



AGENCY: City Council
MEETING DATE: October 12, 2021
DEPARTMENT: City Manager
PRESENTED BY: T. Miller
EMAIL ADDRESS: tmiller@fortbragg.com

AGENDA ITEM SUMMARY

TITLE:

Receive Report and Consider Adoption of City Pension Funding Policy

ISSUE:

For several years the City has been discussing and exploring ways to reduce the City's unfunded accrued liability (UAL) or pension liability. During the fiscal year FY 19-20 budget preparation, the City Council established a policy that fifty percent (50%) of any General Fund operating surplus realized at year-end would be used to pay down the City's UAL which then was \$9.2M and now is \$11.4M without accounting for the 21.3% FY 20-21 CalPERS return, or \$8.4M with 21.3% return and Discount Rate at 6.75%.

The attached Pension Funding Policy incorporates the 50% of surplus to be used for funding UAL policy and expands upon that to provide a more robust funding plan. The policy is consistent with the City's planned issuance of taxable lease revenue bonds to pay down the UAL and fund the acquisition costs of the southern portion of the Mill Site property. It also provides more assurance to purchasers of those bond issues that the City will continue to actively manage the City's pension UAL.

RECOMMENDED ACTION:

Adopt the attached Pension Funding Policy.

ALTERNATIVE ACTION(S):

1. Do not adopt Policy.
2. Provide alternative direction to staff.

FISCAL IMPACT:

There is no direct fiscal impact from adopting the Pension Funding Policy but when adopted and followed, it will improve the City's fiscal state by managing and most likely reducing the City's UAL.

GREENHOUSE GAS EMISSIONS IMPACT:

There is no direct impact on greenhouse gas emissions from adopting the Pension Funding Policy.

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. 2: Provide for additional contributions to CalPERS to pay the unfunded liability off earlier than 30 years.

IMPLEMENTATION/TIMEFRAMES:

The Pension Funding Policy would be effective immediately and be incorporated into the City's ongoing efforts to reduce the UAL.

ATTACHMENTS:

1. Pension Funding Policy

NOTIFICATION:

N/A