

MEMORANDUM

TO: Finance and Administration Committee of City Council

FROM: Jeremy Craig, CPA, Director of Finance and Administration

DATE: October 23, 2003

SUBJECT: FINANCE AND ADMINISTRATION COMMITTEE MEETING

The Finance and Administration Committee met Wednesday, October 22, 2003. Those in attendance included: Chairperson Jane Durrell, Ward I, Councilmember Bruce Geiger, Ward II, Councilmember Dan Hurt, Ward III, Councilmember Connie Fults, Ward IV, City Administrator Mike Herring, and Director of Finance and Administration Jeremy Craig. Also in attendance were Councilmember Mike Casey, Ward III, Brian Calderwood, and Lee Calwood. The meeting was called to order by Chairperson Durrell at 5:30 p.m.

1. Approval of Minutes – September 17, 2003

Councilmember Fults made a motion to approve the minutes from September 17, 2003 and Councilmember Geiger seconded the motion. The motion was approved 3-0-1 with Councilmember Hurt abstaining.

2. Recommendation forwarded from Retirement Committee

On behalf of the Employee Retirement Plan Board of Trustees, Mr. Herring summarized the attached "recommendation", that the City engage the services of an independent fiduciary agent to review the City's current "defined contribution" retirement plan and to complete a comparative analysis of how the City's current plan compares to those offered by other cities. Mr. Herring noted that the Employee Retirement Plan Board of Trustees had voted unanimously to endorse and forward this recommendation to the F&A Committee. Mr. Herring noted that this comparative analysis should study other cities that provide "defined contribution" plans, to gauge the competitiveness of the City's plan. [Note: The City currently pays 8% of each employee's salary, as its "defined contribution" and the employee is fully-vested after seven (7) years.] The analysis should also study the "family of funds" currently provided to all employees, to determine the performance of those funds and the fees charged by the current provider/manager of those funds. The study should compare/contrast the City's current "defined contribution" plan to "defined benefit" plans, like LAGERS, to determine if the City's current budgetary allocation for this benefit could be better spent, in terms of the retirement benefit actually provided to employees. [Mr. Craig noted that the City currently spends approximately \$700,000 per year for this retirement benefit.] Detailed analyses should be provided, using typical examples, of the retirement benefit available through the current plan vs. the retirement benefit available through a "defined benefit" plan, assuming that the same dollars are spent per year, as noted above. The study should determine if other cities retirement plans are

"supplemental" in nature, as Chesterfield's plan was originally designed, to be combined with employee savings and Social Security, to provide the employee's total retirement benefit. Mr. Herring and Mr. Craig noted that such a study could cost \$25,000 - \$30,000 and that funds for such a study would need to come from Fund Reserves.

The Committee discussed the recommendation. Councilmember Hurt noted that he would not support comparing the City's pension plan to other cities/governmental agencies and that he was also opposed to any change in the current retirement plan that would establish a guaranteed fixed benefit for employees. He noted that the liability to the City for such a plan would be significant and could have negative budgetary implications. He cautioned the Committee against spending any money for such a study, since the City currently faced a budgetary shortfall. Councilmember Hurt stated that he would not be opposed to studying ways to better spend the current budgetary allocation for the retirement plan, but was opposed to any sort of comparative analysis. It was noted that the recommendation was to study the current system and various alternatives. The recommendation was NOT to change plans or the funding level of the current plan. Councilmember Geiger stated that any comparison to other cities should include detailed information regarding the revenue structure of those cities and any particular details regarding pay/benefits that would be relevant, such that the comparison would be "apples to apples". Both Chairperson Durrell and Councilmember Fults supported the idea of an independent study. It was noted that such a study had not previously been undertaken, in the fifteen (15) years that the current plan had been in place. Over time, the only change made to the current plan was to increase the contribution from 6%/per employee/year to 8%/employee/year. That change was made in 1997.

After further discussion, Councilmember Geiger made a motion to support the recommendation from the Employee Retirement Plan Board of Trustees and to recommend approval by City Council that Staff be authorized to negotiate this scope of work with appropriate consultants. It was further clarified that the recommended consultant and fee were to be brought back to City Council for final review/approval. The motion was amended by Councilmember Geiger (as suggested by Councilmember Hurt) to include a requirement that Staff negotiate a not-to-exceed total fee for this study, but that the consultant clearly indicate that portion of the total proposed fee which would be required, in order to compare Chesterfield's plan to other "defined contribution" plans, as well as the cost to study/compare the City's plan with other "defined benefit" plans. The motion was seconded by Councilmember Fults and approved by a vote of 3-1, with Councilmember Hurt voting "no"

3. Review/Discussion Five-Year Budget

Mr. Craig commented that he had been working with each Department Head to better forecast actual year-end expenditure levels, in all categories. He referred the Committee to the spreadsheets enclosed in their packet. He stated that the spreadsheets used two different formats. One spreadsheet used the old format and the other used actual 2002 audit numbers. He stated a third sheet showed the five-year format comparison between the two formats.

The Committee discussed the different formats and made additional suggestions. Councilmember Hurt stated that there were software models available to help extrapolate the numbers. After further discussion, the Committee accepted the information that was presented to them and accepted the reports as information, with no additional action taken.

4. Request for Contributions

The Committee reviewed requests from the Chesterfield Drug Abuse Task Force and Off the Cuff Productions.

The Committee discussed the request made by the Chesterfield Drug Abuse Task Force. Councilmember Fults made a motion to approve the request by the Chesterfield Drug Abuse Task Force in the amount of \$3,000. Councilmember Hurt seconded the motion. The motion was approved 4-0.

The Committee discussed the request made by Off the Cuff Productions in the amount of \$5,000. After discussion, Councilmember Fults made a motion to approve the request from Off the Cuff Productions in the amount of \$2,500. Councilmember Hurt seconded the motion. The motion was approved 4-0.

5. Baxter Lakes Beautification

Councilmember Geiger stated that the Baxter Lakes Subdivision had participated in the Public Works Beautification Grant program whereby the city reimburses 50% of the cost or \$500 per entrance. Mr. Geiger noted the subdivision had two entrances and therefore was eligible for \$1,000 per year. He further explained the subdivision had attempted to install plantings in December of 2002, but was unable to complete the work due to weather. Those enhancements were made in January of 2003. Since the subdivision had planned to submit for the grant in 2003 for additional work to be performed this fall, they are requesting that City Council authorize payment from 2002 Funds for the work completed in January of 2003. Mr. Hurt noted some concern about the legality of such an approval and suggested the committee should seek an opinion from the City Attorney before reviewing at the council level. Councilmember Geiger made a motion to recommend to Council to approve the reimbursement of \$980 to the Baxter Lakes Subdivision contingent upon City Attorney review, Councilmember Fults seconded the motion. The motion was approved 4-0.

6. Other/Next Meeting

There is no meeting scheduled for the month of December at this time. A meeting will be scheduled if needed.

The meeting adjourned at 6:55 p.m.