City of Rowlett

Work Session Agenda

City Council

4000 Main Street
Rowlett, TX 75088
www.rowlett.com

City of Rowlett City Council meetings are available to all persons regardless of disability. If you require special assistance, please contact the City Secretary at 972-412-6115 or write 4000 Main Street, Rowlett, Texas, 75088, at least 48 hours in advance of the meeting.

Tuesday, November 11, 2014 **5:30 P.M.** **Annex Conference Room – 4004 Main Street**

As authorized by Section 551.071 of the Texas Government Code, this meeting may be convened into closed Executive Session for the purpose of seeking confidential legal advice from the City Attorney on any agenda item herein.

The City of Rowlett reserves the right to reconvene, recess or realign the Regular Session or called Executive Session or order of business at any time prior to adjournment

1. **CALL TO ORDER**

2. **WORK SESSION (5:30 P.M.)**

2A. Hear a presentation to propose options to amend the City's Sick Leave Payout Policy. (45 minutes)

2B. Discuss Other Post-Employment Benefits (OPEB). (30 minutes)

2C. Provide bi-annual update and discuss the City's Economic Development Five-year Strategic Plan. (60 minutes)

2D. Eight Economic Proposals to Better Rowlett. (30 minutes)

3. **ADJOURNMENT**

Laura Hallmark

Laura Hallmark, City Secretary

I certify that the above notice of meeting was posted on the bulletin boards located inside and outside the doors of the Municipal Center, 4000 Main Street, Rowlett, Texas, as well as on the City's website (www.rowlett.com) on the 6th day of November 2014, by 5:00 p.m.

4000 Main Street
P.O. Box 99
Rowlett, TX 75030-0099
www.rowlett.com

AGENDA DATE: 11/11/14 **AGENDA ITEM**: 2A

TITLE
Hear a presentation to propose options to amend the City's Sick Leave Payout Policy. (45 minutes)

STAFF REPRESENTATIVE
John Murray, Director of Human Resources and Risk Management

SUMMARY
Staff's original recommendation to reduce Sick Leave payout for departing employees was highlighted in Chart 30 of the FY2015 Proposed Budget for the City of Rowlett. However, Council removed this particular issue from budget deliberations and set it aside for individual discussion at a later date. The purpose of the presentation is to provide Council with options and cost estimates (savings) to amend the City's Sick Leave payout policy, thereby reducing the City's overall liability.

Approval of any of the options along with the associate resolution will result in a change to the City of Rowlett Policy Manual, Chapter 8, *Leave*. Changes will be reflected in the updated manual, which is targeted for publishing in November 2014.

BACKGROUND INFORMATION
During FY2014, the City chartered a Comprehensive Compensation and Benefits Study by Evergreen Solutions, LLC. Just as the compensation study conducted by Evergreen determined that the City's pay was below market, it also recognized that the City's Vacation and Sick Leave payout policies were more generous than market.

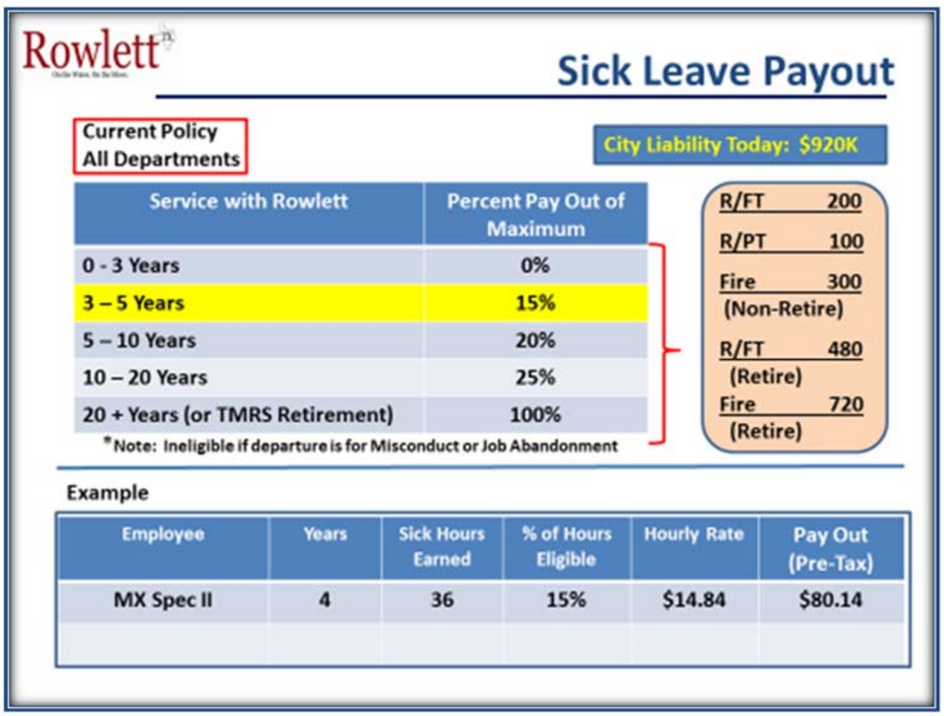
In May, 2014, Staff conducted a thorough analysis of existing City Policy regarding Vacation Leave and Sick Leave accrual and payout. At the time, these combined numbers equated to a \$1.8 million liability to the City. It must be noted that this liability is not on par with actual annual budget requirements—instead, it represents the total amount of dollars that would be paid if ALL employees departed the City at one time. As such, any proposals that will identify increases or decreases to the liability rate do not represent "hard" budget dollars until such time as employees retire or otherwise leave employment with the City.

On September 16, 2014, the City Council approved Staff's recommendation to reduce the amount of unused Vacation Leave hours paid upon an employee's departure from the City. That change, along with the 5-year "grandfather" period enacted to enable employees with high Vacation Leave balances to use their leave, went into effect October 1, 2014.

DISCUSSION

Unlike the Vacation Leave payout policy (which pays dollar-for-hour based on hourly rate up to a maximum figure), Sick Leave involves multiple variables and percentages that affect how much an employee will be paid upon departure from the City. The variables include tenure with the City (which affects the percentage of maximum payout), changes in employee salary, employee status (Full-Time vs. Part-Time), the reason for separation (TMRS-recognized retirement vs. voluntary resignation) and, of course, the amount of hours in the employee's current Sick Leave balance. Because of these variables, the liability rate specifically tied to Sick Leave payout is constantly changing. As such, proposed savings tied to the proposals Staff will make to Council, while sound in principle, are extremely fluid in actual cash dollars. Again, Sick Leave payout is not a budgeted item and, therefore, does not affect annual budget deliberations.

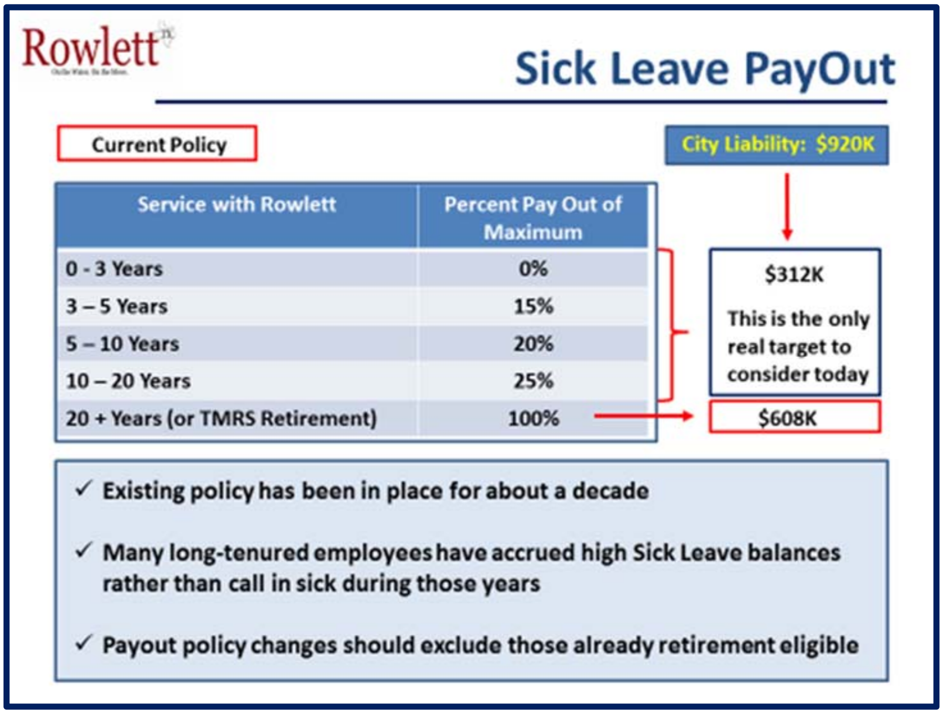
The slide below illustrates current policy considerations, including the value of accrued Sick Leave balances as of Sep 30, 2014. Collectively, Sick Leave payout represents a $920K liability to the City. As it did with the reduction of Vacation Leave payout policy, Staff is committed to reducing this liability rate methodically and responsibly.



The computation used to calculate payout is relatively simple: the number of sick hours multiplied by the percetage of eligibile payoput (as determined by tenure chart table) multiplied by the employee's hourly rate at the time of his/her separation from the City equals the amount of pre-tax payout. The unique variables are associated with the reason for separation.

Employees separated from City employment for misconduct or job abandonment are ineligible to receive Sick Leave payout.

It’s also important to point out that 38 employees have already reached TMRS tenure-based (20+ years) retirement eligibility under the current Sick Leave payout policy. As we did with the amendment to Vacation Leave payout policy, we will advise Council to not repeal that policy at the expense of these employees and, instead, move forward on changes to less-tenured and future employees.



Service with Rowlett	Percent Pay Out of Maximum
0 - 3 Years	0%
3 – 5 Years	15%
5 – 10 Years	20%
10 – 20 Years	25%
20 + Years (or TMRS Retirement)	100%

In the original discussion regarding potential amendments to the Sick Leave payout policy, which was presented as Chart 30 of the proposed FY2015 City of Rowlett Budget, staff submitted the following recommendation:

PROPOSAL #3: EMPLOYEE SICK LEAVE PAYOUT POLICY	
Title	**Impact**
Modify the City’s employee maximum sick leave payout policy.	**Reduce outstanding liability over five years.**
Discussion	
Currently, the City allows employees to be paid upon retirement or separation of up to 480 hours for non-Fire employees and 720 hours for Fire employees. However, only half of the market cities provide a payout for hours accrued. The current outstanding liability is $0.8 million. Sick leave is an interesting conundrum for organizations. On the one hand, employers set aside this time for employees to use when they or a family member are ill; however, on the other hand, employees sometimes view it as an additional benefit to take whenever they want time off. To combat absenteeism, employers can offer a certain percentage of the time accrued as a cash payout upon separation, whether from retirement or voluntary resignation. In Rowlett, employees face disciplinary	

PROPOSAL #3: EMPLOYEE SICK LEAVE PAYOUT POLICY

action if sick leave is abused and employees terminated as a result of disciplinary action are not eligible to receive a payout of any percentage.

What makes this issue more complex for Rowlett is that 67 percent, or $0.5 million, of the $0.8 million outstanding liability is already vested with retirement-eligible employees. These are personnel who have either completed 20 years of service with Rowlett, completed 20 years through a combination of service with Rowlett and another TMRS city, or who have satisfied some other TMRS retirement eligibility requirement, such as prior military service credit or having been vested and reached age 60. In short, this amount is already obligated.

The City's goals should be to **cap the benefit** so that it doesn't continue to grow, and reduce the liability over a period of time through retirements. Additionally, we recommend increasing the minimum service with the City in order to be eligible for any payout of unused Sick Leave from 3 years to 10 years. This will mitigate the concerns of "paying employees for leaving the City" while also continuing to reward those employees who have exhibited loyalty through service and who do not burn Sick time unnecessarily.

Current payout policy under Section 8.3:

Tenure in Years	Pay Out %	Max Payout Part-time	Max Payout Full-time	Max Payout Fire
<3	0%	0	0	0
3-5	15%	100	200	300
5-10	20%	100	200	300
10-20	25%	100	200	300
>20*	100%	240	480	720

*Retire under TMRS or 20 consecutive years with City.

Options

Option 1: No Change.

Option 2: Buy Down. Not an option as there is no guarantee that the sick leave will even be taken.

Option 3: Burn Down. Not an option as, again, there is no need to force employees to use their sick leave balances.

Option 4: Grandfather. **[Recommended Option]**

1. Increase the minimum service time with the City from 3 years to 10 years and set the maximum accrual payout at 25 percent of total accrued hours up to 240 hours.

2. Grandfather employees who currently exceed the maximum payout balances until September 30, 2019. These employees would be maxed out at their current individual sick leave balances and would not be allowed to exceed that balance during the grandfathering period.

Option 5: Eliminate Payout. Not a practical option as this practice provides a very powerful tool to combat absenteeism. Option 4 is a reasonable option that stops the problem from growing while having a specific date in time for the grandfathering period to end.

At the request of Council, Staff has further explored the issue and is prepared to make a series of recommendations which vary slightly from this original recommendation. However, they satisfy the over-arching vision of reducing the City's liability responsibly and effectively.

The presentation Tuesday night, which is still under development, will provide Council an up-to-date analysis on several key factors, including:

- Increasing the minimum service time from 3 years to 10 years for Sick Leave payout eligibility will impact 217 employees and will immediately reduce the City's liability by $89K—based on Sep 30, 2014 accrual balances, this represents 29% of the City's current Sick Leave payout liability not already obligated under TMRS tenure-based retirement eligibility.
    - 0-3 Years: 127 employees (11 Fire Shift, 116 Non-Fire Shift)
        - Note: These employees currently do not receive Sick Leave payout
    - 3-5 Years: 29 employees (5 Fire Shift, 24 Non-Fire Shift)
        - Total impact: $19,775 (average: $1,485 per employee)
    - 5-10 Years: 61 employees (16 Fire Shift, 45 Non-Fire Shift)
        - Total impact: $69,321 (average: $2,352 per employee)
- Staff also recommends, in concert with Council's decision to amend the City's Vacation Leave payout policy, to grandfather this implementation until Sep 30, 2019. This will enable 36 employees (14 Fire Shift, 22 Non-Fire Shift) to cross the 20-year threshold and, therefore, be eligible to receive 100% of their maximum allowable hours.
- However, because of Family Medical Leave Act considerations, the unpredictability of emergency scenarios affecting employees and their family members, and the City's "Catastrophic Leave Sharing Program", which allows employees to donate Sick Leave to fellow employees in emergency situations, we no longer recommend capping Sick Leave accrual balances. Current policy will continue to provide guidelines for appropriate use of Sick Leave.
- Upon expiration of the grandfather period, Staff recommends establishing a flat rate 25% percentage for Sick Leave payout for all future employees reaching the 10-year tenure mark.

FINANCIAL/BUDGET IMPLICATIONS

Adopting any or all will have a direct impact on the City's liability rate, with the long-term (5+ year) liability figure being significantly lower than the current $920K, with a conservative estimate of a reduction of $500K. This, understandably, is directly tied to employee retention and the Sick Leave utilization of those employees.

To reiterate, those 74 employees who are at the 15+-year mark with the City (including those already beyond 20 years) will receive 100% payout percentage according to the maximum hours eligible under current policy (as reflected above).

Staff's presentation on Tuesday night will reflect all of these figures.

RECOMMENDED ACTION

Once Council has provided direction, Staff will prepare a formal resolution to implement a change to existing City policy.

4000 Main Street
P.O. Box 99
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AGENDA DATE: 11/11/14 **AGENDA ITEM**: 2B

TITLE
Discuss Other Post-Employment Benefits (OPEB). (30 minutes)

STAFF REPRESENTATIVE
Alan Guard, Chief Financial Officer

SUMMARY
The City of Rowlett has engaged the consulting actuarial firm of Gabriel Roeder Smith and Company, (GRS), to perform the actuarial calculations required by the Governmental Accounting Standards Board (GASB) for the OPEB report. GRS prepares this report every other year to ensure the City is meeting its obligations and is in compliance with GASB Statements No. 43 and No. 45.

Staff has been identifying various strategies to address the growing OPEB liability. With the key decisions made by City Council in regards to the FY2015 budget establishing a firm financial foundation, this is an appropriate time for staff to bring this issue forward and establish a formal strategy.

BACKGROUND INFORMATION
The rising cost of health care has been a cause of concern to both individuals and employers who sponsor health care plans. The accounting community became concerned that many sponsors of public plans were accounting for the cost of their OPEB plans solely on the basis of benefits paid and that this method did not accurately reflect the ultimate cost of benefits promised to current and former employees. In 1988, GASB began working on a project to develop comprehensive standards for financial reporting of such plans. GASB worked on comprehensive standards for OPEB accounting for more than a decade, culminating with the release of GASB Statements No. 43 and No. 45 in the Spring of 2004. GASB Statement No. 43 covers the accounting rules for OPEB *plans* while GASB Statement No. 45 describes the rules for *employers* sponsoring OPEB plans.

GASB determined that an OPEB plan was similar to a pension plan in that benefits are earned during an active employee’s working lifetime but paid out at a future date. In GASB’s view, accounting for OPEB should follow the same basic principle as accounting for public plan pension cost: these benefits are compensation for employees’ services and should be accounted for during the period of time that services are performed.

Unlike pension plans, OPEB plans often do not have a formal document detailing the specific terms of the plan. Under GASB No. 43 and No. 45, the benefits to be accounted for are those provided by the *substantive plan* – loosely defined as the benefits covered by the plan as understood by the employer and plan members at the time of each actuarial valuation.

GASB also requires that the calculations assume the terms of the *substantive plan* continue indefinitely. It has been argued that there is a likelihood future OPEB plan provisions would be different than the current *substantive plan* (due to rising health care costs or social changes) and, therefore, liabilities based on the current substantive plan may overstate what will actually occur. However, the GASB Statement is designed to measure liabilities for the plan as it currently exists. While it may be reasonable to assume future changes in the OPEB plan for other purposes, recognition of anticipated changes is not allowed for purposes of accounting for OPEB.

The specific items required to be disclosed on an OPEB sponsor's financial statements are described in detail in GASB No. 43 and No. 45. In general terms, the plan sponsor is required to disclose an annual OPEB cost, the funded status of the plan and the funding progress on the valuation date. Although GASB does not require OPEB contributions, it has chosen to call the base component of the annual OPEB cost the **Annual Required Contribution (ARC).** The ARC consists of the cost of benefits accruing in a year plus an amount calculated to amortize any unfunded actuarial accrued liability over a period of not more than 30 years.

The plan is also required to disclose the cumulative difference between the ARC and the employer's actual contribution to the plan. This amount is known as the Net OPEB Obligation (NOO). Each year, the NOO accumulates with interest, plus the new difference between the ARC and actual contributions for the year, plus some technical adjustments. It is the NOO, and not the unfunded actuarial accrued liability, that is disclosed on the employer's Statement of Net Assets. However, the GASB released exposure drafts for new standards in May of 2014, which would require balance sheet recognition of a liability which resembles the current unfunded accrued liability. The proposed requirements would be effective for fiscal years beginning after December 15, 2016.

DISCUSSION

The City of Rowlett has engaged the consulting actuarial firm of Gabriel Roeder Smith and Company (GRS), to perform the actuarial calculations required by GASB for the OPEB report. GRS prepares this report every other year to ensure the City is meeting its obligations and is in compliance with Statements No. 43 and No. 45.

Annual Required Contribution

This report presents the annual expense required to be recognized by the plan sponsor for purposes of complying with the accounting requirements of Government Accounting Standards Board Statement No. 45.

The ARC for the fiscal year beginning October 1, 2013 has been calculated under two different interest rate assumptions. Below is a summary of the Annual Required Contribution. Actual claims/premiums paid on behalf of retirees may be treated as employer contributions in relation to the ARC and act to reduce the NOO.

Annual Required Contribution	PAYGO	Funding Policy
Fiscal Year Beginning 2013	$402,494	$331,654

Additional OPEB Reporting Requirements

In addition to the annual OPEB cost described above, employers must disclose a Net OPEB Obligation (or asset). The Net OPEB Obligation is the cumulative difference between annual OPEB costs and annual employer contributions in relation to the ARC, accumulated from the implementation of Statement No. 45. The Net OPEB Obligation is zero as of the beginning of the fiscal year that Statement No. 45 is implemented, unless the employer chooses to recognize a beginning balance. The requirements for determining the employer's contributions in relation to the ARC are described in paragraph 13 g. of Statement No. 45. Additional information required to be disclosed in the employer's financial statements is detailed in paragraphs 24 through 27 of Statement No. 45.

Staff has been consulting with Public Agency Retirement Services (PARS) to identify and analyze alternative strategies for funding the OPEB liability and/or reduce it. The City of Rowlett has been a partner with PARS in providing retirement benefits for non-TMRS employees (seasonal and part time, less than 1000 hours annually) as an alternative to Social Security. Among the services that PARS provides includes OPEB/GASB 45 retiree health care pre-funding programs.

Why should the City consider pre-funding its OPEB liability?

- Under GASB No. 68 pension liabilities will have to be presented on the balance sheet beginning in 2015. It is safe to presume that an OPEB version will soon follow.
- Investing now in a trust fund with a modest return on investment means lower liabilities over time.
- GFOA recommends prefunding OPEB and considers it a best practice.
- Credit rating agencies look more favorably on cities who have adopted an irrevocable trust and prefund.

Another consideration for City Council is the premium rate charged to retirees for health insurance. GRS has provided an analysis of premium rates based on age and gender. The initial per capita costs were developed for the pre-65 retirees using active and retiree claims experience for the time period beginning October 2012 through April 2014 in conjunction with census data for the active and retired members of the retiree health care program. The claims were projected on an incurred claim basis, adjusted for large claims, and loaded for administrative expenses. An inherent assumption in this methodology is that the projected future retirees will have a similar distribution by plan type as the current plan participants (actives and retirees combined). The prescription drug costs were analyzed separately and are included in the age rated costs shown below. Dental and vision benefits are not included in the tables below. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees.

Age graded and sex distinct premiums are utilized by this valuation. These costs are appropriate for the unique age and sex distribution currently existing. Over the future years covered by this valuation, the age and sex distribution will most likely change. Therefore, the process "distributes" the average premium over all age/sex combinations and assigns a unique premium for each combination. The age/sex specific costs more accurately reflect the health care utilization and cost at that age.

The monthly one-person premium, including medical and prescription drug benefits at select ages, is shown below:

For those not eligible for Medicare		
Age	Male	Female
40	$345.48	$541.28
50	$635.06	$719.56
60	$1,042.74	$1,002.30
64	$1,213.69	$1,124.98

Retirees who are eligible for Medicare and eligible for a City subsidy are assumed to be subsidized at the Core PPO “employee only” rate. The Core PPO “employee only” rate for FY2015 is $538.03 per month.

Included with the staff report is the North Central Texas Council of Governments (NCTCOG) Aggregate OPEB Report prepared by GRS, which provides a comparison of 111 Texas government employers. This report is intended to allow entities to compare results with other organizations and see which benefit provisions employers are using to manage OPEB liabilities.

The number that Council should focus on for policy purposes is the Actuarial Accrued Liability (AAL), which is $3.4 million as of December 31, 2013. AAL measures future benefits of current retirees and a portion of the future benefits for active employees. Of the $3.4 million, $0.6 million is attributable to retirees and $2.8 million to active employees. $2.2 million is attributable to the implicit subsidy and $1.2 million to the explicit subsidy.

<u>Summary of Options:</u>
There are three strategies that the City can take. The first strategy is to continue on the current course and provide no funding for OPEB. The City would continue to pay for current retiree benefits on a pay-as-you-go basis, the liability would continue to grow and will have to be reported on the City’s balance sheet in FY2015 in accordance with GASB. Staff does not recommend the City continue on this path. Further, beginning in FY2018, the City will have to show the full amount of unfunded TMRS pension liability, which will be $8.0 million. It is financially prudent to start addressing these liabilities.

A second option for reducing the liability would be to put more of the burden on retirees. This could be accomplished in a couple of ways. A separate premium could be developed for retirees. This could reduce or eliminate the implicit subsidy, but would drastically increase premiums for retirees. The amount of the additional premium can be determined by the City up to 100% of the implicit cost. <u>This could increase premiums by as much as $675, or 125%</u>. Another strategy could be to cap the amount of City subsidy for the premium. Rather than have the employee pay all of the implicit the City could pay a maximum of amount, for example $500, with the employee paying the remainder.

Another strategy would be to move retirees to a private health exchange. This would eliminate the implicit subsidy but it would impact the premium paid by retirees or the level/quality of insurance for retirees. Council may want to consider one of these strategies; however, it should be noted that any of these three will have a small impact on the overall liability.

A third option is to begin to fund the liability in an irrevocable trust and make the full Annual Required Contribution, or ARC, at the $331,654 level on an annual basis. The initial goal would be to fund the explicit amount, $1.2 million over the next several years. This would allow the City to show progress toward funding this liability. In addition, it could be used as a budget-balancing tool if needed, in future years. When the Employee Benefits Fund experiences a year with excessive claims, an amount up to the amount used to pay for retiree claims can be transferred from the Trust to the fund to offset those claims.

Initial funding can come from the General Fund balance which is currently above the 13% reserve goal. Other contributions could be made from the Employee Benefits Fund in good years when claims come in below projections and the fund has excess reserves. Future amounts of funding would be dependent on future ending-year balances.

Staff's recommendation is a hybrid of options 2 and 3. Beginning in FY2016 retirees would be required to pay a separate premium. Staff does not recommend that retirees pay the full explicit and implicit. However, setting either a percentage of the implicit in addition to the regular premium or establishing a cap on the City subsidy of the implicit amount should be one element of a coordinated strategy to reduce the liability over time.

Regarding option 3, staff understands that as the economy continues to recover and within the context of the recent 4-cent increase to the property tax levy, additional funds for this program will continue to be hard to come by. Rather than fund the ARC at the full $331,654, it would be much more manageable to fund it a percentage set by policy, for example 50%, or $165,827. Funding at this level with an established Council policy will show a good-faith effort on the part of the City to address the OPEB liability. Further, as the economy improves the contribution can increase incrementally. Similar to Option 3 above, initial funding can come from excess General Fund reserves as identified at the end of the year and the Employee Benefits Fund reserves in good years when claims come in below projections. The amount of funding will be dependent on available balances and may have to compete against other projects.

Recommended

Strategy	Continue Pay-as-you-go	Change Retiree Benefits	Fully Fund the ARC in to a Trust	Hybrid Option – Parts of 2 & 3 – Retirees pay some additional amount & partially fund the ARC
Financial Impact	No change to the future liability	Minimal impact to the long term liability	Reduces the liability most significantly	Begins to reduce the liability
Pros	Does not cost anything more than what the City is currently paying through health claims.	Increases to premiums or a cap to maximum subsidy creates stability and reduces unknowns. Reduces City's liability.	Best practice. Reduces City's liability. May improve credit rating. Can be used as a budget balancing tool.	Shares the burden across all stakeholders. Best practice. Reduces City's liability. May improve credit rating. Can be used as a budget balancing tool.
Cons	Liability continues to grow	Impacts employees who have been loyal and made plans based on the current status	ARC is equivalent to 1 penny on the tax rate. Other projects take a priority for the current available GF reserves.	Will have to compete against other projects. Will impact employees.
Funding	NA	NA	GF or Employee Benefits Fund Reserves at Year end. Can vary and will take time.	GF or Employee Benefits Fund Reserves at Year end. Can vary and will take time.

FINANCIAL/BUDGET IMPLICATIONS

Assuming the current pay-as-you-go (PAYGO) funding policy will continue, the annual employer contributions each year will be equal to the benefits that are paid on behalf of the retirees. Under this funding policy, GASB 45 requires the use of a discount rate consistent with the investment return earned on the employer's general assets. In this valuation, the discount rate is 4.50 percent.

Under this scenario, the present value of all benefits expected to be paid to current plan members as of December 31, 2013, is $6,603,882. The actuarial accrued liability, which is the portion of the $6,603,882 attributable to service accrued by plan members as of December 31, 2013, is $3,432,848. Staff does not recommend the current policy. This is similar to not making your mortgage payment. At the end of 15 years if no additional funds are set aside the City will have a large balloon payment. This would not be prudent financial stewardship.

As an alternative, the City of Rowlett could set up an irrevocable trust and change the funding policy so that the annual employer contributions were equal to the ARC, or $331,654 annually. Under this funding policy, GASB 45 allows the use of a discount rate consistent with the investment return earned on the plan's assets. Dependent on the asset allocation of the investment pool, this rate should be based on longer term investments. In this valuation, the discount rate is 7.50 percent.

Under this scenario, the present value of all benefits expected to be paid to current plan members as of December 31, 2013, is $4,398,876. The actuarial accrued liability, which is the portion of the

$4,398,876 attributable to service accrued by plan members as of December 31, 2013, is $2,585,786. As the data shows, prefunding OPEB can significantly reduce the overall liability over time.

As of December 31, 2013, there is $0 in valuation assets available to offset the liabilities of the plan. The funded status of the plan, which is the ratio of plan assets to actuarial accrued liability, as of December 31, 2013 is 0.00 percent.

Another consideration would be to shift the bulk of the burden onto retirees either through a greater share of the explicit and implicit costs or moving retirees off the City's plan and onto the health care exchanges.

Staff's recommendation is to put together a hybrid option that includes elements of partially funding the ARC and increasing retirees share of the cost over time. This will allow the City to begin to reduce its liability over time with significantly increasing the burden on either employees or taxpayers. The City can also more aggressively address the issue as the economy improves over time.

RECOMMENDED ACTION

Provide direction to staff to formulate a strategy overt the next year to address the City's OPEB liability based on a hybrid of options 2 and 3 as described above.

ATTACHMENTS

Attachment 1 – TX2014 Rowlett GASB45 FYE14 Valuation Report (OPEB)
Attachment 2 – NCTCOG Aggregate OPEB 2013 Report

CITY OF ROWLETT RETIREE HEALTH CARE PLAN

ACTUARIAL VALUATION REPORT

AS OF DECEMBER 31, 2013

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September 9, 2014

Wendy Badgett
City of Rowlett
Assistant Director of Financial Services
4004 Main St., 75088
Rowlett, TX 75030-0099

Dear Ms. Badgett:

Submitted in this report are the results of an Actuarial Valuation of the assets and benefits associated with the employer financed retiree health benefits provided by the City of Rowlett. The date of the valuation was December 31, 2013. The annual required contribution has been calculated for the fiscal year beginning October 1, 2013.

The actuarial calculations were prepared for purposes of complying with the requirements of Statements No. 43 and No. 45 of the Governmental Accounting Standards Board (GASB). The calculations reported herein have been made on a basis consistent with our understanding of these accounting standards. Determinations of the liability associated with the benefits described in this report for purposes other than satisfying the City of Rowlett's financial reporting requirements may produce significantly different results. This report may be provided to parties other than the City of Rowlett only in its entirety and only with the permission of the City of Rowlett.

The valuation was based upon information, furnished by the City of Rowlett, concerning retiree health benefits and individual employees, and financial data. Data was checked for internal consistency but was not otherwise audited.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law.

The signing actuaries are independent of the plan sponsor. To the best of our knowledge, this report is complete and accurate and was made in accordance with generally recognized actuarial methods. Mehdi Riazi and Dana Woolfrey are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Respectfully submitted,

Mehdi Riazi, ASA, EA, MAAA   Dana Woolfrey, FSA, EA, MAAA

EXECUTIVE SUMMARY

Annual Required Contribution

This report presents the annual expense required to be recognized by the plan sponsor for purposes of complying with the accounting requirements of Government Accounting Standards Board Statement No. 45. In addition, the plan may also need to comply with GASB Statement No. 43. Please consult with legal counsel and the auditors to determine whether you have a plan for GASB Statement No. 43 purposes.

The Annual Required Contribution (ARC) for the fiscal year beginning October 1, 2013 has been calculated under two different interest rate assumptions. Below is a summary of the Annual Required Contribution. In the first year GASB Statement No. 45 is adopted, the annual OPEB cost required to be disclosed on the employer's financial statements is equal to the ARC. Actual claims/premiums paid on behalf of retirees may be treated as employer contributions in relation to the ARC and act to reduce the Net OPEB Obligation (NOO).

Annual Required Contribution	PAYGO	Funding Policy
Fiscal Year Beginning 2013	$402,494	$331,654

For additional details please see Section B of the report.

Additional OPEB Reporting Requirements

In addition to the annual OPEB cost described above, employers will have to disclose a Net OPEB Obligation (or asset). The Net OPEB Obligation is the cumulative difference between annual OPEB costs and annual employer contributions in relation to the ARC, accumulated from the implementation of Statement No. 45. The Net OPEB Obligation is zero as of the beginning of the fiscal year that Statement No. 45 is implemented, unless the employer chooses to recognize a beginning balance. The requirements for determining the employer's contributions in relation to the ARC are described in paragraph 13 g. of Statement No. 45. Additional information required to be disclosed in the employer's financial statements is detailed in paragraphs 24 through 27 of Statement No. 45.

Liabilities and Assets

PAYGO Assumption

This scenario assumes the current pay-as-you-go (PAYGO) funding policy will continue, i.e., the annual employer contributions each year are equal to the benefits that are paid on behalf of the retirees. Under this funding policy, GASB 45 requires the use of a discount rate consistent with the investment return earned on the employer's general assets. In this valuation, the discount rate is 4.50%.

The present value of all benefits expected to be paid to current plan members as of December 31, 2013 is $6,603,882. The actuarial accrued liability, which is the portion of the $6,603,882 attributable to service accrued by plan members as of December 31, 2013, is $3,432,848. As of December 31, 2013, there is $0 in valuation assets available to offset the liabilities of the plan.

The funded status of the plan, which is the ratio of plan assets to actuarial accrued liability, as of December 31, 2013 is 0.00%.

Funding Policy Assumption

This scenario assumes the employer will set up an irrevocable trust and change the funding policy so that the annual employer contributions are equal to the ARC. Under this funding policy, GASB 45 allows the use of a discount rate consistent with the investment return earned on the plan's assets. Dependent on the asset allocation of the investment pool, this rate should be based on longer term investments. In this valuation, the discount rate is 7.50%.

The present value of all benefits expected to be paid to current plan members as of December 31, 2013 is $4,398,876. The actuarial accrued liability, which is the portion of the $4,398,876 attributable to service accrued by plan members as of December 31, 2013, is $2,585,786. As of December 31, 2013, there is $0 in valuation assets available to offset the liabilities of the plan.

The funded status of the plan, which is the ratio of plan assets to actuarial accrued liability, as of December 31, 2013 is 0.00%.

SECTION A

OVERVIEW

GASB BACKGROUND

The purpose of this valuation is to provide information on the cost associated with providing postemployment benefits other than pensions, or OPEB, to current and former employees. OPEB benefits are most often associated with postemployment health care, but cover almost any benefit not provided through a pension plan, including life insurance, dental and vision benefits. It is important to note that OPEB benefits, by definition, do not include benefits *currently* being provided to active employees – however, this report includes the liabilities for benefits expected to be paid to current active employees when they terminate employment at a future date.

The rising cost of health care has been a cause of concern to both individuals and employers who sponsor health care plans. The accounting community became concerned that many sponsors of public plans were accounting for the cost of their OPEB plans solely on the basis of benefits paid and that this method did not accurately reflect the ultimate cost of benefits promised to current and former employees. In 1988, the Governmental Accounting Standards Board (GASB) began working on a project to develop comprehensive standards for financial reporting of OPEB plans. The GASB worked on comprehensive standards for OPEB accounting for more than a decade, culminating with the release of GASB Statements No. 43 and No. 45 in the Spring of 2004. GASB Statement No. 43 covers the accounting rules for OPEB *plans* while GASB Statement No. 45 describes the rules for *employers* sponsoring OPEB plans.

The GASB determined that an OPEB plan was similar to a pension plan in that benefits are earned during an active employee's working lifetime but paid out at a future date. In the GASB's view, accounting for OPEB should follow the same basic principle as accounting for public plan pension cost: these benefits are compensation for employees' services and should be accounted for during the period of time that services are performed.

GASB STANDARDS

Unlike pension plans, OPEB plans often do not have a formal document detailing the specific terms of the plan. Under GASB No. 43 and No. 45 the benefits to be accounted for are those provided by the *substantive plan* – loosely defined as the benefits covered by the plan as understood by the employer and plan members at the time of each actuarial valuation. The substantive plan provisions used in this valuation are summarized in Section E.

GASB also requires that the calculations assume the terms of the substantive plan continue indefinitely. It has been argued that there is a likelihood future OPEB plan provisions would be different than the current substantive plan (due to rising health care costs or social changes) and therefore liabilities based on the current substantive plan may overstate what will actually occur. However, the GASB Statement is designed to measure liabilities for the plan as it currently exists. While it may be reasonable to assume future changes in the OPEB plan for other purposes, recognition of anticipated changes is not allowed for purposes of accounting for OPEB.

The specific items required to be disclosed on an OPEB sponsor's financial statements are described in detail in GASB No. 43 and No. 45. In general terms, though, the plan sponsor is required to disclose an annual OPEB cost, the funded status of the plan and the funding progress on the valuation date. Although GASB does not require OPEB contributions, it has chosen to call the base component of the annual OPEB cost the Annual Required Contribution, or ARC. The ARC consists of the cost of benefits accruing in a year plus an amount calculated to amortize any unfunded actuarial accrued liability over a period of not more than 30 years.

The plan is also required to disclose the cumulative difference between the ARC and the employer's actual contribution to the plan. This amount is known as the Net OPEB Obligation (NOO). Each year, the NOO accumulates with interest, plus the difference between the ARC and actual contributions for the year, plus some technical adjustments. It is the NOO, and not the unfunded actuarial accrued liability, that is disclosed on the employer's Statement of Net Assets. **However, the GASB released exposure drafts for new standards in May of 2014, which would require balance sheet recognition of a liability which resembles the current unfunded accrued liability. The proposed requirements would be effective for fiscal years beginning after December 15, 2016.**

OPEB SPECIFIC ASSUMPTIONS

In any long-term actuarial valuation (such as for pensions and OPEB) certain demographic, economic and behavioral assumptions must be made concerning the population, investment discount rates, and the benefits provided. These actuarial assumptions form the basis for the actuarial model which is used to project the future population, benefits to be provided, and contributions to be collected. The investment return rate assumption is used to discount the future benefits to a present value on the valuation date. While assumptions such as future rates of retirement and mortality are similar for both OPEB and pension plans, there are some additional assumptions required when projecting benefits for a health care plan.

The cost of providing medical services has been increasing more rapidly than prices in general for many years. During the period from 1955 to 2005 general inflation averaged 4.0%, while health expenditures increased by an average of about 10% per year. Health care spending, as a percentage of GDP, has increased from 5.4% in 1961 to 17.9% in 2011. If this trend is projected to continue for years to come, it implies that years from now virtually all our expenditures will be for health care. The seemingly more reasonable alternative is that in the not too distant future medical expense inflation will stabilize at a level at or near general inflation. Furthermore, the percentage of GDP devoted to health care expenditures is expected to continue to increase. It is on this basis that we project retiree health care costs will continue to exceed general inflation in the near term, but by less each year until leveling off at an ultimate rate that is similar to general price increases.

Health care increase rates used in this valuation lie within a range of reasonable assumptions, and are described in Section G of this report. The health care increase rate assumption has a major effect on the calculation of plan liabilities. To illustrate the effect of differing future medical inflation rates, Section C of this report provides the ARC and associated liabilities based on an "optimistic" and "pessimistic" trend scenario.

OPEB SPECIFIC ASSUMPTIONS (CONCLUDED)

The selection of an investment return rate also has a major impact on the calculation of the reported GASB OPEB expense.

It is important to note that GASB Statements No. 43 and No. 45 require the selection of an interest rate assumption to be based on the expected long-term rate of return on the assets expected to pay the OPEB when due. GASB states that the return should be based on expected returns of:

- Plan assets – if the sponsor has been contributing the ARC on a regular basis;
- The employer's general assets – where no OPEB assets have been accumulated;
- A blend of plan and employer assets – in cases where OPEB assets exist but the plan is contributing amounts less than the ARC.

ACTUARIAL COST METHOD

GASB Statement No. 45 provides some flexibility to governmental employers (and their actuaries) in the use of various actuarial cost methods. It should be noted that an actuarial cost method determines a contribution or expense by assigning portions of the present value of projected benefits to various years with the general goal of accruing the cost of benefits over the working lifetime of the employees. The choice of a particular method does not change the ultimate cost of the promised benefits.

The Projected Unit Credit actuarial cost method has been used to calculate the GASB ARC for this valuation. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payments are projected. The projected unit credit method then provides for a systematic funding for these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability. This is both an acceptable and reasonable cost method. The use of another actuarial cost method would produce different results. **It is important to note that the OPEB exposure drafts, which were released in May of 2014, would require employers to use the Entry Age Normal Actuarial Cost Method.**

OPEB PREFUNDING

Many employers fund retiree health care benefits using the pay-as-you-go (or cash disbursement) method. The employer's annual contribution for these benefits is equal to the actual disbursements during the year for health care benefits for retired employees. This method of funding will result in increasing contributions over time. First, per capita cash disbursements will tend to increase from year to year as the cost of health care services, or the utilization of these services, increases. Second, the number of retired members is likely to increase for years to come. The more retirees there are, the greater the disbursements as a percentage of employee payroll.

A retiree health care plan is similar to a defined benefit pension plan, in that promises are made to employees to provide them with a benefit payable at some future date. For defined benefit pension plan sponsors a common funding objective is to contribute annual amounts to a fund which will i) remain level as a percentage of active member payroll, and ii) when combined with present assets and future investment return will be sufficient to meet the financial obligations of the Plan to current and future retirees.

The ultimate determination as to the level of pre-funding will be the result of decisions made in an attempt to reconcile the often conflicting needs of benefit security for members and fiscal responsibility for the employer. The GASB accounting standards noted in the previous section of the report can factor into decisions concerning the level of pre-funding.

SECTION B

VALUATION RESULTS

CITY OF ROWLETT
DEVELOPMENT OF THE ANNUAL REQUIRED CONTRIBUTION

Contributions for	Development of the Annual Required Contribution		
	Fiscal Year Beginning 2013		Fiscal Year Beginning 2011
	Unfunded PAYGO	Funding Policy	Unfunded PAYGO
Employer Normal Cost	$260,426	$177,554	$263,183
Amortization of UAAL	$142,068	$154,100	$116,724
Annual Required Contribution (ARC)	$402,494	$331,654	$379,907
ARC Per Active Participant	$1,212	$998	$1,221

	Determination of Unfunded Actuarial Accrued Liability		
	Fiscal Year Beginning 2013		Fiscal Year Beginning 2011
	Unfunded PAYGO	Funding Policy	Unfunded PAYGO
A. Present Value of Future Benefits			
i) Retirees and Beneficiaries	$611,696	$553,184	$331,650
ii) Vested Terminated Members	$0	$0	$0
iii) Active Members	$5,992,186	$3,845,692	$6,304,077
Total Present Value of Future Benefits	$6,603,882	$4,398,876	$6,635,727
B. Present Value of Future Normal Costs	$3,171,034	$1,813,090	$3,815,280
C. Actuarial Accrued Liabilities (A.-B.)	$3,432,848	$2,585,786	$2,820,447
D. Actuarial Value of Assets	$0	$0	$0
E. Unfunded Actuarial Accrued Liability (C.-D.)	$3,432,848	$2,585,786	$2,820,447
F. Funded Ratio (D./C.)	0.00%	0.00%	0.00%

COMMENTS

COMMENT A: One of the key assumptions used in any valuation of the cost of post-employment benefits is the rate of return on Plan assets. Higher assumed investment returns will result in a lower ARC. Lower returns will tend to increase the computed ARC. Under the first scenario (Unfunded PAYGO) the discount rate is based on the employer's general assets (short term bonds and cash) and the assumed rate is 4.50%. Under the pre-funded scenario, the assumed asset allocation is a mix of short and long-term bonds and therefore a 7.50% discount rate is assumed.

COMMENT B: Based on the number of plan members as of this valuation, the plan sponsor is required by GASB to perform actuarial valuations at least biennially.

COMMENT C: The ARC shown in this report has been calculated to increase at the same rate as the projected increase in active member payroll (3.00% per year). The unfunded actuarial accrued liabilities were amortized as a level percent of active member payroll over an open period of 30 years. A 30-year amortization period for unfunded actuarial accrued liabilities is the maximum period that complies with the GASB requirements. A shorter amortization period would result in a higher ARC.

COMMENT D: The Unfunded Actuarial Accrued Liability (UAAL) is not booked as an expense all in one year and does not appear in the Employer's Statement of Net Assets. Currently, the UAAL is reported in the Notes to the Financial Statements and in the Required Supplementary Information. These are information sections within the employer's financial statements. **However, the GASB released exposure drafts for new standards in May of 2014, which would require balance sheet recognition of a liability which resembles the current unfunded accrued liability. The proposed requirements would be effective for fiscal years beginning after December 15, 2016.**

SECTION C

SENSITIVITY ANALYSIS

POSTEMPLOYMENT HEALTH INSURANCE -- SENSITIVITY TESTS

Actuarial valuations deal with the cost of benefits to be paid in the future. The payments considered will range from one month in the future to decades from the valuation date (for a young, newly hired employee who may retire many years from now and live many years after that). In order to establish a present day cost for these future benefit obligations, the actuary bases the valuation on a number of assumptions about future occurrences. The occurrences that must be considered include employee turnover, pay increases, disablement, retirements, deaths and investment income on anticipated plan assets.

When the benefits being valued are health care benefits, a key factor is the future cost of the medical benefits being promised. This is projected using the current cost of the System's health care benefits and assumed future health care cost increases. The final cost of providing retiree health care benefits will depend upon how the charges for health care services actually increase in the future.

In order to demonstrate how the cost of these benefits can vary depending upon future health care cost increases, we have performed additional valuations based upon alternative health care cost increase assumptions. The schedules on page C-2 compare (i) the computed cost of the retiree health care benefits using the valuation (Intermediate) assumptions to (ii) results of alternate valuations. The pessimistic and optimistic scenarios provide the impact on the valuation results of a 1% increase or decrease to the trend assumption.

CITY OF ROWLETT
SENSITIVITY ANALYSIS

The selection of future health care cost increases is one of the key assumptions in determining plan liabilities. If the health care cost trend rates upon which the calculation of the Annual Required Contribution was based were changed by 1% in each future year, the annual contribution for the combined groups (illustrated using the projected unit credit method) would change as follows.

Contributions for	Development of the Annual Required Contribution		
	Fiscal Year Beginning 2013		
	Pessimistic	Intermediate	Optimistic
Employer Normal Cost	$297,864	$260,426	$229,056
Amortization of UAAL*	$155,990	$142,068	$129,984
Annual Required Contribution (ARC)	$453,854	$402,494	$359,040
ARC Per Active Participant	$1,367	$1,212	$1,081

* Unfunded Actuarial Accrued Liabilities (UAAL) were amortized over 30 years.
All three scenarios above based on an unfunded 4.50% discount rate

	Determination of Unfunded Actuarial Accrued Liability		
	Pessimistic	Intermediate	Optimistic
A. Present Value of Future Benefits			
i) Retirees and Beneficiaries	$627,984	$611,696	$596,445
ii) Vested Terminated Members	$0	$0	$0
iii) Active Members	$6,970,293	$5,992,186	$5,184,394
Total Present Value of Future Benefits	$7,598,277	$6,603,882	$5,780,839
B. Present Value of Future Normal Costs	$3,829,042	$3,171,034	$2,639,973
C. Actuarial Accrued Liabilities (A.-B.)	$3,769,235	$3,432,848	$3,140,866
D. Actuarial Value of Assets	$0	$0	$0
E. Unfunded Actuarial Accrued Liability (C.-D.)	$3,769,235	$3,432,848	$3,140,866
F. Funded Ratio (D./C.)	0.00%	0.00%	0.00%

SECTION D

RETIREE PREMIUM RATE DEVELOPMENT

RETIREE PREMIUM RATE DEVELOPMENT

The initial per capita costs were developed for the pre-65 retirees using active and retiree claims experience for the time period beginning October 2012 through April 2014 in conjunction with census data for the active and retired members of the retiree health care program. It is our understanding that no plan changes occurred over this time period; therefore, no adjustments were applied to the claims for plan changes. The claims were projected on an incurred claim basis, adjusted for large claims, and loaded for administrative expenses. An inherent assumption in this methodology is that the projected future retirees will have a similar distribution by plan type as the current plan participants (actives and retirees combined). The prescription drug costs were analyzed separately and are included in the age rated costs shown below. Dental and vision benefits are not included in the tables below. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees.

Age graded and sex distinct premiums are utilized by this valuation. These costs are appropriate for the unique age and sex distribution currently existing. Over the future years covered by this valuation, the age and sex distribution will most likely change. Therefore, our process “distributes” the average premium over all age/sex combinations and assigns a unique premium for each combination. The age/sex specific costs more accurately reflect the health care utilization and cost at that age.

The monthly one-person premium including medical and prescription drug benefits at select ages are shown below:

FOR THOSE NOT ELIGIBLE FOR MEDICARE		
AGE	MALE	FEMALE
40	$345.48	$541.28
50	635.06	719.56
60	1,042.74	1,002.30
64	1,213.69	1,124.98

Retirees who are eligible for Medicare and eligible for a City subsidy are assumed to be subsidized at the Core PPO “employee only” rate.

SECTION E

SUMMARY OF BENEFITS

CITY OF ROWLETT
RETIREMENT HEALTH CARE PLAN
AS OF DECEMBER 31, 2013

Age Retirement

Health insurance coverage is available to full time employees who work 40 hours per week. Retirees are entitled to purchase continued health benefits coverage for themselves and their dependents as provided in Local Government Code, Chapter 175. Right of Certain Municipal and County Employees to Purchase Continued Health Coverage at Retirement. (See Attached). Employees are eligible to retire at any age with 20 years of service in TMRS, or after at least 5 years of TMRS service and at least age 60.

Retirees Under 65

Employees retiring under the TMRS system shall be eligible to receive premium payment of individual (not dependent) health insurance benefits for a period of time equal to one month for every full year of service with the City of Rowlett. The premium payment amount will be based on the Employee Only premium on the City's Core Medical Plan Option. The retiree will be responsible for paying any premium charges above the amount provided under the Core Medical Plan Option Employee Only rate. The retiree will also be responsible for paying all premiums related to the purchase of medical coverage for dependents, dental coverage and vision coverage, and full premium for medical to continue to purchase when City funded portion of medical coverage ends. The retiree pays 100% of the premium rates charged to the City for medical, dental and/or vision coverage.

Retirees Over 65

Employees retiring under the TMRS system shall be eligible to receive premium reimbursement for individual (not dependent) Medicare Supplement for a period of time equal to one month for every full year of service with the City of Rowlett. The premium reimbursement amount shall not exceed the Employee Only premium on the City's Core Medical Plan Option. After the City funded portion of medical premium ends, retiree is responsible for paying full premium to continue to purchase.

Duty and Non-Duty Disability Retirement

All Retirees have same Chapter 175 Right to Continue to Purchase options. No difference between regular retirement and disability retirement.

Duty and Non-Duty Death-in-Service

Surviving spouses of death-in-service members are eligible for continuation of health insurance benefits under COBRA provisions. City does not pay any portion of spouse or dependent medical, dental or vision coverage.

CITY OF ROWLETT
RETIREMENT HEALTH CARE PLAN
AS OF DECEMBER 31, 2013 (CONTINUED)

Medicare Eligibility

See information under Retirees over 65. The City does not provide any premium payment or reimbursement for spouse or dependents.

Spouse and Dependent Coverage

Spouse and eligible dependents are eligible to continue to purchase health benefits per Chapter 175 provisions. City does not pay any portion of spouse or dependent medical, dental or vision coverage.

Employee/Retiree Contributions

Active employees do not contribute any of their wages toward retiree health care benefits. The City pays the Employee Only premium for medical coverage, based on the City's Core Medical Plan Option, for one month for each full year of service with the City of Rowlett. Retired employees are required to pay 100% of any additional premium expense for health benefits purchased upon retirement.

Employees that opt out of purchasing continuation of medical coverage do not receive the Core Medical Plan Option credit from the City.

Medical Coverage

The City of Rowlett currently offers three medical plan options:

- Aetna Core PPO
- Aetna HRA 2000
- Aetna HDHP 1500

Dental Coverage

The City of Rowlett currently offers two dental plan options:

- Delta Dental PPO
- Delta Care DHMO

Vision Coverage

The City of Rowlett currently offers a voluntary vision plan from Block Vision.

CITY OF ROWLETT
RETIREMENT HEALTH CARE PLAN
AS OF DECEMBER 31, 2013 (CONTINUED)

Life Insurance

The City paid Group Term Life/AD&D coverage and City paid Group Long Term Disability coverage provided to all full time active employees by Cigna terminates at midnight on the date of retirement. The retiree will have an opportunity to convert the Group Term Life/AD&D coverage to an individual whole life policy within 30 days of the date of retirement by applying for the conversion. The retiree will be responsible for paying 100% of the premium.

If the retiree has purchased a voluntary Group Term Life/AD&D policy while actively employed, they will also have an opportunity to continue this coverage as an individual Term Life product within 30 days of retirement. The retiree will be responsible for paying 100% of the premium.

There is no option to continue the Group Long Term Disability coverage after retirement. If the employee is receiving a benefit for an approved claim under the Group LTD coverage at the time of retirement (regular retirement or disability retirement), the LTD benefit will continue after retirement. Premiums are waived when a disability claim has been approved.

Health premiums effective October 1, 2013 through September 30, 2014:

Plan Name	Employee Only	Employee & Spouse	Employee & Children	Employee & Family
CORE PPO	493.61	1,088.38	910.56	1,589.64
HRA 2000	534.98	1,179.60	986.88	1,722.88
HDHP 1500	569.36	1,253.91	1,054.79	1,823.26

SECTION F

SUMMARY OF PARTICIPANT DATA

CITY OF ROWLETT
TOTAL ACTIVE MEMBERS AS OF DECEMBER 31, 2013
BY ATTAINED AGE AND YEARS OF SERVICE

Attained Age	Years of Service to Valuation Date							Total
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	
Under 20	1							1
20-24	21							21
25-29	38	13						51
30-34	8	20	4					32
35-39	14	13	13	10				50
40-44	10	9	12	15	5			51
45-49	7	7	2	6	10	6		38
50-54	5	4	3	5	11	9	7	44
55-59	4	1	4	7	3	4	2	25
60-64	1	6	4	2	1	1	2	17
65 & Over			2					2
Totals	**109**	**73**	**44**	**45**	**30**	**20**	**11**	**332**

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Age:	41.3	years
Service:	10.9	years

City of Rowlett
Total Retired Members as of December 31, 2013
By Attained Age

Attained Age	Number of Retirees		
	Male	Female	Total
Under 55	5	0	5
55-59	6	1	7
60-64	5	3	8
65 & Over	4	3	7
Totals	**20**	**7**	**27**

The number counts above only include those retirees who have elected to receive retiree health care coverage through the City of Rowlett Retiree Health Care Plan.

SECTION G

ACTUARIAL COST METHOD AND ACTUARIAL ASSUMPTIONS

Actuarial Cost Method. The Projected Unit Credit Cost Method was used in the valuation. The actuarial present value of benefits allocated to the valuation year is the Normal Cost. The actuarial present value of benefits allocated to all prior periods is the Actuarial Accrued Liability. Actuarial gains (losses), as they occur, reduce (increase) the Unfunded Actuarial Accrued Liability.

Financing of Unfunded Actuarial Accrued Liabilities. Unfunded actuarial accrued liabilities (UAAL) (full funding credit if assets exceed liabilities) were amortized by level (principal & interest combined) percent-of-payroll contributions. The UAAL was determined using the funding value of assets and actuarial accrued liability calculated as of the valuation date. The UAAL amortization payment (one component of the contribution requirement), is the level percent-of-payroll required to fully amortize the UAAL over a 30 year period.

Actuarial Value of System Assets. The Actuarial Value of Assets is set equal to the reported market value of assets. The assets are allocated among the divisions based on liabilities valued at 4.50%. The assets may not be allowed for consideration as GASB assets, but are shown for illustrative purposes.

General inflation is assumed to be 3.00% per year.

The rate of investment return for the Unfunded PAYGO scenario was 4.50% a year, compounded annually net after investment expenses. For the Funding Policy scenario, we assumed a 7.50% rate of investment return. The assumed real return is the rate of return in excess of price inflation. Considering other assumptions used in the valuation, the nominal rates translate to a net real return of 1.50% a year on the Unfunded PAYGO basis and 4.50% on the Funding Policy basis.

The rates of salary increase used for individual members are in accordance with the following table. This assumption is used to project a member's current salary to the salaries upon which future contributions will be based.

	% Increase in Salary at Sample Ages		
Years of Service	**Service Based Rates**	**Sample Ages**	**Age Based Rates**
0	12.00%	20	5.25%
1	9.00	25	5.25
2	7.00	30	5.25
3	7.00	35	5.00
4	6.00	40	4.50
5	6.00	45	4.50
6	5.50	50	4.00
7	5.50	55	4.00
8	5.50	60	3.75
9	5.50	65	3.50

The number of active members is assumed to remain constant in the future.

The payroll growth rate for financing Unfunded Actuarial Accrued Liabilities was assumed to be 3.00% per year.

The rates of post retirement mortality

For healthy retirees, the mortality rates are from the RP-2000 Combined Healthy Mortality Table for males and females, with base table rates multiplied by 109% for males and 103% for females. For healthy retirees, the valuation employs fully generational mortality projections based on Scale BB.

The mortality table for disabled retirees was the RP 2000 Disabled Retiree Mortality table for males and females; multiplied by 80%. Mortality rates were adjusted as described above to include margin for future mortality improvement. Except as noted above, no provision is currently made for future improvements in disabled mortality after the measurement date.

The rates of mortality for active members are from the RP 2000 Combined Healthy Mortality Table for males and females projected to the year 2003 by Scale AA, with a 5 year setback for both males and females. Mortality rates were adjusted as described above to include margin for future mortality improvement. No provision is currently made for future improvements in employee mortality after the measurement date.

The rates of retirement are shown in the following table.

The base table rates vary by gender, entry age group, and age. These rates are adjusted then multiplied by 2 factors based on 1) employee contribution rate and employer match and 2) if the city has a recurring COLA. The base retirement rates shown in the table below do not include the employer specific plan design adjustments.

	Males Entry Age Groups			**Females Entry Age Groups**		
Age	Ages 32 & Under	Ages 33 - 47	Ages 48 & Over	Ages 32 & Under	Ages 33 - 47	Ages 48 & Over
40-44	0.06	-	-	0.06	-	-
45-49	0.06	-	-	0.06	-	-
50-52	0.08	-	-	0.08	-	-
53	0.08	0.10	-	0.08	0.10	-
54	0.08	0.10	-	0.11	0.10	-
55-59	0.14	0.10	-	0.11	0.10	-
60	0.20	0.15	0.10	0.14	0.15	0.10
61	0.25	0.30	0.20	0.28	0.26	0.20
62	0.32	0.25	0.12	0.28	0.17	0.12
63	0.32	0.23	0.12	0.28	0.17	0.12
64	0.32	0.35	0.20	0.28	0.22	0.20
65	0.32	0.32	0.20	0.28	0.27	0.20
66-69	0.22	0.22	0.17	0.22	0.22	0.17
70-74	0.20	0.22	0.25	0.22	0.22	0.25
75 and over	1.00	1.00	1.00	1.00	1.00	1.00

Note: For cities without a 20-year/any age retirement provision, the rates for entry ages 32 and under are multiplied by 20% for ages below 60.

Plan Design Factors Applied to Base Retirement Rates

	Employee Contribution Rate		
Employer Match	5%	6%	7%
1 - 1	0.75	0.80	0.84
1.5 - 1	0.81	0.86	0.92
2 - 1	0.86	0.93	1.00

Recurring COLA: 1.00

No Recurring COLA: 0.90

The plan design factors are applied to the base retirement rates for ages less than 62.

Rates of separation from active membership were as shown below (rates do not apply to members eligible to retire and do not include separation on account of death or disability).

1. For the first 10 years of service, the base table rates vary by gender, entry age, and length of service. For each city, the base table is then multiplied by a factor from 75% to 125% based on the experience of the individual city in comparison to the group as a whole. A further multiplier is applied depending on an employee's classification: 1) Fire - 64%, 2) Police - 92%, or 3) Other - 105%. Sample base rates are shown below:

Male	**SERVICE**									
Age	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
20	0.3298	0.2707	0.2229	0.1876	0.1620	0.1426	0.1249	0.1094	0.0979	0.0867
25	0.3123	0.2485	0.2020	0.1701	0.1479	0.1308	0.1152	0.1013	0.0906	0.0810
30	0.2930	0.2235	0.1775	0.1490	0.1305	0.1163	0.1033	0.0914	0.0818	0.0744
35	0.2778	0.2089	0.1632	0.1356	0.1186	0.1059	0.0946	0.0842	0.0757	0.0696
40	0.2641	0.1987	0.1538	0.1264	0.1099	0.0980	0.0880	0.0789	0.0713	0.0661
45	0.2506	0.1900	0.1470	0.1199	0.1035	0.0922	0.0832	0.0752	0.0685	0.0635
50	0.2364	0.1811	0.1410	0.1149	0.0987	0.0880	0.0799	0.0730	0.0669	0.0616
55	0.2215	0.1718	0.1356	0.1110	0.0950	0.0854	0.0781	0.0720	0.0662	0.0601
60	0.2057	0.1623	0.1307	0.1082	0.0926	0.0844	0.0777	0.0723	0.0666	0.0591
65	0.1899	0.1530	0.1262	0.1058	0.0905	0.0839	0.0778	0.0731	0.0674	0.0584
70	0.1725	0.1427	0.1211	0.1031	0.0881	0.0832	0.0778	0.0739	0.0681	0.0575

Female	**SERVICE**									
Age	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
20	0.3289	0.2849	0.2465	0.2162	0.1941	0.1780	0.1621	0.1446	0.1274	0.1114
25	0.3079	0.2623	0.2252	0.1972	0.1774	0.1633	0.1496	0.1346	0.1191	0.1037
30	0.2837	0.2343	0.1976	0.1718	0.1549	0.1434	0.1330	0.1214	0.1084	0.0938
35	0.2664	0.2138	0.1761	0.1512	0.1360	0.1264	0.1185	0.1094	0.0984	0.0851
40	0.2532	0.1977	0.1585	0.1335	0.1192	0.1110	0.1048	0.0978	0.0887	0.0770
45	0.2427	0.1856	0.1449	0.1194	0.1051	0.0973	0.0921	0.0865	0.0792	0.0696
50	0.2337	0.1765	0.1352	0.1088	0.0936	0.0854	0.0802	0.0755	0.0698	0.0629
55	0.2250	0.1699	0.1294	0.1020	0.0849	0.0753	0.0692	0.0647	0.0606	0.0569
60	0.2166	0.1659	0.1277	0.0992	0.0793	0.0671	0.0590	0.0541	0.0515	0.0516
65	0.2082	0.1629	0.1275	0.0979	0.0749	0.0596	0.0493	0.0437	0.0426	0.0467
70	0.1990	0.1593	0.1270	0.0962	0.0697	0.0512	0.0384	0.0322	0.0327	0.0412

The rates shown above do not include the employer and employee specific loads.

Rates of Separation (continued)

2. After 10 years of service, separation rates vary by gender and by the number of years remaining until first retirement eligibility. For each city, the base table is then multiplied by a factor from 75% to 125% based on the experience of the individual city in comparison to the group as a whole (same factor as above). A further multiplier is applied depending on an employee's classification: 1) Fire - 54%, 2) Police - 80%, or 3) Other - 109%. Sample base rates are shown below:

Years from Retirement	Male	Female
1	0.0171	0.0219
2	0.0244	0.0307
3	0.0300	0.0374
4	0.0348	0.0431
4	0.0348	0.0431
5	0.0390	0.0480
6	0.0429	0.0525
7	0.0464	0.0566
8	0.0497	0.0604
9	0.0528	0.0640
10	0.0557	0.0674
11	0.0585	0.0706
12	0.0612	0.0737
13	0.0637	0.0766
14	0.0662	0.0794
15	0.0686	0.0822

The rates shown above do not include the employer and employee specific loads.

Rates of disability among active members. Sample rates are shown below:

Ordinary Disability		
	% Becoming Disabled within Next Year	
Sample Ages	Male	Female
20	0.00%	0.00%
25	0.00	0.00
30	0.01	0.00
35	0.03	0.01
40	0.07	0.04
45	0.13	0.08
50	0.21	0.13
55	0.31	0.22
60	0.38	0.30
65	0.38	0.30

Health cost increases are displayed in the following table:

	Health Care Trend Inflation Rates
Year	Medical and Drug
2014	9.00%
2015	7.25
2016	7.00
2017	6.75
2018	6.50
2019	6.25
2020	6.00
2021	5.75
2022	5.50
2023	5.25
2024	5.00
2025 & Later	4.75

Administrative Expenses The age-related claims shown on page D-1 include administrative expenses.

Decrement Timing Decrements of all types are assumed to occur mid-year.

Decrement Operation Disability does not operate during retirement eligibility.

Eligibility Testing Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.

Medicare Coverage Assumed to be available for all covered employees on attainment of age 65. Disabled retirees were assumed to be eligible for Medicare coverage at age 65.

Election Percentage It was assumed that 90% of retirees would choose to receive retiree health care benefits through the City. Retirees who are no longer eligible for a subsidy will continue coverage 25% of the time. Furthermore, no employees who retire prior to the age of 50 are assumed to continue their health coverage with the City. Of those assumed to elect coverage, 30% of males and 15% of females were assumed to elect two-person coverage, if eligible. For those that elect two-person coverage, it was assumed that surviving spouses would discontinue their coverage upon death of the retiree.

Demographic Assumptions This report has used the same demographic assumptions used to value the defined benefit retirement plan in which the members participate. We are reliant upon the retirement plan actuary to develop the demographic assumptions. Based on our experience, the assumptions appear reasonable.

Excise Tax and Health Care Reform

The ultimate trend rate was increased from 4.50% to 4.75% to reflect the anticipated impact of the excise tax on high-cost employer health plans effective January 1, 2018. The "Cadillac" tax is a 40% excise tax paid by the coverage provider (employer and/or insurer) on the value of health plan costs in excess of legislated thresholds. The thresholds in 2018 are $10,200 for single coverage and $27,500 for family coverage. Many plans that are below the thresholds today are likely to exceed them in the next decade. The thresholds will be indexed at CPI-U, which is lower than the medical inflation rates affecting the cost of the plans.

Assumption/Method Changes

1. The health care trend rate assumption was reset. The ultimate trend rate is reached in 2025 instead of 2020.
2. The ultimate trend rate was increased from 4.50% to 4.75% to reflect the impact of the "Cadillac Tax".
3. The assumed percentage of covered female retirees who cover their spouse was decreased from 20% to and 15%.
4. The mortality assumptions have been updated to match those used in the December 31, 2013 TMRS pension valuation.

APPENDIX

Accrued Service. The service credited under the plan which was rendered before the date of the actuarial valuation.

Actuarial Accrued Liability. The difference between (i) the actuarial present value of future plan benefits, and (ii) the actuarial present value of future normal cost. Sometimes referred to as "accrued liability" or "past service liability."

Actuarial Assumptions. Estimates of future plan experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and salary increases. Decrement assumptions (rates of mortality, disability, turnover and retirement) are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (salary increases and investment income) consist of an underlying rate in an inflation-free environment plus a provision for a long-term average rate of inflation.

Actuarial Cost Method. A mathematical budgeting procedure for allocating the dollar amount of the "actuarial present value of future plan benefits" between the actuarial present value of future normal cost and the actuarial accrued liability. Sometimes referred to as the "actuarial funding method."

Actuarial Equivalent. A single amount or series of amounts of equal value to another single amount or series of amounts, computed on the basis of the rate(s) of interest and mortality tables used by the plan.

Actuarial Present Value. The amount of funds presently required to provide a payment or series of payments in the future. It is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Amortization. Paying off an interest-bearing liability by means of periodic payments of interest and principal, as opposed to paying it off with a lump sum payment.

Annual Required Contribution (ARC). The ARC is the normal cost plus the portion of the unfunded actuarial accrued liability to be amortized in the current period. The ARC is an amount that is actuarially determined in accordance with the requirements so that, if paid on an ongoing basis, it would be expected to provide sufficient resources to fund both the normal cost for each year and the amortized unfunded liability.

Governmental Accounting Standards Board (GASB). GASB is the private, nonpartisan, nonprofit organization that works to create and improve the rules U.S. state and local governments follow when accounting for their finances and reporting them to the public.

Medical Trend Rate (Health Care Inflation). The increase in the cost of providing health care benefits over time. Trend includes such elements as pure price inflation, changes in utilization, advances in medical technology, and cost shifting.

Normal Cost. The annual cost assigned, under the actuarial funding method, to current and subsequent plan years. Sometimes referred to as "current service cost." Any payment toward the unfunded actuarial accrued liability is not part of the normal cost.

Other Post-Employment Employee Benefits (OPEB). OPEB are post-employment benefits other than pensions. OPEB generally takes the form of health insurance and dental, vision, prescription drugs or other health care benefits.

Reserve Account. An account used to indicate that funds have been set aside for a specific purpose and are not generally available for other uses.

Unfunded Actuarial Accrued Liability. The difference between the actuarial accrued liability and valuation assets. Sometimes referred to as "unfunded accrued liability."

Valuation Assets. The value of current plan assets recognized for valuation purposes.

ATTACHMENT 2

NCTCOG Aggregate OPEB Report

January 2014

GRS Gabriel Roeder Smith & Company
Consultants & Actuaries

TABLE OF CONTENTS

EXECUTIVE SUMMARY

NCTCOG SUMMARY RESULTS

GRS has enjoyed its relationship with the NCTCOG to provide OPEB services throughout the State of Texas. This report provides a summary of our most recent findings for 111 Texas employers for whom we provide this service. This summary is intended to allow employers to compare their results to the results of other member organizations and also to see which benefit provisions employers are utilizing to manage their OPEB liabilities.

Key results are presented in total and also by the following groups:

1) Cities with less than 500 employees
2) Cities with over 500 employees
3) Counties with less than 500 employees
4) Counties with over 500 employees
5) Other employers

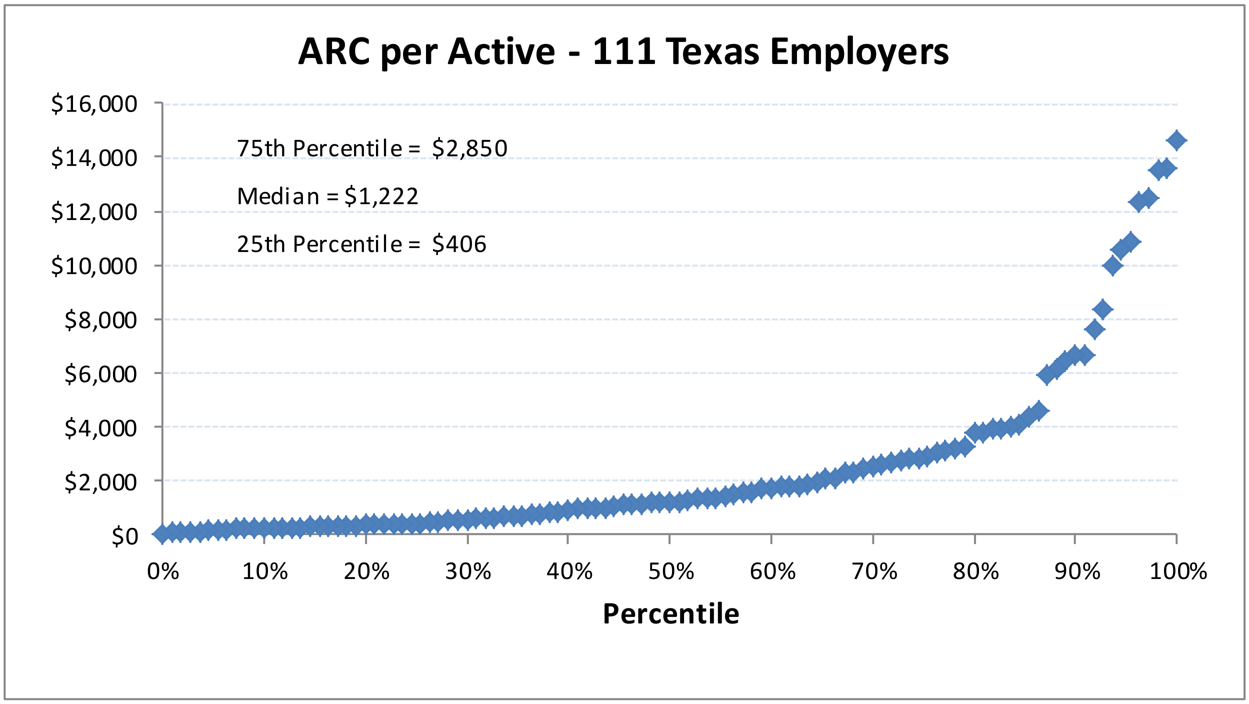
If you have any questions about the report, please let us know.

Sincerely,

Mehdi Riazi, ASA, EA, MAAA

Brad Stewart, ASA, EA, MAAA

Section 1 – Percentiles based on ARC per Active Employee

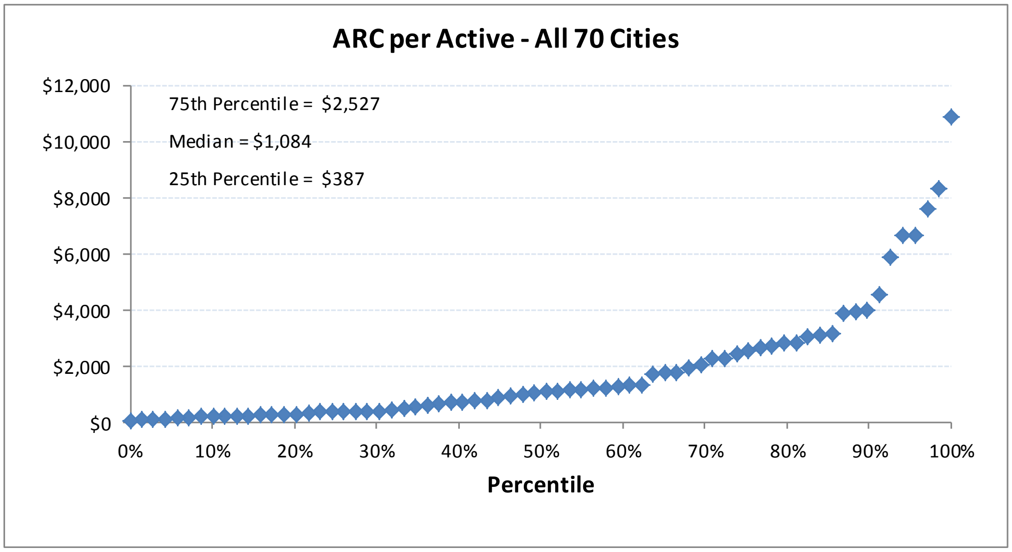


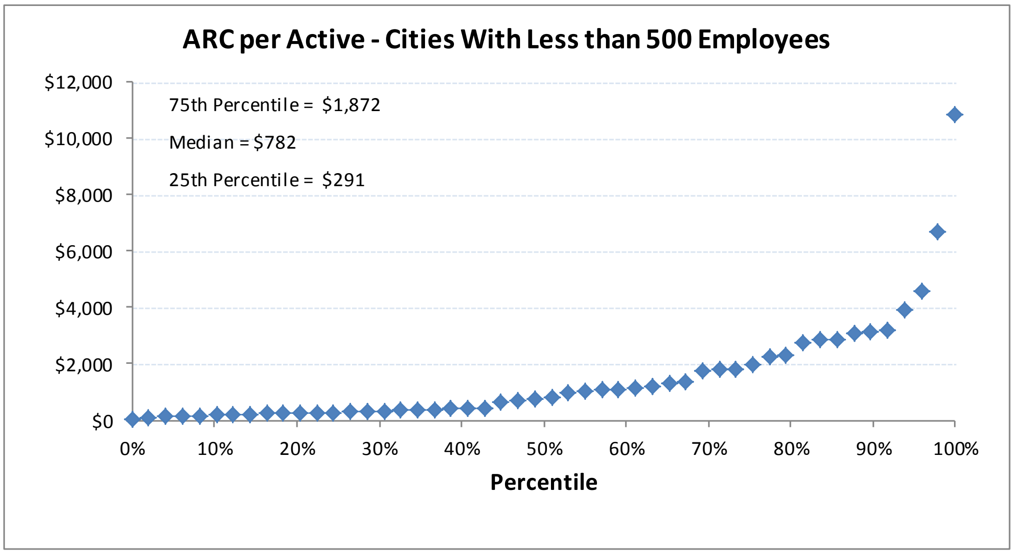
The ARC per active member is determined by dividing the ARC by the number of active participants included in the valuation. The average ARC per Active Employee is $2,488. The average cost is considerably higher than the median cost due to the large outliers. Due to this bias, we believe the median is better used for benchmark comparisons than the average.

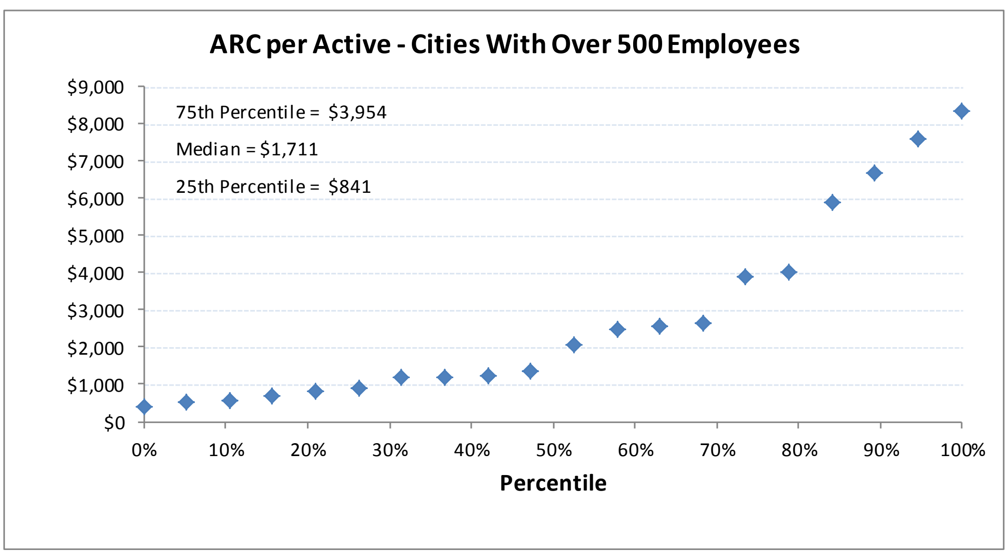
By measuring the OPEB cost on a per capita basis, employers of all sizes can compare their costs. Most of the ARC's shown in the exhibits are based on a 4.50% discount rate. We have not included separate exhibits based on higher, funding discount rates because each of our reports provides this information.

Although it is generally true that a more generous plan will have a higher ARC per active employee, this is not always the case. Some employers have eliminated the benefit for a group of employees and as a result can no longer use a 30-year, growing amortization of the unfunded accrued liability. Eliminating benefits for new hires or grandfathering a certain group of employees will provide savings in the long-run, but will often have a minimal impact on the actuarial accrued liability and may increase the ARC due to the required change to the amortization method.

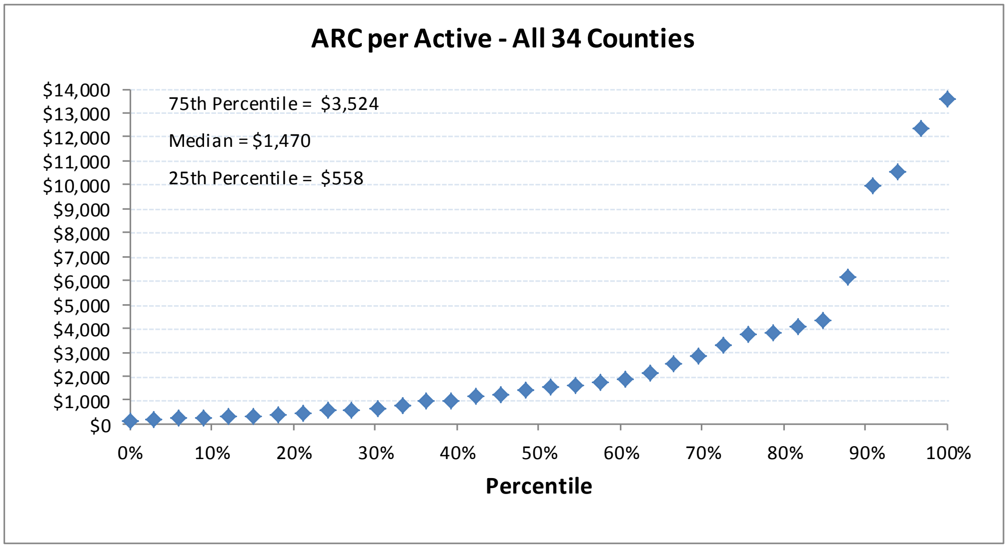
Section 1 – Percentiles based on ARC per Active Employee

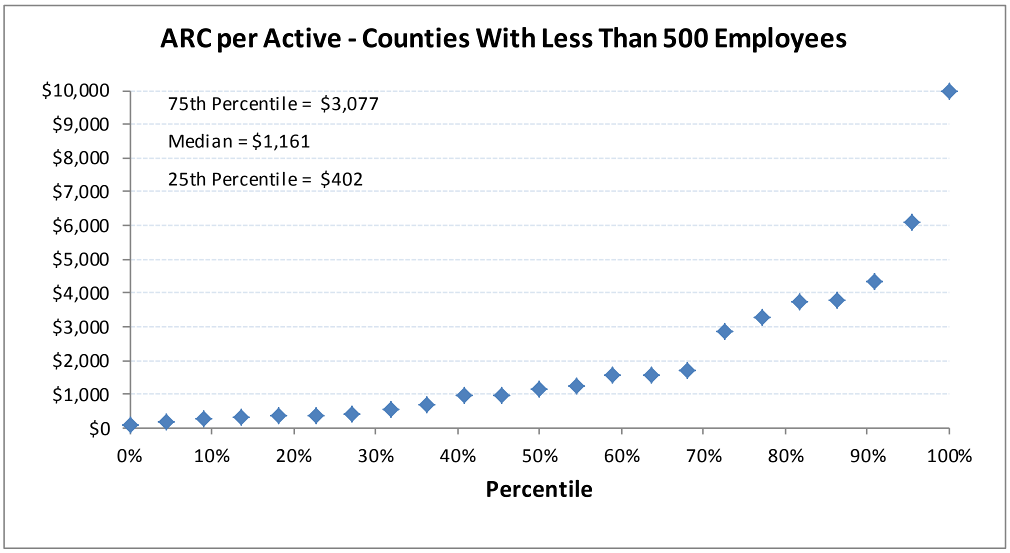


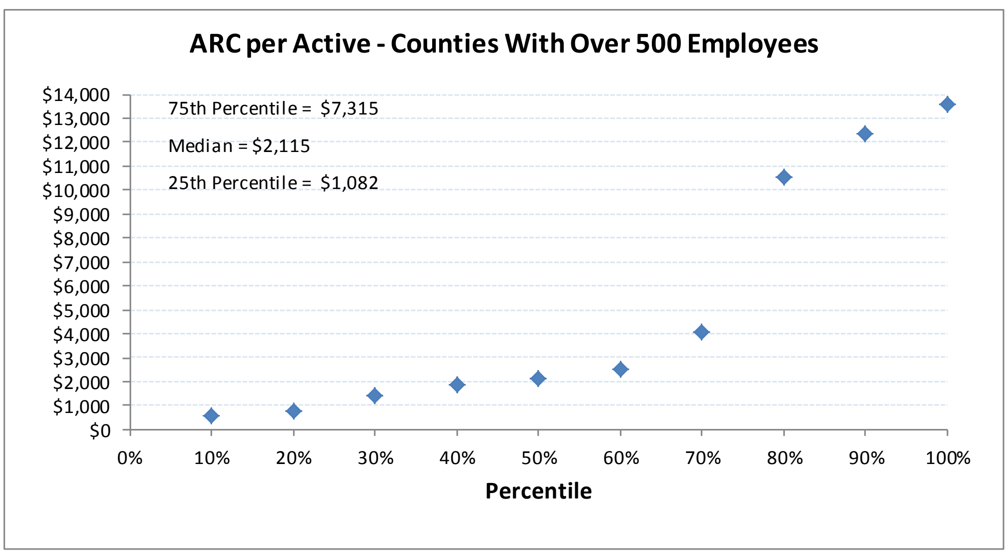




Section 1 – Percentiles based on ARC per Active Employee

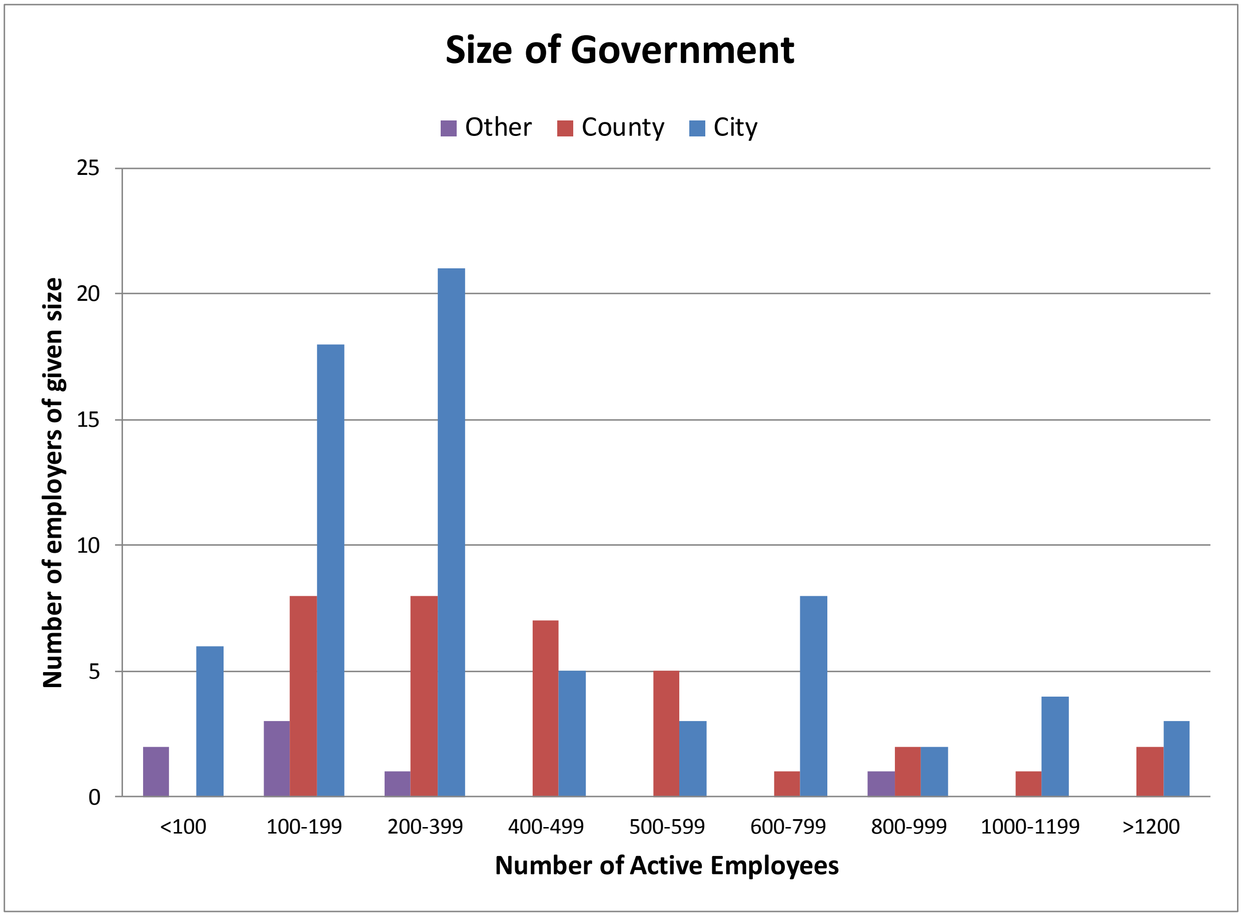






GRS

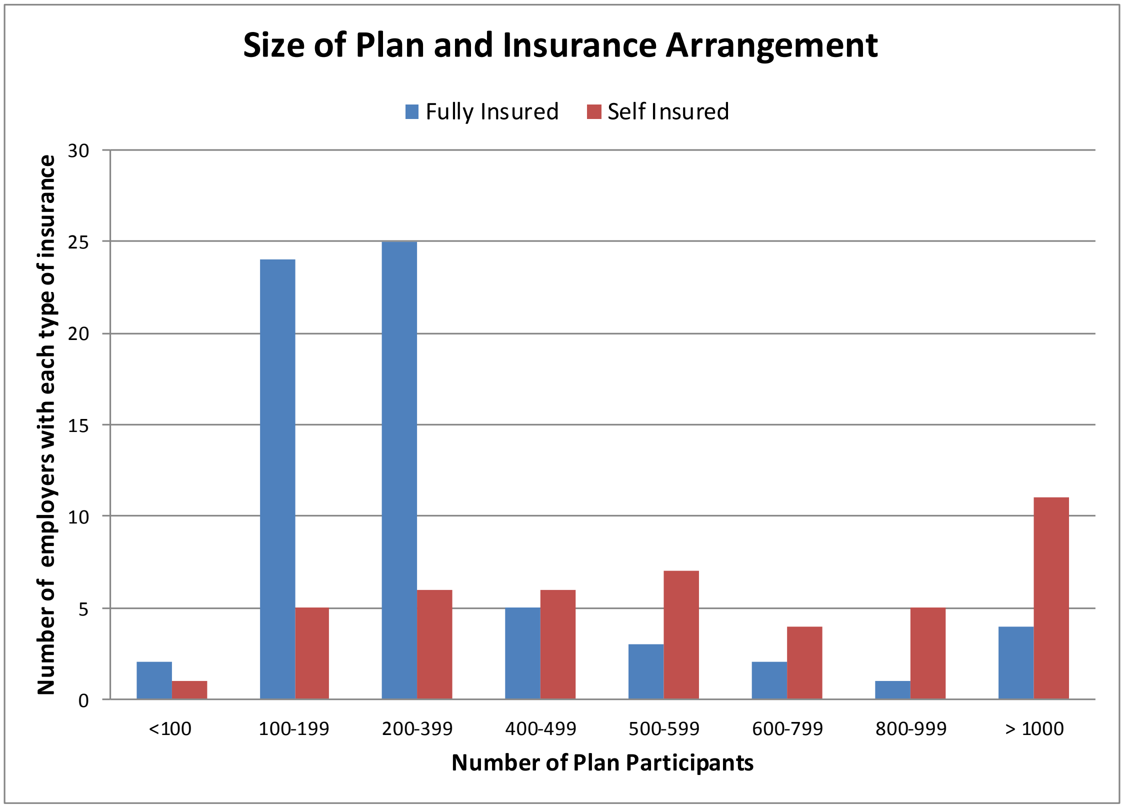
Section 2 – Size of Governments



Number of Active Employees	Type of Government City	County	Other	Total
<100	6	0	2	8
100-199	18	8	3	29
200-399	21	8	1	30
400-499	5	7	0	12
500-599	3	5	0	8
600-799	8	1	0	9
800-999	2	2	1	5
1000-1199	4	1	0	5
>1200	3	2	0	5
Total	70	34	7	111

The exhibits above provide the distribution of the 111 plans in our survey by the type of government and number of active employees.

Section 3 – Size of Plans and Types of Insurance



	Type of Insurance		
Number of Plan Participants	Fully Insured	Self Insured	Total
<100	2	1	3
100-199	24	5	29
200-399	25	6	31
400-499	5	6	11
500-599	3	7	10
600-799	2	4	6
800-999	1	5	6
> 1000	4	11	15
Total	66	45	111

The exhibits above provide the distribution of the 111 plans in our survey by the type of insurance and the number of plan participants.

Section 4 – Types of Benefit Provisions

ACCESS IS A BENEFIT

By "Access Only", we mean that the retirees are required to pay 100% of a blended premium which is based on the combined active and retiree experience. Because retirees are on average more expensive, they benefit from having access to a group plan whose premiums are based on the combined active and retiree claims experience. As shown in the table below, the required retiree premium for single-person coverage is typically between $400 and $600. The only liability for these plans under GASB 45 is from the implicit rate subsidy.

				Average Retiree Premium	
Category	Access Only	Total	Percentage	Retiree Only	Retiree + Spouse
City Less than 500 Employees	21	50	42%	$501	$970
City Over 500 Employees	4	20	20%	$480	$918
County Less than 500 Employees	4	23	17%	$558	$1,103
County Over 500 Employees	2	11	18%	$580	$949
Other	1	7	14%	$710	$1,066
Total	32	111	29%	$517	$982

SEPARATE "RETIREE-ONLY" PREMIUMS

In order to eliminate the implicit rate subsidy, an employer would need to develop stand-alone premiums which represent the cost for covering the retirees only. A few of our clients have no implicit subsidy because they utilize the TML IEBP pre-65 retiree pool products whose premiums are based solely on the experience of retirees throughout the state. Very few of our clients have implemented "retiree-only" premiums. As shown in Section 5 of this report, the age-rated costs of coverage can be considerably higher than the blended premiums which most employers consider the full cost of coverage.

SINGLE SET OF PREMIUMS

In these plans, all retirees pay the same amount which is greater than 0% but less than 100% of the plan's premiums. The amount the retiree pays is not based on service, age or any type of grandfathered subdivision.

				Average Retiree Premium	
Category	Single Premium	Total	Percentage	Retiree Only	Retiree + Spouse
City Less than 500 Employees	8	50	16%	$276	$871
City Over 500 Employees	4	20	20%	$261	$545
County Less than 500 Employees	8	23	35%	$224	$678
County Over 500 Employees	6	11	55%	$304	$563
Other	0	7	0%	N/A	N/A
Total	26	111	23%	$264	$683

Plans with low retiree contribution levels are managing their costs by having other features such as stringent age and service requirements, no post-65 coverage, no spouse subsidies, or caps on the length of coverage.

Section 4 – Types of Benefit Provisions

SERVICE BASED RETIREE PREMIUMS

The required retiree premium is based on the amount of service the retiree has with the employer. Tying the medical premium to service will reward long service employees.

Category	Service Based	Total	Percentage
City Less than 500 Employees	10	50	20%
City Over 500 Employees	8	20	40%
County Less than 500 Employees	2	23	9%
County Over 500 Employees	1	11	9%
Other	1	7	14%
Total	22	111	20%

EMPLOYER PAYS 100% OF RETIREE'S PREMIUM

In these plans, the retiree's medical insurance is 100% covered by the employer. Coverage for any dependents is usually the responsibility of the retiree. Many of these plans are managing their costs by having other features such as stringent age and service requirements, no post-65 coverage, no spouse subsidies, or caps on the length of coverage.

Category	Free Coverage	Total	Percentage
City Less than 500 Employees	7	50	14%
City Over 500 Employees	1	20	5%
County Less than 500 Employees	8	23	35%
County Over 500 Employees	0	11	0%
Other	4	7	57%
Total	20	111	18%

PLANS WITH GRANDFATHERED PROVISIONS

In these plans, a group of employees has been grandfathered and is protected from benefit changes. Although, this adds to the administrative complexity, grandfathering provides protection for employees who are close to retirement. Grandfathering can also help prevent a sudden "flood" of retirements for employees who may consider retiring before the lower benefits become effective. Grandfathering employees will typically produce very little short term savings and will likely not help employers who are having cash flow concerns.

Category	Grandfathering	Total	Percentage
City Less than 500 Employees	12	50	24%
City Over 500 Employees	7	20	35%
County Less than 500 Employees	1	23	4%
County Over 500 Employees	2	11	18%
Other	6	7	86%
Total	28	111	25%

Some of our clients have switched to a defined contribution approach for the non-grandfathered employees. These clients would still have a liability under GASB 45 if retirees are allowed to maintain their coverage by paying a blended premium.

Section 4 – Types of Benefit Provisions

SPOUSE SUBSIDIES

Almost all of our clients allow dependents to remain on the plan. In most cases, separate age-adjusted, retiree only premiums are not being utilized. As a result, employers almost always pay an implicit subsidy for covered dependents. The table below shows how many of our clients provide an explicit subsidy for a covered spouse.

Category	Explicit Spouse Subsidy	Total	Percentage
City Less than 500 Employees	11	50	22%
City Over 500 Employees	13	20	65%
County Less than 500 Employees	4	23	17%
County Over 500 Employees	6	11	55%
Other	5	7	71%
Total	39	111	35%

BENEFITS FOR RETIREES WHO ARE ELIGIBLE FOR MEDICARE

The following table shows the number of employers who have a GASB liability attributable to benefits paid after the age of 65. The cost of providing post-65 benefits varies greatly based on the level of benefits and the employer/retiree cost sharing provisions. For plans that provide post-65 benefits, it is not surprising to see 40% to 60% of the GASB liability associated with post-65 benefits. Although post-65 coverage is usually considerably less expensive than pre-65 coverage, life expectancy for a retiree turning 65 is roughly 20 years.

Category	Provide Post-65 Benefit	Total	Percentage
City Less than 500 Employees	15	50	30%
City Over 500 Employees	12	20	60%
County Less than 500 Employees	9	23	39%
County Over 500 Employees	9	11	82%
Other	5	7	71%
Total	50	111	45%

ADDITIONAL LIFE INSURANCE BENEFITS

26 of our 111 clients have an OPEB liability for a life insurance benefit which is outside of their pension plan. The majority of those who provide a benefit provide a benefit of $10,000 or less. The retirees' premium for the life insurance benefit is almost always not self-sustaining. As a result, there is usually an implicit subsidy for the retiree life insurance benefit. 6 of the 26 clients who provide life insurance outside the pension plan provide a benefit which is either greater than $50,000 or equal to the employee's annual rate of pay. Some employers with generous life insurance benefits grade down the benefit as the retiree ages.

OPEB TRUSTS

Of our 111 clients, only 8 have established irrevocable OPEB trusts dedicated to retiree medical benefits.

Section 4 – Types of Benefit Provisions

PROTECTION FROM FUTURE MEDICAL INFLATION

18 of the employers in our survey have introduced caps or limits to manage their future cost increases. Fourteen of the eighteen have introduced "hard" caps which are not intended to increase in the future. Four have introduced "soft" caps which limit the increase in their contribution to fixed amount, 3% per year for example. The impact of a cap on an employer's GASB 45 liability is often very dramatic. Unless a cap is in place, the provisions of GASB 45 require that the actuarial valuation include an assumption regarding future medical inflation. The impact of future medical inflation on an employer's GASB 45 liability cannot be understated.

MAXIMUM LENGTH OF COVERAGE

The most obvious approach to limiting the amount of time a retiree receives medical coverage is to not provide a benefit after a retiree reaches Medicare eligibility. 10 of our clients have introduced explicit caps on the length of the employer provided subsidy. In one example, the employer pays 100% of the coverage, but for a maximum of only three years. In another example, retirees receive a very rich subsidy for the number of months equal to the number of years for which the retiree was an employee of that City. In both examples, retirees can maintain their coverage by paying the total blended premium when the explicit subsidy expires.

MINIMUM AGE REQUIREMENT

24 of our clients include a minimum age or "rule of" requirement in order to receive an explicit subsidy. For example, retirees must be at least 60 years old in order to receive an explicit subsidy. The most common "rule of" requirement is the "Rule of 80", where a retiree's age plus service must add to at least 80 in order to qualify for a retiree medical subsidy.

SERVICE REQUIREMENT WITH EMPLOYER PROVIDING THE HEALTH BENEFIT

In order to receive an explicit subsidy, 47 of our 111 clients have a service or age plus service requirement with the municipality they are retiring from which is in addition to the requirements for retirement. This requirement prevents an employee from working at his final employer under TMRS or TCDRS for only 3 or 4 years and receiving the same health care benefit as employees who worked their entire career with the same employer. 22 of the 49 employers who have an additional service requirement require at least 20 years with the final employer in order to receive the explicit subsidy. The impact of a 20-year service requirement can be very substantial.

"YOUNG" RETIREES

Unlike a pension benefit, retirees are often not penalized for commencing their medical benefits early. The cost to the employer for providing medical care to an employee retiring in their late forties or early fifties can be very substantial. Many employers have included provisions which disqualify retirees who have access to health insurance coverage through a new employer. Adding a significant service requirement, a minimum age requirement, a cap on the length of the benefit, or an age-based schedule can help mitigate the costs associated with "young" retirements.

Section 5 – Average Claims Cost and Future Trend

Average Monthly Cost per Individual		
Average claims cost by age and gender for the 111 valuations surveyed		
Average Pre-65 Cost per Month*		
Age	**Male**	**Female**
25-29	$215.32	$440.78
30-34	232.19	460.96
35-39	281.57	489.58
40-44	373.39	541.82
45-49	508.13	623.97
50-54	678.67	735.32
55-59	871.70	870.54
60-64	1,096.82	1,029.07

*Costs trended forward to Calendar Year 2013

The table above gives the average monthly cost of retiree health care by age for the 111 employers in our survey. The table below provides the baseline trend assumption used for valuations performed in 2013:

Trend Assumption	
Current trend assumption for NCTCOG OPEB clients	
	Rates
Year	**Medical and Drug**
2013	7.50%
2014	7.25%
2015	7.00%
2016	6.75%
2017	6.50%
2018	6.25%
2019	6.00%
2020	5.50%
2021	5.00%
2022 and later	4.50%

Section 6 – OPEB Plan Design Best Practices

Best practices for retiree health care plan design

1. Sustainability
2. Predictability and stability of costs
3. Simplicity and ease of administration
4. High perceived value by a broad group of employees
5. Workforce planning and growth opportunities
6. Competitive reasons
7. Consistency with active health plan offering
8. Coordinates with overall benefits program and human resource philosophy

Section 7 – Approaches to Limiting OPEB Liabilities

Strategy	Description	Advantages	Disadvantages
Eliminate or Reduce Subsidies at Medicare eligibility	Reduce or end employer subsidies when members becomes eligible for Medicare	May avoid situation where retiree population continues to grow relative to the number of active employees. May be easier politically because retirees are eligible for Medicare.	As retirees work and live longer, they may value the lifetime Medicare benefit more than the pre-65 benefit
Reduce Spouse Subsidies	Require retirees to pay significantly more for all spouse coverage or add a significant surcharge on spouse coverage for those spouses eligible for other group coverage	Retirees who do not have dependents are not impacted. More spouses are working and have access to coverage through their own employer.	May negatively affect morale for employees with families.
Exchange Based Subsidy Program	Employer's subsidy helps retiree pay for coverage on a private or public exchange	Employer's cost is well-defined and more predictable as the implicit subsidy is no longer applicable.	Plan participation may increase if more health-plan choices are offered, so subsidy amounts may need to be adjusted based on new participation estimates.
Benefits Caps	Employer's subsidy is a fixed dollar amount or allowed to increase at a set rate	Cap can be set to exceed current premium and result in no immediate reduction in benefits. Cap would limit employer's cost associated with projected heath care trend increases.	Cap might be reached quickly, limiting benefits. Higher cost could lead to lower participation and increased dissatisfaction in the future.
Restricting Eligibility	Only provides benefits for members who meet certain criteria or ending benefit after a given amount of time	Continues to provide benefits for career employees	Lower benefits for members who begin working later in their career
Increasing Retiree Contributions	Increase portion of premium borne by retiree	Lowers overall plan liabilities by shifting costs to retirees	Higher cost could lead to lower participation and increased anti-selection. Employees may need to work longer. Lower morale.
Service Based Subsidies	Benefits accrue gradually based on years of service rather than a uniform benefit for all employees upon retirement.	Rewarding long-service employees	Lower benefits to employees who begin working later in their career.
Grandfathering	Separate levels of benefits for segments of the population	Reduce the long-term obligation without making immediate benefit reductions to those who are retired or close to retirement.	May take extended amount of time before savings are realized. Increased administrative complexity. Negative moral by non-grandfathered employees.
Funding a Trust	Accumulate assets to help pay future benefits	Interest earnings may be substantial over time. Paying for benefits as they are earned promotes intergenerational equity.	Uncertainty of future benefits can make it difficult to commit. Unfunded liabilities have accrued for years, catching up can be very costly.
Defined Contribution	Accumulation of money in an account throughout the career of the employee that can be used to purchase health insurance during retirement	Removes risk and liabilities from employer. Annual costs are fixed similar to a 401(k) or 457 plan.	The accounts may not accumulate enough to provide adequate benefits. May cause members to extend career making workforce management more difficult. Typically leads to an increase in cash costs because employer makes additional payments for active employees.

Section 8 – Funding Discussion Points

ADVANTAGES OF PREFUNDING OPEB LIABILITIES

1. Demonstrates commitment to provide this important benefit
2. Builds an asset that, when combined with investment earnings, may be used to meet the future payouts
3. Discount rate is based on the expected return of those assets used to pay OPEBs
4. Favorable accounting impact.
5. Lowers future expenses and UAAL
6. Added benefit security.
7. Promotes intergenerational equity. Benefits are funded as they are earned.
8. Can help alleviate ballooning retiree medical costs. Funding may be considered one of many strategies for dealing with the escalating cost of benefits.

DISADVANTAGES OF PREFUNDING OPEB LIABILITIES

1. Employers often desire flexibility, not commitment, with regard to retiree medical benefits. Proponents of funding argue that employers should back up their promises. Opponents of funding argue that retiree medical benefits are not guaranteed and are subject to constant review.
2. Ties up capital. Unfunded liabilities have accumulated for many years. Paying off the unfunded liability and keeping up with the normal cost can be a very substantial commitment. Saving for future retiree medical costs may be difficult at a time when tax revenues are down and the pay-as-you-go costs are quickly increasing (baby boomers are retiring).
3. May prefund a benefit that significantly changes in the future. There is a lot of uncertainty regarding retiree medical benefits and health care in general.
4. It may take many years before the funding contributions are less than the pay-as-you-go costs. Funding a trust is traditionally viewed as a long-term investment.
5. A significant portion of the GASB 45 liability may be associated with the implicit subsidy. Is the implicit subsidy a cost that merits funding? Although the liability associated with all future implicit rate subsidies may seem large, the implicit subsidy may be a very minor annual cost to the employer.
6. Employees may prefer another form of compensation. Additional funding for unfunded past liabilities may reduce pay/benefits for current employees.

City of Rowlett

Staff Report

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AGENDA DATE: 11/11/14 **AGENDA ITEM**: 2C

TITLE
Provide bi-annual update and discuss the City's Economic Development Five-Year Strategic Plan. (60 minutes)

STAFF REPRESENTATIVE
Jim Grabenhorst, Director of Economic Development
Nathan Weber, Economic Development Specialist

SUMMARY
The Economic Development Five-year Strategic Plan provides a framework for prioritizing the annual work plan for the department. Economic Development staff will provide bi-annual updates to City Council on development projects, work plan and policy related items for City Council consideration.

BACKGROUND INFORMATION
In the past, the City has engaged consultants to assist in preparing the Economic Development strategic plans. Such plans were completed in 2002 and the last update was completed in December 2007.

Since then, the City has embarked on and adopted Realize Rowlett 2020. Realize Rowlett 2020 is the City's Comprehensive Plan that guides decisions on all development. Phase I served to update the comprehensive plan, which had not been updated in ten years. Phase II was about implementing the vision and led to the adoption of new form based code zoning regulations in four key areas to ensure the vision was realized for these areas. Phase III was about adopting a specific subarea plan for the North Shore Commercial district.

As a result of the Realize Rowlett 2020 process, key strategic action items were identified, which assisted in developing the basis for the attached Economic Development Five-year Strategic Plan, which was adopted by City Council in 2013.

DISCUSSION
Economic Development staff will provide bi-annual updates to City Council on development projects, work plan and policy related items for City Council consideration.

FINANCIAL/BUDGET IMPLICATIONS
Budget considerations for implementation of the Strategic Plan will go through the budget approval process on a fiscal year basis.

RECOMMENDED ACTION

This is a discussion item for City Council.

ATTACHMENT

Attachment 1 – Economic Development Strategic Plan

Rowlett
On the Water. On the Move.

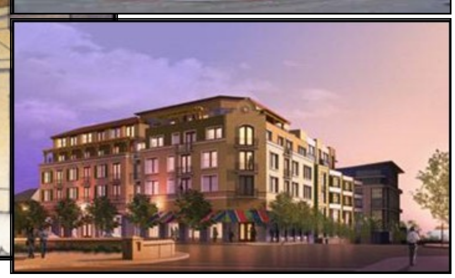
Economic Development Strategy

5 YEAR PLAN

Our mission is to foster private and public investment through strategic partnerships to enhance and diversify Rowlett's tax base to ensure sustainability while promoting the Realize Rowlett 2020 vision.

Downtown

- Implement the North Central Texas Council of Governments (NTCOG) Grant through the approval process and construction of amenities.
- Develop and implement RFQ process to establish public-private partnerships on City owned property.
- Present Herfurth Park Master Plan for City Council adoption once completed by La Terra Studio.
- Create marketing strategy capitalizing on the downtown "brand" under development by Aars | Wells.
- Appoint a Municipal Management District (MMD) Board and evaluate its role in providing incentives to future developments.
- Fund a study to create a Tax Increment Financing (TIF) District for downtown development work in conjunction with the MMD.
- Develop internal strategies to determine City needs, whether leased or owned, for existing City buildings (City Hall, Library, Development Services, etc.) in order to meet the needs of a smart, forward thinking government that meets its mission of being "citizen centered."
- Develop plan for building an entrance feature at Martin Drive & Lakeview Parkway that incorporates the City's Downtown "brand" to designate a downtown entrance.
- Research and develop strategies to create a Main Street program to promote and support Downtown development.
- Protect existing open space and identify future locations for open space, trail systems and sidewalks for acquisition.
- Research and develop a Downtown parking management plan to establish required public parking spaces and designated locations in the regulating plan.
- Determine partnership opportunities to create a Team Better Block Project.



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Economic Development Strategy

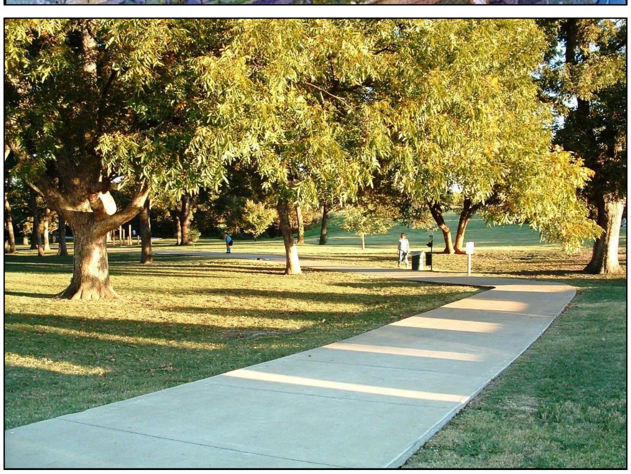
5 YEAR PLAN

Woodside Living

- Create marketing strategy capitalizing on the Woodside Living "brand" under development by Aars | Wells.
- Participate in evaluating the Liberty Grove Road alignment & improvements as a connector with the North Shore Commercial District.

- Research potential secondary access to Community Park.
- Coordinate other development opportunities generated from the construction of "The Homestead at Liberty Grove" project.
- Research and develop a City sponsored program to establish a Sustainable Neighborhood Designation.
- Research and evaluate Muddy Creek as a recreational amenity.

Healthy Living



- Create marketing strategy capitalizing on the Healthy Living "brand" under development by Aars | Wells.
- Finalize submittal for Pillar Income project to ensure access to Scenic Point Park.
- Participate in Lake Pointe Hospital master planning process to ensure synergy with Realize Rowlett 2020 vision (RR2020).
- Coordinate development opportunities in close proximity to Scenic Point Park to ensure compatibility with overall park master plan.
- Research and develop a parking management plan to establish required public spaces and designate locations in regulating plan.
- Protect open space locations and identify future locations for open space connections with the lake in cooperation with the Planning and Parks Divisions.
- Research and identify potential future connections to public transit (DART).
- Develop a recruitment strategy for future development opportunities once Lake Pointe Hospital has finalized their master plan.

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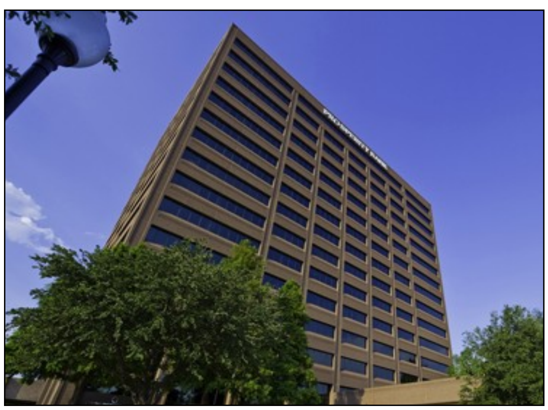
Economic Development Strategy
5 YEAR PLAN

Signature Gateway

- Create a marketing strategy capitalizing on the Signature Gateway "brand" under development by Aars | Wells.
- Research long-term access options to support development opportunities.
- Develop a recruitment strategy for future development opportunities once market demands exist to support RR2020 vision.
- Appoint Municipal Management District (MMD) Board and evaluate its role in providing incentives to future developments.
- Fund study to create a Tax Increment Financing (TIF) district to work in conjunction with the MMD.
- Research and identify future connections to public transit (DART).

North Shore Commercial District

- Fund a workforce study to identify potential target markets & industries to locate within this district.
- Collaborate with the Planning Division on the development of the North Shore subarea plan.
- Research and create a North Shore Property Owner Coalition to promote and support district vision upon completion of subarea plan.
- Identify future streets, sewer and water infrastructure needs and anticipated costs.
- Review and evaluate existing Tax Increment Financing (TIF) boundary and determine if any amendments are needed.
- Create a business/development recruitment strategy upon completion of North Shore subarea plan.



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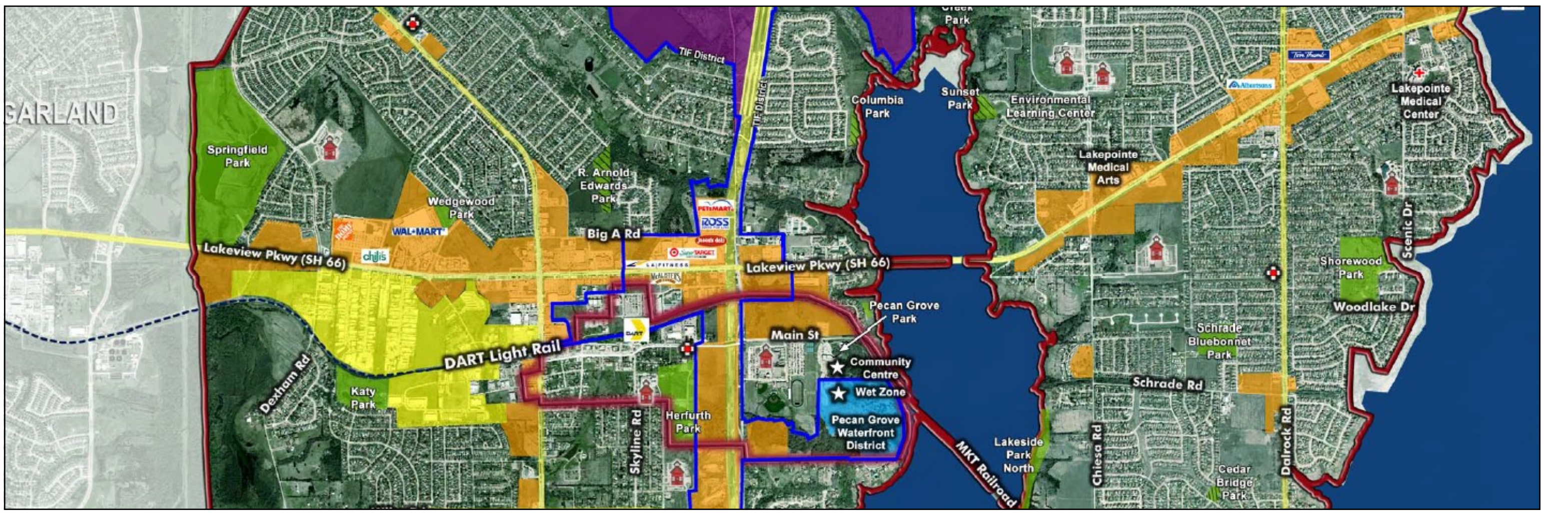
Economic Development Strategy

5 YEAR PLAN

SH66 & PGBT Corridor

- Market and promote the area as a destination for large format commercial retailers and modest office development.
- Research and develop regulating tools that protect the City in the event future retailers ultimately vacate their buildings (i.e. "go dark" provisions, escrow dollars for demolition, right of first refusal, etc.).
- Anticipate the loss of existing retailers in the City and prepare a redevelopment strategy for the reinvention and retention of businesses in these more established commercial locations.
- Promote the eastern section of this area as a business address, anchored by medical offices and services that support the Healthy Living district in RR2020 Final Plan.



Citywide

- Collaborate with the Planning Division in developing subarea plans for the remaining opportunity areas in RR2020 Final Plan.
- Evaluate the need for rebranding areas not within RR2020 Final Plan.
- Research and identify neighborhood stabilization strategies.
- Make ongoing improvements and updates to the Economic Development website (Aars | Wells)
- Increase and utilization of various social media tools as part of a citywide outreach effort.
- Continue strategic partnerships to enhance public-private partnership with businesses and other organizations.
- Monitor and be prepared to fine-tune estimates of return on investment associated with the concepts described in the RR2020 Final Plan.
- Research and provide a recommendation on the creation of an entity that can acquire, position, and dispose of City owned property.
- Continuously review the City's policy statement for Economic Development incentives and identify tools needed to advance the desired vision for key subareas of RR2020.
- Update the City's trail master plan to incorporate the RR2020 vision, enhanced pedestrian connectivity and DART.
- Continue implementing the Business Retention and Expansion (BRE) program to further additional job creation and private investment.

Rowlett TEXAS

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City of Rowlett

Staff Report

AGENDA DATE: 11/11/14 **AGENDA ITEM**: 2D

TITLE
Eight Economic Proposals to Better Rowlett. (30 minutes)

STAFF REPRESENTATIVE
N/A

SUMMARY
This item was placed on the agenda at the request of Deputy Mayor Pro Tem Carl Pankratz and Councilmember Debby Bobbitt.

ATTACHMENT
Attachment 1 – PowerPoint Presentation from Deputy Mayor Pro Tem Carl Pankratz

Economic Development- **Eight Economic Proposals to Better Rowlett**

Suggested Changes by

Carl Pankratz

Current Questions

- What is our current target list?
- Are we just waiting on developers to call us?
- What are we doing besides conferences?
- Have we been effective negotiators?
- What are we doing to build networks with DFW brokers?
- Are we communicating at least every quarter with State Officials in the economic development office?
- I have not seen one article in the Dallas Business Journal or one article in the Business Section of the Dallas Morning News concerning any of our projects

Proposal #1- Metrics/Accountability

- Put metrics in place to both show what is being done and what hasn't been accomplished
  - Currently Council Receives little information to hold this department accountable
- Are we spending enough time meeting with third parties outside of Rowlett?
- Are we properly marketing or assets?
  - Personally very disappointment at the minimal marketing of the recent restaurant tracts.

Metrics-Micro Level

- What are the current metrics in place for the economic development department? Here are some possibilities:
  - 50 Calls a month to prospects?
  - 5 lunches a month with DFW Retail and Office Brokers
  - 15 hand written letters a month to prospects?
  - 20 visits a year from desirable restaurant owners
  - 10 visits a year from companies with 100-300 employees
  - 1 Visit a year from a company over with over 500 employees
  - Two Articles a year in the Dallas Business Journal on top of an article each time there is a major project

Alternate Metrics-Macro Level

- 10 new jobs created for $60,000 or above
- Percent increase in B to B sales tax
- 60 Office jobs created
  - Define Office
- Other macro standards to measure department

Proposal #2- Revamped Economic Advisory Committee

- TALENTED CITIZENS AT OUR DOORSTEP!!
- 1) Do we have One Economic Advisory Committee or Three Sub-committees
- 2) Outlining additional duties for the committee OR committees

Current Economic Advisory Committee

- Some say current Advisory Committee really just focused on golf
- Only occasionally meets
- Meets during the day
- Not involved in the incentive screening
- **Very under-utilized!!!**

If we have just one Committee

Duties

- 1) Develop target list
- 2) Develop strategy to go after selected targets
  - Each Committee Member must write one hand written letter a month to prospect
- 3) Develop plan of attack once a prospect gets to Rowlett
  - In each restaurant, owner come by, each waitress greets by name. Make each “touch” count
- 4) Provide sounding board for Economic Dev. Director
- 5) Build relationships with Brokers
  - In Rowlett or in another location

Incentives Committee

- Each Member must execute a Non-Disclosure Agreement
- Adds more professional expertise
- Vets proposals prior to Council
- Financial or Real Estate Background

Could have Three Sub Committees

- Retention/Visit Committee
- Target/New Prospect
- Incentive Review

Retention/Visit

- Focus on what to do with prospects/brokers once we get them here
  - What roads do they enter Rowlett on
  - Where do they eat
  - What leisure activities
- Make sure each spot visited is customized
  - Waiters to owners to cleaning staff knows the names of the executives and companies
- Work with Chambers to stay apprised of local business environment
  - Possibly work on a quarterly business to honor at a Council Meeting
  - Monitor Development Timelines
- Coordinate with media following developments
  - Press Release to Dallas Business Journal
  - Press Release to Business Section of DMN
  - Alert Lakeshore Times and local media as well

Target/New Prospect

- Develop Target list of 15 Businesses and Restaurants to target throughout the year
- Develop Target list of 20 Brokers in DFW to build relationships
- Ascertain who are the decision makers and how to contact them
- Write 1 handwritten letter each month to prospect list
- Write one email a month to member of prospect list
- Each committee members personally responsible for between 5-10 contacts on the list
- Development events to host in order to target potential brokers and developers
- Knowledge of possible development areas
- **Basically a arm of Economic Development Staff**

Incentive Committee

- Just meets when there is a proposal to review
- Must sign Non-Disclosure Agreement
- Very small—limit potential of informational disbursement
- Need people ready to poke holes and ask tough questions
- Advanced Degree preferred
- Knowledge of Finance and Real Estate very important

Characteristics of Members

- Sales background
- Business owner experience
- New Blood—Not engaged in any other organizations within the City
- Very upbeat, but cant afford the 80/20 rule
- Optimistic on Rowlett
- Prefer MBA or Advanced Degree—For Incentive Review

Proposal #3 Northshore Zoning

- The North Shore Master Plan zoning recently approved, changes the area we have saved for decades for a job/employer creation center to 100% multi-family as long as retail is in the bottom.
- Need to default back to Office or Retail to protect current use. Can always change back on a deal by deal basis.
- We must act quickly to get this land back to the job creator the citizens want.

Proposal #4 Creation of a Northshore Fund

- Use surplus funds from current budget to create a Northshore Fund.
- This fund could be used to close the gap on deals, put in infrastruture, or to market the area.
- A safeguarded fund of $300,000 of the $1million we currently have in surplus.
- Could help piece the over 23 land owners into a cohesive group.

Proposal #5 More Vetting-Require Two Meetings Prior to a Vote

– Must have at least two work sessions or executive sessions prior to any economic incentive voted on, especially on City owned properties.
– Difficult to properly vet a proposal in one meeting.
– Allow more time for Council to research all the players involved.

Proposal #6-Once a Month Economic Reporting to Council

– City Manager or Member of Staff is required to brief Council once a month on current economic activity
– Verify whether metrics were met
– Keep Council aware of existing marketing efforts and companies being targeted
– Allows Council to hold department accountable and ensure City is engaging the commercial development sector in DFW
– Currently Council is not always made aware of potential leads, or are made aware of negotiation deal points too late in the process.

Proposal #7-Formally Support Expansion of I-30

– Support expansion of I-30 formally via letter or Resolution.
– Stand with Garland for obtaining necessary improvements to expand both sides of the interstate.
– Improve transportation and support future growth for Rowlett.

Proposal #8- Improved Ethics

- Anytime a Member of Council is contacted by someone with an application with the City to discuss a specific project, the contacted member must communicate to both the City Manager and City Attorney that the conversation to took place and what was said.
  - As projects grow in value, future Council Members may receive more contact.
  - Simple safeguard to promote transparency and maintain integrity in the process.

Proposals

- Proposal #1-Implement set of metrics for City Manager to follow
- Proposal #2-Establish just one large committee and the economic incentive committee or three subcommittees
- Proposal #3-Revisit the Northshore Form Based Code
- Proposal #4 -Create Northshore Fund
- Proposal #5-Must have at least two work sessions or executive sessions prior to any economic incentive voted on, especially on City owned properties.

Proposals con’t

- Proposal #6 Report to Council once a month on economic activity, and whether metrics were met
- Proposal #7 Support expansion of I-30 formally via letter or Resolution and stand with Garland for obtaining improvements
- Proposal #8, Contacted member must send communicate to both the City Manager and City Attorney that the conversation to took place and what was said.

Deadlines

- Is there consensus on any of the proposals? If so, deadlines to get them accomplished?
- What is a realistic date to establish parameters of the new committee structure?
- What date can we expect to review form based code in Northshore?
- When can we expect our first briefing on economic development
- When could the parameters of a Northshore Fund be put in place, including how the money can be accessed.