Office of the City Manager

01b
Worksession Item

WORKSESSION
February 19, 2013

To: Honorable Mayor and Members of the City Council

From: Christine Daniel, City Manager

Submitted by: Teresa Berkeley-Simmons, Budget Manager

Subject: Projections of Future Liabilities

INTRODUCTION

The City of Berkeley, like most other cities throughout the state, as well as the state of California itself, faces significant long-term costs in the areas of capital assets and infrastructure, and employee and retiree costs. The City has generally weathered the effects of the recession over the last five years by reducing expenditures and deferring capital improvement costs. Expenditure controls during that period also included addressing some employee benefits on a pay-as-you-go basis. As the economy begins to recover, the City has the opportunity to develop a plan to address its long-term obligations in a sustainable way. The City Council began its consideration of these issues last year by establishing a process for reviewing the information necessary to establish expenditure priorities.

On May 29, 2012, the City Council adopted Resolution No. 65,748 N.S. "Requiring that the City Manager Develop and Publish a Biennial Report of Current City Liabilities and Projections of Future Liabilities." This report includes the following information set forth in that Resolution:

1. Employee and retiree benefit costs over a 10 year horizon

2. Costs for current active employees including:

    a. total payroll costs for active employees during the current year;

    b. projected payroll costs for the same number of employees for the succeeding 10 year period with costs increases based on MOU's with bargaining units; and the same assumptions used for the independent CalPERS actuarial report.

3. A summary of all current City obligations including:

    a. general obligation bonds;

   b. certificates of participation;

   c. loans;

   d. all other current long term obligations.

4. Summary of all capital assets and infrastructure including:

   a. Public Buildings

      i. Appraisal of assets valued at $5 million or more;

      ii. Projected maintenance costs over the succeeding 5 years

      iii. Projected budget over the succeeding 5 years

   b. Condition of Streets and Roads using the "Street Saver" information projecting costs to bring streets and roads condition to an average Pavement Condition Index (PCI) of 75 within 5 years.

   c. Sewers: updated asset management plan for public sewers including projected costs for succeeding 5 years and projected revenue from sewer fees for the succeeding 5 years.

   d. Storm drains: updated projected costs contained in the Watershed Management Plan to reflect present value of identified improvements to all watershed acknowledging all completed improvements.

This report is required to be published every two years, in the second year of the biennial budget, in advance of the Council's consideration of the next biennial budget. The intent is to provide a thorough overview of the City's long term obligations in a format that is easily understandable in a single report. This is the first iteration of this biennial report and future reports will no doubt benefit from the feedback obtained through the review process of this version.

CURRENT SITUATION AND ITS EFFECTS

1. Employee and Retiree Benefit costs over a 10 year horizon

a. CalPERS Retirement Benefits

The City provides retirement benefits for employees through its participation in the California Public Employees' Retirement System (CalPERS). This is a defined benefit pension plan funded by a combination of employee contributions that are set by statute and employer contributions that fluctuate from year to year based on an annual actuarial valuation performed by CalPERS. The City contributes to three plans in the CalPERS system: Police Safety Plan, Fire Safety Plan, and Miscellaneous Employee plan. For the Miscellaneous plan, the City pays both the employer share of the contribution and the additional 8%[1] employee share. Each of the plans has different rates for the City's annual employer contribution which are generally based on the demographics of the plan participants and the value of investment returns of the City's assets in the CalPERS system.

CalPERS calculates the value of the City's plan assets using two different methods: 1) the actuarial value of assets (AVA) and 2) the market value of assets (MVA). According to CalPERS, the actuarial value of assets used for funding purposes is obtained through an asset smoothing technique where investment gains and losses are partially recognized in the year they are incurred, with the remainder recognized over subsequent years. The market value of assets values the assets based on the current value of assets held by the plan at the end of a fiscal year and reflects the solvency of the plan at that point in time. CalPERS rates are set using the actuarial value of assets in order to avoid large fluctuations from year to year in a city's required contribution. This aids in budget planning and avoids volatility.

For the next biennial budget, FY 2014 and FY 2015, the City is using the following rates (which are a percent of payroll) from CalPERS for 2014 and estimated for 2015.

	CalPERS Actuals FY 2013	**CalPERS Actuals FY 2014**	**Estimates for FY 2015**
Police	42.0%	45.7%	45.9%
Fire	29.1%	31.5%	32.0%
Miscellaneous	19.2%	20.9%	21.1%

These rates translate into the following payments from the City into the PERS system for the years indicated; FY 2015 through FY 2022 are projected costs since we do not yet have actual rates for those years.

[1] New Miscellaneous employees hired on or after January 1, 2013, who were not previously members of CalPERS and are represented by bargaining units that did not have a contract in place as of December 31, 2012, are required to contribute 6.75% to the retirement plan as set forth in the pension reform legislation approved this past fall by the state legislature.

Future Payments to California Public Employees' Retirement System (*dollars in millions*)										
	FY 13	**FY14**	**FY15**	**FY 16**	**FY 17**	**FY 18**	**FY 19**	**FY 20**	**FY 21**	**FY 22**
Police	9.5	10.3	10.3	10.6	10.9	11.2	11.6	11.9	12.2	12.5
Fire	4.7	5.0	5.0	5.2	5.5	5.7	5.9	6.1	6.3	6.5
Misc	23.8	26.3	26.5	27.9	29.6	30.6	31.6	32.7	33.7	34.8
TOTAL	**38.0**	**41.6**	**41.8**	**43.7**	**46.0**	**47.5**	**49.1**	**50.7**	**52.2**	**53.8**

With respect to future liabilities for the costs of these plans, the City has regularly retained an outside actuary to review the CalPERS estimates and provide his own actuarial estimates that the City can use in budget planning. As noted above, CalPERS employs a smoothing methodology to set the rates so that investment losses are not all realized in a single year. For purposes of this report, the City requested that the actuary develop cost projections for 10 year and 15 year horizons and provide an estimate of how much it would cost the City to ensure that plans are 80% funded on an actuarial basis at the conclusion of those time periods.

Based on an actuarial valuation of the City's assets held by CalPERS the City's plans are currently funded as follows: Police Safety 70%; Fire Safety 85%; and Miscellaneous 82%.

Should the City wish to ensure that the Police Safety Plan achieves a funding level of 80% on an actuarial basis within 10 years, the City's actuary estimated that the City would need to contribute an additional $2.5 million to the Police Safety Plan each year for 10 years. If the time period to achieve the 80% funded level on an actuarial basis for the Police Safety Plan was extended to 15 years, the City would need to contribute an additional $1.7 million to that plan each year for 15 years.

b. Retiree Medical Plans

Beginning in June of 1998 the City made available a Retiree Health Premium Assistance Plan (Retiree Medical) to each qualifying employee and his/her spouse or domestic partner. The City provides these post-retirement health insurance benefits in accordance with the Memoranda Agreements between the City and the various collective bargaining units. In 2012 the City and the Berkeley Police Association agreed to a new Retiree Medical plan that provides health insurance premium payments, rather than the pre-existing cash payments, to retirees. The original plan is now a "closed" plan meaning that employees who retire after September 2012 will receive benefits from the new plan. However, the original plan must still make benefit payments to existing retirees and thus must continue to be funded until those payment obligations cease. The City obtains actuarial reports for each of these plans about every two years and the City's Finance Director is responsible for investing the assets in these plans. The results of that investment activity are provided to the City Council in the Director's regular Investment Report.

In most cases the City's actual contribution to each plan on an annual basis is based on the actuarially established "Annual Required Contribution" as a percent of payroll. However, some of the plans are funded on a "pay-as-you-go" basis. Funding on a pay-as-you-go basis is sufficient to cover the annual benefit payments made from the plan assets, but impacts the ability to achieve the long term funding targets. The City Council may wish to add to the annual contribution to the plans being funded as on a pay-as-you-go basis in order to ensure that the long term funding target is achieved.

Valuation Date July 1, 2012	Actuarial Estimated Liabilities	Plan Assets	Actuarial Unfunded Liability	Annual Required Contribution (ARC)	Actual Contribution	% Funded
Police Supplemental Retirement and Income Plan (closed)	$ 41,452,818	$ 6,246,804	$ 35,206,014	$ 1,829,234	$ 1,470,202	15.07%
Police Employees Retiree Health Plan (new)*	$ 17,255,382	$ -	$ 17,255,382	$ 2,347,270	$ 21,745	0.00%
Police Sick Leave Conversion Health Benefits (closed)	$ 474,862	$ 322,955	$ 151,907	$ 61,139	$ 61,139	68.01%
Fire Employees Retiree Health Plan	$ 12,017,316	$ 6,348,008	$ 5,669,308	$ 730,784	$ 967,100	52.82%
Retiree Health Premium Assistance Plans (Non-Safety Members)	$ 36,543,741	$ 12,655,994	$ 23,887,747	$ 3,104,809	$ 2 ,413,215	34.63%
	$ 107,744,119	$ 25,573,761	$ 82,170,358	$ 8,073,236	$ 4,933,401	

*This plan was created in mid FY 2013 and this is the budgeted contribution for the current fiscal year based on estimated retirements. Future years will require increased contributions.

Workers' Compensation

The City is required by law to provide workers' compensation coverage for its employees. The City is self insured for workers' compensation. The City began its self-insured worker's compensation program on March 1, 1975. In 2005 the City established a formula for assessing charges across all City departments and programs. Payments are made to the Worker's Compensation Self-Insurance Internal Service Fund by transfers from all City funds. Since that time, the Fund has been able to both pay claims and costs, as well as build up a balance. In FY 2012, the City transferred $8.8 million into the Fund. On average, the annual amount paid out for claims is approximately $4.5 million and the total annual expenditure from the fund, including claims paid and administrative costs as of June 30, 2012 was $7.7 million. The fund balance as of June 30, 2012 was $14.9 million.

The actuarial estimate for the program's liability for outstanding claims was $28.4 million as of June 30, 2012. This represents estimates of amounts to ultimately be paid for reported claims and upon past experience, recent claim settlement trends, and other information. It is the City's practice to obtain an actuarial study on an annual basis for this fund. The actuary recommends that the funding amount be sufficient to bring funding to the 75% to 85% confidence level. In the seven years since the City established the formula for assessing charges to departments, the Fund has achieved a 52.47% funding level, with the balance being increased each year. The funding for this program is a good example of how an underfunded liability can be successfully addressed over time.

Workers Compensation as of June 30, 2012

Estimated Liability	Plan Assets	Annual Required Contribution	Actual Contribution	Funding Target	Unfunded Liability	% Funded
$ 28,374,000	$ 14,886,917	$ 9,370,000	$ 8,788,113	between 75% and 85% confidence level	$ 13,487,083	52.47%

c. Safety Members Pension Fund (closed plan)

The City also maintains the Safety Members Pension Fund (SMPF). This plan is a single-employer defined benefit pension plan for fire and police officers that retired before March 1973. In March 1973 all active fire and police officers were transferred from SMPF to CALPERS. Service and disability retirement benefits from the SMPF are based on a percentage of salary at retirement, multiplied by years of service. Benefits are adjusted annually by either:

- Current active salary increases (based on the same rank at retirement) or
- The income in the California Consumer Price Index (with a 1% minimum and a 3% cap). SMPF also provides surviving spouse benefits.

The City pays SMPF benefits on a pay-as-you-go basis. In February 1989, the Berkeley Civic Improvement Corporation purchased, on behalf of the City, a Guaranteed Income Contract (GIC) from Mass Mutual. This contract provides annual payments through 2018 and an annual guaranteed 9.68% rate of return (net of expenses). The City pays the difference between actual benefit payments and contract provided annual payments. In FY 2012, the City's payment was $1,338,800 The City contributed this amount for the year through a $539,000 payment from the GIC plus $799,800 paid from the General Fund.

As of January 28, 2013, there were 20 participants remaining in the plan with ages ranging from 82 to 99 and an average age of 90.7 years. The actuarial estimates project that the plan will be closed and no further benefits paid out by July 1, 2021.

SRIP I (closed plan)

Non-sworn employees were enrolled in both Social Security and in CalPERS prior to January 1980. On May 13, 1980, the City Council authorized the City Manager to begin the process of withdrawing non-sworn employees from Social Security. On March 30, 1982, non-sworn employees voted to withdraw from Social Security and accept the alternate Supplementary Retirement and income Plan (SRIPI).on January 1, 1983, Ordinance No. 5450-N.S established SRIP I, which consists of two separate components. The first component is a money purchase pension plan established under Internal Revenue Code Section 401(a). The second component is a disability benefit that was intended to substitute for the disability benefit provided under Social Security.

The city self-insured for SRIP I disability payments. SRIP I was closed to new participants on July 1, 1988. As of June 30, 2012, there were a total of 111 closed group participants, 35 active employees and 76 disabled participants receiving benefits.

The City funds these benefits on a pay-as-you-go basis, which is sufficient to cover the annual benefit payments. The amount of contributions as a percent of payroll needed to fund expected benefit payments for the next fiscal year is equal to 1.673% of payroll. This amount is expected to decrease to about 0.37% of payroll after 15 years and to about 0.04% of payroll after 30 years. The unfunded liability as of June 30, 2012, the most recent actuarial study, was $13,329,000, with an expected annual payment of $1,526,000 for FY 2013.

2. Current Costs for Active Employees

As of June 30, 2012, the City employed 1308 full time equivalents (FTE). At any given time, the number of employees on the payroll is generally less than the budgeted number of FTE due to retirements and employment separations for other reasons. For purposes of this report, the analysis of the payroll costs for the succeeding 10 years is based on the number of employees on the payroll as of June 30, 2012. That number was then inflated based on the cost of living adjustments established in collective bargaining agreements (currently zero through FY 2015), and the rate that CalPERS uses for its payroll growth assumptions which is now 3%. Other increases were also assumed for medical costs, dental costs, cash in lieu, shoes and tools allowance, commuter checks, and other benefits. Based on these assumptions, payroll costs would grow from $211.2 million in FY 2012 to $296.2 million in FY 2022.

Projected Payroll and Benefits Costs Over the Next Ten Years (*dollars in millions*)											
	FY12	**FY 13**	**FY 14**	**FY 15**	**FY 16**	**FY 17**	**FY 18**	**FY 19**	**FY 20**	**FY 21**	**FY 22**
Payroll	134.7	138.7	137.9	137.7	142.2	146.4	150.8	155.3	160.0	164.8	169.7
Benefits	76.5	79.3	84.6	87.5	92.7	98.2	103.3	108.7	114.3	120.3	126.5
Total	**211.2**	**218.0**	**222.5**	**225.2**	**234.9**	**244.6**	**254.1**	**264.0**	**274.3**	**285.1**	**296.2**

Clearly this is a relatively simplistic mathematical calculation that does not take into consideration the realities of available revenue, or the costs of maintaining infrastructure and public facilities (see more information on these costs in section 4 below). Controlling expenditures has been, and will continue to be, a necessity in managing the City's budget, and labor costs are a critical factor in that approach. Achieving a sustainable balance of both personnel and non-personnel expenditures against reasonable revenue projections will continue to require close attention, especially as the economy begins to recover.

A summary of the employee and retiree benefits and payroll cost projections can be found in Attachment 1.

3. Summary of all current City Obligations (GO bonds, COPs, etc.)

The City's debt includes General Obligations bonds, Certificates of Participation and Lease Revenue Bonds. Attachment 2 includes the detailed debt service payment schedules for each of these debt issuances.

The City currently has four outstanding general obligation (GO) bond authorizations (each with multiple series of bonds) related to public safety, libraries, senior centers and the animal shelter. The oldest of these authorizations dates back to 1992.

The City has an aggregate bond tax rate for FY 2013 of 0.047% (which represents $47 for each $100,000 in assessed value ("A.V.")). This rate has dropped from a historical peak of approximately $95 (per $100,000 in A.V.). Based on projected annual increases in A.V. and decreasing aggregate annual debt service over time, the tax rate will drop with the final tax collected in FY 2040 (Measure FF is the latest bond authorization).

Bond Authorization	Authorization Year	Authorization Amount	Outstanding Amount	Final Maturity	FY 2013 Bond Tax Rate
Measure G	1992	$32,500,000	$13,570,000	2027	.0130%
Measure S	1996	$49,000,000	$32,985,000	2029	.020%
Measure I	2006	$7,200,000	$6,925,000	2027	.003%
Measure FF	2008	$26,000,000	$25,595,000	2040	.0120%
TOTAL		**$114,700,000**	**$79,075,000**		**.0470%**

It has been the City's debt policy to issue each series of bonds with level amortization and terms of either 25 or 30 years. Many of the series have been refinanced for lower interest rates over time. Given the fixed term for each bond series, the aggregate annual debt service for all outstanding bonds decreases over time as each bond reaches its final maturity.

This report does not reflect the issuance of the GO bonds for Measure M (Street and Related Watershed Improvements) that was passed by the voters in November 2012, as the timing and other specifics of that future bond issue is unknown at this time. Further information about the City's existing and future debt capacity is included in a later section of this report discussing options to address long term costs.

4. Summary of All Capital Assets and Infrastructure

The City has an extensive portfolio of capital assets and infrastructure ranging from, among others, 56 public buildings, to 270 miles of public sanitary sewer mains and 130 miles of public sewer laterals, to 52 parks, 2 pools, 3 camps, and 42 different facilities served by the City's IT systems. Maintaining those assets is a costly and time consuming enterprise that requires significant resources and constant attention. Additionally, Berkeley is an aging city and thus its infrastructure faces challenges that other younger cities do not. The information in this report is based on City staff's analysis of the capital improvement needs over the next five years. As noted below, Public Works is in the process of retaining a consultant to update the facilities assessment that was last done over 12 years ago; that assessment should be completed by the end of 2013 and will provide the basis for more refined cost estimates and capital planning.

Attachment 3 contains the budget and projected funding needs for the City's facilities and assets described below. Additionally, Attachment 3 includes the replacement value of all City property. This information is obtained for insurance purposes on a regular basis.

a. Public Buildings

The following is a preliminary cost estimate of capital improvements and major maintenance for City facilities over the next 5 years. Public Buildings include all major City buildings (including City Hall/Civic Center, 1947 Center Street, Public Safety Building), most minor buildings (senior centers, recreation centers), City-owned parking lots, and various other City facilities, such as playground equipment, Marina docks and ramps, camp buildings and pools. While the figures include building and play equipment within parks, the figures do not include costs for major maintenance and capital improvements for parks infrastructure such as sports fields, tennis and basketball courts, irrigation and drainage systems, or landscaping.

In the late 1990s the City conducted an assessment of City facilities with an outside consultant (Pack Report, 2000) that described each building, its improvement needs and associated costs. While much of this information is still valid, new facilities have been built, improvements have been done to existing facilities, and facilities have continued to degrade. As a result, the assessment needs to be updated. In December 2012, staff initiated an RFQ process to obtain professional services to perform a new assessment and provide a cost estimate for all City facilities. This work should begin in late winter (early 2013) and be completed by the end of the calendar year.

Projects included in this assessment are either major maintenance or capital projects. Major maintenance projects involve improvements at a facility at a cost of up to $50,000 that do not involve routine maintenance. Capital projects involve the construction of new facilities or improvements to existing facilities at a cost of $50,000 or more. Routine maintenance projects involve the repair of minor elements at existing facilities (e.g., broken fixtures, locks, light bulbs, minor painting, etc.) and are not included in this report.

Despite support from a variety of City funds, the cost for routine maintenance, major maintenance, and capital improvements far exceeds currently existing sources of funds. The current estimated cost for the capital improvement and major maintenance of City facilities over the next five years is $23 million. The current budget allocation for this work is $4 million; which results in an estimated unfunded liability of $19 million.

b. Streets & Roads

On November 15, 2011 the City Auditor presented Council with an Audit that included an overview on the condition of the City's streets and made recommendations, that if implemented, would improve the "at risk" condition for the average Berkeley street. Recommendations included adoption of a desired average Pavement Condition Index (PCI) identifying both the timeframe and funding strategies to meet this target. Consistent with the Council's Resolution No. 65,748-N.S. directing the creation of this report, a PCI of 75 was used to assess the City's current unfunded liability for streets.

Using the StreetSaver system software and the current projections for future funding, the City needs to allocate an additional $39.5 million to achieve the PCI of 75 within 5 years.

The voters of Berkeley recently passed Measure M, a $30 million bond to improve the condition of City streets, as well as implement elements of the City's Watershed Management Plan. Some of the bond money will be used to reduce the $39.5 million street rehabilitation liability and the Public Works Department has started working with the Public Works Commission to develop criteria that will be used to identify appropriate streets and watershed management improvement projects that can be funded by Measure M.

c. Sewers

The City has not raised Sewer fees since FY 2006, however, the Fund has maintained a healthy balance and the City has continued to allocate sufficient funding to maintain and improve the sewer system. As a result of these efforts, the City does not currently have an unfunded liability for the Sewer system. However, staff has not yet concluded negotiations with the EPA and the Department of Justice on the final Consent Decree, which could require significant additional capital improvements. If the City is mandated to increase its level of capital improvements and or maintenance activities, the City Council will need to consider a sewer rate increase. Public Works is working closely with the IT Department to implement a computerized maintenance management system (CMMS), which will be initially implemented within the sewer program. The CMMS will allow for greatly improved information management leading to more efficient allocation of resources and improved service delivery. As the system matures and is populated with additional data, it will be useful in tracking and projecting future unfunded liabilities.

d. Storm Drains- Clean Stormwater Program

The City currently allocates approximately $2.3 million annually to the stormwater system. This revenue is generated by Clean Stormwater fees charged to owners of real property that contribute to the stormwater runoff and use the City's storm drain infrastructure. The City also receives approximately $245,000 annually from the University of California as part of the Long Range Development Plan agreement. Annual expenditures to maintain the system exceed the available revenues and in FY 2011 maintenance activities were reduced to 60% of previous year's efforts. The City has has allocated $700,000 from the General Fund each year to address the rapidly deteriorating system and support storm drain Best Management Practices within the Public Works Operations Division. However, this General Fund contribution is projected to end in FY 2013.

In October 2012, the City Council approved the Watershed Management Plan (WMP). The WMP establishes an integrated and sustainable strategy for managing urban water resources that addresses water quality, flooding, and the preservation of creeks and habitats using multi-objective approaches where possible. Through modeling and analysis, the WMP also identified capital Improvement recommendations for all the City's watersheds. The City's unfunded liability over the next 5 years is estimated at $37 million. This includes $5 million in unfunded maintenance needs and $32 million for capital improvements.

e. **IT Infrastructure**

Technology infrastructure presents some unique challenges with respect to long term obligations. Performance needs and expectations (bandwidth, speed, usability) change more unpredictably than, for example, needs and expectations related to sewers or streets. Forecasting network bandwidth, data storage, and wireless device needs is also challenging given that the technology the City will need in five or ten years may not even exist yet. Additionally, the most effective technology tools tend to require a large investment in start-up costs, City staff use and maintain a vast technology infrastructure to provide services to the community each day.

Currently, the City's PC inventory comprises 1,152 desktops, 106 laptops, and 75 Public Safety MDTs (Mobile Data Terminals). In FY 2003, the City's server infrastructure comprised 93 servers (13 for email), with each server supporting a single software application. Currently, the City runs 130 servers (4 for email). In FY 2008, the City centralized PC purchasing and instituted a capital replacement program requiring departments to set aside money every year for PC hardware and software, and for servers. Because a capital replacement fund was established, the City's PC inventory is a funded liability and the server inventory is an underfunded liability. (See Attachment 4) These replacement funds serve as a useful comparison to other technology infrastructure categories.

The table in Attachment 4 reflects a 5 year projection of the funded and underfunded status of each area of information technology infrastructure. While some areas have been funded via annual contributions to replacement funds, others have not. The City Council has received prior reports regarding the costs and timing of replacement of the City's FUND$ system FUND$ Status Report[2] There has not yet been a replacement fund established for that system. This may be an opportune time to consider establishing such a fund so that the system could be replaced several years from now.

[2] : http://www.ci.berkeley.ca.us/uploadedFiles/Clerk/Level_3_-_City_Council/2010/06Jun/2010-06-01_Item_54_FUND__Status_Report.pdf

BACKGROUND

One of the terms that is often used with respect to the long term obligations that are described above is "unfunded liabilities." Unfunded liabilities are defined as identifiable obligations of an organization for which the organization does not have 100% of the funding (cash or other assets) set aside to cover the cost should all obligations become immediately due. Generally, an organization manages a balance between funding a portion of the entire obligation and the associated risk that the obligation will be due at the same time. This balance is considered the practical and responsible approach since payment demands of these obligations rarely, if ever, occur simultaneously. The alternative would be to 100% fund the obligations causing a great portion of cash to be reserved and not available for providing services or meeting other immediate obligations, needs, or desires of the community. Maintaining a careful balance between cash on hand to fund daily operations and liquidity to cover unfunded liabilities is a key challenge for all governments.

As the economy begins to recover and revenues begin to increase, the City has the opportunity to consider how to prioritize expenditures to address some of its long term obligations in order to maintain a healthy future. In addition to increasing revenue, some expenditures, such as the Safety Members Pension Fund subsidy, are projected to decrease in the future. That also presents an opportunity to consider how to prioritize those newly available funds. Some preliminary options for consideration are discussed below.

Options to Address Long Term Retirement and Infrastructure Costs

1. **PERS costs: Use of savings from FY 2012 refinancing of 2003 Certificates of Participation and 1999 Berkeley Repertory Theatre/Park Acquisition Bonds**

In October 2012 the City refunded the 2003 Building Acquisition Certificates of Participation and the 1999 Berkeley Repertory Theatre/Park Acquisition bonds in order to take advantage of lower interest rates, and achieve over $5.7 million in present value savings in future debt service payments, as follows. These savings accrue to both the General Fund and special funds since all funds contribute towards the debt service payments.

FY	PRESENT VALUE SAVINGS	FY	PRESENT VALUE SAVINGS
2013	$1,007,717	2023	$237,664
2014	487,288	2024	232,737
2015	300,346	2025	225,628
2016	293,558	2026	218,654
2017	286,590	2027	211,953
2018	274,315	2028	205,947
2019	269,356	2029	197,125
2020	259,409	2030	191,613
2021	253,975	2031	187,385
2022	245,283	2032	180,137

At the October 2, 2012 Council meeting, Council approved the recommendation to set aside the debt service savings each year in the PERS Savings Fund (933), in order to assist in paying for the increased CalPERS payments. The rationale for this was that the majority of the debt service savings came from the refunding of the 2003 Certificates of Participation, and all funds, not just the General Fund, contribute to the payment of the debt service on the 2003 Certificates of Participation. CalPERS payments are projected to go up again in FY 2014 and FY 2015. The reduction in the debt service payments will enable the departments to contribute to the CalPERS increase, since departments will pay a lower rate on the debt service payments.

2. PERS costs: Prepayment opportunity

Another potential option the City has is to pre-pay annual CalPERS obligations and receive a 3.8% discount This discounted rate is equivalent to a rate of return of over 7% and could save the City over $1.2 million/year.However, staff does not currently recommend this option because it does not result in economic savings due to the method CalPERS uses for calculating the prepayment. For FY 13, the CalPERS actuary calculated that the amount the City would prepay was much higher than Budget staff estimated the City will actually pay over the course of the year. That is because the actuary used a base payroll from 2 years prior and assumed that the City had annual salary growth of 3.25%. (The payroll inflation rate was recently reduced by CalPERS to 3% along with the reduction in the assumed rate of return to 7.5%. Future prepayment calculations will thus be based on the 3% assumption.) In fact, the City's payroll has declined since 2010. Thus, since CalPERS gives future credits instead of refunds, it won't make economic sense to prepay the PERS amounts until the CalPERS payroll projections match the City's actual payroll. When that opportunity presents itself, staff will review the analysis and make a recommendation to the City Council regarding prepayment.

3. Retiree Medical Plans: Safety Members Pension Fund (SMPF) decrease in funding needs over time

As discussed above, the City currently pays the difference between the total SMPF benefits and the amount received from the Massachusetts Mutual Guaranteed Income Contract (GIC). The City will receive declining amounts from the GIC through FY 2019. For FY 2012, the General subsidy to the SMPF was $799,800. By FY 2018, staff estimates the subsidy will drop below $100,000, as there are 20 participants remaining in the plan, with ages ranging from 82 to 99, with an average of 90.7 years.

As the subsidy to SMPF declines over the next several years, the City Council could direct that the amount of the annual decreases help fund the shortfall in other City retirement plans such as the retiree medical plans.

Safety Members Pension Fund Summary of Benefit Payments

FY	Benefit Payments		Payments from Mass. Mutual GIC		General Fund
2008	$1,783,940	(1)	-$832,000	(1)	$951,940
2009	1,736,185	(1)	-745,376	(1)	990,809
2010	1,666,559	(1)	-665,168	(1)	1,001,391
2011	1,554,836	(1)	-596,000	(1)	958,836
2012	1,338,800	(1)	-539,000	(1)	799,800
2013	1,174,920	(2)	-484,000	(1)	690,920
2014	1,011,040	(2)	-435,000	(1)	576,040
2015	847,160	(2)	-397,201	(1)	449,959
2016	683,280	(2)	-360,091	(1)	323,189
2017	519,400	(2)	-329,000	(1)	190,400
2018	355,520	(2)	-298,000	(1)	57,520
2019	191,640	(2)	-100,000	(1)	91,640
2020	27,760	(2)			27,760
2021	0	(2)			0

(1) Actual amount
(2) Estimated amount based on the average decline in benefit payments over the last two fiscal years

4. **Infrastructure and Capital Assets:**
    a. **Continue to set aside property transfer tax revenue that exceeds recurring revenue of $10.5 million**

In FY 2005 Property Transfer Tax revenue increased by over $3 million. City staff quickly recognized that the revenues received from this real estate boom were not going to be recurring, and did not build this "extra revenue" into the City's recurring budget. Staff performed an analysis of historical Property Transfer Tax revenue and came up with $10.5 million as the City's recurring level for Property Transfer Tax revenue. In FY 2006, a recommendation was proposed by the City Manager to the City Council that the excess Property Transfer Tax revenue over the $10.5 million established as the recurring amount only be used for one-time expenditures. This recommendation was accepted by Council and put in place starting with FY 2006.

FY 2013 might be the start of another real estate boom in Berkeley, and staff suggests that the excess Property Transfer Tax revenue above $10.5 million continue to be set aside in the City's Capital Improvement Fund and allocated to capital asset and infrastructure projects, including replacement of core IT systems such as the FUND$ system.

b. **Consider additional bonding capacity**

The City's Financial advisor, NHA Advisors, prepared an analysis of the City's current GO bonding capacity, assuming that the City's aggregate bond tax rate were held constant. That analysis follows:

- As indicated in Attachment 2 Exhibit A, by FY 2018 (in 5 years), the outstanding GO bond principal balance will drop by $21,540,000 or 27.2%, from $79,075,000 to $57,535,000;

- By FY 2023 (in 10 years), the outstanding GO principal balance will drop another $17,860,000, to $39,675,000. This is approximately half the current outstanding balance; and,

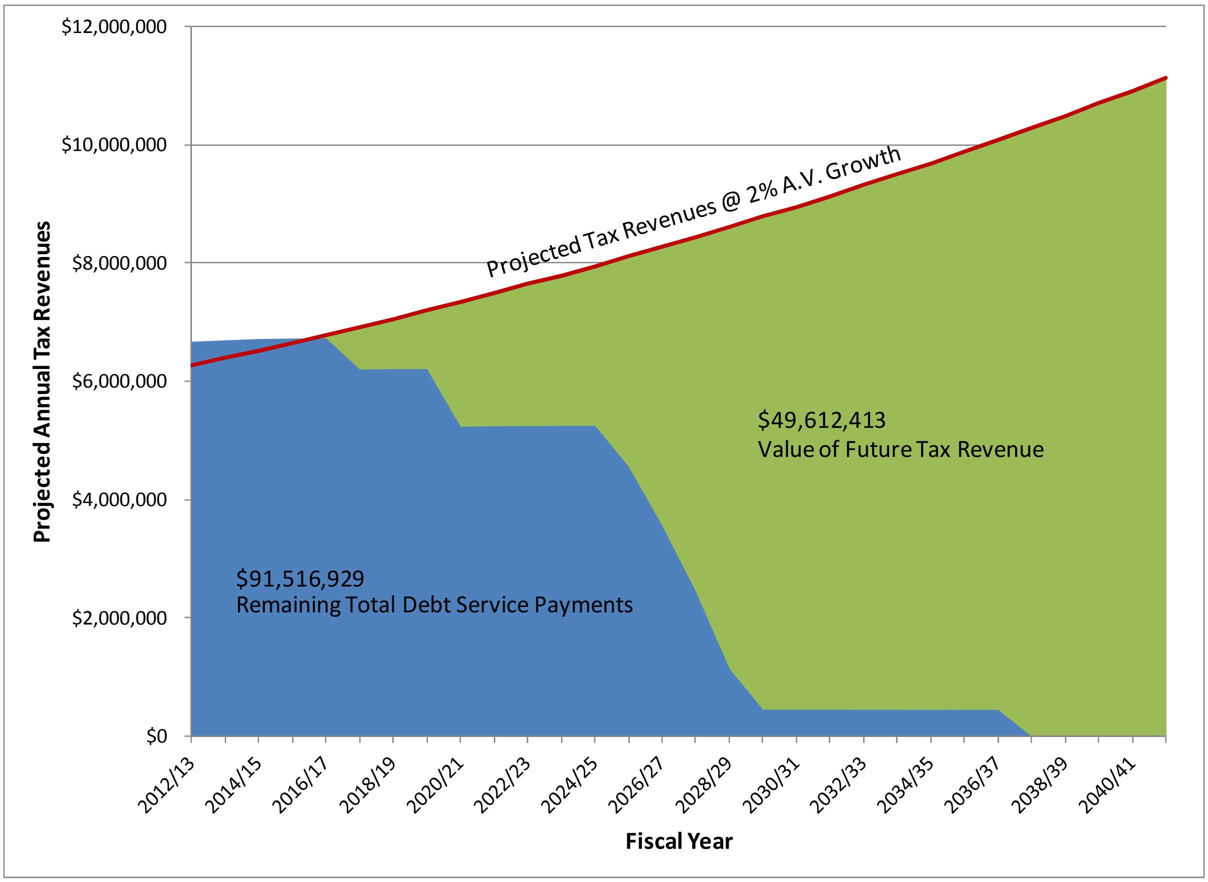
- By FY 2028 (in 15 years), the outstanding GO bond principal balance will drop another $18,645,000, to $21,030,00 or approximately one quarter of the current balance.

NHA Advisors calculated the potential bonding capacity based on holding the tax rate at the current FY 2013 level (0.047%) for the next 30 years. Once existing debt service obligations are made, there will be tax revenues that could be applied toward payment on a new bond authorization. This amount increases each year that the total A.V. rises and the existing debt service drops off as bonds mature.

Projected tax revenues are based on scenarios of 30-years of A.V. growth at 2% and 3%. The present value of the available future tax revenues is calculated using a 6% discount rate (conservative bond interest rate).

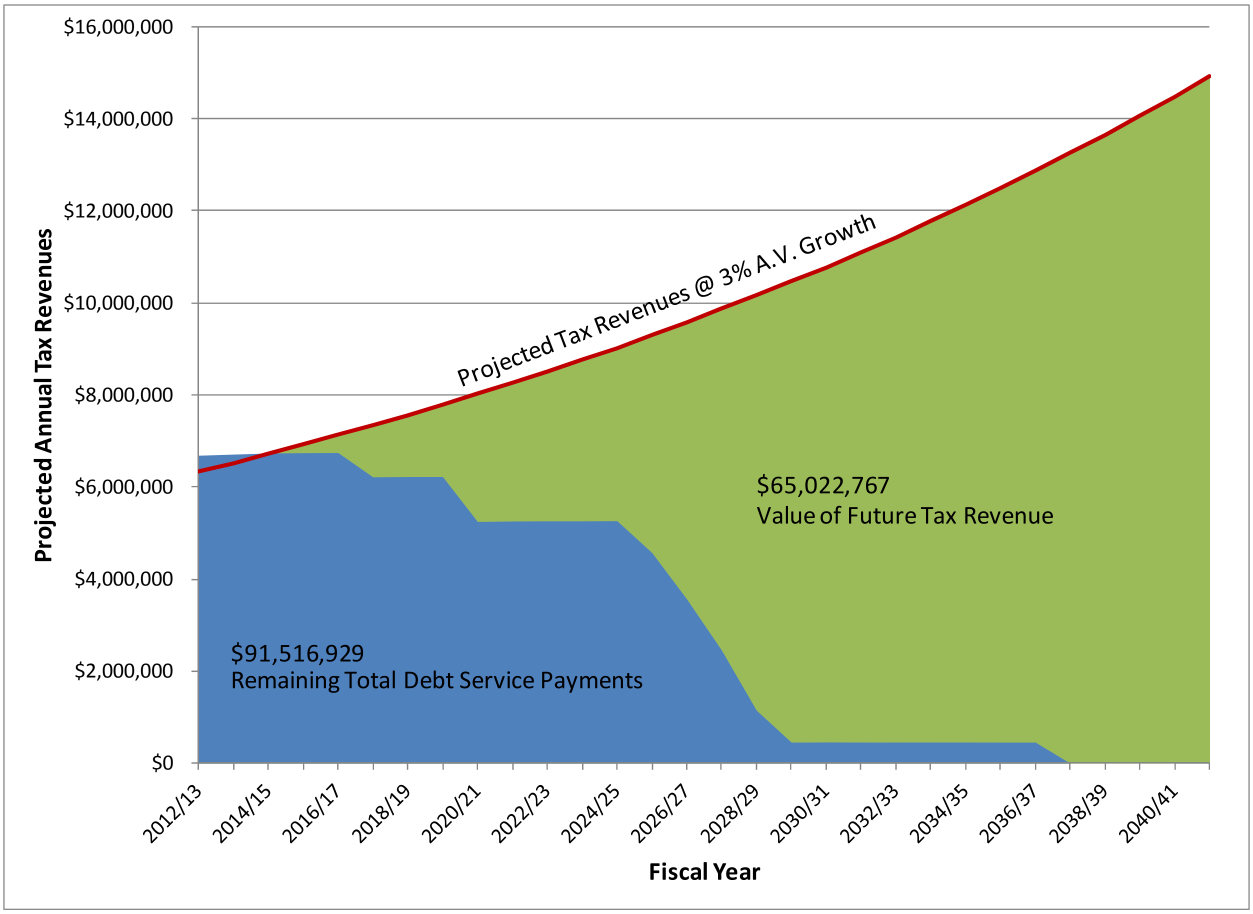
Scenario 1 – A.V. increase of 2% annually

- 30-Year period to capture available tax revenues
- New bond authorization paid from available revenue (green area in graph)
- Projected capacity - $49,612,413



Scenario 2 – A.V. increase of 3% annually

- 30-Year period to capture available tax revenues
- New bond authorization paid from available revenue (green area in graph)
- Projected capacity - $65,022,767



Based on the existing bond authorizations, outstanding balances and projected tax revenues, the City is likely to have the ability to generate new bond proceeds in the range of $49M-$83M and keep the total tax rate near the current level (0.047%) over the next 30 years.

<u>CONCLUSION</u>

The advantage of maintaining 100% funding for all long term obligations at all times is that the organization will almost always be able to meet its obligations whenever demand is made for payment for each liability. The disadvantage is that a far greater portion of the organization's cash is reserved or tied up, and cannot be used for operations, providing services or meeting other community needs or desires. The City has a history of prudently balancing its approach to future obligations with its response to current economic variables and as the economy begins to emerge from the impacts of this most recent recession, will continue to do so.

POSSIBLE FUTURE ACTION

The information contained in this report will be referenced throughout the budget planning meetings in advance of the FY 2014 and FY 2015 budget adoption.

FISCAL IMPACTS OF POSSIBLE FUTURE ACTION

See information described above.

CONTACT PERSON

Teresa Berkeley-Simmons, Budget Manager, 981-7000

Attachments:

1. Employee and Retiree Benefits and Unfunded Liabilities
2. City's Debt Obligations
    - Exhibit A: General Obligation bonds
    - Exhibit B: Certificates of Participation
    - Exhibit C: Revenue Bonds
3. Capital Assets Infrastructure
4. Information Technology Infrastructure
5. Glossary of Terms

1	2	3	4	5	6	7	8	9	10	11
Fund	**Fund Name**	**Valuation Date**	**Actuarial Source**	**Estimated Liability**	**Plan Assets**	**Annual Required Contribution**	**Actual FY 2012 Contribution**	**Funding Target**	**Unfunded Liability**	**% Funded**
950	Police Supplemental Retirement Plan (closed)	7/1/2012	Milliman	$ 41,452,818	$ 6,246,804	$ 1,829,234	$ 1,470,202	1	$ 35,206,014	15.07%
903	Police Employee Retiree Health Plan (new)	7/1/2012	Milliman	$ 17,255,382	$ -	$ 2,347,270	$ 21,745*	1	$ 17,255,382	0.00%
951	Police Sick Leave Conversion Health Benefits (closed)	7/1/2012	Milliman	$ 474,862	$ 322,955	$ 61,139	$ 61,139	8 years	$ 151,907	68.01%
949	Fire Employees Retiree Health Plan	7/1/2012	Milliman	$ 12,017,316	$ 6,348,008	$ 730,784	$ 967,100	1	$ 5,669,308	52.82%
941-947	Retiree Health Premium Assistance Plan (Non-Safety Members)	7/1/2012	Milliman	$ 36,543,741	$ 12,655,994	$ 3,104,809	$ 2,413,215	1	$ 23,887,747	34.63%
930	SRIP 1 (Closed)	7/1/2012	Milliman	$ 13,238,604	$ -	$ 1,343,850**	$ 1,701,094	2	$ 13,238,604	0.00%
875	Worker's Compensation	6/30/2012	Bickmore	$ 28,374,000	$ 14,886,917	$ 9,370,000	$ 8,788,113	between 75% and 85% confidence level	$ 13,487,083	52.47%
930	CalPERS - Miscellaneous	6/30/2011	CalPERS	$ 709,344,488	$ 580,466,135	$ 24,339,402	$ 24,339,402	3	$ 128,878,353	81.83%
930	CalPERS - Police	6/30/2011	CalPERS	$ 304,386,154	$ 214,461,825	$ 8,928,720	$ 8,928,720	3	$ 89,924,329	70.46%
930	CalPERS - Fire	6/30/2011	CalPERS	$ 208,285,054	$ 177,340,403	$ 4,483,269	$ 4,483,269	3	$ 30,944,651	85.14%
905	Safety Members Pension Fund (closed)	7/1/2011	Aon Hewitt	$ 5,912,070	$ 2,251,156	$ 1,338,800	$ 1,338,800	2	$ 3,660,914	38.08%
	TOTAL			**$ 1,377,284,489**	**$ 1,014,980,197**	**$ 56,533,427**	**$ 54,491,054**		**$ 362,304,292**	**73.69%**

*This plan was created in mid FY 2013 and this is the budgeted contribution for the current fiscal year based on estimated retirements. Future years will require increased contributions.

* *Based on a valuation date July 1, 2008

Funding Target:

1 - funding policy is equal to the service cost for active employees plus an amount to amortize unfunded liabilities over an open 30- year period (rolling 30 year amortization) as a level percentage of payroll

2 - pay as you go

3 - The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The contribution requirements of the plan members are established by the State statute, and the employer contribution rates are established and may be amended by CalPERS.

Attachment 1

Attachment 2 Exhibit A

GENERAL OBLIGATION BONDS

	2002 Measure G	Refunding Bonds (B)	2007 Measure G	Refunding Bonds (A)	2007 Measure S	Refunding Bonds	2008 Measure I Animal Sh.		2009 Measure FF, Series A		2010 Measure FF Series B		TOTAL		End of FY GO Bonds
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Balance
FY 2013	1,040,000	416,370.00	120,000.00	159,068.00	1,390,000	1,351,018.76	150,000	290,375.04	155,000	497,062.50	315,000	637,906.26	3,170,000	3,351,800.56	75,905,000
FY 2014	1,090,000	365,720.00	155,000.00	152,193.00	1,450,000	1,294,218.76	155,000	285,037.54	165,000	488,962.50	325,000	625,106.26	3,340,000	3,211,238.06	72,565,000
FY 2015	1,145,000	309,845.00	185,000.00	143,693.00	1,500,000	1,235,218.76	160,000	279,525.04	175,000	480,562.50	340,000	611,806.26	3,505,000	3,060,650.56	69,060,000
FY 2016	1,205,000	254,107.50	200,000.00	134,568.00	1,565,000	1,205,218.76	170,000	273,750.04	185,000	475,162.50	355,000	597,906.26	3,680,000	2,940,713.06	65,380,000
FY 2017	1,265,000	198,532.50	210,000.00	125,868.00	1,625,000	1,110,118.76	180,000	267,625.04	195,000	469,462.50	365,000	583,506.26	3,840,000	2,755,113.06	61,540,000
FY 2018	1,325,000	142,907.50	220,000.00	117,268.00	1,690,000	1,043,818.76	185,000	260,775.04	205,000	463,206.25	380,000	568,606.26	4,005,000	2,596,581.81	57,535,000
FY 2019	860,000	97,685.00	225,000.00	108,368.00	1,760,000	974,818.76	195,000	253,175.04	215,000	455,843.75	395,000	551,131.26	3,650,000	2,441,021.81	53,885,000
FY 2020	895,000	60,382.50	235,000.00	99,168.00	1,830,000	903,018.76	200,000	245,275.04	225,000	447,875.00	415,000	530,881.26	3,800,000	2,286,600.56	50,085,000
FY 2021	935,000	20,570.00	245,000.00	89,568.00	1,900,000	828,418.76	210,000	237,075.04	240,000	436,137.50	435,000	509,631.26	3,965,000	2,121,400.56	46,120,000
FY 2022			255,000.00	79568	1,980,000	750,818.76	215,000	228,575.04	250,000	420,212.50	460,000	491,856.26	3,160,000	1,971,030.56	42,960,000
FY 2023			265,000.00	69003	2,060,000	667,443.76	225,000	219,775.04	265,000	403,475.00	470,000	477,906.26	3,285,000	1,837,603.06	39,675,000
FY 2024			275,000.00	57694	2,145,000	578,087.51	235,000	210,575.04	280,000	385,762.50	485,000	462,975.01	3,420,000	1,695,094.06	36,255,000
FY 2025			285,000.00	45794	2,235,000	485,012.51	245,000	200,975.04	295,000	367,075.00	500,000	445,093.76	3,560,000	1,543,950.31	32,695,000
FY 2026			300,000.00	33363	2,330,000	386,550.01	255,000	190,975.04	310,000	350,512.50	520,000	424,693.76	3,715,000	1,386,094.31	28,980,000
FY 2027			310,000.00	20400	2,435,000	282,315.63	270,000	180,306.29	330,000	335,906.25	545,000	403,393.76	3,890,000	1,222,321.93	25,090,000
FY 2028			325,000.00	6906	2,540,000	171,900.00	280,000	168,787.54	350,000	320,050.00	565,000	381,193.76	4,060,000	1,048,837.30	21,030,000
FY 2029					1,885,000	72,337.50	290,000	156,675.04	365,000	303,156.25	585,000	358,193.76	3,125,000	890,362.55	17,905,000
FY 2030					665,000	14,962.50	305,000	144,031.29	385,000	283,900.00	610,000	334,293.76	1,965,000	777,187.55	15,940,000
FY 2031							320,000	130,750.04	410,000	262,037.50	635,000	308,996.88	1,365,000	701,784.42	14,575,000
FY 2032							335,000	116,203.16	430,000	238,937.50	660,000	282,287.50	1,425,000	637,428.16	13,150,000
FY 2033							350,000	100,362.53	455,000	215,737.50	690,000	254,443.75	1,495,000	570,543.78	11,655,000
FY 2034							365,000	83,828.15	480,000	192,362.50	715,000	225,465.63	1,560,000	501,656.28	10,095,000
FY 2035							380,000	66,600.02	505,000	167,737.50	745,000	195,353.13	1,630,000	429,690.65	8,465,000
FY 2036							400,000	48,562.52	535,000	141,737.50	780,000	163,412.50	1,715,000	353,712.52	6,750,000
FY 2037							415,000	29,715.64	565,000	113,531.25	810,000	129,625.00	1,790,000	272,871.89	4,960,000
FY 2038							435,000	10,059.38	595,000	83,081.25	845,000	94,456.25	1,875,000	187,596.88	3,085,000
FY 2039									625,000	51,056.25	880,000	57,800.00	1,505,000	108,856.25	1,580,000
FY 2040									660,000	17,325.00	920,000	19550	1,580,000	36,875.00	-
	9,760,000	1,866,120	3,810,000	1,442,490	32,985,000	13,355,297	6,925,000	4,679,370	9,850,000	8,867,869	15,745,000	10,727,472	79,075,000	40,938,618	

CERTIFICATES OF PARTICIPATION

	1947 Center Street Acquisition		**Animal Shelter**		TOTAL		End of FY COPs
	Principal	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Balance**
FY 2013			$100,000	$312,975	$100,000	$312,975	$5,650,000
FY 2014			100,000.00	309,725.00	100,000	309,725.00	5,550,000
FY 2015			105,000.00	306,268.75	105,000	306,268.75	5,445,000
FY 2016			100,000.00	302,062.50	100,000	302,062.50	5,345,000
FY 2017			110,000.00	297,637.50	110,000	297,637.50	5,235,000
FY 2018			110,000.00	292,962.50	110,000	292,962.50	5,125,000
FY 2019			115,000.00	287,912.50	115,000	287,912.50	5,010,000
FY 2020			120,000.00	282,612.50	120,000	282,612.50	4,890,000
FY 2021			125,000.00	276,800.00	125,000	276,800.00	4,765,000
FY 2022			135,000.00	270106.25	135,000	270,106.25	4,630,000
FY 2023			140,000.00	262200	140,000	262,200.00	4,490,000
FY 2024			150,000.00	253862.5	150,000	253,862.50	4,340,000
FY 2025			155,000.00	245093.75	155,000	245,093.75	4,185,000
FY 2026			165,000.00	235893.75	165,000	235,893.75	4,020,000
FY 2027			175,000.00	226118.75	175,000	226,118.75	3,845,000
FY 2028			185,000.00	215768.75	185,000	215,768.75	3,660,000
FY 2029			195,000.00	204843.75	195,000	204,843.75	3,465,000
FY 2030			210,000.00	193200	210,000	193,200.00	3,255,000
FY 2031			220,000.00	180837.5	220,000	180,837.50	3,035,000
FY 2032			235,000.00	167756.25	235,000	167,756.25	2,800,000
FY 2033			245,000.00	153956.25	245,000	153,956.25	2,555,000
FY 2034			260,000.00	139437.5	260,000	139,437.50	2,295,000
FY 2035			275,000.00	124056.25	275,000	124,056.25	2,020,000
FY 2036			290,000.00	107812.5	290,000	107,812.50	1,730,000
FY 2037			310,000.00	90562.5	310,000	90,562.50	1,420,000
FY 2038			325,000.00	72306.25	325,000	72,306.25	1,095,000
FY 2039			345,000.00	53043.75	345,000	53,043.75	750,000
FY 2040			365,000.00	32631.25	365,000	32,631.25	385,000
FY 2041			385,000.00	11068.75	385,000	11,068.75	-
	-	-	5,750,000	5,909,513	5,750,000	5,909,513	

Attachment 2 Exhibit C

REVENUE BONDS

	Citywide Fire Suppression Project 2002 CFD Measure Q		2005 Parking		2012 Refunding **Lease Revenue Bonds**		1998 Pension Obligation **Bonds**		2005 West Berkeley **Tax Allocation Bonds**		TOTAL		End of FY Rev. Bonds
	Principal	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Balance**
FY 2013	495,000	260,951.26	305,000	146,123.76		475,236.00	380,000	93,250.00	840,000	108,417.50	$2,020,000	1,083,978.52	$39,420,000
FY 2014	515,000	240,429.38	320,000	135,143.76	870,000	1,081,012.00	350,000	74,250.00	870,000	76,917.50	2,925,000	1,607,752.64	36,495,000
FY 2015	540,000	218,332.50	330,000	123,143.76	1,080,000	1,056,112.00	320,000	56,750.00	905,000	42,987.50	3,175,000	1,497,325.76	33,320,000
FY 2016	560,000	194,817.50	340,000	110,768.76	1,120,000	1,017,512.00	295,000	40,750.00			2,315,000	1,363,848.26	31,005,000
FY 2017	585,000	169,907.50	355,000	97,593.76	1,160,000	971,912.00	270,000	26,000.00			2,370,000	1,265,413.26	28,635,000
FY 2018	610,000	143,312.50	370,000	83,393.76	1,210,000	924,512.00	250,000	12,500.00			2,440,000	1,163,718.26	26,195,000
FY 2019	640,000	114,787.50	385,000	68,593.76	1,255,000	875,212.00					2,280,000	1,058,593.26	23,915,000
FY 2020	670,000	84,075.00	400,000	52,712.50	1,310,000	823,912.00					2,380,000	960,699.50	21,535,000
FY 2021	700,000	51,537.50	415,000	35,912.50	1,370,000	763,462.00					2,485,000	850,912.00	19,050,000
FY 2022	735,000	17,456.25	430,000	18,275.00	1,440,000	693,212.00					2,605,000	728,943.25	16,445,000
FY 2023					1,505,000	627,112.00					1,505,000	627,112.00	14,940,000
FY 2024					1,565,000	557,887.00					1,565,000	557,887.00	13,375,000
FY 2025					1,650,000	477,512.00					1,650,000	477,512.00	11,725,000
FY 2026					1,730,000	393,012.00					1,730,000	393,012.00	9,995,000
FY 2027					1,825,000	304,137.00					1,825,000	304,137.00	8,170,000
FY 2028					1,890,000	230,162.00					1,890,000	230,162.00	6,280,000
FY 2029					1,960,000	171,187.00					1,960,000	171,187.00	4,320,000
FY 2030					1,370,000	119,156.00					1,370,000	119,156.00	2,950,000
FY 2031					1,450,000	74188					1,450,000	74,188.00	1,500,000
FY 2032					1,500,000	25312					1,500,000	25,312.00	-
FY 2033													
FY 2034													
FY 2035													
FY 2036													
FY 2037													
FY 2038													
FY 2039													
FY 2040													
FY 2041													
	6,050,000	1,495,607	3,650,000	871,661	27,260,000	11,661,759	1,865,000	303,500	2,615,000	228,323	41,440,000	14,560,850	

	FY 2014 Year 1	FY 2015 Year 2	FY 2016 Year 3	FY 2017 Year 4	FY 2018 Year 5	Total Year 1- 5
Public Buildings [1]						
Available Funding	$800,000	$800,000	$800,000	$800,000	$800,000	$4,000,000
Expenditures						
Capital	$2,592,500	$2,762,500	$3,542,500	$6,572,500	$3,092,500	$18,562,500
Major Maintenance	$900,000	$915,000	$935,000	$955,000	$1,055,000	$4,760,000
Unfunded Liability	($2,692,500)	($2,877,500)	($3,677,500)	($6,727,500)	($3,347,500)	($19,322,500)
Streets & Roads						
Available Funding	$5,100,000	$5,255,000	$5,255,000	$5,255,000	$5,255,000	$26,120,000
Expenditures						
Capital	$7,052,968	$11,133,284	$14,570,571	$15,169,765	$14,216,609	$62,143,197
Maintenance	$1,298,398	$990,202	$629,848	$125,949	$492,372	$3,536,769
Unfunded Liability	($3,251,366)	($6,868,486)	($9,945,419)	($10,040,714)	($9,453,981)	($39,559,966)
Sewers						
Available Funding	$12,675,934	$12,675,934	$12,675,934	$12,675,934	$12,675,934	$63,379,670
Expenditures						
Capital	$4,504,406	$4,504,406	$4,504,406	$4,504,406	$4,504,406	$22,522,030
Maintenance	$5,865,763	$5,940,723	$6,077,997	$6,219,389	$6,365,023	$30,468,896
Balance	$2,305,765	$2,230,805	$2,093,531	$1,952,139	$1,806,505	$10,388,744
Unfunded Liability	$0	$0	$0	$0	$0	$0
Storm Drains						
Available Funding	$2,056,988	$2,056,988	$2,056,988	$2,056,988	$2,056,988	$10,284,940
UC LRDP Payment (CIP ONLY)	$245,975	$253,354	$260,955	$268,784	$276,847	$1,305,915
Expenditures						
Capital	$6,700,000	$6,700,000	$6,700,000	$6,700,000	$6,700,000	$33,500,000
Maintenance	$3,100,000	$3,100,000	$3,100,000	$3,100,000	$3,100,000	$15,500,000
Unfunded Liability	($7,497,037)	($7,489,658)	($7,482,057)	($7,474,228)	($7,466,165)	($37,409,145)

[1] While the figures include building and play equipment within parks, the figures do *not* include costs for major maintenance and capital improvements for parks infrastructure such as sports fields, tennis and basketball courts, irrigation and drainage systems, or landscaping.

Building Name	***Address***	***Use***	***Square Feet***	Building Replacement Value ($)[i]	**Historic Landmark**
Telegraph/Channing (Sather Gate) Mall and Garage	2438 Durant Ave.	Public Parking and Retail	224628	$ 56,000,000	
Main Library	2090 Kittredge Street	Library, public assembly	102000	$ 45,000,000	Yes
Martin Luther King, Jr. Civic Center	2180 Milvia Street	Offices, Historic	89075	$ 34,000,000	Yes
Civic Center Building Annex	1947 Center Street	Public Works Engineering and Transportation Divisons	112798	$ 33,200,000	
Old City Hall	2134 MLK, Jr. Way	Offices and Assembly	38400	$ 30,000,000	Yes
Center Street Garage and Commercial space	2025 and 2033 Center Street	City and Public Parking and Offices	175500	$ 29,000,000	
Veterans Memorial Hall	1931 Center Street	Assembly and Homeless Shelter	33254	$ 27,000,000	Yes
Public Safety Building (includes Primary EOC)	2100 MLK Jr. Way	Police, Fire, and 9-1-1 Headquarters, Primary EOC location	60108	$ 15,000,000	
Oxford Street Garage	2165 Kittredge Street	Garage/Office	46000 Garage only	$ 9,000,000	
Animal Shelter	1 Bolivar Drive		11000	$ 7,800,000	
Fire Station #7	3000 Shasta Road		24200	$ 7,000,000	
Ratcliff Building	1326 Allston Way		16480	$ 6,000,000	Yes
Library – West Branch	1125 University Avenue	Library, public assembly	9400	$ 5,550,000	
North Berkeley Senior Citizens Center	1901 Hearst Street	Public assembly	20880	$ 5,200,000	
Black Repertory Theater	3201 Adeline Street	Assembly	24150	$ 5,000,000	
Library – South Branch	1901 Russell Street	Library, public assembly	8656	$ 4,900,000	
Library – North Branch	1170 The Alameda	Library, public assembly	9390	$ 4,760,000	Yes
South Berkeley Senior Citizens Center	2939 Ellis Street	Public assembly	17156	$ 4,300,000	

Building Name	***Address***	***Use***	***Square Feet***	Building Replacement Value ($)[i]	**Historic Landmark**
Live Oak Community Center	1301 Shattuck Ave.	Recreation and Assembly	14860	$ 4,000,000	
Boat Docks - Marina				$ 4,000,000	
Fire Station #2	2029 Berkeley Way		12522	$ 3,600,000	
Frances Albrier Center	2800 Park Street	Recreation and Assembly	13260	$ 3,600,000	
Library- Claremont Branch	2940 Benvenue Ave	Library, public assembly	7640	$ 3,300,000	
Japanese BBQ	235 University Avenue	Restaurant	12755	$ 3,200,000	
Mental Health Offices	2636-40 MLK Way	Mental Health Offices	11840	$ 3,000,000	
Fire Station #5	2680 Shattuck Ave.		9302	$ 2,700,000	
Grove Recreation Center	1730 Oregon Street	Recreation/Assembly	10601	$ 2,700,000	
West Berkeley Senior Citizens Center	1904 6th Street	Public assembly	10245	$ 2,600,000	
Health Clinic	830 University Ave.	Health Clinic	6739	$ 2,500,000	
Recycling Center	1201 2nd Street		18326	$ 2,240,000	
James Kenney Community Center	1720 8th Street	Recreation/Assembly	8200	$ 2,200,000	
Tipping Building/Transfer Station	1199 2nd Street	Waste Transfer	21000	$ 2,100,000	
Fire Dept Warehouse	1011 Folger Ave /1006 Murray		8021	$ 1,800,000	
Equipment Maintenance Building	1326 Allston Way	Equipment Maintenance Building	11277	$ 1,650,000	
Fire Station #4	1900 Marin		5341	$ 1,600,000	
Berkeley Yacht Club	1 Seawall Drive	Berkeley Yacht Club	6507	$ 1,600,000	
Secondary Office	1231 2nd Street		6510	$ 1,600,000	
Fire Station #1	2442 8th Street		5260	$ 1,500,000	
Fire Station #3	2710 Russell		5100	$ 1,500,000	
Hazmat Storage	1199 2nd Street			$ 1,500,000	
Recycling	669 Gilman Street	Recycling, some office space	18000	$ 1,500,000	

Building Name	*Address*	*Use*	*Square Feet*	Building Replacement Value ($)[i]	Historic Landmark
Fire Dept. Training Building (Alternate EOC)	997 Cedar Street		3893	$ 1,420,000	
Alternate Emergency Operations Center	997 Cedar Street	Emergency Operations Center	3893	$ 1,400,000	
	1107-15 Francisco Street	Dwelling	5466	$ 1,400,000	
B.O.S.S.		Residential shelter	5610	$ 1,400,000	
B.O.S.S.		Residential shelter		$ 1,400,000	
Cedar Rose Park Building	1300 Rose Street	Recreation/ Assembly/ Child Care/ Center for disabled children	5814	$ 1,300,000	
Fire Station #6	999 Cedar Street		4153	$ 1,200,000	
	2024-30 Virginia Street	Residential	4659	$ 1,200,000	
PSB Accessory Building		Communication equipment Emergency Generator/Storage	2738	$ 1,100,000	
Traffic Maintenance	1326 Allston Way	TrafficSign/PaintShop	4320	$ 1,100,000	
	1402-08 MLK Way	Dwelling	4433	$ 1,100,000	
	1903-09 Ward Street	Dwelling	4372	$ 1,100,000	
	1911-17 Ward Street	Dwelling	4374	$ 1,100,000	
	1921-27 Ward Street	Dwelling	4374	$ 1,100,000	
	1117-23 Francisco Street	Dwelling	4374	$ 1,100,000	
	1169-75 Francisco Street	Dwelling	4374	$ 1,100,000	
	1521 Alcatraz Street	Residential fourplex	4539	$ 1,100,000	
Skateboard Park Building	777 Harrison Street			$ 1,000,000	
Shorebird Nature Center	160 University Ave.		960	$ 1,000,000	

Building Name	***Address***	***Use***	***Square Feet***	Building Replacement Value ($)[i]	**Historic Landmark**
Berkeley Adult Health Center	1890 Alcatraz Avenue	Berkeley Adult Health Center	4000	$ 1,000,000	
Old Animal Shelter	3013 2nd Street	Office/Kennel/Cattery	4780	$ 857,087	
	2032-36 Virginia Street	Residential	3389	$ 850,000	
	1500-04 7th Street	Dwelling	3280	$ 820,000	
	2725-27-29 Sojourner Ct.	Dwelling	3279	$ 820,000	
	1161-65 Francisco Street	Dwelling	3279	$ 820,000	
	1812 Fairview Street	Residential triplex	3280	$ 820,000	
	1605 Stuart Street	Residential triplex	3280	$ 820,000	
Marina Corporation Yard		Office/Storage/Meeting Rms	3170	$ 790,000	
Vehicle Maintenance Facility	1199 2nd Street	Maintenance Building	6280	$ 777,200	
Small Warehouse	1326 Allston Way		3000	$ 750,000	
Office and Storage	1326 Allston Way		2939	$ 730,000	
Administration Building	1201 2nd Street	Offices	3750	$ 653,000	
Codornices Park - Toilet Shelter	1201 Euclid Ave		2600	$ 652,950	
Marina Administration Building	201 University Ave.	Offices	2529	$ 630,000	
Assembly Building	1326 Allston Way	Assembly/Washroom	2405	$ 600,000	
	3016 A and B Harper Street	Residential duplex	2398	$ 600,000	
Lawn Bowling Club House	2270 Acton Street		2304	$ 580,000	
Recycling		Office	2300	$ 580,000	
	729-31 Virginia Street	Dwelling	2221	$ 560,000	
	2231 8th Street	Dwelling	2248	$ 560,000	
Drill Tower	999 Cedar Street	Training Facility	1936	$ 558,500	

Building Name	***Address***	***Use***	***Square Feet***	Building Replacement Value ($)[i]	**Historic Landmark**
	1360-70 Dwight Way	Residential	2187	$ 550,000	
	1371 Dwight Way/ 2450 Valley	Dwelling	2187	$ 550,000	
	870-80 Jones Street	Dwelling	2187	$ 550,000	
	2798 A/B Sacramento Street	Dwelling	2187	$ 550,000	
	2731-33 Sojourner Ct.	Dwelling	2187	$ 550,000	
	2374 West/1323 Channing Way	Residential	2200	$ 550,000	
	1838-40 Rose Street	Dwelling	2067	$ 520,000	
	2735-37 Sojourner Ct.	Dwelling	2067	$ 520,000	
Underground Scales	1199 2nd Street			$ 510,350	
Group Residence	2240 9th Street		2052	$ 510,000	
Equipment Shelter	1326 Allston Way		4000	$ 493,000	
John Hinkle Park Club House	Southampton Ave/ San Diego Road		2100	$ 472,500	
Fuel Pumps and Tanks	1199 2nd Street	Fuel island/Wash Rack	2600	$ 465,000	
Art & Garden Center	1275 Walnut Street		1800	$ 447,500	
Restroom – San Pablo Park	2800 Park Street		1092	$ 413,100	
Equipment Shelter	1199 2nd Street		4000	$ 400,000	
	1646 5th Street	Dwelling	1600	$ 400,000	
		Residential/ Womens refuge	1600	$ 400,000	
Quonset Warehouse	1326 Allston Way		4100	$ 380,500	
	1654 5th Street	Dwelling	1425	$ 360,000	
Compressed Natural Gas Dispenser	1199 2nd Street			$ 343,000	
Recycling		Storage	1350	$ 340,000	

Building Name	***Address***	***Use***	***Square Feet***	Building Replacement Value ($)[i]	**Historic Landmark**
Streets Storage & Office	1326 Allston Way		1300	$ 326,166	
Restroom – Peoples Park	2500 Haste Street		840	$ 317,800	
Aquatic Park – Sea Bird Sailing Center	80 Bolivar Drive		1400	$ 315,000	
Aquatic Park – Storage House	80 Bolivar Drive		1400	$ 315,000	
Aquatic Park – Storage House (Rod & Gun Club)	91 Bolivar Drive		1400	$ 315,000	
Aquatic Park – Bird Rescue Center	202 Bolivar Drive		1400	$ 315,000	
Old Storage Building	1231 2nd Street		1600	$ 314,700	
Restroom - Cragmont Park			600	$ 308,700	
Fuel Island/ underground tanks	1326 Allston Way		1200	$ 300,000	
Restroom 3 - Marina	Marina, Marina Office		682	$ 258,000	
Alarm Headquarters	2029 Berkeley Way		840	$ 242,000	
Restroom – La Loma Park	1339 La Loma Ave		600	$ 227,000	
Restroom – Rose Garden			600	$ 227,000	
Restroom - Strawberry Park	Allston Way/ West Street		600	$ 227,000	
Restroom 1 - Marina	Marina, Fishing Pier		600	$ 227,000	
Restroom 2 - Marina	Marina, Shorebird Park		600	$ 227,000	
Restroom 4 - Marina	Marina, Berth A-E		600	$ 227,000	
Restroom 8 - Marina	Marina, Berth A-E		600	$ 227,000	
Nursery Assembly Room	1326 Allston Way		864	$ 220,000	
Aquatic Park - Dreamland	80 Bolivar Drive			$ 211,500	
	2800 Sacramento Street	Dwelling	820	$ 200,000	
Lumber/Pipe Storage	1326 Allston Way		774	$ 190,000	
Aquatic Park - Rowing Club	2851 W. Bolivar		1000	$ 162,100	

Building Name	***Address***	***Use***	***Square Feet***	Building Replacement Value ($)[i]	**Historic Landmark**
Scale House	1199 2nd Street	Scale House	360	$ 153,560	
Restroom 5 - Marina	Marina, Berth N-O		400	$ 151,300	
Restroom 6 - Marina	Marina, Berth L-M		400	$ 151,300	
Restroom 7 - Marina	Marina, Berth F-I		400	$ 151,300	
Park Shelter	Queens Rd/Fairlawn		800	$ 80,350	
North Hoist/boathouse				$ 67,650	
South Hoist/boathouse				$ 67,650	
Nursery Storage	1326 Allston Way		864	$ 67,450	
NurseryStorage-1975	1326 Allston Way		240	$ 67,100	
Restroom – Willard Park	2702 Hillegass Ave		120	$ 45,400	
Recycling		Restroom	225	$ 45,100	
Gas Pump House	1900 Marin	Refueling facility	101	$ 29,500	
Live Oak Park - Toilet Shelter		1301 Shattuck Ave	100	$ 18,350	
Guard Shack	1326 Allston Way		72	$ 18,000	
BPD Pal Program	1255 Allston Way	Office		$ 6,550	
Storage Shed	2270 Acton Street		100	$ 5,260	
Great Stone Face Park - Storage Shed	Thousand Oaks		70	$ 3,680	
John Hinkle Park – Scout Building	Southampton Ave/ San Diego Road		480		

INFORMATION TECHNOLOGY INFRASTRUCTURE

	Year 1 FY 2014	Year 2 FY 2015	Year 3 FY 2016	Year 4 FY 2017	Year 5 FY 2018	Total
1. PCs						
Available Funding	$250,000	$250,000	$250,000	$250,000	$250,000	
Infrastructure Need	$120,000	$120,000	$120,000	$120,000	$120,000	
Maintenance	$130,000	$130,000	$130,000	$130,000	$130,000	
Unfunded Liability	$0	$0	$0	$0	$0	$0
2.Telephones						
Available Funding	$50,000	$50,000	$50,000	$50,000	$50,000	
Infrastructure Need	$250,000	$250,000	$250,000	$250,000	$250,000	
Maintenance	$55,000	$55,000	$55,000	$55,000	$55,000	
Unfunded Liability	($255,000)	($255,000)	($255,000)	($255,000)	($255,000)	($1,275,000)
3. FUND$						
Available Funding	$135,000	$135,000	$135,000	$135,000	$135,000	
Infrastructure Need	$1,313,127	$1,313,127	$1,313,127	$1,313,127	$1,313,127	
Maintenance	$135,000	$135,000	$135,000	$135,000	$135,000	
Unfunded Liability	($1,313,127)	($1,313,127)	($1,313,127)	($1,313,127)	($1,313,127)	($6,565,633)
4. Servers						
Available Funding	$250,000	$250,000	$250,000	$250,000	$250,000	
Infrastructure Need	$150,000	$150,000	$150,000	$150,000	$150,000	
Maintenance	$230,000	$230,000	$230,000	$230,000	$230,000	
Unfunded Liability	($130,000)	($130,000)	($130,000)	($130,000)	($130,000)	($650,000)
5. Network						
Available Funding	$300,000	$300,000	$300,000	$300,000	$300,000	
Infrastructure Need	60000	60000	60000	60000	60000	
Maintenance	$300,000	$300,000	$300,000	$300,000	$300,000	
Unfunded Liability	($60,000)	($60,000)	($60,000)	($60,000)	($60,000)	($300,000)
Total:						**($8,790,633)**

Glossary of Terms:

Accrued Liability: Total dollars needed as of the valuation date to fund all benefits earned in the past for current members

Actuarial Valuation: The determination, as of a valuation date, of the normal Cost, Accrued liability, Actuarial Value of Assets and related actuarial present values for a pension plan. These valuations are performed annually or when an employer is contemplating a change to their plan provisions.

Annual Required Contributions (ARC): The employer's periodic required annual contributions to a defined benefit pension plan as set forth in GASB Statement No. 27, calculated in accordance with the plan assumptions. The ARC is determined by multiplying the employer contribution rate by the payroll reported for the applicable fiscal year. However, if this contribution is fully prepaid in a lump sum, then the dollar value of the ARC is equal to the Lump Sum Prepayment.

Funded Status: A measure of how well funded a plan or risk pool is, or equivalently, how "on track" a plan or risk pool is with respect to assets vs. accrued liabilities. A ratio greater than 100% means that the plan or risk pool has more assets than liabilities and a ration of less than 100% means liabilities are greater than assets. A funded ratio based on the Actuarial Value of Assets indicates the progress toward fully finding the plan using the actuarial cost methods and assumptions. A funded ration based on the Market Value of Assets indicates the short-term solvency of the plan.

Unfunded Liability: When a plan or pool's Actuarial Value of Assets is less than its Accrued Liability, the difference is the plan or pool's Unfunded Liability.