



**Fiscal Year 2023
Unfunded Liabilities and
Unfunded Infrastructure Needs Report**

**Budget and Finance Policy Committee
9 March 2023**

OVERVIEW

- **Purpose:**
 - Receive a report on unfunded liabilities and infrastructure needs
 - Discuss strategies to address unfunded liabilities
 - Provide direction on staff (report to Council, short and long-term funding)

- **Overview:**
 - Purpose biennial report on current and projected liabilities
 - Resolution No. 65,748-N.S.
 - City's pension (CalPERS) & other-post employment benefits retiree medical plans
 - City workers' compensation plan
 - City debt obligations
 - Capital assets and infrastructure needs
 - Long-term financial forecast

- **Presentation from City's Actuarial on Pension and OPEB**
- **Questions and Responses**
- **Discussion on Report and Funding Recommendations**

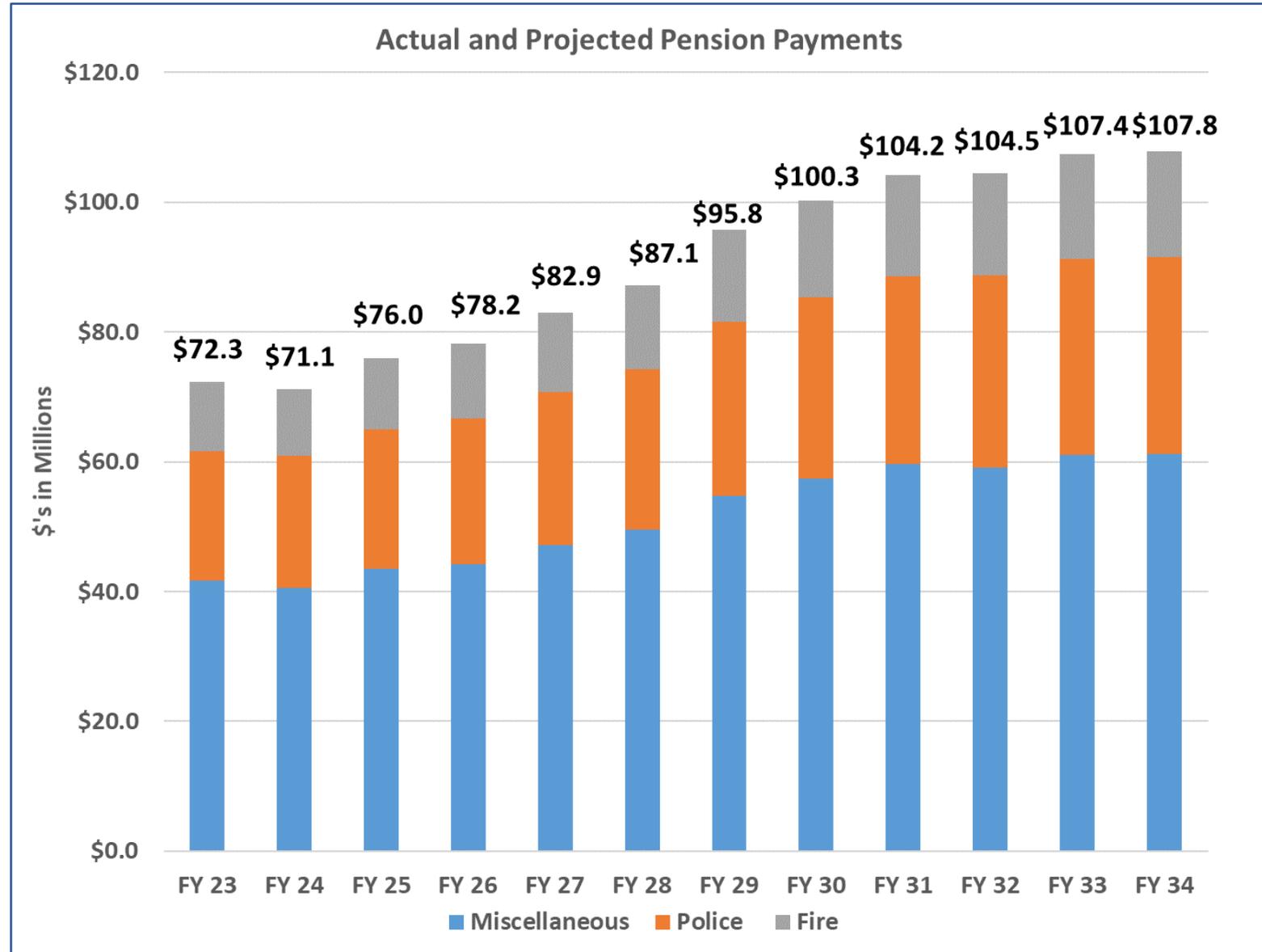
PENSION SUMMARY

Funded Status:

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

Estimated Payments

- \$31.8M projected increase in PERS costs from FY 2025 to FY 2034; estimated \$107.8M in FY 2034 due to CalPERS recent financial loss



RETIREE MEDICAL PLANS SUMMARY

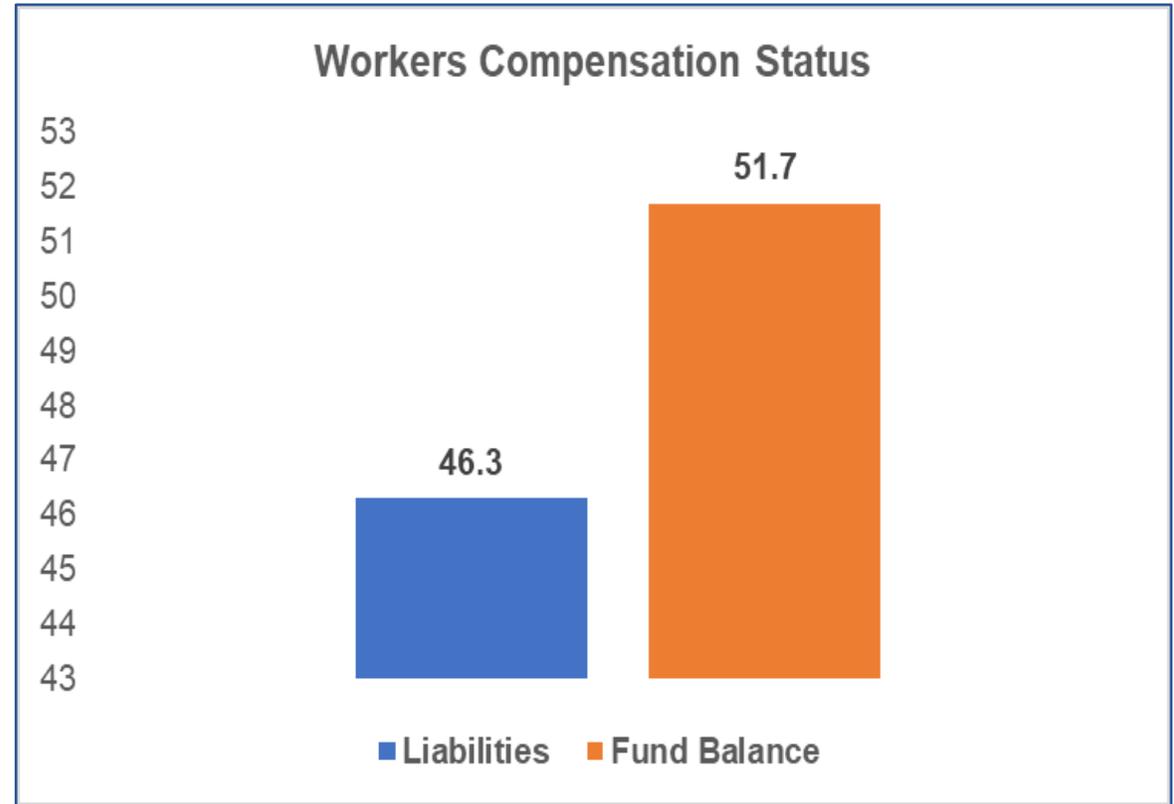
Funded Status:

- City provides post-retirement health insurance benefits
- Retiree health plans are significantly underfunded
- Funded status range from 6.93% to 51.22%
- More details on status and funding options in actuarial report

WORKERS COMPENSATION SUMMARY

Funded Status:

- Self-insured workers' compensation program
- Liabilities at \$46.3M (6/30/23)
- Fund balance at \$51.7M (6/20/22)
- Improvement since 2021:
Liabilities of \$42.4M (6/30/21)
Fund balance of \$41.5M (6/30/20)



DEBT OBLIGATION SUMMARY

Summary:

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

CAPITAL ASSETS SUMMARY

Summary:

- 95 public buildings: 56 maintained by Public Works, 39 by PRW
- Replacement value for Public Works maintained facilities of \$540M

- 54 parks, 4 community centers, 2 clubhouses, 2 pools, 3 resident camps
- 15 athletic fields, 49 sports courts, 63 play areas, 36 picnic areas
- 11.5 miles of landscaped street medians and triangles; 45,000 trees

- 215 centerline miles of improved streets; estimated replacement value of \$816,753,950; Average PCI of 56

- 400 miles of sidewalk; estimated replacement value of \$400,000,000

- 255 miles of sewer mains; 165 miles of lower laterals; estimated replacement value of \$820,000,000

INFRASTRUCTURE NEEDS SUMMARY

Summary:

- Unfunded infrastructure needs have increased over the years and is anticipated to range around \$2.23 billion from FY 2024 to FY 2028.
- Breakdown of the unfunded needs:
 - Parks Recreation & Waterfront - \$443M
 - Public Works - \$1.79B
 - Information Technology - \$13.6M

UNFUNDED PLAY STRUCTURES

- **Glendale-La Loma (2) \$1.1M**
- **Codornices (2) \$1.1M**
- **Aquatic Park Dreamland \$2.3M**
- **Shorebird \$790K**



UNFUNDED PARK NEEDS

- **Aquatic Park Tide Tube Cleaning and Sleeving \$5.1M**
- **San Pablo Park Pool \$16.5M**
- **King Pool Locker Room \$3.2M**
- **Bike Park \$1.65M**



UNFUNDED WATERFRONT PROJECTS

Highest priority projects, out of \$140M of unfunded need

- **Marina/Virginia Sea Level Rise, Bay Trail and Parking \$4.0M**
- **JK Parking Lot \$1.1M**
- **FG Parking Lot \$950k**
- **Finger Dock Replacements \$1.6M**
- **J Dock Replacement \$11.5M**

INFRASTRUCTURE NEEDS SUMMARY

PUBLIC WORKS

CIP Program Area	Current Need
City Buildings	366,286,378
Sidewalks & Pathways	66,835,996
Streets & Roads	216,624,379
Street Lights	8,504,255
Sewers	99,559,684
Storm Water & Green Infrastructure	429,738,617
Traffic Signals & Parking Infrastructure	26,207,619
Undergrounding Project	134,097,744
Veterans Building & Old City Hall	157,405,930
Transfer Stations	85,243,296
Bike & Pedestrian Projects	156,195,115
Transit Projects	64,173,187
Total	1,789,092,622

INFRASTRUCTURE NEEDS SUMMARY

IT

Critical Projects:

- Cybersecurity Resiliency Plan
- Customer Relationship Management (CRM)
- Geographical Information Systems (GIS)– Master Address Database
- IT Department Move to 1947
- Improvement to City-wide Facilities Wi-Fi
- Implementation of City-wide collaboration tools (MS TEAMS and SharePoint)

PRELIMINARY GENERAL FUND FIVE-YEAR REVENUE ASSUMPTIONS

Revenue

- Secured Property Tax Revenues assumed to grow 5.5% annually (as compared to 3.5% in prior years); \$75.6M in FY 2023 to \$90.8M in FY 2034
- Transfer Tax revenues to remain basically flat from FY 2024 – FY 2027 \$34.5 in FY 2023 to \$30.1 in FY 2027; Measure P at \$14.1M annually
- Sales tax almost back to FY 2019 levels; growth to level off to 4% in FY 2024; \$19.1M in FY 2023 to \$2.12M in FY 2027
- Business license growth of 5%; \$19.0M in FY 2023 to \$19.8M in FY 2027
- Utility Tax remain flat thereafter at \$15.0M annually
- **Total revenues from \$258.7 in FY 23 to \$272.5 in FY 2027**

PRELIMINARY GENERAL FUND FIVE-YEAR PROJECTION

Assumptions:

- Staffing level held constant using the FY 2023 Adopted Budget
- No cost of living adjustments (COLA) beyond what is currently negotiated
- PERS rates based on rates provided by the City's actuarial agency
- Other Fringe Benefits increase annually by 8 percent starting in FY 2025
- Salary Savings budgeted at 8 percent annually starting in FY 2025
- Tier 1 Permanent Personnel added to future year projections
- Tier 1 Temporary Personnel added up to duration of temporary position (i.e. NTE 3-years)
- Tier 1 Non-Personnel removed starting in FY 2025
- Non-Personnel costs increase annually by 3 percent starting in FY 2025
- GF Transfer to the CIP Fund is \$19M annually
 - Baseline Amount of \$5M
 - Excess property transfer tax transferred out to the CIP Fund - \$14M
- FY 2025 and outward years shows the new policy of funding an additional \$18M towards Streets

PRELIMINARY GENERAL FUND FIVE-YEAR PROJECTION

General Fund Revenues v.s. Expenditures - Demonstrative Comparison (dollars in millions)						
	FY 2023 Adopted	FY 2023 Projected	FY 2024 Adopted	FY 2025 Projected	FY 2026 Projected	FY 2027 Projected
GF Revenues Baseline	\$ 258.70	\$ 272.90	\$ 261.70	\$ 262.20	\$ 267.60	\$ 272.50
GF Expenditures - Zero COLA	\$ 280.70	\$ 275.70	\$ 274.00	\$ 293.70	\$ 295.00	\$ 299.60
Surplus/(Deficit)	\$ (22.00)	\$ (2.80)	\$ (12.30)	\$ (31.50)	\$ (27.40)	\$ (27.10)

*FY 2023 Adopted & FY 2024 Adopted balanced through the use of fund balance

PRELIMINARY GENERAL FUND FIVE-YEAR PROJECTION

General Fund Revenues vs Expenditures - Demonstrative Comparison (dollars in millions)						
	FY 2023 Adopted	FY 2023 Projected	FY 2024 Adopted	FY 2025 Projected	FY 2026 Projected	FY 2027 Projected
GF Revenues Baseline	\$ 258.70	\$ 272.90	\$ 261.70	\$ 262.20	\$ 267.60	\$ 272.50
GF Expenditures Personnel - Zero COLA	\$ 167.70	\$ 161.80	\$ 173.60	\$ 179.40	\$ 179.20	\$ 181.70
GF Expenditures Non-Personnel	\$ 93.90	\$ 94.80	\$ 82.00	\$ 77.80	\$ 79.30	\$ 80.90
CIP (GF Transfer Out to CIP Fund for Annual Baseline Allocation)	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00
CIP (GF Transfer Out to CIP Fund from Excess Property Transfer Tax Fiscal Policy)	\$ 14.10	\$ 14.10	\$ 13.40	\$ 13.50	\$ 13.50	\$ 14.10
New Policy of \$18M to Streets	\$ -	\$ -	\$ -	\$ 18.00	\$ 18.00	\$ 18.00
Annual Surplus/(Deficit)	\$ (22.00)	\$ (2.80)	\$ (12.30)	\$ (31.50)	\$ (27.40)	\$ (27.20)

CONCLUSION & NEXT STEPS

Summary:

- Pension and Other Post Employment Benefits liabilities total \$614 million
- Projected structural deficit as pension costs increase
- Unfunded infrastructure needs total \$2.23 billion

Action To Date:

- Council created Section 115 Pension Trust
- Council created fiscal policies to allocate funding into trust annually
- Council adopted fiscal policies to address funding of infrastructure

▪ Next steps

- Discuss funding recommendations by actuarial
- Explore incorporating funding recommendations into FY 2024 and beyond
- Continue discussion on options to address unfunded liabilities and infrastructure