

**Kristin Robinson**

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**From:** Kay Bolick  
**Sent:** Tuesday, July 21, 2015 9:03 AM  
**To:** Kristin Robinson  
**Cc:** Mike Hickenbottom  
**Subject:** FW: Council meeting last night  
**Attachments:** Retiree Audit Results.xlsx

The total is \$1,602,911.83.①

There are 3 tabs on the spreadsheet. On the deceased, there are two totals. All totals (over/under and deceased over/under) add up to this amount.

Let me know if you have questions. Thanks.

*Kay Bolick*  
*HR Director*

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**From:** Donna Jones [<mailto:djones@gmanet.com>]  
**Sent:** Tuesday, July 14, 2015 9:33 PM  
**To:** Cal Wray; Kay Bolick  
**Subject:** RE: Council meeting last night

Wiring Instructions:  
Routing: 061000104  
Account: 0008800628482

Let me know if you run into any issues. If I need to send this info to someone else please send me contact info and I can send to them or you can forward to the appropriate person if that works for you.

① Allocated to the various funds

General Fund	1,442,622.65
Water Fund	86,557.24
E-911	64,116.47
Hotel/motel	9617.47
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	1,602,911.83

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## MEMORANDUM

To: Mayor A. Max Bacon and Councilmembers

From: Michael L. Jones, P.E., City Administrator   
Kristin Robinson, CPA, Finance Director

Copy: Tami Saddler Jones, Assistant City Administrator  
Scott Cochran, City Attorney  
Kay Bolick, HR Director

Date: May 18, 2016

Re: Funding used for Retirement Audit Findings

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Mayor & Councilmembers;

At the most recent Pre-Council Agenda Meeting we had a conversation regarding budget surplus in previous years and the funding source for the Retirement Audit findings. I have placed the contents of the email I sent to you below for reference however, this memorandum outlines the impact of the actions taken to fund the \$1.6M audit findings and also outlines some recommendations for you to consider going forward.

From email sent 5/17/16:

**July 18, 2011** – M&C adopted GASB 54 (*on Consent Agenda*). This requires “action” by M&C on the designation you place on a budget surplus. Specifically, when surplus funds are intended to be “Committed” within your Fund Balance.

**October 20, 2014** – M&C voted 5-2 to designate the use of the \$3.3M surplus. Of this, \$1.0M was designated “Committed” for Retirement Program and \$0.1M was designated “Committed”

for OPEB. These funds are shown combined into a single "Committed" line item within Fund Balance for Retirement Plans. *It is clear from the COW minutes the Finance Director was recommending the \$1M be "Committed" for the sole purpose of funding all or part of the Retirement Audit findings, when the amount became known at a later date.*

**July 20, 2015** – M&C voted 6-0-1 (T. Anulewicz absent) to approve the \$1,602,911.93 adjustment payment to GMA. The Background states: "This will be paid from funds currently committed for retirement in the general fund's fund balance." This DID NOT OCCUR. Instead, the entire payment to GMA was paid from the "Unrestricted" cash within the General Fund's Fund Balance.

As a result, the \$1M intended to be used toward this payment to GMA is still sitting in the "Committed" line item for Retirement Plans within the Fund Balance, meaning the unrestricted portion of the budget essentially took a \$2.7M hit. Remember, as our expenditures within the General Fund (including transfers) increase, so does the amount of the minimum 25% "unrestricted" reserve.

This presents a few opportunities for you to consider going forward. I plan to address the above information and the opportunities in the technical memorandum and place it on the next C.O.W. agenda for discussion.

Presently, within the "Committed" portion of Fund Balance the "Retirement Plans" line item has a balance of \$1.75M. This is the direct result of the M&C action taken on October 20, 2014 and has remained unchanged since. Annually, the city receives notice from GMA (via Segal Consulting) regarding the amount of funding required for the coming years retirement plans, both for the Defined Benefits (DB) portion and the Other Post-Employment Benefits (OPEB) portion. These amounts are then programmed into the following budget as expenses. These costs are NOT funded from the committed "Retirement plans" portion of Fund Balance - this is why the balance in this line item consistently remains unchanged.

Over the past few years, the DB & OPEB expenses (*for the General Fund portion of the budget*) have averaged approximately \$1.6M and \$0.7M respectively and are reflected in each year's budget as part of the retirement expense and group insurance line items, respectively.

It appears the "Retirement plans" line item was set up as a reserve to cover some of the costs of these plans should there be some sort of budgetary shortfall in a given year. The effect of keeping such a large "committed" balance in this line item is it reduces the amount of unrestricted fund balance you can realize.

As you know, we are required to maintain an unrestricted fund balance minimum equal to 25% of the subsequent years General Fund expenditures (including transfers). Last year, these expenditures were about \$42M, resulting in an unrestricted minimum amount of fund balance of

approximately \$10.5M. To date, we have \$9.8M or about 23.3%. This is below the minimum balance and should be corrected as soon as practical.

In the FY2017 budget that you are being asked to consider next month, the amount of General Fund expenses (including transfers) will be approximately \$44M. This level of spending requires the unrestricted fund balance to rise as well. Using the 25% minimum, this means by year end (June 2017) we will need an unrestricted Fund Balance of \$11M. As you can see, we are \$1.2M from that amount. It is imperative we do not drop below the 25% minimum – we should actually begin an effort to work toward increasing this level to 30% over time, well above the required minimum.

So what do we do about it...

Our recommendation is for you to un-commit \$1M of the “Committed” funds in the “Retirement plans” line item of Fund Balance and place it into the unrestricted line item. Doing so would still leave \$0.75M in the Retirement plans line item which represents 33% of an entire years (DB + OPEB) retirement expenses.

In order to do this, you are now required to formally vote on the action to “un-commit” the funds and move them to the unrestricted line item. This requirement was placed on the M&C following the adoption of GASB 54 in July 2011.

Recall from above, the sole purpose of placing the \$1M into this line item in October 2014 was to assist with funding the cost of the Retirement Audit findings which we now know was funded solely with unrestricted cash.