



Board Agenda Item 20

DATE: April 4, 2017

TO: Board of Supervisors

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

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 \$8,398,176 and decreasing the Assigned Fund Balance in the General Fund for Third Party Payer by \$8,398,176.**
- 2. Authorize the payment of \$8,398,176 to the California State Controller.**

The recommended action will increase appropriations to cover the reimbursement of denied Pension Obligation Bond (POB) costs to the California State Controller (State Controller).

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 State Controller for denied POB related claims.

FISCAL IMPACT:

There is an additional \$8,398,176 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 \$8,398,176 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 State Controller 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 State Controller and a reimbursement in the amount of \$8,398,176 has been requested. The payment will resolve 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

On the February 28, 2017 Board of Supervisors meeting, the Board approved the use of \$6,271,287 to cover the reimbursement of denied POB cost to the Federal Government. The available balance is currently \$22,686,216 and is available to fund the increase of appropriations requested as part of the first recommended action.

REFERENCE MATERIAL:

BAI #5, June 12, 2014
BAI #5, June 11, 2015
BAI #4, June 21, 2016
BAI #26.2, February 28, 2017

ATTACHMENTS INCLUDED AND/OR ON FILE:

On file with the Clerk - Budget Resolution Org 2540

CAO ANALYST:

Juan Lopez