



TO: Honorable Mayor & Members of the
Fort Lauderdale City Commission

FROM: Lee Feldman, ICMA-CM, City Manager

DATE: September 16, 2014

TITLE: Resolution to approve the creation of an Other Post-Employment Benefits
(OPEB) Trust and authorize initial contribution.

Recommendation

It is recommended that the City Commission approve the attached Resolution and approve the transfer of \$8,578,116 to create an OPEB Trust to fund future actuarially determined annual required contributions (ARC).

Background

The Governmental Accounting Standards Board (GASB) issued Statements 43 and 45 requiring local governments to actuarially value and report their OPEB liability. GASB requires the recognition of OPEB liabilities on the City's financial statements.

OPEB consists of all non-pension benefits granted to qualified former employees after separation from service. For the City of Fort Lauderdale, this includes retiree health, dental, and vision insurance. The GASB statements allow for certain favorable valuation assumptions with respect to the long-term investment earnings estimate for local governments choosing to establish an irrevocable trust fund to hold and invest the assets that may be set aside to fund the local government's OPEB liability. The resolution addresses this by providing for the formation of a trust fund that meets GASB requirements and establishes the means to administer it.

The creation of an OPEB Trust also provides evidence to potential creditors that the City of Fort Lauderdale has a proactive plan to address its OPEB liability. This is a key component of the City's overall plan for maintaining its underlying credit rating prior to any issuance of debt.

A resolution has been prepared to establish a trust for the OPEB benefits to separately identify assets accumulated to pay the OPEB benefits for eligible beneficiaries. City staff believes it is in the City's best interest to establish this OPEB Trust in order to take advantage of this favorable actuarial treatment. The assets of the trust fund will be used solely to provide OPEB benefits to City eligible beneficiaries. The trust must be in place

before the fiscal year end in order for initial investments (assets) to be counted toward future obligations (liabilities).

The resolution establishes the City Commissioners as the Board of Trustees of the OPEB Trust and delegates the administration of the trust to the City's Finance Director as the Trust Administrator.

City staff is drafting a separate investment policy for submission to the Board of Trustees for consideration. Staff recommends that the City invest its initial contribution, to be made on or before September 30, 2014, in short-term Treasury bills and/or notes until the investment policy is formalized. During this time, investments will conform to the existing investment policy for surplus City funds. The draft investment policy will be presented for approval by the Commission within the next 120 days. It should be noted that the proposed investment policy will be similar to those for pension funds, allowing investment in additional asset classes such as equities and debt issues of private companies.

In addition to establishing this OPEB Trust, it is requested that the City Commission authorize an initial contribution of \$8,578,116 to be immediately invested in United States Treasury notes and/or bills, as an authorized investment under the City's existing investment policy.

No additional employment or post-employment benefits are being granted by this resolution. The OPEB Trust may be amended at any time by action of the City Commission. The resolution will take effect immediately upon adoption.

Resource Impact

There will be a fiscal impact to the City in the amount of \$8,578,116. This includes \$5,000,000 from General Fund and \$3,578,116 in enterprise funds contributions that were previously expensed during the Fiscal Year 2013 audit. Future contributions are contingent upon approval and appropriation of the annual budget.

Funds available as of August 19, 2014					
ACCOUNT NUMBER	INDEX NAME (PROGRAM)	OBJECT CODE/ SUB-OBJECT NAME	AMENDED BUDGET (Object Code)	AVAILABLE BALANCE (Object Code)	AMOUNT
001-GEN010201-2405	OTHER GEN GOVT - LEASES TAXES & PENSIONS	OTHER OPER EXP / POST EMPLOYMENT HEALTH OBLIGATION	\$5,000,000	\$5,000,000	\$5,000,000
409-FD409.01-211	SANITION – OPERATIONS	NET OPEB OBLIGATION	N/A	N/A	\$430,955
450-FD450.01-211	WATER AND SEWER – OPERATIONS	NET OPEB OBLIGATION	N/A	N/A	\$1,742,027
451-FD451.01-211	CENTRAL REGIONAL W/W SYSTEM- OPERATIONS	NET OPEB OBLIGATION	N/A	N/A	\$212,443
461-FD461.01-211	PARKING SYSTEM- OPERATIONS	NET OPEB OBLIGATION	N/A	N/A	\$457,660
468-FD468.01-211	AIRPORT- OPERATIONS	NET OPEB OBLIGATION	N/A	N/A	\$109,249
470-FD470.01-211	STORMWATER- OPERATIONS	NET OPEB OBLIGATION	N/A	N/A	\$145,675
543-FD543.01-211	CITY INSURANCE	NET OPEB OBLIGATION	N/A	N/A	\$72,837
581-FD581.01-211	CENTRAL SERVICES- OPERATIONS	NET OPEB OBLIGATION	N/A	N/A	\$382,996
583-FD583.01-211	VEHICLE RENTAL- OPERATIONS	NET OPEB OBLIGATION	N/A	N/A	\$24,274
				TOTAL ►	\$ 8,578,116

Strategic Connections:

This item is a *Press Play Fort Lauderdale Strategic Plan 2018* initiative, included within the Internal Support Cylinder of Excellence, specifically advancing:

- Goal 12: Be a leading government organization, managing resources wisely and sustainably.
- Objective 1: Ensure sound fiscal management

This item advances the *Fast Forward Fort Lauderdale Vision Plan 2035: We are United*.

Attachment

Exhibit 1 – Resolution – 14-

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