



REQUEST FOR CITY COUNCIL ACTION

MEETING DATE:

December 16, 2020

DEPARTMENT:

City Administration

DIVISION:

- ☐ Motion
- ☒ Resolution
- ☐ Ordinance - Introduction
- ☐ Ordinance - Adoption
- ☐ Public Hearing

TITLE:

City of Yuma Contingency Reserve Funds Policy

SUMMARY RECOMMENDATION:

Adopt a City of Yuma Contingency Reserve Funds Policy (CRF Policy) relating to Police and Fire, Tier 1 and Tier 2 pension reserve funding and authorize the City Administrator to establish and administer the contingency reserve funds. (City Administration) (Philip Rodriguez)

REPORT:

Due to exponentially growing pension funding liabilities, it has become imperative for the City to seek an alternative financial strategy to ensure its Public Safety Personnel Retirement System pension funding obligations for Tier 1 and Tier 2 employees or former employees can be met without crushing the City budget in later years. Toward that end, upon adoption of an ordinance authorizing pledged revenue bond financing, the City anticipates obtaining bond financing at market rates (substantially below the presumed 7.3% charged by PSPRS) which will allow the City to best manage its financial obligations relating to PSPRS pension funding liabilities at an anticipated savings of approximately \$64 million in net present value dollars.

Along with the amounts necessary to 100% fund the unfunded PSPRS liability in excess of \$140 million, an additional \$12 million will be set aside in Contingency Reserve Funds for both Police and Fire PSPRS obligations. An additional \$1.5 million will be added to this contingency reserve by the City of Yuma General Fund over the next 5 years for a total Contingency Reserve Fund of \$13.5 million. Establishing the contingency reserve fund at this level should allow the City to maintain its Tier 1 and Tier 2 obligations 100% funded. In the event of unanticipated actuarial or market risk, the contingency reserve funds will be available to pay the additional amounts due to PSPRS. Actuarial risk results from mistakes in payroll growth assumptions or mortality factors whereas market risk results from mistakes in assumptions regarding anticipated rates of return. Either type of risk could result in additional unforeseen liabilities to the PSPRS for which the City would be prepared.

The proposed resolution adopts a City of Yuma Contingency Reserve Funds Policy that ensures the contingency reserve funds are dedicated to managing the described future pension liabilities should

they materialize. The CRF Policy establishes (i) rules for the investment of contingency funds (funds should only be invested in highly secure and liquid/short term products to ensure availability of the funds); (ii) rules for fund withdrawals, expenditures and fund replenishment; and (iii) rules for dissolving the contingency funds once the obligations are fully paid.

At the October 26-27 City Council Vision and Goal setting event, City Council identified the issuance of bonds to fix the Public Safety Personnel Retirement System shortfall as their number one priority under the strategic outcome of Respected and Responsible. As a trusted steward of City resources, relied upon to provide premier services and regional leadership, the establishment of a Contingency Reserve Fund Policy will protect City resources far into Yuma's future.

FISCAL REQUIREMENTS	CITY FUNDS:	\$0.00	BUDGETED:	\$0.00
	STATE FUNDS:	\$0.00	AVAILABLE TO TRANSFER:	\$0.00
	FEDERAL FUNDS:	\$0.00	IN CONTINGENCY:	\$0.00
	OTHER SOURCES:	\$0.00 \$0.00 \$0.00	FUNDING FOR THIS ITEM IS FOUND IN THE FOLLOWING ACCOUNT / FUND / CIP:	
	TOTAL:	\$0.00		
	FISCAL IMPACT STATEMENT:			
ADDITIONAL INFORMATION	SUPPORTING INFORMATION NOT ATTACHED TO THE CITY COUNCIL ACTION FORM THAT IS ON FILE IN THE OFFICE OF THE CITY CLERK:			
	1. 2. 3. 4. 5. IF CITY COUNCIL ACTION INCLUDES A CONTRACT, LEASE OR AGREEMENT, WHO WILL BE RESPONSIBLE FOR ROUTING THE DOCUMENT FOR SIGNATURE AFTER CITY COUNCIL APPROVAL? <input type="radio"/> Department <input checked="" type="radio"/> City Clerk's Office <input checked="" type="checkbox"/> Document to be recorded <input type="checkbox"/> Document to be codified			
SIGNATURES	CITY ADMINISTRATOR:		DATE:	
	Philip A. Rodriguez		12/10/2020	
	REVIEWED BY CITY ATTORNEY:		DATE:	
	Richard W. Files (Electronic Signature)		12/9/2020	
RECOMMENDED BY (DEPT/DIV HEAD):		DATE:		
WRITTEN/SUBMITTED BY:		DATE:		
Philip Rodriguez		12/9/2020		