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CITY MANAGER'S OFFICE
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DEPARTMENT OF
PERSONNEL

CITY OF SACRAMENTO
CALIFORNIA

801 NINTH STREET
ROOM 201
SACRAMENTO, CA
95814-2693

DONNA L. GILES
DIRECTOR

APPROVED
BY THE CITY COUNCIL

916-449-5270

JAN 24 1989

DIVISIONS:
ADMINISTRATION
EMPLOYEE SERVICES
PERSONNEL MANAGEMENT
SERVICES
WORKERS'
COMPENSATION

AG 88158

January 24, 1989

City Council
Sacramento, California 95814

Honorable Members in Session:

SUBJECT: Request for Approval of Consultant Contract for Section 89 Internal Revenue Code Compliance Services and Authorizing the Transfer of \$34,500 from Various Fund Contingencies

Summary.

Section 89 of the Internal Revenue Code (IRC) provides, effective with plan years after January 1, 1989, that an employer must test certain health and welfare plans to assure that such plans do not discriminate in favor of highly compensated employees. This staff report requests approval for the City Manager or his designee to execute a contract with Buck Consultants, Inc. for Section 89 testing and related services. This report was reviewed on January 24, 1989 by the Budget and Finance Committee and approved for forwarding to the City Council.

Background.

The Tax Reform Act of 1986 (TRA '86) introduced a new section, Section 89, to the Internal Revenue Code (IRC). Section 89 of the IRC requires employers to test certain health and welfare benefit plans to determine if such plans discriminate in favor of highly compensated employees. The plans must comply with five basic qualification requirements. Then, applicable plans must be tested against a set of complex standards to determine if the plans are discriminatory. If Section 89 testing indicates that the plans are discriminatory, the taxable portion of such benefits must be included on an employee's W-2 earnings statement for 1989.

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After considerable review by the Ad-Hoc Insurance Committee, the committee decided to issue a request-for-proposal (RFP) to the benefits consulting community for Section 89 compliance services. A committee, which consisted of representatives from the Departments of Data Management, Finance and Personnel, reviewed six proposals which were submitted in response to the RFP. The review committee unanimously selected the proposal submitted by Buck Consultants, Inc. as the best proposal.

Financial Data.

The cost of the services to be provided by Buck Consultants, Inc. is \$34,500. It is proposed that this amount be transferred from various fund contingencies, based on the number of FTE to the Personnel Department, Employee Services operating budget as follows:

FROM:	General Fund	(\$26,658)
	Parking	(742)
	Water	(1,438)
	Sewer	(464)
	Solid Waste	(2,335)
	Boat Harbor	(67)
	Golf	(419)
	Community Center	(527)
	Fleet	(839)
	Risk	(146)
	Storm Drainage	(865)
TO:	General Fund - Employee Services	\$34,500

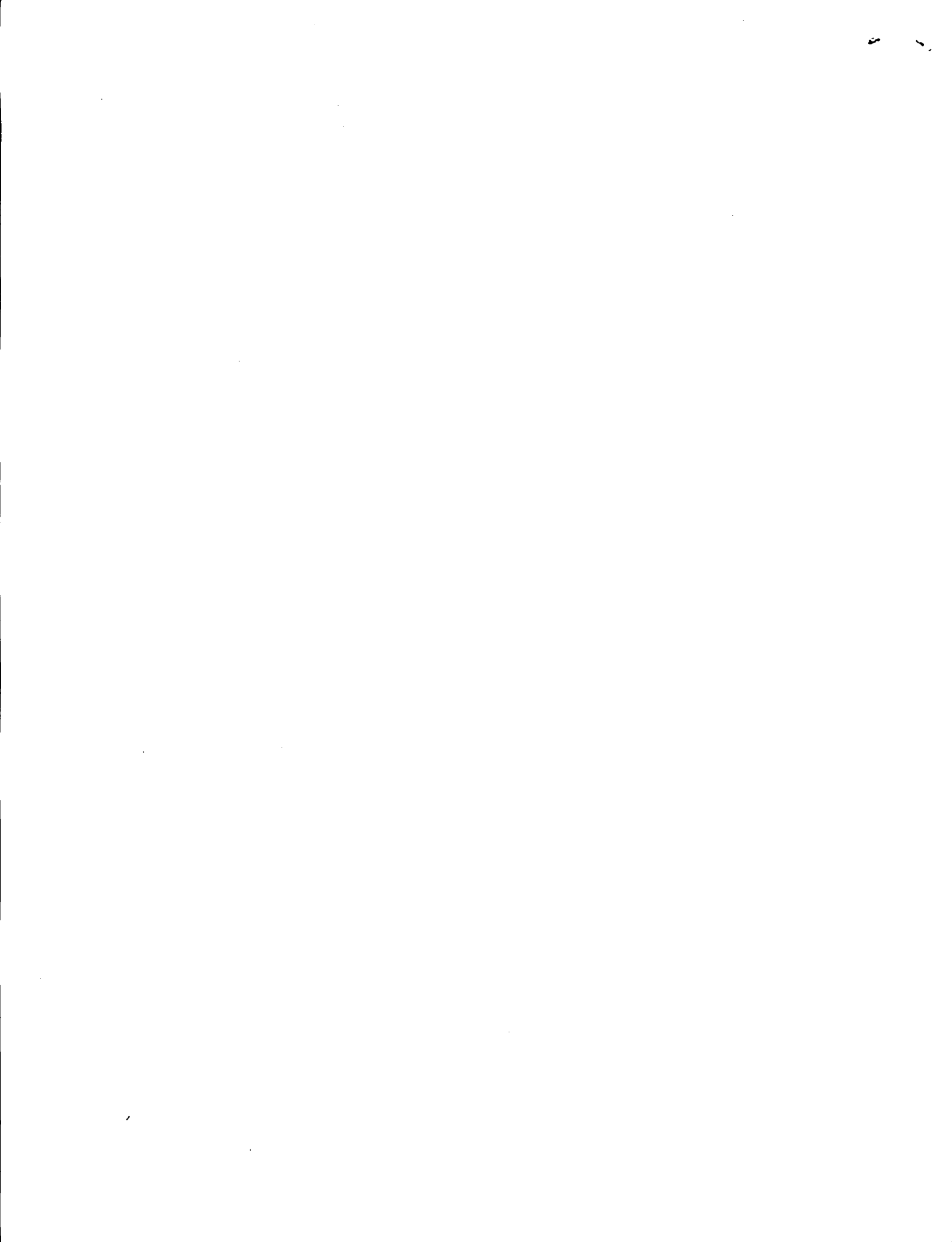
The fund contingency balances are sufficient to permit the transfer of the funds.

Policy Considerations.

There are no known policy considerations associated with this item.

MBE/WBE Efforts.

The Section 89 Compliance Services RFP contained necessary advisory information regarding the City's MBE/WBE program. In response to the RFP, Buck Consultants proposes to include Sanders Editorial, a WBE, on its project team.



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Recommendation.

It is recommended that the City Council approve the attached resolution which authorizes the City Manager or his designee to contract with Buck Consultant, Inc., for Section 89, Internal Revenue Code compliance services and authorizes the transfer of funds.

Respectfully Submitted,



DONNA L. GILES
Director of Personnel

RECOMMENDATION APPROVED:



WALTER J. SLIPE
City Manager

Contact Person to Answer Questions:

Richard E. Snyder
Employee Services Manager
449-5665

January 24, 1989
All Districts

RESOLUTION NO. 89-077

ADOPTED BY THE SACRAMENTO CITY COUNCIL ON DATE OF

APPROVED
BY THE CITY COUNCIL

JAN 24 1989

STICKER

RESOLUTION AUTHORIZING THE CITY MANAGER OF HIS DESIGNEE TO CONTRACT WITH BUCK CONSULTANTS, INC. FOR INTERNAL REVENUE CODE, SECTION 89 COMPLIANCE TESTING AND RELATED SERVICES AND AUTHORIZING THE TRANSFER OF \$34,500 FROM VARIOUS FUND CONTINGENCIES

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO THAT:

1. The City Manager or his designee is hereby authorized and directed to execute, on behalf of the City of Sacramento, an agreement between the City of Sacramento and Buck Consultants, Inc. for compliance testing and related services pursuant to Section 89 of the Internal Revenue Code in the amount of \$34,500.
2. The FY 1988-89 City operating budget is hereby amended by transferring \$34,500 from various fund contingencies to the Personnel Department, Employee Services Division, operating budget as follows:

General	101-710-7012-4999	(\$26,658)
Parking	412-710-7012-4999	(742)
Water	413-710-7012-4999	(1,438)
Sewer	414-710-7012-4999	(464)
Solid Waste	415-710-7012-4999	(2,335)
Boat Harbor	417-710-7012-4999	(67)
Golf	418-710-7012-4999	(419)
Community Center	419-710-7012-4999	(527)
Fleet	420-710-7012-4999	(839)
Risk	421-710-7012-4999	(146)
Storm Drainage	425-710-7012-4999	(865)
	101-150-1530-4287	\$ 34,500

MAYOR

ATTEST:

CITY CLERK

March 3, 1989

Buck Consultants
1801 Century Park East, Suite 480
Los Angeles CA 90067

On January 24, 1989, the Sacramento City Council adopted Resolution No. 89-077 authorizing the execution of Agreement No. 88158 regarding Internal Revenue Code, Section 89 Compliance Testing/related services.

Enclosed, for your records, is one fully certified copy of said agreement and authorizing resolution.

Sincerely,

Janice Beaman
Acting Assistant City Clerk

mls/29

Enclosures

cc: Personnel
Risk Management