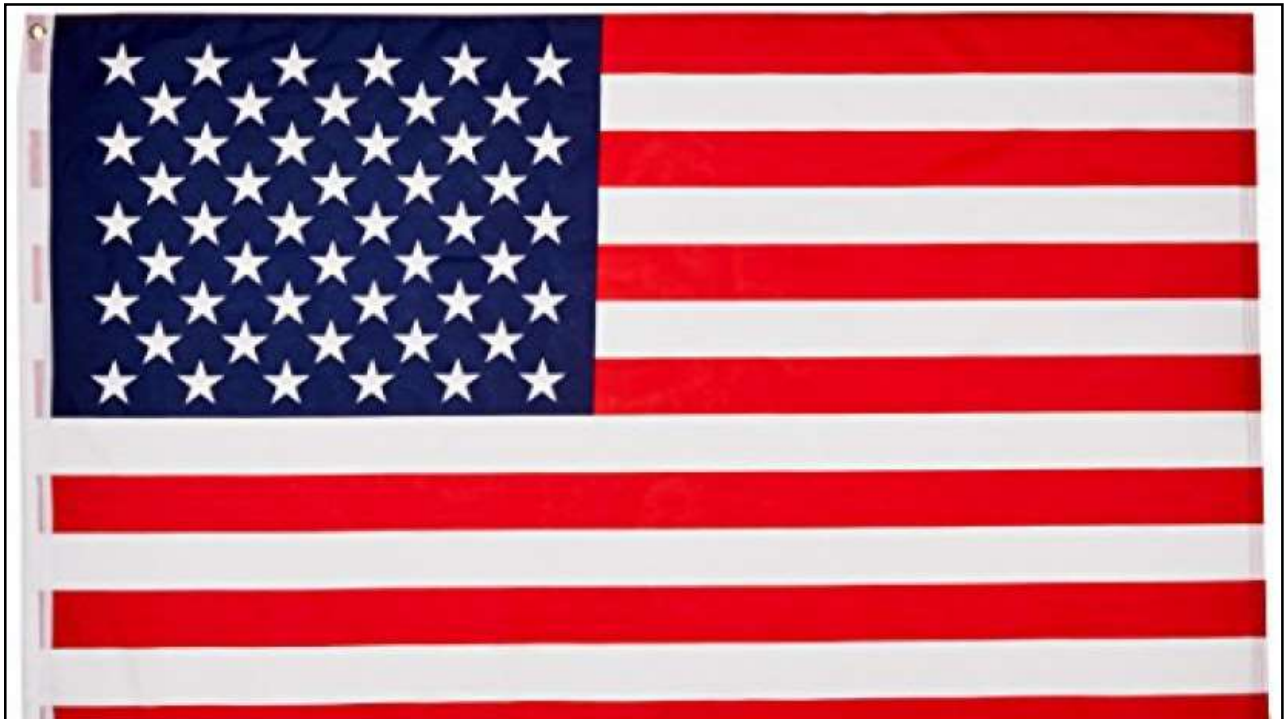


**Financial Advisory Commission
Special Meeting
2/2/2023**



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Financial Advisory Commission Special Meeting 2/2/2023

Business Session Item No. 2

RECEIVE AND FILE FISCAL YEAR 2021/22 GENERAL FUND YEAR-END BUDGET REPORT



3

Report Content



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General Fund Revenues

General Fund Revenues	2020/21 Final Budget	2020/21 Actuals	Variance
Tax Revenue	44,878,000	51,515,856	6,637,856
Licenses & Permits	1,186,800	2,024,611	837,811
Intergovernmental	9,343,634	9,375,935	32,301
Charges for Services	575,000	962,368	387,368
Fines, Forfeitures & Abatements	264,000	779,006	515,006
Use of Money & Property	845,000	379,206	(465,794)
Miscellaneous/Transfers In	593,100	1,233,835	640,735
Total Revenues	57,685,534	66,270,818	8,585,283
Non-Cash Adjustments			
Investments Fair Market Value Adjustment		666,023	666,023
RDA Loan Interest Earned, Extraordinary Gain		(591,946)	(591,946)
		74,077	74,077
Total Adjusted Revenues	57,685,534	66,344,895	8,659,361

- Top 3 – sales, transient occupancy tax (TOT), and property taxes
- Variances- Tax Revenue, Licenses & Permits, Miscellaneous/Transfers In

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General Fund Expenses

General Fund	2021/22 Final Budget	2021/22 Actuals	Variance
Operational/CIP Expenses			
Multi-Year Capital Improvements	35,491,882	4,415,303	(31,076,579)
Operational	53,448,766	47,418,952 *	(6,029,814)
Expenses Before Carryovers	88,940,648	51,834,255	(37,106,393)
Plus Carryovers to 2022/23			
Multi-Year Capital Improvements		30,761,847	30,761,847
Operational		1,209,100	1,209,100
Adjusted Expenditures	88,940,648	83,805,202	(5,135,446)
Plus Measure G Reserves	3,578,644	226,385	(3,352,259)
Total Expenditures	92,519,292	84,031,587	(8,487,705)

*Reduced by non-cash transactions described in the 2021/22 Year-End Budget Report

- Expenditure savings – Public safety and operations
- Measure G reserves allocation \$226,385
- Total savings \$8.4 million

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Carryovers to 2022/23

Capital Improvements

- Total \$30,761,847
- For 21 Projects including CIP Savings, detailed in Exhibit C

Operating

- Total \$1,209,100

Other Funds

- Total \$1,002,700

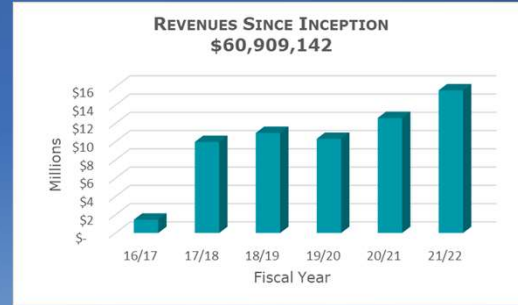
7

Fund Balance

Reserve/Fund Balance	As of June 30, 2021	As of June 30, 2022	Change in Value
Non-Spendable			
Prepaid Costs	25,246	46,990	21,744
Land Held for Resale	5,403,652	5,403,652	-
Advances to Other Funds	-	-	-
Due from Other Governments	24,070,622	21,915,347	(2,155,275)
Total Non-Spendable	29,499,520	27,365,989	(2,133,531)
Restricted			
Pension Trust	11,381,922	10,137,888	(1,244,034)
Committed			
Operational Carryovers	1,209,870	1,209,100	(770)
Cash Flow Reserve	5,000,000	5,000,000	-
Natural Disaster Reserve	10,000,000	10,000,000	-
Economic Disaster	11,000,000	11,000,000	-
Capital Replacement Reserve	10,000,000	10,000,000	-
Total Committed	37,209,870	37,209,100	(770)
Assigned			
Public Safety Fire Services	11,423,931	11,183,821	(240,110)
Measure G Sales Tax	15,128,658	15,355,043	226,385
Capital Projects	13,431,089	30,761,847	17,330,758
Total Assigned	39,983,678	57,300,711	17,317,033
Unassigned	24,241,566	33,848,080	9,606,514
TOTAL FUND BALANCE	142,316,556	165,861,768	23,545,212

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Measure G Summary



- FY 21-22 Measure G Revenue : \$15.6 million
- Revenues since inception: \$60.9 million

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Discussion & Questions

- Fiscally healthy & well managed resources
- Build reserves & improve resiliency
- Focus on capital improvements, infrastructure and paying down pension plan



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Financial Advisory Commission Special Meeting 2/2/2023

Business Session Item No. 3

**REVIEW RESERVE ANALYSIS REPORT AND DRAFT GENERAL FUND
BALANCE AND RESERVES POLICY AND APPROVE TO RECOMMEND FOR
CITY COUNCIL CONSIDERATION**



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Current Reserves

As of 6/30/2022		
Category	Target	Funding
Committed Reserves		
Natural Disaster	\$ 10,000,000	\$ 10,000,000
Economic Downturn	\$ 11,000,000	\$ 11,000,000
Cash Flow	\$ 5,000,000	\$ 5,000,000
Capital Replacement	\$ 10,000,000	\$ 10,000,000
Sub Total	\$ 36,000,000	\$ 36,000,000
Restricted		
Pension Trust	\$ 10,000,000	\$ 10,137,888
Unassigned	\$ 8,000,000	\$ 33,893,325
Measure G Unassigned	\$ -	\$ 15,355,043
Grand Total	\$ 54,000,000	\$ 95,386,256

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Emergency Reserves- Natural Disaster

- Capital Assets -What do we own and what is it worth
- Risk- How much insurance coverage
- Natural Disaster Funding- How much does the State or Federal Gov't contribute
- Recommend increasing target by \$5.0 million to \$15.0 million

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Emergency Reserves-Economic Downturn

- City has mitigated previous downturns by adjusting expenditures or with budget surpluses/reserves
- Using the current \$11.0 million and applying an annual CPI adjustment to years since policy inception, the subcommittee recommends a \$2.0 million increase to \$13.0 million

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Cash Flow Reserves

- Previously utilized revenue to expenditure analysis to review cumulative deficits
- Percentage of budget method reduces fluctuations in the number
- Subcommittee recommends keeping a \$5.0 million minimum target for this category, with the ability to set at 10% of the revenue budget

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Capital Replacement Reserves

- Used to fund capital projects
- Using the current \$10.0 million and applying an annual CPI adjustment to years since policy inception, the subcommittee recommends a \$2.0 million increase to \$12.0 million

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Unfunded Pension Liability

- FAC pension subcommittee recommendation to pay off the City's UAL with a combination of unassigned reserves and pension trust
- This subcommittee supports those findings and recommends a minimum target of \$5 million for the pension trust
- Review the unfunded liability annually and adjust pension trust as needed

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Unassigned Reserves

- Set initially at \$8 million minimum
- Subcommittee recommends keeping an \$8.0 million minimum target for this category, with the ability to set at the equivalent of 2 months of the operating budget

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Unassigned Reserves Projected Balance

Unassigned June 30, 2022	\$	33,900,000
Uses of Unassigned Fiscal 2022-23		
Dune Palms Bridge	\$	4,500,000
Purchase of Property	\$	1,400,000
Purchase of Property	\$	500,000
Subtotal	\$	27,500,000
Subcommittee Recommendations		
CalPERS Pension Payment	\$	5,000,000
Increase to Natural Disaster Target	\$	5,000,000
Increase to Economic Downturn Target	\$	2,000,000
Increase to Capital Improvement Target	\$	2,000,000
Remaining Unassigned Reserves	\$	13,500,000

* Numbers are rounded to the nearest 100 thousand. City Council staff reports for the uses of unassigned reserves can be found on the City's website: Dune Palms Bridge 10/18/2022, Hwy 111 property from Blackpoint 1/17/2023, and Eisenhower Drive property from Cathcart 1/17/2023. Funds appropriated to the Dune Palms Bridge project are for advance construction funding and are expected to be reimbursed in the future.

Chart is for illustrative purposes only and presumes all targets are adopted as recommended and fully funded by City Council. However, City Council may adopt targets and fund gradually over time, may adopt targets different from these recommendations, or not make any changes to the current targets.

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Financial Advisory Commission Special Meeting 2/2/2023

Business Session Item No. 4

**APPROVE THE FINANCIAL ADVISORY COMMISSION SUBCOMMITTEE
RECOMMENDATIONS ON OUTSTANDING PENSION OBLIGATIONS FOR
CITY COUNCIL CONSIDERATION**



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Benefit Tiers/Plan Types

- Classic: Employees hired on or before December 31, 2012.
 - Benefit formula: 2.5% at 55
- PEPR: Public Employees Pension Reform Act, all employees hired on or after January 1, 2013.
 - Benefit formula: 2% at 62
- Tier 2: The City offers a tier for Classic employees coming from other agencies.
 - Benefit formula: 2% at 60

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Classic Plan Stats

- Unfunded Liability: \$10.2 million as of June 2021
- Required UAL Contribution FY 23/24: \$930,275
- Normal Cost: 14.06% of payroll
- 22 Active and 118 Retired Members

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PEPRA and Tier 2

- Both are super-funded as of June 2021
- No UAL contributions for FY 23/24
- Normal costs 10.1% for Tier 2 and 7.68% for PEPRA
- Tier 2 has only 7 active members and 2 retirees
- PEPRA has 58 active members and no retirees, but this plan will continue to grow

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Funded Status as of 6/30/2021

	Classic Tier	Tier 2	PEPRA Tier
Entry Age Normal Accrued Liability	\$54,300,788	\$925,328	\$2,912,438
Plan's Market Value of Assets	\$44,042,560	\$1,013,126	\$3,184,276
Unfunded Accrued Liability	\$10,258,228	-\$87,798	-\$271,838
Funded Ratio	81.10%	109.50%	109.30%

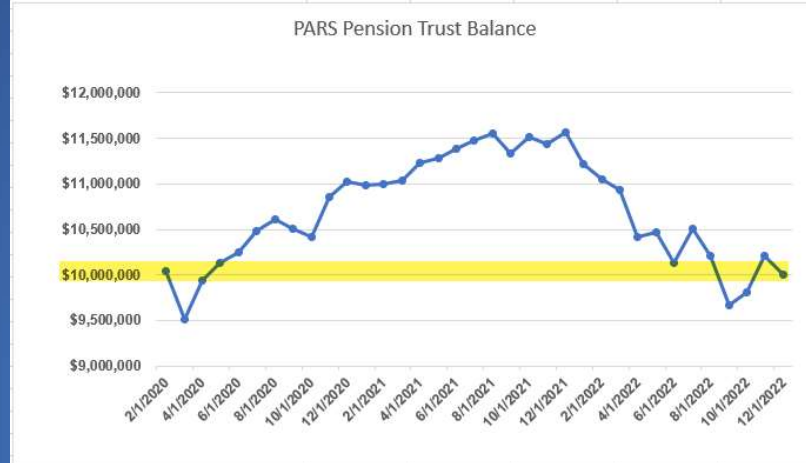
25

Pension Trust

- Established in 2019
- Sets aside funds that can only be used to pay pension liabilities
- Target balance was set at \$10 million during Reserves Study
- Trust was opened with \$6.5 million and fully funded to target in February 2020

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Pension Trust Balance

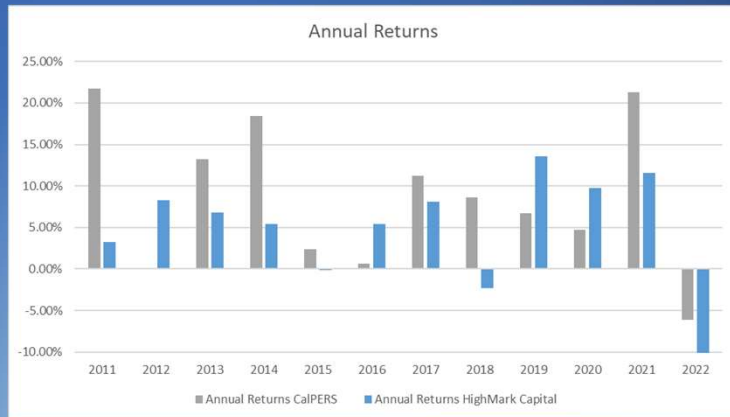


The pension trust balance as of 12/31/2022 was \$10,005,834

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Trust and CalPERS Returns

Annualized Returns As of June 30, 2022		
	PARS Trust	CalPERS
YTD	-10.69%	-6.10%
3-years	1.86%	6.00%
5-years	3.14%	6.70%
10-years	4.11%	7.70%



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Additional Discretionary Payments

Payment Year	From 2021 Actuarial Valuation Report. Reflects ADPs of \$2.5 million made in 2021-22		Adjusted to include ADP from 10/11/2022 of \$1.0 million		Projected new payments, including all previously made ADPs, based on 2021-22 Investment Loss		Projected payments including all previously made ADPs, 2021-22 Investment Loss, and \$10.0 million ADP in April 2023	
	Balance	Payment	Balance	Payment	Balance	Payment	Balance	Payment
2023-24	6,503,919	930,274	5,455,597	930,274	12,245,111	930,274	2,081,685	284,149
2024-25	5,984,802	913,294	4,865,194	878,352	12,116,395	1,034,214	1,929,589	284,149
2025-26	5,447,934	859,129	4,288,303	823,597	11,871,512	1,135,322	1,767,150	284,149
2026-27	4,930,536	801,419	3,728,770	765,283	11,505,488	1,232,870	1,593,665	284,149
2027-28	4,437,592	723,797	3,191,450	687,038	11,013,761	1,310,487	1,408,383	284,149
2028-29	3,991,348	754,714	2,698,456	717,317	10,408,386	1,496,629	1,210,502	284,149
2029-30	3,482,808	786,499	2,140,647	748,445	9,569,479	1,527,757	999,165	284,149
2030-31	2,906,841	819,172	1,512,739	780,444	8,641,359	1,559,756	773,458	284,149
2031-32	2,257,941	852,765	809,062	813,341	7,617,055	1,592,653	532,402	284,149
2032-33	1,530,198	830,820	23,539	24,326	6,489,103	1,569,997	274,954	284,149
2033-34	775,647	801,585	-	-	5,307,862	1,036,761	-	-
2034-35	-	-	-	-	4,597,366	973,406	-	-
2035-36	-	-	-	-	3,904,029	880,448	-	-
2036-37	-	-	-	-	3,259,612	727,473	-	-
2037-38	-	-	-	-	2,729,466	630,373	-	-
2038-39	-	-	-	-	2,263,616	527,567	-	-
2039-40	-	-	-	-	1,872,332	443,988	-	-
2040-41	-	-	-	-	1,540,815	384,946	-	-
2041-42	-	-	-	-	1,247,771	363,222	-	-
2042-43	-	-	-	-	957,250	259,571	-	-
2043-44	-	-	-	-	754,092	779,309	-	-
Total Payments		9,073,468		8,168,417		21,397,023		13,841,488
Interest		2,569,550				13,228,606		
Interest Savings				(905,051)				(7,555,535)

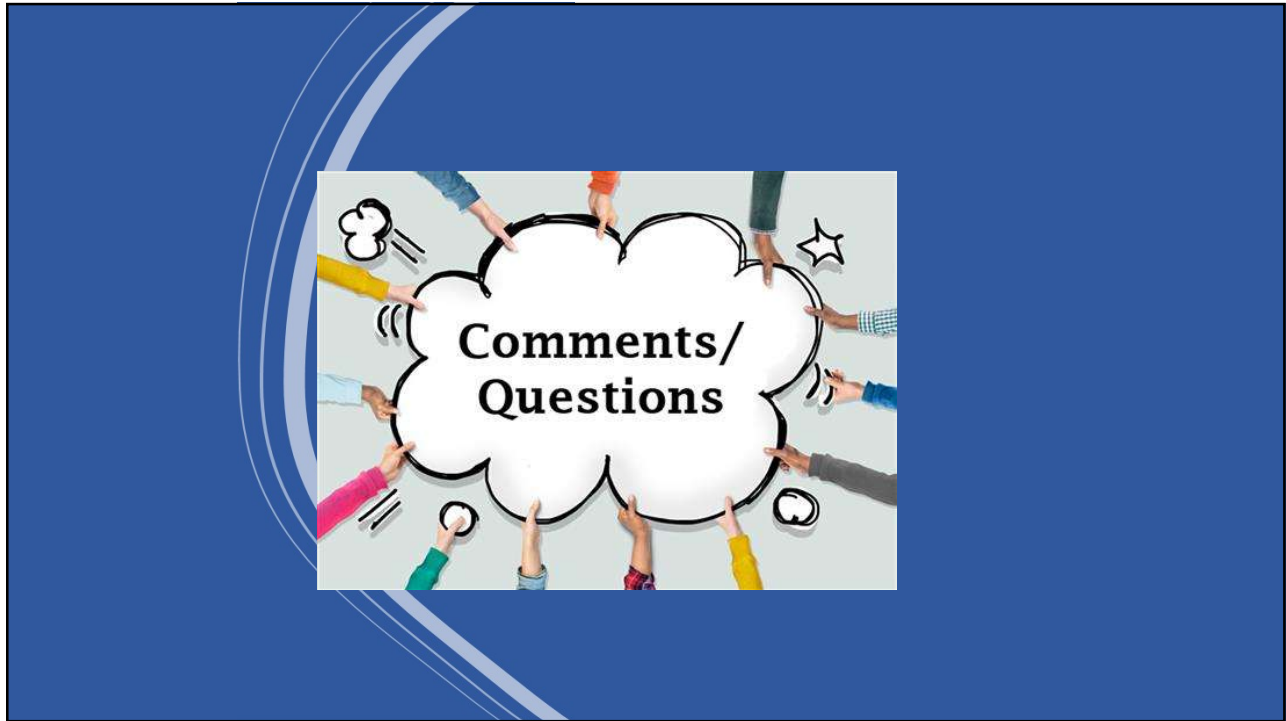
Additional Discretionary Payments to CalPERS				
Fiscal Year	Classic Tier	Tier 2	PEPRA Tier	Total
2018/19	\$ -	\$ 15,353	\$ 22,060	\$ 37,413
2019/20	\$ -	\$ 20,000	\$ 10,000	\$ 30,000
2020/21	\$ 1,000,000	\$ 6,419	\$ 57,345	\$ 1,063,764
2021/22	\$ 2,500,000			\$ 2,500,000
2022/23	\$ 1,000,000			\$ 1,000,000
TOTAL	\$ 4,500,000	\$ 41,772	\$ 89,405	\$ 4,631,177

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Recommendation

- Pay an additional discretionary payment of \$10.0 million to CalPERS
 - Utilize \$5.0 million from the pension trust
 - Utilize \$5.0 million from unassigned reserves

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The Financial Advisory Commission's
Next Regular Quarterly Meeting is on
May 10, 2023

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