

Proposed Sales Tax

City Council Meeting
June 25, 2018



Proposed Sales Tax

- Transactions and Use Tax
- 3/8th of a cent (\$.375 per \$100)
- 15-year sunset
- \$623k per year in revenue
- Special Purpose to pay Unfunded CalPERS Accrued Liability (UAL)
 - > Requires 2/3 Voter Approval
 - > *Present Value of future employer contributions needed to close the “Pension Gap”*
 - > *Core driver in the City’s long-term structural Deficit*

Ballot Question

Shall the measure to enact a three-eighths ($3/8^{\text{th}}$) of a cent special purpose transactions and use tax to provide the City with an estimated \$623,000 per year for a limited period of fifteen years to reduce the City's California Public Employees' Retirement System (CalPERS) unfunded accrued pension liability by reducing the payment period from thirty (30) years to fifteen (15) years and saving the City an estimated \$4.1 million be adopted?

California Public Employees' Retirement System (CalPERS)

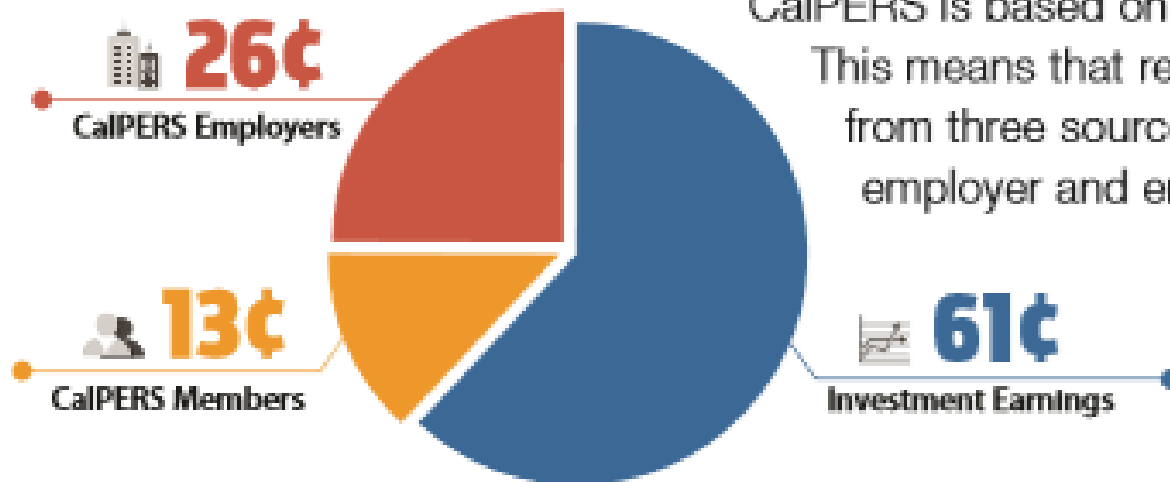
- City has five plans
- Annual required contributions include:
 - > Employer Normal Cost Rate
 - > Employee Contributions
 - > **Monthly/Annual UAL Payment**
- Estimated UAL as of 6-30-2018
 - > \$9.4 Million
 - > 30-year vs. 15-year Amortization
 - > Savings of \$4.1 Million

Retirement System Sustainability

League of California Cities

June 30, 2017

How is CalPERS funded?



CalPERS is based on “shared responsibility.”

This means that retiree payments come from three sources: investment earnings, employer and employee contributions.

CalPERS Unfunded Accrued Liability (UAL) – Primary Factors

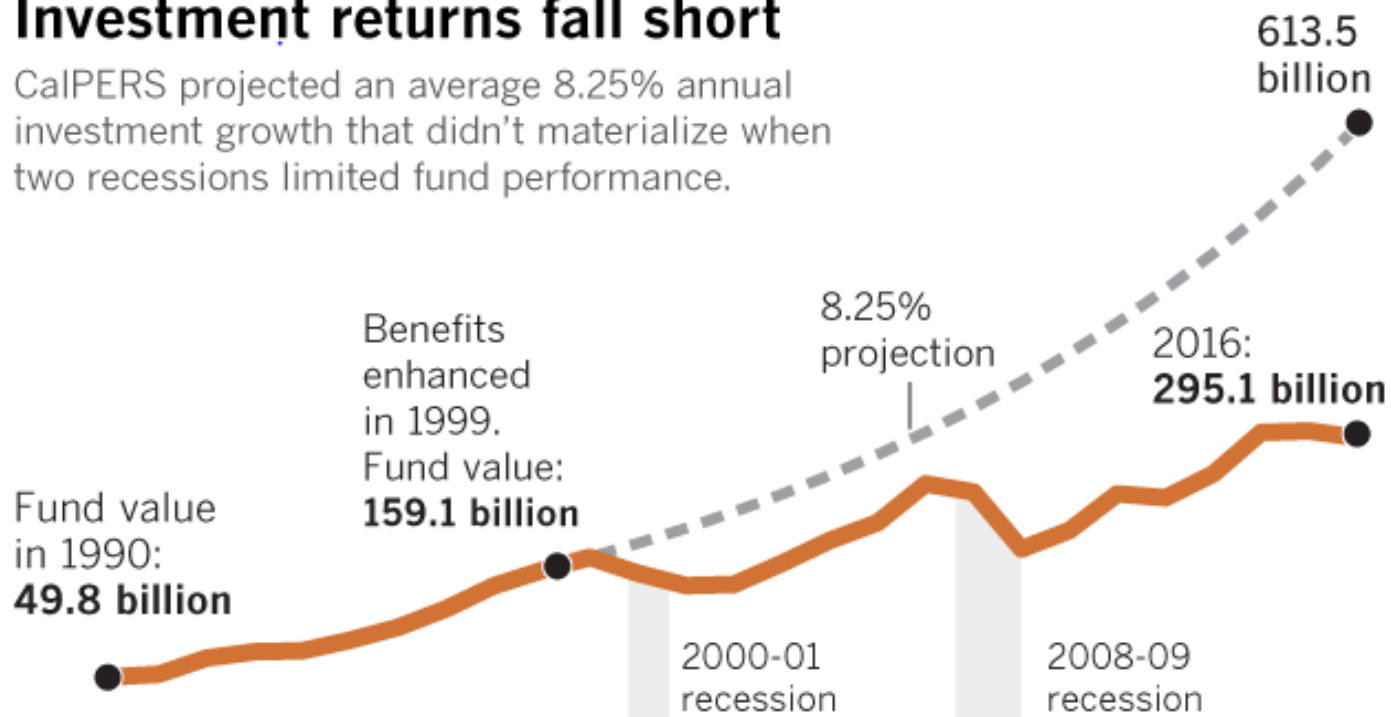
- Enhanced Benefits
- Investment Losses
- Cost of Living Adjustments
- CalPERS Contribution Policy
- Demographics

The Pension Gap

latimes.com Sept. 18, 2016

Investment returns fall short

CalPERS projected an average 8.25% annual investment growth that didn't materialize when two recessions limited fund performance.



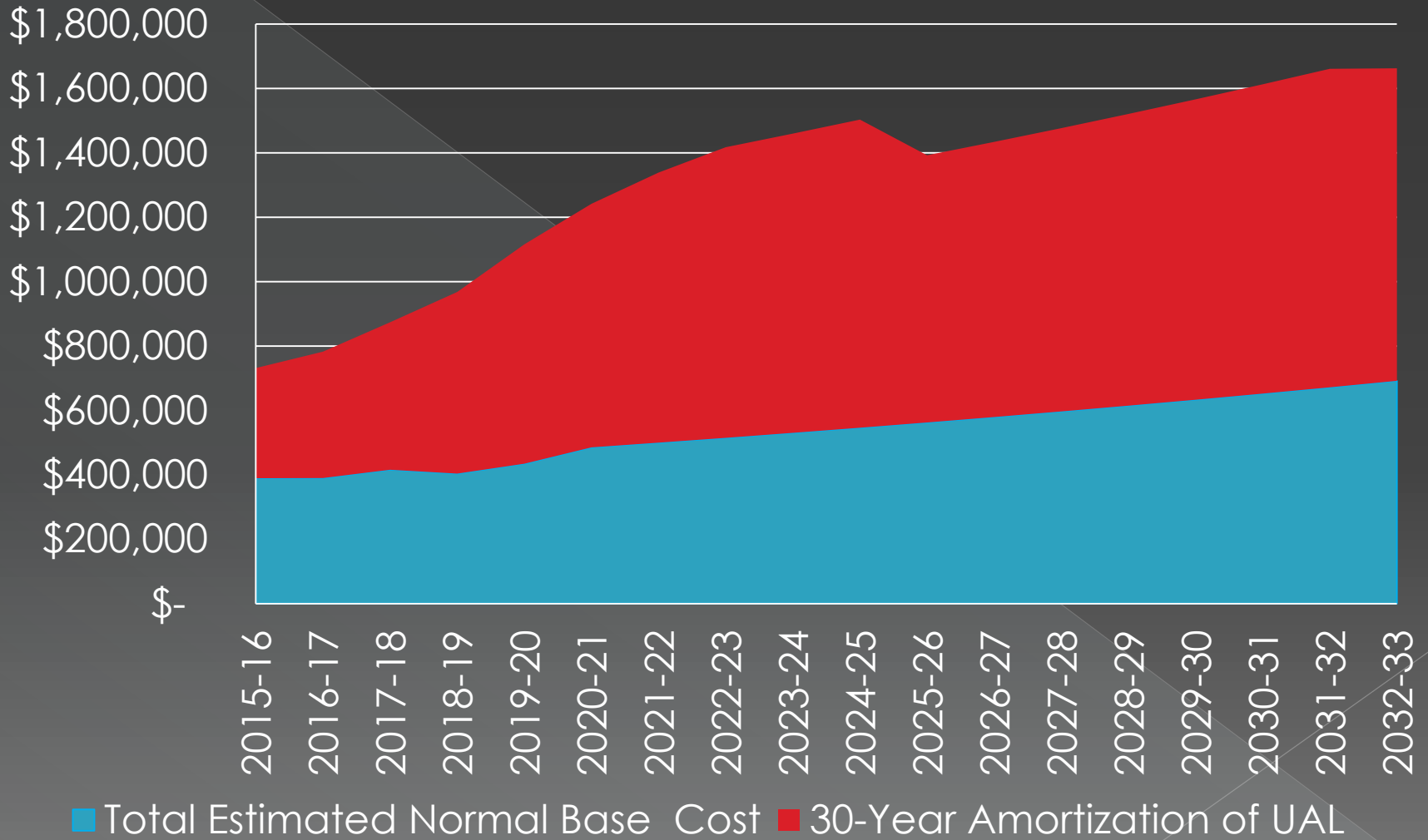
Source: CalPERS projection and Times analysis

@latimesgraphics

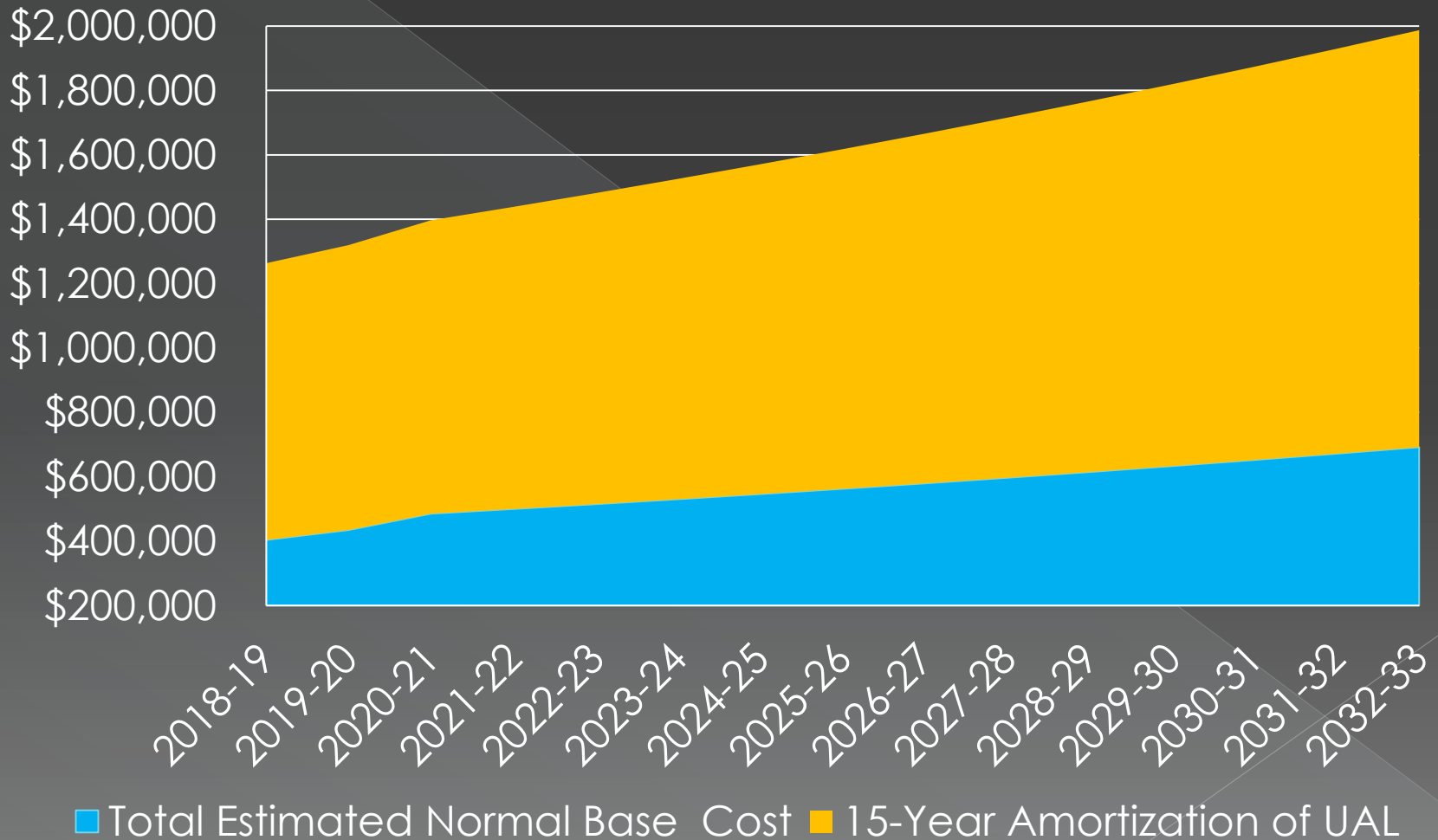
CalPERS UAL Balances

California Public Employees' Retirement System (CalPERS)	Estimated Unfunded Accrued Liability (UAL) 06-30-18	June 30, 2016 Funded Ratio (Assumes 7.375% Discount Rate)
Safety Police Plan of the City of Fort Bragg	\$ 4,519,851	68.6%
Safety Fire Plan of the City of Fort Bragg	\$ 93,056	68.1%
PEPRA Safety Police Plan of the City of Fort Bragg	\$ 21,878	88.4%
PEPRA Miscellaneous Plan of the City of Fort Bragg	\$ 25,092	89.6%
Miscellaneous Plan of the City of Fort Bragg	\$ 4,775,625	75.1%
Total	\$ 9,435,502	

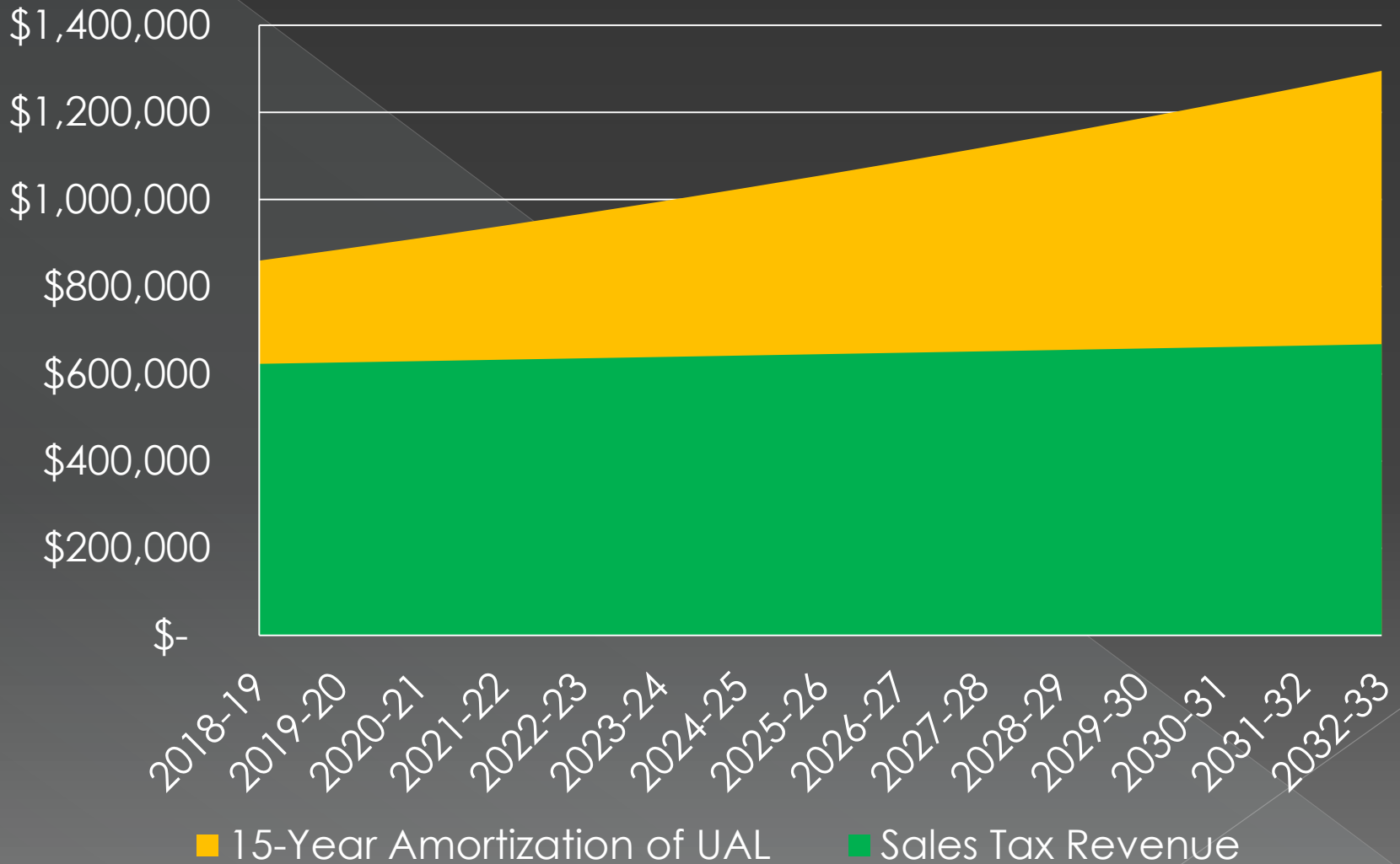
CalPERS Estimated Employer Contributions



CalPERS Estimated Employer Contributions



CalPERS 15-yr Amortization of UAL



Questions and Direction?