



Berkeley City Council

ACTION CALENDAR
May 15, 2012

To: Honorable Mayor and Members of the City Council
From: Councilmembers Laurie Capitelli, Susan Wengraf, Gordon Wozniak and Darryl Moore
Subject: City Manager's Report of Projections of Future City Liabilities

RECOMMENDATION

Adopt a Resolution requiring the City Manager to develop and publish a biennial report of current City liabilities and projections of future liabilities designed to aid City staff, Council and the public in the preparation of the City's budget. The report shall be published initially in February, 2013 and subsequently in February of the second year of the City's biennial budget. The report will contain specific information as outlined in the "Background" information below.

BACKGROUND

The City of Berkeley (like many jurisdictions in California) faces significant unfunded liabilities in the areas of retiree pension, health and miscellaneous benefits. The City also has a large backlog of deferred maintenance in its' physical infrastructure. The range of estimated costs for these unfunded liabilities and deferred maintenance averages \$1,000,000,000.

Critical budget decisions will have to be made over the next several years as the need to address these liabilities must be addressed. Without careful and considered policy decisions, the City will face the likelihood of an ever increasing portion of the City budget devoted to personnel benefits. The City will also face a deteriorating infrastructure with possible catastrophic failures in our storm sewers, waterways, and transportation network. These expenditures will dramatically reduce the availability of funding for other services.

It is critical that policy makers, staff and the public move forward to make informed decisions in the context of these limited resources. Though some of this information is currently available in various City documents it is not in a single document. Accurate information regarding the City liabilities must be available in a clear, understandable and easily accessible format as we move forward.

The proposed biennial report shall contain:

1. Spread sheet detailing employee and retiree benefit costs over a 10 year horizon in a format similar to Attachment 1, "Employee and Retiree Benefits and Unfunded Liabilities"
2. Summary of current active employee costs including:

- a. Total payroll costs for the number of active employees during the year of the report
 - b. Projected total payroll costs for the same number of employees for the succeeding 10 year period with cost increases based on (1) current MOU's with bargaining units; and (2) the same assumptions used for the independent CalPERS actuarial report.
3. 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 City of Berkeley capital assets and infrastructure including:
- a. **Public buildings** including:
 - i. Appraisal of all assets valued at \$5m or more
 - ii. Projected maintenance costs over succeeding five years for all public buildings
 - iii. Projected budget over succeeding next 5 years for maintenance of all public buildings
 - b. **Condition of streets and roads:** using the 'Street Saver' information projecting costs to bring streets and roads condition to an average Pavement Conditions Index (PCI) of 75 within 5 years.
 - c. **Sewers:** Updated asset management plan for public sewers including projected costs for the succeeding 5 years and projected revenue anticipated from sewer fees for the succeeding 5 years
 - d. **Storm Drains:** Update projected costs contained in the Watershed Management Plan (2011) to reflect present value of identified improvements to all watersheds acknowledging all completed improvements

FINANCIAL IMPLICATIONS

Staff time to aggregate the information required and compile into a single document.

CONTACTS

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Gordon Wozniak, District 8	510-981-7180
Darryl Moore, District 2	510-981-7120

ATTACHMENTS

1. Employee and Retiree Benefits and Unfunded Liabilities" Chart
2. Resolution
 - Exhibit A: Specific Information to be included in Report
 - Exhibit B: "Employee and Retiree Benefits and Unfunded Liabilities" Chart

Employee and Retiree Benefits and Unfunded Liabilities

Attachment 1

1	2	3	4	5	6	7	8	9	10
Fund #	Fund Name	Valuation Date	Actuarial Source	Est. Liability	Fund Balance	Annual Required Cont. (ARC)	Actual Cont.	Funding Target and Years	Delta (Column 5 minus Column 6)
	Police Ret. Income	7/1/10	Milliman						
	Police Sick Leave Conv.	7/1/10	Milliman						
949	Fire Retiree Health	7/1/10	Milliman						
941-947	Misc. Retiree Health	7/1/10	Milliman						
	SRIP 1	7/1/08	Milliman						
875	Workers Comp.	6/30/10	Bickmore						
	Cal-PERS Misc.	6/30/10	Cal-PERS						
	Cal-PERS Police	6/30/10	Cal-PERS						
	Cal-PERS Fire	6/30/10	Cal-PERS						
	Cal-PERS All	6/30/10	Bartel						
905	Safety Mem. Pension	6/30/11	Aon Hewitt						

RESOLUTION NO. –N.S.

REQUIRING THAT THE CITY MANGER DEVELOP AND PUBLISH A BIENNIAL REPORT OF CURRENT CITY LIABILITIES AND PROJECTIONS OF FUTURE LIABILITIES

WHEREAS, The City of Berkeley faces significant unfunded liabilities in the areas of retiree pension, health and miscellaneous benefits averaging up to \$500,000,000; and

WHEREAS, The City also has a backlog of deferred maintenance in its physical infrastructure, averaging up to \$500,000,000; and

WHEREAS, Critical budget decisions will have to be made over the next several years as these liabilities are addressed so that funding for other services is not jeopardized; and

WHEREAS, Accurate information regarding the City's liabilities needs to be available in a clear, understandable and easily accessible format in order to aid City staff, Council and the public in the preparation of the City's budget.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that the City Manager is hereby required to develop and publish a biennial report of current City liabilities and projections of future liabilities and that the report shall be published in February of the second year of the City's biennial budget beginning in February 2013.

BE IT FURTHER RESOLVED that the report shall contain the following: 1. a spread sheet detailing employee and retiree benefit costs over a 10 year horizon (see Exhibit B); 2. a summary of current active employee costs; 3. a summary of all current City obligations; and 4. a summary of City of Berkeley capital assets and infrastructure including: public buildings, conditions of streets and roads, sewers and storm drains (as outlined specifically in Exhibit A below.)

Exhibits:

A: Specific Information to be included in Report

B: "Employee and Retiree Benefits and Unfunded Liabilities" Chart

Exhibit A

The proposed biennial report shall contain:

1. Spread sheet detailing employee and retiree benefit costs over a 10 year horizon (Exhibit B below), "Employee and Retiree Benefits and Unfunded Liabilities"
2. Summary of current active employee costs including:
 - a. Total payroll costs for the number of active employees during the year of the report
 - b. Projected total payroll costs for the same number of employees for the succeeding 10 year period with cost increases based on (1) current MOU's with bargaining units; and (2) the same assumptions used for the independent CalPERS actuarial report.
3. 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 City of Berkeley capital assets and infrastructure including:
 - a. **Public buildings** including:
 - i. Appraisal of all assets valued at \$5m or more
 - ii. Projected maintenance costs over succeeding five years for all public buildings
 - iii. Projected budget over succeeding next 5 years for maintenance of all public buildings
 - b. **Condition of streets and roads:** using the 'Street Saver' information projecting costs to bring streets and roads condition to an average Pavement Conditions Index (PCI) of 75 within 5 years.
 - c. **Sewers:** Updated asset management plan for public sewers including projected costs for the succeeding 5 years and projected revenue anticipated from sewer fees for the succeeding 5 years
 - d. **Storm Drains:** Update projected costs contained in the Watershed Management Plan (2011) to reflect present value of identified improvements to all watersheds acknowledging all completed improvements

**Exhibit B
Employee and Retiree Benefits and Unfunded Liabilities**

1	2	3	4	5	6	7	8	9	10
Fund #	Fund Name	Valuation Date	Actuarial Source	Est. Liability	Fund Balance	Annual Required Cont. (ARC)	Actual Cont.	Funding Target and Years	Delta (Column 5 minus Column 6)
	Police Ret. Income	7/1/10	Milliman						
	Police Sick Leave Conv.	7/1/10	Milliman						
949	Fire Retiree Health	7/1/10	Milliman						
941-947	Misc. Retiree Health	7/1/10	Milliman						
	SRIP 1	7/1/08	Milliman						
875	Workers Comp.	6/30/10	Bickmore						
	Cal-PERS Misc.	6/30/10	Cal-PERS						
	Cal-PERS Police	6/30/10	Cal-PERS						
	Cal-PERS Fire	6/30/10	Cal-PERS						
	Cal-PERS All	6/30/10	Bartel						
905	Safety Mem. Pension	6/30/11	Aon Hewitt						