

BUDGET, FINANCE AND PERSONNEL COMMITTEE
AUGUST 31, 2009

Councilwoman Berz called the meeting of the Budget, Finance and Personnel Committee to order with Councilmen Robinson, Benson, Scott, Rico, Gilbert, McGary, Ladd and Murphy present. City Attorney Mike McMahan and Council Clerk Carol O'Neal were also present.

Others present included Daisy Madison, Dan Johnson, Richard Beeland, Steve Leach and Lee Norris.

FIRE AND POLICE PENSION BOARD QUARTERLY REPORT

Ray Ryan distributed information relative to the Fund's Assets and Performance, as well as an update on their Activities and Participants. He explained that the market value as of July 31 was \$185 million and the Fund's total return year-to-date was 6.7 percent; that the Fund's performance has been hindered by the two real estate funds. He stated the total return during the second quarter was 11.3 percent, which compares with 10.2 percent for the index. He stated as of July 31 the Fund was 58 percent in equities, 31 percent in fixed income, 9 percent in real estate and one percent in cash. He stated the Board initiated a significant restructuring of the Fund and the timing of the changes has been good and has coincided with the recovery in the stock market; that the Fund has reduced its long term allocation to equities and increased its long term allocation to investment grade bonds.

Mr. Ryan stated they are now beginning to see the "fruits of their labor" in the form of a new manager and how they are doing in the new market environment. He stated in the spring an RFP was sent out to get a sense of how other pension funds are managing their assets, as well as an evaluation of the consultant. He stated after long and careful deliberation, Gerber/Taylor of Memphis remains as the Fund Consultant. He stated the Board intends to issue RFPs every five-to-ten years to make sure the consultant maintains competitive fees and structures for the Fund. (A copy of material distributed is filed with minute material of this date.)

Councilwoman Robinson stated real estate funds were mentioned and asked that more be said about that.

Mr. Ryan stated an investment was made in 2006; that the basic problem had to do with liquid funds; that it is difficult to get funds to honor redemption requirements, noting that the process takes some time. He stated several meetings were held and it is their inclination not to be at the bottom of the real estate cycle as they would like to see recovery; that they are in the process of getting funds assets out of those particular investments.

Councilman Benson stated that this is a much better report than last year, referencing the money that had been involved in equities and now we are "down".

**TRANSFER OF EXCESS GENERAL FUNDS UP TO \$500,000
TO OPEB TRUST FUND FOR FISCAL YEAR 2008-2009**

Adm. Madison stated this resolution authorizes transfer of excess funds over appropriations up to \$500,000 to other Post employment benefit trusts set aside to fund retiree health insurance. She stated they are currently paid on a pay-as-you-go basis when a retiree uses the health insurance. She stated there is a governmental accounting standards board requirement that encourages us to fund that benefit during the employment of that individual to assure funds are there to provide that benefit promised. She stated this is a late requirement that just “came into play” three years ago; that the city has established trust and the intent is to fund to the extent we can on an annual basis to demonstrate we are trying.

Councilman McGary asked if this is voted down what are the possibilities. Adm. Madison stated that it suggests the city is not willing or not ready; that it is better to indicate our willingness or intent or some effort to try to fund that benefit. She stated if it is not funded there is no penalty -- just that the liability would be bigger on the books and the bond rating agency and financial community would know we are making no initiative to fund, even though we continue to provide it.

GRANT

Adm. Madison stated that she has an agreement from the Bureau of TennCare that the state has appropriated the amount of \$750,000 to be used for emergency services that has been allocated to Chattanooga, Knoxville and Nashville on a pro-rata basis based on population. She stated there are no strings attached except it is to be used for emergency services; that it is just money and we have to accept it!

2010 BUDGET

Councilwoman Berz stated she and Adm. Madison have been working on the budget and going over figures, noting that it will be ready for presentation or information in about a week, not to vote on but for the Council’s information. She stated that the question she has in talking about the process is that it seems a good process to get the figures, have a week to mull it over, come up with questions and then follow and have a 2 p.m. meeting to talk over all the questions. She indicated Council members could meet with Adm. Madison in between that time, too.

Councilman McGary asked if the budget will be made public or if it is just for Council members’ eyes. City Attorney McMahan clarified that the document is public.

Councilman McGary inquired as to the time line for receiving feedback from individuals. Councilman Murphy asked when the interim budget will expire. Adm. Madison responded “September 30”.

Councilwoman Robinson asked for clarification that the Council would have discussion and get everything on the table and then make a decision about a second time.

Councilwoman Berz stated the week following when the Council receives the information there would be the need for a 2 p.m. meeting and then see where we want to go.

AUDIT COMMITTEE

Councilwoman Berz stated the Audit Committee has been working long and hard, noting that we have a wonderful Committee and it has taken about a year to get people on board. She stated that she thought the Council would want to meet the members of the Committee, noting that three are present today.

At this point, Committee members present introduced themselves: Tim Moore, David Queen and David DiStefano. Mr. DiStefano noted that two others on the Committee are Jennifer Goodman and Charles Millsaps, noting that Mr. Millsaps is Chairman and is out of the city on business.

Councilwoman Berz stated they are all working hard and noted that their next meeting is scheduled for September 3; that Council members will be notified when they are meeting.

Councilman Benson made everyone aware that Mr. DiStefano is a former member of the Council.

Councilwoman Berz stated they are taking their work very seriously; that they have been working with Stan Sewell and looking at all kinds of processes for us. She stated they will have their first report when they feel it is complete and solid. She expressed thanks for their service.

Mr. Moore stated they have been working through issues with the City Attorney's office.

Councilman McGary asked if it is outside the scope of the Audit Committee to receive the proposed budget and have feedback. Councilwoman Berz stated that it is outside their scope.

Councilwoman Berz stated that they are our watchdog of processes, "our eyes and ears" relative to processes and is certain the Council will be pleased with the work they are doing, noting that Councilman Rico sat in on one of their meetings. She stated that they want it not to be political as they are representative from across the city and are up and running!

The meeting was adjourned.