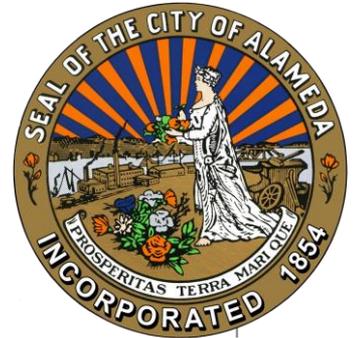


One-Time Revenue, Excess Property Transfer Tax, and General Fund Surplus Policy





Current 2017 Pension and OPEB Funding Policy

Pursuant to the 2017 Policy, the City makes

- Minimum annual contributions of \$250,000 to the Pension Stabilization Fund; and
- \$100,000, or as required in the labor agreements, to the OPEB Trust; and
- Contributes one-half of the fiscal year-end General Fund surplus into a Trust Fund or direct pay down of CalPERS unfunded liability for either pension or OPEB.



Current 2017 Pension and OPEB Funding Policy

Since adoption of the 2017 Policy, the City has made a total of \$37.5 million in CalPERS advance payments and pension and OPEB trust contributions in accordance with the policy, and is scheduled to make an additional FY 2021-22 payment of \$7.8 million as shown in the table below.

Fiscal Year	CalPERS Advance Payment	Pension (721) Trust Contributions*	OPEB (810 & 811) Trust Contributions	Total
2016-17	\$ -	\$ 250,000	\$ 250,000	\$ 500,000
2017-18	\$ 10,695,052	\$ 3,325,016	\$ 3,000,000	\$ 17,020,068
2018-19	\$ 6,142,000	\$ 2,047,172	\$ 500,000	\$ 8,689,172
2019-20	\$ -	\$ 733,998	\$ 250,000	\$ 983,998
2020-21	\$ 7,546,500	\$ 2,515,500	\$ 250,000	\$ 10,312,000
Subtotal	\$ 24,383,552	\$ 8,871,686	\$ 4,250,000	\$ 37,505,238
2021-22 Scheduled	\$ 5,659,000	\$ 1,886,000	\$ 250,000	\$ 7,795,000
Total	\$ 30,042,552	\$ 10,757,686	\$ 4,250,000	\$ 45,300,238

* Net of CalPERS Advance Payment



Current 2017 Pension and OPEB Funding Policy

While City Council continues to support identifying funding sources to pay down the City's liabilities in order to mitigate future pension and OPEB costs, the City Council has raised concerns about the suitability of the funding formula in the 2017 Policy. Each year since 2020, the City Council has taken action to deviate from the funding formula in the 2017 Policy.



Proposed Definition of Excess Property Transfer Tax

- The City's PTT rate on residential and commercial real property sales is 1.2% of value of each real estate transaction.
- As a revenue source, this tax is volatile and subject to fluctuations based on a handful of high value transfers in any given year.
- **The Excess PTT revenue is defined as any amount of actual PTT revenues that exceed 14% of General Fund Tax Revenues (inclusive of PTT) at fiscal year-end.**



Example of Excess Property Transfer Tax Calculation

Local Tax Revenues						(in millions)
Tax Category	Actual FY2016-17	Actual FY2017-18	Actual FY2018-19	Actual FY2019-20	Actual FY2020-21	Revised Budget FY2021-22
Property tax	\$ 36.09	\$ 38.73	\$ 42.04	\$ 45.73	\$ 49.31	\$ 50.37
Sales tax	\$ 10.74	\$ 10.97	\$ 14.07	\$ 17.60	\$ 19.44	\$ 19.08
Property Transfer tax	\$ 10.33	\$ 15.68	\$ 17.13	\$ 15.20	\$ 18.54	\$ 15.00
Utility User tax	\$ 9.06	\$ 9.34	\$ 9.08	\$ 8.81	\$ 9.09	\$ 8.65
Business License tax	\$ 2.23	\$ 2.38	\$ 2.25	\$ 2.57	\$ 2.25	\$ 2.20
Transient Occupancy tax	\$ 2.13	\$ 2.15	\$ 2.29	\$ 1.95	\$ 2.00	\$ 2.20
Total Taxes	\$ 70.58	\$ 79.25	\$ 86.86	\$ 91.86	\$ 100.63	\$ 97.50
Total taxes x 14%	\$ 9.88	\$ 11.10	\$ 12.16	\$ 12.86	\$ 14.09	\$ 13.65
Property Transfer tax	\$ 10.33	\$ 15.68	\$ 17.13	\$ 15.20	\$ 18.54	\$ 15.00
Excess Property Transfer Tax	\$ 0.45	\$ 4.59	\$ 4.97	\$ 2.34	\$ 4.45	\$ 1.35



Contribution Comparison

Comparison (<i>in millions</i>)	Actual FY2016-17	Actual FY2017-18	Actual FY2018-19	Actual FY2019-20	Actual FY2020-21	Revised Budget FY2021-22
Total Actual/Scheduled Contribution Under 2017 Policy	\$ 0.50	\$ 17.02	\$ 8.69	\$ 0.98	\$ 10.31	\$ 7.80
Contribution under Excess PTT Scenario	\$ 0.45	\$ 4.59	\$ 4.97	\$ 2.34	\$ 4.45	\$ 1.35
Difference that could have funded other services	\$ 0.05	\$ 12.44	\$ 3.72	\$ (1.36)	\$ 5.86	\$ 6.45

If the Excess Property Transfer Tax Policy had been in place in 2017, less money would have been put towards paying down Pension and OPEB obligations, but more money would have been available to put back into city services.

Example of Excess Property Transfer Tax Calculation



Questions?