

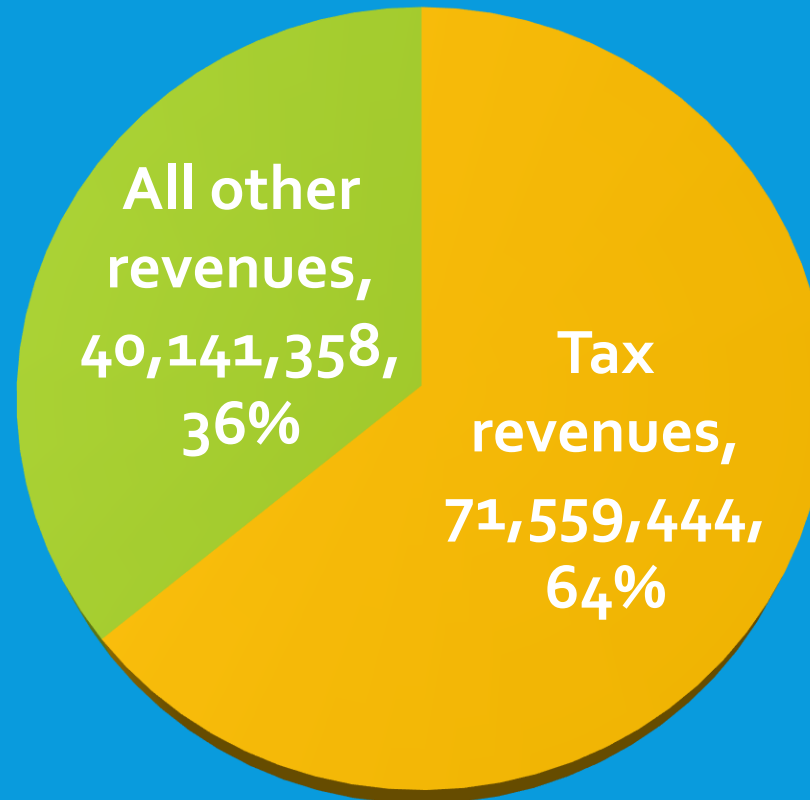
PENSION STUDY SESSION

City of South San Francisco
City Council Meeting
April 9, 2019



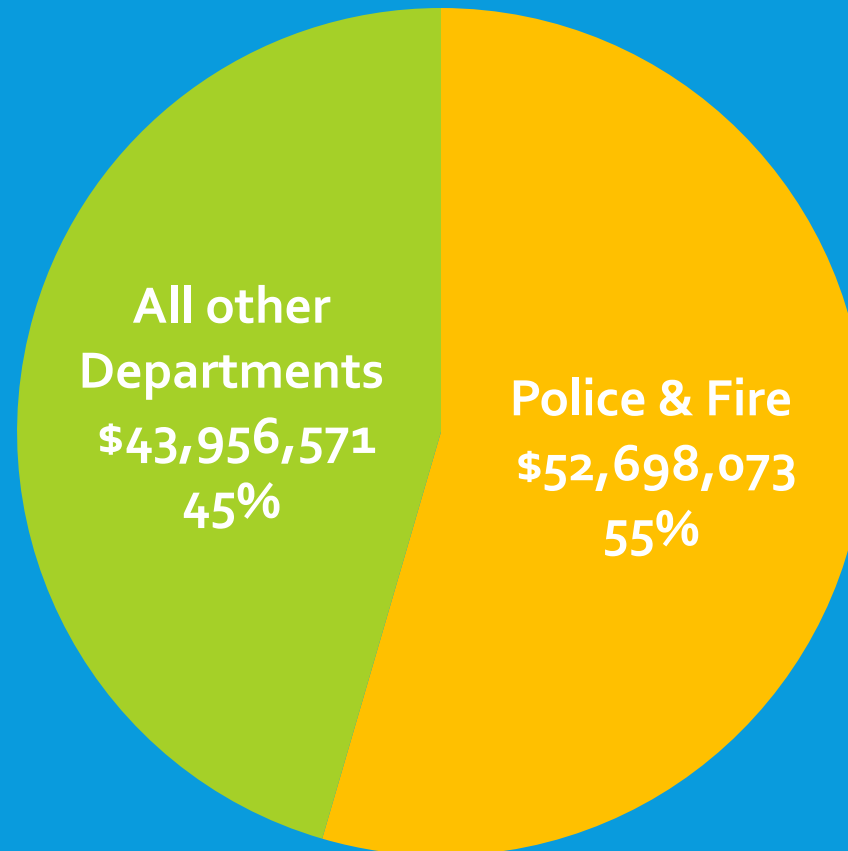
GENERAL FINANCIAL OVERVIEW

FY 2017-18
General Fund Revenues \$111M

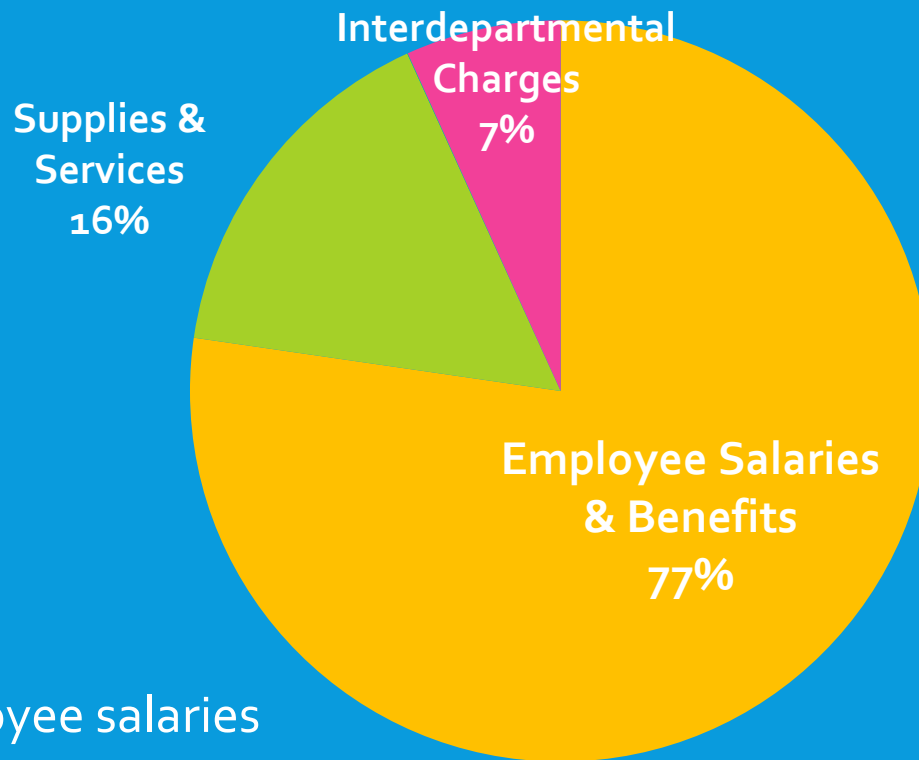


EXPENDITURES BY DEPARTMENT

General Fund Expenditures \$96M
FY 2017-18



EXPENDITURES BY TYPE

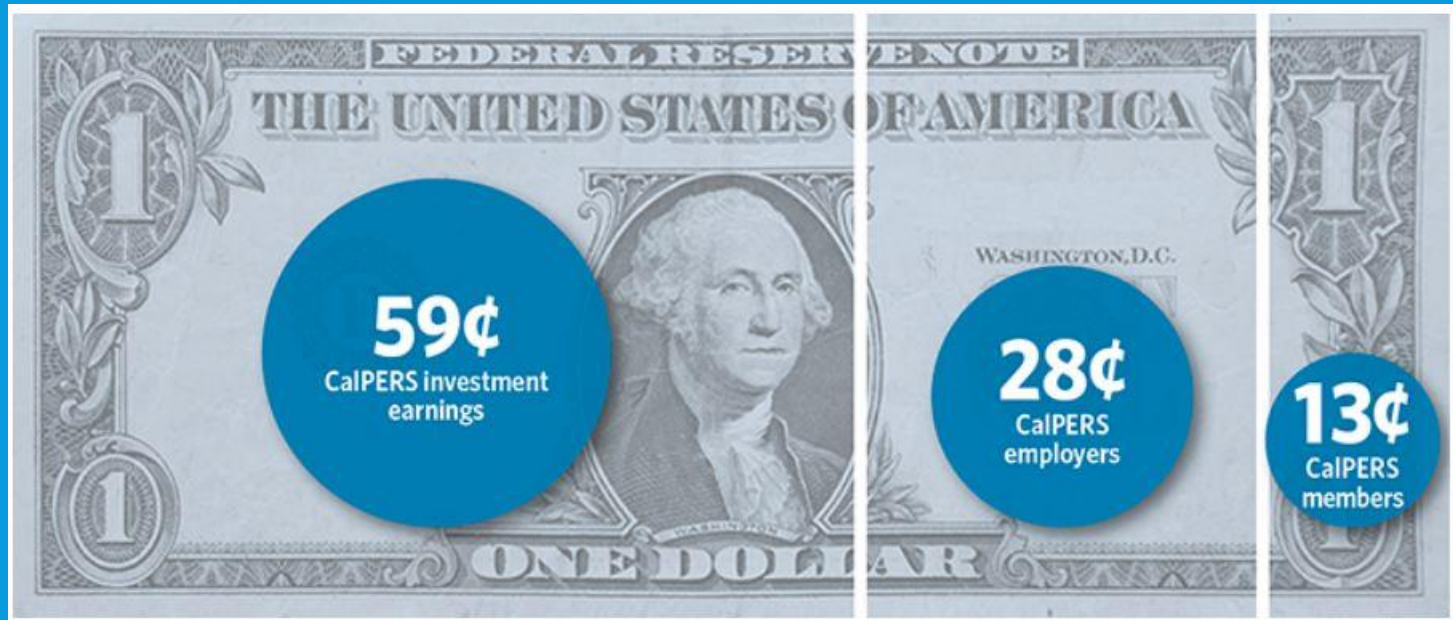


- \$46M employee salaries
- \$28M employee benefits
 - \$15M CalPERS (20%)

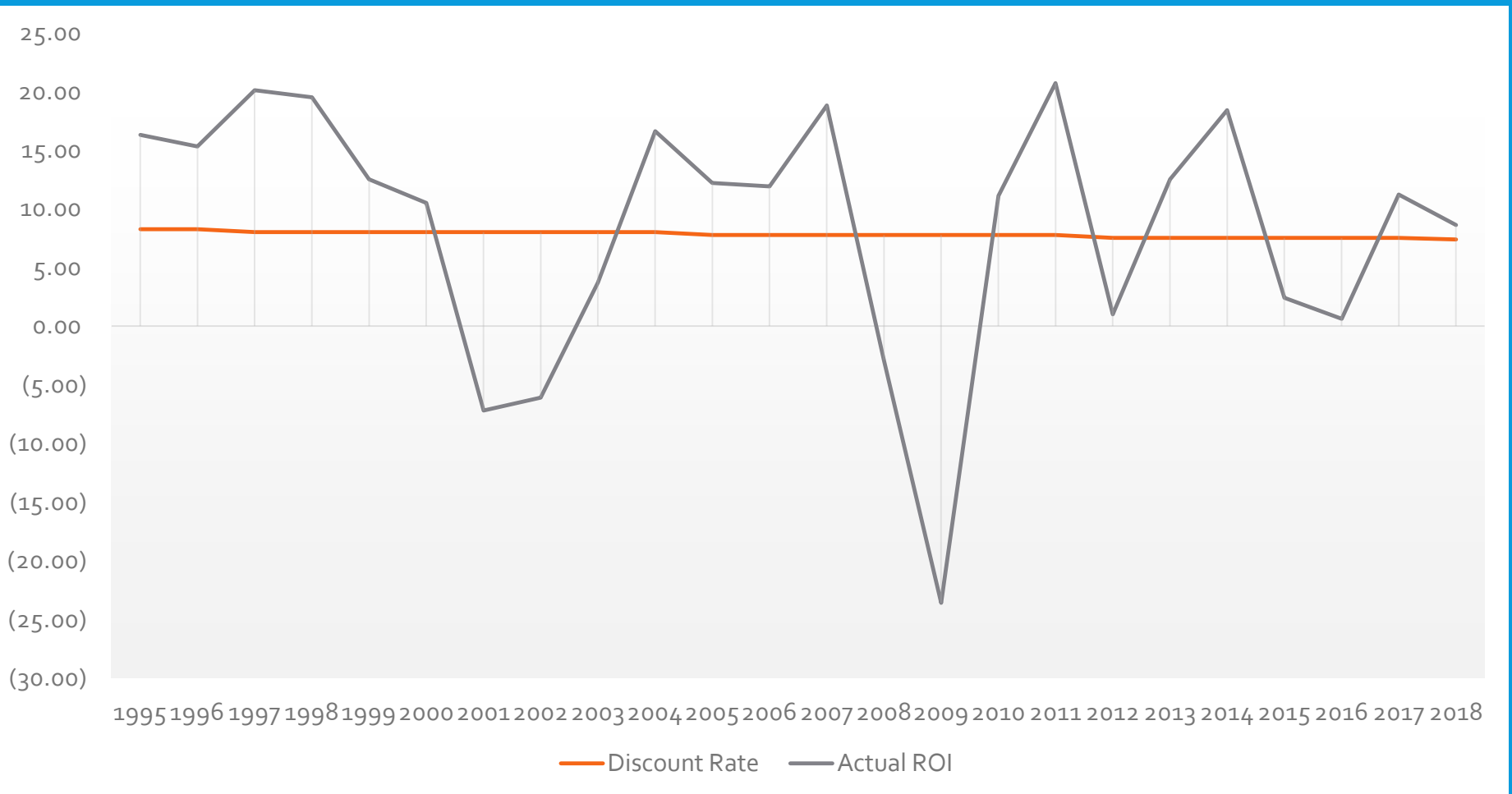
CALPERS BACKGROUND

- Established in 1932 as SERS
- SSF joined SERS in 1945
- 1992 SERS becomes CalPERS
- Largest public pension system in the US
- \$357B in assets
- 1.9M members

THE CALPERS BUCK



CALPERS ROI

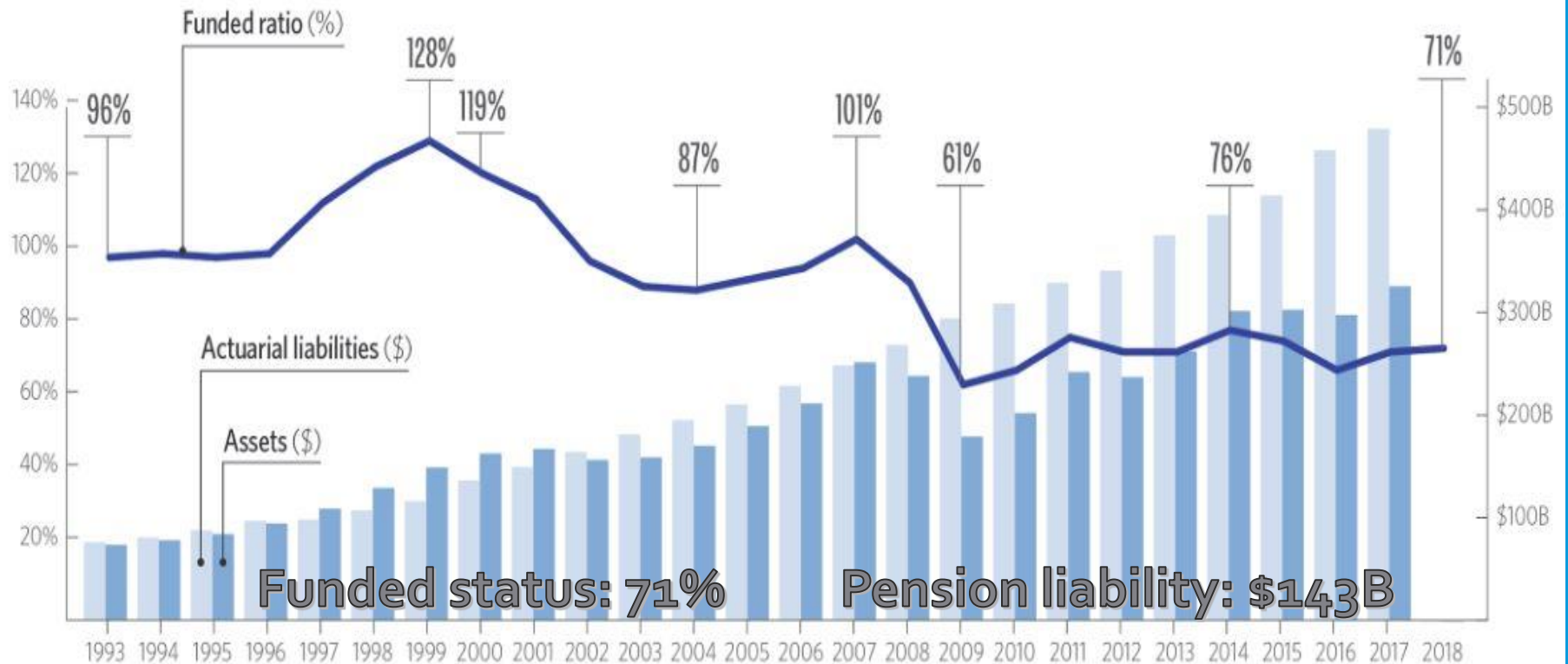


POLICY & ACTUARIAL CHANGES

- 2013 – Open to closed amortization
 - Ramp up/down
- 2015 – Funding Risk Mitigation Policy
 - If $ROI > \text{Discount Rate}$, then...
- 2016 – Discount Rate 7.5 to 7.0%
- 2018 – Amortization Period from 30 to 20 years

CALPERS FUNDED STATUS

Historical Factors Impact Funded Status (1993-2018)



IMPACT OF DISCOUNT RATE REDUCTION TO SSF PENSION LIABILITY & FUNDED STATUS AS OF JUNE 30, 2019 (IN MILLIONS)

Type	Before	After	Change	% Change
Pension Liability	\$154.41	\$189.20	\$34.79	22.5%
Funded Status	72%	68%	(4%)	5.6%

SSF CONTRIBUTIONS TO CALPERS

Fiscal Year	Contributions (in millions)	% of Payroll	% of GF
2018-19	\$17.2	33.6	16.4
2019-20	\$19.6	34.7	18.8
2020-21	\$21.4	36.1	19.5
2021-22	\$22.8	37.3	19.9
2022-23	\$24.1	38.2	20.3
2023-24	\$24.9	38.5	20.4
2024-25	\$26.0	38.9	20.5
2025-26	\$26.5	38.5	20.2
2026-27	\$26.9	38.0	19.9
2027-28	\$27.4	37.6	19.6

OPTIONS TO ADDRESS PENSION LIABILITIES

- Already implemented:
 - Second classic pension tier in 2010
 - 2.0@60 for Miscellaneous
 - 3.0@55 for Safety
 - CalPERS Stabilization Reserve - \$5.5M
 - CalPERS Cost-Sharing with Employees by 3%
 - Increases in Revenue and Tax Base
 - TOT Rate
 - Cannabis Business License Tax

OPTIONS TO ADDRESS PENSION LIABILITIES

1. Contribute additional funds to CalPERS

- Reduce amortization bases
 - Shorten amortization period
- Reduce interest expense

Scenario	2018-19 Pension Liability	2027-28 Pension Liability	Net Change from Status Quo
Status Quo	\$189.20	\$130.00	N/A
\$1M add'l to PERS	\$189.20	\$123.33	\$6.67

OPTIONS TO ADDRESS PENSION LIABILITIES

2. Contribute funds to Section 115 Pension Trust
 - Feb 2014 \$13.4M with CERBT (OPEB)

Scenario	2018-19 Pension Liability	2027-28 Pension Liability	Net Change from Status Quo
Status Quo	\$189.20	\$130.00	N/A
\$5.5M + \$1M to Section 115	\$189.20	\$111.01	\$18.99

OPTIONS TO ADDRESS PENSION LIABILITIES

3. Continue Expand on Current Multi-Pronged Approach

- Expand current revenue and tax base
- Potential surplus of General Fund to CalPERS Stabilization Reserve
- Lower City's CalPERS contribution through continued and expanded cost-sharing with labor groups
- Continue to explore the possibility of a 155 pension trust fund

STAFF RECOMMENDATION – OPTION 3

1. Continue Expand on Current Multi-Pronged Approach
 - Expand current revenue and tax base
 - Potential surplus of General Fund to CalPERS Stabilization Reserve
 - Lower City's CalPERS contribution through continued and expanded cost-sharing with labor groups
 - Continue to explore the possibility of a 155 pension trust fund

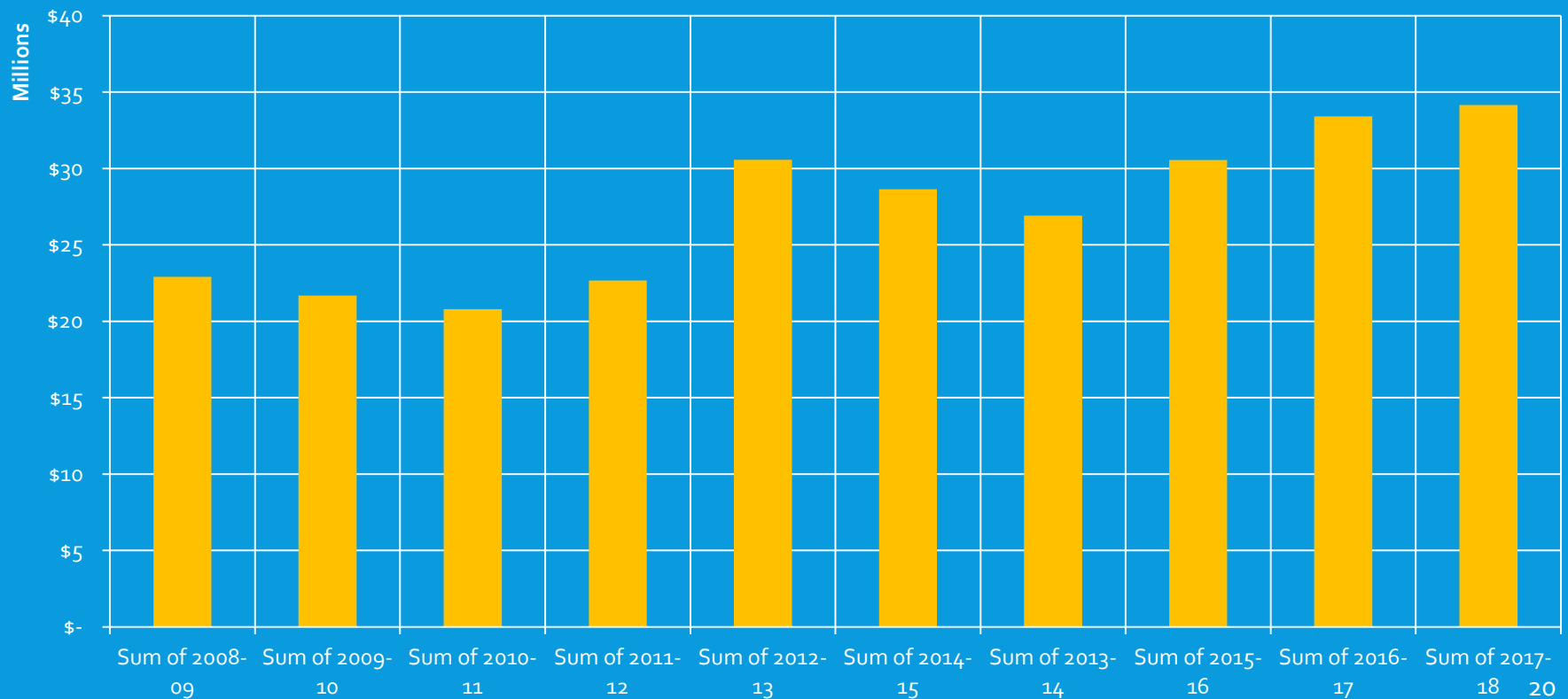
DISCUSSION

PROPERTY TAX - PROPOSITION 13

- Property tax limited to 1% of AV
- Annual increase in AV limited to 2%
- 1% Property Tax levy allocation is in a solid state
- Property AV reset upon sale

PROPERTY TAX

- FY 2017-18 \$34M
- 30% of General Fund operating revenue



SALES TAX

- 9.25% sales tax rate
 - 1.0% Bradley Burns
 - 0.5% Measure W
 - \$17M in FY 2017-18
 - 15% of General Fund operating revenues

TRANSIENT OCCUPANCY TAX (TOT)

- Current rate: 10%
 - Plus \$2.50 per night/room SSFCC tax
- Measure FF
 - Increase to 12% as of 1/1/19
 - 13% as of 1/1/20
 - 14% as of 1/1/21
- \$14M in FY 2017-18
 - 12% of General Fund operating revenues