

*THE QUESTION IS NOT
“WHEN WILL THE
BOMB GO OFF?”*

*THE QUESTION IS
“HOW BIG WILL THE
EXPLOSION BE?”*



SARASOTA HERALD TRIBUNE – MARCH 3, 2011

*Sarasota's foundering pension system and its **underfunded \$600 million** promise to retirees has become the key issue in the otherwise quiet City Commission elections.*

For the first time in its history, the city expects to pay more toward retiree benefits next year than it will collect in property taxes.

SARASOTA OBSERVER - APRIL 13,

2011

*The rising cost of a more attractive pension for Sarasota police officers is also expected to top **\$316 million** over the same time period, city projections indicate.*

SARASOTA HERALD TRIBUNE - SEPTEMBER 5, 2011

*In 2007, personnel expenses as a percentage of city revenues were **72 percent**; this year they represent **81 percent** of revenue, and they are projected to grow to **83 percent** of revenue by 2012.*

SARASOTA OBSERVER - OCTOBER 20,

2011

*If the city had approved the status quo pension plan without the cost-of-living adjustment, the plan would have cost the city approximately **\$132 million** over the next 30 years.*

SARASOTA HERALD – TRIBUNE
GUEST EDITORIAL FEBRUARY 25, 2011

*As city property values fall, so do taxes collected. If there are no increases in salaries, and no increase in taxes, the 2012 pension costs together with retiree medical funding will total **\$16.8 million**, while the total property taxes of the city of Sarasota will be **\$14.9 million**. Simply put, it will cost city taxpayers \$1.9 million dollars more next year for pension costs, than total property taxes collected!*

SARASOTA HERALD TRIBUNE – APRIL 4, 2012

*On paper, new pension calculations ordered by city commissioners appear to make the city's unfunded pension costs increase by up to **\$130 million** overnight.*

*Barring a miraculous and swift economic recovery, Sarasota taxpayers could be on the hook for about **\$459 million** for retiree pensions and medical care, documents show.*

For now, they are only "ballpark" projections that have yet to be embraced by the city's autonomous pension boards.

*But that increased cost -- up from about **\$329 million** is likely to become a lightning rod in budget talks.*

How much do we owe ?

Who do we owe it to ?

How are we going to pay ?

| GENERAL FUND | | | |
|--|-------------------|-------------------|-------------|
| | 2007 | 2011 (Budget) | 4 yr. delta |
| Revenue | | | |
| Ad Valorem Tax | 22,225,365 | 16,068,033 | -28% |
| Other Revenue | 37,701,367 | 36,757,500 | |
| Total Revenue | 59,926,732 | 52,825,533 | |
| Expenditures | | | |
| Sworn Officers | 260 | 175 | -12% |
| All Other | 577 | 417 | -28% |
| Expenditures | | | |
| Salaries & Wages | 25,751,375 | 23,622,491 | |
| City Pension Contributions | 5,978,424 | 8,168,123 | 37% |
| Other Benefits (includes OPIED) | 11,342,149 | 11,282,069 | |
| Personnel Exp's | 43,072,948 | 42,072,733 | |
| Non-Personnel Exp's | 15,189,336 | 10,859,304 | -29% |
| Total Expenditures | 58,262,284 | 53,832,007 | |
| Personal Exp/Total Rev | 72% | 81% | |
| Personnel expenses are 81% of general fund revenue | | | |
| Police are 55% of general fund revenue | | | |
| Police personnel expense are 80% of personnel expense (ver 30% of he | | | |
| ^ = Budgeted | | | |

**Projected Pension Costs
2/14/11
General Fund Only**

| 2010-11 | | | | |
|---|---------------------|------------------|----------------------------|----------------------------|
| Plan Name | 2010-11 Salaries | Actuarial Factor | Pension Cost | |
| Police | 13,191,817 | 35.94% | 4,741,139 | |
| General | <u>9,659,499</u> | 15.23% | <u>1,471,142</u> | |
| Total | \$22,851,316 | | 6,212,281 | |
| Fire | | | <u>1,962,609</u> | |
| | | | <u>\$8,174,890</u> | |
| Budgeted Ad Valorem taxes General Fund | | | | <u>\$16,068,033</u> |
| 2011-12 | | | | |
| Plan Name | 2011-12 Salaries | Actuarial Factor | Pension Cost | % increase |
| Police | 13,191,817 | 50.81% | 6,702,762 | 41% |
| General | <u>9,533,107</u> | 21.18% | <u>2,019,112</u> | 37% |
| Total | \$22,724,924 | | 8,721,874 | |
| Fire | | | <u>2,340,547</u> | 19% |
| | | | <u>\$11,062,421</u> | 35% |
| Projected Ad Valorem taxes General Fund | | | | <u>\$14,907,751</u> |

Maintains 2.7771 operating millage and assumes an 8% decrease in property values.

Notes:

2011-12 cost calculations assume the same salary figures as budgeted in 2010-11 with the exception of the deletion of the City Commissioners from the General Employee's Pension Plan.

Salary figures may change based on increases for STEPs, Longevity or other factors that may be affected by bargaining.

RETIREMENT COSTS

2010-2011

| Employees | Salaries | Pension cost |
|---|---------------------|---------------------|
| Police | \$13,191,817 | \$4,741,139 |
| General | \$9,659,499 | \$1,471,142 |
| Fire | N/A | \$1,962,609 |
| Retiree medical funding | — | \$5,777,480 |
| Total | \$22,851,316 | \$13,952,370 |
| Budgeted property tax revenue (general fund) | — | \$16,068,033 |

2011-2012

| Employees | Salaries | Pension cost |
|---|---------------------|---------------------|
| Police | \$13,191,817 | \$6,702,762 |
| General | \$9,533,107 | \$2,019,112 |
| Fire | N/A | \$2,340,547 |
| Retiree medical funding | — | \$5,777,480 |
| Total | \$22,724,924 | \$16,839,901 |
| Budgeted property tax revenue (general fund) | — | \$14,907,751 |

Source: City Hall

Total Debt Obligations

\$ 144,278,656 - principal

\$ 85,871,566 - interest

\$ 127,000,000 bonded since 2007

\$ 85,000,000 bonded since 2009

OPEB

| | |
|---------------------------------------|----------------------|
| ACTUARIAL ACCRUED LIABILITY | \$142,775,000 |
| ACTUARIAL VALUE OF PLANNED ASSETS | \$19,826,986 |
| REMAINING ACTUARIAL ACCRUED LIABILITY | \$122,948,014 |

Florida Statutes 112.0801

Retirees and their eligible dependents shall be offered the same health and hospitalization insurance coverage as is offered to active employees at a premium cost of no more than the premium cost applicable to active employees.

GENERAL EMPLOYEE PENSION *

| | |
|---------------------------------------|---------------------|
| ACTUARIAL ACCRUED LIABILITY | \$162,507,396 |
| ACTUARIAL VALUE OF PLANNED ASSETS | \$122,236,242 |
| REMAINING ACTUARIAL ACCRUED LIABILITY | \$40,271,154 |

FIREFIGHTER PENSION

| | |
|---------------------------------------|---------------------|
| ACTUARIAL ACCRUED LIABILITY | \$148,762,516 |
| ACTUARIAL VALUE OF PLANNED ASSETS | \$93,588,920 |
| REMAINING ACTUARIAL ACCRUED LIABILITY | \$55,173,596 |

POLICE PENSION

| | |
|---------------------------------------|---------------------|
| ACTUARIAL ACCRUED LIABILITY | \$202,217,027 |
| ACTUARIAL VALUE OF PLANNED ASSETS | \$154,849,877 |
| REMAINING ACTUARIAL ACCRUED LIABILITY | \$47,367,150 |

•GENERAL EMPLOYEE PENSION PLAN CLOSED TO NEW MEMBERS
•NEW EMPLOYEES CONTRIBUTE TO DEFINED CONTRIBUTION PLAN

WHAT IS UAAL ?

UNFUNDED ACTUARIAL ACCRUED LIABILITY. The difference between actuarial accrued liability and the actuarial value of system assets. Sometimes referred to as “unfunded past service liability,” “unfunded accrued liability” or “unfunded supplemental present value.”

Most retirement systems have unfunded actuarial accrued liability. It arises each time new benefits are added and each time an experience loss is realized.

The existence of unfunded actuarial accrued liability is not in itself bad, any more than a mortgage on a house is bad. Unfunded actuarial accrued liability does not represent a debt that is payable today. What is important is the ability to control the amount of unfunded actuarial accrued liability and the trend in its amount (after due allowance for devaluation of the dollar).

UAAL is caused mostly by underperforming investments.

**FY 2011 CITY CONTRIBUTIONS
FOR PENSIONS & OPEB**
(as reported in 2011 CAFR)

| | |
|-------------------|-------------------|
| GENERAL EMPLOYEES | 2,985,371 |
| POLICE OFFICERS | 3,575,825 |
| FIREFIGHTERS | 1,700,609 |
| OPEB | 11,043,639 |
| TOTAL | 19,305,444 |

RETURN ON INVESTMENTS FOR PENSION PLANS

SARASOTA – ALL THREE PLANS 5% AVERAGE OVER LAST 10 FY'S

MUNICIPAL PLANS STATEWIDE

LOWEST – WEST PALM BEACH FIRE PENSION - 4.20 %

HIGHEST – TAMPA POLICE & FIRE 21.4 %

AVERAGE ACTUAL RATE OF RETURN FOR ALL PLANS 4.3 %

AVERAGE ASSUMPTION RATE 7.8 %

FLORIDA RETIREMENT SYSTEM

FRS ASSUMPTION RATE 7.75 %

ACTUAL RATE OF RETURN :10 % AVERAGE OVER LAST 10 FY'S

Revised General Employees Pension Plan

Existing DB Plan Is Closed

All non-vested employees have a choice of DB or DC

Benefits for Existing Employees Reduced

Multiplier Reduced from 2.5 % to 2 %

COLA delayed to age 65 reduced from 3% to 2 %

All new employees participate in DC plan

Projected Financial Impact

\$ 7,000,000 Reduction in the UAAL

Savings of 2.87 % of Covered Payroll per year

New Defined Contribution Plan – City Contributes 6-8% of Salary per year
(approximately 80 employees participate in plan)

Proposed Change to Police Plan

Defined Benefit Plan with Reduced Benefits
COLA from 3.2 % to 1 % beginning at age 65

Overtime capped at 300 hours

interest rate on DROP - 6.5 % to 2 %

Multiplier remains at 3%

144 Active Members (38-40 in DROP)

Projected Financial Impact

Reduces annual required contribution \$ 1,000,000

Increases funded ratio from 76.6 % to 80.4 %

FY 1980-81

| | |
|------------------------|-------------|
| TOTAL ASSESSMENT VALUE | 938,845,078 |
| MILLAGE RATE | 6.031 |
| AD VALOREM REVENUE | 4,435,000 |

FY 2011-12

| | |
|------------------------|---------------|
| TOTAL ASSESSMENT VALUE | 6,842,958,274 |
| MILLAGE RATE | 3.3547 |
| AD VALOREM REVENUE | 22,007,520 |

| | |
|------------------------|--------------|
| TOTAL ASSESSMENT VALUE | 7.3 X HIGHER |
| MILLAGE RATE | 45 % LOWER |
| AD VALOREM REVENUE | 5 X HIGHER |

| City | Population | City Millage | County Millage | Total City/Cou. Mil* |
|-----------------|------------|--------------|----------------|----------------------|
| Pensacola | 51,923 | 4.5395 | 6.9755 | 11.5150 |
| Plantation | 84,955 | 4.5142 | 5.1021 | 9.6163 |
| Pompano Beach | 99,845 | 4.4077 | 5.1021 | 9.5098 |
| Coral Springs | 121,096 | 4.3559 | 5.1021 | 9.4580 |
| Largo | 77,648 | 4.3113 | 4.8108 | 9.1221 |
| Port St. Lucie | 164,603 | 4.3098 | 2.8707 | 7.1805 |
| Gainesville | 124,354 | 4.2544 | 8.3763 | 12.6307 |
| Lakeland | 97,422 | 4.1644 | 6.8065 | 10.9709 |
| Fort Lauderdale | 165,521 | 4.1193 | 5.1021 | 9.2214 |
| Tallahassee | 181,376 | 3.7000 | 7.8500 | 11.5500 |
| North Port | 57,357 | 3.3400 | 3.0744 | 6.4144 |
| Boca Raton | 84,392 | 3.3063 | 4.7500 | 8.0563 |
| Sarasota | 51,917 | 2.9249 | 3.0744 | 5.9993 |
| Jupiter | 55,156 | 2.5142 | 4.7500 | 7.2642 |
| Doral | 45,704 | 2.4470 | 5.4275 | 7.8745 |

| | | 2011 | 2010 | 2009 | 2008 | 2007 |
|--------------------------------|-----------------------|------------------|------------------|------------------|------------------|-------------------|
| commissioner | Assessed Value | 28,200 | 48,800 | 65,000 | 101,200 | 148,700 |
| | Tax | 94.60 | 156.08 | 204.90 | 314.35 | 470.81 |
| commissioner | Assessed Value | 95,200 | 100,197 | 96,248 | 96,102 | 116,847 |
| | Tax | 319.37 | 320.46 | 303.40 | 298.51 | 369.96 |
| commissioner | Assessed Value | 25,000 | 26,647 | 25,000 | 25,000 | 47,385 |
| | Tax | 83.87 | 85.23 | 78.81 | 77.66 | 150.03 |
| commissioner | Assessed Value | 751,615 | 739,768 | 719,005 | 718,237 | 720,861 |
| | Tax | 2521.44 | 2366.00 | 2266.52 | 2230.99 | 2282.39 |
| commissioner | Assessed Value | 841,200 | 865,000 | 480,300 | 483,200 | 576,200 |
| | Tax | 2821.97 | 2766.53 | 1514.05 | 1500.92 | 1824.36 |
| charter official | Assessed Value | 269,200 | 271,900 | 297,700 | 361,700 | 417,900 |
| | Tax | 903.09 | 869.62 | 938.44 | 1123.51 | 1323.15 |
| charter official | Assessed Value | 25,000 | 25,000 | 25,000 | 25,000 | 40,020 |
| | Tax | 83.87 | 79.96 | 78.81 | 77.66 | 126.71 |
| Mira Mar Plaza (Palm A) | Assessed Value | 4,786,100 | 5,437,200 | 6,295,800 | 5,946,700 | 6,573,600 |
| | Tax | 16,055.93 | 17,389.80 | 19,846.25 | 18,471.64 | 20,813.33 |
| Spector Building (2nd) | Assessed Value | 16,901,900 | 18,198,900 | 21,232,000 | 27,670,200 | 35,203,200 |
| | Tax | 56,700.80 | 58,205.54 | 66,929.63 | 85,949.18 | 111,460.37 |