

SPECIAL MEETING

CITY COMMISSION

HARLINGEN, TEXAS

September 26, 2018

A Special Meeting of the Harlingen Elective Commission was held September 26, 2018 at 1:00 p.m., City Hall, Town Hall Meeting Room, 2nd Floor, 118 E. Tyler Street, Harlingen, Texas. Those in attendance were:

MAYOR and COMMISSIONERS

- Chris Boswell, Mayor
- Michael Mezmar, Mayor Pro-Tem, District 3
- Richard Uribe, City Commissioner, District 1
- Tudor Uhlhorn, City Commissioner, District 2
- Ruben De La Rosa, City Commissioner, District 4
- Victor Leal, City Commissioner, District 5

STAFF PRESENT

- Dan Serna, City Manager
- Amanda C. Elizondo, City Secretary
- Allison Bastian, Asst. City Attorney

Mayor Boswell called the meeting to order and announced the meeting was duly posted according to state law. The following proceedings were held:

- 1) Consideration and possible action to renew the Consulting Agreement with Terral Smith and William Yarnell for state legislative and administrative affairs relating to matters of importance to the City of Harlingen and its affiliated organizations, boards, commissions and committees, and authorize the Mayor to sign the agreement.

Dan Serna, City Manager, recommended approval to renew the consulting agreement with Terral Smith and William Yarnell for state legislative and administrative affairs. The contract would expire September 30, 2018.

Motion was made by Commissioner Uribe and seconded by Commissioner Uhlhorn to renew the Consulting Agreement with Terral Smith and William Yarnell for state legislative and administrative affairs relating to matters of importance to the City of Harlingen and its affiliated organizations, boards, commissions and committees, and authorize the Mayor to sign the agreement. Motion carried unanimously.

- 2) Presentation and discussion regarding current status and recent developments regarding the firefighters' pension fund.

Gabriel Gonzalez, Asst. City Manager, presented a power point presentation on the Firefighters' Pension Plan. On August 11, 2015, the State Pension Review Board notified the City that beginning June, 2015; any pension that had an amortization period less than 30 years would be non-compliance. Any contributions, less than 40 years, over several valuations would also be non-compliance. The City would be non-compliance with the amortization period because of insufficient contributions. On October 28, 2016, the City submitted a Funding Soundness Restoration Plan (FSRP) to the Pension Review Board (PRB), which included a 2% increase on the City's side and was matched by 2% by the firefighters, total contribution was 30%. In May 2018, the PRB requested a FSRP by September 29, 2018. He highlighted the following UAL Amortization Period, Options Rejected by Firefighters Association, and the Fund Performance.

| 2011 | 2013 | 2015 | 2016 | 2017 |
|----------|------------|----------|------------|------------|
| Infinity | 66.6 Years | Infinity | 48.4 Years | 59.1 Years |

The Unfunded Liability:

| 2013 | 2014 | 2015 | 2016 | 2017 |
|--------------|--------------|--------------|-------------------------------|--------------|
| \$11,586,999 | \$12,946,750 | \$12,864,295 | \$37,114,691 \$38,003,230* | \$18,337,152 |
| 8% | 8% | 8% | 5.25% | 7.75% |

*GASB 67 Fund Net Pension Liability

Options Rejected by the Firefighters Association:

- ❖ 1st Option
 - Contribute the 2% FY 2019 increase Pension. Upfront City's match beginning FY.
 - Extend CB Agreement 2.5% on Year 4. Eliminated \$65 benefit.
 - Presented by City
 - The vote of the firemen was 17% For – 83% Against
- ❖ 2nd Option
 - .75% increase by Firefighters into the Pension

- > Capped the \$65 for Retired Firefighters
- > The vote of the firemen was 36% For – 64% Against

Fund Performance:

| | QTD | 6-2018 YTD | 1 Year | 3 Year | 5 Year |
|-------------|-------|---------------|--------|--------|--------|
| Total Fund | 1.41% | 1.13% | 7.65% | 6.34% | 7.32% |
| Net of Fees | 1.26% | 0.82% | 7.00% | 5.75% | 6.69% |

| | 10-2016 To 9-2017 | 10-2015 9-2016 | 10-2014 9-2015 | 10-2013 9-2014 | 10-2012 9-2013 | 10-2011 9-2012 |
|------------|-------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Total Fund | 10.78% | 11.22% | -3.51% | 9.95% | 12.52% | 18.83% |
| Index | 11.33% | 9.97% | -2.74% | 8.23% | 10.47% | 15.43% |

Discussion was held on the information presented by Mr. Gonzalez and he stated the numbers were percentages that were used by the advisor that handles the pension or numbers by the PRB. The City has to meet standards set by the PRB. The request to submit the FSRP is to show that we are in compliance and that there is a plan. Every retiree from the Fire Dept., for every one (1) year of service that they have after 20 years, receives an extra \$65 per month. To retire from the Fire Fighters Association, a firefighter has to complete twenty years of service, and has to be at least 50 years of age.

Commissioner Mezmar stated pension law requires that participants must have X number dollars in bonds for the last twelve years. Bonds have been close to 0 or 1 to 2%. Harlingen firefighters are assuming the investment rate will be 8% or 7.75%. A 10% in portfolio bonds is making 2%; the other 90% has to hit high. Hitting high in a fiduciary manner is impossible. Fiducially speaking, the pension plans should have bonds in it. This is all being held back by fiduciary law. This is the equal situation all across the country; whether speaking about a small little town in Wyoming, Houston, Dallas or some of the largest cities in America. Mathematics can play a cruel game. Another thing is that working 20/25 years is statistically very difficult to put away enough money. Plus market performance to pay another 4 years alike. Funding is a very difficult problem for Harlingen, and for very other community in the country. Funding can be solved by other ways; obviously this given approach to the firefighters, which they have projected it can pan out. It would require more money by the firefighters and the City. The solution is how to get there. This is the dilemma.

3) Executive/Closed Session on the following items:

- a) pursuant to Section 551.071, Tex. Government Code, to seek legal advice regarding the firefighters' pension fund.
- b) pursuant to Chapter 551, Subchapter D, V.T.C.A. Government Code, Sections 551.087 and 551.071 regarding commercial and financial information from a business prospect with which the City is conducting economic development negotiations and to seek legal advice regarding an air service development incentive program.
- c) pursuant to Tex. Gov't Code Sec. 552.071(2) on a matter in which the duty of the attorney to the governmental body under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with this Chapter; Tex. Gov't Code Sec. 551.072 regarding the purchase, exchange, lease, or value of real property if deliberation in an open meeting would have a detrimental effect on the position of the City of Harlingen in negotiations with a third person; and Tex. Gov't Code Sec. 551.087(1) to discuss or deliberate regarding commercial or financial information that the City of Harlingen has received from a business prospect that the governmental body seeks to have locate, stay, or expand in or near the City and with which the City is conducting economic development negotiations related to the operation of the University Articulation and Career Center.

At 1:39 p.m., Mayor Boswell announced the City Commission would convene into executive session to discuss Item No. 3 (a), (b), & (c).

Motion was made by Commissioner Leal and seconded by Commissioner De La Rosa to convene into executive session to discuss Item No. 3 (a), (b), & (c). Motion carried unanimously.

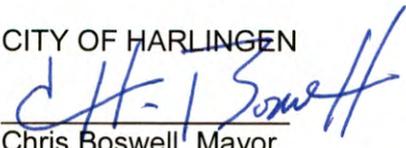
At 2:43 p.m., Mayor Boswell announced the City Commission had completed its executive session and declared the meeting open to the public.

4) Consideration and possible action regarding Executive Session Item (b).

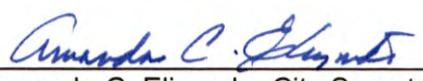
Motion was made by Commissioner Leal and seconded by Commissioner Uribe to approve Item 3 (b) as discussed in executive session. Motion carried unanimously.

There being no further business to discuss, Mayor Boswell adjourned the meeting.

CITY OF HARLINGEN


Chris Boswell, Mayor

ATTEST:


Amanda C. Elizondo, City Secretary