

BUDGET, FINANCE AND PERSONNEL COMMITTEE

May 25, 2010

2:00 P.M.

Councilwoman Berz, Chairwoman, called the meeting of the Budget, Finance and Personnel Committee to order with Councilpersons Robinson, Rico, Benson, Scott, Ladd, and Gilbert present. Councilman Murphy joined the meeting later. City Attorney Michael McMahan; Management Analyst/Auditor Randy Burns; and Shirley Crownover, Assistant Clerk to the Council, were also present.

Others present included Dan Johnson, Beverly Cosley, Bob Saylor, Christy Creel, Beverly Johnson, Chief Maffett, Simone White, Larry Zehnder, Vicky Haley, Frank Hamilton, Fredia Kitchen, Randy Ray, Chief Parker, Chief Rawlston, Bob McGee, Lee Norris, Steve Leach, Tom Dugan, Kim White, and Daisy Madison. Barry Bennett, Richard Beeland, and Mayor Littlefield joined the meeting later.

Chairwoman Berz called the meeting to order and noted that Councilman McGary was sitting at his Radio post listening in. Councilman Rico stated that if he was trying to do two things at one time, he could not do either one very well. She outlined that we would also have a Quarterly Report concerning the Fire and Police Pension; discussion concerning OPEB; Kim White of RiverCity was present relative to the financial matter (Ordinance A) with her agency; and Paul Grove of WTCI was present relative to his agency.

FIRE AND POLICE PENSION BOARD QUARTERLY REPORT

Ray Ryan was present to go over the Fire and Police Pension Report and presented a handout, which is made a part of this minute material. He noted that this was the format that has been used for one and one-half years, noting that there were five bullet points. This information was updated through April 30th, at which time the market value was approximately \$199,938,906. Fund's year to date total return for 2010 was 5.0%. The performance is good. Massive restructuring and rebalancing of the Fund is now complete, and the Fund is currently more defensive, and there will be testing of how this rebalancing has worked. He mentioned the asset allocation of 60% in Equities; 31% in Fixed Income; 7% in Real Estate; and 2% in Cash. On a final note, he stated that they continued to monitor the progress of the two real estate funds, which were a continual hindrance but expected them to bottom out, mentioning good and positive change. He asked if there were any questions. There being none, the committee moved to the next topic.

OPEB

Chairwoman Berz asked Daisy Madison to comment about OPEB and the concept of pension funds. She noted that decisions about pension are future-focused and affect our future thinking and future contributions. She stated that you just can't stop benefits because legal commitments are in place.

Ms. Madison acknowledged that the Council was very concerned about the level of the tax increase, stating that she thought it was okay to talk about OPEB and Pension Benefits. She mentioned a long-term strategy to impact and minimize costs; that right now in respect to the costs, we have existing retirees and active employees who are vested; that if the Council finds that something going forward is unaffordable with respect to the costs today, changes can be made today, but it will take a while for any impact; that we need to have a professional staff in place with a need and ability to attract and retain good employees; that the Plan has to be affordable; that difficult decisions can be made going forward with different costs, and she was not just talking about Pensions but also pay plans.

Chairwoman Berz asked for some specifics concerning OPEB. Ms. Madison responded that this was not new to government and is a long term cost that we have incurred. She stated that she had done a limited amount of research on what other entities are doing but as sophisticated as we are, we have to abide by the rules; that the cost of benefits has to be reported, which tells the public that this is a future liability for those working and also those who have retired; that we have to report what is on the books; that there is no requirement to fund it but as responsible officials, we know we have a liability, and we need to do something about it and deal with it; that there is an impact to benefits and other implications; that we need to show we did it for a reason concerning the level of benefits for retirees and the cost to the City and the impact on employees. She stated that the Plan could be modified to stop or curtail it, which would result in a lot of employees immediately leaving while they still have vested benefits, and the liability is still out there. She emphasized that it would take time to realize the impact of savings.

Chairwoman Berz asked about the effect on our Bond Rating? Ms. Madison noted that Councilman Benson is always wanting to know about our reserve, which is an indicator of financial stability; that we had been able to sustain ourselves and have a reserve with a liability posted on the books—a \$27 million dollar reserve with \$19 million dollars of unfunded liability. She explained that this was more than just bonds, mentioning the Retirees' Medical Program which is equal to active employee participation.

Councilman Benson stated that we have a responsibility and moral obligation for our present employees. He wanted to understand how many cents of this tax increase is being set aside to fund OPEB and will it change for new employees if we change to the County's system.

Ms. Madison responded that changing to the County's system would be an easy decision to make but would have minimal or no impact on next year's budget.

Councilman Benson still wanted to know the cost of funding OPEB and was told it is about 12 cents in the Mayor's Budget. She went on to address the County's program. She explained that our costs would not be like the County; that they have 106 retirees, and we have at least a 1,000 in our Medical program; that you would have to take \$2 and one-half million times ten to talk comparable numbers. She emphasized that we are different and have more retirees. Councilman Benson questioned if we could tell new employees that they will not have the availability of our present insurance program; that this would be up to Medicare and would this save money? Ms Madison responded that it would take some time for this saving to be realized; that the bigger piece is amortization.

Councilwoman Ladd stated that her question was along the same vein—that we have to fund what is committed, but we need to “stop the bleeding” and not have a policy that “pays until death do us part”. She stated that this was ludicrous to pay for this.

Mayor Littlefield explained that this goes way back; that when we give incentives to employees to retire early, the benefits continue; that they can go on our medical plan for another 40 years, which makes it no good for them to retire. Ms. Madison agreed that we were just transferring from one pot to another.

Councilman Murphy mentioned post retirement medical benefits –that when employees get to Medicare age there is no withdrawal of their health plan. Ms. Madison agreed that the coverage is on the same basis as active employees; that the City's insurance becomes secondary. Councilman Murphy stated that we are Part B of Medicare. Ms. Madison talked about discontinuing the coverage after a person is 65 and is Medicare eligible; that there are two options—new employees and people not vested; that one can be vested now at five years. She stated that she could come back with a recommendation. Councilman Murphy suggested committing to people to pay for the Part B liability. Ms. Madison mentioned that we do have Blue Care Advantage, which is cheaper to the City.

Chairwoman Berz stated that next week we would review the options and suggested that Councilmembers talk to Ms. Madison.

Councilman Murphy asked if this was the first year we were forwarding the benefit and was told “no”—that we had contributed about 4.9 million--\$2 million for two years, and we had established a trust and funds were placed in a trust—5.9 million.

Councilwoman Scott stated that this was a complicated discussion and felt that it deserved one meeting by itself. She wanted to know if Ms. Madison could provide some associated numbers in regards to options. Ms. Madison indicated that she would get figures as quickly as she could. Chairwoman Berz asked if the Council wanted a whole meeting devoted to this discussion and should it be held in two weeks? Councilwoman Scott stated that she felt this was a major issue. Ms. Madison indicated that she could not be here on June 8th, prompting Chairwoman Berz to ask if we should delay this for three weeks?

ALLIED ARTS APPROPRIATION—KIM WHITE

Ms. White of RiverCity was present to speak on behalf of **Ordinance (a)** to reallocate the remaining \$40,000 of a total \$80,000 appropriation to Downtown Partnership to Allied Arts of Greater Chattanooga for the Pops Project. She stated that she hoped we could find a win-win situation; that the fireworks are very important, and she was trying to figure out a solution; that they listed events through the Downtown Partnership and were \$106,000 in the hole; that Downtown Partnership does not exist anymore but were under RiverCity’s umbrella when the \$40,000 was allocated. She stated that RiverCity had already done the events that they said they would and has asked for \$125,000 in the upcoming budget year; however the proposed budget shows \$80,000. She suggested deferring the additional \$40,000 for the next budget year, thus allowing the fireworks to go on.

Chairwoman Berz confirmed that the \$40,000 was not for something that had not happened; that the City would be allocating \$40,000 to Allied Arts for this same event; that there was some confusion surrounding this.

Ms. White explained that the Budget for '09-'10 Fiscal Year outlined events that they would do; that they did put on the 4th of July event; that Downtown Partnership had been in the hole perpetually; that this \$40,000 is a reimbursement for events already held.

Councilman Benson confirmed that they had already done it and paid for it contingent upon this allocation.

Councilman Murphy noted that now we are talking about the July event of this year; that the compromise is that we would later make up the \$40,000 appropriation to RiverCity; that he was sorry this had gone down without this clarity.

Councilwoman Ladd stated that that was the confusion she had; that she had difficulty understanding what had been paid and what is owed; that this \$40,000 would be an appropriation for the upcoming July event and the \$40,000 should be for events that have already occurred. She questioned if the money was owed, why had the City not paid it earlier?

Mr. Johnson explained that we appropriated \$80,000 for this fiscal year; that we pay on a quarterly basis and had gotten word that Downtown Partnership had dissolved and at that point, we cut off the payments; then the issue of Pops in the Park came up and Allied Arts was asking for this \$40,000, and they had suggested that it be allocated to Allied Arts; that what Kim White is proposing is good; that the compromise would be that we pay the \$40,000 to Allied Arts now and then add another \$40,000 to RiverCity's allocation of \$80,000, which would make \$120,000; that way RiverCity and Kim would win and Allied Arts could have their event on July 4th.

Councilwoman Robinson thanked Ms. White for coming over, stating that we really could turn this into a win-win situation; that there would be a July roll-over, and Allied Arts could go ahead with Pops in the Park.

Councilwoman Ladd stated as she understood it, RiverCity would not be happy unless we up their contribution, and right now we are all looking for ways to cut; that we need to pay the piper if we had already made this commitment.

Councilwoman Scott stated that if anyone did not have fireworks on the 4th of July they could come to her district because it was now very loud and explosive! She stated that the Council needed to keep this in mind—that she loved Pops in the Park and fireworks but the question was “can we afford it?” She stated that she did not see it.

Councilman Murphy stated that we needed to make good on our commitment; that nothing says we have to appropriate quarterly; that if we had paid it, this money would not have been available; that we needed to make good on our promise or have fireworks. He stated that he thought we could make good on our promise and still let Allied Arts have fireworks.

Dan Bowers of Allied Arts spoke, stating that he did not know the ins and outs of this, but that Pops in the Park was going away; that this was a great tradition that should not go away; that the \$40,000 would be a shade over one-half; that they could not have the event without the \$40,000.

Councilman Benson asked if the County was matching this money? He stated that Pops in the Park is in the County; that we are leveraging \$40,000 from taxpayers and then would have to come up with another \$40,000, and the taxpayers would be leveraging \$40,000 more.

Mr. Johnson noted that RiverCity requested \$125,000 and the \$80,000 appropriation would be included in this.

Councilman Benson stated that we were trying not to lock into a tax rate that was unbearable, and this is the way you do it—step by step.

Councilwoman Ladd stated that Dan Bowers was doing a great job and asked him his deadline time? He responded that they were past their deadline; that Pops in the Parks is musicians, and they can pick up other jobs for the 4th of July; that they were past the deadline point and were on borrowed time.

Councilwoman Robinson stated that she hesitated to say this but that she had raised four children and sometimes they had to get everyone to the table. She suggested splitting the \$40,000 with \$20,000 for the fireworks display and RiverCity would get \$20,000; that the fireworks might not be as spectacular, but we could do this and take a fresh look. She stated that RiverCity had served along with the City government “hand in glove”; that the Organization was funded by millions in private donations and had been a stalwart partner; that her heart was with funding RiverCity, but she wanted to get past Pops in the Park and let the musicians know.

Chairwoman Berz noted that RiverCity was asking for \$125,000 and \$80,000 was being proposed. She thanked Kim White for coming.

WTCI—PAUL GROVE

Chairwoman Berz noted that WTCI was here; that other agencies thought that they would be heard today, also; that she thought we should hear from Paul. She asked if there were other suggestions about hearing from agencies—that if so, we needed to set a time; that we had previously said there would be discussions with agencies and departments by individual councilpersons, but there were agencies among us today, and she wanted to know what the Council’s pleasure was.

Councilwoman Scott responded that she could not say it would be very beneficial to hear presentation after presentation from the agencies; that she had the information in front of her and could ask questions.

Chairwoman Berz agreed that that was the original plan and that Randy Burns has packets and could get them to the Council within the week.

Councilwoman Scott stated that there could be a separate meeting to discuss this, with Chairwoman Berz stating that that was the original thought.

Councilwoman Ladd stated that she was in favor of not hearing from the agencies and the Council talking among themselves.

Chairwoman Berz stated that we did have the packets and suggested hearing OPEB in three weeks and the agencies in two weeks. She did note, however, that we had one agency on our agenda today and called on Paul Grove.

Mr. Grove stated that WTCI was heard at the City-County Budget hearings. He wanted the Council to know how important the City's funds were and stated that he did get a call to come down here today. He gave a little background of WTCI, stating that they received \$60,000 from the City and told where this money went. First of all, it provides a service to the community and secondly there is City Council coverage; that they asked for exactly what it costs; that there are 48 programs per year that they air and this provides transparency for the government and provides a service to the community; that they had asked for \$100,000 to do this and were cut last year, which is critical for WTCI; that they did not have a big budget; that they received money from the State and \$30,000 from the County but the County only had one-half of the programs that the City had. He stated that this station is free to the community and goes into 99% of the homes. He stated that the Council knew that this was vital, and their request was for \$100,000 and they received \$60,000 and gave \$40,000 on their part.

Councilwoman Robinson commended Public Broadcasting, saying that they were doing a fine job; that this is not a lot of money, but transparency and responsibility is good; that if we had to pay for the entire program to be aired, she doubted if we could afford it; that she thought that this was reasonable.

Councilman Murphy stated that it would save us money if we only met half as much.

Mr. Grove stated that it was critical to have this; that they worked on a flat budget and worked hard; that they had 20 full-time staff members.

Chairwoman Berz stated that she would like to take the last five minutes of this meeting to go over our Budget agenda—that in two weeks, we would discuss the agencies. She stated that she needed a calendar; that we would talk about the agencies on June 8th; then in three weeks on June 15th, we would discuss OPEB and a benefit review. She asked what the Council's pleasure was for next week?

Councilwoman Scott stated that she would like to challenge everyone to do their homework assignment and to go over the Budget and bring back suggestions as to what comes out of the Budget; that we need to see what comes out of this; that each one needs to look at each portion and see where we can cut.

Chairwoman Berz agreed that we needed a narrow focus and could go to the departments' discussion next week; that it was up to the Council.

Councilwoman Ladd stated that she liked this approach and stated that each person needs to see what they want cut and then see if the Council had an agreement concerning cuts; that we needed to keep the agencies separate and just discuss departments next week.

Chairwoman Berz stated that what she was hearing was to divide into departments, agencies, and benefits or should it be all together or did the Council want it according to category?

Councilman Benson stated that he just wanted to deal with just the essentials; that everyone around the table would say what they thought was essential—that this was the only way to make it come down; that we need to decide what are the desirables and concentrate on just what it will take to keep us afloat.

Chairwoman Berz asked if we wanted this by category or just toss everything in. Councilman Benson stated that we needed to hear from all councilpersons. Chairwoman Berz stated that each discussion would be an hour long, and we needed to go through them in an orderly fashion and stay issue focused. She asked that everyone do their homework and if necessary go to the different departments and see what it will cost.

On motion of Councilwoman Robinson, seconded by Councilwoman Scott, the minutes of the previous meeting were approved as published.

Councilwoman Scott stated that this seemed like a good plan to her.

The meeting adjourned at 3:00 p.m.

