



APRIL 10, 2025

AGENDA ITEM # 10

RECEIVE PRESENTATION ON PREPAYING THE CALPERS UNFUNDED ACCRUED LIABILITY AND APPROVE FISCAL YEAR 2024-25 BUDGET AMENDMENT FOR THE AUTHORITY AND SACRAMENTO ABANDONED VEHICLE SERVICE AUTHORITY (SAVSA) AND BUDGET AMENDMENT RESOLUTION

Action Requested: Approve

Key Staff: Dustin Purinton, Accounting Manager

Recommendation

Receive presentation on prepaying the CalPERS Unfunded Accrued Liability (UAL) and approve a Budget Amendment Resolution, which will update changes to the Fiscal Year (FY) 2024-25 budget.

Background

The Authority's adopted budget is a fiscal plan of revenues and expenditures for FY 2024-25. The budget includes annual operating costs for programs, administrative functions, and debt service activities. The budget was approved on June 13, 2024.

As approved in the annual budget document, the Authority has accelerated the paydown of its California Public Employees Retirement System (CalPERS) Unfunded Accrued Liability (UAL) also known as long term pension liability. This effort began as part of the FY 2023-24 budget document which outlined a 5-Year paydown plan with payments beginning on June 23, 2023. Significant progress has been made in paying down the UAL, with approximately \$480,000 in total additional discretionary payments to date.

Discussion

Staff monitor revenue and expenditure throughout the year for substantive changes that require budgetary amendments. Based on earlier Board action and the available Administrative Fund Balance, staff have been working with CalPERS to better understand its options in paying down the UAL to reach a 95% funding level. Staff looked at both continuing implementation of its 5-Year paydown plan and more aggressively paying down its UAL in FY 2025-26. The UAL balance, which is a liability to the Authority, incurs an interest expense of 6.8% that is payable to CalPERS, which is significantly higher than the holding interest that the Authority is generating with the fund balance. This provides an opportunity to pay down the UAL to a much more manageable balance, thus improving UAL expenditure in future years.

This payment plan will be paired with the existing Retirement Benefit Funding Policy that budgets the 5-year CalPERS UAL amortization for payment each year, further reducing and maintaining a high level of funded status. This practice will lower costs over the long term for the Authority.

Below is an estimated summary of the funded status of the plan as of FY 2024-25 considering a \$650,000 additional discretionary payment (ADP). Interest savings over the CalPERS 20-year paydown period, when combined with STA's earlier additional discretionary payments to date, are estimated to be \$1,050,000. This specific action will result in savings of approximately \$550,000 when compared to the CalPERS 20-year paydown period.

Description	Before ADP	After ADP
Entry Age Accrued Liability	\$ 5,687,958	\$ 5,687,958
Market Value of Assets	4,762,985	5,412,985
Unfunded Accrued Liability	924,973	274,973
Funded Ratio	83.7%	95.2%

Below is a summary of the FY 2024-25 adopted budget and the proposed yearend budget for the funds with proposed amendments. Please see attachment for detailed fund by fund amendments.

	Original Budget	Proposed Budget	\$ Change	% Change
Appropriations:				
Administrative (Admin)	\$ 1,325,279	\$ 1,975,279	\$ (650,000)	-49.0%
Fund Balance:				
Ending Fund Balance	\$ 1,716,952	\$ 1,066,952	\$ (650,000)	-37.9%

Staff recommend approving a \$650,000 FY 2024-25 Budget Amendment to reduce STA's UAL to less than 5% which would result in anticipated interest savings of approximately \$550,000.

Attachments

- 1) FY 2024-25 Budget Amendment Resolution
- 2) FY 2024-25 Proposed Budget Amendment