

Memorandum



CITY OF DALLAS

DATE February 23, 2025

TO Honorable Members of the Government Performance and Financial Management Committee: Chad West (Chair), Paula Blackmon (Vice-Chair), Cara Mendelsohn, Jesse Moreno, and Jaime Resendez

SUBJECT **Financial Management Performance Criteria (FMPC) – Follow-up**

At the October Government Performance and Financial Management Committee meeting, staff presented proposed revisions to four of the city's Financial Management Performance Criteria (FMPC). This memorandum is provided as follow-up to feedback that we received at that meeting and in preparation for a City Council action item scheduled for March 26.

The four criteria presented for revisions included:

- #15 – Sufficient Funding for Retirement Systems
- #16 – Actuarial Analysis Required on Retirement Systems
- #23 – Over-65 and Disabled Homestead Exemption
- #35 – Certificate of Obligation Limit as Percentage of GO Debt

The committee indicated support of the proposed changes for criteria #15 and #23. However, the committee provided alternative feedback for criteria #16 and #35 which is discussed below.

#16 Actuarial Analysis Required on Retirement Systems

The committee voiced concern that the Employee Health Benefits Fund does not have a required ending fund balance to serve as a reserve to mitigate unforeseen expenses. Staff expressed that the city has sufficient other reserves, and a specific Employee Health Benefits reserve is redundant and unnecessary.

Staff recommendation for criteria #16 is shown below with red strikethrough and underline. Based on committee feedback, staff recommends eliminating the sentence highlighted and instead adding additional language to criteria #13 Employee Benefits Fund Minimum Cash Reserve as detailed below.

Current	Revised Recommendation
Actuarial analysis will be performed annually on all retirement systems. Adjustments in benefits and contributions will be authorized only after meeting the test of actuarial soundness. All health plans should have actuarial reviews performed at least biennially to determine the required levels of funding necessary. These health plans shall be financed in a manner to ensure sufficient funds are available to fund current liabilities and provide some reserve levels for extraordinary claims. Status – In compliance	Actuarial analysis will be performed annually on all retirement systems. Adjustments in benefits ~~and contributions will be authorized only after meeting the test of actuarial soundness of the Employees Retirement Fund (ERF)~~ <u>must be approved by the city council and by a majority of the City of Dallas voters and of the Dallas Police and Fire Pension System (DPFPS) must be approved either by: (1) the State legislature; (2) a majority of the City of Dallas voters; or (3) by written agreement between DPFPS and the city, approved by a 2/3 vote of both the DPFPS Board and city council.</u> All health plans should have actuarial reviews performed at least biennially to determine the required levels of funding necessary. These health plans shall be financed in a manner to ensure sufficient funds are available to fund current liabilities and provide some reserve levels for extraordinary claims. ~~The unassigned fund balance and reserves of the various Operating Funds may satisfy health plan reserve needs.~~

#13 Employee Benefits Fund Minimum Cash Reserve

To address the committee's feedback regarding a reserve for the Employee Benefits Fund, edits to criteria #13 are proposed with red underline below. The city will establish a reserve in the Unassigned Fund balance similar to the Emergency Reserve and Contingency Reserve.

Current	Recommendation
The Employee Benefits Fund will maintain a cash reserve of at least the anticipated end-of-year claims incurred but not paid, and other current liabilities. This does not include incurred but not reported (IBNR) claims. The Employee Benefits Fund will maintain a positive cash balance. Status: In compliance	The Employee Benefits Fund will maintain a cash reserve of at least the anticipated end-of-year claims incurred but not paid, and other current liabilities. This does not include incurred but not reported (IBNR) claims. The Employee Benefits Fund will maintain a positive cash balance. <u>The Employee Benefit Reserve, a component of unassigned fund balance, shall be maintained in an amount equal to 30 days of annual expense and used to provide for unbudgeted employee benefit costs that arise during the year. Funds may be allocated from the Employee Benefit Reserve only after analysis of other cost saving or revenue measures have been prepared by the City Manager and presented to the City Council.</u>

#35 Certificate of Obligation (CO) Limit as Percentage of GO Debt

Staff provided a recommendation to exclude debt to be repaid by another source other than ad valorem taxes. Feedback from the committee was to revise the exclusion language to limit the exception clause to revenue sources from Enterprise Funds.

Current	Revised Recommendation
CO debt, including that for risk management funding supported by an ad valorem tax pledge, should not exceed 15% of total authorized and issued GO debt. All COs issued in lieu of revenue bonds should not exceed 10% of outstanding GO debt.	Original Recommendation – CO debt, including that for risk management funding supported by an ad valorem tax pledge, should not exceed 15% of total authorized and issued GO debt. All COs issued in lieu of revenue bonds should not exceed 10% of outstanding GO debt <u>(excluding debt to be repaid by another source other than ad valorem taxes).</u>
Status – In compliance	Revised Recommendation - CO debt, including that for risk management funding supported by an ad valorem tax pledge, should not exceed 15% of total authorized and issued GO debt. ~~All COs issued in lieu of revenue bonds should not exceed 10% of outstanding GO debt.~~ <u>excluding CO debt to be repaid by Enterprise Funds.</u>

Catastrophic Insurance Policy (Stop Loss Coverage)

The committee requested further details on the City's catastrophic insurance policy, known as the Stop Loss policy, which provides a financial buffer for high-cost claims. The City's Stop Loss policy reimburses the City for any claims exceeding \$1 million, effectively setting a deductible at this amount. This policy has been a sound financial safeguard, with recent years showing the City receiving more in reimbursements than the premiums paid.

If you have additional feedback, please provide to staff prior to March 13 since revisions to the FMPC are scheduled for City Council consideration on March 26. Please contact me or Janette Weedon, Director of Budget and Management Services if you have any questions.



Jack Ireland
Chief Financial Officer

c: Kimberly Bizzor Tolbert, City Manager
Tammy Palomino, City Attorney
Mark Swann, City Auditor
Billieae Johnson, City Secretary
Preston Robinson, Administrative Judge
Dominique Artis, Chief of Public Safety
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