Finance Committee – (2016)

Barbara Spector, Mayor
Steve Leonardis, Council Member

TOWN OF LOS GATOS
SPECIAL MEETING
TOWN COUNCIL FINANCE COMMITTEE

110 EAST MAIN STREET
COUNCIL CHAMBERS (DOWNSTAIRS)
April 28, 2016
3:00 p.m.

MEETING CALLED TO ORDER

ROLL CALL

VERBAL COMMUNICATIONS *(Members of the public may address the Finance Committee on any matter that is not listed on the agenda. Unless additional time is authorized remarks shall be limited to three minutes.)*

TOWN COUNCIL FINANCE COMMITTEE AGENDA ITEMS

1. Approval of January 22, 2016 Council Finance Committee Meeting Minutes
2. Options to Address Unfunded Liabilities
3. Evaluation of the California Policy Center's report entitled "California City Pension Burdens"

Enclosures
1. February 22, 2016 Finance Committee Meeting Minutes (Item 1)
2. January 22, 2016 Finance Committee Final Minutes (Item 1)
3. Options to Address Unfunded Liabilities Staff Report (Item 2)
4. Evaluation of the California Policy Center's report titled "California City Pension Burdens" (Item 3)

ADJOURNMENT

cc: Post (*also posted on Town Web*)
Town Council

IN COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT, IF YOU NEED SPECIAL ASSISTANCE TO PARTICIPATE IN THIS MEETING, PLEASE CONTACT THE CLERK DEPARTMENT AT (408) 354-6834. NOTIFICATION 48 HOURS BEFORE THE MEETING WILL ENABLE THE TOWN TO MAKE REASONABLE ARRANGEMENTS TO ENSURE ACCESSIBILITY TO THIS MEETING [28 CFR §35.102-35.104]

DRAFT

TOWN OF LOS GATOS
COUNCIL FINANCE COMMITTEE
February 18, 2016, 2:30 p.m.

110 E. Main Street
Town Council Chambers
Los Gatos, California

ACTION MINUTES

Call to Order
The Council Finance Committee meeting was called to order at 2:30 p.m.

Members and Staff present:
Mayor Barbara Spector
Council Member Steve Leonardis
Laurel Prevetti, Town Manager
Jennifer Callaway, Assistant Town Manager
Stephen Conway, Finance & Administrative Services Director
Gitta Ungvari, Finance Administrative Analyst
Sheldon Chavan, Town Independent Financial Auditor
David Clement, California Public Employees' Retirement System Actuary (by phone)

Verbal Communications
None.

Agenda Items

1. Approval of January 22, 2016 Council Finance Committee Meeting Minutes

The January 22, 2016 Council Finance Committee meeting minutes are approved with a correction. (Attachment 2).

2. Review and Accept the Fiscal Year (FY) 2014/15 Comprehensive Annual Financial Report (CAFR)

Committee members reviewed and discussed the information contained in the staff report and CAFR. Stephen Conway and Sheldon Chavan provided responses to Committee members' questions.

Motion by **Council Member Leonardis** to accept the Fiscal Year (FY) 2014/15 Comprehensive Annual Financial Report (CAFR) **Seconded** by **Mayor Spector**.

Motion passed unanimously.

3. Options to Address Unfunded Liabilities

The Committee reviewed and discussed the information contained in the staff report. David Clement, Stephen Conway and Jennifer Callaway provided answers to the Committee members' questions.

The Committee requested staff to return to the next Finance Committee meeting (before the FY 2016/17 budget presentation) recommending strategies to address paying down a portion of the unfunded liabilities. Committee members anticipate having a full Council discussion on this matter at the time of the FY 2016/17 budget discussion.

Meeting adjourned at 3:35 p.m.

FINAL

TOWN OF LOS GATOS
COUNCIL FINANCE COMMITTEE
January 22, 2016, 11:00 a.m.

110 E. Main Street
Town Council Chambers
Los Gatos, California

ACTION MINUTES

Call to Order
The Council Finance Committee meeting was called to order at 11:00 a.m.

Members and Staff present:
Mayor Barbara Spector
Council Member Steve Leonardis
Laurel Prevetti, Town Manager
Jennifer Callaway, Assistant Town Manager
Gitta Ungvari, Finance Administrative Analyst
Stephen Conway, Finance & Administrative Services Director (by phone)

Verbal Communications
None.

Agenda Items

1. Approval of December 21, 2015 Council Finance Committee Meeting Minutes

The December 21, 2015 Council Finance Committee meeting minutes are approved with a correction and clarification (Attachment 2).

2. Discussion of Finance Committee questions and staff's response

The Committee acknowledged the good staff report and discussed the Finance Department responses with the intent of looking into scenarios to pay off or partially pay off the Town's unfunded pension liabilities. The Committee intends to report to the whole Council before the FY 2016/17 budget discussion.

Stephen Conway summarized that the Town's unfunded liability amount is determined by a combination of factors, including market returns and actuarial assumption changes that are not analogous to a mortgage. Even if the Town pays off its unfunded liability at a certain point of time, the liability might come back in future years. There is also a

possibility that the market can correct itself and the Town's unfunded liability ratio might change favorably.

Mayor Barbara Spector expressed that it would be wise to establish a process to pay down the Town's unfunded pension liability.

Councilmember Steve Leonardis expressed interest in the effect of an accelerated payment schedule on the balance of unfunded liabilities.

Stephen Conway explained that the Council's recent action saved on CalPERS costs. Specifically, the Town paid the safety plan Fiscal Year (FY) 2015/16 required contribution as a lump sum amount instead of a monthly payment to save interest costs. There is no excess reserve available for another lump sum payment at this time since all of the excess funds from the Revenue Stabilization and Catastrophic Reserves (required to have 25% of the operating expenditures) and available Internal Service Fund Reserves were appropriated to the Almond Grove Street Rehabilitation Reserve.

Mayor Barbara Spector expressed interest finding other funding sources available for unfunded pension liability pay off.

Stephen Conway explained that the Council can choose to temporally lower the 25% required funding level of the Revenue Stabilization and Catastrophic Reserves to 15% of operating expenditures to free up funding for a one-time payment toward unfunded liability.

Both Committee members expressed interest in real world scenarios for extra payments and saving options for the Town's unfunded liability.

Stephen Conway confirmed that staff will follow up with CalPERS to run scenarios for accelerated payments options and potential savings, and will report back to the Finance Committee within one and a half months, depending on the timeliness of CalPERS' response.

Councilmember Steve Leonardis discussed other potential future revenue sources such as income from rental properties or sales of surplus property, and a potential User Utility Tax (UUT) and an increased Transient Occupancy Tax (TOT).

Stephen Conway explained that Netflix sales tax revenue is decreasing since the company changed the business model from a traditional retail to internet commerce.

Councilmember Steve Leonardis asked how we can replace the decreasing sales tax revenues.

Stephen Conway explained that the action of reclassifying Netflix from a retail business category to an e-commerce business category generated a significantly higher business license tax payment to the Town. However, according to recent trends, consumers are

more reliant on on-line retail versus local mortar and brick shopping. The Town and its Sales Tax Advisor (Muniservices) are closely monitoring pending legislation on internet commerce taxation.

Jennifer Callaway noted that at the time of the FY 2015/16 mid-year budget discussion, staff will bring forward the FY 2014/15 audited fiscal year and savings amount of approximately $5 million. Out of the $5 million, $2.7 million is already programmed for the Almond Grove Street Rehabilitation Reserve and other approved one-time funding needs. A portion of the balance could be used to pay down unfunded liabilities per Council discretion.

The next Finance Committee meeting is scheduled for the week of February 15, 2016,at which time the Committee will consider the Comprehensive Annual Financial Report and continue its discussion of unfunded liabilities if CalPERS data are available by that time.

Meeting adjourned at 12:02 p.m.

MEETING DATE: 04/28/16
ITEM NO:

DATE: April 27, 2016

TO: FINANCE COMMITTEE

FROM: LAUREL PREVETTI, TOWN MANAGER

SUBJECT: OPTIONS TO ADDRESS UNFUNDED LIABILITIES

BACKGROUND:

On January 22, 2016, the Finance Committee discussed the Town's unfunded liabilities with respect to retirement benefits. During this discussion the Finance Committee asked Town staff to return to the Committee with various pay off options for the pension-related unfunded liability. The Town's pension unfunded liability as of June 30, 2015 was $35 million.

On February 18, 2016, staff presented various pay off options to the Finance Committee review including:

- Status Quo
- Fresh Start
- Additional Lump Sum Contributions

The Committee requested that these options be provided to Council for its consideration during the 2016/17 budget discussion.

DISCUSSION:

Based on continued discussion with the Town's California Public Employees Retirement System (CalPERS) actuary and the fiscal year 2016/17 updated forecast, staff has further revised the original three options for the Finance Committee's consideration and has added a fourth option of a combined fresh start/lump sum payment. This new option is staff's recommendation and would involve the establishment of a General Fund PERS Reserve account to match required payment fluctuations.

PREPARED BY: STEPHEN CONWAY
Director of Finance & Administrative Services

Reviewed by: _____Assistant Town Manager _____Town Attorney _____Finance

DISCUSSION: (*Continued*)

Option 1: Status Quo

The status quo option essentially continues gradually to pay down the unfunded liability with the existing rates that CalPERS is charging the Town. Under this option, the pay off duration is estimated to be thirty years. As previously discussed, the rates and pay off duration will fluctuate based on market conditions.

The Town's current funding approach utilizes the status quo amortization schedule referred to as the "Five-Year Ramp Up/Down-Direct Rate Smoothing" policy which provides the minimum Town contribution required by CalPERS and includes a graduated payment increase to allow employers to absorb the change more smoothly. Unfortunately, this policy inevitably costs more in the long-run because the required annual payment does not cover the full interest accrual in the early years and any shortfall in payment of interest is added to the principal balance.

Option 2: Fresh Start

The Town's second option is to make a fresh start. A fresh start is a CalPERS term for re-amortizing the current unfunded liability over a shorter period of time. There are two fresh start choices described below, one for a 20-year fresh start and the second for a 15-year fresh start. Staff notes that future actuarial valuations could create new "unfunded" liabilities that will not be addressed by the fresh start option.

Table 1 below summarizes the savings for a 20-year fresh start. These are provided as estimates only as the payments under a fresh start are expected to increase by a flat 3% each year. The Town could commit to a 20-year fresh start, amortizing the Town's liability over a 20-year period. Under this scenario, the Town's estimated fiscal year 2016/17 (FY 16/17) contribution would increase by approximately $400,000 and the Town would save an estimated $2.6 million over the 20-year period.

Table 1: 20-year Fresh Start (Estimate)*

	Currrent Required Contribution	New Contribution Amount to Reduce to a 20-year Pay Down Period	Increased Town Contribution	20 -Year Projected Savings
Safety	$ 755,232	$ 1,023,864	$ 268,632	$ 1,292,006
Miscellanious	$ 1,487,193	$ 1,631,812	$ 144,619	$ 1,356,580
Total	$ 2,242,425	$ 2,655,676	$ 413,251	$ 2,648,586

*Payment will increase by 3% for each year into the future.

DISCUSSION: (*Continued*)

Alternatively, as illustrated in Table 2 below, the Town could commit to a 15-year fresh start, amortizing the Town's liability over a 15-year period. Under this scenario, the Town's estimated FY 16/17 contribution would increase by approximately $1 million and the Town would save approximately $14.0 million over the 15-year period.

Table 2: 15-year Fresh Start (Estimate)*

	Current Required Contribution	New Contribution Amount to Reduce to a 30-year Pay Down Period	Increased Town Contribution	30 -Year Projected Savings
Safety	$ 755,232	$ 1,243,051	$ 487,819	$ 8,292,200
Miscellanious	$ 1,487,193	$ 1,981,148	$ 493,955	$ 5,748,780
Total	$ 2,242,425	$ 3,224,199	$ 981,774	$ 14,040,980

* Payment will increase by 3% for each year into the future.

Based on the Town's financial projections at this time, an annual expenditure increase ranging from $400,000 to $1 million does not appear sustainable over the 20- or 15-year periods of these two choices.

Option 3: Additional Lump Sum Contributions

Alternatively, the Town could chose to make lump sum payments above the existing required contributions when resources are available to do so. The advantage of the lump sum option is that the Town can leave its payment obligation status quo, but can opt to make annual payments when budget circumstances are favorable.

Although not exactly similar, the lump sum approach is much like a homeowner choosing to retain a 30-year mortgage (with an associated 30-year required lower and perhaps affordable monthly payment) instead of refinancing the mortgage to 15 years (with an obligation to make higher monthly payments which may not be affordable). The homeowner must make the required monthly payments, but has the option of using any extra dollars each month to make additional principal payments, thereby reducing total interests costs for the loan.

Lump sum contributions could be a one-time payment or multiple one-time payments throughout the term depending on the Council preference and available resources. Assuming the Town experiences $1 million in year-end savings (excess revenues over expenditures), with a change in the Council's reserve policy a portion of that money could be allocated to lump-sum payments towards the Town's liability. A few alternatives are identified in Table 3 below (all assume a level percent); however, there are multiple choices with respect to an amount to contribute towards these liabilities.

DISCUSSION: (*Continued*)

Table 3: Additional Lump Sum Contributions (Estimate)

	Status Quo	$750,000 Additional Contribution	$500,000 Additional Contributions	$1 Million Additional Contribution + Accelerated Payments
Lump-Sum Amount (additional payment beyond required contribution)	$ -	$ 750,000	$ 500,000	$1,000,000 (year 1) plus $500,000 for 5 additional years
Number of Years	0	5	5	6
Total Additional Contribution	$ -	$ 3,750,000	$ 2,500,000	$ 3,500,000
Projected Savings from Status Quo	**$ -**	**$ 13,784,492**	**$ 10,332,328**	**$ 12,453,428**
Length of Pay-off (in years)	29	20	23	21

*Projected savings from status quo is net of the additional contributions.

Alternatively, Council could elect to make one additional lump sum contribution as illustrated in Table 4 below:

Table 4: One Large Additional Lump Sum Payment (Estimate)

	$3 million Additional Contribution
Lump-Sum Amount (additional payment beyond required contribution)	$ 3,000,000
Number of Years	1
Total Additional Contribution	$ 3,000,000
Projected Savings from Status Quo	**$ 5,555,709**
Length of Pay-off (in years)	29

*Projected savings from status quo is net of the additional contributions.

With one large lump sum contribution in FY 16/17 of $3.0 million, the Town is projected to save an estimated $5.5 million and reduce the pay off period by ten years. The City of Saratoga chose the single lump sum approach to address unfunded liabilities.

Option 4: Establish a General Fund Reserve to Fund a 20-Year Fresh Start with Additional Lump Sum Options (Recommended)

In discussions with CalPERS, staff confirmed that one option is to combine a fresh start with a lump-sum contribution. The lump sum payment would be recommended to be made from a newly established General Fund PERS Reserve. This option provides the benefit of savings that accumulate from a fresh start option because the amortization period will shorten from an average of 30 years to 20 years and the newly established General Fund PERS Reserve are expected to be available to help fund the higher initial annual payments required as a result of the 20-year fresh start. As we have discussed with the Committee, unlike a fixed mortgage, the PERS unfunded

DISCUSSION: (*Continued*)

liability is not a fixed principal balance and the liability changes from valuation period to valuation period. CalPERS completes a new "base year" valuation of the liability every two years and the liability can change due to market gains and losses, changes in benefits, and changes in actuarial assumptions.

Staff recommends that separate lump sum payments be made to the Town's miscellaneous and safety plans. This recommendation is based upon further discussions with the Town's PERS actuary who confirmed that there are different risks associated with payments to either plan. The Town's miscellaneous plan is a distinct and separate accumulation of funds set aside for miscellaneous employees and has a separate calculation of unfunded liabilities associated with the Town's miscellaneous employees. The safety plan is pooled (agencies with less than 100 safety employees were moved to risk pools in state legislation), therefore adverse impacts to the pool will reduce all pool members share of assets including any lump sum payments regardless of whether the adverse impacts were associated with the Town's employees or not. All losses and gains resulting from any pension possibility are shared with all pool members in determining a pension base valuation. An advantage of the miscellaneous plan is that it does not share its gains with other pool members; however, during bad investment years, the Town's miscellaneous plan must absorb the losses with no sharing of losses with other agencies.

A General Fund PERS Reserve account can be established from currently available FY 2014/15 year-end savings up to an amount of $2,500,000 and can be augmented by future annual commitments from fiscal year-end savings. Establishing such a PERS reserve would require Council action to change the current reserve policy which dictates that all savings to be placed in the capital reserves.

Establishing a dedicated Reserve would enable the Town to

- Match required payment fluctuations based on change in actuarial assumptions and experience gains or losses.
- Provide funding sources for higher payments required under a fresh start program. This option can provide significant savings, paying off the unfunded liability in 20 years instead of 30 years. Based on the Town's current financial projections, an annual expenditure increase associated with any fresh start option does not appear sustainable over the amortization periods of either the 15 or 20 year options without a dedicated reserve to fund the payment differences over time.

Three different funding scenarios using this option are summarized below in Table 5. Additional information for the different scenarios is provided as Attachments 1, 2, and 3 to this staff report.

DISCUSSION: (*Continued*)

Table 5: Establishing a General Fund Reserve to Fund a 20-Year Fresh Start with additional Lump Sum Options (Estimates)

Scenarios	Initial Reserve	Additional Annual Payment to PERS Reserve	Additional Payment to Misc Plan	Additional Payment to Safety Plan	Estimated Savings	Net Present Value of Estimated Savings
A.	$ 2,500,000	$ 300,000	$ -	$ -	$ 2,648,587	$ 1,466,458
B.	$ 1,500,000	$ 300,000	$ 500,000	$ 500,000	$ 3,677,446	$ 2,036,113
C.	$ 500,000	$ 300,000	$ 1,000,000	$ 1,000,000	$ 4,706,305	$ 2,605,767

The last valuation was done as of June 2014, and a new valuation will be completed and available to staff in December 2016. Upon direction from the Finance Committee and Council, staff can explore with PERS the best timing options for implementing a fresh start program and making any lump sum payments. Regardless of timing, no fresh start/lump sum strategy is viable without establishing the General Fund PERS Reserve. As mentioned above, up to $2.5 million from FY 2014/15 savings could be used to establish the initial reserve amount.

Assuming a General Fund reserve has been established, staff believes there are two best alternatives as discussed below:

- Requesting a fresh start effective July 1, 2016 and making a lump sum payment of an amount yet to be determined based upon Council direction.
- Requesting a fresh start effective January 1, 2017 and making a lump sum payment of an amount yet to be determined based upon Council direction which will be after the new valuation is complete so that a more clear understanding of the current unfunded liability and required payments is known so that savings can be more accurately determined.

CONCLUSION:

All of the estimates provided above are only projections at this point in time. There are many variables and factors that determine rates and cost savings. With specific direction from the Committee and the Council on which option to pursue, staff will continue to refine the payoff projections and cost savings.

Staff requests that the Finance Committee provide policy direction related to the proposed funding options and the establishment of a General Fund PERS Reserve.

Attachments:

1. Option 4/Scenario A
2. Option 4/Scenario B
3. Option 4/Scenario C

Scenario A

Fiscal Year	Total Payment	Total Payment	Payment Variance	Initial Amount/Additional Annual Payment to PERS Reserve	Fiscal Year Adjustment for the PERS Saving Reserve (Assuming $2,500,000 Initial Payment and $300,000 Additional Annual Payment from FY End Savings)	Accumulated PERS Reserve Balance (Estimated)**	Additional Payment to Misc Plan	Additional Payment to Safety Plan	Additional Annual Payment
	Status Quo	20-Year Fresh Start	20-Year Fresh Start As Compared to Status Quo Increased Cost (Decreased Cost)						
FY2015/16					$ 2,500,000		$ -	$ -	$ 300,000
FY 2016/17	$ 2,242,425	$ 2,655,676	$ 413,250	$ 300,000	$ (113,250)	$ 2,386,750			
FY 2017/18	$ 2,538,305	$ 2,735,346	$ 197,041	$ 300,000	$ 102,959	$ 2,489,708			
FY 2018/19	$ 2,849,919	$ 2,817,407	$ (32,513)	$ 300,000	$ 332,513	$ 2,822,221			
FY 2019/20	$ 3,177,946	$ 2,901,929	$ (276,017)	$ 300,000	$ 576,017	$ 3,398,238			
FY 2020/21	$ 3,246,386	$ 2,988,987	$ (257,400)	$ 300,000	$ 557,400	$ 3,955,638			
FY 2021/22	$ 3,343,778	$ 3,078,656	$ (265,122)	$ 300,000	$ 565,122	$ 4,520,760			
FY 2022/23	$ 3,444,091	$ 3,171,016	$ (273,075)	$ 300,000	$ 573,075	$ 5,093,835			
FY 2023/24	$ 3,547,414	$ 3,266,146	$ (281,268)	$ 300,000	$ 581,268	$ 5,675,103			
FY 2024/25	$ 3,653,836	$ 3,364,131	$ (289,706)	$ 300,000	$ 589,706	$ 6,264,809			
FY 2025/26	$ 3,425,230	$ 3,465,055	$ 39,824	$ 300,000	$ 260,176	$ 6,524,984			
FY 2026/27	$ 3,557,460	$ 3,569,006	$ 11,546	$ 300,000	$ 288,454	$ 6,813,438			
FY 2027/28	$ 3,664,184	$ 3,676,076	$ 11,893	$ 300,000	$ 288,107	$ 7,101,545			
FY 2028/29	$ 3,510,164	$ 3,786,359	$ 276,194	$ 300,000	$ 23,806	$ 7,125,351			
FY 2029/30	$ 3,615,469	$ 3,899,950	$ 284,480	$ 300,000	$ 15,520	$ 7,140,871			
FY 2030/31	$ 3,723,933	$ 4,016,948	$ 293,015	$ 300,000	$ 6,985	$ 7,147,856			
FY 2031/32	$ 3,461,123	$ 4,137,456	$ 676,333	$ 300,000	$ (376,333)	$ 6,771,523			
FY 2032/33	$ 3,312,102	$ 4,261,580	$ 949,478	$ 300,000	$ (649,478)	$ 6,122,045			
FY 2033/34	$ 2,910,293	$ 4,389,428	$ 1,479,135	$ 300,000	$ (1,179,135)	$ 4,942,910			
FY 2034/35	$ 2,729,348	$ 4,521,110	$ 1,791,762	$ 300,000	$ (1,491,762)	$ 3,451,148			
FY 2035/36	$ 2,534,927	$ 4,656,744	$ 2,121,817	$ 300,000	$ (1,821,817)	$ 1,629,331			
FY 2036/37	$ 2,326,385			$ 300,000	$ 300,000	$ 1,929,331			
FY 2037/38	$ 1,388,509			$ 300,000	$ 300,000	$ 2,229,331			
FY 2038/39	$ 1,430,164			$ 300,000	$ 300,000	$ 2,529,331			
FY 2039/40	$ 1,473,069			$ 300,000	$ 300,000	$ 2,829,331			
FY 2040/41	$ 1,517,261			$ 300,000	$ 300,000	$ 3,129,331			
FY 2041/42	$ 758,851			$ 300,000	$ 300,000	$ 3,429,331			
FY 2042/43	$ 399,513			$ 300,000	$ 300,000	$ 3,729,331			
FY 2043/44	$ 155,457			$ 300,000	$ 300,000	$ 4,029,331			
FY 2044/45	$ (267,897)			$ 300,000	$ 300,000	$ 4,329,331			
FY 2045/46	$ (427,644)			$ 300,000	$ 300,000	$ 4,629,331			
Total Payment*	$ 73,937,544	$ 71,359,005							

** Total Payment does not include negative payment estimates*

*** Accumulated PERS Reserve balance assumes $300,000 additional annual contribution and saving when available compared to the Status Quo option*

SAVINGS	**2,648,587**

Net Present Value of Savings	**$1,466,458**

ATTACHMENT 1

Scenario B

Fiscal Year	Total Payment	Total Payment	Payment Variance	Initial Amount/Additional Annual Payment to PERS Reserve	Fiscal Year Adjustment for the PERS Saving Reserve (Assuming $2,500,000 Initial Payment and $300,000 Additional Annual Payment from FY End Savings)	Accumulated PERS Reserve Balance (Estimated)**	Additional Payment to Misc Plan	Additional Payment to Safety Plan	Additional Annual Payment
	Status Quo	20-Year Fresh Start	20-Year Fresh Start As Compared to Status Quo Increased Cost (Decreased Cost)						
FY2015/16					$ 1,500,000		$ 500,000	$ 500,000	$ 300,000
FY 2016/17	$ 2,242,425	$ 2,580,170	$ 337,745	$ 300,000	$ (37,745)	$ 1,462,255			
FY 2017/18	$ 2,538,305	$ 2,657,576	$ 119,271	$ 300,000	$ 180,729	$ 1,642,984			
FY 2018/19	$ 2,849,919	$ 2,737,303	$ (112,616)	$ 300,000	$ 412,616	$ 2,055,601			
FY 2019/20	$ 3,177,946	$ 2,819,422	$ (358,524)	$ 300,000	$ 658,524	$ 2,714,125			
FY 2020/21	$ 3,246,386	$ 2,904,005	$ (342,382)	$ 300,000	$ 642,382	$ 3,356,507			
FY 2021/22	$ 3,343,778	$ 2,991,125	$ (352,653)	$ 300,000	$ 652,653	$ 4,009,160			
FY 2022/23	$ 3,444,091	$ 3,080,858	$ (363,233)	$ 300,000	$ 663,233	$ 4,672,393			
FY 2023/24	$ 3,547,414	$ 3,173,284	$ (374,130)	$ 300,000	$ 674,130	$ 5,346,523			
FY 2024/25	$ 3,653,836	$ 3,268,483	$ (385,354)	$ 300,000	$ 685,354	$ 6,031,876			
FY 2025/26	$ 3,425,230	$ 3,366,537	$ (58,693)	$ 300,000	$ 358,693	$ 6,390,569			
FY 2026/27	$ 3,557,460	$ 3,467,533	$ (89,927)	$ 300,000	$ 389,927	$ 6,780,496			
FY 2027/28	$ 3,664,184	$ 3,571,559	$ (92,624)	$ 300,000	$ 392,624	$ 7,173,121			
FY 2028/29	$ 3,510,164	$ 3,678,706	$ 168,542	$ 300,000	$ 131,458	$ 7,304,579			
FY 2029/30	$ 3,615,469	$ 3,789,067	$ 173,598	$ 300,000	$ 126,402	$ 7,430,981			
FY 2030/31	$ 3,723,933	$ 3,902,739	$ 178,806	$ 300,000	$ 121,194	$ 7,552,175			
FY 2031/32	$ 3,461,123	$ 4,019,821	$ 558,698	$ 300,000	$ (258,698)	$ 7,293,477			
FY 2032/33	$ 3,312,102	$ 4,140,416	$ 828,314	$ 300,000	$ (528,314)	$ 6,765,163			
FY 2033/34	$ 2,910,293	$ 4,264,629	$ 1,354,336	$ 300,000	$ (1,054,336)	$ 5,710,827			
FY 2034/35	$ 2,729,348	$ 4,392,567	$ 1,663,219	$ 300,000	$ (1,363,219)	$ 4,347,608			
FY 2035/36	$ 2,534,927	$ 4,524,344	$ 1,989,417	$ 300,000	$ (1,689,417)	$ 2,658,190			
FY 2036/37	$ 2,326,385			$ 300,000	$ 300,000	$ 2,958,190			
FY 2037/38	$ 1,388,509			$ 300,000	$ 300,000	$ 3,258,190			
FY 2038/39	$ 1,430,164			$ 300,000	$ 300,000	$ 3,558,190			
FY 2039/40	$ 1,473,069			$ 300,000	$ 300,000	$ 3,858,190			
FY 2040/41	$ 1,517,261			$ 300,000	$ 300,000	$ 4,158,190			
FY 2041/42	$ 758,851			$ 300,000	$ 300,000	$ 4,458,190			
FY 2042/43	$ 399,513			$ 300,000	$ 300,000	$ 4,758,190			
FY 2043/44	$ 155,457			$ 300,000	$ 300,000	$ 5,058,190			
FY 2044/45	$ (267,897)			$ 300,000	$ 300,000	$ 5,358,190			
FY 2045/46	$ (427,644)			$ 300,000	$ 300,000	$ 5,658,190			
Total Payment*	$ 73,937,544	$ 69,330,146							

** Total Payment does not include negative payment estimates*

*** Accumulated PERS Reserve balance assumes $300,000 additional annual contribution and saving when available compared to the Status Quo option*

SAVINGS	**3,677,446**

Net Present Value of Savings	**$2,036,113**

ATTACHMENT 2

Scenario C

Fiscal Year	Total Payment: Status Quo	Total Payment: 20-Year Fresh Start	Payment Variance: 20-Year Fresh Start As Compared to Status Quo Increased Cost (Decreased Cost)	Initial Amount/Additional Annual Payment to PERS Reserve	Fiscal Year Adjustment for the PERS Saving Reserve (Assuming $2,500,000 Initial Payment and $300,000 Additional Annual Payment from FY End Savings)	Accumulated PERS Reserve Balance (Estimated)**	Additional Payment to Misc Plan	Additional Payment to Safety Plan	Additional Annual Payment
FY2015/16					$ 500,000		$ 1,000,000	$ 1,000,000	$ 300,000
FY 2016/17	$ 2,242,425	$ 2,504,665	$ 262,240	$ 300,000	$ 37,760	$ 537,760			
FY 2017/18	$ 2,538,305	$ 2,579,805	$ 41,500	$ 300,000	$ 258,500	$ 796,260			
FY 2018/19	$ 2,849,919	$ 2,657,199	$ (192,720)	$ 300,000	$ 492,720	$ 1,288,981			
FY 2019/20	$ 3,177,946	$ 2,736,915	$ (441,031)	$ 300,000	$ 741,031	$ 2,030,011			
FY 2020/21	$ 3,246,386	$ 2,819,023	$ (427,364)	$ 300,000	$ 727,364	$ 2,757,375			
FY 2021/22	$ 3,343,778	$ 2,903,593	$ (440,185)	$ 300,000	$ 740,185	$ 3,497,560			
FY 2022/23	$ 3,444,091	$ 2,990,701	$ (453,390)	$ 300,000	$ 753,390	$ 4,250,950			
FY 2023/24	$ 3,547,414	$ 3,080,422	$ (466,992)	$ 300,000	$ 766,992	$ 5,017,942			
FY 2024/25	$ 3,653,836	$ 3,172,835	$ (481,002)	$ 300,000	$ 781,002	$ 5,798,944			
FY 2025/26	$ 3,425,230	$ 3,268,020	$ (157,211)	$ 300,000	$ 457,211	$ 6,256,155			
FY 2026/27	$ 3,557,460	$ 3,366,060	$ (191,400)	$ 300,000	$ 491,400	$ 6,747,554			
FY 2027/28	$ 3,664,184	$ 3,467,042	$ (197,142)	$ 300,000	$ 497,142	$ 7,244,696			
FY 2028/29	$ 3,510,164	$ 3,571,053	$ 60,889	$ 300,000	$ 239,111	$ 7,483,807			
FY 2029/30	$ 3,615,469	$ 3,678,185	$ 62,716	$ 300,000	$ 237,284	$ 7,721,091			
FY 2030/31	$ 3,723,933	$ 3,788,531	$ 64,597	$ 300,000	$ 235,403	$ 7,956,494			
FY 2031/32	$ 3,461,123	$ 3,902,186	$ 441,063	$ 300,000	$ (141,063)	$ 7,815,431			
FY 2032/33	$ 3,312,102	$ 4,019,252	$ 707,150	$ 300,000	$ (407,150)	$ 7,408,281			
FY 2033/34	$ 2,910,293	$ 4,139,830	$ 1,229,537	$ 300,000	$ (929,537)	$ 6,478,744			
FY 2034/35	$ 2,729,348	$ 4,264,024	$ 1,534,677	$ 300,000	$ (1,234,677)	$ 5,244,068			
FY 2035/36	$ 2,534,927	$ 4,391,945	$ 1,857,018	$ 300,000	$ (1,557,018)	$ 3,687,050			
FY 2036/37	$ 2,326,385			$ 300,000	$ 300,000	$ 3,987,050			
FY 2037/38	$ 1,388,509			$ 300,000	$ 300,000	$ 4,287,050			
FY 2038/39	$ 1,430,164			$ 300,000	$ 300,000	$ 4,587,050			
FY 2039/40	$ 1,473,069			$ 300,000	$ 300,000	$ 4,887,050			
FY 2040/41	$ 1,517,261			$ 300,000	$ 300,000	$ 5,187,050			
FY 2041/42	$ 758,851			$ 300,000	$ 300,000	$ 5,487,050			
FY 2042/43	$ 399,513			$ 300,000	$ 300,000	$ 5,787,050			
FY 2043/44	$ 155,457			$ 300,000	$ 300,000	$ 6,087,050			
FY 2044/45	$ (267,897)			$ 300,000	$ 300,000	$ 6,387,050			
FY 2045/46	$ (427,644)			$ 300,000	$ 300,000	$ 6,687,050			
Total Payment*	$ 73,937,544	$ 67,301,286							

** Total Payment does not include negative payment estimates*

*** Accumulated PERS Reserve balance assumes $300,000 additional annual contribution and saving when available compared to the Status Quo option*

SAVINGS	**4,706,305**

Net Present Value of Savings	**$2,605,767**

ATTACHMENT 3

MEETING DATE: 04/28/16
ITEM NO: 3

DATE: April 27, 2016

TO: FINANCE COMMITTEE

FROM: LAUREL PREVETTI, TOWN MANAGER Laurel Prevetti

SUBJECT: EVALUATION OF THE CALIFORNIA POLICY CENTER REPORT ENTITLED "CALIFORNIA CITY PENSION BURDENS"

BACKGROUND:

The Mayor requested that the Council Finance Committee review a "pension burden" study of 459 California cities prepared by the California Policy Center based in Tustin, California (see Attachment 1). The Center's website states it is "an educational nonprofit focused on how to improve California's democracy and economy." The report entitled "California City Pension Burdens" found that in general pension costs do not represent a near-term threat to municipal solvency, but in many cities the burdens of financing pension benefits is crowding out other spending opportunities. Of special concern to the Town of Los Gatos is that the study listed the Town's pension burden, expressed as a percentage of total city governmental revenues, as the 17th highest among the cities surveyed. This report contains evaluation of the "Pension Burden" study.

DISCUSSION:

Upon receipt of the "California City Pension Burdens" study, the Town's Finance Department began a high level review of the methodology and calculations used for the study. As part of that review, staff looked closely at the data used to determine the pension burden rate. In its examination, staff confirmed that the Center made its own determinations of how a "pension burden" can be quantified. The Center's approach was to divide each city's annual pension contributions by their respective total governmental revenues as reported each year to the State Controller's Office. Using that basis, the annual "pension burden" expressed as a percentage of total governmental revenues ranged from a high of 17.58% of total governmental revenues to a low of 0.0% for cities that have no unfunded liabilities or pension plan.

PREPARED BY: STEPHEN CONWAY
Director of Finance & Administrative Services

Reviewed by: _____Assistant Town Manager _____Town Attorney _____Finance

DISCUSSION: (Continued)

Looking purely at numbers, staff's review of the calculations made by the Center did not find any material miscalculation; however, the methodology for calculating pension burden is flawed. The Center focused on total governmental revenues as a denominator. This is important because the larger the denominator, in general the lower the percentage of pension burden. This is because annual pension contributions used as a numerator are more or less comparable with similar sized cities with similar services provided. The problem with using total governmental revenues as a denominator is that cities with significant sources of revenue such as utility revenue, special assessment revenue, parcel tax revenue, tax increment, utility users tax, etc. have a much larger total governmental revenues base than cities without them. This method materially skews results because many of the revenues mentioned are limited in their ability be used for other purposes such as pension contributions and would not be legally available to be used in many cases for funding annual pension costs. By including these revenues, many of the cities included in the study were credited with larger denominators which in turn lowers their rates of "pension burden." This makes the studies ranking very problematical and arbitrary in terms of ranking the rates of true "pension burden."

Another concern with the report is that not all cities have unfunded liabilities reported as city liabilities because they are contracting services like public safety with other agencies such as the County. In the majority of cases the cost of unfunded pension liabilities is included in the annual contract amounts charged to the city by the County but the unfunded liabilities are not reported on the cities' books because the employees are technically not city employees. This makes comparison very difficult because if the city retains services such as police and fire, their unfunded liabilities would be reported and expressed in the percentage, but if the city contracted the services out, those costs would be buried in the annual contract amount and would not be included in the rate calculated by the Policy Center.

At this time, Finance staff is not aware of any standardized measure of "pension burden" being promulgated by any professional governmental finance organization such as the Governmental Accounting Standards Board or the Government Finance Officers Association. Each city's revenue structure and service delivery structure is unique and makes comparisons very problematical.

To provide a more balanced look at pension liabilities the Finance Department used the same unfunded pension liability data used by the Policy Center and divided it by the respective city's total population as provided by the California Department of Finance (see Attachment 2). The intent of this calculation is to arrive at a per capita unfunded pension liability amount, which is a more useful survey of relative pension burden.

Based on this alternative measure, the Town ranks 100th of the 459 cities surveyed, with an estimated unfunded liability of $1,353 per capita. Los Gatos has lower rank than other cities in Santa Clara County such as Santa Clara, Sunnyvale, Mountain View, Milpitas, and numerous other Bay Area cities.

CONCLUSION:

Due to lack of revenue base comparability and other variables, the ranking of pension burden by the California Policy Center does not provide an accurate assessment or comparison by which to assess the financial health of a particular city. Staff is continuing to monitor the Town's unfunded pension liability and provide options to the Finance Committee and Council.

Attachments:

1. California Policy Center report titled "California City Pension Burdens"
2. California City Unfunded Pensions Liability Comparison

CALIFORNIA
POLICY CENTER

California City Pension Burdens

By Marc Joffe
Policy Analyst, California Policy Center, February 17, 2015

SUMMARY: This study estimates the burden of pension costs on 459 California municipalities. The primary measure we consider is the ratio of required pension contributions to estimated total revenue for each city. We also look at contribution rates per employee and at pension funding levels. We find a wide variation in the impact of pension costs on city finances. While several cities spend more than one-eighth of their revenues on pension contributions, many spend far lower proportions and ten municipalities have no defined benefit pension plans at all.

The most heavily burdened cities are San Rafael, Costa Mesa and San Jose, which have pension cost / revenue ratios estimated at 17.58%, 14.36% and 13.88% respectively. As we discuss in the study, all three of these cities are taking measures to reduce future pension costs, so their rankings are not necessarily a reflection on currently sitting elected officials. Using an alternative measurement of total pension debt (unfunded liability plus pension bonds outstanding) / revenue, the most heavily burdened cities are Oakland, Costa Mesa, and Richmond, which have pension debt / revenue ratios of 203.3%, 182.0%, and 180.9%, respectively.

Prospectively, using data from recently released CalPERS actuarial reports, we project pension costs for most cities through to fiscal year 2020, identifying two cities – Monrovia and Fremont - that may face troubles in the years ahead. Monrovia and Fremont have 2015 pension cost / revenue ratios greater than 10% AND they will both experience dramatic cost growth. Between 2015 and 2020 and assuming a 7.5% CalPERS return, Monrovia is projected to see a 64.15% cumulative increase in pension costs, while for Fremont, the number is 46.51%.

The weighted average funding ratio across all 459 cities was just over 75% as of June 30, 2013. Given strong stock market performance since that time, it is likely that the funding situation improved significantly over the last 18 months. Overall, CalPERS reported that its assets increased by 15% between June 30, 2013 and June 30, 2014. Its actuarial liabilities probably rose during this period as well, but likely at a slower rate.

* * *

INTRODUCTION

California cities that participate in defined benefit pension plans are expected to make a total of $5.1 billion in contributions during fiscal 2015, accounting for nearly 7% of their total revenue. As of June 30, 2013, the average funded ratio for these plans was 75%. Underneath these averages, we observe a great diversity of pension cost burdens and funding rates.

Study data by city and by plan may be found here. This Google Spreadsheet model contains multiple tabs including a city summary and plan details.

California City Pension Burdens - City Summaries

(click on image to view GoogleDoc spreadsheet, select tab "city_summary")

CITY OR TOWN	2015 Pension Contributions	2015 Estimated Revenue	Pension Cost / Revenue Ratio	Pension Burden Rank (1= Highest)	2013 AAL	2013 MVA	2013 UAAL	2013 Funded Ratio
SAN RAFAEL	18,422,967	104,828,893	17.58%	1	447,641,000	286,344,000	161,297,000	63.97%
COSTA MESA	18,997,065	132,253,907	14.36%	2	625,572,054	405,483,672	220,088,382	64.82%
SAN JOSE	258,967,345	1,829,814,350	13.88%	3	6,595,790,729	4,554,037,020	2,041,753,709	69.04%
SAN GABRIEL	5,124,429	38,156,183	13.42%	4	167,720,595	120,761,819	46,958,776	72.00%
SONORA	892,361	7,108,772	12.55%	5	26,883,963	18,981,580	7,902,383	70.61%
WEST COVINA	10,904,114	84,893,591	12.14%	6	432,067,628	303,057,951	129,009,677	70.14%
EL CERRITO	4,837,781	40,188,354	12.04%	7	146,282,544	101,630,593	43,651,951	69.95%
HEMET	7,083,161	60,907,403	11.63%	8	222,080,425	153,659,468	68,430,957	69.19%
MONTCLAIR	4,267,343	36,721,464	11.62%	9	174,251,553	128,797,730	45,453,829	73.91%
EUREKA	5,507,187	48,722,417	11.30%	10	163,532,430	110,261,422	53,271,008	67.42%
CORONA	20,593,975	183,906,784	11.20%	11	574,532,393	378,531,665	196,000,728	65.89%
EL CAJON	11,781,843	105,802,628	11.14%	12	429,729,286	292,163,555	137,565,731	67.99%
HERMOSA BEACH	4,330,474	39,374,676	11.00%	13	134,756,992	98,286,311	36,470,681	72.94%
FOSTER CITY	5,185,344	48,319,867	10.73%	14	186,068,399	133,606,560	52,461,839	71.81%
RICHMOND	24,795,689	234,178,461	10.59%	15	917,559,077	703,708,056	213,851,021	76.69%
ORANGE	17,359,503	164,072,449	10.58%	16	688,535,949	498,357,918	190,178,031	72.38%
LOS GATOS	4,566,479	43,225,331	10.56%	17	147,482,194	106,202,355	41,279,836	72.01%
CHICO	10,017,258	94,967,151	10.55%	18	316,951,412	217,418,836	99,532,576	68.60%
MONROVIA	6,231,567	59,132,094	10.54%	19	249,766,395	179,165,316	70,601,079	71.73%
FREMONT	26,777,512	255,750,600	10.47%	20	900,553,460	624,989,870	275,563,580	69.40%
BERKELEY	37,552,704	358,964,917	10.46%	21	1,337,285,641	935,552,357	401,733,284	69.96%
NEWARK	5,217,388	50,439,379	10.35%	22	231,972,542	161,296,098	70,674,444	69.53%
BELL GARDENS	3,632,771	35,179,774	10.33%	23	101,684,981	73,314,307	28,370,674	72.10%
EL MONTE	10,632,845	102,987,073	10.32%	24	394,232,262	285,268,177	108,964,085	72.36%
OAKLAND	106,496,859	1,058,410,932	10.06%	25	4,302,883,978	2,966,152,634	1,336,731,344	68.93%
MONTEREY	10,579,089	108,168,070	9.78%	26	334,309,151	233,140,133	101,169,018	69.74%
PLEASANT HILL	3,217,451	33,092,355	9.75%	27	153,099,979	120,058,932	33,041,047	78.42%
ARCADIA	8,356,911	90,805,684	9.60%	28	312,708,284	207,621,674	104,886,610	66.46%
HAYWARD	24,383,977	255,535,222	9.54%	29	875,808,556	588,668,647	287,139,909	67.21%
COMPTON	8,911,571	95,218,674	9.36%	30	353,290,910	249,172,812	104,118,098	70.53%
DALY CITY	9,979,639	106,845,110	9.34%	31	496,975,785	394,513,235	102,462,550	79.38%
SIMI VALLEY	9,427,642	100,798,377	9.33%	32	353,901,127	252,701,176	101,199,951	71.40%
SAN BERNARDINO	26,829,554	287,860,087	9.32%	33	1,096,854,537	810,107,500	286,697,037	73.93%
YUBA CITY	5,968,247	64,323,203	9.28%	34	198,271,558	148,387,626	49,883,962	74.84%
PIEDMONT	3,486,551	37,606,440	9.27%	35	82,347,551	66,460,528	15,887,023	80.71%
CONCORD	12,191,302	131,680,171	9.26%	36	419,430,580	276,978,736	142,421,844	66.04%
SAN DIEGO	281,732,606	3,043,381,436	9.26%	37	8,080,753,257	5,813,313,000	2,267,440,257	71.94%
PLEASANTON	14,986,502	163,644,705	9.17%	38	490,807,366	337,083,388	156,723,978	68.26%
SOUTH SAN FRANCISCO	12,040,840	131,595,253	9.15%	39	403,400,148	295,878,923	127,521,225	69.60%
SALINAS	13,966,482	152,792,844	9.14%	40	431,360,948	296,544,768	134,816,777	68.75%
MURRIETA	5,296,758	58,013,885	9.13%	41	87,648,267	64,878,899	22,769,368	74.02%
LA MESA	5,912,763	65,644,566	9.01%	42	224,218,630	161,532,502	62,686,028	72.04%
DIXON	2,100,867	23,362,047	9.00%	43	52,833,604	37,568,118	15,265,486	71.11%
CLAYTON	546,875	6,091,963	8.98%	44	13,924,012	10,390,219	3,533,793	74.63%
REDONDO BEACH	10,308,496	115,619,398	8.90%	45	444,659,670	324,937,448	119,722,222	73.08%

California City Pension Burdens - Plan Details by City

(click on image to view GoogleDoc spreadsheet, select tab "plan detail")

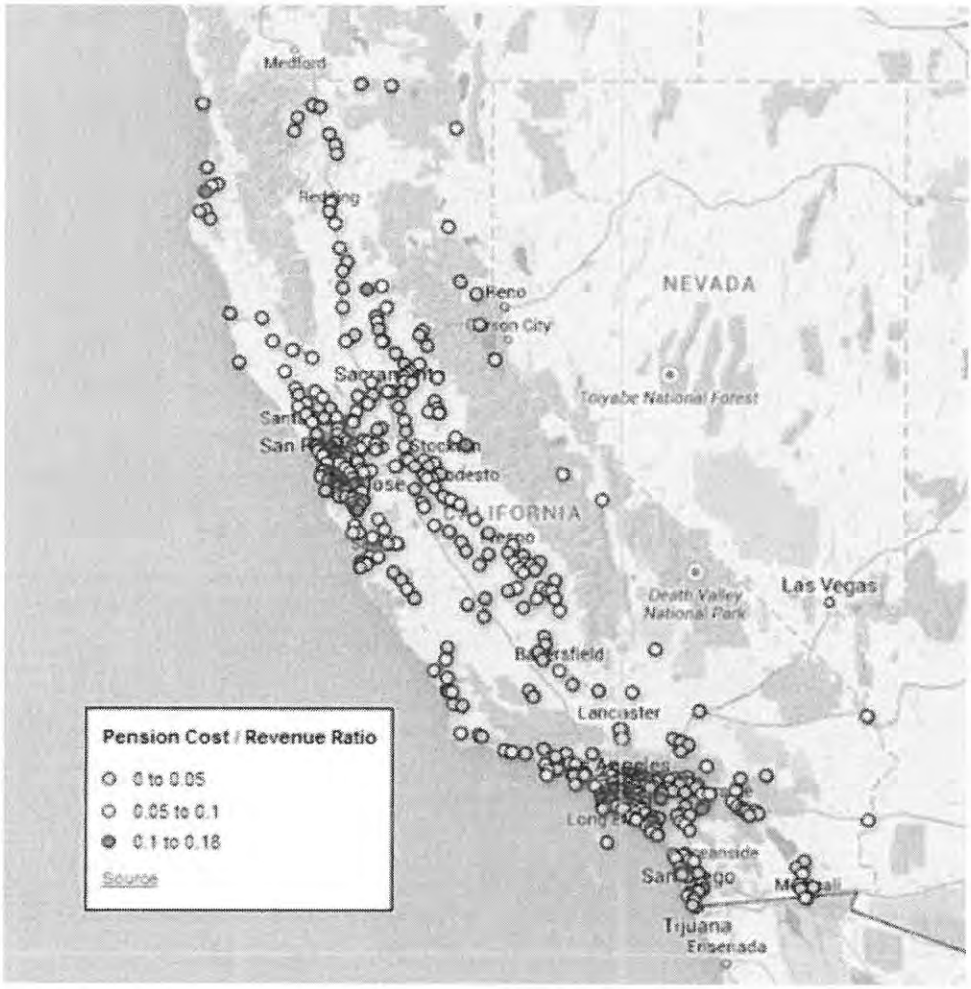
City or Town	Plan Name	2015 Contribution Rate	2015 Contribution Amount	2016 Contribution Rate	2016 Contribution Amount	Actuarially Accrued Liability (AAL)
ADELANTO	MISCELLANEOUS PLAN OF THE CITY OF ADELANTO	4.57%	168,106	5.67%	186,397	7,042,101
ADELANTO	SAFETY POLICE PLAN OF THE CITY OF ADELANTO	0.00%	48,965	0.00%	2,931	404,406
AGOURA HILLS	MISCELLANEOUS PLAN OF THE CITY OF AGOURA HILLS	11.00%	347,766	11.18%	361,042	14,019,346
ALAMEDA	MISCELLANEOUS PLAN OF THE CITY OF ALAMEDA	17.20%	4,481,102	19.79%	4,847,067	228,197,503
ALAMEDA	PLAN 1079		2,552,448			12,759,000
ALAMEDA	PLAN 1082		47,080			807,000
ALAMEDA	SAFETY PLAN OF THE CITY OF ALAMEDA	44.12%	9,606,929	46.04%	10,606,971	384,157,793
ALBANY	CITY OF ALBANY POLICE AND FIRE RELIEF OR PENSION FUND		92,401			12,710,562
ALBANY	MISCELLANEOUS FIRST TIER PLAN OF THE ALBANY MUNICIPAL SERVICES JOINT POWERS AUTHORITY	16.32%	287,224	17.92%	302,050	9,738,721
ALBANY	MISCELLANEOUS PLAN OF THE CITY OF ALBANY	16.42%	225,676	22.26%	318,622	14,099,176
ALBANY	MISCELLANEOUS SECOND TIER PLAN OF THE ALBANY MUNICIPAL SERVICES JOINT POWERS AUTHORITY	6.01%	18,443	6.62%	21,258	31,987
ALBANY	MISCELLANEOUS SECOND TIER PLAN OF THE CITY OF ALBANY	3.01%	4,597	6.70%	10,214	17,977
ALBANY	PERA MISCELLANEOUS PLAN OF THE ALBANY MUNICIPAL SERVICES JOINT POWERS AUTHORITY	0.00%		6.22%	4,025	639
ALBANY	PERA SAFETY FIRE PLAN OF THE CITY OF ALBANY	0.00%		11.11%	16,905	1,621
ALBANY	SAFETY FIRE PLAN OF THE CITY OF ALBANY	22.25%	418,717	26.61%	622,213	27,105,448
ALBANY	SAFETY FIRE SECOND TIER PLAN OF THE CITY OF ALBANY	0.00%		15.25%	19,699	22,808
ALBANY	SAFETY POLICE PLAN OF THE CITY OF ALBANY	22.25%	711,289	24.66%	727,990	28,862,740
ALHAMBRA	MISCELLANEOUS PLAN OF THE CITY OF ALHAMBRA	19.94%	3,529,621	22.38%	3,746,139	122,243,273
ALHAMBRA	SAFETY PLAN OF THE CITY OF ALHAMBRA	37.90%	5,963,710	39.98%	6,428,434	212,967,751
ALISO VIEJO	MISCELLANEOUS PLAN OF THE CITY OF ALISO VIEJO	11.03%	160,037	9.32%	150,377	3,191,873
ALTURAS	MISCELLANEOUS PLAN OF THE CITY OF ALTURAS	24.84%	107,241	32.38%	152,947	5,322,065
ALTURAS	PERA SAFETY FIRE PLAN OF THE CITY OF ALTURAS	0.00%		11.14%	5,072	108
ALTURAS	SAFETY PLAN OF THE CITY OF ALTURAS	32.42%	130,103	36.78%	134,968	3,672,191
AMERICAN CANYON	MISCELLANEOUS PLAN OF THE CITY OF AMERICAN CANYON	15.78%	361,648	15.82%	374,527	20,797,213
AMERICAN CANYON	PERA MISCELLANEOUS PLAN OF THE CITY OF AMERICAN CANYON	0.00%		5.61%	6,269	4,615
ANAHEIM	MISCELLANEOUS PLAN OF THE CITY OF ANAHEIM	24.27%	17,892,304	26.37%	21,308,133	1,122,160,179
ANAHEIM	SAFETY FIRE PLAN OF THE CITY OF ANAHEIM	34.23%	4,530,833	38.10%	4,934,277	352,186,495
ANAHEIM	SAFETY POLICE PLAN OF THE CITY OF ANAHEIM	32.51%	15,489,199	38.47%	18,266,613	808,150,651
ANDERSON	MISCELLANEOUS PLAN OF THE CITY OF ANDERSON	18.69%	324,214	24.45%	452,289	19,891,804
ANDERSON	PERA MISCELLANEOUS PLAN OF THE CITY OF ANDERSON	0.00%		6.03%	1,901	2,768
ANDERSON	SAFETY PLAN OF THE CITY OF ANDERSON	26.68%	240,765	34.40%	294,905	11,774,641
ANDERSON	SAFETY SECOND TIER PLAN OF THE CITY OF ANDERSON	11.87%	34,952	15.19%	52,165	48,150
ANGELS	MISCELLANEOUS PLAN OF THE CITY OF ANGELS	22.43%	299,123	23.57%	321,481	8,946,842
ANGELS	PERA MISCELLANEOUS PLAN OF THE CITY OF ANGELS	0.00%		6.13%	6,411	4,757
ANGELS	PERA SAFETY POLICE PLAN OF THE CITY OF ANGELS	0.00%		10.77%	5,436	5,932
ANGELS	SAFETY FIRE PLAN OF THE CITY OF ANGELS	26.37%	20,078	12.21%	17,907	176,019
ANGELS	SAFETY POLICE PLAN OF THE CITY OF ANGELS	41.42%	195,754	39.34%	188,590	4,731,264
ANTIOCH	MISCELLANEOUS PLAN OF THE CITY OF ANTIOCH	26.25%	3,080,957	27.48%	3,514,064	109,659,447
ANTIOCH	SAFETY PLAN OF THE CITY OF ANTIOCH	94.26%	3,715,318	96.20%	3,988,478	127,932,108
ANTIOCH	SAFETY SECOND TIER PLAN OF THE CITY OF ANTIOCH	0.00%		18.24%	88,546	19,598
APPLE VALLEY	MISCELLANEOUS PLAN OF THE TOWN OF APPLE VALLEY	20.34%	1,317,912	20.23%	1,275,831	32,814,824
APPLE VALLEY	MISCELLANEOUS SECOND TIER PLAN OF THE TOWN OF APPLE VALLEY	11.08%	21,133	7.87%	24,301	49,685
APPLE VALLEY	PERA MISCELLANEOUS PLAN OF THE TOWN OF APPLE VALLEY	0.00%		6.00%	8,580	9,216

* * *

The city level data can also be viewed on a map:

California City Pension Burdens - Plan Summary by City

(click on image to view Google Map, then click circles to view individual summaries)



* * *

METHODS

We collected most of the cost and funding data for this study from CalPERS plan-specific actuarial valuations. The vast majority of city pension plans are administered by CalPERS, but several large California cities operate their own plans. In these cases, we gathered data from actuarial valuations and audited financial statements published by the plans themselves, and from the State Controller's Office retirement plan data set. Large cities that maintain their own plans include Los Angeles, San Diego, San

Jose, San Francisco, Fresno, Oakland and Sacramento (some of these cities have both internally administered plans and CalPERS plans). A few cities participate in county pension systems. In these cases, we consulted actuarial reports and financial statements provided by these county plans.

In all cases, we derived revenue estimates from State Controller Office data posted at http://bythenumbers.sco.ca.gov. We used the total of general and functional revenues reported in the controller's data set. This provides a larger denominator and thus lower pension/revenue ratios than one might derive from considering only general fund revenue. Dividing pension costs by general fund revenue is inappropriate because public employees may be paid from special governmental funds or enterprise funds controlled by the municipal government. When evaluating total pension costs, it is best to consider total governmental revenue.

Total 2015 revenues were estimated by adding 6.25% to 2014 city revenue data recently published by the State Controller. According to the SCO data set, the median city's revenue increased by 6.25% between 2013 and 2014. We applied this rate of increase to the 2014 data as a proxy for fiscal 2015 actuals, which won't be available until late this year. Ideally, the 2015 revenues would be taken from individual municipal budgets, but many cities do not forecast total revenues. Budgets often include only general fund projections.

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FINDINGS

In general, pension costs do not represent a near-term threat to municipal solvency, but in many cities, the burden of financing pension benefits is crowding out other spending priorities or adding to pressure for tax increases. A number of cities are spending more than 12% of total revenue on pension contributions.

A city's pension burden relative to revenues is a product of a number of factors including: (1) the generosity of plan benefits, (2) the size of the municipal workforce relative to the city's size and wealth, (3) growth rates and (4) tax rates. Thus, a city may be able to support very generous pension benefits if it has a small workforce, has rapidly growing revenue and/or imposes additional sales taxes.

The study includes data for 459 of the state's 482 towns and cities. Of the 23 cities not in our list, ten offer retirement plans that do not provide defined benefits. As discussed later, these cities provide employees with defined contribution and/or deferred compensation plans. Most of the remaining 13 are small towns that do not issue audited financial statements or provide retirement plan information on their web sites.

* * *

MOST HEAVILY BURDENED CITIES

Cities with the highest pension expenses relative to revenue are listed below:

Rank	City or Town	County	2015 Pension Contributions	2015 Estimated Revenue	Pension Cost / Revenue Ratio
1	San Rafael	Marin County	18,422,967	104,823,893	17.58%
2	Costa Mesa	Orange County	18,997,065	132,253,907	14.36%
3	San Jose	Santa Clara County	253,967,345	1,829,814,350	13.88%
4	San Gabriel	Los Angeles County	5,124,429	38,198,183	13.42%
5	Sonora	Tuolumne County	892,361	7,108,772	12.55%
6	West Covina	Los Angeles County	10,304,114	84,893,591	12.14%
7	El Cerrito	Contra Costa County	4,837,781	40,189,354	12.04%
8	Hemet	Riverside County	7,083,161	60,907,403	11.63%
9	Montclair	San Bernardino County	4,267,343	36,721,464	11.62%
10	Eureka	Humboldt County	5,507,187	48,722,417	11.30%
11	Corona	Riverside County	20,593,975	183,906,784	11.20%
12	El Cajon	San Diego County	11,781,843	105,802,628	11.14%
13	Hermosa Beach	Los Angeles County	4,330,474	39,374,676	11.00%

14	Foster City	San Mateo County	5,185,144	48,319,867	10.73%
15	Richmond	Contra Costa County	24,795,689	234,178,451	10.59%
16	Orange	Orange County	17,353,503	164,072,449	10.58%
17	Los Gatos	Santa Clara County	4,566,479	43,225,331	10.56%
18	Chico	Butte County	10,017,258	94,967,151	10.55%
19	Monrovia	Los Angeles County	6,231,567	59,132,054	10.54%
20	Fremont	Alameda County	26,777,512	255,758,600	10.47%

Cities with the highest burdens typically have responsibility for both safety and non-safety employee pensions. Cities with relatively low burdens generally do not have a safety plan, perhaps because they rely on the County or another authority for police and fire services.

The city with the highest pension contribution/revenue ratio is San Rafael, which spends more than one-sixth of its revenue on retirement fund contributions. This burden is partially a legacy of generous retirement benefits. Police officers and firefighters were entitled to pensions equal to 3% of salary per year employed with a retirement age of 55. Miscellaneous employees – those who are not uniformed public safety officers – received 2.7% per year at age 55. While San Rafael's pension formula for safety employees is not unusual (in fact, some cities provide 3% of salary per year at age 50), the formula for miscellaneous employees is more generous than most California cities. As of June 30, 2013 the city had 220 active and 202 retired employees in the miscellaneous category.

Recent reforms have resulted in less generous benefits for new employees. The city has documented its efforts at pension reform at http://www.cityofsanrafael.org/pensions/.

In 2011, San Rafael lowered the benefit for new miscellaneous employees from 2.7% to 2%. It did not lower the benefit rate for new public safety employees, but reduced their cost of living allowance (COLA) in retirement from 3% to 2%. It also changed the Final Average Pay (FAP) used for to calculate the pension benefit from the last year's salary to the average of the final three years' salary. This reform reduces pension spiking, a practice under which employees work substantial overtime in their final year or are awarded extraordinary salary increases to maximize their pension benefits.

In 2013, the city further reduced new employee benefits after the implementation of California's Public Employees' Pension Reform Act (PERPA). New miscellaneous employees must wait until age 62 to receive benefits, which continue to be based on 2% per year times final average pay. For new safety employees, the rate is now 2.7% instead of 3% while the retirement age has risen from 55 to 57.

It is worth emphasizing that these changes apply only to new employees – hired from 2011 onwards. Most employees will be eligible for the more generous, pre-2011 retirement benefits for many years to come, implying that San Rafael's high pension burden will be a fact of life for some time.

Also contributing to San Rafael's relatively high annual pension costs is the aggressive approach its plan administrator, the Marin County Employee Retirement Agency (MCERA) is taking toward paying down unfunded liabilities. Most plans, including those administered by CalPERS and other county systems, amortize their unfunded balances over a period of 30 years; MCERA has implemented a 17-year amortization period. More rapidly amortizing UAAL promotes fiscal sustainability, so, at least to this extent, San Rafael's high pension contributions could be seen as positive.

The second most burdened city is Costa Mesa. Like San Rafael, the city has a legacy of generous benefits. By 2011, police and fire employees were in plans that paid 3% at age 50, while miscellaneous employees received 2.5% at 55. In some cases, existing employees had benefitted from plan enhancements after being hired. For example, in 2010, the fire union negotiated a reduction in retirement age from 55 to 50. This change applied to current employees even though the enhanced benefit had not been funded by previous contributions made by the firefighters or the city.

The City's Mayor Pro Tem, Jim Righeimer, noted that another factor contributing to Costa Mesa's high pension burden is its inability to outsource services to the private sector. California cities fall into two legal categories under state law: chartered and general law. As a general law city, Costa Mesa, operates under many more rules specified under the state's government code (section 34000). In Costa Mesa City Employees Assn. v. City of Costa Mesa, 209 Cal. App. 4th 298 (Cal. App. 4th Dist. 2012), the Court of Appeals found that Costa Mesa could not outsource services to private companies, unless these services required specialized training or expertise. The ruling only applies to general law cities; charter cities have the flexibility to reduce future pension costs by outsourcing basic functions like street sweeping and animal control.

Although the city has been unable to outsource miscellaneous positions, it has taken some steps to limit pension costs. The council made some reductions for new employees starting after March 2012, and made further cuts after PERPA took effect in 2013. The benefit formula for new safety employees is 2.7% at 57; new miscellaneous employees receive 2% at 62.

Costa Mesa has also established a Pension Oversight Committee whose work is documented at http://www.costamesaca.gov/index.aspx?page=1603.

The city with the third highest pension burden is San Jose, with fiscal 2015 contributions of over $250 million accounting for almost 14% of total revenue. Public employee retirement costs have been an

issue in San Jose for a number of years now, and the city's experience illustrates the difficulty municipalities encounter when they try to limit these expenditures.

According to a city presentation, total retirement costs for San Jose have quadrupled since fiscal 2003. In that year, San Jose contributed $72 million to pension contributions and retiree health benefits. In the current fiscal year, that cost has risen to over $300 million (including $50 million in health costs).

In 2012, Mayor Chuck Reed placed Measure B on the ballot. Among other changes, the proposal gave currently employed city workers the option of accepting lower pension benefits or substantially increasing their own contributions to retain existing benefits. Most proposed reforms only apply to new employees, because there is a presumption that existing employees have a contractual right to the pension benefit formula available at the time of hire (unless the formula is enhanced as we saw in Costa Mesa's case). Because the San Jose reform threatened to reduce the benefits of existing employees, it drew substantial union opposition.

Despite this opposition, Measure B passed with a 69% majority. Unions and other opponents then attempted to overturn the measure in court. In December 2013, Superior Court Judge Patricia Lucas ruled that the increased employee contributions were unlawful. But the judge agreed that the city could obtain the same cost savings by reducing employee pay. As of this writing, the city has not attempted to implement such a pay cut.

* * *

FUNDING LEVELS

There was less variation in funding levels across cities and differences appeared to be idiosyncratic. The vast majority of plans are administered by CalPERS, which requires all member cities to pay the full Actuarially Required Cost (ARC) it computes each year. CalPERS uses the same calculation procedures for each member. Thus there should not be issues with deliberately skipped or reduced payments, as we see in other states. Cities with large non-CalPERS plans also appear to pay their full ARCs each year.

The weighted average funding ratio across all 459 cities was just over 75% as of June 30, 2013. Given strong stock market performance since that time, it is likely that the funding situation improved significantly over the last 18 months. Overall, CalPERS reported that its assets increased by 15% between June 30, 2013 and June 30, 2014. Its actuarial liabilities probably rose during this period as well, but likely at a slower rate.

* * *

CITIES WITHOUT DEFINED BENEFIT PLANS

A review of audited financial statements identified ten California cities that rely exclusively upon defined contribution and deferred compensation plans to provide for their employees retirement needs. Because the city makes its contribution upfront or makes no contribution at all, it cannot have an unfunded actuarially accrued liability. Further, it could be argued that many of these cities do not have a pension burden at all, because matching contributions can be suspended during a fiscal emergency.

The list of cities relying exclusively upon defined contribution and/or deferred compensation plans is as follows:

City	County
Danville	Contra Costa County
Holtville	Imperial County
Huron	Fresno County
Lafayette	Contra Costa County
McFarland	Kern County
Mendota	Fresno County
Orinda	Contra Costa County
Rio Dell	Humboldt County
San Juan Bautista	San Benito County
Trinidad	Humboldt County

While most of these cities are small, Danville and Lafayette have populations of 43,000 and 25,000 respectively, suggesting that medium sized cities can attract employees without offering defined benefit retirement programs.

Steven Falk, City Manager for Lafayette told us via e-mail:

"... Lafayette's non-PERS status has little or no apparent impact on the City's ability to hire and retain lower-skilled and administrative employees, such as caretakers, landscape workers, recreation workers,

administrative assistants, etc. The lack of a PERS program, however, does appear to have some impact on the City's ability to attract and retain higher level professionals with skill sets that are particular to the municipal operation, such as urban planners, civil engineers, transportation planners, community development employees, etc. We have had occasions where candidates have retracted their job applications upon learning that Lafayette does not participate in PERS."

The city contacts out public safety services to Contra Costa County, so it has not had to test whether it could recruit police officers and firefighters without the benefit of PERS membership.

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EMPLOYER CONTRIBUTION RATES

Thus far our analysis has focused on total employer contribution *amounts*. Historically, CalPERS and other multi-employer plans have quoted contribution *rates*. The contribution rate is the percentage of current employee payroll that must be contributed to the pension plan. For example, if a public employee has a salary of $100,000 and the employer's contribution rate is 40%, the city must pay CalPERS $40,000 to keep the covered employee in the defined benefit plan. This rate excludes employee contributions, which are typically withheld from each employee's salary but have been paid –partially or fully – by municipal employers.

The plans with the highest contribution rates tend to be smaller plans with declining balances. In these cases, contributions are primarily funding pension payments to members that have already retired and there is a small, declining numbers of active employees across which these payments may be allocated. For example, Taft's First Tier Police plan has a 227.5% contribution rate. As of June 30, 2013, the plan had only one active member and 28 retirees.

Among larger plans, Rialto's Safety Plan has one of the highest contribution rates: 48.8% in fiscal 2015, with a projected increase to 50.3% in fiscal 2016. The city's contribution rate appears to be especially high because of a 2008 decision to increase the plan's benefit formula to 3% at 50. Because the increase applied to existing employees (whose contributions had been based on less generous benefits), the plan has required catch-up contributions to avoid greater underfunding. After the new formula took effect in 2011, the employer contribution rate jumped from 19.3% to 38.3% and has continued to rise.

Another large plan with a relatively high contribution rate is Berkeley's police plan with a 2015 rate of 46.6% rising to 48.6% in 2016. Police have been eligible for the 3% at 50 benefit formula for several years. A new contract negotiated in 2012 scaled back the formula for new hires to 3% at 55. This change should slow the increase in contribution rates as more new hires join the force. One aspect of the Berkeley plan that pushes up contribution rates is the provision of a "sick leave credit". This plan feature allows retirees to add unused sick pay to their length of service at retirement. Each sick day adds 0.004 years to the employee's service period for purposes of calculating his or her pension benefit rate. For

example, if a police officer retires with 100 sick days and a $100,000 final average pay, she would be entitled to an extra 100 x 0.004 x 3% x $100,000 = $120 per year.

As one might expect, the most heavily burdened cities also have plans with high contribution rates. San Rafael's overall contribution rate is 57.7%, Costa Mesa's fire plan has a 47.5% rate and San Jose's public safety plan has a 70.8% rate.

* * *

MOST HEAVILY INDEBTED CITIES (INCLUDING PENSION OBLIGATION BONDS)

No discussion of California's city pension burdens would be complete without taking into account Pension Obligation Bonds. This is the practice of borrowing money to make an annual employer contribution to the pension system, on the assumption that the interest rate paid on the bond will be less than the earnings that will accrue to investing the bond proceeds in the pension fund. We have identified 58 cities that had outstanding pension obligation as of June 30, 2013. These cities are listed below along with the face value of POBs they issued. These amounts include principal that has already been repaid. Also, some cities, including Oakland and Richmond, have issued zero coupon capital appreciation pension obligation bonds that do not pay any interest. The issuance amounts shown below often reflect the maturity value of these zero coupon bonds rather than the proceeds each city received.

City	County	Amount Issued
Auburn	Placer County	4,965,000
Azusa	Los Angeles County	7,215,000
Baldwin Park	Los Angeles County	12,810,000
Bell	Los Angeles County	9,225,000
Benicia	Solano County	13,972,596
Berkeley	Alameda County	12,415,000
Brisbane	San Mateo County	4,745,000
Burlingame	San Mateo County	32,975,000
Capitola	Santa Cruz County	5,170,000

Carmel-By-The-Sea	Monterey County	6,280,000
Claremont	Los Angeles County	6,000,000
Colton	San Bernardino County	31,149,399
Daly City	San Mateo County	36,235,000
Fairfield	Solano County	36,865,000
Fresno	Fresno County	205,335,000
Hawthorne	Los Angeles County	30,700,000
Huntington Park	Los Angeles County	23,000,000
Inglewood	Los Angeles County	64,986,301
La Verne	Los Angeles County	8,380,000
Long Beach	Los Angeles County	164,500,000
Marina	Monterey County	4,315,000
Merced	Merced County	7,355,000
Mill Valley	Marin County	6,775,000
Millbrae	San Mateo County	11,521,660
Monrovia	Los Angeles County	12,750,000
Monterey Park	Los Angeles County	17,405,000
Novato	Marin County	18,296,066
Oakland	Alameda County	757,930,000
Oceanside	San Diego County	42,780,000
Oroville	Butte County	7,260,000
Pacific Grove	Monterey County	19,365,355
Pacifica	San Mateo County	20,510,000

Palm Springs	Riverside County	19,832,588
Paradise	Butte County	10,918,154
Pasadena	Los Angeles County	159,380,000
Pinole	Contra Costa County	16,800,000
Pittsburg	Contra Costa County	39,566,055
Pomona	Los Angeles County	42,280,684
Port Hueneme	Ventura County	10,679,956
Porterville	Tulare County	3,765,000
Redlands	San Bernardino County	25,862,392
Richmond	Contra Costa County	239,500,729
Riverside	Riverside County	150,480,000
Sacramento	Sacramento County	183,365,000
San Bruno	San Mateo County	13,175,000
San Leandro	Alameda County	18,305,000
San Marino	Los Angeles County	7,095,000
San Rafael	Marin County	4,490,000
San Ramon	Contra Costa County	17,650,000
Santa Cruz	Santa Cruz County	24,150,000
Santa Rosa	Sonoma County	32,715,000
Scotts Valley	Santa Cruz County	4,460,000
Seaside	Monterey County	6,880,000
Sonoma	Sonoma County	2,925,000
South Gate	Los Angeles County	24,400,000

Stockton	San Joaquin County	125,310,000
Union City	Alameda County	22,997,973
Yuba City	Sutter County	7,685,000

Finally by combining unfunded actuarially accrued liabilities and outstanding pension obligation bond debt, we find the cities that have the highest overall pension debt burden - based on 2013 total revenue. In the table that follows, we have used 2013 revenues from the State Controller's Office, except in the case of Oakland which had an anomalous value in the SCO data set. The 2013 POB column reflects our calculation of unpaid principal plus unamortized premia on zero coupon bonds as of June 30, 2013.

California Cities, Ranked by Pension Debt as Percent of Total Revenue - Top 20

Rank	City	2013 Total Revenue	2013 UAAL	2013 POB Outstanding	Total Pension Debt	Debt / Revenue
1	OAKLAND	902,343,411	1,336,731,344	497,326,504	1,834,057,848	203.3%
2	COSTA MESA	120,941,625	220,088,382		220,088,382	182.0%
3	RICHMOND	229,667,716	213,851,021	201,590,579	415,441,600	180.9%
4	WEST COVINA	75,202,992	129,009,677		129,009,677	171.5%
5	SAN RAFAEL	98,069,848	161,297,000	4,490,000	165,787,000	169.0%
6	NEWARK	42,011,267	70,674,444		70,674,444	168.2%
7	PARADISE	16,283,406	13,598,638	11,809,914	25,408,552	156.0%
8	PACIFIC GROVE	24,393,663	24,510,771	12,451,649	36,962,420	151.5%
9	FOSTER CITY	36,608,718	52,461,839		52,461,839	143.3%

10	INGLEWOOD	159,019,773	166,164,169	58,076,302	224,240,471	141.0%
11	MAYWOOD	9,228,259	12,978,485		12,978,485	140.6%
12	EL CAJON	99,209,121	137,565,731		137,565,731	138.7%
13	STOCKTON	362,091,530	370,970,850	125,310,000	496,280,850	137.1%
14	BERKELEY	296,093,704	401,733,284	1,865,000	403,598,284	136.3%
15	PLEASANT HILL	25,049,832	33,041,047		33,041,047	131.9%
16	WHITTIER	66,526,402	86,998,800		86,998,800	130.8%
17	FREMONT	211,801,362	275,568,580		275,568,580	130.1%
18	DOWNEY	100,912,444	130,989,072		130,989,072	129.8%
19	ORANGE	147,030,133	190,178,031		190,178,031	129.3%
20	CONCORD	111,190,625	142,421,844		142,421,844	128.1%

* * *

As can be seen on the above table, some cities, such as Richmond, actually have more debt carried in the form of pension obligation bonds than they have in the form of an unfunded pension liability. Omitting consideration of pension bond debt clearly favors a city like Richmond, but in reality their pension contributions are significantly understated unless the pension bond debt is taken into account. Using this ratio also validates the precarious situation Costa Mesa finds themselves in, since even though they have no pension bond debt, their unfunded liability is 66% greater than their entire annual revenue. It is also interesting to see that some of California's larger cities, including Oakland and Stockton, have relied heavily on the use of pension obligation bonds to finance their annual pension fund contributions.

WHAT THE FUTURE HOLDS

In February, 2014 CalPERS adjusted its actuarial assumptions with the effect of further increasing employer contribution rates. The rate increase will be phased in over five fiscal years. When the change is fully implemented, in fiscal 2020-21, CalPERS projects a further increase in safety officer contribution rates of between 5.3% and 9.3%.

In addition to listing contribution rates for the upcoming fiscal year, CalPERS actuarial valuation reports have also provided projected rates for future fiscal years to assist agencies with multi-year financial planning. In theory, this data could be used to compare projected future burdens among cities.

Unfortunately, there are complexities inherent in creating such a comparison and these challenges have been exacerbated by a change in this year's CalPERS actuarial reporting. In some cases, the reports provide an employer contribution rate, but, in most others, they list both a normal cost rate and a lump sum Unfunded Actuarial Liability (UAL) payment. This makes comparisons across plans more difficult. Further, non-CalPERS plans often do not provide projected rates at all. Consequently, a systematic comparison of contribution rates across plans and cities is impossible, but we can consider some specific cases.

One city that can expect to face sharply increased pension burdens is Monrovia, a medium-sized community northeast of Los Angeles. Between fiscal 2016 and 2020, the city's UAL payment is projected to rise from $1.6 million to $2.9 million. During the same period, contribution rates for the city's miscellaneous plan are projected to rise from 30.9% to 38.8%.

Assuming that CalPERS estimated 2016 covered payroll increases three percent annually, Monrovia's actuarially required contribution is projected to rise from $6.2 million in fiscal 2015 to $10.2 million in fiscal 2020. Since the city's 2015 pension burden already exceeds 10%, the city will be hard pressed to find this additional $4 million.

CalPERS projections assume a 7.5% annual increase in the value of system assets. This assumption – which is closely related to the discount rate applied to unfunded liabilities – is controversial. However, the system easily exceeded this rate in four of the last five years – benefitting from the bull market in stocks that followed the Great Recession.

Since future portfolio returns are unpredictable, CalPERS provides a sensitivity analysis that shows contribution rates (or UAL payments) under different return scenarios. The worst scenario reflects a -3.8% annual return between July 1, 2014 and June 30, 2017. Under this scenario and using a 3% covered payroll growth assumption, Monrovia's fiscal 2020 contribution would rise to almost $12.5 million.

Of course, the city's pension burden would not grow as much if the market continues to do well. CalPERS most rosy scenario calls from an 18.9% annualized returns during the same period. If this were to happen, Monrovia's fiscal 2020 ARC would be $6.4 million – little changed from the fiscal 2015 level.

A larger city facing a sharp increase in an already heavy pension burden is Fremont in Alameda County. The city's safety plan has a contribution rate of 40.7%. In fiscal 2016 this will rise to 44.7%, and by fiscal 2020, the rate will reach 55.3% assuming median CalPERS returns. If CalPERS underperforms, the 2020 rate will stabilize at 43.0%; in the event of underperformance the rate will escalate to 65.8%.

The city's miscellaneous plan has an employer contribution rate of 24.1%. This is expected to rise to 25.8% in fiscal 2016 and 31.3% in fiscal 2020. Once again, the range of potential 2020 outcomes is wide: from 23.3% under bull market conditions and 38.1% if the bears prevail.

In absolute dollars and assuming 3% covered payroll growth, Fremont's pension cost is expected to rise from $26.8 million in fiscal 2015 to $39.2 million in fiscal 2020. Under the bull market scenario, the 2020 cost would be $30.0 million; while it would reach $47.1 million in the bear market case.

* * *

CONCLUSION

The impacts of public employee pension costs vary widely across California cities. By offering new employees defined contribution plans or more modest defined benefit formulas, heavily burdened municipalities can gradually reduce the share of their budgets devoted to this legacy cost. Substantial towns including Lafayette and Orinda show that it is possible to fill openings – at least among non-safety employees – without offering defined pension benefits.

There are cautionary lessons as well. As San Jose has learned, it is very difficult to pare back generous pension benefit packages once they have been granted. And, as Costa Mesa has discovered, sweetening benefits for existing employees is a recipe for trouble.

Given prevailing court rulings to date, there is little municipalities can do to lighten their pension loads in the near term. By projecting pension contributions for the next several fiscal years, CalPERS has provided a way for cities to anticipate and hopefully reserve for the obligations they face shortly beyond the current budget year. We hope that systems outside CalPERS will provide similar multi-year projections in their own actuarial valuation reports.

The CalPERS projections are buried deep inside plan-specific valuation reports available only in PDF form. By extracting the relevant data from these valuation reports and then aggregating them by city, we hope we have provided policymakers and citizens with an accessible tool that they can use to assess and address growing pension costs in their respective communities.

* * *

Marc Joffe founded Public Sector Credit Solutions in 2011 to educate policymakers, investors and citizens about government credit risk. PSCS research has been published by the California State Treasurer's Office, the Mercatus Center and the Macdonald-Laurier Institute among others. Prior to starting PSCS, Marc was a Senior Director at Moody's Analytics. He has an MBA from New York University and an MPA from San Francisco State University.

California City Unfunded Pension Liability Comparison

Ranking	City	Unfunded Accrued Liability*	Population**	Penson Burden Per Capita
1	VERNON	$ 80,274,674	123	$ 652,640
2	INDUSTRY	$ 5,850,876	440	$ 13,297
3	SAND CITY	$ 3,333,518	362	$ 9,209
4	IRWINDALE	$ 12,329,851	1,473	$ 8,371
5	EL SEGUNDO	$ 106,965,381	17,000	$ 6,292
6	BEVERLY HILLS	$ 191,735,412	34,833	$ 5,504
7	COLMA	$ 7,452,198	1,480	$ 5,035
8	SANTA FE SPRINGS	$ 86,182,693	17,627	$ 4,889
9	PALO ALTO	$ 295,561,530	66,932	$ 4,416
10	CULVER CITY	$ 168,159,955	39,773	$ 4,228
11	SANTA MONICA	$ 384,123,874	93,283	$ 4,118
12	SAN FRANCISCO	$ 3,378,839,393	845,602	$ 3,996
13	MONTEREY	$ 101,169,018	28,163	$ 3,592
14	BERKELEY	$ 401,733,284	118,780	$ 3,382
15	OAKLAND	$ 1,336,731,344	410,603	$ 3,256
16	CARMEL-BY-THE-SEA	$ 12,172,105	3,747	$ 3,248
17	SANTA CLARA	$ 378,539,879	120,973	$ 3,129
18	NEWPORT BEACH	$ 257,952,421	87,249	$ 2,957
19	BRISBANE	$ 12,931,633	4,541	$ 2,848
20	PASADENA	$ 389,035,809	141,510	$ 2,749
21	SAN RAFAEL	$ 161,297,000	59,214	$ 2,724
22	SOUTH LAKE TAHOE	$ 58,624,536	21,738	$ 2,697
23	SANTA BARBARA	$ 244,753,327	91,088	$ 2,687
24	SAN LUIS OBISPO	$ 115,615,648	45,802	$ 2,524
25	SAUSALITO	$ 18,423,187	7,300	$ 2,524
26	BURBANK	$ 266,636,179	106,084	$ 2,513
27	EMERYVILLE	$ 25,721,601	10,570	$ 2,433
28	PALM SPRINGS	$ 112,590,383	46,611	$ 2,416
29	ALAMEDA	$ 184,915,962	76,638	$ 2,413
30	UKIAH	$ 38,485,172	16,073	$ 2,394
31	LOS ANGELES	$ 9,424,977,979	3,957,022	$ 2,382
32	TORRANCE	$ 351,629,621	148,427	$ 2,369
33	MOUNTAIN VIEW	$ 167,900,331	77,914	$ 2,155
34	PLEASANTON	$ 156,723,978	74,850	$ 2,094
35	BREA	$ 89,749,208	43,328	$ 2,071
36	GLENDALE	$ 411,930,013	199,182	$ 2,068
37	REDDING	$ 187,783,414	91,110	$ 2,061
38	REDWOOD CITY	$ 167,766,465	81,838	$ 2,050
39	LAGUNA BEACH	$ 47,025,358	23,355	$ 2,014
40	SAN JOSE	$ 2,041,753,709	1,016,479	$ 2,009
41	BISHOP	$ 7,741,792	3,881	$ 1,995
42	RICHMOND	$ 213,851,021	107,346	$ 1,992
43	EUREKA	$ 53,271,008	26,946	$ 1,977
44	AVALON	$ 7,452,725	3,840	$ 1,941
45	COSTA MESA	$ 220,088,382	113,455	$ 1,940
46	SOUTH SAN FRANCISCO	$ 127,521,225	66,193	$ 1,927
47	ROSEVILLE	$ 243,346,549	128,382	$ 1,895
48	MONROVIA	$ 70,601,079	37,406	$ 1,887
49	PISMO BEACH	$ 14,487,621	7,711	$ 1,879
50	HAYWARD	$ 287,139,909	152,889	$ 1,878
51	VALLEJO	$ 224,336,600	119,683	$ 1,874
52	HERMOSA BEACH	$ 36,470,681	19,772	$ 1,845
53	HEALDSBURG	$ 21,450,282	11,687	$ 1,835
54	ARCADIA	$ 104,886,610	57,761	$ 1,816
55	SUNNYVALE	$ 267,931,611	148,028	$ 1,810
56	EL CERRITO	$ 43,651,951	24,288	$ 1,797
57	SANTA CRUZ	$ 114,536,087	63,789	$ 1,796

* Source: California Policy Center

** Source: Department of Finance 2015 City Population

ATTACHMENT 2

California City Unfunded Pension Liability Comparison

Ranking	City	Unfunded Accrued Liability*	Population**	Penson Burden Per Capita
58	MILPITAS	$ 129,622,763	72,606	$ 1,785
59	MAMMOTH LAKES	$ 14,979,597	8,410	$ 1,781
60	LONG BEACH	$ 834,340,267	472,779	$ 1,765
61	REDONDO BEACH	$ 119,722,222	68,095	$ 1,758
62	DEL MAR	$ 7,365,014	4,238	$ 1,738
63	CALISTOGA	$ 9,133,311	5,261	$ 1,736
64	BELVEDERE	$ 3,624,579	2,121	$ 1,709
65	SIGNAL HILL	$ 19,358,551	11,585	$ 1,671
66	MORRO BAY	$ 17,093,739	10,284	$ 1,662
67	SAN DIEGO	$ 2,267,440,257	1,368,061	$ 1,657
68	MILL VALLEY	$ 23,416,287	14,439	$ 1,622
69	FOSTER CITY	$ 52,461,839	32,390	$ 1,620
70	SONORA	$ 7,902,383	4,879	$ 1,620
71	NEWARK	$ 70,674,444	44,204	$ 1,599
72	ANAHEIM	$ 560,051,553	351,433	$ 1,594
73	SAN MATEO	$ 161,573,628	101,429	$ 1,593
74	PACIFIC GROVE	$ 24,510,771	15,388	$ 1,593
75	NAPA	$ 122,735,281	78,971	$ 1,554
76	HUNTINGTON BEACH	$ 308,226,879	198,389	$ 1,554
77	LAKEPORT	$ 7,294,946	4,699	$ 1,552
78	MONTEBELLO	$ 99,087,149	64,104	$ 1,546
79	BENICIA	$ 42,023,126	27,689	$ 1,518
80	BURLINGAME	$ 44,956,195	29,890	$ 1,504
81	INGLEWOOD	$ 166,164,169	112,333	$ 1,479
82	VACAVILLE	$ 139,788,760	94,702	$ 1,476
83	LODI	$ 93,893,568	63,719	$ 1,474
84	SACRAMENTO	$ 701,729,440	480,105	$ 1,462
85	SAN BUENAVENTURA	$ 157,993,381	109,338	$ 1,445
86	CORTE MADERA	$ 13,695,627	9,491	$ 1,443
87	CORONADO	$ 33,702,305	23,497	$ 1,434
88	ATHERTON	$ 9,926,891	6,935	$ 1,431
89	PIEDMONT	$ 15,887,023	11,113	$ 1,430
90	SAN MARINO	$ 19,165,051	13,414	$ 1,429
91	BIG BEAR LAKE	$ 7,341,103	5,165	$ 1,421
92	CAPITOLA	$ 14,231,944	10,052	$ 1,416
93	HILLSBOROUGH	$ 16,090,520	11,420	$ 1,409
94	SAN LEANDRO	$ 123,347,974	88,441	$ 1,395
95	MILLBRAE	$ 31,814,148	22,898	$ 1,389
96	COMMERCE	$ 18,029,982	13,060	$ 1,381
97	ORANGE	$ 190,178,031	140,094	$ 1,358
98	EL CAJON	$ 137,565,731	101,444	$ 1,356
99	WILLITS	$ 6,640,209	4,902	$ 1,355
100	LOS GATOS	$ 41,279,836	30,505	$ 1,353
101	SAN BERNARDINO	$ 285,697,037	213,933	$ 1,335
102	LOMPOC	$ 58,045,405	43,479	$ 1,335
103	DAVIS	$ 89,100,422	66,757	$ 1,335
104	ROSS	$ 3,314,284	2,493	$ 1,329
105	RIVERSIDE	$ 421,648,309	317,307	$ 1,329
106	FOLSOM	$ 99,313,180	74,909	$ 1,326
107	MANHATTAN BEACH	$ 47,028,377	35,763	$ 1,315
108	SANTA ROSA	$ 224,553,344	173,071	$ 1,297
109	SAN BRUNO	$ 57,325,710	44,409	$ 1,291
110	SANTA ANA	$ 429,524,723	335,264	$ 1,281
111	NATIONAL CITY	$ 75,343,348	59,827	$ 1,259
112	WOODLAND	$ 72,181,302	57,525	$ 1,255
113	PETALUMA	$ 73,741,662	59,540	$ 1,239
114	CORONA	$ 196,000,728	160,287	$ 1,223

* Source: California Policy Center

** Source: Department of Finance 2015 City Population

ATTACHMENT 2

California City Unfunded Pension Liability Comparison

Ranking	City	Unfunded Accrued Liability*	Population**	Penson Burden Per Capita
115	FREMONT	$ 275,568,580	226,551	$ 1,216
116	STOCKTON	$ 370,970,850	306,999	$ 1,208
117	PLACERVILLE	$ 12,811,044	10,673	$ 1,200
118	FULLERTON	$ 168,798,010	141,042	$ 1,197
119	FOUNTAIN VALLEY	$ 68,150,233	57,021	$ 1,195
120	WEST COVINA	$ 129,009,677	108,401	$ 1,190
121	CARLSBAD	$ 131,074,151	110,653	$ 1,185
122	MONTCLAIR	$ 45,453,829	38,458	$ 1,182
123	ALHAMBRA	$ 100,802,832	85,545	$ 1,178
124	ROHNERT PARK	$ 48,383,312	41,077	$ 1,178
125	SAN GABRIEL	$ 46,958,776	40,517	$ 1,159
126	ESCONDIDO	$ 170,063,836	147,294	$ 1,155
127	DOWNEY	$ 130,989,072	113,900	$ 1,150
128	GRIDLEY	$ 7,757,337	6,780	$ 1,144
129	SEBASTOPOL	$ 8,535,793	7,507	$ 1,137
130	GARDEN GROVE	$ 198,640,145	174,774	$ 1,137
131	SAN FERNANDO	$ 27,761,381	24,558	$ 1,130
132	CONCORD	$ 142,421,844	126,069	$ 1,130
133	MENLO PARK	$ 37,132,534	33,273	$ 1,116
134	CHICO	$ 99,532,576	89,634	$ 1,110
135	UPLAND	$ 83,786,971	75,787	$ 1,106
136	GILROY	$ 58,480,495	53,000	$ 1,103
137	MONTEREY PARK	$ 68,149,299	62,063	$ 1,098
138	COTATI	$ 8,047,785	7,346	$ 1,096
139	COLTON	$ 58,042,658	53,384	$ 1,087
140	MANTECA	$ 80,152,300	73,787	$ 1,086
141	REDLANDS	$ 76,208,664	70,398	$ 1,083
142	ALBANY	$ 20,057,436	18,565	$ 1,080
143	GARDENA	$ 65,068,149	60,414	$ 1,077
144	FAIRFIELD	$ 119,938,848	111,891	$ 1,072
145	WEST SACRAMENTO	$ 54,669,056	51,272	$ 1,066
146	LA MESA	$ 62,686,028	58,813	$ 1,066
147	COMPTON	$ 104,118,098	98,506	$ 1,057
148	SAN CARLOS	$ 30,730,818	29,449	$ 1,044
149	CRESCENT CITY	$ 7,182,958	6,889	$ 1,043
150	PASO ROBLES	$ 31,791,883	30,522	$ 1,042
151	PINOLE	$ 19,705,956	18,946	$ 1,040
152	OCEANSIDE	$ 177,440,608	171,682	$ 1,034
153	CLAREMONT	$ 37,140,617	36,282	$ 1,024
154	ARROYO GRANDE	$ 17,728,876	17,428	$ 1,017
155	ONTARIO	$ 170,901,475	168,777	$ 1,013
156	CERRITOS	$ 50,582,862	49,968	$ 1,012
157	LOS ALAMITOS	$ 11,852,495	11,779	$ 1,006
158	MODESTO	$ 209,650,130	209,186	$ 1,002
159	WHITTIER	$ 86,998,800	86,948	$ 1,001
160	LA VERNE	$ 33,021,170	33,042	$ 999
161	RIALTO	$ 102,013,789	102,092	$ 999
162	ANGELS	$ 3,800,539	3,811	$ 997
163	JACKSON	$ 4,564,622	4,586	$ 995
164	WATSONVILLE	$ 50,963,754	52,087	$ 978
165	SUTTER CREEK	$ 2,399,990	2,457	$ 977
166	BANNING	$ 29,765,396	30,491	$ 976
167	DALY CITY	$ 102,462,550	105,810	$ 968
168	PLEASANT HILL	$ 33,041,047	34,162	$ 967
169	CAMPBELL	$ 40,017,348	41,857	$ 956
170	LIVERMORE	$ 82,083,177	85,990	$ 955
171	AZUSA	$ 47,054,760	49,425	$ 952

* Source: California Policy Center

** Source: Department of Finance 2015 City Population

ATTACHMENT 2

California City Unfunded Pension Liability Comparison

Ranking	City	Unfunded Accrued Liability*	Population**	Penson Burden Per Capita
172	ARCATA	$ 16,978,584	17,898	$ 949
173	NEVADA CITY	$ 3,015,708	3,194	$ 944
174	WEST HOLLYWOOD	$ 33,783,709	35,825	$ 943
175	YOUNTVILLE	$ 2,844,928	3,017	$ 943
176	EL MONTE	$ 108,964,085	115,774	$ 941
177	OXNARD	$ 193,907,244	206,148	$ 941
178	BELMONT	$ 25,031,015	26,748	$ 936
179	GRASS VALLEY	$ 12,034,444	12,925	$ 931
180	WILLOWS	$ 5,627,037	6,206	$ 907
181	SEAL BEACH	$ 22,365,712	24,684	$ 906
182	SCOTTS VALLEY	$ 10,784,992	11,928	$ 904
183	FAIRFAX	$ 6,679,877	7,634	$ 875
184	BUENA PARK	$ 72,273,591	82,767	$ 873
185	CHULA VISTA	$ 224,857,919	257,989	$ 872
186	SALINAS	$ 134,815,777	154,720	$ 871
187	OAKDALE	$ 18,917,394	21,773	$ 869
188	SIERRA MADRE	$ 9,665,477	11,133	$ 868
189	HAWTHORNE	$ 76,049,716	87,657	$ 868
190	CALIFORNIA CITY	$ 11,383,046	13,165	$ 865
191	INDIAN WELLS	$ 4,469,468	5,194	$ 861
192	SOUTH PASADENA	$ 22,457,832	26,174	$ 858
193	SAN PABLO	$ 25,459,708	29,730	$ 856
194	POMONA	$ 129,108,416	152,419	$ 847
195	PORT HUENEME	$ 18,981,192	22,768	$ 834
196	HEMET	$ 68,430,957	82,253	$ 832
197	LA PALMA	$ 13,186,431	15,965	$ 826
198	TURLOCK	$ 58,644,887	71,043	$ 825
199	SONOMA	$ 9,007,506	10,933	$ 824
200	OROVILLE	$ 13,282,439	16,197	$ 820
201	ALTURAS	$ 2,223,521	2,723	$ 817
202	FORT BRAGG	$ 5,980,811	7,343	$ 814
203	MARYSVILLE	$ 9,800,165	12,051	$ 813
204	LA HABRA	$ 50,421,677	62,079	$ 812
205	WALNUT CREEK	$ 78,761,962	97,125	$ 811
206	BAKERSFIELD	$ 298,072,252	369,505	$ 807
207	WESTMINSTER	$ 74,177,333	92,106	$ 805
208	CLOVIS	$ 83,940,939	104,339	$ 805
209	SIMI VALLEY	$ 101,199,951	126,483	$ 800
210	DIXON	$ 15,265,486	19,158	$ 797
211	SANTA MARIA	$ 81,118,148	102,087	$ 795
212	LARKSPUR	$ 9,725,720	12,347	$ 788
213	AUBURN	$ 10,874,157	13,818	$ 787
214	SEASIDE	$ 26,431,523	33,672	$ 785
215	PACIFICA	$ 29,842,420	38,551	$ 774
216	SAN ANSELMO	$ 9,781,248	12,670	$ 772
217	COVINA	$ 37,722,509	48,876	$ 772
218	LOS ALTOS	$ 23,082,876	30,036	$ 769
219	MORGAN HILL	$ 31,822,238	41,779	$ 762
220	SUSANVILLE	$ 11,726,108	15,509	$ 756
221	HOLLISTER	$ 28,071,881	37,305	$ 752
222	YUBA CITY	$ 49,883,962	66,363	$ 752
223	PALM DESERT	$ 38,238,538	51,053	$ 749
224	CLOVERDALE	$ 6,511,521	8,708	$ 748
225	ATWATER	$ 21,575,045	29,023	$ 743
226	EL CENTRO	$ 33,237,829	44,847	$ 741
227	BLYTHE	$ 13,795,337	18,909	$ 730
228	ANTIOCH	$ 77,943,379	108,298	$ 720

* Source: California Policy Center

** Source: Department of Finance 2015 City Population

ATTACHMENT 2

California City Unfunded Pension Liability Comparison

Ranking	City	Unfunded Accrued Liability*	Population**	Penson Burden Per Capita
229	GLENDORA	$ 36,850,663	51,463	$ 716
230	ANDERSON	$ 7,284,827	10,269	$ 709
231	COLUSA	$ 4,365,350	6,191	$ 705
232	TULARE	$ 43,960,223	62,363	$ 705
233	PORTERVILLE	$ 39,269,525	55,852	$ 703
234	MERCED	$ 57,174,954	81,722	$ 700
235	RANCHO MIRAGE	$ 12,488,121	17,889	$ 698
236	UNION CITY	$ 50,656,282	72,744	$ 696
237	TRACY	$ 59,261,849	85,296	$ 695
238	VISALIA	$ 89,818,917	130,753	$ 687
239	CARSON	$ 63,433,759	93,148	$ 681
240	HANFORD	$ 37,899,660	55,804	$ 679
241	SOLANA BEACH	$ 8,851,491	13,104	$ 675
242	HALF MOON BAY	$ 8,099,559	12,051	$ 672
243	RED BLUFF	$ 9,564,931	14,260	$ 671
244	MT. SHASTA	$ 2,271,686	3,394	$ 669
245	BELL GARDENS	$ 28,370,674	42,875	$ 662
246	BELL	$ 23,826,840	36,135	$ 659
247	SHASTA LAKE	$ 6,576,633	10,020	$ 656
248	POWAY	$ 31,836,704	49,041	$ 649
249	TAFT	$ 6,136,882	9,456	$ 649
250	CHINO	$ 54,680,096	84,465	$ 647
251	BRAWLEY	$ 16,938,375	26,273	$ 645
252	DEL REY OAKS	$ 1,065,720	1,660	$ 642
253	PALOS VERDES ESTATES	$ 8,750,381	13,730	$ 637
254	YREKA	$ 5,000,351	7,849	$ 637
255	ATASCADERO	$ 18,111,264	29,169	$ 621
256	GROVER BEACH	$ 8,055,520	13,144	$ 613
257	SANGER	$ 15,397,767	25,128	$ 613
258	GALT	$ 15,021,768	24,607	$ 610
259	BLUE LAKE	$ 750,327	1,260	$ 595
260	CATHEDRAL CITY	$ 31,501,652	52,903	$ 595
261	BARSTOW	$ 13,895,804	23,407	$ 594
262	CYPRESS	$ 29,175,294	49,184	$ 593
263	SANTA PAULA	$ 17,960,269	30,556	$ 588
264	WEED	$ 1,561,867	2,699	$ 579
265	NOVATO	$ 30,695,856	53,575	$ 573
266	SOUTH GATE	$ 54,536,179	96,547	$ 565
267	INDIO	$ 47,473,626	84,201	$ 564
268	MARINA	$ 11,721,310	20,872	$ 562
269	TIBURON	$ 5,112,428	9,200	$ 556
270	SOLVANG	$ 3,039,318	5,489	$ 554
271	CERES	$ 25,990,824	46,989	$ 553
272	TUSTIN	$ 43,801,648	79,601	$ 550
273	DINUBA	$ 13,139,342	23,966	$ 548
274	PLACENTIA	$ 28,621,931	52,427	$ 546
275	ESCALON	$ 4,035,722	7,413	$ 544
276	HUNTINGTON PARK	$ 32,090,723	59,312	$ 541
277	RIO VISTA	$ 4,431,539	8,193	$ 541
278	ROCKLIN	$ 32,533,262	60,252	$ 540
279	SAN MARCOS	$ 49,029,525	90,827	$ 540
280	MARTINEZ	$ 20,125,161	37,384	$ 538
281	BRENTWOOD	$ 30,349,538	56,493	$ 537
282	SAN JUAN CAPISTRANO	$ 19,401,033	36,223	$ 536
283	ENCINITAS	$ 31,979,385	61,518	$ 520
284	FORTUNA	$ 6,245,626	12,032	$ 519
285	PARADISE	$ 13,598,638	26,235	$ 518

* Source: California Policy Center

** Source: Department of Finance 2015 City Population

ATTACHMENT 2

California City Unfunded Pension Liability Comparison

Ranking	City	Unfunded Accrued Liability*	Population**	Penson Burden Per Capita
286	OJAI	$ 3,942,966	7,612	$ 518
287	LINDSAY	$ 6,545,126	12,678	$ 516
288	CORNING	$ 3,939,069	7,638	$ 516
289	FOWLER	$ 3,071,266	5,957	$ 516
290	IRVINE	$ 127,627,805	250,384	$ 510
291	NORCO	$ 12,932,648	25,891	$ 500
292	TRUCKEE	$ 7,972,276	16,211	$ 492
293	FONTANA	$ 99,702,412	204,312	$ 488
294	WINTERS	$ 3,377,441	6,954	$ 486
295	HAWAIIAN GARDENS	$ 6,999,481	14,545	$ 481
296	SANTEE	$ 26,622,322	55,805	$ 477
297	CUPERTINO	$ 28,373,566	59,756	$ 475
298	HERCULES	$ 11,712,981	24,775	$ 473
299	MADERA	$ 30,234,346	63,961	$ 473
300	VISTA	$ 45,429,845	96,413	$ 471
301	ROLLING HILLS ESTATES	$ 3,872,512	8,223	$ 471
302	ORLAND	$ 3,677,620	7,814	$ 471
303	RIDGECREST	$ 13,266,799	28,419	$ 467
304	MAYWOOD	$ 12,978,485	27,884	$ 465
305	DUARTE	$ 10,125,020	21,839	$ 464
306	PITTSBURG	$ 31,307,251	67,628	$ 463
307	DUNSMUIR	$ 750,656	1,647	$ 456
308	PICO RIVERA	$ 29,219,289	64,182	$ 455
309	THOUSAND OAKS	$ 58,686,476	129,349	$ 454
310	KINGSBURG	$ 5,306,659	11,711	$ 453
311	WOODSIDE	$ 2,458,725	5,539	$ 444
312	LOMA LINDA	$ 10,481,080	23,751	$ 441
313	BALDWIN PARK	$ 33,621,782	77,047	$ 436
314	SUISUN CITY	$ 12,526,743	28,888	$ 434
315	NEEDLES	$ 2,127,724	4,940	$ 431
316	LOS BANOS	$ 15,998,587	37,145	$ 431
317	SHAFTER	$ 7,573,887	17,970	$ 421
318	SELMA	$ 9,979,671	23,912	$ 417
319	CALEXICO	$ 16,937,141	41,033	$ 413
320	CHOWCHILLA	$ 7,620,236	18,542	$ 411
321	LYNWOOD	$ 28,011,812	71,381	$ 392
322	EXETER	$ 4,096,005	10,572	$ 387
323	CAMARILLO	$ 25,785,845	67,154	$ 384
324	SAN CLEMENTE	$ 24,842,101	65,399	$ 380
325	DELANO	$ 19,442,149	52,222	$ 372
326	GUSTINE	$ 2,082,165	5,618	$ 371
327	NEWMAN	$ 3,962,993	10,753	$ 369
328	ST. HELENA	$ 8,436,816	22,898	$ 368
329	CARPINTERIA	$ 4,863,607	13,547	$ 359
330	CLEARLAKE	$ 5,293,073	14,977	$ 353
331	FIREBAUGH	$ 2,678,647	7,779	$ 344
332	DOS PALOS	$ 1,723,656	5,023	$ 343
333	VICTORVILLE	$ 39,994,954	121,168	$ 330
334	REEDLEY	$ 8,355,852	25,488	$ 328
335	LINCOLN	$ 14,920,648	45,837	$ 326
336	NORWALK	$ 34,733,561	107,166	$ 324
337	IONE	$ 2,191,673	6,763	$ 324
338	WILLIAMS	$ 1,713,150	5,316	$ 322
339	LOMITA	$ 6,502,522	20,733	$ 314
340	CLAYTON	$ 3,533,793	11,288	$ 313
341	DESERT HOT SPRINGS	$ 8,461,774	28,134	$ 301
342	LEMOORE	$ 7,525,149	25,325	$ 297

* Source: California Policy Center

** Source: Department of Finance 2015 City Population

ATTACHMENT 2

California City Unfunded Pension Liability Comparison

Ranking	City	Unfunded Accrued Liability*	Population**	Penson Burden Per Capita
343	GRAND TERRACE	$ 3,666,231	12,352	$ 297
344	KING CITY	$ 3,960,602	13,417	$ 295
345	HUGHSON	$ 2,106,296	7,222	$ 292
346	PATTERSON	$ 5,986,043	21,094	$ 284
347	IMPERIAL BEACH	$ 7,502,922	26,761	$ 280
348	FILLMORE	$ 4,281,740	15,441	$ 277
349	BEAUMONT	$ 11,744,274	42,481	$ 276
350	PARAMOUNT	$ 15,171,663	55,302	$ 274
351	EAST PALO ALTO	$ 7,961,006	29,137	$ 273
352	LAKEWOOD	$ 22,102,815	81,601	$ 271
353	BUELLTON	$ 1,333,464	4,931	$ 270
354	LEMON GROVE	$ 6,935,046	26,199	$ 265
355	MORENO VALLEY	$ 52,992,224	200,670	$ 264
356	LIVINGSTON	$ 3,527,777	13,735	$ 257
357	SOUTH EL MONTE	$ 5,306,316	20,841	$ 255
358	AMERICAN CANYON	$ 5,084,833	20,149	$ 252
359	MALIBU	$ 3,257,526	12,935	$ 252
360	TEMECULA	$ 26,967,441	108,920	$ 248
361	BIGGS	$ 429,031	1,746	$ 246
362	COACHELLA	$ 10,658,040	43,917	$ 243
363	CORCORAN	$ 5,354,324	22,084	$ 242
364	LOS ALTOS HILLS	$ 2,016,889	8,341	$ 242
365	GUADALUPE	$ 1,736,647	7,205	$ 241
366	WOODLAKE	$ 1,837,826	7,702	$ 239
367	PALMDALE	$ 37,408,503	157,009	$ 238
368	YORBA LINDA	$ 15,882,780	67,719	$ 235
369	ETNA	$ 171,991	741	$ 232
370	SAN DIMAS	$ 7,922,910	34,713	$ 228
371	SARATOGA	$ 6,940,602	30,799	$ 225
372	MORAGA	$ 3,646,154	16,466	$ 221
373	LANCASTER	$ 35,510,216	160,784	$ 221
374	WASCO	$ 5,665,228	26,130	$ 217
375	MONTE SERENO	$ 740,312	3,451	$ 215
376	GONZALES	$ 1,778,374	8,357	$ 213
377	RIPON	$ 3,172,132	14,922	$ 213
378	MURRIETA	$ 22,769,368	107,279	$ 212
379	SAN JACINTO	$ 9,734,314	45,895	$ 212
380	TEHACHAPI	$ 2,759,368	13,028	$ 212
381	PORTOLA VALLEY	$ 955,433	4,527	$ 211
382	LA QUINTA	$ 8,178,420	39,694	$ 206
383	WINDSOR	$ 5,583,750	27,335	$ 204
384	CHINO HILLS	$ 16,467,881	84,465	$ 195
385	RANCHO CUCAMONGA	$ 33,548,906	174,064	$ 193
386	STANTON	$ 7,287,324	39,219	$ 186
387	ROLLING HILLS	$ 352,198	1,904	$ 185
388	GREENFIELD	$ 3,111,941	16,870	$ 184
389	YUCCA VALLEY	$ 3,858,328	21,355	$ 181
390	SAN RAMON	$ 13,789,117	78,561	$ 176
391	LATHROP	$ 3,555,252	20,353	$ 175
392	DUBLIN	$ 9,704,937	55,844	$ 174
393	RANCHO PALOS VERDES	$ 7,230,479	42,564	$ 170
394	IMPERIAL	$ 2,959,426	17,446	$ 170
395	RIVERBANK	$ 3,916,768	23,485	$ 167
396	CALABASAS	$ 4,033,227	24,212	$ 167
397	BRADBURY	$ 176,494	1,087	$ 162
398	MISSION VIEJO	$ 15,450,424	96,652	$ 160
399	LIVE OAK	$ 1,364,899	8,546	$ 160

* Source: California Policy Center

** Source: Department of Finance 2015 City Population

ATTACHMENT 2

California City Unfunded Pension Liability Comparison

Ranking	City	Unfunded Accrued Liability*	Population**	Penson Burden Per Capita
400	WESTLAKE VILLAGE	$ 1,333,651	8,423	$ 158
401	VILLA PARK	$ 939,557	5,960	$ 158
402	LA MIRADA	$ 7,773,880	49,521	$ 157
403	LA HABRA HEIGHTS	$ 820,018	5,439	$ 151
404	LAKE ELSINORE	$ 8,595,496	58,426	$ 147
405	AVENAL	$ 1,909,008	13,159	$ 145
406	SAN JOAQUIN	$ 585,452	4,041	$ 145
407	TEMPLE CITY	$ 5,158,246	36,275	$ 142
408	WALNUT	$ 4,227,162	30,257	$ 140
409	SANTA CLARITA	$ 29,024,864	213,231	$ 136
410	ROSEMEAD	$ 7,479,094	55,017	$ 136
411	APPLE VALLEY	$ 9,522,251	71,396	$ 133
412	HIDDEN HILLS	$ 248,529	1,901	$ 131
413	AGOURA HILLS	$ 2,625,861	20,767	$ 126
414	LAWNDALE	$ 4,212,702	33,403	$ 126
415	MOORPARK	$ 4,486,070	35,727	$ 126
416	KERMAN	$ 1,762,401	14,314	$ 123
417	SOLEDAD	$ 2,869,104	24,540	$ 117
418	HESPERIA	$ 10,652,359	92,177	$ 116
419	TWENTYNINE PALMS	$ 2,949,191	25,846	$ 114
420	LA PUENTE	$ 4,555,220	40,690	$ 112
421	ARTESIA	$ 1,811,624	16,849	$ 108
422	LOOMIS	$ 700,073	6,623	$ 106
423	MONTAGUE	$ 151,625	1,438	$ 105
424	PERRIS	$ 7,627,414	72,908	$ 105
425	CITRUS HEIGHTS	$ 8,759,040	85,147	$ 103
426	CUDAHY	$ 2,464,506	24,270	$ 102
427	BELLFLOWER	$ 7,771,241	78,106	$ 99
428	WATERFORD	$ 852,043	8,686	$ 98
429	PARLIER	$ 1,461,999	15,095	$ 97
430	LA CANADA FLINTRIDGE	$ 1,920,033	20,592	$ 93
431	DANA POINT	$ 2,979,491	34,208	$ 87
432	FARMERSVILLE	$ 906,536	10,908	$ 83
433	PORTOLA	$ 369,650	4,527	$ 82
434	CALIPATRIA	$ 576,000	7,466	$ 77
435	ELK GROVE	$ 12,210,965	162,899	$ 75
436	LAGUNA NIGUEL	$ 4,536,900	64,836	$ 70
437	ARVIN	$ 1,260,989	20,113	$ 63
438	LAGUNA HILLS	$ 1,894,757	30,994	$ 61
439	CALIMESA	$ 482,743	8,353	$ 58
440	DIAMOND BAR	$ 3,210,985	56,668	$ 57
441	HIGHLAND	$ 3,022,034	54,332	$ 56
442	YUCAIPA	$ 2,867,272	52,942	$ 54
443	GOLETA	$ 1,607,275	30,765	$ 52
444	LAKE FOREST	$ 3,538,905	80,070	$ 44
445	RANCHO CORDOVA	$ 2,425,105	69,112	$ 35
446	OAKLEY	$ 1,349,181	38,789	$ 35
447	RANCHO SANTA MARGARITA	$ 1,195,427	49,125	$ 24
448	COLFAX	$ 47,778	1,994	$ 24
449	LAGUNA WOODS	$ 391,455	16,652	$ 24
450	CANYON LAKE	$ 248,706	10,901	$ 23
451	ALISO VIEJO	$ 597,851	50,204	$ 12
452	MENIFEE	$ 357,222	85,385	$ 4
453	WILDOMAR	$ 115,206	34,148	$ 3
454	EASTVALE	$ 16,372	60,633	$ 0
455	ADELANTO	$ (283,310)	33,084	$ (9)
456	COALINGA	$ (232,660)	16,529	$ (14)

* Source: California Policy Center

** Source: Department of Finance 2015 City Population

ATTACHMENT 2

California City Unfunded Pension Liability Comparison

Ranking	City	Unfunded Accrued Liability*	Population**	Penson Burden Per Capita
457	ORANGE COVE	$ (167,885)	9,358	$ (18)
458	FRESNO	$ (100,866,000)	520,159	$ (194)
459	TULELAKE	$ (522,157)	1,013	$ (515)

* Source: California Policy Center

** Source: Department of Finance 2015 City Population

ATTACHMENT 2