

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

Agenda Date: June 17, 2024  
Reviewed by:

**NA SUBJECT:** Fiscal Year 2024/25 Tax Rate for the Pension Override Tax

**REPORT BY:** Reina Schwartz, Interim Finance Director  
Cassandra Murphy, Finance Manager

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**SUMMARY**

The City Council annually sets the rate of the City’s pension override tax, within the prescribed limit. For Fiscal Year 2024/25 staff have evaluated the balances available in restricted funds from prior year collections as well as ongoing pension costs. It has been determined that levying the maximum 0.0993% rate for FY 2024/25 will best assist the City in meeting its pension obligations.

**STAFF RECOMMENDATION**

That the Council adopt Resolution No. 2024-47, adopting the FY 2024/25 (July 1, 2024-June 30, 2025) 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 California Public Employees Retirement System (CalPERS) 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 revenues 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 City employees being covered by CalPERS; and 2) Partial funding of required contributions to the open CalPERS retirement plans.

Over the years the funding needs for the Albany Pension Trust Fund have fluctuated based on the plan funding status calculated by the Plan Actuaries. The last Actuarial valuation,

conducted as of June 30, 2023, established the annual level contribution rate at \$1,038,051. The contribution towards applicable current Police and Fire Safety Public Employees Retirement System (PERS) cost is estimated to be \$3,473,459, based on the most recent CalPERS actuarial valuations, dated June 30, 2022. The estimate was adjusted to ensure that the tax only covers the level of benefit provided when the tax was first enacted.

**ANALYSIS**

As shown below, the estimated fund balance in the restricted special revenue fund is projected to be \$737,288 as of July 1, 2024. This is based on prior use of the funds, including multiple additional contributions made towards the CalPERS unfunded liability in recent years. The preliminary estimated results for Fiscal Year 2024/25 are summarized below:

**PENSION PROPERTY TAX (FUND #1001) ESTIMATED SOURCE / (USE) OF FUNDS FISCAL YEAR 2024/25**

<b>Beginning Balance July 1, 2024</b>		<b>737,288</b>
<b>Source of Funds – FY 2024/25 Taxes</b>		<b>3,728,705</b>
<b>Use of Funds</b>		<b>(\$3,728,705)</b>
Annual Contribution Albany Pension Trust Fund	(\$500,000)	
Payment of Current Safety PERS Contribution (partial)	(\$3,228,705)	
TOTAL USES	(\$3,728,705)	
<b>Estimated Ending Balance June 30, 2025</b>		<b>737,288</b>

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

**Albany Pension Trust Fund**

The Albany Pension Trust Fund (the Trust) is currently paying pensions to 14 individuals. The anticipated payout for Fiscal Year 2024/25 from the Trust is just under \$1,000,000 and the Trust currently has assets totaling just over \$2.8 million. As the annual contribution suggested by the actuarial valuation is more than the annual payments, staff suggest making smaller contributions to the Trust and drawing down investments for the

next several years before ramping up contributions as needed to fully fund the plan each year. This will free up Pension Tax Override funds for the next five to six years to use to fund increasing CalPERS obligations, discussed below.

California Public Employees Retirement System (CalPERS)

There are two types of CalPERS contributions each year: current year contributions, and annual unfunded liability payments. Current year contributions are made as part of the payroll process and based on applicable earnings in each pay period. Annual unfunded liability payments are determined by the CalPERS actuaries using earnings and expense assumptions applied over a 20-year schedule. While current year contribution rates are only changing slightly for fiscal year 2024/25, the unfunded liability payment is increasing about \$360,000 from \$1,899,320 to \$2,262,815.

Impact on Proposed Tax Rate for Fiscal Year 2024/25

Based on these results, and previous Council direction, it is recommended that the rate for next year stay consistent and be levied at the max rate of 0.0993%. 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 is 0.0993%, the rate initially in place in FY 1982/83.

**FINANCIAL IMPACT**

The levy of a 0.0993% rate for FY 2024/25 is consistent with the rate levied last year. Taxpayers may see an increase in their bill due to an increase in the taxable value of their property but no change due to the tax rate. In future years, the tax may decrease if 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 pension plans. The rate would be subject to the historical methodology and maximum rate.

**Attachments**

1. Resolution No. 2024-47 Adopting the Fiscal Year 2024/25 Tax Rate for the Pension Override Tax

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**RESOLUTION NO. 2024-47**

**A RESOLUTION OF THE ALBANY CITY COUNCIL ADOPTING  
THE FISCAL YEAR 2024/25 TAX RATE FOR THE PENSION OVERRIDE TAX**

**WHEREAS**, each fiscal year since 1982/83, the City of Albany has had the authority to levy a pension override tax collected as part of the property tax bill; and

**WHEREAS**, prior to setting the rate for Fiscal Year 2024/25, estimates have been made of the balance of taxes collected and unspent and the projected expenditures for Fiscal Year 2023/24; and

**WHEREAS**, the City Council desires to set a tax rate that shall be applied for the Fiscal Year beginning July 1, 2024 and ending June 30, 2025 (Fiscal Year 2024/25).

**NOW, THEREFORE, BE IT RESOLVED**, that the Albany City Council resolves as follows:

- A) Listed below is the tax rate (expressed as a percentage of full assessed value), which has been calculated by estimating the revenue and tax amounts required to be raised by property taxes to meet certain City pension obligations.
- B) These commitments were created by Chapter IX, Section 9.01 and Chapter IV, Section 4.10 of the voter-approved City Charter.
- C) In accordance with the Charter sections listed above, the figure listed below is hereby adopted as the annual tax rate for Fiscal Year 2024/25

**Fund: Pension Fund Rate:** .0993 % (*point zero nine nine three percent*) of full value.

**BE IT FURTHER RESOLVED**, that the amount set forth above is appropriated in accordance with applicable State and local laws.

