

City of Piedmont  
COUNCIL AGENDA REPORT

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DATE: March 19, 2018  
TO: Mayor and Council  
FROM: Paul Benoit, City Administrator  
SUBJECT: Approve FY 2016-17 Fund Transfers

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RECOMMENDATION

Approve transfers of \$2.0 million to a newly created Pension Rate Stabilization Fund and \$1.15 million to the Facilities Maintenance Fund.

BACKGROUND

In FY 2016-17, favorable revenue trends combined with savings from departments resulted in net income of approximately \$3.2 million in the General Fund. Specific revenue categories that exceeded the budget include real property transfer tax (+ \$722 K); secured property tax (+ \$445 K); supplemental property tax (+247 K); and ambulance service charges (+ \$166 K).

Real Property Transfer Tax is subject to fluctuations in the economic conditions, supplemental property taxes are realized with a change in assessed valuation of a property sold during the year, and ambulance service charges are dependent on calls for service during the fiscal year. Given the volatile nature of these revenues, it is prudent to appropriate such one-time saving to address the City's outstanding needs, such as facilities maintenance and future pension obligations.

In years that the City is fortunate enough to realize favorable revenue trends and expense savings it is prudent, even critical, that we continue the practice of investing in facility needs and addressing liabilities. For FY 2016-17, I recommend a transfer of \$3.15 million, which represents net income in excess of \$100,000, from the General Fund to a newly created Pension Rate Stabilization Fund and the Facilities Maintenance Fund in the proportion described below.

- **Pension Rate Stabilization Fund (\$2.0 million)** – In December of 2016, CalPERS announced it is lowering the discount rate, also known as the assumed rate of return, from 7.5% to 7.0% over a three year period beginning with FY 2017-18. This change will cause our annual contributions (normal cost) and our unfunded actuarial liability (UAL) to increase significantly. We engaged Bartel and Associates, an actuarial consultant, to quantify the effect of this change. In addition, they assisted us in preparing a cash flow analysis of our legacy Police & Fire Pension Fund and the OPEB Fund.

The annual cost of our pension contributions (normal cost plus required payments for the UAL) is projected to increase from 7.5% of revenue in FY 2017-18 to 14.5% of revenue in







CITY OF PIEDMONT															
LONG TERM PROJECTION															
		2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
<b>GENERAL FUND PROJECTION</b>															
	<b>Growth</b>														
Total Revenue	103.0%	28,214,840	28,315,000	29,219,000	30,157,000	31,133,000	32,148,000	33,202,000	34,300,001	35,440,002	36,625,003	37,723,753	38,855,466	40,021,130	41,221,764
<b>Expenses:</b>															
Payroll	103.0%	12,351,737	12,904,277	13,446,809	13,854,068	14,276,996	14,705,306	15,120,953	15,544,504	15,879,094	16,361,513	16,852,358	17,357,929	17,878,667	18,415,027
Benefits	105.0%	2,400,622	2,510,961	2,620,651	2,730,337	2,856,776	2,980,253	3,112,920	3,246,913	3,371,401	3,527,749	3,704,137	3,889,344	4,083,811	4,288,002
Other	103.0%	6,878,984	7,044,537	7,188,231	7,333,970	7,483,035	7,633,017	7,786,367	7,944,439	8,104,886	8,271,504	8,507,013	8,749,296	8,998,551	9,254,979
Oper. transfers	105.0%	1,517,923	1,563,949	1,260,764	135,000	135,000	135,000	135,000	135,000	135,000	135,000	141,750	148,838	156,279	164,093
Sub-total		23,149,267	24,023,724	24,516,455	24,053,375	24,751,808	25,453,576	26,155,241	26,870,856	27,490,381	28,295,767	29,205,258	30,145,407	31,117,308	32,122,101
Pension		2,683,695	3,109,665	3,533,306	4,002,300	4,406,157	4,807,282	5,094,105	5,415,720	5,697,294	5,953,863	6,133,955	6,223,870	6,331,537	6,490,763
Cost share		(563,210)	(743,981)	(921,140)	(893,336)	(881,104)	(907,537)	(873,417)	(857,759)	(754,954)	(743,666)	(686,142)	(647,610)	(533,814)	(499,844)
OPEB		565,000	662,000	753,000	834,000	941,000	1,043,000	1,117,000	1,169,000	1,257,000	1,349,000	1,394,000	1,494,000	1,540,000	625,000
Sub-total		2,685,485	3,027,684	3,365,166	3,942,964	4,466,052	4,942,745	5,337,688	5,726,961	6,199,340	6,559,196	6,841,813	7,070,259	7,337,723	6,615,919
CAP Transfers	102.0%	1,200,000	1,250,000	1,250,000	2,000,000	2,080,250	2,015,778	1,943,750	1,889,917	1,796,917	1,861,917	2,000,000	2,040,000	2,080,800	2,122,416
Total Expenditures		27,034,752	28,301,407	29,131,621	29,996,339	31,298,110	32,412,099	33,436,679	34,487,734	35,486,638	36,716,880	38,047,072	39,255,666	40,535,831	40,860,436
Revenue less Expenditures		1,180,088	13,593	87,379	160,661	(165,110)	(264,099)	(234,679)	(187,733)	(46,636)	(91,877)	(323,318)	(400,201)	(514,702)	361,328
<b>GENERAL FUND FLOW</b>															
Beginning GF Balance		5,918,000	5,931,593	5,268,972	5,429,633	5,264,522	5,369,561	5,599,499	5,830,869	6,161,156	6,295,718	6,285,720	6,448,272	6,551,318	7,657,777
PARS - In/(Out)		-	(750,000)			369,138	464,617	419,103	376,923	226,439	313,321	562,753	617,748	745,132	-
Ending GF Balance		5,918,000	5,181,593	5,268,972	5,429,633	5,633,660	5,834,178	6,018,602	6,207,792	6,387,595	6,609,038	6,848,473	7,066,020	7,296,450	7,657,777
Target GF Balance = 18% (% of Expenses)		4,866,255	5,094,253	5,243,692	5,399,341	5,633,660	5,834,178	6,018,602	6,207,792	6,387,595	6,609,038	6,848,473	7,066,020	7,296,450	7,354,878
<b>PARS FUND FLOW</b>															
<b>PARS Fund (Sec 115)</b>															
Beginning Balance		-	2,000,000	2,860,000	3,017,300	3,183,252	2,979,041	2,665,495	2,381,469	2,125,161	2,009,379	1,797,957	1,318,617	756,405	32,384
Contribution		2,000,000	750,000												
Withdrawal - To Gen. Fund						(369,138)	(464,617)	(419,103)	(376,923)	(226,439)	(313,321)	(562,753)	(617,748)	(745,132)	-
Investment Earnings			110,000	157,300	165,952	164,928	151,070	135,077	120,615	110,657	101,900	83,412	55,536	21,111	1,781
Ending Balance		2,000,000	2,860,000	3,017,300	3,183,252	2,979,041	2,665,495	2,381,469	2,125,161	2,009,379	1,797,957	1,318,617	756,405	32,384	34,165
Investment Return =	5.5%														
Cumulative Earnings Increase			80,000	194,400	315,092	442,422	561,584	668,204	763,462	848,469	928,844	1,000,762	1,053,507	1,083,763	1,085,058