



Legislation Details (With Text)

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Title: Approve Fiscal Year 2018/19 Year-End Budget Adjustment and Inter-Fund Transfers

Attachments: 1. Att#1 FY 2018-19 Appropriation Adjustment and Inter-fund Transfers

Date	Ver.	Action By	Action	Result
8/19/2019	2	City Council/Public Financing Authority	approved	Pass

REQUEST FOR CITY COUNCIL ACTION

SUBMITTED TO: Honorable Mayor and City Council Members

SUBMITTED BY: Dave Kiff, Interim City Manager

PREPARED BY: Chuck Adams, Interim Chief Financial Officer

Subject:

Approve Fiscal Year 2018/19 Year-End Budget Adjustment and Inter-Fund Transfers

Statement of Issue:

The Finance Department is currently undergoing the year-end closing process for Fiscal Year 2018/19. Certain technical adjustments and fund transfers are needed to reconcile the budget with actual expenditures incurred, and to comply with auditing, actuarial, accounting or legal requirements. City Council authorization is requested to perform these reconciliations in order to properly close Fiscal Year (FY) 2018/19. There are sufficient revenues, available cash, and/or fund balances to support these adjustments.

Financial Impact:

This action:

1. Approves the appropriation and transfer of \$1.0 million from the General Fund year-end balances to the City's long-term pension obligations reducing the City's Net Pension Liability. The \$1.0 million will be reflected in the City's PARS Section 115 Trust with an approximate balance of \$7.0 million at June 30, 2019.
2. Approves the inter-fund transfers of \$1.0 million from the General Fund year-end balances to provide additional funding of \$850,000 to the Technology Fund (323); and \$150,000 to the Retiree Supplemental Fund (703) to match total fund payments in FY 2018/19.
3. Approves increasing appropriations of \$1.08 million to the Retirement Supplemental Fund (703) from the General Fund year-end balances to equal total fund payments paid in FY 2018/19.

Recommended Action:

- A) Approve the appropriation and transfer of \$1.0 million into the Section 115 Trust from the General Fund year-end balances. (See Attachment 1); and,
- B) Approve appropriation and transfer of \$850,000 from the General Fund year-end balances to the Fiscal Year 2018/19 Revised Budget in the Technology Fund (323) and \$150,000 in the Retiree Supplemental Fund (703). (See Attachment 1); and,
- C) Increase appropriations by \$1.08 million in the Retiree Supplemental Fund (703). (See Attachment 1).

Alternative Action(s):

Do not approve the recommended action and direct staff accordingly.

Analysis:

At this time, the Finance Department is awaiting final revenue accruals for FY 2018/19, and for our external auditor to complete their annual audit. Staff is comfortable with the transfer of \$2.0 million from the General Fund year-end balance, since this amount was received as a one-time adjustment due to a change in the State's monthly allocation of sales tax.

These year-end budget adjustments to the FY 2018/19 Revised Budget will align appropriations in certain funds with actual expenditures incurred through June 30, 2019, as actual expenses cannot exceed the appropriation amounts contained in the Revised Budget. Adjustments are also required to ensure compliance with GAAP, GASB, and other regulatory, contractual or legal requirements. Please note any appropriation increases are fully offset by commensurate amounts of revenues, available cash, or fund balances in each Fund.

Our recommendation to transfer \$2.0 million of General Fund year-end balances is as follows:

\$1.0 million to the City's Section 115 Trust. The City created a tax-exempt, Internal Revenue Code Section 115 Trust as authorized by the City Council on December 21, 2015, to help address the City's unfunded pension liabilities. To further this goal, on May 2, 2016, the City Council authorized the Public Agency Retirement Services Company (PARS) to administer the Trust's assets and ensure the tax-exempt status for the Trust. City Council authorization is requested to appropriate, transfer and deposit \$1.0 million in one-time FY 2018/19 year-end savings into the Section 115 Trust to help mitigate unfunded pension liabilities. Because of this action, the Section 115 Trust balance will be approximately \$7.0 million as of June 30, 2019.

Before this action, the City's Retiree Supplemental Benefit had a net unfunded liability of \$3.6 million. The proposed deposit of \$1.0 million will reduce the Retiree Supplemental unfunded pension liability to \$2.6 million, resulting in a funded status of 96.1%.

The actions that the City Council has taken, such as establishing the Section 115 Trust and pre-paying the CalPERS actuarial liability at the beginning of each fiscal year, among other actions, has

put the City on a better footing to manage its long-term retirement obligations. This action is consistent with the Financial Policies adopted by the City Council and with the City Council's Strategic Planning Goal to Strengthen Economic and Financial Sustainability.

\$850,000 to the City's Technology Fund (Fund 323). City Council authorization is requested to appropriate and transfer \$850,000 to the Technology Fund to help address the costs associated with upgrading the City's aged technology systems (i.e., the Enterprise Wide Asset Management System).

\$150,000 to the Retiree Supplemental Fund (Fund 703). City Council authorization is requested to transfer \$150,000 from the available year-end balances of the General Fund to the Retiree Supplemental Fund to fund the required Retiree Supplemental Pension payments for FY 2018/19.

Lastly, an increase in appropriation of \$1,080,000 is requested in the Retiree Supplemental Fund to equal all trust payments paid in FY 2018/19. This is a result of an increased number of retirements in FY 2018/19. The Retiree Supplemental Fund has sufficient fund balance to support the requested appropriation increase.

Environmental Status:

Not applicable.

Strategic Plan Goal:

Strengthen long-term financial and economic sustainability

Attachment(s):

1. Fiscal Year 2018-19 Appropriation Adjustment and Inter-Fund Transfers