



CITY OF CALISTOGA

9

STAFF REPORT

TO: Honorable Mayor and City Council

FROM: Gloria Leon, Administrative Services Director

DATE: June 4, 2019

SUBJECT: Consideration of a Resolution ratifying 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

Approved by:

Handwritten signature of Michael Kirn in blue ink.

**MICHAEL KIRN, Acting City
Manager**

DESCRIPTION: Consider adoption of a resolution:

1. Ratifying 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: Consider adopting 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 provisions under both plans are established by State statute and City resolution.

Benefits are based on years of credited service, equal to one year of full-time employment.

Funding for CalPERS pension plans are calculated on PERSable pay (salaries and other forms of compensation designated by law). There are two rates: Employer Rates and Employee Rates. Each year, CalPERS creates actuarial reports to determine the required Employer Rates for the upcoming Fiscal Year. Because of the time it takes to create the actuarial reports for all CalPERS agencies, data available on June 30th is used to set the Employer Rates two years in the future. So, the Employer Rates for FY 2018-19 are based on the June 30th, 2016 data.

It is not unusual to have an unfunded liability, meaning that pension assets do not meet pension obligations. This unfunded liability does cost the City in the long run. The City is on a schedule to pay off the unfunded portion over the next 27 years.

A portion of the unfunded liability is made up of a "Side Fund", a fund that was set up to account for the amount that the City is underfunded. The City's current unfunded liabilities in the Side Fund at June 30, 2016 is valued at \$1,331,590 for Miscellaneous and \$961,907 for Safety for a total of \$2,293,497.

Since Fiscal Year 2012-13 the City has been setting aside funds in an Employee Future Benefits Fund to apply towards the unfunded CalPERS liability. As of June 30, 2019 the Employee Future Benefits Fund will have \$170,000 available for the unfunded liability. Staff discussed with the City Council at the workshop held on May 9, 2019 to consider transferring an additional \$830,000 (earmarked in the FY 2018-19 budget) from the unappropriated general fund reserves to the Employee Future Benefits Fund to make a \$1.0M payment to CalPERS on or before May 30, 2019. City Council members agreed with the recommendation to transfer the additional \$830,000 to the Employee Future Benefits Fund and payment of \$1.0M to CalPERS on or before May 30, 2019.

This is advantageous to pay off part of the side fund. The reduction of \$1.0M towards the side fund will reduce the annual payment of both Safety and Miscellaneous by \$110,000 annually.

During a Special City Council Meeting held on May 9, 2019 to conduct the Budget Workshop for Fiscal Year 2019-20 the City Council authorized staff, by consensus motion, to make a payment of \$1.0M to CalPERS no later than May 30, 2019 to be applied to the "Side Fund."

Based on this authorization, staff made a payment in the amount of \$1.0M to be applied to the side fund to CalPERS on May 29, 2019. By making the payment before May 30, 2019, it will allow CalPERS to adjust the Fiscal Year 2019-20 employer rates.

Funds for the side fund were disbursed from General Fund Reserves. There were no funds disbursed from the Enterprise Fund Reserves to pay for the unfunded side liability. Had funds been disbursed from the Enterprise Fund Reserves it would have required \$274,361.

The recommended Resolution ratifies the Council direction and authorization to staff to make the \$1.0M payment to CalPERS to be applied to the side fund and approves a Budget Adjustment to the Fiscal Year 2018-19 Budget in the amount of \$1.0M to fund the expenditure.

CONSISTENCY WITH CITY COUNCIL GOALS AND OBJECTIVES:

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

FISCAL IMPACT: Staff is recommending a budget transfer from the general fund reserves account 01-4700-4799 to the employee benefits fund account 3299 in the amount of \$830,000. Staff is also recommending a budget adjustment of \$1.0M in the Fiscal Year 2018-19 Budget from the unappropriated fund balance in account 96-4116-4422 in the amount of \$400,000 for Safety and the following accounts for the Miscellaneous plan Account 96-4119-4422 in the amount of \$325,639; account 96-4131-4422 in the amount of \$63,566; account 96-4132-4422 \$57,636; account 96-4135-4422 \$2,713; 96-4141-4422 \$64,176 and account 96-4142-4422 in the amount of \$86,270.

ATTACHMENTS:

1. Draft Resolution
2. May 14,2019 CalPERS Lump Sum Payment Request for Miscellaneous Plan
3. May 14,2019 CalPERS Lump Sum Payment Request for Safety Plan

RESOLUTION NO. 2019-XXX

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CALISTOGA, COUNTY OF NAPA, STATE OF CALIFORNIA, RATIFYING 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

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

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

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

WHEREAS, during the Special City Council Meeting held on May 9, 2019, to conduct the Budget Workshop for Fiscal Year 2019-2020, the City Council authorized staff by consensus motion to make a payment of \$1,000,000 to CalPERS no later than May 30, 2019 to be applied to the "Side Fund."

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

1. Ratifies the May 9, 2019 direction and authorization to the Acting City Manager to make a payment to CalPERS in an amount not to exceed \$1,000,000 to be applied to the unfunded side fund liability.
2. A budget adjustment is approved from the unappropriated fund balance of the Employee Future Benefits Fund from account 96-4116-4422 in the amount of \$400,000 for Safety and the following accounts for the Miscellaneous plan Account 96-4119-4422 in the amount of \$325,639; account 96-4131-4422 in the amount of \$63,566; account 96-4132-4422 \$57,636; account 96-4135-4422 in the amount of \$2,713; 96-4141-4422 in the amount of \$64,176 and account 96-4142-4422 in the amount of \$86,270.

PASSED, APPROVED, AND ADOPTED by the City Council of the City of Calistoga at a regular meeting held this **4th day of JUNE 2019**, by the following vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

CHRIS CANNING, Mayor

ATTEST:

IRENE CAMACHO-WERBY, City Clerk



California Public Employees' Retirement System
Actuarial Office
 P.O. Box 942709
 Sacramento, CA 94229-2709
 TTY: (916) 795-3240
 (888) 225-7377 phone • (916) 795-2744 fax
www.calpers.ca.gov

May 14, 2019

CalPERS ID: 2327822217
 Employer Name: City of Calistoga
 Rate Plan: Miscellaneous Plan [808]

Re: Lump Sum Payment to reduce the Unfunded Actuarial Liability

Dear Requestor:

As requested, 2019-2020 employer contribution rate information on your lump sum payment follows.

If you are aware of others interested in this information (i.e. payroll staff, county court employees, port districts, etc.), please inform them.

The information is based on the most recent annual valuation and assumes payment *by May 31, 2019 and* no further contractual or financing changes taking effect before June 30, 2019. The Unfunded Liability will be reduced or eliminated by a lump sum payment in the amount of **\$600,000**. The payment will be applied to the Side Fund base. These amounts reflect payment made on May 23, 2018 of \$600,000.

There will be no change to your 2018-19 contributions.

Valuation as of June 30, 2017	Pre-Payment	Post Payment
Projected 6/30/2019 Total Unfunded Liability ¹	\$ 5,628,380	
Payment on 5/31/2019	\$ 600,000	
Revised 6/30/2019 Total Unfunded Liability¹		\$ 5,025,036
2019-2020 Employer Contributions		
Base Total Normal Cost for Formula	18.774%	18.774%
Surcharges for Class 1 Benefit		
a) FAC 1	0.609%	0.609%
Phase out of Normal Cost Difference	0.000%	0.000%
Plan's Total Normal Cost	19.383%	19.383%
Formula's Expected Employee Contribution Rate	7.951%	7.951%
Employer Normal Cost Rate	11.432%	11.432%
Payment on Asset (Gain)/Loss 6/30/16 base	\$ 70,793	\$ 12,831
Payment on all other bases	328,670	328,670
2019-2020 Employer Unfunded Liability Payment	\$ 399,463	\$ 341,501

¹Calculated amounts were projected from June 30, 2018 to June 30, 2019 based on a discount rate of 7.00%, which will be used in the June 30, 2018 valuation, rather than the 7.25% used in the June 30, 2017 valuation.

Required Employer Contribution		Fiscal Year
		2019-20
	Employer Normal Cost Rate	11.432%
<i>Plus Either</i>		
	1) Monthly Employer Dollar UAL Payment	\$ 28,458.42
<i>Or</i>		
	2) Annual UAL Prepayment Option	\$ 329,756
<p><i>The total minimum required employer contribution is the sum of the Plan's Employer Normal Cost Rate (expressed as a percentage of payroll) plus the Employer Unfunded Accrued Liability (UAL) Contribution Amount (billed monthly in dollars).</i></p> <p><i>Only the UAL portion of the employer contribution can be prepaid (which must be received in full no later than July 31). Plan Normal Cost contributions will be made as part of the payroll reporting process. If there is contractual cost sharing or other change, this amount will change.</i></p> <p><i>In accordance with Sections 20537 and 20572 of the Public Employees' Retirement Law, if a contracting agency fails to remit the required contributions when due, interest and penalties may apply.</i></p>		

To initiate this change, the enclosed Lump Sum Payment Request must be completed and returned to the Fiscal Services Division with a wire transfer or a check by May 31, 2019. A copy should be sent to us.

If you have questions, please call (888) CalPERS (225-7377).

Julian M Robinson

JULIAN ROBINSON, FSA, EA, MAAA
Senior Pension Actuary, CalPERS

LUMP SUM PAYMENT REQUEST

Please complete and return this form to the following address:

CalPERS – FRAS
ATTN: Cashiers Unit
P.O. Box 942703
Sacramento, CA 94229-2703

Or return via e-mail to FCSD_public_agency_wires@calpers.ca.gov

If a wire transfer is being used, it should go to the following account:

ABA#0260-0959-3

Bank of America Sacramento Main
555 Capitol Mall, Suite 1555
Sacramento, CA 95814

For credit to State of CA, CalPERS
Account # 01482-80005

Please e-mail FCSD_public_agency_wires@calpers.ca.gov and your actuary on the day of the wire to ensure timely crediting to your account. Any individual wire totaling over \$5,000,000 requires a 72 hour notice.

Employer Name: City of Calistoga

CalPERS ID: 2327822217

Member Group or Plan: Miscellaneous Plan

Rate Plan ID: 808

Amount: **\$ 600,000**

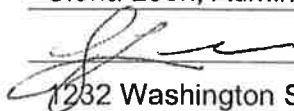
Purpose:	Pay Down Unfunded Liability
Base(s) to which payment is applied:	Side Fund

In recognition of our payment please revise our required employer contribution effective July 1, 2019:

Name and Title: (Please Print):

Gloria Leon, Administrative Services Director

Signature:



Date: 05/22/2019

Mailing Address:

1232 Washington Street

City/State/Zip:

Calistoga, CA 94591

Telephone Number:

707-942-2803

Fax Number: 707-942-2831

E-mail Address:

gleon@ci.calistoga.ca.us

Internal use only

Fiscal Services verification Date Received _____ Amount Received _____

PERS01F0036 DMC (02-2009) Reference # _____ Name and Date: _____



California Public Employees' Retirement System
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May 14, 2019

CalPERS ID: 2327822217
 Employer Name: City of Calistoga
 Rate Plan: Safety Plan [809]

Re: Lump Sum Payment to reduce the Unfunded Actuarial Liability

Dear Requestor:

As requested, 2019-2020 employer contribution rate information on your lump sum payment follows.

If you are aware of others interested in this information (i.e. payroll staff, county court employees, port districts, etc.), please inform them.

The information is based on the most recent annual valuation and assumes payment *by May 31, 2019 and* no further contractual or financing changes taking effect before June 30, 2019. The Unfunded Liability will be reduced or eliminated by a lump sum payment in the amount of **\$400,000**. The payment will be applied to the Side Fund base. These amounts reflect payment made on May 23, 2018 of \$400,000.

There will be no change to your 2018-19 contributions.

Valuation as of June 30, 2017	Pre-Payment	Post Payment
Projected 6/30/2019 Total Unfunded Liability ¹	\$ 3,596,211	
Payment on 5/31/2019	\$ 400,000	
Revised 6/30/2019 Total Unfunded Liability¹		\$ 3,193,982
2019-2020 Employer Contributions		
Base Total Normal Cost for Formula	27.914%	27.914%
Surcharges for Class 1 Benefit		
a) FAC 1	1.145%	1.145%
Phase out of Normal Cost Difference	<u>0.000%</u>	<u>0.000%</u>
Plan's Total Normal Cost	29.059%	29.059%
Formula's Expected Employee Contribution Rate	<u>8.986%</u>	<u>8.986%</u>
Employer Normal Cost Rate	20.073%	20.073%
Payment on Asset (Gain)/Loss 6/30/16 base	\$ 66,056	\$ 19,537
Payment on all other bases	190,992	190,992
2019-2020 Employer Unfunded Liability Payment	\$ 257,048	\$ 210,529

¹Calculated amounts were projected from June 30, 2018 to June 30, 2019 based on a discount rate of 7.00%, which will be used in the June 30, 2018 valuation, rather than the 7.25% used in the June 30, 2017 valuation.

Required Employer Contribution		Fiscal Year
		2019-20
	Employer Normal Cost Rate	20.073%
<i>Plus Either</i>		
	1) Monthly Employer Dollar UAL Payment	\$ 17,544.08
<i>Or</i>		
	2) Annual UAL Prepayment Option	\$ 203,289
<p><i>The total minimum required employer contribution is the sum of the Plan's Employer Normal Cost Rate (expressed as a percentage of payroll) plus the Employer Unfunded Accrued Liability (UAL) Contribution Amount (billed monthly in dollars).</i></p> <p><i>Only the UAL portion of the employer contribution can be prepaid (which must be received in full no later than July 31). Plan Normal Cost contributions will be made as part of the payroll reporting process. If there is contractual cost sharing or other change, this amount will change.</i></p> <p><i>In accordance with Sections 20537 and 20572 of the Public Employees' Retirement Law, if a contracting agency fails to remit the required contributions when due, interest and penalties may apply.</i></p>		

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If a wire transfer is being used, it should go to the following account:

ABA#0260-0959-3

Bank of America Sacramento Main
555 Capitol Mall, Suite 1555
Sacramento, CA 95814

For credit to State of CA, CalPERS
Account # 01482-80005

Please e-mail FCSD_public_agency_wires@calpers.ca.gov and your actuary on the day of the wire to ensure timely crediting to your account. Any individual wire totaling over \$5,000,000 requires a 72 hour notice.

Employer Name: City of Calistoga

CalPERS ID: 2327822217

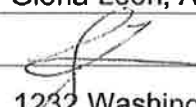
Member Group or Plan: Safety Plan

Rate Plan ID: 809

Amount: **\$ 400,000**

Purpose:	Pay Down Unfunded Liability
Base(s) to which payment is applied:	Side Fund

In recognition of our payment please revise our required employer contribution effective July 1, 2019:

Name and Title: (Please Print): Gloria Leon, Administrative Services Director
Signature:  Date: 05/20/2019
Mailing Address: 1232 Washington Street
City/State/Zip: Calistoga, CA 94515
Telephone Number: 707-942-2803 Fax Number: 707-942-2831
E-mail Address: gleon@ci.calistoga.ca.us

Internal use only		
Fiscal Services verification	Date Received _____	Amount Received _____
PERS01F0036 DMC (02-2009)	Reference # _____	Name and Date: _____