

FINANCE & PERSONNEL COMMITTEE
CONTINGENT FUND REQUEST INFORMATION FORM

DEPT.: ADMINISTRATION CONTACT PERSON & PHONE NO.: Mark Nicolini x 5060

A. REASON FOR REQUEST (Refer to File 921360 for definitions)

- CHECK ONE: EMERGENCY CIRCUMSTANCES
 OBLIGATORY CIRCUMSTANCES
 FISCAL ADVANTAGE/COMPLIANCE WITH FISCAL MANAGEMENT PRINCIPALS

B. SUPPORTING INFORMATION

1. State the action requested, including the dollar amount and specific departmental accounts(s) to which the Contingent Fund appropriation would be made.

Appropriate \$120,000 from the 2009 Common Council Contingent to the Department of Administration account # 0001-1510-R999-630000 for financial planning and actuarial services related to projections of future pension liabilities, employer contributions and alternative plan designs.

2. State the purpose of the action requested which includes the program, service or activity to be supported by the funding, as well as the objective(s) to be accomplished.

Develop sound and detailed projections of retirement plan actuarial liabilities and normal cost based on various scenarios pertaining to investment return, negotiated wage settlements, and budgetary actions affecting authorized staffing. Provide policy makers with options for future plan design that are sustainable from a budgetary standpoint, that enable the City to compete for talent in the labor market, and that lower the potential for volatility to investment return, relative to current benefits.

3. Describe the circumstances which prompt the request.

- The City's actuarial accrued liabilities on behalf of ERS members are currently more than \$4.1 billion, and are expected to exceed \$6 billion by 2017;
- The 2010 adopted City Budget includes approximately \$73 million in employer and employer-paid employee contributions for ERS liabilities. The 2010 Budget marked the first time the City has made a sizable employer contribution for more than 12 years;
- Managing these liabilities is an essential component of effective financial planning and the sustainability of the City's capacity to provide essential services. In 2009 DOA contracted with the Board's actuary to develop a projection model for ERS liabilities and projected contributions, which led to development of an alternative funding policy that reduced contribution requirements from \$92 million to \$49 million in an actuarially responsible manner.

4. What are the consequences of not providing the program, service, or activity which is funded by this request?

- The City will have limited tools for refining future projections and developing strategic plan design alternatives, because much of the work that needs to be done requires expertise that the City does not possess 'in house.'

5. Explain why funds authorized in the Budget are insufficient to provide for the program, service, or activity in question.
- Neither DOA nor DER includes funds for specialized consulting in its operating budgets.
- 5a. Are there any unexpended funds in the departmental control account for which this appropriation is requested, that could be used to fund this request?
- No. DOA has already applied approximately \$36,000 in position vacancy savings to the 2009 projection model that is cited in response # 3.
- 5b. What are the consequences of using budgeted operating funds for this request?
- No budgeted funds are available to support this magnitude of planning effort.
6. State why funding was not included in the Budget.
- The 2009 Budget for DOA was finalized in September, 2008. The severity of investment losses to the ERS and the consequent need for financial planning related to ERS did not become apparent until the first quarter of 2009.
7. Will the conditions prompting the request be limited to the current year, or will they continue into the following year?
- We expect that this engagement will address many urgent issues, but the challenge of sustainable funding for the ERS plan liabilities is ongoing.

8. Has your department made a similar Contingent Fund request in previous years? YES NO

*If yes, what is the most recent year the request was made?

9. Will this funding be used to implement provisions of a collective bargaining agreement? YES NO

10. Will the funding being requested provide a level of service authorized by the Budget? YES NO

*If yes, why can't your department accomplish the authorized service level with the authorized funding level?

11. Will the requested funding provide a level of service higher than that authorized by the Budget? YES NO

*If yes, why is a higher service level necessary?

In order to continue to develop effective projections of future funding needs, and to respond to the Council's interest in collective bargaining strategies and alternative plan designs.

*What is the estimated amount of additional service units to be provided if the entire Contingent Fund request is approved?

- Not applicable

12. What performance measures and sub-measures are affected by this request, and what are the anticipated changes if the entire Contingent Fund request is approved?

- Not applicable

13. What reductions to performance measures are expected if the request is not approved?

- Not applicable

14. Is any grant funding associated with the program service, or activity pertaining to the request? YES NO

*If yes, name the grant and current year amount.

15. Will the program, service, or activity affect any electronic data processing system? YES NO

The following questions only apply to Contingent Fund requests which transfer appropriations into capital purpose accounts:

16. Does this request transfer an appropriation into a capital purpose subaccount? YES NO

*If yes, are similar projects planned and funding available in a capital purpose (parent) account for the current year?

17. Why is the project for which Contingent Funds are requested more important than other similar projects?

18. Does this request fund a project outside the normal order of planned projects of a kind which are funded through a capital purpose (parent) account for the current year? YES NO

*If yes, what is the consequence of deferring the lowest priority planned project until next year?

19. Was this project included in the Department's Budget request? YES NO

*If not, why not?

**If you have any questions about the completion of this form, you may call the
Fiscal Research Manager at extension 8686.**

**C. THANK YOU FOR YOUR COOPERATION. PLEASE SEND COPIES OF YOUR RESPONSE
TO:**

Staff Assistant, Finance & Personnel Committee, Room 205, City Hall (1 COPY)

Fiscal Research Manager, LRB-Common Council, Room B-11, City Hall (2 COPIES)

Budget & Management Director, DOA, Room 603, City Hall (2 COPIES)