TO: James L. App, City Manager

FROM: Mike Compton, Director of Administrative Service

SUBJECT: Other Post Employment Benefits and GASB 43 & 45 Compliance

DATE: May 2, 2006

NEEDS:

For the City Council to consider approval of an agreement with Keenan & Associates to assist in the implementation of Governmental Accounting Standards Board (GASB) Statements 43 and 45 and a budget appropriation for said assistance.

FACTS:

1. GASB has issued Statements 43 and 45 requiring public agencies to report in their comprehensive annual financial report (CAFR) their liability for Other Post Employment Benefits (OPEB). OBEB includes compensation received after employment ends in exchange for employees' current service. City payments made to retired employees for health insurance coverage qualifies as OPEB.

2. GASB Statement 43 requires agencies to establish uniform financial reporting standards for OPEB Plans while GASB Statement 45 establishes uniform financial reporting standards for employers. Both standards provide instructions for calculating expenses and liabilities and require supplementary information schedules (e.g. funding progress).

3. The City is a "Phase II" city and is required to implement said accounting changes and uniform financial reporting requirements by fiscal year beginning July 1, 2007.

4. Outside professional assistance will be required to implement GASB 43 and 45. Only one firm has been identified that provide the necessary assistance for successful implementation. Consistent with the City's purchasing policy, sole sourcing this assistance with Keenan & Associates is recommended.

5. Keenan & Associates currently provide consulting and financial services to over 800 public agencies in California. Keenan has demonstrated expertise and preparedness in developing a comprehensive program to address the GASB 43 and 45 requirements.

ANALYSIS &
CONCLUSION:

The City has been cognizant of its liability for post retirement benefits paid to retired employees. In fact, the City has budgeted for said obligations on a "cash as you go" basis since 2004. Beginning with the current two year budget/four year financial plan, full funding for the current portion of the obligation is budgeted. The City has only been funding the current obligation until such time as the rules governing the calculations, reporting and funding were issued by GASB. Now that the rules are known, the City may move forward with additional implementation steps.

The new standard under GASB 45 requires the City to measure and disclose the annual OPEB cost on the accrual basis of accounting. This annual cost is equal to the City's annual required contribution plus an amount to amortize the total (future) unfunded actuarial accrued liability over a period not exceeding 30 years. Actuarial evaluations are required at least every two years for employers with 200 or more employees or every three years if less than 200 employees.

The decision facing the City is whether or not the total unfunded actuarial accrued liability should be fully funded or not. Staff recommends fully funding the OPEB liability. This is consistent with current policy that provides for full funding of the City's PERS retirement liability (on an amortized basis) and set-asides for equipment replacement. Advantages of funding the liability include:

1. Added security to retiring employees that the City will be able to pay its contractual obligation going forward; and
2. Ability to use higher discount rate to value liabilities will result in lower actuarial liability and expense calculations.

Implementation of GASB 43 and 45 requires the formation of a "Board of Authority", establishment of a Trust, preparation of the "Substantive" plan, required supplemental information schedules for the CAFR, investment funds program guide and an actuarial study to calculate the future liability.

To assist in establishing the City's Plan, outside professional assistance, at least initially, will be necessary. Only one firm has been identified/located that provides the services needed to implement GASB 43 and 45. Keenan & Associates has put together both a program to develop a plan and the program participants; i.e. trust administrator, investment management, legal counsel and program administrator, all under a single sole source umbrella. The fees for Keenan's assistance as well as other plan administrators will be paid from interest earned on trust account investments. Thus, the only required appropriation is for the actuarial study. The City would distribute Request for Proposals (RFP) for the actuarial component since there is more than one firm available to undertake this task.

There is a possibility that two or more Central Coast cities may participate together, much as we did for the GASB 34 property valuation study, to jointly purchase said services which may result in cost savings for all participants due to "economies of scale".

As noted above in Fact #3, the City need not implement until July 1, 2007. However, preparation of the next two year budget/four year financial plan will begin in the fall. Determining the OPEB liability prior to the development of the next budget is critically important.

POLICY
REFERENCE:

Purchasing and Payment Procedures Manual, Section 7.0

FISCAL IMPACT:

The City's annual OPEB obligation on cash or "pay as you go" method is nearly $100,000 annually. This amount will grow overtime as more employees approach retirement age. There are numerous employees that have already reached minimum retirement age who would be eligible for OPEB if they choose to retire. Determining the future accrued liability and complying with GASB 43 and 45 is critical to maintaining sound financial planning practices.

It is estimated that the initial cost to develop and implement a plan in accordance with GASB 43 and 45 is $10,000 for the actuarial study and needs to be a reoccurring "every other year" appropriation. A portion of the cost will be born by the enterprise funds proportionally based upon number of employees.

OPTIONS:

a. Adopt Resolution No. 06-xxx authorizing Administrative Services to contract with Keenan & Associates, the sole source provider, to assist with implementation of GASB 43 and 45 standards and approve a budget appropriation; or

b. Amend, modify or reject above option.

Futuris

The Great GASB Alternative

Program Overview

- Sole Source Product and Service to Manage the Major Aspects of GASB 43 & 45

- Program Participants
  - Trust Company & Fiduciary Management - Benefit Trust Company
  - Investment Management Services
  - Administration/Documentation - Keenan & Associates

- Referrals
  - Actuarial Services
  - Bond Underwriting
  - Financial Attorney

- Research and Development Partners

  Legal Counsel - Securities Law
  Jeffer, Mangels, Butler & Marmaro

  Legal Counsel- Employee Benefit Law
  Husch & Eppenberger, LLC

  Legal Counsel – Contracts Law
  Norman R. Gritsch, Esquire

- Qualified RFP Vendor Certified Process

- GASB 43 & 45 Compliant Plan

- California Government Code Compliant Plan

- Assists Employer to Comply With Fiduciary Obligations

- Advisory Board

Keenan
Associates

Program Services

- Discretionary Trustee – Benefit Trust Company
  - Selection of Investment Manager
  - Monitors Investment Manager Results
  - Custodian of All Securities
  - Assists in the Development of Investment Policy Statement (IPS)
  - California Government Code Compliant

- Investment Management
  - Choice of Specific Asset Allocation Portfolios
  - Customized Portfolio Management Options
  - Disciplined Manager Selection Process
  - Regular Re-evaluation of the Managers
  - Traditional Benchmarking
  - Universe Comparisons
  - "Expectational Benchmarking"
  - Continually Meets with Investment Managers

Program Services (continued)

- Program Administration – Keenan & Associates
  - Coordinate Communications Between the Actuary and the Employer
  - Assist Employer in Determining GASB Effective Date
  - Develop a GASB Compliance Timeline
  - Educate All Parties
  - Assist With the Formation of a "Board of Authority"
  - Create a Trust Structure With Vendor Partners
  - Prepare the "Substantive" Plan
  - Prepare and Deliver Futuris Administrative Manual
  - Assist With Preparation of Required Supplemental Information Schedules (RSI)
  - Provide an Annual Report
  - Maintain Plan Documents
  - Facilitate Auditing Services
  - Facilitate Actuarial Study

- Optional Services – Keenan & Associates
  - Access to Service Providers
    - Actuarial Services
    - Legal Services
    - Financial Auditing
    - Administrative Services
    - Bond Underwriting
  - Access to Potential Funding Methods
  - Access to Liability Cost Recovery Methods
  - Conduct Retiree Benefits Analysis
  - Review Early Retiree Opt-Out Plans
  - Review Retiree Coverage Opt-Out Plans
  - Develop and Review Actuarial Analysis

Value Proposition

- A Sole Source Comprehensive Program
- An RFP Process That Has Already Selected the Top Program Participants
- Brand Name Participants Experienced with Public Entities
- Assist Employer to Comply with Fiduciary Obligations
- Revocable and Irrevocable Trust Flexibility
- Evaluation of Multiple Funding Sources
- Investment Options Consistent With Long Term GASB Obligations
- Government Code Compliant

Keenan
Associates

2355 Crenshaw Blvd.
Suite 200
Torrance, CA 90501
P.O. Box 4328
Torrance, CA 90510

310 212-3344
310 328-6793 fax Main
www.keenan.com
License No. 0451271

March 9, 2006

Mr. Michael Compton
Director of Administrative Services / Treasurer
City of Paso Robles
1000 Spring Street
Paso Robles, CA 93446

Re: **FIRE! READY! AIM!**

Dear Mr. Compton:

Are you taking the necessary steps to ***avoid a last minute decision that can be costly and disruptive?***

Will you be ***reactive or proactive*** in your approach with **GASB 43 & 45**?

The GASB guidelines affect every public agency that shares in the cost of health benefits for retirees, or even offer for retirees to purchase coverage through the City. This will have a profound effect on the finances and benefit programs at your city. Considerable time will be required to assess the impact of GASB standards, share information with employee groups, evaluate alternatives, and develop your goals & objectives. A proactive approach will enable your city to better manage costs, be educated and informed to address employee group questions, and speak to Council about your action plan.

The ***first step*** in getting READY is to ***obtain a GASB compliant actuarial valuation and become more familiar about GASB 43 &45, and its implications.***

If you are seeking information from actuarial and/or consulting firms to obtain your actuarial valuation and advise the City on strategies for managing your post employment liabilities, and complying with the requirements of GASB 43 & 45, then we are here to help. ***Furthermore, guidelines state that your "Substantive Plan" document needs to be in place BY July 1, 2006 for Phase I agencies, whether or not you intend to fund your liability.***

As you begin your first steps, please consider Keenan in your RFP process for Actuarial and/or Consulting Services, including creating your "Substantive Plan" document. I would be happy to arrange a GASB educational session to help you better understand the implications of setting up a trust arrangement as you investigate options. This will give you valuable information and food for thought, to educate and arm you with the critical questions and discussion points for any RFP process or internal meetings with employee groups, staff, City Manager, and Council.

Mr. Michael Compton
City of Paso Robles
March 9, 2006

RFPs can be sent to:

Tanya Wannemacher
Keenan & Associates
2355 Crenshaw Boulevard, Suite 200
Torrance, CA 90501
310-212-0363 X2552 (phone)
310-787-8838 (fax)
twannemacher@keenan.com

I appreciate your interest, and look forward to providing our expertise and attention to your GASB needs!

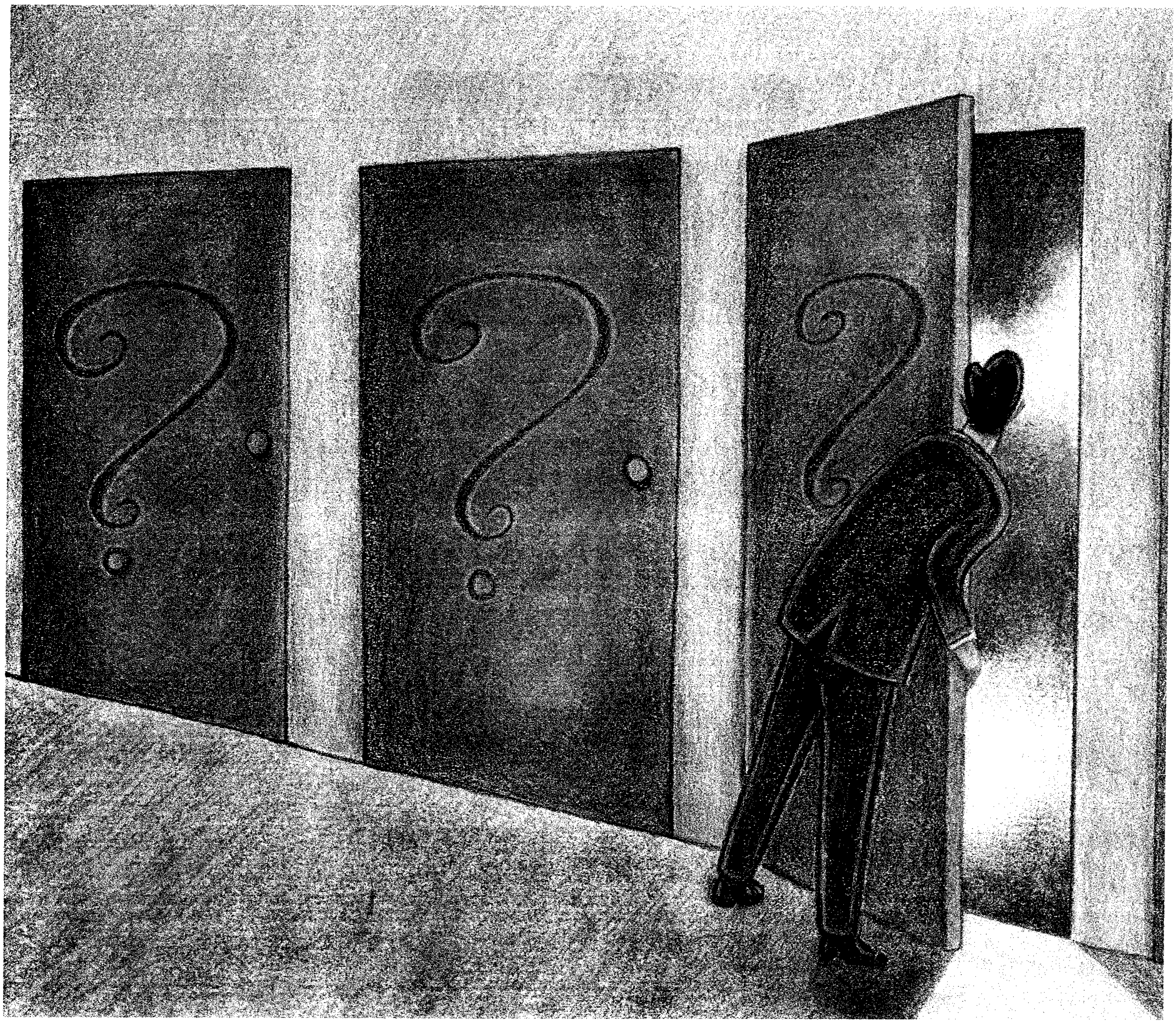
Best Regards,

Tanya Wannemacher

Tanya Wannemacher
Vice President – Municipalities Department

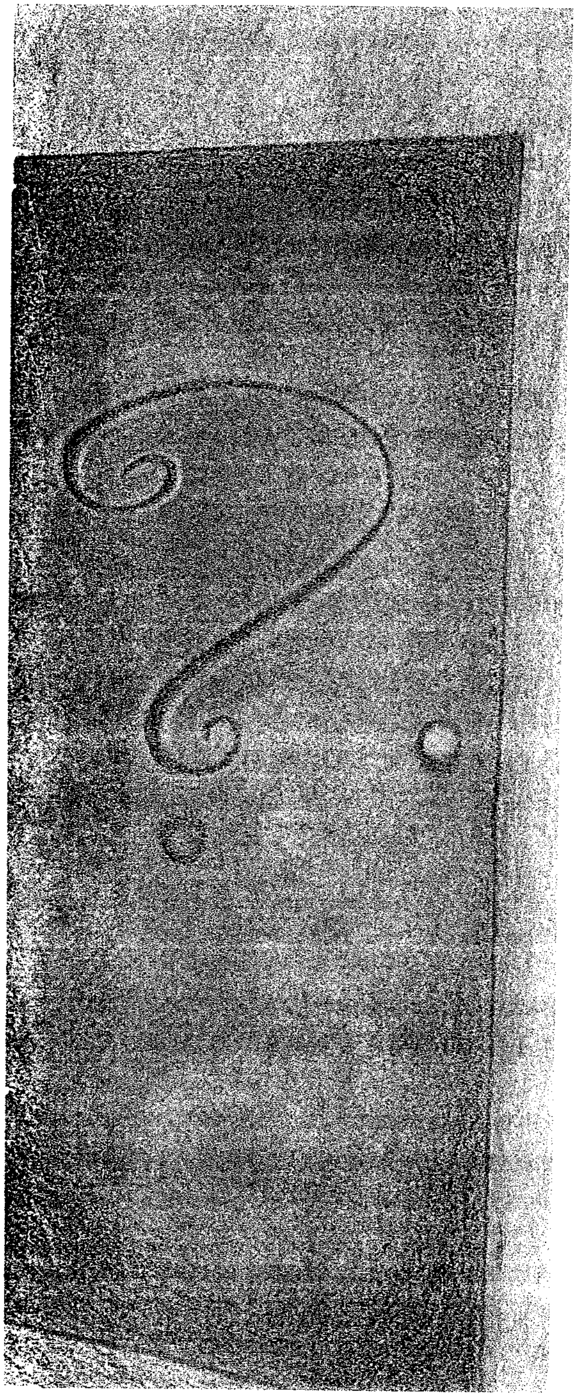
Keenan
Associates

Funding OPEB Liabilities



WHAT ARE YOUR OPTIONS?

BY PARRY YOUNG



Editor's note: This material is printed with the permission of Standard & Poor's, a division of The McGraw-Hill Companies, Inc.

The fulfillment of retiree pension and other benefit obligations has become a major concern globally in both the government and private sectors, driven in part by the demographic phenomenon of people living longer. In addition, life style choices have tended to lower the actual retirement age. These two factors have expanded the period during which pension benefits must be paid, resulting in burgeoning liabilities for employers. Adding to the problem has been the rapid increases in costs related to retiree health care. While state and local governments have been struggling to maintain adequate funding for pensions, buffeted not only by demographics but also by investment losses and recent benefit increases, a new challenge has appeared on the horizon in the form of changes in the financial reporting for and funding of other retiree benefit costs.

Last year, the Governmental Accounting Standards Board issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. These other postemployment benefits, known as OPEB, include health care, as well as all other retiree benefits that are not a part of a pension plan. Retiree health care is always considered OPEB. This class of postemployment benefit may also include a variety of options such as life insurance or other non-pension benefits. In essence, the new GASB requirements for OPEB tend to follow the reporting requirements for pension benefits because the benefits are similar in nature and both are a form of deferred compensation.

While OPEB costs have traditionally been accounted for and financed on a pay-as-you-go (PAYGO) basis, they will now be treated for accounting purposes on an accrual basis like pensions. Once a government determines its OPEB liability under the new standard, it will then have to decide how to manage it. Should the employer advance fund its OPEB liability under GASB 45 or continue to use the PAYGO method? If the advance funding choice is made, how will the resultant higher contributions affect the budget? Is the current benefit structure sustainable given the new approach? This article will present an overview of the new OPEB reporting requirements; the implications for employers, including some of the options that may be available for managing this liability; the effects of advance funding the liability; and certain managerial considerations that employers may have to face during the process of measuring their OPEB costs and obligations, and preparing for implementation of GASB 45.

THE NEW OPEB ACCOUNTING RULES

In its introduction to Statement No. 45, the GASB said that OPEB "are part of an exchange of salaries and benefits for employee services rendered." Further, from "an accrual accounting perspective, the cost of OPEB, like the cost of pension benefits, generally should be associated with the periods in which the exchange occurs, rather than with the periods (often many years later) when benefits are paid or provided." GASB believes that the reporting for the current PAYGO financing practice fails to:

- Recognize the *cost* of benefits in periods when the related services are received by the employer
- Provide information about the *actuarial accrued liabilities* for promised benefits associated with past services and whether and to what extent those benefits have been funded
- Provide information useful in assessing potential demands on the employer's future cash flows.[1]

The intention of GASB 45 is to overcome these deficiencies and provide more relevant and useful reporting. In addition, by requiring the financial reporting of OPEB expense as services are provided, issues related to intergenerational inequities will be addressed.

A simple example of the practical application of the new reporting standard can be found in looking at the OPEB cost structure of a fictitious, new city with a relatively young fire department. The city has promised lifetime health care benefits to the department's members in its labor negotiations. Currently, this retiree benefit costs the city nothing on the PAYGO basis, since there are no retirees. However, as the firefighters age and actually retire and collect health care benefits, suddenly the city will experience a new and growing budget item. Even for an older city, the current PAYGO OPEB costs may only be the tip of the iceberg, as these expenses subsequently mushroom — not only from the increasing number of retirees, but also from accelerating health care-related expenses. GASB 45 will lead governments to present a clearer picture by requiring that governments take into consideration for financial reporting purposes both current and probable future cash flows associated with promised benefits for services received to date.

Basically, the new standard requires that employers using single-employer or agent multiple employer defined benefit OPEB plans measure and disclose the annual OPEB cost on the accrual basis of accounting. This cost is equal to the employer's annual required contribution (ARC) to the plan with some adjustments. The ARC includes the normal cost for the year and an amount to amortize the total unfunded actuarial accrued liability (or funding excess) over a period of up to 30 years. Actuarial valuations are required at least every two years for plans with 200 members or more. Single employers with fewer than 100 members may use a simplified alternative measurement method.

The cumulative difference between the employer's annual OPEB cost and its contributions to the plan is called the net OPEB obligation. If there is a net OPEB obligation at the beginning of the period, the ARC is adjusted for both the interest on that obligation and past under- or over-contributions to get the final amount. The net OPEB obligation is calculated from the implementation of GASB 45 forward (retroactive application of GASB 45 is not required). Contributions may include direct payment of benefits, paid insurance premiums, and assets irrevocably transferred to a dedicated trust.

OPEB information will be included in the different sections of the annual financial report, similar to that for pensions. The government-wide statements will report the net OPEB obligation. The most recent funded status (actuarial value of OPEB assets divided by the actuarial accrued liability) will be found in the notes to the financial statements. Management's discussion and analysis will include any major changes for the year. Trends in actuarial data will be found in the required supplementary information.

IMPLICATIONS FOR STATES AND LOCALITIES

With completion of the GASB 45 actuarial groundwork, the employer will have a clear picture of its OPEB actuarial liability exposure. The question then becomes how to manage this liability. One general difference between pension and OPEB liabilities for state and local governments in the United States is that while most jurisdictions have offered defined benefit pension plans with basically similar terms and historically documented values, there is a wide disparity in the scope of benefits offered as OPEB and, therefore, the starting point for actuarial accrued liabilities will vary widely. Whereas one government may give lifetime health care benefits for retirees and spouses, another may offer little or no coverage. This dichotomy will mean that the actual financial effect of GASB 45 on various governments will be uneven. For example, one government may find that it can manage its benefits with little or no change in plan terms, while another government may conclude that a major overhaul in the retiree benefit structure is needed.

As the employer evaluates its position under the new OPEB reporting requirements, it can then develop a plan to manage its liability under the new rules. For those with minimal OPEB exposure, the accounting and financial effect will be minimal. For those with greater exposure, serious review and planning must be done to address the problem.

Once the actuarially based liability and annual OPEB cost (expense, derived from the ARC) are determined, management may want to decide if it will fund the plan or continue to handle it on a PAYGO basis. It is important to note that GASB does *not* require funding of OPEB. In most cases the GASB 45 ARC payment will be a multiple of the existing PAYGO amount. Depending on the size of the plan, including the number of employees and the level of benefits in relation to an entity's total budget, advance funding the plan under the new rules may add stress to the budget. On the other hand, continuing to pay only the PAYGO amount will result in a growing unfunded actuarial liability and net OPEB obligation. Before making a final decision on whether or not to fund the plan, management may want to take a step back and look at the entire slate of postemployment benefits to see if there are ways to lower the total liability and, further, the unfunded liability. (Since few OPEB plans have actual assets, usually when we say OPEB liabilities we mean unfunded liabilities.)

SELECTED STRATEGIES TO REDUCE OPEB COSTS

There are several strategies employers can use to manage their OPEB costs in light of the new GASB 45 requirements. Some may opt to reduce their exposure to OPEB liabilities through actual changes to the plan structure. These methods include the following:

Reduce OPEB benefits. An employer may be able to change the number of years for which a retiree is eligible to receive health care coverage; for example, a former lifetime benefit may be changed to end at age 65.

Offer new employees (or new retirees) a lower benefit level. The creation of different tiers of benefit levels has been a tactic used to manage pension benefit liabilities for many years.

Place a cap on employer-provided benefits. This could limit the total exposure to the employer for a variety of different benefits.

Convert a defined benefit plan to a defined contribution plan. A DC plan limits the employer's exposure in terms of the amount of contributions and shifts the risk of benefit fulfillment to the employee (in the DB model the employer has the risk).

There are also ways for employers to ease the pressure from cash outflows, such as introducing or increasing employee contributions to the plan, or increasing employee co-pays. Of course, the actual implementation of any of these options will present difficult managerial challenges.

ADVANCE FUNDING – WHAT'S IN IT FOR EMPLOYERS?

The advance funding of OPEB presents a vehicle for employers to build an asset base to offset the actuarial accrued liabilities and provide for payment of the benefits as they come due in future years. Contributions to a funded OPEB plan over time should be more stable, if initially higher, than under a PAYGO arrangement, in that PAYGO cash outlays are directly (immediately) affected by the vagaries of volatile health care costs. While advance funding of OPEB will not rein in actual health care costs, the flows into the plan should be more predictable because actuarially funded benefit plans usually attempt to stabilize contribution rates. However, due to the dynamics of the health care industry, actuarially determined contribution rates for OPEB will probably be more susceptible to change than contribution rates for pension benefits.

The growth in real assets through advance funding also will provide greater benefit security for employees/retirees, since progress of funding by tangible investments can be measured and monitored over time. As the asset base builds and the funding ratio increases, a larger share of the revenues into the plan will come from investment income, while the corollary portion from contributions declines. This relationship is part of the design and was the experience in the development of pension trust funds in the U.S. over the last century. Today, reasonably well-funded defined benefit pension plans may receive up to 60 to 70 percent of total revenues from investment income.

Another advantage to employers from advance funding OPEB comes from the potential ability under GASB 45 to use a higher discount rate to value liabilities than under the PAYGO method. The

use of a higher discount rate will result in lower actuarial liability and expense calculations. For employers that are expected to contribute amounts equal to or greater than the ARC, a discount rate based on the long-term expected rate of return on the OPEB plan's assets would be used. Plan assets would most likely be invested in a portfolio of securities designed to generate a higher long-term rate of return similar to pension trust funds—maybe in the 7 to 8 percent range. Employers that continue to have no plan assets would use a discount rate based on the employer's own investments, which might be in the 1 to 3 percent range. Employers that have some plan assets but are expected to contribute less than the ARC would use a blended rate. Thus, the full advance funding of OPEB would generate both real cost savings from investment earnings and more favorable liability calculations.

Some employers may choose to fund part of their OPEB actuarial liability through the use of bond proceeds. OPEB obligation bonds contain many of the same characteristics as their sister debt instrument, pension obligation bonds. These bonds are basically arbitrage funding, in that the proceeds are placed in a plan trust and invested in equities, bonds, and other instruments that are expected to return a higher rate of return than the interest cost of the bonds. Savings are projected to be generated through lower annual costs for pension obligation bond debt service compared to the cost to pay all or a portion of the pension fund's unfunded actuarial accrued liability. The principal risk of this strategy is that investment returns may not meet expectations over the long-term and the bond issue could have the effect of actually adding costs during periods of weak investment returns instead of generating savings. Another pension obligation bond issue is that, due to debt limitations set by either policies or statutes, this type of debt may use up bonding capacity that might have been applied to other projects. While pension obligation bonds issued in the early 1990s have on average met with success to date despite several rocky years, those sold in the late 1990s have been disappointing. The success of any pension obligation bond or OPEB obligation bond in the future will depend on conservative planning and fortuitous market timing.

From a rating standpoint, OPEB obligations, like other cost pressures without offsetting resources, affect not only debt and management factors, but also financial. If any changes resulting from OPEB have the effect of adversely affecting an employer's financial position or flexibility, then credit quality may suffer.

MANAGEMENT CONSIDERATIONS RELATED TO OPEB CHANGES

As employers wrestle with policy decisions in response to information provided through implementation of the new OPEB reporting requirements, including the decisions to fund or not to fund and whether or not the existing benefit structure is to be maintained, they will be juggling multiple issues.

Competitive Position. The principal reason employers promise retirement benefits to employees is to help attract and keep qualified personnel. Like all employment sectors, state and local governments must offer to employees a combination of salary, benefits, and job satisfaction that will maintain adequate staffing to deliver the services required and at a level of quality expected by the community. To the extent that any diminution of benefits undercuts a government's competitive ability to hire good people, its mission may be compromised.

Affordability. When the OPEB valuations are completed, some employers may find that the advance funding of GASB 45 annual OPEB costs is just too expensive given the budget's resources. This is the point at which some of the options mentioned above to mitigate OPEB exposure may be considered. Are there feasible ways to lower the OPEB liability or should the old PAYGO practice simply be continued? Also under consideration will be any new revenue sources or areas where fees or taxes could be increased to cover the added costs. Given the recent pressures from other cost centers, including pensions, public safety, and health care (non-retiree), finding additional resources will be challenging in most cases.

Political Hazards. Even if increasing OPEB costs are "affordable," they may not be politically palatable. For example, private sector workers, as voters, who do not have as high a level of health care coverage as their local government employee neighbors, may resist any increases in government taxes or fees to cover higher OPEB contributions. Management will have to be sensitive to this issue.

Legal Issues. A major legal issue that is again being raised as part of the OPEB reporting change discussion is whether or not an employer can reduce this type of retiree benefit that has been promised to certain employees. Whereas many states have strong constitutional or statutory protections against taking away pension benefits that have been granted, the legal status of OPEB is frequently unclear. Also, pension protections have been bolstered by extensive case law over the decades. A further complicating legal factor is that most OPEB promises have been made through collective bargaining agreements and these benefits may or may not be continued upon contract renewal. Even in the absence of a written agreement, state and local government employers may have reportable OPEB liabilities if the benefits are based on any substantive plan (one that is understood by the employer and its employees). As the changes in OPEB reporting advance, it is likely that related attempts to alter benefits in some cases will end up in the courts.

Rating Considerations. Another issue facing employers in their OPEB choices will be how their decisions will affect their bond ratings. Standard & Poor's views unfunded actuarial retiree healthcare obligations as debt-like in nature, similar to pensions. While a history of audited pension liability trends have been incorporated into individual state and local debt ratings, OPEB actuarial liabilities, most yet to be quantified, present some uncertainties. Given that in many cases the OPEB actuarial liabilities are expected to be large and that liabilities also are expected to vary widely from employer to employer, the key to maintaining a stable credit profile for employers will be how they manage these liabilities. From a rating standpoint, OPEB obligations, like other cost pressures without offsetting resources, affect not only debt and management factors, but also financial. If any changes resulting from OPEB have the effect of adversely affecting an employer's financial position or flexibility, then credit quality may suffer.

CONCLUSION

The new accounting and reporting rules for retiree healthcare benefits under GASB 45 are going to cast a bright light on this corner of state and local government employee deferred compensation. Based on the evidence to date, the difference between financing these benefits under the old PAYGO method and the new advance funding method is going to be significant. Employers in some cases will have to go back to the drawing board to retool their benefit packages if they wish to advance fund these liabilities. In addition to the financial implications, employers may also be hit with a variety of related factors – including political, legal, and bond rating issues – in the course of their OPEB review, compliance, and planning. As OPEB obligations take on greater urgency, management must respond with thoughtful, long-term solutions. ∎

Note:

1. Governmental Accounting Standards Board Statement No. 45 – *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, Issued June 2004.

PARRY YOUNG is a director with Standard & Poor's. In this capacity he is an analyst in the ratings of state and local government bonds. Young served as an advisor to GFOA's Committee on Retirement and Benefits Administration from 1999 to 2004.

RESOLUTION NO. 06-xxx

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASO ROBLES AUTHORIZING A CONTRACT WITH KEENAN & ASSOCIATES FOR GOVERNMENTAL ACCOUNTING STANDARDS BOARD STANDARDS 43 AND 45 IMPLEMENTATION AND RELATED BUDGET APPROPRIATION

WHEREAS, the Governmental Accounting Standards Board (GASB) recently adopted Statements 43 and 45; and

WHEREAS, these Statements establish uniform financial reporting standards for public agencies which provide "Other Post Employment Benefits" (OPEB) Plans; and

WHEREAS, these Statements also require public agencies to report in their comprehensive annual financial report (CAFR) their liability for OPEB; and

WHEREAS, the City recognizes the importance of complying with Governmental Accounting Standards Board Statements 43 and 45 as it provides full disclosure of the City's financial condition and improves long-range financial planning; and

WHEREAS, City needs to determine the accrued liability for OPEB consistent with GASB 43 and 45 in order to prepare the next two year budget/four year financial plan this upcoming fall; and

WHEREAS, Keenan & Associates has developed a comprehensive program that provides all necessary components for GASB 43 and 45 compliance with demonstrated success; and

WHEREAS, Keenan & Associates is the only known firm that provides a comprehensive GASB 43 and 45 implementation service; and

WHEREAS, no budget appropriation has been previously adopted for implementing GASB 43 and 45, it would be highly desirable to do so.

THEREFORE, BE IT HEREBY RESOLVED that the City Council of the City of El Paso de Robles approve an "every other year' budget appropriation beginning with fiscal year 2006 from General Fund Reserves to budget account 100-140-5224-125 in the amount of $10,000.

BE IT FURTHER RESOLVED that the City Council of the City of El Paso de Robles authorizes the Director of Administrative Services to contract with Keenan & Associates for GASB Standards 43 and 45 compliance with due consideration given to a joint purchase program with any interested central coast cities.

PASSED AND ADOPTED by the City Council of the City of Paso Robles this 2nd day of May 2006 by the following vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

____
Frank R. Mecham, Mayor

ATTEST:

____
Cathy M. David, Deputy City Clerk