



Office of the City Manager

WORKSESSION
March 19, 2019

To: Honorable Mayor and Members of the City Council
From: Dee Williams-Ridley, City Manager
Submitted by: Teresa Berkeley-Simmons, Budget Manager
Subject: Projections of Future Liabilities

INTRODUCTION

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.¹" The purpose of this report is to provide a thorough overview of the City's long term expenditure obligations in a format that is easily understandable in a single report.

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 next 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.

¹ http://www.cityofberkeley.info/Clerk/City_Council/2012/05May/City_Council_05-29-2012_%e2%80%93_Regular_Meeting_Annotated_Agenda.aspx (Item #39)

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 next 5 years;
 - iii. Projected budget over the next 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.

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 upcoming biennial budget.

The projections in this report were developed by staff in the City Manager’s Budget Division and the Finance Department, with the assistance of several financial advisors including the City’s sales tax consultants and actuaries. Revenues are, of course, sensitive to normal business cycles as well as unanticipated economic volatility. Thus, it is important that the City continue its fiscally prudent planning to balance expenditures against projected revenues while addressing employee compensation as well as historically underfunded infrastructure needs.

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 actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Benefits are based on years of credit service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits.

On January 1, 2013, the Public Employee Pension Reform Act (PEPRA) went into effect. The State law applies to employees hired after January 1, 2013, who are new to CalPERS. These employees are termed PEPRA members and employees that were enrolled in CalPERS (without significant separation) prior to January 1, 2013, are now referred to as "classic" members.²

The City contributes to three plans in the CalPERS system: Police Safety Plan, Fire Safety Plan, and Miscellaneous Employee Plan. Each plan has a different rate for the City's annual employer contribution which is generally based on the demographics of the plan participants and the value of investment returns of the City's assets in the CalPERS system. In addition, employees' contributions vary by plan based on negotiated Memorandum of Understandings (MOU).

In 2013, the CalPERS Board voted to change the actuarial model for the pension plans along with certain actuarial assumptions upon which rates are based. First, the model anticipated that the plans would be 100 percent funded in a fixed 30-year time period. Second, the time period to "smooth out" the impacts of CalPERS' investment losses due to the recession was reduced from 15 years to 5 years. Finally, the rates were structured in such a way that the first five years were considered to be a "ramp up" period to improve the plans funded percentage. That meant that FY 2016, 2017, 2018, 2019, and 2020 were expected to have higher rates, and the years following were projected to plateau for some time before decreasing in the last five years of the 30 year funding period.

² PEPRA miscellaneous members are enrolled in a 2% at 62 plan and PEPRA safety members (Fire and Police) are enrolled in a 2.7% at 57 plan. PEPRA members are required to pay half the normal cost of their plans.

In February 2014, the CalPERS Board voted to retain its current long-term assumed rate of return of 7.5 percent but adopted new mortality assumptions due to the fact that retirees are living longer. As a result of the new assumptions, the cost of employer contributions increased, again.

In December 2016, the CalPERS Board lowered the discount rate from 7.50 percent to 7.00 percent using a three-year phase in beginning with the June 30, 2016, actuarial valuation³. The employer contribution for FY 2020 was calculated using a discount rate of 7.25 percent. CalPERS reduced the return rate to 7.25 percent in July 2018 and will reduce it further to 7.0 percent this year. CalPERS lowered the discount rate because they determined that achieving a 7.5 percent rate of return was now far less likely. The result of this lowered discount rate is that liabilities will grow and that the City will have to increase pension contributions.

Currently, changes to the Unfunded Actuarial Liability (UAL) due to actuarial gains or losses as well as changes in actuarial assumptions or methods are amortized using a 5-year ramp up. This method phases in the impact of changes in UAL over a 5-year period and attempts to minimize employer cost volatility from year to year. As a result, however, required contributions can change gradually but significantly over the next five years.

Effective with the June 30, 2019, actuarial valuation, the CalPERS Board adopted a new amortization policy. The new policy shortens the period over which actuarial gains or losses are amortized from 30 years to 20 years with the payments computed using a level dollar amount. In addition, the new policy removes the 5-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains or losses. These changes will apply only to new UAL bases established on or after June 30, 2019.

The impact of the changes described above is that the required contributions are expected to continue to increase for the next six years, Fiscal Year 2020 through Fiscal Year 2025.

	CalPERS Actuals FY 2019	CalPERS Actuals FY 2020	CalPERS Projections for FY 2021	CalPERS projections for FY 2022
Police	60.8%	66.6%	70.7%	73.6%
Fire	44.0%	48.2%	51.2%	54.0%
Miscellaneous	30.5%	32.5%	34.7%	36.4%
<i>Rates are based on CalPERS' projected payroll</i>				

³ https://www.calpers.ca.gov/page/newsroom/for-the-record/2017/action-prudent-smart-decision?utm_source=newsroom&utm_medium=banner&utm_campaign=FTR-Discount-Rate

The two tables below translate the rates into dollars. The following payments will be made by the City into the CalPERS system for the years indicated. The first chart demonstrates the required contribution by Plan. For illustrative purposes only, the second chart presents projected contributions based on a 1% COLA increase in employees' salaries.

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 independent actuary estimates that the City can use in budget planning. This report uses CalPERS' actual rates for FY 2019 and FY 2020 as well as CalPERS' projected rates through FY 2025. This report incorporates the outside actuary's projections for FY 2026 through FY 2029 since CalPERS did not provide projected rates for those years.

Future Payments to California Public Employees Retirement System All Plans and All Funds Zero COLA By Plan (dollars in millions)											
	FY19 Adopted Budget	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29
Misc.	29.96	33.67	36.55	41.83	43.30	43.86	44.54	46.13	47.14	48.50	47.60
Police	14.57	16.27	17.60	18.58	19.16	19.43	19.69	20.12	20.32	20.52	20.65
Fire	7.33	8.78	9.46	9.55	9.90	10.02	10.18	10.37	10.65	10.84	10.89
Total	51.86	58.72	63.61	69.95	72.35	73.32	74.41	76.61	78.11	79.86	79.13
FY 2020 and FY 2025 are based on rates and projections provided by CalPERS.											
FY 2026 through FY 2029 are based on actuary's projections.											
Rates used reflect current MOU agreements: Miscellaneous includes the 8% employee share paid by the City on behalf of the employee as well as the negotiated employee's contribution to the employer rate.											

CalPERS rates are assessed as a percent of salary. Accordingly, as salary increases, pension contributions increase correspondingly. Again, for illustrative purposes, the chart below shows the increases in payments to CalPERS should employees' salaries be increased across the board 1% each year beginning in FY 2020.

California Public Employees Retirement System All Plans and All Funds Zero COLA vs 1% COL											
	FY19 Adopted Budget	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29
PERS - No COLA	51.86	58.72	63.61	69.95	72.35	73.32	74.41	76.61	78.11	79.86	79.13
PERS - 1% COLA	-	59.57	64.70	71.97	75.19	76.95	78.77	81.90	84.34	87.08	87.14

FY 2020 and FY 2025 are based on rates and projections provided by CalPERS.
FY 2026 through FY 2029 are based on actuary's projections.
Rates used reflect current MOU agreements: Miscellaneous includes the 8% employee share paid by the City on behalf of the employee as well as the negotiated employee's contribution to the employer rate.

The changes made by CalPERS in the last few years are planned to achieve 100% funding for all plans within a 30-year time period. This means that there will be sufficient funds held in each plan to pay obligations for all inactive participants (including retirees) and benefits as a result of prior service for actives.

The funded status of a pension plan is defined as the ratio of assets to a plans accrued liabilities. Based on the CalPERS' actuarial valuations as of June 30, 2017, the City's plans are currently funded as follows: Miscellaneous 71.6%; Police Safety 61.2%; and Fire Safety 71.8%.

California Public Employees Retirement System Funded Status						
Fund Name	Valuation Date	Actuarial Source	Estimated Liability	Plan Assets	Unfunded Liability	% Funded
Miscellaneous	6/30/2017	CalPERS	\$ 969.5	\$ 694.6	\$ 274.9	71.6%
Police	6/30/2017	CalPERS	\$ 399.2	\$ 244.3	\$ 154.9	61.2%
Fire	6/30/2017	CalPERS	\$ 262.4	\$ 188.5	\$ 73.90	71.8%
TOTAL			\$ 1,631.1	\$ 1,127.4	\$ 503.70	69.1%

Council has already taken the following actions to address the City's unfunded liabilities.

- Council has directed staff to establish an IRS Section 115 Pension Trust Fund to be used to help pre-fund pension obligations. The contract to establish the Trust is scheduled to go to Council in April 2019.
- Council allocated an additional \$4 million in November 2018 to fund the new IRS Section 115 Pension Trust Fund. The total funding assigned to establish the new Trust is \$7.9 million.

- The City prefunded the unfunded liability portion of the FY 2019 CalPERS pension resulting in savings totaling \$1.1 million.

The City continues to consider how to prioritize expenditures to address its long term obligations in order to maintain a healthy future. Establishing an IRS Section 115 Pension Trust Fund (Trust) to be used to help pre-fund pension obligations will assist in these efforts. Staff is proposing several options, which are discussed later in this report, for Council's consideration to ensure ongoing funding of the Trust.

b. Retiree Medical Plans

The City provides post-retirement health insurance benefits in accordance with the Memoranda Agreements between the City and the various collective bargaining units (and to unrepresented employees via Council adopted resolutions). The City has individual trusts for each bargaining unit that fund the medical plans, as well as the closed plan for Police that provides a cash benefit. 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 at least every two years and the City is responsible for investing the assets in these plans. The results of that investment activity are provided to the City Council in the regular Investment Report.

In some cases, the City's actual contribution to each plan on an annual basis is based on the actuarially established "Annual Required Contribution" or 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.

On April 24, 2017, the City actuary presented various options that would reduce the City's unfunded liabilities tied to post-employee benefits to meet the long-term funding targets. Recommended for Council's consideration were fully prefunding annual actuarially determined contributions, investment reallocations to increase returns, and establishing an irrevocable supplemental trust⁴. Council has already taken action on some of these recommendations.

⁴ https://www.cityofberkeley.info/Clerk/City_Council/2017/04_Apr/City_Council_04-04-2017_-_Special_Meeting_Agenda.aspx

The following retiree medical plans are discussed in detailed below.:

- Police Retiree Income Benefit Plan (closed plan)
- Police Retiree Health Premium Assistance Plan
- Fire Employees Retiree Health Plan
- Retiree Health Premium Assistance Plan (Non-safety Members)

Police Retiree Income Benefit Plan (closed plan)

The City provides a Retiree Income Benefit Plan for prior Police retirees. To be eligible for benefits, Police employees must retire from the City on or after July 1, 1989 and before September 19, 2012, be vested in a CalPERS pension, have ten years of service with the Berkeley Police department, and retire from the City on or after age 50 or with a disability benefit. Benefits commence 10 years after retirement for retirements before July 6, 1997, 5 years after retirement for retirements before July 1, 2007, and 2 years after retirement for retirements on or after July 1, 2007.

Benefits are payable for the retiree's lifetime and continue for the life of the surviving spouse. For employees retiring before September 19, 2012, the City pays a monthly income benefit equal to the City's Active 2-party Kaiser premium regardless of marital status. In 2018, the City's monthly payment per participant for this benefit ranged from \$389.98 to \$1,559.93, depending on the retirees' years of service at retirement. The monthly benefit is pro-rated based on years of service.

As of June 30, 2018, the most recent actuarial valuation date, the plan was 8.7% funded. The actuarial accrued liability for benefits in this plan was \$73.0 million, and the actuarial value of assets was \$6.35 million, resulting in an unfunded accrued liability of \$66.65 million. Since the implementation of GASB 67 and 68, the Annual Required Contribution (ARC) is no longer provided. In addition, the Police Retiree Income benefit Plan is a closed plan and therefore no "Actuarially Determined Contribution" is provided due to no new members and no payroll information.

Police Retiree Health Premium Assistance Plan

Effective September 19, 2012, the City replaced the "Berkeley Police Retirement Income benefit Plan" with the "Retiree Health Premium Assistance Coverage Plan" for any police employees hired on or after that date, as well as any current employees who retire on or after such date. Under the newly established retiree health premium assistance plan, benefits will be paid by the City directly to the provider who is providing retiree health coverage to the retiree or his or her surviving spouse. The maximum amount will be equal in value to the City sponsored health plan.

To be eligible for benefits, Police employees must retire from the City on or after September 19, 2012, be vested in a CalPERS pension, have ten years of service with the Berkeley Police department, and retire from the City on or after age 50. Benefits commence immediately upon retirement, but may also be deferred for a period during which the member is covered under another health insurance plan.

Benefits are payable for the retiree's lifetime. In 2018 the City paid for employees retiring on or after September 19, 2012, a maximum of \$762.80/month toward the cost of single-party coverage and up to \$1,525.60/month toward the cost of two-party coverage for retirees under age 65 enrolled in the City's Retiree Health Plan. For retirees over age 65 the City's share of single/two-party coverage is a maximum of \$422.70/\$845.39 per month and retirees must pay the difference of the actual premium cost. The City's share will increase by either the amount Kaiser increases the retiree medical premium for that year or 6%, whichever is less. The monthly benefit is pro-rated based on years of service. The City pays this benefit plan on a pay-as-you-go basis.

As of June 30, 2018, the most recent actuarial valuation date, the Actuarially Determines Contribution (ACD) was \$4.93 million and the plan was 4.1% funded. The actuarial accrued liability for benefits was \$43.46 million, and the actuarial value of assets was \$1.8 million, resulting in an unfunded accrued liability of \$41.66 million

Fire Employees Retiree Health Plan

The City sponsors a retiree health benefit plan for its Fire employees. To be eligible for benefits, Fire employees must retire from the City on or after July 1, 1997, be vested in a CalPERS pension, and retire from the City on or after age 50. Retirees can select from among any of the health plans offered to active employees. Benefits commence immediately upon retirement, but may also be deferred for a period during which the member is covered under another health insurance plan.

Benefits are payable for the retiree's lifetime and continue for his or her covered spouse's/domestic partner's lifetime. The City makes a contribution toward the medical premium depending on whether the retiree has dependent coverage, and date of retirement. The City's contribution increases by 4.5% per year regardless of the amount of increase in the underlying premium rate. The City's contribution is prorated based on years of service. In 2018, the City's monthly premium cost per participant for this benefit was a maximum of \$555.84 for single party and \$1,108.87 for two-party

As of June 30, 2018, the most recent actuarial valuation date, the plan was 37.1% funded. The actuarial accrued liability for benefits was \$27.5 million, and the actuarial value of assets was \$10.2 million, resulting in an unfunded accrued liability of \$17.3 million.

Retiree Health Premium Assistance Plan (Non-safety Members)

Effective June 28, 1998, the City adopted the City of Berkeley Retiree Health Premium Assistance Plan (for Non-Safety Members). Employees who retire from the City are eligible for retiree health benefits beginning on or after age 55 if they terminate employment with the City on or after age 50 with at least 8 years of service. Retirees can select a non-City sponsored health plan or enroll in any of the health plans offered to active employees. A retiree living outside the coverage area of the City's health plans can select an out-of-area health plan.

Benefits are payable for the retiree's lifetime and continue for his or her covered spouse's/domestic partner's lifetime. The City pays the monthly cost of the monthly premiums up to a Participant's applicable percentage of the Base Dollar Amount and subject to annual 4.5% increases as specified in the Retiree Health Premium Assistance Plan document. In 2018, the City's monthly premium cost per participant for this benefit was a maximum of \$513.17 for single party and \$882.93 for two-party. A Participant's applicable percentage is based on years of service with the City. The City funds the plan based on the MOU. Contribution amounts are negotiated and vary by bargaining unit.

As of June 30, 2018, the most recent actuarial valuation date, the plan was 42.38% funded. The actuarial accrued liability for benefits was \$59.39 million, and the actuarial value of assets was \$25.17 million, resulting in an unfunded accrued liability of \$34.22 million.

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 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. At June 30, 2017, the City recognized benefit payments of \$842,317, with an actuarial accrued liability of \$2.49 million. There were 13 participants remaining in the plan, with ages ranging from 85 to 102, with an average of 93 years.

Retiree Medical Plan Actuarial Data								
<i>(dollars in millions)</i>								
Plan	Measurement Date	Actuarial Estimated Liabilities	Plan Assets	Net Pension Liability	Actuarially Determined Contribution (ADC)	Actual Contribution *	% Funded	Total Plan Members
Police Employee Retiree Income Benefit Plan (closed)	6/30/2018	\$ 73.00	\$ 6.35	\$ 66.65	\$ -	\$ 1.86	8.70%	151
Police Employees Retiree Health Premium Assistance Plan (new)	6/30/2018	\$ 43.46	\$ 1.80	\$ 41.66	\$ 4.93	\$ 0.30	4.14%	184
Fire Employees Retiree Health Plan	6/30/2018	\$ 27.50	\$ 10.20	\$ 17.30	\$ 2.16	\$ 0.74	37.09%	230
Retiree Health Premium Assistance Plans (Non-Safety Members) *	6/30/2018	\$ 59.39	\$ 25.17	\$ 34.22	\$ 4.73	\$ 2.00	42.38%	1605
Safety Members Pension Fund	6/30/2018	\$ 2.49	\$ 0.97	\$ 1.52	\$ -	\$ 0.45	38.92%	11
		\$ 205.84	\$ 44.49	\$ 161.35	\$ 11.82	\$ 5.35	21.61%	2181

*Actual contribution does not include interest income

Since the implementation of GASB 67 and 68 the Annual Required Contribution (ARC) is no longer provided. In addition, it is a closed plan and therefore no "Actuarially Determined Contribution" is provided due to no new members and no payroll information.

Supplemental Retirement Income Plan (SRIP) I (closed plan)

On January 1, 1983, Ordinance No. 5450-N.S., which was codified in the Berkeley Municipal Code under Chapter 4.36.101 et seq., established SRIP I. The SRIP I plan consists of two components: 1) a defined contribution money purchase pension plan adopted in accordance with Sections 401(a) and 501(a) of the internal revenue code and 2) an employer paid disability benefit.

The City's administrators of the money purchase pension plan are Hartford Life Insurance and Prudential Retirement Services. The plan is a defined contribution plan whereby the City contributed 5.7% of salary up to a salary of \$32,400 into a tax-deferred and self-directed investment account and 1% of salary up to a salary of \$32,400 into a disability reserve account for each permanent City employee. The total assets of SRIP I available for benefits at June 30, 2018, was \$7,992,258, which was comprised of participant accounts. These assets are the property of the individual account holders and not the property of the City. These assets cannot be used to pay disability benefits.

The disability benefit is for employees hired after January 1, 1983 but prior to July 22, 1988, who became disabled and are entitled to receive a disability income benefit equal to 60% of their highest compensation, reduced by any disability payments they receive from Social Security, State Disability Insurance, or Worker's Compensation. Employees hired after July 21, 1988, are not eligible for benefits under this plan which was closed to new enrollees.

Benefits are payable for the disabled participant's lifetime or until recovery from disability. The third-party administrator is Cigna. Currently, the City pays the cost of the monthly disability benefits on a pay-as-you-go basis. As of June 30, 2018, there were a total of 77 closed group participants, 12 active employees and 65 disabled participants receiving benefits. The unfunded liability for SRIP I at July 1, 2018, the date of the last actuarial study, was \$14,841,000.

2. Current Costs for Active Employees

As of June 30, 2019, the City budgeted for 1560 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 projected payroll costs for the next 10 years is based on the number of authorized budgeted FTE as of February 15, 2019. That number was then projected based on the negotiated cost of living adjustments established in collective bargaining agreements. 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 \$265.9 million in FY 2019 to \$359.8 million in FY 2029. With Zero COLAs applied, that entire increase is due to the increase in the costs of benefits.

Citywide Total Personnel Costs and Fringe Rate Over Time with Zero COLAS											
Zero COLA	FY19 Adopted Budgeted	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29
Total Payroll	\$ 158.3	\$ 169.0	\$ 169.0	\$ 169.0	\$ 169.0	\$ 169.0	\$ 169.0	\$ 169.0	\$ 169.0	\$ 169.0	\$ 169.0
Total Benefits	\$ 107.5	\$ 115.6	\$ 123.5	\$ 135.0	\$ 142.2	\$ 148.5	\$ 155.5	\$ 164.3	\$ 173.0	\$ 182.7	\$ 190.8
Fringe Rate	68%	68%	73%	80%	84%	88%	92%	97%	102%	108%	113%
Total Personnel Costs	\$ 265.9	\$ 284.6	\$ 292.6	\$ 304.0	\$ 311.3	\$ 317.6	\$ 324.6	\$ 333.3	\$ 342.0	\$ 351.7	\$ 359.8

One example of the increase in benefit costs is the projected increase in health care premiums for active employees (meaning exclusive of retiree medical contributions). The cost of premiums for medical alone is estimated to grow from \$24.2 million in FY 2019 to almost \$67.5 million in FY 2029⁵. In addition, the benefit costs tied to the CalPERS rates grow from \$51.9 million in FY 2019 to a projected \$79.1 million in FY 2029.

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

The City's debt includes General Obligation Bonds, Certificates of Participation and 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, animal shelter, street and integrated watershed improvements, and infrastructure and facilities improvement. The oldest of these authorizations dates back to 1992.

The City has an aggregate bond tax rate for FY 2019 of 0.0507% (which represents \$50.70 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 2047 (Measure T1 is the latest bond authorization).

<u>Bond Authorization</u>	<u>Authorization Year</u>	<u>Authorization Amount</u>	<u>Outstanding Amount</u>	<u>Final Maturity</u>	<u>FY 2019 Bond Tax Rate</u>
Measure FF	2008	\$26,000,000	\$22,435,000	2040	0.0085%
Measure M	2015	30,000,000	28,820,000	2045	0.0090%
Measure T1	2016	100,000,000	35,000,000	2047	0.0127%
2015 GO Refunding Bonds (Refunding Measure G, S, I)	2015	36,680,000	31,265,000	2038	0.0205%
TOTAL		\$192,680,000	\$117,520,000		0.0507%

⁵ Health care rates ranged from 20% to .5% between 2007 and 2019. However, health care rates increased 16.2% between January 2016 and January 2017. Included in the projections is an annual increase of 12% per year..

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. Further information about the City's current 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, which includes 95 public buildings, 254 miles of public sanitary sewer mains and 130 miles of public sewer laterals, 52 parks, 2 pools, 3 camps, and 42 different facilities served by the City's IT systems. Maintaining these 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.

Several recent actions by the voters have provided an important boost to the resources available for meeting these challenges:

- In November 2016, Berkeley voters passed [Measure T1](#),⁶ authorizing the City to sell \$100 million of General Obligation Bonds to repair, renovate, replace, or reconstruct the City's aging infrastructure and facilities, including sidewalks, storm drains, parks, streets, senior and recreation centers, and other important City facilities and buildings. Council has approved 33 projects to be completed in Phase 1, spanning 2017 to 2021. These projects are [now underway](#).⁷
- The November 2014 voter approval of Measure F (a Citywide special parks parcel tax) provided an additional \$750,000 per year for major maintenance projects, raising annual funding for parks capital and major maintenance projects from the prior \$250,000 to \$1 million.
- In November 2012, Berkeley voters approved Measure M (a general obligation bond), to provide an additional \$30 million towards improving the condition of city streets and where appropriate, install Green Infrastructure projects as defined in the Watershed Master Plan.

⁶ See <https://www.cityofberkeley.info/MeasureT1/>.

⁷ See <https://www.cityofberkeley.info/MeasureT1Updates.aspx>.

- In November 2014, Alameda County voters approved Measure BB (a property tax assessment), increasing funding for local transportation enhancements. Berkeley's allocation is approximately \$2.6 million annually and is applied to improving the pavement condition and specific street/transportation improvement projects.

Despite these measures, City facilities and infrastructure needs continue to exceed available funds. The minimum unfunded needs in parks, pools and camps exceed \$71 million. The amount of recurring funding to address these needs has been bolstered by the passage of Measure F, but is still only \$1.4 million per year. The unfunded needs at the Waterfront exceed \$109 million. There is only \$500,000/year of Marina Funds being allocated to address to those needs, and even this level of investment is at risk given the Marina Fund's projected insolvency within two years. Significantly more investment is needed to stabilize the Fund and address the growing backlog of deteriorating infrastructure. The unfunded needs in streets, sidewalks, storm drain/watershed, transportation and buildings/facilities exceeds \$510 million. The amount of recurring funding to address these needs is \$9.67 million.

These costs will continue to increase through typical wear and tear on our City infrastructure in the coming years, plus the pressures of long-deferred maintenance. As needed improvements continue to be deferred, operating and maintenance costs rise and rehabilitation and replacement costs increase substantially. The figures in Attachment 3 do not account for these additional cost escalators.

a. Parks, Waterfront, Pools, and Camps

The Parks, Recreation & Waterfront Department (PRW) operates, maintains and manages 52 parks, 4 community centers, 2 clubhouses, 2 pools, 3 resident camps, 15 sports fields, 49 sports courts, 63 play areas, 36 picnic areas, 35,000 street trees and park trees, 152 landscaped street medians and triangles, 263 street irrigation systems, and 29 restrooms and out-buildings. In addition, PRW operates and maintains the Berkeley Waterfront and its related facilities, including the docks, pilings, channel, streets, pathways, parking lots, buildings, trails, Adventure Playground, and 1,000 boat and berth rentals.

Recurring funding available for capital and major maintenance of these facilities is \$1.9M, (see table below).

Annual Funding for Parks, Waterfront, Pools & Camps Capital & Major Maintenance Needs

Funding Source	Annual Funding
Parks Tax Fund	\$1,000,000
Capital Improvement Fund	\$400,000
Marina Fund	\$500,000
Camps Fund ⁸	\$0
Total Funding Available	\$1,900,000

Unfunded needs in these facilities are summarized in the table below, and available in detail at

http://www.cityofberkeley.info/Parks_Rec_Waterfront/Home/Unfunded_Capital_Projects_List.aspx.

Unfunded Needs in Parks, Waterfront, Pools & Camps Facilities and Infrastructure

Needed Improvements	Cost Estimate
Resident Camps	\$3,355,000
Waterfront	\$109,987,000
Pools	\$7,050,000
Park Buildings/Facilities	\$6,981,800
Parks (General)	\$9,900,000
Parks (Specific)	\$36,962,000
Park Restrooms	\$7,300,000
Total	\$181,535,800

⁸ Due to the loss of Berkeley Tuolumne Camp, the Camps Fund does not have sufficient funds at this time to cover any annual investment in capital or major maintenance.

The majority of these unfunded needs are at the Waterfront, where many of the docks, pilings, buildings, parking lots and streets have reached the end of their useful life and are starting to fail. As documented in multiple reports over the last year⁹, there is a diminishing ability to pay for the pressing capital needs in the Waterfront. The Marina Fund, which is the City's mechanism for managing all Waterfront revenues and expenditures, is projected to be insolvent by 2020. Revenues steeply declined in the last two years as a result of safety and security concerns and failing infrastructure. The combination of falling revenue and increasing expenditure needs have strained the relatively small Marina Fund to a breaking point.

The City has begun a long-term planning effort – the Berkeley Marina Area Specific Plan – to establish the community's vision for the Waterfront and a plan for making the Marina Fund viable and stable. There is still a need to address an estimated \$10.33 million in urgent infrastructure repairs to finger docks, pilings, electrical systems, and restrooms. If these investments are not made, facilities and infrastructure will either require more costly emergency funding or be closed as in the case of the Berkeley Pier. Waterfront customers will continue to leave the Berkeley Marina, continuing the downward spiral of revenue loss and blight.

b. Public Buildings

The following is a preliminary cost estimate of capital improvements and major maintenance for City facilities over the next 5 years. The City is responsible for maintenance of 95 facilities, not including Library facilities and facilities leased to other entities, which were not part of this analysis. These 95 facilities include: 39 facilities in the Parks Recreation and Waterfront inventory and 56 facilities in the Public Works inventory.

⁹ See December 13, 2018 Off-Agenda Memo (https://www.cityofberkeley.info/uploadedFiles/Clerk/Level_3_-_General/Marina%20Fund%20Update%20121318.pdf); November 15, 2018 Worksession Report (https://www.cityofberkeley.info/Clerk/City_Council/2018/11_Nov/Documents/2018-11-15_WS_Item_02_Parks_Recreation_Waterfront_pdf.aspx); July 1, 2018 Off-Agenda Report ([https://www.cityofberkeley.info/uploadedFiles/Clerk/Level_3_-_General/CM%20Update%20-%20Waterfront%20-%20Hs%20%20Lordships%20\(w%20attachments\).pdf](https://www.cityofberkeley.info/uploadedFiles/Clerk/Level_3_-_General/CM%20Update%20-%20Waterfront%20-%20Hs%20%20Lordships%20(w%20attachments).pdf)); May 8, 2018 Worksession Report (https://www.cityofberkeley.info/Clerk/City_Council/2018/05_May/Documents/2018-05-08_WS_Item_03_Parks_Recreation_Waterfront.aspx); May 8, 2018 Proposed Budget Update (https://www.cityofberkeley.info/Clerk/City_Council/2018/05_May/Documents/2018-05-08_WS_Item_01_FY_2019_Proposed_Budget_Update.aspx); April 12, 2018 Off-Agenda Report (https://www.cityofberkeley.info/uploadedFiles/Clerk/Level_3_-_General/Marina%20Fund%20Update%20041218.pdf); and November 7, 2017 Worksession Report (https://www.cityofberkeley.info/Clerk/City_Council/2017/11_Nov/Documents/2017-11-07_WS_Item_02_Parks_Recreation_and_Waterfront_CIP.aspx).

In 2013, staff retained the professional services of Kitchell Consulting to perform new assessments and provide updated condition reports and cost estimates for the City's facility inventory. All projects included in these assessments are considered either major maintenance or capital projects. Major maintenance projects typically involve improvements to a facility at a cost of up to \$50,000 that are over and above the industry norm for routine maintenance services. Capital projects involve the construction of new or restored facilities or improvements to existing facilities at a cost of \$50,000 or more. Routine maintenance projects are defined as projects involving repairs to minor components at existing facilities including plumbing, electrical, HVAC, 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 city facility needs within the 5-Year Facility Capital Improvement Program is estimated at approximately \$85 million, while the current budget allocation for this work is \$4 million; which results in an estimated unfunded liability of \$81 million. As noted earlier, the facility maintenance program budgeted amount does not include future T1 bond funds as specific projects have not yet been allocated funding.

c. Streets & Roads

On November 15, 2011, the City Auditor presented Council with an Audit on the condition of the City's 216 centerline miles of improved streets. A principle recommendation of the audit was the adoption of a Pavement Condition Index (PCI) ratings goal. On May 29, 2012, Council included a goal of a PCI of 75 in five years in its request for a report on long-term obligations.

Using the StreetSaver system software and the current projections for future funding, it is now estimated that the City would need to allocate an additional \$120 million to achieve a PCI of 70 within ten years. An additional \$50 million could be added to the \$120 million needed strictly for paving to represent the full cost of improving city streets to comply with the City's Complete Streets policy, which prescribes that capital transportation projects accommodate the needs of all roadway users. This funding would go towards improvements adjacent to the main paving project, including sidewalks, storm drains, curb ramps, and green infrastructure. The total \$170 million gap in funding exists in spite of \$30 million received from Measure M, approved by Berkeley voters in 2012 to improve the condition of City streets and install Green Infrastructure projects. Utilizing solely recurring local sources of funding, including Measure BB, Vehicle Registration Fees (VRF), State Transportation Tax, and including \$8.5 million of T1 Phase 1 funds, the projected PCI within five years is projected to drop from 55 to 52, far short of the original target of 75. In order to merely maintain the City's PCI after one-time bond funds are expended, it will be necessary to identify additional annual funding for the pavement management program.

d. Sidewalks

The City manages sidewalk repair programs to keep the City's sidewalks safe and provide for safe pedestrian passage, including make-safe repairs, annual proactive and responsive repair programs, and the City's 50/50 replacement cost-share program in which the City shares the liability and costs for broken sidewalks with property owners. Public Works operations staff responds to all reported sidewalk hazards, assesses each situation and installs an asphalt make-safe or grinds the sidewalk hazard if applicable. Operations staff also have the capacity to perform limited sidewalk removal and replacement if a sidewalk hazard can't be made reasonably safe otherwise or some of the sidewalk replacement work associated with the 50/50 program. For larger projects, the Engineering division designs and manages annual construction of a proactive program within specific areas of the City and in commercial and other high-pedestrian volume areas, as well as larger responsive repair projects, pathway repairs and improvements, and some 50/50 program replacements.

Approximately \$1.0 million is available in annual funding towards sidewalks maintenance and repair from baseline allocations from the Capital Improvement Fund and 50/50 Program contributions from residents. Additional funding to sidewalks from State Transportation Tax sources was considered based on initial projected revenues after the adoption of SB1, but updated revenue forecasts from the state project lower gas tax revenues in the next two years, only enough to maintain baseline streets pavement funding. Initiated in 2011, the 50/50 program has been very popular with Berkeley. Over time, the backlog of sidewalk repairs identified to be addressed through the 50/50 program has grown significantly beyond the funding capacity to make the needed repairs. Staff estimates that it would require \$7 million to close the 50/50 program funding gap to address the backlog within the next 5 year CIP cycle, with about \$5 million in other sidewalk infrastructure repairs needed over that same period. Staff will consider proposing the use of T1 Phase 2 funding to address some of the backlog. Any reallocation to sidewalks from local streets and roads funds such as gas tax would impact the streets paving program.

e. Sewers

In 2014, the City (along with EBMUD and all agencies conveying flows to EBMUD) concluded negotiations with the Environmental Protection Agency and the Department of Justice for violation of the Clean Water Act and agreed to a stipulated settlement known as the final [Consent Decree](#)¹⁰. To comply with the Consent Decree, the City is required to rehabilitate an average of 4.2 miles of sewer pipeline annually based on a three-year rolling average. Effectively, this mandated significant additional maintenance activities and capital improvements results in increased costs of managing the City's

¹⁰ See http://www.cityofberkeley.info/Clerk/City_Council/2014/09_Sep/Documents/2014-09-09_Item_62_EPA_Litigation.aspx for EPA litigation settlement report

existing sewer system. After a sewer rate study was completed, a [series of rate adjustments were adopted](#)¹¹ beginning in FY 2016 to support the added financial load of the Consent Decree requirements.

The City is currently on track to meet rehabilitation mileage targets with revenues generated from sanitary sewer fees, however, the costs per mile for sewer construction have increased since the rate study was completed. These costs will have to be closely monitored going forward over the duration of the Consent Decree, in case funding supplementation from additional sources or future rate adjustments are needed to fund the cost of the required capital improvements. A system test is scheduled to be conducted in 2022. Based on the results of this test, a better assessment of liability will be determined in the next Unfunded Liabilities Report.

f. Storm Drains – Clean Stormwater Program

The City's engineered storm drains include approximately 78 miles of underground pipes, manholes, catch basins and cross-drains. Much of the stormwater infrastructure is over 80 years old and needs substantial rehabilitation. The backlog of projects includes: rehabilitation of pipeline reaches; conveying dry weather flows; replacement of deteriorated drain inlets and piping; major cleaning of the primary storm collectors in the lower Berkeley drainage watersheds; and replacement of street cross drains. The City desires to address these issues while forwarding its policies to improve the environment by pursuing Low Impact Development (LID) methods.

The City has already started to address implementing LID. In 2012, City Council adopted the City's [Watershed Management Plan \(WMP\)](#)¹². The WMP uses LID methods to develop an integrated and sustainable strategy for managing stormwater resources that addresses water quality, flooding, and the preservation of local creek habitats and the San Francisco Bay. Through modeling and analysis, the WMP also identifies capital improvement projects and projected revenue needs for all City watersheds. In adopting the WMP in 2012 the City recognized that the WMP was developed by examining only two of the 99 watersheds in the City, therefore the remaining watersheds need to be analyzed. According to the Watershed Management Plan, the total unfunded need of the stormwater system is approximately \$204 million. Staff projects an additional need of \$37 million over the next five years, including \$5 million in unfunded maintenance needs and \$32 million for projected capital improvement projects.

¹¹ See http://www.cityofberkeley.info/Clerk/City_Council/2015/06_Jun/Documents/2015-06-30_Item_21_Setting_New_Sustainable.aspx for Sanitary Sewer Rate increases and Proposition 218 information.

¹² See http://www.cityofberkeley.info/Clerk/City_Council/2012/10Oct/Documents/2012-10-30_Item_20_Watershed_Management_Plan.aspx

The City is developing the Green Infrastructure Plan (GI Plan) as required by the Stormwater NPDES Permit. The GI Plan is a dynamic planning document that includes goals for future green streets retrofits, prioritization tools, and guidelines for incorporating green infrastructure into future capital projects.

The GI Plan and the WMP do not address rehabilitating and replacing the aging infrastructure. The City needs to integrate the findings of the WMP and the GI Plan with requirements to rehabilitate or replace aging infrastructure and address future flows. This integration will be done by preparing a Stormwater Master Plan.

The City has two Clean Stormwater Fee sources assessed to owners of real property that contribute to stormwater runoff and use the City's storm drain for collection and conveyance. The first Clean Stormwater Fee was established in the early 1990s and has never been increased, with approximately \$200,000 in revenue allocated to capital improvements. This funding only provided for minor capital and maintenance work and some emergency storm drain response efforts. Annual projected expenditures to maintain the system, including capital replacements to the aging storm drains, storm support and maintenance of new Green Infrastructure projects underway, well exceeded the available revenues. In FY 2018, the City passed a second Clean Stormwater Fee, through voter approval of a majority of responding property owners in accordance with the requirements of Proposition 218. In addition to increasing revenue for maintenance and operations, the new fee is projected to add an additional \$1.1 million in annual revenue available for capital projects, beginning in FY 2019.

g. Traffic Signals

The City currently has 141 traffic signals which are maintained by Public Works Department. Due to underfunding, a backlog of capital improvement work has grown, preventing the signals from being kept up to date. As a result, there are deficiencies at many intersections throughout the city, including lack of detection devices, lack of pedestrian push buttons, and lack of battery backup for signal controllers in case of power outage. Since 2014, an annual budget of \$50,000 has been allocated for improvement of the traffic signals, and the City has begun to address the deficiencies.

Attachment 3 contains the budget and projected funding needs for the City's facilities and assets described above.

a. Information Technology Infrastructure

Technology infrastructure presents unique challenges with respect to forecasting long term requirements because technology evolves quickly compared to other types of infrastructure. The City's needs in terms of network bandwidth, data storage, and wireless devices may be dramatically different in the future than they are today. Additionally, unlike

traditional infrastructure replacement projects which can be done incrementally and some technology tools require a large upfront investment to implement but cost significantly less to upgrade as the technology becomes more common. City staff currently use and maintain a vast technology infrastructure to provide services to the community each day. The current information technology infrastructure will expand as the City uses more technology tools to gain efficiencies.

Currently, the City's PC inventory comprises 1,271 desktops, 238 laptops, 93 tablets, and 78 Public Safety MDTs (Mobile Data Terminals). In FY 2003, the City's server infrastructure comprised 93 Physical servers (13 for email), with each server supporting a single software application. Currently, the City runs 35 Physical servers (4 virtual for email), 200 virtual servers as a result of Virtualization and thus reducing carbon footprint and resulted in energy efficiencies. The City also runs City owned Fiber to the downtown locations and this was placed in operation in year 2000. City Network Infrastructure runs over 170 routers, switches, and 206 wireless access points that connect the City's 42 service locations.

In FY 2008, the City centralized PC purchasing and instituted a capital replacement program requiring departments to set aside money every year for desktop PCs, enterprise desktop software, and for servers. Because a capital replacement fund was established, the City's PC inventory, Servers and Storage is a funded liability and the network devices, wireless and UPS inventory is an underfunded liability. In FY 2013, this fund provided for a replacement of our disk and cloud-based backup system. In FY 2014, this fund provided for an upgrade and expansion of our virtual server infrastructure, comprising 11 physical servers that support over 183 virtual servers.

In FY 2015, the City established a replacement funding source for our core enterprise financial system, FUND\$, by allocating a portion of the excess property transfer tax for FUND\$ replacement. The City also established a replacement fund for our core enterprise financial system, FUND\$, based on the timing and replacement costs reported in the [FUND\\$ Status Report](#)¹³

In FY 2016, the City released an RFP to identify a vendor and product to replace FUND\$. In FY 2017, the City assembled a team of subject matter experts from across the organization to lead the implementation process of the new software with a focus on change management and process improvement. The team completed the evaluation process and selected a vendor to propose to Council. The team is also charged with replacing additional modules utilized in FUND\$ that are not core financial or HR/Payroll. This will occur in subsequent years and are detailed [in a council presentation](#).

¹³ http://www.ci.berkeley.ca.us/uploadedFiles/Clerk/Level_3_-_City_Council/2010/06Jun/2010-06-01_Item_54_FUND__Status_Report.pdf

In FY 2016, the City established a replacement fund for the citywide telephone system, estimating a ten-year replacement cycle. Staff is planning to replace the handsets at the five-year mark, as the current handsets are already one generation behind. Annual maintenance cost for the VOIP system has increased to \$65,000 (See Attachment 4). These replacement funds serve as a useful comparison to other technology infrastructure categories.

In FY 2016, this fund provided for additions to our storage area network (SAN), which supports the backend storage for our virtual server infrastructure and add storage capacity for the City needs of data storage and retention.

In FY 2017, the City upgraded its Microsoft Office software licenses to enable video conferencing and Office 365 capabilities. These upgraded licenses also provided more reliable security and will help enhance the disaster recovery process, which is designed to allow email to be accessible on mobile devices should City Hall be impacted in a disaster. Later phases of this project will improve access to data and files from any location thus increasing employee efficiencies. Investment decisions will prioritize initiatives that achieve the best performance outcomes and greatest benefit so funding and other resources currently dedicated to operations and maintenance efforts can be recapitalized and invested in modernization efforts

In FY 2019, a Technology Internal Service Fund was developed and all IT Infrastructure Costs for existing technology are now a funded liability. In FY 2019, the IT department will also be upgrading the Server and Storage backend infrastructure to support the City's Cyber Resilience efforts and to provide operational and disaster recovery including business continuity to our critical applications. Our investment decisions will prioritize initiatives that achieve the best performance outcomes and greatest benefit so funding and other resources currently dedicated to operations and maintenance efforts can be recapitalized and invested in modernization efforts.

The table in Attachment 3 is the current 5-year projection of the funded and underfunded status of the City's information technology infrastructure. While some infrastructure components have been funded via annual contributions through replacement funds, others have not. Of the five categories listed, few infrastructure projects remain underfunded and without a replacement fund to support this liability.

There are two critical projects that need to be addressed through unfunded liabilities:

Replacement of Data Backup System

To replace our current enterprise backup product (Barracuda) with a more stable and expandable backup solution. The need is for a software solution that has the ability to expand when needed and can provide very quick restores.

The new backup solution also needs to backup and restore cloud-based City systems, such as Microsoft (0365). Future integrations from the new backup solution need to

provide the capabilities for search and report on data already held within the backups to enable eDiscovery to facilitate PRA requests.

Consultant to provide professional services required to set up consistent processing of address and parcel information with one data source that is updated appropriately and sends data out to all the systems on demand.

Geographical Systems – Master Address Database to address the Non Compliance with NENA GRID and e911 Technology

Goal of the Project - Provides consistent and therefore more accurate address and parcel data. This will make for more efficiency in permitting, fire inspections, assessments and more. To analyze current address databases and data flows (where does it come from and how often). Propose new data flow and will work with IT staff to implement the new architecture and processes. As the city increases technology across all departments, there is an increased need for a single source of address data and for a process to maintain that consistency and accuracy. We need this project to provide consistent and accurate data across departments.

Options to Address Long Term Retirement and Infrastructure Costs

The City continues to consider how to prioritize expenditures to address some of its long term obligations in order to maintain a healthy future.

As mentioned earlier in this report, Council has already taken the following actions to address the City's unfunded liabilities.

- Council has directed staff to establish an IRS Section 115 Pension Trust Fund to be used to help pre-fund pension obligations. The contract to establish the Trust is scheduled to go to Council in April 2019.
- Council allocated an additional \$4 million in November 2018 to fund the new IRS Section 115 Pension Trust Fund. The total funding assigned to establish the new Trust is \$7.9 million.
- The City prefunded the unfunded liability portion of the FY 2019 CalPERS pension resulting in savings totaling \$1.1 million.
- In addition, as the General Fund subsidy to the Safety Members Pension Fund declines over the next several years, the amount of the annual decrease will be used to help fund the new Police Employee Retiree Health Plan.

Other ongoing funding options for Council’s consideration:

- Transfer Tax in excess of \$12.5 million is treated as one-time revenue. Council could consider setting aside the first \$1 million annually to help fund the Section 115 Pension Trust Fund and the remainder to be used for the City’s capital infrastructure needs.
- Council could consider assigning up to 50% of salary savings in a fiscal year to help fund the Section 115 Pension Trust Fund.

Most noteworthy are Berkeley voters who passed several bond measures to improve the City’s infrastructure, including Measure F for parks, Measure M for streets, and most recently Measure T1 which authorized the City to sell \$100 million of General Obligation Bonds to repair, renovate, replace or reconstruct the City’s aging infrastructure and facilities.

General Fund Revenue Projections

As noted in the introduction, when this report was originally presented in 2013, members of the City Council requested that staff include long-term revenue projections in the next biennial report, in addition to the expenditure projections identified in Council Resolution No. 65,748-N.S. The intent was to present a more complete and informative forecast, and provide a better long-term perspective on Berkeley’s ability to achieve financial stability through future economic cycles. The projections presented in this report are limited to the General Fund as those funds are the most discretionary in terms of allocation, and also highly subject to economic conditions. The General Fund typically comprises about one-half of the City’s total budget; the remainder of the budget consists of various Special Funds which are restricted in purpose (e.g. Zero Waste, Permit Center, Sewer, Public Health, and Mental Health).

The chart below provides a summary of total General Fund Revenues projected through FY 2029. Fifty-six percent (56%) of the City’s FY 2019 projected General Fund revenue is derived from Secured Property, Property Transfer, Utility Users and Sales Taxes. Each major contributing revenue stream is described in more detail below. Additional detail on General Fund Revenue Projections can be found in Attachment 5.

General Fund Revenues Projections											
	FY19 Adopted Budget	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29
GF Revenues Baseline	\$ 184.76	\$ 193.72	\$ 197.94	\$ 201.53	\$ 205.21	\$ 209.00	\$ 212.93	\$ 216.97	\$ 220.51	\$ 224.17	\$ 228.59

Property Tax

Real Property Taxes are applied to all taxable real and personal property and are set at 1% of the assessed value. Proposition 13 limited the amount that this tax can be increased to no more than 2% each year. The Alameda County Assessor maintains property tax assessment rolls that account for all property. The City's Property Tax is collected by Alameda County. The City receives approximately 32.57% of the real property tax dollar generated within the City limits. (Berkeley receives a comparatively higher share of the property tax dollar than other cities in Alameda County, many of whom receive about 15% of the tax dollar due to the way that Proposition 13 was implemented in 1978.) The projections above assumed a 5.0% increase in property tax in FY 2019, an increase of 4.5% in FY 2020 and FY 2021, and an annual increase averaging 3.5% from FY 2022 through 2029.

Property Transfer Tax

The Property Transfer Tax rate set by the City of Berkeley is 1.5% of the value of consideration paid for the documented sale of real property or any transfer of interest in real property. The tax is due when the documents of transfer are recorded with the County. Title companies collect the tax as part of the sales closing process, and remit the funds to Alameda County when sales or transfers are finalized. Alameda County remits the amounts due monthly, and the amounts are credited to the General Fund.

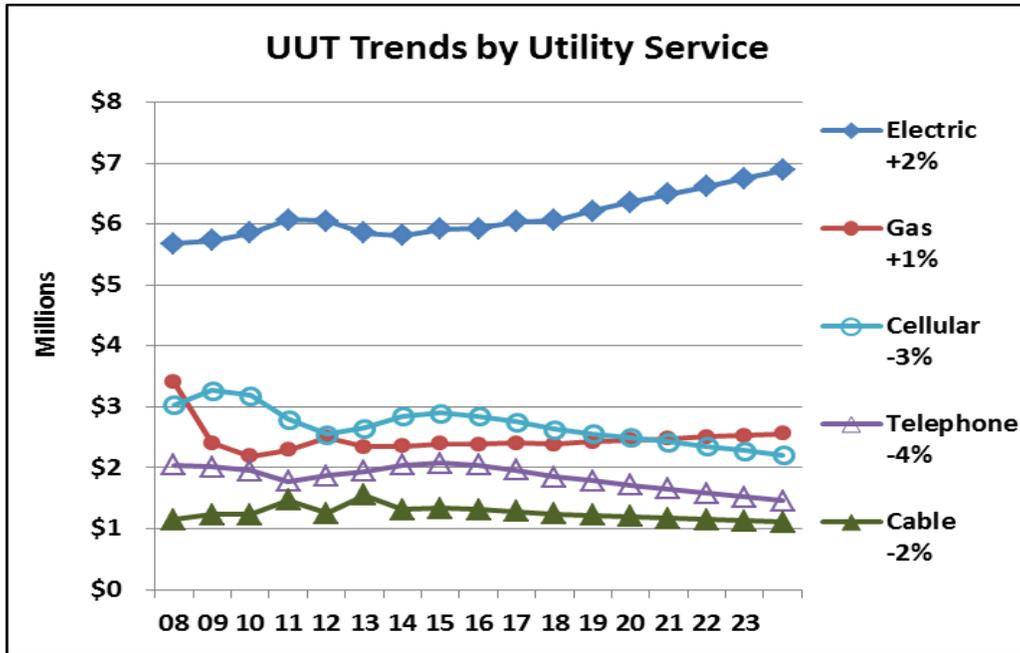
In addition, the City has a Seismic Retrofit Rebate Program. In Berkeley, a portion of Transfer Taxes are used to fund the City's Seismic Retrofit Rebate Program for residential housing. Upon transfer of a qualifying residential property, the buyer may voluntarily choose to reserve up to 1/3 of the total Transfer Tax to perform voluntary seismic upgrades as specified by the City.

Property owners have up to one year after the recording of the sale to complete the seismic work and file for the rebate. An extension for good cause may be requested in writing up to one year past the original deadline date, provided the request is made prior to the one-year filing deadline. The total amount of seismic rebates to property owners is netting against the Property Transfer Taxes remitted to the City by the County, to determine the net Property Transfer Tax revenue each year.

Because Property Transfer Tax is tied directly to real property sales, it is a volatile revenue source, and difficult to predict more than one year at a time. Understanding the volatility of this General Fund revenue stream, Council adopted a policy that Transfer Tax in excess of \$12.5 million is treated as one-time revenue to be transferred to the Capital Improvement Fund for capital infrastructure needs. Therefore, the amount of Property Transfer Tax included in the chart above is set at the baseline level of \$12.5 million annually since any remainder is transferred into the Capital Improvement Fund after the fiscal year ends.

Utility Users Tax

Utility Users Tax (UUT) is charged at the rate of 7.5% to all users of a given utility (gas, electricity, telephone, cable, and cellular). UUT is Berkeley's 4th largest source of General Fund revenue. Factors that affect the revenue generated by UUT include consumption, PUC rate changes, regulatory actions, evolution of technology and market forces.



Sales Tax

Sales Tax is an excise tax imposed on retailers. The proceeds of sales and use taxes imposed within the boundaries of Berkeley are distributed by the State to various agencies, with the City of Berkeley receiving 1% of the amount collected. City staff review sales tax revenues regularly and compares Berkeley's performance with other cities in Alameda County, as well as statewide trends. Sales tax is a relatively stable revenue source for Berkeley. Berkeley is somewhat unique in that 24.5% of its sales tax is from restaurants compared to 16.2% statewide (SF Bay Area is 15.1%). Berkeley otherwise has a generally well diversified sales tax base that is projected to continue to modestly improve over time, unless the Bay Area experiences a recession..

General Fund Revenues versus General Fund Expenditures

One value of producing long term General Fund revenue projections is to compare them against General Fund expenditure projections. Since about 77% of the General Fund expenditures are personnel costs, any change in those costs has an impact on the balance between revenues and expenditures. The chart below reflects all currently negotiated impacts on salaries and benefits. The projections in the “Zero Cola” row assume no additional COLA’s (Zero COLA) beyond what is currently negotiated and compares it with projections based on an assumed COLA of 1%. The chart below is offered as a demonstration only and is not a proposal or budget plan.

General Fund Revenues v.s. Expenditures - Demonstrative Comparison											
	FY19 Adopted Budget	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29
GF Revenues Baseline	\$ 184.76	\$ 193.72	\$ 197.94	\$ 201.53	\$ 205.21	\$ 209.00	\$ 212.93	\$ 216.97	\$ 220.51	\$ 224.17	\$ 228.59
GF Expenditures - Zero COLA	\$ 184.25	\$ 190.90	\$ 194.52	\$ 200.83	\$ 205.77	\$ 210.52	\$ 215.27	\$ 220.82	\$ 226.39	\$ 232.38	\$ 237.97
Surplus/(Defi cit)	\$ 0.51	\$ 2.82	\$ 3.42	\$ 0.70	\$ (0.56)	\$ (1.52)	\$ (2.34)	\$ (3.85)	\$ (5.88)	\$ (8.21)	\$ (9.38)

Staff is in the process of developing the FY 2020 and FY 2021 Biennial Budget. Both Council and operating departments have identified additional funding needs tied to Council mandates and priorities, which are not included in the expenditures noted above.

It is important to note that not included in the chart above are General Fund revenues from Rental Unit Business License Tax (U1)¹⁴ estimated to be about \$5.0 million in FY 2020 and FY 2021 as well as General Fund revenues generated from Measure P¹⁵ estimated to be about \$6.0 million in FY 2020 and FY 2021. Also not included in the chart above are corresponding General Fund expenditures tied to U1 and Measure P.

Attachment 4 details the projected General Fund revenues.

¹⁴ Measure U1 is a revenue stream assigned to fund affordable housing and protect Berkeley residents from homelessness.

¹⁵ Measure P is a general fund revenue stream assigned for general municipal purposes such as navigation centers, mental health support, rehousing and other services for the homeless.

CONCLUSION

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. With that said, the City’s unfunded liabilities tied to benefits total \$665 million, and the City’s unfunded liabilities tied to infrastructure total \$786 million.

POSSIBLE FUTURE ACTION

The information contained in this report will be referenced throughout the budget planning meetings in advance of the FY 2020 and FY 2021 biennial budget adoption.

FISCAL IMPACTS OF POSSIBLE FUTURE ACTION

See information described above.

ENVIRONMENTAL SUSTAINABILITY

Actions included in the budget will be developed and implemented in a manner that is consistent with the City’s environmental sustainability goals and requirements.

CONTACT PERSON

Teresa Berkeley-Simmons, Budget Manager, 981-7000

Attachments:

1. Employee and Retiree Benefits Funded Status
2. City’s Debt Obligations
 - Exhibit A: General Obligation bonds
 - Exhibit B: Certificates of Participation
 - Exhibit C: Revenue Bonds
3. Capital Assets
 - Exhibit A: Infrastructure
 - Exhibit B: Appraisal of Buildings Valued at \$5 million or More
4. General Fund Revenues

Employee and Retiree Benefits Funded Status					Attachment 1	
Fund Name	Valuation Date	Estimated Liability	Plan Assets	Funding Target	Net Pension Liability	% Funded
Police Retiree Income Plan (closed)	6/30/2018	\$ 73.0	\$ 6.4	2	\$ 66.7	8.7%
Police Employee Retiree Health Plan (new)	6/30/2018	\$ 43.5	\$ 1.8	2	\$ 41.7	4.1%
Fire Employees Retiree Health Plan	6/30/2018	\$ 27.5	\$ 10.2	1	\$ 17.3	37.1%
Retiree Health Premium Assistance Plan (Non-Safety Members)	6/30/2018	\$ 59.4	\$ 25.2	1	\$ 34.2	42.4%
Safety Members Pension Fund	6/30/2018	\$ 2.49	\$ 0.97	2	\$ 1.5	38.9%
Miscellaneous	6/30/2017	\$ 969.5	\$ 694.6	1	\$ 274.9	71.6%
Police	6/30/2017	\$ 399.2	\$ 244.3	1	\$ 154.9	61.2%
Fire	6/30/2017	\$ 262.4	\$ 188.5	1	\$ 73.90	71.8%
TOTAL		\$ 1,836.9	\$ 1,171.9	-	\$ 665.0	63.8%
Since the implementation of GASB67 and 68 the Annual Required Contribution (ARC) is no longer provided.						
Funding Target:						
1 - percentage of payroll						
2 - pay as you go						

General Obligation Bonds

FY	2009 Measure FF, Series A		2010 Measure FF, Series B		2014 Measure M (2014 Street and Integrated Watershed)		2015 GO Refunding Bonds (Refunding Measure G, S, I)		2016 Measure M (2016 Street and Integrated Watershed)		2017 Measure T1 Infrastructure and Facilities Improvements		Total		Annual Total P & I	End of FY GO Bonds Balance
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest		
2018																\$117,520,000
2019	\$215,000	\$455,844	\$395,000	\$551,131	\$305,000	\$593,125	\$2,590,000	\$1,301,838	\$280,000	\$477,963	\$1,815,000	\$1,199,431	\$5,600,000	\$4,579,331	\$10,179,331	111,920,000
2020	225,000	447,875.00	415,000	530,881.26	320,000	577,500.00	2,715,000	1,169,212.50	285,000	465,237.50	1,350,000.00	1,120,306.26	5,310,000	4,311,012.52	9,621,012.52	106,610,000
2021	240,000	436,137.50	435,000	509,631.26	335,000	561,125.00	2,850,000	1,022,962.50	295,000	450,737.50	660,000.00	1,070,056.26	4,815,000	4,050,650.02	8,865,650.02	101,795,000
2022	250,000	420,212.50	460,000	491,856.26	350,000	544,000.00	2,160,000	890,587.50	305,000	435,737.50	695,000.00	1,036,181.26	4,220,000	3,818,575.02	8,038,575.02	97,575,000
2023	265,000	403,475.00	470,000	477,906.26	370,000	526,000.00	2,270,000	779,837.50	320,000	420,112.50	730,000.00	1,000,556.26	4,425,000	3,607,887.52	8,032,887.52	93,150,000
2024	280,000	385,762.50	485,000	462,975.01	385,000	507,125.00	2,380,000	663,587.50	335,000	403,737.50	765,000.00	963,181.26	4,630,000	3,386,368.77	8,016,368.77	88,520,000
2025	295,000	367,075.00	500,000	445,093.76	405,000	491,425.00	2,495,000	541,712.50	350,000	386,612.50	805,000.00	923,931.26	4,850,000	3,155,850.02	8,005,850.02	83,670,000
2026	310,000	350,512.50	520,000	424,693.76	420,000	478,787.50	2,625,000	413,712.50	370,000	370,462.50	845,000.00	882,681.26	5,090,000	2,920,850.02	8,010,850.02	78,580,000
2027	330,000	335,906.25	545,000	403,393.76	430,000	465,237.50	2,760,000	306,687.50	385,000	355,362.50	885,000.00	843,856.26	5,335,000	2,710,443.77	8,045,443.77	73,245,000
2028	350,000	320,050.00	565,000	381,193.76	445,000	449,350.00	2,840,000	222,687.50	405,000	339,562.50	920,000.00	807,756.26	5,525,000	2,520,600.02	8,045,600.02	67,720,000
2029	365,000	303,156.25	585,000	358,193.76	465,000	431,150.00	1,960,000	150,687.50	425,000	322,962.50	960,000.00	779,156.26	4,760,000	2,345,306.27	7,105,306.27	62,960,000
2030	385,000	283,900.00	610,000	334,293.76	480,000	412,250.00	880,000	108,087.50	450,000	307,712.50	980,000.00	757,931.26	3,785,000	2,204,175.02	5,989,175.02	59,175,000
2031	410,000	262,037.50	635,000	308,996.88	500,000	392,650.00	305,000	89,931.25	470,000	293,912.50	1,000,000.00	89,931.26	3,320,000	2,079,434.39	5,399,434.39	55,855,000
2032	430,000	238,937.50	660,000	282,287.50	520,000	372,250.00	315,000	79,856.25	485,000	279,587.50	1,030,000.00	701,456.26	3,440,000	1,954,375.01	5,394,375.01	52,415,000
2033	455,000	215,737.50	690,000	254,443.75	540,000	350,712.50	325,000	69,253.13	500,000	264,812.50	1,060,000.00	670,106.26	3,570,000	1,825,065.64	5,395,065.64	48,845,000
2034	480,000	192,362.50	715,000	225,465.63	565,000	327,921.88	335,000	57,906.26	515,000	250,875.00	1,095,000.00	637,781.26	3,705,000	1,692,312.53	5,397,312.53	45,140,000
2035	505,000	167,737.50	745,000	195,353.13	590,000	304,100.01	345,000	46,006.26	530,000	237,812.50	1,125,000.00	604,481.26	3,840,000	1,555,490.66	5,395,490.66	41,300,000
2036	535,000	141,737.50	780,000	163,412.50	610,000	278,587.51	360,000	33,668.76	550,000	223,968.75	1,160,000.00	570,206.26	3,995,000	1,411,581.28	5,406,581.28	37,305,000
2037	565,000	113,531.25	810,000	129,625.00	640,000	251,243.76	370,000	20,662.51	570,000	209,268.75	1,195,000.00	534,881.26	4,150,000	1,259,212.53	5,409,212.53	33,155,000
2038	595,000	83,081.25	845,000	94,456.25	665,000	222,696.88	385,000	6,978.13	590,000	193,675.00	1,230,000.00	497,737.51	4,310,000	1,098,625.02	5,408,625.02	28,845,000
2039	625,000	51,056.25	880,000	57,800.00	695,000	192,946.88			610,000	177,175.00	1,270,000.00	458,675.01	4,080,000	937,653.14	5,017,653.14	24,765,000
2040	660,000	17,325.00	920,000	19,550.00	725,000	161,884.38			630,000	160,125.00	1,310,000.00	418,362.51	4,245,000	777,246.89	5,022,246.89	20,520,000
2041					760,000	128,925.00			655,000	142,456.25	1,350,000.00	375,956.26	2,765,000	647,337.51	3,412,337.51	17,755,000
2042					790,000	94,050.00			680,000	124,100.00	1,395,000.00	331,350.01	2,865,000	549,500.01	3,414,500.01	14,890,000
2043					830,000	57,600.00			705,000	104,175.00	1,440,000.00	285,281.26	2,975,000	447,056.26	3,422,056.26	11,915,000
2044					865,000	19,462.50			735,000	82,575.00	1,485,000.00	237,750.01	3,085,000	339,787.51	3,424,787.51	8,830,000
2045									765,000	60,075.00	1,535,000.00	188,675.01	2,300,000	248,750.01	2,548,750.01	6,530,000
2046									795,000	36,675.00	1,585,000.00	137,975.01	2,380,000	174,650.01	2,554,650.01	4,150,000
2047									825,000	12,375.00	1,635,000.00	84,628.13	2,460,000	97,003.13	2,557,003.13	1,690,000
2048											1,690,000.00	28,518.75	1,690,000	28,518.75	1,718,518.75	-
Grant Total	\$ 8,770,000	\$ 5,993,450	\$ 13,665,000	\$ 7,102,634.51	\$ 14,005,000	\$ 9,192,106.30	\$ 31,265,000	\$ 7,975,862.55	\$ 14,815,000	\$ 7,589,843.75	\$ 35,000,000.00	\$ 18,880,753.41	\$ 117,520,000	\$ 56,734,650.52	\$ 174,254,650.52	

Certificates of Participation

FY	2010 COP Animal Shelter		Total Annual P & I	End of FY COPs Balance
	Principal	Interest		
			\$ -	
			-	\$5,125,000
2019	\$115,000	\$287,913	\$402,913	5,010,000
2020	120,000	282,612.50	402,612.50	4,890,000
2021	125,000	276,800.00	401,800.00	4,765,000
2022	135,000	270,106.25	405,106.25	4,630,000
2023	140,000	262,200.00	402,200.00	4,490,000
2024	150,000	253,862.50	403,862.50	4,340,000
2025	155,000	245,093.75	400,093.75	4,185,000
2026	165,000	235,893.75	400,893.75	4,020,000
2027	175,000	226,118.75	401,118.75	3,845,000
2028	185,000	215,768.75	400,768.75	3,660,000
2029	195,000	204,843.75	399,843.75	3,465,000
2030	210,000	193,200.00	403,200.00	3,255,000
2031	220,000	180,837.50	400,837.50	3,035,000
2032	235,000	167,756.25	402,756.25	2,800,000
2033	245,000	153,956.25	398,956.25	2,555,000
2034	260,000	139,437.50	399,437.50	2,295,000
2035	275,000	124,056.25	399,056.25	2,020,000
2036	290,000	107,812.50	397,812.50	1,730,000
2037	310,000	90,562.50	400,562.50	1,420,000
2038	325,000	72,306.25	397,306.25	1,095,000
2039	345,000	53,043.75	398,043.75	750,000
2040	365,000	32,631.25	397,631.25	385,000
2041	385,000	11,068.75	396,068.75	-
Grand Total	\$ 5,125,000.00	\$ 4,087,881.25	\$ 9,212,881.25	

Revenue Bonds

FY	Berkeley Rep. 2012 Refunding		1947 Center 2012 Refunding		Total		Annual Total P & I	End of FY Rev Bonds Balance
	Principal	Interest	Principal	Interest	Principal	Interest		
2018								\$21,820,000
2019	\$293,944	\$204,991	\$961,056	\$670,222	\$1,255,000	\$875,213	\$2,130,213	20,565,000
2020	306,826.22	192,975.54	1,003,174	630,936.96	1,310,000	823,912.50	2,133,912.50	19,255,000
2021	320,879.33	178,817.04	1,049,121	584,645.46	1,370,000	763,462.50	2,133,462.50	17,885,000
2022	337,274.63	162,363.19	1,102,725	530,849.31	1,440,000	693,212.50	2,133,212.50	16,445,000
2023	352,498.83	146,881.34	1,152,501	480,231.16	1,505,000	627,112.50	2,132,112.50	14,940,000
2024	366,551.94	130,667.56	1,198,448	427,219.93	1,565,000	557,887.49	2,122,887.49	13,375,000
2025	386,460.51	111,842.25	1,263,539	365,670.25	1,650,000	477,512.50	2,127,512.50	11,725,000
2026	405,197.99	92,050.79	1,324,802	300,961.71	1,730,000	393,012.50	2,123,012.50	9,995,000
2027	427,448.74	71,234.62	1,397,551	232,902.88	1,825,000	304,137.50	2,129,137.50	8,170,000
2028	442,672.95	53,908.31	1,447,327	176,254.19	1,890,000	230,162.50	2,120,162.50	6,280,000
2029	459,068.24	40,095.28	1,500,932	131,092.22	1,960,000	171,187.50	2,131,187.50	4,320,000
2030	320,879.33	16,461.17	1,049,121	102,695.08	1,370,000	119,156.25	1,489,156.25	2,950,000
2031			1,450,000	74,187.50	1,450,000	74,187.50	1,524,187.50	1,500,000
2032			1,500,000	25,312.50	1,500,000	25,312.50	1,525,312.50	-
Grand Total	\$ 4,419,703	\$ 1,402,288	\$ 17,400,297	\$ 4,733,181	\$ 21,820,000	\$ 6,135,469	\$ 27,955,469	

	FY 2020 Year 1	FY 2021 Year 2	FY 2022 Year 3	FY 2023 Year 4	FY 2024 Year 5	Total Year 1- 5
Parks, Park Buildings, Pools, Waterfront, and Camps						
Available Funding ⁽¹⁾	\$1,900,000	\$1,900,000	\$1,900,000	\$1,900,000	\$1,900,000	\$9,500,000
Expenditures	\$1,900,000	\$1,900,000	\$1,900,000	\$1,900,000	\$1,900,000	\$9,500,000
Capital & Maint. Need ⁽²⁾	\$181,535,800					
Unfunded Liability	(\$183,228,516)	(\$184,955,086)	(\$186,716,188)	(\$188,512,512)	(\$190,344,762)	(\$190,344,762)
Public Buildings						
Available Funding	\$800,000	\$800,000	\$800,000	\$800,000	\$800,000	\$4,000,000
Expenditures	\$800,000	\$800,000	\$800,000	\$800,000	\$800,000	\$4,000,000
Capital & Maint. Need	\$85,100,000					
Unfunded Liability	(\$85,986,000)	(\$86,889,720)	(\$87,811,514)	(\$88,751,745)	(\$89,710,780)	(\$89,710,780)
Sidewalks						
Available Funding	\$700,000	\$700,000	\$700,000	\$700,000	\$700,000	\$3,500,000
Expenditures	\$700,000	\$700,000	\$700,000	\$700,000	\$700,000	\$3,500,000
Capital & Maint. Need	\$7,000,000					
Unfunded Liability	(\$6,426,000)	(\$5,840,520)	(\$5,243,330)	(\$4,634,197)	(\$4,012,881)	(\$4,012,881)
Streets & Roads						
Available Funding	\$6,820,000	\$6,820,000	\$6,820,000	\$6,820,000	\$6,820,000	\$34,100,000
Expenditures	\$6,820,000	\$6,820,000	\$6,820,000	\$6,820,000	\$6,820,000	\$34,100,000
Capital & Maint. Need	\$170,000,000					
Unfunded Liability	(\$166,443,600)	(\$162,816,072)	(\$159,115,993)	(\$155,341,913)	(\$151,492,352)	(\$151,492,352)
Sewers						
Available Funding	\$13,564,676	\$15,823,627	\$17,133,255	\$16,234,521	\$18,121,445	\$80,877,524
Expenditures	\$13,564,676	\$15,823,627	\$17,133,255	\$16,234,521	\$18,121,445	\$80,877,524
Capital & Maint. Need	\$190,000,000					
Unfunded Liability	(\$179,964,030)	(\$167,423,212)	(\$153,295,756)	(\$139,802,459)	(\$124,114,635)	(\$124,114,635)
Storm Drains						
Available Funding	\$1,300,000	\$1,300,000	\$1,300,000	\$1,300,000	\$1,300,000	\$6,500,000
Expenditures	\$1,300,000	\$1,300,000	\$1,300,000	\$1,300,000	\$1,300,000	\$6,500,000
Capital & Maint. Need	\$241,000,000					
Unfunded Liability	(\$244,494,000)	(\$248,057,880)	(\$251,693,038)	(\$255,400,898)	(\$259,182,916)	(\$259,182,916)
Traffic Signals						
Available Funding	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$250,000
Expenditures	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$250,000
Capital & Maint. Need	\$7,444,000					
Unfunded Liability	(\$7,541,880)	(\$7,641,718)	(\$7,743,552)	(\$7,847,423)	(\$7,953,371)	(\$7,953,371)
Geographical Systems: Master Address Database						
Available Funding	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$200,000	\$150,000	\$0	\$0	\$0	\$350,000
Capital & Maint. Need	\$350,000					
Unfunded Liability	(\$153,000)	(\$3,060)	(\$3,121)	(\$3,184)	(\$3,247)	(\$3,247)
Data Backup System Replacement						
Available Funding	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$550,000	\$0	\$0	\$0	\$0	\$550,000
Capital & Maint. Need	\$550,000					
Unfunded Liability	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL						
Available Funding	\$25,134,676	\$27,393,627	\$28,703,255	\$27,804,521	\$29,691,445	\$138,727,524
Expenditures	\$25,884,676	\$27,543,627	\$28,703,255	\$27,804,521	\$29,691,445	\$139,627,524
T1 Funding: \$100M Infrastructure Bond ⁽³⁾	\$8,330,000	\$8,330,000	\$8,330,000	\$8,330,000	\$8,330,000	\$41,650,000
Capital & Maint. Need	\$882,979,800					
Unfunded Liability	(\$865,740,426)	(\$847,181,608)	(\$827,091,985)	(\$807,499,304)	(\$785,627,845)	(\$785,627,845)

⁽¹⁾ Unless otherwise noted, available funding includes recurring sources of capital and major maintenance funding.

⁽²⁾ Capital & Maint. Needs are current estimates of unfunded needs. Needs are estimated to increase at a rate of 2% per year.

⁽³⁾ The \$100 million in bond expenditures are estimated to be equally distributed over 12 years, (\$8.33 million/year).

Public Buildings - Appraisal of Assets Valued @ \$5M or More							
Other ID.	Address	Sq Feet	Year Built	Last Appr.	Occupied As	Leased Owned	Total Values
MAIN LIBRARY	2090 KITTREDGE STREET (FRONT)	102000	1931	2016	LIBRARY - HIGH END	OWNED	\$ 63,167,352
CIVIC CENTER BUILDING ANNEX	1947 CENTER STREET	112798	1947	2016	PUBLIC WORKS ENGINEERING AND TRANSPORTATION	OWNED	\$ 46,368,061
CENTER STREET GARAGE AND COMMERCIAL SPACE	2025 CENTER STREET	248000	2018		CITY AND PUBLIC PARKING AND OFFICE	OWNED	\$ 45,829,831
MARTIN LUTHER KING JR. CIVIC CENTER	2180 MILVIA STREET	89075	1940	2016	OFFICE BUILDING	OWNED	\$ 35,780,212
VEHICLES	VARIOUS LOCATIONS	0			RC, COMP & COLLISION	OWNED	\$ 30,786,630
PUBLIC SAFETY BUILDING (INCLUDES PRIIMARY EOC)	2100 MARTIN LUTHER KING JR WAY	60108	2000	2016	POLICE STATION/FI RE STATION OFFICES	OWNED	\$ 25,848,477
RESTAURANT/BANQUET SPACE	199 SEAWALL DRIVE	25000	1967	2014	RESTAURANT OR BANQUET HALL	OWNED	\$ 21,411,000
OLD CITY HALL	2134 MARTIN LUTHER KING JR. WAY	38400	1908	2016	OFFICE	OWNED	\$ 16,827,424
TELEGRGRAPH/CHANNING(SATHER GATE) MALL AND GARAGE	2438 DURANT AVENUE/CHANNING AVENUE	186890	1990	2016	PARKING GARAGE W/RETAIL	OWNED	\$ 14,538,328
FIRE DEPARTMENT WAREHOUSE	1011 FOLGER AVENUE	8021	2011		WAREHOUSE	OWNED	\$ 11,754,541

