



AGENDA REPORT

City Council

DATE:	March 25, 2025
TO:	Mayor Martinez and Members of the City Council
FROM:	Council Member Claudia Jimenez Council Member Doria Robinson (co-sponsor) Council Member Sue Wilson (co-sponsor)
Subject:	Presentation from iFPTE local 21 on Unfunded Actuarial Liabilities
FINANCIAL IMPACT:	Potential to save \$117 million in interest payments
PREVIOUS COUNCIL ACTION:	None
STATEMENT OF THE ISSUE:	<p>The City of Richmond’s current unfunded actuarial liability (or UAL) for the city’s two CalPERS retirement plans is \$392 million, according to 2023 actuarial valuation reports.</p> <p>As of today, the city follows a payment plan of \$32.6 million per year for 20 years, which will result in a total payment amount of \$652 million including \$260 million in interest. If Chevron settlement funds were used to fund an early amortization of pension liabilities over the next 10 years instead of 20, with annual payments of approximately \$53 million, the total cost would be \$535.7 million. That is a savings of \$117 million compared to the city’s current payment plan, according to CalPERS.</p> <p>If Chevron settlement funds are used to pay down pension liabilities, the money from the general fund that currently goes to paying down the unfunded actuarial liability could be redirected to other uses, including ongoing expenses</p>

	like staffing and expenditures that make Richmond less dependent on the fossil fuel industry as a revenue source.
RECOMMENDED ACTION:	<p>RECEIVE a presentation from iFPTE local 21 and DIRECT staff to work with iFPTE Local 21 researcher and the sponsors of this item to bring a detailed analysis of the following issues and bring it back to Council within 45 days:</p> <ul style="list-style-type: none"> - Potential early amortization of unfunded liabilities for the city’s two CalPERS retirement plans using Chevron settlement funds - Potential early amortization of the city’s OPEB unfunded liability using Chevron settlement funds - Possible use of bond financing for early amortization <p>The City Council’s ability to redirect the funds in the city’s operating budget currently used for unfunded liabilities to support a broad range of expenditures, including ongoing expenses like additional staffing and expenditures that make Richmond less dependent on the fossil fuel industry as a revenue source (Just Transition) - Councilmembers Claudia Jimenez (510-620-6565), Doria Robinson (510-620-6568) and Sue Wilson (510-609-2111).</p>

DISCUSSION:

Over the next 10 years, the City of Richmond will receive \$550 million in tax settlement funds from Chevron. Chevron is the single largest taxpayer in the city, accounting for 15% of total city revenues. As a result, Richmond is currently reliant on Chevron’s taxes to fund critical city services for residents, like public safety, parks and libraries, as well as maintenance and improvement of physical spaces like our roads and city buildings.

There is significant uncertainty about the future of the Chevron refinery after the 10-year tax settlement period, and reliance on a single taxpayer raises the risk of instability for city services and infrastructure. The receipt of tax settlement funds presents an opportunity for the City to explore turning these short term, time-limited funds into long-term, permanent investments in Richmond’s future that would exist beyond the 10-year settlement period, putting the city on better financial footing for years to come. One of the primary ways to do this is to pay down long-term liabilities, the largest of which are the unfunded actuarial liabilities (UAL) associated with the CalPERS retirement plans for Miscellaneous and Safety employees and the retiree medical plans.

The City of Richmond's current unfunded actuarial liability for the two CalPERS plans is \$392 million, according to 2023 actuarial valuation reports. Under the city's current payment plan, Richmond will pay off these liabilities in installments through 2044 at a total cost of over \$652 million, including \$260 million in interest.¹ The city currently budgets for these pension costs as part of its ongoing payroll budget and will need to budget an average of \$32.6 million each year for the next 20 years. The vast majority of these expenditures will be in the general fund.

According to CalPERS, paying off these liabilities in 10 years would cost a total of \$535.7 million through 2034 with annual payments of approximately \$53 million. This would create a total interest savings of \$117 million compared to the current payment plan. While more research is needed, it's likely that Chevron tax settlement funds are sufficient to fully amortize the full unfunded liability for CalPERS in ten years, creating significant savings after the unfunded liability is paid off in 2034.

If Chevron settlement funds were used to fund an early amortization of pension liabilities over the next 10 years, amounts in the general fund that would have otherwise been used to pay down these unfunded liabilities could be redirected to other expenditures. It would effectively turn Chevron settlement funds into permanent, ongoing budget savings and free up funds for long-term commitments like staffing and infrastructure. With careful implementation this revenue could be used to facilitate a Just Transition and reduce our future reliance on Chevron as a revenue source.

Adoption of this report will direct staff to study the following:

- Potential early amortization of unfunded liabilities for the city's two CalPERS retirement plans using Chevron settlement funds
- Potential early amortization of the city's OPEB unfunded liability using Chevron settlement funds
- Possible use of bond financing for early amortization
- The City Council's ability to redirect the funds in the city's operating budget currently used for unfunded liabilities to support a broad range of expenditures, including ongoing expenses like additional staffing and expenditures that make Richmond less dependent on the fossil fuel industry as a revenue source (Just Transition).

DOCUMENTS ATTACHED:

Attachment 1 – Memo Richmond Unfunded Liabilities Early Payment 2025

Attachment 2 – Richmond Unfunded Liabilities Presentation 2025 Council Meeting

¹ Full amortization schedules can be found on page 22 of the actuarial valuation reports for both the [Safety](#) and [Miscellaneous](#) Plans.