

OCTOBER 2014

Dear Council,

Please see the attached story from Moody's. Up to this point, we have failed to take a course of action to reduce the deficit in our police and fire pension plans. Sitting back and doing nothing is not a course of action, it is allowing the pension plans to dictate the amount of contribution the city has to make. If we are fortunate and have a few more years of up market, our dollar contribution may fall a bit. If we have a couple of flat years or worse yet, down years, the actuary will tell us how much we have to raise taxes and we won't have a choice.

I have said it before and I will say it again, in order to put additional money into the pension plans, the prudent thing to do, we are going to have to raise taxes or reduce expenses or a combination. Up until now, three ideas have been put on the table as positive and affirmative action steps to explore to raise money to help pay down the pension deficit:

1. Adopt a MSTU and instead of lowering taxes when our expenses are reduced, we leave the tax rate the same and put the bulk of the additional revenue into the pension plan. This course is still being explored and we may have an answer by spring.
2. Raise taxes by .33 mills. This is the approximate equivalent of \$1 million in additional revenue in the general fund. We had the ability to raise taxes this past budget cycle, but we failed to do so. The consensus was to wait and see. We can wait and see, but not for long – for fiscal 16, instead of .33 mills, it may take .35 mills or more to accomplish the same end result.
3. Authorize staff to explore consolidation of the fire department with the county. This was taken off the table without even knowing if it would produce savings, add cost, be neutral, etc. I agree with Tony Pinzone in his e mail that it is our fiduciary responsibility to explore every viable avenue and make choices based upon all facts available, not upon emotion.

Once we make that shift to private agenda items, i.e. emotion instead of factual data, this council will fall back to the level of other councils and our ability to "get it done" will diminish significantly.

Respectfully,

John Holic
Mayor, City of Venice

Borrow Funds to fully fund pensions

During the FY 16 budget process a question was asked of the then Finance Director as to how much money would it take to fully fund the Police and Fire Pensions so that the plans could be terminated. If this were to be done, it would convert the pension plans from market risk investments to fixed dollar amount that could be paid off over a 30 year period using ad valorem taxes.

The estimate by the Finance Director in June, 2015 was \$50,000,000. Payback on a 20 year bond would be approximately \$108 per \$100,000 value or a 30 year bond at approximately \$92 per \$100,000 value.

Raise Taxes

I think it was June or October, 2014 when I issued the attached letter to Council with 3 methods to fund the pension. At that time I thought an increase of .33 mills would be adequate, unfortunately that suggestion was rejected.

Last year we had agreed that if we did not come up with some definable method of funding the pension deficit by June 1, 2015, we would increase taxes by .50 mills. Unfortunately, this was rejected by council too.

This year, if we are going to use taxes alone, it will take about a .66 mill increase in taxes to make up the deficit. A suggestion was made to use a Fire District Tax instead and to lower the millage accordingly. This can be done in the future, but I don't think it can be accomplished in time to make this year's budget. The result would be the same as a tax increase, just a different and more transparent form of accounting.