



Taxation, Revenue, and Utilization of Expenditures (TRUE) Commission

Wes Benwick, Chair
Jason Fischer, Vice Chair
Joe Andrews, Secretary

Meeting Minutes
November 4, 2010
4:00 p.m.

Attendance: Wes Benwick (Chair), Thomas Martin, Marc El Hassan, Joe Andrews, Mike McCollum, Randy Deen, Greg Anderson, Ernest McDuffie, Hiron Peck, Marcella Lowe, Gamal Lyons

Excused: Ruth Arnold, Ryan Jones

Absent: Mark Cowart, Jason Fischer, Robert Jones

The meeting convened at 4:00 p.m. with a quorum present.

Minutes

The revised minutes of the September 30, 2010 commission meeting were approved as distributed.

Presentation

Curtis Lee, a retired corporate financial manager and pension administrator, made a presentation regarding the City's pension plans. He stated that the City is essentially bankrupt, with \$5 billion in cumulative liabilities and only \$4 billion in assets, most of which are in the form of infrastructure that could not be practically liquidated. The City's defined benefit plans are far more generous than anything available in most of the private sector and they are financially unsustainable (80% salary replacement with guaranteed COLAs is unheard of, as is the ability of police and firefighters to retire after only 20 years of service and receive pensions for 30 or 40 or more years). The current 8.5% and 8.4% (depending on the plan) guaranteed return on investment is way out of line with reality, and the Governmental Accounting Standards Board will very likely force all governments to reduce their guaranteed returns to 7.75% within the next couple of years. Cumulatively the three pension plans have accumulated \$1.8 billion in funding shortfalls, which equates to \$2,000 per City resident for the benefit of approximately 8,000 City employees.

According to Mr. Lee, another problem is that the plans are run by "insider" boards – composed primarily employees and retirees with vested interests in maximizing benefits and little incentive to consider costs. In his opinion the pension funds should all be run by boards composed of outsiders with no financial stake in the funds. All three funds should be subjected to forensic audits, especially the Police and Fire Pension Fund (PFPF), which is the most poorly funded. He believes the PFPF should be completely reformed from top to bottom because its operating costs are twice what they should be, in part because the managers of the fund are paid huge salaries and have "golden parachute" separation clauses in their contracts. The City has leverage to make the needed changes because it puts up the vast majority of the money to fund the plan, but political leaders seem to have no interest in bucking the unions and reining in the pension funds. The committee discussed the fact that under-funded public pension funds are a national problem.

Mr. Lee suggested that the long-term solution to the pension problems lies in immediately cutting employee pay and pension benefits to something more like what private sector employees can expect to receive; replacing the defined benefit plans with defined contribution plans for all new hires; taking control of the pension fund boards in proportion to the amount of funding the City provides vs. what employees contribute; reducing pension fund administrative costs; and listening to outsider perspectives about what needs changing and how instead of remaining stuck in the status quo which is doomed to collapse before too much longer. He offered his services for further consultation if the commission sees the need.

Committee Reports

Legislative Tracking Committee – Commissioner Andrews reported that the committee has canceled its last two meetings because the volume of City Council legislation has been relatively low and there have been few bills of particular interest to the commission.

Performance Committee – Commissioner Anderson reported that the committee had met earlier in the day with City Treasurer Mike Givens and City Comptroller Kevin Stork to discuss the FAMIS accounting system and the plans for its replacement. The system is very old and not at all user-friendly. The constitutional officers all have separate computer systems that have to interface with FAMIS which is difficult because of its age and system architecture. The City has allocated \$2 million in the current budget to begin the planning process for replacement of the FAMIS system, with another \$5-7 million allocation expected for next year to begin acquisition.

Banking Fund Committee – Commissioner El Hassan stated that the committee has met with Mike Givens for an introduction to the purpose and operation of the Banking Fund and he has followed up with Mr. Givens with additional questions by e-mail. The original goal of the Banking Fund has not yet been achieved because budgetary problems have prevented expedited repayment of loans from the fund, therefore the money has not been available to re-lend a second time before the underlying borrowing is repaid. Commissioner El Hassan has requested that the administration provide 10 years of debt ratio information – 5 years before and 5 years after the creation of the Banking Fund. In response to a question Mr. El Hassan stated that there is not an amortization schedule, *per se*, for the Banking Fund as a whole, but each underlying debt issue has its own amortization schedule, all of which are readily available.

Contract Management Committee – Commissioner El Hassan stated that he has e-mailed a list of questions regarding contract management procedures to the City's 10 department heads and to the Mayor, Council Auditor and General Counsel. It appears from the responses that there is no central repository of all City contracts – tracking is very scattered and fragmented, with no central database.

Auditor's Report

Tommy Carter of the Council Auditor's Office reported that two reports have been released since the last TRUE Commission meeting: #688 Value Adjustment Board Special Report, and #689 Council Auditor's Office annual report for 2009/10.

Chair's Comments

None

Old Business

None

New Business

Legislative bill J-4: transparency in government. Commissioner Martin brought to the commission's attention pending legislative bill J-4, proposed by Council Member Glorious Johnson, copies of which were distributed to the members before the meeting. The J-bill would amend the City Charter to add a new section entitled "Transparency in Government" which would impose new policies and procedures on the City Council with regard to waiving the Ordinance Code, approving contracts, considering amendments to pending legislation on the day of final approval, voting procedures, and additional public hearing requirements. Pending Ordinance 2010-814 expresses the City Council's support for passage of the J-bill by the Duval County Legislative Delegation.

Motion (Martin): that the TRUE Commission adopts a resolution in support of legislative bill J-4 and pending Ordinance 2010-814 – **approved unanimously.**

Commissioner Comments

Commissioner Andrews reported that he had met recently with Council President Jack Webb and Mr. Webb had indicated that the TRUE Commission could be helpful to the City Council in looking at several issues, including the operation of the City's internal service funds. Commissioner Andrews will be scheduling a meeting with President Webb next Wednesday and other commissioners are welcome to attend. Staff will post notice the meeting so any interested commissioner can attend.

Public Comments

Mr. John Walker described a home repair problem that he thinks is symptomatic of problems with the City's building inspection process and may be costing the City considerable sums of money. He is engaged in a protracted dispute with a roofing company over improper installation of roofing shingles and other roofing and building repairs. The City's building inspectors have twice approved the job despite the fact that the shingles were not installed according to the manufacturer's instructions. The Code Enforcement Division while acknowledging that the installation does not comply with the manufacturer's instructions and therefore does not meet code, says it is helpless to compel the contractor to correct the situation because the building inspectors have signed off on the job. The Property Appraiser's Office has inspected the work but has determined that the job is not complete and therefore the value of the work will not be added to the property assessment. Mr. Walker believes the City is losing out on re-inspection fees and the property tax value of the work because the various offices of the government can't resolve this problem, and feels it reflects badly on the City's operations and management.

Former TRUE Commission Chairman Tony Bates urged the commission to follow up with Curtis Lee on the issue of pensions and study the issues. He also noted that Randy Deen and Marcella Lowe are the only remaining commissioners from his term as TRUE Chairman, and today is Randy Deen's last meeting. His replacement is currently pending before City Council and should be finalized before next month's meeting. Mr. Bates thanked Mr. Deen and Ms. Lowe for their many years of dedicated service to the TRUE Commission.

Next meeting

The commission's next meeting is scheduled for Thursday, December 2nd at 4:00 p.m.

There being no further business, the meeting was adjourned at 5:34 p.m.

Posted 12.6.10
5:00 p.m.

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