



City Council Budget Workshop

**Long-term Pension Liability and OPEB
Capital Improvement Program
Needs Assessment & Funding Options**

February 28, 2017

Introduction

Workshop to focus on major financial and capital issues. Financial data will address long-term pension liability and other postemployment benefits (OPEB). Engineering data will support capital needs assessment. Funding options will be considered for both. No formal recommendation at this point in the budget process. Next step will be to present proposed preliminary budget in April with recommendations.

Presentation Team

Finance Department and Actuary (Bartel Associates)

Public Works/Engineering and Financial Advisor (NHA Advisors)





Proposed 2017-2022 Strategic Plan

Objective #1 - Provide Quality Services

- a) Practice the five core values (Commitment, Customer Service, Courtesy, Communication, and Collaboration) with our diverse customer base.
- b) Align workforce with City's objectives and provide training and support necessary to fully develop employees, boards, commissions, and City Council.
- c) Expand public access to City services and information, by maintaining our website and making digital records accessible to the public.
- d) Pursue public safety goals and objectives and enhance disaster preparedness (Police, Fire, Emergency Medical Services, and Homeland Security).
- e) Analyze internal processes for efficiency and implement technology solutions where feasible. Continue efforts to automate and streamline work processes.



Objective #2 - Achieve Fiscal Sustainability

- a) Prepare effective budget, close deficit, accurately forecast funding sources, manage investments wisely, provide consistent financial reports, maintain clean audits, resolve findings/deficiencies in a timely manner, and update finance and budget policies.
- b) Continue labor/management partnerships with an emphasis on strategic deployment and total compensation issues. Address long-term pension liability and Other Postemployment Benefits (OPEB).
- c) Establish economic development programs to retain and attract businesses, stimulate new investments, and increase revenues. Evaluate and update fee schedules to promote development and recover costs.
- d) Continue to implement plans to fund replacement reserves and to finance the acquisition, replacement, and maintenance of the City's fleet, facilities, and other assets.
- e) Build cooperative and sustainable partnerships with community organizations, schools, and other public agencies in the efficient and cost effective delivery of services.

Objective #3 - Improve Quality of Life

- a) Enhance crime prevention and emergency service through community outreach, procedural justice, critical incident response, City/regional partnerships, and employee development.
- b) Continue to pursue green initiatives and build a sustainable city through implementing the climate action plan and energy roadmap.
- c) Help organize community events and support social gatherings that benefit the total community.
- d) Implement updated sign ordinance to improve community character and draw attention to important gateways, corridors and intersections with improved signage and wayfinding. Build “Together We Can” campaign to make National City cleaner, safer, and healthier.
- e) Support the Balanced Plan and work with the San Diego Unified Port District and its tenants to fund public improvements in the Marina District.



Objective #4 - Enhance Housing and Community Assets

- a) Continue providing housing opportunities at all income levels and develop programs to improve existing conditions. Adopt a comprehensive long term strategy to address homelessness.
- b) Complete Paradise Creek Apartments and Educational Park. Continue to plan and build Transit-Oriented Developments/Districts.
- c) Maintain and improve City's infrastructure and find alternative funding to construct public facilities, park improvements, street maintenance, and other capital needs. Complete comprehensive needs assessment and establish priorities through funding options.
- d) Preserve and promote cultural assets and historic resources, such as Granger Music Hall, Kimball House, Stein Farm, and the Depot. Formalize a public art program that provides funding for art and culture through a "percent for art" program.
- e) Administer real property assets and property management plans to achieve the City's long term goals.

Objective #5 - Promote a Healthy Community

- a) Expand opportunities for walking and biking through the development of Community Corridors and Safe Routes to Schools consistent with the National City General Plan and Bicycle Master Plan.
- b) Continue to provide affordable City programs, activities and services that are accessible for all users, including individuals with disabilities (Americans with Disabilities Act).
- c) Enhance neighborhood services programs such as graffiti abatement, parking enforcement, and code enforcement and increase efficiency with new technology. Adopt a Parking Management Plan as part of an update to the Downtown Specific Plan.
- d) Implement Neighborhood Action Plans and continue amortization efforts by working with residents and businesses.
- e) Advance National City wellness programs for youth, families, seniors and City employees that encourage a healthy lifestyle and develop a workplace safety program.

Objectives for Workshop Discussion

- 2a) Prepare effective budget, close deficit, accurately forecast funding sources, manage Investments wisely, provide consistent financial reports, maintain clean audits, resolve findings/deficiencies in a timely manner, and update finance and budget policies.
- 2b) Continue labor/management partnerships with an emphasis on strategic deployment and total compensation issues. Address long-term pension liability and OPEB.
- 4c) Maintain and improve City's infrastructure and find alternative funding to construct public facilities, park improvements, street maintenance, and other capital needs. Complete comprehensive facility needs assessment and establish priorities through funding options.
- 4d) Preserve and promote cultural assets and historic resources, such as Granger Music Hall, Kimball House, Stein Farm, and the Depot. Formalize a public art program that provides funding for art and culture through a "percent for art" program.
- 4e) Administer real property assets and property management plans to achieve the City's long term goals.

Workshop Outline

Finance Department and Actuary (Bartel Associates)

- a) Prepare effective budget, close deficit, and accurately forecast funding sources.
- b) Address long-term pension liability and OPEB.

Public Works/Engineering and Financial Advisor (NHA Advisors)

- c) Maintain and improve City's infrastructure and find alternative funding to construct public facilities, park improvements, street maintenance, and other capital needs. Complete comprehensive facility needs assessment and establish priorities through funding options.
- d) Preserve and promote cultural assets and historic resources, such as Granger Music Hall, Kimball House, Stein Farm, and the Depot.
- e) Administer real property assets and property management plans to achieve the City's long term goals.



Pension & Other Postemployment Benefits

FY 2018 Staff-Identified Priorities

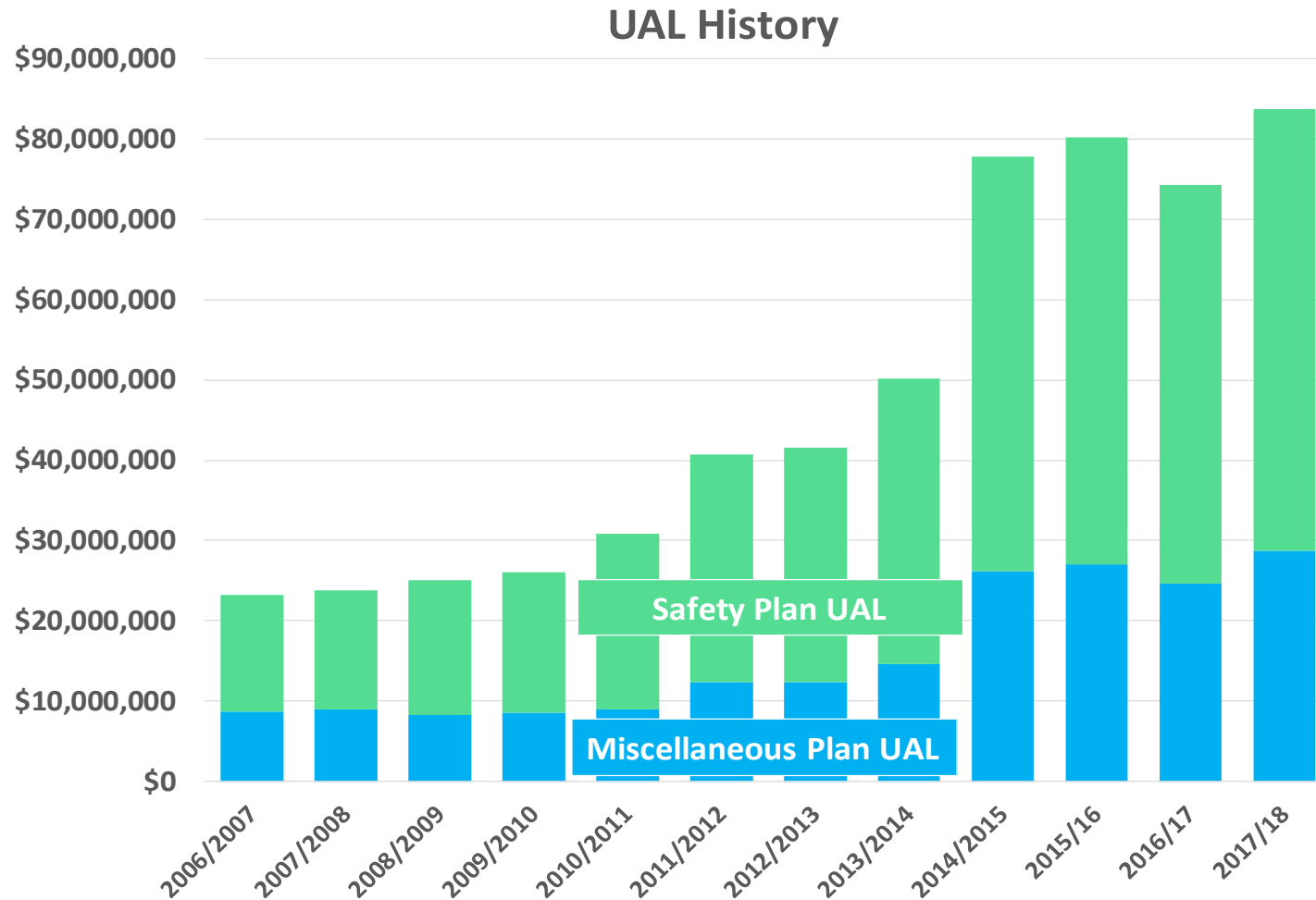
Community	Development	Operations	Public Safety
Asset management & disposition	Needs assessment	Pension funding	Fire/emergency medical deployment strategies
Recreational program delivery	Economic development	Training & development	Code conformance
Homeless outreach	Housing opportunities	Long-range financial forecasting	Training
Parking management	Historic resources preservation	Technology infrastructure	Technology
Volunteerism			Infrastructure

What Payments Does City Make to PERS Each Year?

- Each year, the City makes **two** types of payments to PERS
 - **Normal Cost (NC)** = Annual cost for current employees
 - **Unfunded Accrued Liability (UAL):** Actuarial Liability MINUS Actuarial Value of Assets
 - “How much we currently have vs. how much we should have”
 - This shortfall is not repaid all at once
 - Similar to a mortgage or piece of debt, the UAL is amortized over a longer period of time (typically 20 to 30 years) with the City paying down a portion each year (principal and interest)

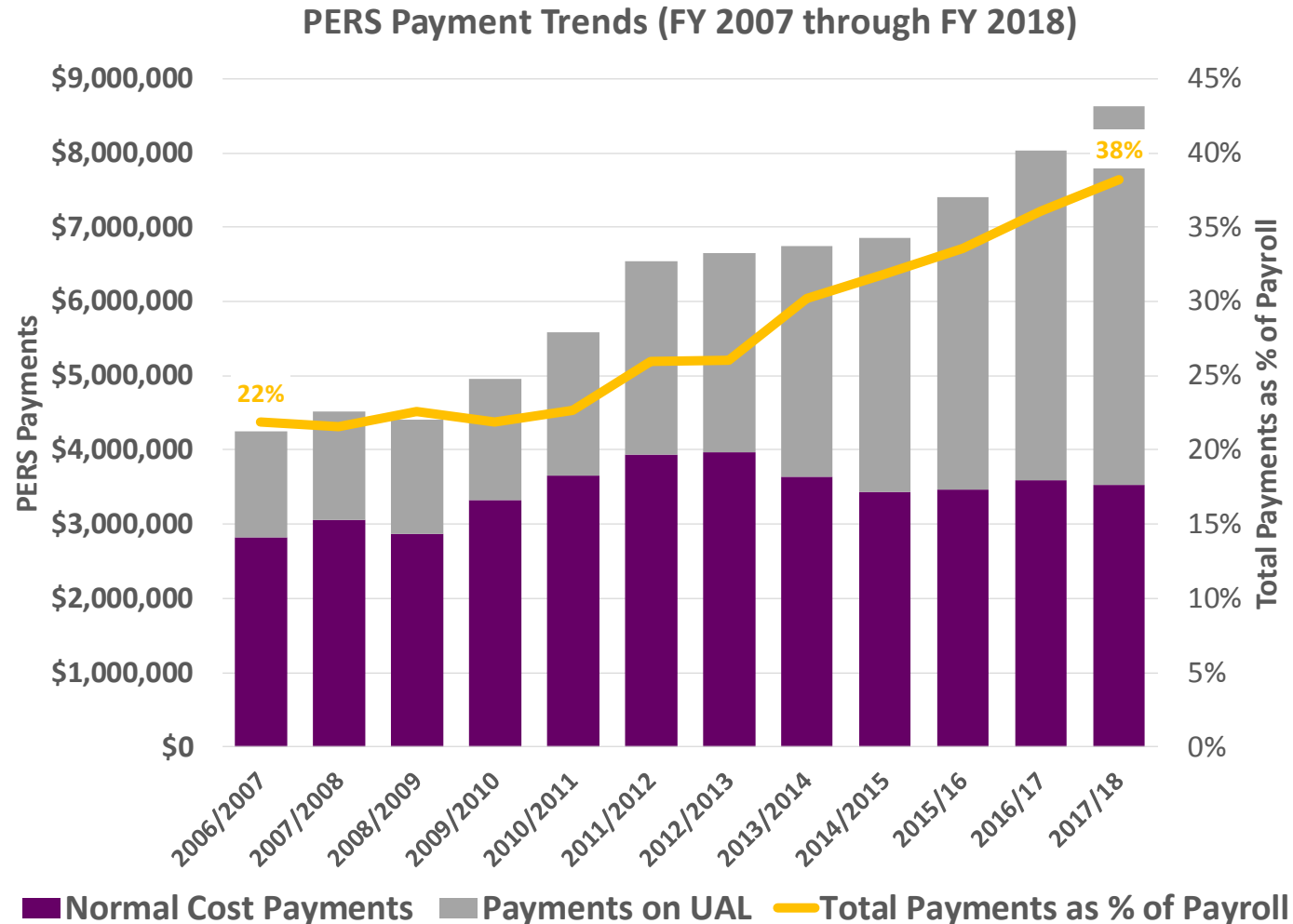
City's UAL has Grown Rapidly

- Over the last decade, UAL has grown from \$20M to over \$80M



Summary of Pension Costs (2007 through 2018)

- Over the last decade, annual pension costs have grown from about \$4M to nearly \$9M
- As a % of payroll, costs have grown from 22% to 38%



Note: Normal Costs shown only represent Employer portion (not Employee)

Takeaways/Moving Forward

- Pension costs will continue to increase over the next 20 years
- City staff, Independent Actuary and Financial Advisor will be refining pension cost estimates and evaluating potential options to reduce long-term costs
 - Example: Section 115 Trust (alternative investment vehicle solely dedicated to pension/OPEB expenses)
 - City and team will return to Council in Spring 2017 to discuss pension matters in more detail
- Planning for, and evaluating options to lower/manage, these rising costs are critical for enhancing fiscal sustainability of City and developing strategies to fund critical projects



BARTEL
ASSOCIATES, LLC

**CITY OF NATIONAL CITY
MISCELLANEOUS AND SAFETY PLANS**

CalPERS Actuarial Issues – 6/30/14 Valuation
Preliminary Results

Presented by **Mary Beth Redding, Vice President**
Prepared by Bianca Lin, Assistant Vice President
Kevin Yang, Actuarial Analyst
Bartel Associates, LLC



DEFINITIONS

■ Present Value

- Value now of an amount to be paid in the future
- Amount to be invested now that will grow to the needed amount
- Higher interest rate/investment earnings means lower present value.

■ PVB - Present Value of all Projected Benefits:

- Discounted value (at valuation date - 6/30/14), of all future expected benefit payments based on various (actuarial) assumptions

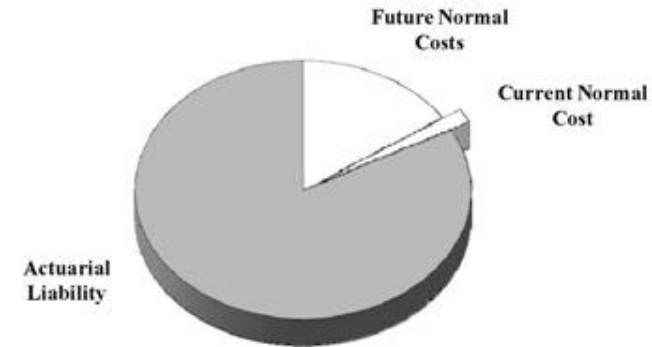
■ Actuarial Liability:

- Discounted value (at valuation date) of benefits earned through valuation date [value of past service benefit]
- Portion of PVB “earned” at measurement

■ Current Normal Cost:

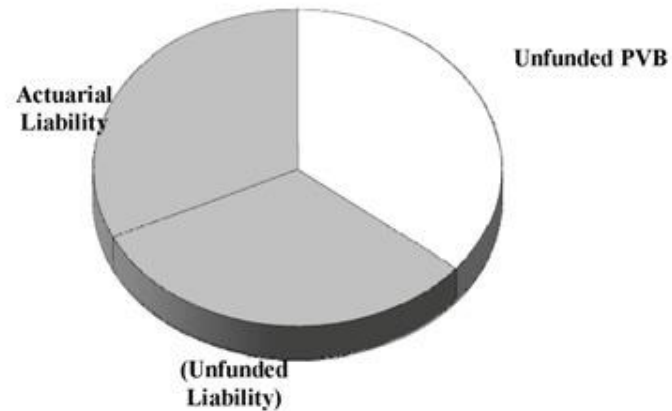
- Portion of PVB allocated to (or “earned” during) current year
- Value of employee and employer current service benefit

Present Value of Benefits
June 30, 2014



DEFINITIONS

Present Value of Benefits
June 30, 2014



- **Target-** Have money in the bank to cover Actuarial Liability (past service)
- **Unfunded Liability** - Money short of target at valuation date
- **Excess Assets / Surplus:**
 - Money over and above target at that point in time.
 - Doesn't mean you're done contributing.



February 28, 2017

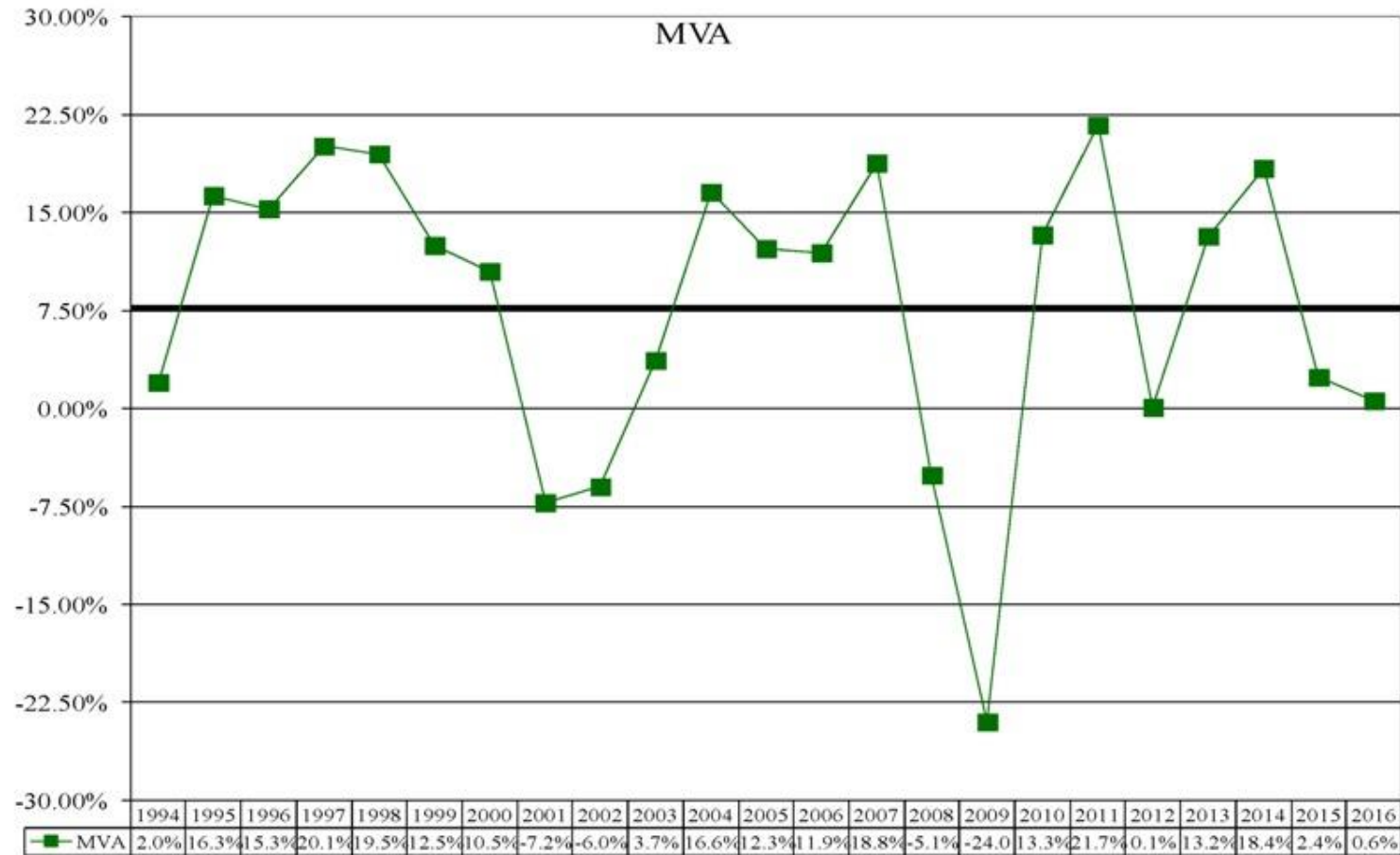


HOW WE GOT HERE

- Investment Losses
- Enhanced Benefits
- CalPERS Contribution Policy
- Demographics



HOW WE GOT HERE – INVESTMENT RETURN



Above assumes contributions, payments, etc. received evenly throughout year.



February 28, 2017



HOW WE GOT HERE – ENHANCED BENEFITS

- At CalPERS, Enhanced Benefits implemented using all (future & prior) service
- Typically not negotiated with cost sharing

■ National City	■ Tier 1	■ Tier 2	■ PEPRA
● Miscellaneous	3%@60	2%@60	2%@62
● Safety	3%@50	3%@55	2.7%@57

HOW WE GOT HERE –OLD CONTRIBUTION POLICY

- Effective with 2003 valuations:
 - Slow (15 year) recognition of investment losses into funded status
 - Rolling 30 year amortization of all (primarily investment) losses

- Designed to:
 - First smooth rates and
 - Second pay off UAL

- Mitigated contribution volatility



HOW WE GOT HERE –DEMOGRAPHICS

- Around the State
 - Large retiree liability compared to actives
 - Declining active population

- City percentage of liability belonging to retirees:
 - Miscellaneous 55%
 - Safety 64%

- Mortality improvement



CALPERS CHANGES

- Contribution policy changes:
 - No asset smoothing
 - 5-year ramp up for all amortization payments
 - First impact 15/16 rates; full impact 19/20
- Assumption changes:
 - Anticipate future mortality improvement
 - First impact 16/17 rates; full impact 20/21
- Risk Mitigation Strategy
 - Move to more conservative investments over time
 - Only when investment return is better than expected
 - Lower discount rate in concert
 - Essentially use $\approx 50\%$ of investment gains to pay for cost increases
 - Likely get to drop discount rate 1% over ≈ 20 years
- **Study does not include 0.5% near-term discount rate drop**
 - Phase-in from 18/19 to 24/25 rates.



February 28, 2017



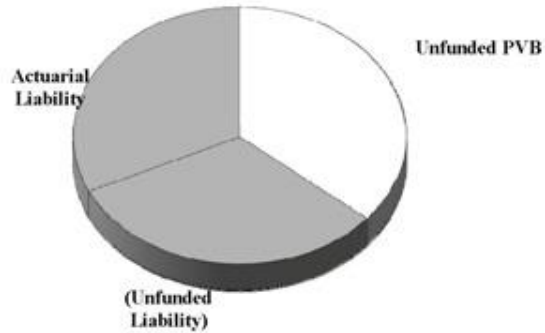
SUMMARY OF DEMOGRAPHIC INFORMATION - MISCELLANEOUS

	1994	2004	2013	2014
Actives				
■ Counts	142	183	179	177
■ Average				
• Age	41	43	48	47
• City Service	9	9	12	13
• PERSable Wages	\$36,300	\$49,200	\$53,400	\$53,400
■ Total PERSable Wages (millions)	5.6	9.9	10.5	10.3
Receiving Payments				
■ Counts				
• Service		122	199	203
• Disability		10	12	12
• Beneficiaries		34	42	42
• Total	141	167	253	257
■ Average Annual City Provided Benefit ¹				
• Service		\$12,100	\$20,300	\$21,400
• Disability		6,400	6,300	6,400
• Service Retirements in last 5 years		21,800	24,300	28,700

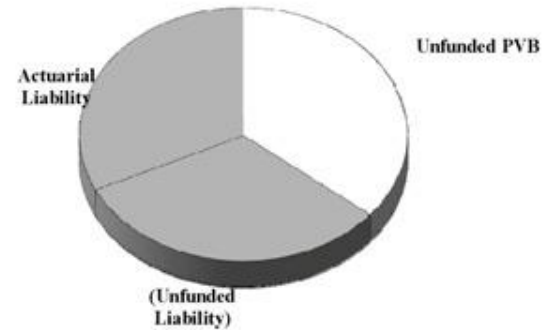
¹ Average City provided pensions are based on City service & City benefit formula, and are not representative of benefits for long service employees.

PLAN FUNDED STATUS - MISCELLANEOUS

**Present Value of Benefits
June 30, 2013**



**Present Value of Benefits
June 30, 2014**



<u>June 30, 2013</u>		<u>June 30, 2014</u>
\$ 34,800,000	Active AAL	\$ 36,000,000
52,500,000	Retiree AAL	58,900,000
<u>12,000,000</u>	Inactive AAL	<u>13,000,000</u>
99,300,000	Total AAL	107,900,000
<u>73,900,000</u>	Market Asset Value	<u>84,600,000</u>
(25,400,000)	(Unfunded Liability)	(23,300,000)



February 28, 2017



FUNDED STATUS (MILLIONS) - MISCELLANEOUS



6/30/15 & 6/30/16 funded status estimated



February 28, 2017



CONTRIBUTION RATES - MISCELLANEOUS

	6/30/13	6/30/14
	<u>2015/2016</u>	<u>2016/2017</u>
■ Total Normal Cost	19.0%	19.2%
■ Employee Normal Cost	7.9%	7.8%
■ Employer Normal Cost	11.1%	11.4%
■ Amortization Bases	<u>12.1%</u>	<u>14.4%</u>
■ Total Employer Contribution Rate	23.1%	25.8%
■ Amortization Period	Multiple	Multiple
■ What Happened from 6/30/13 to 6/30/14:		
● 2015/16 Rate	23.1%	
● Asset Method Change (2 nd Year)	1.7%	
● Assumption Change (1 st Year)	1.9%	
● (Gains)/Losses	<u>(0.9%)</u>	
● 2016/17 Rate	25.8%	



February 28, 2017



CONTRIBUTION PROJECTIONS - MISCELLANEOUS

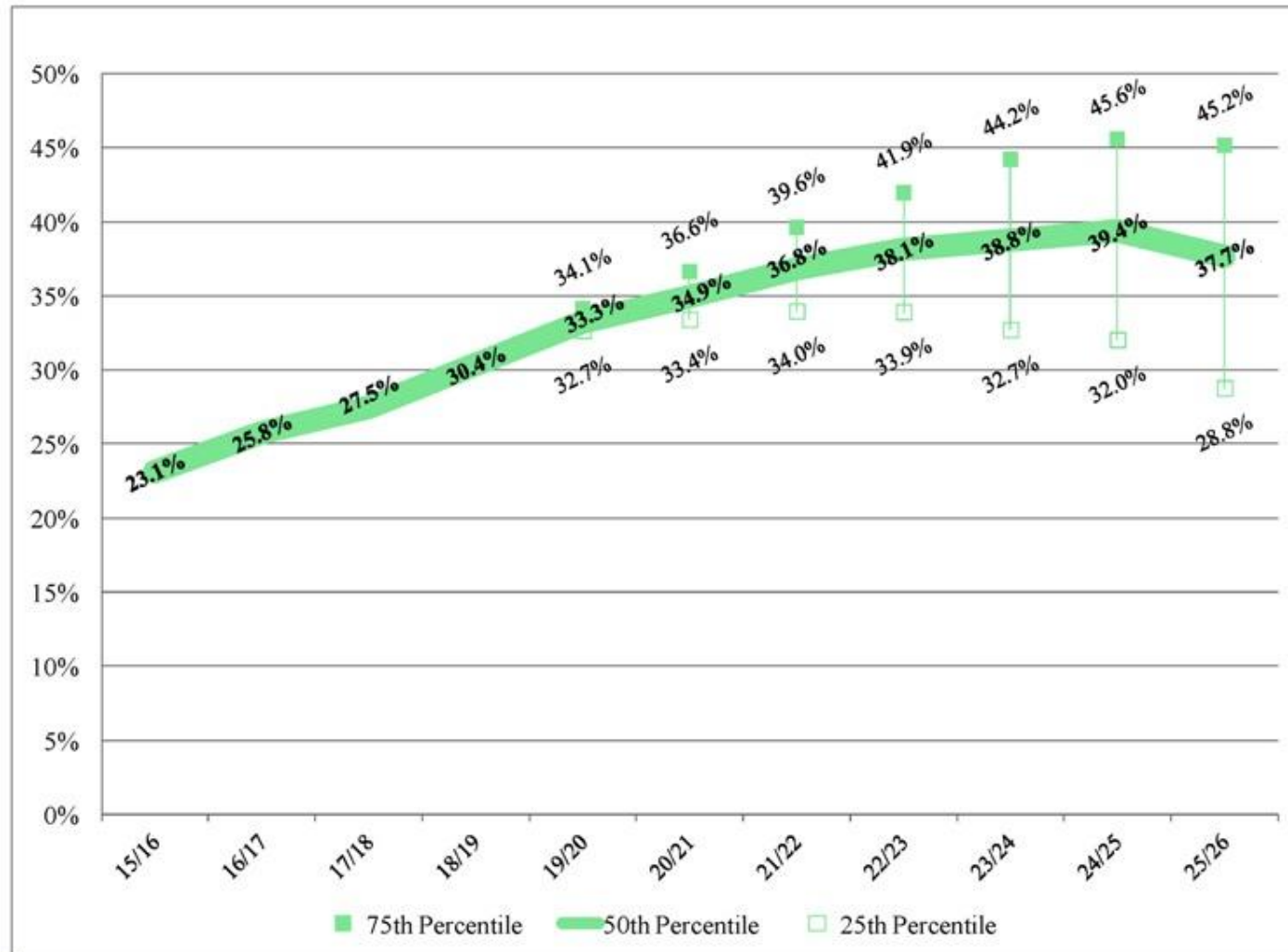
- Market Value Investment Return:
 - June 30, 2014 18.4%
 - June 30, 2015 2.4%
 - June 30, 2016 0.61%²
 - Future returns based on stochastic analysis using 1,000 trials

<u>Single Year Returns at</u>	<u>25th Percentile</u>	<u>50th Percentile</u>	<u>75th Percentile</u>
● 7.5% Investment Mix	0.6%	7.5%	15.3%
● 6.5% Investment Mix	1.3%	6.5%	11.9%
- No Other: Gains/Losses, Method/Assumption Changes, Benefit Improvements
- Excludes Employer Paid Member Contributions (EPMC)
- Tier 2 2@60 effective 3/22/2011
- New hire assumptions:
 - Assumes 50% of 2013 new hires will be Classic Members (2%@60) and 50% will be New Members with PEPRAs benefits.
 - Assumes Classic Members will decrease from 50% to 0% of new hires over 20 years.

² June 30, 2016 return based on CalPERS actual return 0.61%.



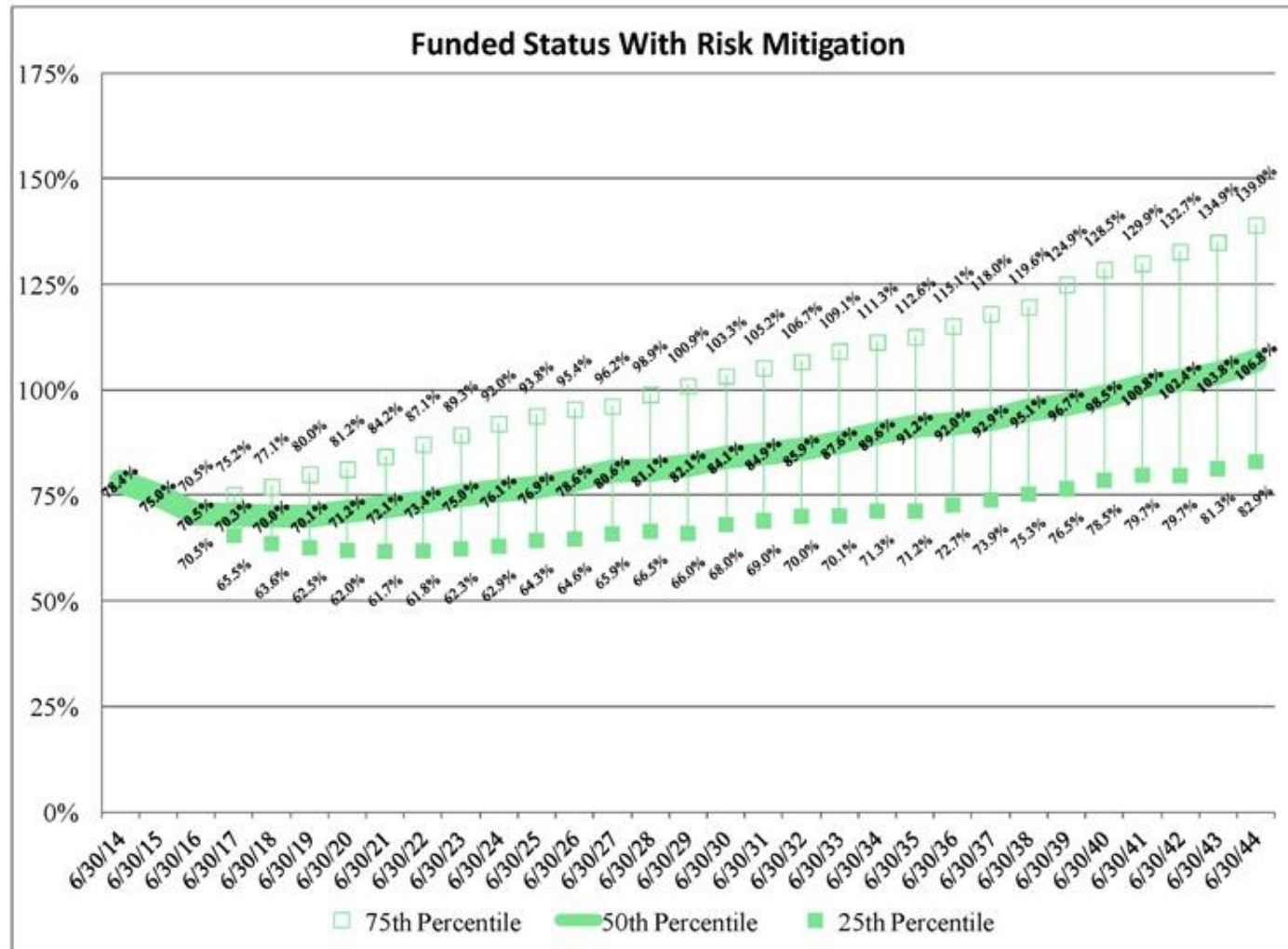
CONTRIBUTION PROJECTIONS - MISCELLANEOUS



February 28, 2017



CONTRIBUTION PROJECTIONS - MISCELLANEOUS



February 28, 2017



CONTRIBUTION PROJECTIONS - MISCELLANEOUS

■ Estimated Impact of Discount Rate Change to 7.0%

- Increase in ultimate projected rates for 2024/25
- Miscellaneous plans
- Normal Cost 2.0%
- UAL 5.5
- Total 7.5%

- Standard Deviation 1%



February 28, 2017



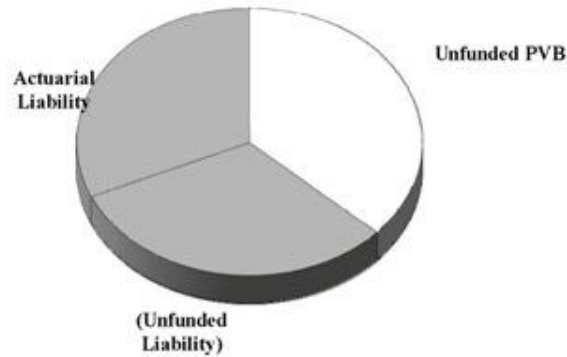
SUMMARY OF DEMOGRAPHIC INFORMATION – SAFETY

	1994	2004	2013	2014
Actives				
■ Counts	104	126	117	122
■ Average				
• Age	38	39	41	41
• City Service	11	11	12	12
• PERSable Wages	\$47,200	\$68,500	\$90,600	\$89,400
■ Total PERSable Wages (millions)	5.4	9.5	11.6	11.9
Receiving Payments				
■ Counts				
• Service		44	104	104
• Disability		77	85	85
• Beneficiaries		16	19	20
• Total	99	138	208	209
■ Average Annual City Provided Benefit ³				
• Service		\$25,400	\$41,100	\$42,100
• Disability		20,600	32,800	33,300
• Service Retirements in last 5 years		30,000	48,700	52,200

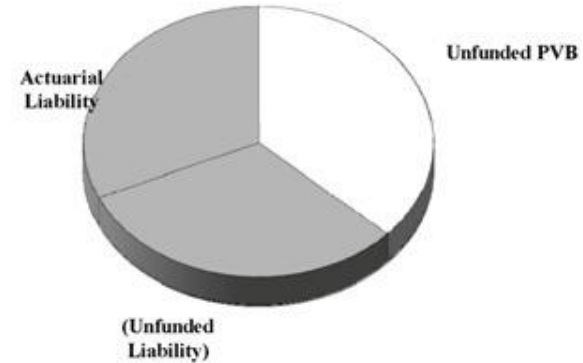
³ Average City provided pensions are based on City service & City benefit formula, and are not representative of benefits for long service employees.

PLAN FUNDED STATUS – SAFETY

**Present Value of Benefits
June 30, 2013**



**Present Value of Benefits
June 30, 2014**



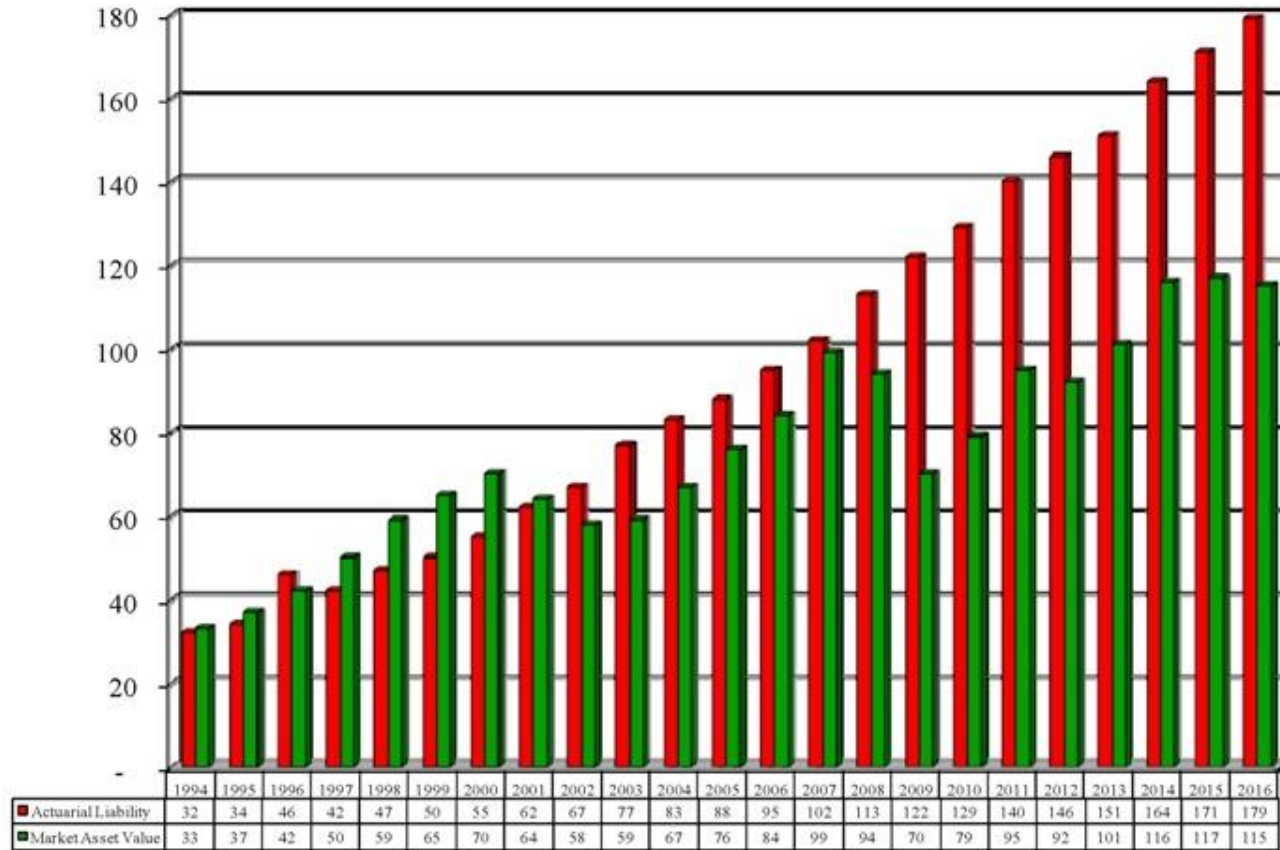
<u>June 30, 2013</u>		<u>June 30, 2014</u>
\$ 43,900,000	Active AAL	\$ 50,300,000
100,400,000	Retiree AAL	104,900,000
7,100,000	Inactive AAL	8,700,000
<u>151,400,000</u>	Total AAL	<u>163,900,000</u>
<u>101,500,000</u>	Market Asset Value	<u>116,400,000</u>
(49,900,000)	(Unfunded Liability)	(47,500,000)



February 28, 2017



FUNDED STATUS (MILLIONS) – SAFETY



6/30/15 & 6/30/16 funded status estimated



February 28, 2017



CONTRIBUTION RATES – SAFETY

	6/30/13	6/30/14
	<u>2015/2016</u>	<u>2016/2017</u>
■ Total Normal Cost	29.0%	29.4%
■ Employee Normal Cost	9.0%	9.1%
■ Employer Normal Cost	20.0%	20.3%
■ Amortization Bases	<u>23.0%</u>	<u>24.8%</u>
■ Total Employer Contribution Rate	43.0%	45.1%
■ Amortization Period	Multiple	Multiple
■ What Happened from 6/30/13 to 6/30/14:		
● 2015/16 Rate	43.0%	
● Asset Method Change (2 nd year)	1.7%	
● Assumption Change (1 st year)	2.3%	
● (Gain)/Losses	<u>(1.9%)</u>	
● 2016/17 Rate	45.1%	



February 28, 2017



CONTRIBUTION PROJECTIONS – SAFETY

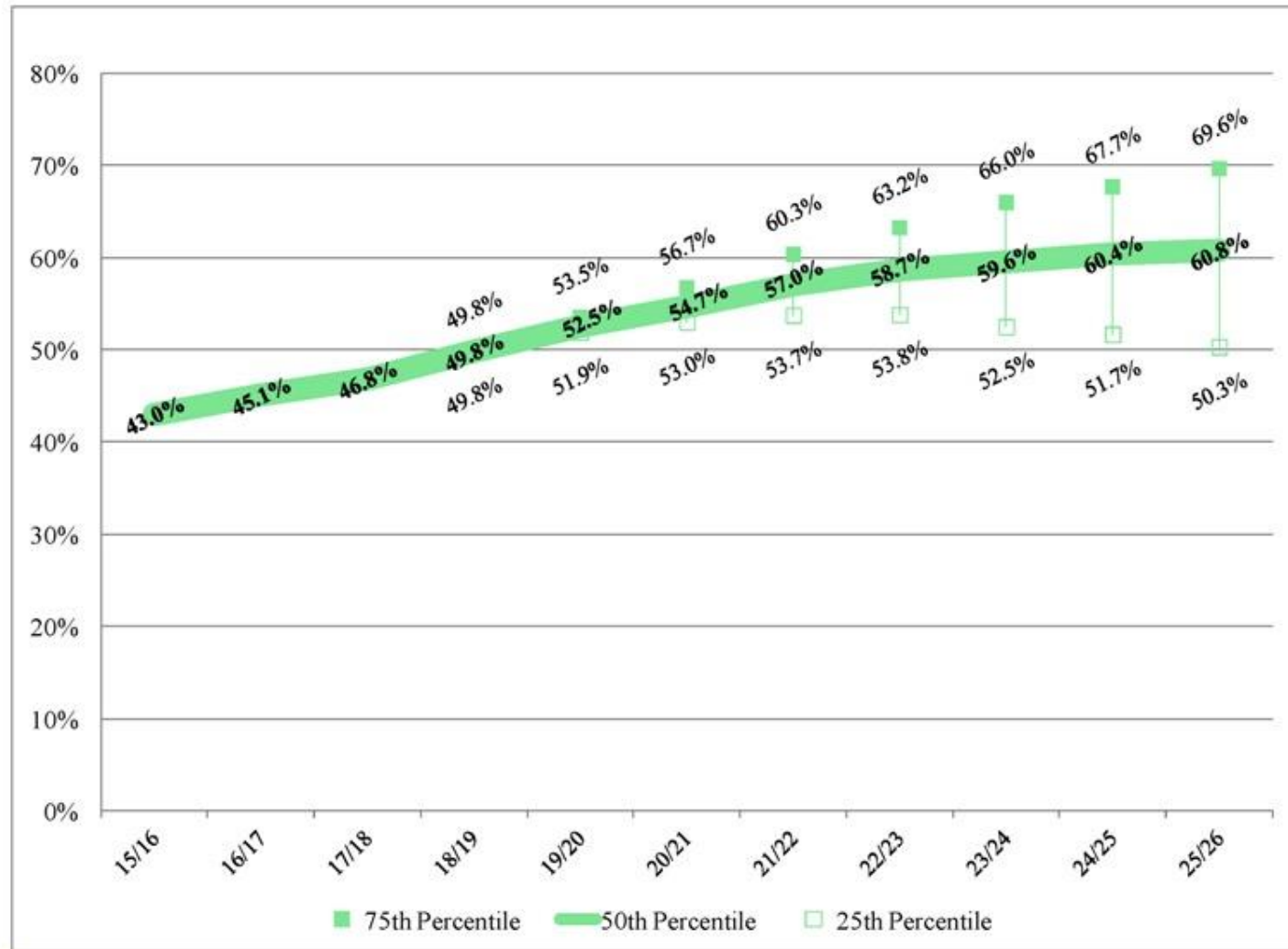
- Market Value Investment Return:
 - June 30, 2014 18.4%
 - June 30, 2015 2.4%
 - June 30, 2015 0.61%⁴
 - Future returns based on stochastic analysis using 1,000 trials

<u>Single Year Returns at</u>	<u>25th Percentile</u>	<u>50th Percentile</u>	<u>75th Percentile</u>
● 7.5% Investment Mix	0.6%	7.5%	15.3%
● 6.5% Investment Mix	1.3%	6.5%	11.9%
- No Other: Gains/Losses, Method/Assumption Changes, Benefit Improvements
- Excludes Employer Paid Member Contributions (EPMC)
- Tier 2 3%@55 effective 3/18/10 for Police and 3/22/12 for Fire
- New hire assumptions:
 - Assumes 50% of 2013 new hires will be Classic Members (3%@55) and 50% will be New Members with PEPRAs benefits.
 - Assumes Classic Members will decrease from 50% to 0% of new hires over 10 years

⁴ June 30, 2016 return based on CalPERS actual return of 0.61%.



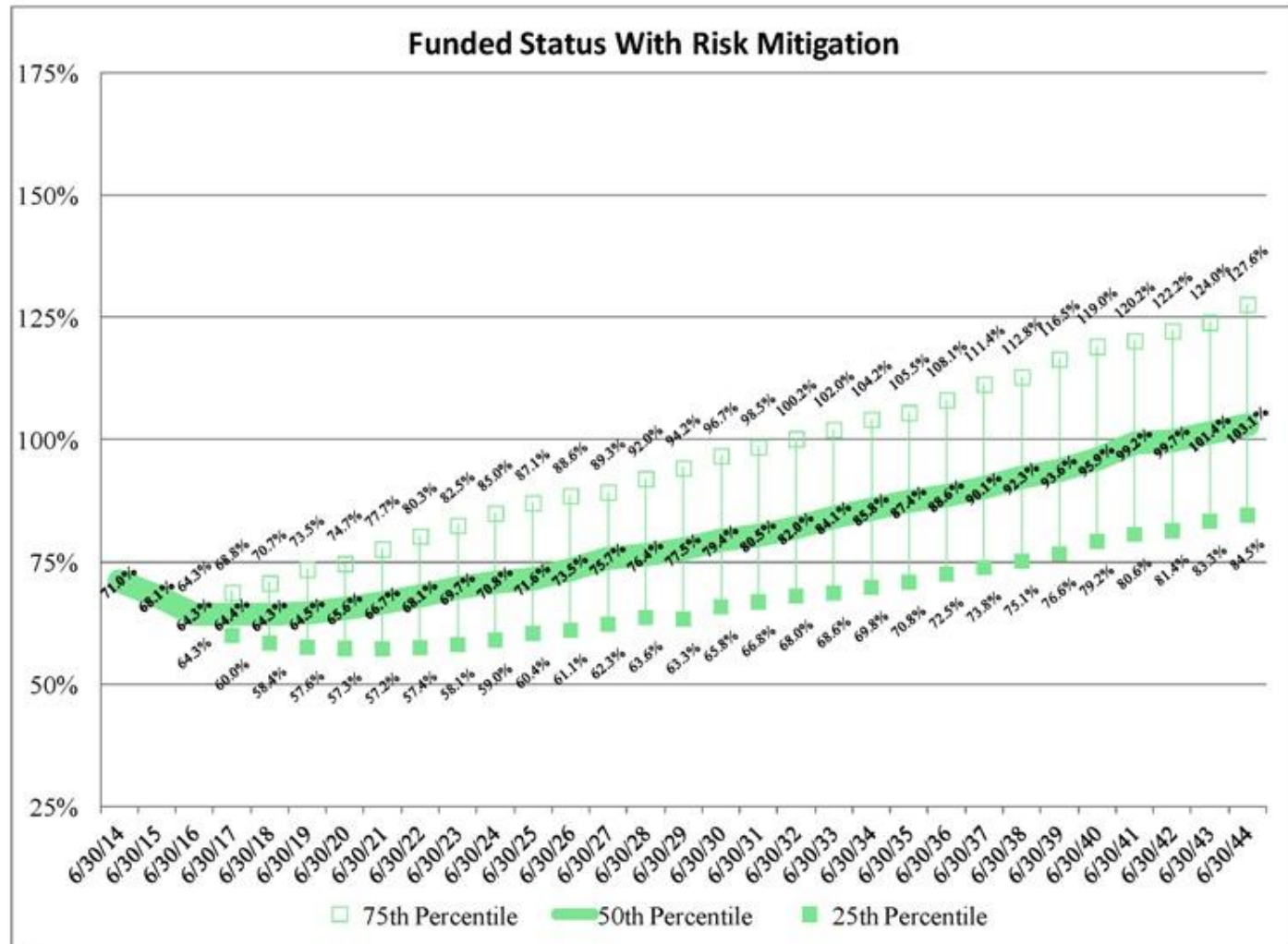
CONTRIBUTION PROJECTIONS – SAFETY



February 28, 2017



CONTRIBUTION PROJECTIONS – SAFETY



February 28, 2017



CONTRIBUTION PROJECTIONS – SAFETY

Estimated Impact of Discount Rate Change to 7.0%

- Increase in ultimate projected rates for 2024/25
- Safety plans
- Normal Cost 3.5%
- UAL 9.5
- Total 13.0%

- Standard Deviation 2.0%



February 28, 2017



OPEB ESTIMATES

- 6/30/2014 actuarial valuation by Nyhart
- Actuarial assumptions reasonable, assuming premiums separately rated for actives and early retirees
- Change to Entry Age cost method will be required for GASB 75 reporting.

■ Discount Rate	4%	7%
■ AAL @ 6/30/14	\$ 4,030	\$ 2,848
■ Assets	—	—
■ Unfunded AAL	4,030	2,848

- Pre-funding means some benefits will be paid by investment earnings, not employer contributions
 - Higher discount rate, lower present value
 - 4% discount rate if not funded
 - 7% discount rate = expected long-term return on assets if full ARC is contributed



February 28, 2017



OPEB ESTIMATES

Prefunding Estimates – Based on Roll-Forward of 6/30/14 Results

(Amounts in 000's)

■ Discount Rate	7%
■ AAL @ 6/30/16	\$ 3,157
■ Assets⁵	<u>500</u>
■ Unfunded AAL	2,657
■ 2016/17 ARC - \$	
• Normal Cost	\$ 124
• UAAL Amortization ⁶	<u>378</u>
• Total ARC	502
■ Projected Payroll	20,727
■ 2016/17 ARC - %	
• Normal Cost	0.6%
• UAAL Amortization	<u>1.8%</u>
• Total ARC	2.4%
■ 2016/17 Pay-Go	178

⁵ Assumes \$500,000 contribution at 6/30/16

⁶ Level dollar amortization, 10-year fresh start from 2016/17



February 28, 2017



PEPRA COST SHARING

- Target of 50% of total normal cost for everyone
- *New members (PEPRA members)* must pay greater of 50% of total normal cost or bargained amount if higher
- Employer cannot pay any part of *new member* required employee contributions
- Employer may impose Classic employees pay 50% of total normal cost (limited to 8% Misc./12% Safety) if not agreed through collective bargaining by 1/1/18

■ **Miscellaneous Plan**

	<u>Classic Members</u>		<u>New Members</u>
	Tier 1	Tier 2	Tier 3
	3%@60	2%@60	2%@62
	<u>FAE1</u>	<u>FAE1</u>	<u>FAE3</u>
● Employer Normal Cost	11.8%	7.0%	5.906%
● Member Normal Cost	<u>8.0%</u>	<u>7.0%</u>	<u>6.750%</u>
● Total Normal Cost	19.8%	14.0%	12.656%
● 50% Target	9.4%	7.0%	6.328%



PEPRA COST SHARING

■ Safety Plan

	<u>Classic Members</u>		<u>New Members</u>
	Tier 1	Tier 2	Tier 3
	3%@50	3%@55	2.7%@57
	<u>FAE1</u>	<u>FAE1</u>	<u>FAE3</u>
● Employer Normal Cost	20.7%	18.4%	12.077%
● Member Normal Cost	<u>9.0%</u>	<u>9.0%</u>	<u>12.250%</u>
● Total Normal Cost	29.7%	27.4%	24.327%
● 50% Target	14.85%	13.7%	12.164%

PAYING DOWN THE UNFUNDED LIABILITY

- Pension Obligation Bond (POB)
 - Interest arbitrage between expected CalPERS earnings and rate paid on POB
 - Not guaranteed
- Borrow from General Fund
 - Pay GF back like a loan
 - Payments come from all funds
- Request shorter amortization period of CalPERS
 - Higher short term payments
 - Less interest and lower long term payments
- One time payments
 - City resolution to use portion of one time money



PAYING DOWN THE UNFUNDED LIABILITY

- Internal Service Fund
 - Restricted investments
 - Likely low (0.5% - 1.0%) investment returns
 - Short term/high quality
 - Designed for preservation of principal
 - Assets could be used by Council for other purposes
- Irrevocable Supplemental (§115) Pension Trust
 - Investments significantly less restricted
 - Assets could not be used by Council for other purposes
 - Can only be used to
 - Reimburse City for CalPERS contributions
 - Make payments directly to CalPERS



IRREVOCABLE SUPPLEMENTAL (§115) PENSION TRUST

- > 40 trusts established
- PARS, PFM & Keenan
- Investments significantly less restricted than City investment funds
 - Designed for long term returns
 - Likely much higher (5% - 7%) investment return, depending on investments selected
- GASB will almost certainly weigh in on certain accounting issues
 - Can Supplemental Pension Trust assets be included in Fiduciary Net Position? Based on current GASB discussions, likely “No.”
 - If assets can be included would inclusion impact discount rate? Based on current GASB discussions, likely “Yes.”

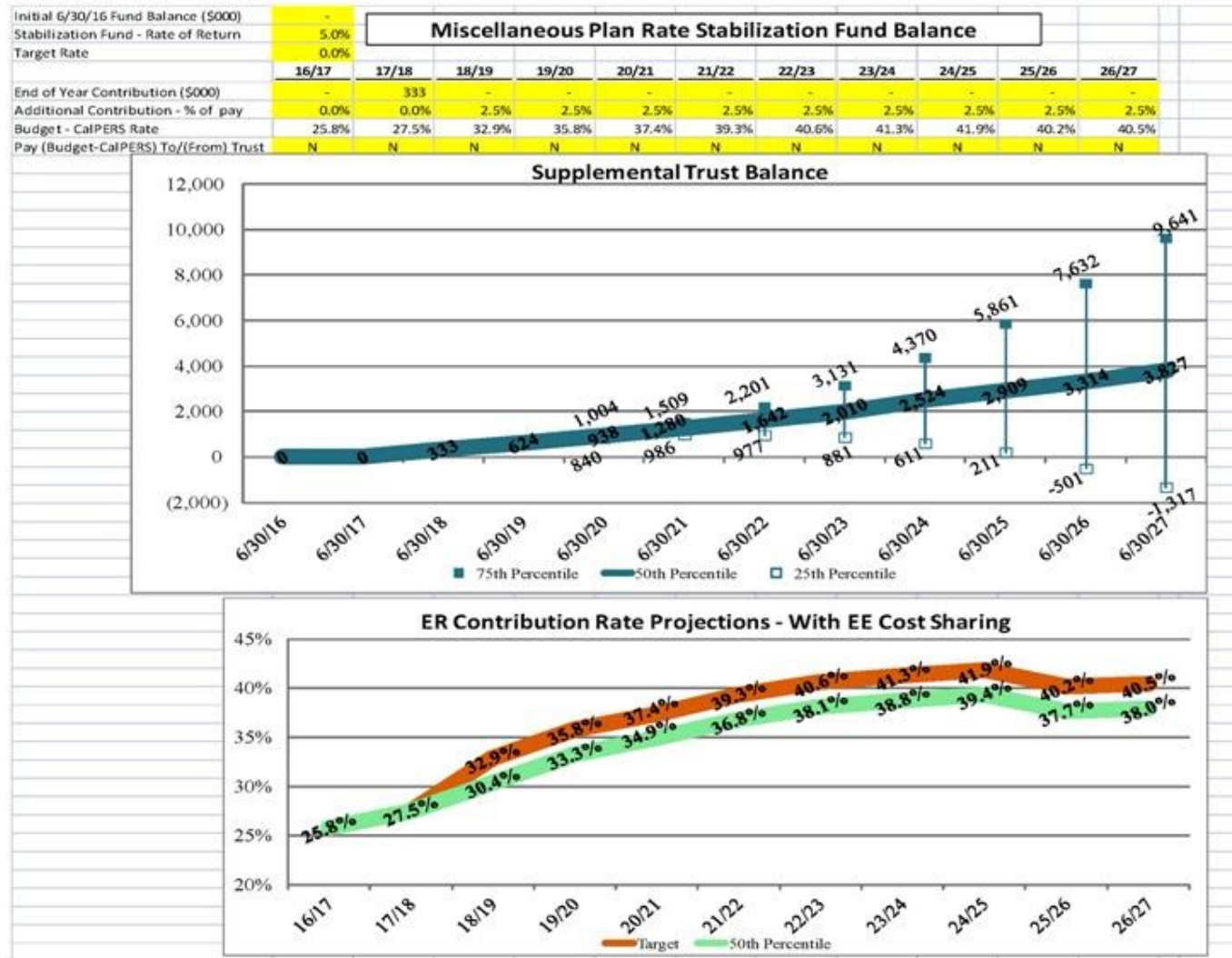


IRREVOCABLE SUPPLEMENTAL (§115) PENSION TRUST

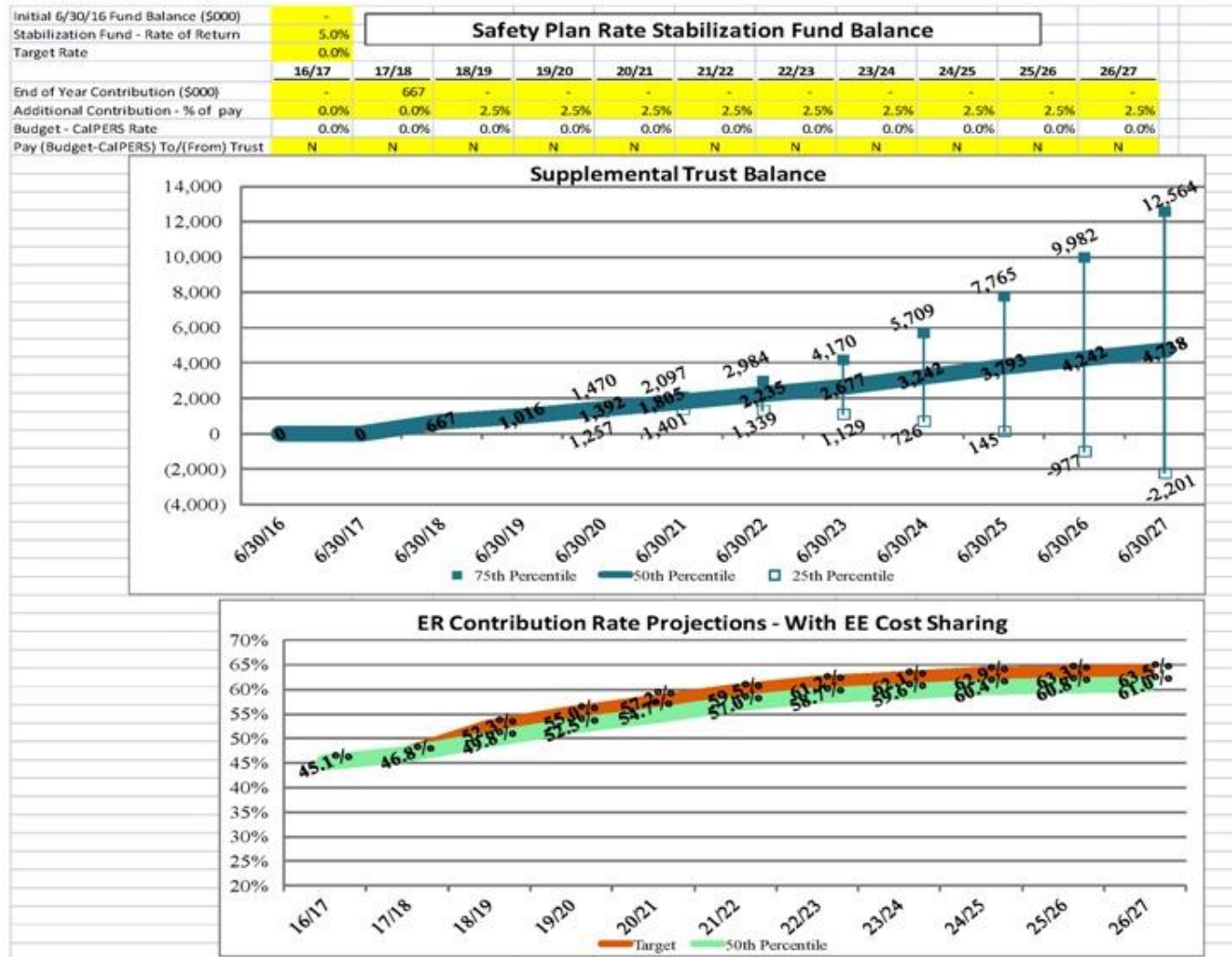
- Parameters:
 - Initial seed money?
 - Additional amount contributed in future years?
 - Target budget rate?
 - How much of CalPERS rates paid from Supplemental Trust funds
 - Year target budget rate kicks in?
 - Before or after CalPERS rate exceeds budgeted rate?
- Comparison of additional \$ to CalPERS vs. to Supplemental Trust
 - \$1 million in 2018/19
 - 2.5% payroll starting 2019/20
 - After 30 years, 111.1% funded @ CalPERS vs 110.6% with Supplemental Trust (50th percentile)



IRREVOCABLE SUPPLEMENTAL (§115) PENSION TRUST



IRREVOCABLE SUPPLEMENTAL (§115) PENSION TRUST





Capital Improvement Program Needs Assessment

Overview

Objective

- Evaluate, prioritize and identify funding options for the repair, replacement and expansion of the City's physical infrastructure, facilities, parks and fleet.

CIP Categories

- Infrastructure – streets, sidewalks and pedestrian curb ramps for Americans with Disabilities Act (ADA) compliance; street lights, traffic signals and communications; sewer and storm water systems
- Facilities - City offices, public works yard and support facilities, police and fire stations, community center, public library and information technology (public safety cameras, data storage and communications)
- Parks & Recreation – Community parks and amenities such as ball fields, restrooms, lighting, landscaping, walking paths and information technology; health and quality of life facilities such as recreation centers, municipal swimming pool and aquatic center
- Vehicle Fleet – consists of over 200 vehicles and associated equipment, valued at over \$10 million; fleet management, replacement and modernization is required to provide essential services for the Community

Overview

Major Maintenance (Deferred & Ongoing)

- Capital improvement projects that provide major maintenance and/or upgrades to existing infrastructure and/or facilities required to provide essential public services and maintain health and safety
- Examples – roadway rehab, roof replacement, HVAC system upgrades, removal and replacement of deteriorated metal storm drain pipes, etc.

New Public Improvements

- Capital improvement projects that expand existing infrastructure and/or facilities, or construct new facilities, to address present and future needs of the Community
- Examples – new skate park, multi-purpose athletic field, municipal swimming pool, aquatic center, community corridors, etc.

Overview

Project Prioritization

- Tier 1 - Annual/Ongoing Major Maintenance project
- Tier 2 - Near-term project (next 1 to 5 years)
- Tier 3 - Mid-term project (5 to 10 years)
- Tier 4 - Long-term project (10+ years)

Evaluation Criteria

- Health and safety
- Community support
- Project costs and schedule
- Available funding
- Consistency with City General Plan and other long-range planning documents
- Ongoing maintenance costs

Outline

Infrastructure Needs

- Streets – Roadway Rehab, Sidewalks and Curb Ramps (ADA compliance)
- Streets – Traffic Calming, Pedestrian and Bike Enhancements
- Streets – Traffic Signals, Street Lights and Communications
- Storm Water – Conveyance and Treatment
- Sewer – Pipe Replacement and Upsizing

Facilities, Parks & Recreation

- Major Maintenance Summary
- Historic and Cultural Assets
- Ongoing and Future Needs Assessments

Vehicle Fleet

** All summary tables include cost estimates and funding options that have not been budgeted, unless noted otherwise.*

Infrastructure Needs

Streets – Roadway Rehab, Sidewalks and Curb Ramps (ADA Compliance)

- Completed pavement condition assessment for all City-maintained streets and alleys in 2011
- Completed Citywide Walk Audits in 2011; started new Walk Audits in 2017
- Identified over \$50 million in roadway rehab and ADA needs
- Need to invest a minimum of \$2.5 million annually to maintain a pavement condition index of 75 (scale of 0 to 100) and address ADA

CIP Project	Cost Estimate	Funding Options				Life Cycle
Streets - Roadway Rehab, Sidewalks & Curb Ramps (ADA)		General Fund	Prop A <i>TransNet</i>	Grants	Other - TBD	7-15 yrs
Tier 1 (Annual/Ongoing)	\$2,500,000	\$800,000	\$1,000,000	\$200,000	\$500,000	
Tier 2 (1-5 years)						
Tier 3 (5-10 years)						
Tier 4 (10+ years)						
Total*	\$50,000,000	\$16,000,000	\$20,000,000	\$4,000,000	\$10,000,000	

* Total costs include Tier 1 annual costs over next 20 years

Infrastructure Needs

Streets – Traffic Calming, Pedestrian and Bike Enhancements

- Projects developed based on speeds surveys, collision data, walk audits, Safe Routes to School Program and consistency with City General Plan, Bicycle Master Plan and other long-range planning documents
- Averaged approximately \$5 million per year in competitive transportation grant awards since 2012; amount will likely decrease over time as high priority projects are completed

CIP Project	Cost Estimate	Funding Options				Life Cycle
Streets - Traffic Calming, Ped and Bike Enhancements		General Fund	Prop A <i>TransNet</i>	Grants	Other - TBD	10-20 yrs
Tier 1 (Annual/Ongoing)						
Tier 2 (1-5 years)	\$19,000,000	\$2,000,000	\$2,000,000	\$15,000,000	\$0	
Tier 3 (5-10 years)	\$9,000,000	\$2,000,000	\$2,000,000	\$5,000,000	\$0	
Tier 4 (10+ years)	\$18,000,000	\$4,000,000	\$4,000,000	\$10,000,000	\$0	
Total*	\$46,000,000	\$8,000,000	\$8,000,000	\$30,000,000	\$0	

* Total costs include funding for projects over next 20 years

Infrastructure Needs

Streets - Traffic Signals, Street Lights and Communications

- Completed assessment of all 75 City-maintained traffic signals in 2010
- National City maintains approximately 800 street lights
- SDG&E maintains approximately 1,200 street lights; SDG&E will install new luminaries on existing utility poles in residential neighborhoods, when warranted, at no cost to the City
- National City received 11 competitive Highway Safety Improvement Program (HSIP) grants for over \$4 million to upgrade traffic signals, install new street lights and expand the City's fiber optics communications system

CIP Project	Cost Estimate	Funding Options				Life Cycle
		General Fund	Prop A <i>TransNet</i>	Grants	Other - TBD	
Streets - Traffic Signals, Street Lights and Communications						20-30 yrs
Tier 1 (Annual/Ongoing)						
Tier 2 (1-5 years)	\$4,500,000	\$0	\$500,000	\$4,000,000	\$0	
Tier 3 (5-10 years)	\$3,500,000	\$0	\$500,000	\$3,000,000	\$0	
Tier 4 (10+ years)	\$5,000,000	\$0	\$1,000,000	\$4,000,000	\$0	
Total*	\$13,000,000	\$0	\$2,000,000	\$11,000,000	\$0	

* Total costs include funding for projects over next 20 years

Infrastructure Needs

Storm Water – Conveyance and Treatment

- Completed inventory of Corrugated Metal Pipes (CMP) in 2016
- Identified approximately \$5 million in priority CMP replacement projects
- Remaining storm water conveyance system, which has a estimated replacement value of over \$50 million, needs to be evaluated
- New storm water regulations for treatment will have fiscal impact (unfunded mandates)
- No reliable funding source

CIP Project	Cost Estimate	Funding Options				Life Cycle
		General Fund		Grants	Other - TBD	30-50 yrs
Storm Water - Conveyance and Treatment						
Tier 1 (Annual/Ongoing)						
Tier 2 (1-5 years)	\$7,000,000	\$5,000,000		\$2,000,000	\$0	
Tier 3 (5-10 years)						
Tier 4 (10+ years)						
Total*	\$7,000,000	\$5,000,000		\$2,000,000	\$0	

* Total costs include Tier 2 priority projects and grant-funded projects only; need to evaluate remaining system

Infrastructure Needs

Sewer – Pipe Replacement and Upsizing

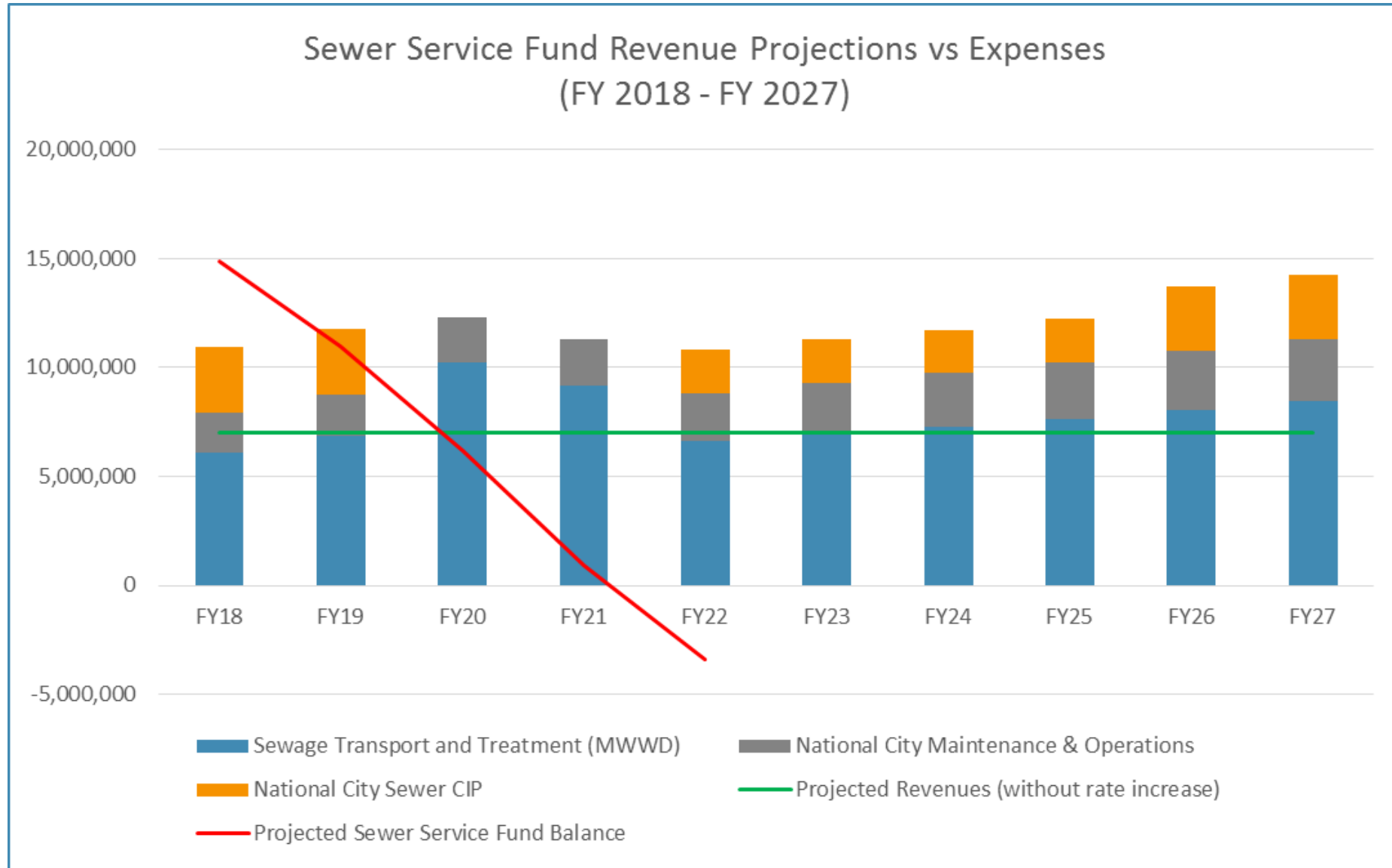
- Completed Citywide Sewer Master Plan in 2011 – identified over \$30 million in sewer pipe replacement and upsizing needs
- FY 2017 “End of Year” projected Sewer Fund Balance of \$14.9 million
- City of San Diego Metropolitan Wastewater Department (MWWD) sewage transportation and treatment costs projected to increase for National City from \$6.1 million annually to \$10.3 million annually over the next 3 years
- Need to plan for sewer rate increases to offset rate increases from MWWD and establish additional revenues to address capital needs
- National City residents pay 2nd-lowest sewer rates in San Diego County; last rate increase was in 2006

CIP Project	Cost Estimate	Funding Options				Life Cycle
		General Fund	Sewer Fund ¹	Grants	Other - TBD	50-70 yrs
Tier 1 (Annual/Ongoing)						
Tier 2 (1-5 years)	\$8,000,000	\$0	\$6,000,000	\$0	\$2,000,000	
Tier 3 (5-10 years)	\$12,000,000	\$0	\$0	\$0	\$12,000,000	
Tier 4 (10+ years)	\$10,000,000	\$0	\$0	\$0	\$10,000,000	
Total*	\$30,000,000	\$0	\$6,000,000	\$0	\$24,000,000	

¹ Estimated availability of Sewer Funds assumes no increase in current user rates for National City property owners

* Total costs include funding for projects over next 20 years

Infrastructure Needs



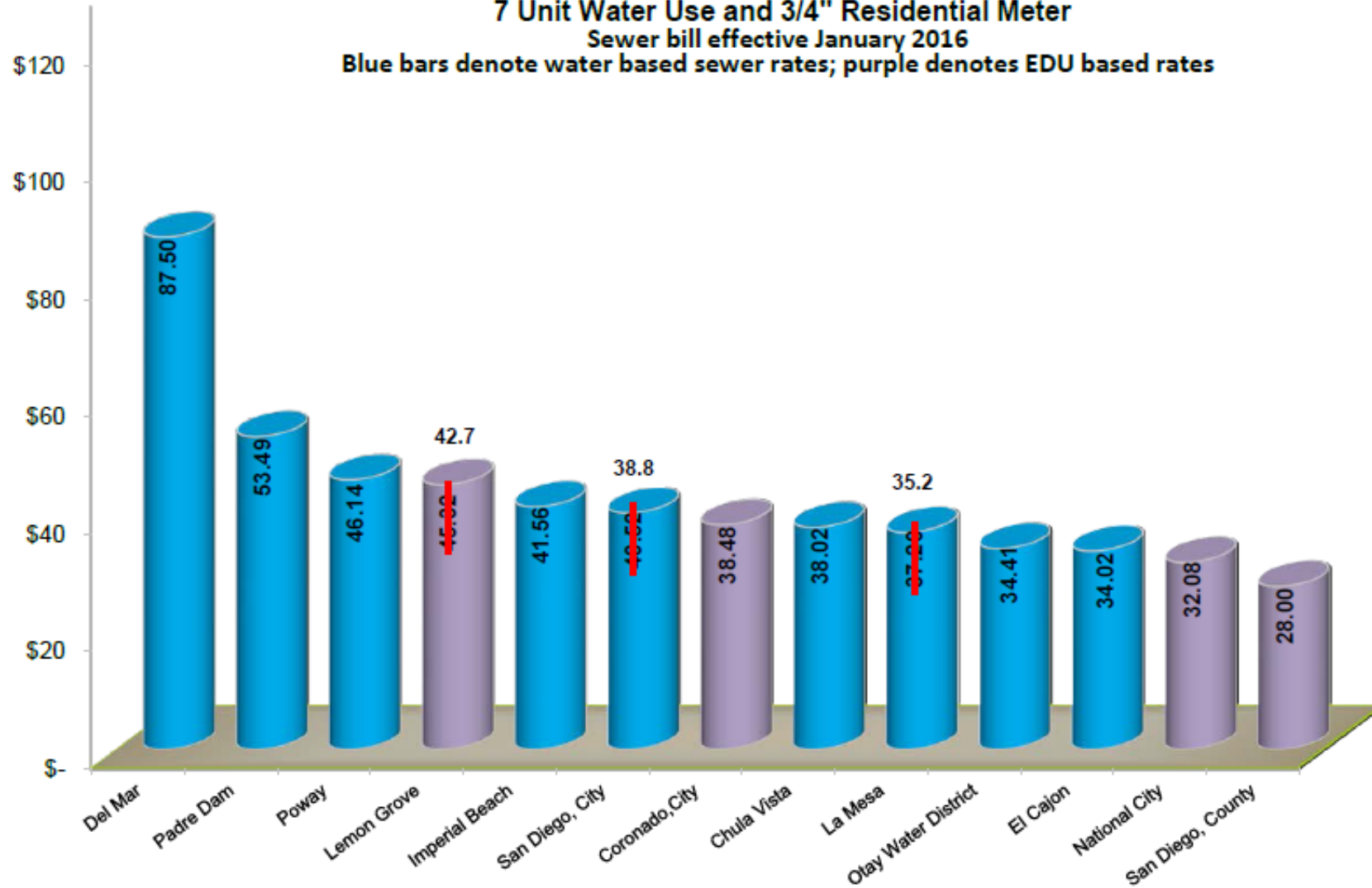
Infrastructure Needs

Metro Member Agencies Sewer Rate Comparison

7 Unit Water Use and 3/4" Residential Meter

Sewer bill effective January 2016

Blue bars denote water based sewer rates; purple denotes EDU based rates



Infrastructure Needs Summary (20 Years)

- Need to complete evaluation of remaining storm water conveyance system, which will result in additional capital costs
- City must contribute approximately \$2 million per year in discretionary funds (General Fund) to meet *TransNet* Maintenance of Effort; leverage approximately \$800,000 in General Fund expenditures for City staff engineering, project management, maintenance and operations
- Need to plan for sewer rate increases to offset rate increases from MWWD and establish additional revenues to address capital needs

Infrastructure Summary	Cost Estimate	Funding Options				
		General Fund	Prop A <i>TransNet</i>	Sewer Fund	Grants	Other - TBD
Tier 1 (Annual/Ongoing)	\$50,000,000	\$16,000,000	\$20,000,000	\$0	\$4,000,000	\$10,000,000
Tier 2 (1-5 years)	\$38,500,000	\$7,000,000	\$2,500,000	\$6,000,000	\$21,000,000	\$2,000,000
Tier 3 (5-10 years)	\$24,500,000	\$2,000,000	\$2,500,000	\$0	\$8,000,000	\$12,000,000
Tier 4 (10+ years)	\$33,000,000	\$4,000,000	\$5,000,000	\$0	\$14,000,000	\$10,000,000
Total*	\$146,000,000	\$29,000,000	\$30,000,000	\$6,000,000	\$47,000,000	\$34,000,000

* Total costs include funding for projects over next 20 years

Facilities, Parks & Recreation Needs – Major Maintenance Summary (20 Years)

- Need to complete ADA assessments for several facilities (see next slide), which will result in additional capital costs
- Prior General Fund appropriations will contribute approximately \$1.5 million to facility improvements
- Energy Savings Contract (ESCO) will provide funding plan to address approximately 1/3 of facility needs

Major Maintenance Summary	Cost Estimate	Funding Options			
		General Fund ¹	ESCO ²	Grants	Other - TBD
Facilities, Parks & Recreation					
Tier 1 (Annual/Ongoing)	\$0	\$0	\$0	\$0	\$0
Tier 2 (1-5 years)	\$13,765,000	\$1,450,000	\$5,460,000	\$0	\$6,855,000
Tier 3 (5-10 years)	\$1,090,000	\$0	\$0	\$0	\$1,090,000
Tier 4 (10+ years)	\$175,000	\$0	\$0	\$0	\$175,000
Total*	\$15,030,000	\$1,450,000	\$5,460,000	\$0	\$8,120,000

¹ General Fund - funding available through prior City Council appropriations

² ESCO (Energy Savings Contract) - capital improvements funded up front, costs reimbursed over time through energy savings

* Total costs include funding for projects over next 20 years; need to complete additional ADA assessments

Facilities, Parks & Recreation Needs – Major Maintenance Summary (20 Years)

Major Maintenance Summary		Funding Options				Project Prioritization			
Facilities, Parks & Recreation	Cost Estimate	General Fund ¹	ESCO ²	Grants	Other - TBD	Tier 1 (Ongoing)	Tier 2 (1-5 years)	Tier 3 (5-10 years)	Tier 4 (10+ years)
Civic Center (City Hall)	\$2,400,000	\$0	\$2,000,000	\$0	\$400,000	\$0	\$2,400,000	\$0	\$0
Fire Station 31*	\$50,000	\$0	\$30,000	\$0	\$20,000	\$0	\$50,000	\$0	\$0
Fire Station 34*	\$570,000	\$0	\$470,000	\$0	\$100,000	\$0	\$570,000	\$0	\$0
Police Dept Building*	\$2,680,000	\$0	\$1,000,000	\$0	\$1,680,000	\$0	\$1,910,000	\$770,000	\$0
Public Works (1726 Wilson Ave)	\$90,000	\$0	\$90,000	\$0	\$0	\$0	\$90,000	\$0	\$0
Public Works (726 W. 19th St)	\$100,000	\$0	\$0	\$0	\$100,000	\$0	\$100,000	\$0	\$0
MLK Community Center	\$1,420,000	\$0	\$545,000	\$0	\$875,000	\$0	\$1,240,000	\$180,000	\$0
Public Library	\$910,000	\$0	\$790,000	\$0	\$120,000	\$0	\$910,000	\$0	\$0
Aquatic Center	\$80,000	\$0	\$0	\$0	\$80,000	\$0	\$80,000	\$0	\$0
ARTS Center*	\$510,000	\$250,000	\$260,000	\$0	\$0	\$0	\$510,000	\$0	\$0
Camacho Recreation Center*	\$300,000	\$0	\$0	\$0	\$300,000	\$0	\$250,000	\$50,000	\$0
Casa de Salud Youth Center	\$490,000	\$0	\$120,000	\$0	\$370,000	\$0	\$400,000	\$90,000	\$0
El Toyon Park Recreation Center*	\$250,000	\$0	\$0	\$0	\$250,000	\$0	\$250,000	\$0	\$0
Kimball Park Recreation Center*	\$350,000	\$0	\$0	\$0	\$350,000	\$0	\$350,000	\$0	\$0
Kimball Senior Center*	\$260,000	\$0	\$45,000	\$0	\$215,000	\$0	\$85,000	\$0	\$175,000
Municipal Pool*	\$900,000	\$0	\$0	\$0	\$900,000	\$0	\$900,000	\$0	\$0
Granger Music Hall	\$30,000	\$0	\$0	\$0	\$30,000	\$0	\$30,000	\$0	\$0
Historic Train Depot	\$20,000	\$0	\$0	\$0	\$20,000	\$0	\$20,000	\$0	\$0
Kimball House	\$30,000	\$0	\$0	\$0	\$30,000	\$0	\$30,000	\$0	\$0
Stein Farm	\$380,000	\$0	\$0	\$0	\$380,000	\$0	\$380,000	\$0	\$0
El Toyon Park	\$1,500,000	\$500,000	\$0	\$0	\$1,000,000	\$0	\$1,500,000	\$0	\$0
Kimball Park	\$240,000	\$0	\$40,000	\$0	\$200,000	\$0	\$240,000	\$0	\$0
Las Palmas Park	\$1,470,000	\$700,000	\$70,000	\$0	\$700,000	\$0	\$1,470,000	\$0	\$0
Total*	\$15,030,000	\$1,450,000	\$5,460,000	\$0	\$8,120,000	\$0	\$13,765,000	\$1,090,000	\$175,000

¹ General Fund - funding available through prior City Council appropriations

² ESCO (Energy Savings Contract) - capital improvements funded up front, costs reimbursed over time through energy savings

* Total costs include funding for projects over next 20 years; need to complete additional ADA assessments

Historic and Cultural Assets

- Transferred to the City after the CDC-RDA Dissolution
- Need to complete new Maintenance and Operating Agreements (MOA) with Community Partners:
 - National City Historic Society (Kimball House & Museum)
 - San Diego Electric Railway Association (Historic Train Depot)
 - Stein Farm Family Trust (Stein Farm)
- Capital needs and funding will be addressed in the MOAs
- Cost estimates are based on maintaining current operations
- Granger Music Hall needs complete restoration (assessment underway)

Major Maintenance Summary		Funding Options				Project Prioritization			
Facilities, Parks & Recreation	Cost Estimate	General Fund		Grants	Other - TBD	Tier 1 (Ongoing)	Tier 2 (1-5 years)	Tier 3 (5-10 years)	Tier 4 (10+ years)
Granger Music Hall	\$30,000	\$0	\$0	\$0	\$30,000	\$0	\$30,000	\$0	\$0
Historic Train Depot	\$20,000	\$0	\$0	\$0	\$20,000	\$0	\$20,000	\$0	\$0
Kimball House	\$30,000	\$0	\$0	\$0	\$30,000	\$0	\$30,000	\$0	\$0
Stein Farm ¹	\$380,000	\$0	\$0	\$0	\$380,000	\$0	\$380,000	\$0	\$0
Total*	\$460,000	\$0	\$0	\$0	\$460,000	\$0	\$460,000	\$0	\$0

¹ \$300,000 cost estimate to replace barn

* Total costs include funding for projects over next 5 years to maintain current facility operations

Facilities, Parks & Recreation Needs Assessments

- Preliminary needs assessments for El Toyon and Las Palmas Parks are underway
 - Inventory / inspection of existing facilities
 - GIS-based data analysis
 - Public surveys
- Need to complete additional assessments to determine whether or not to expand existing facilities, or construct new facilities, to address present and future needs of the Community
- Future needs assessments:
 - Fire Dept Squad Substation at El Toyon Park
 - New Multi-Purpose Facility at El Toyon Park (FD Squad/Community Room/Computer Lab)
 - New Recreation Complex at Las Palmas Park

Facilities, Parks & Recreation Needs Assessments



Las Palmas Park
(Park footprint – 837,777 s.f.)

Primary Use	Area (square feet)
Ballfields	66,366
Camacho Recreation Center	12,523
Equipment Shed	482
Meter Room	16
Multipurpose Area	405,578
Restrooms/Storage	871
Municipal Pool - Concessions	388
Municipal Pool - Pool Facility	57,366
Parking	61,721
Restrooms	392
Tennis Courts	15,646
Tot Lot	5,818
Walkways	31,357

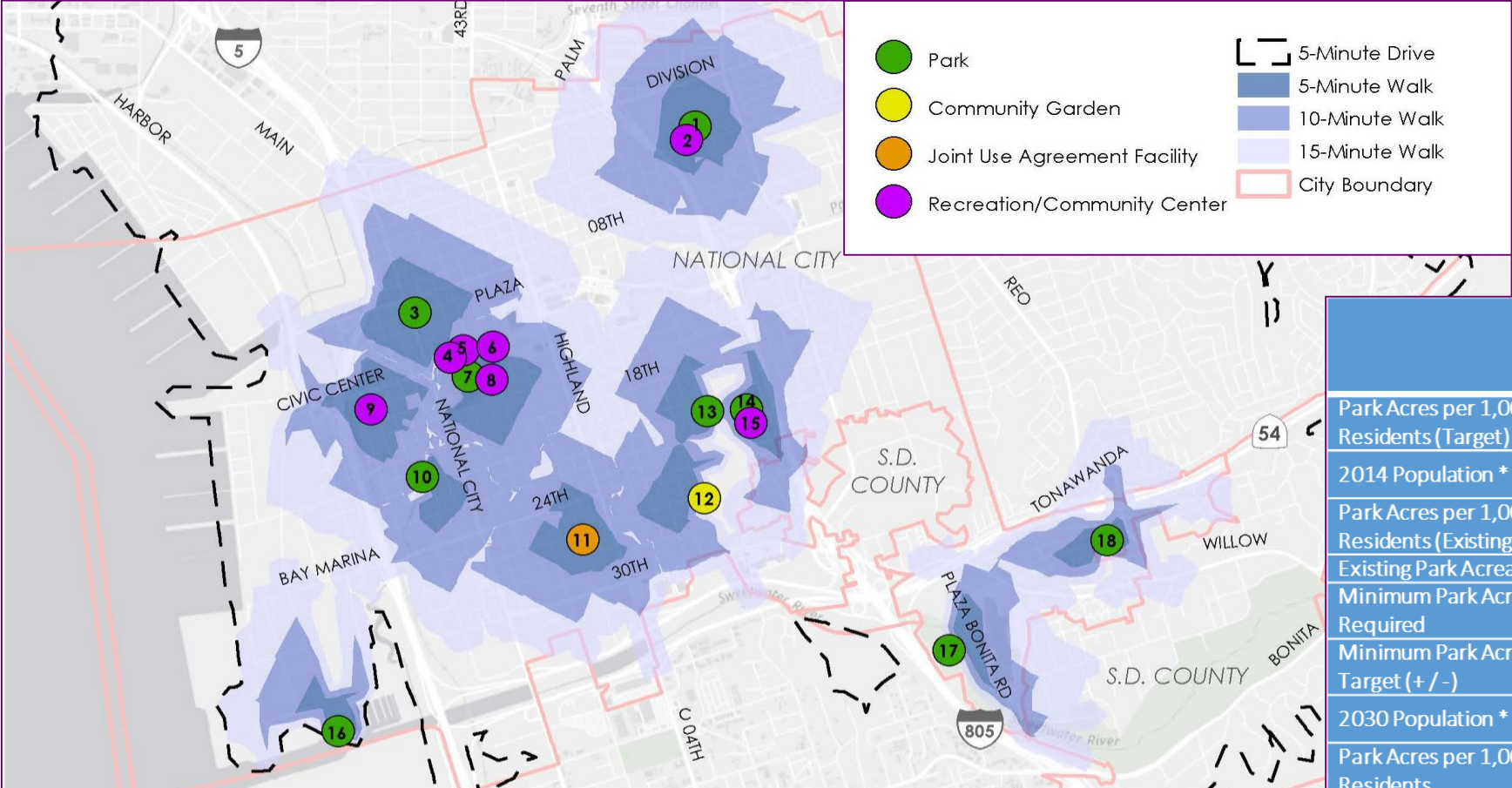
Facilities, Parks & Recreation Needs Assessments



El Toyon Park
(Park footprint – 1,045,381 s.f.)

Primary Use	Area (square feet)
Basketball Court	8,005
Bocce Court	1,005
El Toyon Recreation Center - Ceramics/Sewing	1,446
El Toyon Recreation Center - Community Room	3,170
El Toyon Recreation Center - Kiln Room	237
Equipment Building	1,138
Athletic Field	67,786
Multipurpose Area	317,756
Parking	69,799
Restrooms	671
Tennis Courts	25,789
Tot Lot	11,035
Utility Shed	560
Walkways	46,681

Facilities, Parks & Recreation Needs Assessments



- 1 El Toyon Park
- 2 El Toyon Recreation Center
- 3 Morgan Square
- 4 Martin Luther King, Jr. Community Center
- 5 Kimball Park Recreation Center
- 6 Kimball Senior Center
- 7 Kimball Park
- 8 Boys & Girls Clubs of Greater San Diego
- 9 Casa de Salud Recreation Center
- 10 Paradise Creek Educational Park
- 11 Sweetwater Union High School
- 12 Olivewood Gardens and Learning Center
- 13 Butterfly Park
- 14 Las Palmas Park
- 15 Camacho Recreation Center
- 16 Pepper Park/Boat Launch/Aquatic Center
- 17 Sweetwater Regional Park
- 18 Sweetwater Heights Park

	City of National City	County of San Diego	City of San Diego
Park Acres per 1,000 Residents (Target)	4.75	3.0	2.8
2014 Population *	58,302		
Park Acres per 1,000 Residents (Existing)	1.9		
Existing Park Acreage	111		
Minimum Park Acreage Required	276.9	174.9	163.2
Minimum Park Acreage Target (+ / -)	-165.9	-63.9	-52.2
2030 Population *	66,774		
Park Acres per 1,000 Residents	2.4		
Future Park Acreage (Golf Course Conversion & Paradise Creek Park)	159		
Minimum Park Acreage Required	317.2	200.3	187.0
Minimum Park Acreage Target (+ / -)	-158.2	-41.3	-28.0

* San Diego Association of Governments population data / forecasts

Facilities, Parks & Recreation Needs Assessments

	National City	Montebello (L.A. County)	Chula Vista	San Diego
Total Population	58,302	63,648	258,641	1,343,525
Median Income	\$41K	\$46K	\$65K	\$66K
Population density (per acre)	10.6	11.9	8.1	6.5
Park Acreage	163	84	2,531	45,392
Park land as % of city area	3%	2%	8%	22%
Dog Parks per 100,000 Residents	1.7	0	1.2	1.1
Playgrounds per 10,000	1.2	1.6	3.0	1.9
Recreation / Senior Centers per 20,000 Residents	1.4	3.5	0.7	1

	National City (per 50,000 residents)	Montebello (per 50,000 residents)
Tennis Courts	10.3	1.5
Basketball Courts	3.4	5.3
Baseball Fields	5.2	6.1
Multipurpose Fields	5.2	4.6
Skate Parks	0.9	0.8
Picnic Areas/Shelters	7.8	8.4
Playgrounds	6.0	7.6
Swimming Pools	0.9	1.5
Splash Pads	0.0	1.5
Dog Parks	0.9	0.0
Gymnasiums	0.9	0.8
Community/Rec Centers	2.6	8.4
Senior Centers	0.9	1.5

Vehicle Fleet Summary

- Current City fleet consists of over 200 vehicles and associated equipment, valued at over \$10 million
- Established Vehicle Replacement Reserve – combination of purchase and lease (internal service funds) for vehicle replacement and modernization
- Approximately 1/3 of fleet has been replaced/modernized since FY 2015
- Remainder of fleet will be replaced/modernized over the next 5 years





FUNDING OPTIONS FOR CAPITAL NEEDS ASSESSMENT

Overview

- Funding Sources
- Project Funding Options
 - Pay-as-you-Go
 - Project Financing
- Advantages/Disadvantages of Financing
- Matching Financial Resources to Capital Needs
- Policy Approach
- Fiscal Analysis

Funding Sources

- State/Federal Grants
- Regional Matching Funds
- Subsidized Loan Programs (State/Federal, Housing)

"Free / Subsidized Funds"

- General Fund Operating Surplus
- Enterprise Fund Net Revenues
- One-Time Revenue Windfalls

Existing Identified Revenues

City Reserves

- General Fund
- Enterprise Fund
- Transportation Funds
- Replacement Funds

Future Revenue Sources

- Increased Property Tax Base
- Residual Tax Increment (Successor Agency)
- Hotel/Sales Tax
- Voter-Approved Revenue Measures

Project Funding Options

“Pay as You Go”

- General Fund cannot support all capital needs
- Major Maintenance Reserves take a long time to build-up
- Heavily reliant on tax revenues and competitive grant awards

Fee Programs

- Development Impact Fees (DIFs)
- Sewer Enterprise Fund

Energy Savings Loans & Rebate Programs

- Energy Savings Contracts (ESCOs)
- Electric Vehicle Vouchers

Debt Issuance (Bonds)

- Ability to address major capital needs in a timely manner
- Variety of options

Project Funding Options

- “Pay-as-you-Go”
 - Projects funded once cash is identified and already received
 - Project only completed as funds are available
 - Typical funding approach for incremental repair projects or smaller capital projects
- Project Financing
 - Project funded from bond proceeds in an amount sufficient to cover entire project (typically more than what can be received in cash through budget process)
 - Financing can be used to meet “matching funds” commitment if higher than what is available through budget process
 - Repayment of Financing is made over extended period of time
 - Financing distributes the repayment obligation across future residents or rate payers that will benefit from project

Staff's ability to effectively manage a greater number and dollar amount of projects should also be considered

Financing Considerations

- Advantages

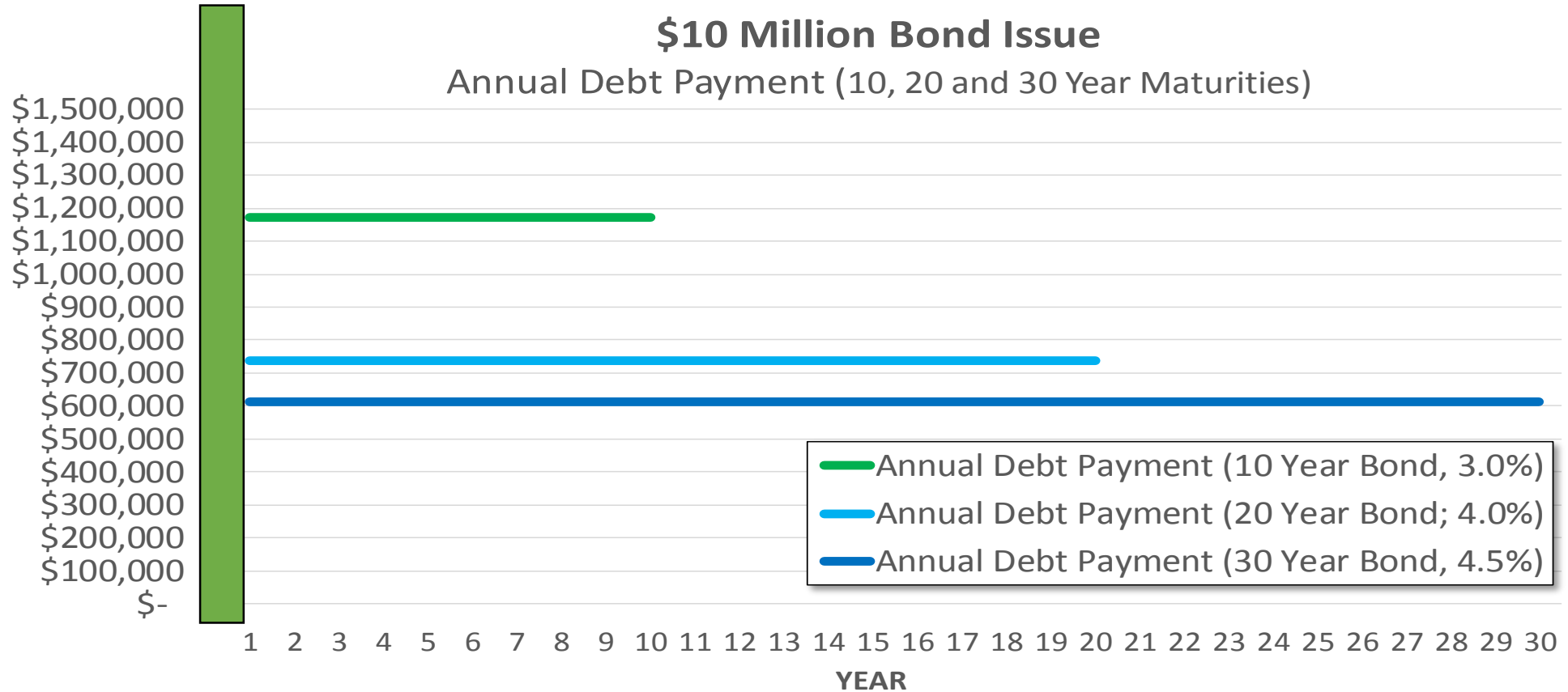
- Distributes Project Cost Across Longer Period of Time
- Locks In Project Cost – Avoids Inflation Risk
- Enables Quicker Project Delivery
- Cost of Capital May Be Lower in Current Market Conditions than Projected in Future

- Disadvantages

- Increases Project Cost (Financing Costs and Bond Interest)
- Obligates Future City Budgets To Make Debt Service Payments – May Reduce Ability to Fund Future Projects
- Overall Project Cost (including financing payments) Is Higher Than Pay-as-you-Go Approach (assuming no inflation)

Examples of Use of Financing

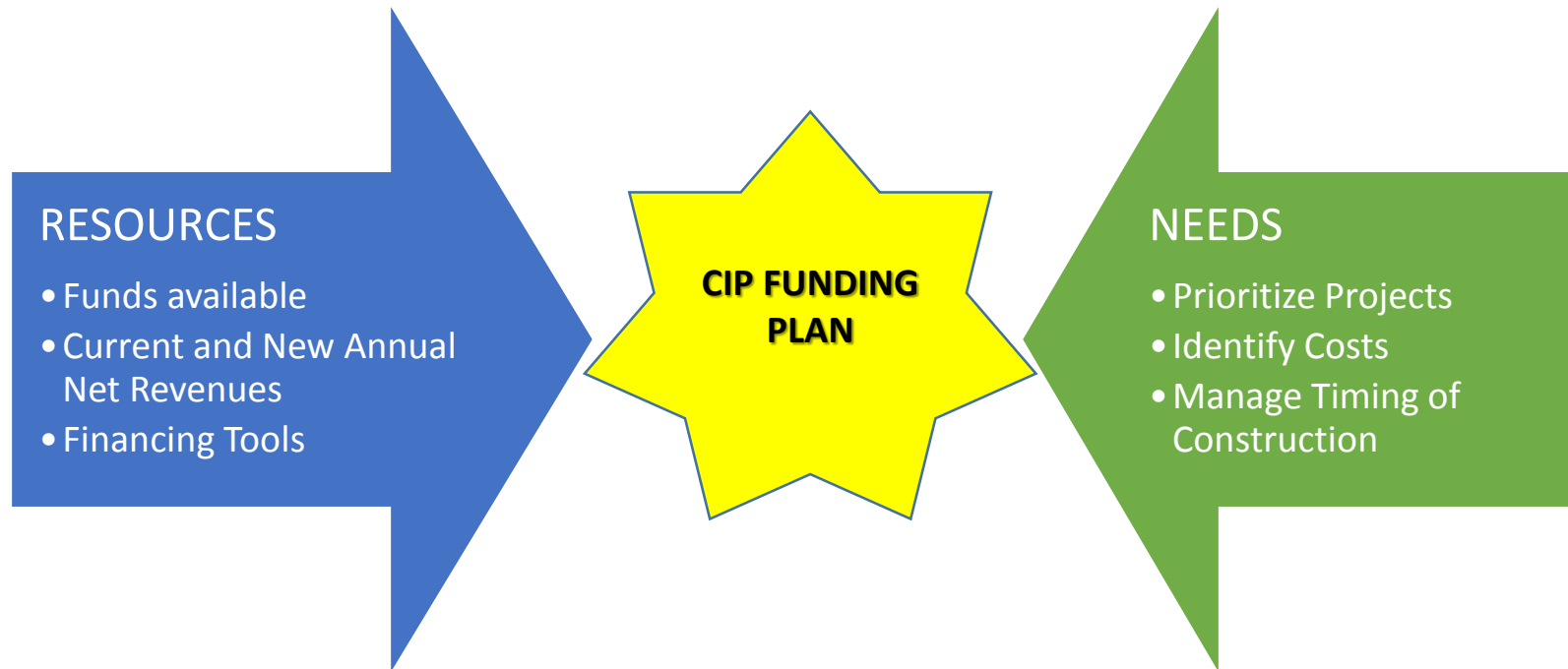
\$10M Project Fund from Bond



Types of Bonds/Revenue Sources

Payment Source	Funding Structure	Eligible Projects	Repayment	Voter Approval	Notes
City Funds	Lease/COP	Facilities, Parks, Infrastructure	General Fund	No	Police Station
City Funds	Sales Tax	Facilities, Parks, Infrastructure	Sales Tax Revenues	Yes Majority	Sunset date (2035)
City Funds	Utility	Water/Sewer	Utility Revenue	Prop 218	\$1M of net revenue (2016) could raise \$15M
Property Owners	General Obligation	Facilities, Parks, Infrastructure	Property Tax	Yes 2/3	Existing Library \$10M cost to average homeowner = \$59
Property Owners	Parcel Tax	Facilities, Parks, Infrastructure	Parcel Tax	Yes Majority	\$10M cost to property owner = \$61
Property Owners	CFD/AD	Facilities, Parks, Infrastructure	Special Tax/Assessment	Yes	Used for development-related improvements

Matching Needs and Resources



Policy Approach

1. Prioritize Capital Projects
2. Identify Funding Sources and Amounts
3. Calculate Gap/Shortfall
4. Develop Financing Strategy to Fund Gap
5. Assess Cash Flow/Budget Impact
6. Consider Other Needs such as Pension/OPEB
7. Implement Appropriate Strategy and Funding Solutions

Fiscal Analysis

- Develop 10-Year Operational Budget Analysis
 - Identified Recurring Revenue Sources
 - Projected Expenditures
 - Include Pension Payment Obligations and Non-Discretionary Capital Projects
 - Calculate Net Available Revenues
- Develop Funding Options Based on Identified Net Revenues
- Revenue Enhancement
 - Economic Development Opportunities
 - Public-Private Partnerships
 - Reduce expenditures where possible
 - Account for PERS changes/increases, put plan to address in place
 - Identify Cost Savings - enhance operational efficiencies, restructure high interest rate debt, eliminate subsidies

Next Steps

- Present preliminary budget to City Council on April 25, 2017 to include:
 - Balanced budget
 - Funding strategy for pension and OPEB
 - Funding plan for CIP
- Complete sewer analysis and fee study; present operating plan to make sewer fund sustainable
- Continue ongoing needs assessments
- Continue seeking grants and working on revenue enhancement (economic development)



Questions

Public Comment

Discussion and Direction

Glossary of Terms

Finance, Pension & Other Postemployment Benefits

(Actuarial) accrued liability – the present value of benefits earned through the date of valuation of a pension or OPEB plan

Actuarial gain or loss – the difference between the actuarial accrued liability at a valuation date, and the actuarial accrued liability that was previously projected to occur, due to assumptions made by the actuary not being met

Amortization – the process of reducing an unfunded pension or OPEB liability over a period according to a plan

Annual required contribution (ARC) (or actuarially determined contribution [ADC]) – the total contribution required by an employer to adequately fund its pension plan or OPEB plan; normal cost + unfunded liability contribution

Contribution Rate – the total required pension or OPEB contribution divided by total payroll for the year

Defined benefit – an employer-sponsored benefit plan, typically a pension or OPEB plan, where employee benefits are computed using a formula that considers factors, such as length of employment and salary history

Defined contribution – an employer-sponsored benefit plan where a certain amount or percentage of money is set aside each year for the benefit of each employee (Employees receive only their account balances.)

Discount rate – the rate of investment return assumed in discounting future pension or OPEB benefits owed to their present value

Irrevocable supplemental pension (or OPEB) trust (“irrevocable trust”) – a trust (plan) into which assets are deposited only for payment of a pension or OPEB liability

Normal cost – the employer cost of future pension or OPEB benefits accrued (i.e., earned by employees) in the current year

Other Postemployment Benefits (OPEB) – benefits (other than pensions) provided to retired employees, usually health care benefits.

Pay-as-you-go – paying pension or OPEB benefits to retirees as they come due, from the employer’s funds

Prefunding – investing money for pension or OPEB benefits in advance of the benefits coming due

Pension obligation bonds (POBs) – taxable bonds issued by a state or local government to pay its pension obligation

Present Value – the current value of a future sum of money or stream of cash flows given a specified rate of return (i.e., the discount rate) (If money equal to the present value is invested now and earns interest at the assumed rate, it will grow to exactly the right amount to pay the required future payments.)

Present value of all projected benefits (PVB) – the present value of all future expected benefit payments of a pension or OPEB plan at the date of valuation, based upon various (actuarial) assumptions

Public Employees' Pension Reform Act (PEPRA) – California legislation which became effective in January 2013, reducing pension benefits and limiting pensionable compensation for new public employees

Sales Tax Revenues – The sales and use taxes levied by the City on taxable sales transactions within the City which are collected by the State Board of Equalization and transmitted to the City periodically under Section 7204 of the Revenue and Taxation Code of the State of California, constituting the Bradley-Burns Uniform Local Sales and Use Tax Law.

Section 115 trust – a trust that is exempt from taxation under Section 115 of the Internal Revenue Code set up to benefit from the same tax-exempt status of the governmental employer who establishes and adopts the trust

Structural Deficit – Revenues less non-discretionary expenditures which typically include administration, operations, wages, mandatory capital replacement and depreciation.

Unfunded (actuarial) accrued liability (UAL/UAAL) / net pension liability – the difference between an actuarial accrued liability and the actuarial value of assets accumulated to finance that obligation; (actuarial) accrued liability (AL/AAL) minus any assets that have been irrevocably set aside to fund future benefits

Glossary of Terms

Capital Improvement Program and Funding Options

Bond – The issuance of debt by the City to fund capital projects and purchased by bondholders with the promise to make interest payments and principal repayment over time.

CREB – Clean and Renewable Energy Bond. A taxable municipal bond providing a “tax credit” to the purchaser of the bond. Tax credit portion of bond interest is submitted to issuer after each bond payment and is treated as credit against total bond debt service payment.

CIP – Capital Improvement Program. The identified short and long-term projects associated with facilities and services provided by the City.

Infrastructure – Capital projects including streets, curbs, gutters, utilities, treatment plants, storm drain systems and other critical components maintained by the City

ESCO – Energy Service Company engaged by the City to audit, design and implement energy efficiency measures and renewable energy projects. ESCO agreements typically include energy savings guarantee to provide assurance to the City that measures are economically beneficial or cash flow neutral to the City’s budget. ESCO serves as general contractor for project.

Facilities – Structures such as the City Hall, Fire Stations, Police Station, Treatment Plants, Park Buildings and other structures.

Financing Costs – The costs and expenses incurred in connection with the issuance and sale of bonds, including the initial fees and expenses of the Trustee, rating agency fees, fees and expenses of Bond Counsel and Disclosure Counsel, other legal fees and expenses relating to the approval of the Bonds, other related documents and certificates, and matters related thereto, costs of preparing the Bonds and printing the Official Statement, fees of financial consultants, bond insurance premium, if any, surety bond premium, if any, and other fees and expenses.

Major Maintenance – Deferred and/or Ongoing CIP projects that provide major maintenance and/or upgrades to existing infrastructure and /or facilities required to provide essential public services and maintain health and safety.

New Public Improvements – CIP projects that expand existing infrastructure and/or facilities, or construct new facilities, to address present and future needs of the community.

“Pay as you Go” – Defined as the funding of identified projects through the normal budget process and paid from available revenues without the need to borrow from any other source (internal or external).