



DISCUSISON ITEM

Agenda Item # 8

## AGENDA REPORT SUMMARY

**Meeting Date:** December 14, 2021

**Subject:** City of Los Altos OPEB Reserve

**Prepared by:** John M Furtado, Finance Director

**Approved by:** Gabriel Engeland, City Manager

**Attachment(s):**

1. Resolution Authorizing the payment of \$ 1.5 Million to the City's CERBT

**Initiated by:**

Staff

**Previous Council Consideration:**

Resolution 2015-38

**Fiscal Impact:** Funding of the City's Other Post-Employment Benefits (OPEB) liability will come from the City's General Fund OPEB reserve (\$1.5M) and will allow the monies to grow in the CALPERS operated CERBT Fund.

**Environmental Review:** Not Applicable

**Policy Question(s) for Council Consideration:**

Does the Council wish to transfer the OPEB Reserve to the CALPERS CERBT Fund, increasing the funded percentage to 96.5%?

**Summary:**

In 2012, the City established a "OPEB Reserve" fund as a part of the General Fund. Since that time, the OPEB Reserve fund has grown to \$1.5 million. The Financial Commission unanimously supported using these funds to paydown CALPERS CERBT obligations.

The City in March of 2016 setup a CERBT with an initial contribution of \$1.5 million. The current valuation of that Trust is currently (Oct 26,2021) \$2.61 million.

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**Reviewed By:**

City Manager

*GE*

City Attorney

*JH*

Finance Director

*JE*

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Staff presented options on the subject to the financial commission at their November 15<sup>th</sup>, 2021, meeting and the Finance Commission has recommended that the City Council approve the transfer of \$1.5 Million to be invested in the CalPERS CERBT Fund

**Staff Recommendation:**

Staff recommends that currently, the City Council adopt the resolution (**Attachment 1**) to transfer the OPEB reserve amount of \$1.5 Million to the City's CERBT Fund.

**Background**

**The City of Los Altos** in March of 2016 had setup a CERBT with an initial contribution of \$1.5 million. The current valuation of that Trust is \$2.61 million as of October 26<sup>th</sup>, 2021.

Per GASB 75 (Accounting regulations), Cities are required to present their total OPEB liability on the net position statement the current net liability is \$1.625M as shown in the table below. The Funded status of the Liability stands at 54.9% as of the June 30, 2021, valuation, that is based on the measurement date of January 1, 2019.

The City over the years has set aside another \$1.5 Million in a general fund reserve to address this liability. The monies are currently invested in our PFM pooled investment portfolio that is yielding 0.8%, the CERBT portfolio has yielded an annualized return of 10.79% while past performance cannot be assumed to be replicated in the future there are several positive factors to moving the Reserve to the Trust.

1. The Liability on the Financial statements (Net Position) will reduce and be looked at positively by analysts reviewing our financial statements
2. The Funded status of the OPEB liability will increase from 54.9% to 96.5% (The Monies held in the reserve cannot be currently netted unless in the Trust)
3. The assumed discount rate used to calculate the net Liability is currently 6.75% which will help reduce the present value of the total liability when the monies are placed in the Trust.
4. Having the Funds in the Trust will enable the monies to be invested in a higher risk strategy keeping in mind the long-term goals for the use of these funds, which is to pay post-retirement health benefits.



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**Status of OPEB Funding**

Description	Fiscal Year End		% Change
	6/30/2020*	6/30/2021*	
OPEB Liability	3,297,885	3,607,820	9.4%
Fiduciary Net Position	1,915,574	1,982,361	3.5%
<b>Net OPEB Liability</b>	<b>1,382,311</b>	<b>1,625,459</b>	<b>17.6%</b>
<b>Funded Status %</b>	<b>58.1%</b>	<b>54.9%</b>	<b>-3.1%</b>
Adding Reserve to CERBT		1,500,000	
<b>Revised Funded Status %</b>		<b>96.5%</b>	

\* The measurement dates lag by one year

**Recommendation**

Staff recommend the City Council adopts the resolution to transfer \$1.5 million as unanimously approved by the Finance Commission.

**ATTACHMENT 1**

RESOLUTION NO. 2021-61

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LOS ALTOS  
ADOPTING THE TRANSFER OF \$1.5 MILLION TO CALPERS TO INVEST IN  
THE CITY'S CALIFORNIA EMPLOYERS' RETIREMENT BENEFIT  
TRUST(CERBT)**

**WHEREAS**, it has been determined that the adoption of a Transfer of the OPEB Reserve Fund of One Million Five Hundred Thousand Dollars to invest in the City's CERBT Fund is an effective and prudent management tool; and

**WHEREAS**, on November 15, 2021, the Financial Commission recommended the City use the \$1.5 million OPEB Reserve to invest in the City's CERBT Fund.

**NOW THEREFORE, BE IT RESOLVED**, that the City Council of the City of Los Altos hereby finds and determines that:

1. The City of Los Altos CERBT Fund has been presented and reviewed by City Council, appropriations to the extent of the OPEB Reserve of \$ 1.5 million is established; and
2. The City Manager is authorized to Transfer the Sum of \$1,500,000 (One million five hundred thousand) to the City's CERBT Trust; and
3. City Staff shall determine the appropriate timing of the payment, based on the cash flow.

**I HEREBY CERTIFY** that the foregoing is a true and correct copy of a Resolution passed and adopted by the City Council of the City of Los Altos at a meeting thereof on the 8th day of December, 2021 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

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MAYOR

Attest:

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Andrea Chelemengos, MMC, CITY CLERK