



CITY COUNCIL AGENDA STATEMENT



November 3, 2020

File ID: 20-0385

TITLE

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA ADOPTING THE PENSION & OPEB RESERVE FUND POLICY; AMENDING THE GENERAL FUND RESERVE POLICY – FISCAL HEALTH PLAN; AND DELEGATING PENSION & OPEB RESERVE FUND ACTIVITY TO THE DIRECTOR OF FINANCE/TREASURER.

RECOMMENDED ACTION

Council adopt the resolution.

SUMMARY

On September 15, 2020, the City Of Chula Vista City Council authorized the issuance of bonds to refund certain Pension Obligations of the City, approved the form and authorized the execution of a Trust Agreement and Purchase Contract, authorizing the Judicial Validation Proceedings related to the Issuance of such Bonds and approved additional actions related thereto. One of the objectives related to the issuance of Pension Obligation Bonds is to set aside a portion of the future savings into a Section 115 Trust to mitigate future pension cost increases. The establishment of the proposed draft policy will help set the guidelines to follow in the management of the Section 115 Trust and other Pension & OPEB Reserves.

ENVIRONMENTAL REVIEW

The Development Services Director has reviewed the proposed activity for compliance with the California Environmental Quality Act (CEQA) State Guidelines and has determined that the activity is not a "Project" as defined under Section 15378 of the California Environmental Quality Act State Guidelines; therefore, pursuant to State Guidelines Section 15060(c)(3) no environmental review is required.

BOARD/COMMISSION/COMMITTEE RECOMMENDATION

Not applicable.

DISCUSSION

On March 22, 1994, the City of Chula Vista Council approved the sale of bonds to refinance the outstanding obligations of the City to the California Public Employees' Retirement System through Resolution No. 17433. The bond proceeds paid the City's unfunded pension obligations (\$16,049,201 Unfunded Accrued Liability [UAL] balance for all City Employees as of June 30, 1992). While this bond issuance helped relieve part of the liability burden, pension costs continue to increase year over year and are still the largest financial challenge for the City.

On September 15, 2020, the City of Chula Vista City Council authorized the issuance of bonds to once again refinance Pension Obligations of the City. This time, to cover the unfunded actuarial liability through 06/30/21 (\$356.5 million 06/30/21 projected valuation).

The City recognizes that issuing bonds to pay the current UAL is only part of the solution and that additional measures are needed to help with long-term Fiscal Sustainability. The Finance Department of the City of Chula Vista has drafted and is requesting the approval of the Pension & OPEB Reserve Fund Policy to help mitigate increasing pension costs. The establishment of this policy will help set the guidelines to follow in the management of a pension reserve fund such as the Section 115 Pension Trust Fund, currently set to go to City Council for approval on 12/08/20. With the Pension & OPEB Reserve Fund policy in place, the City of Chula Vista Finance Director/Treasurer will be able to make Pension & OPEB Reserve management decisions while following City Council approved guidelines.

DECISION-MAKER CONFLICT

Staff has reviewed the decision contemplated by this action and has determined that it is not site-specific and consequently, the real property holdings of the City Council members do not create a disqualifying real property-related financial conflict of interest under the Political Reform Act (Ca. Gov't Code § 87100, et seq.).

Staff is not independently aware, and has not been informed by any City Council member, of any other fact that may constitute a basis for a decision-maker conflict of interest in this matter.

CURRENT-YEAR FISCAL IMPACT

There is no fiscal impact by this action.

ONGOING FISCAL IMPACT

There is no ongoing fiscal impact by this action.

ATTACHMENTS

1. Pension & OPEB Reserve Fund Policy
2. General Fund Reserve Policy – Fiscal Health Plan

Staff Contact: David Bilby, Director of Finance/Treasurer