

**CITY OF BROOKSVILLE
201 HOWELL AVENUE
BROOKSVILLE, FL 34601
BUDGET WORKSHOP
MINUTES**

August 14, 2012

6:30 P.M.

Brooksville City Council met in workshop session with Mayor Joseph E. Johnston, III, Vice Mayor Lara Bradburn, Council Members, Joe Bernardini and Kevin Hohn present. Also present were Robert Battista, City Attorney; T. Jennene Norman-Vacha, City Manager; Janice L. Peters, City Clerk; Steve Baumgartner, Finance Director; Mike Walker, Parks and Recreation Director; Bill Geiger, Community Development Director; Richard Radacky, Director of Public Works; George Turner, Police Chief and Tim Mossgrove, Fire Chief. Members of the Hernando Today and Hernando Times were also present.

The meeting was called to order by Mayor Johnston and announced that Council Member Burnett would not be here tonight.

PENSIONS & RETIREMENT PLANS

Presentation on Pensions, providing an overview of pension plans, benefit levels, sustainability, and options. Discussion by Council on City Pension/Retirement plans, benefits and funding.

Paul Shamoun, Account Executive for the Department of Insurance & Financial Services Division of the Florida League of Cities stated he has been with the League for about twelve (12) years, eleven (11) of which he has overseen the Florida Municipal Pension Trust Fund. Florida League of Cities has managed several of the City's plans since they opted out of the Florida Retirement System in 1996.

The trust was started about twenty-five (25) years ago and seven (7) cities formed an interlocal agreement to do pension administration to help cut costs. Now there are two hundred (200) plans worth \$380,000,000. There are about sixty (60) plans that are defined benefit plans.

He then reviewed the PowerPoint presentation (on file) provided in copy to Council, which covers the details and options of the plans. He explained changing plans now will increase the current budget but will be beneficial in the long term.

Hybrid Plans will be the future of public sector retirement. Palm Beach is currently using this type of plan. It is a blend of defined benefit and defined contribution but with much lower guaranteed defined benefits such as no cost-of-living adjustment (COLA). The future multiplier comes way down to 1% and employee money goes into both plans and spreads the risk more evenly.

Vice Mayor Bradburn indicated she would like the city to put a hybrid plan in place going forward. She requested comparisons with other cities the size of the City of Brooksville.

Defined Contribution plans were developed for senior management and corporations to defer retirement money. Mr. Shamoun did not recommend them.

Vice Mayor Bradburn requested for the next budget workshop, the cost to change all employees to the Florida Retirement System, employees hired in the past three (3) years and employees hired in the past year. Then begin looking at the possibility of implementing a hybrid plan. Mr. Shamoun clarified the Florida Retirement System typically has full employee groups and all new hires; but to transfer everyone into the FRS does not buy their past service. He pointed out under Florida Law the City is required to pay the full actuarial cost and someone else's unfunded liabilities. City Manager Norman-Vacha stated staff cannot come up with a cost and she would need Council direction to work with a financial consultant to get numbers. Mr. Shamoun stated the Florida Retirement

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System could provide past service cost. Closing the plan requires the plan actuary to run cost studies and scenarios. The Pension Boards have to be willing to have their actuaries do these studies as the most cost effective way to do it.

Patrick Donlan, with Foster & Foster, actuary for the 185 and 175 plans, advised the entry age normal funding method is used for the Fire plan and the aggregate cost method is used for the Police plan. He reviewed the aggregate cost method, which would not change the current funding requirements by closing it out. He advised he can run the numbers on the plans in about four (4) weeks, depending on how many scenarios are requested.

Council Member Hohn asked if eligibility in the plans can be changed. Mr. Donlan advised the existing plan can be changed by Council. He indicated the City has done benefit improvements since March 12, 1999 when Governor Bush signed into law that all increases in State monies have to be used for increased benefits. As a result, the City is able to use all of the State monies to fund the benefits that are in place. Reducing benefits such as lowering the multiplier or extending the age back, then frozen amounts may be reduced. There are advantages in changing benefits within the current plan by continuing to receive State money. But the City would lose that State money for new hires going into the Florida Retirement System. In the Fire Plan calendar year 2011, State monies were \$85,189 and the frozen amount is \$103,671. The City can use up to that amount. He explained there is no impact on the City for those employees in the DROP program because the pension is just paid out before retirement. There is an option of a fixed rate of return of 6.5% and the plan has lost money because it has not been met. Going forward, 7.75% in the Fire Plan and 7.5% in the Police Plan and long term expectation was the DROP should not have any impact if you get normal returns. The non-DROP payroll in 2011 was \$687,000 for the Fire Department and \$85,189 of State money was 12.4% of payroll. He advised it is more efficient to make changes to the existing plans to keep State money as opposed to a hybrid plan. The Police Department, in 2012, there was \$102,275 which is 8.8% of payroll.

The cost for the Fire plan in payroll is 23.5% but the assumptions have not been met in the last eight (8) years. There is an unfunded actuarial accrued liability of \$1,700,000 partly due to benefit improvements that is being paid for with State monies and member contributions of 3.29%. In discussion with the State actuary, they have reduced the amortization period from what it was previously at thirty (30) years. If the City makes \$185,000 contribution then in ten (10) years the 2011 loss is gone and will be at 100% funded.

Council Member Hohn asked Fire Chief Mossgrove where we stand today with the current force, as far as years of service. Chief Mossgrove advised there are 4 employees with 1 year of service, 2 employees with 2 years of service, 2 employees with 3 years of service, 8 employees with 5 to 9 years of service, 2 employees with 10 to 14 years of service, 2 employees with 15 to 19 years of service and 3 employees with 20 to 24 years of service. There are three (3) employees in the DROP in the fire plan and there is 1 employee in DROP in the Florida Retirement System.

Referencing the Police, Mr. Donlan advised two (2) employees hired before 1996 are in the Florida Retirement System. In the 185 plan, there are 4 employees with less than 1 year of service, 2 employees with 1 year of service, 3 employees with 3 years of service, 3 employees with 4 years of service, 7 employees with 5 to 9 years of service and 3 employees with 10 to 14 years of service as of October 1, 2011.

Vice Mayor Bradburn suggested the City explore buying out employees with less than three (3) years of service.

Mayor Johnston advised Police and Fire pension board of trustees have to make the changes to comply with terms of the pension trusts.

Vice Mayor Bradburn asked what statutorily mandates the reserve firefighters and what it will take to eliminate their benefits. City Manager Norman-Vacha stated it is not statutorily mandated, but is part of the benefit plan that has been adopted and they have property rights that cannot be arbitrarily eliminated or changed, but going forward there could be a benefit plan change. Vice Mayor Bradburn asked is that different if they are already vested in another plan. City Manager Norman-Vacha indicated it is not different because it is defined in the City's plan.

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Mayor Johnston advised he is not sure at this time that he would be in favor of changing anyone to the Florida Retirement System. He favored Council Member Hohn's suggestion of changing benefits within the plans such as eligibility to collect retirement benefits or the other option of hybrid plans. Vice Mayor Bradburn asked that Council make the move to get on the numbers needed to make a decision. She pointed out the longer they wait there will be less eligible employees to change each year. Mayor Johnston stated the plans can be changed at any time not just at the beginning of the fiscal year.

City Manager Norman-Vacha advised Council move cautiously on these issues and asked for a consensus from Council. Vice Mayor Bradburn stated the three (3) years she has been asking for changes is cautious enough.

Mayor Johnston advised going to the boards to ask about tweaking contributions and hybrid plans implementation and the cost savings of each.

Council Member Bernardini advised council consensus was never given to get numbers from staff as Vice Mayor Bradburn has requested. He felt the hybrid plans would be the way to go but would still need cost and savings. He asked for clarification on providing more benefits in the plans.

Mr. Donlan explained citizens pay more in taxes to provide better pension benefits to high risk employees for early retirement. The unions felt the cities used state funding and premium taxes to offset contributions and not provide additional benefits. Mr. Shamoun clarified it was originally implemented to encourage cities to put in pension programs for police and fire when there were no pensions for anyone.

Mayor Johnston pointed out the State tax contribution is a surcharge on home and automobile insurance. Council Member Bernardini stated every time cities receive tax money they have to improve the benefits which is a payout twenty (20) or thirty (30) years later so debt keeps increasing. Mayor Johnston felt if the boards reduced the benefits then state money is lost but the City may still come out ahead. Mr. Shamoun confirmed that is exactly what Palm Beach did and saved \$2 million dollars.

Mr. Donlan stated the Florida League of Cities argument is that when the actuary does an improvement to the plan they determine an annual cost of 2.4% of payroll. Currently, this has not hurt the City because payroll has decreased between 2009 and 2011.

Charles Price, member of the Police Officers' Pension Trust Fund, advised the City has not paid any money into the Police Officer's Pension Trust Fund. The reasoning for getting out of the Florida Retirement System was to not have to pay as much. He advised Council to be careful about moving back into the Florida Retirement System. He felt a well managed defined benefit plan can benefit the City in the long run.

Council Member Hohn felt the plans need to be under better control and advised negotiating benefits with Fire and Police. Mr. Shamoun clarified under Florida Law they cannot get more than 100% of their pay after twenty-five (25) years and then go into the DROP plan for the last five (5) years.

Vice Mayor Bradburn wanted to look at costs for converting back to the Florida Retirement System with the plans. She indicated the returns have been better than any of the other plans for years. She has sat in on Florida League of Cities committees, special meetings and attended the budget discussions with the legislature for two (2) years.

Council Member Bernardini pointed out the City got out of the Florida Retirement System because there was no control over costs. He supported looking at figures to buy out employees with three (3) years and under of service.

Mayor Johnston felt Council Member Burnett should be given the opportunity to get with the City Manager and get his input on the matter also.

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City Manager Norman-Vacha gave an overview of City Council discussion; they need to look at benefit changes. As far as the Chapter Plans, they are interested in working with the pension trust boards to look at actual benefits when employees can retire, the multiplier and Mr. Shamoun's suggestions on how to make the plans more sustainable long term. Plus, how any changes to those benefits could affect State insurance monies that help fund the Chapter Plans and the impact it would have on Council's contribution versus insurance dollars. She also heard Council Members say they were interested in looking at the possibility of looking at a hybrid plan for new and/or newer hires with three (3) years and under of service as a good long term solution. She pointed out they must keep in mind how that affects the current plan because there is a liability to continue to fund and how that affects dollars from the State to help fund the plans as well. She also heard some Council Members say whether the Florida Retirement System is an option to convert Fire and Police.

A 5-minute break was taken.

FY2012/13 OTHER THAN GENERAL FUND BUDGET

Discussion by Council on all City funds Other than General Fund Revenues and Expenditures, with overall direction.

Special Revenue Funds

Fund 109

Council Member Hohn asked if the Law Enforcement Trust Fund is supposed to be used for investigative equipment and training. City Manager Norman-Vacha stated this fund is not limited to drug-related cases. Police Chief Turner elaborated, advising property in lieu of forfeiture can go into Fund 109 and when it goes through court it goes into Fund 116.

Fund 110

Mayor Johnston asked if the funds are being used within seven (7) years of receipt. City Manager Norman-Vacha stated funds are being used towards Providence Boulevard and further discussion with the legal team on Governor Boulevard as to whether money can be put toward finalization of construction.

Fund 120

City Manager Norman-Vacha advised Hernando County Board of County Commissioners approved Goodwin Brothers to begin construction on Phase 2(b) of the Good Neighbor Trail from Mondon Hill Road to Richbarn Road.

Fund 122

Vice Mayor Bradburn asked if Lowes will be donating more smoke detectors. City Manager Norman-Vacha indicated there are smoke detectors budgeted for purchase for the Fire Prevention Program.

Fund 128

Council Member Hohn asked does the Traffic Camera Fund indicate budgeting for Police Department employees or Sensys employees. City Manager Norman-Vacha confirmed it is for the Police Department.

Fund 134

Vice Mayor Bradburn suggested this fund be used along with the street paving project. Mayor Johnston asked was the \$25,000 used this year for replacement of trees. City Manager Norman-Vacha confirmed it was not expended and is allocated in carry forward money.

Fund 140

Vice Mayor Bradburn suggested some of the allocation go towards irrigation. City Manager Norman-Vacha indicated that is a very limited fund and a full design of an intersection has to be presented that is not functioning properly to be eligible for reimbursement. Director Geiger confirmed it cannot be used for irrigation.

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Debt Service Funds

City Manager Norman-Vacha gave an update that Finance Director Baumgartner is continuing talks with SunTrust about refinancing to a 2.5% interest rate. She is expecting to present numbers at the next Council Workshop.

Capital Projects Funds

Fund 308

City Manager Norman-Vacha pointed out footnote number two indicates there is \$116,829 set aside for Peck Sink water course improvements and \$300,000 for the Pavement Management Program.

Fund 309

Vice Mayor Bradburn asked does Statute cap the Mobile Home Licenses amount collected. City Manager Norman-Vacha indicated the amount comes from the State of Florida and the City does not have authority to tax mobile homes. She will look into other sources of revenue derived from mobile home properties.

Fund 313

Finance Director Baumgartner advised funds will be brought forward if the road at Southern Hills Plantation does not get completed. City Manager Norman-Vacha further elaborated this is an ongoing project that has been delayed by inclement weather conditions and figures could change for the final budget.

Water and Wastewater Fund

Vice Mayor Bradburn asked why both terms impact fees and connection fees being used are. City Manager Norman-Vacha stated historically they have always been called connection fees and impact fees references will be eliminated if not noted in any ordinances or codes.

Vice Mayor Bradburn asked for clarification on the well fields. City Manager Norman-Vacha stated Northwest Well Field #4 is near Pasco-Hernando Community College. The Hope Hill Well Field #3 was recently completed and there are a total of three (3) wells operating.

Vice Mayor Bradburn referenced the CIP under Operating, Capital Outlay, Debt & Transfer on Page 42 at the bottom and stated this is a working list. Individual projects have not received Council approval. City Manager Norman-Vacha referenced Page 44 for CIP projects projected for five (5) years.

Vice Mayor Bradburn referenced a past idea by Mayor Johnston to plan for the future utilities cost with a surcharge and felt it was worthy to explore further. She felt the outlined plan is a progressive need through 2025.

Sanitation Fund

Council Member Bernardini asked about the delivery status of the recycling truck. Director Radacky advised a representative from Ford indicated delivery will be in a couple of weeks but he felt it would be within thirty (30) days. Council Member Bernardini suggested that Public Works Director Radacky let the representative know that Council is asking about the delivery of the truck.

Fleet Maintenance

Vice Mayor Bradburn advised the public works complex needs funding to do further improvements to it. She pointed out there is outside equipment that needs to be covered up and structural issues that need addressing.

Vehicle & Equipment Replacement Funds

Mayor Johnston questioned twenty (20) police vehicles purchased since 2008/2009. City Manager Norman-Vacha indicated the vehicles are on a regular rotation for replacement and most were older cars. She confirmed Council extended from five (5) years in service to seven (7) years in service for the vehicles.

Vice Mayor Bradburn referenced Fund 502 for Water & Sewer on Page 62. She felt the trucks being purchased are too large and would like to see a policy for purchasing smaller gas-saving vehicles. City Manager Norman-Vacha will have a list put together to justify the larger sized vehicles needed for hauling.

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Vice Mayor Bradburn referenced Fund 503 Summary of Revenues & Expenditures on Page 64. She felt there was not appropriate equipment for volunteers to do their tasks for the parks system and special events. She suggested battery operated lithium ion weed eaters as a worthy investment for the Good Neighbor Trail and medians. City Manager Norman-Vacha indicated this fund is for replacement of mowers and larger equipment. In each operating budget for Public Works and Parks and Facilities Departments there is a line item for replacement of weed eaters that are utilized by prison crews and City staff. She advised it has not been the City's practice to allow volunteers to use the City's weed eaters due to liability insurance purposes. Vice Mayor Bradburn vehemently disagreed and gave examples showing otherwise.

Trust & Agency Funds

Fund 607

Vice Mayor Bradburn referenced Page 69 and asked does the chart represent banked money or paid out money. City Manager Norman-Vacha indicated this is the fund the City pays contributions to.

Mayor Johnston asked has the City been paying \$350,000 in expenditures. Finance Director Baumgartner indicated that is an estimate for pay out to retired firefighters.

Mayor Johnston referenced Income and asked why there was such a large gain from 2010/2011. City Manager Norman-Vacha explained staff did not know the Actual going into budget last year and they based it on 2009/2010 Actual of \$253,127. It has been reduced to \$30,000 this year based on what the Actual may be and will have a better number in September.

Fund 612

City Manager Norman-Vacha referenced the Cemetery Donor Memorial Wall and asked would Council allow the gazebo to be fixed with the interest of \$7,000 by change of resolution. Council consensus was to revisit.

Fund 613

Mayor Johnston pointed out differences in gains and losses for investments between the Police Officers' Retirement Fund and the Firefighters' Retirement Fund.

Fund 615

City Manager Norman-Vacha reminded Council that there was a draft report from Coastal Engineering at the last Council meeting that outlined a CIP plan as part of the redevelopment plan. She indicated these funds would go towards the downtown plan projected for five (5) years. Council discussed bringing individual projects forward for approval.

DIRECTION FROM COUNCIL FOR WORKSHOP OF AUGUST 28, 2012

Council Member Bernardini asked for details on an increase in the Police Department. City Manager Norman-Vacha indicated she will have it available prior to the next workshop.

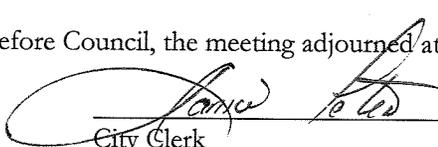
City Manager Norman-Vacha asked is there further information staff can provide prior to the next workshop. Council Member Bernardini indicated he would get with her tomorrow.

ADJOURNMENT

There being no further business to bring before Council, the meeting adjourned at 9:44 p.m.

Attest: _____

Mayor


City Clerk