



# City of Chula Vista 2021 Taxable Pension Obligation Bonds

February 2, 2021



# Summary

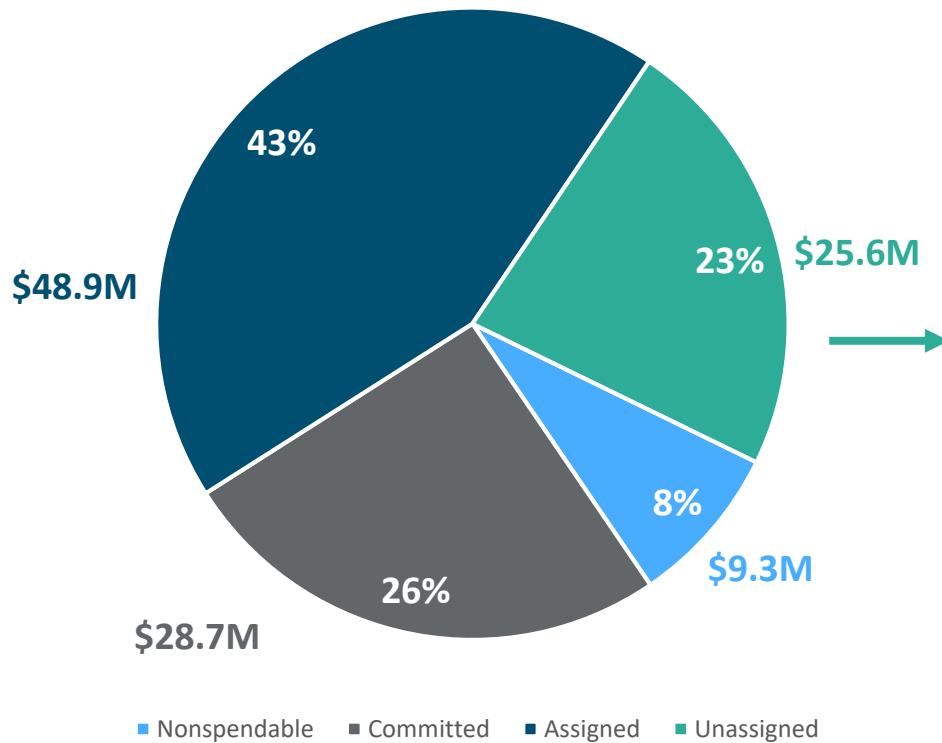
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- ▶ Recommend City of Chula Vista issue approximately \$350 million of POBs to fund 100% of its Unfunded Accrued Liability (“UAL”) with CalPERS (as of June 30, 2021)
  - ▶ Enhanced payment affordability/smoothing with no maturity extension (FY 2045)
  - ▶ >\$175M of cash flow savings through first 15 years; \$120M total PV savings (34% of par)

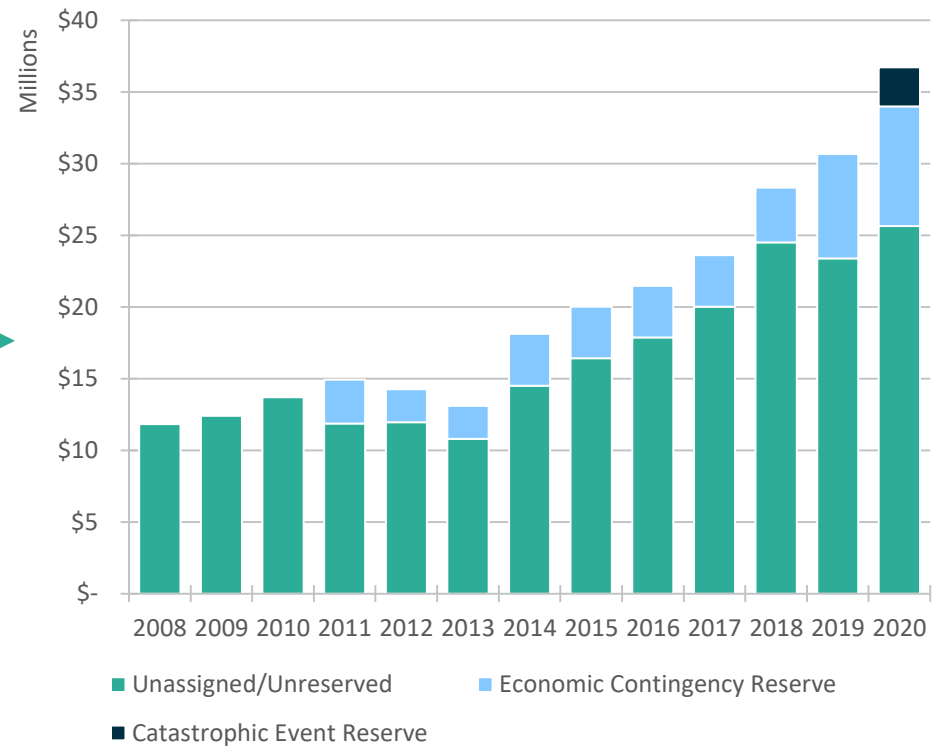
# General Fund Reserves – Fund Balance History

Unassigned balances have grown to \$25.6M and comprise 23% of total General Fund balance

General Fund Balance Breakdown (2020)



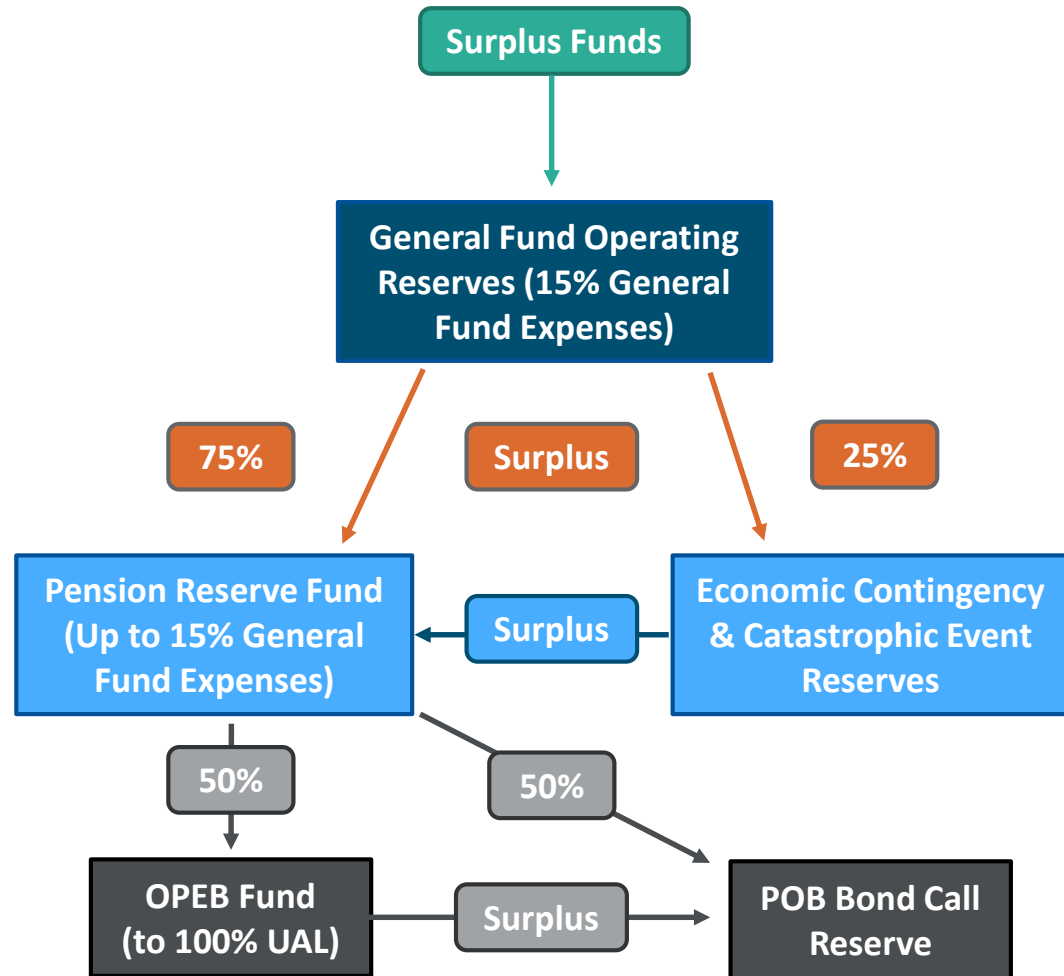
General Fund Unassigned & Contingency Reserves



# New Operating Reserve Policy

## Approved November 2020

- ▶ Comprehensive Reserve Policy revised and adopted in November of 2020
- ▶ Provides funding mechanism and flow of funds priority for 6 distinct reserves / funds
- ▶ As projected on slide 8, the 2021 POBs are expected to generate funding to meet all reserve targets within 4 years and then rapidly build the PRF and Bond Call Funds
  - ▶ Can be used to address future pension/OPEB UAL and/or redeem 2021 POBs starting in 10 years





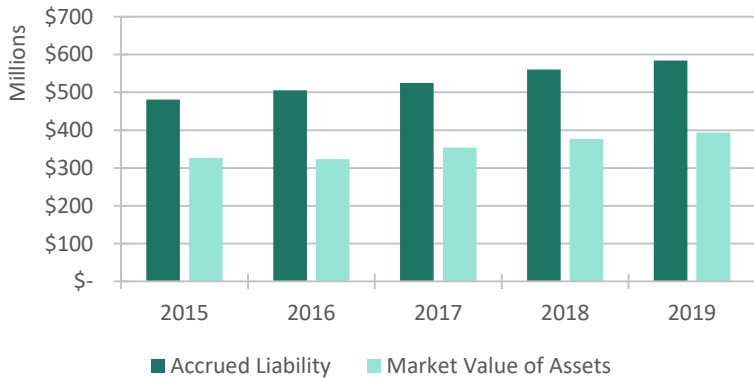


# **PENSION LIABILITIES AND POB STRATEGY**

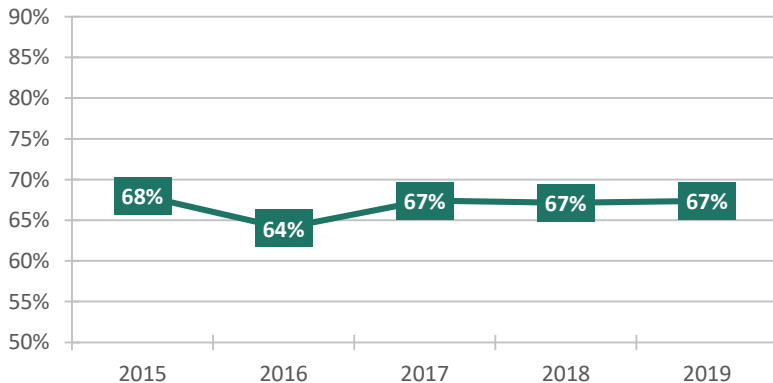
# Funded Status of CalPERS Pension Plans

## Miscellaneous Plan: \$189.9M UAL\*

Accrued Liability vs. Market Value of Assets

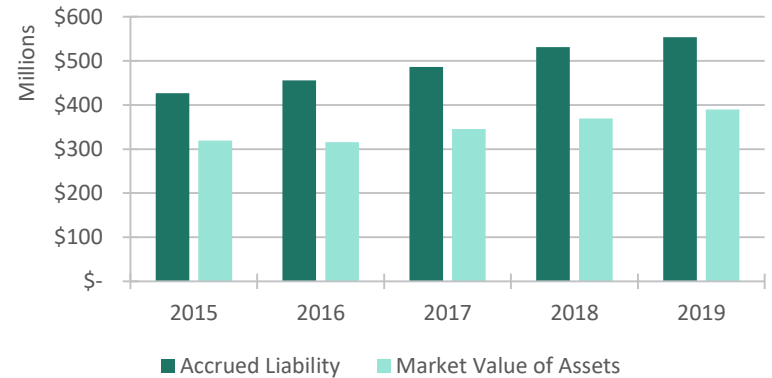


Funded Ratio

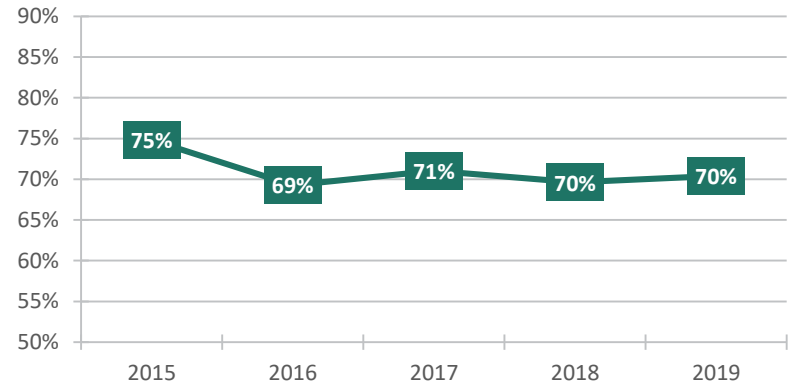


## Safety Plan: \$166.7M UAL\*

Accrued Liability vs. Market Value of Assets



Funded Ratio

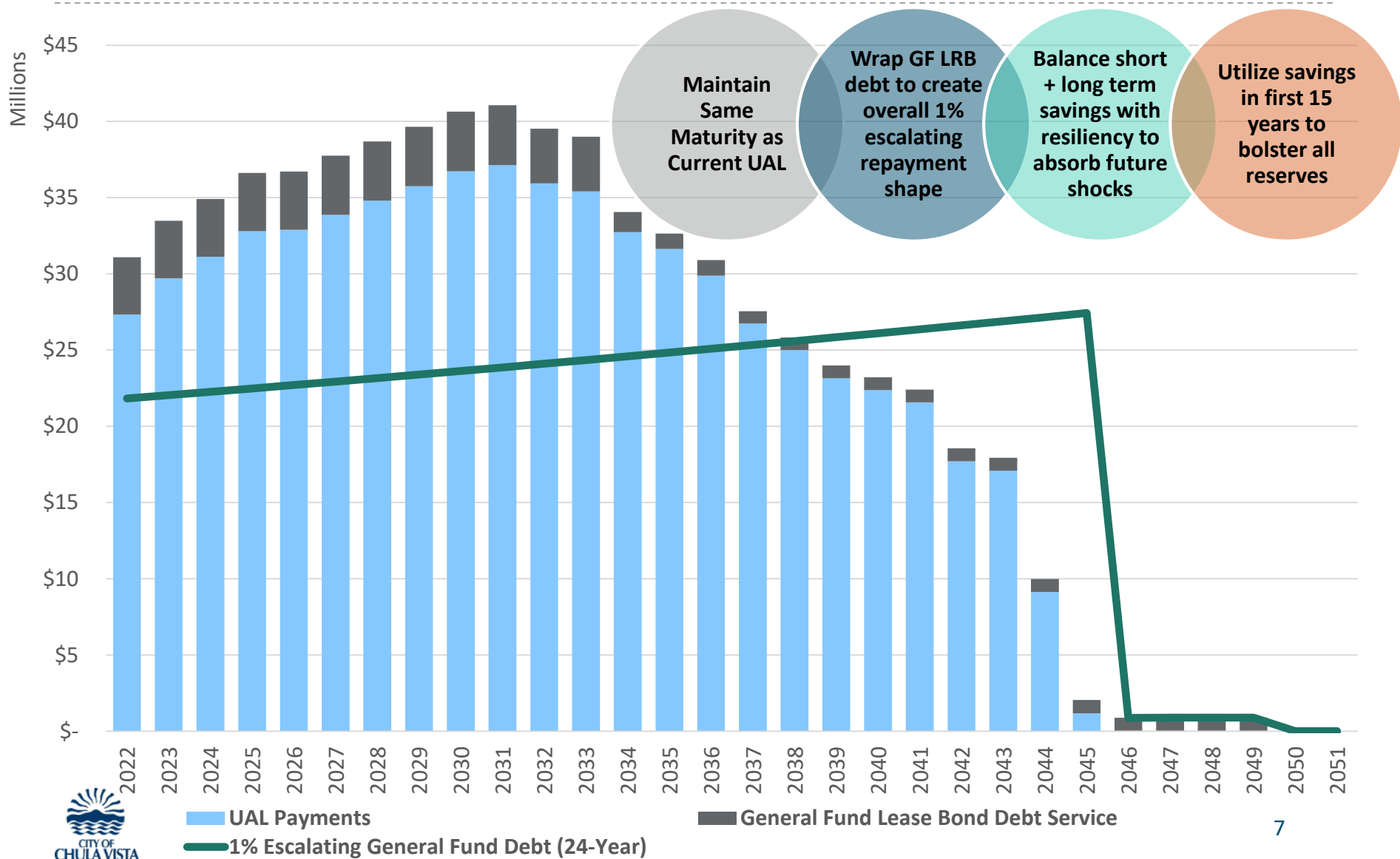


Source: CalPERS Annual Valuation Reports (2015-2019)

\* UAL projected for June 30, 2021 based on June 30, 2019 valuation

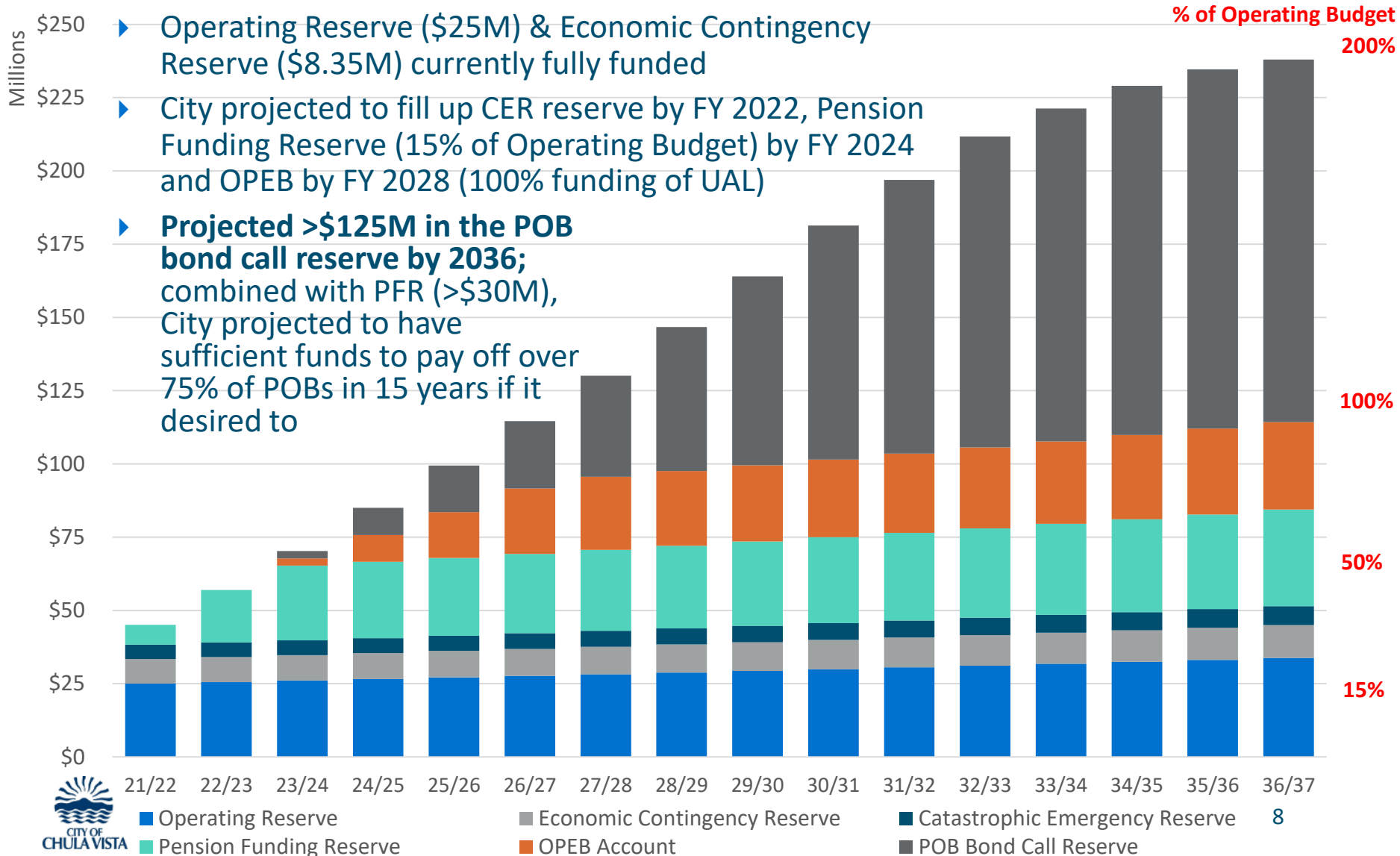
# 2021 POB as a Fiscal Sustainability Tool

## Strategic Re-Shaping of General Fund Debt



# Policy Driven Leveraging of POB Savings

## 6% CalPERS Returns Per City Planning Assumptions





# Projected Annual Savings

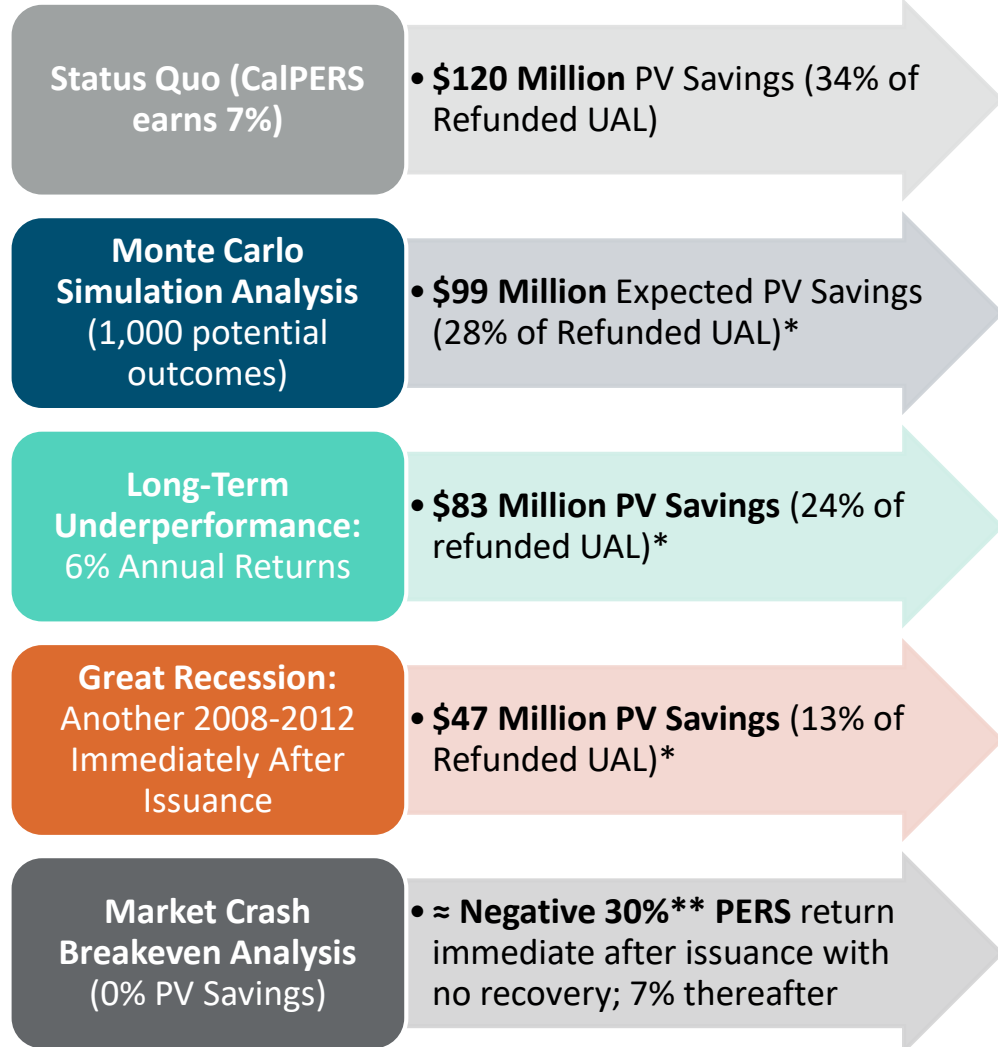
1% Escalating General Fund Debt (24-Year)							
	(A + B)			(B + D)	(C - E)		
	A	B	C	D	E	F	G
	Current UAL	General Fund	Current General	Estimated POB	New General	Estimated	Estimated PV
FY	Payments	Debt Service	Fund Debt	Debt Service	Fund Debt	Savings	Savings
			Payments		Payments		
2022	27,337,355	3,760,059	31,097,414	18,063,290	21,823,348	9,274,065	8,975,066
2023	29,714,089	3,770,922	33,485,011	18,268,246	22,039,168	11,445,843	10,719,703
2024	31,127,859	3,785,100	34,912,959	18,475,055	22,260,155	12,652,804	11,468,041
2025	32,803,495	3,817,523	36,621,018	18,667,709	22,485,232	14,135,786	12,399,092
2026	32,891,059	3,830,561	36,721,620	18,878,313	22,708,874	14,012,746	11,894,896
2027	33,879,453	3,874,431	37,753,884	19,057,932	22,932,363	14,821,521	12,175,805
2028	34,802,545	3,888,070	38,690,615	19,275,209	23,163,279	15,527,336	12,344,382
2029	35,751,021	3,897,278	39,648,299	19,500,354	23,397,632	16,250,667	12,502,909
2030	36,725,584	3,916,808	40,642,392	19,713,121	23,629,929	17,012,463	12,667,023
2031	37,137,472	3,927,753	41,065,225	19,940,091	23,867,845	17,197,381	12,391,878
2032	35,934,957	3,586,388	39,521,345	20,519,144	24,105,533	15,415,813	10,750,007
2033	35,408,608	3,593,928	39,002,536	20,754,000	24,347,929	14,654,608	9,889,720
2034	32,746,181	1,305,405	34,051,586	23,281,738	24,587,143	9,464,443	6,181,194
2035	31,630,629	1,008,446	32,639,075	23,828,094	24,836,540	7,802,535	4,931,516
2036	29,882,041	1,017,507	30,899,548	24,064,597	25,082,104	5,817,445	3,558,316
2037	26,740,478	817,168	27,557,646	24,517,590	25,334,758	2,222,888	1,315,822
2038	25,008,166	822,988	25,831,154	24,765,605	25,588,593	242,561	138,953
2039	23,160,588	827,815	23,988,403	25,017,891	25,845,706	(1,857,303)	(1,029,669)
2040	22,385,088	836,274	23,221,362	25,268,213	26,104,487	(2,883,125)	(1,546,841)
2041	21,573,056	843,250	22,416,306	25,520,511	26,363,761	(3,947,455)	(2,049,589)
2042	17,706,001	849,004	18,555,005	25,778,548	26,627,552	(8,072,547)	(4,056,278)
2043	17,078,475	857,788	17,936,263	26,033,612	26,891,400	(8,955,137)	(4,354,686)
2044	9,124,783	864,466	9,989,249	26,294,995	27,159,461	(17,170,212)	(8,080,305)
2045	1,183,851	869,648	2,053,499	26,566,063	27,435,711	(25,382,212)	(11,559,767)
2046	0	878,227	878,227	0	878,227	0	0
2047	0	885,096	885,096	0	885,096	0	0
2048	0	890,254	890,254	0	890,254	0	0
2049	0	893,703	893,703	0	893,703	0	0
<b>Total</b>	<b>661,732,834</b>	<b>60,115,862</b>	<b>721,848,696</b>	<b>532,049,921</b>	<b>592,165,782</b>	<b>129,682,913</b>	<b>121,627,187</b>



*Note: Figures shown are preliminary estimates. Assumes CalPERS earns 7.0% returns annually.*

# Comprehensive Actuarial Stress Testing

- ▶ City has addressed POB re-investment risk through comprehensive stress testing analysis
- ▶ Structure provides significant resiliency to absorb future potential CalPERS underperformance
  - ▶ Generates savings under extremely conservative assumptions
  - ▶ Savings, per policy, will be strategically deployed to increase future financial flexibility



\* Includes benefit of Section 115 set-asides in early years per policy

\*\* Estimated by NHA Advisors

# Next Steps

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- ▶ Pricing the week of February 8<sup>th</sup>
- ▶ Closing the week of February 22<sup>nd</sup>

# Recommendation

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- ▶ Approve the resolutions