 36,543,741	\$ 12,655,994	34.63%	\$ 23,887,747	\$ 3,104,809	\$ 2,413,215

\* Actual amount funded as of July 1, 2012, not the funding target



# Payroll costs, 10 year projection

## No revenue consideration

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### Projected Payroll and Benefits Costs Over the Next Ten Years (dollars in millions)

	FY12	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22
Payroll	134.7	138.7	137.9	137.7	142.2	146.4	150.8	155.3	160.0	164.8	169.7
Benefits	76.5	79.3	84.6	87.5	92.7	98.2	103.3	108.7	114.3	120.3	126.5
<b>Total</b>	<b>211.2</b>	<b>218.0</b>	<b>222.5</b>	<b>225.2</b>	<b>234.9</b>	<b>244.6</b>	<b>254.1</b>	<b>264.0</b>	<b>274.3</b>	<b>285.1</b>	<b>296.2</b>

# Debt Obligations

## GO Bonds

Bond	Year	Amount	Outstanding	Maturity	FY 13 Tax Rate
<b>Meas. G</b>	1992	\$32.5M	\$13.57M	2027	.013%
<b>Meas. S</b>	1996	\$49M	\$32.985M	2029	.020%
<b>Meas. I</b>	2006	\$7.2M	\$6.925M	2038	.002%
<b>Meas. FF</b>	2008	\$26M	\$25.595M	2040	.012%
<b>Total</b>		<b>\$114.7M</b>	<b>\$79.075M</b>		<b>.047%</b>

# Public Buildings, 5 years

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- ❖ Five year projected costs: \$23M
- ❖ Five year projected budget: \$4M
- ❖ Need: \$19M
- ❖ Does not include
  - Maudelle Shirek Building (Old City Hall)
  - Vets Building
  - PRW: sports fields, courts, irrigation, landscaping

# Streets & Roads, 5 years to PCI of 75

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- ❖ Five year projected costs: \$65.7M
- ❖ Five year projected budget: \$26.1
- ❖ Need: \$39.6M
- ❖ Does not include:
  - Measure M \$30M—criteria under development including addition of Green Infrastructure
  - Additional regional or federal funding

# Sewer

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- ❖ Five year projected need: \$53M
- ❖ Five year project budget: \$63.4M
- ❖ Does not include:
  - Additional requirements from EPA Order and Consent Decree; still in negotiation
  - Could require consideration of fee increase

# Storm Drains

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- ❖ Five year projected need: \$49M
- ❖ Five year projected budget: \$11.6M
- ❖ Need: \$37.4M
- ❖ Includes:
  - Stormwater retention projects in Potter Watershed, excluding Aquatic Park

# Information Technology, 5 years

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- ❖ Funded replacements: PCs and Servers
- ❖ Unfunded replacements:
  - FUND\$; need \$6.6M
  - Telephone; need \$1.3M
  - Network; need \$300K

# Options: Employee Costs

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- ❖ Allocate benefits of refinancing to PERS payment increases (as directed October 2012)
- ❖ Allocate “savings” from decreasing SMPF costs to Retiree Medical plans
- ❖ Prepay PERS when economically reasonable



# Options: Infrastructure

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- ❖ Measure M funds to benefit Streets and Watershed
- ❖ Set-side non-recurring property transfer tax into Capital Improvement Fund (as directed in 2006)
- ❖ State/Regional grant funding opportunities
- ❖ Future Bonding Capacity

# Next Steps

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- ❖ March 5: PRW Budget Presentation
- ❖ March 19: Public Works/Capital Improvement Plan Budget Presentation
- ❖ May 7: FY 2014/FY 2015 Budget Presentation