

## **ITEM 10.F.**

### **MOORPARK CITY COUNCIL AGENDA REPORT**

**TO:** Honorable City Council

**FROM:** Ron Ahlers, Finance Director 

**DATE:** December 29, 2010 (City Council Meeting of January 19, 2011)

**SUBJECT:** Consider Resolution Amending the Fiscal Year 2010/11 Budget to Appropriate Funding for Other Post-Employment Benefits (OPEB) Unfunded Liability of \$103,000 in Compliance with Governmental Accounting Standards Board (GASB) Statement No. 45

#### **BACKGROUND**

In June 2004, the Governmental Accounting Standards Board issued Statement No. 45 (GASB 45), the accounting standards for Other Post-Employment Benefits (OPEB). This statement governs public employer accounting of any benefits, other than pensions, promised by an employer to their employees into retirement. The purpose of GASB 45 is to provide better financial information and to ensure that the costs related to providing employees with Other Post-Employment Benefits are accounted for over the working careers of plan members. Implementation dates for GASB 45 are based on the size of the government as measured by fiscal year 1998/1999 annual revenues. The City of Moorpark is a phase 2 Government with annual revenues of \$10 million to \$100 million. As such, the City was required to implement the new standard as of June 30, 2009; which we did.

#### **DISCUSSION**

GASB 45 requires public employers to report the cost of providing these other post-employment benefits as well as information on any unfunded liability. During fiscal year 2008/09 the City contracted with Bartel & Associates (Bartel), an actuary firm, to calculate our unfunded liability and annual "normal cost" expense under OPEB. As of June 30, 2008, the City's unfunded liability was \$364,000 and the annual "normal cost" was \$31,000. On September 3, 2008, the City Council decided to establish an irrevocable trust with CalPERS under their California Employer's Retiree Benefit Trust program (CERBT). CalPERS accepted the City of Moorpark's application into CERBT and the City made the contribution for the unfunded liability of \$364,000 in November 2008. The City has paid the "normal cost" of \$31,000 annually; as of June 30, 2009 and

June 30, 2010. These three contributions were deposited into the CERBT and earned an investment return of \$98,000. Therefore, the market value of assets in the fund is \$525,000, as of June 30, 2010. The actuarial value of assets is \$487,000. The market value of assets is greater than the actuarial value of assets because the actuarial value of assets recognizes investment returns and losses over a number of years in order to smooth out the volatility of returns from the investment markets.

GASB 45 requires that the City perform an actuarial study every two years. The City contracted with Bartel as our actuary for the June 30, 2010 valuation. The June 30, 2010 actuarial lists our Actuarial Accrued Liability at \$590,000; Actuarial Value of Assets at \$487,000; which computes to an unfunded liability of \$103,000. The main cause for the unfunded liability is a change of assumptions adopted by the CalPERS Board of Directors this past year. The City's normal cost decreased slightly to \$26,000 for June 30, 2011 and \$25,000 for June 30, 2012.

Future Considerations

CalPERS is reviewing their investment rate of return of 7.75% and it is widely expected that this rate will be reduced to 7.5% or lower. This action will increase the City's unfunded liability.

CalPERS may offer two optional investment funds for the CERBT. Both of these new funds would yield lower returns than the current 7.75%, but with less volatility. Expected date for participants to enroll in these investment funds is June 30, 2011. If the City selected a lower investment return then our unfunded liability will increase.

GASB 57 is now in effect and this will require the City to perform an actuarial study as of June 30, 2011 and then every two years afterwards. Given the above two paragraphs, it is highly probable that the City will have an unfunded liability again after the June 30, 2011 actuarial. If we do, the City will report the unfunded liability to City Council and request an appropriation to fully pay it off.

**FISCAL IMPACT**

The FY 2010/11 Budget appropriation of \$103,000 will pay for the unfunded liability of OPEB as of June 30, 2010. This amount is appropriated from the General Fund reserve.

**STAFF RECOMMENDATION**      **(Roll Call Vote)**

Adopt Resolution No. 2011 - \_\_\_\_\_, amending the FY 2010/11 budget to appropriate \$103,000 to pay off the OPEB unfunded liability.

Attachment: Resolution

RESOLUTION NO. 2011 - \_\_\_\_\_

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MOORPARK, CALIFORNIA, AMENDING THE FISCAL YEAR 2010/11 BUDGET TO APPROVE CERTAIN APPROPRIATIONS REQUIRED TO FUND OTHER POST-EMPLOYMENT BENEFITS (OPEB) AS DEFINED HEREIN

WHEREAS, on June 16, 2010, the City Council adopted the Budget for fiscal year 2010/11; and

WHEREAS, on January 19, 2011, a staff report has been presented to the City Council summarizing the actuarial study relating to (OPEB) in compliance with Government Accounting Standards Board Statement No. 45 (GASB 45); and

WHEREAS, said staff report has been presented to the City Council providing the cost of accrued and unfunded liability as of June 30, 2010 of \$103,000; and

WHEREAS, the same staff report has been presented to the City Council recommending the pre-funding of the unfunded liability of \$103,000 into an irrevocable trust managed by CalPERS under their California Employers' Retiree Benefit Trust (CERBT); and

WHEREAS, on January 19, 2011 a staff report has been presented to the City Council requesting an aggregate appropriation increase of \$103,000 in the General Fund for the pre-funding of the \$103,000 unfunded liability; and

WHEREAS, Exhibit "A", attached hereto and made a part hereof, describes said budget amendments and its resultant impacts to the budget line item(s).

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF MOORPARK DOES HEREBY RESOLVE AS FOLLOWS:

SECTION 1. That a Budget Amendment in the aggregate increase of \$103,000, as more particularly described in Exhibit "A", is hereby approved.

SECTION 2. The City Clerk shall certify to the adoption of this resolution and shall cause a certified resolution to be filed in the book of original resolutions.

PASSED AND ADOPTED this 19th day of January, 2011.

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Janice S. Parvin, Mayor

ATTEST:

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Maureen Benson, City Clerk

Attachment: Exhibit 'A': Budget Appropriation

**Exhibit A**

**Budget Amendment to  
General Fund for Other Post  
Employment Benefits (OPEB) Payments  
FY 2010/11**

**A. Fund Allocation**

| Fund              | Account   | Amount    |
|-------------------|-----------|-----------|
| 1000 General Fund | 1000-5500 | \$103,000 |
|                   | Total     | \$103,000 |

**B. Distribution of Appropriation to Expenditure Accounts**

| Account Number | Current Budget | Revision  | Amended Budget |
|----------------|----------------|-----------|----------------|
| 1000-9030      | \$0            | \$103,000 | \$103,000      |
|                |                | Total     | \$103,000      |

Finance Approval: 