

**CITY OF TEMECULA
AGENDA REPORT**

TO: City Manager/City Council

FROM: Jennifer Hennessy, Director of Finance

DATE: November 14, 2023

SUBJECT: Approve Resolution Authorizing Withdrawal of Funds from City’s Pension Trust to Make Additional Discretionary Payment to the CalPERS Retirement System

RECOMMENDATION: That the City Council adopt a resolution entitled:

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF TEMECULA AUTHORIZING THE TRANSFER OF \$2,000,000 FROM THE CITY’S PENSION RATE STABILIZATION TRUST TO MAKE AN ADDITIONAL DISCRETIONARY PAYMENT TO CALIFORNIA PUBLIC EMPLOYEES’ RETIREMENT SYSTEM

BACKGROUND: At their meeting on December 13, 2022, the City Council approved the Debt/Liability Paydown Strategy, whereby the City would pay off all outstanding facility debt, and pay down the unfunded pension liability, and the Other Post-Employment Benefits (OPEB) liability within the next seven years. The Paydown Strategy consists of a 15-year Financial Plan and includes the use of Available General Fund Balance and available resources in the IRC Section 115 Irrevocable Pension Trust to pay off the City’s outstanding debt/liabilities.

During Fiscal Year 2022-23, the City paid off the Civic Center Loan (\$12,624,607), the Margarita Recreation Center Loan (\$5,038,999) and a portion of the pension unfunded liability (\$7,250,000).

The Fiscal Year 2023-24 Annual Operating Budget includes appropriations for the pay down of the OPEB unfunded liability of \$5,361,000 and an additional discretionary payment (ADP) to the CalPERS Retirement System of \$10,538,003 for the City’s pension unfunded liability, as projected in the Debt/Liability Paydown Strategy.

Year #	Fiscal Year	Funding Sources		Payoff Schedule			
		Pension Trust	Available Fund Balance	OPEB Liability	Pension Liability	Civic Center Loan	MRC Loan
1	2022-23	5,000,000	19,913,606		7,250,000	12,624,607	5,038,999
2	2023-24	5,000,000	10,982,828	5,361,000	10,538,003		
3	2024-25	5,000,000	3,223,220		8,234,950		
4	2025-26	2,000,000	5,498,008		6,819,012		
5	2026-27		2,680,009		2,178,158		
6	2027-28		10,788,263		10,204,668		
7	2028-29		8,330,579		7,430,035		
8	2029-30						
9	2030-31						
10	2031-32						
		17,000,000	61,416,513	5,361,000	52,654,826	12,624,607	5,038,999
Total Interest Savings				n/a	30,756,231	2,187,894	1,036,267

In addition to the budgeted ADP noted above, staff recommends an additional \$2,000,000 payment towards the pension unfunded liability from additional contributions and interest earnings realized in the Pension Trust over and above what was included in the Debt/Liability Paydown Strategy, bringing the total Trust contribution to \$7,000,000 for Fiscal Year 2023-24. The Debt/Liability Paydown Strategy assumed the balance in the Pension Trust would be \$12,000,000 this fiscal year. As of the September 2023 statement, the balance in the Trust is \$14,104,989.53. Staff recommends utilizing this higher balance to make an additional payment to reduce the City's unfunded pension liability.

As part of the Fiscal Year 2023-24 Mid-Year Budget process, staff will provide an update to the Debt/Liability Paydown Strategy to reflect the most recent CalPERS and OPEB actuarial reports and their impacts on the unfunded liabilities.

FISCAL IMPACT: By utilizing \$2,000,000 in available funds from the Pension Trust, the reduction in the unfunded pension liability would save the City approximately \$200,000 in annual operating expenditures related to CalPERS pension.

ATTACHMENTS: Resolution