



# City of Fort Bragg

416 N Franklin Street  
Fort Bragg, CA 95437  
Phone: (707) 961-2823  
Fax: (707) 961-2802

## Meeting Agenda Finance and Administration Committee

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Wednesday, September 14, 2022

4:00 PM

Via Video Conference

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### MEETING CALLED TO ORDER

### ROLL CALL

### PLEASE TAKE NOTICE

*Due to state and county health orders and to minimize the spread of COVID-19, Committee Members and staff will be participating in this meeting via video conference. The Governor's executive Orders N-25-20, N-29-20, and N-15-21 suspend certain requirements of the Brown Act and allow the meeting to be held virtually.*

*The meeting will be live-streamed on the City's website at <https://city.fortbragg.com/> and on Channel 3. Public Comment regarding matters on the agenda may be made by joining the Zoom video conference and using the Raise Hand feature when the Chair calls for public comment. Any written public comments received after agenda publication will be forwarded to the Committee Members as soon as possible after receipt and will be available for inspection at City Hall, 416 N. Franklin Street, Fort Bragg, California, during normal business hours. All comments will become a permanent part of the agenda packet on the day after the meeting or as soon thereafter as possible, except those written comments that are in an unrecognized file type or too large to be uploaded to the City's agenda software application. Public comments may be submitted to Diana Sanchez, [dsanchez@fortbragg.com](mailto:dsanchez@fortbragg.com).*

### ZOOM WEBINAR INVITATION

*You are invited to a Zoom webinar.*

*When: Sep 14, 2022 04:00 PM Pacific Time (US and Canada)*

*Topic: Finance and Administration Committee Meeting*

*Please click the link below to join the webinar:*

*<https://us06web.zoom.us/j/83529971187>*

*Or Telephone: +1 669 444 9171 or +1 346 248 7799 (\*6 mute/unmute; \*9 raise hand)*

*Webinar ID: 835 2997 1187*

*TO SPEAK DURING PUBLIC COMMENT PORTIONS OF THE AGENDA VIA ZOOM, PLEASE JOIN THE MEETING AND USE THE RAISE HAND FEATURE WHEN THE CHAIR OR ACTING CHAIR CALLS FOR PUBLIC COMMENT ON THE ITEM YOU WISH TO ADDRESS.*

### 1. APPROVAL OF MINUTES

1A. [22-463](#) Approve Minutes of August 10, 2022

*Attachments:* [FAC 08102022](#)

### 2. PUBLIC COMMENTS ON NON-AGENDA ITEMS

### 3. CONDUCT OF BUSINESS

3A. [22-469](#) Receive Recommendation on the Section 115 Investment Strategy with Public

Agency Retirement Services (PARS) for the Purpose of Pre-Funding the City's Future Unfunded Liability with the California Public Employees' Retirement System (CalPERS) and Make Recommendation to the Fort Bragg City Council

**Attachments:** [09142022 Staff Report- Section 115 Trust](#)

[PARS Investment Scenarios](#)

**3B.** [22-471](#) Receive Oral Report and Provide Direction to Staff Regarding Waiving Fees for City Services

**3C.** [22-464](#) Receive Oral Update from Staff on Departmental Activities

**4. MATTERS FROM COMMITTEE / STAFF**

**ADJOURNMENT**

STATE OF CALIFORNIA        )  
  )ss.  
COUNTY OF MENDOCINO    )

I declare, under penalty of perjury, that I am employed by the City of Fort Bragg and that I caused this agenda to be posted in the City Hall notice case on September 9, 2022.

\_\_\_\_\_  
June Lemos, MMC, City Clerk

**NOTICE TO THE PUBLIC**

**DISTRIBUTION OF ADDITIONAL INFORMATION FOLLOWING AGENDA PACKET**

**DISTRIBUTION:**

- *Materials related to an item on this Agenda submitted to the Council/District/Agency after distribution of the agenda packet are available for public inspection in the lobby of City Hall at 416 N. Franklin Street during normal business hours.*
- *Such documents are also available on the City of Fort Bragg's website at <http://city.fortbragg.com> subject to staff's ability to post the documents before the meeting*

**ADA NOTICE AND HEARING IMPAIRED PROVISIONS:**

*It is the policy of the City of Fort Bragg to offer its public programs, services and meetings in a manner that is readily accessible to everyone, including those with disabilities. Upon request, this agenda will be made available in appropriate alternative formats to persons with disabilities.*

*If you need assistance to ensure your full participation, please contact the City Clerk at (707) 961-2823. Notification 48 hours in advance of any need for assistance will enable the City to make reasonable arrangements to ensure accessibility.*

*This notice is in compliance with the Americans with Disabilities Act (28 CFR, 35.102-35.104 ADA Title II).*



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## Text File

File Number: 22-463

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**Agenda Date:** 9/14/2022

**Version:** 1

**Status:** Business

**In Control:** Finance and Administration Committee

**File Type:** Committee Minutes

**Agenda Number:** 1A.

Approve Minutes of August 10, 2022



# City of Fort Bragg

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## Meeting Minutes Finance and Administration Committee

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Wednesday, August 10, 2022

4:00 PM

Via Video Conference

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### MEETING CALLED TO ORDER

Chair Albin-Smith called the meeting to order at 4:00 PM

### ROLL CALL

Present: 2 - Tess Albin-Smith and Marcia Rafanan

### 1. APPROVAL OF MINUTES

1A. [22-388](#) Approve Minutes of June 8, 2022 Finance and Administration Committee Meeting

The minutes were approved by the Committee as presented.

2B. [22-309](#) Approve Minutes of June 21, 2022

The minutes were approved by the Committee as presented.

### 2. PUBLIC COMMENTS ON NON-AGENDA ITEMS

None.

### 3. CONDUCT OF BUSINESS

3A. [22-401](#) Receive Report from the City's Sales Tax Consultant- Thomas Adams of Avenue Insights & Analytics on Quarter 1 2022 Sales Tax and Business Activity

Thomas Adams of Avenue Insights & Analytics gave an update about Quarter 1 2022 Sales tax and Business Activity. The City's Top 25 Sales Tax Producers account for approximately 2/3 of the City's Sales Tax Revenue. Mr. Adams broke down by category what those Large Tax Producing businesses are. A forecast of the future tax revenue was also presented taking into consideration the impending recession.

Public Comment: None.

Discussion: There was some discussion about how the increasing price of gas affects our sales tax revenue locally. Also discussed was the Pandemic Recession uncertainty. County Pool revenues were also discussed.

3B. [22-405](#) Receive Report, Review Proposed Fees Schedule and Consider Making a Recommendation to the City Council to Conduct a Public Hearing to Review City-Wide Fees for Fiscal Year 2022-2023

Assistant Finance Director, Isaac Whippy gave a presentation about the proposed fee schedule. The fee schedule is now revised every 3 years and was last updated in 2019. Engineering Assistant Director, Chantell O'Neal presented the proposed fees for Planning and Public Works. Public Comment: Jacob Patterson.

Discussion: There was discussion about how the increase/decrease in fees is determined. Other fees and services including septic waste and cannabis fees were also discussed. The Committee recommended to the City Council to Conduct a Public Hearing to Review City Wide Fees for Fiscal Year 2022-2023.

- 3C.** [22-400](#) Receive Reportable Items Report: Includes Treasury Report, Approved Intradepartmental Budget Transfers, Contracts Under \$25k Approved by the City Manager, Contract Change Orders Not Exceeding 10% of Contract, and Disbursements Listing

Assistant Finance Director, Isaac Whippy gave the staff report on this agenda item. The investment portfolio and the liquidity of the City's accounts were discussed.

Public Comment: None.

Discussion: Disbursements were discussed in detail. Contracts under \$25k were also discussed.

- 3D.** [22-406](#) Receive Oral Update from Staff on Departmental Activities

Assistant Director, Isaac Whippy informed that water shut-offs will resume. An audit of the finance department came back without any issues. Water Conservation education and gifts for the public are available in the finance department. We have launched our credit card payment services for all services in the Finance Department.

Public Comment: None.

Discussion: None.

#### **4. MATTERS FROM COMMITTEE / STAFF**

None.

#### **ADJOURNMENT**

Chair Albin-Smith adjourned the meeting at 5:35 PM.



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## Text File

File Number: 22-469

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**Agenda Date:** 9/14/2022

**Version:** 1

**Status:** Business

**In Control:** Finance and Administration Committee

**File Type:** Staff Report

**Agenda Number:** 3A.

Receive Recommendation on the Section 115 Investment Strategy with Public Agency Retirement Services (PARS) for the Purpose of Pre-Funding the City's Future Unfunded Liability with the California Public Employees' Retirement System (CalPERS) and Make Recommendation to the Fort Bragg City Council



AGENCY: Finance & Admin Committee  
MEETING DATE: September 14, 2022  
DEPARTMENT: Finance  
PRESENTED BY: Isaac Whippy  
EMAIL ADDRESS: iwhippy@fortbragg.com

## AGENDA ITEM SUMMARY

**TITLE:**

**Receive Recommendation on the Section 115 Investment Strategy with Public Agency Retirement Services (Pars) for the Purpose of Pre-Funding the City's Future Unfunded Liability with the California Public Employees' Retirement System (CalPERS) and Make Recommendation to the Fort Bragg City Council**

**BACKGROUND:**

A Request for Proposals (RFP) for Section 115 Pension Trust Services was issued in April 2022. Two proposals were received from Public Agency Retirement Services (PARS) and CalPERS California Employers' Pension Prefunding Trust (CEPPT). The proposals were evaluated based on the firms' experience providing Section 115 pension trust services to other California municipalities and the managed funds' performance history and costs.

On June 25, 2022, the City Council approved establishing a Pension 115 Trust with Public Employees Retirement System (PARS). The next steps in the process were to model financial scenarios and provide Council with options on an investment strategy with a recommendation from the Finance Committee to fund the Trust. Once the investment strategy has been chosen, PARS will provide an investment policy tailored to the chosen investment strategy for the Finance Committee to review and recommend to Council for approval.

The City of Fort Bragg issued \$7.4 million in taxable Lease Revenue Bonds in November 2021 to reduce the City's unfunded pension liability. Additionally, CalPERS recognized a record 21.3% investment return for the fiscal year ended June 30, 2021, reducing the City's UAL. Unfortunately, as of June 2022, CalPERS is at -4%, which will result in a new significant UAL next year.

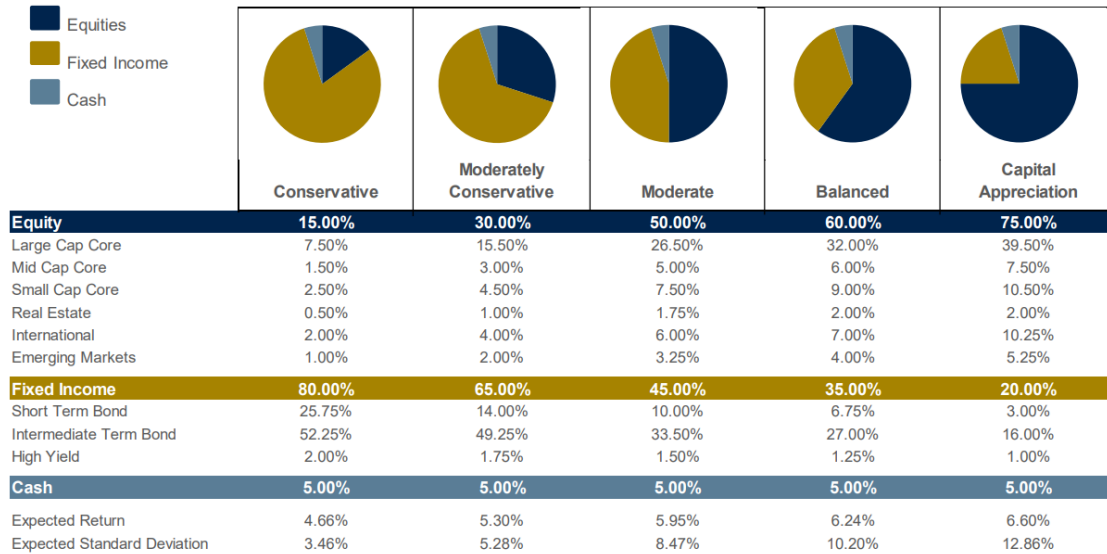
**Pension 115 Trust Investment Strategy**

PARS provides five (5) different strategy options, with each option either an active or passive approach. An active approach allows for actively buying and selling assets in the hope of making profits and outperforming a benchmark. A passive approach is a long-term strategy in which investors buy and hold a diversified mix of assets in an effort to match not beat, the market. Staff has modeled out the five options with potential scenarios based on the 5-year return for each of the strategies at an active level.

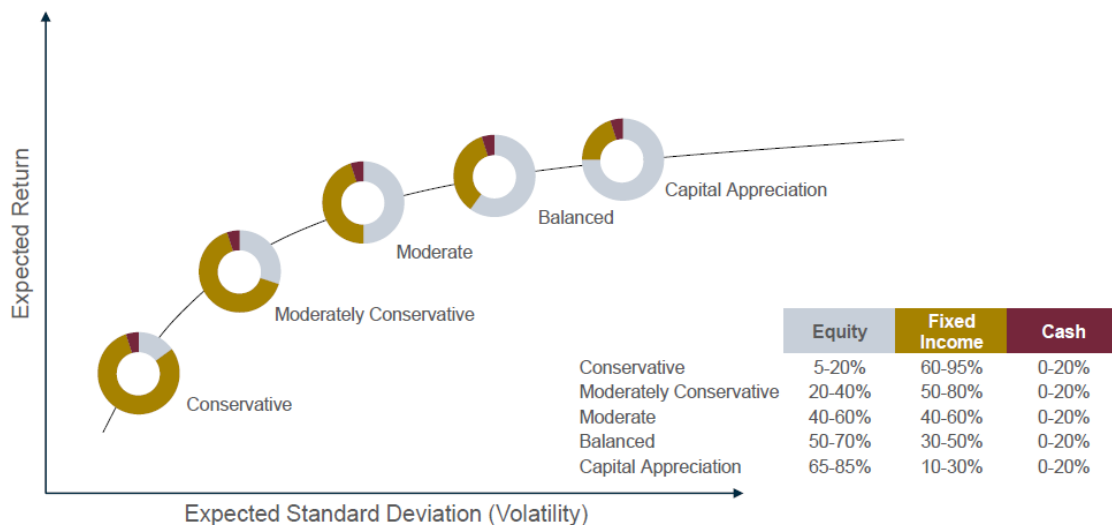
With regards to investment strategy, the five asset allocation strategies offered by PARS were reviewed: Conservative, Moderately Conservative, Moderate, Balanced and Capital Appreciation. Yield (risk) varied from the low equities/high fixed income Conservative

portfolio (20/80 allocation) to the high equities/low fixed income Capital Appreciation portfolio (80/20 allocation).

PARS Investment Objectives  
As of April 2022



Returns over the past five years varied between 3.73% (Conservative) to 10.08% (Capital Appreciation). To preserve capital yet obtain a higher yield than we currently obtain under our regular investment program, staff focused on the Moderately Conservative (40/60 allocation) and Moderate (50/50 allocation) portfolios, and ultimately recommended the Moderately Conservative portfolio to the Finance Committee. PARS also requires that an agency select whether they desire Active Management or Index (Passive) Management; staff recommended Active Management, however it was noted that while Active Management obtained higher returns in the short-term; the 10-year benchmark showed them to be relatively equivalent.





## **Staff Recommendations**

Staff recommends starting with an **active moderately conservative investment strategy** to have a target funding level of 90% with a minimum funding level of 80% and a maximum level of 100%. Steps will be taken during the budget process to determine if the City can make a minimum annual contribution of \$250k towards the Trust. Costs of this funding policy could be reduced should the pension 115 trust outperform the model. Providing an active approach will potentially allow the investment earnings to outperform the benchmark, reducing the amount needed to be input to the Trust.

## **Fiscal Impact**

Sufficient funds are currently available to make an initial contribution of \$1,100,000 to the Section 115 Trust ( \$750,000 set aside in the Unassigned Reserves – 50% of Surplus from FY 2020/21, \$350,000 budgeted in the FY 2021/22 Adopted Budget and \$250,000 budgeted in FY 2022/23 Adopted Budget.

The long-term impact of this near-term pension-related set of actions is impossible to quantify. It is fair to assume, however, that reserving funds for pension costs now and into the future will bring significant budgetary benefits over time. Over the past several years, CalPERS has lowered its discount rate by 50 basis points in recognition of the likelihood that the fund will not achieve projected investment returns. It is not unlikely that CalPERS will continue to reduce its discount rate. By fully funding its pension liabilities and using a more balanced rate of projected return, the City would set aside enough money to ensure that increasing pension-related costs will not crowd spending on other essential City projects and functions. This is both fiscally prudent and far-sighted.

Fees resulting from managing the Trust are embedded within the investment returns. There are no other costs associated with this action.

## **GREENHOUSE GAS EMISSIONS IMPACT:**

There is no direct impact on greenhouse gas emissions.

## **CONSISTENCY:**

The Pension Funding Policy incorporates the City Council policy of paying 50% of any year's General Fund surplus towards the City's UAL and furthers the City Council budget priority No. 6: Provide for additional contributions to CalPERS to pay the unfunded liability off earlier than 30 years.

**ATTACHMENTS:**

Investment Projections - PARS

**NOTIFICATION:**

N/A

**\$2,000,000 Contribution - HighMark, Conservative (4.66%, 30-Year Expected Returns)**

Plan Year	Contributions	Earnings	PARS Fees	IM Fees	Trustee Fees	Ending Bal.
Year 1	\$2,000,000	\$92,942	\$5,111	\$7,156	\$0	\$2,080,675
Year 2	\$0	\$96,691	\$5,317	\$7,444	\$0	\$2,164,605
Year 3	\$0	\$100,591	\$5,532	\$7,745	\$0	\$2,251,920
Year 4	\$0	\$104,649	\$5,755	\$8,057	\$0	\$2,342,757
Year 5	\$0	\$108,870	\$5,987	\$8,382	\$0	\$2,437,258
Year 6	\$0	\$113,262	\$6,229	\$8,720	\$0	\$2,535,572
Year 7	\$0	\$117,831	\$6,480	\$9,072	\$0	\$2,637,851
Year 8	\$0	\$122,584	\$6,741	\$9,438	\$0	\$2,744,255
Year 9	\$0	\$127,528	\$7,013	\$9,818	\$0	\$2,854,952
Year 10	\$0	\$132,673	\$7,296	\$10,214	\$0	\$2,970,114

**\$2,000,000 Contribution - HighMark, Moderately Conservative (5.30%, 30-Year Expected Returns)**

Plan Year	Contributions	Earnings	PARS Fees	IM Fees	Trustee Fees	Ending Bal.
Year 1	\$2,000,000	\$105,706	\$5,128	\$7,179	\$0	\$2,093,399
Year 2	\$0	\$110,643	\$5,368	\$7,515	\$0	\$2,191,159
Year 3	\$0	\$115,810	\$5,618	\$7,866	\$0	\$2,293,485
Year 4	\$0	\$121,218	\$5,881	\$8,233	\$0	\$2,400,589
Year 5	\$0	\$126,879	\$6,155	\$8,617	\$0	\$2,512,695
Year 6	\$0	\$132,804	\$6,443	\$9,020	\$0	\$2,630,036
Year 7	\$0	\$139,006	\$6,744	\$9,441	\$0	\$2,752,857
Year 8	\$0	\$145,497	\$7,059	\$9,882	\$0	\$2,881,414
Year 9	\$0	\$152,292	\$7,388	\$10,343	\$0	\$3,015,974
Year 10	\$0	\$159,404	\$7,733	\$10,826	\$0	\$3,156,818

**\$2,000,000 Contribution - HighMark, Moderate (5.95%, 30-Year Expected Returns)**

Plan Year	Contributions	Earnings	PARS Fees	IM Fees	Trustee Fees	Ending Bal.
Year 1	\$2,000,000	\$118,670	\$5,145	\$7,204	\$0	\$2,106,321
Year 2	\$0	\$124,978	\$5,419	\$7,587	\$0	\$2,218,294
Year 3	\$0	\$131,622	\$5,707	\$7,990	\$0	\$2,336,219
Year 4	\$0	\$138,619	\$6,010	\$8,415	\$0	\$2,460,414
Year 5	\$0	\$145,989	\$6,330	\$8,862	\$0	\$2,591,211
Year 6	\$0	\$153,749	\$6,666	\$9,333	\$0	\$2,728,961
Year 7	\$0	\$161,923	\$7,021	\$9,829	\$0	\$2,874,033
Year 8	\$0	\$170,531	\$7,394	\$10,352	\$0	\$3,026,818
Year 9	\$0	\$179,596	\$7,787	\$10,902	\$0	\$3,187,725
Year 10	\$0	\$189,143	\$8,201	\$11,482	\$0	\$3,357,186

**\$2,000,000 Contribution - HighMark, Balanced (6.24%, 30-Year Expected Returns)**

Plan Year	Contributions	Earnings	PARS Fees	IM Fees	Trustee Fees	Ending Bal.
Year 1	\$2,000,000	\$124,454	\$5,153	\$7,214	\$0	\$2,112,086
Year 2	\$0	\$131,428	\$5,442	\$7,619	\$0	\$2,230,454
Year 3	\$0	\$138,794	\$5,747	\$8,046	\$0	\$2,355,456
Year 4	\$0	\$146,573	\$6,069	\$8,497	\$0	\$2,487,463
Year 5	\$0	\$154,787	\$6,409	\$8,973	\$0	\$2,626,868
Year 6	\$0	\$163,462	\$6,768	\$9,476	\$0	\$2,774,086
Year 7	\$0	\$172,623	\$7,148	\$10,007	\$0	\$2,929,554
Year 8	\$0	\$182,297	\$7,548	\$10,567	\$0	\$3,093,735
Year 9	\$0	\$192,513	\$7,971	\$11,160	\$0	\$3,267,118
Year 10	\$0	\$203,302	\$8,418	\$11,785	\$0	\$3,450,217

**\$2,000,000 Contribution - HighMark, Capital Appreciation (6.60%, 30-Year Expected Returns)**

Plan Year	Contributions	Earnings	PARS Fees	IM Fees	Trustee Fees	Ending Bal.
Year 1	\$2,000,000	\$131,633	\$5,163	\$7,228	\$0	\$2,119,243
Year 2	\$0	\$139,482	\$5,470	\$7,659	\$0	\$2,245,596
Year 3	\$0	\$147,798	\$5,797	\$8,115	\$0	\$2,379,482
Year 4	\$0	\$156,610	\$6,142	\$8,599	\$0	\$2,521,350
Year 5	\$0	\$165,947	\$6,508	\$9,112	\$0	\$2,671,677
Year 6	\$0	\$175,841	\$6,896	\$9,655	\$0	\$2,830,966
Year 7	\$0	\$186,325	\$7,308	\$10,231	\$0	\$2,999,753
Year 8	\$0	\$197,434	\$7,743	\$10,841	\$0	\$3,178,603
Year 9	\$0	\$209,205	\$8,205	\$11,487	\$0	\$3,368,116
Year 10	\$0	\$221,678	\$8,694	\$12,172	\$0	\$3,568,929



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## Text File

File Number: 22-471

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**Agenda Date:** 9/14/2022

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**In Control:** Finance and Administration Committee

**File Type:** Staff Report

**Agenda Number:** 3B.

Receive Oral Report and Provide Direction to Staff Regarding Waiving Fees for City Services



# City of Fort Bragg

416 N Franklin Street  
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## Text File

File Number: 22-464

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**Agenda Date:** 9/14/2022

**Version:** 1

**Status:** Business

**In Control:** Finance and Administration Committee

**File Type:** Staff Report

**Agenda Number:** 3C.

Receive Oral Update from Staff on Departmental Activities