

MEMORANDUM

TO: Finance and Administration Committee of City Council

FROM: Jeremy Craig, Director of Finance and Administration

DATE: February 23, 2005

SUBJECT: FINANCE AND ADMINISTRATION COMMITTEE MEETING

The Finance and Administration Committee met on Tuesday, February 22, 2005. Those in attendance included: Chairperson Mary Brown, Ward IV, Councilmember Jane Durrell, Ward I, Councilmember Bruce Geiger, Ward II, Councilmember Mike Casey, Ward III, City Administrator Mike Herring and Director of Finance and Administration Jeremy Craig. Also in attendance were Beth Grellner and John McCann of CBIZ, Councilmember Connie Fults, Ward IV, CCDC staff member Tim Davidson, Director of Public Works Mike Geisel and Executive Secretary Caroline McDowell. The meeting was called to order by Chairperson Brown at 8 a.m.

1. Approval of Minutes—February 15, 2005

Councilmember Geiger motioned to approve the minutes from February 15, 2005 and Councilmember Durrell seconded. Councilmember Casey abstained. The minutes were approved 3-0.

2. Recommendations re: potential changes to City Retirement Plan

The major points covered during the discussion of the recommendations from the Retirement Study were the liability that the proposed plans would place on the City and how the 8% budgeted by the City should be used.

Under both the 4% guarantee and the 1% defined benefit “options”, the City would “guarantee” that each employee reaches the plans’ respective guarantees, or floors. Therein lies the liability exposure; however, with the accumulated forfeitures (last year totaling \$71,000), the actuary for CBIZ estimates that the City would have no General Fund exposure, should a shortfall occur in an employee’s account. Mr. Craig noted that 4% is a very conservative number and, actuarially, the 4% guarantee and 1% defined benefit are identical in total dollars; the 4% guarantee is simply easier for employees to understand. Mr. Herring noted that he and Mr. Craig felt confident that both of these options could be provided, within the context of the current 8% allocation, without any exposure to the City, given the capture of non-vested assets AND the new requirement that an employee would need to turn over his assets, to an investment manager 10 years prior to retirement, in order to select one of these options.

Councilmembers Durrell and Casey commented that they are not comfortable offering a retirement guarantee, of any kind, even with assurances from the CBIZ actuary and Staff. Councilmember Casey said that employees currently have a very generous package of benefits, including Social Security, a 457 (deferred comp) and an 8% retirement contribution, from the City. Both noted that they support having the City fine-tune the retirement plan by finding a better provider and making financial planning advice available to all employees, so they can achieve a return of 4%, or better, on their own.

Councilmember Geiger suggested that the entire 8% budgeted by the City be dedicated to retirement to fund such benefits as better financial planning and plan fees. Chairperson Brown thought discussion regarding what the 8% could fund should come after the RFP process, because a new provider may be able to include many services at no extra cost.

In summary, Mr. Herring thanked the F&A Committee for all of its time and discussion and thanked CBIZ for the overall quality of their work. He stated, again, that CBIZ and Staff are both confident that, with either plan, the City's cost would be fixed to no more than 8% and funds will be directed to bettering any plan(s) the City institutes. He reminded the Committee that the final recommendations are in keeping with the RFP that was used to select CBIZ and that all work had been completed. In conclusion, he noted that each recommendation is embraced by the Employee Retirement Study Committee and the Retirement Board of Trustees.

The F&A Committee voted on the following motions:

1. Chairperson Brown motioned to contract with CBIZ to perform an RFP process, at a maximum cost of \$5,000, to be paid out of Fund Reserves. This final step in the process will result in a recommendation for a provider for both the 401(a) and 457 programs, offered to all employees. Councilmember Casey seconded. The motion was approved 4-0.
2. Chairperson Brown motioned to change the vesting schedule from a 7-year step to a 5-year cliff. Councilmember Geiger seconded. The motion was approved 4-0.
3. Chairperson Brown motioned to lower the early retirement age from 59½ to 55. Councilmember Durrell seconded the motion. It was noted that the motion needed to include that the normal retirement age be lowered from 65 to 60. Both Councilmembers Brown and Durrell agreed to amend the motion, to include this addition. The motion was approved 4-0.
4. Chairperson Brown motioned to institute a "floor" of a 4% guarantee on each employee's 401(a) account at retirement. Under this proposal, the employee would be required to turn over his/her assets, 10 years prior to retirement, in exchange for this guarantee. The motion failed, for lack of a second.
5. Chairperson Brown motioned to create an option for a 1% defined benefit "floor". As noted in #4 above, any employee wishing to select this option would have to turn over his/her assets to the fund manager, who would invest same. This decision would need to be made 10 years prior to retirement. There was no second.
6. Councilmember Geiger motioned that a consultant be selected to perform a fiduciary review, every three years. Councilmember Casey seconded. The motion was approved, by a vote of 4-0.
7. Councilmember Geiger motioned to fund the employee retirement plan at the full 8%. Councilmember Casey seconded and added that Staff will provide Council with a review of the balance within the Retirement Fund, every six months. Previously, non-vested funds were captured by the City and used to reduce future contributions. The motion was approved by a vote of 4-0.

Chairperson Brown said that, by virtue of serving as Chairperson of the F&A Committee, she was a member of the Retirement Board of Trustees and fully supports all of the recommendations brought forth by the Retirement Study. Therefore, she will present both the 4% guarantee "floor" and 1% defined benefit option at the next City Council meeting. Councilmember Fults requested that a report of the CBIZ study be forwarded to Council.

3. Proposal submitted by CCDC

Councilmember Geiger said that the Mayor and City Administrator have not yet presented their plan on economic development, and he had a list of questions that he would like answered before making any decisions. He made a motion that the City Administrator submit to F&A a formal proposal regarding the City moving the “economic development” effort, in-house. Chairperson Brown seconded the motion. Chairperson Brown requested that this be added to the next F&A Committee agenda and that the Mayor be asked to attend. The motion passed 4-0.

Mr. Herring said that he would answer Councilmember Geiger’s questions and also respond to the the CCDC proposal. In response to the Committee’s request from the last meeting about retrieving CCDC budget information, Mr. Herring explained that Mr. Falgout, CCDC Board treasurer, was out of town and Mr. Herring was unable to obtain the information for today’s meeting.

4. City Fraud Policy

Mr. Craig explained that the City has never had a formal “fraud policy”. Based on the auditor’s recommendation, the policy was written and reviewed by City Attorney Doug Beach as well as the Department Heads. The policy is not retroactive.

Councilmember Casey motioned to recommend the proposed “fraud policy” to City Council. Chairperson Brown seconded. The motion was approved 4-0.

5. Neighborhood Improvement District (NID)

Councilmember Geiger informed the Committee that he had attended a meeting of the Shenandoah subdivision, which is interested in establishing a NID. Questions about how the City cooperates on NID projects arose.

Mr. Craig explained that a NID is citizen-driven in function. To be formed, the neighborhood needs either a petition signed by $\frac{3}{4}$ of the property owners and a vote during an election, or a petition signed by 100% of property owners, acknowledged by the local government. Mr. Geisel further explained that the position the City faces is if it’s the financing institution or the project manager.

Councilmember Geiger motioned for Staff to prepare a NID policy defining the City’s involvement and bring it back to Committee. Chairperson Brown added that the policy should include the type of projects available under a NID. Councilmember Casey seconded. The motion was approved, by a vote of 4-0.

6. Other Items

No other items were discussed.

The F&A Committee will next meet at 5 p.m. on Wednesday, March 9, 2005. Chairperson Brown adjourned the meeting at 10:05 a.m.