



Board Agenda Item 26.2

DATE: February 28, 2017

TO: Board of Supervisors

SUBMITTED BY: Jean Rousseau, County Administrative Office
Oscar J. Garcia, Auditor-Controller/Treasurer-Tax Collector

SUBJECT: Budget Resolution to Fund Reimbursement of Pension Obligation Bond Claimed Costs

RECOMMENDED ACTION(S):

- 1. Adopt Budget Resolution for Interest and Miscellaneous Expenditures Organization 2540 increasing the FY 2016-17 appropriations in the amount of \$6,271,287 and decreasing the Assigned Fund Balance in the General Fund for Third Party Payer by \$6,271,287.**
- 2. Authorize the payment of \$6,271,287 to the United States Federal Government.**

The recommended actions will increase appropriations to cover the reimbursement of denied Pension Obligation Bond (POB) costs to the Federal Government.

ALTERNATIVE ACTION(S):

If the recommended action is not approved, the General Fund, Interest and Miscellaneous Expenditure Organization 2540 will lack appropriations to reimburse the Federal Government for denied POB related claims.

FISCAL IMPACT:

There is an additional \$6,271,287 Net County Cost associated with the recommended action. The additional Net County Cost will be funded from Assigned Fund Balance that the Board had reserved in Fiscal Year (FY) 2014-15, 2015-16, and 2016-17. Approval of the first recommended action will increase the FY 2016-17 adopted appropriations of the Interest and Miscellaneous Expenditure Organization 2540 in the amount of \$6,271,287 using funding from the release of the Assigned Fund Balance in the General Fund for Third Party Payer to fund reimbursement of POB claimed costs.

DISCUSSION:

In 1998, the County of Fresno issued POB's to finance its Unfunded Accrued Actuarial Liability (UAAL) to the Fresno County Employees Retirement Association (FCERA). In 2002, the County issued 2002 Refunding POB's to refinance a portion of its 1998 Pension Obligation Bonds and lower the annual expense to the County.

The 2002 Refunding POB's reduced pension obligation costs for the first seven (7) years which saved the County pension costs that were allowable for reimbursements from the Federal and State Governments. The 2002 POB's also extended the financing term of the 1998 POB's that increased the total POB costs.

The Federal and State Governments have reimbursed the County for its POB costs of their programs but the Department of Health and Human Services (DHHS) now objects to the portion of the 2002 Refunding POB costs

that exceed what the cost would have been had the 1998 POBs not been refinanced.

As a result, a portion of the costs claimed by the County under the County Cost Plan for FY 2014-15 and 2015-16 have been denied by DHHS and a reimbursement in the amount of \$6,271,287 has been requested. The payment will resolved the disallowance associated with the last two years and result in the approval of the FY 2016-17 Cost Plan.

The County set aside monies to address this issued starting in FY 2014-15. The following is a recap of the amount assigned by fiscal year:

FY 2014-15	\$ 8,957,503
FY 2015-16	\$10,000,000
FY 2016-17	<u>\$10,000,000</u>
	\$28,957,503

REFERENCE MATERIAL:

BAI #5, June 12, 2014
BAI #5, June 11, 2015
BAI #4, June 21, 2016

ATTACHMENTS INCLUDED AND/OR ON FILE:

On File with Clerk- Resolution Org 2540

CAO ANALYST:

Debbie Paolinelli