



Date: February 18, 2016

To: Patrick H. West, City Manager *T.M.*

From: John Gross, Director of Financial Management *JG*

For: Mayor and Members of the City Council

Subject: **2015 Enterprise and Internal Service Fund Financial Statements will Reflect a Decrease in Fund Balance Due to Pension Liability Reporting**

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This is to provide advance notice that due to the implementation of new pension reporting standards, the financial net position (fund balance) for many of the City's enterprise and internal service funds (e.g. Water, Harbor, Tidelands Operating, Fleet Services) will reflect lower balances. For the Gas, Towing, and Development Services Funds, the new standard will result in the reporting of a negative fund balance. We do not anticipate detrimental impact to the City's bond rating as these changes are being implemented on a national level and are expected.

The new reporting requirement does not affect either available cash or budgetary funds available, nor does it affect the General Fund or any other governmental fund.

The new standard of pension liability reporting changes the methodology used for calculating the liability, and adds the information to the fund financial statements for each enterprise and internal service fund as "Net Pension Liability" within the City's annual financial statements (CAFR). This new reporting standard expands the pension information reported in the CAFR. In prior years, the City's actuarially determined pension liability was only reported within CAFR's Notes and the Required Supplementary Information (RSI).

In the near future, an additional decrease to fund balance in enterprise and internal service funds will occur as similar standards are applied to Other Post-Employment Benefits (OPEB) such as retiree health care.

JG:SWH:VQ  
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