

**MOORPARK CITY COUNCIL
AGENDA REPORT**

TO: Honorable City Council

FROM: Ron Ahlers, Finance Director 

DATE: November 26, 2013 (City Council Meeting of December 18, 2013)

SUBJECT: Consider Resolution Amending the Fiscal Year 2013/14 Budget to Appropriate Funding for Other Post-Employment Benefits (OPEB) of \$126,000 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. 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.

DISCUSSION

The City has made deposits totaling \$609,000 into CERBT since 2008. The following table details the deposits made and the investment returns:

Fiscal Year	Unfunded Liability Deposit	Normal Cost Deposit	Investment Returns	Balance
2008 - 09	364,000	31,000	31,995	\$ 426,995
2009 - 10		31,000	66,626	\$ 524,621
2010 - 11	103,000	26,000	135,288	\$ 788,909
2011 - 12		27,000	961	\$ 816,870
2012 - 13		27,000	93,929	\$ 937,799
Total	\$ 467,000	\$ 142,000	\$ 328,799	

GASB 45 requires public employers to report the cost of providing these other post-employment benefits as well as information on any unfunded liability. GASB 45 requires that the City perform an actuarial study every two years. 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. The City continued the contract with Bartel and Associates for the 2010 and 2013 actuarial. The following table summarizes these actuarial reports:

	6/30/2008	6/30/2010	6/30/2013
Actuarial Liability	364,000	590,000	863,000
Actuarial Value of Assets	0	487,000	877,000
Unfunded Liability	\$ 364,000	\$ 103,000	(\$ 14,000)
Present Value of Benefits	618,000	784,000	1,106,000
Market Value of Assets	0	524,621	937,799
Superfund needs	\$ 618,000	\$ 259,379	\$ 168,201
Normal Cost	\$ 31,000	\$ 26,000	\$ 33,000
Pay as you go cost	6,000	10,000	15,000

As of June 30, 2008, the City's unfunded liability was \$364,000 and the annual "normal cost" was \$31,000. The City made the contribution for the unfunded liability of \$364,000 in November 2008 to CEBRT. The City paid the "normal cost" of \$31,000 for fiscal year (FY) 2008-09 and earned \$31,995 investment return for a balance as of June 30, 2009 of \$426,995. The City made another deposit for the unfunded liability of \$103,000 during FY 2010-11, along with paying the normal cost for the last four fiscal years.

The June 30, 2013, actuarial states the City is "overfunded" by \$14,000 as of June 30, 2013. Therefore, the City has fully funded its OPEB liability. There are very few government agencies in the United States that can make that claim. This is a good accomplishment.

If the City desires to "superfund" the OPEB liability, then a deposit of approximately \$168,000 is required. Superfunding would allow the City to cease making the normal cost deposit each year, currently \$33,000. It would also allow us to forgo the "pay as you go cost" of approximately \$15,000 annually. This "pay as you go cost" represents the actual cash payments for the monthly medical premiums for the retirees. Therefore, by making a deposit of \$168,000 the City would save \$48,000 annually from the operating budget for the foreseeable future. This equates to a 28% return on investment, annually. This is contingent upon the following two premises. First, that there are no significant changes to the City's employee demographics. Second, that CalPERS earns the assumed investment return of 7.25% annually.

Future Considerations

CalPERS continues to review their demographic assumptions and investment return projections. The OPEB investment return assumption is 7.25%. If this is reduced further by CalPERS then the City's unfunded liability would increase.

CalPERS offers three investment funds for the CERBT. These funds have different investment options with various returns. The City is currently invested in Option 1 with an investment return of 7.25%. Options 2 and 3 have returns of 6.75% and 6.25%, respectively. The City's CERBT balance is approximately \$1 million. Option 3 could be selected in order to reduce the market volatility of the fund. This would increase the unfunded liability but it should reduce the risk of a substantial loss if the market's experience another episode like in 2008 and 2009. At this time staff recommends staying with Option 1 and "superfunding" the OPEB liability.

FISCAL IMPACT

The 2013-14 City budget for OPEB is \$27,000. The budget for the pay as you go cost is \$15,000 for current city retirees. Therefore, the net increase in the budget is \$126,000 (\$168,000 to superfund the OPEB, less \$27,000 for current OPEB, less \$15,000 for pay as you go costs). The net FY 2013/14 budget appropriation of \$126,000 will fully fund the present value of benefits for OPEB as of June 30, 2013 and into the foreseeable future.

STAFF RECOMMENDATION (Roll Call Vote)

Adopt Resolution No. 2013 - _____ amending the FY 2013/14 budget to appropriate \$126,000 to fully fund the OPEB present value of benefits.

Attachment: Resolution

RESOLUTION NO. 2013 - _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MOORPARK, CALIFORNIA, AMENDING THE FISCAL YEAR 2013/14 BUDGET TO APPROVE CERTAIN APPROPRIATIONS REQUIRED TO FUND OTHER POST-EMPLOYMENT BENEFITS (OPEB) AS DEFINED HEREIN

WHEREAS, on June 19, 2013, the City Council adopted the Budget for fiscal year 2013/14; and

WHEREAS, on December 18, 2013, 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 to increase the assets to the present value of benefits as of June 30, 2013 of \$168,000; and

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

WHEREAS, on December 18, 2013 a staff report has been presented to the City Council requesting an aggregate appropriation increase of \$126,000 in the General Fund for the pre-funding of the present value of benefits; 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 \$126,000, 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.

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PASSED AND ADOPTED this 18th day of December, 2013.

Janice S. Parvin, Mayor

ATTEST:

Maureen Benson, City Clerk

Attachment: Exhibit 'A': Budget Appropriation

Exhibit A

**Budget Amendment to
General Fund and other Funds
for Other Post Employment Benefits (OPEB) Payments
FY 2013/14**

A. Fund Allocation

Fund	Account	Amount
1000 General Fund	1000-5500	\$ 168,000
Various Funds	xxxx-5500	(\$ 42,000)
	Total	\$ 126,000

B. Distribution of Appropriation to Expenditure Accounts

Account Number	Current Budget	Revision	Amended Budget
1000-9030	\$ 0	\$ 168,000	\$ 168,000
xxxx-9030	\$ 27,000	(\$ 27,000)	\$ 0
Total	\$ 27,000	\$ 141,000	\$ 168,000

C. Distribution of Appropriation to Revenue Accounts

Account Number	Current Budget	Revision	Amended Budget
1000-3751	\$ 80,000	\$ 15,000	\$ 95,000
Total	\$ 80,000	\$ 15,000	\$ 95,000

Finance Approval: 