

Implementing the Surplus Policy

October 2022



THREE DESIGNATIONS OF THE SURPLUS POLICY

General Fund surplus is declared by the Finance Director following the completion of the prior year financial audit.

ARTICLE V. FUND BALANCES

- Sec. 12-261 - "Rainy day" Fund
- Sec. 12-264 - Capital Maintenance Reserve
- Sec. 12-265 - Special Purpose Reserves (non-recurring only)



SURPLUS POLICY

“Sec. 12-242. Disposition of calculated general fund surplus; reporting.

- a) It is the policy of the City that each years calculated general fund surplus be allocated as follows:
- 1) Fifty percent to the "rainy day fund," with the exact allocation between the Budget and Revenue Stabilization Contingency Reserve and the unassigned fund balance determined by the Mayor in the Mayor's discretion.
 - 2) Forty percent to the Capital Maintenance Reserve.
 - 3) Ten percent to special purpose reserves as determined pursuant to Section 12-265.”



DISTRIBUTION OF SURPLUS FUNDS

Source	% of Surplus
“Rainy Day Fund” (Unassigned Fund Balance and Revenue Stabilization)	50%
Capital Maintenance	40%
Special Purpose Reserves	10%
Total	100%



REACHING THE “RAINY DAY” POLICY GOAL

Based on FY 2023 Adopted Budget (in millions)

“Rainy Day”	% Goal	\$ Goal	Current	Variance
<i>Unassigned Fund Balance</i>	13.67%	\$114.7	\$100.5	(\$14.2)
<i>Revenue Stabilization</i>	3.00%	\$25.2	\$23.9	(\$1.3)
Total	16.67%	\$139.8	\$124.3	(\$15.5)

Note: Numbers have been rounded and may not total.



CHANGING THE SURPLUS POLICY

- Generally Accepted Accounting Procedures dictate when the surplus policy is effective.
- To change the surplus policy, changes must be made before the end of the fiscal year (June 30).
- The FY 2022 surplus will need to be distributed according to the City Council adopted policy.



Exploring Transition to the Virginia Retirement System (VRS)



RICHMOND RETIREMENT SYSTEM (RRS)

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- Seven-member board of trustees



¹ City of Norfolk is transitioning to VRS.



ELIGIBLE CITY OF RICHMOND EMPLOYEES

- General Employees:
 - Defined Benefit for those employed prior to July 1, 2006
 - Defined Contribution for those employed post July 1, 2006
- Sworn Employees – Defined Benefit
- Executive Employees – Defined Benefit



WHAT ARE THE MAJOR DIFFERENCES BETWEEN DB AND DC PLANS?

	DEFINED BENEFIT (DB)	DEFINED CONTRIBUTION (DC)
What is it?	Pays out a monthly benefit	Benefit amount is based on investment performance
How is it funded?	Employer Contribution (ER) + Employee Contribution (EE)	Employer Contribution (ER) Only <i>RRS Structure Example:</i> <5 years = 5.00% 5-9 years = 6.00% 10-14 years = 8.00% 15+ years = 10.00%
How is the benefit calculated?	Compensation Rate Base x Eligible Years of Service x Compensation Rate Multiplier = Monthly Benefit	Employer Contribution + Interest = Account Balance
Vesting Period	Five Years	Five Years



WHERE ARE WE NOW?

- Work group established
- Complicated issue
- In discussions with VRS staff
- Requested actuarial study from VRS
- VRS is amid a transition to a new actuary
- Follow-up discussions to be scheduled by VRS



FUTURE ACTIONS

- Discussions with City Council:
 - Understand costs
 - Understand the differences between the plans
 - Employee impact
- Deliberate decision to move to VRS
- City Council will need to adopt a resolution
- If the decision is to transition to VRS:
 - Communication plan
 - Educational activities
 - Individual decisions for current employees



Discussion

