



**CITY OF SOUTH PASADENA
CITY COUNCIL**

A G E N D A
SPECIAL MEETING
WEDNESDAY, NOVEMBER 10, 2021 AT 6:00 P.M.

CITY COUNCIL CHAMBERS
1424 MISSION STREET, SOUTH PASADENA, CA 91030

South Pasadena City Council Statement of Civility

As your elected governing board, we will treat each other, members of the public, and city employees with patience, civility and courtesy as a model of the same behavior we wish to reflect in South Pasadena for the conduct of all city business and community participation. The decisions made tonight will be for the benefit of the South Pasadena community and not for personal gain.

NOTICE ON PUBLIC PARTICIPATION & ACCESSIBILITY

Pursuant to Government Code Section 54953, subdivision (e)(3), the City Council may conduct its meetings remotely and be held via video conference. The City Council may allow public participation to continue via live public comment conducted over ZOOM.

The Meeting will be available

- Live Broadcast via the website – http://www.spectrumstream.com/streaming/south_pasadena/live.cfm
- Via Zoom – <https://us06web.zoom.us/j/82599992830>
- **Webinar ID: 825 9999 2830**

To maximize public safety while still maintaining transparency and public access, members of the public can observe the meeting via Zoom in one of the three methods below.

1. Go to the Zoom website, <https://zoom.us/join> and enter the Zoom Meeting information; or
2. Click on the following unique Zoom meeting link:
<https://us06web.zoom.us/j/82599992830>or
3. You may listen to the meeting by calling: +1-669-900-6833 and entering the Zoom Meeting ID and Passcode when prompted.

For additional Zoom assistance with telephone audio, you may find your local number at:
<https://zoom.us/u/aiXV0TAW2>

CALL TO ORDER:	Mayor	Diana Mahmud
ROLL CALL:	Mayor	Diana Mahmud
	Mayor Pro Tem	Michael Cacciotti
	Councilmember	Jack Donovan
	Councilmember	Jon Primuth
	Councilmember	Evelyn G. Zneimer
PLEDGE OF ALLEGIANCE:	Mayor	Diana Mahmud

PUBLIC COMMENT AND SUGGESTIONS Pursuant to Government Code Section 54954.3, public comment is limited to items on the special meeting agenda only.

The City Council welcomes public input, public comment will only be available at the beginning of the meeting and limited to items on the special agenda. Members of the public may participate **by means of one of the following options:**

Option 1:
Participate in-person at the City Council Chambers.

Option 2:
Participants will be able to “raise their hand” using the Zoom icon during the meeting, and they will have their microphone un-muted during comment portions of the agenda to speak for up to 3 minutes per item.

Option 3:
Email public comment(s) to ccpubliccomment@southpasadenaca.gov.
Public Comments received in writing will not be read aloud at the meeting, but will be part of the meeting record. Written public comments will be uploaded online for public viewing under Additional Documents. There is no word limit on emailed Public Comment(s). Please make sure to indicate:
1) Name (optional), and
2) Agenda item you are submitting public comment on.
3) Submit by no later than 2:00 p.m., on Wednesday, November 10, 2021.

STUDY SESSION

- 1. **UPDATE ON CURRENT CAPITAL IMPROVEMENT PROGRAM (CIP) PROJECTS AND DISCUSSION OF FISCAL YEAR 2022 – 2026 CIP PROJECTS**

DISCUSSION

- 2. **A. PRESENTATION OF GENERAL RESERVE FUND BALANCES**
B. CELL TOWER REVENUE DESIGNATION

ADJOURNMENT

FOR YOUR INFORMATION

**FUTURE CITY COUNCIL MEETINGS
(OPEN SESSION)**

November 17, 2021	Regular City Council Meeting	Council Chamber	7:00 p.m.
December 01, 2021	Regular City Council Meeting	Council Chamber	7:00 p.m.

PUBLIC ACCESS TO AGENDA DOCUMENTS AND BROADCASTING OF MEETINGS

City Council meeting agenda packets, any agenda related documents, and additional documents are available online for public inspection on the City’s website: <https://www.southpasadenaca.gov/government/city-council-meetings/2021-council-meetings>.

Regular meetings are live streamed via the internet at:
http://www.spectrumstream.com/streaming/south_pasadena/live.cfm

AGENDA NOTIFICATION SUBSCRIPTION

If you wish to receive an agenda email notification please contact the City Clerk’s Division via email at CityClerk@southpasadenaca.gov or call (626) 403-7230.

ACCOMMODATIONS



The City of South Pasadena wishes to make all of its public meetings accessible to the public. If special assistance is needed to participate in this meeting, please contact the City Clerk’s Division at (626) 403-7230 or CityClerk@southpasadenaca.gov. Upon request, this agenda will be made available in appropriate alternative formats to persons with disabilities. Notification at least 48 hours prior to the meeting will assist staff in assuring that reasonable arrangements can be made to provide accessibility to the meeting (28 CFR 35.102-35.104 ADA Title II).

CERTIFICATION OF POSTING

*I declare under penalty of perjury that I posted this notice of agenda for the meeting to be held on **November 10, 2021**, on the bulletin board in the courtyard of City Hall at 1414 Mission Street, South Pasadena, CA 91030, and on the City’s website as required by law, on the date listed below.*

11/09/2021

Christina Muñoz

Date

Christina Muñoz, Acting Deputy City Clerk



CAPITAL IMPROVEMENT PROGRAM (CIP) Fiscal Years 2022-2026

Finance, Management Services, & Public Works Departments



Agenda Overview

- Introduction
- What is a CIP?
- CIP Project Status
- Looking Ahead: Fiscal Years 2022-2026



WHAT IS A CIP?





CAPITAL IMPROVEMENT PROGRAM (CIP)



- The community's vision for short- and long-range development, maintenance, improvement and building of new infrastructure assets to benefit local residents, businesses, property owners and visitors.
- Provides a linkage between the General Plan, various master planning documents and the Annual Budget.
- Displays Council approved projects and attached funding
- Plans are generally a 5-year window/updated annually
- Required to have CIP, per Gov't Code Section 65403



What type of items go into a CIP?



- Streets/roads/traffic and signal
- Infrastructure (new and rehabilitations)
- Large scale technology if citywide (not routine computer purchases)
- Parks and trailways
- Lengthy projects spanning multiple fiscal years



Non-CIP Projects/Assets



- Routine capital purchases (vehicles, computers, etc.)
- Stand-alone studies
- Ongoing maintenance of streets, sidewalks, facilities
- Single-year projects of low dollar amounts



“THE PROCESS”



- During budget compilation process City takes input from City Council, community and staff as to what projects should be included in CIP
- Budget sessions are open to the public for community input
- City Council/Staff finalize list of CIP projects
- Draft CIP also presented to various Commissions (Planning, Finance, etc.)
- In June, as part of the regular budget process, City Council adopts the final list of CIP projects
- The 5-year CIP is included in the Annual Budget



CIP BUDGETING TIPS



- Once Council approves concept/funding for project, approval is required.
- Staff should periodically take project/funding updates to Council only seeking appropriation if new/additional funds are needed.
- The current year's adopted CIP budget should only show new monies appropriated for the fiscal year.
- Carryover funds may be displayed separately in the final budget document to better explain plan for each project
- 5-Year plan with Year 1 being adopted/Years 2-5 information only
- Staff holds regular CIP update meetings (internally)



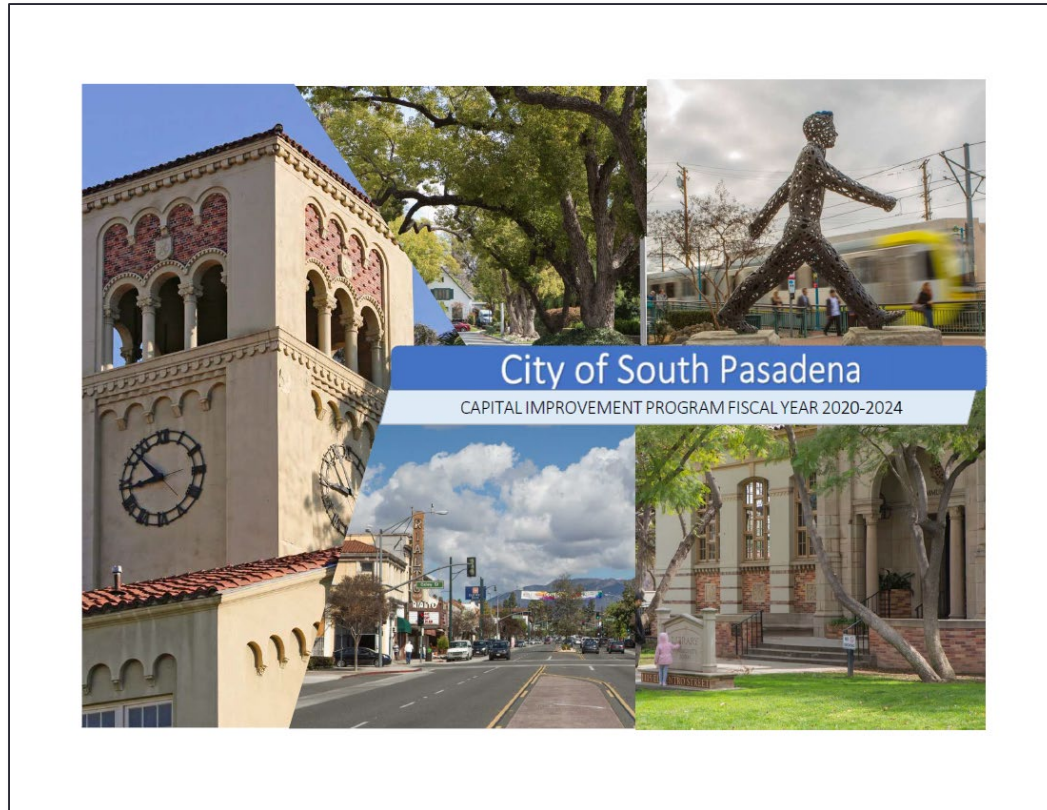
“BASIC CIP FORMAT”

PROJECT	Carryovers	APPROVED BUDGET	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTAL
A	\$2	\$10	\$4	\$2			\$ 16
B		6	6	1	2	2	17
C		4	3	3	6	5	21
	\$2	\$20	\$13	\$6	\$8	\$7	\$ 54

QUESTIONS?



Previous CIP



- City's previous CIP was adopted in June 2019
- It covered a 5-year period starting with Fiscal Year 2019-2020, and included 26 Projects across 8 categories



Previous CIP Project Status

Building & Facilities

Compressed Natural Gas (CNG) System Upgrade
Municipal Buildings and Facilities Repairs

Completed
Carried Forward w/ Revised Scope

Information Technology

VoIP Phone System Installation
Workstation/Device Replacements / Network Equipment Upgrades

Carried forward to FY 22-23
Moved to O&M Budget

Parks

Berkshire Pocket Park
Grevalia Pocket Park

Carried forward to FY 21-22
Carried forward to FY 21-22

Sewer

Sewer Line Repairs & Replacements
Sewer Master Plan and Sanitary Sewer Management Plan

Carried forward to FY 22-23
Pending Completion Jan 2022

Stormwater

Rio Hondo Load Reduction Strategy
Stormwater Projects Concept, Feasibility and Strategy Development for Grants

Carried forward to FY 22-23
In Progress



Previous CIP Project Status

Streets

Preventative Maintenance: Cap and Slurry Seal	Ongoing
Citywide Sidewalk ADA Improvements	Discussed in Additional Projects
Street Improvement Projects	Ongoing
Neighborhood Management Traffic Plan	Future Council Item
Pedestrian Crossing Enhancements	Carried forward to FY 21-22
Mission Street Pedestrian Improvement Project	Moved to O&M Budget
Columbia St/Pasadena Ave Turn Lanes, Columbia St/Orange Grove Ave Striping	Carried forward to FY 21-22

Transportation & Traffic

Monterey Road and Orange Grove Signal	Completed
Fair Oaks Avenue Signal Synchronization	Ongoing
Garfield Avenue and Monterey Road Signal	Carried forward to FY 21-22
Garfield Avenue and Oak Street Signal	Carried forward to FY 21-22

Water

Graves Reservoir	Completed
Water Master Plan	Pending Completion Jan 2022
Waterline Replacement	Ongoing
Huntington & Fair Oaks Turf Removal & Landscape	Completed
City Hall Impervious Surface Removal & Drought Tolerant Landscape	Completed

Previous CIP Completed Projects



CNG Station



City Hall HVAC System



Monterey & Orange
Grove

Previous CIP Completed Projects



Graves
Reservoir



City Hall Landscaping



Huntington & Fair Oaks Turf Removal
1 - 15



FY 2022-2026 CIP

For Discussion

Capital Improvement Projects

DRAFT

Acct	Name / Title	Recommended		Proposed	Proposed	Proposed	Proposed	Total Proposed
		Appropriated	Adjustment (+/-)					
		2021/2022	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	5-Year
Total		\$ 18,913,986	\$ 3,231,800	\$ 18,891,354	\$ 92,051,650	\$ 18,272,665	\$ 8,819,463	\$ 316,905,836
Building & Facilities								Total \$ 1,628,310
9010	HVAC Civic Center, Sr. Center, Police Dept. Project	\$ 359,810 *	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 359,810
9407	CMMS/Work Order System/GIS	\$ 50,000	\$ + 70,000	\$ -	\$ -	\$ -	\$ -	\$ 120,000
9258	WMB Floor Resurfacing - 2022	\$ 20,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,500
9404	City Hall Security Enhancement	\$ 100,000	\$ - 100,000	\$ -	\$ -	\$ -	\$ -	\$ -
9406	Natural Gas Compressor Repair	\$ 28,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,000
TBD	Citywide Facilities Assessment & Repairs	\$ -	\$ + 100,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 1,100,000
Community Development								Total \$ 195,000
TBD	Permit Mgmt Software	\$ -	\$ -	\$ 150,000	\$ -	\$ -	\$ -	\$ 150,000
TBD	Digital Records Scanning & Document Mgmt	\$ -	\$ -	\$ 45,000	\$ -	\$ -	\$ -	\$ 45,000
Information Technology								Total \$ 930,000
TBD	VoIP Phone System Installation	\$ -	\$ -	\$ 200,000	\$ 20,000	\$ 200,000	\$ 60,000	\$ 480,000
TBD	CAD / RMS	\$ 50,000 *	\$ -	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 450,000
Library								Total \$ 971,200
TBD	Library Security Camera System	\$ -	\$ + 16,200	\$ -	\$ -	\$ -	\$ -	\$ 16,200
TBD	Library Exterior Park Lighting	\$ -	\$ -	\$ 220,000	\$ -	\$ -	\$ -	\$ 220,000
TBD	Library Public Restrooms Expansion/Remodel	\$ -	\$ -	\$ 240,000	\$ -	\$ -	\$ -	\$ 240,000
TBD	Cooling Center Backup HVAC Unit	\$ -	\$ -	\$ -	\$ 20,000	\$ -	\$ -	\$ 20,000
TBD	Library Emergency Solar Backup & Storage System	\$ -	\$ -	\$ -	\$ 475,000	\$ -	\$ -	\$ 475,000

* FY 2021-2022 projects with asterisks were appropriated additional funds in 2021 after the FY 2021-2022 CIP Budget was adopted



FY 2022-2026 CIP

For Discussion

Capital Improvement Projects

DRAFT

Acct	Name / Title	Recommended Mid-Year Net		Proposed 2022/2023	Proposed 2023/2024	Proposed 2024/2025	Proposed 2025/2026	Total Proposed 5-Year
		Appropriated 2021/2022	Adjustment (+/-) 2021/2022					
Total		\$ 18,913,986	\$ 3,231,800	\$ 18,891,354	\$ 92,051,650	\$ 18,272,665	\$ 8,819,463	\$ 316,905,836
Parks								Total \$ 3,078,025
9263	Grevalia & Berkshire Pocket Parks	\$ 178,025 *	\$ -	\$ 825,000	\$ -	\$ -	\$ -	\$ 1,003,025
TBD	Garfield Park Fitness Equipment	\$ -	\$ -	\$ 450,000	\$ -	\$ -	\$ -	\$ 450,000
TBD	Arroyo Park Fitness Equipment	\$ -	\$ -	\$ 75,000	\$ -	\$ -	\$ -	\$ 75,000
TBD	Eddie Park Restrooms	\$ -	\$ -	\$ 100,000	\$ -	\$ -	\$ -	\$ 100,000
TBD	Park Master Plan	\$ -	\$ -	\$ 100,000	\$ -	\$ -	\$ -	\$ 100,000
TBD	Recreation Facilities Key System	\$ -	\$ -	\$ 100,000	\$ -	\$ -	\$ -	\$ 100,000
TBD	Arroyo Walking Trail	\$ -	\$ -	\$ -	\$ -	\$ 200,000	\$ -	\$ 200,000
TBD	Orange Grove Gazebo	\$ -	\$ -	\$ 150,000	\$ -	\$ -	\$ -	\$ 150,000
TBD	Garfield Gazebo	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 200,000	\$ 200,000
TBD	Eddie Park Playground Replacement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 150,000	\$ 150,000
TBD	Garfield Park Playground Replacement	\$ -	\$ -	\$ -	\$ 200,000	\$ -	\$ 150,000	\$ 350,000
TBD	Orange Grove Park Playground Replacement	\$ -	\$ -	\$ 200,000	\$ -	\$ -	\$ -	\$ 200,000
Public Safety Police								Total \$ 190,000
TBD	PD Locker Room Remodel	\$ -	\$ -	\$ 175,000	\$ -	\$ -	\$ -	\$ 175,000
TBD	PD Front Counter/Lobby Remodel	\$ -	\$ -	\$ 15,000	\$ -	\$ -	\$ -	\$ 15,000
Public Safety Fire								Total \$ 1,075,000
TBD	FD Replacement of Air Utility 81	\$ -	\$ -	\$ -	\$ 700,000	\$ -	\$ -	\$ 700,000
TBD	FD Replacement of Rescue Ambulance 81	\$ -	\$ -	\$ -	\$ -	\$ 250,000	\$ -	\$ 250,000
TBD	FD Self-Contained Breathing Apparatus (SCBA)	\$ -	\$ -	\$ -	\$ 125,000	\$ -	\$ -	\$ 125,000

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FY 2022-2026 CIP

For Discussion

Capital Improvement Projects

DRAFT

Acct	Name / Title	Recommended Mid-Year Net		Proposed 2022/2023	Proposed 2023/2024	Proposed 2024/2025	Proposed 2025/2026	Total Proposed 5-Year
		Appropriated 2021/2022	Adjustment (+/-) 2021/2022					
Total		\$ 18,913,986	\$ 3,231,800	\$ 18,891,354	\$ 92,051,650	\$ 18,272,665	\$ 8,819,463	\$ 316,905,836
Sewer								Total \$ 2,234,734
TBD	Citywide CCTV Inspection & Cleaning	\$ -	\$ + 16,600	\$ 16,600	\$ 16,600	\$ 16,600	\$ 16,600	\$ 83,000
TBD	Sewer System Repair, Rehabilitation, & Replcmnt	\$ -	\$ -	\$ 637,601	\$ 484,711	\$ 484,711	\$ 484,711	\$ 2,091,734
TBD	Sewer Rate Study	\$ -	\$ + 60,000	\$ -	\$ -	\$ -	\$ -	\$ 60,000
Stormwater								Total \$ 8,320,228
TBD	Arroyo Seco San Rafael & San Pascual Projects	\$ -	\$ -	\$ 1,214,953	\$ 3,528,202	\$ 3,528,202	\$ -	\$ 8,271,357
TBD	Rio Hondo LRS - Alhambra Wash Diversion	\$ -	\$ -	\$ 4,887	\$ 43,984	\$ -	\$ -	\$ 48,871
Streets								Total \$ 13,860,854
9203	Street Repairs	\$ 2,313,936 *	\$ -	\$ 2,500,000	\$ 2,500,000	\$ 2,500,000	\$ 2,500,000	\$ 12,313,936
9264	Sidewalk Repairs	\$ 216,597	\$ -	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 1,216,597
9354	Monterey Road Improvements	\$ 127,321 *	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 127,321
TBD	Street Lights LED Upgrade & Pole Rehab/Replc	\$ -	\$ -	\$ 119,000	\$ 84,000	\$ -	\$ -	\$ 203,000
Sustainability								Total \$ 1,660,000
9395	Charging Station	\$ 114,000	\$ - 114,000	\$ -	\$ -	\$ -	\$ -	\$ -
9402	City Hall Level 3 EV Charger	\$ 90,000 *	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 90,000
9407	Climate Action Plan	\$ 120,000	\$ -	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 520,000
TBD	Civic Center EV Charger Installation	\$ -	\$ + 250,000	\$ -	\$ -	\$ -	\$ -	\$ 250,000
TBD	Civic Center Solar Panel Installation	\$ -	\$ -	\$ 600,000	\$ -	\$ -	\$ -	\$ 600,000
TBD	Parks Facilities EV Charger Installation	\$ -	\$ + 50,000	\$ -	\$ -	\$ -	\$ -	\$ 50,000
TBD	Urban Forest Master Plan	\$ -	\$ -	\$ 150,000	\$ -	\$ -	\$ -	\$ 150,000

* FY 2021-2022 projects with asterisks were appropriated additional funds in 2021 after the FY 2021-2022 CIP Budget was adopted



FY 2022-2026 CIP

For Discussion

Capital Improvement Projects

DRAFT

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		Appropriated	Adjustment (+/-)					
		2021/2022	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	5-Year
Total		\$ 18,913,986	\$ 3,231,800	\$ 18,891,354	\$ 92,051,650	\$ 18,272,665	\$ 8,819,463	\$ 316,905,836
Transportation & Traffic								Total \$ 91,725,834
9191	Orange Grove Signal	\$ 22,767 *	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,767
9192	Fair Oaks Fiber Optics Signal Synchronization	\$ 744,804 *	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 744,804
9210	SR-110 and Fair Oaks Avenue Interchange Study	\$ 800,000 *	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 800,000
9278	Fair Oaks ITS Project	\$ 11,203,563 *	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,203,563
9351	Flashing Beacons	\$ 43,540 *	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 43,540
TBD	Fremont/Huntington Mobility Active Trans Project	\$ -	\$ -	\$ 6,056,160	\$ -	\$ -	\$ -	\$ 6,056,160
TBD	Measure M Traffic Improvement Projects	\$ -	\$ +1,700,000	\$ -	\$ -	\$ 340,000	\$ 340,000	\$ 2,380,000
TBD	Fair Oaks SR-110 Interchange (loop/hook ramp)	\$ -	\$ -	\$ -	\$ 70,000,000	\$ -	\$ -	\$ 70,000,000
TBD	Local Roadway Safety Plan (LRSP)	\$ -	\$ +45,000	\$ -	\$ -	\$ -	\$ -	\$ 45,000
TBD	Traffic Signal Controller & Cabinet Replacement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 330,000	\$ 330,000
TBD	Citywide Signage Replacement	\$ -	\$ -	\$ 35,000	\$ 25,000	\$ 20,000	\$ 20,000	\$ 100,000
Water								Total \$ 32,583,733
9289	Graves Reservoir	\$ 116,557 *	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 116,557
9300	Water Main Repairs	\$ 1,134,628 *	\$ -	\$ 2,904,152	\$ 2,904,152	\$ 2,904,152	\$ 2,904,152	\$ 12,751,238
9403	Integrated Water & Wastewater	\$ 349,938 *	\$ -100,000	\$ -	\$ -	\$ -	\$ -	\$ 249,938
9408	Raymond & Bilikie Elevated Tanks Decomsn Study	\$ 80,000	\$ -	\$ 120,000	\$ -	\$ -	\$ -	\$ 200,000
9409	Westside Reservoir Design/Construction	\$ 650,000 *	\$ -550,000	\$ 550,000	\$ 9,000,000	\$ 5,500,000	\$ 500,000	\$ 15,650,000
TBD	Water Rate Study	\$ -	\$ +60,000	\$ -	\$ -	\$ -	\$ -	\$ 60,000
TBD	Water Facility Site Improvements	\$ -	\$ -	\$ 88,000	\$ 50,000	\$ 254,000	\$ 264,000	\$ 656,000
TBD	Advanced Metering Infrastructure (AMI)	\$ -	\$ -	\$ 150,000	\$ 1,175,000	\$ 1,175,000	\$ -	\$ 2,500,000
TBD	SCADA Upgrade	\$ -	\$ -	\$ -	\$ -	\$ 200,000	\$ 200,000	\$ 400,000

* FY 2021-2022 projects with asterisks were appropriated additional funds in 2021 after the FY 2021-2022 CIP Budget was adopted



Planning for 2022-2026 CIP

- Understand what has been appropriated for FY 2021-2022
- Recommend additional appropriations to Mid-Year Budget for January to June 2022
- Plan for FY 2022-2023 Projects & realign to the Annual Budget Schedule
- Consider strategic planning for next 5 years

Acct	Name / Title	Appropriated	Recommended Mid-Year Net Adjustment (+/-)	Proposed	Proposed	Proposed	Proposed	Total Proposed
		2021/2022	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	5-Year



Additional Projects

Funding Not Yet Identified – Approximate Estimates Listed

- **Facilities**

- A comprehensive City facilities Assessment is needed that also includes space planning and security concerns.
- Previous 2017 Facility Condition Assessment Report identified immediate building and facility repairs need of \$2.1M and total need of \$3.7M through 2027.

- **Transportation**

- Implementing Neighborhood Traffic Management Plan (\$ TBD)
- Implementing Ramona Neighborhood Traffic Management Plan (\$ TBD)
- Identified Intersection Improvements Beyond Measure M Funding (~ \$3M)
- Sidewalk & ADA Improvements (\$ TBD)
- Citywide Active Transportation Plan (~ \$300k)
- Citywide Traffic Forecast Model (~ \$150k)



Additional Projects

Funding Not Yet Identified – Approximate Estimates Listed

- Water

- City's approximately 80 miles of water distribution pipelines will need replacement over the next 30 years:
 - 16.3 miles from 2021-2030 at a cost of \$27M (included in 5-Yr CIP)
 - 25.5 miles from 2031-2040 at a cost of \$48M
 - 36 miles from 2041-2050 at a cost of \$69M
 - Total 30-year cost of \$144M (costs are in 2021 dollars)
- Draft OneWater 2050 Master Plan & previous 2017 Water Rate Study identified multiple future projects

- Sewer

- 2.4 miles of the City's 56 miles of sewer collection pipelines will need replacement over the next 10 years at an approximate cost of \$4.2M.
- From 2030 to 2050, sewer replacement costs are estimated at approximately \$500,000 per year.
- In total, sewer infrastructure needs of over 30 years are \$14.2M (in 2021 dollars).

Additional Projects

Funding Not Yet Identified – Approximate Estimates Listed

- Sustainability
 - Climate Action Plan Implementation (~ \$2M)
- Stormwater (Measure W Potential Funding)
 - Arroyo Seco Lower Arroyo Park Infiltration Basin (~ \$10,862,500)
 - Arroyo Seco Golf Course Wetland Facility (~ \$7,432,500)
 - Arroyo Seco Golf Course Driving Range Wetland/Infiltration (~ \$5,262,500)
 - Huntington Drive Regional Green Street (~ \$5,500,000)
 - Camino Verde Stormwater Treatment/Infiltration Projects (~ \$1,800,000)
- Parks
 - Arroyo Park Sports Complex Renovations (~ \$750,000)
 - Orange Grove Sports Complex Renovations (~ \$750,000)

Questions

FUND BALANCE 101





“THE ACCOUNTING GOLDEN RULE”

ASSETS = LIABILITIES + EQUITY

In governmental accounting:

ASSETS = LIABILITIES + FUND BALANCE





FIVE COMPONENTS OF FUND BALANCE

- Non-spendable
- Restricted
- Committed
- Assigned
- Unassigned





FUND BALANCE COMPONENTS

“Non-spendable”

Not in spendable form such as:

- Supplies
- Inventory
- Long-term receivables
- Long term properties held for legal reasons
- Prepaid items
- Endowment Fund principal





FUND BALANCE COMPONENTS

“Restricted”

Restricted by external entities:

- Grantors/Creditors
- Laws/regulations of other governments
- Legislation/regulations
- Self-imposed Fund Balance requirements





FUND BALANCE COMPONENTS

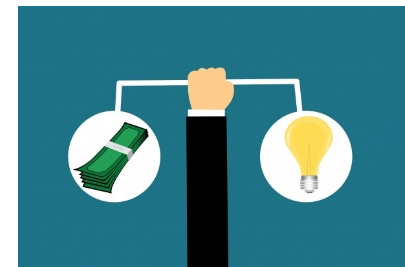
“Committed”

Self-imposed constraints on use of funds:

- Requires direct action on part of City Council
- Lapse with the passage of time
- Do not remain binding indefinitely
- Subject to annual renewal/review
- Budget approval does not annually commit funds
- Designation used for short-term planning



FUND BALANCE COMPONENTS



“Assigned”

Earmarking of funds not requiring Council designation

- Less formal can be assigned by staff
- Can be assigned by staff after the reporting period
- Commonly used for Purchase Orders payable at year-end
- Provision of funds for commitments at year end

“Unassigned”

Funds free and clear of restrictions/available for appropriation



6/30/2020 DESIGNATIONS

Non-Spendable:

Advances/Inventories

\$305,396

Committed to:

Capital projects

\$5,526,943



Assigned to:

Stables Reserve

\$20,739

Unassigned:

\$12,700,662

Total Fund Balance

\$18,553,740



“COMMITTED” DETAIL



Arroyo Golf Course Facility	\$600,000
Cal-Trans vacant lot purchases	\$392,000
Legal Services Reserve	\$500,000
Library Expansion	\$200,000
Maintenance Yard/Comm. Center Reserve	\$267,067
Renewable Energy Sources	\$700,000
Retiree Medical Benefits	\$500,000



“COMMITTED “ DETAIL



Retiree Pension Benefits	\$	500,000
Stormwater Reserve		600,000
Library Park Drainage Reserve		22,000
Fiscal Sustainability Reserve		900,000
Slater Reimbursement Reserve		<u>345,876</u>
Total	\$	5,526,943



“WHAT DO WE NEED TO DO ?”

- 4 of 5 designations (“Non-spendable, Restricted, Assigned and Unassigned”) are verified through annual audit
- However “Committed” should be periodically reviewed and updated
- “Committed” is completely at the City’s discretion
- “Unassigned” is the most desirable status





City Council Agenda Report

ITEM NO. 2B

DATE: November 10, 2021
FROM: Arminé Chaparyan, City Manager *AC*
PREPARED BY: Ken Louie, Interim Director of Finance
SUBJECT: Cell Tower Revenue Designation

Recommendation

It is recommended that the City Council give direction on the use of the Cell Tower Revenue.

Background

During Fiscal Year 2020-2021, the City Council approved a new cell tower lease that resulted in the City receiving a one-time payment of \$4,374,439, in lieu of receiving annual payments. When the funds were received, the City Council asked the Finance Commission to research and give direction on the most prudent use of these funds. The City Council and Finance Commission would later concur on the use of these funds to pay down pension liability with CalPERS ("PERS") and Other Post-Employment Benefits (OPEB). The City then secured the services of Bartel Associates, LLC ("Bartel") to perform a thorough analysis of both the City's pension obligations as well as the City's OPEB obligations. Upon completion of their analysis (actuarial and financial), they provided a detailed breakdown and payment options to the Finance Commission at the Commission's regularly scheduled meeting of September 23, 2021. At that meeting, after hearing the complete presentation, the Commission came to agreement on a specific recommendation to be forwarded to the City Council.

Discussion/Analysis

The City of South Pasadena has two major PERS plans (Miscellaneous and Safety) and three Public Employees' Pension Reform Act ("PEPRA") plans (Miscellaneous, Police, and Fire). The PEPRA plans by definition are self-funding by the ensuring that employees pay their share of retirement costs. Conversely, the Miscellaneous plan is 71% funded with an Unfunded Liability of \$15.5 million. The Safety plan is 68% funded with an Unfunded Liability of \$30.2 million. Additionally, the City has a liability with regards to its Other Post-Employment Benefits (OPEB) that are underfunded by \$17.4 million.

Commission Review

The Finance Commission has made the formal recommendation as to the usage of the \$4.3 million Cell Tower revenue. The recommendation is to put \$600,000 in a trust to account for the future OPEB liability with the balance (\$3.7+ million) to be paid directly to PERS to help offset the Unfunded Liability.

Fiscal Impact

Depositing \$600,000 of these funds in to a trust for OPEB and simultaneously depositing the balance (\$3.7+ million) with PERS will net an annual savings of \$275,000 when comparing the 7% value of a PERS deposit to the current .5% earned in LAIF.

Public Notification of Agenda Item

The public was made aware that this item was to be considered this evening by virtue of its inclusion on the legally publicly noticed agenda, posting of the same agenda and reports on the City's website.

Attachments:

1. September 23, 2021 Finance Commission Staff Report
2. Bartel Associates Report

ATTACHMENT 1

September 23, 2021 Finance Commission Staff Report

DATE: September 23, 2021

FROM: Ken Louie, Interim Finance Director

SUBJECT: **Funding Alternatives for Pension and Other Post-Employment Benefits Liability (OPEB)**

Recommendation

It is recommended that the Finance Commission make a recommendation to the City Council regarding the Commission's preferred funding alternative and funding amount.

Discussion/Analysis

Bartel Associates, LLC ("Bartel") has been secured to perform a thorough analysis of both the City's pension obligations as well as the City's OPEB obligations. Upon completion of their analysis (actuarial and financial) they will provide the City a detailed breakdown and recommendation. At the time of this report, Bartel has not submitted their report or recommendations but still plan to make a full presentation at this meeting. The report will be forwarded to the Commission as soon as it is received.

Background

The City provides government employee pensions through the California Public Employee Retirement System (CalPERS). In addition, pursuant to law and various memorandum of understanding with the City's bargaining units, eligible employees may receive reimbursement of health insurance costs. The health insurance reimbursements are "Other Post-Employment Benefits" or OPEB. There are on-going annual and "long term" costs associated with the provision of OPEB and pensions. The City Council has been aware of these looming liabilities, and previously requested that the Finance Commission evaluate funding alternatives to assist in paying for these costs. In addition, this item is listed on the Finance Commission's 2021 Work Plan.

During Fiscal Year 2020-2021, the City Council approved a new cell tower lease that resulted in the City receiving a one-time payment of \$4,374,439, in lieu of receiving annual payments. When the funds were received, the City Council asked the Finance Commission to comment on the possible use of these one-time funds. When the Finance Commission reviewed the budget for the current fiscal year, one of the discussion items was the possible use of these funds. There was Commission concurrence that the Council should consider using the entirety of the cell tower revenues towards the pension and OPEB liabilities. This was reported back to the City

Council as part of the FY 2022 Budget approval process. As of this date, the City Council has not made a final determination regarding the use of the cell tower funds, however, the Council did direct staff to pull the revenue out of Undesignated General Fund Reserves, and allocate the funds to a new General Fund Designated Reserve, Cell Tower Revenue. The intent was to keep these funds separate until the Council takes formal action to spend the funds.

In addition to the one-time cell tower revenues, the City will be receiving one-time Federal COVID recovery funds, known as ARPA funding. The ARPA funding is currently estimated at \$6,059,235. Before allocating any of these one-time funding sources, the Council embarked on a strategic planning process that will among other things, assist in allocating these funds. Information regarding the strategic planning process can be found at the two links below:

<https://www.southpasadenaca.gov/Home/Components/News/News/2677/714?backlist=%2f>

<https://www.southpasadenaca.gov/government/departments/management-services/strategic-plan>

Members of the public and Finance Commissioners are encouraged to participate. The goal is to use the strategic plan to lead into the preparation of the budget and allocation of these one-time funds.

In order to be prepared for the upcoming planning process, additional information needed to be prepared regarding the City's funding alternatives for its pension and OBEB liabilities, and to provide information about future liability if additional funds, above the annual amounts required, were allocated. The City Manager authorized staff to secure the services of Bartel Associates to assist in preparing the financial analysis. In order to have a potential funding amount, staff asked Bartel Associates to assume the use of the \$4 million allocation, as this amount is roughly the amount of the cell tower revenues.

Fiscal Impact

The cost of the services provided by Bartel Associates, is \$23,000. The agreement was previously approved by the City Manager, and funds were included in the FY 2021-2022 Annual Budget for this expense (Finance Department, Contract Services 101-3010-3011-8180).

Public Notification of Agenda Item

The public was made aware that this item was to be considered this evening by virtue of its inclusion on the legally publicly noticed agenda, posting of the same agenda and reports on the City's website.

Attachments

1. Bartel Associates Report – To be forwarded separately

ATTACHMENT 2
Bartel Associates Report



BARTEL
ASSOCIATES, LLC

**CITY OF SOUTH PASADENA
MISCELLANEOUS AND SAFETY PLANS**

**CalPERS Actuarial Issues – 6/30/20 Valuation
Preliminary Results**

Mary Elizabeth Redding, Vice President

Bianca Lin, Assistant Vice President

Matthew Childs, Actuarial Analyst

Bartel Associates, LLC

September 23, 2021

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DEFINITIONS

■ CalPERS

- Established in 1932
- Basis is in California Government Code
- 2.1 million members
 - 639,000 public agency members (not State or school employees)
 - 1,563 public agencies
 - \$485 billion assets (9/20/2021)
 - Largest US pension fund



DEFINITIONS

■ CalPERS

- Administers CalPERS pension plans in accordance with State law and Board policies
 - List of pension benefits offered is in State law
 - CalPERS calculates benefits, pays retirees, and tracks all data
 - CalPERS collects contributions from employees and employers
- CalPERS actuaries determine required contributions, in accordance with Board policies
- CalPERS invests the funds in accordance with Board policies
- www.calpers.ca.gov



DEFINITIONS

■ CalPERS Board

- Meets monthly in Sacramento
- 13 Board members:

Elected by Members (6)

Public Agency members
School members
State members
Retirees
All members (2)

Ex Officio (4)

State Treasurer
State Controller
Director of CA. Dept of Human Resources
Representative of State Personnel Board

Appointed (3)

Appointed by Governor – elected official of a local government
Appointed by Governor – official of a life insurer
Appointed by Speaker of Assembly and Senate Rules Committee –
public representative



DEFINITIONS

■ CalPERS Defined Benefit Promise:

- At retirement, employees receive a monthly annuity for life
 - Final average pay (monthly) x years of service x factor
 - Cost of living increase up to 2% per year
- City employees have no Social Security



DEFINITIONS

■ Member Contributions

- Specified in law
 - Classics hired before 2013 = specified % of PERSable pay (7% or 9%)
 - PEPRA hired 2013 and later = ½ cost of benefits earned each year

■ City Contributions – Total required amount minus Member contributions



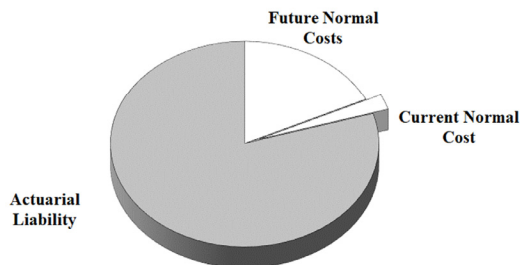
September 23, 2021 **DRAFT**

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DEFINITIONS

Present Value of Benefits
June 30, 2020



■ Current Normal Cost (NC):

- Value of benefits earned during current year

■ Actuarial Liability (AAL):

- Value now of benefits earned to date [value of past service benefit]

■ Target - Have money in the fund to cover Actuarial Liability

■ Unfunded Liability (UAL) - Money short of target at valuation date

- If all actuarial assumptions were always exactly met, then the plan assets would always equal AAL
- Any difference is the unfunded (or overfunded) AAL
- Every year, the actuary calculates the difference between the expected UAL and Actual UAL. This is a new layer or amortization base
- Each new layer gets amortized (paid off) over a period of time as part of the contribution [rate]



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DEFINITIONS

Basic Pension Rule:

Benefits + Expenses

=

Contributions* + Investment Earnings

* **Employee + Employer**



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HOW WE GOT HERE

- Investment Losses
- CalPERS Contribution Policy
- Enhanced Benefits
- Demographics



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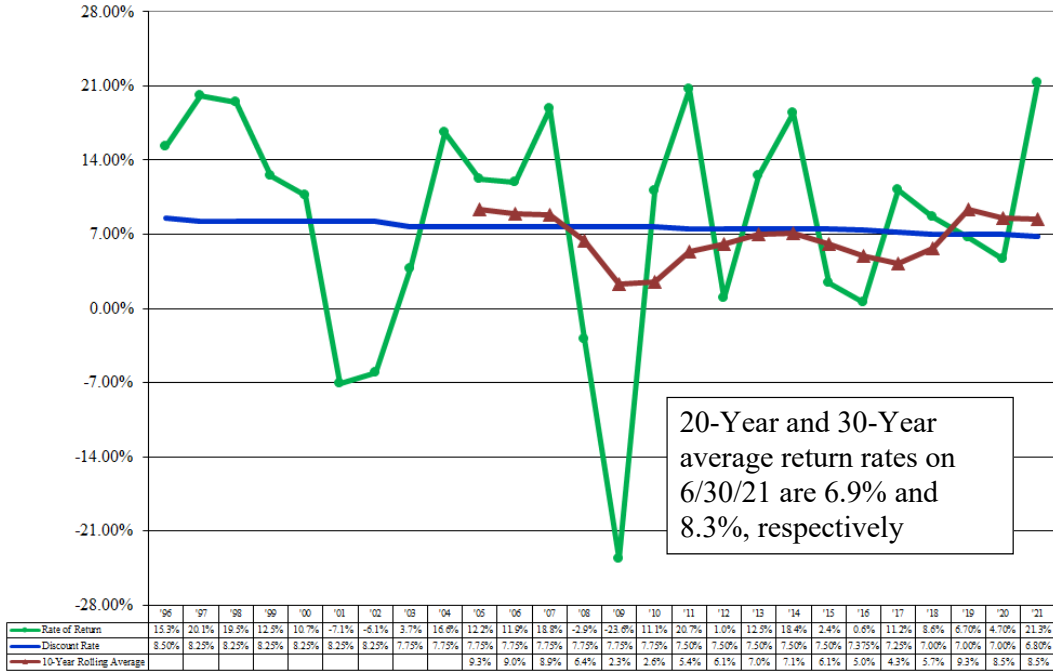
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HOW WE GOT HERE – INVESTMENT RETURN

Annual Return on Market Value of Assets



Returns (after 2001) shown are gross returns, unreduced for administrative expenses, from CalPERS valuation reports, when available. The discount rate is based on expected returns net of administrative expenses.



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HOW WE GOT HERE – OLD CONTRIBUTION POLICY

- Effective with 2003 valuations:
 - Slow (15 year) recognition of investment losses into funded status
 - Rolling 30 year amortization of all (primarily investment) losses

- Designed to:
 - First smooth rates and
 - Second pay off UAL

- Mitigated contribution volatility



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HOW WE GOT HERE – ENHANCED BENEFITS

- At CalPERS, Enhanced Benefits implemented using all (future & prior) service
- Typically not negotiated with cost sharing
- City of South Pasadena **did not** adopt Enhanced Benefits

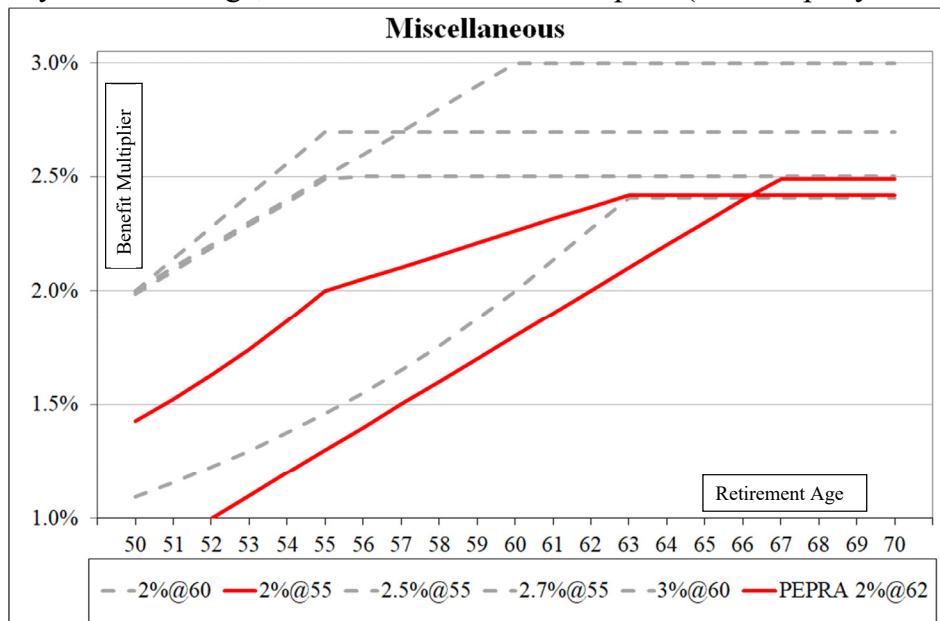
	Tier 1	PEPRA
● Miscellaneous	2%@55 FAE1	2%@62 FAE3
● Safety Police & Fire	2%@50 FAE1	2.7%@57 FAE3

- Note:
 - FAE1 is highest one year (typically final) average earnings
 - FAE3 is highest three years (typically final three) average earnings
- PEPRA tier implemented for new employees hired after 1/1/13
 - Employee pays half of total normal cost
 - 2021 Compensation limit
 - Social Security participants: \$128,059
 - Non-Social Security participants: \$153,671 (City of South Pasadena is not in Social Security)

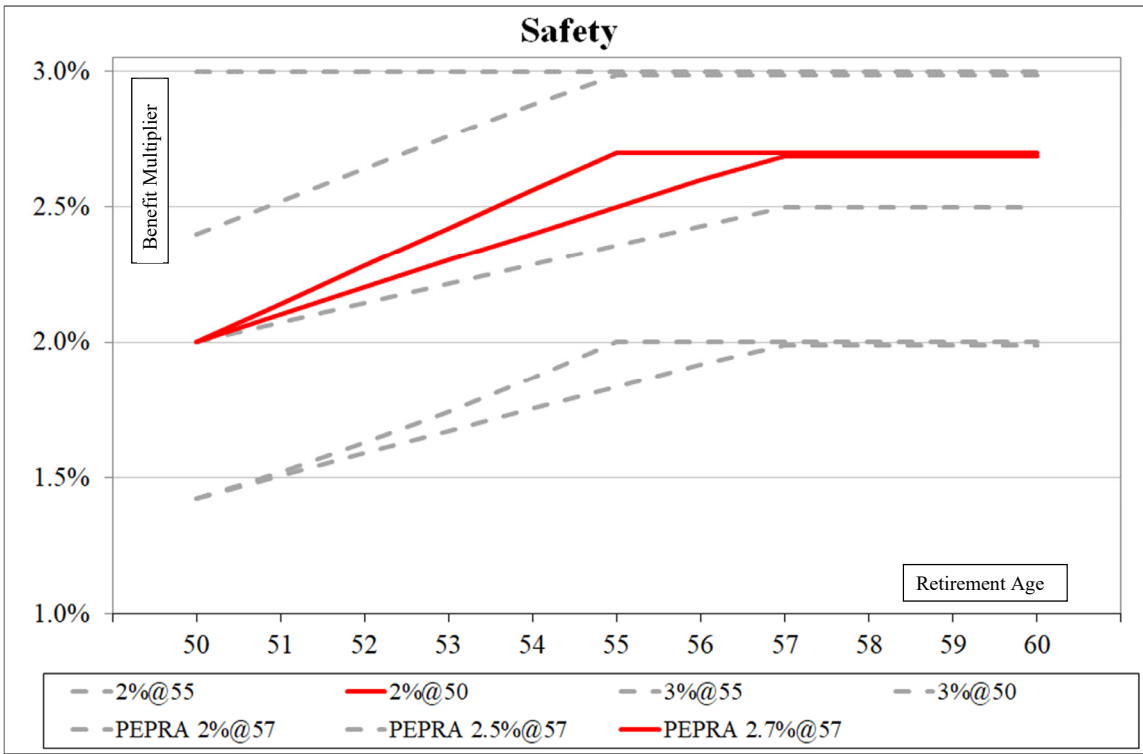


HOW WE GOT HERE – ENHANCED BENEFITS

- Available CalPERS Benefit formulas. City of South Pasadena formulas shown in red.
- For any retirement age, chart shows benefit multiplier (% FAE per year of service)



HOW WE GOT HERE – ENHANCED BENEFITS



HOW WE GOT HERE – DEMOGRAPHIC

- Around the State
 - Large retiree liability compared to actives
 - State public agency average: 57% for Miscellaneous, 66% for Safety as of 6/30/2019.
 - Declining active population and increasing number of retirees
 - Higher percentage of retiree liability increases contribution volatility

- City of South Pasadena percentage of liability belonging to retirees:
 - Miscellaneous 53%
 - Safety 67%



CALPERS CHANGES

- Recent contribution policy changes:
 - No asset smoothing
 - No rolling amortization
 - 20-year, level dollar amortization of post-2018 gains, losses, & changes
 - 5-year ramp up for investment gains and losses
 - CalPERS Board changed the discount rate:

	<u>Rate</u>	<u>Initial Impact</u>	<u>Full Impact</u>
<input type="checkbox"/> 6/30/16 valuation	7.375%	18/19	22/23
<input type="checkbox"/> 6/30/17 valuation	7.25%	19/20	23/24
<input type="checkbox"/> 6/30/18 valuation	7.00%	20/21	24/25

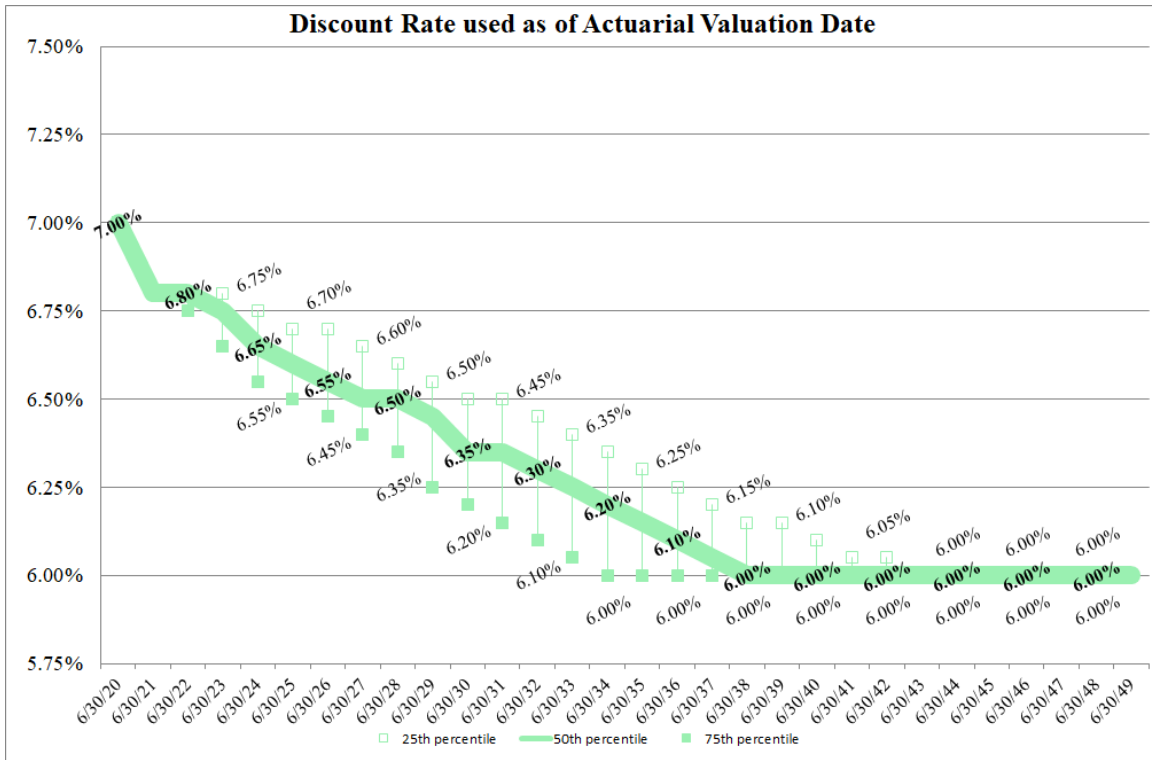


CALPERS CHANGES

- Risk Mitigation Strategy
 - Move to more conservative investments over time to reduce volatility
 - Only when investment return is better than expected
 - Lower discount rate in concert
 - Essentially use ≈50% of investment gains to pay for cost increases
 - Likely get to 6.0% discount rate over 20+ years
 - Risk mitigation suspended from 6/30/16 to 6/30/18 valuation
 - Did not trigger for 6/30/19 or 6/30/20 valuations
 - Will trigger for 6/30/21 valuation – 6.8% discount rate
- In the November 2021 meeting, CalPERS Board will adopt new
 - Capital Market Assumptions
 - Discount rate and investment allocation
 - Discount rate expected to be equal to or lower than 6.8%
 - We expect the same or higher investment risk than current portfolio
 - Experience study (Demographic assumptions)



CALPERS CHANGES



CALPERS CHANGES

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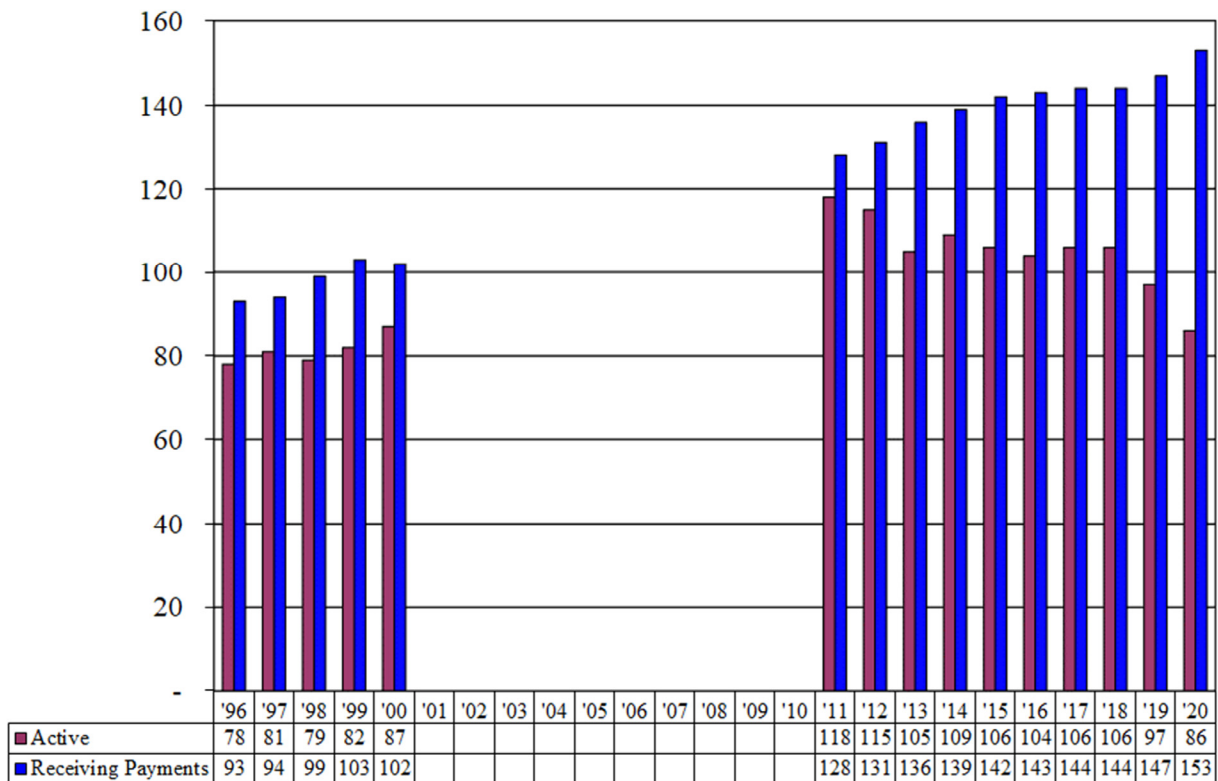


SUMMARY OF DEMOGRAPHIC INFORMATION - MISCELLANEOUS

	2011	2016	2019	2020
Actives				
■ Counts	118	104	97	86
■ Average PERSable Wages	\$ 47,900	\$ 59,600	\$ 58,300	\$ 72,600
■ Total PERSable Wages	5,700,000	6,200,000	5,700,000	6,200,000
Inactive Members				
■ Counts				
• Transferred (working at another CalPERS agency)	92	103	115	123
• Separated	79	89	120	135
• Receiving Payments	128	143	147	153



SUMMARY OF DEMOGRAPHIC INFORMATION - MISCELLANEOUS



PLAN FUNDED STATUS - MISCELLANEOUS

	<u>June 30, 2019</u>	<u>June 30, 2020</u>
■ Actuarial Accrued Liability		
● Active	\$12,200,000	\$12,200,000
● Retiree	26,000,000	28,200,000
● Inactive	<u>12,700,000</u>	<u>13,300,000</u>
● Total	50,900,000	53,700,000
■ Assets	<u>36,400,000</u>	<u>38,200,000</u>
■ Unfunded Liability	14,500,000	15,500,000
■ Funded Ratio	71.6%	71.1%
■ Average funded ratio for CalPERS Public Agency Miscellaneous Plans	72.2%	N/A

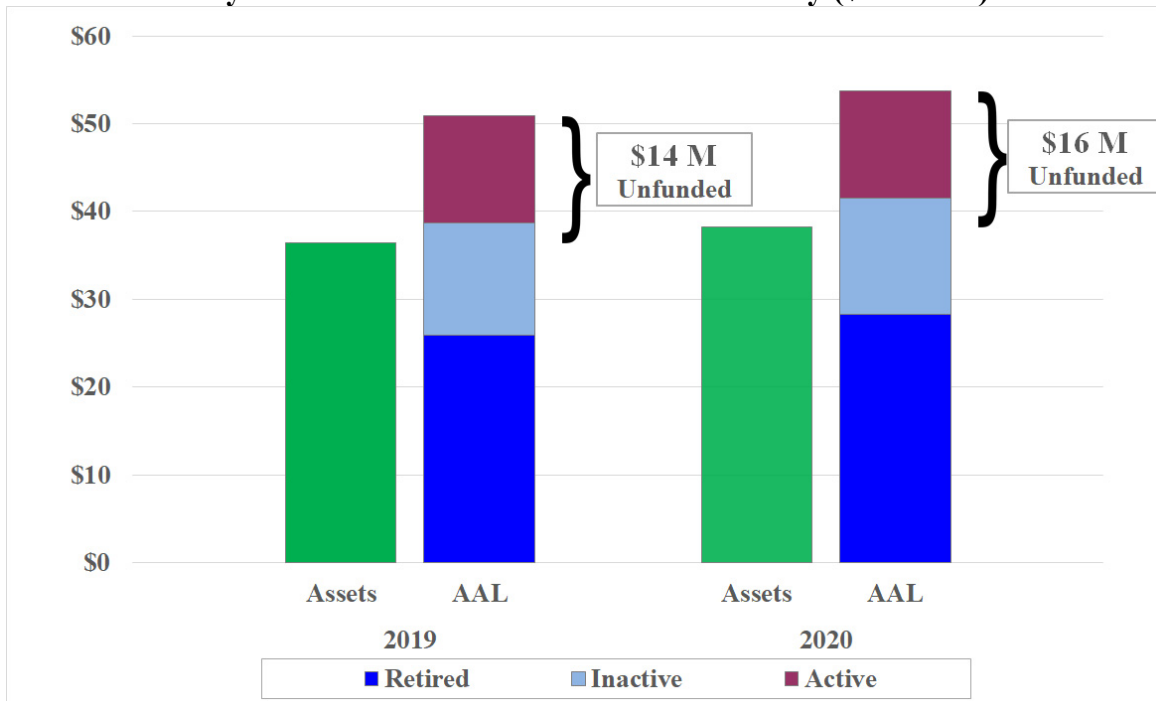


September 23, 2021 **DRAFT**



PLAN FUNDED STATUS - MISCELLANEOUS

City CalPERS Assets and Actuarial Liability (\$Millions)



September 23, 2021 **DRAFT**



PLAN FUNDED STATUS - MISCELLANEOUS

Discount Rate Sensitivity June 30, 2020

	<u>Discount Rate</u>		
	<u>7.00%</u>	<u>6.50%¹</u>	<u>6.00%</u>
AAL	\$53,700,000	\$57,600,000	\$61,400,000
Assets	<u>38,200,000</u>	<u>38,200,000</u>	<u>38,200,000</u>
Unfunded Liability	15,500,000	19,400,000	23,200,000
Funded Ratio	71.1%	66.3%	62.2%

¹ Estimated by Bartel Associates.

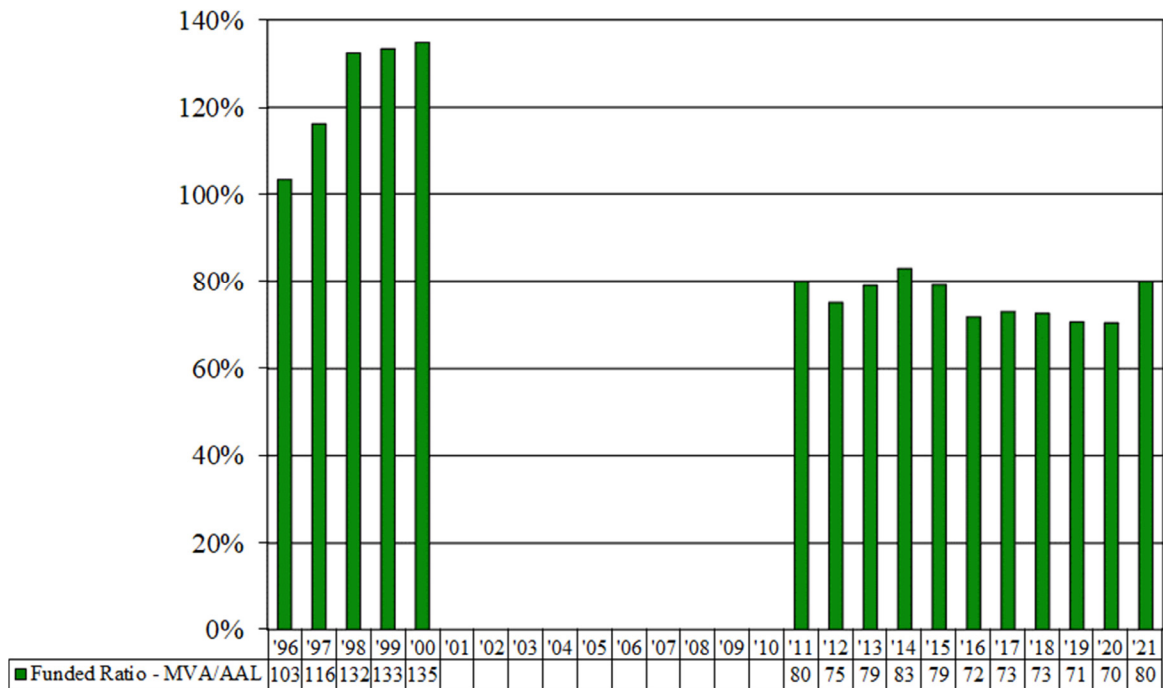


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FUNDED RATIO - MISCELLANEOUS



6/30/21 funded status estimated

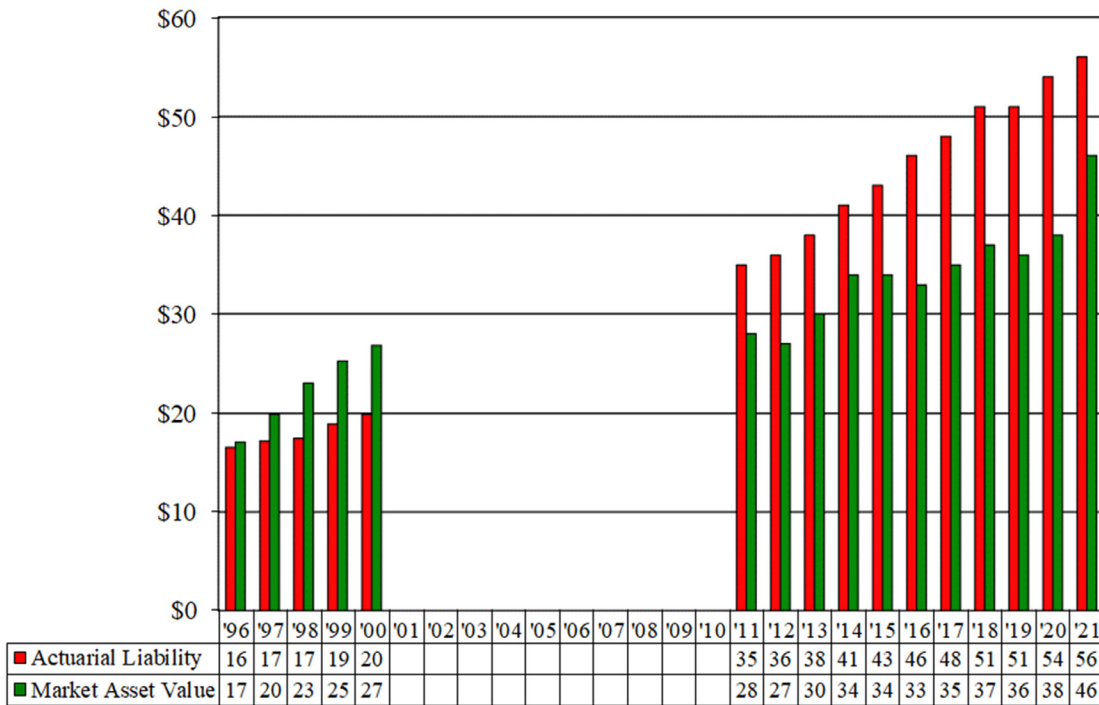


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FUNDED STATUS (THOUSANDS) - MISCELLANEOUS



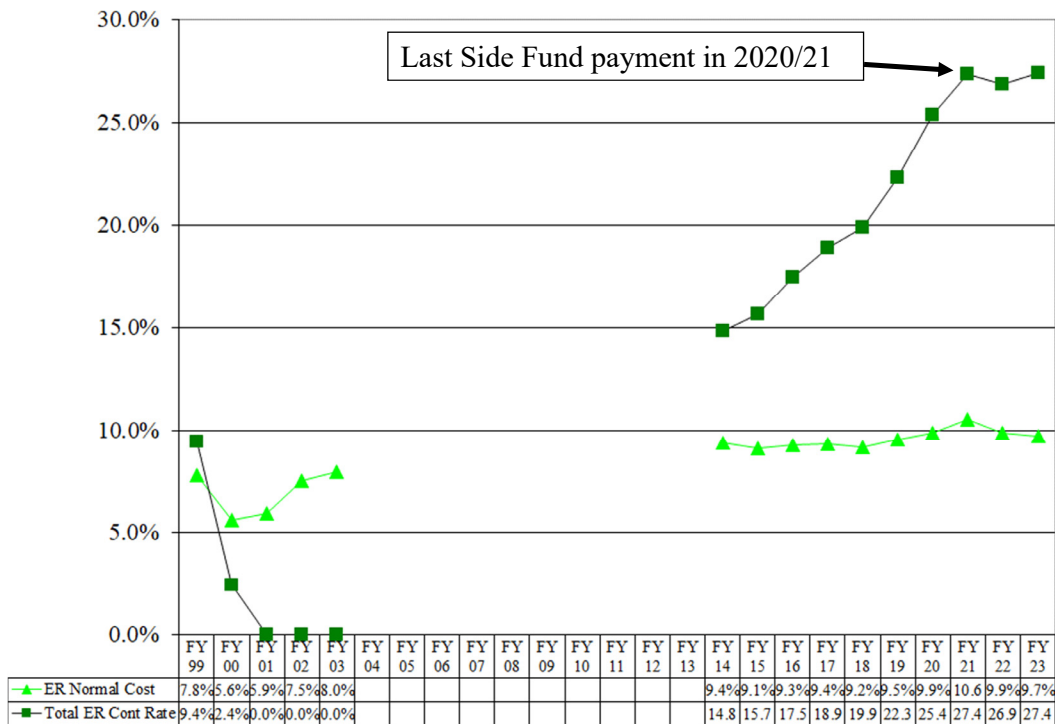
6/30/21 funded status estimated



September 23, 2021 **DRAFT**



CONTRIBUTION RATES - MISCELLANEOUS



September 23, 2021 **DRAFT**



CONTRIBUTION RATES - MISCELLANEOUS

	6/30/20 Valuation		
	2022/2023 Contribution Rates		
	<u>Total</u>²	<u>Tier 1</u>	<u>PEPRA</u>
		2%<u>@55</u>	2%<u>@62</u>
■ Base Total Normal Cost	15.8%	17.2%	14.2%
■ Class 1 Benefits			
● Final One Year Compensation	0.3%	0.6%	-
● Post-Retirement Survivor Allowance	<u>0.8%</u>	<u>0.7%</u>	<u>0.8%</u>
■ Total Normal Cost	16.8%	18.5%	15.0%
■ Formula's Expected EE Contr. Rate	<u>7.1%</u>	<u>6.9%</u>	<u>7.3%</u>
■ ER Normal Cost	9.7%	11.6%	7.8%
■ Amortization Payment	17.7%	33.8%	0.4%
■ Amortization of Side Fund	-	-	-
■ Total ER Contribution	27.4%	45.4%	8.2%
■ Employee counts	86	38	48
■ Employee payroll (in 000's)	\$ 6,776	\$ 3,499	\$ 3,277
■ Total ER Contribution \$ (in 000's)	1,858	1,589	269

² Weighting of total contribution based on projected classic and PEPRA payrolls



September 23, 2021 **DRAFT**

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CONTRIBUTION RATES - MISCELLANEOUS

	<u>6/30/19</u>	<u>6/30/20</u>
	<u>2021/2022</u>	<u>2022/2023</u>
■ Total Normal Cost	16.9%	16.8%
■ Employee Normal Cost	<u>7.1%</u>	<u>7.1%</u>
■ Employer Normal Cost	9.9%	9.7%
■ Amortization Payments	<u>17.0%</u>	<u>17.7%</u> ³
■ Total Employer Contribution Rate	26.9%	27.4%
■ 2021/22 Employer Contribution Rate		26.9%
● Payroll > Expected		(1.3%)
● 6/30/16 Discount Rate Change (5 th Year)		0.3%
● 6/30/17 Discount Rate & Inflation (4 th Year)		0.3%
● 6/30/18 Discount Rate change (3 rd Year)		0.5%
● Other (Gains)/Losses		<u>0.7%</u>
■ 2022/23 Employer Contribution Rate		27.4%

³ Equivalent to 7.8% of UAL. One year, 7% interest on the UAL is 15.8% of payroll. 2022/23 amortization payment exceeds interest on the UAL, so there is no "negative amortization."



September 23, 2021 **DRAFT**

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CONTRIBUTION PROJECTIONS - MISCELLANEOUS

- Market Value Investment Return:
 - June 30, 2021 21.3%⁴
 - Future returns based on stochastic analysis using 1,000 trials

<u>Single Year Returns at⁵</u>	<u>25th Percentile</u>	<u>50th Percentile</u>	<u>75th Percentile</u>
Current Investment Mix	0.1%	7.0%	14.8%
Ultimate Investment Mix	0.8%	6.0%	11.4%

 - Assumes investment returns will, generally be 6.5% (as compared to 7.0%) over the next 8 years and higher beyond that.
- Discount Rate decreases due to Risk Mitigation policy
- No Other: Gains/Losses, Method/Assumption Changes, Benefit Improvements
- Different from CalPERS projection
- Impact of Risk Mitigation Policy:
 - Combined impact of investment gain and discount rate change amortized over 20 years with 5 year ramp up

⁴ Gross return based on July 2021 CalPERS press release.

⁵ Nth percentile means N percentage of our trials result in returns lower than the indicated rates.

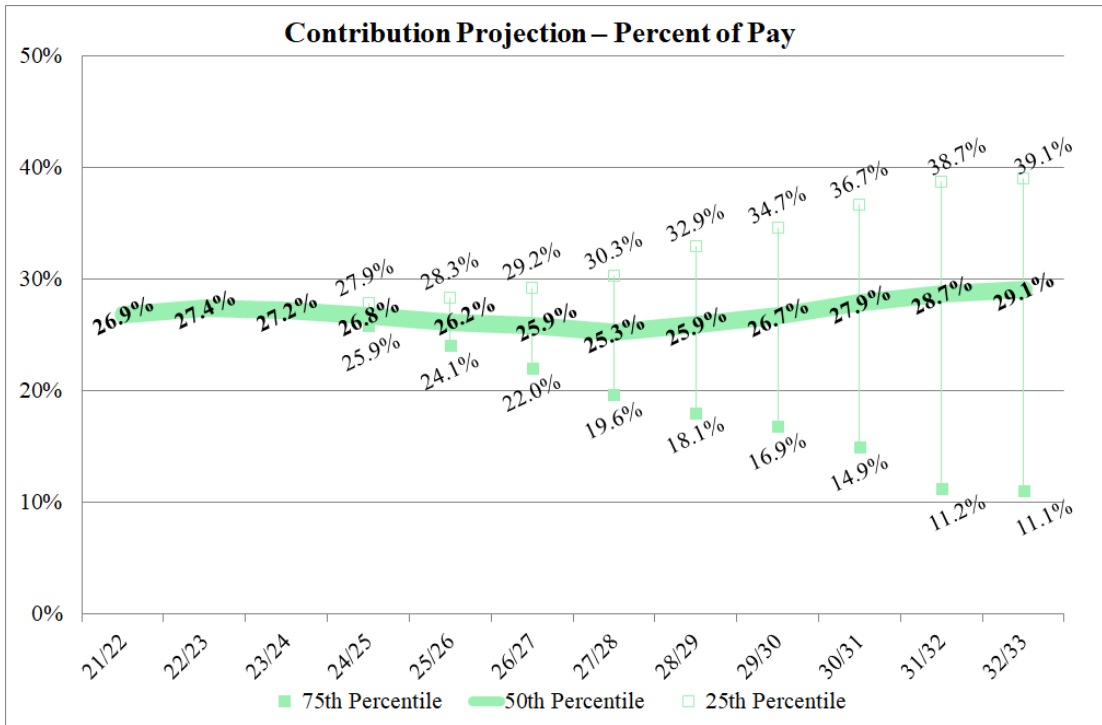


CONTRIBUTION PROJECTIONS - MISCELLANEOUS

- New hire assumptions:
 - 97.5% of 2021/22 new hires are PEPRAs members and 2.5% are Classic members
 - Percentage of PEPRAs member future hires to increase from 97.5% to 100% in last year



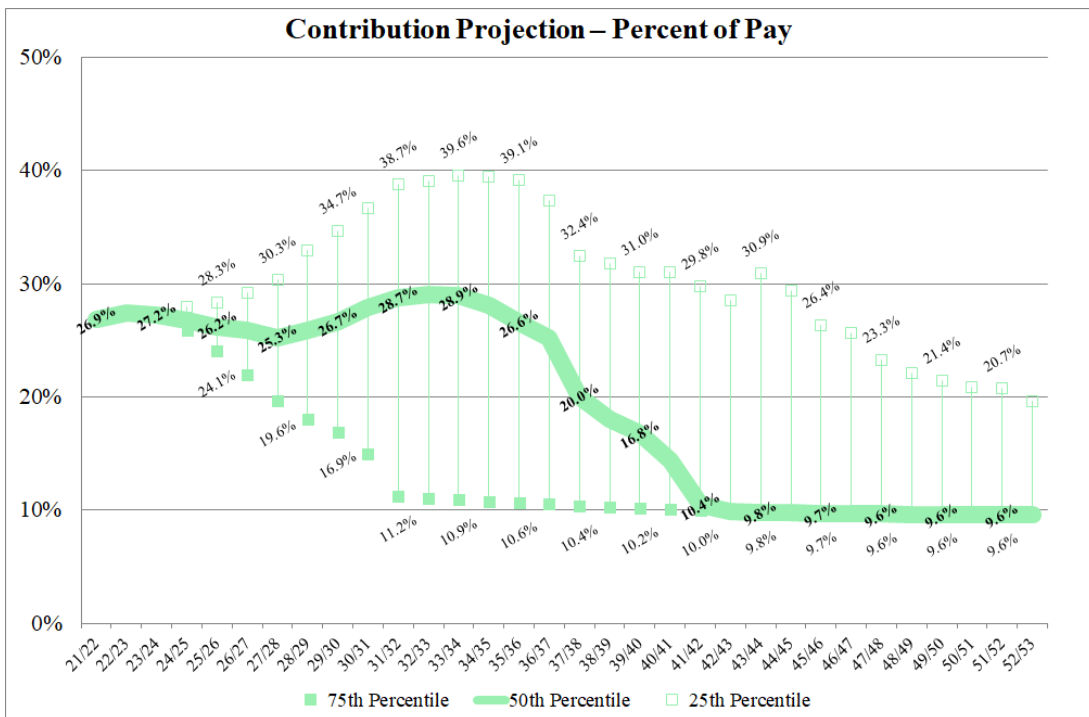
CONTRIBUTION PROJECTIONS - MISCELLANEOUS



September 23, 2021 **DRAFT**



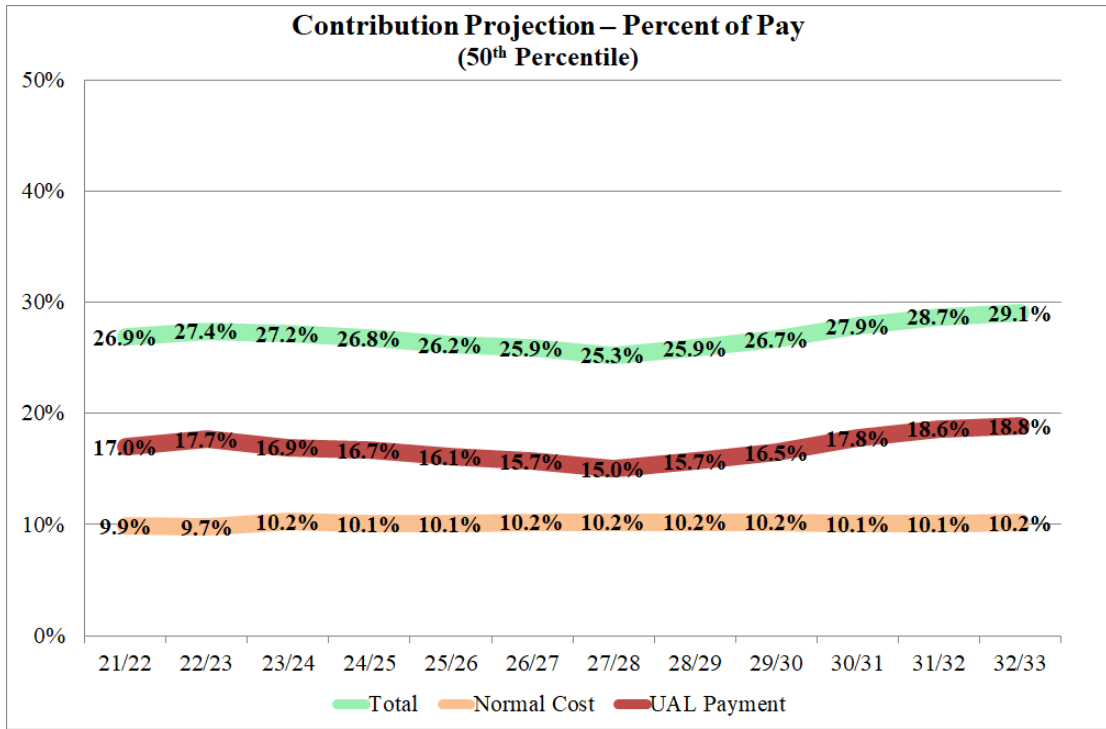
CONTRIBUTION PROJECTIONS - MISCELLANEOUS



September 23, 2021 **DRAFT**



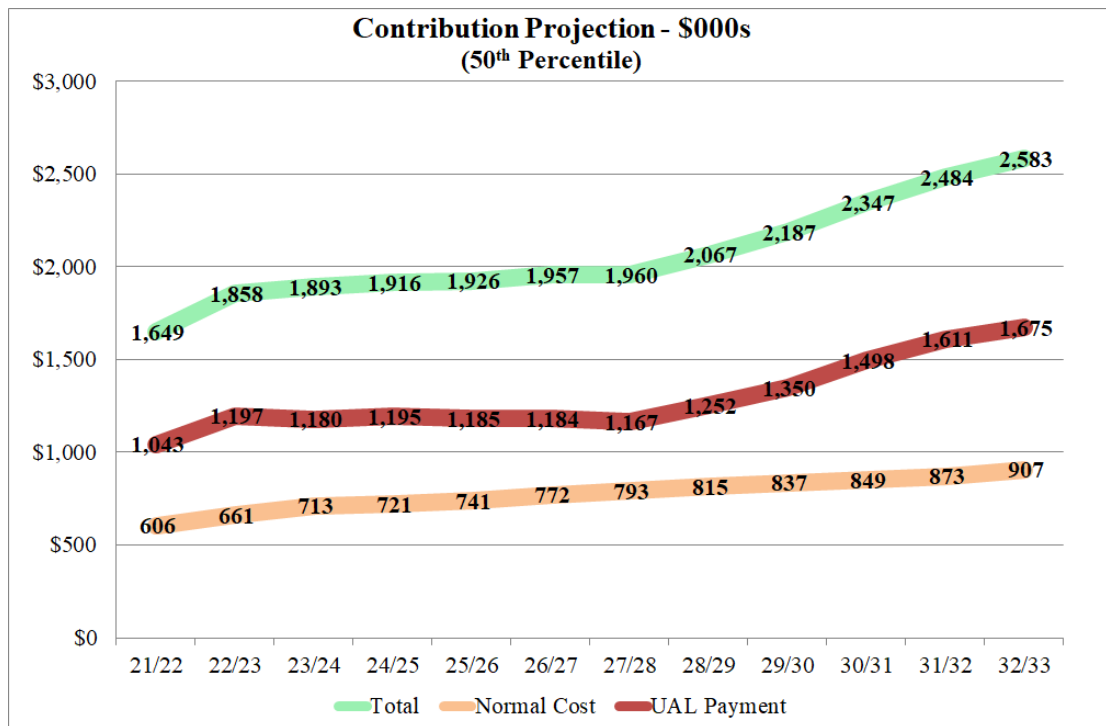
CONTRIBUTION PROJECTIONS - MISCELLANEOUS



September 23, 2021 **DRAFT**



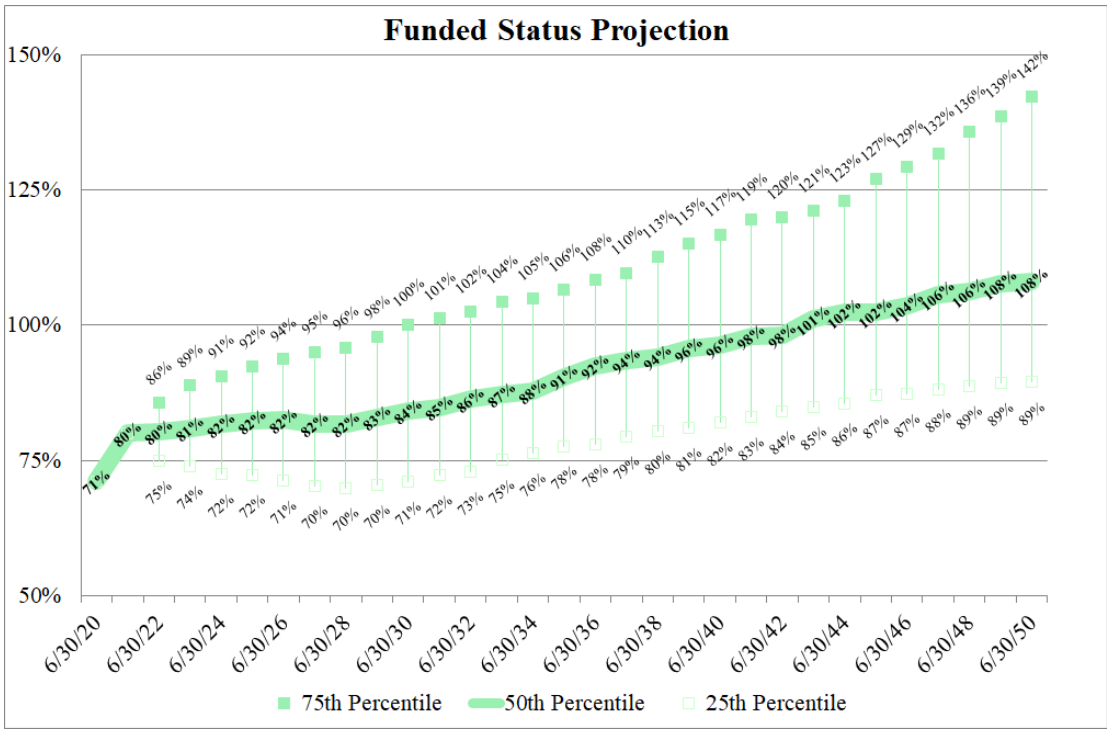
CONTRIBUTION PROJECTIONS - MISCELLANEOUS



September 23, 2021 **DRAFT**



FUNDED STATUS - MISCELLANEOUS



FUNDED STATUS - MISCELLANEOUS

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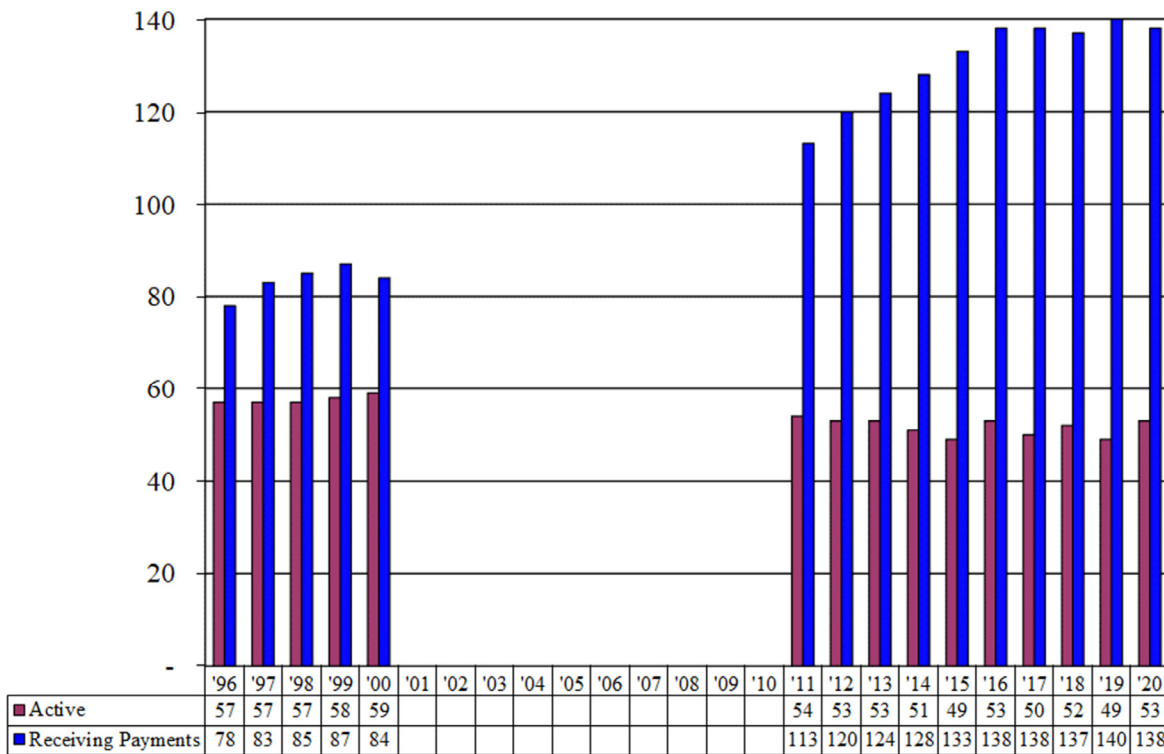


SUMMARY OF DEMOGRAPHIC INFORMATION - SAFETY

	2011	2016	2019	2020
Actives				
■ Counts	54	53	49	53
■ Average PERSable Wages	\$91,100	\$96,300	\$97,100	\$107,000
■ Total PERSable Wages	4,900,000	5,100,000	4,800,000	5,700,000
Inactive Members				
■ Counts				
● Transferred	36	23	27	28
● Separated	11	9	18	18
● Receiving Payments	113	138	140	138



SUMMARY OF DEMOGRAPHIC INFORMATION - SAFETY



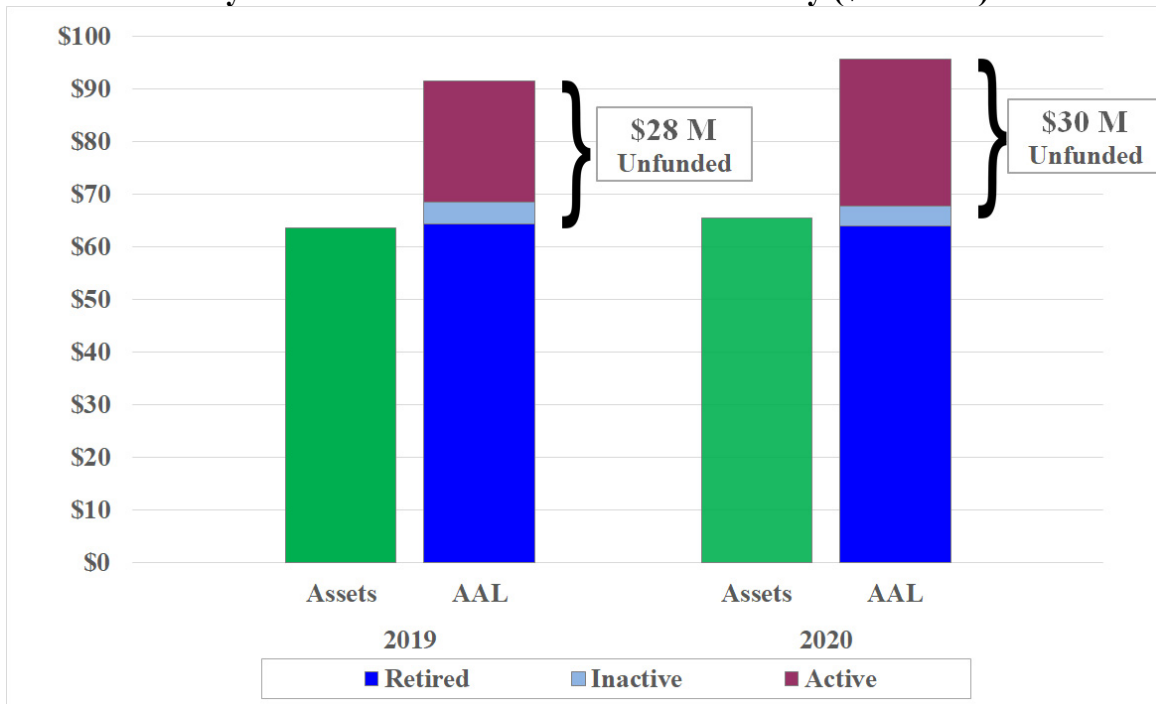
PLAN FUNDED STATUS - SAFETY

	<u>June 30, 2019</u>	<u>June 30, 2020</u>
■ Actuarial Accrued Liability		
● Active	\$23,100,000	\$27,800,000
● Retiree	64,300,000	63,900,000
● Inactive	<u>4,100,000</u>	<u>3,900,000</u>
● Total	91,500,000	95,600,000
■ Assets	<u>63,500,000</u>	<u>65,400,000</u>
■ Unfunded Liability	28,000,000	30,200,000
■ Funded Ratio	69.4%	68.4%
■ Average funded ratio for CalPERS Public Agency Safety Plans	68.6%	N/A



PLAN FUNDED STATUS - SAFETY

City CalPERS Assets and Actuarial Liability (\$Millions)



PLAN FUNDED STATUS - SAFETY

Discount Rate Sensitivity

June 30, 2020

	Discount Rate		
	<u>7.00%</u>	<u>6.50%⁶</u>	<u>6.00%</u>
AAL	\$95,600,000	\$101,700,000	\$107,800,000
Assets	<u>65,400,000</u>	<u>65,400,000</u>	<u>65,400,000</u>
Unfunded Liability	30,200,000	36,300,000	42,400,000
Funded Ratio	68.4%	64.3%	60.7%

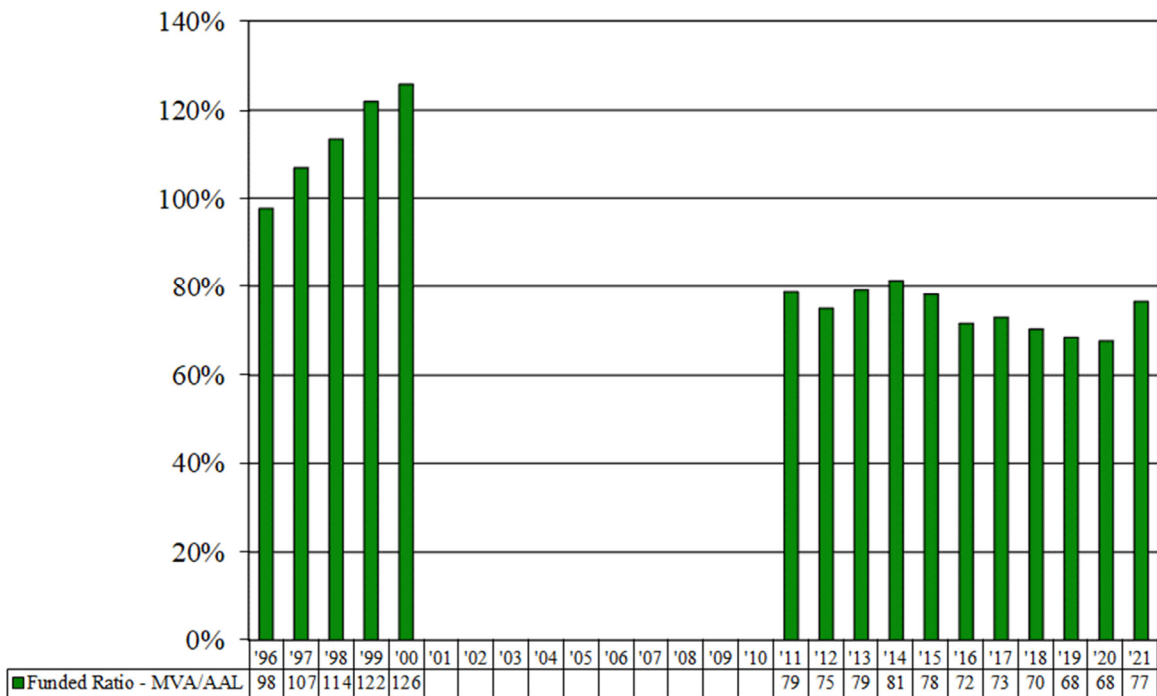
⁶ Estimated by Bartel Associates.



September 23, 2021 **DRAFT**



FUNDED RATIO - SAFETY



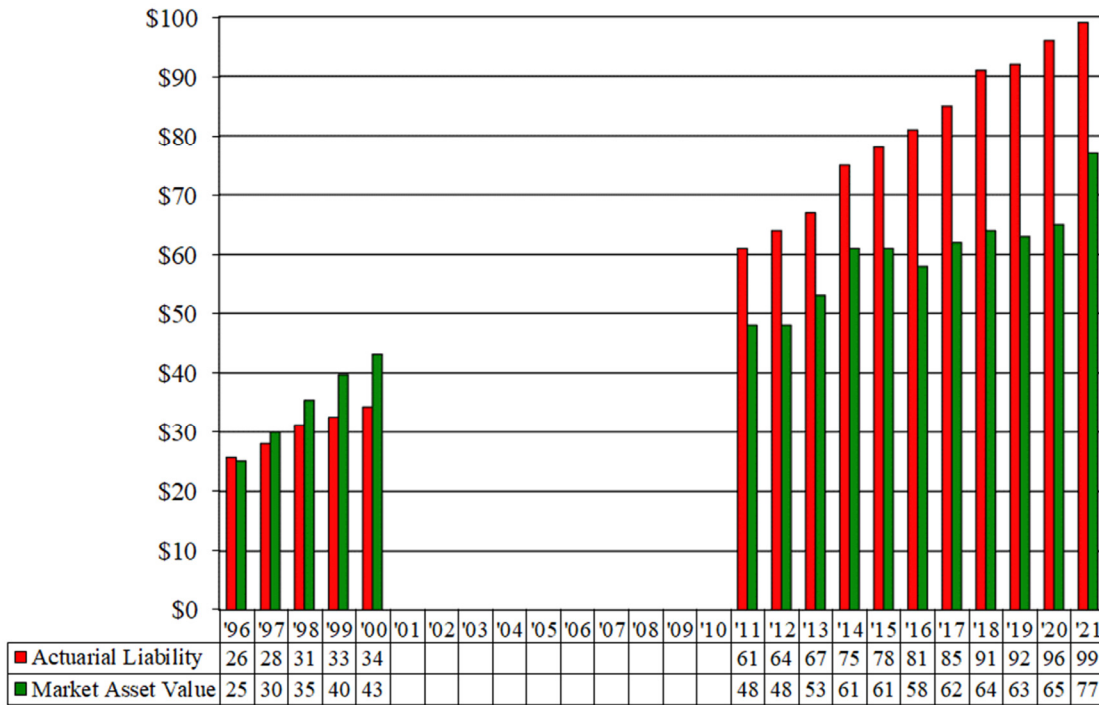
6/30/21 funded status estimated



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FUNDED STATUS (THOUSANDS) - SAFETY



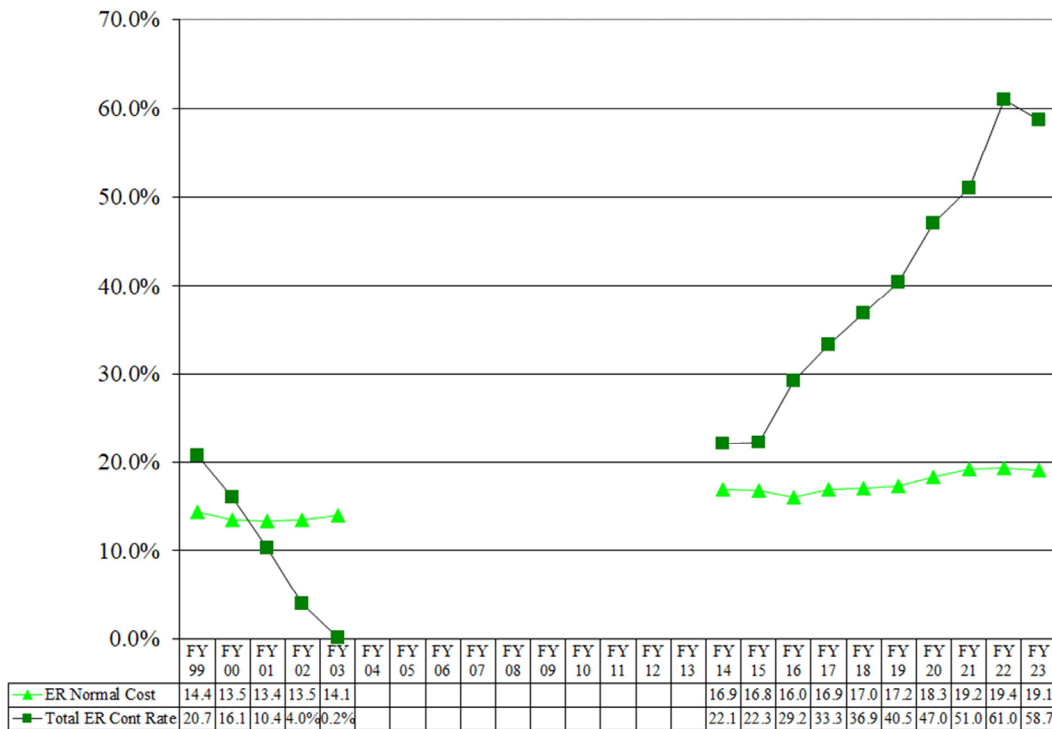
6/30/21 funded status estimated



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CONTRIBUTION RATES - SAFETY



September 23, 2021 **DRAFT**



CONTRIBUTION RATES - SAFETY

	6/30/20 Valuation		
	2022/2023 Contribution Rates		
	<u>Total</u>⁷	<u>Tier 1</u>	<u>PEPRA</u>
		2%<u>@50</u>	2.7%<u>@57</u>
■ Base Total Normal Cost	26.8%	27.1%	25.8%
■ Class 1 Benefits			
● Final One Year Compensation	0.8%	1.1%	-
● Post-Retirement Survivor Allowance	<u>1.7%</u>	<u>1.7%</u>	<u>1.6%</u>
■ Total Normal Cost	29.3%	29.9%	27.4%
■ Formula's Expected EE Contr. Rate	<u>10.2%</u>	<u>9.0%</u>	<u>13.8%</u>
■ ER Normal Cost	19.1%	21.0%	13.7%
■ Amortization Payment	39.6%	52.8%	0.9%
■ Amortization of Side Fund	-	-	-
■ Total ER Contribution	58.7%	73.8%	14.6%
■ Employee counts	53	36	17
■ Employee payroll (in 000's)	\$ 6,150	\$ 4,584	\$ 1,566
■ Total ER Contribution \$ (in 000's)	3,611	3,383	228

⁷ Weighting of total contribution based on projected classic and PEPRA payrolls



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CONTRIBUTION RATES - SAFETY

	<u>6/30/19</u>	<u>6/30/20</u>
	<u>2021/2022</u>	<u>2022/2023</u>
■ Total Normal Cost	29.4%	29.3%
■ Employee Normal Cost	<u>10.0%</u>	<u>10.2%</u>
■ Employer Normal Cost	19.4%	19.1%
■ Amortization Payments	<u>41.6%</u>	<u>39.6%</u> ⁸
■ Total Employer Contribution Rate	61.0%	58.7%
■ 2021/22 Employer Contribution Rate		61.0%
● Payroll > Expected		(6.6%)
● 6/30/16 Discount Rate Change (5 th Year)		0.7%
● 6/30/17 Discount Rate & Inflation (4 th Year)		0.8%
● 6/30/18 Discount Rate change (3 rd Year)		1.2%
● Other (Gains)/Losses		<u>1.6%</u>
■ 2022/23 Employer Contribution Rate		58.7%

⁸ Equivalent to 8.1% of UAL. One year, 7% interest on the UAL is 34.4% of payroll. 2022/23 amortization payment exceeds interest on the UAL, so there is no "negative amortization".



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CONTRIBUTION PROJECTIONS - SAFETY

- Market Value Investment Return:
 - June 30, 2021 21.3%⁹
 - Future returns based on stochastic analysis using 1,000 trials

<u>Single Year Returns at¹⁰</u>	<u>25th Percentile</u>	<u>50th Percentile</u>	<u>75th Percentile</u>
Current Investment Mix	0.1%	7.0%	14.8%
Ultimate Investment Mix	0.8%	6.0%	11.4%

 - Assumes investment returns will, generally be 6.5% (as compared to 7.0%) over the next 8 years and higher beyond that.
- Discount Rate decreases due to Risk Mitigation policy
- No Other: Gains/Losses, Method/Assumption Changes, Benefit Improvements
- Different from CalPERS projection
- Impact of Risk Mitigation Policy:
 - Combined impact of investment gain and discount rate change amortized over 20 years with 5 year ramp up

⁹ Gross return based on July 2021 CalPERS press release.

¹⁰ Nth percentile means N percentage of our trials result in returns lower than the indicated rates.

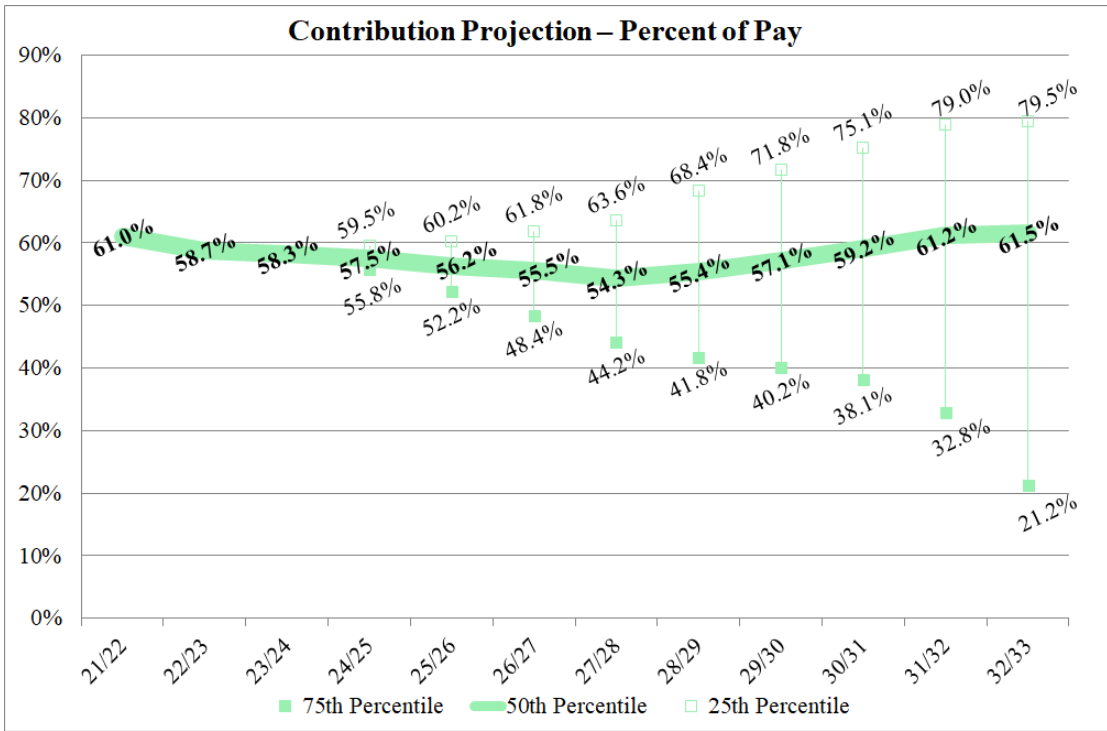


CONTRIBUTION PROJECTIONS - SAFETY

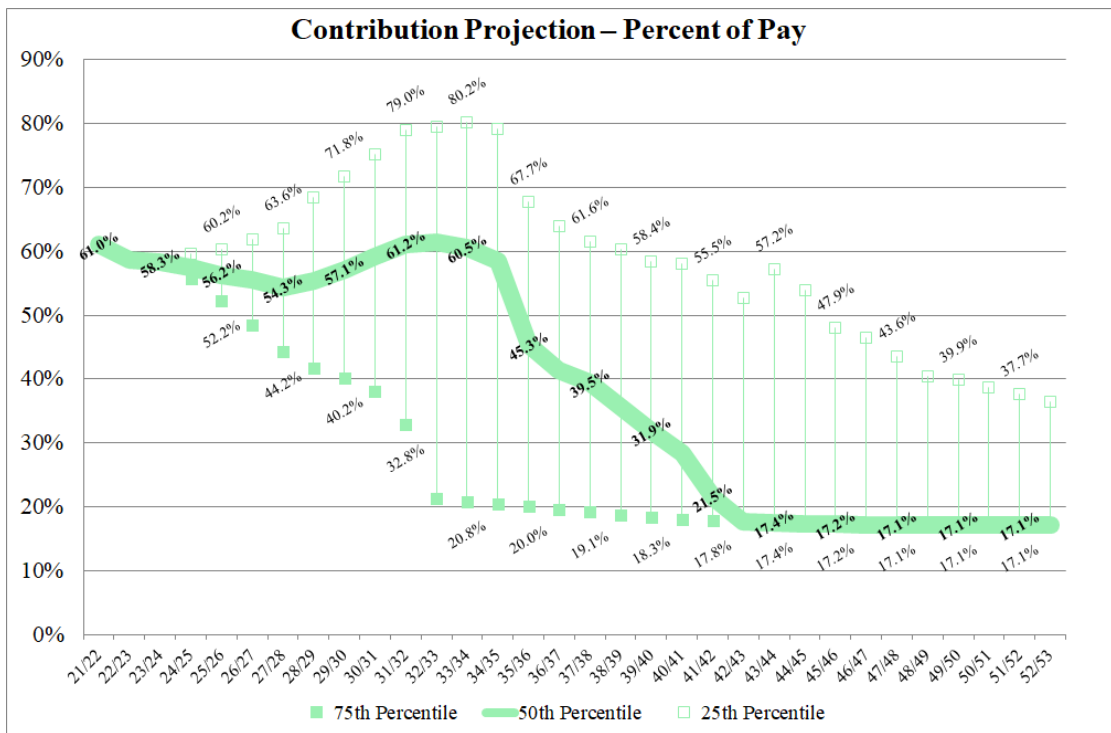
- New hire assumptions:
 - 97.5% of 2021/22 new hires are PEPRAs members and 2.5% are Classic members
 - Percentage of PEPRAs member future hires to increase from 97.5% to 100% in last year



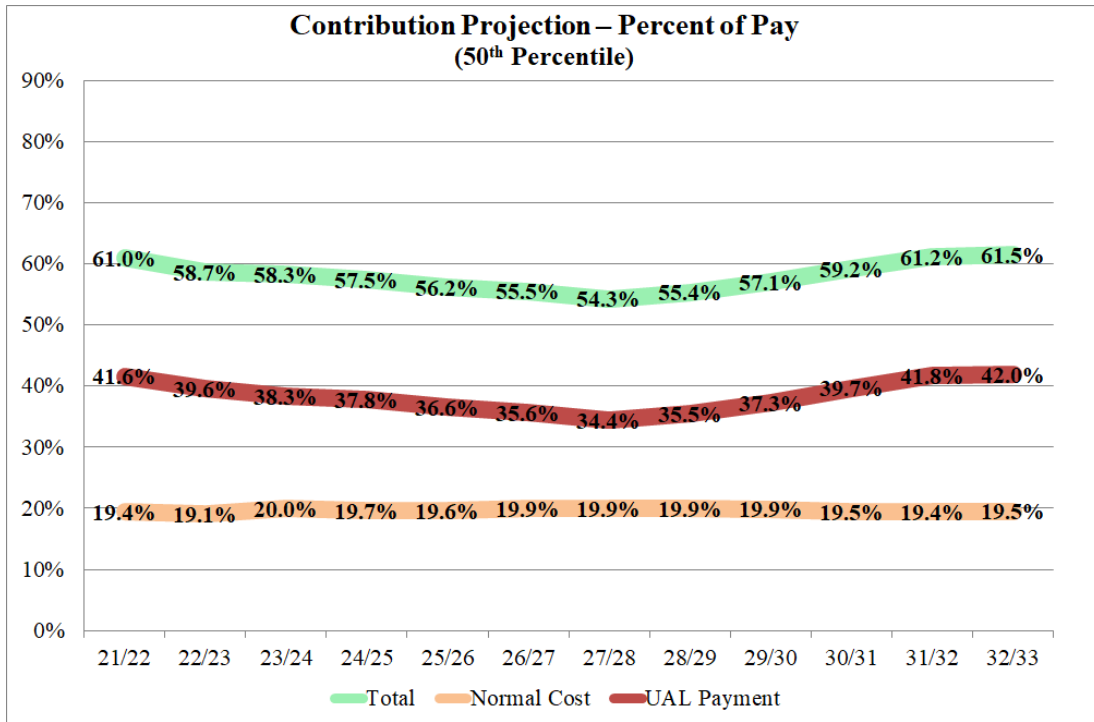
CONTRIBUTION PROJECTIONS - SAFETY



CONTRIBUTION PROJECTIONS - SAFETY



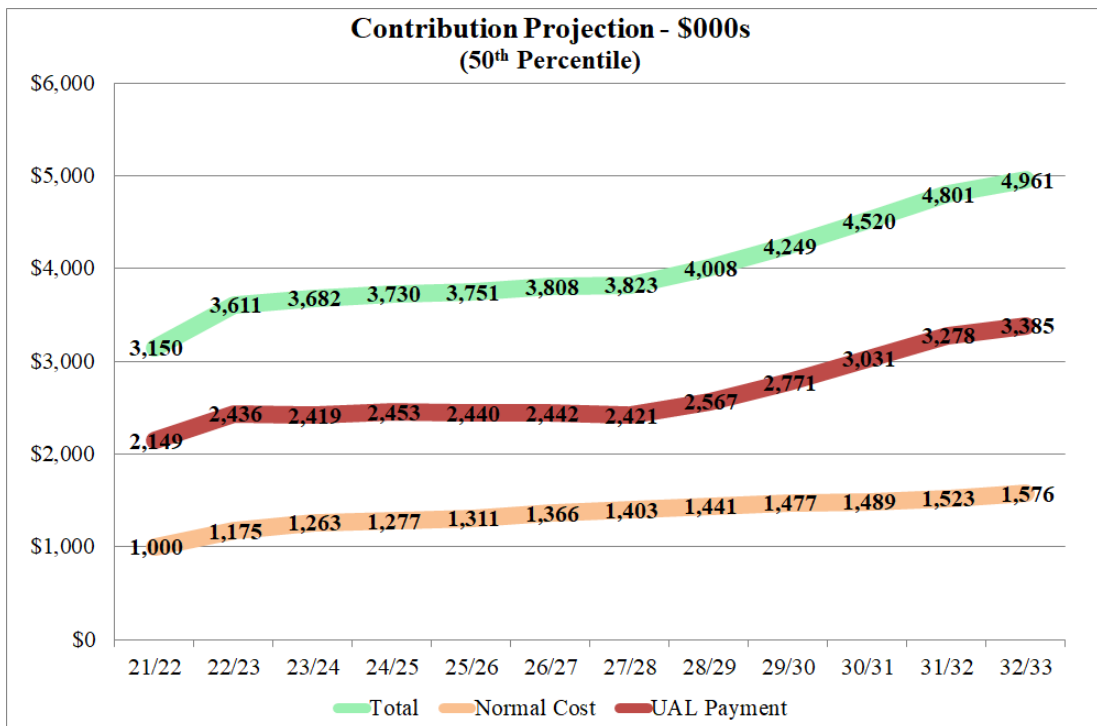
CONTRIBUTION PROJECTIONS - SAFETY



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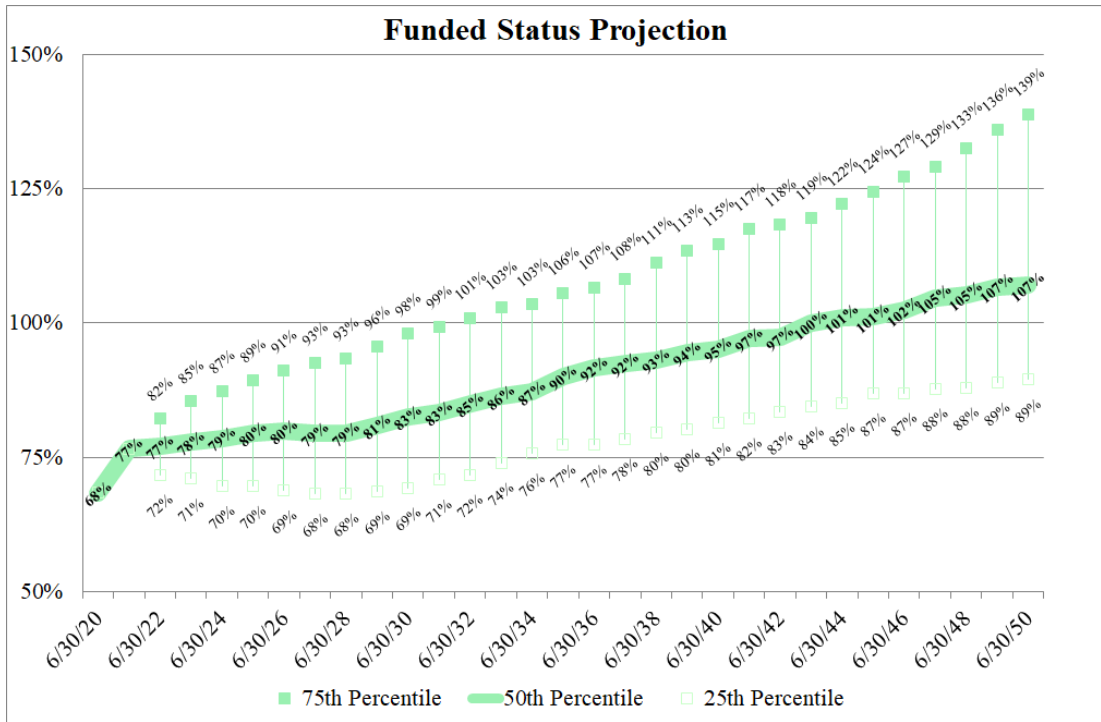
CONTRIBUTION PROJECTIONS - SAFETY



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FUNDED STATUS - SAFETY

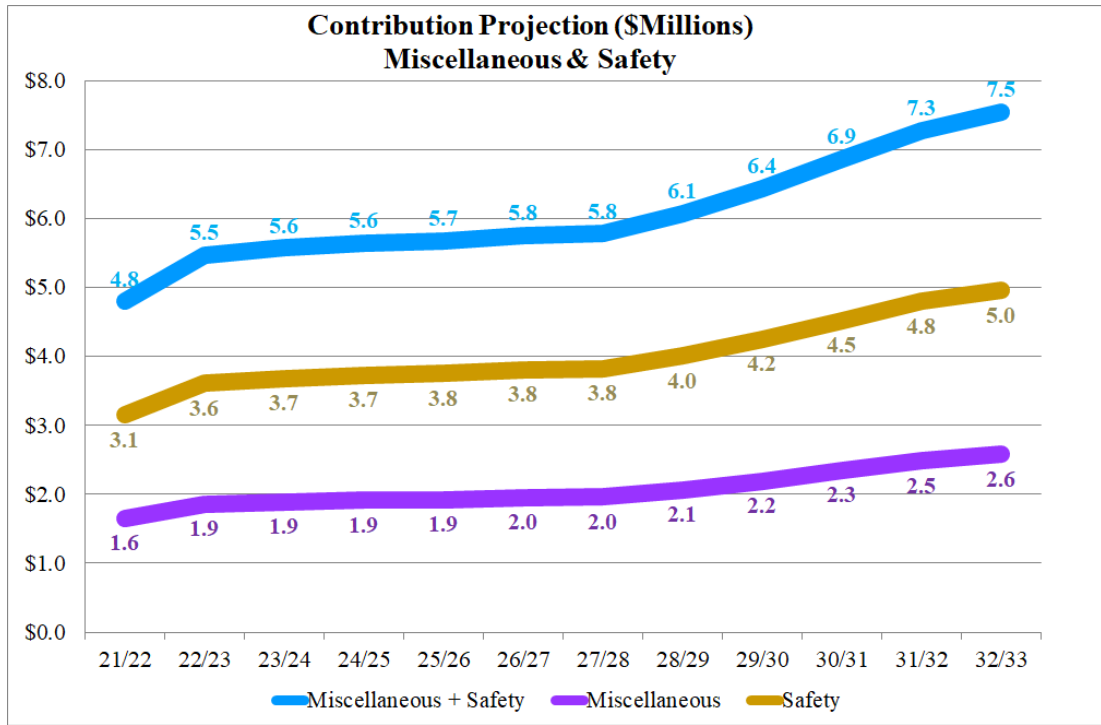


FUNDED STATUS - SAFETY

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COMBINED MISCELLANEOUS AND SAFETY



COMBINED MISCELLANEOUS AND SAFETY

Funded Status Summary on June 30, 2020
(Amounts in \$Millions)

	Miscellaneous	Safety	Total
■ AAL	\$ 53.7	\$ 95.6	\$ 149.3
■ Assets	<u>38.2</u>	<u>65.4</u>	<u>103.6</u>
■ Unfunded AAL	15.5	30.2	45.7
■ Funded Ratio	71.1%	68.4%	69.4%



LEAVING CALPERS

- Participation in CalPERS is governed by State law and CalPERS rules
- The following are considered “withdrawing” from CalPERS:
 - Exclude new hires from CalPERS & giving them a different pension
 - Stop accruing benefits for current employees
- “Withdrawal” from CalPERS:
 - Treated as plan termination
 - Liability increased for conservative investments
 - Liability increased for future demographic fluctuations
 - Liability must be funded immediately by withdrawing agency
 - Otherwise, retiree benefits are cut



LEAVING CALPERS

CalPERS Termination Estimates on June 30, 2020 (Amounts in Millions)

Discount Rate	Ongoing Plan	Termination Basis	
	7.00%	0.75%	2.50%
Miscellaneous			
Actuarial Accrued Liability	\$ 53.7	\$131.9	\$ 97.0
Assets	<u>38.2</u>	<u>38.2</u>	<u>38.2</u>
Unfunded AAL (UAAL)	15.5	93.7	58.8
Safety			
Actuarial Accrued Liability	\$ 95.6	\$ 227.5	\$ 173.7
Assets	<u>65.4</u>	<u>65.4</u>	<u>65.4</u>
Unfunded AAL (UAAL)	30.2	162.1	108.3
Total			
Unfunded AAL (UAAL)	45.7	255.8	167.1
Funded Ratio	69.4%	28.8%	38.3%



PEPRA COST SHARING

- Target of 50% of total normal cost paid by all employees
- *PEPRA members* must pay greater of 50% of total normal cost or bargained amount if higher
- Employer cannot pay any part of *PEPRA member* required employee contributions
- Employer may impose current employees pay 50% of total normal cost (limited to 8% of pay for Miscellaneous and 12% for Safety) if not agreed through collective bargaining
- Miscellaneous Plan 2022/23:

	<u>Classic Members</u>	<u>New Members</u>
	Tier 1	PEPRA
	<u>2% @ 55 FAE1</u>	<u>2% @ 62 FAE3</u>
● Employer Normal Cost	11.6%	7.76%
● Member Normal Cost	<u>7.0%</u>	<u>7.25%</u>
● Total Normal Cost	18.6%	15.01%
● 50% Target	9.3%	7.51%



PEPRA COST SHARING

- Safety Plan 2022/23:

	<u>Classic Members</u>	<u>New Members</u>
	Tier 1	PEPRA
	<u>2% @ 50 FAE1</u>	<u>2.7% @ 57 FAE3</u>
● Employer Normal Cost	21.0%	13.66%
● Member Normal Cost	<u>9.0%</u>	<u>13.75%</u>
● Total Normal Cost	30.0%	27.41%
● 50% Target	15.0%	13.71%

- PEPRA Member Contributions – no change expected for FY22/23:

	2021/22		2022/23			
	Total NC (Basis)	Member Rate	Total Normal Cost	Change	Member Rate	Method
Miscellaneous	14.32%	7.25%	15.01%	0.69%	7.25%	PEPRA Members
Safety	27.63%	13.75%	27.41%	(0.22%)	13.75%	PEPRA Members



PAYING DOWN THE UNFUNDED LIABILITY & RATE STABILIZATION

- All options for mitigating future contribution increases involve paying more money sooner
 - CalPERS liabilities grow 7% per year
- City internal investments restricted to very low risk
- Where do you get the money from?
 - Sources of funds: City funds, borrowing, bargain with employees to pay more

- How do you use the money?



WHERE DO YOU GET THE MONEY FROM?

- POB:
 - Usually thought of as interest arbitrage between expected earnings and rate paid on POB
 - No guaranteed savings
 - PEPRA prevents contributions from dropping below normal cost
 - Savings offset when investment return is good
 - GFOA Advisory
 - Currently very popular due to low borrowing costs, but no guarantees!
- Borrow from General Fund similar to State
- One time payments
 - Governing body resolution to use a portion of one time money, e.g.
 - 1/3 to one time projects
 - 1/3 to replenish reserves and
 - 1/3 to pay down unfunded liability



HOW DO YOU USE THE MONEY?

- Internal Service Fund
 - Typically used for rate stabilization
 - Restricted investments:
 - Likely low (0.5%-1.0%) investment returns
 - Short term/high quality, designed for preservation of principal
 - Assets can be used by governing body for other purposes
 - Does not reduce Unfunded Liability



HOW DO YOU USE THE MONEY?

- Make payments directly to CalPERS:
 - Likely best long-term investment return
 - Must be considered an irrevocable decision
 - Extra payments cannot be used as future “credit”
 - PEPRAs prevent contributions from dropping below normal cost
 - Option #1: Request shorter amortization period (Fresh Start):
 - Higher short term payments
 - Less interest and lower long term payments
 - Likely cannot revert to old amortization schedule
 - “Soft” fresh start is more popular, but administratively difficult



HOW DO YOU USE THE MONEY?

- Make payments directly to CalPERS (continued):
 - Option #2: Additional Discretionary Payment (ADP):
 - Extra contribution's impact muted by reduced future contributions
 - CalPERS can't track the "would have been" contribution
 - No guaranteed savings
 - Larger asset pool means larger loss (or gain) opportunity
 - Paying off shorter amortization bases: larger contribution savings over shorter period:
 - e.g. 10 year base reduces contribution 11.9¢ for \$1
 - Less interest savings vs paying off longer amortization bases
 - Paying off longer amortization bases: smaller contribution savings over longer period:
 - e.g. 25 year base reduces contribution 6.2¢ for \$1
 - More interest savings vs paying off shorter amortization bases
 - Maintaining the current payment schedule – not letting payments reduce due to extra payment – gives the greatest long-term savings
 - Administratively and politically difficult



HOW DO YOU USE THE MONEY?

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IRREVOCABLE SUPPLEMENTAL (§115) PENSION TRUST

- Can only be used to:
 - Reimburse City for CalPERS contributions
 - Make payments directly to CalPERS
- Investments significantly less restricted than City investment funds
 - Fiduciary rules govern Trust investments
 - Usually, designed for long term returns
- Assets don't count for GASB accounting
 - Are considered Employer assets
- Well over 100 trusts established, mostly since 2015
 - Trust providers: PARS, PFM, Keenan
 - California Employers' Pension Prefunding Trust (CEPPT) effective July 2019
 - Strategy 1: 48% stocks / 52% bonds
 - Strategy 2: 22% stocks / 78% bonds



IRREVOCABLE SUPPLEMENTAL (§115) PENSION TRUST

- More flexibility than paying CalPERS directly
 - City decides if and when and how much money to put into Trust
 - City decides if and when and how much to withdraw to pay CalPERS or reimburse Agency
- Funding strategies typically focus on
 - Reducing the unfunded liability
 - Fund enough to make total CalPERS UAL = 0
 - Make PEPPA required payments from Trust when overfunded
 - Stabilizing contribution rates
 - Mitigate expected contribution rates to better manage budget
 - Combination
 - Use funds for rate stabilization/budget predictability
 - Target increasing fund balance to pay off UAL sooner



IRREVOCABLE SUPPLEMENTAL (§115) PENSION TRUST

- Consider:
 - How much can you put into Trust?
 - Initial seed money?
 - Additional amounts in future years?
 - When do you take money out?
 - Target budget rate?
 - Year target budget rate kicks in?
 - Before or after CalPERS rate exceeds budgeted rate?



COMPARISON OF OPTIONS

- | ■ Supplemental Trust | ■ CalPERS |
|--|--|
| ● Flexible | ● Locked In |
| ● Likely lower long-term return | ● Likely higher long-term return |
| ● Investment strategy choice | ● No investment choice |
| ● Does not reduce net pension liability for GASB reporting | ● Reduces net pension liability for GASB reporting |
| ● More visible | ● More restricted |



ADDITIONAL PAYMENT ILLUSTRATION

Direct Payment to CalPERS

- Following illustrates additional \$3.4 million contribution to CalPERS on June 30, 2022
 - \$.6 million to OPEB illustrated later. Total \$4 million
- Miscellaneous (\$1.2 million)
- Safety (\$2.2 million)
- Estimated Savings

	Miscellaneous	Safety
Apply ADP to Shortest Bases	\$1.2 million	\$2.2 million
Total \$ Savings (000's) over 30 years	\$ 571	\$1,155
Present Value of Savings @ 3% (000's)	277	555
Apply ADP to Longest Bases	\$1.2 million	\$2.2 million
Total \$ Savings (000's) over 30 years	\$1,398	\$ 2,580
Present Value of Savings @ 3% (000's)	592	1,090
Do Not Let Payments Reduce	\$1.2 million	\$2.2 million
Total \$ Savings (000's) over 30 years	\$2,827	\$5,318
Present Value of Savings @ 3% (000's)	1,158	2,171



ADDITIONAL PAYMENT ILLUSTRATION

Payment to 115 Trust

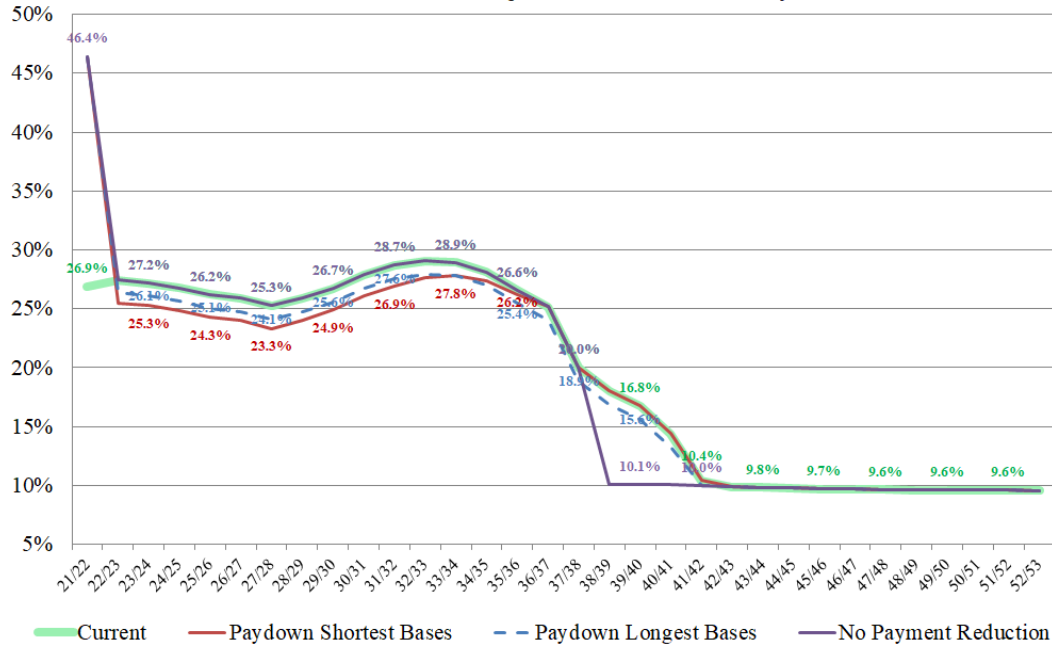
	Miscellaneous	Safety
Trust Contributions	\$1.2 million	\$2.2 million
Trust Earnings	5%	5%
Trust Target		
- Target City contribution rate ¹¹	25.0%	53.0%
- Projected 1st year of trust withdrawals	2028/29	2028/29
- Projected last year of trust withdrawals	2035/36	2034/35
\$ Savings (000's) over 30 years	\$825	\$1,428
Present value of savings @ 3% discount rate (000's)	312	567

¹¹ If CalPERS rates are below the target rate, the difference is paid to the Trust. If CalPERS rates are above the target rate, funds are withdrawn from the trust to pay CalPERS.



ADDITIONAL PAYMENT ILLUSTRATION

Direct Payment to CalPERS Miscellaneous Contribution Projection – Percent of Pay

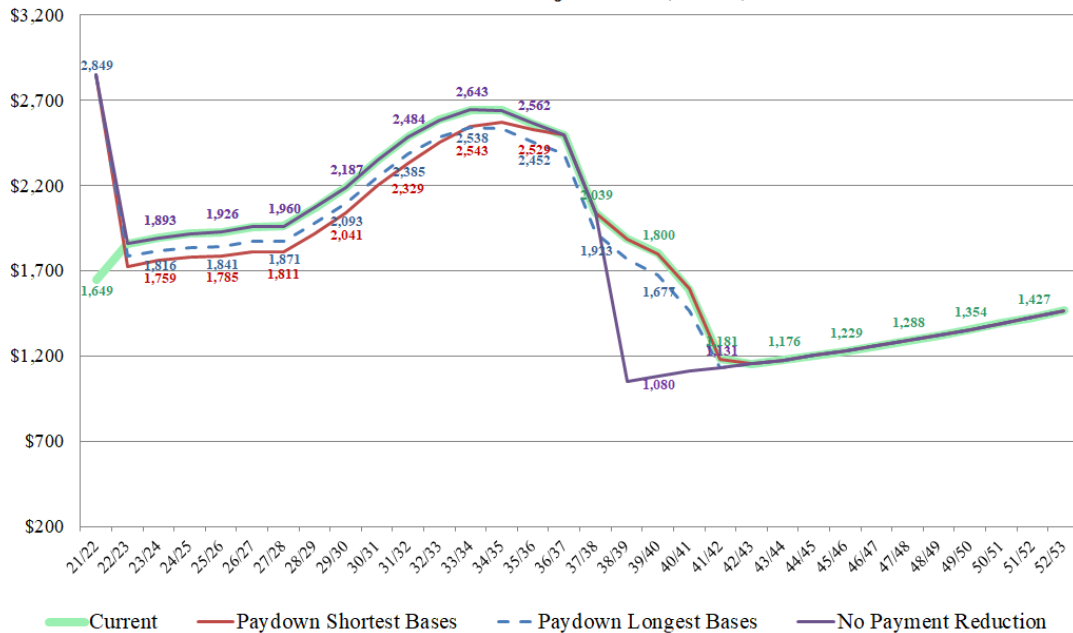


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ADDITIONAL PAYMENT ILLUSTRATION

Direct Payment to CalPERS Miscellaneous Contribution Projection – (\$000s)

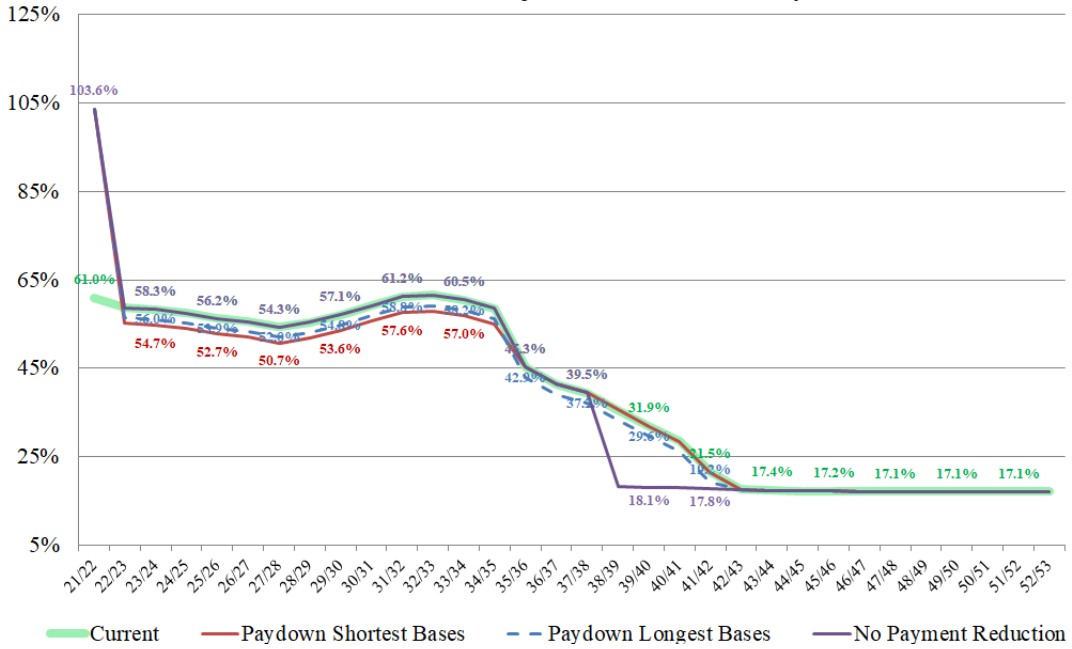


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ADDITIONAL PAYMENT ILLUSTRATION

Direct Payment to CalPERS Safety Contribution Projection – Percent of Pay



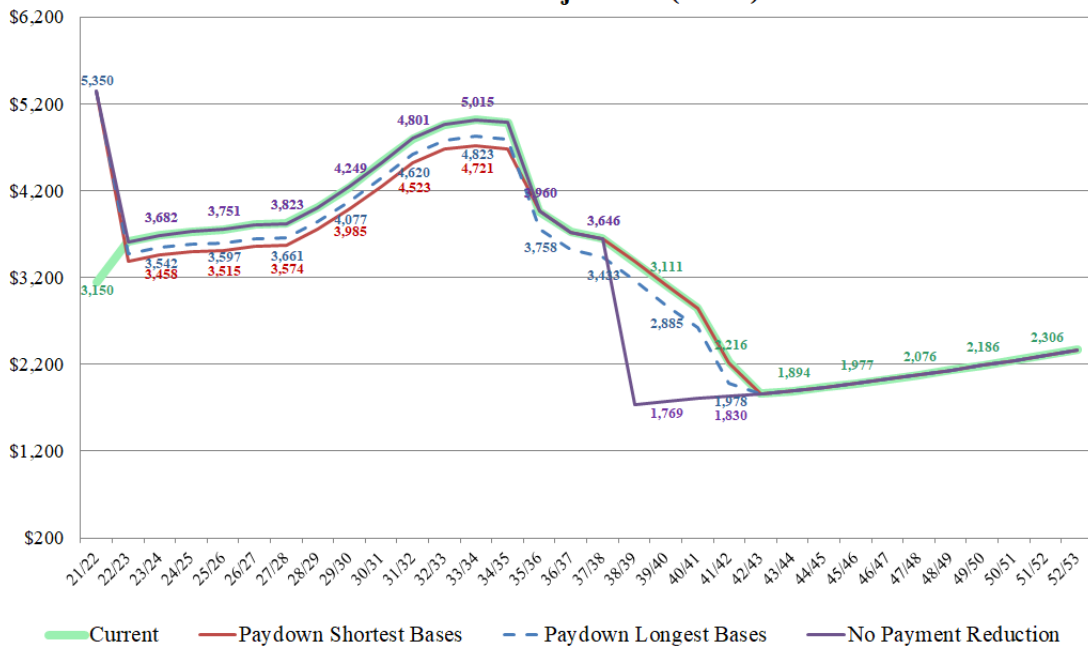
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ADDITIONAL PAYMENT ILLUSTRATION

Direct Payment to CalPERS Safety Contribution Projection – (\$000s)



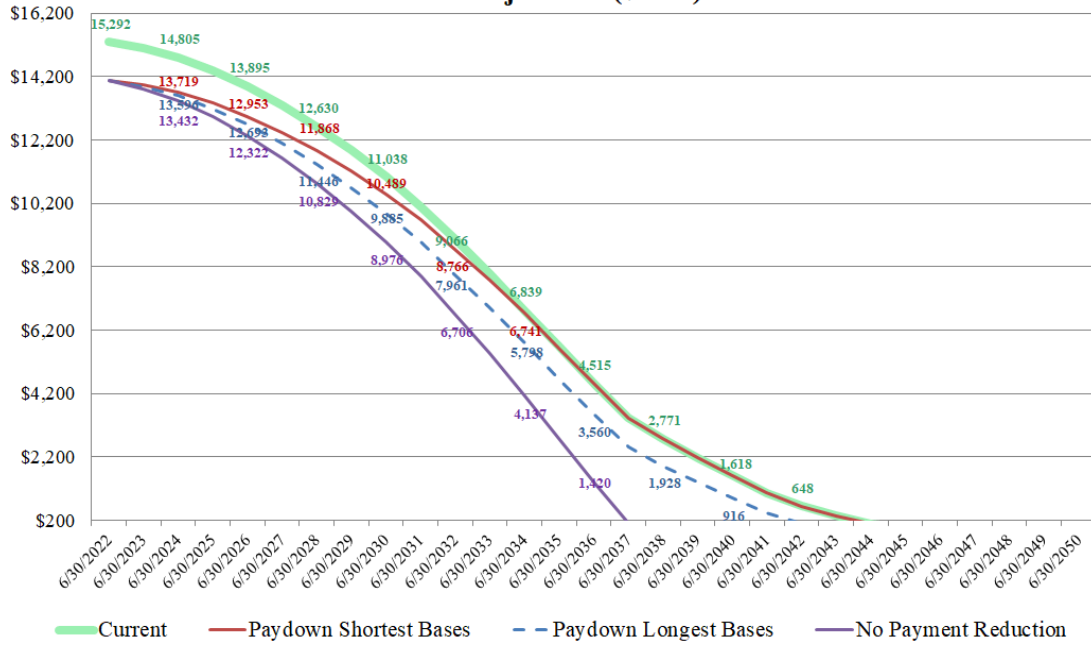
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ADDITIONAL PAYMENT ILLUSTRATION

Direct Payment to CalPERS Miscellaneous UAAL Projection – (\$000s)

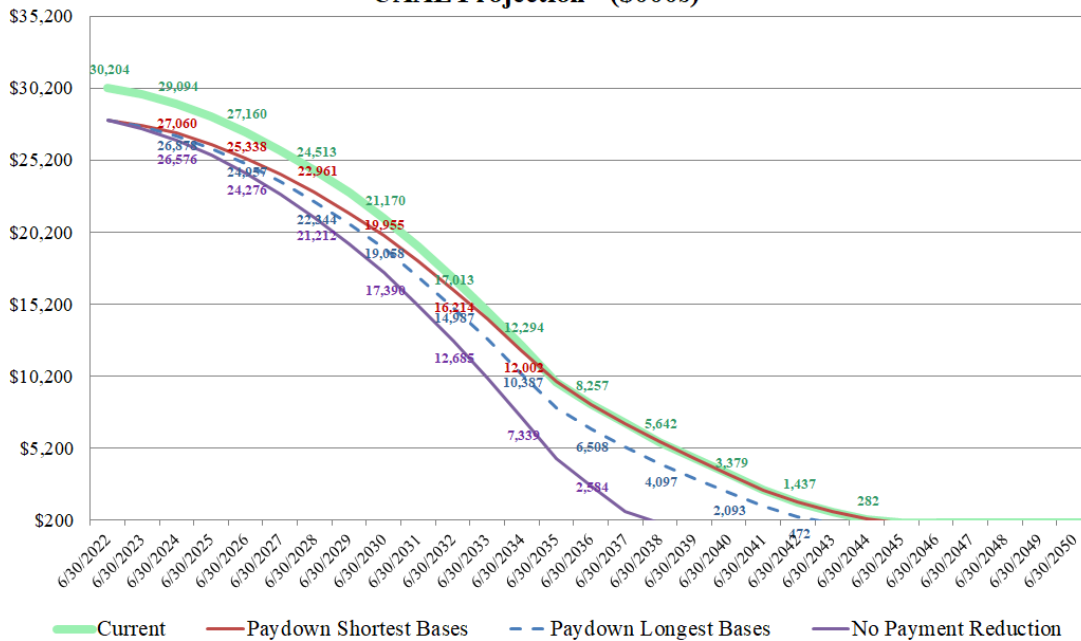


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ADDITIONAL PAYMENT ILLUSTRATION

Direct Payment to CalPERS Safety UAAL Projection – (\$000s)

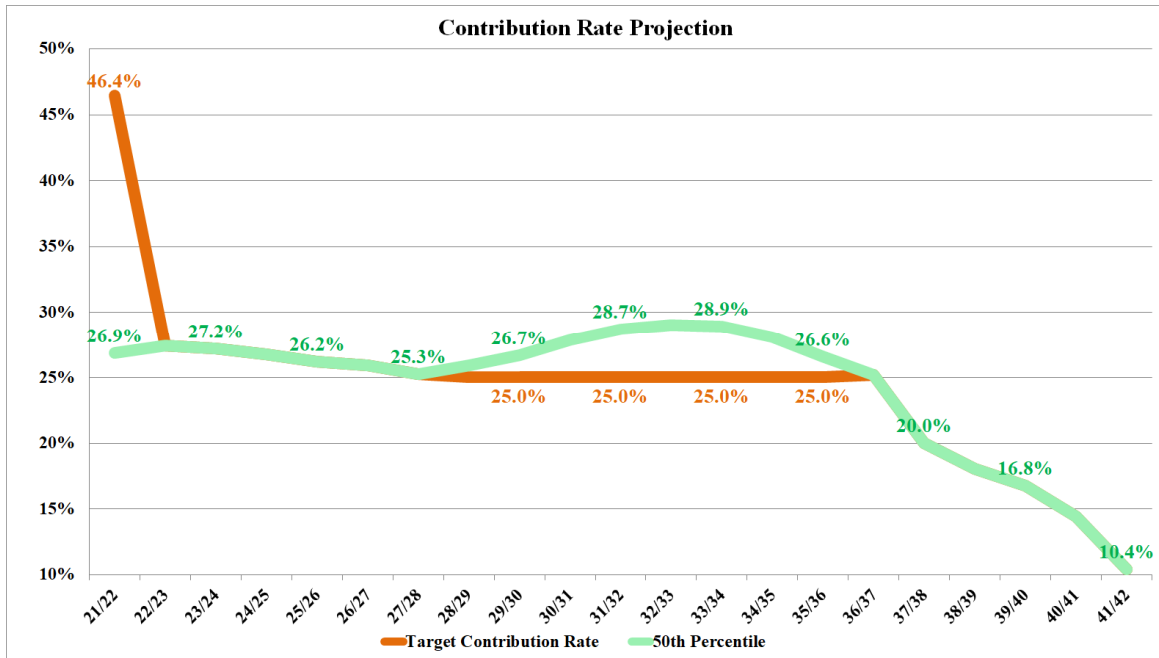


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ADDITIONAL PAYMENT ILLUSTRATION

Payment to 115 Trust Miscellaneous

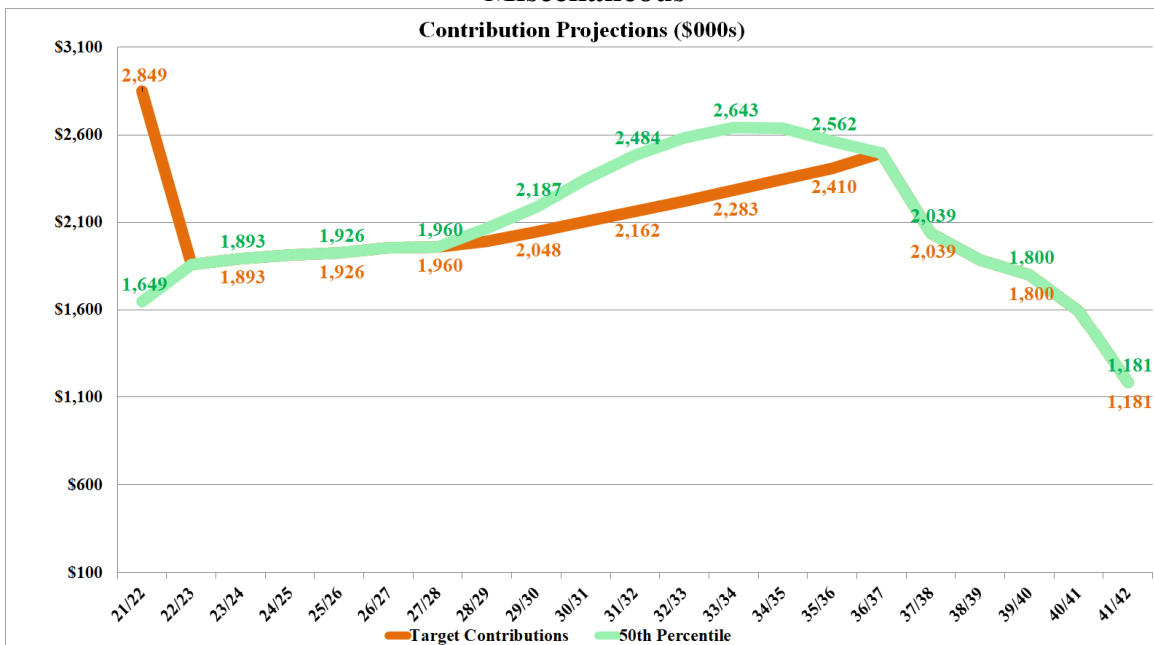


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ADDITIONAL PAYMENT ILLUSTRATION

Payment to 115 Trust Miscellaneous

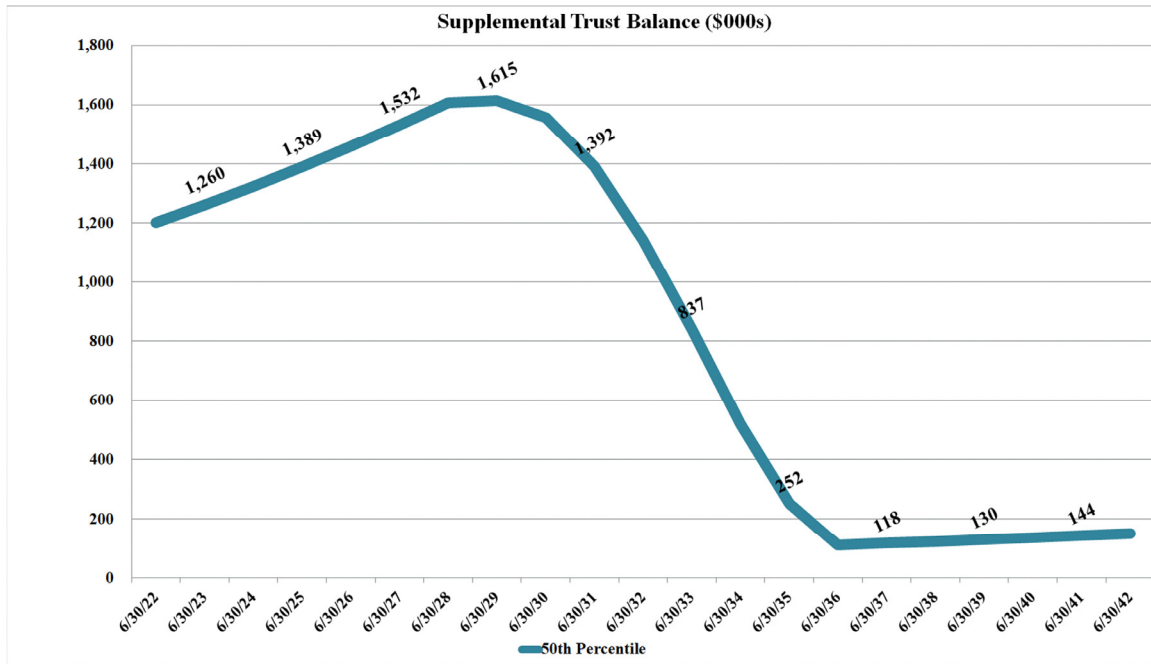


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ADDITIONAL PAYMENT ILLUSTRATION

**Payment to 115 Trust
Miscellaneous**

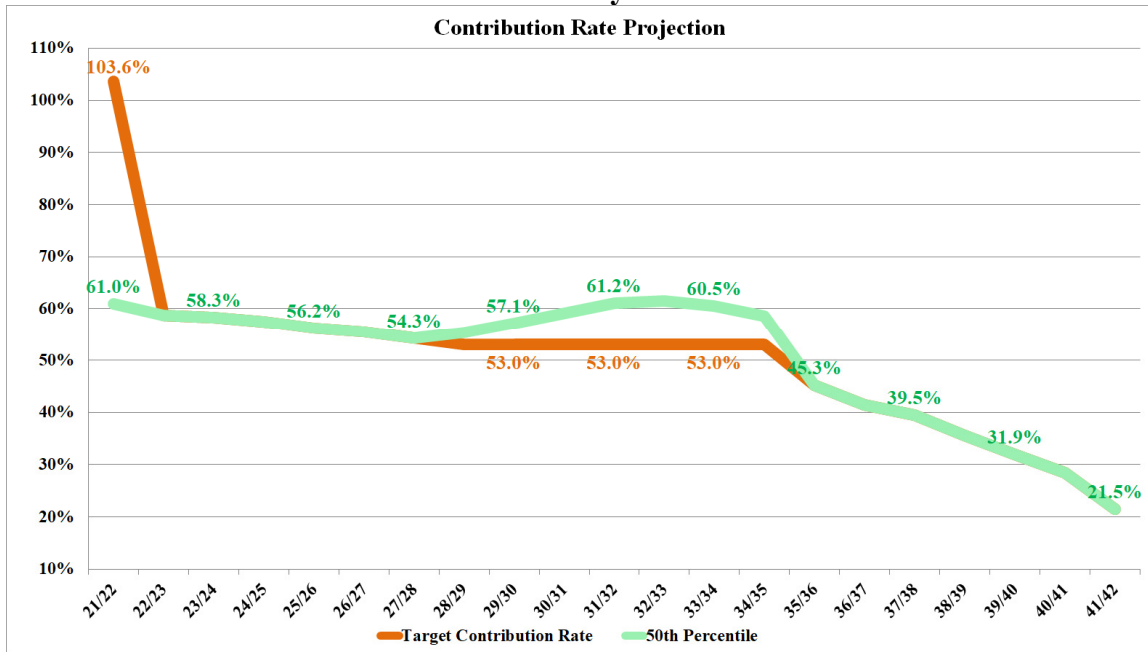


ADDITIONAL PAYMENT ILLUSTRATION



ADDITIONAL PAYMENT ILLUSTRATION

Payment to 115 Trust Safety

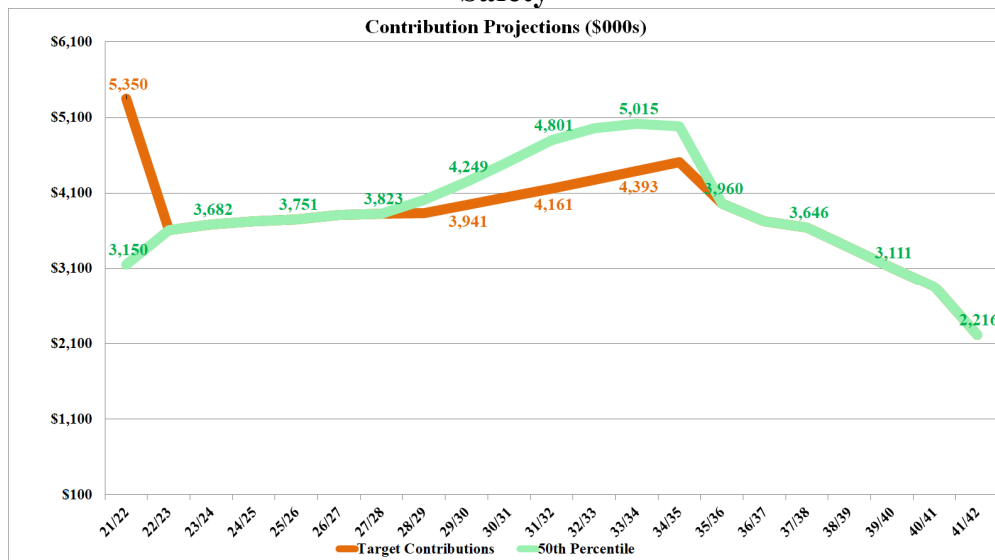


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ADDITIONAL PAYMENT ILLUSTRATION

Payment to 115 Trust Safety

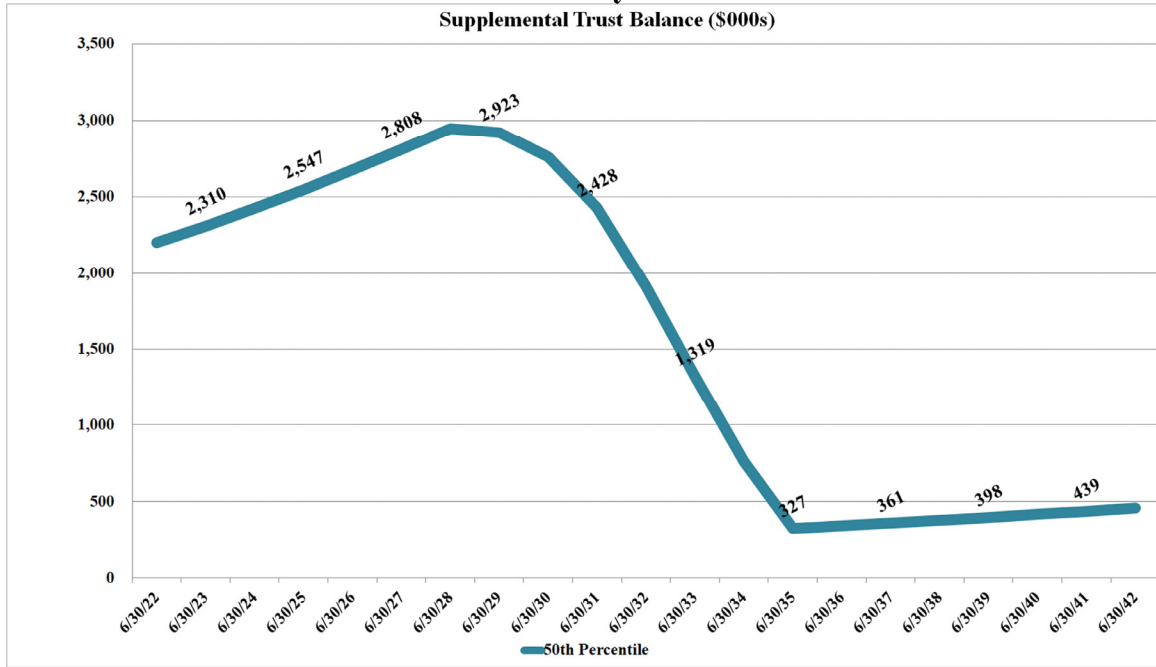


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ADDITIONAL PAYMENT ILLUSTRATION

**Payment to 115 Trust
Safety**



ADDITIONAL PAYMENT ILLUSTRATION



OPEB PLAN FUNDING

- Retiree Healthcare Benefits
- City pays:
 - Single-employee premiums for pre-2012 retirees
 - Up to \$625/\$715 per month for other Safety employees and Miscellaneous hired before 7/1/2020
 - CalPERS minimum (\$143/month in 2021) for Miscellaneous hired after 7/1/2020
 - Retirement after age 50 with 5 years CalPERS service
- Health plans through CalPERS
- No dental, vision, or life insurance
- District not pre-funding the OPEB obligation
 - Discount rate depends on municipal bond rate (2.21% at 6/30/2021)
 - If prefunding, use fund's long term expected return on assets



OPEB PLAN FUNDING

Actuarial Obligations (Amounts in 000's)

	6/30/19
■ Discount rate	3.5%
■ Actuarial Accrued Liability (AAL)	
● Actives (future retirees)	\$ 5,501
● Retirees	<u>11,337</u>
● Total	16,838
■ Assets	<u>0</u>
■ Unfunded AAL	16,838
■ Projected benefit payments FY2021	\$815



OPEB PLAN FUNDING

■ Why prefund OPEB?

- Financial: Future benefits can be paid partly from investment earnings instead of from current City budget
- Intergenerational equity: Taxpayers/residents who receive City services should pay for the compensation and retiree benefits -- they should not be paid by later taxpayers
- Logical: OPEB is an employee benefit just like pensions.



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OPEB PLAN FUNDING

6/30/2021 Actuarial Obligations and Recommended Contributions (Amounts in 000's)

	Current	Pre-funding	Pre-funding
■ Discount rate (expected long term return on trust assets)	3.5%	6.25%	4.75%
■ Actuarial Accrued Liability (AAL)	\$ 17,471	\$ 12,865	\$ 15,093
■ Assets	<u>0</u>	<u>600</u>	<u>600</u>
■ Unfunded AAL (UAL)	17,471	12,265	14,493
■ Normal cost (value of benefits earned in the coming year)	673	399	527
■ Amortization payment ¹²	N/A	<u>861</u>	<u>923</u>
■ Actuarially Determined Contribution (ADC)	N/A	1,260	1,450
■ Projected benefit payments	840	<u>840</u>	<u>840</u>
■ Net recommended trust contribution for FY2022	N/A	\$ 420	\$ 610

¹² 20 year, level percent of pay (3% per year payment escalation)



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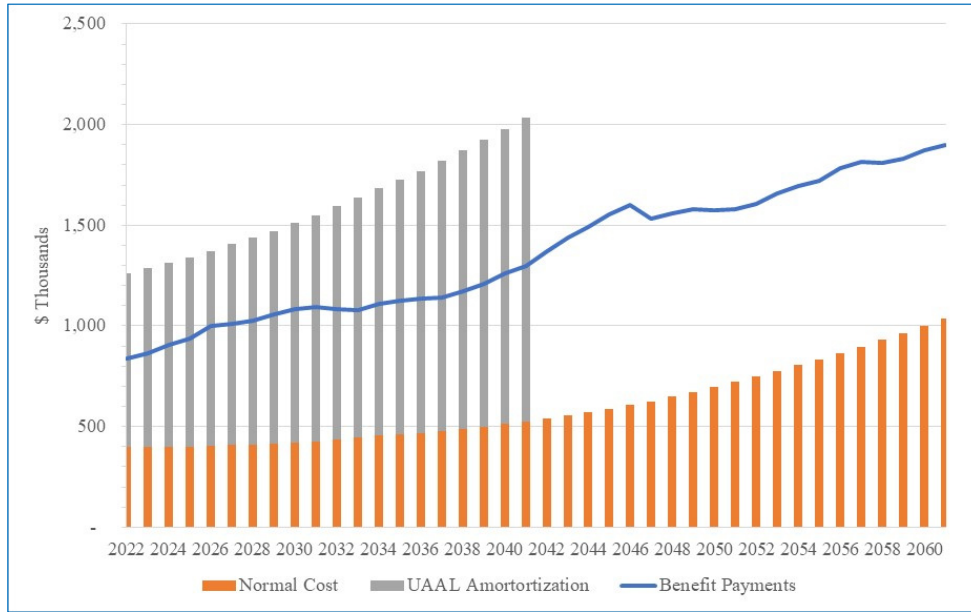
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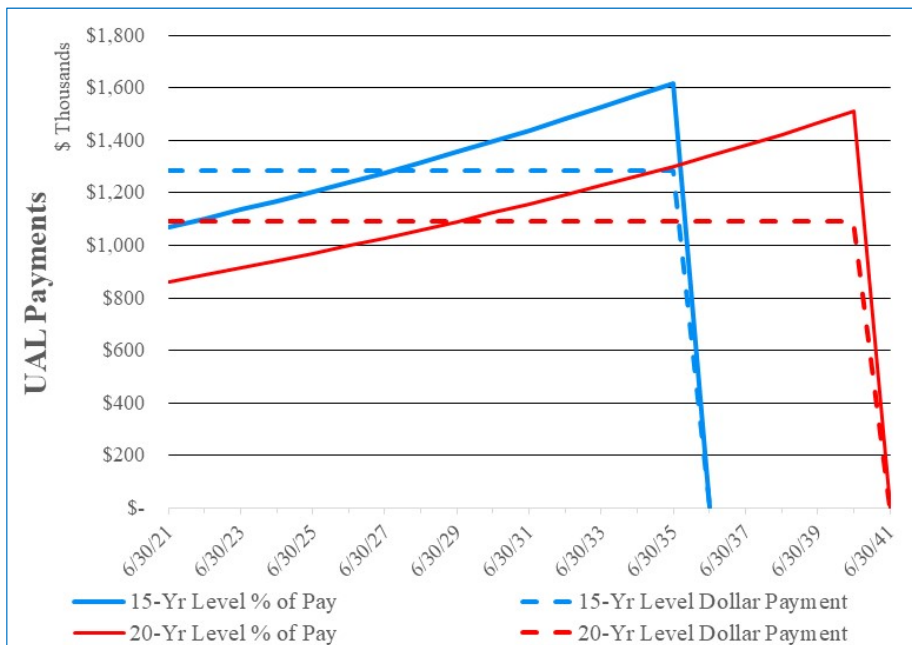
OPEB PLAN FUNDING

Illustration of Projected Recommended Contributions vs. Benefit Payments 6.25% Discount Rate



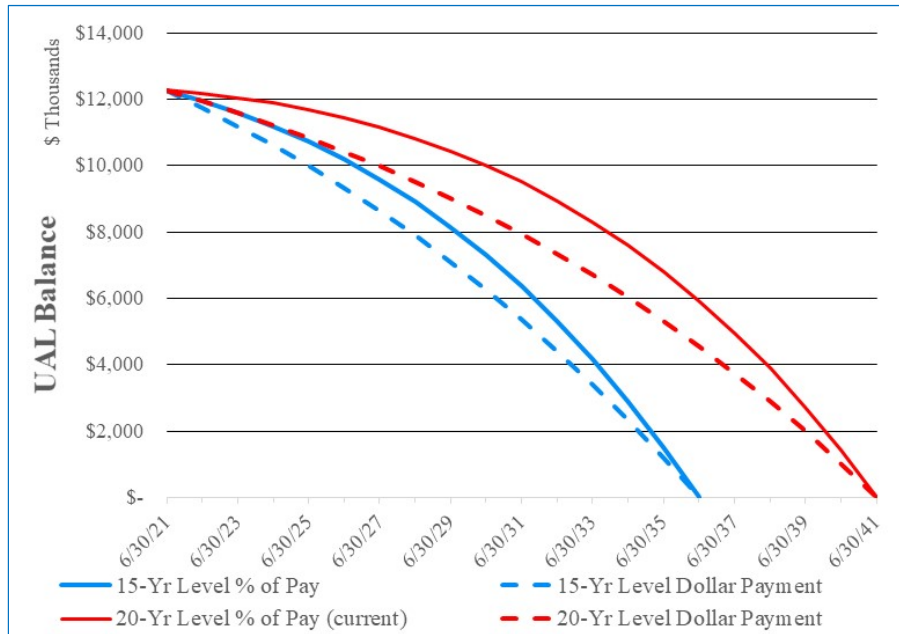
OPEB PLAN FUNDING

Illustration of UAL Amortization Payments 6.25% Discount Rate



OPEB PLAN FUNDING

Illustration of UAL Paydown 6.25% Discount Rate



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ACTUARIAL CERTIFICATION

This report presents analysis of the City of South Pasadena's CalPERS pension plans. The purpose of this report is to provide the City:

- Historical perspective on the plan investment returns, assets, funded status and contributions.
- Projections of likely future contributions and the impact of investment volatility

The calculations and projections in this report are based on information contained in the City's June 30, 2020 and earlier CalPERS actuarial valuation reports. We reviewed this information for reasonableness, but do not make any representation on the accuracy of the CalPERS reports.

Future investment returns and volatility are based on Bartel Associates Capital Market model which results in long term returns summarized on pages 23 and 41.

Future results may differ from our projections due to differences in actual experience as well as changes in plan provisions, CalPERS actuarial assumptions or methodology. Other than variations in investment return, this study does not analyze these.

To the best of our knowledge, this report is complete and accurate and has been conducted using generally accepted actuarial principles and practices. As members of the American Academy of Actuaries meeting the Academy Qualification Standards, we certify the actuarial results and opinions herein.

Respectfully submitted,

DRAFT

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Vice President
Bartel Associates, LLC
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Bianca Lin, FSA, EA, FCA, MAAA
Assistant Vice President
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CELL TOWER REVENUE OPTIONS





REVENUE BACKGROUND

- In 2020-2021, City approved a Cell Tower Lease
- One-time payment of \$4,374,439
- Held separately from operating funds in General Fund
- City Council and Finance Commission concurred on usage of funds for Pension and OPEB (Other Post Employment Benefits)
- Currently designated as “Reserved for Pension Liability”





RESEARCHING PRIMARY OPTION

- September: City secured services of Bartel Associates for actuarial review of pension/OPEB liability pay down
- Bartel Associates presented options to the Finance Commission during its September meeting
- Goal was for Commission to give specific recommendation to City Council





TWO TYPES OF LIABILITY

- PENSION LIABILITY
 - CalPERS
 - 5 Plans (Miscellaneous, Sworn, 3 PEPRA plans)
 - Miscellaneous 71% funded/UAL \$15.5 m underfunded
 - Safety 68% funded/UAL \$30.2 m underfunded
- OPEB (Other Post-employment Benefits)
 - Medical/other benefits
 - Currently underfunded by \$17.4 m



FINANCE COMMISSION RECOMMENDATION



- September 23, 2021 regular meeting, the Commission gave the recommendation to use Cell Tower Revenue to pay down Pension and OPEB liability
- Recommendation:
 - \$600,000 for OPEB
 - Remaining (\$3.7 m +) to be paid directly to CalPERS as an Additional Discretionary Payment (ADP).
- Payment to CalPERS to be equitably split between major plans



PAYING CalPERS DIRECTLY PROS

- Direct payment to CalPERS has an immediate 7% guaranteed savings
- City currently earning less than 1% on LAIF investments
- Immediate reduction of pension liability
- More restricted/secured investing
- No administrative/costs fees





PAYING CaIPERS DIRECTLY CONS

- Investments less visible than a trust
- Less investment strategy choices than a trust





WHAT'S NEXT?



- Tonight's purpose is to open a discussion of uses of this funding
- Possibilities:
 - Consider the Commission's recommendation
 - Re-designate funds to General Fund - Undesignated category
 - General Funds are "free and clear" dollars to be used at Council's discretion