CITYWIDE FINANCIALS

The City's operating budget is comprised of a number of different funding sources.[1] The General Fund is the largest single fund and represents the resources over which the City Council has the most discretion. The total proposed City expenditure budget for the FY 2021 is $324.5 million, with a General Fund budget of $167.5 million.

Table 1: City Expenditure Budget Summary - All Funds

Expenditures

in 1,000's	FY 2019 Adopted	FY 2020 Adopted	FY 2021 Proposed	$ Change	% Change
General Fund	162,790	172,104	167,479	(4,625)	(2.7)%
All Other Funds	152,474	179,675	157,046	(22,628)	(12.6)%
Total City Budget	**315,264**	**351,779**	**324,525**	**(27,254)**	**(7.7)%**

The FY 2021 proposed budget reflects a General Fund expenditure reduction over the FY 2020 adopted budget of (2.7)%; this amount represents a reduction of $10.3 million in comparison to projected actual FY 2020 expenditures (6.3%). The FY 2021 proposed budget also shows a decrease to All Other Funds of (12.6)%. Reductions in both the General Fund and All Other Funds is primarily due to negotiated employee concessions, a significant hiring freeze, reductions in supplies and services, program service reductions, and a deferral of contributions to other post employment benefits unfunded liability and capital contributions. The reduction is a result of projected declines in several revenue streams related to the impacts and future uncertainties of the COVID-19 pandemic. Total overall reduction is (7.7)% for all funds combined.

CITYWIDE STAFFING

The FY 2021 proposed budget reflects a number of staffing changes over what was approved at the time of adoption of the FY 2020 Budget, resulting in a net decrease of -15.1 budgeted Full Time Equivalents (FTE) to the General Fund and -1.4 budgeted FTE net decrease in other revenue funds. Staffing changes result in a (1.8)% decrease in overall labor resources.

The Staffing section of the budget document provides more details regarding specific department and fund staffing changes.

Table 2: Staffing Summary

FTE Summary	FY 2018 Adopted	FY 2019 Adopted	FY 2020 Adopted	FY 2021 Proposed	# Change	% Change
General Fund	654.5	664.1	673.7	658.57	(15.13)	(2.2)%
All Other Funds	226.3	230.2	235.6	234.23	(1.37)	(0.6)%
Total City Budget	**880.8**	**894.3**	**909.3**	**892.8**	**(16.5)**	**(1.8)%**

[1] Other funds is comprised of all non-General Fund revenue sources with key funds including the City's enterprise funds (Water, Sewer, Airport, etc.), Internal Service Funds (Facilities, Fleet/Equipment, Technology).

GENERAL FUND DISCUSSION

The General Fund represents over fifty percent of the City's total operating costs, and provides many important services such as police and fire services, street maintenance, code enforcement, library and learning services, and other community programs for the residents of Hayward.

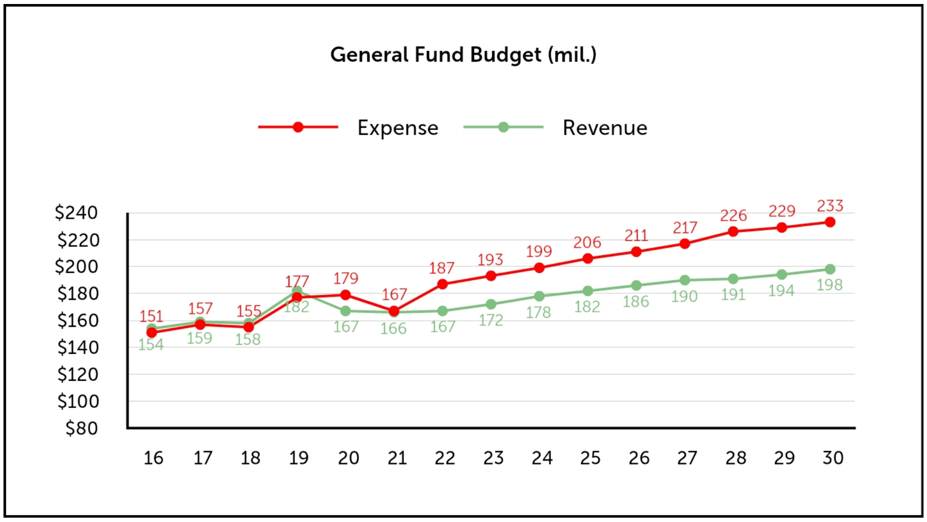
The economic crisis that began in 2008 hit the General Fund the hardest of all of the City's funds. In 2011, the General Fund forecasted a 30 million deficit - a reflection of the severe loss of revenue caused by the recession with the continued forecast of expenditure growth relating to the cost of providing services out pacing revenue growth.

In October 2017, the City held a Fiscal Sustainability work session, where the Council was presented with a new and updated General Fund Long Range Financial Model (Model), as well as options for revenue generation, cost shifting, expenditure controls, and changes to service provisions to assist in closing the City's long term structural budget gap. Council supported exploration of options from all categories with the exception of a reduction to provision of services.

In FY 2021, the City will be addressing the challenge of recovering from the COVID-19 pandemic. While the City is not unique in this from an agency perspective, as most if not all municipalities will face changes in their financial outlook, it is a unique situation that most agencies, including the City of Hayward, have never faced. On March 4, 2020, the Governor of California declared a State of Emergency due to the COVID-19 pandemic. On March 11, 2020, the City Manager declared a Local Emergency in the City of Hayward, which was affirmed by Resolution of the Hayward City Council on March 17, 2020.

Since the declaration of the Local Emergency, Council has been provided with several updates on the City's projected cash flow through the end of FY 2020. In addition to the City's cash flow projections, Council have been provided with FY 2021 General Fund budget projections. Due to COVID-19, the City is projecting a significant reduction to several revenue streams. The projected reduction in revenues has widened the structural budget gap in FY 2021. If the second quarter of calendar 2020 finishes with a reduction in GDP as many experts indicate it will, the US economy will officially be in a recession. How long or how deep it will go remains a challenge to identify. This has created a significant challenge to the City in balancing its FY 2021 General Fund operating budget. The City is proposing to use many different strategies to do this as without action the City would face a projected budget deficit for the year of more than $15 million. To accomplish, this the City was successful in partnering with its labor groups to save more than $1.3 million dollars and is proposing to Council the following additional strategies: 1) Reduction of $3.6 million of contributions towards the City's unfunded liability related to other post-employment benefits (OPEB); 2) Partnership with the City's labor groups for concessions including COLA deferral or furloughs; 3) Reduction in supplies and services; 4) Deferral of recruitment for vacant non-sworn positions for a six-month period; 5) Reduction in General Fund Contributions to Capital Projects; 6) Reduction in General Fund Contributions to Internal Service Funds; and 7) Deferral of recruitment for 10 vacant police officer positions and two additional sworn positions for 12 months. Based on year end projections and due to the impacts of the COVID-19 pandemic, the City is projecting to use approximately $11.8 million in General Fund reserves in FY 2020. This is a significant reduction to the $36.9 million in reserves it began the year with. While the City does not intend to continue to use a significant amount of reserves to balance this and future budgets, it will likely take a prolonged period of time to recover back to pre-2020 levels.

Table 3: General Fund Long Range Financial Model



Basic General Fund Long Range Financial Assumptions

In FY 2017, the City worked with Management Partners to develop and enhance its General Fund Long Range Financial Model (Model). The Model is a dynamic planning tool used to assist City Council and staff in managing and projecting the City's current and future fiscal status. The updated Model provides sophisticated economic forecasting, escalation factors, and detailed personnel related costs. The City uses the Model to simulate a variety of different fiscal scenarios to understand the long-term fiscal impacts to the General Fund.

The General Fund section of the budget document contains a detailed General Fund Long Range Financial forecast. Critical Cost Drivers impacting FY 2021 and beyond include:

- Recovery from the COVID-19 pandemic
- Potential recession in FY 2021
- Escalating CalPERS retirement costs, related to the recent PERS performance and economic downturn
- Funding Retiree Medical benefits
- Addressing growing community needs during downturn

General Fund Reserve

The General Fund Reserve is made up of funds intended to support City operations during emergency situations (such as a catastrophic natural or financial disaster). It also provides some flexibility to address one-time priority programs, smooth out economic swings, and buffer the loss of state and federal funds. Current City Council policy is to maintain a reasonable Reserve level equal to 20% of total General Fund expenditures.

The FY 2021 proposed budget projects that the City will end the fiscal year by spending $1.2 million of General Fund Reserves. The estimated FY 2021 ending General Fund Reserve is approximately $23.9 million, resulting in a projected Reserve level of 14.0%.

It is Council's policy to replenish the General Fund Reserve when it dips below the 20% threshold as one-time funds become available. Council has been wise in past uses of reserves, and staff has made every effort to maintain reserve levels at or above Council policy. It is because of this prudent and very minimal use of reserves to fund operations that the City has been able to make it through this period in ways that many other agencies have not.

KEY FY 2021 BUDGET CHANGES

The following General Fund analysis provides a comparison of the FY 2021 Proposed Budget to the immediate previous years. FY 2020 "Projected" is based on what staff currently knows about how this fiscal year will end; the actual ending balance may be different when the year is closed.

General Fund Revenues

Overall, staff is projecting a decrease in General Fund revenues in FY 2021 over the amounts adopted during the FY 2020 Mid-Year budget process for General Fund revenues of approximately $9.6 million or 5.5% and a of 3.6% decrease of the amounts adopted for the same revenues in May of 2019. Each revenue category varies in its change over the prior year, with some revenues seeing declines and others experiencing increases.

Table 4: FY 2021 General Fund Revenues

		A	B	C	D	E	F
	(in the 1,000's)	FY 2019 Actuals	FY 2020 Adopted	FY 2020 Projected	FY 2021 Proposed	Change $ (D-B)	Change % (D/B-1)
	Revenue						
1	Annual Property Tax - Recurring	$ 50,398	$ 53,887	$ 53,887	$ 52,438	$ (1,449)	-2.7%
2	RPTTF Pass- Thru & Annual	4,070	3,062	3,062	3,062	—	—%
3	Property Tax Total	$ 54,468	$ 56,949	$ 56,949	$ 55,500	$ (1,449)	-2.5%
4	Sales Tax (incl Prop 172)	36,032	35,372	36,000	33,000	(2,372)	-6.7%
5	Utility Users Tax	16,935	18,135	17,500	18,135	—	—%
6	UUT Prior Period Payment	—	—	—	—	—	
7	Franchise Fees	9,730	11,018	11,018	11,150	132	1.2%
8	Property Transfer Tax	12,256	15,500	11,500	13,500	(2,000)	-12.9%
9	Business License Tax	2,933	3,001	2,900	2,600	(401)	-13.4%
10	Transient Occupancy Tax	2,823	2,600	1,800	1,800	(800)	-30.8%
11	Cannabis Tax	—	250	10	100	(150)	-60.0%
12	Emergency Facilities Tax	2,186	2,115	2,115	1,800	(315)	-14.9%
13	Charges for Services	15,763	13,493	12,839	12,973	(520)	-3.9%
14	Intergovernmental	7,075	6,551	7,551	8,286	1,735	26.5%
15	Fines and Forfeitures	2,510	2,379	2,187	2,292	(88)	-3.7%
16	Interest and Rents	525	579	374	579	—	—%
17	Other Revenue	1,210	532	329	633	101	19.0%
18	**Total Revenue**	**$ 164,447**	**$ 168,475**	**$ 163,072**	**$ 162,348**	**$ (6,127)**	**-3.6%**
19	Transfers In-Other Funds	17,357	3,964	3,964	3,967	3	0.1%
20	**Total Revenue/Resources**	**$ 181,804**	**$ 172,439**	**$ 167,036**	**$ 166,315**	**$ (6,124)**	**-3.6%**

A summary of key revenue assumptions for FY 2021 follows. Please note that the General Fund section of the budget document contains further discussion and analysis of key General Fund revenue categories.

Property Tax - In FY 2021, Property Tax revenue is projected to decline by 2.5% over the amount adopted in FY 2020 revenues. The projection for Property Tax revenue is primarily based on the annual County Assessor's Office estimate of assessed values, with projections for the proposed budget based on information provided by the Assessor in March.

In addition, the City uses a property tax consultant to review and confirm estimates. Future annual growth is projected between 2%-5%.

Sales Tax - Projections for FY 2021 reflect a decline of 6.7% from the amount adopted in FY 2020 and a reduction over the FY 2020 projected amount of 15.6%.

During the COVID-19 pandemic many businesses and entire industry segments have been forced to close operations and sales tax has been materially impacted. This will likely be one of the hardest hit revenue sources for many agencies.

Real Property Transfer Tax - FY 2021 Transfer Tax revenues are projected at $13.5 million - of which $10.3 million are considered recurring baseline revenues pursuant to current Council policy. This is a decrease of $2.0 million over FY 2020 adopted revenues. The significant decrease over adopted FY 2020 is attributed to the unanticipated onset and uncertainties surrounding COVID-19.

- *RPTT Volatility and Base Annual Revenues:* RPTT is volatile revenue - and is entirely connected to Hayward's real estate market conditions, both value and rate of sales. It is reasonable to assume that Hayward will receive an annual base of revenues due to normal property turnover. However, given the unpredictability of this revenue, it is also reasonable to assume that spikes to this revenue are one-time in nature. Meaning, revenues received in excess of an annual base, currently set at $10.3 million, are considered non-recurring and are to be used toward one-time expenses such as replenishing the General Fund reserve, capital improvements, and/or reductions of benefit liabilities. This prudent fiscal approach helps avoid the mistake of budgeting recurring costs against one-time spikes in revenue - thereby exacerbating the City's structural budget gaps.

Franchise Fees - This revenue category is comprised of franchise fees assessed on utilities doing business within City limits (e.g., refuse, gas, electricity, cable, etc.) and is assessed as a percentage of gross receipts. Overall franchise fees are experiencing an increase of 1.2% for FY 2021.

Charges for Services - This revenue category is comprised of a variety of fees for building and development related activities. Due to the downturn of the economy, FY 2021 projects a 3.9% decrease over FY 2020 Adopted. Future years reflect a steady annual growth of 2-3% as a means to smooth the impacts of a future recession and market slow-down.

General Fund Expenditures

Overall, the Proposed FY 2021 expenditures have decreased over the FY 2020 Adopted Budget by $4.6 million or 2.7%. There are several factors driving the expenditure growth, almost entirely the result of escalating employee-related costs.

Table 5: FY 2021 Proposed General Fund Expenditures

	(in the 1,000's)	A FY 2019 Actuals	B FY 2020 Adopted	C FY 2020 Projected	D FY 2021 Proposed	E Change $ (D-B)	F Change % (D/B-1)
1	**Expenditures**						
2	Salary	$ 73,770	$ 79,742	$ 80,004	$ 82,189	$ 2,447	3.07%
3	Overtime	9,574	3,320	3,330	3,320	—	0.00%
4	**Wages Subtotal**	**$ 83,345**	**$ 83,062**	**$ 83,334**	**$ 85,509**	**$ 2,447**	**2.95%**
5	Medical/Dental/Other Benefits	12,427	14,753	14,580	15,246	492	3.34%
6	Retiree Medical (pay-go)	3,020	3,105	3,105	3,057	(48)	-1.54%
7	Worker's Compensation	6,786	7,142	7,142	8,143	1,001	14.02%
8	Retirement (CalPERS)	26,951	31,952	31,952	34,536	2,584	8.09%
9	**Benefits Subtotal**	**$ 132,527**	**$ 140,013**	**$ 140,113**	**$ 146,490**	**$ 6,477**	**4.63%**
10	Assumed Vacancy Savings	—	(2,631)	(2,631)	(3,794)	(1,163)	44.21%
11	Program Reduction Savings	—	—	—	(3,134)	(3,134)	
12	Furlough / COLA Deferral	—	—	—	(1,382)	(1,382)	
13	Interdepartmental (ID) Charges	(3,803)	(4,507)	(4,361)	(4,722)	(215)	4.77%
14	OPEB Liability Contribution*	2,000	2,880	2,573	1,000	(1,880)	-65.28%
15	**Net Staffing Expense**	**$ 130,724**	**$ 135,755**	**$ 135,694**	**$ 134,458**	**$ (7,774)**	**-0.96%**
16	Supplies & Services	12,238	10,636	13,479	10,939	303	2.85%
17	Internal Service Fees	15,504	17,162	16,163	14,048	(3,114)	-18.15 %
17	Debt Service*	2,857	2,927	3,434	2,931	4	0.13%
18	Liability Insurance*	2,950	3,139	3,140	3,902	764	24.33%
19	Economic Dev. Fund (from RPTTF)*	350	550	432	350	(200)	-36.36%
20	Capita/Projects/Other Funding*	11,983	1,935	6,459	850	(1,085)	-56.07%
21	**Non-Personnel Expenses Subtotal**	**$ 45,883**	**$ 36,349**	**$ 43,108**	**$ 33,021**	**$ (3,329)**	**-9.16%**
22	UUT Prior Period Payment Offset	—	—	—	—	—	0.00%
23	**Total Expenditures**	**$ 176,608**	**$ 172,104**	**$ 178,801**	**$ 167,479**	**$ (4,625)**	**-2.69%**

Transfers Out of General Fund Total

Salary -FY 2021 include the contracted Cost of Living Adjustment (COLA) for all applicable bargaining groups.

Overtime - FY 2021 Non-Mutual Aid overtime is $3.3 million - which is congruent with the FY 2020 Adopted Budget. The majority of General Fund overtime is appropriated in the Police Departments to meet mandatory staffing level requirements.

CalPERS Retirement Rates - Retirement rates increase significantly in FY 2021 - with total costs increasing 8.1%. Over the last several years, the CalPERS Board of Administration has considered and adopted several rate methodology changes that directly impact the retirement rates that cities pay (employer contribution rates). Each of these changes is effective in different fiscal years, with varying phase-in schedules. While these changes significantly increase our current retirement costs, they are intended to stabilize the CalPERS plans for long-term sustainability and should have been implemented long ago in the CalPERS system.

The cost of the retirement plans is broken into Employee Contribution rates (fixed) and Employer Contribution rates (variable). Both rates are calculated as a percent of payroll. The Employee Contribution is fixed and is based on the pension plan formula (generally 9% for public safety plans and 7% or 8% for miscellaneous plans). The Public Employees' Pension Reform Act of 2013 (PEPRA) introduced new benefit formulas effective January 1, 2013 that affect new employees to the City that have not previously been part of the CalPERS system. While there is little immediate financial benefit to the City with this "two-tiered" system, the long-term benefit of lower retiree costs is anticipated to be significant.

Most employee groups contribute beyond the Employee Contribution portion and pay a portion of the Employer Contribution: 6% for sworn police and fire personnel, 3% for the majority of non-sworn personnel. The Employer rates displayed in Table 6 represent the full Employer cost as assessed by CalPERS, and do not reflect these cost-sharing agreements, as these agreements do not affect the overall cost of CalPERS, only who pays what share.

Table 6 below reflects the CalPERS Board decision to lower the discount rate from 7.5% to 7.0% in December 2016. Lowering the discount rate, also known as the assumed rate of return, means employers that contract with CalPERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities in order to make the plan more sustainable in the long term. Active members hired after January 1, 2013, under the Public Employees' Pension Reform Act will also see their contribution rates rise.

The most recent actuarial valuations provided to the City of Hayward by CalPERS in July 2019 reflect the final rates for FY 2021.The new valuations the City received in July 2017 reflect rate projections that include all of the rate actions taken by the CalPERS Board to date.

Table 6 provides a summary of what the City's projected CalPERS rates will be based on CalPERS change to the discount rate. Please note that these projections are an estimate based on a model and are not entirely reflective of what the City's exact rates will be.

Table 6 - CalPERS Rates

(in the $1,000s)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Miscellaneous							
Normal Cost %	9.496%	10.276%	10.300%	10.300%	10.300%	10.300%	10.300%
UAL Payment	$ 10,555	$ 11,692	$ 13,046	$ 14,245	$ 15,007	$ 15,792	$ 16,226
Employer Contribution Rate %	31.20%	33.70%	35.80%	37.40%	38.00%	38.70%	38.70%
Change over Prior Year	2.60%	2.50%	2.10%	1.60%	0.60%	0.70%	—%
Police							
Normal Cost %	22.755%	23.224%	23.200%	23.200%	23.200%	23.200%	23.200%
UAL Payment	$ 9,832	$ 10,860	$ 12,042	$ 13,000	$ 13,670	$ 14,386	$ 14,781
Employer Contribution Rate %	58.50%	65.56%	68.90%	71.20%	72.40%	73.50%	73.50%
Change over Prior Year	4.10%	7.06%	3.34%	2.30%	1.20%	1.10%	—%
Fire							
Normal Cost %	18.452%	19.294%	19.300%	19.300%	19.300%	19.300%	19.300%
UAL Payment	$ 7,040	$ 7,860	$ 8,838	$ 9,610	$ 10,107	$ 10,577	$ 10,868
Employer Contribution Rate %	56.20%	57.89%	61.50%	64.00%	65.10%	65.90%	65.90%
Change over Prior Year	7.30%	1.69%	3.61%	2.50%	1.10%	0.80%	—%

Vacancy Savings - FY 2021 includes a six-month hiring freeze on vacant General Fund positions. Projected FY 2021 vacancy savings are $3.1 million in the General Fund.

Retiree Medical Unfunded Liabilities - City Council policy is to pre-fund the City's benefit liabilities to the greatest extent possible within existing operating resources. FY 2021 Proposed Budget includes a $1.0 million contribution toward the City's Other Post-Employment Benefits (OPEB) Retiree Medical unfunded liability. The City will continue to phase in the funding of the total Annual Required Contribution (ARC) for its OPEB liability. Prior to the unanticipated onset of the COVID-19 pandemic, the City was projected to reach the full funding of the OPEB ARC in FY 2022. Due to the financial implications of the pandemic, the City reduced its intended additional contribution from $4.7 million to $1.0 million for the FY 2021 Proposed Budget.

Internal Service Fees - The Internal Service Funds (ISF) for FY 2021 shows a decrease of $3.1 million over the FY 2020 Adopted Budget. The reduction is primarily attributed to a reduction in General Fund contributions related to capital purchases and is being done solely to assist in closing the projected structural deficit. This is not a long term solution.

Other Funds

Measure C - During the June 3, 2014 municipal election, the voters of the City of Hayward passed a ballot measure (Measure C) to increase the City's Transaction and Use (Sales) Tax by half a percent for twenty years. This half cent increase became effective October 1, 2014, bringing Hayward's Sales and Use Tax rate to 10.0%. This is a general tax and is considered discretionary in nature. Staff originally estimated that the new sales tax would generate approximately $10 million annually in locally controlled revenue that can be allocated by the City Council and which will remain in place for a period of twenty years. In FY 2021, staff projects that the City will receive $15.2 million in Measure C sales tax revenues.

The City Council, as well as the ballot language, established a number of spending priorities for these funds. These priorities include a mix of capital projects and funding allocations toward operating services. The Measure C revenues continue to be used to fund debt service for construction of the new Library and Community Learning Center, completion of fire station retrofits and improvements, and rehabilitation and expansion of the City's existing fire training center. Of the $15.2 million in annual revenue, staff estimates annual debt service payments for the above defined projects will total approximately $5.4 million annually. The remaining funds are to be allocated among police services, maintenance services, and street repairs.

Staff presented recommendations for the use of the Measure C funds to both the Council Budget & Finance Committee and the City Council in November and December 2014. Consistent with those discussions, staff is including assumed revenues and expenditures for Measure C as part of the FY 2021 budget.

- *Revenue:* The City began receiving allocations of the Measure C Transaction and Use (sales) Tax effective January 1, 2015. Staff anticipates receiving approximately $15.2 million in revenues from Measure C for FY 2021. As previously approved by Council, staff established a new fund within the General Fund to allow for easy tracking of the revenues and expenses associated with Measure C (Fund 101).

- *Expenditures:* FY 2021 estimates expenses of $9.6 million for operating costs, including debt service and staff in the police and maintenance services departments.

UNFUNDED NEEDS & LIABILITIES

While the FY 2021 Operating Budget reflects the basic operating needs of the City, as well as the inclusion of funding toward some benefit liabilities and capital needs, it does not reflect the full spectrum of need - as many of these needs are by necessity "unfunded." As can be seen in the discussion below regarding benefit liabilities, the City is not fully funding these obligations. However, the City Council spent time in FY 2019 and FY 2020 reviewing its benefit liabilities and considering funding plans toward adequately funding the unfunded portions of these liabilities.

Unfunded Capital Needs

The FY 2021 Capital Improvement Program reflects "Identified Capital Needs" totaling approximately $409 million, for which funding is undetermined. In accord with Council policy, as one-time funding becomes available, Council will allocate funds toward these unfunded CIP needs.

Benefit Liabilities & Funding Status

The City actively manages its benefit liabilities and completes actuarial valuations for all benefit liabilities with the exception of accrued leave payouts (analysis conducted by staff). These valuations consider the economic, demographic, and historical compositions of the benefit programs and establish amounts that the City should allocate each year to fund its benefit-related financial obligations. In today's economic climate, it is critical that the City continue to manage its benefit liabilities to ensure long-term fiscal stability and the continuance of these valuable benefits to City employees. Actuarial valuations identify the Annual Required Contribution (ARC) an agency should make toward the funding of the benefit. This is essentially the minimum funding amount that should be responsibly made by any organization. The ARC is generally comprised of two elements: a portion of funding for current costs (sometimes referred to as "pay go") and a portion of funding for future liability costs (the Unfunded Actuarial Liability or UAL).

As bond rating agencies review the City's debt, they actively consider the level of the City's unfunded benefit liabilities and the economic pressure these place on the City. Failure to meet the minimum recommended funding levels or to implement a plan to achieve full funding of the ARC and/or a long-term plan to pay down the future liabilities could have a negative impact on future bond ratings - with a possible resultant increase in the cost of borrowing should the City seek to incur new debt or need to refinance existing debt.

Table 7 provides a summary of the City's benefit liabilities and current levels of funding. Each of these benefit liabilities is unique in its structure and the degree of funding varies depending on the benefit.

Table 7: Summary of Benefit Liabilities

(in millions)	Actuarial Valuation Date	Accrued Liability	Value of Assets	Funded Ratio	Unfunded Liability	Unfunded Ratio
CalPERS Police Safety Plan	6/30/2018	$ 406.28	$ 243.85	60.0%	$ 162.43	40.0%
CalPERS Fire Safety Plan	6/30/2018	$ 306.09	$ 187.17	61.2%	$ 118.92	38.9%
CalPERS Miscellaneous Plan	6/30/2018	$ 473.97	$ 305.87	64.5%	$ 168.10	35.5%
Total Cal PERS		**$ 1,186.34**	**$ 736.89**	**62.1%**	**$ 449.45**	**37.9%**
OPEB - Retiree Medical Police Officers	6/30/2017	$ 33.64	$ 2.01	6.0%	$ 31.62	94.0%
OPEB - Retiree Medical Firefighters	6/30/2017	$ 15.24	$ 1.40	9.2%	$ 14.32	90.8%
OPEB - Retiree Medical Miscellaneous	6/30/2017	$ 20.21	$ 2.05	10.1%	$ 19.00	89.9%
Total OPEB-Retiree Medical		**$ 69.09**	**$ 5.46**	**7.9%**	**$ 64.94**	**94.0%**
Workers' Compensation	6/30/2019	$ 18.86	$ 18.48	98.0%	$ 0.38	2.0%
Accrued Leave Payouts	6/30/2019	8.35	0.00	0.0%	$ 8.35	100.0%
TOTAL		**$ 1,282.64**	**$ 760.83**	**59.3%**	**$ 523.12**	**40.8%**

Retirement Annual cost (annual cost: $40.9 million) - The City is fully meeting its annual required contribution (ARC) amounts based on the CalPERS premium rates. Given the new CalPERS "smoothing" methodology, the long-term intent is to fund the City's liability over the 30-year amortization period.

Workers' Compensation (annual cost: $8.7 million) - Pursuant to the current actuarial valuation conducted for the program, a funding status of 70 - 85% is recommended. Staff recommended funding at the 80% level and beginning in FY 2013, implemented a plan to build the fund balance toward achieving this funding level over the next four years. Workers' Compensation rates charged against live payroll include a component of cost (about $1 million/year) toward unfunded liability.

Retiree Medical - OPEB (annual cost: $3.5 million "pay go") - The estimated actuarial calculation of the City's ARC is $8.5 million. The City is not funding the full ARC due to its budget pressures but is fully funding the annual $3.5 million "pay go" portion for active retirees. Contributions towards the ARC were made in FY 2014 of $1 million and FY 2015 of $2 million; however, in an effort to reduce the use of reserves in FY 2016 and FY 2017, additional voluntary contributions were not made. In FY 2018, the City began contributing towards the ARC with a $1 million contribution. The FY 2019 Adopted Budget included a $2 million contribution to the ARC, and $2.5 million contribution in the FY 2020 Proposed budget. The City's General Fund Long Range Financial Model includes phasing this cost in until the full ARC payment is achieved. Pursuant to the valuation, if the City fully funded the ARC, the City would pay for current costs and fund the future liability by the end of the amortization period. While FY 2021 shows a reduced contribution amount of a budgeted $1 million the City still intends to fully fund the ARC in FY 2022.

Accrued Leave Payouts (annual cost: varies) - Staff has taken strong action to lower this liability during the past two years by managing employees to approved vacation caps. This has helped to prevent large accrued leave payouts to retiring or terminating employees. The total liability has reduced from the FY 2012 balance of $10.7 million to the FY 2019 balance of $8.35 million - a significant reduction in liability.