



JACKSONVILLE CITY COUNCIL

TRUE COMMISSION PERFORMANCE COMMITTEE MEETING MINUTES

April 7, 2011

3:00 p.m.

City Council Conference Room B
Suite 425, City Hall
117 W. Duval Street

Attendance: Committee Members Ted Wendler (Chair), Thomas Martin, Marcella Lowe, Diane Brown and Joe Andrews

The meeting was called to order at 3:00 p.m. by Chairman Wendler who posed the question of whether the committee members felt there was value to continuing to look at internal service funds given the decision by the City Council's Ad Hoc FY11-12 Budget Savings Review Committee to concentrate on those funds for its report. The group believed that both efforts were worthwhile and that the work of the Ad Hoc Committee would be a valuable resource to the Performance Committee. TRUE commissioners will bring a different perspective to the review than City Council members or City employees, and have the ability to publicize their findings to the CPACs and the general public. Commissioner Brown felt the Ad Hoc Committee meetings would provide a good opportunity to get an overview of how each of the internal service fund divisions operates and to hear the council members' questions and the divisions' responses, especially on previously contentious issues such as the Sheriff's desire to obtain fleet vehicle servicing from a private vendor.

In a discussion about the TRUE Commission's relationship with the City Council, Marcella Lowe stated that it has been her experience that the Council is receptive to hearing the TRUE Commission's perspectives and recommendations on issues if they are offered in a timely manner. The commission should not expect, however, to be invited to comment at City Council committee meetings unless TRUE members are specifically invited to make a presentation.

At the request of Commissioner Brown, staff will review the minutes of TRUE Commission meetings in the spring and summer of 2010 to see what, if any, recommendations the commission may have made to the Council regarding the city budget. Commissioner Lowe expressed a desire for a TRUE new commissioner orientation meeting given the number of new commissioners who have not had the benefit of such a program. She plans to propose it at the commission meeting later this afternoon.

Chairman Wendler distributed a copy of e-mail correspondence between himself and Mayor Peyton regarding pending SB1128, a bill in the Florida Senate regarding local government pension benefits and unfunded actuarial liabilities. He questioned how the City could be bound by its agreement with the Police and Fire Pension Fund for 30 years when state law says that "Any collective bargaining agreement shall not provide for a term of existence of more than 3 years..." He is unable to get the Mayor or any City Council member to comment, so he is going to try asking the General Counsel's Office for a legal opinion on the matter. He is also perplexed by the lack of any mention of the looming pension unfunded liability by the Ad Hoc Budget Review Committee. In his opinion the pensions and their unfunded

accrued actuarial liability (UAAL) are the biggest threat facing the City budget for decades to come. The UAAL currently stands at \$1.5 billion, and if more realistic assumptions were used for the investment rate of return the deficit would be even larger. The Council appointed a Pension Sustainability Committee, but then the General Counsel advised the committee to cease meeting last year. There seems to be a general attitude of denial of the seriousness of the threat to the City's financial future.

Commissioner Andrews said that in his experience there is a lot of misinformation, misunderstanding and general confusion regarding pension issues. It's a tricky business and most of the parties that have something to say on the issue have a vested interest in the outcome in one way or another, so it takes very careful listening and very careful analysis of the shades of meaning and the underlying assumptions to determine what is factual and what isn't, and in what context.

Chairman Wendler advocated for the end of the unsustainable defined benefit plan and a gradual shift to a defined contribution plan where the risk for future performance is shifted from the taxpayers to the employees. Even if the City could find a way to shift all employees to a defined contribution plan instantly, there is still the UAAL of \$1.5 billion that has to be solved somehow for benefits that current employees and retirees have already earned. Contrary to information disseminated by the Police and Fire Pension Fund about the recovery of the stock markets and the rebound in the asset base of the pension fund, deep losses in the market are extremely difficult to recover from. A 50% loss requires a 100% recovery just to get back to square one.

There being no further business, the meeting was adjourned at 3:50 p.m.

Jeff Clements, Chief
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Posted 4.8.11
5:00 p.m.