

CITY OF YUBA CITY
STAFF REPORT

Date: May 5, 2020
To: Honorable Mayor & Members of the City Council
From: Finance/IT Department
Presentation By: Spencer Morrison, Finance Director

Summary

Subject: Forego Additional Discretionary Payment (ADP) to CalPERS to Pay Current Year General Fund Pension Costs

Recommendation: A. Adopt a Resolution approving the foregoing of an ADP of \$500,000 from the pension stabilization trust fund to CalPERS per approved Resolution No. 19-036, passed on June 4, 2019, and per discussion at the May 28, 2019 budget workshop.

B. Authorize the Finance Director to drawdown \$500,000 from the Section 115 pension stabilization trust fund for payments already submitted to CalPERS.

Fiscal Impact: The drawdown from the Trust of \$500,000 will decrease the Trust and increase the General Fund balance in the current fiscal year.

Purpose:

Authorization to release trust funds for payment of qualifying fiscal year 2019-2020 pension costs.

Background:

At the May 28, 2019 budget workshop (video: 2:13:00), City Council discussed the budget inclusion of \$500,000 in additional discretionary payments (ADP) to CalPERS from the City's general fund, Section 115 pension stabilization trust fund reserve (\$837,808 in total, citywide, including Water, Wastewater, Fleet and SASA). Staff was directed to leave this appropriation in the proposed operating budget, but to return to City Council for further direction prior to making an ADP to CalPERS pending discussions by the CalPERS Unfunded Liability Committee.

Analysis:

The proposed FY 2019-20 operating budget includes a general fund transfer of \$500,000 from the Trust towards making an additional discretionary payment (ADP) towards the Miscellaneous CalPERS Plan. In addition to the general fund contribution from the Trust, the City's other funds which have Miscellaneous CalPERS covered employees would participate in making an ADP as well. Their share would total \$337,808 for water, wastewater, fleet, and SASA departmental expenditures (for a total ADP of \$837,808).

By paying extra funds to CalPERS, the City will reduce the unfunded actuarial accrued liability (UAL) and save in future years' interest costs. Finance also saves retirement costs by pre-paying

the unfunded actuarial liability in July each year. CalPERS allows a discount by pre-paying the annual payment instead of making monthly payments equal to one-twelfth of the total amount owed for the year. Section 4 of the budget adoption resolution includes authorization for this ADP.

However, in light of the fiscal strain brought on by the current, COVID-19 response, staff is recommending drawing these funds from the trust to reimburse the City for pension expenses made in fiscal year 2019-2020. The Trust has a balance of \$2.89 million as of March 31, 2020.

Fiscal Impact:

A drawdown from the Trust of \$500,000 will decrease the Trust and increase the General Fund balance in the current fiscal year.

Alternatives:

- Authorize payment of the ADP from the Trust and reduce the City's unfunded liability.
- Do not authorize payment of the ADP and do not authorize a drawdown from the Trust.

Recommendation:

- A. Direct the Finance Director to forego an ADP of \$500,000 from the pension stabilization trust fund to CalPERS per approved Resolution No. 19-036, passed on June 4, 2019, and per discussion at the May 28, 2019 budget workshop.
- B. Authorize the Finance Director to drawdown \$500,000 from the Section 115 pension stabilization trust fund for payments already submitted to CalPERS.

Attachments:

1. Resolution to authorize Trust drawdown

Prepared By:

/s/ Spencer Morrison
Spencer Morrison
Finance Director

Submitted By:

/s/ Diana Langley
Diana Langley
Interim City Manager

Reviewed By:

City Attorney

[SLC by email](#)

ATTACHMENT 1

RESOLUTION NO. _____

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF YUBA CITY
APPROVING FORGOING ANNUAL ADP PAYMENT AND AUTHORIZING
USE OF PENSION STABILIZATION TRUST TO PAY CURRENT YEAR PENSIONS COSTS**

WHEREAS, Yuba City has established a Section 115 Pension Stabilization Trust fund (Trust) which has an approximate \$2.8 million; and

WHEREAS, Resolution no. 19-036 directed the Finance Director to make a \$500 thousand additional discretionary payment (ADP) from the Trust; and

WHEREAS, at the May 28, 2019 budget workshop, Council directed the Finance Director to hold the ADP payment pending the findings of the Council's CalPERS Unfunded Liability Committee, which had its last meeting in December, 2019; and

WHEREAS, the global, national, state and local economies have reached a state of crisis with the response to the COVID-19 virus; and

WHEREAS, the City Council desires to authorize the Finance Director to forego the ADP and rather use these funds to reimburse the General Fund \$500 thousand from the Trust for eligible pension expenditures in fiscal year 2019-2020.

NOW, THEREFORE, the City Council of the City of Yuba City resolves as follows:

1. The City directs that the \$500,000 budgeted by Resolution 19-036 not be expended for payment of ADP. Instead, the Finance Director is authorized and directed to reimburse the General Fund for \$500,000 from the Section 115 Pension Stabilization Trust fund for eligible pension expenditures in fiscal year 2019-2020. Resolution 19-036 is superseded to the extent it is inconsistent with this direction.

The foregoing Resolution was duly and regularly introduced, passed and adopted by the City Council of the City of Yuba City at a regular meeting thereof held on May 5, 2020 by the following vote:

AYES:

NOES:

ABSENT:

Shon Harris, Mayor

ATTEST:

Judy Sanchez, Deputy City Clerk

APPROVED AS TO FORM
COUNSEL FOR YUBA CITY

Shannon L. Chaffin, City Attorney
Aleshire & Wynder, LLP