

**CITY OF ALBANY
CITY COUNCIL AGENDA
STAFF REPORT**

Agenda Date: Sept. 19, 2005
Date Prepared: Sept. 14, 2005
Reviewed by _____

TO: City Council

SUBJECT: Unaudited Financial Statements, June 30, 2005, Interfund Transfers, and Pension Plan Side Fund Payments

REPORT BY: Beth Pollard, City Administrator
Charles Adams, Finance and Administrative Services Director

STAFF RECOMMENDATION

That Council accept the unaudited financial report for the fiscal year ended June 30, 2005, approve the updated schedule of interfund transfers, and approve payment of side funds of the Miscellaneous Plan of the City of Albany, and the Miscellaneous Plan of the Albany Municipal Services Joint Powers Authority.

BACKGROUND

The accompanying financial statements of the City of Albany General Fund are compiled from the financial records maintained by the City's Finance Department. They reflect all transactions completed during the year, and the accrual of revenues and expenditures as required by generally accepted accounting principles. The City's comprehensive financial statements are currently undergoing independent audit, and this audit may result in modification of the financial results reported in the unaudited financial statements.

The Council has previously approved a schedule of interfund transfers as part of the fiscal year 2004-05 budget. Several of these transfers were based on estimated revenues and expenditures, and at this time are being adjusted to reflect the actual operations for the year, and to provide for additions to reserve funds.

In June of 2003, the CalPERS Board implemented a requirement that plans with less than 100 active members be assigned to risk pools for purposes of establishing contribution rates. The purpose of the risk pools is to reduce fluctuation in employer rates at CalPERS. The procedures for implementation of the risk pools required that a side fund be established for each plan as it enters a pool. The side fund takes into account the level of assets and liabilities in effect at the time of joining a risk pool. The side fund also accrues interest charges on the outstanding balance at a rate of 7.75%, which is the rate used for earning on plan assets in the actuarial valuation. These side funds are amortized over time by adding the amortization to the employer's contribution rate.

DISCUSSION/ANALYSIS

Financial Statements and Inter-fund Transfers – Discussion and analysis of the financial statements and inter-fund transfers is provided in the attachment to this report titled Review of Revenues, Expenditures and Transfers, For the Year Ended June 30, 2005. The full schedule of inter-fund transfers is provided below.

**CITY OF ALBANY
FUND TRANSFERS
FISCAL YEAR 2004-05**

Transfers In

Fund	Amount Budget	Amount Final
825 Police Equip Reserves	\$ 9,500	\$ 9,500
830 Fire Equip. Reserves	51,537	51,537
836 Fire Operating Equip. Reserves	24,000	24,000
700 Capital Projects Fund		200,000
849 Equip. Replacement Reserve		300,000

Total	\$ 85,037	\$ 585,037
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100 General Fund	\$ 2,310,049	\$ 2,309,948
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Total	\$ 2,310,049	\$ 2,309,948
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Transfers Out

Fund	Amount Budget	Amount Final
100 General Fund	\$ 85,037	\$ 585,037

Total	\$ 85,037	\$ 585,037
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103 Pension Override	\$ 350,000	\$ 350,000
230 Gas Taxes	260,206	263,269
265 EMS	927,083	923,919
710 Sewer	737,500	737,500
730 LT Landscape	35,260	35,260

Total	\$ 2,310,049	\$ 2,309,948
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Pension Side Funds – Side fund balances as of June 30 2005 and the amortization component of the employer contribution rate are scheduled below:

Plan	Balance	Contribution
City Miscellaneous	\$ 331,561	3.151%
JPA Miscellaneous	\$ 286,043	1.774%
Police	\$2,619,149	11.634%
Fire	\$1,175,558	7.371%

All four of the side funds are negative, and the required amortization of the funds over periods of 10 to 18 years has the result of increasing the employer plan contributions as a percentage of payroll, by the percentages shown above. The Fire plan will be revaluated in April 2006 when the benefit changes from 2% at 50 to 3% at 55, and this will result in an increase in the side fund balance and amortization percentage.

Staff recommends that the side fund balances of City Miscellaneous and the JPA Miscellaneous plans be retired by a charge to the General Fund operating expense for fiscal year 2004-05.

Currently the City collects a pension override tax to fund the closed pension plan, and to fund a portion of the PERS Police and Fire pension plans. Based upon the most recent actuarial valuation, the Police and Fire Relief and Pension Fund has no unfunded liability and will not require a contribution in fiscal year 2005-06. Staff estimates that there will be approximately \$2 million in pension override tax funds available to pay down the side funds in fiscal year 2005-06. Staff recommends that the Council approve use of the pension override funds to pay down the Police and Fire PERS side funds, the actual amount of the payments to be made in fiscal year 2005-06 and future years to be determined by the Council, based upon the funds available and the potential required use of fund to pay current obligations of both the Police and Fire Relief and Pension Fund and the PERS Police and Fire Pension Plans.

FINANCIAL IMPACT

The financial results for the year were favorable, in that the City’s fund balance increased \$107,092. The enhancement of reserves through fund transfers will ensure the financial stability of the City and provide for necessary replacement of capital assets. The reduction of Police and Fire PERS side funds with payments from the pension override tax will benefit the General Fund by lowering the employer pension contribution rate in future years.

The final accounting for the fiscal year, in the form of the *Comprehensive Annual Financial Report*, will be presented in November as part of the City’s independent audit report.

Attachments