



City Council Chamber  
735 Eighth Street South  
Naples, Florida 34102

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**City Council Budget Workshop Meeting – August 18, 2003 – 5:11 p.m.**

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Mayor MacKenzie called the meeting to order and presided.

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**ROLL CALL ..... ITEM 1**

**Present:**

Bonnie R. MacKenzie, Mayor  
Gary Galleberg, Vice Mayor

**Council Members:**

Joseph Herms  
William MacIlvaine  
Clark Russell  
Penny Taylor  
Tamela Wiseman

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**Also Present:**

Dr. Robert E. Lee, City Manager  
Robert Pritt, City Attorney  
Tara Norman, City Clerk  
Ann Marie Ricardi, Finance Director  
Ann Middleton, Budget & Investment Mgr.  
Steven Moore, Chief PESD  
Dan Mercer, Utilities Director  
Denise Perez, Human Resources Director  
Ron Wallace, City Engineer

Dr. Jon Staiger, Natural Resource Manager  
Ron Lee, Planning Director  
Pamela Koepke, Recording Specialist  
Karen Kateley, Administrative Specialist

Other interested citizens and visitors.

**Media:**

Mireidy Fernandez, Naples Daily News  
Larry Hannan, Naples Daily News

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**ITEMS TO BE ADDED ..... ITEM 2**

None

**BUDGET INTRODUCTION..... ITEM 3**

Dr. Lee noted the following typographical errors in the Proposed Operating Budget booklet:

- Page 4, “10.5” should read “12.5”
- Page 6, “\$1,187,220 should read “\$1,204,220
- Page 19, “\$11,604,500 should read “\$11, 604,498
- Page 38, “Comprehensive Plan” should read “Comprehensive Development Code”

Dr. Lee then said he wished to address the issue of the pension deficit and concerns that had developed over the previous few weeks. Said that he had provided a summary of the issue in his City Manager’s Report that had been provided to Council earlier that day (a copy of which is contained in the file for this meeting in the City Clerk’s Office).

Dr. Lee also expressed the view that the City had provided police and firefighters with one of the premier pension plans in the State, as well as the general employees plan being competitive with

others of its type. Over the last three years pension plans across the country have experienced shortfalls and deficits as well as serious financial losses in some cases, Dr. Lee explained, which is largely due to failing investment markets. Dr. Lee said that although the City's plan did not escape losses, it was not evident until November of 2002 when the City received an actuarial report stating that additional contributions would be required to enable it to remain actuarially sound, he said.

Unlike the current City pension ordinances, Dr. Lee explained, employee contributions are normally a flat, agreed-to rate with any additional required contributions required funded by the City. In 1999, he continued, a provision was however included in the Code of Ordinances and by the collective bargaining agreement, which specifically provides for additional employee contributions to a certain percentage when required, he said, with the employees being required to contribute the largest share of any deficits that occur. However, Dr. Lee noted, in November 2002 Pension Attorney Robert Sugarman, under the advice of the actuary, had informed the pension board that the additional required contributions should be funded by the City rather than in accordance with the collective bargaining agreements and the Code. In February 2003, the pension board and the employees were still operating under this impression.

Under the direction of the former City Manager, the Finance Director Ann Marie Ricardi had requested a legal opinion from City Attorney Robert Pritt regarding whether it was appropriate for the City to comply strictly with the agreements and the pension ordinances and therefore require additional contributions from the employees. In July, he said, City Attorney Pritt submitted an opinion that the City apply the provisions of its ordinances and collective bargaining agreements, contrary to what the pension attorney had advised the pension boards, Dr. Lee said. Mr. Pritt's opinion was then utilized for the purposes of budgeting as the City also has the responsibility of contributing additional funds.

Dr. Lee reported that he had met with the City Attorney and the pension attorney to obtain clarification but that an agreement had not reached. Subsequently, Dr. Lee said, he had been joined by Attorneys Pritt and Sugarman at a special meeting of the three pension boards where considerable discussion occurred and it was reinforced to the pension boards that they did not have the authority to unilaterally amend either a City ordinance or a collective bargaining agreement, their responsibility being administration of the pension plans and interpretation of applicable ordinances. It had been recommended to the pension boards, he said, that the City Manager instead be allowed to discuss this issue with members of the collective bargaining units regarding whether or not the City should be contributing the additional. Since then, contact had in fact been made with the various labor unions and two of the three had responded. Dr. Lee therefore sought Council's approval to work with the labor unions to achieve an agreement.

Mayor MacKenzie cautioned City Council to avoid engaging in conversations with employees regarding this issue so as to remain separate and allow the City Manager to come to an agreement with his employees and their unions. Vice Mayor Galleberg said it was unfortunate that this misunderstanding had occurred, however, the both the ordinances and collective bargaining agreements are clear and all sides should abide by them. Mr. Galleberg also pointed out that City Manager Lee had informed him that the provisions in question, had come into effect in 1999, was quid pro quo for other benefits.

Council Member MacIlvaine expressed the view that the pension boards had been let down by the actuary who had reported that the shortfall in the pension funds would be funded by the City, a position that was subsequently communicated via letter at the request of the pension attorney. Mr. MacIlvaine also said that Florida Statutes require the City to be responsible for making the pension funds solvent, however, it does not dictate how this is to be accomplished. In conclusion, he said that he endorses the City Manager working with the labor unions and attempting to reach an agreement that would be equal and fair to everyone.

Council Member Herms inquired as to how the actuary determined that it would be the City's responsibility to cover deficits in the fund. Council Member MacIlvaine said the actuary's opinion had been based on past practices of the City and he said that he does not believe the actuary reviewed the Code. Mr. Herms commented that if the CBA's and the Code had not been reviewed before the actuary and the pension attorney formed their opinion, then they were remiss in their duties to the Pension Board. Mr. Herms expressed concern that the substantial cost involved in this would negatively impact the employees and requested information regarding the costs that would be imparted to them. In response to Mayor MacKenzie, Council Member Herms said he is agreeable to being presented with alternatives from the City Manager.

Council Member Russell agreed that while the misunderstanding was unfortunate, he too had understood that it would be the City's responsibility to fund any necessary additional contributions. Council Member Russell agreed to the City Manager working with the various labor unions in an effort to reach an agreement, but also recommended that determinations be made regarding how the misunderstanding had occurred to ensure that it does not recur. Council Member Taylor said she too supports the City Manager working with the labor unions, but also expressed concern regarding the amount of contribution necessary to bring the pension fund into financial solvency. She asked why this information was not brought to the City Council's attention sooner. Council Member MacIlvaine said that the pension deficit had been common knowledge, but the concern that had arisen was relative to the ordinances and agreements that conflicted with the prevailing assumption.

Council Member Wiseman agreed with empowering the City Manager to work with the labor unions in an effort to achieve an agreement and that from the standpoint of employee relations, it would be necessary to seek common ground. Vice Mayor Galleberg reiterated his earlier comments and agreed that the City Manager should be directed to continue dialogue with the labor unions.

City Manager Lee then further advised that the actuary had based his opinion on past practices and had distinguished an actuarial study and an actuarial valuation. He also said that the actuary had had asserted that he would be the responsible party for imparting a legal opinion that would properly be provided by the pension attorney. Dr. Lee said he had made the employees aware of the dilemma regarding the situation via a memorandum (Attachment 1).

Council Member Russell said that while reasonable people could work toward an agreement, he was concerned that the result would be unintended consequences where the employees could be forced to make quality of life choices and employee/employer relations.

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In response to Council Member Herms Finance Director Ricardi indicated that the budget preparation process commences approximately in February or early March and that in June 2003 she had advised Council that the general fund was out of balance although staff had not identified at that time the source of funding the deficit. In further questioning by Mr. Herms Finance Director Ricardi explained during the 2002 budget hearings the deficit had been mentioned by another City employee, who had been under the impression that the City would be the responsible party. Director Ricardi added that the opinion of the actuary had been unclear therefore the opinion of the City Attorney had been requested.

***Consensus directing City Manager to dialogue with labor unions regarding pension fund shortfall.***

Later in the workshop meeting, Dr. Lee presented budget constraints relating to the increased pension fund requirements, the breakdown of the shared costs to the City and the employees and the proposed contribution changes per the Code and the collective bargaining agreements (Attachment 2, Pages 1 and 2).

Also during the meeting Dr. Lee explained the proposed re-structuring of the organization and presented an overview of the proposed changes to each department (Attachment 3, Pages 1 through 8).

**REVIEW OF 2003-04 OPERATING BUDGETS.....ITEM 4**

Dr. Robert Lee presented an overview of the proposed operating budgets (a copy of which is contained in the file for this meeting in the City Clerk's Office). The following proposed budgets were then reviewed.

- a) General Fund
- b) Utility Tax Fund

**CORRESPONDENCE AND COMMUNICATIONS.....**

None

**PUBLIC COMMENT.....**

None

**ADJOURN.....**

8:05 p.m.

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Bonnie R. MacKenzie, Mayor

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Tara A. Norman, City Clerk

Minutes prepared by:

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Pamela M. Koepke, Recording Specialist

Minutes Approved: 10/1/03