

Options for Cost of Living Adjustment Funding for General Employee Retirement System Retirees

At the June 4, 2024, City Commission Conference Meeting, the City Commission discussed a proposal from the City of Fort Lauderdale General Employees Retirement System (“GERS”) Board of Trustees to fund a 2.75% cost-of-living adjustment (COLA) for 1,496 retired City employees and their beneficiaries. Following the discussion, staff was tasked with identifying potential funding options for the request and to incorporate the proposals for additional discussion and consideration as part of the FY 2025 Preliminary Budget presentation. The following outlines various options for how this new retirement benefit could be funded depending on the level of City Commission approval.

Funding for this enhanced benefit is not currently included in the preliminary budget.

Based upon the actuarial valuation report, the financial impact of the COLA proposal is summarized below segmented by the various City funds. If the Mayor and the City Commission unanimously approve the proposal, the \$12.5 million unfunded liability created by the COLA can be amortized over 5 or 7 years. However, without unanimous approval, the full amount would need to be funded in FY 2025.

Allocation of costs related to the General Employees Retirement System is based on the funding sources associated with the types of work undertaken by City employees. The City employs a diverse range of professionals such as parks supervisors, water treatment plant operators, and managers to oversee the City’s Executive Airport. The expense allocation, by fund, is provided below:

Fund	Allocation	7 Years	5 Years	Lump Sum
General Fund	49.5%	\$ 1,065,718	\$ 1,403,623	\$ 6,184,951
Building Fund	4.1%	87,371	115,075	507,067
Sanitation Fund	3.4%	73,811	97,214	428,367
Cemetery System	0.9%	18,472	24,329	107,202
Water and Sewer	24.1%	519,884	684,722	3,017,172
Central Regional	1.3%	28,801	37,933	167,149
Parking System	3.2%	69,099	91,009	401,022
Airport	1.7%	36,179	47,650	209,966
Stormwater Fund	4.6%	98,595	129,856	572,200
Project Management Fund	2.5%	53,592	70,584	311,021
City Property and Casualty Insurance	0.5%	10,781	14,199	62,567
Central Services (Information Technology Services)	3.8%	82,573	108,754	479,214
Unified Customer Service Fund	0.4%	8,102	10,671	47,021
Total		\$ 2,152,978	\$ 2,835,619	\$ 12,494,919

Since the two major funding sources are the General Fund and the Water and Sewer Fund, this exhibit only addresses those funds in the options below. However, all relevant funds would contribute based upon the identified allocations in the listing above.

Option #1 - Lump Sum Payment

If the Commission does not unanimously support the proposal, the City would need to identify \$12.5 million in one-time funding to support this expense. Of this, \$6.2 million would be from the General Fund and \$3.0 million would come from the Water and Sewer Fund. Given that this is a one-time expenditure, there are two (2) primary sources the City would typically look to: Fund Balance in the

General Fund and the delay of capital projects in the Water and Sewer Fund. Additionally, the City could explore identifying other one-time costs within the budget.

General Fund - Fund Balance

The fund balance in the General Fund is maintained to ensure that the City has the resources to quickly respond to unexpected emergencies, such as hurricanes, and to leverage grant opportunities like the recent appropriation to support the Community Oriented Police Services (COPS) Hiring Grant.

The fund balance in the General Fund is currently \$6.1 million over the City’s FY 2025 Fund Balance Target.

\$111.9 million - Current Estimated Unrestricted General Fund Balance

\$105.8 million - FY 2025 Fund Balance Target (at 25%)

\$6.1 million – Amount over the City’s FY 2025 Fund Balance

Alternate strategies include postponing planned CIP projects for FY 2025 or identifying other one-time expenses that could be deferred or eliminated from the budget. A complete list of the proposed FY 2025 CIP projects is provided in **Attachment 8** of the Preliminary Memo.

Water and Sewer Fund – Delay Planned Community Investment Plan Projects

The Water and Sewer Fund is currently under its target fund balance due to increased debt service from recent bond issuances and mid-year appropriations to support critical programs such as the Lead and Copper Rule Revision Compliance program.

As a result, if a lump sum payment was approved by the City Commission, Staff would recommend funding the Water and Sewer Fund’s \$3.0 million contribution by delaying planned capital expenditures. Below is the listing of the City’s planned FY 2025 Water and Sewer Fund CIP Projects.

Water and Sewer Community Investment Plan Projects FY 2025

• Utilities Emergency Operations Center and Admin Building	\$ 5,314,326
• Inflow and Infiltration (I&I) Program Management	\$ 5,099,723
• Fiveash Electrical System Replacement	\$ 3,191,519
• Excavate and Dispose of Dry Lime Sludge	\$ 3,000,000
• Triplex Pumping Station Rehabilitation	\$ 2,892,381
• New Utilities Central Laboratory – Peele Dixie	\$ 2,122,382
• Pump Station A-7 Redundant Forcemain	\$ 1,622,776
• New Utility Billing System	\$ 1,621,165
• Watermain Improvements Area 1	\$ 1,571,938
• Utilities Central Warehouse	\$ 1,500,000
• New Downtown Sanitary Sewer Pump Station A-5	\$ 1,123,453
• Program Management of Consent Order Projects	\$ 805,369
• Public Works Administration Building A/C Ductwork	\$ 795,000
• Wellfield Communications	\$ 208,415
• Fiveash Replacement of the Rotary Mechanisms	\$ 69,032
TOTAL WATER AND SEWER FUND CIP FY 2025 FUNDING	\$ 30,937,479

Option #2 - Payment Over Time (5-years or 7-years)

If the approval for this new benefit is unanimous, the City can finance it over a term of up to seven years. Since this would be an ongoing payment, the annual expense would need to be built into the City's operating budget. To maintain a structurally balanced budget, the City would need to either reduce ongoing expenses or increase ongoing revenues to support this endeavor.

Below, Staff outlined alternatives based upon a seven-year amortization schedule, which would be the least impactful to the budget. Additionally, staff have considered options to increase either the City millage rate or to adjust the current water and sewer rate structure to support this expense.

General Fund - Removal of Budget Enhancements

The General Fund's required contribution equates to approximately 0.02 mills in the City's 4.1193 millage rate. While the Property Appraiser's initial estimates were slightly lower than anticipated, the preliminary budget includes \$2.6 million in enhanced services through the prudent prioritization of funding. To fund the \$1.1 million COLA payment in the General Fund, a portion of these services could be removed from the FY 2025 operating budget or delayed to future fiscal years. A listing of strategic enhancements for consideration is provided below:

- \$565K - Fire Rescue Staffing Increases
- \$375K – Enhancements to the City Clerk's Record Management System and Technical Support
- \$373K - Improvements to meet the maintenance needs of City Park
- \$330K - Shelter Bed Access Program
- \$183K – Police Operations Janitorial and Maintenance Services
- \$168K – Resilience Outreach Coordinator
- \$100K – Police Office Recruitment and Retention Incentive Program
- \$ 81K - Addition of a Chief Waterways Officer

Water and Sewer Fund - Removal of Budget Enhancements

The Water and Sewer fund's preliminary budget, includes \$3.2 million in enhanced services not previously provided in prior years, though a majority of the enhancements are dedicated to one-time initiatives such as a Comprehensive Water and Sewer Masterplan Update. To fund the \$520 thousand initial GERS payment, a portion of these services could be removed from the preliminary budget. A listing of strategic enhancements for consideration is provided below:

- \$3.0M – 2025 Comprehensive Water and Sewer Masterplan Update
- \$95K – Portable Sewage Pump and Welding Machine
- \$93K – Senior Financial Administrator position