



Agenda Report

File #: 20-0219

**AGENDA REPORT
REQUEST FOR CITY COUNCIL ACTION
CORONA HOUSING AUTHORITY ACTION
CORONA UTILITY AUTHORITY ACTION**

DATE: 03/18/2020

TO: Honorable Mayor and City Council Members
Honorable President and Board Members

FROM: Administrative Services Department

SUBJECT:

City Council, Corona Utility Authority, and Corona Housing Authority consideration of budgetary adjustments to make an additional one-time contribution of \$30 Million towards the unfunded pension liability with CalPERS, from the General Fund Budget Balancing Measures Reserve.

RECOMMENDED ACTION:

That the:

- a. City Council authorize an additional one-time contribution of \$30 Million towards the unfunded pension liability with CalPERS from the General Fund Budget Balancing Measures Reserve.
- b. City Council approve appropriations and cash transfers in multiple funding sources, as detailed in the fiscal impact section.
- c. Corona Utility Authority (CUA) and Corona Housing Authority (CHA) review, ratify, and to the extent necessary, direct the City Council to take the above actions.

ANALYSIS:

Since 1967, the City of Corona contract with CalPERS for employee retirement benefits. Membership in the retirement system is based on the CalPERS enrollment date (generally hire date for full time personnel). Employees enrolled prior to January 1, 2013 are considered as "Classic" CalPERS members. Employees enrolled on or after January 1, 2013 are considered as "PEPRA" CalPERS members, based on the California Public Employees' Pension Retirement Act that was implemented in 2013.

The City has four retirement plans with CalPERS: Police (combined Classic and PEPRAs), Miscellaneous (non-sworn employees, combined Classic and PEPRAs), Fire Classic, and Fire PEPRAs. Based on the CalPERS actuarial reports issued for June 30, 2018 (dated 2019), the City currently has an unfunded pension liability of \$271.1 Million, between all four plans.

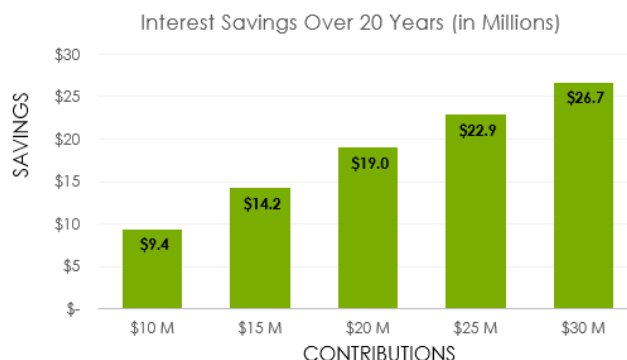
| Plan | June 30, 2018 | |
|-------------|--------------------|--------------|
| | Unfunded Liability | Funded Ratio |
| Misc. | 125,909,685 | 65.4% |
| Police | 95,434,128 | 63.8% |
| Fire | 49,708,510 | 71.8% |
| Fire PEPRAs | 51,686 | 92.0% |
| Total | \$271,104,009 | |

In June 2018, the City Council approved a strategy to contribute funds towards paying down the unfunded pension liability. The contributions were in addition to the annual unfunded liability payment due, as determined by the actuarial reports for the City's retirement plans. Since that funding strategy was implemented, an extra \$22.1 Million has been paid towards the City's plans: \$16.1 Million to the Miscellaneous Plan and \$6.0 Million to the Police Plan. Funding was allocated to the Miscellaneous and Police plans based on their funding ratios at the time the contributions were made. The current funding strategy calls for an additional \$4.0 Million per year, for the next three years (through Fiscal Year 2023), to be contributed towards the unfunded pension liability.

At the March 4, 2020 City Council meeting, there was a presentation titled "Unfunded Pension Liability Update." One of the objectives of that item was to discuss the current funding strategy and review available options. One option discussed was an additional one-time contribution from the General Fund Budget Balancing Measures Reserve (BBMR). The BBMR has a balance of \$34,433,788 as of June 30, 2019. The following graph shows the contribution options and the interest savings that would be generated over a 20-year period.

Additional Unfunded Liability Contributions

One Time Contribution from Budget Balancing Measures Reserve



Based on the discussion at the March 4, 2020 meeting, staff was directed to prepare the action to approve a one-time contribution of \$30 Million from the General Fund BBMR. The one-time additional contribution of \$30 Million is estimated to generate interest savings of \$26.7 Million over a 20-year period. The contribution will be split evenly between the Miscellaneous and Police plans. With the one-time additional payment of \$30 Million, the recurring \$4 Million additional annual contributions will no longer occur, freeing up those funds for recurring operational needs.

As with prior additional contributions towards the unfunded liability, the payment will be expensed in multiple funds, proportionately based on the employees in the specific retirement plan (see breakdown in fiscal impact section). The General Fund will transfer cash to each fund to offset the impact of the additional contribution. The accounting for this payment is based on review with the City's auditing firm, Lance, Soll & Lunghard, LLP.

COMMITTEE ACTION:

Not applicable.

STRATEGIC PLAN:

Not applicable.

FISCAL IMPACT:

With approval of the recommended actions, appropriations and transfers will be made as shown in the following table. The net impact to the General Fund is \$30 Million, between the appropriations and transfers. The remaining funds listed will have a net impact of \$0 as the General Fund will transfer cash to offset the impact of the additional one-time contribution.

| Fund | (1) Appropriations by Fund | | | (2) Transfers In / (Out) | (1) - (2) Net Fund Balance Impact |
|-----------------------------|-------------------------------|----------------------|----------------------|--------------------------------|---|
| | Misc Plan | Police Plan | Total | | |
| 110 General Fund | \$ 8,379,049 | \$ 15,000,000 | \$ 23,379,049 | \$ (6,620,951) | \$ 30,000,000 |
| 222 Gas Tax Fund | 256,272 | - | 256,272 | 256,272 | - |
| 245 NPDES Fund | 167,537 | - | 167,537 | 167,537 | - |
| 291 Low Mod Income Hsg Fund | 29,443 | - | 29,443 | 29,443 | - |
| 567 Reclaimed Wtr Fund | 135,822 | - | 135,822 | 135,822 | - |
| 570 Water Utility Fund | 2,574,974 | - | 2,574,974 | 2,574,974 | - |
| 572 Wtr Rclm Utility Fund | 1,574,235 | - | 1,574,235 | 1,574,235 | - |
| 577 Transit Svcs Fund | 112,697 | - | 112,697 | 112,697 | - |
| 578 Electric Utility Fund | 529,478 | - | 529,478 | 529,478 | - |
| 680 Warehouse Fund | 44,526 | - | 44,526 | 44,526 | - |
| 681 Information Tech Fund | 888,945 | - | 888,945 | 888,945 | - |
| 682 Fleet Services Fund | 307,022 | - | 307,022 | 307,022 | - |
| Totals | \$ 15,000,000 | \$ 15,000,000 | \$ 30,000,000 | \$ - | \$ 30,000,000 |

| GENERAL FUND | |
|--|---------------------|
| Budget Workshop May 23, 2019 - Estimated Revenue Over Expenditures | \$ 152,247 |
| Previously approved/revised budget adjustments (net)* | 568,685 |
| Revised Estimated Revenue Over Expenditures | \$ 720,932 |
| Budget Balancing Measures Reserve - Actual 06/30/19 | 34,433,788 |
| Additional Contribution to CalPERS - Unfunded Liability | (30,000,000) |
| Estimated FY 2019-20 Change in Budget Balancing Measures Reserve | 720,932 |
| Estimated Budget Balancing Measures Reserve - 06/30/20 | \$ 5,154,720 |

** Approved through Council Action or other operational process. Includes other General Fund items on the March 18, 2020 agenda.*

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 an action is exempt from CEQA if the activity is covered by the general rule 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 revision of the said Policy may have a significant effect on the environment, the action is not subject to CEQA.

PREPARED BY: KIM SITTON, ACTING ADMINISTRATIVE SERVICES DIRECTOR

SUBMITTED BY: JACOB ELLIS, CITY MANAGER & EXECUTIVE DIRECTOR