

# New Mexico Investments and Pensions Oversight Committee

## GASB 68 Implementation – City of Rio Rancho



Presented by Dan Olsen  
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August 18, 2015

## City of Rio Rancho – Overview

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- Established 1981
- Population – 93,800 (2014 estimate)
- Annual Budget:
  - General Fund - \$55 million
  - Overall Operating Budget - \$93 million
  - Overall Operating and Capital Budget - \$127 million

## City of Rio Rancho – Plans and Rates

PERA Plan	# of Active Employees	Employer Contribution Rates	Employer Contribution on Behalf of Employee (a)	Total Budgeted Contribution Rates
Municipal General Plan 2	469	9.55%	7.99%	17.54%
Municipal Police Plan 5	149	18.90%	13.35%	32.25%
Municipal Fire Plan 5	105	21.65%	13.28%	34.93%
	723			

(a) City pays 75% of employee contribution, per union contracts

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## City of Rio Rancho – Cost of PERA (FY15)

PERA Plan	Employer Contributions	Employer Contributions on Behalf of Employee	Total Contributions (a)
Municipal General Plan 2	\$ 1,475,808	\$ 1,233,583	\$ 2,709,391
Municipal Police Plan 5	1,208,000	853,224	2,061,224
Municipal Fire Plan 5	1,085,964	653,268	1,739,232
	\$ 3,769,772	\$ 2,740,075	\$ 6,509,847

(a) Represents approximately 11% of the City's General Fund Budget and approximately 7% of the City's overall Operating Budget

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# City of Rio Rancho – GASB 68 Preparations

- Downloaded GASB Tool Kit ([www.gasb.org](http://www.gasb.org))
  - GASB 68 Official Pronouncement
  - Implementation Guide (279 questions with illustrations/examples)
  - Videos, Podcasts, and Briefing Documents
- Attended various training seminars
  - GFOA
  - Moss Adams
- Preparing templates and narratives for financial statements
  - Allocate portion to Utility Enterprise Activity (approximately 5%)
- Discussion with City Manager
- Final numbers pending from PERA

# City of Rio Rancho – Impact on Equity? FY14 Statement of Net Position

	Governmental Activities	Business-type Activities	Total
<b>NET POSITION</b>			
Net Investment in Capital Assets.....	225,858,001	164,157,164	390,015,165
Restricted for:			
Debt Service.....	4,877,780	10,076,109	14,953,889
Capital Improvements.....	4,543,976	—	4,543,976
<b>Unrestricted.....</b>	<b>17,249,556</b>	<b>28,897,723</b>	<b>46,147,279</b>
<b>Total Net Position.....</b>	<b>\$ 252,529,313</b>	<b>\$ 203,130,996</b>	<b>\$ 455,660,309</b>

**\*Will the City have sufficient unrestricted net position to absorb the pension liability?**

**\*Does not affect the budget or fund balances**

## City of Rio Rancho – Impact on Bond Ratings?

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- **Moody's August 2014**
  - Affirmed Aa2 G.O. rating, but noted:
    - “Elevated Pension Liability”
    - “\$266 million” (Moody's own calculation)
    - Considers pension contributions on par with other “fixed costs” such as debt service

*“Future reforms resulting in increased employer contributions for the plan could pressure the city's operations and place negative pressure on the rating.”*

\*Who can control these reforms?

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## City of Rio Rancho – One City's Perspective

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- **Local governments have no control over:**
  - Benefit levels
  - Contribution rates
  - Assumptions behind calculation of the liability
  - Investment of assets
- **Yet, we must report our “proportionate share” of PERA's unfunded liability**

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## City of Rio Rancho – One City’s Perspective

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- Local governments can control:
  - Hiring of new employees
  - Payments of contributions to PERA
  - Reporting of the information as required by GASB
- Reported information is most meaningful when taken in context with PERA’s report

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## Questions?

## Thank you

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