

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
FROM: JAN MAZYCK, CHIEF FINANCIAL OFFICER, FINANCE
DEPARTMENT
SUBJECT: CALPERS UNFUNDED PENSION LIABILITY STRATEGIES

AGENDA ACTION: NO ACTION REQUIRED

RECOMMENDATION

The City Manager and Finance Department recommend that the City Council hold a Study Session to provide City Council the opportunity to receive information, ask questions, and provide direction to staff related to CalPERS Unfunded Pension Liability Strategies. No action is required.

EXECUTIVE SUMMARY

On July 20, 2021, staff gave a study session presentation on the potential for issuing Pension Obligation Bonds (POB) as part of a multi-pronged approach to addressing the City's structural deficit. A key driver of the structural deficit is the City's annual CalPERS unfunded actual liability (UAL) payment, which is scheduled to increase from \$30 million to \$42 million over the next 10 years, costing the City an additional \$110 million (i.e., above the \$30 million due this year) over the next 15 years. The Council asked staff to return with more information on potential strategies.

This presentation will inform the Council on some other approaches to the overall pension challenges, including the issuance of POBs given the scale of the liability challenge to be solved. Staff will look for Council direction to 1) proceed with the legal validation process; 2) assemble a financing team; 3) develop a pension funding policy.

BACKGROUND

Financing options to address the City's pension UAL is one of many options City staff is evaluating to address the budget deficit. This study session is intended as an opportunity for staff to provide strategies for potential financing alternatives to address the City's CalPERS UAL, with the primary focus on utilizing a POB refinancing, the potential benefits and risks to the City, and potential timelines to move forward.

PRIOR CITY COUNCIL REVIEW

July 20, 2021 – Study Session, “Potential Financing of the City’s Unfunded Actuarial Liability with Issuance of Pension Obligation Bonds.”

ANALYSIS

None.

FISCAL IMPACT

The study session, itself, does not create a fiscal impact for the organization.

ENVIRONMENTAL IMPACT

The proposed action is exempt from the provisions of the California Environmental Quality Act (CEQA) under CEQA Guidelines Section 15061(b)(3) and 15378 in that there is no possibility that the implementation of this action may have significant effects on the environment. No further environmental review is required.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

Not applicable.

NOTIFICATION

Not applicable.

ATTACHMENTS

None.

CONTACT

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