

POSSIBLE MOTION

I MOVE TO approve Ordinance 2017-22 on second and final reading.

Memo

Thru: Phil Messina, Interim Municipal Administrator
To: Mayor Hunter and Assembly Members
From: Jay Sweeney, Chief Finance and Administrative Officer
Date: July 3, 2017
Re: FY2017 Supplemental Budget Ordinance 2017-22

Mayor Hunter and Assembly Members,

The purpose of, and background behind, FY2017 Supplemental Budget Ordinance 2017-22 is to adjust the FY2017 operating budget and adjust appropriations for on-behalf payments made by the State of Alaska into the Alaska Public Employees Retirement System (PERS) for Sitka.

As you have heard, PERS is significantly underfunded; not enough assets are in the System to pay for the estimated future cost of retirement benefits to governmental employees. The State of Alaska has made a continued effort to reduce this underfunding by making payments into PERS on behalf of the various Municipal governmental entities that participate in PERS along with the State itself. These payment are made directly by the State into PERS; the actual funds do not pass through Sitka's bank account.

Governmental accounting and reporting rules require that expenditures made by one entity on behalf of another be recorded as offsetting revenue and expenditures, even if the funds expended never pass through the supported entity's bank account. Thus, on-behalf payments benefit Sitka but do not have any effect on profit or loss; as revenues recorded equal expenditures recorded, such payments wash through the income statements. The expenditure portion of on-behalf payments does, however, have a budgetary effect, as on-behalf expenditures are measured against appropriations. Thus, if an on-behalf payment is large enough, it could cause a Department to exceed its PERS appropriation, even though there is revenue recorded to match the expenditure.

For these reasons, Sitka has traditionally adjusted its operating budget at the end of the fiscal year to account for on-behalf PERS payments and to ensure that appropriations are not exceeded. Why the end of the year? We have traditionally chosen the end of the year because the full amount of on-behalf payments is not known until year's end. These payments are made by the State all year long, not in one lump sum, so it seems prudent to wait and see the sum total received before recording a budget adjustment. The attached schedule from the State shows payments received in FY2017.

The total operating hours for a trolley and the total port call hours are all easily discernable and auditable, so partial reimbursement from CPET funds would meet the auditability criteria set forth by the Division of Legislative Audit.



THE STATE
of ALASKA
GOVERNOR BILL WALKER

Department of
Administration

DIVISION OF RETIREMENT AND BENEFITS

5th Floor State Office Building
333 Willoughby Avenue
P.O. Box 110203
Juneau, AK 99811-0203
FAX: (907) 465-3086
Phone: (907) 465-4460
Toll-Free: (800) 821-2251

June 01, 2017

JOHN P SWEENEY, FINANCE DIRECTOR
CITY AND BOROUGH OF SITKA
100 LINCOLN ST
SITKA AK 99835

Sent via email to: JAY.SWEENEY@CITYOFSITKA.ORG

RE: FY17 Employer On-Behalf Funding - PERS ER 120

During the 2016 legislative session, House Bill 256 (HB256) passed providing on-behalf funding for PERS employer contributions for Fiscal Year 2017 (FY17). HB256, Section 28 (a) reads as follows:

(a) The following amounts are appropriated to the Department of Administration from the specified sources for deposit in the defined benefit plan account in the public employees' retirement system as an additional state contribution under AS 39.35.280 for the fiscal year ending June 30, 2017:

(1) the sum of \$34,718,076 from the general fund;

(2) the sum of \$64,448,500 from the Alaska higher education investment fund (AS 37.14.750).

HB256 at <http://www.akleg.gov/PDF/29/Bills/HB0256Z.PDF>
(Section 28, page 91).

The Alaska Retirement Management Board approved the actuarially determined rate of 26.14% or FY17, with HB256 providing an on-behalf rate of 4.14% for each FY17 employer payroll. On-behalf funding is applied with the processing of each employer payroll with payroll end dates between July 1, 2016 and June 30, 2017, and received by the Division by July 15, 2017. Once all such payrolls have been processed we will true-up your account and make an adjusting entry, then send a final statement via email in early August 2017.

Included is a report detailing the Employer On-Behalf Funding allocated for fiscal year 2017 payrolls. Please work with your accountant or auditor to determine where to show this funding on your financial statements. Feel free to contact me via telephone at (907)465-2279 or email at tamara.criddle@alaska.gov if you have any questions or need additional information regarding HB256.

Sincerely,

A handwritten signature in blue ink that reads "Tamara Criddle".

Tamara Criddle, Accountant

State of Alaska, Division of Retirement & Benefits
FY2017 - HB256 Employer On-Behalf Detail as of 5/31/2017
CITY AND BOROUGH OF SITKA - ER 120

Payroll Ending Date	On-Behalf		Total
	Pension	Other Post-employment Healthcare	
07/03/2016 B	16,621.76	0.00	16,621.76
07/17/2016 B	16,928.06	0.00	16,928.06
07/31/2016 B	16,555.56	0.00	16,555.56
08/14/2016 B	16,864.05	0.00	16,864.05
08/28/2016 B	16,613.55	0.00	16,613.55
09/11/2016 B	17,363.10	0.00	17,363.10
09/25/2016 B	17,191.14	0.00	17,191.14
10/09/2016 B	16,802.78	0.00	16,802.78
10/23/2016 B	18,200.82	0.00	18,200.82
11/06/2016 B	17,133.09	0.00	17,133.09
11/20/2016 B	17,590.40	0.00	17,590.40
12/04/2016 B	17,962.59	0.00	17,962.59
12/18/2016 B	18,996.78	0.00	18,996.78
01/01/2017 B	18,760.78	0.00	18,760.78
01/15/2017 B	17,855.71	0.00	17,855.71
01/29/2017 B	17,548.26	0.00	17,548.26
02/12/2017 B	17,290.64	0.00	17,290.64
02/26/2017 B	17,835.51	0.00	17,835.51
03/12/2017 B	17,040.32	0.00	17,040.32
03/26/2017 B	17,328.64	0.00	17,328.64
04/09/2017 B	17,305.67	0.00	17,305.67
04/23/2017 B	17,510.59	0.00	17,510.59
05/07/2017 B	17,597.94	0.00	17,597.94
TOTALS FOR CITY AND BOROUGH OF SITKA	\$400,897.74	\$0.00	\$400,897.74

DISCLAIMER: The information contained in this letter is based on the specific facts and circumstances presented and cannot be applied to other facts and circumstances. This letter may contain a summary description of benefits, costs, rates, valuations, other calculations, policies or procedures for one or more pension or benefit plans administered by the Division of Retirement and Benefits, including but not limited to, the Public Employees' Retirement System, the Teachers' Retirement System, the Judicial Retirement System, the Supplemental Annuity Plan, the Deferred Compensation Plan, the AlaskaCare Employee Health Plan, or the AlaskaCare Retiree Benefit Plan. The Division of Retirement and Benefits has made every effort to ensure, but does not guarantee, that the information provided is accurate and up to date. Where this letter conflicts with the relevant Plan Document, the Plan Document controls.