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From: Bill Scheu [<mailto:WScheu@rtlaw.com>]

Sent: Wednesday, January 22, 2014 6:52 AM

To: Wells, Carol

Cc: Hand, Chris; Laquidara, Cindy; David Draine; Jonathan Trichter; Bill Scheu

Subject: Task Force Email

Carol: Would you please send to the task force the following email from me? Thanks.

The Mayor's proposal yesterday created some new possibilities, but as I think about it, our responsibility is to come up with our best recommendations and rationale for them. We are doing that with governance, and the Mayor's proposal helps us firm up ideas on pension design. However, the big question is the paydown of the unfunded liability. It seems to me that our job is first to recommend how much in dollars we recommend for an annual payments. We have been using a 120 million base and another 70-90 million as an extra amount for paying the unfunded liability down over a stated period of time. The Mayor's proposal is for a longer period, so the aggregate number he reached was in the neighborhood of 180 million. We should derive our number based on our risk conclusions (simply put, the concept of a 7% assumed rate of return (50-50 likelihood) down to a 5.4% contribution rate (75% likelihood). Whatever that number is, determined using caution and a with a desire not to have things repeat themselves in the future, we then should provide options for where to find the money. If we think the proper number is 190 million, for example, we could propose alternatives for finding the funds: taking advantage of the Mayor's proposal, but proposing other resources as both alternatives or supplementts. For example, if we feel 180 million is needed, we could recommend that the sources include the JEA proposal, but if JEA does not come through within a short period, that the resources, should include combinations of a millage increase and/or increases in the utility franchise tax (which has been one suggestion). Or if we think 190 million is the correct number, that if the JEA dollars only get us to 180 million, then we should propose the other alternative for getting us there. The point is, from our perspective, is to get the number right and call the political leaders to use that, not kick the can down the road. Also, any solution must be enforceable by a binding agreement among the parties: the City, the JPPFF, the unions and, if appropriate, the JEA. We can't have just wishful thinking. Our primary job is to get the number right. Finally, as to pension design, since we can't call up either the unions or the JPPFF and see if they agree with the design proposed by the Mayor (given Judge Wallace's order), we need to have not only Paul McElroy from the JEA at our next meeting, but also Mr. Keane and the two union leaders. If you would like to respond to this, please send your response to Carol and she will distribute it to all of us and make sure it is available to the public. Thanks. Bill

William E. Scheu  
Rogers Towers, P.A.  
(904) 673-1720 (Cell)  
Sent from my iPad