

WEIRTON CITY COUNCIL COUNCIL MEETING - SPECIAL WEDNESDAY, JULY 20, 2016 7:00 PM

A special meeting of the Common Council of the City of Weirton, Hancock and Brooke Counties, West Virginia was held on Wednesday, July 20, 2016 at 6:00 P.M. in Council Chambers of the Weirton Municipal Building.

Councilmembers in Attendance:

Tim Connell	Councilmember Ward 1	ABSENT
Charles Wright	Councilmember Ward 2	
Fred S. Marsh	Councilmember Ward 3	
George E. Ash, Sr.	Councilmember Ward 4	
Douglas L. Jackson	Councilmember Ward 5	ABSENT
Enzo Fracasso	Councilmember Ward 6	
Terry Weigel	Councilmember Ward 7	ABSENT

City Officials in Attendance:

Rob Alexander	Police Chief
Travis Blosser	City Manager
Vince Gurrera	City Attorney
Bruce Lamp	Interim Chief Code Official
Thomas J. Maher, Jr.	Finance Director
A. D. Mastrantoni	Utilities Director
Rod Rosnick	Public Works Director
Jerry Shumate	Fire Chief

Mayor Miller led everyone in the reciting of the Pledge of Allegiance.

Mayors Awards and Proclamations:

NONE

Citizens Remarks:

NONE

Comments:

Communications:

NONE

Request by Council to convene into Executive Session consistent with WV Code 6-9-A-4 to discuss personnel matters.

N/A

OLD BUSINESS:

1. Second Reading of Ordinance No. 2002 modifying Ordinance #1313, as Amended, Establishing new Minimum Salary Levels of Specific Non-Union Municipal Employees within specific Departments of the City of Weirton General Fund and Adding/Eliminating Specific Positions (City Manager)

A motion was made by Councilman Ash, second by Councilman Marsh
Motion passed 4/0

NEW BUSINESS:

1. First Reading of Ordinance No. 2001 Ordinance to the Amendment No. 771 to the Traffic Control Map Ordinance No. 214 of the City of Weirton to establish signs "Monday – Friday, Parking Restricted to 1 Hour from 8:00 am to 6 pm" on both sides of Main Street starting at Main Street and Cove Road Intersection ending at Main Street and Taylor Intersection (Councilman Ash – Emergency Reading)

A motion was made by Councilman Ash, second by Councilman Marsh
Motion passed 4/0

Role Call:

Councilman Ash	<u>YES</u>
Councilman Weigel	<u>ABSENT</u>
Councilman Marsh	<u>YES</u>
Councilman Wright	<u>YES</u>
Councilman Fracasso	<u>YES</u>
Councilman Jackson	<u>ABSENT</u>
Councilman Connell	<u>ABSENT</u>

Motion passed 4/0

2. Police & Fire Pension Discussion

Discussion:

Travis L. Blosser – City Manager

You were handed out two separate sheets the Fire Prevention Fund and the Police Prevention Fund. We will start out with the Fire Prevention Fund first. The first page breaks down the three methods that the state provides us. I would like to explain this a little so everybody understands what the methods are.

The Alternative Funding Method is the method that you are currently under that is each year your payment escalates by 7%. Doesn't matter any fluctuation in the market, loss of personnel it goes up 7% automatically as defined by statute.

The Conservation Funding Method is the second option. That option is extremely volatile because of the fact that you are essentially taking on the payments for pensioners and allowing the funds so that nothing is being withdrawn from the pension fund account. So essentially, you are paying those current pensioners the pension fund investment account is allowed to build up without any of the money being taken out to pay current pensioners. Under Fire with the Conservation Funding Policy it fills a lot faster in turns of fully funded by the Conservation Funding Policy but it jumps significantly from where our current payments are. Again very volatile, in one year if you had one year of additional retirees could blow your budget in turns of what you are expecting. Conservation Funding Policy is not something that our actuaries recommend as a actuarially sound policy. The only city in the state that is under it is Charleston. This funding mechanism was essentially created for them.

The Optional Funding Method this is the best of the three methods. It is considered actuarially sound. Essentially, what you are doing is you are amortizing out over a period of 40 years and that goes down every single year. As we stand right now, it amortizes out over 33 years until it is fully funded. As you can see, from this table, your payment actually if you use 2016 as an example, your payments right now under the alternative funding method that come out of the general fund for Fire Pension Fund is \$247,000.00. If you go to the Optional Funding Method based on this Table it goes to \$218,000.00. You have two different columns one being the

Pension Payments that are amortized for the current pension fund and the new state wide employer's contribution at 10.5% which is the new fund that employees that are not currently in the Pension Fund and new employees would go into. That Pension Fund is specifically for Police and Fire Personnel across the state. It is a statewide fund. It is in much better shape than most pensions fund out there.

Councilman Ash

Is there somebody here representing the Fire Department?

Chief Shumate

Yes sir it is me.

Councilman Ash

I just wanted to make sure if it wasn't I wanted to give them a copy of it. And the President of Union for the Police Department I would like to see him get a copy of it when we discuss that please.

Travis L. Blosser – City Manager

The Optional Funding Method essentially it is the best method to go by because it is actuarially sound. Essentially it allows us to close out the funds to any new members. Current members remain in that fund statutory requires that you cannot pull current members (I would say that goes for Police and Fire) you cannot move those people out of those funds. You can't move them into a deferred benefit plan similar to a 401K. You cannot move them into those. They have to remain in the fund. Essentially, our recommendation and based on conversation with our actuaries, we are recommending and will start drafting the fire resolutions and documents related today to move to the Optional Funding Method on the Fire side. We anticipate that will allow that fund to be much healthier and actuarially sound footing. That is the Fire Pension Fund. Fire Pension Fund is simple. Purely for the simple fact that giving the position it is in. The funding ratio right now and again that is only limited. If you flip to page 3 of your document you will see the breakdown of total major contributions being what we bring in the month versus (that does not include investment income). Investment income fluctuates consistently, and does not include those numbers and pension payments. What is going out essentially, ever since 2008 that was the last year on the fire side that you met more revenue than expenses. So you have been dipping in slowly. So you can see there, it is turning to the other side to a similar place that the Policemen Fund is in. Now is the time to make a move necessary in order to go to the Optional Funding Method. At this time does anyone have any questions?

Mayor Harold Miller

You should explain that 2014.

Tom Maher – Financial Director

2014 had a nominally. The nominally was based on an audit of the pension oversight board. The state premium was audited and it was both Police and Fire Fund received an additional check that year. So that is why you see, if you are looking at that graph, you see that spike on the left hand red side. If you go back to what Mr. Blosser said, if you follow 2009, the pink bar representing the payments is starting to supersede the actually incomes. This is why you want to address this issue now.

Councilman Marsh

These calculations are based on the current employment level?

Travis L. Blosser – City Manager

Based on all our current numbers yes that is correct.

Councilman Marsh

Current employment in this department is 23 including Chief. Number of retirees pulling out of it?

Travis L. Blosser – City Manager

I do not have that number.

Councilman Marsh

How much are they paying in?

Travis L. Blosser – City Manager

They are paying in approximately employee contribution as of 2016 of \$163,094.90.

Tom Maher – Financial Director

As of July 1, 2014 based on the latest actuaries study we had 21 actives. We had 14 retirees and 5 surviving spouses at that time. (19 Total)

Councilman Marsh

You have 19 taking \$600,000.00 out.

Vincent Gurrera – City Attorney

If I may suggest if you have a workshop this would be better where some of this can be done.

Councilman Ash

We are having an open Council Meeting and part of that will be any questions we have concerning this stuff. That is why I asked for a special Council Meeting just for this information. I want the whole public to know about what we are talking about.

Correct me if I am wrong ok, 2014, 2015 and 2016 we need \$250,000.00 or \$255,000.00 to get it up to where we should be.

Travis L. Blosser – City Manager

No, if you move it to the Optional Funding Method what you are doing is dragging it out because based on the actuarial assumption you are closing to new members coming in when you have the members that are currently in there that are projected and they do have base on their mortality raise and everything else. How long they expect people to survive how long they expect them to drawing a pension all those things are calculated into that. Essentially, by amortizing that you get yourself to fully funded period by amortizing that out by locking yourself into a specific number. Once you move your option to be in it, you cannot go back. You lock yourself into that number you are providing, and based on actuarial assumption based, on expected retirements, things like that, our actuarial anticipated that Optional Funding Method will be fully funded by 2034. Which is in standards of operation actuarially sound policy.

Councilman Ash

If we decide to do this with your suggestion when we actually do this?

Travis L. Blosser – City Manager

We would want to move forward relatively soon.

Councilman Ash

Next council meeting?

Travis L. Blosser – City Manager

It would take some time for us to put some information together with the office. The next one of the one after that, we would want to move fairly quickly if we are going to do it. Now is the time.

Councilman Ash

Any more questions before I do something?

Mayor Harold Miller

I would be very cautious keep in mind a lot of revenue sources do not have a history yet. That is what you need to be aware of. You jump into something that we cannot handle we don't want to do with the back lash to fix it. That is only thing that I am concerned with we don't have a dime of Sales Tax in, we don't even know the B&O Tax because some people are not paying it. We are still doing research on that. That is the only thing that I am cautioning.

Councilman Ash

The Fire Department I am not too concerned about and I see what you are talking about and we will be alright. The Police Department will be different. Because this was an open Council Meeting I was going to go ahead and make a motion to have this ready by September's Council Meeting.

Councilman Marsh

I am not comfortable with that not knowing what is coming in from taxes. I am thinking more December.

Councilman Ash

We have the Sales Tax and have the B&O Tax.

Councilman Marsh

We don't know what is coming in on the Sales Tax.

Councilman Ash

We have an idea what is coming in.

Travis L. Blosser – City Manager

From my standpoint if it helps based on this being myself and the Finance Director we feel very comfortable with this recommendation that I don't foresee any problem, and Tom and I being able to prepare those document put those things forward. I don't know how long based on conversations with Blair, Taylor and also with our actuaries. How long they are going to need

to assist us with the finalized exact numbers, all the resolutions and everything that needs to be attached to perform this. I don't want to set a date of September. I do not think that the Fire Department Pension Fund and the decisions that we are recommending for it are putting any reliance on Sales Tax, B&O, anything we are already paying. We anticipate that we will either save some money, or it will remain neutral, in terms of what we are already allocating. But if you don't make a change, and that is why Tom and I are recommending it now, you are already paid in 2016 paying \$247,000.00 in 2017 you are going to pay \$265,000.00, in 2018 you are going to pay \$283,000.00. That number is going to continue to escalate by 7%. We feel now is the opportunity, and in this fiscal year that move has to be made, and we would rather do that sooner rather than later. Begin us to move out of that and close out that fund to new members.

Councilman Ash

Can we you go back and listen to the tape before I made my motion, which I have a motion on the floor now. The City Manager said August would probably be too hard and I understand that. But September would be ok and we could work on it. That is exactly not the same words. I am not concerned about the Fire Department as far as putting a lot of money in it. I am concerned about the Police Department. I don't see any reason why we can't do the Fire Department and get that done. Here is what my problem is, I have been on this Council and Councilman for 21 years and I know what happens. It will drag out, drag out and drag out and it has been dragging out for 21 years. I don't want it to be dragged out anymore. I want at least this part of this done. We can then work on the Police Department. We know what we are doing with the Fire Department. There is no discussion about it. We know what we are going to do with it. Unless you guys got some brilliant plan that I don't know anything about. I still have a motion on the floor about doing that, and getting it ready by September. If you don't think you can get it ready by September we will go to October. I want it done.

Councilman Fracasso

I have to agree with George and I will second the motion.

Mayor Harold Miller

The motion has been seconded all in favor.

Motion passed 4/0

DISUSSION ON THE POLICE PENSION FUND

Travis L. Blosser – City Manager

Moving onto the Police, as you did mention Councilman Ash, the Police Pension Fund as everyone knows is a much... much different animal than the Fire. On your three tables your Alternative Funding Method that you have now (if you all look at the column) paints a dire picture. Eventually, by 2053 your last payment is expected right before you fully funded based on analysis from our Actuary is \$7,117,000.00 from a figure right now from what we paid last year of \$534,000.00. That is all because of your 7% addition every single year. As many people across the state will argue, this is one of the problematic things that the state caused

this problem by allowing this type of actuarial science to come forward that was not actuarially sound.

Then you look at Conservation Funding. I would stress and Tom and I both along with our actuaries, that the Conservation Funding Method is not an appropriate method to go down. You are taking a large amount of risk, while it looks nice, because the payment would escalate to a \$1,057,000.00 but it would have a high of eventually \$2,024,000.00. So that still does escalate, and the reason being, you are responsible for current pension payments. What the employees are paying is still included in that number so that takes a little bit out of that. But you are taking all the responsibility on. Once you move into it, again like I said, moving into these plans there is no going back. So move into that, you are responsible for all the current retirees and future retirees, who may go into that, or employees for some reason (we are talking about Police Officers here) for some reason, god forbid if something happens now you have disability and those things are included in there that would factor in.

You look at the Optional Funding Method. Again, your payments escalates pretty large and hovers around that figure for the next 10 years with about a \$1,778,000.00. Now, what I want to touch on specifically, because those numbers are not included because the reason being is that we do not have the actual figures back from our actuary yet and will not until they complete the report for this year that just ended. Based on conversations, with Blair & Taylor over the last month and with our actuaries, your unfunded liability numbers are going to change on Police. That is based on discount rates, and mortality schedules. Mortality schedules have changed up a little bit. Originally your mortality schedules were purely on age now it also includes how many was born. It is two prong approach.

Tom Maher – Financial Director

It has not been updated since 1994.

Travis L. Blosser – City Manager

So essentially your unfunded liability is going to tick up from 25.4 million to 31.7 million lastly drop from the funded ratio from 15% to 12%. The picture is not good. We certainly are not the only pension fund in a bad situation. We probably are one of the worst Police Pension Fund, in the state, in the situation that we are in. That is primarily and the charts show page 4 that you are raiding your Police Pension Fund by large amounts that happened for years. If we just look at 2017 which is the year we are in now, you are going to have a shortage in terms of what we are obligated to pay. So we are obligated for the \$571,000.00. You have employee contributions of approximately \$163,000.00 and state insurance premium of \$340,000.00. Again, I want to mention we did not include any investment income that is volatile and you should not depend on that investment income in order to pay current pensions. So we have not included those figures. You have a shortage of about \$476,000.00. One of our recommendations from Tom and I, right now based on looking at your revenue streams. B&O has been in existence for a year now. It is revenue you still have to watch, and you have Sales Tax that has not officially started coming in yet. So that is even more so volatile, in terms of the revenue stream. So essentially, what Tom and I feel comfortable in terms of recommendation and based on conversations we had with our actuaries, it is the biggest goal right now that we have to do, we have to break it down in phases:

1. Stop the bleeding. We are bleeding the pension fund dry, and we have to correct that. So what Tom and I want to do in our recommendation and we feel very comfortable with this right off the bat. In 2017 we want to increase our contribution from \$571,000.00 to a \$1,571,000. We want to infuse a \$1,000,000.00 extra dollars into that pension fund in 2017. What that does it pays for the

Bruce Lamp – Interim Chief Code Official

Yes

Vince Gurrera – City Attorney

They told us many times, stay out of there.

Bruce Lamp – Interim Chief Code Official

We did inspections on State Road, and we were told stay out of there.

Mayor Miller

Any more comments on the motion?

PRAYER

ADJOURNMENT

Mayor Miller called for a motion to adjourn the meeting after the closing prayer which was recited by Councilman Connell.

Motion was made by Councilman Ash, second by Councilman Marsh.

The motion passed, 7/0.