CalPERS UAL Pension Debt

Refinancing Option Review

Huntington Beach City Council

March 1, 2021

Current FY 2020/21 Budget Situation

- **The City's FY 2020/21 budget is balanced after implementing a Citywide restructuring plan this past year**
  - General Fund expenditures were permanently reduced by ~$6M annually

in thousands	**Projected FY 2020/21**
Revenues	$223,041
Expenditures less UAL	194,026
CalPERS UAL	28,466
Total Expenditures	222,492
Surplus	$549

- **Major General Fund Revenues**
  - Property Tax $89.2M (40%)
  - Sales Tax $41.4M (19%)
  - Transient Occupancy Tax $10.6M (5%)
  - Use of Money and Property $15.3M (7%)
  - Charges for Current Services $24.1M (11%)

- **Major General Fund Expenditures**
  - Police $80.6M (37%)
  - Fire $49.1M (23%)
  - Public Works $25.9M (12%)

Fiscal Threats On The Horizon

- **The greatest challenge to Huntington Beach's long-term financial sustainability relates to CalPERS unfunded accrued liability (UAL) pension cost increases**
- **In FY 2019/20, our UAL cost was $28.86 million**
  - Within 10 years, by FY 2029/30, our UAL payment is projected to increase by 62%, to an annualized cost of $44.24 million
- **This equates to a <u>$15.38 million annual cost increase</u>!!!**

Near Term UAL Budgetary Impacts

- **Within the next 5-year period, UAL payments are projected to increase by ~$10 million by FY 2024/25**
  - UAL cost increases are driving significant future year projected General Fund budget deficits

(in thousands)	Projected FY20/21	Projected FY21/22	Projected FY22/23	Projected FY23/24	Projected FY24/25
Revenues	$223,041	$228,439	$233,277	$237,529	$241,260
Expenditures less UAL	194,026	202,278	207,098	211,327	214,960
CalPERS UAL	28,466	32,501	34,948	36,465	38,149
Total Expenditures	222,492	234,780	242,046	247,792	252,109
Surplus (Deficit)	$549	-$6,341	-$8,769	-$10,263	-$11,849

UAL Pension Refinance Option Review

- Since late 2019, the City has been reviewing the possibility of refinancing our existing CalPERS UAL pension debt
- Significant time and resources have gone into this effort, and given current market conditions, staff continues to believe that refinancing our UAL pension debt is a viable and responsible option
- Given our existing budget development timelines, staff needs to make preparations regarding the FY 2021/22 budget and our long-term financial projections
- Budget development processes and recommended budget strategies will be modified / developed based on City Council determination regarding the UAL refinance option

Assessment Completed To Date

- **During the past year, staff has assessed the refinance option with both the City Council and the Finance Commission**
  - ***October 21, 2019*** – City Council Study Session conducted
  - ***October 30, 2019*** – Reviewed refinancing plan with the Finance Commission
  - ***November 18, 2019*** – City Council voted to authorize staff to proceed with the requisite judicial validation process to facilitate the refinance plan
  - ***February 26, 2020*** – Finance Commission voted to recommend the refinancing plan, along with establishing a UAL funding policy
  - ***March 16, 2020*** – Finance Commission reviewed further details related to the UAL funding policy
  - ***May 18, 2020*** – Court authorizes City's judicial validation for UAL refinance
  - ***February 24, 2021*** – Finance Commission votes unanimously to recommend refinancing plan along with the UAL policy

CalPERS Background

How unfunded accrued liabilities are driving cost increases.

How Do Public Pension Costs Work?

- **On an annual basis, the City and employees make contributions to CalPERS to pay for future retirement benefits**
  - The funds paid are held and invested by CalPERS, which also coordinates retirement benefit payments for +2 million participating members
- There are **three cost components related to the City's annual CalPERS payments**:
  1. Employer Normal Cost
  2. Employee Normal Cost
  3. Unfunded Accrued Liability (UAL) Cost

Three Different Pension Cost Areas

1. **Employer Normal Cost (FY 2019/20 actuals - $13.95 million)**
   - Employer pension costs are determined by CalPERS and paid by the City (with a portion being paid by some employees)
     - Misc. employer costs are currently 10.018% of payroll
     - Safety employer costs are currently 20.928% of payroll
2. **Employee Normal Cost (FY 2019/20 actuals - $7.70 million)**
   - Employees also contribute towards pension related costs
     - Misc. employees contribute 8% (Classic) or 6.25% (PEPRA) of payroll costs
     - Safety employees contribute 9% (Classic) or 11.75% (PEPRA) of payroll costs
3. **UAL Cost (FY 2019/20 actuals - $28.86 million)**
   - UAL costs are assessed to make up for valuation lost and costs incurred from prior years
     - Lower than projected investment returns
     - Changes in actuarial assumptions

City of Huntington Beach
Pension Cost Areas
FY 2019/20 Actuals

Data Category	Employer Cost	Employee Cost	UAL Cost	TOTAL
Total Contribution	$ 13,954,534	$ 7,703,574	$ 28,864,623	$ 50,522,730
Percentage of Total	28%	15%	57%	100%

UAL Payments Driving Pension Cost Increases

- **CalPERS pension “Normal Cost” are fairly consistent, and HB employees pay more than the typical public sector employee**
  - Public Safety Normal Cost are projected to hover at around 20% – 21% of payroll
  - Misc. Normal Costs are projected to hover at around 10% – 11% of payroll
- **Employees in HB are also paying more than the typical 9% employee cost share**
  - Fire and Police employees pay 11% - 13%
- **Primary driver of increased pension costs are unfunded liabilities**
  - HB currently has **$951.5 million in assets** in our CalPERS account
  - However, the value of the retirement benefits that have been promised is currently estimated at **$1.39 billion in liabilities**

$436 Million in UAL Debt

- **The City currently has <u>$436 million in UAL pension liability debt</u>**
  - This debt level puts our overall CalPERS pension fund at 68.6% funded
  - The entire CalPERS portfolio is around 70.6% funded, and has an estimated total UAL of $163.5 billion

- **CalPERS has instituted several accelerated UAL repayment requirements during the past 10 years**
  - These new payment requirements are designed to help CalPERS reach 100% funded status within the next 20-30 years

UAL Payment Structure Similar To A Mortgage

- **UAL payments end when the overall accrued debt load has been paid off**
  - This makes UAL costs similar to a mortgage payment
- **For HB specifically, our UAL "mortgage" includes the following key terms:**
  - We're being charged an **interest rate of 7%** to service our UAL debt load
  - We have **23 years left on the term** of our current "mortgage"
  - **ARMs stink**… our annual payments will increase through FY 2029/30

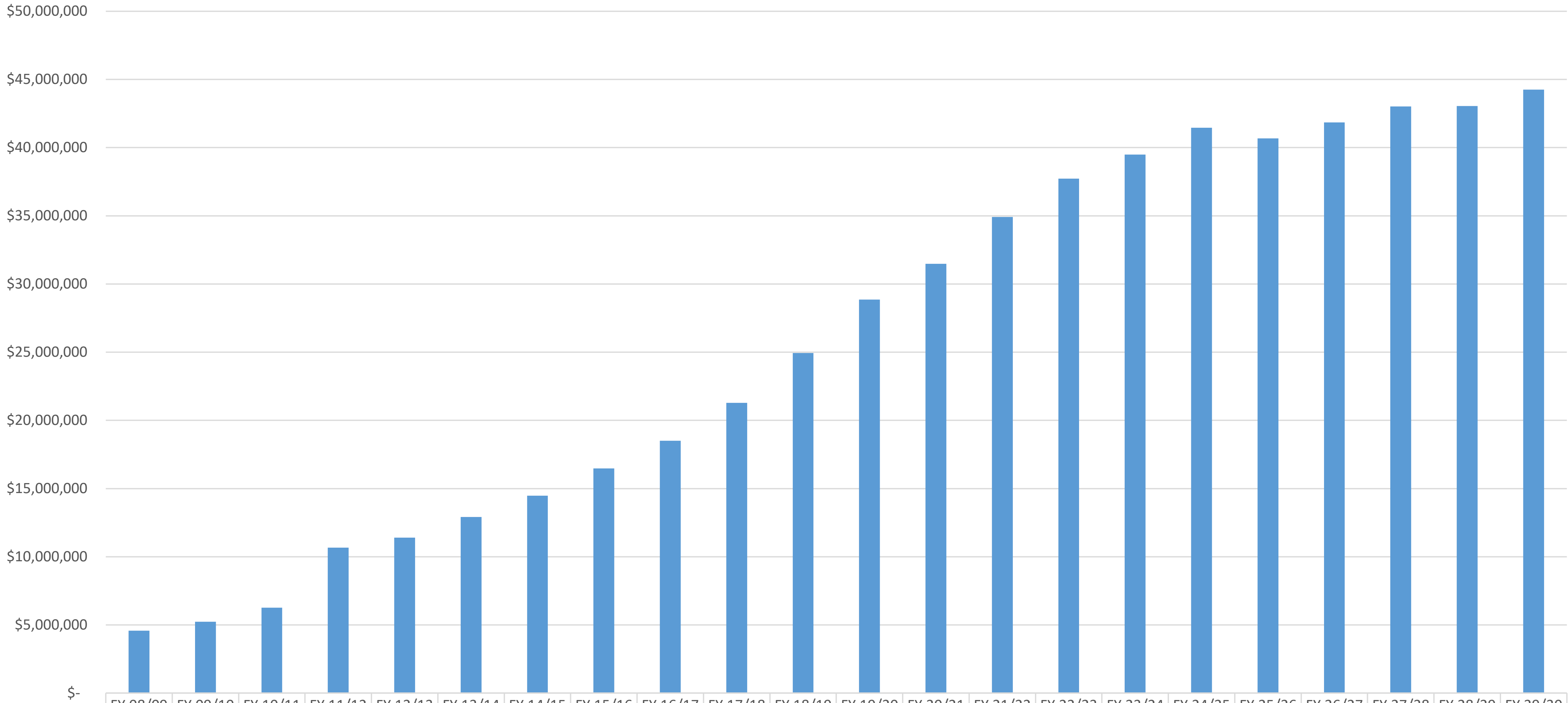
UAL Cost Increase Impact On HB

- **HB's annual UAL payment costs (i.e., our mortgage payments) have increased dramatically during the past decade, and will continue to increase until 2030**
  - FY 2009/10 UAL Payment - $5.23 million
  - FY 2019/20 UAL Payment - $28.86 million
  - FY 2029/30 UAL Payment - $44.24 million
- **In the 10 year period from 2010 – 2020, our annual UAL payment has increased a staggering 451%, from $5.23 million to $28.86 million**
- **By FY 2029/30, our annual UAL payment is projected to increase by another 62%, from $28.86 million to $44.24 million**
  - <u>This equates to a $15.38 million annual cost increase!!!</u>

City of Huntington Beach

UAL Payment Amounts

FY 2008/09 - FY 2029/30



	FY 08/09	FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16	FY 16/17	FY 17/18	FY 18/19	FY 19/20	FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26	FY 26/27	FY 27/28	FY 28/29	FY 29/30
UAL Payment Amount	$4,581,	$5,238,	$6,257,	$10,664	$11,409	$12,920	$14,472	$16,477	$18,500	$21,291	$24,930	$28,864	$31,483	$34,914	$37,718	$39,496	$41,460	$40,678	$41,846	$43,012	$43,045	$44,244

So…What Do We Do Now?

Refinancing our UAL debt, coupled with stronger pension funding policies, are two recommendations from staff.

What Are Our Options?

- **Our pension problem is really a UAL cost problem**
  - The “Normal Cost” paid by the City is manageable

- **To address our UAL cost problem, we can either…**
  1. Find the funds needed (either through cuts and / or revenue increases) to pay for the increasing UAL costs
  2. Refinance our current UAL costs via a pension obligation bond (POB)

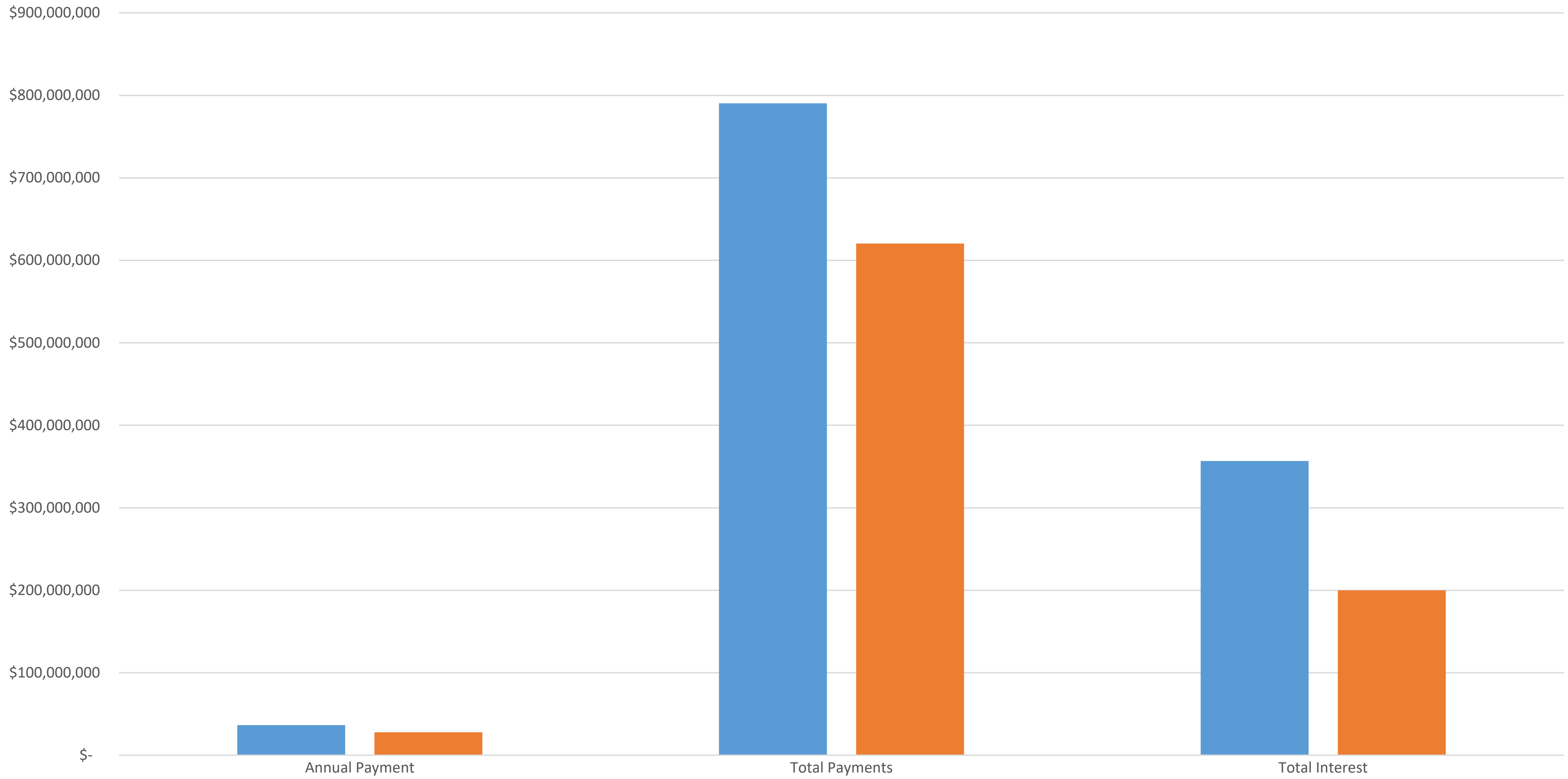
Refinancing Yields $170.1M In Savings

- **If we do nothing, our UAL payments to CalPERS during the next 23-year period will cost the City the following amounts**:
  - Total payments: $790.43 million
  - Annual cost: Fluctuates (avg. $34.37M / year, high of $45.48M / year)
  - Total interest costs: $356.88 million
- **Refinancing could result in the following cost structure during the next 23-year period (assuming a conservative interest rate of 3.48%):**
  - Total payments: $620.36 million
  - Annual cost: Fixed at ~$27.89 million / year
  - Total interest costs: $199.96 million

CalPERS UAL vs. POB Refinance

CalPERS UAL Payment Costs vs. POB Refinancing Costs			
	CalPERS UAL Payment	POB Refinancing	Refinancing Savings
Annual Payment (*average*)	$ 36,462,126	$ 27,889,834	$ 8,572,292
Total Payments	$ 790,433,427	$ 620,358,327	$ 170,075,100
Total Interest	$ 356,876,961	$ 199,958,327	$ 156,918,634

CalPERS Costs vs. Refinance Costs



	Annual Payment	Total Payments	Total Interest
CalPERS UAL Payment Costs	$36,462,126	$790,433,427	$356,876,961
POB Refinancing Costs	$27,889,834	$620,358,327	$199,958,327

CalPERS UAL Payment Costs   POB Refinancing Costs

Why Is Refinancing Cheaper?

- **The primary driver of cost savings for the refinance option is the state of the current municipal bond market**
  - We currently live in an **ultra low-interest rate world**, with certain governmental entities (Germany, Japan, and the EU) offering **negative savings rates**
  - These global market conditions have created a scenario where **<u>municipal borrowing rates are currently near the lowest levels ever recorded</u>**
- **For the proposed refinancing plan, current market conditions indicate that we could refinance our UAL debt at an interest rate of around 2-3%**
  - El Cajon, which refinanced $147.2 million in UAL pension debt on 1/13/2021, achieved a financing rate of 2.84%
  - Downey, which refinanced $113.6 million in UAL pension debt on 2/9/2021, achieving a refinancing rate of 2.60%
  - In comparison, CalPERS assesses an interest rate of 7% on all UAL debt

At Least 30 California Agencies Have Refinanced Pension Costs In The Past Year

Agency	Issuance Date	County	Refinance Amount
Butte County	11/6/2020	Butte	$ 9,160,000
Kensington Police Protection / CSD	6/18/2020	Contra Costa	$ 4,544,000
Downey	2/11/2021	Los Angeles	$ 110,000,000
Monterey Park	2/2/2021	Los Angeles	$ 109,365,000
West Covina Public Financing Authority	7/23/2020	Los Angeles	$ 204,100,000
Gardena	11/10/2020	Los Angeles	$ 101,490,000
Arcadia	10/27/2020	Los Angeles	$ 90,000,000
Azusa	9/17/2020	Los Angeles	$ 70,075,000
Torrance	10/14/2020	Los Angeles	$ 349,515,000
Pomona	8/13/2020	Los Angeles	$ 219,890,000
El Monte	6/9/2020	Los Angeles	$ 118,725,000
Montebello	5/27/2020	Los Angeles	$ 153,425,000
Carson	6/10/2020	Los Angeles	$ 108,020,000
Pasadena	2/5/2020	Los Angeles	$ 131,800,000
Inglewood	6/2/2020	Los Angeles	$ 101,620,000
Larkspur	4/30/2020	Marin	$ 18,295,000
Richardson Bay Sanitary District	2/28/2020	Marin	$ 2,383,000
Ukiah Public Financing Authority	10/8/2020	Mendocino	$ 49,555,000
North County Fire Protection District	6/11/2020	Monterey	$ 20,305,000
Grass Valley	6/1/2020	Nevada	$ 18,311,000
Orange County	1/5/2021	Orange	$ 484,800,000
Coast Community College District	12/15/2020	Orange	$ 2,280,000
Placentia Public Financing Authority	10/29/2020	Orange	$ 52,950,000
Orange County	1/7/2020	Orange	$ 463,895,000
Coachella	11/19/2020	Riverside	$ 17,590,000
Riverside	6/4/2020	Riverside	$ 432,165,000
Riverside County	4/22/2020	Riverside	$ 719,995,000
San Bernardino	7/15/2020	San Bernardino	$ 19,850,000
Ontario	5/12/2020	San Bernardino	$ 236,585,000
El Cajon	12/7/2020	San Diego	$ 147,210,000

Low Interest Rate Environment Starting To Show Signs Of Stress

- The current low interest rate environment is a byproduct of the Federal Reserve – along with central banks around the world – keeping interest rates at "0" or below
  - The downstream byproduct of central banks keeping interest rates low can be seen through reduced borrowing costs (like mortgage rates), which are near all-time lows
- The 10-year Treasury Note helps to set borrowing costs on everything, from mortgages to corporate debt to municipal debt
  - During the past two-weeks, volatility in the bond market drove the yield on the 10-year Treasury Note to above 1.5%… its highest level since the start of the pandemic

MARKETS

Bond-Market Tumult Puts 'Lower for Longer' in the Crosshairs

A recent wave of selling drove up the yield on the 10-year Treasury note, which helps set borrowing costs from corporate debt to mortgages, to its highest level since the pandemic began

Some Federal Reserve officials have said the recent rise in the yield on the benchmark 10-year Treasury note is healthy.

PHOTO: SAMUEL CORUM/BLOOMBERG NEWS

By Julia-Ambra Verlaine and Sam Goldfarb

Feb. 28, 2021 8:00 am ET

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7 minutes

February's government-bond rout has rattled one of the foundations of the past year's powerful stock-market rally: investor certainty that ultralow long-term interest rates are here to stay.

A wave of selling during the past two weeks drove the yield on the benchmark 10-year Treasury note, which helps set borrowing costs on everything from corporate debt to mortgages, to above 1.5%, its highest level since the pandemic began and up from 0.7% in October.

Inflationary Pressures Would Require Higher Borrowing Costs

- Ultra-low rates coupled with strong economic growth can lead to inflation, which central banks address by raising interest rates
- Recently, concerns have risen that the Fed will keep rates low for too long
  - This could result in the economy overheating and creating inflationary pressures that force dramatic increases in borrowing costs
- These concerns have played out with the bond market demanding higher yields, and sent the stock market on wild gyrations
- If market forces drive borrowing costs for the City to exceed ~4.5%, any plan to refinance our UAL debt becomes a non-starter

Why Shouldn’t We Refinance?

- In order to more fully vet the refinancing of the City’s UAL debt, staff also assessed why we shouldn’t look to move forward

Reasons Why Refinancing Could Be A Bad Idea

- **Refinancing now does nothing to address future possible unfunded actuarial liabilities growth**
  - Returning our UAL to zero now does nothing to keep it at zero in the future
- **CalPERS could underperform from an investment perspective, and our refinanced funds could lose value**
  - If CalPERS does not earn an investment return equal to the cost of refinancing our UAL debt, then the program will cost more than the savings benefit we are receiving

Reasons Why Refinancing Could Be A Bad Idea

- **CalPERS could over-perform from an investment perspective, and we wouldn't have had to refinance as large a debt amount**
  - If CalPERS over-performs and beats 7% investment returns (4.7% return earned in FY 2019/20), then our UAL amount will decrease
- **Unknown possible State legislative / judicial changes in the future**
  - The State and / or the Courts could make pension rule changes to reduce our UAL amounts

Reasons Why Refinancing Makes Sense

- **Despite the reasons identified as to why we shouldn't consider refinancing our UAL debt, there continue to be compelling reasons why we should consider the strategy**
  - Refinancing removes **an unknown cost variable and replaces UAL cost increases with a stable fixed payment amount**
    - Similar to transitioning from a variable rate ARM into a fixed-rate loan
  - **Interest rates are at historic lows**, and given HB's current fiscal situation, we will likely be able to refinance our UAL debt load at an interest rate of 2-3%

Reasons Why Refinancing Makes Sense

- **More than likely, CalPERS will be able to earn an investment return of at least (and likely greater than) 3% during the next 23-year period, which makes refinancing an attractive option**
  - CalPERS actual investment return performance (for FY ending 6/30/20):
    - Last year (FY 2019/20) – 4.7%
    - Last 3 years – 6.6%
    - Last 5 years – 6.3%
    - Last 10 years – 8.5%
    - ***<u>Last 20 years – 5.5%</u>***
    - Last 30 years – 8.0%

Reasons Why Refinancing Makes Sense

- **Even if the State / courts make pension program changes, HB could still take advantage of those options if we refinance**
  - Refinancing our UAL debt does not preclude the City from taking part in future State / court decisions related to pension program changes
  - None of the program changes being discussed would reduce existing UAL balances
- **It is unlikely that the State / courts will agree to a pension program fix within the next few years**
  - Without refinancing our UAL debt, within the next few years, Huntington Beach will need to institute more draconian measures
- **If our pension fund becomes over-funded (at +100%), those funds stay in the City's CalPERS account and can be used to cover future UAL shortfalls**

Budgetary Impacts

Refinancing addresses our current budgetary impacts, and proposed fiscal policies would strengthen our long-term financial position.

Refinancing @ 100%, 90%, & 80%

- **Staff has run projections of what our projected General Fund budgetary situation would be if we refinanced 100%, 90%, and 80% of our existing UAL debt levels**
  - These assumptions have been made assuming a conservative 3.48% refinancing rate

Refinance 100% of UAL Debt Load

(in thousands)	Projected FY20/21	Projected FY21/22	Projected FY22/23	Projected FY23/24	Projected FY24/25
Revenues	$223,041	$228,439	$233,277	$237,529	$241,260
Expenditures less UAL	194,026	202,278	207,098	211,327	214,960
CalPERS UAL	28,466	-	-	-	-
POB	-	25,268	25,268	25,268	25,268
Total Expenditures	222,492	227,547	232,366	236,595	240,228
Surplus	**$549**	**$892**	**$911**	**$934**	**$1,031**

Refinance 90% of UAL Debt Load

(in thousands)	Projected FY20/21	Projected FY21/22	Projected FY22/23	Projected FY23/24	Projected FY24/25
Revenues	$223,041	$228,439	$233,277	$237,529	$241,260
Expenditures less UAL	194,026	202,278	207,098	211,327	214,960
CalPERS UAL	28,466	3,419	3,419	3,419	3,419
POB	-	22,934	22,934	22,934	22,934
Total Expenditures	222,492	228,632	233,451	237,679	241,313
Surplus (Deficit)	**$549**	**-$192**	**-$173**	**-$151**	**-$53**

Refinance 80% of UAL Debt Load

(in thousands)	Projected FY20/21	Projected FY21/22	Projected FY22/23	Projected FY23/24	Projected FY24/25
Revenues	$223,041	$228,439	$233,277	$237,529	$241,260
Expenditures less UAL	194,026	202,278	207,098	211,327	214,960
CalPERS UAL	28,466	6,837	6,837	6,837	6,837
POB	-	20,389	20,389	20,389	20,389
Total Expenditures	222,492	229,505	234,324	238,553	242,186
Surplus (Deficit)	**$549**	**-$1,065**	**-$1,047**	**-$1,024**	**-$926**

UAL Policy Also Developed

- **As part of the refinancing plan and in recognition that we need to actively manage our UAL pension costs, staff has also worked concurrently to develop a UAL funding policy for consideration**
  - Even after refinancing our existing UAL debt levels, it is likely that we'll have additional UAL growth at some point in the future
  - The UAL funding policy seeks to embed the allocation of funding into the City's base budgeting process

UAL Pension Funding Policy

- **Mandated Increased Savings Amounts**
  - The policy would require a minimum $1 million annual allocation to the City's Section 115 Trust
  - In addition, 50% of the first year refinance savings (comparing first year POB debt service / UAL cost versus FY 2019/20 audited UAL payment amount) will be set-aside annually in perpetuity, with annual CPI increases moving forward
  - Furthermore, the policy would dictate that 50% of any annual General Fund surplus be dedicated toward a fund restricted to pay for UAL costs
- **Required Accelerated UAL Repayment Schedule**
  - When new UAL forms, repayment of the new UAL will be based on the Accelerated Repayment Schedule
- **These Terms Would Be Locked-In**
  - Policy could only be changed through a supermajority vote of the Council (6/7 votes)

Accelerated Repayment Schedule

- Repayment of newly incurred UAL will be paid off according to the schedule below and be funded by the Section 115 Trust or General Fund Pension Stabilization Reserves

New Unfunded Accrued Liability	Payoff Time Period
$0 to $5,000,000	Within 1 and 5 years
$5,000,001 to $10,000,000	Within 5 and 7 years
$10,000,001 to $15,000,000	Within 7 and 9 years
$15,000,001 to $20,000,000	Within 9 and 10 years
$20,000,001 or more	Within 10 and 15 years

Refinance 100% of UAL Debt Load

Projection w/ the UAL Funding Policy provisions instituted

(in thousands)	Projected FY20/21	Projected FY21/22	Projected FY22/23	Projected FY23/24	Projected FY24/25
Revenues	$223,041	$228,439	$233,277	$237,529	$241,260
Expenditures less UAL	193,026	201,278	206,098	210,327	213,960
CalPERS UAL	28,466	-	-	-	-
POB	-	25,268	25,268	25,268	25,268
Additional UAL Set-Aside	1,000	1,489	1,504	1,519	1,534
Total Expenditures	222,492	228,035	232,870	237,114	240,762
Preliminary GF Surplus	**$549**	**$404**	**$407**	**$415**	**$498**
Additional GF Surplus Set-Aside	275	202	204	208	249
GF Surplus (Deficit)	**$275**	**$202**	**$204**	**$208**	**$249**

Refinance 98.3%* of UAL Debt Load

Projection w/ the UAL Funding Policy provisions instituted

** Assuming CalPERS earns a 10% return in FY 20/21, refinancing 98.3% of our UAL debt load would place us at 100% funded status.*

(in thousands)	**Projected FY20/21**	**Projected FY21/22**	**Projected FY22/23**	**Projected FY23/24**	**Projected FY24/25**
Revenues	$223,041	$228,439	$233,277	$237,529	$241,260
Expenditures less UAL	193,026	201,278	206,098	210,327	213,960
CalPERS UAL	28,466	590	590	590	590
POB	-	24,832	24,832	24,832	24,832
Additional UAL Set-Aside	1,000	1,413	1,425	1,438	1,451
Total Expenditures	222,492	228,113	232,945	237,187	240,833
Preliminary GF Surplus	**$549**	**$326**	**$332**	**$342**	**$427**
Additional GF Surplus Set-Aside	275	163	166	171	213
GF Surplus	**$274**	**$163**	**$166**	**$171**	**$213**

Refinance 95% of UAL Debt Load

Projection w/ the UAL Funding Policy provisions instituted

(in thousands)	Projected FY20/21	Projected FY21/22	Projected FY22/23	Projected FY23/24	Projected FY24/25
Revenues	$223,041	$228,439	$233,277	$237,529	$241,260
Expenditures less UAL	193,026	201,278	206,098	210,327	213,960
CalPERS UAL	28,466	1,709	1,709	1,709	1,709
POB	-	24,006	24,006	24,006	24,006
Additional UAL Set-Aside	1,000	1,273	1,281	1,290	1,298
Total Expenditures	222,492	228,266	233,094	237,332	240,974
Preliminary GF Surplus	**$549**	**$173**	**$183**	**$197**	**$286**
Additional GF Surplus Set-Aside	275	86	91	99	143
GF Surplus	**$274**	**$86**	**$91**	**$99**	**$143**

Refinance 90% of UAL Debt Load

Projection w/ the UAL Funding Policy provisions instituted

(in thousands)	Projected FY20/21	Projected FY21/22	Projected FY22/23	Projected FY23/24	Projected FY24/25
Revenues	$223,041	$228,439	$233,277	$237,529	$241,260
Expenditures less UAL	193,026	201,278	206,098	210,327	213,960
CalPERS UAL	28,466	3,419	3,419	3,419	3,419
POB	-	22,934	22,934	22,934	22,934
Additional UAL Set-Aside	1,000	1,058	1,060	1,062	1,063
Total Expenditures	222,492	228,689	233,510	237,741	241,376
Preliminary GF Surplus (Deficit)	**$549**	**($250)**	**($233)**	**($212)**	**($116)**
Additional GF Surplus Set-Aside	275	-	-	-	-
GF Surplus (Deficit)	**$274**	**($250)**	**($233)**	**($212)**	**($116)**

Refinance 85% of UAL Debt Load

Projection w/ the UAL Funding Policy provisions instituted

(in thousands)	Projected FY20/21	Projected FY21/22	Projected FY22/23	Projected FY23/24	Projected FY24/25
Revenues	$223,041	$228,439	$233,277	$237,529	$241,260
Expenditures less UAL	193,026	201,278	206,098	210,327	213,960
CalPERS UAL	28,466	5,128	5,128	5,128	5,128
POB	-	21,482	21,482	21,482	21,482
Additional UAL Set-Aside	1,000	1,000	1,000	1,000	1,000
Total Expenditures	222,492	228,888	233,708	237,937	241,570
Preliminary GF Surplus (Deficit)	**$549**	**($449)**	**($431)**	**($408)**	**($310)**
Additional GF Surplus Set-Aside	275	-	-	-	-
GF Surplus (Deficit)	**$274**	**($449)**	**($431)**	**($408)**	**($310)**

Refinance 80% of UAL Debt Load

Projection w/ the UAL Funding Policy provisions instituted

(in thousands)	Projected FY20/21	Projected FY21/22	Projected FY22/23	Projected FY23/24	Projected FY24/25
Revenues	$223,041	$228,439	$233,277	$237,529	$241,260
Expenditures less UAL	193,026	201,278	206,098	210,327	213,960
CalPERS UAL	28,466	6,837	6,837	6,837	6,837
POB	-	20,389	20,389	20,389	20,389
Additional UAL Set-Aside	1,000	1,000	1,000	1,000	1,000
Total Expenditures	222,492	229,504	234,324	238,553	242,186
Preliminary GF Surplus (Deficit)	**$549**	**($1,065)**	**($1,047)**	**($1,024)**	**($926)**
Additional GF Surplus Set-Aside	275	-	-	-	-
GF Surplus (Deficit)	**$274**	**($1,065)**	**($1,047)**	**($1,024)**	**($926)**

City Council Options

- Staff recommends that the City Council authorize refinancing 100% of the City's existing UAL debt, and approve the proposed UAL funding policy as drafted.

- Alternatively, the City Council can:
  - Authorize refinancing less than 100% of the City's existing UAL debt
  - Make adjustments to the proposed UAL funding policy
  - Reject the UAL refinancing proposal, and direct staff to develop budget balancing options via expenditure / staffing cuts

Questions?