

# Mayor and Council Communication

**DATE:** 10/17/23

**M&C FILE NUMBER:** M&C 23-0856

**LOG NAME:** 14RETIREEBUDGETREAPPROPRIATIONFY2023

**SUBJECT**

(ALL) Adopt Appropriation Ordinance Adjusting Appropriations in Retiree Health Fund and Amend the Fiscal Year 2023 Adopted Budget

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**RECOMMENDATION:**

It is recommended that the City Council:

1. Adopt the attached appropriation ordinance adjusting appropriations in the Retiree Health Fund, by increasing estimated appropriations in the general operating and maintenance category in the amount of \$3,511,919.00 and decreasing appropriations in the contribution to the fund balance/net position by the same amount; and
  2. Amend the Fiscal Year 2023 Adopted Budget.
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**DISCUSSION:**

The purpose of this Mayor and Council Communication (M&C) is to adjust the final budget and authorize transactions to reflect actual performance of the Retiree Health Fund for the fiscal year ending September 30, 2023. Any amounts over budget must be appropriated by action of the City Council, in accordance with the City Charter (Chapter X, Section 5, Expenditures Only Pursuant to Appropriations).

The deficit in the Retiree Health Fund is due to the significant increase in retiree health claims costs for those retirees under the age of 65 in Fiscal Year (FY) 2023. The Retiree Health Fund saw an increase in claims of 22% from FY2022. The increase in claims cost is likely due to several factors including continuing issues surrounding COVID-19. With the reduction in claims cost that occurred in FY2021, the retirees were not seeking their normal levels of medical care. In FY2022, the City began seeing a slight increase in claims costs returning to FY2020 levels. In FY2023, retirees are having more significant medical issues occurring due to the delay of seeking care. The City's specialty pharmacy spend has increased as well. Additionally, as is the case nationwide, inflation is impacting providers' offices and medical facilities causing the City's claims costs to rise.

The proposed FY2023 budget included a potential contribution to the net position of \$3,511,919.00 which now needs to be reallocated to operating expense claim payments.

A Form 1295 is not required because: This M&C does not request approval of a contract with a business entity.

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**FISCAL INFORMATION / CERTIFICATION:**

The Director of Finance certifies that upon approval of the above recommendation and the adoption of the attached appropriation ordinance, funds will be available in the Retiree Healthcare Trust Fund. Prior to any expenditure being incurred, the Human Resource Department has the responsibility to validate the availability of funds.

**Submitted for City Manager's Office by:**    Jessica L. McEachern    5804

**Originating Business Unit Head:**            Dianna Giordano            7783

**Additional Information Contact:**

Expedited