FY 2017 Proposed Operating Budget

May 5th Recap
Finance Committee
May 10, 2016

Current Status

FY 2017 Proposed Operating Budget
Development Services
Operating Budget pp. 223-238
Finance Committee
May 10, 2016

Department Overview

Mission
Purpose
Divisions
• Administration
• Planning
• Building
• Green Building
• Public Works
• Fire Prevention Bureau

Accomplishments

• Adopted new Green Building and Energy Reach Code ordinances
• Initiated revision to City policies on seismic retrofitting of soft-story and unreinforced masonry buildings
• Initiated process for electronic plan review
• Launched Performance Dashboard Tool
• Launched Inspect App for customers
• Initiated viability and cost effectiveness study of Electrification/Fuel switching from gas to electric
• Completed phase 1 of cost of services study

Fiscal Year 2017 Initiatives

• Continue code adoption process including local amendments effective January 2017
• Complete Seismic Retrofit Study
• Launch New Fee schedule and begin Phase 2 of Cost of Service Study
• Complete Electrification/Fuel Switch Study
• Adopt and implement new building codes and local amendments
• Continue to monitor and streamline permit and plan check activities across DevSer.
**Significant Budget Proposals**

- Planning Tech, $55,974
  - Add 0.50 FTE Planning Technician to provide front desk support at the Development Services counter
- Staffing Re-alignment, ($607,922)
  - Reallocate 2.15 FTE to Fire, 0.64 FTE to Public Works, and 0.50 to Planning (Fire staffing reallocation in parking lot per FC May 5th meeting)
- State MWEO Enforcement, $50,000
  - Consultancy cost to implement and manage a separate landscape permit process, per state mandate

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**FY 2017 Proposed Operating Budget**

**Retiree Health Benefit Fund**

Operating Budget pp. 479-480

Finance Committee

May 10, 2016

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**Agenda**

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<th>Page</th>
</tr>
</thead>
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<tr>
<td>Definition of Terms</td>
<td>15</td>
</tr>
</tbody>
</table>

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**Benefit Summary**

- **Eligibility**
  - Retire directly from the City under CalPERS (age 50 \(^1\) and 5 years of CalPERS service, or disability)

<table>
<thead>
<tr>
<th>Group</th>
<th>Hired(^1)</th>
<th>Retired(^1)</th>
<th>City-Paid Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1/1/04</td>
<td>1/1/07</td>
<td>Full premium</td>
</tr>
<tr>
<td>2</td>
<td>1/1/04</td>
<td>5/1/07</td>
<td>Premium limited to 2nd most expensive Basic (non-Medicare) medical plan in Bay Area</td>
</tr>
<tr>
<td>3</td>
<td>1/1/04</td>
<td>5/1/11</td>
<td>For Mant/Conf and already retired SEIU: Premium limited to flat dollar caps same as active contribution: 2015 2016 2017 2018 Single 368 743 723 894 2-Party 1,415 1,485 1,544 1,696 Family 1,840 1,931 2,008 2,088 For everyone else: 90% of premium up to 90% of Group 2 cap (PAPOA gets 100%)</td>
</tr>
</tbody>
</table>

\(^1\) Age 52 for Miscellaneous New Hire under FUPRA
\(^2\) Varies somewhat by bargaining group

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**Benefit Summary**

- **Retire Medical continued**
  - Group 4 Hired\(^1\) Retired City-Paid Benefit
  - $22893 “Vesting Schedule” (based on all CalPERS Services). Percentages start at 50% with 10 years, increasing to 100% with at least 20 years of service. 100% vesting for disability
  - Vesting % applies to 100-50 formula:
    - 2015 2016 2017 2018
    - Single $175 $205
    - 2-Party 1,246 1,346
    - Family 1,605 1,727
  - If 20 years City service, do not need to retire directly from City

- **Surviving Spouse**
  - 100% of retiree benefit continues to surviving spouse if retiree elects CalPERS pension survivor allowance

\(^1\) Retirees somewhat by bargaining group
\(^2\) Varies somewhat by bargaining group
\(^3\) SEIU and IAF have not held the individual elections, but all members are assumed to elect Group 4
For PEMHCA, employer cost for allowing retirees to participate at active rates.
Kaiser Bay Area Plan:

• The City included the implied subsidy beginning with the June 30, 2013 valuation.

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### Participant Statistics

June 30, 2015

<table>
<thead>
<tr>
<th></th>
<th>Group 1</th>
<th>Group 2</th>
<th>Group 3</th>
<th>Group 4</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Count</td>
<td>n/a</td>
<td>n/a</td>
<td>107</td>
<td>848</td>
<td>955</td>
</tr>
<tr>
<td>Average Age</td>
<td>n/a</td>
<td>n/a</td>
<td>52.0</td>
<td>44.5</td>
<td>45.3</td>
</tr>
<tr>
<td>Average Age</td>
<td>n/a</td>
<td>n/a</td>
<td>32.6</td>
<td>34.8</td>
<td>34.5</td>
</tr>
<tr>
<td>Average City Service</td>
<td>n/a</td>
<td>n/a</td>
<td>19.4</td>
<td>9.7</td>
<td>10.8</td>
</tr>
<tr>
<td>Average PERS Service</td>
<td>n/a</td>
<td>n/a</td>
<td>20.2</td>
<td>10.9</td>
<td>11.9</td>
</tr>
<tr>
<td>Average Salary</td>
<td>n/a</td>
<td>n/a</td>
<td>$129,385</td>
<td>$86,960</td>
<td>$91,714</td>
</tr>
<tr>
<td>Total Salary (000's)</td>
<td>n/a</td>
<td>n/a</td>
<td>$13,844</td>
<td>$73,742</td>
<td>$87,586</td>
</tr>
</tbody>
</table>

Retirees:
- Count: 598
- Average Age: 73.8
- Average Service Ret Age: 57.8
- Avg Disability Ret Age: 45.4

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### Actuarial Methods

Method | June 30, 2015 Valuation

| Cost Method | Entry Age Normal Level % of Pay
| Fund Appreciation | Full Pre-funding through CalPERS trust (CEBRT) asset allocation 1
| Unfunded Liability Amortization | 28 years closed period
| Asset Value | Market Value of Assets
| Future New Entrants | Closed group - no new participants
| Implied Subsidy | Implied subsidy valued
| ACA Excise Tax | Impact valued (2% load on cash subsidy)
| Prior valuation | Not valued

---

### Actuarial Assumptions Highlights

**June 30, 2013 Valuation**

- **Discount Rate:** 5.61%, net of expenses
- **Demographic Assumptions:**
- **CalPERS - 1997-2007 Experience Study**
- **CalPERS - 1997-2011 Experience Study**
- **Retirement, Mortality**
- **Scale AA - 14, 14, 14 Generational Improvement for mortality**
- **Medical Trend:**
  - Decreasing from 8.9% non-Medicare and 8.3% Medicare down to 5.0% over 6 years
  - Decreasing from 7.0% non-Medicare and 7.2% Medicare down to 5.0% over 4 years

**Increase to Dollar Caps for SEIU Group 3**

- 2% of Medical Trend, not less than assumed inflation (0.0%)

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### Market Value of Plan Assets - CEBRT

(Amounts in 000's)

| Year     | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 | Project 2015/16
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>MVA (Beginning of Year)</td>
<td>$34,014</td>
<td>$41,774</td>
<td>$49,238</td>
<td>$66,070</td>
<td>$75,363</td>
<td>$78,578</td>
</tr>
<tr>
<td>Contributions</td>
<td>2,447</td>
<td>4,419</td>
<td>5,248</td>
<td>4,295</td>
<td>3,371</td>
<td>3,169</td>
</tr>
<tr>
<td>Benefit Payments</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Admin. Expenses</td>
<td>(50)</td>
<td>(52)</td>
<td>(80)</td>
<td>(91)</td>
<td>(76)</td>
<td>(65)</td>
</tr>
<tr>
<td>Investment Return</td>
<td>8,363</td>
<td>97</td>
<td>5,664</td>
<td>11,088</td>
<td>(80)</td>
<td>99</td>
</tr>
<tr>
<td>MVA (Ending of Year)</td>
<td>44,774</td>
<td>49,238</td>
<td>60,070</td>
<td>75,363</td>
<td>78,578</td>
<td>81,741</td>
</tr>
</tbody>
</table>

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1. **Note:** Assumes a 2% load on cash subsidy.
### Actuarial Obligations

<table>
<thead>
<tr>
<th></th>
<th>6/30/13 Valuation</th>
<th>6/30/15 Valuation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Proj. 6/30/14</td>
<td>Proj. 6/30/16</td>
</tr>
<tr>
<td><strong>Discount Rate</strong></td>
<td>7.64%</td>
<td>7.42%</td>
</tr>
<tr>
<td><strong>Actuarial Accrued Liability</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Actives</td>
<td>64,264</td>
<td>77,248</td>
</tr>
<tr>
<td>- Retirees</td>
<td>139,378</td>
<td>157,437</td>
</tr>
<tr>
<td>- Total</td>
<td>203,642</td>
<td>234,685</td>
</tr>
<tr>
<td>- Actuarial Value of Assets(MV)</td>
<td>60,070</td>
<td>78,478</td>
</tr>
<tr>
<td>- Unfunded AAL</td>
<td>143,672</td>
<td>156,207</td>
</tr>
<tr>
<td>- Funded Ratio</td>
<td>29%</td>
<td>33%</td>
</tr>
<tr>
<td>- Normal Cost</td>
<td>5,674</td>
<td>6,340</td>
</tr>
</tbody>
</table>

### Actuarial Gain/Loss

<table>
<thead>
<tr>
<th></th>
<th>AAL</th>
<th>Assets</th>
<th>UAAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Actual 6/30/13</td>
<td>$203.6</td>
<td>$(0.1)</td>
</tr>
<tr>
<td>- Expected 6/30/16</td>
<td>233.6</td>
<td>$(9.8)</td>
<td>143.8</td>
</tr>
<tr>
<td>- Assumption Changes</td>
<td>22.1</td>
<td>8.6</td>
<td>8.0</td>
</tr>
<tr>
<td>- Assets</td>
<td>2.5</td>
<td>2.5</td>
<td>2.5</td>
</tr>
<tr>
<td>- Plan Changes</td>
<td>(12.3)</td>
<td>-</td>
<td>(12.3)</td>
</tr>
<tr>
<td>- Experience (Gains)/Losses</td>
<td>12.3</td>
<td>(8.1)</td>
<td>20.3</td>
</tr>
<tr>
<td>- Total (Gain)/Loss</td>
<td>245.9</td>
<td>$(8.1)</td>
<td>164.2</td>
</tr>
</tbody>
</table>

### Actuarial Obligations – June 30, 2015

<table>
<thead>
<tr>
<th></th>
<th>AAL</th>
<th>Assets</th>
<th>UAAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Airport</td>
<td>$209</td>
<td>$4</td>
<td>$205</td>
</tr>
<tr>
<td>CIP</td>
<td>3,036</td>
<td>1,144</td>
<td>1,923</td>
</tr>
<tr>
<td>IP</td>
<td>28,519</td>
<td>10,614</td>
<td>18,905</td>
</tr>
<tr>
<td>Gas</td>
<td>10,628</td>
<td>2,894</td>
<td>7,734</td>
</tr>
<tr>
<td>IF</td>
<td>155,343</td>
<td>47,751</td>
<td>107,592</td>
</tr>
<tr>
<td>ISF – Technology</td>
<td>4,382</td>
<td>1,842</td>
<td>2,540</td>
</tr>
<tr>
<td>ISF – Vehicle</td>
<td>1,840</td>
<td>1,142</td>
<td>698</td>
</tr>
<tr>
<td>ISF – Printing &amp; Mailing</td>
<td>725</td>
<td>354</td>
<td>376</td>
</tr>
<tr>
<td>Refuse</td>
<td>6,026</td>
<td>2,589</td>
<td>3,437</td>
</tr>
<tr>
<td>Storm Drain</td>
<td>1,920</td>
<td>606</td>
<td>1,314</td>
</tr>
<tr>
<td>Water</td>
<td>5,546</td>
<td>2,983</td>
<td>2,563</td>
</tr>
<tr>
<td>WW$1</td>
<td>3,038</td>
<td>1,563</td>
<td>1,474</td>
</tr>
<tr>
<td>WW$</td>
<td>13,585</td>
<td>4,622</td>
<td>8,963</td>
</tr>
<tr>
<td>Total</td>
<td>224,795</td>
<td>78,718</td>
<td>146,077</td>
</tr>
</tbody>
</table>

### Annual Required Contribution (ARC)

<table>
<thead>
<tr>
<th></th>
<th>2014/15</th>
<th>2015/16</th>
<th>2016/17</th>
<th>2017/18</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Discount Rate</strong></td>
<td>7.64%</td>
<td>7.42%</td>
<td>7.25%</td>
<td></td>
</tr>
<tr>
<td><strong>ARC - S</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Normal Cost</td>
<td>$5,674</td>
<td>$5,880</td>
<td>$5,340</td>
<td>$5,857</td>
</tr>
<tr>
<td>- UAAL Amortization</td>
<td>8,607</td>
<td>8,387</td>
<td>10,025</td>
<td>10,351</td>
</tr>
<tr>
<td>Total</td>
<td>14,282</td>
<td>14,267</td>
<td>15,365</td>
<td>16,208</td>
</tr>
<tr>
<td><strong>Projected Payroll</strong></td>
<td>87,187</td>
<td>90,021</td>
<td>93,272</td>
<td>96,406</td>
</tr>
<tr>
<td><strong>ARC - % Pay</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Normal Cost</td>
<td>6.5%</td>
<td>6.5%</td>
<td>6.8%</td>
<td>6.8%</td>
</tr>
<tr>
<td>- UAAL Amortization</td>
<td>9.9%</td>
<td>9.9%</td>
<td>10.7%</td>
<td>10.7%</td>
</tr>
<tr>
<td>Total</td>
<td>16.4%</td>
<td>16.4%</td>
<td>17.5%</td>
<td>17.5%</td>
</tr>
<tr>
<td><strong>Pay-As-You-Go Cost (Cash)</strong></td>
<td>$8,995</td>
<td>$9,638</td>
<td>$10,335</td>
<td>$11,999</td>
</tr>
<tr>
<td><strong>Pay-As-You-Go Cost (IS)</strong></td>
<td>$1,916</td>
<td>$1,946</td>
<td>$2,203</td>
<td>$2,444</td>
</tr>
</tbody>
</table>

### Definition of Terms

- **Actuarial Accrued Liability (AAL)**: Liability for benefits “earned” for past service using actuarial methods and assumptions.
- **Normal Cost (NC)**: Value of benefits “earned” during the current year.
- **Annual Required Contribution (ARC)**: Normal Cost, plus Amortization of Unfunded AAL (UAAL).
- **Net OFE Obligation (NOO)**: Historical difference between ARC and actual contributions.
- **PayGo**: Cash payments for retiree benefits.
### Impacts to FY 2017 Proposed

<table>
<thead>
<tr>
<th>Funding Source</th>
<th>Adopted FY 2016</th>
<th>Modified FY 2016</th>
<th>Proposed FY 2017</th>
<th>Valuation</th>
<th>Change from Proposed FY 2017 to May 9, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>9,664,600</td>
<td>8,246,207</td>
<td>9,322,699</td>
<td>9,403,256</td>
<td>80,557</td>
</tr>
<tr>
<td>Enterprise Funds</td>
<td>4,070,524</td>
<td>3,473,128</td>
<td>3,806,691</td>
<td>4,097,591</td>
<td>290,900</td>
</tr>
<tr>
<td>Other Funds</td>
<td>710,064</td>
<td>605,853</td>
<td>678,865</td>
<td>661,153</td>
<td>(17,712)</td>
</tr>
<tr>
<td>Employee Health Contributions</td>
<td>321,812</td>
<td>321,812</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Implied Subsidy</td>
<td>-</td>
<td>2,120,000</td>
<td>2,291,745</td>
<td>2,203,000</td>
<td>(88,745)</td>
</tr>
<tr>
<td><strong>Annual Required Contribution (ARC)</strong></td>
<td><strong>$14,767,000</strong></td>
<td><strong>$14,767,000</strong></td>
<td><strong>$16,100,000</strong></td>
<td><strong>$16,365,000</strong></td>
<td><strong>$265,000</strong></td>
</tr>
</tbody>
</table>

Unfunded Liability as of June 30, 2013 report: $143.6 million
Unfunded Liability as of June 30, 2015 report: $156.2 million
Citywide Change: $12.6 million

### FY 2017 Proposed Operating Budget

**Planning and Community Environment**

Operating Budget pp. 315-329
Finance Committee
May 10, 2016

### Department Overview

- Administration
- Long Range Planning
- Planning & Community Environment
- Transportation Planning & Development Services Support
- Transportation Engineering
- Code Enforcement

### Sample of Accomplishments

- Ground floor retail preservation ordinance
- Comp Plan summit and CAC formation
- Comp Plan Vision and Goals
- Downtown Commute Survey and TMA launch
- Downtown RPP
- Code clean up ordinance
- Annual office/R&D limit
- 5 bicycle boulevard concept plans
- $2M traffic signal upgrade
- Major approvals at 255S Park, 261 Hamilton, 385 Sherman, 430 Forest, Stanford Shopping Center
- 2 SSO districts; initiated IR program review

### FY2017 Initiatives

- Comp Plan Update
- Phase 2 of Downtown RPP & next RPP
- Parking wayfinding implementation
- Paid parking study & recommendations
- Annual commute survey & TMA support
- Bike Plan implementation projects
- Traffic speed survey phase one & safety improvements
- Many more

### Budget Overview

- No Significant Change from FY 2016
  - General Fund Support of Approx $8.9M
  - CIP Projects & Special Revenue Funds
- Staffing Requests
- Budget Adjustment Requests
- Unfunded Activities
Staffing Requests

- Management Analyst (Administration)
- Program Assistant (Transportation)
- Building/Planning Tech (Current Planning)
- 0.5 FTE Coordinator Transportation Systems Management (Safe Routes)

Total General Fund Impact: 0.52 FTE

Other Budget Adjustments

- Continued funding for TMA pilot programs
- Ongoing Shuttle operations
- Adjustment of staff between departments
- California Avenue retail study
- Scanning and storage
- Revenue alignment (adopted fee increases)
- Continued use of “on call” contractors

Not Reflected in the Budget

- FY16 Comp Plan Update contract amendment
- FY16 grade separation PM contract
- Shuttle expansion
- Multiple major housing initiatives ahead of the Comp Plan
- Eichler design guidelines
- Establishment & operation of new RPP Districts

FY 2017 Proposed Operating Budget

Special Revenue Funds

Operating Budget pp. 115-127

Finance Committee

May 10, 2016

Significant Activity By Fund

Special District Funds

- University Ave Parking Permit Fund
  - Street Sweeping Contractual Increase: $39,709
  - Transfer to Capital: $682,676
- California Ave Parking Permit Fund
  - Street Sweeping Contractual Increase: $64,638
- Residential Preferential Parking Fund
  - Contract Enforcement Costs: $437,407
  - Online Service: $103,476
  - Additional areas discussed at Council 5/9/2016

Eichler Design Guidelines

Establishment & Operation of new RPP Districts

STANFORD UNIVERSITY MEDICAL CENTER FUND

- Project Safety Net Collaborative: $85,000 remaining
- CIP Transfers:
  - Intermodal Transit: $441,000 (Public right of way)
  - Quarry Road Improvements: $359,000 (Public right of way)
  - Infrastructure, Sustainable Neighborhoods and Communities, and Affordable Housing:
    - $1.6 Million (Charleston/Arastadero Corridor)
    - $2.8 Million (New Public Safety Building)
    - $6.0 Million (Replacement of Fire Station #3)
  - Climate Change: $1.2 Million (Bicycle and Pedestrian Plan)
Significant Activity By Fund

Housing In-Lieu Funds
• Revenue is projected to decrease by $1.7 million based on tracking

Traffic Mitigation and Parking In-Lieu Funds
• University Ave Parking In-Lieu Fund
  ➢ Downtown Parking Garage: $2.7 million in FY 2019

Federal & State Revenue Funds
• Community Development Block Grant (CDBG): $754,000

Street Improvement Fund
  No change in activity for FY 2017

Community Development Funds
  No change in activity for FY 2017

Public Benefits Funds
  No change in activity for FY 2017

Downtown Business Improvement District Fund
  No change in activity for FY 2017

Public Art Fund
  No change in activity for FY 2017