CITY OF RIVIERA BEACH
PALM BEACH COUNTY, FLORIDA
CITY COUNCIL WORKSHOP MINUTES
MONDAY, SEPTEMBER 29, 2014 AT 5:30 P.M.

(The following may contain inaudible or misunderstood words due to the recording quality.)

ANY PERSON WHO WOULD LIKE TO SPEAK ON AN AGENDA ITEM; PLEASE FILL OUT A PINK PUBLIC COMMENT CARD LOCATED IN THE BACK OF THE COUNCIL CHAMBERS AND GIVE IT TO THE STAFF PRIOR TO THE BEGINNING OF THE MEETING. MEMBERS OF THE PUBLIC SHALL BE GIVEN A TOTAL OF THREE (3) MINUTES FOR ALL ITEMS LISTED ON THE CONSENT AGENDA. MEMBERS OF THE PUBLIC WILL BE GIVEN THREE (3) MINUTES TO SPEAK ON EACH REGULAR AGENDA ITEM. IN NO EVENT WILL ANYONE BE ALLOWED TO SPEAK ON AN AGENDA ITEM AFTER THE RESOLUTION IS READ OR ITEM CONSIDERED.

CITY CLERK CALL TO ORDER

CHAIRPERSON DAVIS: Okay. Good evening everyone. Welcome to our workshop of the FRS. Would you please turn your cell phones to the off or vibrate position at this time. Okay. Madam Clerk, please call the roll.

ROLL CALL

DEPUTY CITY CLERK ANTHONY: Mayor Thomas Masters. Chairperson Judy Davis.

CHAIRPERSON DAVIS: Here.

DEPUTY CITY CLERK ANTHONY: Chair Pro Tem Dawn Pardo.

CHAIR PRO TEM PARDO: Present.

DEPUTY CITY CLERK ANTHONY: Councilperson Bruce Guyton.

COUNCILPERSON GUYTON: Here.

DEPUTY CITY CLERK ANTHONY: Councilperson Cedrick Thomas. Councilperson Terrance Davis.

COUNCILPERSON T. DAVIS: Here.

DEPUTY CITY CLERK ANTHONY: City Manager Ruth Jones.

CITY MANAGER JONES: Present

DEPUTY CITY CLERK ANTHONY: Deputy City Clerk Claudene Anthony is present. City Attorney Pamala Ryan.

CITY ATTORNEY RYAN: Here.

CHAIRPERSON DAVIS: Let's all stand for a moment of silence and the pledge led by Miss Robinson.

INVOCATION

PLEDGE OF ALLEGIANCE

UNIDENTIFIED SPEAKER: Shall we pledge? (Everyone stood for a moment of silence followed by the Pledge of Allegiance being led by Miss Robinson).

CHAIRPERSON DAVIS: Okay. Miss Jones, are there any additions, deletions or substitutions?

AGENDA Approval: Additions, Deletions, Substitutions

CITY MANAGER JONES: No, Madam Chair.

CHAIRPERSON DAVIS: Okay. We are now down to the discussion and deliberation by Council of the Florida Retirement System. Miss Jones.

AGENDA ITEMS

DISCUSSION AND DELIBERATION BY COUNCIL Each Council Member will discuss initiatives, reports and/or projects impacting their district and/or the entire city.

1. FLORIDA RETIREMENT SYSTEM IMPLEMENTATION.

CITY MANAGER JONES: Thank you so much to members of Council for agreeing to join us this evening. As you will recall, as we were going through the labor negotiations and as we were preparing the budget, one of the areas that we talked about was the area pension and the need for us to try and address the pension issue.

As you directed, we had something dealing with FRS in all four of the contracts. We can say that all four of the contracts and the votes for future participation in FRS was agreed upon. One of the things I want to make perfectly clear, and that is any movement to FRS does not impact the current employees or the current retirees. Their plans, their benefits, everything stay exactly the same. You can't change their plan.

What we're talking about is going forward with new employees or employees that have been here five years or less. One of the other things is that the option of making changes in our pension, also provides us the opportunity to make our three pension plans more actuarially sound. And we will talk about why that has to take place as a part of the requirements of moving to FRS.

So I would like to turn the presentation over now to Randy Sherman, the Director of Finance & Administration. Also joining us by way of -- it's not Skype but --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: WebEx.

CITY MANAGER JONES: WebEx. We have Jason Godeau [phonetic] and he's a Retirement Analyst II with the Florida Retirement System. So if you have questions that you would like for them to answer, he'll also be entertaining those particular questions.

CHAIRPERSON DAVIS: Go ahead.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Okay. Good evening.

CHAIRPERSON DAVIS: Good evening, sir.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: This is the -- this is what we're going to talk about tonight. We're first going to walk through a -- a small background again of -- of how we got here, and Miss Jones kind of just touched on that briefly. I'll give you a quick overview of the Florida Retirement System itself.

I'm going to talk about the cost savings, which is, you know, part of the -- or a significant point of why we are looking at the FRS -- address which positions are actually covered by FRS, the impact on current plan members, past service for those plan members, impact on the current retirement plans and then the process to join FRS, an implementation calendar and what the actual recommendation is.

Again, as Miss Jones said, you know, we've been talking about pension changes for a long time, I think probably four or five, maybe even six years at this point. Understanding that the pension cost is part of your annual operating budget, are starting to approach 20 percent of the budget. So I know staff has for a number of years looked at options on what changes can be made to possibly save some money.

As part of this year's negotiations, and it really goes back actually almost a year ago, all four labor unions came to the city and said, We do not want a one-year contract; we'd like a three-year contract if -- if at all possible. And that's when -- at the point where we started addressing with them at the table, the option of going to the FRS to provide some long-term funding solutions so that we could address their labor issues. And as Miss Jones said, all four union groups have approved the city's participation into the

FRS.

Now a little bit of history on the FRS, or background on the FRS, is currently over 900 participating agencies with over 700,000 members. There are four covered groups in FRS that pertain to the city. There's a general group, a senior management group, a special risk, which is police, fire -- it's your public safety group -- and elected officials. The city may choose to join one, two, three or all four of those groups. There's no requirement that you do all four or any combination thereof; that's -- that's our choice. FRS covers full-time and regularly established part-time employees and I'll get a little more detail into that later.

City may join the FRS at any point throughout the year, so when we're ready to go and we pass all of our -- our documents and take our votes, we can join at that point. Once we join the FRS, it's irrevocable. There's no going back, so you just have to make sure that this is, you know, what we want to do. Employee contribution rates are currently three percent in FRS as compared to the six percent for general employees now and eight percent for public safety. And then the employee contribution rates vary, again, depending on what the plan is.

And the cost savings is really the driving factor here. Back in April, the Council requested that we go out and get an independent review on the savings that would be derived if we -- if the city joined the FRS. Savings are going to come from two different sources. First, there's going to be a savings by changing the city's contribution rate. Now contribution rates are a percentage of salary. So one change is the fact that the FRS rates are lower than the city's contribution rates and what the study indicated and it was in the -- the backup material, is that that would actually save the city 96.7 million dollars over the next 30 years.

The second savings actually comes from refinancing the unfunded liabilities. And, again, there was a second study that was attached to -- to the -- to the agenda that showed that we would save 27.8 million over thirty years. Now combined, you'd have -- you have to put these together because they're -- they're not exclusive -- total savings over 30 years is estimated to be 124.5 million dollars. Now the last line there may be a -- a little confusing but in 2015, you have fully budgeted and appropriated all your pension contributions. If we can get the unfunded liabilities refinanced this fiscal year, we'll actually save or have an offset to our contributions of roughly a million dollars per quarter.

So just to give you an indication, we've already -- the first quarter, we're already making those payments. Second quarter will come, you know, we'll be making our payment, say, around January. So it depends on how quickly we can do this to how much we would actually be able to receive in benefits for fiscal 2015.

COUNCILPERSON GUYTON: Madam Chair.

CHAIRPERSON DAVIS: Mr. Guyton.

COUNCILPERSON GUYTON: A -- a quick question --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Yeah.

COUNCILPERSON GUYTON: -- on that point there about the savings. Even if we were to go to FRS -- well, we're -- that decision has been made. When we go to FRS, we still would have the responsibility to the existing plans.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Absolutely.

COUNCILPERSON GUYTON: So I'm not understanding where this savings is going to come from if we still have to pay into those existing plans.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Okay.

COUNCILPERSON GUYTON: But --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: I -- can I get a couple of more slides down?

COUNCILPERSON GUYTON: Okay. Are you going to get to that?

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Okay? Yep.

COUNCILPERSON GUYTON: Okay.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Yep. Okay. First one, I think this is -- is what you were addressing here. A little more detail on the 96.7 million savings over three years. If you can see the contribution rates that we have down at the bottom of the slide, the current rates by plan are in the left-hand column and the current rates under the FRS are in the far right-hand column.

What the study did is they actually went back and they looked out 30 years using the information from our current actuaries and said, Okay, going forward, you're always going to be having people retire and you're always going to be having new employees come in. So if you go back and you look at the detail of the reports there, you'll see that they've broken out future salaries into those two columns. Now the employees that stay in the plan, those salaries remain in one and we pay these -- the rates in the left-hand column. And future employees coming in or employees who opt out of the current plan into FRS, you would pay the contribution on the right. But this is why it's over a 30-year period. It takes time for the -- that transition to happen, you know, and I want to say we had about 1.7 million dollars of salary or wage for positions that weren't filled this year.

So, again, if you take that and immediately see this type of benefit and then obviously, years going on in the future, the -- the salaries will change, more will be into the FRS than into the current plan and then that's where you're getting the savings under this scenario.

COUNCILPERSON GUYTON: Madam Chair.

CHAIRPERSON DAVIS: Yes, sir, go ahead.

COUNCILPERSON GUYTON: Would you agree that we won't see an immediate savings?

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: You will minimal savings in the early years until the -- until new employees are hired, and as those new employees are hired, then, obviously, the savings will -- will increase and that'll increase over time. You'll actually see -- you're correct -- you actually see more savings towards the end of the 30 years than you will towards the beginning of the 30 years. But that's just as -- as the payrolls grow.

COUNCILPERSON GUYTON: And that's -- may I, Madam Chair?

CHAIRPERSON DAVIS: Yeah. You have the floor, sir.

COUNCILPERSON GUYTON: And -- and that's -- that is what I would like for us to be prepared for: Funding existing plan and ensuring that we have enough revenue to also contribute to the Florida State -- I mean, the Florida Retirement Plan. As we make the transition -- let me back up. The numbers that we're working with when I read this, it was a compilation of an actuarial study that was done back in 2012 when the funds were considering going to a defined contribution plan.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Right.

COUNCILPERSON GUYTON: Is that correct?

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: That -- that was their baseline and then they built from there. Yes.

COUNCILPERSON GUYTON: And they built from there. So let's assume the numbers are correct because --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Uh-huh.

COUNCILPERSON GUYTON: -- that's what the final numbers --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: It's -- it's what we got.

COUNCILPERSON GUYTON: -- are based on. I do, you know, this -- this theory that if something looked a little accurate, the end numbers would also be a little inaccurate.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Uh-huh.

COUNCILPERSON GUYTON: But I'm not suggesting that. So as he did his projections based on those numbers, how -- how did he consider how many of the employees under five years that would go over to this plan and what that projected cost would be.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: They did not look at that. When he did his analysis, he looked at only new employees going over. Okay? So these savings are based on just new employees. If current employees who are, again, paying these higher rates on -- choose to move over, okay, then those employees would actually add to the savings, okay?

Now what you're talking about is past service in the city --

COUNCILPERSON GUYTON: Yes.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: -- purchasing back past service.

COUNCILPERSON GUYTON: Uh-huh.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: The past service -- I'm sorry -- the past service is based on a formula -- there's a formula right in the Statute, and what we did and, again, I have a slide here -- but what we did is we went back and we said, Let's take all of the employees that were hired in this five-year period, and assuming that all of those employees decide to move over to the FRS.

COUNCILPERSON GUYTON: Okay. Stop there. Those are my questions. I'm -- I'm going to let you finish your presentation.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Okay.

COUNCILPERSON GUYTON: But I'll have some further -- but one -- I read that this is not going to impact 175 or 185 (inaudible).

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: That is correct.

COUNCILPERSON GUYTON: That's accurate.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: That is accurate.

COUNCILPERSON GUYTON: Okay. I'll wait until the end of --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Okay.

COUNCILPERSON GUYTON: Yeah. So I --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Okay. The second way to -- to save funds or the cost savings is from refinancing the unfunded liabilities. If you look at, again, towards the middle of the screen, the current rates that we're being charged are roughly around 7 ½ percent. A little bit less at the police department, fire plan, but police in general are 7 ½ percent. We think that we can get at least 5 ½ percent if not better on the pension obligation bonds. Now these are taxable rates, which is why you see they're, you know, a little bit higher than you may see for general municipal rates. But if we can reduce the interest rate on 58 million dollars, which is our current unfunded liability, okay, from 7 ½ percent to 5 ½ percent, that saves us 2 percent per year on 58 million dollars in just straight up, that's a 1.16 -- $160,000 per year.

CHAIRPERSON DAVIS: Oh --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Go ahead.

CHAIRPERSON DAVIS: -- would our higher credit rating assist in getting even lower interest rates?

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: A higher credit rating in this, yes. These numbers again were all done before we knew we were an A+ community.

CHAIRPERSON DAVIS: Okay.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: And you're right, we may be able to beat that 5 ½ percent --

CHAIRPERSON DAVIS: Okay.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: -- which obviously would generate even more savings.

CHAIRPERSON DAVIS: Okay.

COUNCILPERSON GUYTON: And -- and Madam Chair --

CHAIRPERSON DAVIS: Yes, sir.

COUNCILPERSON GUYTON: -- could you also explain for the audience and viewing audience, what unfunded liabilities are?

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Yeah. The -- the pension plan actually -- it knows who its employees are; it has certain assumptions on earnings rate and salary growth and -- and all of those factors that go into the pension, and it projects out a long-term liability. Then it looks at the assets and says, Okay. Here's my liability; here's my assets. The spread between those two, assuming the liability is higher than the assets, is your unfunded liability.

COUNCILPERSON GUYTON: So the unfunded liability is essentially funding all of the retirements that are in that pool to, well, for lack of a better term, until they are deceased.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Correct.

COUNCILPERSON GUYTON: Yes.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Yep.

COUNCILPERSON GUYTON: It is not uncommon for plans not to be 100 percent funded; is that correct?

CHAIRPERSON DAVIS: (Inaudible).

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: That's correct.

CHAIRPERSON DAVIS: 75, 80 or so.

COUNCILPERSON GUYTON: Okay.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Okay. Every year, as part of your annual contribution, you are amortizing the unfunded liability. And rather than amortize that unfunded liability, at say 7 ½ percent, if we can get it at 5 percent, 5 ½ percent, that obviously is a -- is a savings to the city.

CHAIRPERSON DAVIS: And one last question.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Uh-huh.

CHAIRPERSON DAVIS: Currently, we're -- I know usually we're somewhere around 75, 80 percent funded. Do you -- what is -- what is our percentage (inaudible)?

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Police and fire are close to 80.

CHAIRPERSON DAVIS: Okay.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: And general is closer to 60.

CHAIRPERSON DAVIS: Okay. I think we had that conversation before. All right.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: FRS plan and, again, I mention that there are four different groups. But the FRS plan covers what they term as regularly established positions, okay? This is an employment position that will be existence beyond six consecutive calendar months. That would include not only your full-time employees, but it includes part-time employees and may include elected officials as well. Now there will be some individuals that, due to their own personal circumstances and past history with FRS, that may not be eligible for the FRS.

Any employee who is not eligible to join the FRS, we will actually create a set -- a safety net to catch those employees so that, you know, they do -- they still get a retirement. Probably will be in the form of a 401, but what we don't know at this point is how many that is. Our guess is is it's probably a handful, five or six people that may not be eligible for FRS. And why wouldn't you be eligible for FRS is if you're already collecting a pension from the FRS. You can't reenter into the system. So for those employees, we would let them fall into the safety net.

Impact on current plan members. So these are the members that are in the current retirement system, whether it's the general, the police or the fire plans. Okay? This does not impact plan members' current or future benefits. Okay? If they opt to stay in the current plans, as Miss Jones said, their benefits do not change. Okay? However, that being said, current plan members individually may choose to opt into the FRS. So it's an opt-in process getting into the FRS. At that point, if you have employees who have past service with the city, and they opt into the FRS, statutes allow for the city to elect to purchase past service for those employees. So, again, if you have somebody who's been here for three years and they decide, You know what, I'm going to walk away from the city plan; I'm going to join the FRS plan, the city has the option of buying back those three years from one plan into the other plan.

COUNCILPERSON GUYTON: Madam Chair.

CHAIRPERSON DAVIS: Okay. Yes, sir.

COUNCILPERSON GUYTON: How many years would the city buy back?

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: We're actually considering up to five years buy-back. Our current plans, you're vested at eight years. So what we tried to do is, and again, you know, as you know, retirement's a personal, individual, case-by-case basis. But we tried to figure out where do we think that break point is where somebody would stay and try to get vested under the current plan and where they may be interested in going over into FRS. And anybody who goes, it's a financial benefit to the city. So we're trying to find that -- that break point and at the same time, keep in mind that -- how much that would actually cost the city every time we change it from four years to five years to six years, you know, in that break point.

COUNCILPERSON GUYTON: When you say a -- a cost savings to the city, you're basing that on the lower percentage rate that the city will be paying over the long term.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Right.

COUNCILPERSON GUYTON: But at this point, for us to buy that --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Yeah.

COUNCILPERSON GUYTON: -- that would be a cost --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: It would.

COUNCILPERSON GUYTON: -- to the city that right now we don't know because we don't know who may go over and what the associated costs may be, right?

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Well, what we did -- it's to the next slide --

COUNCILPERSON GUYTON: Okay.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: You're always one slide ahead of me.

COUNCILPERSON GUYTON: All right. Okay.

CHAIRPERSON DAVIS: When -- when -- when you go forward, Mr. Sherman, I need to understand -- you said the city would buy the years.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: The city has the option to assist the employee from leaving the current plan and joining the FRS system.

CHAIRPERSON DAVIS: When you say assisting, what does that mean?

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Actually buying back the past service time that they have. So again, if they've worked here at the city for three years --

CHAIRPERSON DAVIS: Yeah.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: -- and they choose that they want to go to FRS, there's a cost to join the FRS and buy back those three years and that's what the city could pay for.

CHAIRPERSON DAVIS: So it's not the -- it's not the employees buying it, it's the city buying it?

COUNCILPERSON T. DAVIS: No. They're going to take --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: The city --

CHAIRPERSON DAVIS: I'm -- I'm -- I'm confused --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: No, the city can --

CHAIRPERSON DAVIS: -- because I had to buy mine.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Right. The --

CHAIRPERSON DAVIS: You know?

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: -- the city has the option to purchase it and then anything that the city doesn't purchase, the employee has the option of purchase. So again, let's say I've been for five years.

CHAIRPERSON DAVIS: Uh-huh.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: And you say we're going to buy back three. If I choose to go to FRS, the city would buy back three years and then I personally could buy back the other two. So that's why we -- we tried to figure out where that break point is --

CHAIRPERSON DAVIS: Yeah.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: -- so not to financially hurt the employees who actually want to go over to FRS. But give them enough incentive that, you know, that they may actually want to --

CHAIRPERSON DAVIS: Okay.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: -- want to jump over.

CITY ATTORNEY RYAN: Let me say this, too, Madam Chair, if I may.

CHAIRPERSON DAVIS: Yes, go ahead.

CITY ATTORNEY RYAN: Because if they -- if a -- an employee chooses to switch from the city to FRS --

CHAIRPERSON DAVIS: Then they lose --

CITY ATTORNEY RYAN: -- they would lose --

CHAIRPERSON DAVIS: Right.

CITY ATTORNEY RYAN: -- all of their time.

CHAIRPERSON DAVIS: Okay. I -- I'm -- I'm getting it.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Right.

CITY ATTORNEY RYAN: Unless we bought some of the --

CHAIRPERSON DAVIS: Yeah, I'm good.

CITY ATTORNEY RYAN: -- time back or gave them the -- and they always have the option to buy back time.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Right.

CITY ATTORNEY RYAN: But it's expensive and if we want them to move over and they really want to go, this will help ease the burden.

CHAIRPERSON DAVIS: So this is kind of -- kind of our way of -- of assisting them to move on over.

CITY ATTORNEY RYAN: Correct.

CHAIRPERSON DAVIS: And -- and -- and --

CITY ATTORNEY RYAN: And it's not mandatory so it -- it is something that the council can choose to do, not all cities do it.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Right.

CITY ATTORNEY RYAN: I think staff is recommending that you buy some time back.

CHAIRPERSON DAVIS: Uh-huh. Yeah, I understand. Okay. So if those employees who are here, who have purchased military time -- 'cause we did --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Uh-huh.

CHAIRPERSON DAVIS: -- authorize that some years ago, then that's -- I mean, it's not going to --

CITY ATTORNEY RYAN: They probably won't switch over if they've done that 'cause they've already spent money.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Right. They -- they probably won't --

CHAIRPERSON DAVIS: Yeah. They've already switched --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: -- They probably won't switch but if they do, if they have -- whatever years they have in our system, they could buy into the other system, into FRS.

CHAIRPERSON DAVIS: Okay. Well, I was just wondering because, you know, if they were -- they were -- they had to buy theirs, I was just --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Right.

CHAIRPERSON DAVIS: Okay.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Yep.

CHAIR PRO TEM PARDO: I have -- Madam Chair.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Yeah.

CHAIR PRO TEM PARDO: Okay. Madam Chair.

CHAIRPERSON DAVIS: Yes, Miss Pardo.

CHAIR PRO TEM PARDO: I have a -- I have a question. So if we have an employee, say a public safety employee, either a fire or police.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Uh-huh.

CHAIR PRO TEM PARDO: They've been here four years and they decide that they want to move over to FRS. Okay?

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Uh-huh.

CHAIR PRO TEM PARDO: Once they move over to FRS, do we mandate that they stay with us for a year or two or can they move over to FRS and then resign and go to the Sheriff or, you know, Palm Beach County --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Yeah.

CHAIR PRO TEM PARDO: -- Fire Rescue.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: They could. I mean, there's nothing in there --

CHAIR PRO TEM PARDO: So there is nothing in it --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: -- there's nothing in the contract that holds them.

CITY MANAGER JONES: Currently there's nothing that holds them.

CHAIRPERSON DAVIS: That's a good question; that's an excellent question.

CITY MANAGER JONES: If you want us to consider that, we can.

CHAIRPERSON DAVIS: I guess we should.

CITY MANAGER JONES: But currently there's nothing to hold them.

CHAIR PRO TEM PARDO: I -- right.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Uh-huh.

CHAIR PRO TEM PARDO: And I -- I personally think that is something that we need to consider. And when we had our workshop back in March or April -- 'cause again, my concern is with public safety. I don't want us to be the training ground -- you know, we're already the training ground -- and now we're making it easy -- even easier.

CHAIRPERSON DAVIS: That's a good point.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Uh-huh.

CHAIR PRO TEM PARDO: So, you know --

CITY MANAGER JONES: Would it be comfortable to say as we go forward and doing this, one year --

CHAIR PRO TEM PARDO: I would --

CITY MANAGER JONES: -- to stay with the city after --

COUNCILPERSON T. DAVIS: That's fine.

CHAIRPERSON DAVIS: No, more.

COUNCILPERSON T. DAVIS: That's fair. One year is fair.

CHAIR PRO TEM PARDO: Do other cities have something -- well, no, because they're not going through it.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Yeah. I did ask the question about what's -- what are most communities doing.

CHAIRPERSON DAVIS: I'd say at least two years.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: And, again, the answer was it's all over the board depending on their personal situation.

CHAIR PRO TEM PARDO: Uh-huh.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Communities that didn't have the money were not making any offers. Most were, you know, if they were buying anything, it was two or three years. And --

CHAIRPERSON DAVIS: Would we consider however many years it is that the city purchases, hold them to that number? I mean, if this is -- if we -- if -- if they have -- if they've been here for four years and we do two, then cap it at two. But if we do three for somebody who's been here five, cap it at five. I mean, that's just a suggestion.

CHAIR PRO TEM PARDO: Uh-huh. And maybe staff, you know --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Yeah. We have to think about it.

CHAIR PRO TEM PARDO: -- you guys think about it --

CITY MANAGER JONES: Yeah. We'll think about it. Because we didn't --

CHAIR PRO TEM PARDO: -- and then come back to us.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Yeah.

CITY MANAGER JONES: -- have anything else in here.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Okay.

CHAIR PRO TEM PARDO: But that's my concern. I do not want us to be a training ground.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: I --

CITY MANAGER JONES: Okay.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Okay. Am I good to go? Okay. This is a slide we put together on past service. And, again, we may elect to do it and I -- you know, like this discussion. What -- again, what we're looking at is making the recommendation of five-year buy-back. We figured that this would maximize the numbers of employees that would actually opt over into FRS, but minimize the financial impact on the employees themselves. And also, we felt it was an affordable number. If you look down at the final bullet, what we did is we took five years worth of hired employees. So anybody that was hired between 2009 and 2013, kind of is our -- our proxy to come up with a calculation. 'Cause obviously, people come and so they -- some leave and some come and some leave. Based on that pool of employees that we looked at, it would actually cost us $1,350,000 if they all opted to move.

Now if you're --

COUNCILPERSON GUYTON: Madam Chair.

CHAIRPERSON DAVIS: Mr. Guyton.

COUNCILPERSON GUYTON: What did you base your -- I mean, let me back up. What amount did you associate with each employee if they were to move?

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Yeah. It -- it was based on their actual pensionable wages --

CHAIRPERSON DAVIS: Uh-huh.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: -- for every employee. So again, if you've been here five years, you had all five -- and you have to calculate each year individually --

COUNCILPERSON GUYTON: Yeah.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: -- for the group. Because what you do is you actually pay the employee rate, the employer rate and then 6 ½ percent interest for how many ever years it is until you make the payoff. So you had to calculate each individual employee based on each individual year.

COUNCILPERSON GUYTON: And you did it up to the maximum of five years for each?

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: For each. And -- but if I had a three-year employee, it was three years. If I had a five-year employee --

COUNCILPERSON GUYTON: Okay.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: -- it was five. Yeah.

COUNCILPERSON GUYTON: Okay. Yeah.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Now again, I just -- just wanted to go back -- I guess I have it on this slide. Let me deal with this slide. So the question really comes up, 1,350,000, and again, it could be a little higher, it may be a little lower if somebody over five years chooses to go. There really are three options to fund this buy-back, the purchase of -- past service. The first option is FRS does accept time payments, and they would amortize it up to 15 years. You would have to talk to them and negotiate that. But with, again, an interest rate of 6 ½ percent.

Option number two would actually be to draw funds from the current retirement plan. So if I have 50 employees leaving the plans, obviously there's money in those plans for those employees and that's an option, which I would not recommend. And then option three would actually be to appropriate funds from the -- from the pension obligation bonds. So where I pointed out earlier that we would actually be able to realize a million dollars per quarter, if we got this done and the pension obligation bonds are issued, that would actually provide us the funding to be able to put towards the buy-back.

CITY ATTORNEY RYAN: That's right.

COUNCILPERSON GUYTON: So --

CHAIRPERSON DAVIS: Mr. Guyton.

COUNCILPERSON GUYTON: -- so we won't actually be saving, we'll be borrowing in order to accommodate much of the costs associated with this transition.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: You would be -- you would be borrowing to pay this million, three out of your pension obligation bonds, yes. But again, that is part of your 2015 savings.

COUNCILPERSON T. DAVIS: Yeah. That's to fund --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: 'Cause again, in your -- in your 2015 budget --

COUNCILPERSON T. DAVIS: -- that's the money (inaudible).

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: -- you have over four million dollars that would go -- that is going to the pension plans for unfunded liabilities. What would we do is finance that -- those dollars, realize that savings and be able to do the buy-back and then if -- if all of these people moved over, you would actually then have a larger savings going forward.

CITY MANAGER JONES: And --

COUNCILPERSON GUYTON: Okay. You keep saying savings, but we're going to keep having to pay for the existing --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Uh-huh.

COUNCILPERSON GUYTON: -- current plans --

CITY MANAGER JONES: But at a different percentage.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: It's a different percentage, right.

COUNCILPERSON GUYTON: -- and the -- the new ones that are coming in.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Yeah.

COUNCILPERSON GUYTON: I know it's at a different percentage for the FRS but we still have to pay the existing percentage for the current plan. Am I correct?

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: That -- that is correct.

COUNCILPERSON GUYTON: So I'm -- I'm not --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: With -- with --

COUNCILPERSON GUYTON: -- I'm not catching --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: -- with a reduced salary amount every year. The salaries, rather than the salaries increasing --

CHAIRPERSON DAVIS: Uh-huh.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: -- in those plans, the salaries will actually be decreasing in those plans.

COUNCILPERSON GUYTON: What -- explain that to me. Why -- what --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Well, because right now, if you have employees in a current plan and they're getting raises and they're getting promotions, those salaries are increasing every year within the plan--

COUNCILPERSON GUYTON: Uh-huh.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: -- that you are paying a percentage of salaries towards.

COUNCILPERSON GUYTON: Which we would have to continue to do for the existing plan.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Correct. Except, over time, that pool is now locked, so the salaries in that pool actually decrease every year as people retire. So you're going to have people retiring at the 42, 53 percent level of contribution and coming on at say the 19.8 percent level.

COUNCILPERSON GUYTON: How are you calculating when one may retire if they're not in the DROP or if there's no tangible --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Yeah.

COUNCILPERSON GUYTON: -- information that would suggest that they even considering retiring. How -- how --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: That's -- that's how actuaries make their money. They -- they -- they know what percentage, what age, how many years of service. They have all of those statistics and it's just, you know, we know that every year 14 percent of everybody who's 63 years old will retire. We know, you know, and they have all of those statistics so they have taken all of those current salaries and say, Okay, this amount's going to retire; this amount's going to, you know, and they have that. You may have an earlier, you may have a later, but here's the -- where that average bar is. And again, that's -- that's what the actuaries do.

CHAIRPERSON DAVIS: Uh-huh.

COUNCILPERSON GUYTON: Yeah. I -- I'm -- I'm familiar --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Yeah.

COUNCILPERSON GUYTON: -- with that but I -- I'm still not understanding how we're going to continue to pay the existing pool, which even if no one else goes in it, and we have these projections of retirements every so often, the offset is going to be that we're paying into -- not the offset, but what I'm saying, we'd still be paying into two plans. We'll paying into the existing and then into the new one and what I'm being told is the percentage we're saving in the FRS plan is going to derive a savings over in the existing plan based on the retirements that are projected.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Yeah. We --

COUNCILPERSON GUYTON: But I'm not --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Okay. Let -- let me just -- and I'll --

COUNCILPERSON GUYTON: -- seeing the multi- million dollar savings.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Right. I'll -- I'll --

COUNCILPERSON GUYTON: That -- that's what I'm saying.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: -- let me just --

CHAIRPERSON DAVIS: Start with how much (inaudible).

COUNCILPERSON T. DAVIS: That was (inaudible) for 25 years.

CHAIRPERSON DAVIS: -- annually in each one of those plans. (Inaudible).

COUNCILPERSON T. DAVIS: (Inaudible).

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Right. Can I combine them?

CHAIR PRO TEM PARDO: I have a question.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Okay. And that's actually where I was going. Okay. 2015, they've project -- they've projected that salaries will be $20.5 million. That's the number that we're starting at. Okay? And as I mentioned, some of those are from vacant positions. Okay? So they have the payroll, and let me go to 2016 since we're already in 2015, 21.2 million is total payroll. Staying in the city's plan will actually be 18.3 million and 2.9 million will be under FRS. So now take that 2.9 million and you're going to save 20 to 30 percent of that payroll due to the paying FRS rates versus paying city rates.

COUNCILPERSON GUYTON: And --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: So if we say that's $3 million, and you're going to save 20 percent, that's $600,000 less you'll paying.

COUNCILPERSON GUYTON: And where I'm really going is I don't want us to compromise any existing pension plans -- of the new ones.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Uh-huh.

COUNCILPERSON GUYTON: I don't want us to project a savings that may not be realized and we find ourselves scrambling, trying to meet our obligation. Obviously, these --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Yeah.

COUNCILPERSON GUYTON: -- people depend on our numbers being accurate and what we tell them that they're going to get. So that is really where I'm going, trying to make sure that the funds that we are projecting will actually be realized. That's -- that's really where I'm going.

CHAIR PRO TEM PARDO: Madam Chair.

CHAIRPERSON DAVIS: Miss Pardo.

CITY MANAGER JONES: Can --

CHAIR PRO TEM PARDO: Okay. So, Mr. Sherman, number three, appropriate funds from the pension obligation bonds.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Yes.

CHAIR PRO TEM PARDO: We have obligation bonds right now?

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: No. That was -- if you recall when we were talking about the two methods of saving dollars, this -- the pension obligation bonds is the mechanism to refinance the unfunded.

CHAIR PRO TEM PARDO: So how are we paying the unfunded now, currently?

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: You're -- it's an annual appropriation. It's in your pension line items when you're appropriating dollars. You're raising taxes and --

CITY MANAGER JONES: Straight out of the general fund.

CHAIR PRO TEM PARDO: Yeah. That's fine. You know. So --

CITY MANAGER JONES: Uh-huh.

CHAIR PRO TEM PARDO: -- you know, here we are again, going out for additional debt.

COUNCILPERSON GUYTON: (Inaudible).

CHAIRPERSON DAVIS: Go ahead, sir.

CHAIR PRO TEM PARDO: Hold on a second. Let me just think about this for a second. Okay. And what would the debt offering be? You know, have you really thought this out? How much, you know, how much debt are we looking for?

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Yeah. Well, they -- the -- when they did the calculation and they did their report, they actually ran the numbers on $58 million --

CHAIR PRO TEM PARDO: Uh-huh.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: -- let me see what their total amount came out to be. They had it was $59.75 million of debt that they were issuing.

CHAIRPERSON DAVIS: What was that?

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: With an arbitrage rate of 5 ½ percent.

CHAIRPERSON DAVIS: I know I saw it in here somewhere.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: And again, that was based on the 58. Now the 58.7 million I believe it is.

CHAIR PRO TEM PARDO: Okay. And who did that?

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: That was Public Financial Management --

CITY MANAGER JONES: (Inaudible).

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: -- that ran those numbers.

CHAIR PRO TEM PARDO: And have you started speaking with an investment banker about this?

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: No.

CHAIR PRO TEM PARDO: Okay.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: No.

CHAIR PRO TEM PARDO: And if we decided to do that, that's RFP or are we going with the Citibank and the minority firm that we did the -- the other --

CITY MANAGER JONES: I think we would go out --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: It would be a whole new --

CITY MANAGER JONES: -- it'll be a whole new process.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: -- it would be a whole new RFP.

CITY MANAGER JONES: A whole new process.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Yeah. I think there is probably a lot fewer firms that have ever done this type of deal.

CHAIRPERSON DAVIS: Yeah.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: So I think the pool may be a little bit smaller than a regular utility deal. But we'd want somebody that has done one. Okay?

UNIDENTIFIED SPEAKER: (Inaudible).

CHAIRPERSON DAVIS: Go ahead, sir.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Okay. The question is, what's the impact on the current plans? Again, I want to state that having future employees or employees who opt over into FRS, does not impact the plan members' current or future benefits. Chapter 175 and 185 monies still come from the State to the city. Chapter --

COUNCILPERSON GUYTON: Madam Chair.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: -- yeah.

CHAIRPERSON DAVIS: Mr. Guyton (inaudible).

COUNCILPERSON GUYTON: A quick question on that. Have we gotten anything in writing from the State as it relates to the impact on 175 or 185?

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: I don't have anything from the State itself. What I have is -- well, actually I could pull the letter for Palm Beach Gardens because it was the Palm Beach Gardens letter that -- that clarified that. But I have a -- a summary from Lewis & Longman as far as the impact.

COUNCILPERSON GUYTON: I would like for you to request an opinion from the State.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Okay.

COUNCILPERSON GUYTON: And they'll give you that.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Uh-huh. They would.

COUNCILPERSON GUYTON: As to the impact of what we're attempting to do, how it would impact the 175 --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Yes.

COUNCILPERSON GUYTON: -- and the 185. Okay.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Okay. And, again, I think --

COUNCILPERSON GUYTON: And -- and I --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Yeah.

COUNCILPERSON GUYTON: -- excuse me a minute. And could we do that fairly quickly as we're going through making these decisions?

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Yeah. We can make the request --

COUNCILPERSON GUYTON: Because that's going impact how I --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: -- I -- I don't know how quickly they operate.

COUNCILPERSON GUYTON: No. But --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: But we can make the request.

COUNCILPERSON GUYTON: -- I mean, make the request --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Yes.

CHAIRPERSON DAVIS: (Inaudible).

CITY MANAGER JONES: (Inaudible).

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Chapter --

CHAIRPERSON DAVIS: Mr. -- I -- I need --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Yeah.

CHAIRPERSON DAVIS: -- you to explain something.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Sure.

CHAIRPERSON DAVIS: Okay. All these years, we've been paying our unfunded liability from --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Uh-huh.

CHAIRPERSON DAVIS: -- the general fund, revenues, right?

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Right.

CHAIRPERSON DAVIS: So why do we need, you know, the --

CITY ATTORNEY RYAN: The pension bonds.

CHAIRPERSON DAVIS: -- pension bonds at this point in time?

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: The only reason you would issue the pension obligation bonds would be to change the interest rate. And you're paying it at 7 ½ --

CHAIRPERSON DAVIS: So it's a refi --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: I'm sorry?

CHAIRPERSON DAVIS: So it's a refinance.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: It's a refinance.

CHAIRPERSON DAVIS: That's what -- okay.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Yep.

CHAIRPERSON DAVIS: That's what I was thinking. Because I did see here you -- it's -- it's to refi the 58.7 million.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Right.

CHAIRPERSON DAVIS: Okay.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Right.

CHAIRPERSON DAVIS: All right. Thank you.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Chapter 112, Part 7, that is where --

CHAIRPERSON DAVIS: (Inaudible).

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: -- it says in the Statutes that you must maintain actually sound pension plans. Okay? There's actually a calculation -- your actuaries actually require that every year to put that in your actuarial plans and make you pay it if you're off. Okay? That is a requirement of the plan. This is not New Jersey or Illinois. These plans are, you know, required to be actuarially sound.

CHAIR PRO TEM PARDO: Mr. Sherman.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Yes.

CHAIR PRO TEM PARDO: Okay. So just to clarify this, so there are bonds currently outstanding. If we're going to refinance, there's bonds currently outstanding.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: No. Not on the pension plans. Again, it -- there's the difference between your assets and your liability. That's the unfunded and that unfunded amount, which is now $58 million gets amortized every year through the plans. So they say, Okay, you're going to pay X amount of principal and X amount of earnings on that amount and every year it's getting amortized. And that's where your $4 million payment is issue.

CITY ATTORNEY RYAN: Who's making that payment? The pension plan or the city?

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: No, the city.

CITY MANAGER JONES: The -- the city. (Inaudible).

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: The city is paying that into the pension plan.

CITY ATTORNEY RYAN: We're paying the interest to --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Yeah.

CITY ATTORNEY RYAN: -- the pension plans --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: The pension plans.

CITY ATTORNEY RYAN: -- whoever it is that they're borrowing money from or --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: No. They're not borrowing money, but they -- they have the assumption that they will one, be fully funded and on that fully funded amount, they'll earn 7 ½ percent interest. So if they are not fully funded, you have to make up the part that's unfunded plus give them their 7 ½ percent earnings. And that's what's getting amortized every year.

CITY ATTORNEY RYAN: And so the plan is to take the money --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: You would issue pension obligation bonds and deposit it into the pension plans. And then we would -- rather than pay unfunded liability at 7 ½ percent over here, we'd make pension bond payments over here at say, 5 ½ percent.

CHAIRPERSON DAVIS: Or less.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Or less. Think positive. There you go.

CITY ATTORNEY RYAN: And that's with all the costs included.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Uh-huh.

CITY ATTORNEY RYAN: It still would be less.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: It still would be less.

COUNCILPERSON GUYTON: But, wait -- but, wait -- wait. Madam Chair.

CHAIRPERSON DAVIS: Uh-huh, Mr. Guyton.

CITY ATTORNEY RYAN: That's why.

COUNCILPERSON GUYTON: Is there a statutory requirement that the pension plan be 100 percent funded?

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: No.

COUNCILPERSON GUYTON: That -- that's what I thought.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Yeah.

COUNCILPERSON GUYTON: So what are we, or I mean, these bonds that we're trying to ensure that they're 100 percent funded, where -- why -- why is that?

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Again, it's to avoid paying 7 ½ percent interest on the unfunded portion.

COUNCILPERSON GUYTON: So it would be cheaper to try to maintain 100 percent funding, which I don't think any of them does and not just Riviera Beach but throughout the State.

CITY ATTORNEY RYAN: But --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Yeah, there's very few.

COUNCILPERSON GUYTON: It's -- it's not common for them to be 100 percent funded because that's only if everybody dies at the same time --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Well, I would say -- and I don't remember the exact year, I want to say it was 2007, 2008 -- FRS was like 106 percent funded. I've seen plans --

COUNCILPERSON GUYTON: And --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: -- that are over 100 percent funded.

COUNCILPERSON GUYTON: It's not common, though, on the --

CITY MANAGER JONES: But (inaudible).

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: It's not common.

COUNCILPERSON GUYTON: No.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: No.

COUNCILPERSON GUYTON: So -- but I -- I'm -- I'm just trying to figure out if it's more reasonable and logical for us to deal with the reality that they're -- that we're not going to have everybody, according to our actuarial --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Uh-huh.

COUNCILPERSON GUYTON: -- projections. They all not going to die at the same time or they all not going to be retired at the same time and so we won't need all that money at the same time. But we should keep a certain level --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Well, again, you don't need all the money at the same time, but the money that's not there, the plan is charging you interest.

COUNCILPERSON GUYTON: Understood. And -- and --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: And all that does is it -- it -- it reduces the interest rate.

COUNCILPERSON GUYTON: Okay. Now and certainly let me clarify. I want to make sure that everybody who is promised a dime get that dime. So --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Uh-huh.

CHAIR PRO TEM PARDO: You're seeing that right now?

COUNCILPERSON GUYTON: Certainly. Now to obligate us for years out and not be able -- to actually fund the entire 100 percent, how is that impacting, if the plans don't meet their -- their return assumption, which most don't. Then we then kick in the amount that they don't meet in order to make it actuarial sound?

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Right. As a city, as the employer, you have the responsibility to make it actuarially sound. You know, change the employee -- the employer -- the employee's contribution rate. I mean, if you don't hit --

COUNCILPERSON GUYTON: Yes.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: -- any of those assumptions, it's the city's liability. And that's actually what Chapter 112 says.

COUNCILPERSON GUYTON: Yeah. And have we ever had any discussions of -- with the plans about the assumption rates? When I said discussions about looking at a historical trend in determining over a period of years what they've actually been hitting as it relates to their assumption rate?

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Personally, I haven't, but I know that they have all looked at it. They've made plan assumption changes, both police and -- and general I know certainly have. I can't speak specifically about fire.

COUNCILPERSON GUYTON: Uh-huh.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: But, yeah, they -- that's -- that's what their boards do. I mean, they look at it and try to decide what those assumption rates should be.

COUNCILPERSON GUYTON: Well --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: And, again, that, you know, the actuary comes in and -- and as soon as you go from one mortality table to a different mortality, it changes all those assumptions. It can change your earnings rate; it can change your, you know, years of service; your cost of living increase. I mean, and all those calculations go into that number.

COUNCILPERSON GUYTON: When I was on the board, we had the same assumption rate for the entire period I was there. I think we hit it once or may not ever have hit it.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Yeah, right.

COUNCILPERSON GUYTON: But -- well, let me back up. There was some up years that it was exceeded, so in the down years it balanced off and so -- and the -- the -- the term escapes me now where you do budget a five-year period of time. Somebody on the pension board help me with --

UNIDENTIFIED SPEAKER: Smoothing -- smoothing.

COUNCILPERSON GUYTON: Smoothing. That's what it --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Oh, right. That's what it --

COUNCILPERSON GUYTON: I -- I got a brain clog there for a minute. So --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Uh-huh.

COUNCILPERSON GUYTON: -- it did balance out for the years that it --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: That -- that's the intent of the smoothing, right.

COUNCILPERSON GUYTON: -- that -- that -- yes.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: So you don't get this whipsaw. You know, because you don't want the rates going up and down.

COUNCILPERSON GUYTON: That's correct.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: And that -- that's why you don't change your assumptions all that frequently. 'Cause again, as soon as you change your assumption, it creates an unfunded liability and that you have to amortize that unfunded liability, again, so your rates aren't, you know, jumping all over the place.

COUNCILPERSON GUYTON: Okay, okay. I thought I had it right, now, Madam Chair.

CHAIRPERSON DAVIS: Okay. Any other questions? Go ahead, sir.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Okay. The process to join FRS -- then you need the current retirement plan members to authorize the city to join, which that has happened. All of -- all groups have agreed. The city would actually need to amend its ordinances, because your ordinances, right now, say you shall be in the general employees, or you shall be in police. So you obviously have to provide for the ability to join FRS. There are certain FRS agreements and documents that would all need to be approved and then there would actually be a separate FRS ordinance in the city's books, dealing specifically for the -- for the new employees that have joined FRS.

Once you have all that in place, then you'd actually go back to the current plan members and, again, they individually have the option to elect to opt into FRS if that is their choice. And then once all of that is done and we send it all up to FRS, we have a 30-day period before we can actually go live. So based on that, we've put together this Implementation calendar that we think we can bring you the ordinances on October 15th. On October 5th, we would actually do our second readings and at that point, adopt the FRS agreement, adopt the bond resolution that says go out and investigate and get underwriters and -- and come back to us.

On the 6th, after that, we would send that up to the FRS. We would then open up the opt-in period during the latter part of November. Once we know everyone that is in for current employees, we, you know, get all the payroll set up and for any new employees hired after January 1 of '15, then they would automatically be in the FRS.

So our final staff recommendation, again, would be to actually join all four groups; purchase up to five years of past service; issue the pension obligation bonds to refinance the unfunded liability and then, again, it's for the new hires after January 1, 2015. And I'm through.

CHAIRPERSON DAVIS: So in looking at the schedule back here in the back that shows what our savings would be --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Uh-huh.

CHAIRPERSON DAVIS: -- the first -- is it the first -- I see the closed plan new hires into FRS. So the first three years, we're definitely going to be in the red. Am I looking at this correctly?

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Yeah. While -- while you're starting to grow your savings through the difference in the contribution rates --

CHAIRPERSON DAVIS: Uh-huh.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: -- again, because that takes time to do. That's where you would actually have the bulk of your savings from the refinance.

CHAIRPERSON DAVIS: Okay. All right.

COUNCILPERSON GUYTON: Madam Chair.

CHAIRPERSON DAVIS: Mr. Guyton.

COUNCILPERSON GUYTON: When would we have an actual dollar figure of what it's going to cost us. Because right now, I'm not -- I -- or maybe you have it somewhere --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: For the past service?

COUNCILPERSON GUYTON: For this transition in total. For past service, whatever the Florida State Retirement is charging us to get in and they're charging -- when are we going to have a bottom-line figure of what it's going to cost the city?

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Yeah. Well, again, we tried to get you a -- approximately, an -- an estimate on the past service. It -- it's -- you can't get a -- a final number until you know who is going to opt-in.

COUNCILPERSON GUYTON: I -- I -- I understand all that --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: -- and then, again, we have to individually calculate --

COUNCILPERSON GUYTON: -- I understand all of that.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: -- all of those -- those calculations.

COUNCILPERSON GUYTON: My question is when is all of that going to take place?

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Well, that -- that would actually take place during the --

COUNCILPERSON GUYTON: Okay. But let me back up. When we will have a total cost to this transition? That's what I'm looking for. Not piece-mealing it. What -- what would be the city's total cost for the transition?

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Can I use this as the calendar to try to estimate what --

COUNCILPERSON GUYTON: Yeah, yeah.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: -- that was going to be?

COUNCILPERSON GUYTON: Oh, yeah.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Because what I'd have to -- what I would have to do is go back and find out how many positions are open and how many people would be hired --

COUNCILPERSON GUYTON: Understood.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: -- after that period of time.

COUNCILPERSON GUYTON: Understood.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: We would have to, again, tie up how many people we thought were going to opt-over.

COUNCILPERSON GUYTON: Understood.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Okay. And then come up with an estimate as far as when we thought we would actually be able to go to market on the pension obligation--

COUNCILPERSON GUYTON: Okay. Do -- do all you have to do --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: We can -- we can --

COUNCILPERSON GUYTON: -- but I still would like to know --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: -- certainly have that for 10/15.

COUNCILPERSON GUYTON: -- what -- what the total cost is.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Yep. I don't see why we can't have something for you when we come back on the 15th.

CITY MANAGER JONES: But I'm not -- let's -- let's think about that.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Okay.

CITY MANAGER JONES: Because still, what you're talking about is almost like you've got to find out now which individuals want to move. That's the only you're going to get close to real numbers.

CHAIRPERSON DAVIS: Uh-huh.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Yeah. That's the wild card.

CITY MANAGER JONES: So that schedule for current employees opting into the period, may have to go a lot earlier. That's the only way you're going to get your true numbers.

COUNCILPERSON GUYTON: -- and -- and let me say this --

CITY MANAGER JONES: I think that's what you want.

COUNCILPERSON GUYTON: -- I'm not -- I'm not rushing --

CITY MANAGER JONES: And that's bound to go up.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Uh-huh.

COUNCILPERSON GUYTON: -- I would just like to know when that number's going to be available. That's all I'm saying. If it's January 1 or what --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Yeah.

COUNCILPERSON GUYTON: -- whenever it is, at some point, I'd like to know, this is the total cost for the transition.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Yeah. Now Miss Jones is right. That -- that opt-in is the wild card.

COUNCILPERSON GUYTON: Okay.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: And everything else we can pretty much button down to a -- a certain timeframe and, you know, again, we can -- we can get that. But it's that opt-in that --

COUNCILPERSON GUYTON: Not a problem.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: -- and we -- and we could move that up -- up the calendar.

CITY MANAGER JONES: Move that.

COUNCILPERSON GUYTON: And -- and I'm not suggesting that you rush anything --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Yeah.

COUNCILPERSON GUYTON: -- and compromise the process. I'd just like to know at some point --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Yeah.

COUNCILPERSON GUYTON: -- this is going to be the total cost to the city.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Right. Uh-huh.

COUNCILPERSON GUYTON: That's -- that's -- that's --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Gotcha.

CITY MANAGER JONES: That's good.

COUNCILPERSON T. DAVIS: Madam Chair.

CHAIRPERSON DAVIS: Mr. Davis.

COUNCILPERSON T. DAVIS: Mr. Sherman, I have, uh, just three questions. One question is, based on the current funding of the program that we have now, how much is being paid into it annually -- into this fund, annually? What's the total number?

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: What the total amount is?

COUNCILPERSON T. DAVIS: Yeah.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Just shy of $10 million, if I recall.

COUNCILPERSON T. DAVIS: And -- and how much is being paid out?

CITY MANAGER JONES: What do you mean when you say paid out?

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: You mean for actual --

COUNCILPERSON T. DAVIS: I mean --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: -- benefits to --

COUNCILPERSON T. DAVIS: -- benefits, yes.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: -- pensioners?

COUNCILPERSON T. DAVIS: Yes, sir.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Okay.

CHAIRPERSON DAVIS: Yeah.

COUNCILPERSON GUYTON: And Madam Chair?

CHAIRPERSON DAVIS: Mr. Guyton.

COUNCILPERSON GUYTON: And while he's looking that number up, let me just advise that over 60 percent or 65 percent of the benefits that are paid out, comes from the return on the investments --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Uh-huh.

COUNCILPERSON GUYTON: -- and not from the city. So the investments that each of those funds do, generate most of the benefits that are paid out.

CHAIR PRO TEM PARDO: And that includes general employees?

COUNCILPERSON GUYTON: General --

COUNCILPERSON T. DAVIS: Yes.

COUNCILPERSON GUYTON: -- on all pension plans.

COUNCILPERSON T. DAVIS: All pension plans.

CHAIR PRO TEM PARDO: Well, I know that one hasn't been --

CHAIRPERSON DAVIS: Doing well or --

CHAIR PRO TEM PARDO: -- doing well at all.

COUNCILPERSON GUYTON: Now, if it doesn't reach -- make the -- the assumption that we were talking about, then we have to cover that portion. But as it relates to the benefits that are paid out, most of those come from the investments that are made. But keeping it actuarially sound, that's -- that's where our payments come in at.

COUNCILPERSON T. DAVIS: Right.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: The actuarial reports that we have are for last September --

COUNCILPERSON T. DAVIS: Correct.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: -- because we don't have this September, the police plan paid out $5 million.

COUNCILPERSON T. DAVIS: Just police alone?

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Just police alone.

COUNCILPERSON T. DAVIS: Okay.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: See if I can find the rest of these.

COUNCILPERSON GUYTON: And one other thing, too. About the -- the -- the general fund has a lot more employees --

CHAIRPERSON DAVIS: Uh-huh.

COUNCILPERSON GUYTON: -- and retirees than do police and fire. So that would also factor into the unfunded liability and keeping it actuarially sound as well. But it is not, at least from what I can determine, losing money.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Uh-huh.

COUNCILPERSON GUYTON: They have a larger group of people to accommodate and that does make a difference.

CHAIR PRO TEM PARDO: Right.

COUNCILPERSON T. DAVIS: I'd just like to get some start numbers before I --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Yeah.

COUNCILPERSON T. DAVIS: -- enlist anything erlse.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Okay.

COUNCILPERSON T. DAVIS: We have yet to really get any numbers.

CHAIRPERSON DAVIS: Did you have a question?

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: The -- the --

CHAIR PRO TEM PARDO: No, I just had a comment.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: -- trying to figure out which report. This is, general employees was 4.9 million.

COUNCILPERSON T. DAVIS: Okay. And now fire, right?

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: And fire. It was 3.5.

COUNCILPERSON T. DAVIS: And that's 3.5 for fire?

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Uh-huh.

COUNCILPERSON T. DAVIS: So a quick question. So, I mean, earlier you spoke about the city purchasing the -- the time. What is the cap as far as years of service that we're willing to -- to purchase? That hasn't been established yet, correct?

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Well, it hasn't been established. The recommendation is up to five years.

COUNCILPERSON T. DAVIS: Up to five years, okay.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Okay? Again, you could do whatever. But I did look at the difference between five years and six years.

COUNCILPERSON T. DAVIS: Okay.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: It's about $600,000. So, again, what we're trying to do was thinking that we could get the pension obligation bonds done in time to save $2 million in this year's budget to be able to pay the 1,350,000.

COUNCILPERSON T. DAVIS: Okay. Thank you.

CHAIR PRO TEM PARDO: I'm sorry. Madam Chair. Can you repeat that again?

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Well --

CHAIR PRO TEM PARDO: Saving $2 million in this year's budget what --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: -- because you -- you've -- you've already appropriated $4 million for the unfunded liability.

CHAIR PRO TEM PARDO: Right.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Okay? So what we would be able to do is fund, say, half of that out of the pension obligation bonds, which would in essence, free up $2 million that you could use for your buy-back. And I -- I can't -- I can't issue pension obligation bonds for something we've already paid out. So that's why once a quarter rolls around, that $1 million is, in essence, gone.

CHAIR PRO TEM PARDO: Okay. Even though you said that the buy-back would cost us about 1.35 million?

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: About 1.3 -- and that -- and that's, again, if everybody five years or less went.

CHAIR PRO TEM PARDO: Right. So then with the extra savings, it just goes back into general fund?

CITY MANAGER JONES: Yes. It's just money that's --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: It would go into the general fund.

CITY MANAGER JONES: -- it's money that's appropriated that would not be spent, right.

CHAIR PRO TEM PARDO: Okay. So you guys don't have a plan for that money that you're not telling us about? I just, you know --

CITY MANAGER JONES: Well, yep.

CHAIR PRO TEM PARDO: -- I just want to know. I -- I -- let's put everything on the table --

CITY MANAGER JONES: Yep. (Inaudible) plan --

CHAIR PRO TEM PARDO: -- let's (inaudible).

CITY MANAGER JONES: -- no plan, it would just be a part of your fund balance.

CHAIR PRO TEM PARDO: Okay.

CHAIRPERSON DAVIS: Okay?

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Yeah.

CHAIR PRO TEM PARDO: All right. Fine. I had to ask.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Okay.

CHAIR PRO TEM PARDO: I just --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Okay.

CHAIR PRO TEM PARDO: You know? No, I'm serious.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: No. That's --

CHAIR PRO TEM PARDO: Some of this stuff, you have to, you know, keep poking --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: -- I think that's a good question.

CHAIR PRO TEM PARDO: -- and poking and poking until you get --

CITY MANAGER JONES: That's a good question.

CHAIR PRO TEM PARDO: -- the, you know --

CITY MANAGER JONES: Yeah.

CHAIR PRO TEM PARDO: You know.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Yeah. And, again, it'll -- it'll all depend on, again, the dates that you can actually move forward and -- and get it close. Again, if you get past that March 1st date, then you would be down to only a $1 million saving.

CHAIRPERSON DAVIS: Any other questions? Is there more?

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Nope. I'm through.

CHAIRPERSON DAVIS: Okay. So going forward, I guess there's a consensus that we're going to move forward with this.

CHAIR PRO TEM PARDO: Um --

CHAIRPERSON DAVIS: Or are we going to wait for some information to be brought back to us -- do you know when that's going to be?

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Which one? The next one?

CITY ATTORNEY RYAN: The recommended slide.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Oh.

CHAIRPERSON DAVIS: Okay. So purchase up to five years of past service, join all four. Issue the bonds, but there is some information that you want back.

COUNCILPERSON GUYTON: Information from the State on how this would impact the 175 --

CHAIRPERSON DAVIS: The 175.

COUNCILPERSON GUYTON: -- and 185 from the State.

CHAIRPERSON DAVIS: And with the whole cost --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: From the State.

COUNCILPERSON GUYTON: Yes.

CHAIR PRO TEM PARDO: Wait. Hold on. Don't we have someone from FRS on --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: On the phone.

CHAIR PRO TEM PARDO: -- on the phone?

CITY MANAGER JONES: Ask Jason if he knows how -- if he knows.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Jason, are you there?

RETIREMENT ANALYST GODEAU: Here.

CHAIR PRO TEM PARDO: I guess --

CITY MANAGER JONES: I can hear him.

CHAIRPERSON DAVIS: Hello, Jason.

RETIREMENT ANALYST GODEAU: Good afternoon, everyone.

CHAIRPERSON DAVIS: Yeah. Good afternoon, Jason.

RETIREMENT ANALYST GODEAU: So I -- I've heard the question a little bit. I -- I guess you're asking the question about the impact of the premium taxes maybe that you're receiving for your current Chapter 175 and 185 plans?

COUNCILPERSON GUYTON: That's correct.

RETIREMENT ANALYST GODEAU: Unfortunately, I am not able to answer questions on our local retirement system's behalf. I -- I know the question was asked to Sarah Carr. Sarah Carr's our administrator of the 175, 185 plans. However, she's not currently here so I can't really speak on her behalf.

CITY MANAGER JONES: So --

COUNCILPERSON GUYTON: How soon could we get an answer on that?

RETIREMENT ANALYST GODEAU: I -- I -- I'd say she could have a response prepared to you within a day. I -- I think there's already a formal letter that's out there. I -- I think -- I -- I heard him mention that he could even attain a copy of the letter through one of your attorneys or Longfoot, Footman, I'm sorry I don't remember the firm's name exactly. But Miss Carr could have an answer for you within a day's period.

COUNCILPERSON GUYTON: Okay. And we can get that in writing?

RETIREMENT ANALYST GODEAU: Yes, sir. I believe so.

UNIDENTIFIED SPEAKER: (Inaudible).

CHAIRPERSON DAVIS: Nice view.

RETIREMENT ANALYST GODEAU: Yeah. I -- I guess while I have y'alls attention as well, do you mind if I clarify a few things that I've heard over the course --

CHAIRPERSON DAVIS: Yes.

RETIREMENT ANALYST GODEAU: -- of the past hour or so's conversation.

COUNCILPERSON GUYTON: Please do. Oh, I'm sorry.

RETIREMENT ANALYST GODEAU: Okay. Well, first let me start with our covered groups. Covered groups that -- there are four covered groups in the Florida Retirement System, one being police officers, the second being firefighters, third would be elected officials and fourth would be general employees. Those are positions that are not covered by these other three groups that were mentioned before.

The senior management service class that you sort of discussed earlier, they're actual -- they fall under the covered group of general employees. It's only for the covered group of general employees have the ability to designate positions through the senior management service class if your municipality desires. So that -- those are actually the (inaudible) groups you would be joining for.

CHAIRPERSON DAVIS: Did you hear that Randy?

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Uh-huh.

RETIREMENT ANALYST GODEAU: As far as elected officials --

CITY MANAGER JONES: Ask him to hold up until I can explain to them --

RETIREMENT ANALYST GODEAU: Huh?

CITY MANAGER JONES: -- what he just said.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Jason, hang on.

CITY MANAGER JONES: Hold on.

CHAIRPERSON DAVIS: Hold on one second, Jason.

CITY MANAGER JONES: You -- your broke up a little bit. What he was saying, earlier we listed senior management as one of the four areas, and he was saying that senior management falls under your general employees as a classification. And you get to designate what titles in senior management fall in that area.

CHAIRPERSON DAVIS: Uh-huh.

CITY MANAGER JONES: But it's under general. Am I correct, Jason?

RETIREMENT ANALYST GODEAU: You are correct, Miss Jones.

CITY MANAGER JONES: Yeah.

CHAIRPERSON DAVIS: Okay.

RETIREMENT ANALYST GODEAU: Okay.

CHAIRPERSON DAVIS: Keep -- keep going.

RETIREMENT ANALYST GODEAU: You know, another point, I -- I couldn't really hear everything, but when you were -- when Mr. Sherman was forecasting the savings of the municipality over the course of 30 years, I -- I think I heard that they analyzed the contribution rates over the past 30 years. And I just want to make sure you weren't forecasting the savings based on our current contribution rate. Our contribution rates are set on an annual basis by legislation. The Florida Retirement System State Board of Administration had (inaudible) on it -- (inaudible) and they set the contribution rates on an annual basis. So that they are subject to go down or subject to go up as well.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Right. And Bolton Partners did take that into consideration.

COUNCILPERSON GUYTON: Okay.

RETIREMENT ANALYST GODEAU: Okay. That -- I -- I think I heard that.

COUNCILPERSON GUYTON: I'm sorry. What was that Mr. Sherman?

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: I said Bolton Partners, when they did the analysis, did take that into consideration. They do a lot of FRS work.

COUNCILPERSON GUYTON: So how did they determine the fluctuation?

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Because, again, they have this -- the FRS actuarial plan, too, and they have all of the same information so they know how their plan is going to change over time as well. So again, they --

COUNCILPERSON GUYTON: But -- but -- but he just said he doesn't know.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Well, again, it -- it's set by legislature.

COUNCILPERSON GUYTON: Yeah. But I'd just like what --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: And the legislature can always --

CITY ATTORNEY RYAN: Increase it.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: -- override what the -- what the plan says it -- it -- it can be.

COUNCILPERSON GUYTON: I'm sure that -- that's the point.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: But I mean, they -- he did, you know, his estimate based on where the plan should be and what the funding levels would be and -- and actually took that -- he didn't just take the current level of contributions.

COUNCILPERSON GUYTON: And project over 30 years.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: He actually did look out over the 30 years. Yeah.

COUNCILPERSON GUYTON: So he did a fluctuation --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Uh-huh, yes. Yeah. Because, again, the, you know, the plan itself has, you know, it has changes. You've got all those, you know, changes in the plan. And again, he looked at all of them.

COUNCILPERSON GUYTON: Okay.

RETIREMENT ANALYST GODEAU: Two other -- two other things over the course of the conversation that I -- I sort of picked on but -- picked up on that could be additional costs. One additional cost is that (inaudible) analyze and this is when a municipality elects to purchase past service for their employees, the past service is purchased at regular class rate which is the 1.6 multiplier.

COUNCILPERSON T. DAVIS: What'd he say?

RETIREMENT ANALYST GODEAU: (Inaudible) your special risk individuals as your police officers and firefighters, you know, that -- that's not necessarily up to par on their standards. You do have the ability to upgrade that service with a two percent multiplier, but there's an additional cost that goes along with that. So not only (inaudible) purchasing past service (inaudible) actually purchase an upgrade. You can choose. But that option would only available for your police and your fire positions.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Right. And -- and when we did the calculations, we actually used the higher amount.

RETIREMENT ANALYST GODEAU: Okay.

CHAIRPERSON DAVIS: To -- used what?

RETIREMENT ANALYST GODEAU: Also, another thing that I hadn't really heard mentioned, or I have to admit I don't recall from a conversation with your municipality yet was, I was able to pull up on Muni Code but I guess you have DROP for your police -- or for your 185, you have DROP to 175 and DROP for the general employees as well. There -- there could be an additional cost with that if individuals elect to remain in their current retirement (inaudible) and if they ever go into DROP, there's a possibility that they're going to be participating in DROP as well as they're going to be compulsory members of Florida Retirement System at the same time. So that's definitely an additional cost you would want to consider.

CHAIRPERSON DAVIS: Yeah.

RETIREMENT ANALYST GODEAU: Long story short --

CHAIRPERSON DAVIS: Yeah. So all DROP --

RETIREMENT ANALYST GODEAU: -- all DROP participants aren't looked at as active employees. They're no longer accruing their retirement benefit. So those individuals --

CHAIRPERSON DAVIS: Yeah. And they're receiving (inaudible).

RETIREMENT ANALYST GODEAU: -- are not covered by a retirement system so they would be compulsory members of the Florida Retirement System.

CITY ATTORNEY RYAN: Wait a minute. Okay.

CHAIRPERSON DAVIS: Yeah.

CITY ATTORNEY RYAN: So do -- is there something that we can do to prevent that from occurring? Because what you're saying is you have a 20-year police officer who retires from the police pension --

CHAIRPERSON DAVIS: Who goes into DROP --

RETIREMENT ANALYST GODEAU: Uh-huh.

CITY ATTORNEY RYAN: -- and he goes into DROP, on the date that he goes into DROP, are you saying he's a compulsory member of the FRS?

RETIREMENT ANALYST GODEAU: The -- there -- there's a good possibility that they are. Most of the plans that I've reviewed, that is a fact. I know Mr. Sherman can probably answer this question, but I -- I don't know if the 175 or the 185 plans have supplemental share plans also incorporated into the plan's provisions.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Yes.

COUNCILPERSON GUYTON: Uh-huh.

RETIREMENT ANALYST GODEAU: I'll -- I'll -- the majority of the time, I see those preventing individuals from becoming compulsory members.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Right.

RETIREMENT ANALYST GODEAU: So, I mean, we -- we would have to --

CHAIRPERSON DAVIS: Yeah. They would (inaudible).

RETIREMENT ANALYST GODEAU: -- do a legal request on that.

CHAIRPERSON DAVIS: Yeah. It's (inaudible).

RETIREMENT ANALYST GODEAU: We would have to send that off to our legal department for a review.

CITY ATTORNEY RYAN: Well, it --

RETIREMENT ANALYST GODEAU: But the --

CITY ATTORNEY RYAN: I'm sorry, Jason. But -- okay. I shouldn't have used a police officer. Let's use a general employee who is not subject to 175 or 185 money.

RETIREMENT ANALYST GODEAU: Okay.

CITY ATTORNEY RYAN: So, you know, is the circumstance the same for them? Do they automatically become --

RETIREMENT ANALYST GODEAU: Yeah --

CITY ATTORNEY RYAN: -- and can we do anything to prevent that? Because that's not the city's intention.

RETIREMENT ANALYST GODEAU: I -- to be honest, I don't know if there's necessarily a mechanism that can prevent that. I mean, like I said, only 175 and 185 plans I'm aware of not being compulsory. The majority of the general employees that I've seen over time --

CHAIRPERSON DAVIS: (Inaudible) do that.

RETIREMENT ANALYST GODEAU: -- they are -- they do become compulsory members of the FRS.

CHAIRPERSON DAVIS: So if that's the case and they become a member of the FRS automatically --

RETIREMENT ANALYST GODEAU: Uh-huh.

CHAIRPERSON DAVIS: -- what -- what impacts, negative or positive, would that have for the employee or for the city, as a matter of fact?

RETIREMENT ANALYST GODEAU: Um just -- just the contribution rates. For the agencies themselves, you know, those are probably employees that you were anticipating, you know, that additional cost. For the member, I mean, they -- it's almost the best of both worlds. I mean, they're in DROP and they're also going to be going into the Florida Retirement System. But then again, I've seen DROP participants where they weren't necessarily happy that that was the case. Because they've reached their retirement. They didn't feel like they were necessarily entitled to anything. You know, How am I ever going to vest under the pension plan? You know, I've never been in the FRS before. It takes eight years. Well, we do have the investment plan where it only takes one year. So that's a little bit more reassurance on their end, but, you know, I -- I've seen it looked as a positive and a negative, both ways. You know, it spurred a few agencies from joining the Florida Retirement System but we've had quite a few that just continue to move forward regardless.

CHAIRPERSON DAVIS: Okay. So it's a positive thing for the employee but possibly a negative thing for the employer.

RETIREMENT ANALYST GODEAU: -- depending on how you look at it, yes, ma'am.

CHAIRPERSON DAVIS: Okay. Okay.

CITY ATTORNEY RYAN: Thank you for pointing that out. We'll have to look into that more.

RETIREMENT ANALYST GODEAU: Oh, no problem.

CITY ATTORNEY RYAN: That's a huge one.

RETIREMENT ANALYST GODEAU: One other note to point out. And I have to be honest, as of right now, your municipality can move forward with joining for your general employees and your elected officials if you choose. There's one additional step that must be taken for the 175s and 185 members. It's actually a majority vote referendum where you have to have a majority of all the current 175 and 185 participants (inaudible) one for fire, one for police. They have to actually vote in favor to allow your municipality to move forward with joining the Florida Retirement System.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Yeah. And we actually have taken that vote, Jason.

CITY ATTORNEY RYAN: Yeah. Jason, you're not suggesting, however, that some of the employees who've already retired, who are recipients of the 175 and 185 money, you're not suggesting that they would have to participate in the vote as well, are you?

RETIREMENT ANALYST GODEAU: Just -- just the active members.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Right.

CITY ATTORNEY RYAN: Okay. I just wanted to clarify.

RETIREMENT ANALYST GODEAU: And you -- you have to actually get a majority vote so if it's just the majority of the people that show up to vote, you know, but that's still not at least 50 percent of all the police officers at your municipality, that's not a passing vote. So we had a little bit of an issue with that, but we've run it past Social Security and it -- we're okay with you moving forward with holding an additional referendum if you choose. You know, sometimes there's limitations on that. But it -- it's granted that if you choose, you can hold that referendum again. We have a little bit more mechanisms in place now to assist you with ballots and a results worksheet we provide.

CHAIRPERSON DAVIS: Okay. Are you done? Jason?

RETIREMENT ANALYST GODEAU: Yes, ma'am. Those are sort of all the highlights that I sort of picked up on so far. So, I mean, if you guys have any questions, I'm -- I'm more than, you know, happy to answer at this time.

CHAIRPERSON DAVIS: Anybody have any other questions? Okay. Thank you, Jason.

RETIREMENT ANALYST GODEAU: You're welcome.

CHAIRPERSON DAVIS: Mr. Sherman.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: No, I'm through.

CHAIRPERSON DAVIS: No other questions or comments? Okay. So, you got everything you need, Miss Jones?

CITY MANAGER JONES: And we've got at least four things that we have to look into. Yeah.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Yeah.

CHAIRPERSON DAVIS: Okay.

CITY ATTORNEY RYAN: Is there anything from the public?

CHAIRPERSON DAVIS: Okay. It's not on the agenda, but does anyone from the public want to speak? I think that's a first.

CITY ATTORNEY RYAN: There's someone back there.

CITY MANAGER JONES: Yeah. So do we have a consensus on the recommendations or --

CHAIRPERSON DAVIS: (Inaudible).

CITY MANAGER JONES: -- you can't vote in this meeting.

UNIDENTIFIED SPEAKER: (Inaudible) I have a question.

CHAIRPERSON DAVIS: I know. Come on up. Can you get one -- pick up one of those cards there and just fill it out and come on up. Or you can go ahead and speak and just give it to me later.

UNIDENTIFIED SPEAKER: Sure.

CHAIRPERSON DAVIS: Please state your name and address for the record, please.

FRANK LAPORTA: Frank Laporta. Rivieria Beach Police Department Pension Plan.

CHAIRPERSON DAVIS: Okay. And pull the mic to you.

FRANK LAPORTA: On -- on slide 11, there are some options for funding past -- past service. Option number two was draw funds from current retirement plans. How -- how would -- I know Mr. Sherman recommended that he didn't think that was a great option, but I'd still like to know how that would -- how that would work.

CHAIRPERSON DAVIS: Okay. Mr. Sherman.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Thank you. Yeah. If you think about when you're funding an employee, you're funding their normal cost, they're funding their contribution, you're funding some unfunded liability. If -- if there was a group of employees that chose to leave, in this case the -- the police plan, and move over, we've already funded part of their retirement under that plan. So you actually could go back in and grab those -- those dollars or -- or make the request to the pension plan to grab those dollars. Now, keep in mind that the plan is only 80 percent funded, you know, so there's only so much that you -- you can take.

And -- and the reason I would not recommend doing that is the -- the plans, and again, I know, you know, there aren't a lot that are 100 percent funded out there. But the plans -- it'll only weaken the plans and -- and the idea of doing the pension obligation bonds is actually to strengthen the plans, you know, and get them fully funded. So -- so to take those dollars --

CHAIRPERSON DAVIS: Uh-huh.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: -- and -- and we looked at it. That's what Pensacola did when Pensacola moved over.

CHAIRPERSON DAVIS: Uh-huh

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: But I don't know how much they were funded at that point and, you know, if there was really excess dollars, it would be a real viable option. But where they're underfunded, I -- I wouldn't recommend that.

CHAIRPERSON DAVIS: Okay. Got your answer, sir?

FRANK LAPORTA: Yes, ma'am. Thank you.

CHAIRPERSON DAVIS: Okay.

CHAIR PRO TEM PARDO: Madam Chair.

CHAIRPERSON DAVIS: Miss Pardo.

CHAIR PRO TEM PARDO: Okay. I have a question. So if we fully fund the -- the pensions and then we see a drop-off in investments, all right? Say, you know, fire right now, they're returns are 11 percent and they go down. Are we still -- we're still liable, correct?

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Yeah. You would -- going forward, you will still see actuarial gains and losses in those funds even though on one given day, you may be 100 funded, if -- if you have an actuarial loss after that, yeah, you would still be liable for it.

CHAIR PRO TEM PARDO: So even though we're going out for these bonds and we're putting everything we're funding, the -- the pensions right now, on one given day, we still have exposure going forward for the next 30 years.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: As you do now.

CHAIRPERSON DAVIS: Yes, ma'am.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Yes.

CHAIR PRO TEM PARDO: Right.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Yep.

CHAIR PRO TEM PARDO: So, you know, do we really want, you know -- and this is something for everyone to really think about -- if we're still going to have the exposure, then just, you know, maybe we should think about -- and we don't know if we're really going to save the $2 million according to what the --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Uh-huh.

CHAIR PRO TEM PARDO: -- gentleman, the FRS guy was saying, you know, we doubt it's going to be $2 million. So I think it's something that we really need to think about and do we really want to go out for these bonds or do we just want to continue floating our money? If we're still going to be liable in the future, you know, what's going to happen 15 years from now? Are we going to have to go back out and do another bond offering and then have, you know -- refinance that bond and then take on additional debt on top of it? So that's --

CHAIRPERSON DAVIS: Well --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: It's -- it -- it can go --

CHAIR PRO TEM PARDO: -- I'm -- yeah.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: -- it can go either way.

CHAIR PRO TEM PARDO: Exactly. Right.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Oh, yeah.

CHAIR PRO TEM PARDO: My -- my opinion is just keep floating it.

CHAIRPERSON DAVIS: But, you know --

CHAIR PRO TEM PARDO: Your liability is still going to be there.

CHAIRPERSON DAVIS: I understand. But if say, for instance, we look back at the -- the, you know, recent downturn --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Uh-huh.

CHAIRPERSON DAVIS: -- in the economy. Police and fire remain pretty much level, right? I know they lost some but --

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: They -- they're down a little bit, yeah.

CHAIRPERSON DAVIS: -- you know, it went down a little bit, but, you know, it wasn't really a -- a big deal. And -- and if, you know, the investments are such that, you know, they've been gaining a lot, you know, and a -- and a downturn comes, I'm sure they'll make adjustments, you know, and -- and handle it that way.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: Yeah.

CHAIRPERSON DAVIS: But, you know, it's whatever the board wants to do.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: And, again, it gets you guys down to, you're -- you're swapping out interest rates.

CHAIRPERSON DAVIS: Yeah.

DIR. OF FINANCE & ADMINISTRATIVE SERVICES SHERMAN: And that's -- that's the answer.

CHAIRPERSON DAVIS: Any other questions, comments? Okay. Motion for adjournment.

ADJOURNMENT

COUNCILPERSON GUYTON: It's moved.

CHAIRPERSON DAVIS: Okay.

APPROVED:

THOMAS A. MASTERS
MAYOR

JUDY L. DAVIS
CHAIRPERSON

ATTEST:

CARRIE E. WARD
MASTER MUNICIPAL CLERK
CITY CLERK

DAWN S. PARDO
CHAIR PRO TEM

BRUCE A. GUYTON
COUNCILPERSON

CEDRICK A. THOMAS
COUNCILPERSON

TERENCE D. DAVIS
COUNCILPERSON

MOTIONED BY: D. PARDO

SECONDED BY: B. GUYTON

B. GUYTON	AYE
J. DAVIS	AYE
C. THOMAS	AYE
D. PARDO	AYE
T. DAVIS	AYE

DATE APPROVED: 11/05/2014