



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

Wes Benwick, Chair

Jason Fischer, Vice Chair

Joe Andrews, Secretary

TRUE Commission Meeting Minutes.

July 14, 2011

4:00 p.m.

Attendance: Wes Benwick (Chair), Marcella Lowe, Joe Andrews, Diane Brown, David Lane, Ernest McDuffie, Mike McCollum, Greg Radlinski Ryan Jones Ted Wendler, Marc El Hassan

Excused: Hiron Peck, Gamal Lyons, Thomas Martin

Absent: Mark Cowart, Jason Fischer

The meeting convened at 4:05 p.m. with a quorum present.

Minutes

The minutes of the May 5 and June 16, 2011 commission meetings were approved as distributed.

Committee Reports

Legislative Tracking Committee – Commissioner Andrews distributed a legislative tracking matrix and reported on the status of several bills the committee has been tracking. 2011-254 (SPARK downtown arts district) and 2011-368 and -369 (EverBank downtown relocation incentives) have all been approved by Council. 2010-856 (transient vendor location regulation), 2011-276 (City employee residency requirement), 414 (S-line hiking/biking path appropriation) and 2011-429 (Ed Austin Park dog park) are still pending in committees.

Performance Committee – Commissioner Wendler reported that the committee had met earlier in the day and agreed on a resolution on pension system reform to propose to the full commission for consideration, copies of which were distributed. He advocated that the commission approve the resolution which recommends that the City study the feasibility of converting the existing defined benefit pension plans to defined contribution plans in order to ensure that the taxpayers do not accrue any more responsibility for future pension benefits than the approximately \$1.6 billion in current unfunded accrued actuarial liability (UAAL). The committee also recommended that, assuming the commission approves the resolution, a delegation of TRUE Commissioners meet with City Council members and the Mayor or someone in his administration to emphasize the seriousness of the looming pension crisis and to advocate for immediate action.

Mr. Wendler reported that the \$1+ billion in announced savings resulting from 2011-399 and 2011-400, when discounted to current dollars using a net present value calculation, actually amounts to less than \$150 million and derives only from new employees entering the revised pension plans, not the employees already in the current plans. The cost of the current plan is

growing alarmingly and will swamp the City budget in the next 20 to 30 years, eating up all discretionary revenues and requiring tax increases to pay the amounts due. Commissioner Benwick stated that it is his understanding that even in the event of a declaration of bankruptcy by the City, the pension obligations are privileged obligations that would have to be paid first.

Motion (Lowe): that the TRUE Commission adopts the Performance Committee's proposed resolution on City pension reform.

Commissioner Radlinski asked about the potential impacts on the existing defined benefit plans if new members are diverted from those plans to other pension options. While that is a question that remains to be answered by experts, it seems likely that the diversion will increase the City's funding requirements for the existing plans in order to keep them funded to the level required by law.

Commissioner Benwick pointed out that another problem with the City's pension plans is their use of outdated mortality tables which tend to understate average life expectancy and therefore understate the City's contribution needs. Updating to more modern tables would increase the City's funding requirements.

Commissioner McCollum asked why an item had been deleted from the original draft resolution regarding the possibility of shifting City employee to participation in the Florida Retirement System. Commissioner Wendler said that he had been persuaded by the comments of other commissioners of the wisdom of confining the resolution to identifying and publicizing the nature and scope of the pension problem and not attempting to propose a particular solution. In response to another question about the status of the 30 year agreement between the City and the Police and Fire Pension Fund he stated that the issue is in court, the subject of a lawsuit filed by Concerned Taxpayers of Duval County.

Motion (Radlinski): to amend the proposed resolution to delete the second recommendation regarding the Mayor negotiating with the employee unions – **approved**.

The Lowe motion to approve the Performance Committee resolution was **approved 11-0 as amended**.

Motion (Lowe): that the TRUE Commission delegates Commissioners Wendler, Andrews and Benwick to seek a meeting with the Mayor's Transition Team on Pension Issues to discuss the commission's findings and recommendations encompassed in the resolution just approved – **withdrawn**.

Motion (Lowe): that the TRUE Commission delegates Commissioners Wendler, Andrews and Benwick to seek meetings with the Council President and Mayor to discuss the commission's findings and recommendations encompassed in the resolution just approved – **approved 11-0**.

SMG Issues Committee – Chairman Benwick reported that the committee had met in June and come to the conclusion that the issues the committee studied deal less with any particular actions by SMG than with overall City contract management and oversight practices. He distributed a proposed resolution he had drafted that incorporated a set of identified concerns and proposed corrective actions. The concerns deal with the quality of City management of the contract, the length of time since the contract has been open for competitive bidding, the process for City approval of the contractor's use of affiliated companies, the degree of accessibility and transparency of SMG's documents, processes and budget, and the nature of the contract with

regard to the management fee and performance incentives. The proposed corrective actions include greater City participation in the selection and retention of the local SMG general manager, a recommendation that all City contracts be subject to mandatory re-bidding opportunities no less than every 7 years, increased City oversight of the contract, better City approval of the use of corporate affiliate companies, and application of public records transparency requirements to companies hired under open-ended, cost-plus contracts.

Motion (Andrews): that the commission adopts the resolution proposed by the SMG Issues Committee.

Motion (McCollum): that the proposed resolution be amended to add a sixth Corrective Action urging the City to utilize its departmental subject matter experts (Human Resources, Risk Management, etc.) to assist the contract manager in determining proper levels of insurance coverage, employee benefits, etc. to be provided to the venues and SMG employees with the City's funds – **approved**.

The Andrews motion to approve the SMG Issues Committee resolution was **approved 11-0 as amended**.

Auditor's Report

Tommy Carter of the Auditor's Office reported that the office had released one report since the last commission meeting - #701, JEA Accounts Payable Audit. He noted that Mayor Brown will be presenting his first budget to the City Council tomorrow morning at 10 a.m. in the City Council Chamber. The Finance Committee's budget hearings have been scheduled from 8:30 a.m. to 4:30 p.m. on Thursday, August 11, 18 and 25. Finally, the Council Auditor's audit of the JEDC has been completed and transmitted to the JEDC for their comments before the report is finalized and released.

Chair's Comments

Chairman Benwick noted that former TRUE Commissioner Greg Anderson is now on the City Council and that he has met with new Council Member Robin Lumb who is also interested in the TRUE Commission's activities. He encouraged the commission to take advantage of this interest in the commission in high places.

Mr. Benwick suggested several issues he thinks are worthy of further study and work by the commission:

- FAMIS system replacement – a 5 year or more process that will require considerable political willpower.
- Internal service funds – a very complicated issue, but very necessary to get a handle on.
- Contract management – a perennial problem for the City.
- Pensions – possibly the most important issue facing the City.
- Banking Fund – the commission has studied it and made findings but no action appears to have resulted. If/when Finance Director Mickey Miller, the creator of the fund, leaves City employment, is there sufficient knowledge left to run the system as it was intended?
- City budget – in his opinion the process needs to be turned upside down – start each year by budgeting each department at 90% of what it got the previous year, then allow competitive add-on requests up to the amount of revenue available.
- Continue to raise the commission's profile with the Mayor, City Council, the media and the general public.

Mr. Benwick thanked the commissioners for their excellent work during his two years as Chairman and announced that he would not be seeking reappointment for a second term on the commission due to his work schedule and family commitments.

Old Business

None

New Business

Nominating Committee report – Chairwoman Lowe reported that the committee had met and proposes the following slate of officers for next year: Chair – Marc El Hassan; Vice-Chair – Mike McCollum; Secretary – Joe Andrews. There being no further nominations, the slate was **approved unanimously**.

Commissioner Lowe presented outgoing Chairman Benwick with a commemorative plaque and expressed the commission's thanks for his outstanding leadership and service.

Commissioner Comments

Commissioner Brown stated that she had met recently with new City Council Member Matt Schellenberg and that he too is interested in the commission's work.

Commissioner Benwick stated that he had met that morning with new City Council Member Robin Lumb who gave him a questionnaire he would like to have answered the by TRUE Commission. Jeff Clements was asked to circulate the questionnaire to all the commissioners for their input.

Commissioner McCollum suggested that the commission send a letter to the Mayor and City Council to introduce the TRUE Commission and to offer the commission's assistance.

Commissioner Brown asked about the commission's required annual report to the City Council. Jeff Clements will compile and circulate a document on the commission's behalf.

Public Comments

None

Next meeting

The commission's next meeting will be on Thursday, August 4th at 4:00 p.m.

There being no further business, the meeting was adjourned at 4:57 p.m.

Posted 8.5.11

5:00 p.m.

c.c. cityc@coj.net
City Council electronic files
Media box