

Other Post Employment Benefits
Fiscal Year 2010-11 Final Budget

Fund Center 413

PURPOSE

To provide funding for the payment of retiree health benefits, otherwise referred to as Other Post Employment Benefits (OPEB). County departments are charged a percentage of payroll in order to fund this fund center.

OPERATING DETAIL (1)	2008-09 ACTUAL (2)	2009-10 ACTUAL (3)	2010-11 RECOMMENDED (4)	2010-11 ADOPTED (5)
OPERATING REVENUES				
Charges to Department	2,603,729	2,342,428	1,500,000	1,500,000
TOTAL OPERATING REVENUES	2,603,729	2,342,428	1,500,000	1,500,000
OPERATING EXPENSES				
Insurance Benefit Payments	1,776,000	1,058,267	800,000	800,000
Insurance premiums	592,956	0	0	0
TOTAL OPERATING EXPENSES	2,368,956	1,058,267	800,000	800,000
OPERATING INCOME (LOSS)	234,773	1,284,161	700,000	700,000
NON-OPERATING REVENUES (EXPENSES)				
Interest	53,135	33,988	40,000	40,000
Fed Aid Medicare Part D	650,541	319,286	0	0
TOTAL NON-OPERATING REVENUES (EXPENSES)	703,676	353,274	40,000	40,000
INCOME BEF. CAPITAL CONTRBS. & TRANSFERS	938,449	1,637,435	740,000	740,000
CHANGE IN NET ASSETS	938,449	1,637,435	740,000	740,000
Net assets - beginning	374,739	1,313,188	2,950,623	2,950,623
Net assets - ending	1,313,188	2,950,623	3,690,623	3,690,623

COUNTY ADMINISTRATOR'S COMMENTS AND RECOMMENDATIONS

During FY 2006-07, accounting changes required local governments to account for the cost of health benefits promised to employees who will be retiring over the next 30 years. For some entities, the cost is hundreds of millions of dollars and they will be required to issue debt and/or reduce services to pay for these benefits. While our liability for these expenses is modest compared to many other governmental agencies- the current estimate for the County is \$25 million- the Auditor-Controller has recommended that the County set aside funds to pay for these future expenses (FY 2007-08 was the first year the County set aside funds).

Departments are charged a percentage of payroll in order to fund this liability and the total amount to be set aside for FY 2010-11 is \$1.6 million, which is about \$700,000 less than prior years. On 4/13/2010 (Board agenda item A-10), the Board adopted the Auditor-Controller's recommendation to deposit and invest these funds in an irrevocable trust. It is anticipated that this trust will earn a higher investment return as compared to the County Treasury and as a result of these additional earnings; the charges to departments are being reduced (by \$700,000 per year). This action was taken to help reduce the structural budget gap.

BOARD ADOPTED CHANGES

None