

**CITY OF ALBANY
CITY COUNCIL AGENDA
STAFF REPORT**

Agenda Date: June 17, 2019

Reviewed by: NA

SUBJECT: Resolution No. 2019-50 - A Resolution of the Albany City Council adopting the Fiscal Year tax rate for the pension override tax to fund police and fire pension obligations

REPORT BY: Heather Rowden, Finance Director

SUMMARY

The City Council annually sets the rate of the City's pension override tax, within the prescribed limit. For Fiscal Year 2019-2020 staff evaluated the balances available in restricted funds from prior year collections. It has been determined that with these funds available and levying a 0.0805% rate for the FY 2019-2020, the City will have adequate funds available to meet the obligations. Future rates will need to be set after re-evaluating the funding status.

STAFF RECOMMENDATION

That the Council approve Resolution No.2019-50 adopting the FY 2019-2020 (July 1, 2019- June 30, 2020) tax rate for the pension override tax to fund City of Albany Public Safety pension obligations.

BACKGROUND

The City of Albany imposed an *ad valorem* property tax in fiscal year 1982-83 to pay the City's pension liability for Police and Fire retirees. The initial tax rate was set at 0.0993% of full value. This was the estimated rate required to fund the unfunded liability of the Police and Fire Relief and Pension Fund, which was closed to new participants. Funds generated by this tax are also used to partially fund required contributions to current PERS police and fire retirement plans based on the level of benefits in effect when the pension override was approved.

Annually the City Council adopts by resolution the Tax Rate for the ensuing Fiscal Year. Funds collected as part of this special tax are recorded in a restricted Special Revenue Fund (Fund No. 1001- Pension Tax). As previously noted the funds collected in this fund are held to meet obligations in two primary areas: 1) The Albany Police and Fire Relief Pension Fund, which is closed to new members and funds retirement obligations earned by pensioners prior to the City Public Safety employees being covered by CalPERS; and 2)

Partial funding of required contributions to the current PERS police and fire retirement plans. Over the years the funding needs for the Albany Pension Fund have fluctuated based on the plan funding status calculated by the Plan Actuaries. The last Actuarial valuation conducted as of June 30, 2018 established the annual level contribution rate at \$218,723. The contribution towards applicable current Police and Fire Safety PERS cost was budgeted at \$2,606,275.

ANALYSIS

As shown below, the estimated fund balance in the restricted special revenue fund is projected to be \$1,530,490 as of July 1, 2019. The preliminary estimated results for Fiscal Year 2019-2020 are summarized below:

PENSION PROPERTY TAX (FUND #1001) ESTIMATED SOURCE / (USE) OF FUNDS FISCAL YEAR 2019/2020

Beginning Balance July 1, 2019		1,530,490
Source of Funds – FY 2019/2020 Taxes		2,324,998
Use of Funds		(\$2,849,998)
Annual Contribution Albany Pension Trust Fund	(\$218,723)	
Annual Payment of Partial Current Safety PERS	(\$2,606,275)	
Estimated Administrative Pension Trust Costs	(\$25,000)	
TOTAL USES	(\$2,849,998)	
Estimated Ending Balance June 30, 2020		1,005,490

The figures presented above are preliminary and may vary based on year end accruals and adjustments posted at year end.

Assessment of Funds Needed for Fiscal Year 2019-2020

Expenditures of Pension Tax Funds planned for FY 2019-2020 are expected to increase significantly from the previous year. In addition to increases in administrative costs and salaries, the City’s unfunded liability is projected to increase significantly over the next several years.

While the projected June 30, 2020 Pension Tax fund balance is projected to be adequate to meet current obligations, the City is currently looking into ways to address rising pension costs. Staff will be presenting suggestions for the use of this fund balance when reviewing overall City pension obligations with Council in the fall.

Impact on Proposed Tax Rate for Fiscal Year 2018-2019

Based on these results it is recommended that the rate for next year be levied at 0.0805 percent. For a home valued at \$450,000 the levy would be approximately \$362.25. Future rates will be established each year based on the assessed valuation subject to the tax multiplied by a rate to generate the necessary funds. The maximum rate that can be levied would be 0.0993 percent, the rate initially in place in FY 1982-1983.

FINANCIAL IMPACT

The levy of a 0.0805 percent rate for FY 2019-2020 is an increase from the 0.0436 percent rate levied last year. In future years, the tax bill may decrease, or increase, if the collection of these tax proceeds is needed to ensure that the City has sufficient assets to pay liabilities of the Police and Fire Relief and Pension Plan, and to pay the applicable portion of the current contributions to the PERS police and fire pension plans. The rate would be subject to the historical methodology and maximum rate.

Attachments

1. Resolution No. 2019-50

1
2 **RESOLUTION NO. 2019-50**
3 **A RESOLUTION OF THE ALBANY CITY COUNCIL ADOPTING THE FISCAL**
4 **YEAR 2019-2020 TAX RATE FOR THE PENSION OVERRIDE TAX TO FUND**
5 **CITY OF ALBANY POLICE AND FIRE PENSION OBLIGATIONS**

6 **WHEREAS**, each fiscal year for the period 1982-1983 through 2019-2020, the
7 City of Albany has had the authority to levy a pension override tax collected as part of the
8 property tax bill; and

9 **WHEREAS**, prior to setting the rate for Fiscal Year 2019-2020, estimates have
10 been made of the balance of taxes collected and unspent and the projected expenditures for
11 Fiscal Year 2019-2020; and

12 **WHEREAS**, the City Council desires to set a tax rate that shall be applied for the
13 Fiscal Year beginning July 1, 2019 and ending June 30, 2020 (Fiscal Year 2019-2020).

14 **NOW, THEREFORE BE IT RESOLVED**, that the Albany City Council
15
16 resolve as follows:

- 17
18 1) Listed below is the tax rate (expressed as a percentage of full assessed value),
19 which has been calculated by estimating the revenue and tax amounts required
20 to be raised by property taxes to meet certain City pension obligations.
21
22 2) These commitments were created by Chapter IX, Section 9.01 and Chapter IV,
23 Section 4.10 of the voter-approved City Charter.
24
25 3) In accordance with the Charter sections listed above, the figure listed below is
26 hereby adopted as the annual tax rate for Fiscal Year 2019-2020.

27 **Fund:** Pension Fund **Rate:** 0.0805 % (*zero point zero eight zero five percent*) of
28 full value.
29

1 **BE IT FUTHER RESOLVED**, that the amount set forth above is appropriate in
2 accordance with applicable State and local laws.

3 **BE IT FUTHER RESOLVED**, that the 0.0805% (*zero point zero eight zero five*
4 *percent*) rate shall only be applicable to the Fiscal Year as stated in this resolution and that
5 this action does not permanently reduce, repeal or eliminate the pension override tax.
6 Subject to the historical maximum rate and calculation methodology, the City Council
7 expressly reserves its right to levy a different rate in future fiscal years as necessary and
8 appropriate in order to meet Pension obligations funded by the tax.
9
10
11
12

13 _____
14 ROCHELLE NASON, MAYOR
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29