

AGENDA ITEM NO. 1D
COUNCIL MEETING: 6/5/2014
APPROVED BY


DEPARTMENT DIRECTOR

CITY MANAGER

Date: June 5, 2014

FROM: KAREN M. BRADLEY, Assistant Controller
Finance Department 

BY: KAREN M. BRADLEY, Assistant Controller
Finance Department 

SUBJECT: Approve First Amendment to Agreement with Northern Consulting Actuaries, Inc., dba Van Iwaarden Associates extending the term and providing compensation terms for consulting services related to the actuarial valuation of Post Employment Medical Benefits, a requirement of the Comprehensive Annual Financial Report (CAFR)

RECOMMENDATION: Staff recommends that the Council approve the First Amendment to the Agreement with Northern Consulting Actuaries, Inc., dba Van Iwaarden Associates.

EXECUTIVE SUMMARY

Preparation of the City's Comprehensive Annual Financial Report ("CAFR") requires that the City obtain the services of an actuary to prepare a valuation report which projects future benefits for which the City is responsible, given the current benefits provided to employees. The report is used to present the actuarial accrued liabilities and actuarial value of assets associated with the Other Post Employment Benefits ("OPEB"). Staff desires to exercise the first of two extension options under the existing Consulting Agreement with Van Iwaarden Associates.

BACKGROUND

In September of 2010, the City entered into a Consulting Services Agreement ("Agreement") with Northern Consulting Actuaries, Inc., dba Van Iwaarden Associates ("Consultant") in order to obtain consulting and actuarial services for post employment medical benefits in accordance with Statement Nos. 43 and 45 of the Governmental Accounting Standards Board, a requirement for the preparation of the CAFR. The Agreement calls for the performance of valuations and preparation of actuarial reports for the Fiscal Years June 30, 2010 and June 30, 2012. The Agreement also provides for 2 two-year incremental extensions upon the mutual consent of both parties and allowed for price increases/decreases with all other terms and conditions specified in the Agreement remaining the same. The Agreement sets a maximum cumulative compensation amount of \$50,000.

The parties have agreed to extend the contract for one two-year term and have agreed to a revised pricing structure for Fiscal Years June 30, 2014 and June 30, 2016 at \$24,000 per reporting year.

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Prior to this extension, the cumulative contract amount is \$27,900, life-to-date. This structure and extension results in a cumulative contact fee amount greater than \$50,000. The proposed First Amendment provides for a two-year extension of services and includes modifications to allow for the negotiated new pricing structure. As more City employees have retired and entered the HRA program, and as MOU agreements have become more diverse, the actuarial valuation has become more complex and as a result requires additional analysis by the Consultants. Reporting requirements have also become more complex over the years and as a result the fee for services requires adjustment. Staff recommends that the Council approve the extension agreement with Northern Consulting Actuaries, Inc., dba Van Iwaarden Associates.

ENVIRONMENTAL FINDING

Not Applicable

LOCAL PREFERENCE

Not Applicable – request for extension of existing agreement.

FISCAL IMPACT

The Finance Department has included in their submission of their FY 2015 Budget sufficient appropriations (\$24,000) to cover the fees for the valuation to be performed related to the Fiscal Year ending June 30, 2014. An additional \$24,000 will be included in the proposed budget for FY 2017 related to the actuarial study and report for FY 2016. Finance is part of the General Fund, however through cost allocations, departments outside of the General Fund are charged for their proportion share of the fees associated with the performance of the valuation services.

Attachment: First Amendment to Agreement with Northern Consulting Actuaries, Inc.

FIRST AMENDMENT TO AGREEMENT

THIS FIRST AMENDMENT TO AGREEMENT ("First Amendment") is made and entered into as of this ____ day of June _____, 2014, and amends the Agreement entered into between the CITY OF FRESNO, a municipal corporation ("CITY"), and NORTHERN CONSULTING ACTUARIES, INC., a Minnesota corporation, d/b/a VAN IWAARDEN ASSOCIATES ("CONSULTANT").

RECITALS

- A. CITY and CONSULTANT entered into an agreement, dated September 30, 2010, for professional consulting and actuarial services for post-employment medical benefits in accordance with Statement Nos. 43 and 45 of the Government Accounting Standards Board ("Agreement");
- B. Paragraph 2(c) of the Agreement provides that the Agreement may be extended "with the mutual consent of both parties, for 2 two-year increments with price increases/decreases" so that CONSULTANT may continue to provide actuarial services;
- C. Paragraph 3(a) of the Agreement provides that the maximum cumulative fee shall not exceed \$50,000;
- D. CITY and CONSULTANT now desire to take advantage of the first two-year extension provided for in the Agreement and modify the Paragraph 3(a) of the Agreement with regard to compensation.
- E. CITY and CONSULTANT have agreed that CONSULTANT will be paid \$24,000 per reporting year for continued services as provided in the Agreement and this First Amendment.

AGREEMENT

NOW, THEREFORE, in consideration of the above recitals, which recitals are contractual in nature, the mutual premises herein contained, and for other good and valuable consideration hereby acknowledge, the parties agree that the aforesaid Agreement be amended as follows:

1. The term of the Agreement, set forth in Paragraph 2(a) of the Agreement, is extended by one two-year increment and the completion date shall change from September 29, 2014, to the later of the following two dates: September 29, 2016, or upon competition of the June 30, 2016, report.
2. The last sentence in Paragraph 3(a) of the Agreement, which states "In no event shall the total of fees (including formal presentations and expenses), lodging and meals paid for under this Agreement (including any extensions) exceed \$50,000," shall be deleted in its entirety.

3. The following shall be added as Paragraph 3(a)(1) to the Agreement:

CONSULTANT'S sole compensation for satisfactory performance of all services required or rendered pursuant to the First Amendment and the first two-year extension shall be a total fee of \$48,000 (\$24,000 per reporting year). Such fee includes all expenses incurred by CONSULTANT in performance of the services, other than lodging and meals. The City will be charged for lodging and subsistence (meal per diems) at the prevailing approved City employee rate.

4. Except as otherwise provided herein, the Agreement entered into by CITY and CONSULTANT, dated September 30, 2010, remains in full force and effect.

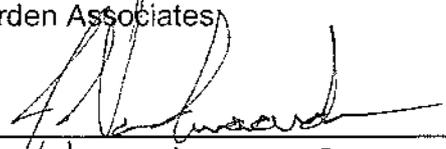
5. This First Amendment contains no exhibits or attachments.

IN WITNESS WHEREOF, the parties have executed this First Amendment at Fresno, California, the day and year first above written.

CITY OF FRESNO, a Municipal Corporation

NORTHERN CONSULTING ACTUARIES INC., a Minnesota Corporation d/b/a Van Iwaarden Associates

By: _____
Karen Bradley, Assistant Controller

By:  _____

Name: JAMES A. VAN IWAARDEN

ATTEST:
YVONNE SPENCE, CMC
City Clerk

Title: PRESIDENT

(if corporation or LLC, Board Chair, Pres., or Vice Pres.)

BY: _____
Deputy

DATE SIGNED: 5/21/2014

APPROVED AS TO FORM:
CITY ATTORNEY'S OFFICE

BY: :  _____ 5-22-14
Raj Singh Badhesha, Deputy

RSB:ns [64809ns/rsb]