



CITY OF  
**PALO  
ALTO**

## City Council Staff Report

**From: City Manager**

**Report Type: CONSENT CALENDAR**

**Lead Department: Administrative Services**

**Meeting Date: May 15, 2023**

Report #:2303-1065

### **TITLE**

Approval of Professional Services Agreement Contract Number S23184570 with Foster & Foster Consulting Actuaries, Inc. in an Amount Not to Exceed \$147,180 to Provide Actuary Services for a Period of Five Years: CEQA Status – Not a Project

### **RECOMMENDATION**

Staff recommends that the City Council approve and authorize the City Manager or their designee to execute Contract No. S23184570 (Attachment A) with Foster & Foster Consulting Actuaries, Inc. to provide Actuary Services for a term of five years and a total amount not-to-exceed \$147,180, including \$133,800 for basic services and \$13,390 for additional services.

### **BACKGROUND**

The City requires actuarial services for the biennial valuation related to its Other Post-Employment Benefits (OPEB) and annual Governmental Accounting Standards Board 75 Accounting and Financial Reporting for OPEB (GASB 75), as required by GASB. On February 6, 2023<sup>1</sup>, the Council adopted the City's Retiree Benefit Funding Policy which requires reporting every four years of the City's progress towards the target of reaching a 90% funded status by FY 2036. In addition, an analysis of retiree benefits is required on an ad hoc basis to support labor negotiations and financial planning work performed by staff.

Bartel & Associates has been the City's actuary since 2011 and was selected through a competitive solicitation. Bartel and Associates was acquired by Foster and Foster Consulting Actuaries, Inc. in 2022. The contract with Foster and Foster expired in February 2023.

---

<sup>1</sup> City Council, February 6, 2023; Agenda Item #

<https://portal.laserfiche.com/Portal/DocView.aspx?id=61647&repo=r-704298fc&searchid=e8f70ea3-fba6-46c2-ae98-ad348ff5801d>

## **ANALYSIS**

The use of actuary is necessary due to complexity of calculations and to provide expertise in comprehensive discussions with Finance Committee and City Council relating to pension liabilities. The following tasks are included in the attached contract.

### Project Description

#### (a) OPEB Benefits Valuation

Determination of the City's OPEB or retiree medical benefit actuarial liability on a biennial basis, Actuarially Determined Contributions (ADC), and sensitivity analysis.

#### (b) GASB 75

Prepares on annual basis the accounting and financial reports for OPEB purposes, including note disclosures, required summary information, and allocation per fund, in compliance with GASB 75.

#### (c) CalPERS Review and Rate Projections

Prepares a comprehensive analysis of the CalPERS Pension Valuations and impact of changes in in CalPERS actuarial assumptions, including but not limited to funding policy, economic and demographic assumptions, and other risk mitigation strategies.

#### (d) Other As-Needed Actuarial Analyses

Actuarial analyses related to labor negotiations, CalPERS pension valuations, or long-term financial analyses. Additionally, the consultant may require attending arbitration hearings, Finance Committee meetings, Council meetings, etc.

### Summary of Competitive Solicitation Process

On November 8, 2022, a request for proposal (RFP) for Actuarial OPEB Valuation, GASB 75 and CalPERS Review and Rate Projections was posted on Planet Bids, the City's eProcurement portal, as a multi-award RFP. The City received only one proposal which is from our current actuarial consultant, Foster and Foster.

<b>Table 1: Summary of Request for Proposal</b>	
Project Description	Actuarial OPEB Valuation & GASB 75 / 184570
Proposed Length of Project	6 years
Number of Vendors Notified	1,115
Number of Proposal Packages Downloaded	16
Total Days to Respond to Proposal	36 calendar days
Pre-Proposal Meeting	Non-Mandatory
Number of Proposals Received	1
Proposal Price Range	\$133,800 plus provision for additional services
Public Link to Solicitation	<a href="#">PlanetBids Vendor Portal<sup>2</sup></a>

An evaluation committee consisting of three City staff members from the Administrative Department evaluated the proposal according to the criteria identified in RFP. Based on the proposal staff decided that Foster & Foster will continue to provide the abovementioned services due to firm’s demonstrated experience and expertise with OPEB valuation and comprehensive knowledge of GASB’s requirements for reporting of these employee benefits.

Compared to the last six-year agreement with Foster & Foster (previously Bartel and Associates), the attached five-year agreement assumes an overall 36% decrease, or \$82,820, mainly due to reduction of additional pension forecasting and analysis that was performed for the Retirement Benefit Policy and from three to two biennial actuarial valuation of OPEB. The cost for the biennial valuation has increased by 14%, from \$37,000 to \$42,250 since the last biennial valuation done in 2021.

**FISCAL/RESOURCE IMPACT**

This action approves professional services for contract costs that are included in Administrative Services Department FY 2023 General Fund Adopted Budget. No Council action is needed to adjust the budget.

**STAKEHOLDER ENGAGEMENT**

Administrative Services was consulted and coordinated with internally on selection of this recommended firm.

**ENVIRONMENTAL REVIEW**

---

<sup>2</sup> <https://pbsystem.planetbids.com/portal/25569/bo/bo-detail/99622>

Council action on this item is not a project as defined by CEQA because an award of a contract for actuarial services is a continuing administrative or maintenance activity. CEQA Guidelines section 15378(b)(2).

**ATTACHMENTS**

Attachment A – Foster and Foster Consulting Actuaries, Inc. Contract S23184570

**APPROVED BY:**

Kiely Nose, Assistant City Manager