

DESCITY OF SAN MARINO
CITY COUNCIL AGENDA

Richard Sun, DDS, Mayor
Richard Ward, Vice Mayor
Steven W. Huang, DDS, Council Member
Steve Talt, Council Member
Allan Yung, MD., Council Member
Cindy Collins, Interim City Manager



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City Hall Council Chamber
2200 Huntington Drive
San Marino, CA 91108

**SPECIAL MEETING
OF THE SAN MARINO CITY COUNCIL
THURSDAY, FEBRUARY 16, 2017 – 6:00 P.M.**

**CROWELL PUBLIC LIBRARY – BARTH ROOM
1890 HUNTINGTON DRIVE, SAN MARINO, CA 91108**

The City of San Marino appreciates your attendance. Citizens' interest provides the Council with valuable information regarding issues of the community.

Meetings are held on the 2nd Wednesday of every month.

In compliance with the American Disabilities Act, any person with a disability who requires a modification or accommodation in order to participate in a meeting should contact the City Clerk's Office at (626) 300-0705 at least 48 hours prior to the meeting.

CALL TO ORDER

ROLL CALL: Councilman Huang, Councilman Talt, Councilman Yung, Vice Mayor Ward, and Mayor Sun

PUBLIC COMMENTS

Members of the public shall have the opportunity to address the City Council about the agenda items at this time. If you wish to speak, please read and complete a Speaker's Form. The Mayor reserves the right to place limits on duration of comments.

- 1. CalPERS UNFUNDED LIABILITY ACTUARIAL ANALYSIS AND REVENUE PROJECTIONS**

Recommendation: That the City Council direct staff to place an item on a future agenda to discuss the formation of a Financial Strategic Planning Committee to address the unfunded pension liability and City infrastructure investment, or to consider other options.

ADJOURNMENT

The San Marino City Council will adjourn to the next adjourned regular meeting to be held on **FRIDAY, FEBRUARY 24, 2017, at 8:00 A.M.** in the City Hall Council Chamber, 2200 Huntington Drive, San Marino, California.

Dated: February 13, 2017
Posted: February 13, 2017

CAROL COWLEY, CMC
ACTING CITY CLERK



AGENDA REPORT

TO: MAYOR AND CITY COUNCIL

FROM: CINDY COLLINS, INTERIM CITY MANAGER

DATE: FEBRUARY 16, 2017

SUBJECT: CalPERS UNFUNDED LIABILITY ACTUARIAL ANALYSIS AND REVENUE PROJECTIONS

www.cityofsanmarino.org

Richard Sun, DDS, Mayor

Richard Ward, Vice-Mayor

Steven W. Huang, DDA, Council Member

Steve Talt, Council Member

Allan Yung, MD, Council Member

BACKGROUND

The City of San Marino has been a member of the California Public Employees Retirement System (CalPERS) since 1950. CalPERS provides a defined benefit retirement plan (pension) to the City's Public Safety and General Employees. Both the City and current employees contribute to the CalPERS plan. The City's annual contribution is approximately \$2,000,000 out of the general fund. The gap between what the City has already contributed and the benefits owed to retirees continues to grow due to market changes, an increased number of retirees, and longer life expectancies of retirees. This gap is what is known as the CalPERS unfunded pension liability.

Each year CalPERS provides a valuation of each plan which includes the actuarial determined contribution for the following year. These valuations are subject to fluctuations in the assets of the plans due to investment returns earned by CalPERS and changes in status of the City's retirees and employees. The term of this rate has changed drastically due to low interest earnings and the enhanced benefits that were given to employees during the 1990s.

In 2012, Governor Brown signed the Public Employees' Pension Reform Act (PEPRA) into law, which provided a number of changes to the Public Employees' Retirement Law, including implementing a new lower retirement formula for any new member into CalPERS after January 1, 2013. The effect of these changes will be experienced within the next 15 to 20 years and will begin to level the contributions required by cities.

In addition to the continued demand on the City's financial resources to pay the unfunded pension liability, the City of San Marino has infrastructure that is 100 plus years old. The deterioration of infrastructure accelerates the costs of repairs.

The City's ongoing revenues have been stable. The Safety Tax and the Utility Tax are key sources in the funding of the unfunded pension liability and the infrastructure improvement program. Property tax, the largest contributor, has remained constant even during times that other communities have suffered a decrease.

ANALYSIS

The City of San Marino has two ongoing, required demands placed upon its financial resources. First, payment to the CalPERS unfunded liability, and second, the financial investment into the City's infrastructure.

CalPERS Unfunded Liability

In order to thoroughly understand the current and long term liabilities of the City, it was necessary to have a complete actuarial study performed. Bartel Associates LLP was contracted to perform this study. The City requested an analysis of the following information from Bartel Associates:

1. Asset return sensitivity for each fiscal year through 2026/27 including the following impact of:
 - a. PEPRA changes
 - b. CalPERS new contribution policy
 - c. Assumption changes
 - d. Risk mitigation strategy
2. Comprehensive review and summary of historical CalPERS actuarial information for the Miscellaneous and Safety Plans including:
 - a. Review of historical actuarial valuation reports
 - b. Review of Contract Amendments Cost Analysis for each group
 - c. Discussion of options the City has to pay down the unfunded liability
 - d. Review of the options the City has to establish a rate stabilization fund
 - e. Pension supplemental analysis such as modeling a supplemental pension trust that pays down unfunded liability and mitigates contribution rate fluctuation

Infrastructure Investment

At the January 27, 2017 City Council Study Session, a schedule of the annual recommended financial investment into the City's infrastructure was introduced. This ambitious budget cost will efficiently maintain and improve the City's infrastructure through timely repair and restoration. (See attached report)

Revenue Forecasting

The City of San Marino revenue is primarily composed of the following:

1. Property tax
2. Utility Tax
3. Safety Tax
4. Restricted funds
5. Fees for services
6. Sales tax

An eight-year history of the revenues along with a five-year projection will be provided in the presentation.

The actuarial presentation, infrastructure guidelines, and the revenue forecasting information is intended to help the Council establish annual resource priorities. This information will also assist in the preparation of a strategic financial plan. The strategic plan would address the unfunded liability

and infrastructure investment issues, as well as the status of two City facilities (Stoneman and San Marino Center) that have pressing issues facing them.

The information presented will require discussion and thorough analysis. Staff would recommend that a Financial Strategy team including the Mayor and a Councilmember, City Treasurer, City Manager, Finance Director and two members of the community be appointed. This team would perform a complete analysis and make recommendations on funding levels of the unfunded liability, infrastructure investment, revenues and other city assets.

FISCAL IMPACT

There is no fiscal impact

RECOMMENDATION

It is recommended that the City Council direct staff to place an item on a future agenda to discuss the formation of a Financial Strategic Planning Committee to address the unfunded pension liability and City infrastructure investment, or to consider other options.

CM _____

City of San Marino
AGENDA REPORT



TO: MAYOR AND CITY COUNCIL

FROM: CINDY COLLINS, INTERIM CITY MANAGER

BY: DANIEL S. WALL, PE, PARKS & PUBLIC WORKS
DIRECTOR / CITY ENGINEER

DATE: JANUARY 27, 2017

SUBJECT: INFRASTRUCTURE INVESTMENT PROGRAM

Richard Sun, DDS, Mayor

Richard Ward, Vice-Mayor

Steven W. Huang, DDA, Council Member

Steve Talt, Council Member

Allan Yung, MD, Council Member

BACKGROUND

The information contained in this report is being provided to the City Council in advance of the Unfunded Liability and Infrastructure Investment meeting to be held on February 16, 2017. In September 2016, City staff began to develop recommendations for ongoing annual infrastructure investment. City Staff provided many of these recommendations to the Ad Hoc Committee for inclusion in the Committee's Principle Findings and Recommendations Concerning City Administration and the Parks and Public Works Division Practices and Procedures January 3, 2017. Because of their magnitude, it is not anticipated that all of the long-term annual infrastructure funding recommendations will be accommodated in the upcoming Fiscal Year 2017-2018 budget. Instead, these recommendations are targeted levels of investment that should serve as benchmarks for future budgets.

The following are City staff's long-term annual infrastructure funding recommendations:

Streets - A ten-year pavement management plan was presented to the City Council on September 30, 2016. The management plan contains three scenarios.

Scenario 1 is based on the City's current annual \$1.2 million dollar budget for pavement maintenance. In this scenario, the Pavement Condition Index (PCI) of the street network will decline from the current level of 64 to 57 over the next ten years. Deferred maintenance cost, for streets that have failed beyond repair and that require complete reconstruction, would increase from \$13.95 million to \$26.44 million during the ten-year period.

Scenario 2 is based on an annual budget of \$1.9 million for pavement maintenance. In this scenario, the PCI for the network would remain constant at 64 over the next ten years. Deferred maintenance cost would increase from \$13.95 million to \$26.44 million during the ten-year period.

Scenario 3 is based on an annual budget of \$2.5 million for pavement maintenance. In this scenario, the average PCIs for arterials, collectors and local/residential streets would increase to 72, 71 and 68 respectively over the next ten years. Deferred maintenance would increase from \$13.95 to \$17.75 during the ten-year period.

Staff recommends that a total of \$4.3 million be budgeted annually over the next ten years for the maintenance and restoration of city streets. The recommended \$4.3 million is composed of \$2.5 million to be used for pavement maintenance in scenario 3, plus an additional \$1.7 million to be used for street reconstruction to eliminate the backlog of deferred maintenance during the ten-year period.

Sewers and Storm Drains –San Marino’s sewer and storm drain systems are nearing the end of their useful lives. The total combined replacement cost of the sewer and storm drain system is estimated to be \$18 million. Staff recommends that \$600,000 be budgeted annually over the next 30 years for the systematic replacement of these systems. As a first step in the replacement of these systems, it is recommended that sewer and storm drain system masterplans (similar to the pavement management plan) be developed in Fiscal Year 2017-2018, to provide guidance on the optimal order of system component replacement and on capacity improvements to accommodate anticipated future demands.

Sidewalks - San Marino is fortunate to have an abundance of mature trees lining its streets; however, roots from these trees continually uplift portions of sidewalk creating tripping hazards. Additionally many of our sidewalks do not meet current Americans with Disabilities Act (ADA) requirements. It is recommended that an annual budget of \$250,000 be dedicated to the repair of damaged sidewalks and for ADA improvements.

Building Reserves

A building reserves policy is an important component of infrastructure management. The principle of building reserves is to ensure that the organization has provided for the inevitable need to reinvest in its facilities, to both guarantee continuity in the provision of programs and services, and to protect the value of the investments made in those assets. Building reserves are a discretionary fund portioned from the City’s unrestricted net reserves. Best practice suggests that building reserve funds be formally designated by action of the City Council, with established policies to govern use and replenishment.

Few cities have implemented the practice of creating building reserves and establishing policies governing use and replenishment. Cities that choose not to address these costs through building reserves, fund replacements and improvements from the general fund reserves as needed.

The amount necessary for a building reserve is determined by an estimate of the cost of improving or replacing facilities over a period-of-time based on anticipated life span. This approach is similar in concept to accumulated depreciation, however since the City has not established building reserves, the basis for replacement cost contained in this memorandum will not be initial construction costs

but will be based on current square foot construction costs contained in the 2017 24th Edition Building News Public Works Costbook.

Due to the current condition, and uncertain future of Stoneman School, and the San Marino Center, these buildings are not included in the reserve calculation.

To determine the annual cost of building reserves presented below, the anticipated remaining life for all buildings was assumed to be 50 years. This number is an estimate used for determining the annual funding of the building reserves, and could be adjusted either up or down for each building based on policy or condition assessment.

Building	Floor Area	Replacement Cost per Square Foot	Total Replacement Cost	Anticipated Remaining Life (Years)	Annual Cost
City Hall	4,400	\$ 333.91	\$ 1,469,222	50	\$ 29,384.43
Fire Department	7,500	\$ 277.75	\$ 2,083,095	50	\$ 41,661.90
Police Department	5,800	\$ 259.06	\$ 1,502,565	50	\$ 30,051.31
Public Works	5,100	\$ 259.06	\$ 1,321,221	50	\$ 26,424.43
Crowell Library	33,906	\$ 304.88	\$10,337,193	50	\$206,743.87
The Old Mill	3,000	\$ 310.95	\$ 932,841	50	\$ 18,656.82
Thurner House	1,650	\$ 259.06	\$ 427,454	50	\$ 8,549.08
Lacy Park HQ.	3,850	\$ 259.06	\$ 997,393	50	\$ 19,947.85
Total	65,206	\$ 292.47	\$19,070,984		\$381,419.69

FISCAL IMPACT

The following table contains the current levels of infrastructure investment in the Fiscal Year 2016/2017 budget, staff’s recommended annual infrastructure investment, and the recommended increase to the annual budget over the current fiscal year.

Infrastructure Asset	FY 16/17 Budget	Staff’s Recommend Annual Budget	Recommend Increase to Annual Budget
Streets	\$1,200,000	\$4,300,000	\$3,100,000
Sewers & Storm Drains	\$100,000	\$600,000	\$500,000
Sidewalks	\$150,000	\$250,000	\$100,000
Buildings	\$110,409	\$380,000	\$269,591
Total	\$1,450,000	\$5,530,000	\$3,969,591

RECOMMENDATION

Receive and file.