

**LODI CITY COUNCIL
SHIRTSLEEVE SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, APRIL 9, 2013**

A. Roll Call by City Clerk

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, April 9, 2013, commencing at 7:00 a.m.

Present: Council Member Hansen, Council Member Johnson, Council Member Mounce, Mayor Pro Tempore Katzakian, and Mayor Nakanishi

Absent: None

Also Present: City Manager Bartlam, City Attorney Schwabauer, and City Clerk Johl

B. Topic(s)

B-1 Discuss Other Post Employment Benefits (CM)

Deputy City Manager Jordan Ayers provided a PowerPoint presentation regarding Other Post Employment Benefits (OPEB). Specific topics of discussion included what is OPEB, auditor's finding and recommendation, actuarial valuation, accounting requirements, June 30, 2012 disclosures, OPEB history, current process, and options for consideration.

In response to Mayor Nakanishi, Mr. Ayers stated there are 92 eligible employees for sick leave conversion.

In response to Council Member Mounce, Mr. Ayers stated the Governmental Accounting Standards Board (GASB) under GASB 45 requires that an agency show the unfunded liability but it does not require that the liability be funded.

In response to Council Member Johnson, Mr. Ayers stated the City's auditors understand the City's desire to show the lump sum of the unfunded liability for transparency although they still prefer that the liability be shown separately in each department's budget.

In response to Council Member Hansen and Council Member Mounce, Mr. Ayers confirmed that the mandate requires that the liability be shown regardless of whether it is shown as one lump sum or departmentally.

In response to Mayor Nakanishi, Mr. Ayers stated that health care costs affect the discussion based on the option selected for sick leave conversion and the annual Consumer Price Index adjustment.

In response to Council Member Mounce, Mr. Ayers stated there are 92 current eligible employees, some may terminate service prior to retirement, and currently a pro rata share is allocated to the departments.

In response to Mayor Pro Tempore Katzakian, City Manager Bartlam confirmed that the scenario is similar to having a 30-year mortgage on a home with an adjustable interest rate.

In response to Council Member Hansen, Mr. Ayers stated the actuarial does take into account retirees who pass on.

In response to Mayor Nakanishi, Mr. Ayers stated the entire program consists of 162 retirees that

are currently drawing and 92 current employees that are eligible to draw upon retirement.

In response to Council Member Mounce, Mr. Ayers stated in light of the recent GASB 68 statement he does not anticipate the Board to change its stance on showing the liability versus funding the liability.

In response to Council Member Hansen, Mr. Ayers stated surrounding communities, with the exception of Elk Grove which has been partially funding the liability since its inception, are generally handling the situation in the same manner as Lodi.

In response to Mayor Nakanishi, Mr. Ayers stated that one option for sick leave conversion upon retirement is to receive a \$115 monthly amount payable to CalPers for continued health coverage through CalPers.

In response to Council Member Mounce, Mr. Ayers stated the actuarial is done every two years for approximately \$7,000 to \$8,000 and currently the amounts are known for 2013 and 2014 but not 2015.

In response to Mayor Nakanishi, Mr. Bartlam stated General Fund departments may or may not be able to bear the burden of additional cuts in their operating budgets to fund this liability.

In response to Council Member Mounce, Mr. Bartlam confirmed that the existing reserve funds could be used to cover the OPEB liability in the case of an emergency.

Council Member Hansen and Mr. Bartlam had a brief discussion regarding the accuracy of the unfunded liability amount and determining that amount through the actuarial process.

In response to Council Member Hansen, Mr. Ayers confirmed that GASB would only allow an irrevocable third party trust and not a revocable trust.

In response to Council Member Johnson, Mr. Ayers stated a third party trust would provide more flexibility for investing, including dividend paid stocks, than direct investment of pooled cash.

A brief discussion ensued between Mayor Nakanishi, Council Member Hansen, and Council Member Johnson regarding the benefits and burdens of third party investing versus direct investing, stating any process would include the creation of a carefully reviewed and monitored investment policy.

In response to Mayor Nakanishi, Mr. Bartlam stated the CalPers trust is different from CalPers retirement and he would prefer not to have CalPers investing the City's money for the OPEB liability.

The City Council engaged in a general discussion regarding the effect on General Fund departments of funding the liability, potential of a contingency set aside to fund the liability over an extended period of time, additional CalPers retirement liabilities expected over the next five years, the auditors preference for the liability to be shown departmentally versus a lump sum, and the options for a mutually-agreed upon solution that does not burden the operating budget for services from the departments.

Ed Miller suggested that a hybrid approach with partial third party trust investment at a higher return rate and partial reserve amount set aside may be the solution.

C. Comments by Public on Non-Agenda Items

None.

D. Adjournment

No action was taken by the City Council. The meeting was adjourned at 8:10 a.m.

ATTEST:

Randi Johl
City Clerk