

CITY COUNCIL
Laura M. Hoffmeister, Mayor
Edi E. Birsan, Vice Mayor
Ronald E. Leone
Timothy A. McGallian
Carlyn S. Obringer

Civic Center
1950 Parkside Drive
Concord, CA 94519
www.cityofconcord.org



Special Meeting of the Concord City Council

Saturday,
April 1, 2017

10:00 a.m.

Concord Senior Center
Wisteria Room
2727 Parkside Circle
Concord, CA 94519

AGENDIZED ITEMS – The public is entitled to address the City Council on items appearing on the agenda before or during the City Council's consideration of that item. Each speaker will be limited to approximately three minutes.

1. OPENING

Roll Call

2. PUBLIC COMMENT PERIOD

This is a fifteen minute Public Comment Period for items within the City Council's subject matter jurisdiction that are not on this agenda. Each speaker will be limited to approximately three minutes. State law prohibits the City Council from acting at this meeting on any matter raised during the Public Comment Period.

3. Workshop – establishing Council priorities for programs and projects within the two-year budget cycle in the context of Measure Q's sunset in 2025.

4. ADJOURNMENT

Next Meeting: Regular Meeting
Date: 4/4/2017 – 6:30 p.m.

ADA NOTICE AND HEARING IMPAIRED PROVISIONS - The Council Chamber is equipped with a T-Coil Hearing Loop. This system allows “T” coil reception of the audio proceedings. Please switch your hearing aid or cochlear device to the “T”, “T” Coil or telephone position. If you would like better audio reception, a loop receiver that picks up the audio loop is available from the City Clerk.

In accordance with the Americans with Disabilities Act and California Law, it is the policy of the City of Concord to offer its public programs, services and meetings in a manner that is readily accessible to everyone, including those with disabilities. If you are disabled and require a copy of a public hearing notice, or an agenda and/or agenda packet in an appropriate alternative format; or if you require other accommodation, please contact the ADA Coordinator at (925) 671-3031, at least five days in advance of the hearing. Advance notification within this guideline will enable the City to make reasonable arrangements to ensure accessibility.

The following is a list of regular **Council Committee** meeting dates. Most meetings are held in the Garden Conference Room, 1950 Parkside Drive, Concord. **NOTE: Meetings are subject to change or cancellation. For latest information and committee agendas please call 671-3158.**

Committee	Chair/Member	Meeting Time
Policy Development & Internal Operations	Hoffmeister/Birsan	2 nd Thursday at 6:00 p.m.
Housing & Economic Development	Leone/Obringer	4 th Monday at 5:30 p.m.
Infrastructure & Franchise	Birsan/Hoffmeister	2 nd Monday at 6:00 p.m.
Recreation, Cultural Affairs & Comm. Svc.	Obringer/McGallian	3 rd Wednesday at 5:30 p.m.
Youth & Education	McGallian/Leone	3 rd Monday at 5:30 p.m.

CITY OF CONCORD MEMORANDUM
Office of the City Manager

Date: April 1, 2017

TO: Mayor and City Council Members

FROM: Valerie Barone, City Manager

SUBJECT: April 1st Council Goal Setting Workshop

Workshop Basics

Attached are the agenda and packet for the Council's upcoming workshop scheduled for Saturday, April 1 at 10:00 a.m. at the Concord Senior Center.

Snacks and drinks will be available starting at 9:30 and the meeting will begin at 10:00 a.m. Lunch will not be provided. Attire is casual.

Attending will be the Mayor, Vice Mayor, Councilmembers and the Executive Team. The meeting is an open, public meeting with a posted agenda.

The goal for the workshop: Establish the Council priorities for programs and projects within the two-year budget cycle in the context of Measure Q's sunset in 2025.

Discussion

With the Fiscal Year 2013-14 operating budget, the City Council began a process of defining priority areas of focus, each with a series of objectives. This approach has proved successful in guiding me and the Executive Team in developing the operating budget and work plans for the City to achieve Council's highest priority goals. This will be our fifth year using this approach.

At our Saturday workshop, Council will be asked to define the City's priority areas of focus and acknowledge Customer Service and Quality of Life as two areas of constant focus. You'll note that in Attachment C, I am recommending we combine Long Term Fiscal Stability with Economic Development into one focus area, as economic development is a key objective for long term fiscal stability.

Once Council affirms the areas of focus, I will facilitate a discussion amongst the Councilmembers of key objectives under each area of focus. Attachment D outlines key objectives the Executive Team has identified for each area of focus. Council will be asked to

consider the objectives the Executive Team has presented and to delete, add, or modify as appropriate. To aid this portion of the meeting, Councilmembers are being asked to come to the meeting prepared to discuss their top one or two objectives under each area of focus in the context of Measure Q's sunset in 2025.

In defining your top one or two highest priority objectives for each area of focus, I ask that you keep the following in mind:

- Focus on key objectives that you believe most critical to achieve, or move forward, over the next two fiscal years. The goal is to align the City's work program and budget for Fiscal Years 2017-18 and 2018-19 to Council's highest priority goals and objectives. If the City's efforts are diluted by having too many high-priority Council objectives, the organization will not be successful. This is especially true given the City's resource constraints.
- While individual Councilmembers have their own objectives, the City organization needs to respond to the Council's objectives as a whole. Therefore, Council reaching a consensus on the highest priority objectives for each area of focus is critical to the organization's success.
- Concord continues to face significant financial challenges. Please review attachment B which highlights the significant long-term impact of the PERS Board's recent lowering of the assumed rate of investment return. The impact of this change is significant, especially when layered upon Concord's existing fiscal challenges. Attachment B contains a 10-year financial model that illustrates a funding gap in Fiscal Year 2025-26 of almost 11 million dollars. Because of these financial challenges, Council should be cautious about enhancing service levels or adding new programs if there is no funding identified. To add a new program or enhance an existing service level, Council will need to determine if it can be done within existing resources, requires service cuts elsewhere, has its own funding source, or is so critical that Council is comfortable allowing it to add to the City's structural budget gap—which means solving the fiscal impact of the new effort gets rolled into the larger fiscal challenges faced by the City.

Conclusion

To help ensure the workshop is successful in achieving the goal of "Establishing the Council priorities for programs and projects within the two-year budget cycle in the context of Measure Q's sunset in 2025," please prepare for the workshop by:

- Reviewing this memo and all attachments
- Reviewing the book of initiatives (which was distributed independent of this memo)
- Defining your one or two highest priority objectives for each area of focus prior to the workshop
- Coming to the workshop prepared to discuss your highest priority objective(s) for each area of focus with your colleagues for the purpose of reaching consensus

Attachments

- A. Agenda
- B. PERS Rate Sensitivity Memo with 10-Year Financial Model
- C. List of Executive Team Recommended Areas of Focus
- D. List of Executive Team Recommended Objectives by Area of Focus
- E. Excerpt from Brian Godbe's PowerPoint of the Citizen Satisfaction Survey Results comparing the importance and satisfaction ratings for various City services



City Council Priority Setting Workshop Agenda

April 1, 2017

Senior Center, Wisteria Room; 10:00 a.m.
Snacks & Drinks available at 9:30 (No Lunch Provided)

Meeting Objective

Establish the Council priorities for programs and projects within the two-year budget cycle in the context of Measure Q's sunset in 2025.

Agenda

- I. Meeting convened, public comment – Mayor Laura Hoffmeister
- II. Introduction & Agenda review – City Manager Valerie Barone
- III. Affirm the Organization's Priority Areas and Constant Areas of Focus for the Two-Year Budget (Fiscal Years 2017-18 & 2018-19)
 - A. City Manager Barone provides overview
 - B. Council discussion and affirmation
- IV. Determine Major Objectives (discussion done one Priority Area at a time)
 - A. City Manager Barone provides overview of staff recommended objectives for the priority area
 - B. Council asks questions of Executive Team to clarify and understand staff's recommendations
 - C. Individual Councilmember thoughts on objectives for the priority area
 - D. Discussion of objectives by the full Council to identify agreement, work out differences and develop consensus on the objectives for the priority area
- V. Wrap-up — City Manager Barone & Mayor Hoffmeister



MEMORANDUM

March 27, 2017

TO: Valerie Barone, City Manager

FROM: Karan Reid, Director of Finance

SUBJECT: Impact of CalPERS New Discount Rate

Executive Summary

This memo provides projected impacts to the City's budget as a result of the recent CalPERS Board action to reduce the assumed interest rate (also referred to as discount rate) from 7.5% to 7.0% over a three year period. Pension cost increases will begin to be phased in beginning in FY 2018-19 and it will take approximately 7 years until the full impact of the lowering of the discount rate to 7.0% has been passed along to the City.

Contributions are projected to increase \$413,000 in FY 18-19 growing to an additional \$5.1 million by the 10th year for all funds. The General Fund portion is approximately \$351,000 in FY 18-19 growing to \$4.3 million by FY 27-28. Attachment 1 provides an update to the most recently adopted 10-year forecast (approved June 28, 2016) including the projected additional pension costs. The graph shows the budget gap growing to \$10.9 million from \$6.2 million by FY 2025-26, the year after Measure Q expires.

Staff will incorporate this projected funding, along with related cost increases for CCRS and OPEB, into the next biennial budget as well as into the updated 10-year forecast that will be presented at the May 9 budget workshop.

Staff is currently in process of selecting a consultant to assist us with developing strategies to address long-term funding of city services. This work is anticipated to begin in June/July 2017 with final Council review and acceptance anticipated by February 2018. These strategies can then be considered as part of future budgets to address the budget gap.

Background/Discussion

Over the past two years, the CalPERS Board has received several reports outlining funding risks facing the Public Employees' Pension Fund as well as risk mitigation strategies that could be considered. Much of this work is a result of the unprecedented low interest rate environment experienced over the last 10 years and anticipated to continue into the future. Previously, CalPERS assumed a 7.5% discount rate for projected earnings of the System's pension assets.

At the December 21, 2016 meeting, the CalPERS Board approved lowering the CalPERS discount rate assumption, the long-term rate of return, from 7.5% to 7.0% over the next three years. This will increase public agency employer contributions beginning in FY 2018-19. The phase-in of the discount rate change is as follows:

Table 1: Phase in on Lower Discount Rate

Valuation Date	Fiscal Year For Required Contribution	Discount Rate
June 30, 2016	FY 2018-19	7.375%
June 30, 2017	FY 2019-20	7.250%
June 30, 2018	FY 2020-21	7.000%

Lowering the discount rate means plans will see increases in both the normal costs (the cost of pension benefits accruing in one year for active members) and the accrued liabilities. These increases will result in higher required employer contributions. In addition, active members hired after January 1, 2013, under the Public Employees' Pension Reform Act (PEPRA) may also see their contribution rates rise.

The CalPERS Board took this action to:

- Strengthen long-term sustainability of the fund
- Reduce negative cash flows; additional contributions will help to offset the cost to pay pensions
- Reduce the long-term probability of funded ratios falling below undesirable levels
- Improve the likelihood of CalPERS investments earning the assumed rate of return
- Reduce the risk of contribution increases in the future from volatile investment markets

CalPERS provides the City with annual valuation reports (one for safety and a separate one for miscellaneous employees) that establish the minimum employer contributions for the following fiscal year. This is an actuarial report that uses census data as of certain date. Due to the time required to complete these valuation reports, the information is about 18-24 months stale by the time the City receives the information and incorporates the costs into the budget.

CalPERS is currently working on our next reports, which use census data as of June 30, 2016, and are expected to be distributed July/August 2017. These reports will establish the minimum pension contributions for **FY 2018-19**. As you recall, subsequent to June 30, 2016, the City

successfully negotiated successor MOUs with all of the City’s bargaining groups. A component of these agreements provided 4.5% for FY 2015-16, 4% for FY 2016-17 and 3% in each of the next two fiscal years. Since CalPERS assumes a 3% salary growth factor, the information that will be provided in our upcoming CalPERS valuation reports will be lower than anticipated pension costs. Therefore, staff has prepared this rate impact analysis using anticipated budgeted salaries as of FY 2018-19 and beyond.

The table below shows the City’s current and projected pension contribution rates (as a percent of pay). The increased costs associated with lowering the discount rate will begin to be felt in FY 18-19 with additional costs of \$413,000 growing to \$5.1 million by the 10th year for all funds and \$351,000 to \$4.3 million for the General Fund.

Table 2: Projected Impacts to Pension Contribution Rates

	Current Rate – FY17-18			Projected – FY27-28		
	Normal Cost	UAL ¹	Total	Normal Cost	UAL ¹	Total
Miscellaneous	9.72%	23.50%	33.22%	11.7%	26.6%	38.3%
Safety	19.43%	22.60%	42.03%	23.0%	38.7%	61.7%

1 – Beginning with FY 17-18, UAL is expressed as a flat dollar amount the City is required to contribute annually regardless of the amount of payroll. For this comparison, the flat dollar amount has been converted to a % of payroll consistent with prior year presentations.

The next table shows how lowering of the discount rate increases the City’s unfunded liabilities.

Table 3: Projected Impacts to CalPERS Unfunded Liability

Unfunded Liability (in millions)				
	Current Balance FY 16-17			Projected Balance: FY 27-28
	Balance 6/30/17	Add 2016 Loss	Projected Total	Projected Balance, 6/30/28
Miscellaneous	\$63.1	\$10.4	\$73.5	\$75.2
Safety	\$76.2	\$11.8	\$88.0	\$100.0
Total			\$161.5	\$175.2

Table 3 begins with the unfunded liability as listed in the most recent CalPERS valuation reports and adds the amount anticipated as a result of CalPERS not meeting their assumed interest rate for FY 15-16. CalPERS assumed we would earn 7.5% on our plan assets while the actual

performance was 0.6%. In essence, this creates a loss of 6.9% for the portfolio which equates to an additional \$22.2 million unfunded liability.

So despite making higher payments each year over the next ten years, our unfunded liability is anticipated to grow approximately \$14 million over the current unfunded liability balance.

The following tables show the impacts over the next 10 years segregated between safety and miscellaneous. The normal cost increases modestly for each but there are significant increases in what the City will need to pay towards the increased unfunded liability.

Table 4: Safety Projected Contributions

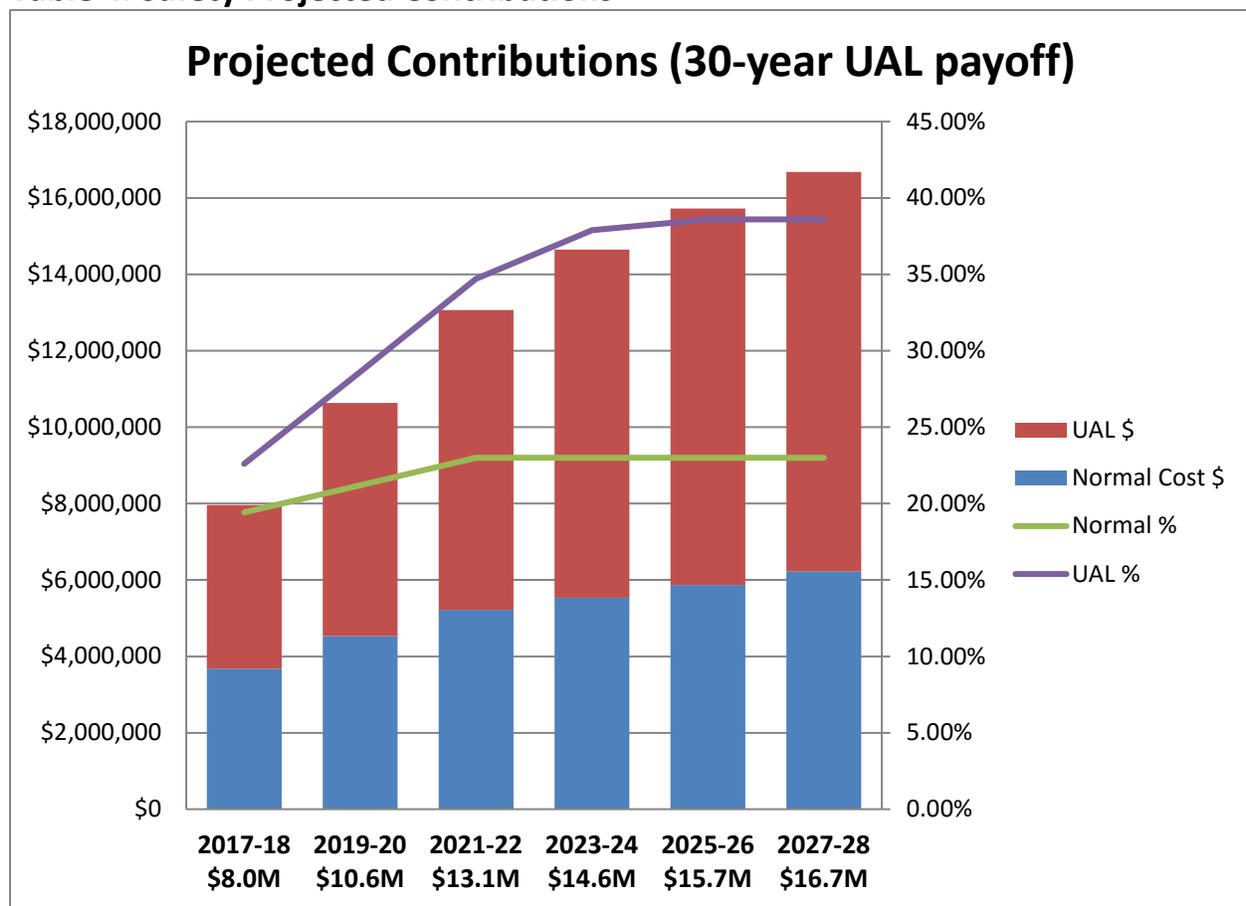
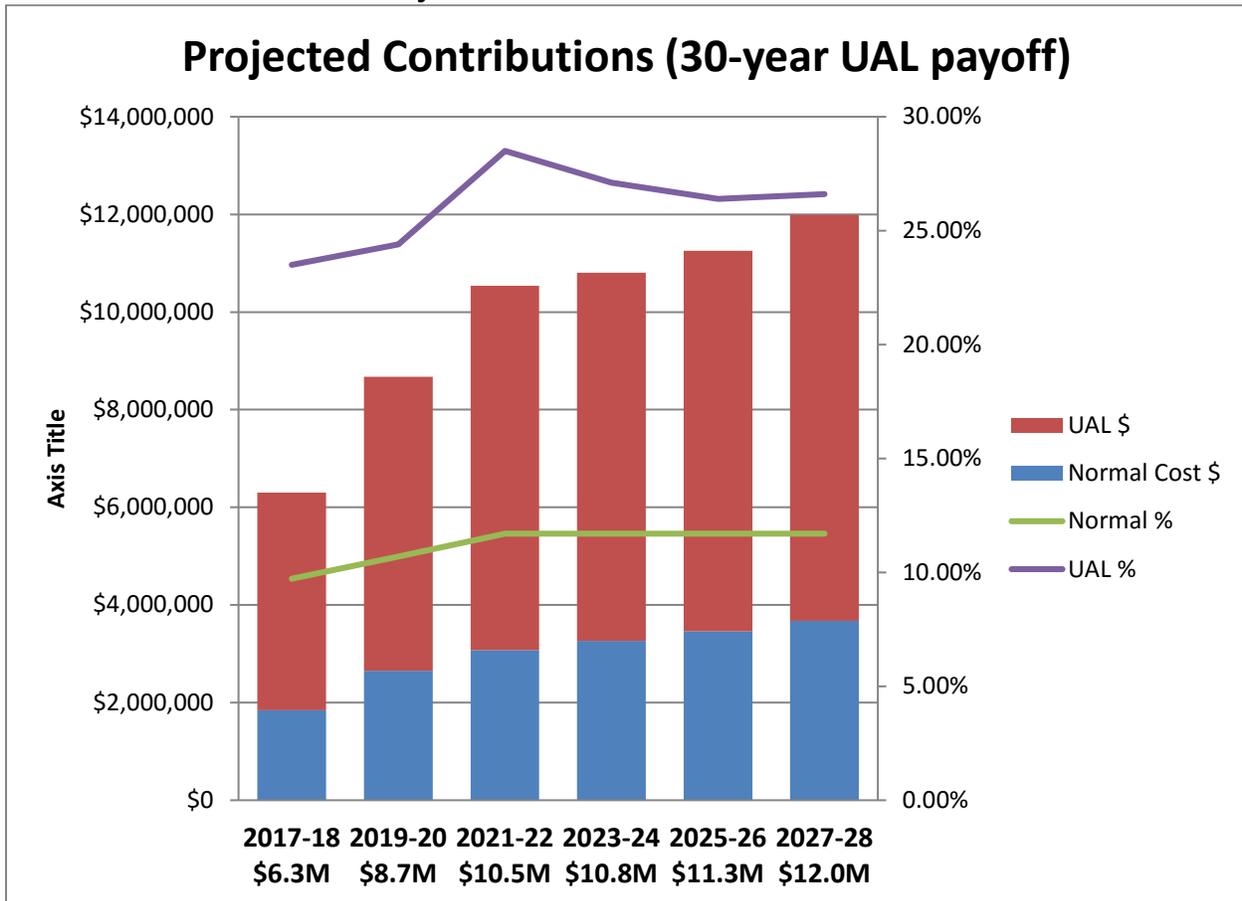


Table 5: Miscellaneous Projected Contributions



Impacts to the 10-Year Forecast

Attachment 1 layers this additional obligation onto the 10-year forecast that was adopted by Council last June 2016. It shows our budget gap growing from \$6.2 million to \$10.9 million in FY 2025-26, the first year after Measure Q sunsets. These additional costs not only expand the budget stabilization measures that will be needed to fund city programs after Measure Q expires, they will also limit progress on addressing the City’s unfunded liabilities as originally planned.

Factors to Keep in Mind

Staff will incorporate these new costs, along with related contribution increases for CCRS and OPEB, into the upcoming two year budget as well as into the updated 10-year forecast. It is likely, however, that we will see additional costs in the future due to any or all of the following factors:

- Additional unfunded liability increases each year CalPERS doesn’t earn its stated interest of 7.375%, 7.25%, 7.0%

- Impacts from further lowering of the discount rate by CalPERS
- A likely recession

Conclusion

The Council has worked hard over the last four years to acknowledge our unfunded liabilities, as well as, work towards reducing them in the future.

Past actions include:

- Increased employee contributions to retirement benefits (through negotiations)
- Post-employment benefit reform for elected officials
- Adopting and utilizing the Fiscal Sustainability Ordinance
- Reforming retiree medical benefit (through negotiations)
- Incorporating full funding of personnel liabilities into the budget

This latest action by CalPERS is a setback to Concord's efforts to achieve fiscal stability; however, work is underway to provide Council with strategies to consider in future budgets that will address the budget gap. Staff is in the process of reviewing RFP proposals for this scope of work and anticipates Council awarding a contract and the work commencing in June or July. Over the following 6-9 months, a catalog of strategies will be developed with final Council review and acceptance anticipated by February 2018.

In addition, more detailed discussions on this topic will be incorporated into the upcoming biennial budget development process. And staff will continue to monitor CalPERS actions and provide the City Council with updates should those decisions impact costs to the City.

Definition of Actuarial Terms

Accrued Liability: The total dollars needed as of the valuation date to fund all benefits earned in the past for current members.

Normal Cost: The annual cost of service accrual for active employees is the normal cost and includes both Employer and Employee contributions. This should be viewed as the long-term contribution rate.

Unfunded Accrued Liability: If the value of the Plan's Assets is less than the total Accrued Liability, then an unfunded liability exists and the City will have to pay contributions exceeding the normal cost.

CalPERS Contribution Rate Sensitivity

March 27, 2017

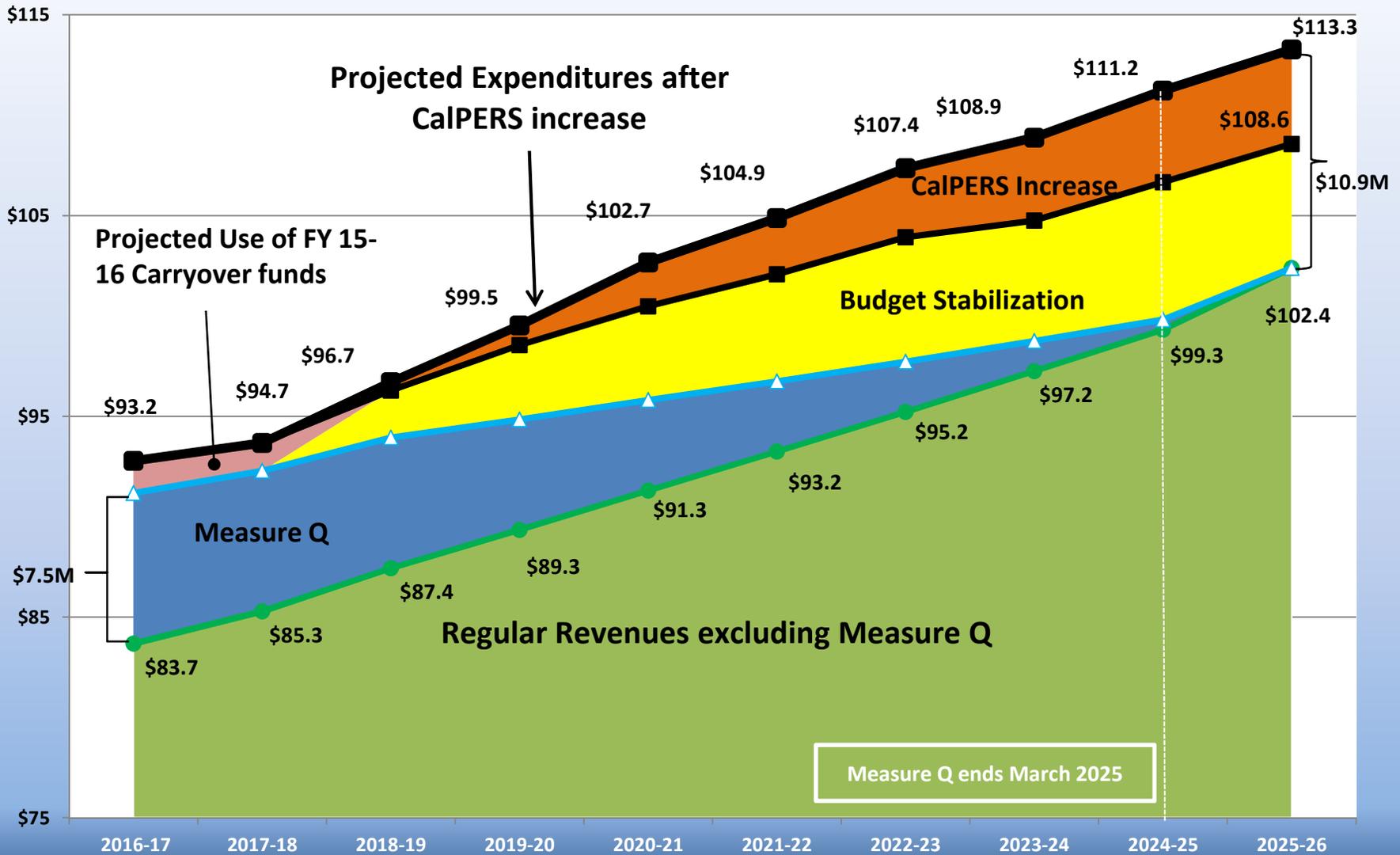
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Attachments:

Attachment 1 Revised 10 Year Forecast including Increased CalPERS Costs



General Fund Operations 10-Year Forecast FY 2016-17



Measure Q ends March 2025

Attachment C

Executive Team Recommended Areas of Priority Focus for Fiscal Years 2017-18 & 2018-19

Priority Areas of Focus

- Long Term Fiscal Stability & Economic Development
- Public Safety
- Infrastructure Maintenance
- Organizational Health & Employee Success

Constant Areas of Focus

- Quality of Life
- Customer Service

**Executive Team Recommended Major Objectives by Area of Focus
Fiscal Years 2017-18 & 2018-19**

Long Term Fiscal Stability & Economic Development

- Develop long-term funding strategies to address operational and capital budget challenges.
- Coordinate with Central San on the implementation of their infrastructure investment plan and its impacts to Concord.
- Complete negotiations with the Navy for the economic development conveyance of property to the City for the CNWS project and complete the first transfer of land.
- Complete the Specific & Infrastructure Plans for the Base.
- Market and initiate development on the former RDA properties.

Public Safety

- Implement an enhanced multi-family inspection program (as directed and funded by Council in FY 2016-17)
- Continue to work towards minimizing the impacts of homelessness within the community by operating an effective PD Community Impact Team and establishing a CORE team in partnership with Walnut Creek.
- Continue to employ all communication channels (traditional and new) to educate the community on falling crime rates and efforts being taken within the City to address community disorder issues.

Infrastructure Maintenance

- Identify grant opportunities to support infrastructure investment, with specific attention paid to obtaining a grant to support the Corridors Plan Project.
- Complete the majority of the Measure Q Lease Revenue Financing Street Repair and Maintenance Projects.
- Implement the approved \$30 million two-year CIP and develop the next two year CIP.
- Develop a five-year schedule and identify the needed \$3.8 million in local match for the implementation of the six OBAG grant projects (staff anticipates receiving these grants; final decisions have not been made).

Organization Health & Employee Success

- Develop and implement a benefits communication strategy to promote awareness of benefit options and features for full-time employees.
- Continue to focus on employee engagement by implementing a City-wide and City-run employee training program.
- Engage in formal negotiations for successor MOUs for all bargaining units (contracts expire in June 2019).

Quality of Life

- Establish and implement City policy related to marijuana businesses (growing, selling, testing, etc.).
- Implement the rental housing mediation program (staff anticipates that Council will initiate and approve funding for this program this fiscal year).
- Enhance awareness of and participation in Concord's parks and recreation activities through creative marketing and programming.

Customer Service

- Enhance 24/7 self-service by implementing a new website platform, which will allow for more efficient content management, resident self-serve access to permits, use of interactive maps, and electronic dissemination of information on numerous topics through eBlast lists.
- Implement a new CLASS registration software program to support residents access to and the management of the City's recreational classes
- Expand the City's communication strategies to more fully incorporate social media.



GODBE RESEARCH
Gain Insight



City of Concord

2017 Community Priorities Survey

February 2017

Importance and Satisfaction of Selected City Services and Facilities

	Importance	Satisfaction	
City street maintenance and pothole repair	2.46	0.27	Tier 1
Garbage, yard waste and recycling services	2.31	1.24	
Storm drains and sewer services	2.22	0.91	
After-school and summer programs for youth and teens	2.18	0.80	Tier 2
Youth sports and recreation programs	2.12	0.88	
Economic development programs that help bring new businesses to the city	2.10	0.57	
Preschool programs	2.05	0.80	
City-sponsored events in Todos Santos Plaza, such as the farmers market, concerts, and seasonal events	2.04	1.30	
Graffiti removal programs	1.97	0.95	Tier 3
Neighborhood code enforcement to ensure residential properties are adequately maintained	1.89	0.51	
Economic development programs that help existing businesses expand	1.84	0.81	

Importance and Satisfaction of Public Safety

	Importance	Satisfaction	
9-1-1 services	2.72	1.30	Tier 1
Neighborhood police patrols at night	2.57	0.39	
Gang prevention	2.57	0.31	
Crime investigation services	2.42	0.74	Tier 2
Crime prevention programs, such as Neighborhood Watch	2.39	0.49	
Downtown police patrols at night	2.37	0.80	
Neighborhood police patrols during the day	2.30	0.57	Tier 3
Downtown police patrols during the day	2.12	0.99	
Drunk driver and unlicensed driver checkpoints	2.07	0.68	
Disaster preparedness programs and services	2.01	0.97	Tier 3
Police officers in local high schools	1.97	1.13	
Traffic enforcement	1.95	0.81	
Parking enforcement	1.42	0.79	Tier 4