

RESOLUTION NO. _____ (CM)

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
WATSONVILLE ESTABLISHING A CALPERS SMOOTHING RESERVE
IN THE AMOUNT OF \$1 MILLION USING FUND BALANCE IN EXCESS
OF THE MINIMUM RECOMMENDED OF 20% RESERVE LEVEL**

WHEREAS, an Unfunded Actuarial Liability (UAL) exists when a pension plan's liabilities are greater than its assets; and

WHEREAS, in FY21/22 (UAL) cost will represent 10.5% of the general fund operating budget; and

WHEREAS, UAL costs are expected to continue to rise much faster than our revenues in each of the next three fiscal years, peaking in FY23/24; and

WHEREAS, to help offset these increases, staff is proposing the creation of a CalPERS smoothing reserve of \$1 million dollars; and

WHEREAS, updates as to the amount used, available, and needed for this reserve will be provided to Council at both mid-year and budget hearings each year until the reserve is exhausted or no longer needed.

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY
OF WATSONVILLE, CALIFORNIA, AS FOLLOWS:**

That the CalPERS Smoothing Reserve in the amount of \$1 million using fund balance in excess of the minimum recommended of 20% reserve level is hereby established.
