

III. Retirement Benefits and Unfunded Pension Liabilities

The Committee is very concerned that the City is not paying out of its current year's budget the full cost being incurred by its current workforce for their future pension and retiree health benefits. The City is not paying approximately \$6-8 million a year for future pension benefits. As a result, a portion of the cost of today's City workforce will be paid by future year's taxpayers. Further, this non-discretionary item in the budget has been growing steadily and will continue to grow in the future.

Recommendation 2: Change the City's funding strategy to one that results in the City fully funding its future obligations earned today which includes the pension benefits as well as health benefits.

Recommendation 3: Obtain a current and comprehensive analysis of projected pension expenses and revenue sources, which includes the current present value of retiree health benefits to determine the impact on future City finances.

IV. General Deferred Maintenance and Unfunded Procurement

The Committee estimates the City's unfunded deferred maintenance to be in excess of \$300 million in the areas of Streets, Alleys, Sidewalks, Street Light and Traffic Signals, Bridges, Buildings and Structures, Fleet, and Coastal Infrastructure and Facilities. Information provided to the Committee was preliminary or inconsistent with other reports obtained by the Committee. As a result, the Committee was unable to accurately quantify the backlog of unfunded deferred maintenance. The Committee believes, however, that the current level of funding is not reducing the backlog and is, instead, contributing to its increase.

The Committee was advised that the City has approximately \$170 million in Information Technology needs which is mainly unfunded procurement. These Information Technology needs result from a combination of technology improvement and early anticipation of future needs over the next 2-5 years.

Recommendation 4: The City Manager should establish a process so that all deferred maintenance and unfunded procurement information is developed, aggregated, consistent, complete, non-duplicative, rated for priority, and is available on call for budgetary decisions.

Recommendation 5: The City Manager should prepare and present a public report during the annual budget hearings identifying the cumulative deferred maintenance backlog and unfunded procurement needs which includes asset descriptions, dollar requirements, and categorized by level of need with funding sources.

Recommendation 6: The City's policy with respect to funding deferred maintenance and Information Technology procurement should be revised to increase expenditures in these crucial areas. While the Committee notes some improvement in addressing deferred maintenance needs in some specific areas, other areas continue to deteriorate.