



CITY of CALABASAS
CITY COUNCIL AGENDA REPORT

DATE: MAY 11, 2022

TO: HONORABLE MAYOR AND COUNCILMEMBERS

FROM: KINDON MEIK, CITY MANAGER
RON AHLERS, CHIEF FINANCIAL OFFICER 

SUBJECT: CONSIDER CITY'S OTHER POST EMPLOYMENT BENEFITS (OPEB) LIABILITY OF \$8.8 MILLION

MEETING DATE: MAY 18, 2022

SUMMARY RECOMMENDATION:

Staff is seeking direction from the City Council regarding the City of Calabasas (City):

1. Other Post-Employment Benefits (OPEB) unfunded liability of \$8.8 million
2. Use Management Reserve Fund dollars of \$250,000 to paydown a portion of OPEB Liability

BACKGROUND:

Staff has met on numerous occasions with the budget sub-committee of the Council (Council members Shapiro and Kraut) to discuss the City's OPEB Liability.

OPEB Unfunded Liability

The City's OPEB liability is derived from the City paying for a portion of our retirees' medical insurance premiums during their retirement. The City currently pays over \$110,000 per year on retiree medical expenses from the General Fund via two methods. First, the City pays \$149 per month directly to CalPERS for each City retiree enrolled in CalPERS medical insurance. Secondly, the City currently pays \$763 per month to each management retiree to pay for health-related costs in retirement. The unfunded liability for OPEB as of June 30, 2021 is \$8.8 million. The

prior year amount was \$7.5 million; therefore, an increase of \$1.3 million or 16%. This liability is expected to grow faster than inflation. The City has not set-aside any money for OPEB. If the City sets-aside and invests this money in stocks and bonds, the liability is reduced to \$4-5 million.

Management Reserve Fund (Fund 60)

The Management Reserve Fund currently has over \$6.7 million. The last contribution was the property sale last fiscal year in the amount of \$1.38 million. This fund was created in June 2010 to store excess reserves. These funds are separate and distinct from the General Fund (\$13.2 million), American Rescue Plan Act (ARPA) fund (\$2.4 million) and the Disaster Recovery Fund (Woolsey Settlement) (\$3.5 million).

DISCUSSION:

The Budget sub-committee and staff propose to use \$250,000 of the Management Reserve Fund to paydown a portion of the OPEB Liability.

FISCAL IMPACT/SOURCE OF FUNDING:

No impact in regards to this report. City Council can provide direction to staff on the \$250,000 paydown of the OPEB Liability.

REQUESTED ACTION:

Provide direction to staff on how to proceed with the recommended \$250,000 paydown of the OPEB Liability.