THE PROBLEM

Like 3,000 other member agencies in CalPERS, the City of San Luis Obispo is facing significant financial challenges ahead due to increased pension costs.

Specifically:
- The City’s annual costs for CalPERS will more than double in 10 years.
- To address these increases, the City needs to reduce expenditures by $8.9 million in the General Fund & Enterprise Funds over the next three years.

WHY IS THIS IMPORTANT?

Since the City is obligated to pay the pensions, it must develop a plan to bridge the gap. That plan will impact the City’s budget. By acting quickly and responsibly, the City can reduce and stabilize costs in the future.

SAN LUIS OBISPO IS COMMITTED TO...

Good Fiscal Management
Including fiscal policies to guide daily operations and long-term solutions to ensure a continued balanced budget.

Public Engagement
Involving the City Council, community, and staff in discussions about solutions.

Quality Services
Providing quality services to the community through committed employees.

WHY ARE COSTS INCREASING?

☑ Reduced rate of return on investments
☑ Investment Losses from Great Recession
☑ Retirees Living Longer
☑ Past Decisions Around Employee Benefits

WHAT HAS THE CITY ALREADY DONE TO ADDRESS COSTS?

Lower Benefit Retirement Tiers
- In 2012, the City negotiated with different bargaining groups to establish a 2nd tier of lower benefits for new employees while implementing the even lower state-mandated 3rd tier (PEPRA) in 2013.
- Currently, 40 percent of the workforce is in the 2nd and 3rd tiers, resulting in significant savings in pension costs. Unfortunately, due to the way CalPERS bills the City, it is almost impossible to estimate the exact annual savings. We projected savings in the range of $1 million in 2017.

Employees pay a greater share of the total pension costs

Retirement age increases & employees work longer

Paying down unfunded retirement liabilities
- Lump sum $2.74 million payment toward unfunded retirement liabilities

WHAT IS THE CITY DOING NOW TO ADDRESS COSTS?

Continued implementation of the Adopted Fiscal Responsibility Philosophy
- Includes: informed decision making, shared responsibility, increased transparency, aligned investments, diversified and aligned revenue sources, address long-term unfunded liabilities, continued efficiency and effectiveness.

Activation of the Fiscal Health Contingency Plan
- Includes a hiring and travel “chill”

Adoption of the 2017–19 Major City Goal: Fiscal Sustainability & Responsibility

ANNUAL CALPERS COST

2014–15
$7.8 million

PROJECTED CALPERS COST

2024–25
$19 million
There is no single solution to this financial challenge and the City Council will consider several components in developing a plan. Those components could include some or all of the following based on City Council direction December 12:

- New Ways of Doing Business
- Operational Reductions
- Revenue Options
- Employee Concessions

**WHAT IS THE TIMELINE?**

**OCTOBER**
Inform community & staff

**NOVEMBER**
City Council Meeting to consider process to develop plan

**DECEMBER**
City Council Meeting for direction on how plan components are to be distributed

**JAN–MARCH**
Develop components of plan based on Council direction

**APRIL**
Plan adoption at Strategic Budget Direction

**JUNE**
Budget adoption consistent with plan

**WHERE CAN I FIND MORE INFORMATION?**

Participate by attending Council Meetings or online at Open City Hall, slocity.org/opencityhall
Contact Us: fiscalhealth@slocity.org
www.slocity.org/fiscalhealth