



**SPECIAL AND REGULAR MEETING MINUTES**

**Date:** 9/11/2018  
**Time:** 6:00 p.m.  
**City Council Chambers**  
**701 Laurel St., Menlo Park, CA 94025**

**7:00 p.m. Regular Session**

**A. Call to Order**

Mayor Ohtaki called the meeting to order at 7:14 p.m.

**B. Roll Call**

**Present:** Carlton, Keith, Ohtaki  
**Absent:** Cline, Mueller  
**Staff:** City Manager Alex McIntyre, City Attorney Bill McClure, City Clerk Judi Herren

**C. Pledge of Allegiance**

Mayor Ohtaki led the Pledge of Allegiance.

**D. Report from Closed Session**

No report from closed session.

**E. Public Comment**

- Pamela Jones, representing the Menlo Park Historical Association, read an email from President, Jim Lewis, regarding Sister Cities International anniversary.
- Fran Dehn reminded the City Council of the Golden Acorn awards on September 20.
- Annika McClure invited the City Council to the fourteenth annual Silicon Valley Turkey Trot on November 22.
- Andrew Boone requested that alternatives for the proposed downtown parking structure space be considered.

**F. Commission Report**

None.

**G. Consent Calendar**

- G1. Accept the City Council meeting minutes for August 6 and August 13, 2018
- G2. Adopt Resolution No. 6457 memorializing Menlo Park Municipal water's use of City-owned land for the corporation yard backup well (Staff Report #18-173-CC)

City Councilmember Keith commented that John Kadvany's name was misspelled in the August 13

minutes.

**ACTION:** Motion and second (Keith/Carlton) to approve the consent calendar with edits to item G1, August 13 minutes, passed unanimously.

## H. Regular Business

- H1. Approve the installation of a traffic management plan for Baywood Avenue, Clover Lane, Blackburn Avenue, McKendry Drive and Marmona Drive for a six-month trial period; and appropriate \$115,500 from the Measure A fund for construction, contract administration and inspection and authorize the City Manager to award the construction contract (Staff Report #18-175-CC)

Associate Transportation Engineer Rene C. Baile made the presentation (Attachment).

- Peter Whidden spoke in support of the traffic management plan.
- Leslie Gordon spoke against the traffic management plan.
- Susu Ribaudo spoke in support of the traffic management plan.
- Kristin Ocon spoke in support of the traffic management plan.
- Amar Murugan spoke in support of the traffic management plan but spoke against the proposed speed humps on Baywood.
- Jack Morris spoke in support of the traffic management plan but spoke against the proposed speed humps on Baywood.
- Jen Wolosin spoke in support of the traffic management plan.
- Lynne Bramlett suggested a community strategic planning subcommittee for future traffic management plan. Bramlett also commented that the traffic management plan should be considered a capital improvement project.
- Andrew Boone spoke in support of the traffic management plan.

City Council received confirmation that the Menlo Park Fire Protection District approved the proposed traffic management plan. City Council also commented that the installation of “no left turn” signs had mitigated the traffic but felt that the implementation of the speed humps was still necessary. Staff commented that the budgeted amount takes into account possible escalated construction cost.

**ACTION:** Motion and second (Keith/Carlton) to approve the installation of a traffic management plan for Baywood Avenue, Clover Lane, Blackburn Avenue, McKendry Drive and Marmona Drive for a six-month trial period; and appropriate \$115,500 from the Measure A fund for construction, contract administration and inspection and authorize the City Manager to award the construction contract, passed unanimously.

- H2. Adopt updated City Council work plan (Staff Report #18-179-CC)

Assistant City Manager Nick Pegueros made the presentation (Attachment).

- Rayna Lehman asked City Council to prioritize the minimum wage work plan item.
- Andrew Boone requested the City Council to direct staff to move forward on the minimum wage ordinance now.

Staff reported that reprioritization of work plan items is needed due to staffing challenges. City Council confirmed that many of the work plan items are in the Public Works department, where the issue of capacity is high. Staff also received confirmation that funding for the projects is secure. City Council and staff discussed creative ways to recruit such as utilizing recruiters, posting on social media, and the consideration of job sharing.

**ACTION:** Motion and second (Keith/Carlton) to adopt the updated City Council work plan, passed unanimously.

- H3. Provide direction on the response to the San Mateo County Civil Grand Jury Report: "Soaring City Pension Costs – Time for Hard Choices" (Staff Report #18-177-CC)

Finance and Budget Manager Dan Jacobson made the presentation (Attachment).

City Council and staff discussed various revisions to the response letter.

**ACTION:** Motion and second (Carlton/ Keith) to approve response to the San Mateo County Civil Grand Jury Report: "Soaring City Pension Costs – Time for Hard Choices" with the following amendments: delineate changes in finding 11 and recommendations 1 and 4, change language from "not yet implemented" to "will implement November 13, 2018", and adding a closing paragraph from the Finance and Audit Committee recommending that the Grand Jury suggest changing to CalPERS, passed unanimously.

- H4. Provide direction on updated travel policy (Staff Report #18-176-CC)

City Attorney Bill McClure made the presentation.

- George Fisher suggested adding a policy for the City Council's own conduct to include ethics. Fisher also displayed photos from a trip that City Councilmember Keith participated at in Shandong China. Fisher questioned what documents were signed during that trip. Fisher spoke against City officials signing documents abroad.
- Pamela Jones requested that the item be pushed to a meeting where the entire City Council could discuss.
- George Yang suggested the policy include international security.

McClure confirmed that during his tenure he was not aware of any council member signing any document abroad without first obtaining full City Council approval. City Council requested that before traveling, it should be made clear if a City official is acting in their official capacity or not.

**ACTION:** Motion and second (Carlton/Keith) to approve Resolution No. 6460 adopting the updated travel policy attached to staff report. Further direct the City Attorney to return to City Council with the following additional updates to the travel policy (or other applicable City Council policies): (1) include a list of examples of typical reimbursable conferences and meetings as contained in old policy; (2) add explicit language that city council members may not sign any official document on behalf of the City unless preapproved by City Council and that any foreign document submitted for signature must be translated into English; (3) travel paid by third parties requires a Fair Political Practices letter pre-authorizing travel where it is unclear whether an exception to the gift or income restrictions applies; (4) attach to the travel policy a template letter requesting third parties offering travel gifts to provide the schedule of public appearances, informing them that individual city council members do not have

authority to sign official City documents unless the full City Council pre-approves, requesting advance copies (and translations) of any documents city council member is requested to sign and other pertinent information; (5) for sister or friendship city travel, any city staff reimbursement requires pre-approval by City Council; (6) self-paid sister or friendship City Council travel does not require City Council approval, but City Council should be informed in advance of travel; and (7) city council members will comply with communications policy when traveling for City business.

## **I. Informational Items**

### **I1. Update on the Willow Road and highway 101 interchange construction, upcoming traffic changes and planned weekend roadway closure (Staff Report #18-174-CC)**

- Andrew Boone spoke in support of the project but wanted to confirm the City Council understood that the interchange would carry more vehicles and the actual cost is greater than the initial quote.
- Cecilia Taylor expressed concern for the Newbridge and Willow intersection and urged City Council to consider pedestrian safety.

City Council urged staff to ensure that the permanent striping for lane configuration be done accurately by CalTrain. Staff informed City Council that meetings were set up between the City, San Mateo County Transportation Authority, and CalTrains to discuss striping and landscape.

### **I2. Update on the Menlo Park shuttle program and schedule (Staff Report #18-178-CC)**

## **K. City Manager's Report**

None.

## **L. Councilmember Reports**

City Councilmembers Carlton and Keith are attending the League of California Cities Annual Conference later this month and will report out when they return.

City Councilmember Keith had an impromptu meeting with Len Materman, executive director of the San Francisquito Creek Joint Powers Authority.

Mayor Ohtaki reported that the September 18 City Council meeting was cancelled.

## **M. Adjournment**

Mayor Ohtaki adjourned the meeting at 10:22 p.m.

Judi A. Herren, City Clerk

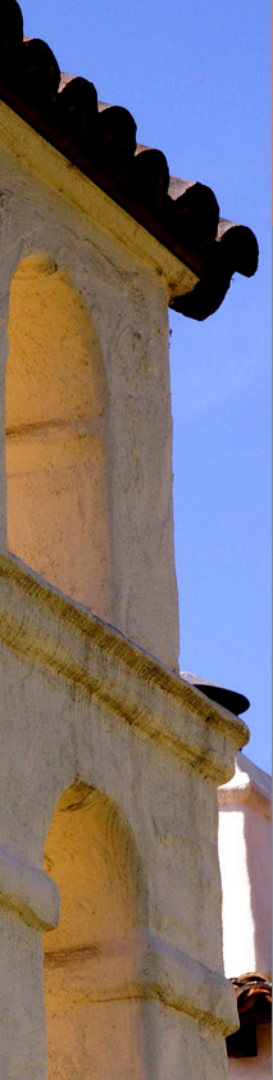
These minutes were approved at the City Council meeting of October 9, 2018.



# APPROVE THE INSTALLATION OF A TRAFFIC MANAGEMENT PLAN FOR A SIX-MONTH TRIAL PERIOD

September 11, 2018

ARNOLDAGA FAMILY  
GYMNASIUM



# NEIGHBORHOOD TRAFFIC MANAGEMENT PROGRAM (NTMP)

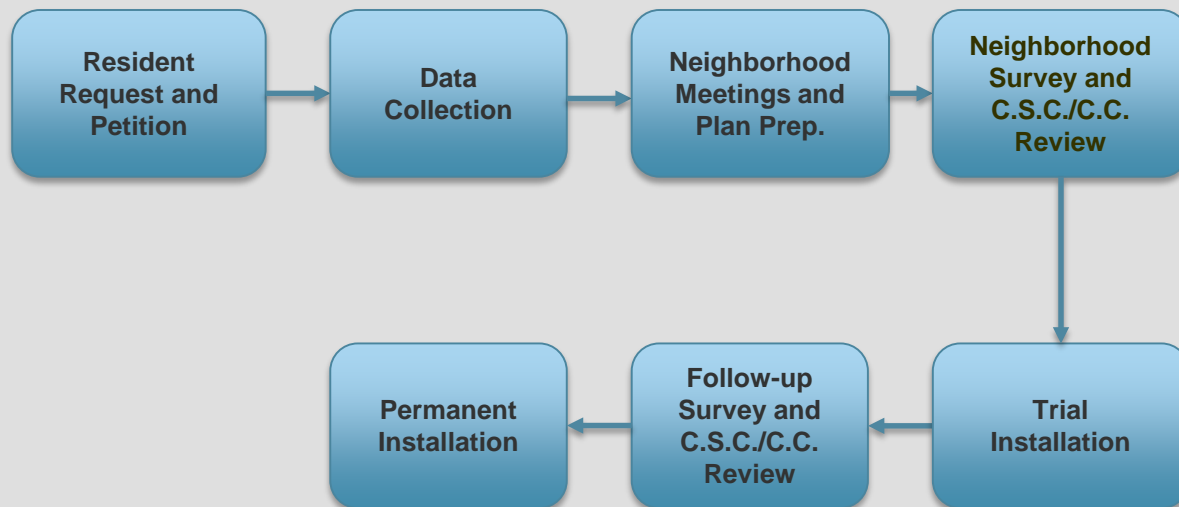


- Adopted by the City Council on Nov. 16, 2004 - Provide consistent, citywide policies for neighborhood traffic management to ensure equitable and effective solutions to traffic issues.
- City's commitment to enhance neighborhood safety and livability.
- Fourth NTMP project for consideration by City Council

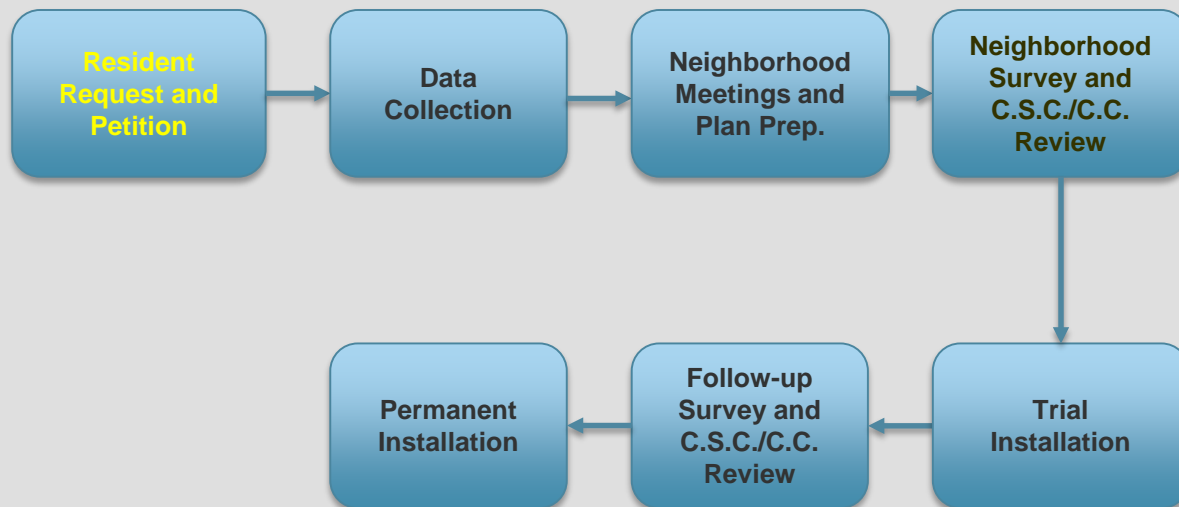
## AGENDA

- NTMP Level II Step Process
- Complete Streets Commission Recommendation
- Staff Recommendation

## LEVEL II MEASURES (NTMP)

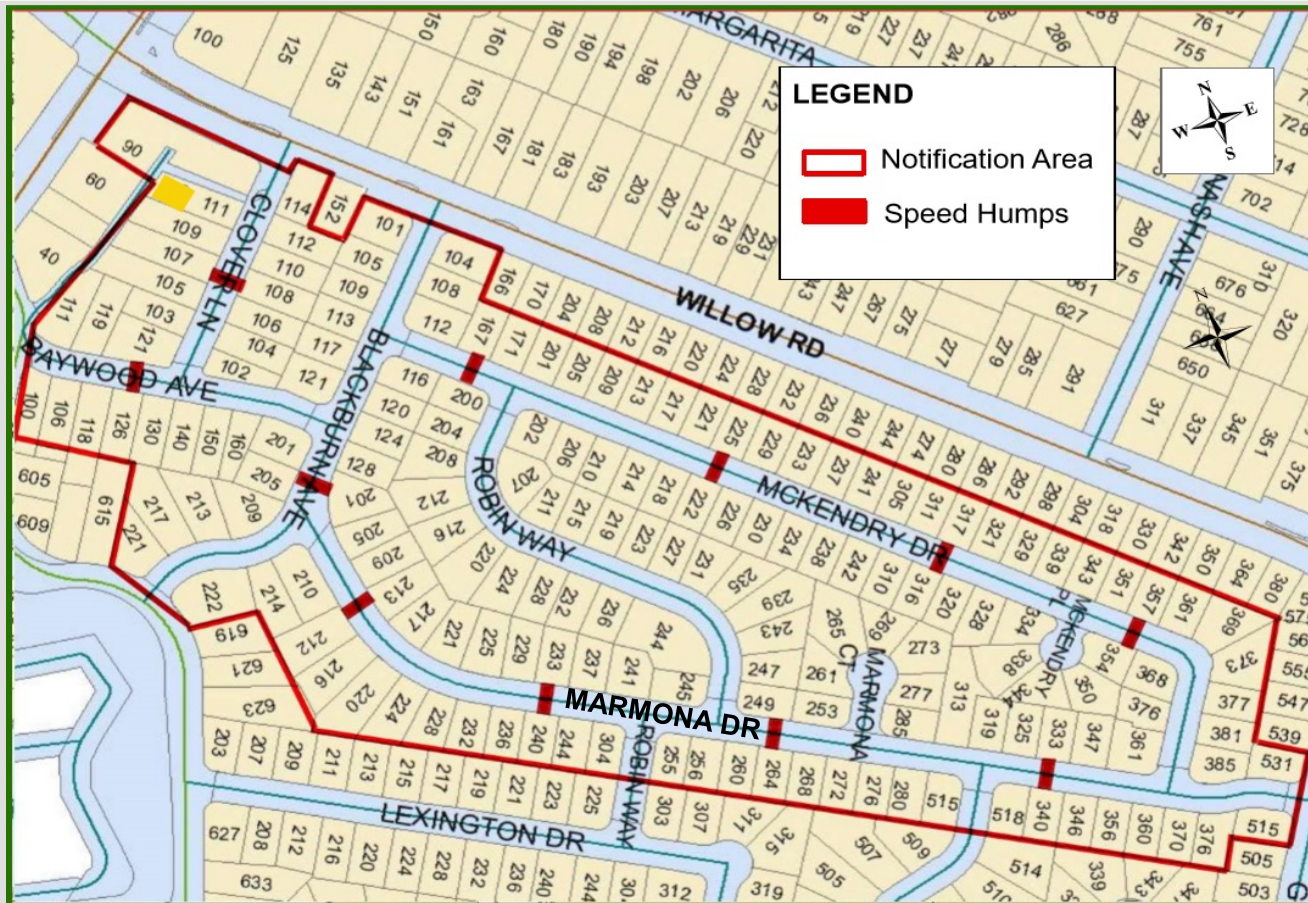


## LEVEL II MEASURES (NTMP)



## COMPLETED NTMP STEP

- September 18, 2017 – City staff received Neighborhood Action Request Form or petition with signatures from 80% or 139 or 180 households



Location: Marmona Drive & Neighboring Streets  
Project: Marmona Drive NTMP Project



City of Menlo Park  
Transportation Division  
(650) 330-6770

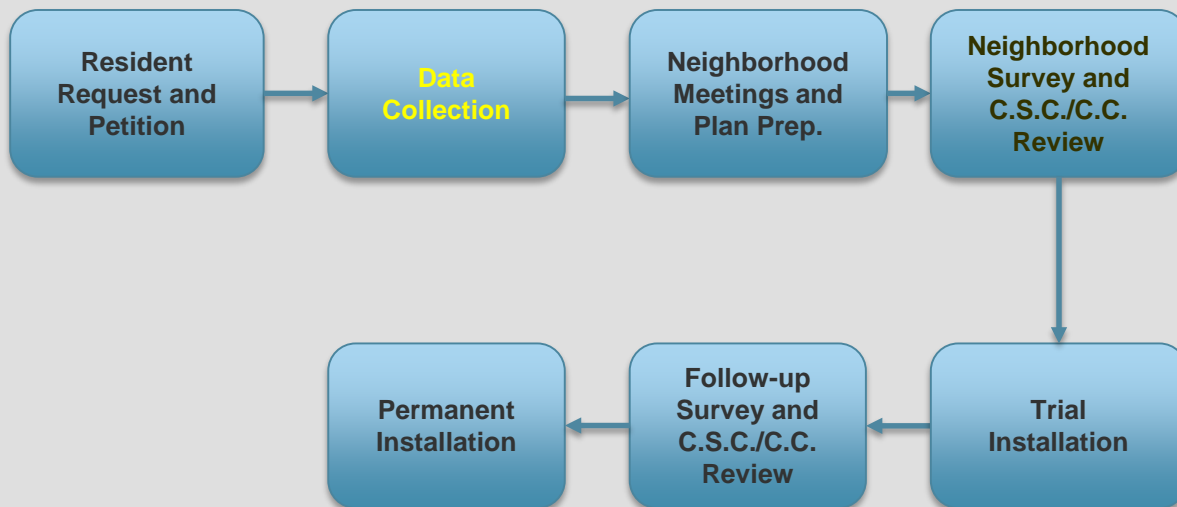
Date: 7/25/2017  
Req. By: RCB

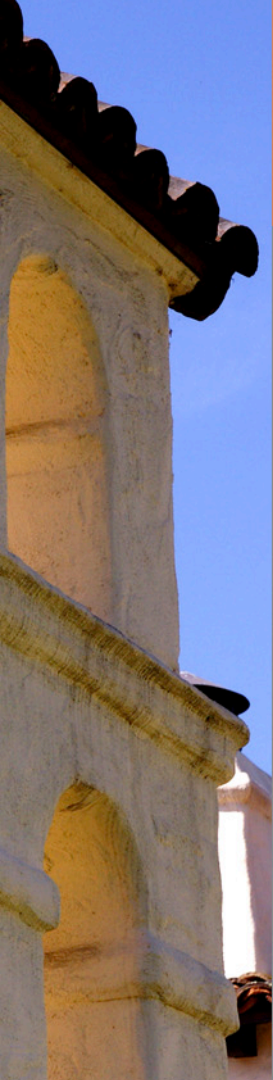


## SAMPLE SPEED HUMP



## LEVEL II MEASURES (NTMP)





## ROADWAY AND TRAFFIC DESCRIPTION OF STREETS IN THE STUDY AREA



- Designated in the Circulation Element as local access
  - Low volume residential street, serving mostly local traffic
  - Provides access primarily to abutting uses
  - Should offer inviting place to walk and bike
- Two-way roadway with rolled curb, gutter, and sidewalk
- No on-street parking restrictions
- Posted or prima facie speed limit – 25 mph
- Not a primary emergency service route

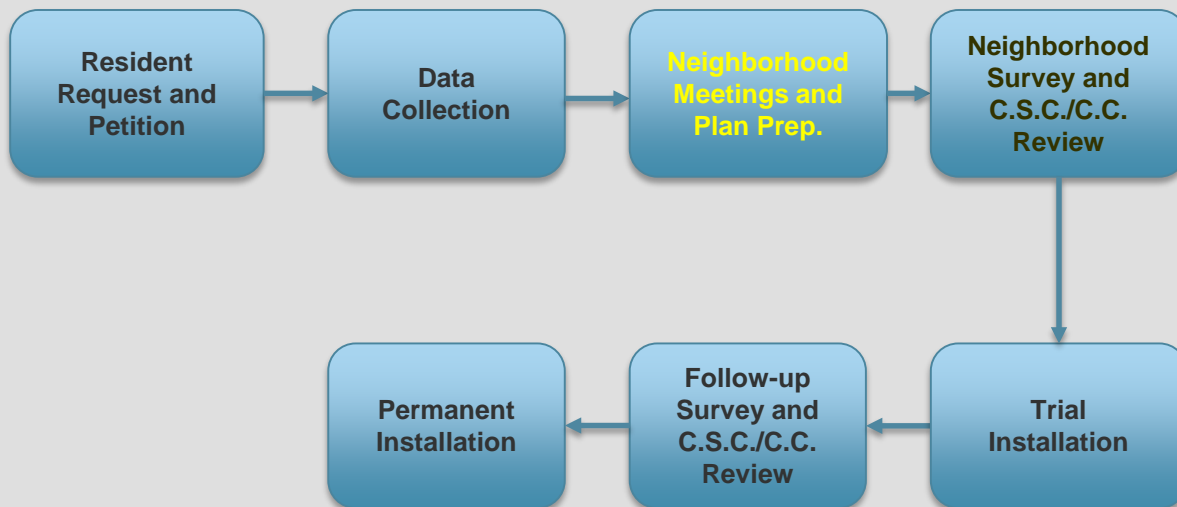
## NTMP QUALIFYING CRITERIA

1. 85<sup>th</sup> percentile speed must be in excess of posted speed limit by more than 5 mph. In other words, this criteria aims at capturing peak travel speeds.
2. Street is primarily residential in nature, is classified as local street and has an average daily vehicular volume that exceeds 1500 vehicles per day.
3. Collision data during last available 36 months demonstrates that the numbers of accidents are above City-wide average for a similar type of street/intersection.

# TRAFFIC VOLUME, SPEED, AND ACCIDENT DATA (JUNE 4, 2016)

Roadway	85th percentile speeds (mph)	24 hour volumes (vehicles)	Collision statistics (three years from 2013-2015)
Baywood Avenue	<u>30.6 (EB); 28.9 (WB)</u>	913 (EB); 431 (WB); 1344 (TOT)	0
Blackburn Avenue	19.7 (NB); 22.6 (SB)	196 (NB); 465 (SB); 661 (TOT)	1
Clover Lane	25.1 (NB); 24.2 (SB)	105 (NB); 104 (SB); 209 (TOT)	0
Marmona Drive	<u>31.1 (EB); 25.9 (WB)</u>	934 (EB); 346 (WB); 1280 (TOT)	0
McKendry Drive	29.5 (EB); 23.9 (WB)	168 (EB); 83 (WB); 251 (TOT)	0

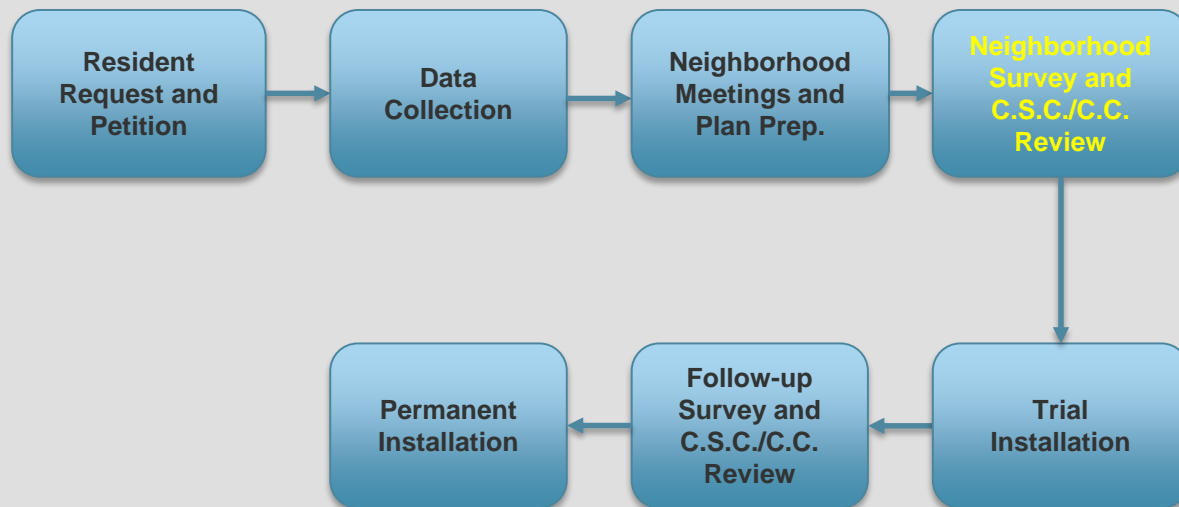
## LEVEL II MEASURES (NTMP)



## COMPLETED NTMP STEPS

- November 8, 2017 – Complete Streets Commission considered and passed a motion (7-0-1-1) to move project to the next step in the NTMP process.
- December 19, 2017 – Community meeting held to gather feedback/comments on the neighborhood traffic plan.

## LEVEL II MEASURES (NTMP)



## SURVEY FOR TRIAL INSTALLATION

- February 23, 2018 – Staff circulated the resident survey for trial installation with the draft traffic management plan
- NTMP requirement – 51% yes on supporting the plan

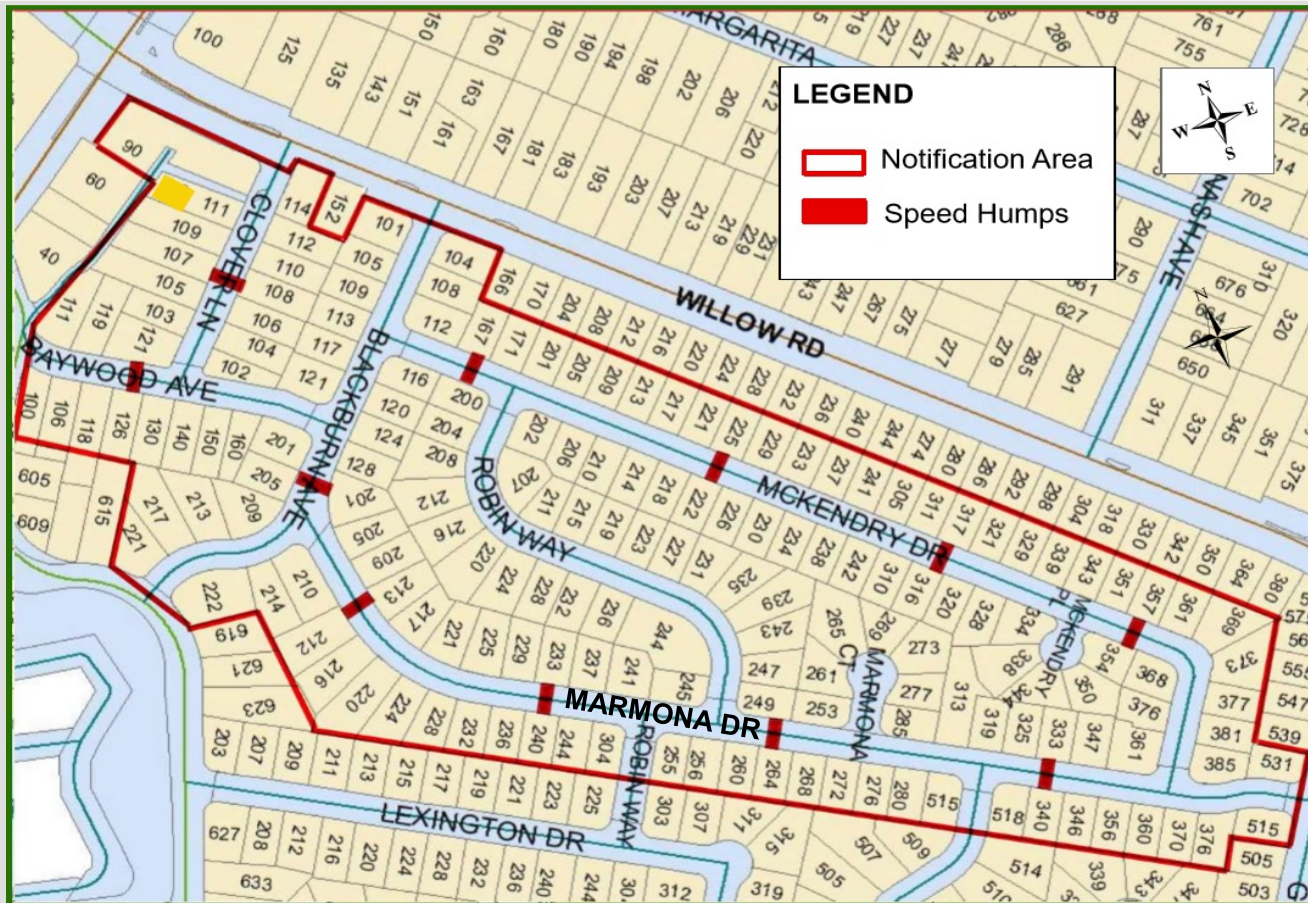
# DRAFT TRAFFIC MANAGEMENT PLAN



## Neighborhood Traffic Management Plan

Baywood Avenue, Clover Lane, Blackburn Avenue,  
McKendry Drive and Marmona Drive





Location: Marmona Drive & Neighboring Streets  
Project: Marmona Drive NTMP Project

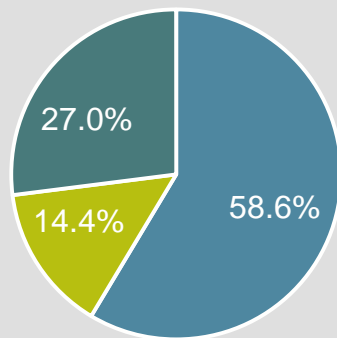


City of Menlo Park  
Transportation Division  
(650) 330-6770

Date: 7/25/2017  
Req. By: RCB

## RESULTS OF THE SURVEY

- Yes, I support the plan – 102 votes or 58.6%
- No, I do not support the plan – 25 votes or 14.4%
- No response – 47 votes or 27%



■ Yes ■ No ■ No Response

# FINAL TRAFFIC MANAGEMENT PLAN



## Neighborhood Traffic Management Plan

Baywood Avenue, Clover Lane, Blackburn Avenue,  
McKendry Drive and Marmona Drive



# DRAFT TRAFFIC MANAGEMENT PLAN



## Neighborhood Traffic Management Plan

Baywood Avenue, Clover Lane, Blackburn Avenue,  
McKendry Drive and Marmona Drive



## COMPLETED NTMP STEP

June 11, 2018 – Complete Streets Commission considered and passed a motion (8-1-0-0) to recommend to City Council to approve trial implementation with the following provisions:

- Proper bicycle access
- Reserve right to reinstate speed hump onto Baywood Avenue pending trial installation
- Re-examine the adequacy of six-month results based on City Council's decision on temporary turn restrictions

## SAMPLE SPEED HUMP



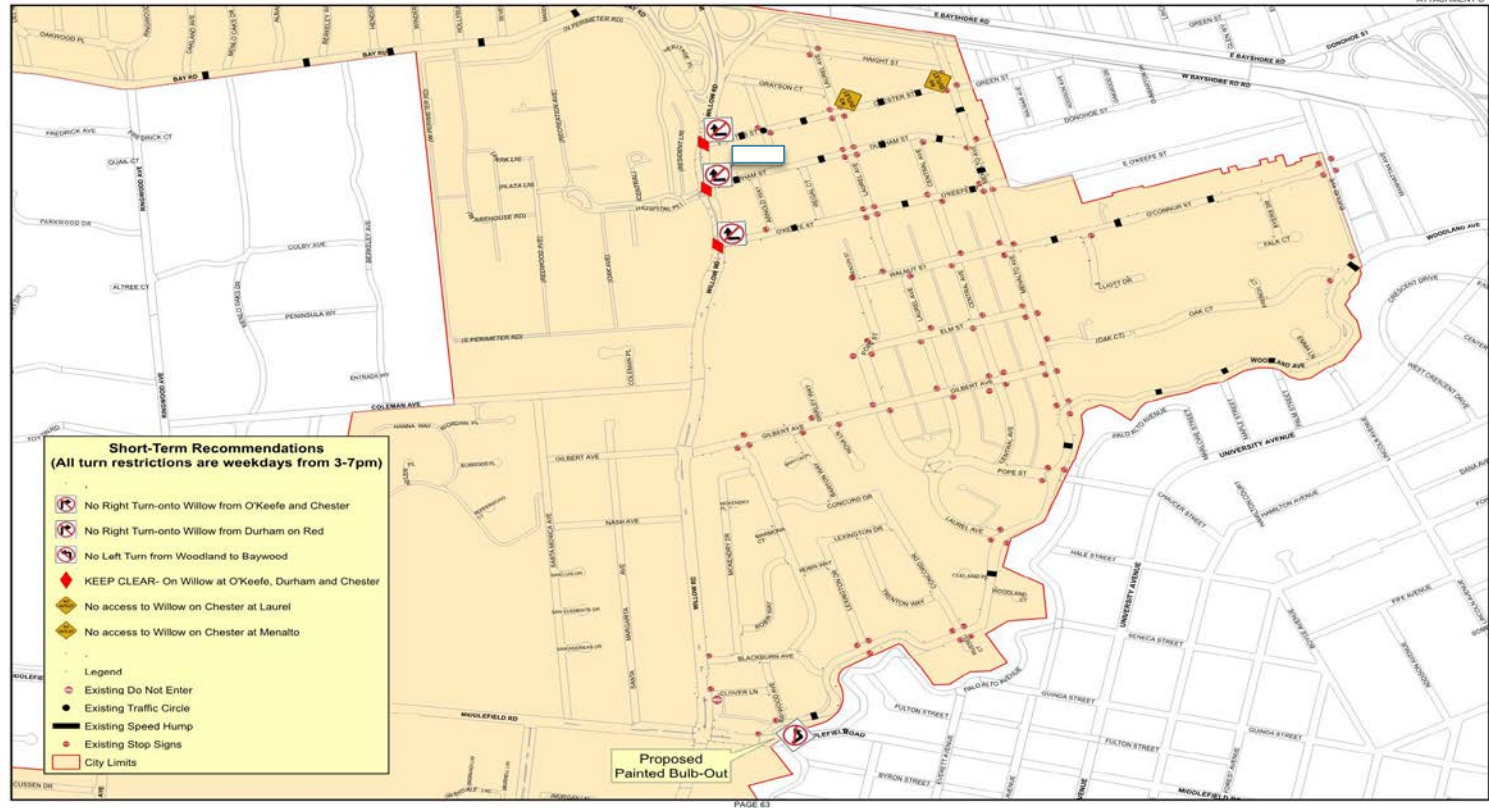
## SAMPLE TEMPORARY ROADWAY CLOSURE

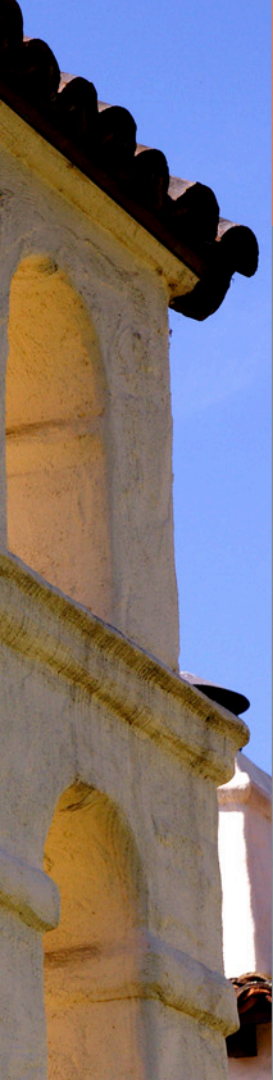


# TEMPORARY TURN RESTRICTIONS IN THE WILLOWS NEIGHBORHOOD



ATTACHMENT C





# TRAFFIC VOLUME AND SPEED DATA (TEMPORARY TURN RESTRICTIONS IN THE WILLOWS NEIGHBORHOOD) (MAY 17, 2018)



Roadway	85th percentile speeds (mph)	24-hour volumes (vehicles)
Baywood Avenue	26.9 (EB); 26.6 (WB)	431 (EB); 366 (WB); 797 (total)
Blackburn Avenue	20.8 (NB); 20.9 (SB)	183 (NB); 333 (SB); 516 (total)
Clover Lane	24.0 (NB); 16.3 (SB)	74 (NB); 50 (SB); 124 (total)
Marmona Drive	26.6 (EB); 27.6 (WB)	496 (EB); 279 (WB); 775 (total)
McKendry Drive	27.4 (EB); 26.7 (WB)	152 (EB); 76 (WB); 228 (total)

## NTMP QUALIFYING CRITERIA

1. 85<sup>th</sup> percentile speed must be in excess of posted speed limit by more than 5 mph. In other words, this criteria aims at capturing peak travel speeds.
2. Street in primarily residential in nature, is classified as local street, and has an average daily vehicular volume that exceeds 1500 vehicles per day.
3. Collision data during last available 36 months demonstrates that the numbers of accidents are above City-wide average for a similar type of street/intersection.

## STAFF RECOMMENDATION

- Approve the trial installation of a traffic management plan for a six-month period for Baywood Avenue, Clover Lane, Blackburn Avenue, McKendry Drive, and Marmona Drive
- Appropriate \$115,500 from Measure A fund for construction, contract administration, and inspection
- Authorize the City Manager to award the construction contract

# FINAL TRAFFIC MANAGEMENT PLAN



## Neighborhood Traffic Management Plan

Baywood Avenue, Clover Lane, Blackburn Avenue,  
McKendry Drive and Marmona Drive





THANK YOU



# WORK PLAN UPDATE

Nick Pegueros, Assistant City Manager

## CITY COUNCIL ADOPTED WORK PLAN

- Special meeting on January 29, 2018
- Adopted on February 6, 2018
  - 6 priority projects
  - 53 remaining and ongoing projects
  - Approximately 2/3 of all projects managed by Public Works
- Amended on March 15, 2018
- Quarterly updates
  - First quarter – April 24, 2018
  - Second quarter – August 6, 2018

## THIRD QUARTER UPDATE

- Projects requiring specific action by the City Council
  - Oak Grove, University, Crane bicycle improvement project
  - Ravenswood Avenue/Caltrain grade separation study
  - Santa Cruz and Middle Avenues resurfacing
  - Oak Grove safe routes to school and green infrastructure
- Projects requiring additional funds
  - Haven Avenue streetscape improvement
  - Chrysler pump station improvements

## THIRD QUARTER UPDATE (CONT.)

- Projects on hold, contingent upon the City's ability to recruit and retain staff:
  - Willows neighborhood complete streets
  - El Camino Real corridor study
  - Middlefield Rd/Ravenswood and Ringwood Avenues traffic signal modification
  - Middle Avenue Caltrain crossing study
  - Arrillaga Family Recreation Center heating, ventilation and air conditioning (HVAC) system upgrades
  - Facilities maintenance master plan
  - Willow Oaks park improvements
  - Downtown utility undergrounding
  - Climate change resiliency plan

# PERSONNEL VACANCIES

Table 1: Personnel vacancies

Department	2018-19 Budgeted full time equivalent (FTE)	Number of FTEs vacant at work plan adoption	Number of FTEs vacant as of 9/8/18	Vacancy rate as of 9/8/18
Public Works	70.00	9.75	13.75	20%
Police	77.50	8.50	7.50	10%
Community Development	31.00	3.25	6.25	20%
Community Services	52.75	6.50	5.75	11%
City Manager's Office	10.00	3.00	3.25	32%
Administrative Services	22.00	6.25	3.00	14%
Library Services	18.00	1.50	3.00	16%
City Council and Attorney	6.00	-	-	0%
<b>Total</b>	<b>287.25</b>	<b>38.75</b>	<b>42.50</b>	<b>15%</b>

## EXAMPLE RECRUITMENT TIMELINES

Table 3: Example recruitment timelines

Position	Date vacant	Date filled	Vacancy rate as of 9/8/158
Accounting Assistant	1/6/2018	7/23/2018	197
Assistant Community Development Director	4/2/2018	7/22/2018	111
Associate Civil Engineer	8/12/2017	3/5/2018	206
Senior Civil Engineer	9/16/2017	11/27/2018	71
Senior Civil Engineer	2/2/2018	open	215+
Senior Planner	4/27/2017	3/5/2018	312

## NEXT STEPS

- City Council provide direction on work plan update
- Next quarterly update on December 4.



**THANK YOU**



# GRAND JURY REPORT – PENSION COSTS

City Council – September 11, 2018



## AGENDA

- Background
- CalPERS overview
- Actions already taken
- Future projections
- Findings and recommendations

## BACKGROUND

- San Mateo County Grand Jury released report titled “Soaring City Pension Costs – Time for Hard Choices” on July 17
- Report contained 13 findings and 4 recommendations
- City required to respond by October 16

## CALPERS RETIREMENT CONTRACT

- City contracts with CalPERS to provide defined benefit retirement plans to regular City employees
- City and employees both contribute toward retirement
  - City and employees pay fixed amount for future benefits (normal cost)
  - City pays any unfunded accrued liability (UAL) for previously earned benefits
    - Variable amount depending on CalPERS returns and previous contributions, calculated at each valuation
    - Multiple ways to pay, with at least minimum monthly contribution, set before beginning of fiscal year
- Required annual UAL contributions in fiscal year 2018-19:
  - Miscellaneous employees: \$2,246,912
  - Safety employees: \$1,351,835

## FOUR-YEAR UAL OUTLOOK

- Projected required contributions based on most recent valuation
- Amounts will change based on CalPERS actual returns and actions taken by the City

Group	2019-20	2020-21	2021-22	2022-23
Miscellaneous	\$ 2,649,728	\$ 2,949,000	\$ 3,302,000	\$ 3,580,000
Safety	1,670,765	1,903,900	2,177,100	2,403,500
Total	\$ 4,320,493	\$ 4,852,900	\$ 5,479,100	\$ 5,983,500
Percent of payroll	13.2%	14.3%	15.7%	16.7%



## CALPERS ANNUAL RETURNS



## ACTIONS ALREADY TAKEN

- Other post-employment benefits (OPEB) fully funded in 2008
  - Reduces future resource requirements from the City
  - Includes cost of retiree healthcare for eligible employees but not directly connected to pension funding
- Safety side fund paid off in 2011 – reduced interest payment requirements by \$2.2 million
- Multiple classic retirement tiers – classic new hires have reduced pension costs
- City shares portion of employer pension payments with employees
  - 50% of cost above threshold for miscellaneous employees
  - 3% additional member contribution for classic safety
  - PEPR all pay minimum of half of normal cost
- General Fund Strategic Pension Reserve policy – dedicates 25% of annual operating surplus toward strategic pension funding opportunities
- Incorporation of future projected UAL into long-range budget forecast

## FACTORS THE CITY CONTROLS

- Employee cost sharing
- Use of Strategic Pension Reserve
  - Establishment of a Section 115 Trust Fund
  - Pre-payments to CalPERS, such as one-time or ongoing payments targeting a funded percentage (e.g. 80% funded)
- Amortization schedule
- Revenue measures



# FINDING 1



## Finding

- Each City's CAFR for the fiscal years ending June 30, 2015, June 30, 2016 and June 30, 2017 reported covered payroll for the City's pension plans in the amount set forth beside its name for that year in Appendix A.

## Response

- The City agrees.



## FINDING 2



### Finding

- Each City's CAFR for the fiscal years ending June 30, 2015, June 30, 2016 and June 30, 2017 reported contribution payments to CalPERS on the City's pension plans in the amount set forth beside its name for that year in Appendix A.

### Response

- The City agrees.

## FINDING 3

### Finding

- Each City's CAFR for the fiscal years ending June 30, 2015, June 30, 2016 and June 30, 2017 reported Unfunded Liabilities (as defined in this report) for the City's pension plans in the amount set forth beside its name for that year in Appendix A. Each City has been required to make large Amortization Cost (as defined in this report) payments of principal and interest to CalPERS on those Unfunded Liabilities. These payments have diverted money that could otherwise have been used to provide public services or to add to reserves.

### Response

- The City agrees.



## FINDING 4



### Finding

- Each City's CAFR for the fiscal years ending June 30, 2015, June 30, 2016 and June 30, 2017 reported Funded Percentages (as defined in this report) for the City's pension plans in the amount set forth beside its name for that year in Appendix A.

### Response

- The City agrees.



## FINDING 5



### Finding

- Each City's CAFR for the fiscal years ending June 30, 2015, June 30, 2016 and June 30, 2017 reported what the Unfunded Liabilities (as defined in this report) for the City's pension plans would have been if the applicable Discount Rate applied to calculate them had been 1 percentage point lower in the amount set forth beside its name for that year in Appendix A.

### Response

- The City agrees.

## FINDING 6

### Finding

- Each City's CAFR for the fiscal years ending June 30, 2015, June 30, 2016 and June 30, 2017 reported general fund total expenditures for that year in the amount set forth beside its name for that year in Appendix A.

### Response

- The City agrees.



## FINDING 7

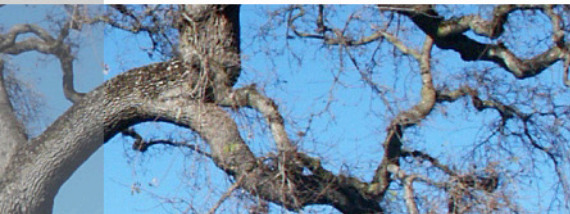


### Finding

- In each of the fiscal years ending June 30, 2015, June 30, 2016 and June 30, 2017, each City's contribution payments to CalPERS on the City's pension plans represented the percentage of that City's general fund total expenditures for that year set forth beside its name for that year in Appendix A in the column entitled "Contribution Payments as % of General Fund Total Expenditures."

### Response

- The City agrees.



## FINDING 8



### Finding

- In each of the fiscal years ending June 30, 2015, June 30, 2016 and June 30, 2017, each City's contribution payments to CalPERS on the City's pension plans represented the percentage of that City's covered payroll for the City's pension plans in the amount set forth beside its name for that year in Appendix A in the column entitled "Contribution Rate (i.e., Contribution Payments as % of Covered Payroll)."

### Response

- The City agrees.

## FINDING 9

### Finding

- In FY 2017-2018, each City (excluding Atherton, Colma, Foster City, Hillsborough, Portola Valley and Woodside) has paid CalPERS for its Normal Costs (as defined in this report) and Amortization Costs (as defined in this report) in the amounts set forth beside its name on Table No. 4. (The Cities of Atherton, Colma, Foster City, Hillsborough, Portola Valley and Woodside are not included in Table No. 4 because the source for that table did not included data for them.)

### Response

- The City agrees.



## FINDING 10

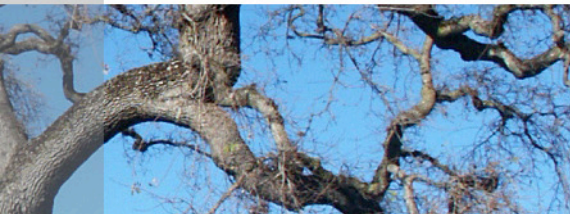


### Finding

- As a result, among other things, of CalPERS' decreasing its Discount Rate from 7.5 percent to 7 percent by FY 2020-2021, its reduction of future Amortization Periods from 30 to 20 years, and its use of updated mortality assumptions reflecting projected increases in the longevity of Members, each City faces increasing pension contribution payments to CalPERS which are likely to more than double by FY 2024-2025.

### Response

- The City agrees.



## FINDING 11



### Finding

- Principal and interest payments on each City's Unfunded Liabilities will increasingly impair such City's provision of public services, impair the security of employee salary and pension Benefits, and/or result in proposals for revenue increases. Paying down Unfunded Liabilities early results in large savings. Every City in the county would save substantial money by paying down their Unfunded Liabilities early.

### Response

- The City disagrees partially with this finding. The City included Unfunded Liabilities in its 10-year forecast and does not anticipate an impairment to the City's provision of public services, security of employee salary or pension benefits, or the need for revenue increasing measures beyond those which comply with longstanding City policies such as cost recovery targets. The City agrees with the finding that the nominal amount paid would be lower by paying down Unfunded Liabilities early.

## FINDING 12

### Finding

The financial documents for each City reviewed by the Grand Jury show that no City has adopted a long-term financial plan with at least a 10-year time horizon to address rising Normal Costs and Amortization Costs that includes each of the following:

- objectives, such as achieving a target Funded Percentage, eliminating the Unfunded Liabilities over “n” years or maintaining the cities’ share of Normal Costs below “n” percentage of payroll,
- policies to achieve these objectives, such as making supplemental payments to CalPERS to reduce their Unfunded Liability, keeping salary increases below the actuarially assumed increase rate, capping the cities’ share of Normal Costs, reducing operational costs or increasing revenue,
- measures to implement such policies,
- processes to monitor progress in implementing the measures, and alternative financial strategies, or a “Plan B,” that may be used in the event that CalPERS’ assumptions are not met in future years.

### Response

- The City agrees that it has not developed a long-term financial plan targeted at Normal Costs and Amortization Costs, though disagrees that these factors should be considered independently from a holistic long-term financial plan incorporating all City revenues, resources, and requirements.



## FINDING 13



### Finding

- Despite the fact that rising pension costs and Unfunded Liabilities are a significant problem for each City, no City (except for Redwood City, the City of San Mateo, the City of Burlingame, the City of Belmont and the City of Menlo Park) includes specific, annual projections of future pension contribution costs in their budgets published in the finance section of their websites.

### Response

- The City agrees with the finding that rising pension costs and Unfunded Liabilities are a concern and, as noted, has acted to include these costs in its annual budgeting process.

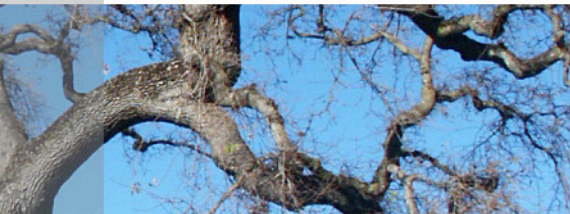


# RECOMMENDATION 1



## Recommendation

- The Grand Jury recommends that, by December 31, 2018, each City schedule public hearings to engage its residents in addressing the city's increasing pension costs and to develop a long-term plan to address them.



# RECOMMENDATION 1 RESPONSE



## Response

The City has not yet implemented the recommendation to schedule public hearings, but will implement it in the future with anticipated hearings at regularly scheduled City Council meetings. The City has a past practice of retaining an independent actuary to provide a report to the City Council once every two to three years. With the recent release of the valuation as of June 30, 2017, the City will retain the independent actuary to conduct the necessary analysis and make a report to the City Council at a public meeting. The report will be scheduled as soon as possible following completion of the analysis. In the meantime, the City will continue its implementation of a number of strategies to address pension costs including:

- Multiple retirement tiers for “classic” members,
- Cost-sharing provisions in each Memorandum of Understanding with regular City staff,
- A General Fund Reserve Policy which dedicates a portion of any surplus toward strategic pension funding opportunities and has taken steps in the past to pay off the safety side fund which saved \$2.2 million in interest,
- Pre-funding of other post-employment benefits (OPEB) by making a \$10.4 million payment in 2008 and fully funding the obligations, reducing future expenditure requirements which would otherwise compete for City monies, and
- Further development of its strategic long-term financial plan by incorporating specific pension funding alternatives that may be identified in consultation with the City’s independent actuary.

## RECOMMENDATION 2

### Recommendation

The Grand Jury recommends that, by December 31, 2018, and annually thereafter, each City publish a report on its website detailing its pension obligations. The report should include, at a minimum, the following:

- The City's total pension contribution costs under all plans, and also broken out into subtotals for all Miscellaneous Plans, and all Safety Plans, for each of the 3 preceding fiscal years as well as estimates for such costs in each of the following 10 fiscal years, assuming CalPERS' actuarial assumptions are met.
- The City's total Unfunded Liabilities under all plans, and also broken out into subtotals for all Miscellaneous Plans, and all Safety Plans, for each of the 3 preceding fiscal years as well as estimates for such Unfunded Liabilities in each of the next 10 fiscal years, assuming CalPERS' actuarial assumptions are met.
- The City's Funded Percentage across all plans, and also broken out into subtotals for all Miscellaneous Plans, and all Safety Plans, for each of the 3 preceding fiscal years as well as estimates for such Funded Percentages in each of the next 10 fiscal years, assuming CalPERS' actuarial assumptions are met.
- The percentage of the City's general fund expenditures and covered payroll represented by the pension costs described in (a) above (using estimates of general fund expenditures in future fiscal years).
- In addition, estimated information for all projections regarding the next 10 fiscal years set forth in items (a) through (e) above should be presented using a Discount Rate that is 1 percentage point below CalPERS' then-current Discount Rate.



## RECOMMENDATION 2 RESPONSE



### **Response**

The City has not yet implemented this recommendation, but anticipates implementation of this recommendation with the delivery of the independent actuary's report as outlined in response to R1 above.



## RECOMMENDATION 3 (1 OF 2)



### Recommendation

The Grand Jury does not recommend specific policies or implementation measures to address pension costs. However, it recommends that, by no later than December 31, 2018, and annually thereafter, each City instruct its staff to deliver a report to the City Council in connection with the City's financial plan evaluating available options to address pension costs and that each City hold public hearings to discuss and consider such options no less than every other fiscal year. These include (but may not be limited to):

- Regular supplemental payments to CalPERS (beyond those required by CalPERS) to accelerate the amortization of their Unfunded Liabilities.
- Irregular supplemental payments to CalPERS (beyond those required by CalPERS), as when a City has a budget surplus or receives special non-recurring revenues.
- Electing to apply shorter Amortization Periods (that is, less than 20 years) to their Unfunded Liabilities.
- Issuing pension obligation bonds.
- Establishing substantial reserves that can be applied in the future to help meet rising pension costs and/or accelerate amortization of Unfunded Liabilities.
- (continued on next slide)



## RECOMMENDATION 3 (2 OF 2)



### Recommendation

- Establishing Section 115 trusts for the exclusive purposes of meeting rising pension costs and/or accelerating amortization of Unfunded Liabilities.
- Reductions in general fund operating costs other than pensions.
- Seeking additional general fund revenues that can be applied directly to paying pension costs or that can offset general fund budget shortfalls that would otherwise occur.
- Keeping employee salary increases at or below the levels assumed by CalPERS.
- Negotiating cost-sharing agreements with employees under which employees pay a portion of the City's pension costs (without at the same time agreeing to offsetting compensation increases).
- Maintaining growth in employee salaries and COLAs at or below the assumed CalPERS rates.
- To the extent allowed by law, consider the recommendation of the League of California Cities to renegotiate employee contracts to bring the pension Benefits of Classic Members in line with PEPRAs Members, for future work. In particular, ensure that the salary used to determine final retirement compensation is based on the average of the final 3 years of employment (rather than highest 1 year), and that the salary is not enhanced by “spiking,” such as by including overtime, unused vacation or sick leave, purchases of “air time,” and the like.

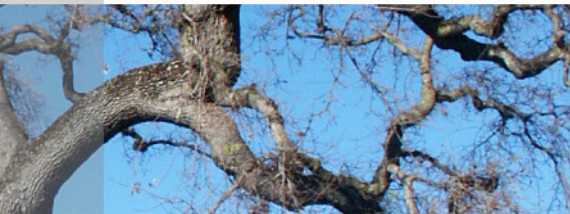


## RECOMMENDATION 3 RESPONSE



### Response

- The City has not yet implemented the recommendation but will direct the City's independent actuary to provide analysis and guidance on the various options outlined above as well as present those options to the City Council at a public meeting in conjunction with the report described in the City's response to R1. As previously mentioned, the City has implemented a number of available options to mitigate the impact of rising pension costs. The City will continue to evaluate potential opportunities, their relative effectiveness, and conformity with other City policies and goals and incorporate them into the annual budgeting process as appropriate.



## RECOMMENDATION 4

### Recommendation

The Grand Jury recommends that, by June 30, 2019, each City develop and publish a long-term financial plan to deal with rising pension costs, and update that plan annually. Such a plan should include:

- Specific objectives, such as identifying a target Funded Percentage, eliminating the Unfunded Liabilities over “n” years and maintaining the City’s share of Normal Costs at “n” percentage of payroll.
- Policies to achieve these objectives.
- Specific measures to implement the policies.
- A process to monitor progress in implementing the measures and in achieving the objectives.
- Consideration of alternative policies and measures, or a “Plan B,” that may be used in the event that CalPERS’s actuarial assumptions, especially the Discount Rate, are not met in future years.



## RECOMMENDATION 4 RESPONSE



### Response

- The City has partially implemented this recommendation by including pension costs in the long-range forecast used in the annual budget process. The City will fully implement it in the future by incorporating recommended plan elements into the annual budgeting process by June 30, 2019.



# QUESTIONS

## 80% FUNDED RATIO TARGET

- Most recent valuation as of June 30, 2017
- Does not include 2017-18 CalPERS investment returns (est 8.6%)
- \$10.7 million to reach overall 80% funded ratio

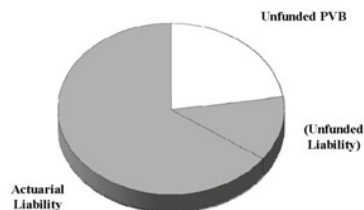
Category	Miscellaneous	Safety Tier 1	Safety Tier 2	Safety PEPR A
Accrued Liability (AL)	\$ 125,281,151	\$ 91,413,749	\$ 2,234,139	\$ 260,726
Market value of assets (MVA)	95,361,391	66,813,601	2,240,273	244,319
Unfunded Accrued Liability (UAL)	29,919,760	24,600,148	(6,134)	16,407
Funded ratio	76.1%	73.1%	100.3%	93.7%
Payoff amount to reach 80%	4,863,530	6,317,398	(452,962)	(35,738)

## 2017–18 **MISCELLANEOUS** CALPERS RATES (\$ MILLIONS)

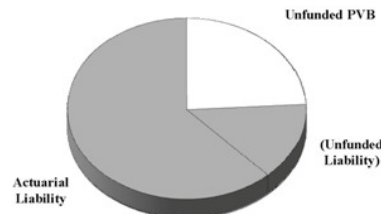
June 30, 2015 Valuation	Normal Cost	Unfunded Liability	Total	% of Projected Payroll
Menlo Park	\$1.57	\$1.85	\$3.43	21.703%
Redwood City	2.93	6.05	8.98	26.895%
Palo Alto	7.85	15.77	23.62	30.196%
Mountain View	4.12	7.20	11.31	27.737%
San Mateo	2.38	3.77	6.14	20.881%

## PLAN FUNDED STATUS - MISCELLANEOUS

Present Value of Benefits  
June 30, 2014



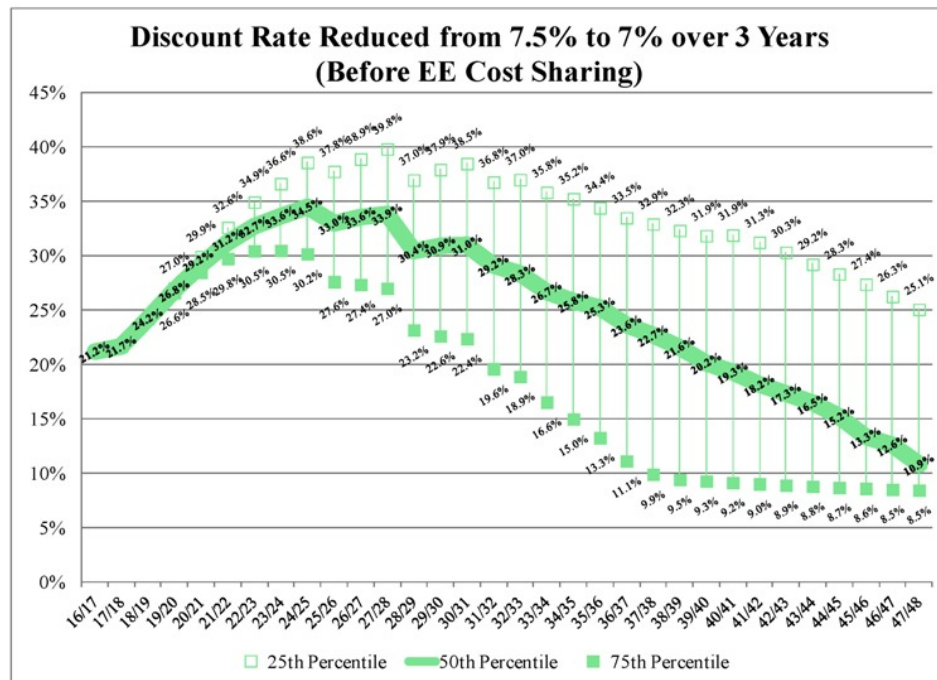
Present Value of Benefits  
June 30, 2015



<u>June 30, 2014</u>		<u>June 30, 2015</u>
\$ 39,100,000	<b>Active AAL</b>	\$ 42,100,000
54,700,000	<b>Retiree AAL</b>	58,100,000
11,500,000	<b>Inactive AAL</b>	11,700,000
105,300,000	<b>Total AAL</b>	111,900,000
85,800,000	<b>Market Asset Value</b>	86,800,000
(19,500,000)	<b>(Unfunded Liability)</b>	(25,100,000)

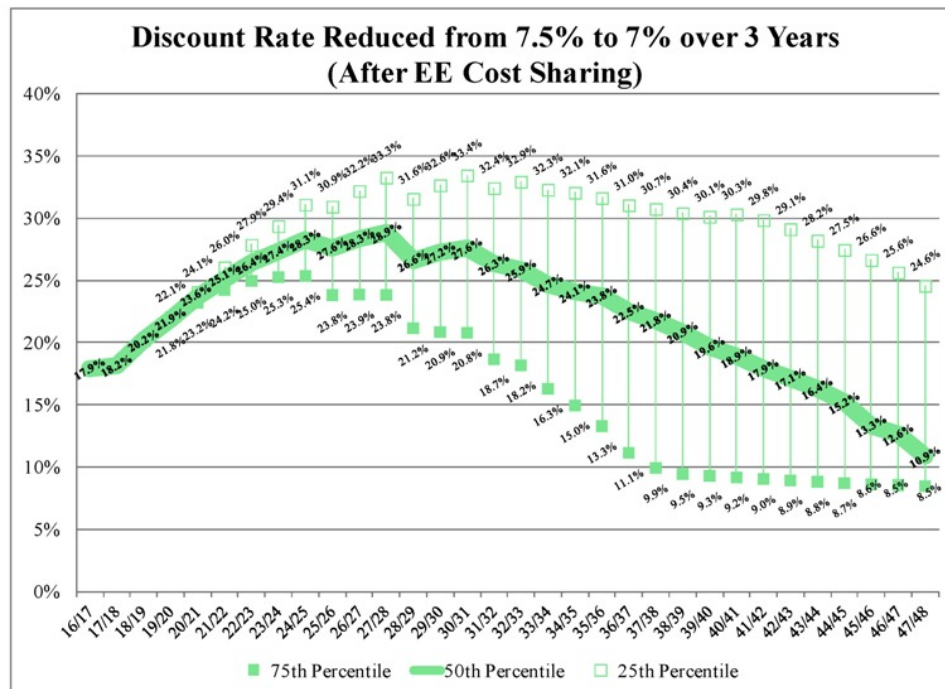


## CONTRIBUTION PROJECTIONS - MISCELLANEOUS

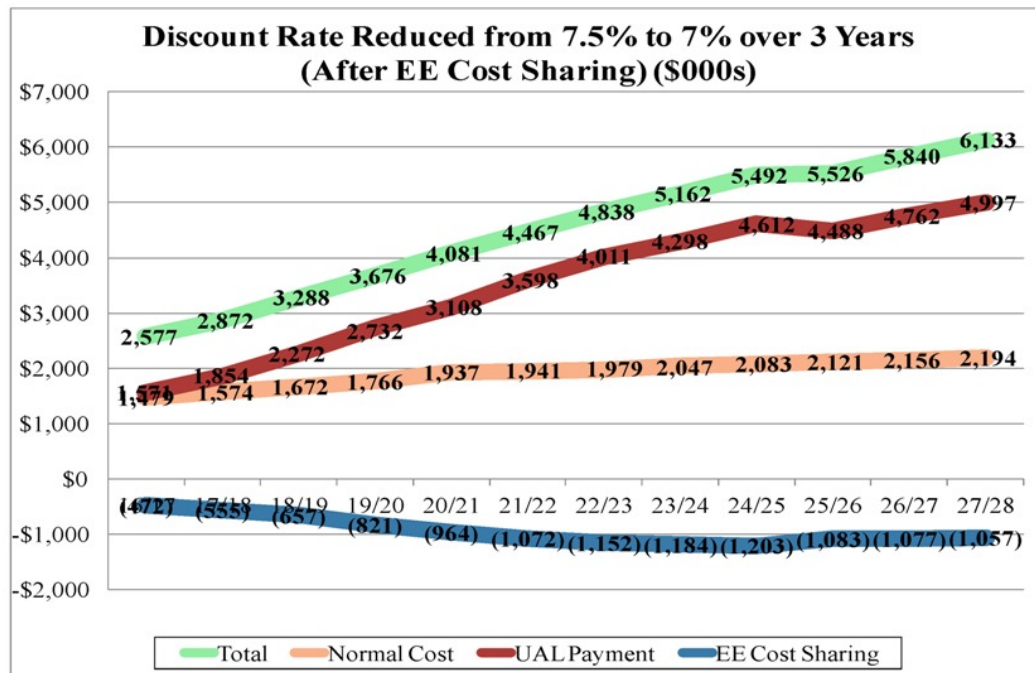




## CONTRIBUTION PROJECTIONS - MISCELLANEOUS



## CONTRIBUTION PROJECTIONS - MISCELLANEOUS



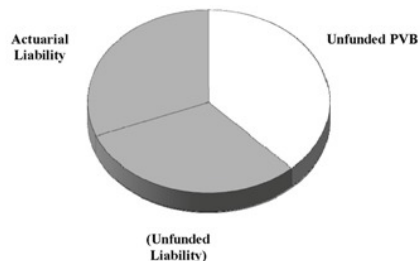
## 2017–18 **SAFETY** CALPERS RATES

(\$ MILLIONS)

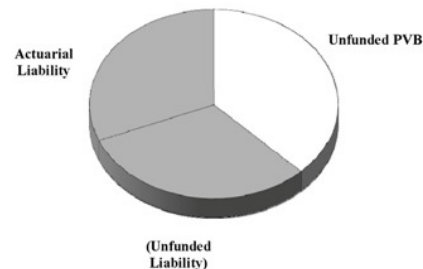
June 30, 2015 Valuation	Normal Cost	Unfunded Liability	Total	% of Projected Payroll
Menlo Park	\$1.18	\$1.06	\$2.24	37.506%
Redwood City	5.84	6.43	12.26	44.683%
Palo Alto	4.38	7.13	11.50	49.689%
Mountain View	4.36	5.45	9.81	41.107%
San Mateo	4.37	7.47	11.85	48.396%
Sunnyvale	7.00	8.75	15.75	47.212%

## PLAN FUNDED STATUS - SAFETY

Present Value of Benefits  
June 30, 2014



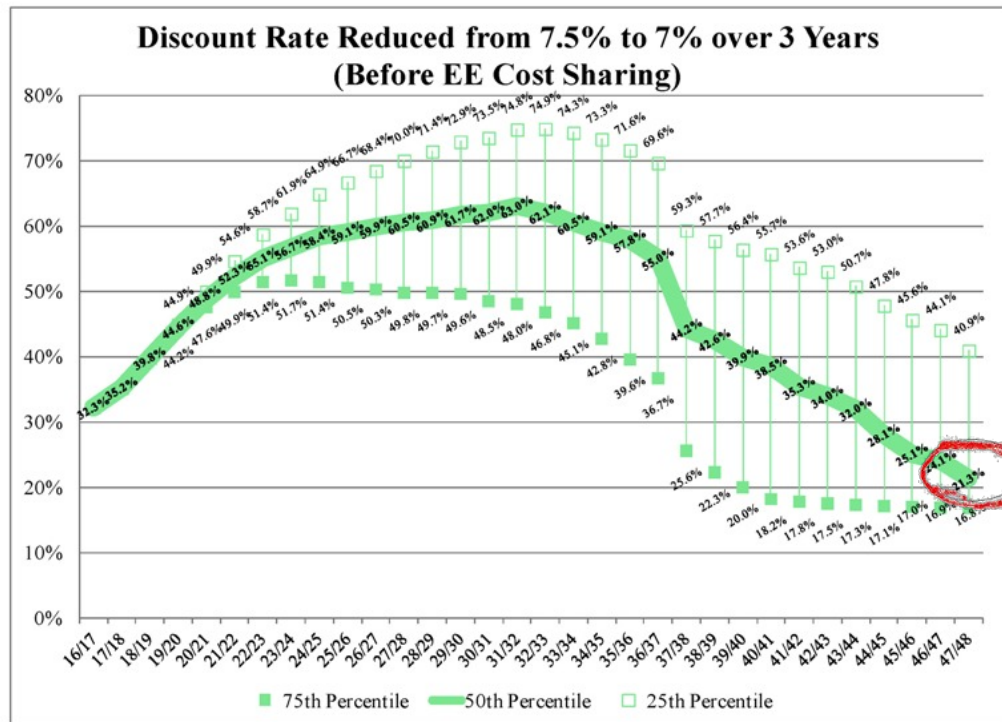
Present Value of Benefits  
June 30, 2015



<u>June 30, 2014</u>		<u>June 30, 2015</u>
\$ 19,100,000	<b>Active AAL</b>	\$ 21,100,000
52,300,000	<b>Retiree AAL</b>	54,800,000
5,700,000	<b>Inactive AAL</b>	5,000,000
77,100,000	<b>Total AAL</b>	80,900,000
62,500,000	<b>Market Asset Value</b>	62,400,000
(14,600,000)	<b>(Unfunded Liability)</b>	(18,500,000)



## CONTRIBUTION PROJECTIONS - SAFETY





## CONTRIBUTION PROJECTIONS - SAFETY



## CONTRIBUTION PROJECTIONS - SAFETY

