

SPECIAL MEETING

CITY COMMISSION

HARLINGEN, TEXAS

OCTOBER 25, 2011

A Special meeting of the Harlingen Elective Commission was held on Tuesday, October 25, 2011 at 5:30 p.m. in Town Hall, City Hall, 118 E. Tyler Street, Harlingen, Texas. Those in attendance were:

Mayor and City Commission

Mayor Chris Boswell
Jerry Prepejchal, Mayor Pro Tem
Gustavo C. Ruiz, Commissioner District 1
Robert Leftwich, Commissioner District 2
Joey Trevino, Commissioner District 5

Absent:

Kori Marra, Commissioner District 3

Staff present:

Carlos Yerena, City Manager
Amanda C. Elizondo, City Secretary
Roxann Pais Cotroneo, City Attorney
Gabriel Gonzalez, Assistant City Manager

Mayor Boswell called to the meeting to order, a quorum was established. He stated a notice of the meeting had been duly posted according to state law and the following proceedings were held.

On October 25, 2011 at 5:33 p.m. Mayor Boswell announced the Harlingen City Commission would convene in closed session to discuss the following item.

Motion was made by Commissioner Trevino and seconded by Commissioner Leftwich to go into Executive Session to discuss the following item. Motion carried unanimously.

- 1) Closed/Executive Session pursuant to Chapter 551, Subchapter D, V.T.C.A. Government Code, Sections 551.087 and 551.071 regarding commercial and financial information from a business prospect with which the City Commission is conducting economic development negotiations and/or to discuss or deliberate financial or other incentives with the business prospect known as Project Green and to seek legal advice from the City Attorney regarding this subject.

At 6:19 p.m., Mayor Boswell announced the Harlingen City Commission had concluded its executive session on the following item and declared the meeting opened to the public.

No action taken under executive session.

- 2) Consider and take action to approve an addendum to the Waste Disposal Agreement dated December 2, 2010 between the City of Harlingen and the City of Edinburg.

Motion was made by Commissioner Leftwich and seconded by Commissioner Trevino to approve the addendum to the Waste Disposal Agreement with the City of Edinburg. Motion carried unanimously.

- 3) Consider and take action to adopt a resolution that authorizes the creation of a Chapter 380 economic development program and negotiation and execution of a Chapter 380 economic development agreement between the City of Harlingen and Synergy Renewables Harlingen, LLC.

Mayor Boswell explained that the Chapter 380 economic development agreement was presented to the City Commission with changes: 1) Synergy Renewables shall pay the City of

Edinburg \$1,400,000 on or before the date required by the addendum. 2) Synergy shall identify any environmental issue they have and the right to transfer the property prior to financial close. 3) The City shall make a good faith effort to provide due diligence materials as soon as they become available.

Motion was made by Commissioner Leftwich and seconded by Mayor Pro-Tem Prepejchal to approve the resolution with changes as presented.

Joe Rubio, Jr. stated he didn't quite understand what was being approved tonight. He would like to see an explanation of any costs that are going to be passed on to taxpayers.

Kenneth Benton echoed Mr. Rubio's concerns and stated transparency comes to mind when talking about this issue. He stated the public has no details of what is going on, but he understands why this item had to be discussed under executive session. He asked that the Commission not maximize the economic development of job creation to the Community.

At this time, Mayor Boswell read the press release.

Kenneth Benton stated he had heard that this facility was going to be situated at the banks of the Arroyo. He considers this to be a bad location.

Commissioner Leftwich replied it's not on the Arroyo. There is a permitting process that is going to require public hearings. He informed Mr. Benton once the Commission starts into the public hearing aspect; he will get his responses to his questions.

Roxann Pais Cotroneo, City Attorney clarified the permitting process is for Texas Commission of Environmental Quality (TCEQ) purposes. She gave a brief overview on how TCEQ comes to play in the process.

Motion carried unanimously.

At this time Commissioner Leftwich excused himself from the meeting in order to avoid "an appearance of impropriety" and signed an affidavit, which was presented to the City Secretary.

4) Presentation and discussion on the Texas Municipal Retirement System ("TMRS") and the TMRS Pension Plan, including recent State Legislative changes, benefits, and rates for municipalities and its employees.

Carlos Yerena, City Manager explained that at the last meeting some of the Commission requested to discuss TMRS (Texas Municipal Retirement System) at a special workshop to provide additional information. Present tonight we have David Rodriguez and Lorraine Moreno who are Regional Managers with TMRS.

David Rodriguez gave a brief overview on TMRS recent history. He stated that in 2007 the Texas Municipal Retirement System changed actuarial funding method and approved diversification of investments throughout Texas cities. In 2009, HB 360 de-linked interest credits to member and city accounts. It guaranteed 5% to members; City accounts receive variable rate, based on investment return and board policy; and allowed investment diversification to continue.

He highlighted on the 2010 Investment Returns and the overall year-end return on investments was at 9%. The Market Value on Investments is at \$17.937 billion. The Current Value is at \$18.4 billion. He highlighted on the Asset Allocation – Total Fund Progress and on Senate Bill 350. He stated that Senate Bill 350 was passed in the 82nd Legislature by Senator Williams. This bill was created strictly to protect our cities. It enacted TMRS Board's and Advisory Committee's recommendation for fund restructuring and amended the TMRS Act which was signed into law on June 17 by Governor Rick Perry. The Fund Structure was changed under SB 350 with an annual investment return assumption of 7%. The three funds under this structure are the Employees Savings Fund (ESF); the Municipal Accumulation Fund (MAF) and the Current Service Annuity Reserved Fund (CSARF). The effects of restructuring eliminates "leveraged returns" to the MAF; reduces volatility in city contribution rates; reduces contribution

requirements for many cities; improves funded ratios and decreases UAAL for most cities; eliminates requirements to maintain a large reserve; and the TMRS funded ration increased from 75.8% to 82.9%.

He continued with the City of Harlingen TMRS recent timeline plan. He stated in January 2007 the City had annual repeating benefits that were discontinued and in September 2007 the City adopted an ordinance to terminated enrollment for new hires and setup the employees in a separate plan. In January 2008 the statutory maximum increased to 15.50%. This fall 2011 the City is considering allowing persons employed after September 2007 to join Texas Municipal Retirement System (TMRS). He highlighted on the City's plan provisions which stated all full-time city employees hired prior to September 2007 contributed 7% of their salary. The city matches 2 to 1. The city has a 5-year vesting provision which allows an employee who has worked for five years to receive a retirement pension. They would still have to meet the requirement, but they have the right to be vested. Other additional provisions that the City provides are Survivors Benefit, Supplemental Death Benefits, Military Service Credit, Restricted Service Credit and Buyback. He highlighted on the employee deposit rate contributions. He stated "unfunded liability" which is what the City owes in future retirement benefits.

Mayor Boswell stated that for fifteen years the unfunded liability has risen to \$13 million he wanted to get some type guarantee that the City wasn't going to get into the same situation.

Mr. Rodriguez stated in the past the previous executive director and actuarial firm didn't have a plan to pay-off the UAL (Unfunded Actuarial Liability). This new projected actuarial study does have a plan that TMRS wants to bring into the cities. There are no guarantees that the City is going to experience the same situation, since the market can crash on any given day.

Mayor Boswell explained that when the unfunded liability started going up, it was pointed out by Bobby Farris one of our Commissioners back then.

Bobby Farris gave a brief history of the problems with Texas Municipal Retirement System (TMRS) in regards to interest rates. Ann Berger, Financial Advisory with First Southwest was responsible for looking into this issue with the possibility of getting back the money for the City. This goes back to 1999 when the City was underfunded \$7 million that was promised by TMRS. In 2005, the Audit report showed that the underfunded ratio had gone from 82% to 73.7% to almost \$15 million.

Mayor Pro-Tem Prepejchal suggested placing this item on the agenda for the next City Commission meeting and let the employees decide if they want TMRS as their retirement system.

Commissioner Trevino explained there is still quite a long discussion that has to be considered for this item. Both plans have very good retirement benefits.

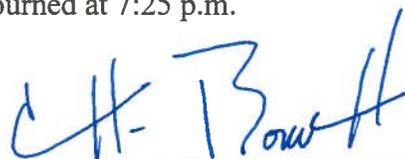
Mr. Farris pointed out some very important concerns, one being this to be a "superior" program for the employee.

Mayor Boswell was concern the City of Harlingen would run into financial problems and be in the verge of bankruptcy like other cities in the United States that are experiencing this issue.

Commissioner Trevino stated he is comfortable with decision on the retirement plan presented, but he would like to see quarterly updates.

Mayor Pro-Tem Prepejchal also felt comfortable with the retirement plan.

There being no further business the meeting adjourned at 7:25 p.m.



Chris Boswell, Mayor

Attest:



Amanda C. Elizondo, City Secretary