

# Agenda Report

October 28, 2019

**TO:** Honorable Mayor and City Council

**THROUGH:** Finance Committee

**FROM:** Finance Department

**SUBJECT: AUTHORIZE THE APPROPRIATION OF \$3,478,000 FROM THE GENERAL FUND TO MAKE THE REQUIRED CITY CONTRIBUTION TO THE FIRE AND POLICE RETIREMENT SYSTEM (FPRS) PER AGREEMENT NO. 20,823**

## **RECOMMENDATION:**

It is recommended that the City Council:

1. Find that the proposed action is not a project subject to the California Environmental Quality Act (CEQA) as defined in Section 21065 of CEQA and Section 15378 of the State CEQA Guidelines and, as such, no environmental document pursuant to CEQA is required for this project; and
2. Authorize the appropriation of General Fund fund balance in the amount of \$3,478,000 to fund the payment of funds from the City to FPRS per Agreement No. 20,823.

## **BACKGROUND:**

On November 1, 2011, the City and FPRS entered into the Amended and Restated Contribution Agreement No. 20,823 to ensure the retirement fund was financially solvent and that it had sufficient funding to support the benefits provided to its beneficiaries. Per the Agreement, the City has an obligation to ensure the plan's funding level is at least 79.5% for Fiscal Year (FY) 2020, and based upon the valuation dated June 30, 2019, the plan's funding level will only be 76.1% for FY 2020 (Attached). As such, the City is required to contribute \$3,478,000 by January 1, 2020 to FPRS to increase the funding level to 79.5%.

On March 11, 2019, the City amended the agreement to memorialize the beneficial interest of FPRS in the Concord Senior Housing Apartments (Concord). The sale of the Concord is expected to close prior to June 30, 2020, within FY 2020. If the transaction closes escrow within the fiscal year, the proceeds payable to FPRS from the beneficial interest will be offset by the \$3,478,000 previously discussed. Should escrow not close until after the end of the fiscal year, the City's contribution in FY 2020 will be final and the beneficial interest amount would offset required payments in future fiscal years.

In addition to the payment required for FY 2020, the valuation dated June 30, 2019 forecasts the need for supplemental payments from the City every year through at least FY 2049. As presented in March 2019, the sale of the Concord will generate in excess of \$20 million for the FPRS. These additional funds will bring the FPRS to a funding level in excess of ongoing 80.0% requirement and eliminate the need for additional contributions from the City until FY 2027 or beyond.

**COUNCIL POLICY CONSIDERATION:**

The City Council's strategic planning goal of maintaining fiscal responsibility and stability will be advanced by ensuring that FPRS is sufficiently funded to meet its obligations to beneficiaries.

**ENVIRONMENTAL ANALYSIS:**


The proposed actions are governmental fiscal activities that would not cause either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment. Therefore, the proposed action is not a "project" subject to CEQA, as defined in Section 21065 of CEQA and Section 15378 of the State CEQA Guidelines. Since the action is not a project to CEQA, no environmental document is required.

**FISCAL IMPACT:**

The actuarial valuation dated June 30, 2019 for FPRS reported a funding level of 76.1%. Per the Amended and Restated Contribution Agreement No. 20,823, the minimum funding level is 79.5% for FY 2020. In order to increase the funding level to the minimum amount a contribution of \$3,478,000 is required by January 1, 2020.

Due to the complexity of the financing for the Concord sale, the exact closing date is uncertain. If the Concord closes escrow on or before June 30, 2020, there will be no direct fiscal impact as a result of this action to the General Fund. If escrow does not close by this date, the General Fund fund balance will be reduced by the amount above.

Respectfully submitted,

  
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MATTHEW E. HAWKESWORTH  
Director of Finance

Approved by:

  
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STEVE MERMELL  
City Manager

Attachment: FPRS Funded Status Projection