



Staff Report

File #: 23-0083

REQUEST FOR CITY COUNCIL ACTION

DATE: 02/01/2023

TO: Honorable Mayor and City Council Members

FROM: Pension Stabilization Trustee Board and Finance Department

SUBJECT:
Fiscal Year 2023 Pension Stabilization Trust Contribution

EXECUTIVE SUMMARY:

This staff report asks the City Council to approve the annual contribution of \$2,000,000 from Measure X to the Pension Stabilization Trust, and approve the recommendation from the Pension Stabilization Trustee Board to transfer \$111,000 of the Fiscal Year (FY) 2022 year-end surplus to the Pension Stabilization Trust for the FY 2023 contribution.

RECOMMENDED ACTION:

That the City Council:

- a. Approve the Pension Stabilization Trustee Board's Fiscal Year 2023 recommendation to contribute \$111,000 of the Fiscal Year 2022 General Fund year-end surplus to the Pension Stabilization Trust Fund.
- b. Approve the annual contribution of \$2,000,000 from Measure X Reserves to the Pension Stabilization Trust Fund.
- c. Authorize the City Manager, or his designee, to make the necessary budget and accounting adjustments for the FY 2023 contribution amount.

BACKGROUND & HISTORY:

The City of Corona Pension Stabilization Trust (Trust) was established pursuant to Section 115 of the Internal Revenue Code, as an entity to which funds for the City can be deposited, and through which a Board of Trustees can invest and manage funds for the exclusive purpose of funding contributions

to the pension plan providing benefits for City employees and retirees.

In May 2021, the City Council approved the Pension Management Policy (Policy). In January 2022, the City Council approved the establishment of the Trust and the Trust Agreement (Agreement), and approved an initial contribution of \$30,000,000 to the Trust. The funds may be used to address future CalPERS unfunded accrued liabilities as well as Pension Obligation Bond payments.

The Agreement details the rules and responsibilities of the Pension Stabilization Board of Trustees (Trustees) and administration of the Trust. The Board of Trustees consists of five members which includes the City Treasurer, City Manager, Assistant City Manager, Finance Director, and Accounting Manager. The Trustees serve as an advisory group to the City Council and conduct at least two (2) public meetings per year, as outlined in the Agreement. The Trustees held a meeting on October 10, 2022 to review the results of the June 2021 CalPERS actuarial reports, which include the new unfunded liabilities to be assessed starting in FY 2024. The June 2021 reports took into consideration the pension obligation bonds and determined a new unfunded liability of \$0. Staff anticipates there to be new unfunded liabilities assessed with the June 2022 reports.

ANALYSIS:

The Trustees held a meeting on January 11, 2023 to discuss the FY 2022 General Fund year-end results, after the completion of the annual audit and Annual Comprehensive Financial Report (ACFR). The General Fund Unassigned Fund Balance (surplus) for FY 2022 was \$221,995. Staff made a recommendation to contribute approximately 50%, or \$111,000, to the Pension Stabilization Trust. The Trustees discussed and agreed to forward the recommendation to the City Council.

As part of the Measure X spending plan, funds have been reserved in the Measure X Fund to proactively address pension debt obligations. A total of \$2,000,000 was reserved in the Proactive Debt Retirement Reserve in FY 2022. Staff's recommendation is for the City Council to approve the transfer from the Measure X Fund to the Pension Stabilization Trust Fund.

FINANCIAL IMPACT:

Approval of the recommended actions will transfer \$111,000 from the General Fund Unassigned Fund Balance into the Pension Stabilization Trust Fund. Additionally, a total of \$2,000,000 will be transferred from the Measure X Fund reserves to the Pension Stabilization Trust Fund. The funds will be added to the existing Pension Stabilization Trust balance, currently \$30,297,233 (as of December 31, 2022). No expenditures will be incurred at this time.

ENVIRONMENTAL ANALYSIS:

This action is exempt pursuant to Section 15061(b)(3) of the guidelines for the California Environmental Quality Act (CEQA), which states that a project is exempt from CEQA if the activity is covered by the common sense exemption that CEQA applies only to projects that have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the action is not subject to CEQA. This action simply makes a recommendation for the FY 2023 contribution to the Pension Stabilization Trust, and there is no possibility that this action will have

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any effect on the environment. Therefore, no environmental analysis is required.

PREPARED BY: KIM SITTON, FINANCE DIRECTOR

REVIEWED BY: JACOB ELLIS, CITY MANAGER