

5. **CONSENT AGENDA**

- h. **RESOLUTION 08-094 APPROVING BUDGET AMENDMENT/TRANSFER NO. 2008-065 AND PROVIDING AN EFFECTIVE DATE** (To: 1) increase General Fund 2008 fiscal year revenue in the amount of \$28,187 for the 2007 fiscal year implicit health insurance rate subsidy payment from the Other Post Employment Benefit (OPEB) Trust Fund; 2) increase the General Fund 2008 fiscal year expenditure appropriation by \$31,071 for the 2008 fiscal year required contribution to the Other Post Employment Benefit (OPEB) Trust Fund. This increases the total required contribution to the OPEB Trust Fund from \$55,000 to \$86,071. This budget amendment increases the FY08 budget by \$31,071)

MEMORANDUM

TO: Judie Zimomra, City Manager

FROM: Sylvia Edwards, Finance Director

DATE: July 30, 2008

RE: Summary of Other Post-Employment Benefits (OPEB) Budget Amendment 2008-065, Resolution 08-094

This memo is provided as a supplement for the OPEB budget amendment. The OPEB Actuarial Valuation is prepared on an annual basis by the City's actuary, Foster & Foster, Inc. The following bullets summarize the OPEB Trust, annual required funding contribution and annual rate subsidy payment to the City:

- The Government Accounting Standards Board (GASB) issued Statements number 43 and 45, which require accounting for OPEB on an accrual basis, matching the cost of future benefits with the time period in which they are earned.
- Based on the October 1, 2007 Actuarial Valuation performed by Foster and Foster, the City has an OPEB liability of \$453,402. This is a \$13,888 decrease from the October 1, 2006 Actuarial Valuation. The unfunded actuarial accrued liability (UAAL) is amortized over a 30-year period.
- Although GASB has no legal authority over the City, GASB does have substantial control over the auditor. Therefore, if the City did not comply with the implementation of GASB 43 and 45, the auditor would be required to issue a qualified opinion on the City's financial statements.
- The City's OPEB liability has been accumulated based on the implicit health insurance rate subsidy provided to retirees for the statutory compliance of providing retirees with the option of continued post-employment participation in the City's group health insurance coverage, even though the City of Sanibel's retirees pay 100% of the cost of the health insurance premium.
- The City established and deposited \$54,339 into the Trust Fund in fiscal year 2007. The actuarial calculated contribution for fiscal year 2008 is \$86,071. Ninety thousand dollars (\$90,000) is included in the 2009 Proposed Budget.
- The funds accumulate in the Trust Fund and are paid back to the City in future years as the City incurs the cost for paying the implicit rate subsidy, the liability for which is accumulated during the retirees term of employment. The City is entitled to receive \$28,187 from the trust fund to cover the 2007 fiscal year implicit health insurance costs.

In conclusion, it must be emphasized that based on the City's current OPEB structure, which is mandated by Florida Statute, implementation of GASB 43 and 45 does not require a cash outlay by the City. The implicit rate subsidy existed before the implementation of GASB 43 and 45. These governmental accounting standards established the financial disclosure requirements for the implicit rate subsidy liability and costs. It is an accounting mechanism, which matches the accrual of a future post-employment benefit during an employee's term of employment. The accrued funds on deposit in the Trust Fund are "paid back" to the City from the OPEB Trust Fund to the General Fund after the employee retires.

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