

City of Calistoga

Staff Report

TO: Honorable Mayor and City Council Members
FROM: Dylan Feik, City Manager
DATE: May 15, 2018
SUBJECT: Consideration of a Resolution authorizing the City Manager to make a payment to CalPERS (California Public Employees' Retirement System) to be applied to the unfunded side fund liability and to approve a budget adjustment from the unappropriated fund balance of the Employee Future Benefits Fund in an amount not to exceed \$1,000,000

APPROVAL FOR FORWARDING:



Dylan Feik, City Manager

ISSUE: Consideration of a Resolution:

1. Authorizing the City Manager to make a payment to CalPERS (California Public Employees' Retirement System) in an amount not to exceed \$1,000,000 to be applied to the unfunded side fund liability
2. Approve a budget adjustment from the unappropriated fund balance of the Employee Future Benefits Fund in an amount not to exceed \$1,000,000 from account 96-XXXX-4422

RECOMMENDATION: Adopt the resolution.

BACKGROUND / DISCUSSION: The City currently pays into the CalPERS System for employees' retirement. City employees are eligible to participate in pension plans offered by CalPERS, an agent multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers.

CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The City's employees participate in the separate Safety (Police and Fire) and Miscellaneous (all other) employee plans. Benefit

22 provisions under both plans are established by State statute and City resolution.
23 Benefits are based on years of credited service, equal to one year of full-time
24 employment.

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26 Funding for CalPERS pension plans are calculated on PERSable pay (salaries
27 and other forms of compensation designated by law). There are two rates:
28 Employer Rates and Employee Rates. Each year, CalPERS creates actuarial
29 reports to determine the required Employer Rates for the upcoming Fiscal Year.
30 Because of the time it takes to create the actuarial reports for all CalPERS
31 agencies, data available on June 30th is used to set the Employer Rates two
32 years in the future. So the Employer Rates for FY 2017-18 are based on the
33 June 30th 2015 data.

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35 It is not unusual to have an unfunded liability, meaning that pension assets do
36 not meet pension obligations. This unfunded liability does cost the City in the
37 long run. The City is on a schedule to pay off the unfunded portion over the
38 next 30 years.

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40 A portion of the unfunded liability is made up of a "Side Fund", a fund that was
41 set up to account for the amount that the City is underfunded. The City's
42 current unfunded liabilities in the Side Fund at June 30, 2018 is valued at
43 \$1,362,939 for Miscellaneous and \$1,002,071 for Safety for a total of
44 \$2,365,010.

45
46 Since Fiscal Year 2012-13 the City has been setting aside funds in an Employee
47 Future Benefits Fund to apply towards the unfunded CalPERS liability. As of
48 June 30, 2018 the Employee Future Benefits Fund will have \$559,089 available
49 for the unfunded liability. Staff is recommending that an additional \$500,000
50 (earmarked in the FY 2018-19 budget) be transferred from the unappropriated
51 general fund reserves to the Employee Future Benefits Fund to make the \$1.0M
52 payment to CalPERS on or before May 30, 2017.

53
54 This is advantageous to pay off part of the side fund. The reduction of \$1.0M
55 towards the side fund will reduce the annual payment of both Safety and
56 Miscellaneous by \$98,000 annually. In June 2017, the City made a \$1.8M
57 payment towards the side fund resulting in estimated \$5.4M in savings over the
58 next 30 years.

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60 Staff recommends the City Council authorize the payment of \$1.0M to be
61 applied to the side fund to CalPERS before May 30, 2018. By making the
62 payment before May 30, 2018, it would allow CalPERS to adjust the Fiscal Year
63 2018-19 employer rates.

64
65 **CONSISTENCY WITH CITY COUNCIL GOALS AND OBJECTIVES:**

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Subject: \$1,000,000 Contribution to City Unfunded Pension Liability

Date: May 15, 2018 Regular City Council Meeting

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67 Goal 1: Maintain and enhance the economic vitality of the community and the
68 financial stability of the City.

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70 **FISCAL IMPACT:** Staff is recommending a budget transfer from the general
71 fund reserves account 01-4700-4799 to the employee benefits fund account 96-
72 3299 in the amount of \$500,000. Staff is also recommending a budget
73 adjustment of \$1,000,000 in the Fiscal Year 2017-18 Budget from the
74 unappropriated fund balance in account 96-4116-4422 in the amount of \$400,000
75 for Safety and the following accounts for the Miscellaneous plan Account 96-
76 4119-4422 in the amount of \$325,854; account 96-4131-4422 in the amount of
77 \$67,556; account 96-4132-4422 \$53,009; account 96-4135-4422 \$3,492; 96-
78 4141-4422 \$72,213 and account 96-4142-4422 in the amount of \$77,876.

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80 **ATTACHMENT:**

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82 1. Draft Resolution

RESOLUTION NO. 2018-XXX

1 RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CALISTOGA, COUNTY OF
2 NAPA, STATE OF CALIFORNIA, AUTHORIZING THE CITY MANAGER TO MAKE A
3 PAYMENT TO CALPERS (CALIFORNIA PUBLIC EMPLOYEES RETIREMENT
4 SYSTEM) TO BE APPLIED TO THE UNFUNDED SIDE FUND LIABILITY AND TO
5 APPROVE A BUDGET ADJUSTMENT FROM THE UNAPPROPRIATED FUND
6 BALANCE OF THE EMPLOYEE FUTURE BENEFITS FUND IN AN AMOUNT NOT TO
7 EXCEED \$1,000,000

8 WHEREAS, the City currently pays into the CalPERS systems for employee's
9 retirement. City employees are eligible to participate in pension plans offered by
10 CalPERS, an agent multiple employer defined benefit pension plan; and

11 WHEREAS, City employees participate in the separate Safety (Police and Fire)
12 and Miscellaneous (all other) employee plans and

13 WHEREAS, a portion of the retirement unfunded liability is made up of a "Side
14 Fund", a fund that was set up to account for the amount that the City is underfunded in
15 excess of risk pool in which the City participates and

16 WHEREAS, staff recommends the City Council authorize the payment of
17 \$1,000,000 to CalPERS before May 30, 2018, to be applied to the "Side Fund."

18 NOW, THEREFORE, BE IT HEREBY RESOLVED by the City Council of the City
19 of Calistoga as follows:

- 20 1. The City Manager is authorized to make a payment to CalPERS in an amount
21 not to exceed \$1,000,000 to be applied to the unfunded side fund liability.
- 22 2. A budget adjustment is approved from the unappropriated fund balance of the
23 Employee Future Benefits Fund from account 96-4116-4422 in the amount of
24 \$400,000 for Safety and the following accounts for the Miscellaneous plan
25 Account 96-4119-4422 in the amount of \$325,854; account 96-4131-4422 in
26 the amount of \$67,556; account 96-4132-4422 \$53,009; account 96-4135-
27 4422 \$3,492; 96-4141-4422 \$72,213 and account 96-4142-4422 in the
28 amount of \$77,876.
29

30 PASSED, APPROVED, AND ADOPTED by the City Council of the City of
31 Calistoga at a regular meeting held the 15th day of May 2018, by the following vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

CHRIS CANNING, Mayor

ATTEST:

KATHY FLAMSON, City Clerk