

CITY OF HAYWARD

Hayward City Hall
777 B Street
Hayward, CA 94541
www.Hayward-CA.gov



CITY OF
HAYWARD
HEART OF THE BAY

Agenda

Wednesday, April 18, 2018

4:00 PM

City Hall, Conference Room 4A

Council Budget and Finance Committee

CALL TO ORDER

ROLL CALL

PUBLIC COMMENTS:

(The Public Comment section provides an opportunity to address the City Council Committee on items not listed on the agenda as well as items on the agenda. The Committee welcomes your comments and requests that speakers present their remarks in a respectful manner, within established time limits, and focus on issues which directly affect the City or are within the jurisdiction of the City. As the Committee is prohibited by State law from discussing items not listed on the agenda, any comments on items not on the agenda will be taken under consideration without Committee discussion and may be referred to staff.)

REPORTS/ACTION ITEMS

1. [MIN 18-058](#) Approval of Meeting Minutes from March 21, 2018

Attachments: [Attachment I Draft Minutes March 21, 2018](#)

2. FY 2019 Budget process update (Oral presentation)

3. [RPT 18-079](#) CalPERS Update

Attachments: [Attachment I Staff Report](#)

4. [RPT 18-080](#) FY 2018 Meeting Schedule & Work Plan

Attachments: [Attachment I Meeting Schedule and Work Plan](#)

FUTURE AGENDA ITEMS

COMMITTEE MEMBER/STAFF ANNOUNCEMENTS AND REFERRALS

ADJOURNMENT

NEXT MEETING - 4:00P.M. WEDNESDAY, MAY 16, 2018



CITY OF HAYWARD

Hayward City Hall
777 B Street
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File #: MIN 18-058

DATE: April 18, 2018

TO: Council Budget and Finance Committee

FROM: Director of Finance

SUBJECT

Approval of Meeting Minutes from March 21, 2018

RECOMMENDATION

That the Committee approves the meeting minutes from the March 21, 2018 Meeting.

SUMMARY

Review and approval of the March 21, 2018 Budget and Finance Committee meeting.

ATTACHMENTS

Attachment I Draft Minutes March 21, 2018



COUNCIL BUDGET & FINANCE COMMITTEE MEETING
Meeting Minutes of March 21, 2018

Call to Order: 4:03 pm

Members Present: Mayor Halliday, Councilmember Lamnin, Councilmember Salinas

Members Absent: N/A

Staff: Kelly McAdoo, Maria Hurtado, Dustin Claussen, Chief Mark Koller, Adam Lumia, Jeannie Quan, Nicole Gonzales, Monica Davis, and Hayes Morehouse

Guests: Lacey Modei

Public Comments: No public comments.

1. Approval of Meeting Minutes March 7, 2018

Action: Unanimous approval as submitted.

2. Annual Review of City Issued Debt.

- Director Claussen provided an overview regarding City issued debt.

Action: The Committee discussed the presentation. No formal action was taken.

3. Annual City Benefit Liabilities and Funding Plan Review

- Director Claussen provided an overview of the annual City benefit liabilities and funding plan.

Action: The Committee discussed the presentation. No formal action was taken.

4. Measure C Staffing for Police Department (Oral Presentation)

- Chief Mark Koller provided an overview of the current use of Measure C funding for 8 call takers and provided alternative options for consideration.

Action: The Committee discussed and unanimously recommended that the Measure C funding be reallocated from 8 call taker positions to 7 communications operator positions.

5. Meeting Schedule and Work Plan.

Action: The Committee recommended adding “Employee Home Purchase Program” to the non-scheduled future agenda topics.

6. Future Agenda Items: None

Committee Members/Staff Announcements and Referrals: None.

Adjournment: The meeting was adjourned at 4:59 pm



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777 B Street
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File #: RPT 18-079

DATE: April 18, 2018

TO: Council Budget and Finance Committee

FROM: Director of Finance

SUBJECT

CalPERS Update

RECOMMENDATION

That the Committee reviews and comments on the CalPERS Update.

SUMMARY

This report provides a review of the June 30, 2016 CalPERS Actuarial Valuation Report, and includes projected future fiscal impacts associated with CalPERS' change in assumed discount rate from 7.5 percent to 7.0 percent for the plan.

ATTACHMENTS

Attachment I Staff Report



DATE: April 18, 2018

TO: Council Finance & Budget Committee

FROM: Director of Finance

SUBJECT CalPERS Update

RECOMMENDATION

That the Committee reviews and comments on the CalPERS Update.

SUMMARY

This report provides a review of the June 30, 2016 CalPERS Actuarial Valuation Report, and includes projected future fiscal impacts associated with CalPERS' change in assumed discount rate from 7.5 percent to 7.0 percent for the plan.

BACKGROUND

The City of Hayward offers its employees and retirees a defined pension benefit plan which is managed and administered by the California Pensions Retirement System (CalPERS) a State of California Pension program. For each of the City's plans (Police, Fire & Miscellaneous) CalPERS provides annual actuarial valuation report detailing the latest status of the City of Hayward Pension plans for employees and retirees. These actuarial reports are used to calculate the annual required contribution the pension obligations. In addition, updates on the rate of return, funding status, and changes based on various impacts are detailed in the report.

The information in this report is based on the details included in the June 30, 2016 actuarial valuation for each of the City's three plans.

DISCUSSION

CalPERS provides participating agencies an annual actuarial valuation, an analysis that provides determined pension liability and annual required contribution for the pension plans it manages – each valuation includes an update on the plan's funding status, results of assumptions such as rate of return, the new fiscal year Annual Required Contribution (ARC) and projected future ARC as a percentage of payroll.

On December 21, 2016, the CalPERS Board of Administration lowered the discount rate (or rate of return) from 7.5 percent to 7.0 percent using a three-year phase-in beginning in FY 2019.

The ARC for FY 2019 is \$13.2 million for the Miscellaneous Plan, \$9.3 million for Fire, and \$14.1 million for Police. These payments reflect the combined cost of both the “Normal Cost” and the “Unfunded Accrued Liability”. Future ARCs are estimated to grow from 28.6 percent to 38.1 percent of payroll by FY 2023 for the Miscellaneous Plan, from 48.9 percent to 66.1 percent for Fire Safety, and from 54.4 percent to 70.9 percent for the Police Safety. This is based on a 7.375 percent rate of return for FY 2019, 7.25 percent for FY 2020, and 7.00 percent for future years starting in FY 2021. Tables 1 through 3 demonstrate the fiscal impact that the change in discount rate has on the City’s projected future ARCs.

Table 1: Miscellaneous Plan

Miscellaneous Plan - June 30, 2015 CalPERS Actuarial Valuation

Discount Rate - 7.50%	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Normal Cost Rate in (%)	8.416%	8.416%	8.416%	8.416%	8.416%	8.416%
Normal Cost Rate in Dollars (\$)	\$ 3,511,174	\$ 3,617,000	\$ 3,725,000	\$ 3,837,000	\$ 3,952,000	\$ 4,070,000
Unfunded Actuarial Liability (\$)	\$ 7,925,968	\$ 9,168,962	\$ 10,479,397	\$ 11,344,020	\$ 12,268,382	\$ 13,008,557
Total Annual PERS expense (\$)	\$ 11,437,142	\$ 12,785,962	\$ 14,204,397	\$ 15,181,020	\$ 16,220,382	\$ 17,078,557
Projected Payroll (\$)	\$ 41,720,220	\$ 42,972,000	\$ 44,261,000	\$ 45,589,000	\$ 46,957,000	\$ 48,366,000
PERS expense as a Percentage of Projected Payroll (%)	27.4%	29.8%	32.1%	33.3%	34.5%	35.3%

Miscellaneous Plan - June 30, 2016 CalPERS Actuarial Valuation

Discount Rate - 7.00% (phased in)	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
		7.375%	7.25%	7.00%	7.00%	7.00%
Normal Cost Rate in (%)	8.416%	8.809%	9.300%	10.200%	10.200%	10.200%
Normal Cost Rate in Dollars (\$)	\$ 3,511,174	\$ 4,070,270	\$ 4,426,056	\$ 5,000,040	\$ 5,150,082	\$ 5,304,612
Unfunded Actuarial Liability Cost (\$)	\$ 7,925,968	\$ 9,164,900	\$ 10,591,000	\$ 11,722,000	\$ 13,187,000	\$ 14,514,000
Total Annual PERS expense (\$)	\$ 11,437,142	\$ 13,235,170	\$ 15,017,056	\$ 16,722,040	\$ 18,337,082	\$ 19,818,612
Projected Payroll (\$)	\$ 41,720,220	\$ 46,205,815	\$ 47,592,000	\$ 49,020,000	\$ 50,491,000	\$ 52,006,000
Percentage Increase in Cost (%)	0.0%	3.5%	5.7%	10.2%	13.0%	16.0%
PERS expense as a Percentage of Projected Payroll (%)	27.4%	28.6%	31.6%	34.1%	36.3%	38.1%
Difference in expense due to change in discount rate (\$)	\$ -	\$ 449,208	\$ 812,659	\$ 1,541,020	\$ 2,116,700	\$ 2,740,055
Difference in expense as a Percentage of Projected Payroll (%)	0.0%	-1.1%	-0.5%	0.8%	1.8%	2.8%

Table 1 compares the projection of CalPERS cost for the Miscellaneous Plan based on the change in discount rate between the June 30, 2015 and June 30, 2016 Actuarial Valuation reports. By FY 2023, the change in discount rate projects an increase to the City’s ARC for the Miscellaneous Plan by \$2.7 million, a 16 percent increase over the June 30, 2015 Actuarial Valuation projection.

Table 2: Fire Plan

Safety Fire Plan - June 30, 2015 CalPERS Actuarial Valuation

Discount Rate - 7.50%						
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Normal Cost Rate in (%)	16.872%	16.872%	16.872%	16.872%	16.872%	16.872%
Normal Cost Rate in Dollars (\$)	\$ 2,968,000	\$ 3,057,000	\$ 3,148,000	\$ 3,243,000	\$ 3,340,000	\$ 3,441,000
Unfunded Actuarial Liability (\$)	\$ 4,985,000	\$ 5,946,982	\$ 6,961,928	\$ 7,624,238	\$ 8,335,066	\$ 8,816,933
Total Annual PERS expense (\$)	\$ 7,953,000	\$ 9,003,982	\$ 10,109,928	\$ 10,867,238	\$ 11,675,066	\$ 12,257,933
Projected Payroll (\$)	\$ 17,589,376	\$ 18,117,000	\$ 18,661,000	\$ 19,221,000	\$ 19,798,000	\$ 20,392,000
PERS expense as a Percentage of Projected Payroll (%)	45.2%	49.7%	54.2%	56.5%	59.0%	60.1%

Safety Fire Plan - June 30, 2016 CalPERS Actuarial Valuation

Discount Rate - 7.00% (phased in)		7.375%	7.25%	7.00%	7.00%	7.00%
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Normal Cost Rate in (%)	16.872%	17.721%	18.600%	20.400%	20.400%	20.400%
Normal Cost Rate in Dollars (\$)	\$ 2,968,000	\$ 3,379,817	\$ 3,653,970	\$ 4,127,736	\$ 4,251,564	\$ 4,379,064
Unfunded Actuarial Liability Cost (\$)	\$ 4,985,000	\$ 5,939,243	\$ 7,024,000	\$ 7,854,000	\$ 8,929,000	\$ 9,811,000
Total Annual PERS expense (\$)	\$ 7,953,000	\$ 9,319,060	\$ 10,677,970	\$ 11,981,736	\$ 13,180,564	\$ 14,190,064
Projected Payroll (\$)	\$ 17,589,376	\$ 19,072,381	\$ 19,645,000	\$ 20,234,000	\$ 20,841,000	\$ 21,466,000
Percentage Increase in Cost (%)	0.0%	3.5%	5.6%	10.3%	12.9%	15.8%
PERS expense as a Percentage of Projected Payroll (%)	45.2%	48.9%	54.4%	59.2%	63.2%	66.1%
Difference in expense due to change in discount rate (\$)	\$ -	\$ 315,078	\$ 568,042	\$ 1,114,498	\$ 1,505,498	\$ 1,932,131
Difference in expense as a Percentage of Projected Payroll (%)	0.0%	-0.8%	0.2%	2.7%	4.3%	6.0%

Table 2 compares the projection of CalPERS cost for the Fire Plan based on the change in discount rate between the June 30, 2015 and June 30, 2016 Actuarial Valuation reports. By FY 2023, the change in discount rate projects an increase to the City's ARC for the Safety Fire Plan by \$1.9 million, a 15.8 percent increase over the June 30, 2015 Actuarial Valuation projection.

Table 3: Police Plan

Safety Police Plan - June 30, 2015 CalPERS Actuarial Valuation

Discount Rate - 7.50%						
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Normal Cost Rate in (%)	21.460%	21.460%	21.460%	21.460%	21.460%	21.460%
Normal Cost Rate in Dollars (\$)	\$ 5,210,000	\$ 5,366,000	\$ 5,527,000	\$ 5,693,000	\$ 5,864,000	\$ 6,040,000
Unfunded Actuarial Liability (\$)	\$ 6,994,000	\$ 8,422,104	\$ 9,929,771	\$ 10,817,198	\$ 11,707,863	\$ 12,349,567
Total Annual PERS expense (\$)	\$ 12,204,000	\$ 13,788,104	\$ 15,456,771	\$ 16,510,198	\$ 17,571,863	\$ 18,389,567
Projected Payroll (\$)	\$ 24,277,717	\$ 25,006,000	\$ 25,756,000	\$ 26,529,000	\$ 27,325,000	\$ 28,145,000
PERS expense as a Percentage of Projected Payroll (%)	50.3%	55.1%	60.0%	62.2%	64.3%	65.3%

Safety Police Plan - June 30, 2016 CalPERS Actuarial Valuation

Discount Rate - 7.00% (phased in)		7.375%	7.25%	7.00%	7.00%	7.00%
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Normal Cost Rate in (%)	21.460%	22.112%	23.000%	24.900%	24.900%	24.900%
Normal Cost Rate in Dollars (\$)	\$ 5,210,000	\$ 5,711,100	\$ 6,118,667	\$ 6,822,846	\$ 7,027,531	\$ 7,238,357
Unfunded Actuarial Liability Cost (\$)	\$ 6,994,000	\$ 8,346,018	\$ 9,880,000	\$ 10,928,000	\$ 12,255,000	\$ 13,376,000
Total Annual PERS expense (\$)	\$ 12,204,000	\$ 14,057,118	\$ 15,998,667	\$ 17,750,846	\$ 19,282,531	\$ 20,614,357
Projected Payroll (\$)	\$ 24,277,717	\$ 25,828,057	\$ 26,602,899	\$ 27,400,986	\$ 28,223,016	\$ 29,069,707
Percentage Increase in Cost (%)	0.0%	2.0%	3.5%	7.5%	9.7%	12.1%
PERS expense as a Percentage of Projected Payroll (%)	50.3%	54.4%	60.1%	64.8%	68.3%	70.9%
Difference in expense due to change in discount rate (\$)	\$ -	\$ 269,014	\$ 541,896	\$ 1,240,648	\$ 1,710,668	\$ 2,224,790
Difference in expense as a Percentage of Projected Payroll (%)	0.0%	-0.7%	0.1%	2.5%	4.0%	5.6%

Table 3 compares the projection of CalPERS cost for the Police Plan based on the change in discount rate between the June 30, 2015 and June 30, 2016 Actuarial Valuation reports. By FY 2023, the change in discount rate projects an increase to the City's ARC for the Safety Police

Plan by \$2.2 million, a 12.1 percent increase over the June 30, 2015 Actuarial Valuation projection.

CalPERS Projected Unfunded Accrued Pension Liability:

The City's current funded status is 61.2 percent for Safety Fire, and 59.2 percent for Safety Police, and 64.2 percent for Miscellaneous. Table 4 below outlines the City's Funded Status, which includes the phase-in of discount rate reflected in the June 30, 2016 Actuarial Valuation Report. The unfunded pension liability increased from \$333.7 million as of June 30, 2015 to \$400.2 million as of June 30, 2016, an increase of \$66.5 million or 19.9%.

Table 4: CalPERS Projected Unfunded Accrued Liability for the City of Hayward

CalPERS Plans	As of June 30, 2014	As of June 30, 2015	As of June 30, 2016
Miscellaneous Plan	\$ 106,691,805	\$ 122,089,462	\$ 149,950,414
Funded Ratio	72.40%	69.40%	64.20%
Safety Fire Plan	\$ 70,828,906	\$ 87,384,068	\$ 105,567,312
Funded Ratio	71.10%	66.30%	61.20%
Safety Police Plan	\$ 104,561,888	\$ 124,183,655	\$ 144,677,587
Funded Ratio	67.40%	63.30%	59.20%
TOTAL UNFUNDED PENSION LIABILITY	\$ 282,082,599	\$ 333,657,185	\$ 400,195,313

As shown in the Table 4, the funded ratio for all three plans has declined significantly over the last three valuation reports, in spite of increased contributions by the City and its employees over the same period with the City's unfunded pension liability continuing to grow. The largest factor in this change is the multiple changes in assumptions which the CalPERS Board has adopted for the plans. These changes were detailed in the staff report provided to the Committee at the March 21, 2018 meeting.

ECONOMIC IMPACT

This is an informational item and has no direct economic impact.

FISCAL IMPACT

While the rising costs of funding the costs associated with the City's pension plans is a challenging piece of the operating budget, the conveyance of the information included in this report has no fiscal impact.

PUBLIC CONTACT

At a regular public meeting of the Committee on March 21, 2018, information on funding status of the City's CalPERS managed pension plans was provided as part of the Annual City Benefit Liabilities and Funding Review.

Additionally, on April 3, 2018 at a regular public meeting of the City Council, the Council received a report on the Annual City Benefit Liabilities and Funding Review.

Prepared by: Nicole Gonzales, Budget Officer
 Dustin Claussen, Director of Finance

Recommended by: Dustin Claussen, Director of Finance

Approved by:

A handwritten signature in black ink, appearing to read 'K. McAdoo', is written over a horizontal line.

Kelly McAdoo, City Manager



CITY OF HAYWARD

Hayward City Hall
777 B Street
Hayward, CA 94541
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File #: RPT 18-080

DATE: April 18, 2018

TO: Council Budget and Finance Committee

FROM: Director of Finance

SUBJECT

FY 2018 Meeting Schedule & Work Plan

RECOMMENDATION

That the Committee receives and comments on the FY 2018 Council Budget and Finance Committee Meeting Schedule & Work Plan.

ATTACHMENTS

Attachment I Meeting Schedule & Work Plan



COUNCIL BUDGET AND FINANCE COMMITTEE
FY 2018 Meeting Schedule & Workplan
April 18, 2018

Meeting Location: 777 B STREET - CITY HALL - 4TH FLOOR CONFERENCE ROOM 4A
HAYWARD, CALIFORNIA

Meeting Time: 4:00 P. M.

Meeting Dates: The Council Budget & Finance Committee generally meet monthly on the 3rd Wednesday of the month, except for August, due to City Council Break. Special meetings will be scheduled as determined necessary by the Committee or the City Manager.

DATE	SUGGESTED TOPICS (subject to change)
September 20, 2017	FY 2017 Annual Audit Process (Oral Presentation by External Auditor) Employee Budget Focus Group
October 18, 2017	Investment Portfolio Update (External Investment Manager) FY 2018 Statement of Investment Policy Review and Delegation of Authority Review of Research Scope for Survey of Hayward Voters
November 15, 2017 December 6, 2017 at 5 p.m.	Review of Results from Survey of Hayward Voters and Discussion of Next Steps FY 2019 Budget Process Plan and Development Calendar
December 20, 2017 January 10, 2018	Presentation of FY 2017 Audit Home Assistance Purchase Program for Employees
January 17, 2018 January 25, 2018 at 5 p.m. (Thursday)	Discussion of FY 2019 Budget Process and Work session Framework FY 2018 Mid-Year Review & General Fund Long Range Financial Model Update
February 21, 2018 March 7, 2018 at 5 p.m.	Credit Card Fees FY 2019 Proposed Budget Discussion Discussion on Mayor & City Council Department Budget
March 21, 2018	Measure C Staffing at Police Department Annual Review of City Issued Debt Annual City Benefit Liabilities and Funding Plan Review
April 18, 2018	FY 2019 Budget process update CalPERS Update
May 16, 2018	Public Banking Review-Oakland Fees Report
June 20, 2018	Measure C Annual Report
July 18, 2018	FY 2019 budget process debrief

Non-scheduled future agenda topics:

- Performance Measurement
- Affordable Care Act – Health Care Exchange
- Employee Home Purchase Program