



# CITY OF CANYON LAKE

## City Hall

31516 Railroad Canyon Road

Canyon Lake, CA 92587

[www.canyonlakeca.gov](http://www.canyonlakeca.gov)

*Chair Kasey Castillo*

*Member Jennifer Dain*

## AGENDA

Regular Meeting of the Finance & Planning Committee

Wednesday, June 14, 2023

4:00 P.M. – City Hall Administration Office – 31526 Railroad Canyon Road, Suite 5

### CALL TO ORDER

### ROLL CALL

### PUBLIC COMMENT

LIMIT 3 MINUTES

### BUSINESS ITEMS

- (1) Presentation of Building Department Statistics
- (2) Approval of Finance & Planning Committee Minutes of May 10, 2023
- (3) Receive and File City Council Resolution No. 2023-17: Approving Claims and Demands of the City
- (4) Presentation of Financial Statements
- (5) Update Regarding City Council Item: Revised Fund Balance Policy
- (6) Update Regarding City Council Item: Agreement with Public Agency Retirement Services (PARS) for a Section 115 Trust – OPEB Prefunding Program

### STAFF COMMENTS

### COMMITTEE MEMBER COMMENTS

### ADJOURNMENT

Next Meeting Date: July 12, 2023





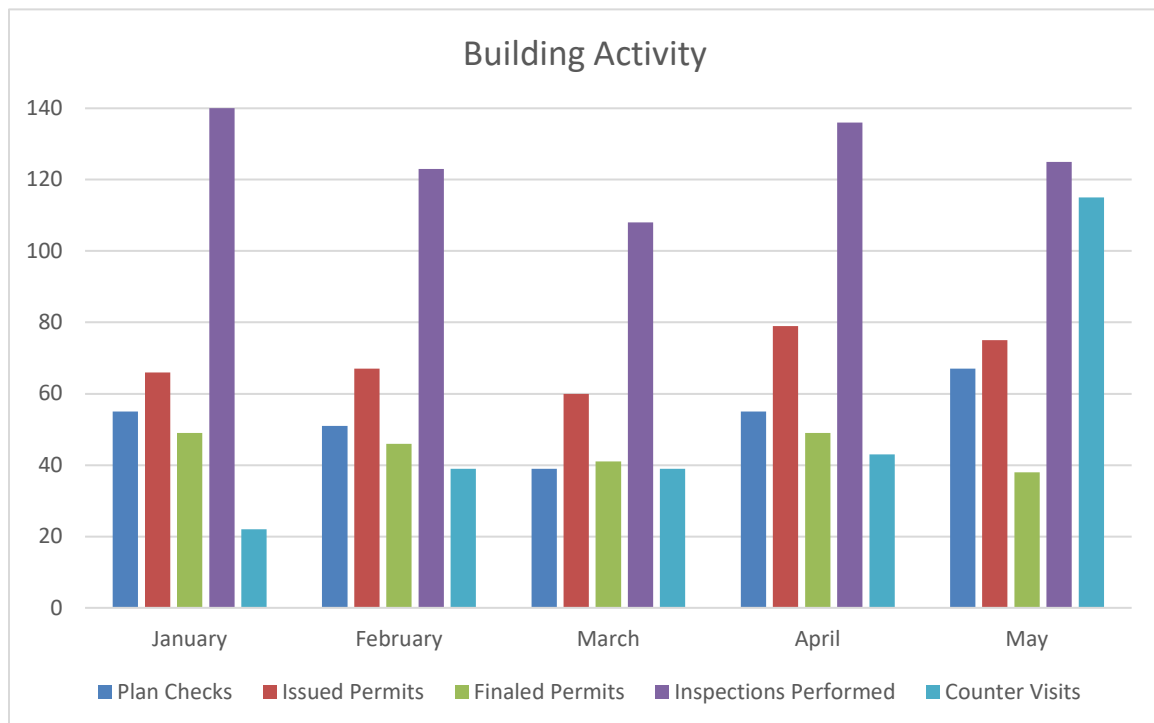
# STAFF REPORT

**TO:** Finance and Planning Committee  
**FROM:** Nicole Dailey, City Manager  
**BY:** David Harnden, Building Official  
**DATE:** June 14, 2023  
**SUBJECT:** Building Department Activity, May 2023

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Activity status within the City of Canyon Lake Building Department for the month of **May** 2023. Regular monthly reports will be submitted for your review.

Building & Safety has performed **67** Plan checks; Issued **75** permits; Finaled **38** projects and performed **125** Inspections. There were **115** counter visits to the Building Department.



## Revenue

Building & Safety has processed **\$76,760.81** in construction permit fees. (Fire Department Fees not included in this report).

\*\*\*April 2023 Revenue Amount Report of \$35,710.29 was created in error. The correct amount for April 2023 is **\$ 55,851.57**

## Updates on POA Projects

- **Permit # 20210191 – Lodge Restaurant Renovation**  
**Location:** 22200 Canyon Club Dr  
**Activity:** Last inspection on 04/25/23 for ground plumbing.  
No activity for May 2023.
  
- **Permit # 20210558 – New Event Center with Patio Cover and Retaining Walls**  
**Location:** 22200 Canyon Club Dr  
**Activity:** The last inspection was performed on 5/24/23 for Framing.
  
- **Permit # 20220478 – Solar Car Port**  
**Location:** 32001 Railroad Canyon Rd  
**Activity:** Last inspection performed on 04/27/23 for Footings.  
No activity for May 2023.
  
- **Permit # 20220493 – Pickleball Courts**  
**Location:** 24331 Canyon Lake Dr N.  
**Activity:** Permit issued on 1/25/2023. No inspections have been requested.  
No activity for May 2023.
  
- **Permit # 20220548 – Patio Shade Structure**  
**Location:** 32001 Railroad Canyon Rd.  
**Activity:** Permit finalized 05/02/23.
  
- **Permit # 20230351 – Electrical Upgrades**  
**Location:** 23307 S Canyon Lake Dr.  
**Activity:** Permit issued 5/23/23. No activity since issuance.

**MINUTES  
REGULAR MEETING OF THE CANYON LAKE  
FINANCE & PLANNING COMMITTEE  
Wednesday, May 10, 2023  
4:00 p.m.**

**City Hall Administration  
31526 Railroad Canyon Road, Suite 5  
Canyon Lake, CA 92587**

**CALL TO ORDER**

Committee Member Dain called the meeting to order at 4:00 p.m.

**ROLL CALL**

**Committee Members Present:** Committee Member Jennifer Dain

**Staff Present:** City Manager Nicole Dailey, Administrative Services Director Mike Borja, City Clerk Sheryl Garcia, Fire Chief Jeff LaTendresse, Finance Director Terry Shea, Deputy Building Official David Harnden

**PUBLIC COMMENTS**

There were no public comments.

**ROUTINE ITEMS**

(1) Presentation of Building Department Statistics

Deputy Building Official Harnden presented the statistics from the Building Department and answered questions from the Committee.

(2) Approval of Finance & Planning Committee Minutes of April 12, 2023

The minutes were approved as is.

(3) Resolution No. 2023-16 Approving Claims and Demands of the City

Staff presented the claims and demands and answered questions from the Committee.

(4) Presentation of Financial Statements

Finance Director Shea provided an update on the City's financial statements and answered questions from the Committee.

**STAFF COMMENTS**

Administrative Services Director Borja noted that the Railroad Canyon Road enhancement project was on the City Council agenda for approval.

**COMMITTEE MEMBER COMMENTS**

There were no comments.

**ADJOURNMENT**

The meeting was adjourned at 4:43 p.m.

Respectfully Submitted,

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Sheryl L. Garcia, MMC, CPM  
City Clerk



**ITEM NO. 3**

## **STAFF REPORT**

**TO:** Honorable Mayor and Members of the City Council

**FROM:** Nicole Dailey, City Manager

**BY:** Elizabeth Pereda, Executive Assistant and Accounting Technician 1

**DATE:** June 14, 2023

**SUBJECT:** Receive and File Claims and Demands of the City

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### **Recommendation**

Receive and file.

### **Background**

All claims and demands are reported and summarized for review and approval by the City Council on a routine basis at each City Council meeting. The attached claims represent the paid claims and demands since the City Council meeting of May 10, 2023.

### **Fiscal Impact**

All claims and demands are paid from appropriated funds or authorized resources of the City and have been recorded in accordance with the City's policies.

### **Attachments**

1. City Council Resolution No. 2023-17

# **ATTACHMENT 1**



**RESOLUTION NO. 2023-17**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CANYON LAKE, CALIFORNIA, ALLOWING CERTAIN CLAIMS AND DEMANDS AS SET FORTH IN EXHIBIT A**

**WHEREAS**, the Finance & Planning Committee of the City of Canyon Lake reviewed Exhibit A at their regularly scheduled meeting on June 14, 2023; and

**WHEREAS**, Exhibit A was presented at the regular meeting of the City Council on June 14, 2023, at which all present, were given an opportunity to comment.

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF CANYON LAKE DOES HEREBY RESOLVE AS FOLLOWS:**

Demands are approved as shown on the Demand\Warrant Register of June 14th, in the amount of \$648,800.87 as follows:

Payroll Earnings (Gross)	\$ 129,525.45	(For Month of May)
Payroll Processing Fees	\$ 258.20	(For Month of May)
Payroll Taxes - Employer	2,852.57	(For Month of May)
On-line Retirement	14,763.83	(For Month of May)
PARS	9,953.40	(2nd Half of April & 1st Half of May)
On-line Health	23,924.27	(For Month of May)
Principal	353.96	(For Month of June)
Aflac	682.18	(For Month of May)
Nationwide Deferred Comp.	5,366.13	(For Month of May)
Citizens Business Bank Interest	1,949.05	(For the Month of April)
General	\$ 459,171.83	
TOTAL	<u>\$ 648,800.87</u>	

**PASSED, APPROVED AND ADOPTED** this 14th day of June, 2023.

\_\_\_\_\_  
Jeremy Smith, Mayor

ATTEST:

\_\_\_\_\_  
Sheryl L. Garcia, MMC, CPM  
City Clerk

City of Canyon Lake  
Invoices Selected for Payment - COUNCIL CHECK REPORT

<u>Vendor ID</u>	<u>Invoice Description</u>	<u>Cash Required</u>
Firefighters First Credit Union	Payroll Deductions for Check Date 4/28/2023	207.72
Report Total		<u>207.72</u>

City of Canyon Lake  
Invoices Selected for Payment - COUNCIL CHECK REPORT

Vendor ID	Invoice Description	Cash Required
ABILA	Accounting Software 5/1/2023-5/31/2023	190.46
	Accounting Software 6/1/23-6/30/23	205.70
Amazon	Fire Station Office Supplies	367.13
	Office Supplies	141.10
Atlas	Final Invoice for Preparation of Safety Element	8,114.00
Bankcard	See Credit Card Review 0066	103.96
	See Credit Card Review 0041	1,611.88
	See Credit Card Review 0058	6,106.05
	See Credit Card Review 0058	2,056.12
	See Credit Card Review 7227	283.95
	See Credit Card Review 0776	884.04
	See Credit Card Review 7235	1,188.32
Bill Blankenship	Economic Development Consulting April 2023	3,330.00
Bound Tree	Fire Station Medical Supplies	68.53
	Fire Station Medical Supplies	482.33
Casey Thompson	Planning Deposit Refund for 22424 San Joaquin Dr W	1,071.00
CFE	Gated Wye for Patrol 1	525.17
CL PEST	Monthly Pest Control for Fire Station April 2023	45.00
	Monthly Rodent Bait for Fire Station April 2023	20.00
	Bi-Monthly Pest Control for Admin	60.00
	Quarterly Pest Control for City Hall	105.00
CL PROPERTY OWNERS	Fiesta Day Sponsorship 2023	1,000.00
Colantuono, Highsmith & Whatley	Attorney Fees for adv. Richard Beck	328.50
CPS	HR Consulting Services 2/26/23 to 4/1/23	98.75
CTAI	Landscape for Fire Station April 2023	250.00
	Landscape Maintenance Fee for Medians & Parkways April 2023	4,775.00
Dain	Auto Allowance May 2023-Dain	100.00
DATA TICKET	Parking Monthly Fee March 2023	100.00
	Monthly Parking Fee February 2023	100.00
Delgado	Janitorial Services for April 2023	1,239.50
Donuhue	Reserve Sitpend for April 2023	50.00
Fire ETC	Equipment for E-201	1,874.53
Hoffman's Painting	Painting of Exterior of City Building	2,885.00
Inland Water Services	Reimbursement for Over Payment of Business License	48.00
Jake Stouffer	Reserve Stipend for April 2023	100.00
Jeremy Smith	Auto Allowance May 2023-Smith	100.00
John Hancock	EE & ER Contributions for Bi-Weekly for Check Date 4/30/2023	3,744.98
	EE & ER Contributions for Semi-Monthly Check Date 4/30/23	1,284.88

City of Canyon Lake  
Invoices Selected for Payment - COUNCIL CHECK REPORT

Vendor ID	Invoice Description	Cash Required
Johnson Controls	Installation Charge for Admin	494.64
Karla Vazquez	Fire Station Open House-Face Painter	400.00
Kasey Castillo	Auto Allowance May 2023-Castillo	100.00
Koopman	Reserve Stipend for April 2023	100.00
Life-Assist	Fire Station Medical Supplies	338.81
	Medical Supplies for Fire Station	167.28
LOCC	2023 Local Streets and Roads Needs Assessment Funding	300.00
Luksch	Reserve Stipend for April 2023	50.00
Mark Terry	Auto Allowance May 2023-Terry	100.00
Mosqueda	Reserve Stipend for April 2023	100.00
MuniServices	Utility User Tax Fee-January 2023 to March 2023	2,500.00
Nate Garcia	Educational Reimbursement-Forcible Entry Class	400.00
Nicole Dailey	Reimbursement for working lunch w/Councilmembers Dain & Cast	84.76
O'Marra	Reimbursement for Educational Training	400.00
PVM	Debris & Vegetation Removal on RRCR due to accident	420.99
	Debris & Monument Removal on RRCR due to accident	1,833.35
	Street & Facilities Maintenance 4/1/23 to 4/30/23	634.35
RAMS	Accounting Services for March 2023	2,282.00
RCA	MSHCP Fees Collected for April 2023	7,894.00
RingCentral Inc.	Annual Contract 4/18/23 to 4/17/24 City Hall & Fire Station	10,068.54
riv Co Exec	SCFA Miscellaneous Admin FY 22/23	2,173.93
	Sheltering Costs for 4th Quarter April-June 2023	18,228.00
Riv Co TLMA	SLF - March 2023 Costs	2,681.40
Round Up	City Vehicle Fuel (1/1/2023 - 3/31/2023)	1,408.96
SanchezJ	Reserve Sitpend for April 2023	100.00
Sean Rivello	Reserve Stipend for April 2023	50.00
Syntech	Computer Setup for Nicole Dailey	700.00
TCS	GASB 75 Roll-Forward Valuation-1st Installment 4/24/23	720.00
The Gas Co	Gas Charges for 31520 Railroad Cyn Rd 3/30/23-4/28/23	30.24
	Gas Charges for City Hall 3/30/23-4/28/23	44.25
The Imaginators	Fire Station Open House-Balloon Twisting	450.00
Time Warner	Digital Converter for City Hall 4/22/23 to 5/21/23	5.54
Toshiba	Monthly Copier Lease for Admin & City Hall May 2023	799.32
Turnout Maintenance Company	Name Panel Tailpatch-Sasse	40.00
ULINE	Magnetic Envelopes: Vial of Life	79.89

City of Canyon Lake  
Invoices Selected for Payment - COUNCIL CHECK REPORT

<u>Vendor ID</u>	<u>Invoice Description</u>	<u>Cash Required</u>
Welty	Auto Allowance May 2023-Welty	100.00
Zach Michel	Reserve Stipend for April 2023	50.00
Zachary Hill	Reserve Stipend for April 2023	100.00
Zoll	Defibrillator Battery for Fire Station	357.35
Report Total		<u>101,826.48</u>

City of Canyon Lake  
Invoices Selected for Payment - COUNCIL CHECK REPORT

Vendor ID	Invoice Description	Cash Required
Amazon	Fire Station Office Supplies	78.54
	Fire Station Office Supplies	131.14
	Fire Station Office Supplies & Engine Equipment	50.28
AMP	Rent for June 2023-31526 Railroad Canyon Rd.	2,834.00
	Rent for June 2023-31526 Railroad Canyon Rd., Ste 4	430.00
ANIMAL FRIENDS	Animal Control Services Month of April 2023	3,500.00
Best Contracting	Refund for overpayment of Business License	21.00
Bound Tree	Combat Application Tourniquet for Fire Station	56.01
	Medical Supplies for Fire Station	78.92
CL PEST	Monthly Rodent Bait for Fire Station May 2023	20.00
	Monthly Pest Control for Fire Station May 2023	45.00
	Quarterly Pest Control -Storage Units	95.00
Co of Riv EMD	Quarterly Emergency Services for January 2023 - March 2023	6,250.00
Colantuono, Highsmith & Whatley	Attorney Fees for adv. Richard Beck	584.00
Control Pump	Landscape Booster Station for April 2023	375.00
Corelogic	Database for Code Enforcement April 2023	144.90
Cotter Construction Inc.	Fire Station Bathroom Remodel -Final Payment	42,500.00
	Fire Station Sewer Blockage Repairs	1,200.00
CR&R	Trash Service for Rental Bldg. May 2023	185.33
CTAI	Tree Trimming - Fire Station	1,700.00
Curtis	2nd Set of Turnouts for Full-Time FF (Jackets & Pants)	42,920.87
	Stokes Wheels for E-1 and P-1	3,869.16
	Rope Rescue Equipment for Fire Station	9,380.13
DATA TICKET	Code Enforcement Citation Processing April 2023	100.00
	Monthly EMS Response Fee April 2023	100.00
	Monthly Parking Fee April 2023	100.00
Delgado	Janitorial Services for May 2023	1,239.50
DOJ	Fingerprints for April 2023	32.00
FRIDAY FLYER	Legal Notice for Ord No. 235	25.20
GREENHALGH	Retiree Health Insurance June 2023	148.68
IGM	Access to Gravity Budget Book	3,500.00
Inland Menifee	New Employee Physical -Norma Haro	90.00
John Hancock	EE & ER Contributions for Semi-Monthly Check Date 5/15/23	1,284.88
	EE & ER Contributions for Bi-Weekly Check Date 5/12/23	3,638.66
Linde Gas & Equipment	Medical Supplies for Fire Station	347.01
LSA Associates, Inc.	Canyon Lake BLM Property Project Services through Nov 2022	1,923.75

City of Canyon Lake  
Invoices Selected for Payment - COUNCIL CHECK REPORT

Vendor ID	Invoice Description	Cash Required
	Canyon Lake BLM Property Project Services through Dec 2022	7,055.63
	Canyon Lake BLM Property Project Services through Jan 2023	2,396.25
	Canyon Lake BLM Property Project Services through Feb 2023	611.25
Nate Volk	Video Broadcast Meeting 5/10/2023	350.00
Nicole Dailey	Reimbursement for working Lunch w/Councilmembers Dain &	84.76
PARS	Monthly Administrative Fee Ending March 2023	400.00
Pitney Bowes	Lease Meter March 13, 2023 - June 12, 2023	147.94
PZL, Inc.	Planning Services for April 2023	5,460.00
RAMS	Accounting Services for April 2023	3,776.00
Riv Co Sheriff Dept Lake Elsinore	Sheriff's Contract Law 12/15/22 - 1/11/23	153,015.96
	Sheriff's Contract Law Facility FY 22/23	24,554.05
SDRMA	Dental & Vision Insurance June 2023	2,277.40
Shuster	Quarter 1 2023 Advisory Fee 1/1/23-3/31/23	750.00
STAPLES	Office Supplies for Admin & City Hall	1,380.34
Syntech	Finance Printer Installation	350.00
	Microsoft Subscriptions & Programs 5/1/23 - 5/30/23	1,448.00
	Monthly IT Support 5/1/23 - 5/31/23	2,625.00
Time Warner	Internet for Fire Station 5/10/23 - 6/9/23	306.81
Toshiba	Monthly Copier Lease for Admin & City Hall June 2023	799.32
	Monthly Copier Lease for Fire Station June 2023	120.83
Toshiba Business Solutions, USA	Admin B/W & Color Copies 4/26/2023 - 5/25/2023	198.07
	Fire Station B/W & Color Copies for 4/25/2023 - 5/24/2023	188.37
	Fire Station B/W & Color Copies for 3/25/2023 - 4/24/2023	57.83
	Admin B/W & Color Copies for 3/23/2023 - 4/25/2023	224.41
TRI LAKE	CL-001 General Engineering Services 4/1/23 - 4/30/23	9,573.75
Underline	Refund for Duplicate Payment on Permit Revision Fee	158.00
US Bank	See Credit Card Review	1,935.92
Willdan	Water Quality Services thru 4/28/2023	3,363.75
Report Total		352,588.60

City of Canyon Lake  
 Check/Voucher Register - Checks Prior Month  
 From 5/1/2023 Through 5/31/2023

Check Number	Vendor Name	Effective Date	Check Amount
EFT 730	SOUTHERN CALIFORNIA EDISON	5/2/2023	729.92
EFT 731	SOUTHERN CALIFORNIA EDISON	5/2/2023	267.00
EFT 732	SOUTHERN CALIFORNIA EDISON	5/2/2023	561.34
EFT 733	SOUTHERN CALIFORNIA EDISON	5/2/2023	10.82
EFT 734	SOUTHERN CALIFORNIA EDISON	5/2/2023	742.51
EFT 735	SOUTHERN CALIFORNIA EDISON	5/2/2023	40.09
EFT 736	SOUTHERN CALIFORNIA EDISON	5/2/2023	107.12
EFT 737	SOUTHERN CALIFORNIA EDISON	5/2/2023	184.32
EFT 738	SOUTHERN CALIFORNIA EDISON	5/11/2023	404.63
EFT 739	Sparkletts	5/11/2023	196.35
EFT 740	SOUTHERN CALIFORNIA EDISON	5/16/2023	200.74
EFT 741	ELSINORE VALLEY MUNI WATER DIS	5/16/2023	579.35
EFT 742	ELSINORE VALLEY MUNI WATER DIS	5/16/2023	206.63
EFT 743	ELSINORE VALLEY MUNI WATER DIS	5/16/2023	69.13
EFT 744	ELSINORE VALLEY MUNI WATER DIS	5/16/2023	84.95
EFT 745	ELSINORE VALLEY MUNI WATER DIS	5/16/2023	164.13
Report Total			<u>4,549.03</u>



## Credit Card Review

**California Bank & Trust Statement dated 4/28/23**

<u>ITEM #</u>	<u>CREDITOR</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>	<u>ACCOUNT</u>
1	Tommy's Express	Monthly car wash subscription April 2023	\$ 8.00	10-310-6415
2	Tommy's Express	Monthly car wash subscription April 2023	\$ 43.98	10-520-6415
3	Tommy's Express	Monthly car wash subscription April 2023	\$ 21.99	10-360-6415
4	Tommy's Express	Monthly car wash subscription April 2023	\$ 21.99	10-310-6415
5	Tommy's Express	Monthly car wash subscription April 2023	\$ 8.00	10-310-6415
			<u>\$ 103.96</u>	

Account Breakdown

City Manager Vehicle Maintenance	10-310-6415	\$ 37.99
Building & Safety Vehicle Maintenance	10-360-6415	\$ 21.99
Vehicle Maintenance	10-520-6415	\$ 43.98
		<u>\$ 103.96</u>

Check Figure \$ -

*Copies for City Council  
as directed by  
the Finance Committee*

**California Bank & Trust Statement dated 4/28/23**

<u>ITEM #</u>	<u>CREDITOR</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>	<u>ACCOUNT</u>
1	On Demand-CLVR	Map Printing	\$ 134.69	10-421-6210
2	In n Out Burger	City Manager Lunch A -Shift	\$ 49.92	10-421-6220
3	Canva	Open House: Postcards/Flyers	\$ 80.00	10-100-6830
4	Apple.com	Monthly icloud Storage	\$ 2.99	10-421-6310
5	Vincent Communications	Radio Earpieces	\$ 195.94	10-421-6220
6	Costume Online	Sparky Costume	\$ 398.05	10-100-6830
7	Foreign Tran Fee	Foreign Transaction Fee	\$ 11.94	10-100-6830
8	Michelin North America	New Tires on Engine 1	\$ 3,915.90	10-421-6410
9	PrintGlobe	Sunglass Holder	\$ 955.53	10-100-6830
10	Lowe's	Washer/Dryer & supplies	\$ 2,056.12	27-400-7001
11	Costco	Office Supplies	\$ 161.09	10-421-6210
12	SeniorSafety.com/Vial of Life	1000 Vial of Life Decals	\$ 200.00	10-310-6855
			<b>\$ 8,162.17</b>	

Account Breakdown

Promotion and Advertising	10-100-6830	\$ 1,445.52
City Manager Contingency	10-310-6855	\$ 200.00
Fire Department Fleet & Equipment Maintenance	10-421-6410	\$ 3,915.90
Fire Department Office Expense & Supplies	10-421-6210	\$ 295.78
Fire Department Departmental Expense	10-421-6220	\$ 245.86
Fire Department Communications	10-421-6310	\$ 2.99
Fire Station Upgrades	27-400-7001	\$ 2,056.12
		<b>\$ 8,162.17</b>

Check Figure \$

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the Finance Committee*

California Bank & Trust Statement dated 4/28/23

ITEM #	CREDITOR	DESCRIPTION	AMOUNT	ACCOUNT
1	Clive Garden	Lunch Meeting	\$ 49.62	10-310-6510
2	Amazon	Prime Membership Fee	\$ 16.15	10-310-6210
3	Verizon Wireless	CL Fire Dept M2M Devices	\$ 28.04	10-421-6310
4	CACEO	Membership Fee	\$ 100.00	10-520-6520
5	CLPOA-Country Club	Roundtable Meeting	\$ 137.38	10-310-6510
6	Viking Shred	Citywide Cleanup Event	\$ 600.00	10-310-6210
7	Verizon Wireless	Loads & Sim Card Devices	\$ 160.24	A
8	Verizon Wireless	Cell Phones -City Hall & Fire Dept	\$ 365.43	A
9	CACEO	Webinar	\$ 112.00	10-520-6710
10	Carl Train Value	Code Enforcement Boxes	\$ 30.43	10-520-6210
11	O'Reilly Auto Parts	Vehicle Supplies	\$ 12.59	10-520-6425
			\$ 1,611.88	

ACCOUNT BREAKDOWN	AMOUNT
10-310-6210	\$ 616.15
10-310-6510	\$ 187.00
10-360-6310	\$ 75.28
10-421-6310	\$ 242.99
10-520-6210	\$ 30.43
10-520-6310	\$ 201.92
10-520-6425	\$ 12.59
10-520-6520	\$ 100.00
10-520-6710	\$ 112.00
10-550-6310	\$ 533.52
	\$ 1,611.88

Check Figure \$

Copies for City Council  
as directed by  
the Finance Committee

**California Bank & Trust Statement dated 4/28/23**

<u>ITEM #</u>	<u>CREDITOR</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>	<u>ACCOUNT</u>
1	Stater Brothers	Office Supplies	\$ 22.58	10-310-6210
2	Olive Garden	Closed Session Meal	\$ 178.60	10-100-6225
3	Domino's	Working Budget Lunch for Staff	\$ 47.77	10-310-6510
4	Perris Valley Chamber	Registration for Mayor Smith	\$ 35.00	10-100-6510
			<b>\$ 283.95</b>	

**Account Breakdown**

City Council Meeting Expense	10-100-6225	\$ 178.60
Council Meeting/Travel Expense	10-100-6510	\$ 35.00
City Manager Office Expense	10-310-6210	\$ 22.58
Conference/Meeting/Travel Expense	10-310-6510	\$ 47.77
		<b>\$ 283.95</b>

Check Figure \$ -

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**California Bank & Trust Statement dated 4/28/23**

<u>ITEM #</u>	<u>CREDITOR</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>	<u>ACCOUNT</u>
1	Lowes	Supplies for Open House	\$ 597.95	10-100-6830
2	Lowes	Supplies for Open House	\$ 58.12	10-100-6830
3	Mi Pueblo Authentic	City Manager Lunch B-Shift	\$ 50.46	10-421-6220
4	Mi Pueblo Authentic	City Manager Lunch B-Shift	\$ 12.51	10-421-6220
5	Tommys Express	Car Wash B-1	\$ 15.00	10-421-6410
6	EB CSFA Training	Grant Writing Class	\$ 150.00	10-421-6710
			<b>\$ 884.04</b>	

Account Breakdown

Promotion and Advertising	10-100-6830	\$ 656.07
Fire Department Departmental Expense	10-421-6220	\$ 62.97
Fire Department Fleet & Equipment Maintenance	10-421-6410	\$ 15.00
Fire Department Training & Education	10-421-6710	\$ 150.00
		<b>\$ 884.04</b>

Check Figure \$

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**California Bank & Trust Statement dated 4/28/23**

<u>ITEM #</u>	<u>CREDITOR</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>	<u>ACCOUNT</u>
1	Amazon	Office Supplies	\$ 28.54	10-320-6220
2	Amazon	Office Supplies	\$ 32.30	10-320-6220
3	Amazon	Office Supplies	\$ 44.99	10-320-6220
4	Paradise Awards	Ceramic Tile Wood Plaque	\$ 141.87	10-100-6220
5	Awthentik Design	Military Banners	\$ 413.25	10-320-6520
6	Amazon	Office Supplies	\$ 44.57	10-320-6220
7	Majestic Document	Certificate Holders	\$ 378.99	10-100-6225
8	Amazon	Office Supplies	\$ 93.15	10-320-6220
9	Amazon	Office Supplies	\$ 10.66	10-320-6220
			<b>\$ 1,188.32</b>	

**Account Breakdown**

City Council Dept. Expense	10-100-6220	\$ 141.87
City Council Meeting Expense	10-100-6225	\$ 378.99
City Clerk Departmental Expense	10-320-6220	\$ 254.21
City Clerk Dues	10-320-6520	\$ 413.25
		<b>\$ 1,188.32</b>

Check Figure \$ -

*Copies for City Council  
as directed by  
the Finance Committee*

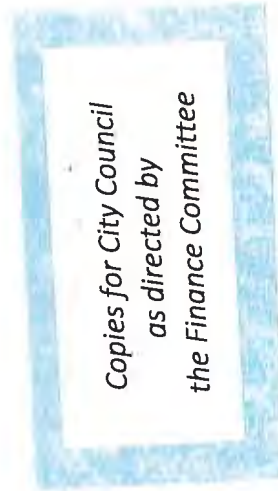
US BANK Statement dated 5/6/2023

ITEM #	CREDITOR	DESCRIPTION	AMOUNT	ACCOUNT
1	Downs Energy	Fuel for Fire 1 & 2	\$ 110.26	10-421-6425
2	Adobe	Photography Plan (20GB)	\$ 9.99	10-310-6220
3	Arlo Technologies	City Hall Security Cameras	\$ 32.99	10-550-6610
4	Downs Energy	Fuel for Fire 1 & 2	\$ 674.74	10-421-6425
5	Arlo Technologies	Admin Office Security Cameras	\$ 15.99	10-550-6610
6	Adobe	Acrobat Subscriptions	\$ 191.92	A
7	Downs Energy	Fuel for Fire 1 & 2	\$ 597.84	10-421-6425
8	Frontier Comm	Internet for City Hall & Admin Office	\$ 700.71	10-550-6320
9	DropBox	Media Dropbox Plus	\$ 119.88	10-310-6220
			\$ 1,935.92	

Account Breakdown

City Manager Dept. Expense	10-310-6220	\$ 153.86
City Clerk Departmental Expense	10-320-6220	\$47.98
Building Dept Expense	10-360-6220	\$23.99
Finance Office Expense and Supplies	10-330-6210	\$23.99
Fire Department Fuel & Lubricants	10-421-6425	\$ 1,382.44
Fire Department Expense	10-421-6220	\$71.97
Building & Facilities Utilities	10-550-6320	\$ 200.71
Building & Facilities Professional/Specialized Services	10-550-6610	\$ 119.88
		\$ 1,935.92

Check Figure \$ -





**CITY OF CANYON LAKE  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GENERAL FUND  
FOR THE ONE MONTH AND TEN MONTHS ENDING APRIL 30, 2023**

	Current Period Actual	Year-to-Date Actual	Total Budget	% Total of Budget Used
<b>REVENUES</b>				
Taxes	\$ 351,699.00	\$ 3,478,738.30	\$ 5,061,000	68.74
Licenses and Permits	76,972.39	686,726.32	630,800	108.87
Fines	3,151.62	16,126.62	21,300	75.71
Franchise Fees	159,483.95	397,103.20	604,100	65.73
Fees and Subscriptions	155.00	463,659.69	864,000	53.66
Investment earnings	1,013.67	11,569.79	25,000	46.28
Intergovernmental	-	2,697	58,800	4.59
Other Income	1,737.00	39,572.05	26,000	152.20
Total Revenues	<b>594,212.63</b>	<b>5,096,192.53</b>	<b>7,291,000</b>	<b>69.90</b>

**EXPENDITURES**

**DEPARTMENTS**

City Council	5,808.73	122,643.45	201,147	60.97
City Attorney	14,785.50	61,303.60	112,200	54.64
City Manager	60,613.84	642,319.10	886,105	72.49
City Clerk	18,112.16	229,258.80	278,090	82.44
Finance	17,115.83	308,168.97	386,569	79.72
Planning	6,090.00	63,277.11	211,200	29.96
Building & Safety	45,305.50	209,667.16	291,738	71.87
Law Enforcement	143,117.41	804,110.93	1,881,500	42.74
City Fire	183,361.02	1,286,271.41	1,780,173	72.26
Emergency Preparedness	-	21,296.60	42,900	49.64
Animal Control	33,286.00	145,756.00	151,290	96.34
Public Works Administration	-	4,285.00	15,000	28.57
NPDES	2,513.25	105,177.25	131,300	80.10
Special Enforcement	28,595.84	281,706.50	358,970	78.48
Building & Facility	19,469.35	304,567.05	355,690	85.63
Total Expenditures	<b>578,174.43</b>	<b>4,589,808.93</b>	<b>7,083,872</b>	<b>64.79</b>

Excess (Deficit)	<b>\$ 16,038.20</b>	<b>\$ 506,383.60</b>	<b>\$ 207,128</b>
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<b>Fund Balance - Beginning of Year</b>	<u>5,043,895.00</u>
<b>Fund Balance - April 30, 2023 (before closing)</b>	<u><b>\$ 5,550,278.60</b></u> *

\* Fund Balance is based on modified accrual basis as no closing procedures are performed until year end.





# **STAFF REPORT**

**TO: Honorable Mayor and Members of the City Council**

**FROM: Nicole Dailey, City Manager**

**BY: Terry Shea, Finance Director**

**DATE: June 14, 2023**

**SUBJECT: Adopt a Resolution Approving the Revised Fund Balance Policy**

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**Recommendation**

Adopt Resolution 2023-26 approving the Revised Fund Balance Policy.

**Background**

It is standard practice in local governments throughout the United States to have a reserve for cash flow needs ("working capital") and/or economic contingencies in one or more funds. Most common are reserves in a government entities' general fund, capital-intensive enterprise funds, and insurance trust funds. For these funds, it is common for unanticipated expenses or economic downturns to have adverse and potentially significant financial impacts absent resources set aside specifically for such occurrences.

Establishing formal reserve policies is recommended by the Government Finance Officers Association and encouraged by the bond rating agencies of Fitch, Standard & Poor's, and Moody's. The rating agencies view government entities very favorably when they establish and maintain reserve policies, particularly at times of fiscal uncertainty.

The City of Canyon Lake adopted a Fund Balance Policy in June of 2011 and set an Emergency Contingency Reserve at 50% of annual General Fund Expenditures. However, the Fund Balance Policy was amended on July 1, 2015, eliminating the 50% Emergency Contingency due to the City's General Fund balance condition at that time.

**Discussion**

One of the City Council's goals this year is to solidify and diversify City revenues. A key part of doing so is to ensure the long-term financial stability and solvency of the organization, particularly during times of economic distress, emergencies and other unexpected impacts that may affect the organization. As such, it is essential that the City remains fiscally responsible and prudent by reestablishing a fund balance policy that preserves the financial future of the

City. As such, staff has developed a revised fund balance policy that aims to achieve a 100% reserve within the next five years as previously directed by the City Council.

*Recommended Policy Elements*

It is recommended that the following key elements be included in the City's proposed Fund Balance Policy:

1. Differentiate between four categories of reserves:
  - A. The "**Emergency Reserve**" for unanticipated emergencies and/or unforeseen major unavoidable expenditures;
  - B. The "**Contingency Reserve**" for needs during economic downturns, and in cases of unforeseen sudden revenue loss; and,
  - C. The "**Vehicle & Equipment Replacement Reserve**" for future vehicle and equipment replacements; and,
  - D. The "**Surplus Reserve**" for monies set aside above the appropriated expenditures and the percentages set for the Emergency and Contingency Reserves.
2. Specify how and when each of these reserves may be accessed;
3. Specify when these reserves are permitted to be below the policy level, for how long, and in what way(s) they are to be replenished; and
4. Provide a framework through which the reserves may be accessed by the City Council for purposes other than an emergency or an economic downturn.

In establishing the attached Revised Fund Balance Policy, these elements were considered resulting in the following recommended reserves and reserve levels:

- **Emergency Reserve:** Set on June 30 each year at 10% of the upcoming fiscal year's General Fund expenditure budget. This reserve would only be utilized in a time of an emergency, as defined in the Policy, which must be declared by the two-thirds majority of the City Council. In the event that an emergency is declared, and the reserve is accessed, once the emergency has passed, staff would present a situation-specific plan to the City Council for replenishing the reserve over a period not to exceed three years. The occurrence of an emergency that would require access to this portion of the reserve would be an extremely unusual and infrequent occurrence, such as a major natural disaster or a major unforeseen settlement.

- **Contingency Reserve:** Set on June 30 each year at 5% of the upcoming fiscal year's General Fund expenditure budget. This reserve would only be accessible to address unforeseen sudden revenue loss that could not be balanced with other measures. The reserve is intended to provide a "bridge" to facilitate a measured and thoughtful reduction in expenditures during times of economic downturn rather than making immediate and drastic budget cuts without the time for proper evaluation. Approval of the two-thirds majority of the City Council would be required to access the reserve. Thereafter, staff would be required to present a plan to the City Council to restore the Contingency Reserve to the 5% level over no more than a three-year period.
- **Vehicle & Equipment Replacement Reserve:** Funded on an annual basis based on the Vehicle Replacement Schedule, which considers the replacement costs for the vehicles and associated equipment over the useful life of each vehicle. These funds will be transferred annually to the Vehicle Replacement Fund. The goal is to be able to replace the vehicles and equipment at the end of their useful lives without debt financing.
- **Surplus Reserve:** The goal is to increase the Surplus Reserves to 85% over the next five (5) years, which would raise the General Fund Fund Balance to 100% of the current fiscal year's budgeted expenditures. If at any time the Surplus Reserves exceed 85% of the General Fund expenditures budget during a fiscal year (for a total of a 100%, i.e., Surplus 85%, Emergency 10%, and Contingency 5%), staff must present a plan to the City Council with options for appropriate uses for the excess funds to bring the General Fund Reserve balance to the 100% level or below. These uses could include deferred capital projects, vehicle or equipment purchases, or other expenditures of a one-time nature.

In addition, any appropriation from reserves that causes the reserve balance to drop below the mandatory 15% (i.e., Emergency and Contingency Reserves) must be backfilled in subsequent fiscal years, with a plan drafted by staff and approved by the City Council.

Further, any report requesting an appropriation from reserves, regardless of whether it brings the balance below the mandatory 15% level, must include an analysis of the impact of the appropriation on the General Fund Reserve balance.

### **Fiscal Impact**

The changes proposed in this policy are anticipated to have a positive fiscal impact on the City's bond ratings. At the same time, there is a direct fiscal impact associated with the Fund Balance Policy. The General Fund Reserve Levels based on the proposed FY 2023-24 General Fund Expenditures of \$7,534,617, would be \$753,462 for the Emergency Reserve (10%) and \$376,731 for the Contingency Reserve (5%). The current proposed General Fund Balance on June 30, 2024 is \$5,482,857, which would leave the Surplus Reserve amount at \$4,362,60, which is approximately 58% of the proposed expenditures. As a result, the City would have an estimated combined reserve of 73%.

### **Attachments**

1. Resolution No. 2023-26

# **ATTACHMENT 1**

**RESOLUTION NO. 2023-26**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CANYON LAKE, CALIFORNIA, ESTABLISHING A REVISED FUND BALANCE POLICY**

**WHEREAS**, it is necessary to establish a Fund Balance Policy which outlines the procedures for reporting unrestricted fund balances in the General Fund financial statements; and

**WHEREAS**, certain commitments and assignments of fund balances will help ensure there will be adequate financial resources to protect the City against unforeseen circumstances and events such as revenue shortfalls and unanticipated expenditures; and

**WHEREAS**, this policy authorizes and directs the Finance Director to prepare financial reports which accurately categorize fund balance as per Government Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions; and

**WHEREAS**, the fund balance is essentially the difference between the assets/deferred outflows of resources and liabilities/deferred inflows of resources reported in the governmental fund. There are five separate components of fund balance, each of which identifies the extent to which the City is bound to honor constraints on the specific purposes for which amounts can be spent.

- Nonspendable fund balance (inherently nonspendable)
- Restricted fund balance (externally enforceable limitation on use)
- Committed fund balance (self-imposed limitation on use)
- Assigned fund balance (limitation resulting from intended use)
- Unassigned fund balance (residual net resources); and

**WHEREAS**, the Nonspendable fund balance and Restricted fund balance are not addressed in this policy due to the nature of their restrictions. An example of nonspendable fund balance is inventory. Restricted fund balance is either imposed by law or constrained by grantors, contributors, or laws or regulations of other governments. This policy is focused on finance reporting of unrestricted fund balance, or the Committed, Assigned or Unassigned fund balances; and

**WHEREAS**, in regards to the Committed Fund Balance, the City Council, as the City's highest level of decision-making authority, may commit fund balance for specific purposes pursuant to constraints imposed by formal actions taken, such as an ordinance or resolution. These committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use through the same type of formal action taken to establish the commitment. City Council action to commit fund balance needs to occur within the fiscal reporting period; however the amount can be determined subsequently; and

**WHEREAS**, the City's General Fund fund balance committed for the Emergency Reserve is established at ten Percent (10%), the Contingency Reserve at 5% of annual General Fund budgeted expenditures. As defined in the resolution establishing these commitments, the specific uses for Emergency Reserve are listed as the declaration of a state or federal state of emergency or a local emergency. The Contingency Reserve is established for the purpose of providing a "bridge" to facilitate a measured and thoughtful reduction in expenditures during times of economic downturn, rather than making immediate and drastic budget cuts without the time for proper evaluation. The City Council may, by the affirming vote of three members, change the amount of this commitment and/or the specific uses of these monies; and

**WHEREAS**, in regards to the Fund Balance Classification, the accounting policies of the City consider restricted fund balance to have been spent first when expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the City considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts; and

**WHEREAS**, this policy is in place to provide a measure of protection for the City against unforeseen circumstances and to comply with GASB Statement No. 54. No other policy or procedure supersedes the authority and provisions of this policy.

**NOW THEREFORE, THE CITY COUNCIL OF THE CITY OF CANYON LAKE DOES HEREBY RESOLVE AS FOLLOWS:**

**Section 1.** The foregoing recitals are true and correct.

**Section 2.** The City Council of the City of Canyon Lake formally approves the Revised Fund Balance Policy, attached as Exhibit "1" hereto, establishing the procedures for reporting the unrestricted fund balances in the General Fund.

**PASSED, APPROVED AND ADOPTED** this 14<sup>th</sup> day of June 2023.

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Jeremy Smith, Mayor

ATTEST:

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Sheryl L. Garcia, MMC, CPM  
City Clerk



## EXHIBIT “1”

### Revised Fund Balance Policy

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- A. This Revised Fund Balance Policy establishes guidelines and procedures for allocating and reporting fund balance in the financial statement in accordance with Governmental Accounting Standard Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and as committed by City Council, effective beginning June 14, 2023.
- B. Fund balance is defined as the difference between the assets/deferred outflows of resources and liabilities/deferred inflows of resources reported in a governmental fund.
- C. GASB Statement No. 54 defines five separate components of fund balance, each of which identifies the extent to which the City is bound to honor constraints on the specific purposes for which amounts can be spent.
- D. The following components defined by GASB Statement No. 54 shall constitute the City’s Fund Balance for financial reporting purposes:
1. Nonspendable Fund Balance  
Amounts that are not in spendable form, such as inventory, prepaid amounts and long-term receivables, and those that legally or contractually must be kept intact, such as endowment corpus or revolving loan funds.
  2. Restricted Fund Balance  
Amounts that can be used only for specific purposes due to limitations imposed by creditors, grantors, contributors, or laws and regulations of other governments and limitations imposed by law through constitutional provisions or enabling legislation.
  3. Committed Fund Balance  
Amounts that can only be used for specific purposes because of a formal action by the government’s highest decision-making authority. These constraints are binding unless removed in the same manner in which they were originally committed.
  4. Assigned Fund Balance  
Amounts intended for specific purposes but not restricted or committed. Intended use established by highest level of decision making, by a body designated for that purpose, or by an official designated for that purpose (delegated by the City Council to the City Manager).
  5. Unassigned Fund Balance  
Excess of nonspendable, restricted, committed, and assigned total fund balance. Only the General Fund can report a positive unassigned fund balance. Other funds might have a negative unassigned fund balance due to overspending restricted, committed, or assigned amounts.

- E. For the General Fund, unless the fund balances are non-spendable or restricted, fund balances are considered to be “spendable” and available for use at the discretion of the City Council.
- F. For all other Special Revenue and Capital Projects Funds, these resources are limited as to use by external enforceable limitations (e.g. enabling legislation), therefore fund balances in these funds will be categorized as restricted.

## **RESERVES**

- A. The Reserve Policy is designed to develop standards for setting reserve levels for various significant City funds. Adequate reserve levels are a necessary component of the City’s overall financial management strategy and a key factor in external agencies’ measurement of the City’s financial strength.
- B. The City shall maintain reserves at a prudent level and shall use reserves appropriately with a focus on contributing to the reserves in good times and drawing on the reserves in times of difficult budget periods to maintain a consistent level of service and quality operations.
- C. Use of reserves may be used as approved by the City Council to supplement the annual budget by providing appropriate cash flow for the operation of city services, to address emergencies and unexpected opportunities, to maintain the City’s credit rating or other purposes deemed appropriate by the City Council.
- D. The Policy covers the General Fund.

### General Fund

The reserves of the General Fund will be based on the risks that influence the need for reserves as a hedge against uncertainty and loss. A risk is defined as the probability and magnitude of a loss, disaster, or other undesirable event. The risk factors are as follows: Revenue Sources Stability, Vulnerability to Extreme Events, Expenditure Volatility, Liquidity, Other Fund’s Dependency, Growth, Capital Projects, and Capital Asset Replacements.

Maintaining healthy reserves in the General Fund is a critical component of the City's sound financial management practices. This policy therefore establishes minimum required reserve balances for the General Fund in three categories as below:

1. An Emergency Reserve equal to 10% of the General Fund expenditure budget; and
2. A Contingency Reserve equal to 5% of the General Fund expenditure budget; and
3. A Vehicle & Equipment Replacement Reserve (based on the annual Vehicle Replacement Schedule)

For purposes of this policy, these reserve levels are to be established annually as part of the budget process utilizing the preliminary General Fund budget for the year(s).

### Emergency Reserve

The Emergency Reserve is established for the purpose of addressing any extremely unusual and infrequent occurrences, such as a major natural disaster or a major unforeseen settlement. Utilization of the emergency reserve requires declaration of an emergency by a two-thirds majority of the City Council, and specification of the maximum dollar amount to be used. If the Emergency Reserve is accessed, staff must present a plan to the City Council following the termination of the emergency to return the Emergency Reserve to the 10% minimum level. The proposed timeline for restoring the reserve level must not exceed three years.

### Contingency Reserve

The Contingency Reserve is established for the purpose of providing a "bridge" to facilitate a measured and thoughtful reduction in expenditures during times of economic downturn, rather than making immediate and drastic budget cuts without the time for proper evaluation. Utilization of the economic contingency reserve, including specification of the maximum dollar amount to be used, requires approval by a two-thirds majority of the City Council. Once utilization of the Contingency Reserve has been terminated, staff must present a plan to the City Council to return the Contingency Reserve to the 5% minimum level over no more than a three-year period.

### Vehicle & Equipment Replacement Reserve

The Vehicle Replacement Reserve will be funded on annual basis based on the Vehicle Replacement Schedule which considers the replacement costs for the vehicles and associated equipment over the useful life of each vehicle. These funds will be transferred annually to the Vehicle Replacement Fund. The goal is to be able to replace the vehicles and equipment at the end of their useful lives without debt financing.

### Surplus Reserves

These funds are termed Surplus Reserves in this policy. If at any time the Surplus Reserves exceed 85% of the General Fund expenditures budget during a fiscal year (for a total of a 100%, i.e., Surplus 85%, Emergency 10%, and Contingency 5%), staff must present a plan to the City Council with options for appropriate uses for the excess funds to bring the General Fund Reserve balance to the 100% level or below. The goal would be to increase the Surplus Reserves to 85% over the next five (5) years, which would raise the General Fund Fund Balance to 100% of the current fiscal year's budgeted expenditures. These uses could include deferred capital projects, vehicle or equipment purchases, or other expenditures of a one-time nature.

### Utilization of Reserves for Other Purposes

It is recognized that from time to time there may be reasons to utilize General Fund reserves for special projects, programs, and purchases of a one-time nature. In these instances, the following requirements apply to a request for a supplemental appropriation from reserves based on the then current balance in the overall reserve levels (Emergency Reserve + Contingency Reserve + Surplus Reserves).

1. When Surplus Reserves are to be utilized for the requested appropriation, and any such appropriation is one-time in nature, the City Council may appropriate the funds in the context of the City's overall financial needs as presented by staff.

2. When no Surplus Reserves exist, the City Council may appropriate funds from the Contingency Reserve for purposes other than those outlined in the Contingency Reserve section of this policy:
  - a. with a two-thirds approval;
  - b. for projects that are one-time in nature;
  - c. in the context of the City's overall financial needs as presented by staff; and
  - d. with a requirement that staff incorporate an appropriation to reserves in the subsequent fiscal year's budget in order to restore the Contingency Reserve to the 5% level.
  
3. Any report requesting a supplemental appropriation from reserves must include an analysis of the impact of the appropriation on the General Fund Reserve balance.



## **STAFF REPORT**

**TO: Honorable Mayor and Members of the City Council**

**FROM: Nicole Dailey, City Manager**

**BY: Terry Shea, Finance Director**

**DATE: June 14, 2023**

**SUBJECT: Approval of an Agreement with Public Agency Retirement Services (PARS) for a Section 115 Trust – OPEB Prefunding Program**

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### **Recommendation**

(1) Approve and authorize the City Manager to execute an Agreement with Public Agency Retirement Services (PARS) for a Public Agencies Post-Employment Benefits Trust for the purpose of pre-funding Other Post-Employment Benefits (OPEB) obligations and retaining PARS as the Trust Administrator; and (2) adopt Resolution 2023-21 approving the Public Agencies Post Employment Benefits Trust administered by PARS.

### **Background**

The City of Canyon Lake provides certain medical benefits to eligible retirees. To be eligible to receive the benefits, retirees must have retired directly from the City with a service or disability retirement. Such benefits are commonly referred to as Other Post-Employment Benefits (“OPEB”).

At present, public agencies have two options for covering OPEB costs. One option is known as “pay-as-you-go,” where the employer makes the required insurance premium payments for its retirees as they are due using the current year’s operating budget. This is the City’s method of payment. The other option is “pre-funding,” where funds are set aside in a dedicated trust account. Establishing and funding an OPEB trust ensures that an employer can meet its future obligations while leveraging higher yields to decrease the amount to be paid by the City’s General Fund.

The Government Accounting Standards Board (GASB 75) requires agencies to account for and disclose their OPEB costs for all active and retired employees. As of the most recent valuation (June 2022) the City's Net OPEB Liability is \$437,121 for benefits already earned. Without a plan to address the City's OPEB Liability, this amount will continue to grow before eventually declining.

A Section 115 Trust is a tax-exempt investment tool for cities to prefund essential government expenses (i.e., retirement plan benefits). Since these trust assets are designated for essential government expenses, they are exempt from state-mandated investment restrictions placed on the City's internally managed portfolio. As a result, the City can earn a long-term rate of return greater than what it would attain through its investment pool.

Funds placed in a Section 115 Trust can remain in the Trust until the City chooses to draw down its assets to pay annual benefit obligations. To remain tax-exempt, assets held in a Section 115 Trust are designated as irrevocable, meaning they must be used to fund the City's OPEB obligations. Therefore, withdrawals from the trust may be made to reimburse the City for current and/or previous year's payments or to pay for OPEB costs directly.

### **Discussion**

Recognizing the benefits of establishing a Section 115 Trust, staff recommends the City establishes its own Section 115 Trust. PARS is a retirement services provider that has thirty-nine years of business experience and is a recognized leader for public employee benefit services. PARS currently provides the City's retirement plan for the Fire Department, and they offer a Section 115 Trust – OPEB Prefunding Program. PARS currently has 387 members participating in its OPEB and Pension Rate Stabilization Program, the most of any known provider. PARS's clients are comprised of cities (158), counties (36), special districts (112) education districts (3) and school districts (78).

PARS offers investment services through HighMark Capital, an investment management firm which offers five diversified portfolios for PARS clients with long-term, mid-term and short-term investment horizons. HighMark's Moderate portfolio has a 5-year average gross return of 3.55%, and a 10-year average gross return of 5.46%. PARS is partnered with U.S. Bank, the trustee and plan fiduciary responsible of safeguarding member assets. Under the terms of the trust, U.S. Bank provides legal oversight and holds member assets in trust which protects assets from creditors.

PARS' fee structure is tiered and calculated as percentage of trust assets – the fee structure is arranged so that fees decline as assets increase. However, based on the City's circumstances our annual fees will be 0.60% of assets. Fees are deducted from the trust assets monthly and itemized for services provided by the Trust Administrator (PARS), the Discretionary Trustee (U.S. Bank) and the Investment Manager (HighMark Capital).

PARS is one of only two firms to have received a favorable Private Letter Ruling from the IRS for its Pension Rate Stabilization Program, establishing that their trust can be operated on a tax-exempt basis.

Expected benefits offered by the PARS OPEB plan include:

- Contributions placed in an exclusive benefit trust to address the City's short- and long-term OPEB Liability.
- Investment flexibility with Section 115 Trust compared to restrictions on general fund investments (Govt. Code 53216).
- Increased risk diversification of plan assets through different asset management.

- Investments can be tailored to the City's unique demographics.
- Increased flexibility with the use of trust assets (i.e., trust assets can be accessed at any time as long as the assets are used to fund the City's OPEB obligations).
- Potential for positive rating agency and investor consideration.

### **Fiscal Impact**

An initial funding amount of \$50,000 will be made from General Fund Reserves. This amount will be recorded as Restricted Cash & Investments OPEB Trust on the City's general ledger. There are no fees to establish the Trust. The fees to administer the Trust are 0.25% of the assets and 0.35% for Investment Management Fees for an annual total of 0.60% of the value of the assets. The Fee Structure is attached. The Fees on the \$50,000 would be approximately \$300 per year.

### **Attachments**

1. Resolution No. 2023-21
2. Agreement for Administrative Services
3. PARS 115 Trust – OPEB Prefunding Program Presentation

# **ATTACHMENT 1**



**RESOLUTION NO. 2023-21**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CANYON LAKE, CALIFORNIA, APPROVING THE ADOPTION OF THE PUBLIC AGENCIES POST EMPLOYMENT BENEFITS TRUST ADMINISTERED BY PUBLIC AGENCY RETIREMENT SERVICES (PARS)**

**WHEREAS**, PARS has made available the PARS Public Agencies Post-Employment Benefits Trust (the “Program”) for the purpose of pre-funding pension obligations and/or OPEB obligations; and

**WHEREAS**, the City of Canyon Lake (“City”) is eligible to participate in the Program, a tax-exempt trust performing an essential governmental function within the meaning of Section 115 of the Internal Revenue Code, as amended, and the Regulations issued there under, and is a tax-exempt trust under the relevant statutory provisions of the State of California; and

**WHEREAS**, the City’s adoption and operation of the Program has no effect on any current or former employee’s entitlement to post-employment benefits; and

**WHEREAS**, the terms and conditions of post-employment benefit entitlement, if any, are governed by contracts separate from and independent of the Program; and

**WHEREAS**, the City’s funding of the Program does not, and is not intended to, create any new vested right to any benefit nor strengthen any existing vested right; and

**WHEREAS**, the City reserves the right to make contributions, if any, to the Program.

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF CANYON LAKE RESOLVES AND ORDERS AS FOLLOWS:**

**Section 1.** The foregoing recitals are true and correct.

**Section 2.** The City Council hereby adopts the PARS Public Agencies Post-Employment Benefits Trust, effective July 1, 2023.

**Section 3.** The City Council hereby appoints the City Manager, or his/her successor or his/her designee as the City’s Plan Administrator for the Program.

**Section 4.** The City’s Plan Administrator is hereby authorized to execute the PARS legal and administrative documents on behalf of the City and to take whatever additional actions are necessary to maintain the City’s participation in the Program and to maintain compliance of any relevant regulation issued or as may be issued; therefore, authorizing him/her to take whatever additional actions are required to administer the City’s Program.

**PASSED, APPROVED AND ADOPTED** this 14<sup>th</sup> day of June 2023.

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Jeremy Smith, Mayor

ATTEST:

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Sheryl L. Garcia, MMC, CPM  
City Clerk

## **ATTACHMENT 2**

## AGREEMENT FOR ADMINISTRATIVE SERVICES

This agreement (“Agreement”) is made this \_\_\_\_ day of \_\_\_\_\_, 2023, between Phase II Systems, a corporation organized and existing under the laws of the State of California, doing business as Public Agency Retirement Services and PARS (hereinafter “PARS”) and the [Agency Name] (“Agency”).

WHEREAS, the Agency has adopted the PARS Public Agencies Post-Employment Benefits Trust for the purpose of pre-funding pension obligations and/or Other Post-Employment Benefits (“OPEB”) obligations (“Plan”) and is desirous of retaining PARS as Trust Administrator to the Trust, to provide administrative services.

NOW THEREFORE, the parties agree:

1. **Services.** PARS will provide the services pertaining to the Plan as described in the exhibit attached hereto as “Exhibit 1A” (“Services”) in a timely manner, subject to the further provisions of this Agreement.
2. **Fees for Services.** PARS will be compensated for performance of the Services as described in the exhibit attached hereto as “Exhibit 1B”.
3. **Payment Terms.** Payment for the Services will be remitted directly from Plan assets unless the Agency chooses to make payment directly to PARS. In the event that the Agency chooses to make payment directly to PARS, it shall be the responsibility of the Agency to remit payment directly to PARS based upon an invoice prepared by PARS and delivered to the Agency. If payment is not received by PARS within thirty (30) days of the invoice delivery date, the balance due shall bear interest at the rate of 1.5% per month. If payment is not received from the Agency within sixty (60) days of the invoice delivery date, payment plus accrued interest will be remitted directly from Plan assets, unless PARS has previously received written communication disputing the subject invoice that is signed by a duly authorized representative of the Agency.
4. **Fees for Services Beyond Scope.** Fees for services beyond those specified in this Agreement will be billed to the Agency at the rates indicated in the PARS’ standard fee schedule in effect at the time the services are provided and shall be payable as described in Section 3 of this Agreement. Before any such services are performed, PARS will provide the Agency with a detailed description of the services, terms, and applicable rates for such services. Such services, terms, and applicable rates shall be agreed upon in writing and executed by both parties.
5. **Information Furnished to PARS.** PARS will provide the Services contingent upon the Agency providing PARS the information specified in the exhibit attached hereto as “Exhibit 1C” (“Data”). It shall be the responsibility of the Agency to certify the accuracy, content, and completeness of the Data so that PARS may rely on such information without further audit. It shall further be the responsibility of the Agency to deliver the Data to PARS in such a manner that allows for a reasonable amount of time for the Services to be performed. Unless specified in Exhibit 1A, PARS shall be under no duty to question Data received from the Agency, to compute contributions made to the

Plan, to determine or inquire whether contributions are adequate to meet and discharge liabilities under the Plan, or to determine or inquire whether contributions made to the Plan are in compliance with the Plan or applicable law. In addition, PARS shall not be liable for nonperformance of Services to the extent such nonperformance is caused by or results from erroneous and/or late delivery of Data from the Agency. In the event that the Agency fails to provide Data in a complete, accurate and timely manner and pursuant to the specifications in Exhibit 1C, PARS reserves the right, notwithstanding the further provisions of this Agreement, to terminate this Agreement upon no less than ninety (90) days written notice to the Agency.

6. **Records.** Throughout the duration of this Agreement, and for a period of five (5) years after termination of this Agreement, PARS shall provide duly authorized representatives of Agency access to all records and material relating to calculation of PARS' fees under this Agreement. Such access shall include the right to inspect, audit and reproduce such records and material and to verify reports furnished in compliance with the provisions of this Agreement. All information so obtained shall be accorded confidential treatment as provided under applicable law.
7. **Confidentiality.** Without the Agency's consent, PARS shall not disclose any information relating to the Plan except to duly authorized officials of the Agency, subject to applicable law, and to parties retained by PARS to perform specific services within this Agreement. The Agency shall not disclose any information relating to the Plan to individuals not employed by the Agency without the prior written consent of PARS, except as such disclosures may be required by applicable law.
8. **Independent Contractor.** PARS is and at all times hereunder shall be an independent contractor. As such, neither the Agency nor any of its officers, employees or agents shall have the power to control the conduct of PARS, its officers, employees, or agents, except as specifically set forth and provided for herein. PARS shall pay all wages, salaries, and other amounts due its employees in connection with this Agreement and shall be responsible for all reports and obligations respecting them, such as social security, income tax withholding, unemployment compensation, workers' compensation, and similar matters.
9. **Indemnification.** PARS and Agency hereby indemnify each other and hold the other harmless, including their respective officers, directors, and employees, from any claim, loss, demand, liability, or expense, including reasonable attorneys' fees and costs, incurred by the other as a consequence of, to the extent, PARS' or Agency's, as the case may be, negligent acts, errors or omissions with respect to the performance of their respective duties hereunder.
10. **Compliance with Applicable Law.** The Agency shall observe and comply with federal, state, and local laws in effect when this Agreement is executed, or which may come into effect during the term of this Agreement, regarding the administration of the Plan. PARS shall observe and comply with federal, state, and local laws in effect when this Agreement is executed, or which may come into effect during the term of this Agreement, regarding Plan administrative services provided under this Agreement.

11. **Applicable Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of California. In the event any party institutes legal proceedings to enforce or interpret this Agreement, venue and jurisdiction shall be in any state court of competent jurisdiction.
12. **Force Majeure.** When a party's nonperformance hereunder was beyond the control and not due to the fault of the party not performing, a party shall be excused from performing its obligations under this Agreement during the time and to the extent that its performance is prevented by such cause. Such cause shall include, but not be limited to: any incidence of fire, flood, acts of God or unanticipated communicable disease, acts of terrorism or war commandeering of material, products, plants or facilities by the federal, state or local government, a material act or omission by the other party or any law, ordinance, rule, guidance or recommendation by the federal, state or local government, or any agency thereof, which becomes effective after the date of this Agreement that delays or renders impractical either party's performance under the Agreement.
13. **Ownership of Reports and Documents.** The originals of all letters, documents, reports, and data produced for the purposes of this Agreement shall be delivered to and become the property of the Agency. Copies may be made for PARS but shall not be furnished to others without written authorization from Agency.
14. **Designees.** The Plan Administrator of the Agency, or their designee, shall have the authority to act for and exercise any of the rights of the Agency as set forth in this Agreement, subsequent to and in accordance with the written authority granted by the Governing Body of the Agency, a copy of which writing shall be delivered to PARS. Any officer of PARS, or his or her designees, shall have the authority to act for and exercise any of the rights of PARS as set forth in this Agreement.
15. **Notices.** All notices hereunder and communications regarding the interpretation of the terms of this Agreement, or changes thereto, shall be effected by delivery of the notices in person or by depositing the notices in the U.S. mail, registered or certified mail, return receipt requested, postage prepaid and addressed as follows:
- (A) To PARS: PARS; 4350 Von Karman Avenue, Suite 100, Newport Beach, CA 92660; Attention: President
  - (B) To Agency: [Agency]; [Agency Address]; Attention: [Plan Administrator Title]
- Notices shall be deemed given on the date received by the addressee.
16. **Term of Agreement.** This Agreement shall remain in effect for the period beginning \_\_\_\_\_, 2023 and ending \_\_\_\_\_, 2026 ("Term"). This Agreement may be terminated at any time by giving thirty (30) days written notice to the other party of the intent to terminate. Absent a thirty (30) day written notice to the other party of the intent to terminate, this Agreement will continue unchanged for successive twelve-month periods following the Term.
17. **Amendment.** This Agreement may not be amended orally, but only by a written instrument executed by the parties hereto.

18. **Entire Agreement.** This Agreement, including exhibits, contains the entire understanding of the parties with respect to the subject matter set forth in this Agreement. In the event a conflict arises between the parties with respect to any term, condition or provision of this Agreement, the remaining terms, conditions, and provisions shall remain in full force and legal effect. No waiver of any term or condition of this Agreement by any party shall be construed by the other as a continuing waiver of such term or condition.
19. **Attorneys Fees.** In the event any action is taken by a party hereto to enforce the terms of this Agreement the prevailing party herein shall be entitled to receive its reasonable attorney's fees.
20. **Counterparts.** This Agreement may be executed in any number of counterparts, and in that event, each counterpart shall be deemed a complete original and be enforceable without reference to any other counterpart.
21. **Headings.** Headings in this Agreement are for convenience only and shall not be used to interpret or construe its provisions.
22. **Effective Date.** This Agreement shall be effective on the date first above written, and also shall be the date the Agreement is executed.

**AGENCY:**

BY: \_\_\_\_\_  
Plan Administrator Name

TITLE: \_\_\_\_\_

DATE: \_\_\_\_\_

**PARS:**

BY: \_\_\_\_\_  
Tod Hammeras

TITLE: Chief Financial Officer \_\_\_\_\_

DATE: \_\_\_\_\_

EXHIBIT 1A  
SERVICES

PARS will provide the following services for the [Agency Name] Public Agencies Post-Employment Benefits Trust:

1. Plan Installation Services:

- (A) Meeting with appropriate Agency personnel to discuss plan provisions, implementation timelines, actuarial valuation process, funding strategies, benefit communication strategies, data reporting, and submission requirements for contributions/reimbursements/distributions;
- (B) Providing the necessary analysis and advisory services to finalize these elements of the Plan;
- (C) Providing the documentation needed to establish the Plan to be reviewed and approved by Agency legal counsel. Resulting final Plan documentation must be approved by the Agency prior to the commencement of PARS Plan Administration Services outlined in Exhibit 1A, paragraph 2 below.

2. Plan Administration Services:

- (A) Monitoring the receipt of Plan contributions made by the Agency to the trustee of the PARS Public Agencies Post-Employment Benefits Trust (“Trustee”), based upon information received from the Agency and the Trustee;
- (B) Performing periodic accounting of Plan assets, reimbursements/distributions, and investment activity, based upon information received from the Agency and/or Trustee;
- (C) Coordinating the processing of distribution payments pursuant to authorized direction by the Agency, and the provisions of the Plan, and, to the extent possible, based upon Agency-provided Data;
- (D) Coordinating actions with the Trustee as directed by the Plan Administrator within the scope of this Agreement;
- (E) Preparing and submitting a monthly report of Plan activity to the Agency, unless directed by the Agency otherwise;
- (F) Preparing and submitting an annual report of Plan activity to the Agency;
- (G) Facilitating actuarial valuation updates and funding modifications for compliance with the applicable GASB pronouncements and/or statements, if prefunding OPEB obligations;
- (H) Coordinating periodic audits of the Trust;
- (I) Monitoring Plan and Trust compliance with federal and state laws.

3. PARS is not licensed to provide and does not offer tax, accounting, legal, investment or actuarial advice.



**EXHIBIT 1B**  
**FEES FOR SERVICES**

PARS will be compensated for performance of Services, as described in Exhibit 1A based upon the following schedule:

An annual asset fee shall be paid from Plan assets based on the following schedule:

<b><u>For Plan Assets from:</u></b>			<b><u>Annual Rate:</u></b>
\$1	to	\$10,000,000	0.25%
\$10,000,001	to	\$15,000,000	0.20%
\$15,000,001	to	\$50,000,000	0.15%
\$50,000,001	and	above	0.10%

Annual rates are prorated and paid monthly. The annual asset fee shall be calculated by the following formula [Annual rate divided by 12 (months of the year) multiplied by the Plan asset balance at the end of the month]. Trustee and Investment Management Fees are not included.

EXHIBIT 1C  
DATA REQUIREMENTS

PARS will provide the Services under this Agreement contingent upon receiving the following information. Agency is solely responsible for ensuring that all information and documentation provided to PARS is true, correct, and authorized:

1. Executed Legal Documents:
  - (A) Certified Resolution
  - (B) Adoption Agreement to the Public Agencies Post-Employment Benefits Trust
  - (C) Trustee Investment Forms
  
2. Contribution – completed Contribution Transmittal Form signed by the Plan Administrator (or authorized Designee) which contains the following information:
  - (A) Agency name
  - (B) Contribution amount
  - (C) Contribution date
  - (D) Contribution method (Check, ACH, Wire)
  
3. Distribution – completed Payment Reimbursement/Distribution Form signed by the Plan Administrator (or authorized Designee) which contains the following information:
  - (A) Agency name
  - (B) Payment reimbursement/distribution amount
  - (C) Applicable statement date
  - (D) Copy of applicable premium, claim, statement, warrant, and/or administrative expense evidencing payment
  - (E) Signed certification of reimbursement/distribution from the Plan Administrator (or authorized Designee)
  
4. Other information pertinent to the Services as reasonably requested by PARS and Actuarial Provider.

## **ATTACHMENT 3**

PUBLIC  
AGENCY  
RETIREMENT  
SERVICES

PARS

TRUSTED SOLUTIONS. LASTING RESULTS.



# CITY OF CANYON LAKE

PARS 115 Trust – OPEB Prefunding Program & Pension Rate Stabilization Program (PRSP)  
February 2023

# PARS 115 TRUST TEAM

## Trust Administrator & Consultant



- Serves as record-keeper, consultant, and central point of contact
- Sub-trust accounting
- Coordinates all agency services
- Monitors plan compliance (IRS/GASB/State Government Code)
- Processes contributions/disbursements
- Hands-on, dedicated support teams

<b>39</b>	<b>2,000+</b>	<b>1,000+</b>	<b>500+</b>	<b>500K+</b>	<b>\$6.4B</b>
Years of Experience (1984-2023)	Plans under Administration	Public Agency Clients	115 Trust Clients	Plan Participants	Assets under Administration

## Trustee



- 5th largest commercial bank and one of the nation's largest trustees for Section 115 trusts
- Safeguard plan assets
- Oversight protection as plan fiduciary
- Custodian of assets

<b>160</b>	<b>\$9.5T</b>
Years of Experience (1863-2023)	Assets under Administration

## Investment Manager



- Investment sub-advisor to trustee U.S. Bank
- Investment policy assistance
- Uses open architecture
- Active and passive platform options
- Customized portfolios (with minimum asset level)

<b>104</b>	<b>\$17.4B</b>
Years of Experience (1919-2023)	Assets under Management & Advisement

# 115 TRUST – OPEB/PENSION CLIENT LIST

Updated February 2023

## CITIES & TOWNS (158)

Alameda  
Alhambra  
Anaheim  
Angels Camp  
Atherton  
Atwater  
Bakersfield  
Beaumont  
Bell Gardens  
Benicia  
Beverly Hills  
Bishop  
Brea  
Brisbane  
Burlingame  
Calabasas  
Camarillo  
Capitola  
Carmel  
Chino Hills  
Chula Vista  
Claremont  
Colma  
Commerce  
Corcoran  
Coronado  
Costa Mesa  
Covina  
Crescent City  
Cudahy  
Cupertino  
Cypress  
Daly City  
Dana Point  
Del Rey Oaks  
Dinuba  
Duarte  
Dublin  
El Cajon  
El Centro  
El Segundo  
Elk Grove  
Emeryville  
Escondido  
Fairfax  
Fairfield  
Fort Bragg  
Fountain Valley  
Fullerton  
Galt  
Garden Grove  
Gilroy  
Glendale  
Glendora  
Goleta  
Grand Terrace  
Grass Valley  
Half Moon Bay  
Hawthorne  
Healdsburg  
Hemet  
Hercules  
Hermosa Beach  
Huntington Beach  
Indian Wells  
Imperial  
Indio  
Ione  
La Habra  
Lakeport  
La Mesa  
La Quinta  
Laguna Niguel  
Lake Forest  
Lakewood  
Lemon Grove  
Livermore  
Lodi

Los Alamitos  
Los Altos Hills  
Mammoth Lakes  
Manhattan Beach  
Merced  
Modesto  
Monrovia  
Moraga  
Moreno Valley  
Morgan Hill  
Morro Bay  
Napa  
National City  
Norco  
Norwalk  
Novato  
Oakley  
Orinda  
Oroville  
Pacifica  
Palmdale  
Palo Alto  
Pasadena  
Patterson  
Perris  
Pico Rivera  
Piedmont  
Pinole  
Pittsburg  
Placentia  
Pleasant Hill  
Pleasanton  
Port Hueneme  
Rancho Cucamonga  
Redding  
Redwood City  
Rialto  
Richmond  
Rio Vista  
Ripon

Riverside  
Rohnert Park  
Rolling Hills  
Rosemead  
Ross  
San Anselmo  
San Jacinto  
San Leandro  
San Ramon  
Santa Ana  
Santa Clara  
Santa Clarita  
Sausalito  
Selma  
Solana Beach  
South El Monte  
Stanton  
Stockton  
Sutter Creek  
Taft  
Temecula  
Temple City  
Thousand Oaks  
Tiburon  
Tustin  
Twentynine Palms  
Union City  
Upland  
Vallejo  
Villa Park  
Walnut  
West Covina  
West Sacramento  
Westminster  
Winters  
Woodland  
Woodside  
Yountville  
Yuba City  
Yucca Valley

## COUNTIES (36)

Alpine  
Amador  
Calaveras  
Colusa  
Contra Costa  
Glenn  
Humboldt  
Imperial  
Inyo  
Kern  
Kings  
Lake  
Lassen  
Madera  
Mariposa  
Mendocino  
Merced  
Mono  
Monterey  
Napa  
Nevada  
Placer  
Plumas  
Riverside  
San Benito  
San Joaquin  
Shasta  
Siskiyou  
Solano  
Sonoma  
Sutter  
Tehama  
Trinity  
Tulare  
Yolo  
Yuba

# 115 TRUST – OPEB/PENSION CLIENT LIST

Updated February 2023

## SPECIAL DISTRICTS (112)

Agoura Hills/Calabasas Community Center Authority  
Alameda County Mosquito Abatement District  
Alpine Fire Protection District  
Beach Cities Health District  
Bighorn-Desert View Water Agency  
Bodega Bay Public Utilities District  
Calaveras County Water District  
California Joint Powers Insurance Authority  
California Joint Powers Risk Management Authority  
Central Contra Costa Sanitary District  
Central Contra Costa Transit Authority  
Coastline Regional Occupational Program  
Coastside Fire Protection District  
Colusa Mosquito Abatement District  
Contra Costa County EEs' Retirement Association  
Contra Costa Mosquito and Vector Control District  
Crestline Village Water District  
Delta Diablo  
Desert Recreation District  
East Bay Regional Park District  
East Orange County Water District  
Eastern Sierra Community Services District  
Eastern Sierra Transit Authority  
El Dorado Hills County Water (& Fire) District  
Fallbrook Public Utility District  
Fresno Irrigation District  
Fresno Metropolitan Flood Control District  
Glenn-Colusa Irrigation District  
Goleta Cemetery District  
Goleta West Sanitary District  
Great Basin Unified Air Pollution Control District  
Greater Vallejo Recreation District  
Hayward Area Recreation & Park District  
Hesperia Fire Protection District  
Housing Authority of the County of Butte  
Housing Authority of the County of Contra Costa  
Housing Authority of the County of San Bernardino  
Housing Authority of the County of Santa Cruz  
Humboldt Bay Fire Joint Powers Authority  
Humboldt Bay Municipal Water District

Humboldt No. 1 Fire Protection District  
Menlo Park Fire Protection District  
Mesa Water District  
Metropolitan Transportation Commission  
Midpeninsula Regional Open Space District  
Mid-Peninsula Water District  
Mojave Desert Air Quality Management District  
Montecito Fire Protection District  
Monterey Bay Unified Air Pollution Control District  
Monterey County Mosquito Abatement District  
Moraga-Orinda Fire Protection District  
Mosquito & Vector Mgmt Dist. of Santa Barbara Co.  
Municipal Pooling Authority  
Municipal Water District of Orange County  
Napa County Mosquito Abatement District  
Nevada County Consolidated Fire District  
North Central Fire Protection District  
North County Fire Protection District  
Novato Sanitary District  
Orange County Fire Authority  
Orange County LAFCO  
Orange County Mosquito and Vector Control District  
Orange County Sanitation District  
Orange County Water District  
Orchard Dale Water District  
Public Agency Risk Sharing Authority of CA (PARSAC)  
Pebble Beach Community Services District  
Placentia Library District  
Placer County Air Pollution Control District  
Placer County Resource Conservation District  
Rancho Cucamonga Fire Protection District  
Rancho Murieta Community Services District  
Redwood Empire Municipal Insurance Fund (REMIF)  
Regional Housing Authority  
Rowland Water District  
Sacramento Area Flood Control Agency  
San Andreas Sanitary District  
San Elijo Joint Powers Authority  
San Mateo County Mosquito & Vector Control District  
Santa Barbara County Law Library

Santa Cruz Regional 9-1-1 JPA  
Santa Fe Irrigation District  
Sewer Authority Mid-Coastside  
Shasta Valley Cemetery District  
South Coast Water District  
South Montebello Irrigation District  
South Orange County Wastewater Authority  
South Placer Fire Protection District  
Southern Marin Fire Protection District  
State Water Contractors  
Superior Court of CA, County of Imperial  
Superior Court of CA, County of Inyo  
Superior Court of CA, County of Kern  
Superior Court of CA, County of Marin  
Superior Court of CA, County of Merced  
Superior Court of CA, County of San Mateo  
Superior Court of CA, County of San Joaquin  
Superior Court of CA, County of Shasta  
Superior Court of CA, County of Siskiyou  
Superior Court of CA, County of Sonoma  
Sweetwater Springs Water District  
Three Valleys Municipal Water District  
Twentynine Palms Water District  
Union Sanitary District  
Ventura Regional Sanitation District  
Walnut Valley Water District  
West Bay Sanitary District  
West County Wastewater District  
Western Riverside Council of Governments  
Yolo-Solano Air Quality Management District  
Yorba Linda Water District  
Zone 7 Water Agency

## EDUCATION DISTRICTS (3)

Shasta County Office of Education  
Sonoma County Office of Education  
Intelecom

# 115 TRUST – OPEB/PENSION CLIENT LIST

Updated February 2023

## SCHOOL DISTRICTS (59)

Alisal Union School District  
Alta Loma School District  
Auburn Union School District  
Bass Lake Joint Union Elementary School District  
Bellflower Unified School District  
Beverly Hills Unified School District  
Brea Olinda Unified School District  
Calistoga Joint Unified School District  
Campbell Union High School District  
Compton Unified School District  
Corning Union Elementary School District  
Coronado Unified School District  
Cotati-Rohnert Park Unified School District  
Dry Creek JESD  
El Dorado Union High School District  
El Monte Union High School District  
Folsom Cordova Unified School District  
Fontana Unified School District  
Fowler Unified School District  
Hermosa Beach City School District  
Hesperia Unified School District  
Hughes-Elizabeth Lakes Union E. School District  
John Swett Unified School District  
Lakeside Union School District (San Diego)  
Le Grand Union HSD  
Lemon Grove School District  
Lindsay Unified School District  
Madera Unified School District  
Manteca Unified School District  
Moreno Valley Unified School District  
Napa Valley Unified School District  
Natomas Unified School District

Newport-Mesa Unified School District  
Ocean View School District (Ventura)  
Ontario-Montclair School District  
Orcutt Union School District  
Palmdale School District  
Palos Verdes Peninsula Unified School District  
Paramount USD  
Placer Union High School District  
Porterville Unified School District  
Poway Unified School District  
Red Bluff Joint Union High School District  
Red Bluff Union Elementary School District  
River Delta Unified School District  
Riverdale Joint Unified School District  
Roseville Joint Union High School District

San Bruno Park School District  
San Dieguito Union High School District  
San Marino Unified School District  
Santa Barbara Unified School District  
Santa Rita Union School District  
Taft Union HSD  
Trona Joint Unified School District  
Upland USD  
Visalia Unified School District  
Westside Union School District  
Whittier City School District  
Wilsona School District

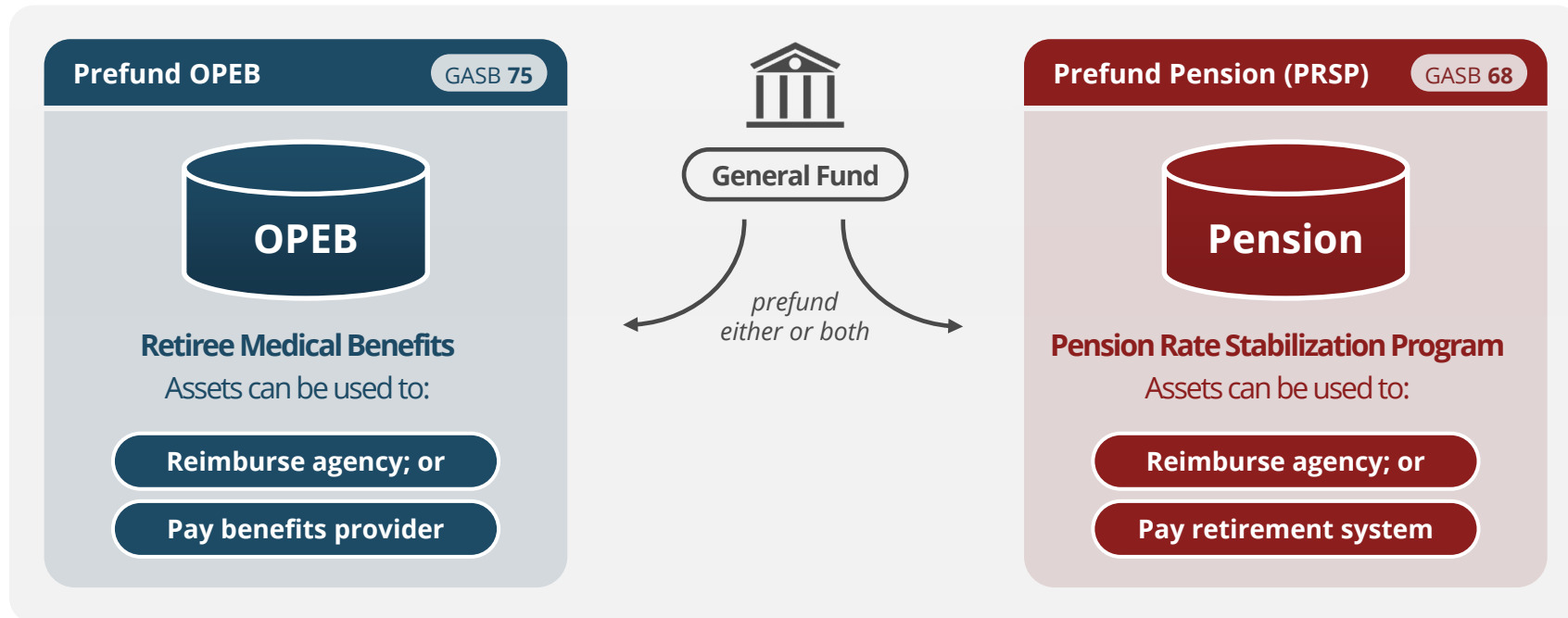
## COMMUNITY COLLEGE DISTRICTS (19)

Allan Hancock CCD  
Citrus CCD  
Coast CCD  
Grossmont-Cuyamaca CCD  
Hartnell CCD  
Imperial CCD  
Marin CCD  
Palo Verde CCD  
Pasadena Area CCD  
Rancho Santiago CCD

Rio Hondo CCD  
San Bernardino CCD  
San Luis Obispo County CCD (Cuesta)  
Shasta-Trinity-Tehama Joint CCD  
State Center CCD  
Victor Valley CCD  
West Valley-Mission CCD  
Yosemite CCD  
Yuba CCD



# PARS IRS-APPROVED SECTION 115 TRUST



**Subaccounts**  
 OPEB and Pension assets are individually sub-accounted, and can be divided by dept., bargaining group, or cost center

**Financial Stability**  
 Assets in the PARS Section 115 Combination Trust can be used to address unfunded liabilities.

**Flexible Investing**  
 Allows separate investment strategies for OPEB and Pension subaccounts.

**Anytime Access**  
 Trust funds are available anytime; OPEB for OPEB and Pension for Pension.

**Economies-of-Scale**  
 OPEB and Pension assets aggregate and reach lower fees on tiered schedule sooner – saving money!

**No Set Up Cost or Minimums**  
 No set-up costs, no minimum annual contribution amounts, and no fees until assets are added.

*The*

# PARS OPEB TRUST PROGRAM

*for prefunding Other Post-Employment Benefits*

# OPEB ACTUARIAL RESULTS

Data from 2022 Actuarial Valuation Valuation Date: June 30, 2022	Pay-as-you-Go Discount Rate: 3.54%	Percent Change	Prefunding Discount Rate: 6.54%
Total OPEB Liability (TOL)	\$437,121	30-36% ▼	?
Fiduciary Net Position	\$0	--	?
Net OPEB Liability (NOL)	\$437,121	30-36% ▼	?
Service Cost for FY 2021-22	\$87,584	30-36% ▼	?
Annual Benefit Payments (Pay-as-you-Go) for FY 2021-22	\$4,139	--	\$4,139

**Rule of thumb:** For every one percent increase in the discount rate, the unfunded liability is lowered by 10-12%.

# WHY PREFUND OPEB OBLIGATIONS?

---

- Greater expected rate of return (discount rate) which lowers your liabilities
- Contributions into trust are “assets” that offset liabilities on financial statements
- GASB 68 – Pension liabilities listed as line item on Balance Sheet in 2015  
GASB 75 – OPEB liabilities listed as line item on Balance sheet in 2018
- GFOA recommends prefunding OPEB and considers it “best practice” (January 2012)
- Credit rating companies look more favorably on agencies who adopt an Irrevocable Trust and prefund
  - At least 4 agencies have improved credit rating
  - Higher credit rating means lower borrowing costs
- OPEB assets are accessible for OPEB expenses at any time
- Prefunding has no downside other than market fluctuation (similar to pension)

*The*

# PARS PENSION RATE STABILIZATION PLAN

*for the prefunding CalPERS pension benefits*

# BACKGROUND – PENSION

- Since 2015, GASB 68 has required disclosing Net Pension Liability on financial statements as a line item on the balance sheet
- Before the concept of pension prefunding, the only way to reduce retirement system unfunded liabilities was to send additional contributions in excess of annual required employer contributions
- Pension trust prefunding assets can be transferred to the retirement system at the Agency's direction, which can help offset future rate increases (i.e., pension rate stabilization).

## CalPERS Changes

CalPERS has announced changes directly affecting unfunded liability amounts and employer contributions:

### Lowering of Discount Rate <sup>1</sup>

**7.0%**  
▼  
**6.8%**

CalPERS lowered the discount rate from 7.0% to 6.8%. The impact is reflected in the June 30, 2021 valuation reports.

<sup>1</sup> Contributions from policy changes beginning FY 23-24.

### Shortened Amortization Period <sup>2</sup>

**30 years**  
▼  
**20 years**

New actuarial liabilities are amortized over 20 years instead of 30, increasing required annual employer contribution amounts\*

<sup>2</sup> 5-year ramp up in payments beginning FY 15-16 with full impact in FY 19/20.



# PENSION FUNDING STATUS

As of June 30, 2021, City of Canyon Lake’s CalPERS pension plan is funded as follows:

Combined Miscellaneous Groups *	Valuation as of June 30, 2020	Valuation as of June 30, 2021	Change
Actuarial Liability	\$1.9 M	\$2.1 M	9.1% ↑
Assets	\$1.4 M	\$1.8 M	24.9% ↑
Unfunded Liability	\$509 K	\$329 K	35.3% ↓
Funded Ratio	73.8%	84.5%	14.5% ↑
Employer Contribution Amount	\$75 K (FY 21-22)	\$98 K (FY 22-23)	31.6% ↑
Employer Contribution Amount – Projected *	---	\$101 K (FY 28-29)	2.3% ↑

\* Data through 2028-29 from Agency’s latest CalPERS actuarial valuation.

# WHY PREFUND PENSION OBLIGATIONS?

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## 1. Complete Local Control over Assets

Agency has complete control over assets, including contributions, disbursements and the timing, amount, and risk tolerance level of investments

## 2. Pension Rate Stabilization

Assets can be transferred to the retirement system at the Agency's direction, potentially reducing/eliminating large fluctuations in employer contribution amounts

## 3. Rainy Day Fund

Emergency source of funds when employer revenues are strained in difficult budgetary or economic times

## 4. Diversification

Allows for investment flexibility and offers the potential for assets to earn greater returns than the general fund; spread the risk vs. sending additional money to CalPERS



# WHY USE A 115 TRUST VS. RESERVE ACCOUNT?

115 Trust	Reserve Account
Fixed Income or diversified investing available	Fixed income investing only
Can be tailored for short or long term	Investments not tailored for long term
Opportunity to earn greater return than General Fund	Conservative returns
Irrevocable (for non-pension expenses)	Revocable
Dedicated solely for pension costs	Can be accessed for other uses
Exclusive benefit/protected from creditors	Unprotected from creditors
Corporate trustee to mitigate fiduciary risk	No corporate trustee

# SAMPLE FUNDING POLICIES

- |  |                          |
|--|--------------------------|
| 1. Contribute 50% of a given year's realized year end surplus to address pension liability                               | Alameda/Solana Beach     |
| 2. Contribute full amount of annual PERS employer cont., allowing anytime access to trust assets                         | City of Brea             |
| 3. Contribute funds to stabilize PERS employer Misc. and Safety rates through FY 23-24                                   | City of Healdsburg       |
| 4. "One equals five plan" - \$1M contribution for 5 years will save taxpayers \$5M over 25 years                         | City of Huntington Beach |
| 5. Contribute Employer contribution equal to the 2.8% discount rate, with difference going into the Section 115 Trust    | City of Sausalito        |
| 6. Contribute the annual savings realized from Reduction in UAL payment resulting from Pension Obligation Bonds issuance | City of Placentia        |
| 7. Earmark a portion of a local sales tax to be set aside for unfunded pension liabilities                               | City of Fountain Valley  |
| 8. Use ongoing savings from prepaying CalPERS unfunded liability vs. higher monthly payments                             | City of Pasadena         |
| 9. Use one-time revenue source and lower the minimum General Fund Reserve level (30% → 20%)                              | City of Glendale         |

# INVESTMENT FLEXIBILITY

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- Agency maintains oversight of the investment manager and the portfolio's risk tolerance level
- Investment restrictions that apply to the general fund (CA Government Code 53601) are not applicable to assets held in The PARS Section 115 Irrevocable Trust
- Assets held in The PARS Section 115 Irrevocable Trust can be invested per Government Code Sections 53216 (Pension) and 53620 (OPEB)
- Investments can be diversified and invested in a prudent fashion
- Investments can be tailored to the Agency's unique demographics and needs
- Increased risk diversification



## Diversified Investing

Assets held in The PARS Section 115 Irrevocable Trust can be diversely invested in a prudent fashion per Government Code Sections 53216 (Pension) and 53620 (OPEB).

**GOV § 53216 (Pension)**

**GOV § 53620 (OPEB)**

# HIGHMARK CAPITAL MANAGEMENT

As of December 31, 2022

## ACTIVE PORTFOLIO RETURNS

Strategy	Equity (%)	1 Year	3 Years	5 Years	10 Years
Capital Appreciation	65-85%	-16.08%	3.37%	4.99%	7.50%
Balanced	50-70%	-15.28%	2.43%	4.15%	6.32%
Moderate	40-60%	-14.63%	1.76%	3.55%	5.46%
Moderately Conservative	20-40%	-13.46%	0.26%	2.23%	3.73%
Conservative	5-20%	-12.63%	-0.89%	1.30%	2.51%

## LAIF AVERAGE APPORTIONMENT RATES

	Equity (%)	1 Year	3 Years	5 Years	10 Years
LAIF*	0%	1.12%	0.89%	1.43%	0.95%

Past performance does not guarantee future results.

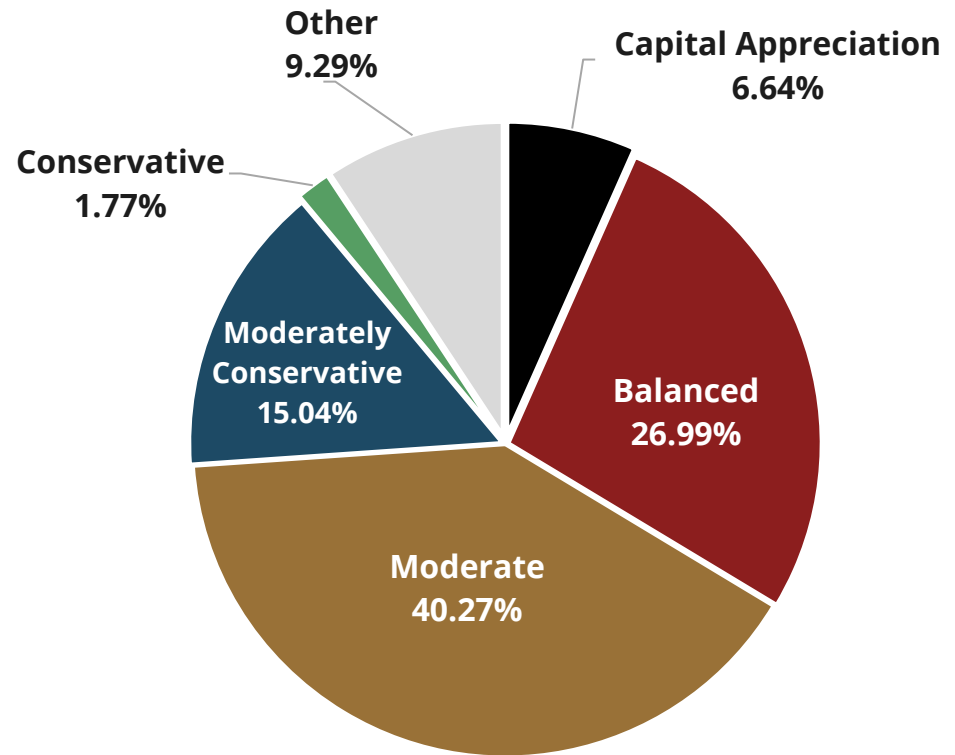
\* Apportionment rates illustrated reflect the average of the LAIF apportionment rates (released quarterly) over each time period; LAIF apportionment rates data source: <https://www.treasurer.ca.gov/pmia-laif/historical/quarterly.asp>

# OPEB STRATEGY ALLOCATION – CLIENTS

As of December 31, 2022

## HIGHMARK CAPITAL MANAGEMENT

Strategy	Allocation* (%)
<b>Capital Appreciation</b> (65-85% Equity)	6.64%
<b>Balanced</b> (50-70% Equity)	26.99%
<b>Moderate</b> (40-60% Equity)	40.27%
<b>Mod. Conservative</b> (20-40% Equity)	15.04%
<b>Conservative</b> (5-20% Equity)	1.77%
<b>Other</b> (Custom)	9.29%
<b>TOTAL</b>	<b>100.00%</b>



Active Platform: 59% / Passive Platform: 41%

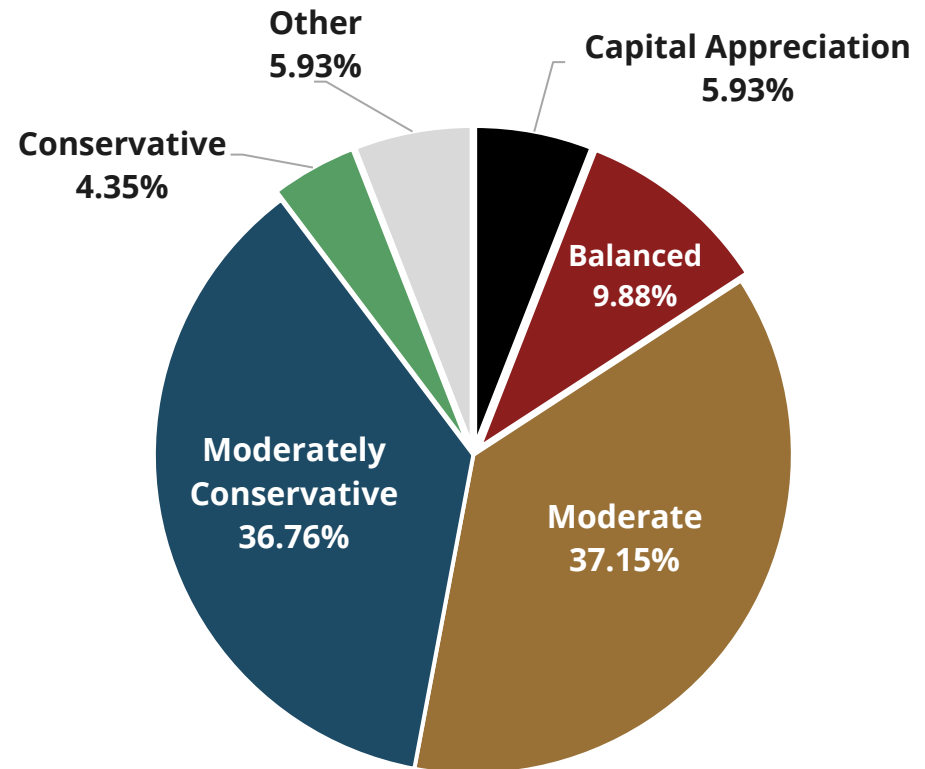
\*Allocations are based on agencies who have funded

# PRSP STRATEGY ALLOCATION – CLIENTS

As of December 31, 2022

## HIGHMARK CAPITAL MANAGEMENT

Strategy	Allocation* (%)
<b>Capital Appreciation</b> (65-85% Equity)	5.93%
<b>Balanced</b> (50-70% Equity)	9.88%
<b>Moderate</b> (40-60% Equity)	37.15%
<b>Mod. Conservative</b> (20-40% Equity)	36.76%
<b>Conservative</b> (5-20% Equity)	4.35%
<b>Other</b> (Custom)	5.93%
<b>TOTAL</b>	<b>100.00%</b>



Active Platform: 53% / Passive Platform: 47%

\*Allocations are based on agencies who have funded

# PROGRAM FEES

As of December 31, 2022

## Trust Administration/Consulting Fees\*



### Plan Set-Up Fee:

None

### Ongoing Fees:

0.25%	for assets \$0-10 million
0.20%	for assets \$10-15 million
0.15%	for assets \$15-50 million
0.10%	for assets over \$50 million

## Discretionary Trustee/Investment Management Fees\*\*



### Plan Set-Up Fee:

None

### Ongoing Fees:

0.35%	for assets under \$5 million
0.25%	for assets \$5-10 million
0.20%	for assets \$10-15 million
0.15%	for assets \$15-50 million
0.10%	for assets over \$50 million

\* PARS does not receive any compensation from the investments or any commissions, back-end loads, or any other forms of compensation.

\*\* Subject to change due to rebalancing, as fees are waived for plan assets in First American Funds (money market)

# STEPS TO IMPLEMENTATION

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1

City Council authorizes establishment of The PARS Trust and appoints a Plan Administrator

2

PARS provides legal documents for signature by Plan Administrator

3

City develops investment policy and guidelines for Investment Manager

4

City Council approves initial deposit to The PARS Trust

5

Cities develop policies & procedures for future annual contributions and/or disbursements

6

PARS conducts an annual client services review



# CONTACTS

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