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OAKLAND

2019 FEB -7 PM 2:29

AGENDA REPORT

TO: Sabrina B. Landreth
City Administrator

FROM: Katano Kasaine
Finance Director

SUBJECT: BAC Letter Regarding OPEB Funding
Policy

DATE: February 5, 2019

City Administrator Approval

Date:

2/7/19

This cover letter is to transmit to the City Council the Budget Advisory Commission's (BAC) Letter in response to the OPEB Funding Policy. The BAC's letter is included as **Attachment A**.

For questions regarding this report, please contact Adam Benson, Budget Administrator at 510-238-2026.

Respectfully submitted,

KATANO KASAINÉ
Finance Director

Prepared by:
Bradley Johnson,
Principal Budget Analyst

Attachments (1):

(A): Budget Advisory Commission (BAC) Letter

Item: _____

Finance and Management Committee
February 19, 2018

February 5, 2019

To: Members City Council
From: Budget Advisory Commission
Re: Support for Adoption of OPEB Funding Policy

In our prior reports to the City Council, the Budget Advisory Commission (“BAC”) strongly recommended actions to provide stable, on-going funding for retiree medical benefits to City employees, also known as Other Post-Employment Benefits (“OPEB”).

The BAC was very pleased when the City Council authorized an independent evaluation of this issue and instructed staff to come back with a recommended OPEB Funding Policy in January 2019. The recommendations contained in the study now before the Finance and Management Committee are consistent with the BAC’s prior recommendations.

We urge the Committee and the Council to adopt a resolution establishing an OPEB Funding Policy.

The retiree medical benefit reforms recently agreed to with sworn Police and Fire employees will provide significant long-term relief to the City’s taxpayers by reducing the overall liability to a more manageable level, while simultaneously providing long-term protections to existing retirees. However, these benefit reforms alone are not enough to put the City’s OPEB program on a sustainable path forward. Additional regular and ongoing contributions are required to the OPEB Trust to ensure sufficient resources are available over the long-term to cover the cost of benefits promised to City workers (and now vested for certain workers).

The proposed OPEB Funding Policy establishes a manageable target – 2.5% of payroll – for additional City contributions to an OPEB Trust. Adoption of a policy will yield significant benefits to the City. The City’s credit rating will be strengthened, potentially resulting in long-term savings for the City due to a lower cost of future debt issuance. In addition, the mechanism recommended will spread the cost of funding OPEB over all sources of funds in the City, not just the General Purpose Fund (“GPF”).

Again, to address the OPEB unfunded liabilities over a reasonable timeframe and consistent with best practices in financial management, the BAC recommends that the City Council adopt an OPEB Funding Policy.

We are available at your convenience to provide any further information you may require.

Ed Gerber
Chair Budget Advisory Commission

cc: Hon. Libby Schaaf, Mayor
Sabrina Landreth, City Administrator
Katano Kasaine, Director of Finance
Adam Benson, Budget Administrator