



Agenda Date: 12/20/2005
Agenda Placement: 8H
Set Time: 3:00 PM
Estimated Report Time: 30 Minutes

NAPA COUNTY BOARD OF SUPERVISORS Board Agenda Letter

TO: Board of Supervisors
FROM: Pamela Kindig - Auditor-Controller
Auditor - Controller
REPORT BY: Pamela Kindig, Auditor-Controller, 253-4647
SUBJECT: Discussion of OPEB and Approval of a contract with Bartel & Associates LLC

RECOMMENDATION

Auditor-Controller and Human Resources Director request the following regarding Other Postemployment Benefits (OPEB):

1. Discussion regarding the requirements under Governmental Accounting Standards Board No. 45; and
2. Approval of and authorization for the Chair to sign an agreement with Bartel Associates, LLC for a maximum of \$19,000 for the term December 20, 2005 through June 30, 2006 to provide the required actuarial valuation of other postemployment benefits.

EXECUTIVE SUMMARY

The Governmental Accounting Standards Board (GASB) issued "Statement 45" to provide more complete and reliable financial reporting regarding the costs and financial obligations that governments incur when providing postemployment benefits other than pensions (OPEB) as part of the employee's compensation for services rendered. The Auditor-Controller and Human Resources Director will discuss the implementation of this statement with the Board.

John Bartel was a member of the task force providing information to GASB on this issue and has provided actuarial services to the County in the past. Today's request includes approval of a contract with Bartel & Associates, LLC to prepare the valuation required under GASB 45.

FISCAL IMPACT

Is there a Fiscal Impact? Yes
Is it currently budgeted? Yes

Where is it budgeted?	Funding is available in FY 05-06 Central Services appropriations.
Is it Mandatory or Discretionary?	Mandatory
Is the general fund affected?	Yes
Future fiscal impact:	GASB 45 requires annual valuations every other year. Staff will appropriate funds in Central Services to cover the expense of the valuation. The consultant is estimating those costs at \$2-5,000.
Consequences if not approved:	The County would not be in compliance with GASB 45.
Additional Information:	None

ENVIRONMENTAL IMPACT

ENVIRONMENTAL DETERMINATION: The proposed action is not a project as defined by 14 California Code of Regulations 15378 (State CEQA Guidelines) and therefore CEQA is not applicable.

BACKGROUND AND DISCUSSION

Governmental Accounting Standards Board (GASB) has established standards for the measurement, recognition, and display of those "other postemployment benefits" (OPEB) offered by many state and local government employers as part of a total compensation package for qualified employees. OPEB includes retiree healthcare benefits, as well as other forms of postemployment benefits such as life insurance. These standards address financial statement and disclosure requirements for reporting expenses and related accrued liabilities.

Because OPEB is considered part of the overall salary and benefit packages it constitutes compensation for employee services. In the past, governments have accounted for this obligation using a "pay-as-you-go" methodology; under GASB 45 the County will be required to recognize its healthcare promise to future retirees as those employees render service to the County. The "pay-as-you-go" methodology reports the costs of the benefits only after the employees retire on a dollar for dollar basis. GASB 45 requires the reporting of the estimated cost of the benefits in financial statements each year during the years that employees are providing services to the County thus providing more accurate information about the total cost of the services that the County provides to its constituents. It also clarifies whether the amount the County has paid or contributed for OPEB during the report year has covered its annual OPEB cost and provides better information about the County's unfunded actuarial accrued liabilities and changes in the funded status of the benefits over time.

The Board of Supervisors is asked to approve a contract with Bartel & Associates, LLC to provide an actuarial valuation of the County's other postemployment benefits. John Bartel is uniquely qualified to prepare this valuation. He was a member of the GASB task force providing background information on this issue and has prepared actuarial valuations for the County in the past. Under this new contract, Mr. Bartel will provide the County with a formal report including: annual required contribution, annual OPEB cost, net OPEB obligation, and ten years of projected benefit payments and annual OPEB cost. Staff anticipates presenting the report to the Board in March 2006, as part of the preparation for the Fiscal Year 2006-07 budget process.

SUPPORTING DOCUMENTS

None

CEO Recommendation: Approve

Reviewed By: Helene Franchi