

MINUTES FROM (OPEB) WORKSHOP OF THE UTILITY BOARD OF THE CITY OF KEY WEST, FLORIDA, HELD AT 3:30 P.M. ON MARCH 10, 2010 AT THE WILLIAM ARNOLD SERVICE BUILDING LOCATED AT 1001 JAMES STREET, KEY WEST, FLORIDA

The above referenced workshop of the Utility Board of the City of Key West, Florida, convened at 3:30 P.M., on the above date and location and was called to order by Chairman Hernandez.

Utility Board Members Present

Chairman Hernandez
Peter Batty
Charlie Bradford
Mona Clark
Ty Symroski

Staff Present

Lynne Tejeda
Nathan Eden
Jack Wetzler
Suzanne Greager
David Price
Dale Finigan
Eddie Garcia
Stan Rzad
Julio Barroso
Edee Delph
Peggy Walls
Cindy McVeigh
Elizabeth Miller
Mark Schimizza

Others Present

John Parks
Denise Roher

AGENDA ITEM #4 – SET AGENDA

There were no changes to the agenda. The agenda was set.

ITEM #5 – DISCUSS OTHER POST EMPLOYMENT BENEFITS (OPEB)

Mrs. Tejada stated during the audit process, a discussion regarding other post employment benefits ensued. It was stated then that KEYS had an obligation to report the liability associated with other post employment benefits, but it was the Board's choice to fund the benefits on a pay as you go basis or to advance fund. During the audit process, Oropeza and Parks suggested hosting a workshop to discuss the choices. Tonight during the workshop, staff is not seeking approval from the Board tonight but seeking direction regarding a funding method.

Mrs. Tejada introduced Mr. Wetzler and informed the Board that Mr. Wetzler will facilitate the OPEB Workshop.

Mr. Wetzler informed the Board that the Government Accounting Standards Board (GASB) determined that an OPEB program 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.

Mr. Wetzler said in GASB's view, accounting for OPEB should follow the same basic principle as accounting for a public plan pension cost and that benefits are compensation for employees' services and should be accounted for during the period of time that services are rendered.

Mr. Wetzler reviewed a power point presentation with the Board, which covered the following:

- KEYS Situation
- Why KEYS is concerned with OPEB
- What does KEYS have to Report
- Ways Funding can be Accomplished
- Calculating OBEP
- OPEB Cost
- Funded Status of the Program
- Present Value of Future Benefits
- Funding Options
- Pay-As-You-Go Funding
- Advanced Funding Options
- Pay-As-You-Go Concerns
- Advanced Funding Mitigation
- Expense Comparison
- Rate Payer Cost
- What is Next
- What Others are doing
- Recommendations
- Questions/Direction

Mrs. Tejeda informed the Board that in 1999 the Utility Board foresaw this increasing liability and made changes at that time to reduce the future liability. Employees hired after 1999 were no longer eligible for health benefits paid by KEYS when they reach retirement eligibility. However, employees hired after 1999 have the opportunity to purchase health insurance through KEYS at the same rate KEYS pays for active members.

Mr. Wetzler advised the Board of Senate Bill 1710.

Mrs. Tejeda gave the Board a brief overview of Senate Bill 1710. She said the Bill will need to go through three committees prior to going to the floor.

Mr. Eden asked why KEYS need to comply with OPEB. Mrs. Roher said that the Governmental Accounting Standards Board (GASB) has determined that OPEB should follow the same basic accounting principles as a public pension plan.

Mr. Eden asked for clarification as to why. He also stated that he did not understand why KEYS has to account for this liability when the Utility Board is not statutorily or contractually required to provide health insurance to retirees.

Mr. Symroski stated that he believes that KEYS through its ongoing practices and a previous Board Resolution has created an expectation that the insurance will be paid for employees and for retirees and that it is proper to reflect that amount on balance sheets for transparency to everyone, including the Board and ratepayers.

Mr. Symroski said if the Board chooses advanced funding the liability as the liability is incurred and the current rate payer will pay for the obligation which helps retain the employee at the current rate the rate payer benefits from. He said if the Board chooses the Pay As You Go Method, future rate payers will cover the insurance for an employee that will not benefit the future rate payer.

Mr. Batty agreed with Mr. Symroski and said he would like staff to provide the Board with more information regarding the advanced funding options.

Mr. Bradford asked if KEYS was the only agency that pays for insurance after their employees retire. Mr. Wetzler said there are other agencies & he can provide the Board with the names of other agencies.

Mr. Bradford asked what the timeframe was. Mrs. Tejeda said that KEYS is already meeting the requirement to report the liability and there is not a specific time that the Board needs to decide how to fund the liability. She suggested revisiting the matter this summer to give Mr. Wetzler additional time to research the advanced funding alternatives and to allow the Florida Legislative Session to end.

Mr. Hernandez said he would like to see staff explore ideas that would reduce the liability.

The Board instructed Staff to provide additional information on the Advanced Funding Options and report back to the Board.

A copy of the power point presentation is available upon request.

AGENDA ITEM # 6 – OTHER BUSINESS

There was no other business to come before the Board.

ADJOURNMENT

Motion was made by Mr. Symroksi to adjourn the Other Post Employment Benefits Workshop of March 10, 2010 at 4:49 p.m.

APPROVE:

Lou Hernandez, Chairman

ATTEST:

Lynne E. Tejeda, General Manager/CEO & Secretary

/ed