

Memorandum

TO: DEFERRED COMPENSATION ADVISORY
COMMITTEE

FROM: Emily Hendon

SUBJECT: General Fund Loan Payment

DATE: December 3, 2020

Approved: *J. Chemtri*

Date: November 20, 2020

RECOMMENDATION

Approve a transfer of \$25,000 from the VEBA Plans' reserve account to the City's General Fund to make the 1st payment installment towards the \$100,000 loan.

BACKGROUND

In early 2018, Staff prepared an initial operating budget and revenue forecast and identified that the VEBA Plans' assets were not forecasted to generate the revenue needed to support administrative expenses. In order to support the VEBA Program effectively, including the cost to hire an investment consultant, and obtain fiduciary liability Insurance, the Human Resources Department submitted a budget action to transfer \$100,000 from the Retiree Healthcare Reserve in the General Fund to the VEBA Plan's Fund 253.

Staff had anticipated paying back the loan in full within 18 months; however, the VEBA Fund did not grow as anticipated and the Budget Office did not require the payback within that timeline. The VEBA Plan's Fiscal Year 20-21 Reserve Policy requires the Plan have \$93,202 held in reserve for unexpected expenses. The current fund balance is greater than required reserves; however, if the loan were paid back in full, the fund balance would fall below the required reserve. In the VEBA Advisory Committee Meeting on September 21, 2020, the Committee requested that Staff work with the Finance Department and the Budget Office to repay \$25,000 of the loan at this time.

NEXT STEPS

If approved, Staff will coordinate a \$25,000 transfer of funds from the VEBA Plan's fund balance to the General Fund. Pending the Committee's approval, annual payments will be made until the loan is repaid in full.

Emily Hendon

Emily Hendon
Benefits Division Manager