Presentations for the
June 16, 2020
City Council Meeting
Objectives for Tonight

• Review the 2020 Sustainability and Climate Action Plan (S/CAP) Potential High Impact Goals and Key Actions related to greenhouse gas (GHG) emissions reduction

• Review the Spectrum of Tools for Achieving Climate Goals

• Get preliminary feedback from Council on the updated High Impact Goals & Key Actions before AECOM analysis
2020 Sustainability and Climate Action Plan Areas

**ENERGY**
Christine Tam
Evon Ballash

**MOBILITY**
Sylvia Star-Lack
Rebecca Atkinson
Nicole Laureola

**ELECTRIC VEHICLES**
Shiva Swaminathan
Hiromi Kelty
Mike Nafziger

**WATER**
Karla Dailey
Karin North

**CLIMATE ADAPTATION & SEA LEVEL RISE**
Julie Weiss
Christine Luong

**NATURAL ENVIRONMENT**
Walter Passmore
Pam Boyle Rodriguez

**ZERO WASTE**
Paula Borges
Maybo AuYeung
Wendy Hediger
• UAC provided thoughts, ideas, and recommendations

• Questions posed

  – How will the Key Actions be financed?

  – Can we achieve our targets through incentives alone?

  – Should natural gas offsets count towards our 80 x 30 goal?
Palo Alto GHG Emissions Down ~36%

Palo Alto Municipal Operations and Community GHG Emissions

Road Travel into, from, and within City
Palo Alto Landfill Fugitive Emissions
Wastewater Process Emissions
Natural Gas Use
Natural Gas Use (Palo Alto Green Gas Offsets)
Landfilled Unrecovered Recyclables
Lifecycle Emissions From Annual Total Waste Placed in Landfills
Natural Gas Distribution Leakage
Net Brown Power Emissions (Weather adjusted)

80 x 30 Target (150K MT CO2e)
Updated Goals for Highest GHG Reduction Areas

• **Energy**: Reduce GHG emissions from direct use of natural gas in building sector by X% (% TBD, depending on results of GHG and costs analysis)

• **Mobility**: Reduce transportation related GHG emissions 80%, from approximately 300,000 MT CO2e to 60,000 MT CO2e by 2030 by:
  a. Increasing the mode share for active transportation modes (walking, biking, and transit)
  b. Increasing the availability of transit and shared mobility services
  c. Creating a housing density & land use mix that supports transit & non-SOV transportation
  d. Utilizing pricing, fees, & other program & policy tools to encourage reductions in GHGs & VMT

• **Electric Vehicles**: Reduce transportation related GHG emissions 80%, from approximately 300,000 MT CO2e to 60,000 MT CO2e per year by 2030 by:
  a. Increasing the EVs registered in Palo Alto from 4,500 (2019) to 42,000 (80% of vehicles)
  b. Increasing the share of EV commute vehicles from single digits to 80% by 2030
  c. Developing a public and private charging network to support these levels of EV penetration
Areas of highest potential GHG reduction

GHG Reduction Areas

• Electrify most residential buildings
• Significantly reduce fossil fuel use in large commercial buildings
• Significantly reduce Vehicle Miles Traveled (VMT)
• Electrify vast majority of remaining vehicle trips

Could Potentially Achieve:

• ~15-20% of remaining reduction needed
• ~5% of remaining reduction needed
• ~10-20% of remaining reduction needed
• ~50-60% of remaining reduction needed
Spectrum of Tools for Achieving Climate Goals

Low Intervention

Examples:
- Early Adopters
- Voluntary Programs
- Education and Outreach
- Pilot Projects

Some Intervention

Examples:
- Council Policies, Plans, and Reach Ordinances
- Council Ordinances, Bans, and Mandates
- Financial Incentives

Higher Intervention

Examples:
- City-wide Voter-Approved Mandates or Financing
- Utility-scale Infrastructure Shift

Voluntary Market driven solutions  Government driven solutions
Energy High Impact Key Actions – Residential Buildings

1. Retrofit all gas wall furnaces in multifamily buildings to electric heat pump systems for space heating by 2030 (#5 in packet)

2. Electrify gas appliances in single family homes upon home sale beginning in 2025 (#7 in packet)

3. Electrify water heating upon equipment failure replacement in single family homes beginning in 2025 (#8 in packet)

4. Phase out fossil fuel use in existing buildings starting with areas that have older gas lines that need to be repaired or replaced. Disconnect natural gas distribution service to residential areas by 2030. (#9 in packet)
Energy High Impact Key Actions – Non-Residential Buildings

1. Electrify water heating and space heating in all K-12 facilities by 2030 (#11 in packet)

2. Convert all rooftop gas packs on non-residential buildings to electric heat pump systems by 2030 (#12 in packet)

3. Require all-electric non-residential new construction projects starting in 2021 (#13 in packet)

4. Electrify 80% of existing city-owned buildings by 2030 (#14 in packet)

5. Require all commercial buildings above 25,000 sq ft to reduce carbon emissions by 40% by 2030 (#15 in packet)
Mobility High Impact Key Actions – Transportation / Vehicles

1. Provide safer infrastructure for vulnerable road users, such as children, seniors, pedestrians, and bicyclists to reduce Single Occupancy Vehicle (SOV) use for work trips

2. Reduce SOV mode share using pricing to manage our parking supply and adjust parking requirements

3. Build transit-supportive roadways

4. Enhance the efficiency of the existing traffic signal system to reduce idling

5. Improve our Transportation Demand Management strategies, including encouraging telecommuting as a new norm

6. Use land use to reduce vehicle miles of travel by thoughtfully locating people close to the goods and services they need so they can more easily walk, bike or take transit to meet their needs
EVs High Impact Key Actions – Transportation / Vehicles

1. Require an appropriate percentage of all parking spaces at Palo Alto’s 800+ multi-family properties install EV chargers (e.g. 50% of all parking spaces) (#10 in packet)

2. Require an appropriate percentage of EV charger installations at all commercial parking spots (e.g. 25 to 50% of all parking spaces) (#11 in packet)

3. Implement a Palo Alto-specific Internal Combustion Engine (ICE) vehicle fee, tax and/or assessment to provide a disincentive for the ownership or use of a fossil fuel vehicle and fund incentives for VMT reduction and EV adoption (#12 in packet)

4. Require private bus fleets serving Palo Alto office campuses to electrify by 2030 (#13 in packet)

5. Ban the registration of gasoline vehicles in Palo Alto by 2030 (Achieve 50% of remaining reduction needed) (#14 in packet)
1. Completed 2019 GHG Inventory and Business As Usual Forecast

2. AECOM Impact Analysis – GHG Reduction potential, Estimated Costs, Sustainability Co-Benefits – Late Summer / Early Fall

3. UAC, PRC, PTC input – Late Summer / Early Fall

4. Council review of Proposed Goals and Key Actions package of options – Early Fall
Recommended Motion:

• Direct staff to continue with its work on the 2020 Sustainability and Climate Action Plan (S/CAP) Update
• Current S/CAP made up of three components:
  1. 80 x 30 Goal – adopted April 2016

• 2020 Council Priority: Sustainability, in the context of climate change

• April 13 Council Study Session on 2020 S/CAP Update Process

• Community Input on Goals & Key Actions in 7 areas
Opportunities for Input on Goals and Key Actions

• Virtual on-demand 2020 S/CAP Community Engagement Workshop (March 31 – April 14, 2020)
  – 204 participants

• City of Palo Alto Sustainability website
  – 3 people submitted comments

• April 13 Council Study Session
  – 21 people submitted comments
Feedback Received from the Community

• Supportive of 2020 S/CAP and do not want to delay action on climate change, despite uncertainties created by coronavirus pandemic

• 2020 S/CAP needs to include more aggressive but achievable goals, measurable targets, and accessible reporting, with more focus on electrifying buildings, transportation, and equipment

• Not supportive of counting natural gas offsets

• Coronavirus pandemic has shown it’s possible to work from home. Explore remote work strategies to reduce transportation-related GHGs.

• Housing, land use, and education are areas of focus that are missing
Buildings Example: Gas to Electric: Range of Actions

Outreach and Voluntary Actions
- Rebates and Fully Subsidized Replacement

New Building Mandates
- Electrify Upon Change of Ownership
- Electrify Upon Equipment Replacement

Voter or Council-Approved Discontinuance of Gas Service
- Voter or Council-Approved Mandatory Replacement

Voluntary Market driven solutions ➔ Government driven solutions
Buildings: Gas → Electric Sources

Residential
- Water Heating
  - Single Family
  - Multi-Family
- Space Heating
  - Single Family
  - Multi-Family
- Other Gas Usage
  - Single Family
  - Multi-Family

Non-Residential
- Roof Top HVAC
- K-12 Schools (% of Buildings)
  - Water and Space
- City Owned (% of Buildings)
  - Water and Space
- Large Commercial ( >25K Sq. Ft. )
FY 2020 BUDGET ADJUSTMENTS TO ADDRESS COVID-19 IMPACTS & Q3 FINANCIAL REPORT
Through Q3, the City’s financials remain in expected conditions, these results are not yet materially affected by COVID-19.

Unprecedented time in our City’s history.

May 4, 2020, staff and the City Council reviewed forecast scenarios for FY 2020 and FY 2021.

- FY 2020 estimated a $15 million to $20 million impact to the General Fund.
- FY 2021 three scenarios were presented, the City Council chose scenario 3 for FY 2021 budget development.
HERE IS WHAT WE KNOW NOW

• Initial findings reflect TOT receipts have dropped 95%
• Documentary Transfer Taxes are approximately 45% to 50%
• Sales Tax activities for January through March will not be known until July 2020, April through June will not be available until October 2020
• Charges for Services remain unknown as staff refunds classes and program fees and facilities remained closed for at least 2 months or by appointment only.
• Departmental expenses are tracking below budgeted levels and are expected to achieve $3.8 million in savings by year end in the General Fund
## FY 2020 GENERAL FUND REVENUES

### FY 2020 3rd Quarter Actuals (000's)

<table>
<thead>
<tr>
<th></th>
<th>FY 2020</th>
<th>FY 2019</th>
<th>% change</th>
<th>FY 2020</th>
<th>%</th>
<th>FY 2019</th>
<th>%</th>
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</thead>
<tbody>
<tr>
<td>Property Tax</td>
<td>$30,054</td>
<td>$29,429</td>
<td>2.1%</td>
<td>$50,576</td>
<td>59.4%</td>
<td>$46,232</td>
<td>63.7%</td>
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<tr>
<td>Sales Tax (4.7%)</td>
<td>20,645</td>
<td>21,674</td>
<td>(4.7%)</td>
<td>36,085</td>
<td>57.2%</td>
<td>31,746</td>
<td>68.3%</td>
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<tr>
<td>Charges for Services</td>
<td>17,872</td>
<td>16,157</td>
<td>10.6%</td>
<td>30,267</td>
<td>59.0%</td>
<td>28,419</td>
<td>56.9%</td>
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<tr>
<td>Transient Occupancy Tax</td>
<td>16,378</td>
<td>15,251</td>
<td>7.4%</td>
<td>26,555</td>
<td>61.7%</td>
<td>25,390</td>
<td>60.1%</td>
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<tr>
<td>Utility User Tax</td>
<td>11,908</td>
<td>11,626</td>
<td>2.4%</td>
<td>17,572</td>
<td>67.8%</td>
<td>16,092</td>
<td>72.2%</td>
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<tr>
<td>Permits and Licenses</td>
<td>4,506</td>
<td>6,107</td>
<td>(26.2%)</td>
<td>9,027</td>
<td>49.9%</td>
<td>8,545</td>
<td>71.5%</td>
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<tr>
<td>Documentary Transfer Tax</td>
<td>5,770</td>
<td>4,801</td>
<td>20.2%</td>
<td>8,100</td>
<td>71.2%</td>
<td>8,034</td>
<td>59.8%</td>
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<tr>
<td>All Other Revenue Sources</td>
<td>25,931</td>
<td>23,984</td>
<td>8.1%</td>
<td>34,629</td>
<td>74.9%</td>
<td>32,875</td>
<td>73.0%</td>
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<tr>
<td><strong>Total Revenue</strong></td>
<td>$133,064</td>
<td>$129,031</td>
<td>3.1%</td>
<td>$212,811</td>
<td>62.5%</td>
<td>$197,333</td>
<td>65.4%</td>
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</tbody>
</table>

June 16, 2020

www.cityofpaloalto.org/budget
# FY 2020 GENERAL FUND EXPENSES

## FY 2020 3rd Quarter Actuals

<table>
<thead>
<tr>
<th>3rd Quarter Actuals</th>
<th>Adjusted Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2020</td>
<td>FY 2019</td>
</tr>
<tr>
<td>inc (dec)</td>
<td>inc (dec)</td>
</tr>
<tr>
<td>Police</td>
<td>$32,974</td>
</tr>
<tr>
<td>Fire</td>
<td>$26,859</td>
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<tr>
<td>Community Services</td>
<td>$21,649</td>
</tr>
<tr>
<td>Public Works</td>
<td>$12,493</td>
</tr>
<tr>
<td>Planning and Development Services</td>
<td>$13,575</td>
</tr>
<tr>
<td>Library</td>
<td>$7,388</td>
</tr>
<tr>
<td>Administrative Services</td>
<td>$5,985</td>
</tr>
<tr>
<td>All Other Departments</td>
<td>$17,668</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td><strong>$138,591</strong></td>
</tr>
</tbody>
</table>
## FY 2020 GENERAL FUND BUDGET ADJUSTMENTS - REVENUE

<table>
<thead>
<tr>
<th>Recommended Adjustments</th>
<th>FY 2020 Adjusted Budget</th>
<th>Rec Change</th>
<th>FY 2020 Rec Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund Tax Revenues</td>
<td>138,888</td>
<td>($15,013)</td>
<td>123,875</td>
</tr>
<tr>
<td>General Fund Charges for Services/Licenses and Permits/ &amp; Other Revenues</td>
<td>73,923</td>
<td>($8,695)</td>
<td>65,228</td>
</tr>
<tr>
<td>General Fund Transfers In</td>
<td>20,840</td>
<td>0</td>
<td>20,840</td>
</tr>
<tr>
<td><strong>TOTAL REVENUE ADJUSTMENT</strong></td>
<td><strong>$233,651</strong></td>
<td><strong>($23,708)</strong></td>
<td><strong>$209,943</strong></td>
</tr>
</tbody>
</table>
### FY 2020 GENERAL FUND EXPENSE ADJUSTMENTS

<table>
<thead>
<tr>
<th>Recommended Adjustments</th>
<th>Rec Change $’s in Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Departmental Salary and Non-Salary savings</td>
<td>($3,770)</td>
</tr>
<tr>
<td>Transfers to the Capital Improvement Fund</td>
<td>(6,679)</td>
</tr>
<tr>
<td>Reduction/Elimination of Reserves: Recruitment &amp; Retention, Operations, Development Center</td>
<td>(1,570)</td>
</tr>
<tr>
<td>City Manager Employment Contract (housing)</td>
<td>(600)</td>
</tr>
<tr>
<td>Investments: racial equity &amp; downtown BID</td>
<td>570</td>
</tr>
<tr>
<td>TOTAL EXPENSE ADJUSTMENT</td>
<td>($12,049)</td>
</tr>
</tbody>
</table>
Recommended draw of $11.7 million from the General Fund Budget Stabilization Reserve in FY 2020

FY 2020 Mid-Year Budget Review (CMR 10959) $44.7 M
Recommended Adjustment (11.7M)

Current Projected BSR June 30, 2020 $33.0 M

- BSR of $33.0 million is 14.3 percent of the FY 2020 Adopted Budget expenses, below the range of 15% and 20%, and below the target of 18.5%
RECOMMENDED ACTION

Staff recommends that the City Council:

• Review the financial report for the third quarter of Fiscal Year 2020

• Amend the Fiscal Year 2020 Budget Appropriation for various funds and various capital projects, as identified in Attachment C (requires five votes for approval)
1. Seeking input and guidance from the City Council on elements of a Pension Funding Policy, which will proactively address the City’s long-term pension obligations
   • Staff will incorporate input and return to City Council in Fall 2020 for final adoption of a policy

2. Approve Contract & Amendment with Bartel Associates to continue work on this important topic
SERVICE DELIVERY ECOSYSTEM

- Overarching goal of a Pension Funding Policy is to avoid service delivery reductions from escalating pension costs; requires balancing the near-term with long-term
PENSION FUNDING POLICY – KEY PRINCIPLES

• What is the desired funding target and corresponding timeline to achieve it?

• The Pension Funding Policy should be “evergreen,” guiding staff and Council when certain parameters are met but providing flexibility and adaptability.

• What can the City afford? What is the most efficient use of its funding? What payment options and tools best align with those considerations?

• Important to keep in mind that this is a state-wide issue; CalPERS invests over a very long-term timeframe.
ELEMENTS OF A PENSION FUNDING POLICY

- Funding Goal and Timeframe
- Funding Components
- Allowable Uses of Funding
- Service Delivery Outcomes
- Fiscal Impacts
## Pension Funding Policy Examples

<table>
<thead>
<tr>
<th>Pension Policy Elements</th>
<th>Example 1: CalPERS (Baseline)</th>
<th>Example 2: Lower Funding Target (Current Practice)</th>
<th>Example 3: Medium Funding Target</th>
<th>Example 4: Higher Funding Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Funded Goal</td>
<td>100%; no lower element of range</td>
<td>80% - 100%; Target of 85%</td>
<td>80% min - 100%; Target of 95%</td>
<td>90% - 100%; Target of 100%+</td>
</tr>
<tr>
<td>Timeframe</td>
<td>30 years</td>
<td>Within 10 years</td>
<td>Within 10 years</td>
<td>Within 10 years</td>
</tr>
<tr>
<td>Funding Components</td>
<td>Normal Cost (NC) calculated at 7.0% Discount Rate (+) Cost-sharing with employees (see table above for specific rates) (+) Additional cost-sharing with employees (+) Recalculate the UAL with the same lower DR (phase-in)</td>
<td>(+) Using a more conservative discount rate (DR) for calculation of normal cost (+) Identify funding for the pension obligation through Budget</td>
<td>(+) Amend existing BSR policy, 100% excess BSR allocated for pension costs (all funds contribute a commensurate amount)</td>
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<tr>
<td></td>
<td>Changes in actuarial assumptions amortized over 20 years</td>
<td>(+) Using a more conservative discount rate (DR) for calculation of normal cost</td>
<td>(+) Identify funding for the pension obligation through Budget</td>
<td>(+) Amend existing BSR policy, 100% excess BSR allocated for pension costs (all funds contribute a commensurate amount)</td>
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<td></td>
<td>UAL amortized over 30 years for gains/losses; calculated at 7.0% Discount Rate (20 years beginning 6/30/2019)</td>
<td>(+) Amend existing BSR policy, 50% excess BSR can be allocated for pension costs (all funds contribute a commensurate amount) (+) Reach one-year of funding for CalPERS ADC in 115 Trust Fund (invest moderately conservatively); subsequent proactive funding to CalPERS as ADP</td>
<td>(+) Fresh start in concept for the Safety group, beginning in a target year</td>
<td>(-) Contractual Partial Fresh Start for the Safety group beginning in a target year in lieu of fresh start in concept</td>
</tr>
<tr>
<td>Allowable Uses of Funding Component</td>
<td>NC covers pay-go portion; UAL portion pays off unfunded liability in 30 years if CalPERS investment returns met (+) Use of 115 Trust Fund funding to be addressed through annual budget process or separate City Council approved action. Pension Rate Stabilization Program</td>
<td>(+) Use of 115 Trust Fund funding to be addressed through annual budget process or separate City Council approved action. Pension Rate Stabilization Program</td>
<td>(+) Fresh start in concept for the Safety group, beginning in a target year</td>
<td>(-) Contractual Partial Fresh Start for the Safety group beginning in a target year in lieu of fresh start in concept</td>
</tr>
<tr>
<td>Service Delivery Outcomes</td>
<td>Continue services throughout the City including the ability to keep up with the cost of doing business as well as limited strategic investments.</td>
<td>Continue current constraints and limitations on service delivery including an inability to keep up with the cost of doing business. Prioritization would continue to be necessary annually through the budget process.</td>
<td>(+) City Manager to identify plan to address additional contributions to pension as part of annual budget process (+) Impacts on Service Delivery and/or structural additional revenue</td>
<td>(+) Significant adverse impacts on service delivery levels; additional revenue</td>
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</tbody>
</table>

(+) Indicates that this is in addition to the step to the left while (-) indicates that this is instead of the step to the left.
FINANCE COMMITTEE DISCUSSION – OCTOBER 15, 2019

• **Funding Goal and Timeframe:** evaluate & determine timeframe considering fiscal impacts

• **Funding Components:**
  - Continue paying the CalPERS Actuarial Determined Contribution (ADC) + using a lower Discount Rate to calculate the Normal Cost (NC) for 115 Trust contribution annually
  - Amend existing BSR policy, 50% excess BSR can be allocated for pension costs (all funds contribute a commensurate amount)
  - Reach one-year of funding for CalPERS ADC in 115 Trust Fund (invest moderately conservatively); subsequent proactive funding to CalPERS as ADP

• **Allowable Use of Funding:** use of 115 Trust Fund funds to be authorized through Council action and the budget process,

• **Service Delivery Outcomes:** continue current prioritization & City Manager to identify plan to address additional contributions as part of annual budget process
FISCAL IMPACTS - MISCELLANEOUS

6.2% DISCOUNT RATE NC + 90% FUNDED IN 10 YRS

<table>
<thead>
<tr>
<th>Years</th>
<th>FY 2021</th>
<th>FY 2022</th>
<th>FY 2023</th>
<th>FY 2024</th>
<th>FY 2025</th>
<th>FY 2026</th>
<th>FY 2027</th>
<th>FY 2028</th>
<th>FY 2029</th>
<th>FY 2030</th>
<th>FY 2031</th>
<th>FY 2032</th>
<th>FY 2033</th>
<th>FY 2034</th>
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<tr>
<td>10 Yrs</td>
<td>368</td>
<td>378</td>
<td>389</td>
<td>399</td>
<td>410</td>
<td>421</td>
<td>433</td>
<td>445</td>
<td>457</td>
<td>470</td>
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<td>11 Yrs</td>
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<td>12 Yrs</td>
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<td>13 Yrs</td>
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<td>14 Yrs</td>
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</table>
FISCAL IMPACTS - SAFETY
6.2% DISCOUNT RATE NC + 90% FUNDED IN 10 YRS

<table>
<thead>
<tr>
<th>FY 2021</th>
<th>FY 2022</th>
<th>FY 2023</th>
<th>FY 2024</th>
<th>FY 2025</th>
<th>FY 2026</th>
<th>FY 2027</th>
<th>FY 2028</th>
<th>FY 2029</th>
<th>FY 2030</th>
<th>FY 2031</th>
<th>FY 2032</th>
<th>FY 2033</th>
<th>FY 2034</th>
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<tr>
<td>6.2% DR NC Margin</td>
<td>1,337</td>
<td>1,369</td>
<td>1,365</td>
<td>1,363</td>
<td>1,359</td>
<td>1,357</td>
<td>1,356</td>
<td>1,354</td>
<td>1,348</td>
<td>1,334</td>
<td>1,322</td>
<td>1,308</td>
<td>1,291</td>
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<tr>
<td>14 Years</td>
<td>165</td>
<td>170</td>
<td>174</td>
<td>179</td>
<td>184</td>
<td>189</td>
<td>194</td>
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<td>205</td>
<td>211</td>
<td>216</td>
<td>222</td>
<td>228</td>
</tr>
<tr>
<td>13 Years</td>
<td>539</td>
<td>554</td>
<td>569</td>
<td>585</td>
<td>601</td>
<td>617</td>
<td>634</td>
<td>652</td>
<td>670</td>
<td>688</td>
<td>707</td>
<td>726</td>
<td>746</td>
</tr>
<tr>
<td>12 Years</td>
<td>695</td>
<td>714</td>
<td>734</td>
<td>754</td>
<td>775</td>
<td>796</td>
<td>818</td>
<td>840</td>
<td>863</td>
<td>887</td>
<td>912</td>
<td>937</td>
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<tr>
<td>11 Years</td>
<td>854</td>
<td>877</td>
<td>902</td>
<td>926</td>
<td>952</td>
<td>978</td>
<td>1,005</td>
<td>1,033</td>
<td>1,061</td>
<td>1,090</td>
<td>1,120</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10 Years</td>
<td>1,088</td>
<td>1,118</td>
<td>1,149</td>
<td>1,180</td>
<td>1,213</td>
<td>1,246</td>
<td>1,280</td>
<td>1,316</td>
<td>1,352</td>
<td>1,389</td>
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<td></td>
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</table>
FISCAL IMPACTS – MISCELLANEOUS RISK MITIGATION STRATEGY
6.2% DISCOUNT RATE NC + 90% FUNDED IN 10 YRS
FISCAL IMPACTS – SAFETY RISK MITIGATION STRATEGY
6.2% DISCOUNT RATE NC + 90% FUNDED IN 10 YRS

<table>
<thead>
<tr>
<th></th>
<th>FY 2021</th>
<th>FY 2022</th>
<th>FY 2023</th>
<th>FY 2024</th>
<th>FY 2025</th>
<th>FY 2026</th>
<th>FY 2027</th>
<th>FY 2028</th>
<th>FY 2029</th>
<th>FY 2030</th>
<th>FY 2031</th>
<th>FY 2032</th>
<th>FY 2033</th>
<th>FY 2034</th>
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<tbody>
<tr>
<td>Costs &gt; 7.0% DR</td>
<td>-</td>
<td>-</td>
<td>186</td>
<td>612</td>
<td>1,021</td>
<td>1,536</td>
<td>2,482</td>
<td>2,929</td>
<td>3,467</td>
<td>3,825</td>
<td>4,324</td>
<td>4,807</td>
<td>5,094</td>
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<tr>
<td>6.2% DR NC Margin</td>
<td>1,337</td>
<td>1,369</td>
<td>1,365</td>
<td>1,278</td>
<td>1,106</td>
<td>1,019</td>
<td>933</td>
<td>847</td>
<td>762</td>
<td>674</td>
<td>584</td>
<td>496</td>
<td>409</td>
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<tr>
<td>14 Years</td>
<td>1,088</td>
<td>1,118</td>
<td>1,149</td>
<td>1,180</td>
<td>1,213</td>
<td>1,246</td>
<td>1,280</td>
<td>1,316</td>
<td>1,352</td>
<td>1,389</td>
<td>1,427</td>
<td>1,466</td>
<td>1,507</td>
<td>1,548</td>
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<tr>
<td>13 Years</td>
<td>710</td>
<td>730</td>
<td>750</td>
<td>770</td>
<td>791</td>
<td>813</td>
<td>836</td>
<td>858</td>
<td>882</td>
<td>906</td>
<td>931</td>
<td>957</td>
<td>983</td>
<td></td>
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<tr>
<td>12 Years</td>
<td>694</td>
<td>713</td>
<td>733</td>
<td>753</td>
<td>774</td>
<td>795</td>
<td>817</td>
<td>839</td>
<td>862</td>
<td>886</td>
<td>910</td>
<td>935</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11 Years</td>
<td>1,066</td>
<td>1,095</td>
<td>1,125</td>
<td>1,156</td>
<td>1,188</td>
<td>1,221</td>
<td>1,254</td>
<td>1,289</td>
<td>1,324</td>
<td>1,361</td>
<td>1,398</td>
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<td></td>
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<tr>
<td>10 Years</td>
<td>1,068</td>
<td>1,097</td>
<td>1,128</td>
<td>1,159</td>
<td>1,190</td>
<td>1,223</td>
<td>1,257</td>
<td>1,291</td>
<td>1,327</td>
<td>1,363</td>
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</tbody>
</table>
IMPACT OF AN FY 2020 CALPERS 0% INVESTMENT RETURN

Phase-In of Impacts of a 0% Investment Return ($Ms)

- FY 2022: Impact on Miscellaneous $0.47, Impact on Safety $0.97
- FY 2023: Impact on Miscellaneous $1.93, Impact on Safety $0.94
- FY 2024: Impact on Miscellaneous $2.90, Impact on Safety $1.41
- FY 2025: Impact on Miscellaneous $3.87, Impact on Safety $1.88
- FY 2026: Impact on Miscellaneous $4.84, Impact on Safety $2.34
# EXAMPLE PENSION FUNDING POLICY

<table>
<thead>
<tr>
<th>Funding Goal and Timeframe:</th>
<th>90% funded level of CalPERS liabilities within 10 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funding Components:</td>
<td>• Calculate NC at 6.2%, transmit to 115 Trust Fund</td>
</tr>
<tr>
<td></td>
<td>• Excess BSR &gt; 18.5% at City Manager’s discretion to 115 Trust Fund</td>
</tr>
<tr>
<td></td>
<td>• 115 Trust Fund to reach 1-year full ADC funding, subsequent funding to CalPERS as ADP</td>
</tr>
<tr>
<td></td>
<td>• Other options may be pursued</td>
</tr>
<tr>
<td>Allowable Uses of Funding:</td>
<td>Use of 115 Trust Fund $’s sent to CalPERS to be addressed as part of annual budget process</td>
</tr>
<tr>
<td>Service Delivery Outcomes &amp; Fiscal Impacts:</td>
<td>If maintaining contributions impact service delivery levels, City Manager to identify impact on funding goal and timeframe with potential actions to mitigate those outcomes and impacts</td>
</tr>
</tbody>
</table>
PENSION FUNDING POLICY – INPUT AND GUIDANCE

- Seeking input and direction on the elements to be included in the Pension Funding Policy
  - Use the EXAMPLE policy as a starting point; any necessary clarifications?
  - Additional dimensions of any of the elements to include in final policy
  - Balance flexibility and adaptability with long-term strategy for addressing pension obligations

- Direction from City Council will be incorporated into a final Pension Funding Policy for adoption; target fall 2020

- Approve Contract & Amendment with Bartel Associates to continue work