



January 17, 2019 - City Council Workshop

Savannah City Government

SUMMARY/FINAL MINUTES

COUNCIL WORK SESSION & CITY MANAGER'S BRIEFING

January 17, 2018 – 10:00 a.m.

PRESENT: Mayor Eddie DeLoach, Presiding

Aldermen: Carol Bell (arrived at 11:00 a.m.), Julian Miller, Brian Foster, Bill Durrence, John Hall, Tony Thomas (arrived at 10:15 a.m.), Van Johnson, II (arrived during Executive Session), Estella Shabazz (arrived at 10:25 a.m.)

Rob Hernandez, City Manager

Jen Herman, Interim City Attorney

William Shearouse, Assistant City Attorney

City Manager Hernandez welcomed everyone to the meeting and briefly reviewed the agenda.

Workshop Agenda Items

1. Savannah Convention Center Expansion

Sherrri Spinks, General Manager of the Savannah Convention Center, showed Council a video which discussed the future plans and need for expansion. The expansion of the Convention Center will double the capacity from 100,000 square feet to 200,000 square feet, it will add additional ballrooms and meeting rooms, and include a 900 space parking deck.

Ms. Spinks stated the video can be found on the Convention Center website at: <http://www.savtcc.com/>.

Alderman Foster asked what percentage of the Convention Center was paid for by local taxpayer dollars? Ms. Spinks replied about 70%. Alderman Foster asked how that compares to the World Congress Center in Atlanta. Ms. Spinks replied the World Congress Center in Atlanta was 100% funded by the State. Alderman Foster replied point made, which is that the State needs to step up.

City Manager Hernandez stated that is something that can be discussed while Council is in Atlanta next week.

Alderman Thomas asked how economic impact is computed. Ms. Spinks replied annually the State's Economist is hired. Locally when it's done the Visit Savannah estimate is taken per group and multiplied by hotel nights per night and then add a factor for the inducement of additional spending.

Alderman Durrence stated it's approximately a three times multiplier because of the turnover on the dollar in the community.

Alderman Foster asked if there have been any complaints about too much glass, and not enough brick on the expansion design. Ms. Spinks replied no, but in their value engineering some of the glass has been reduced. She stated they are extremely excited and have had a lot of interested people who want to come to Savannah, they just need more for the facility.

Alderman Hall asked if a better way to get people out of the parking lot is being considered with the expansion. Ms. Spinks replied they are building a 900 space parking deck which will have direct access to the building. In addition there will be a covered walkway from the current parking lot to the ballroom.

City Manager Hernandez stated the new main entrance will be a part of the expansion.

Mayor DeLoach added the original design was built that way for future expansion, originally anticipated to expand three times.

Alderman Durrence asked if this is just the first expansion. Mayor DeLoach replied yes, this is just the first.

Alderman Foster asked if there is still a plan for another hotel. Ms. Spinks replied yes, they have a developer that has committed to develop a hotel once expansion plans are funded.

City Manager Hernandez asked if the Convention Center is ready to go once they receive appropriation from the State. Ms. Spinks replied that is correct.

[2. Pension Plan Update](#)

[Pension Plan Presentation.pdf](#)

David Maxwell, Chief Financial Officer, introduced Jeff Williams of Segal Company, the actuary company selected by the City's Pension Board.

Jeff Williams, Segal Company, stated the presentation is based on the January 1, 2018 report. He stated the results of the report are good. He then briefly reviewed the purpose of the report and valuation highlights. Mr. Williams stated the plan had a good year in 2017. There are small fluctuations from year to year. He stated the City's fund status increased, and the City is smoothing in the gains and losses over a five year period. He continued stating there were \$12.1 million in cumulative unrecognized asset gains, and \$5.7 unrecognized asset losses. He stated the plan had an overall .4% loss in the year.

Alderman Miller asked what that means. Mr. Williams replied people retired, salaries were different, not as many died as were expected. Alderman Miller stated what he thinks he's hearing is the City had more people to leave the plan than expected. Mr. Williams replied yes. Alderman Miller asked what the participation rate for the City is. Mr. Williams replied this is the defined benefits plan which every employee must be a participant in. Alderman Miller asked how much the employees contribute to the plan. Mr. Williams replied employees contribute 6.65% and the City contributes on a dollar basis, not percent of payroll. The employees were expected to contribute \$7.6 million in 2018. Alderman Miller clarified that the City is putting in about \$10 million and the employees are putting in approximately \$7.5 million. Mr. Williams replied yes. Mr. Maxwell clarified that those two amounts include all three employers (City, Airport Authority and Metropolitan Planning Commission) and employees from those organizations.

Mr. Williams continued the presentation stating normal cost of the plan went down some, which is good. He stated the City is in pretty good shape, and is 82% funded.

Alderman Miller asked if the funded percentage for last year was 81%. Mr. Williams replied yes, the City is in good shape, and he doesn't have any worries about the state of the plan. He stated the employers are contributing what they are supposed to, and assumptions are reasonable. He stated the plan is due for another five year experience study after 2019.

Mr. Williams then showed Council how Savannah's plan compares with others. He stated the City's return assumption is a little higher than the median and average, but that's not unusual. He added a recommendation to lower that assumption will probably happen when the experience study is done. He stated the employee contribution rate is higher and the employer contribution rate is lower.

Alderman Miller asked at what rate employees contribute. Mr. Williams replied 6.65% of their pay.

Mayor DeLoach stated the national average is about 13% and the City is contributing 9%. Mr. Williams replied yes.

Alderman Foster asked as the City gets closer to 100% funding that continue to go down? Mr. Williams replied yes, if the City were 100% funded now, the contribution would be 4.5% plus interest projected for the following year. If the unfunded liability is paid off, the City would save money.

Mr. Maxwell stated the City has done several things over the last few years to work on bringing the unfunded liability down. One of the changes made was to reduce that amortization period each year. He stated the City has also brought down the anticipated return on investments. He stated the plan took a big hit in 2007-2008 when the economy did poorly during the recession. The City is now building back to where it was prior to that.

Mr. Williams stated in his opinion the plan is doing well, and the City is fairly well funded at 82% and is improving.

Alderman Thomas asked if the City of Savannah is doing better than Macon. Mr. Williams replied he would need to look at their plan.

Mayor DeLoach asked Alderman Foster and Mr. Maxwell to discuss the changes that have been made on the Pension Board.

Mr. Maxwell stated a few things that should be focused on at the City that has led to a lot of the success with the pension plan is that we have to try to keep the anticipated rate of return within reason. In addition the City has always tried to contribute what it should according to State legislation. He continued stating the Pension Board tries to limit the amount of risks taken with the investments which allows the City to stay away from things that would hinder making the expected return. Mr. Maxwell continued stating the City has stocks and bonds along with some real estate, we don't have alternative investments that people tend to invest in and lose a lot of money.

He stated in reference to Mayor DeLoach's comments there have been some changes over the past year, with some of the consultants, the investment advisor has changed to NEPC (New England Pension Consultants), who began working with us in November. The company has many government clients and a lot more government experience than previous consultants.

Alderman Foster added outside pension counsel was hired. Mr. Maxwell stated yes, and they work in conjunction with our City Attorney's Office. He also stated the Airport Commission closed their plan to new employees and that was one of the things the new attorney worked with them on.

Mayor DeLoach asked why that was done. Alderman Foster replied most of the newer younger employees like having affordable plans, younger folks like 401Ks so in the event they leave they can take their money with them, if they are in the pension fund they can't, they only get what they put in.

Mr. Maxwell stated one of the things that the pension plan does for the City is that it is one of our main retention tools, we do have a good retirement benefit that only works if you stay with the City.

Alderman Thomas stated at five years you are vested, but if someone works four years they can get their contributions back? Mr. Maxwell replied yes, even if they work five or ten years they can make the election to pull their contributions plus interest.

Alderman Thomas asked for the firm name again and if they are national. Mr. Maxwell replied NEPC, and yes.

Alderman Foster added the Board did an extensive interview process, and found there were very few compnaies nationwide that focused totally on governments. He continued stating they wanted a company that dealt with similar plans as the City's, and there were none in Georgia.

Mr. Maxwell stated the issue with Georgia is that most of the cities either participate in the Georgia Municipal Association program or the counties ACCG. Most of the consultants have experience in Florida and did not have much experience in Georgia. He continued stating the City is one of the few plans in Georgia that requires a large retirement plan because of the size of our assets.

Mayor DeLoach asked about younger people wanting to do a 401K rather than a pension plan and if that will limit the City's ability to hire younger people. Mr. Maxwell replied he doesn't think that is much of an issue with municipal employers as it is in the corporate world. He stated the City does also offer a Defined Contribution Plan, which is called the 457B, so a part of our salaries can be deferred on a pre-tax basis into a 401K type plan. He continued stating the City does make a small monthly match into that plan to encourage employees to save on their own and that money can also be taken when they leave.

Alderman Foster asked Mr. Maxwell if he can recall what the match is. Mr. Maxwell replied \$240 per year.

Mayor DeLoach asked if the 457 is the same as a 401K. Mr. Maxwell replied theoretically, but with a 401K there is usually a larger employer match, but it is a vehicle that employees can have supplemental savings on, on their own on a pre-tax basis.

Mayor DeLoach asked for those that would want to do that there is a penalty for them and they don't get same additional pension funding that other employees get that are on the mandatory plan. Mr. Maxwell replied if the City is putting money into the pension plan for someone that doesn't retire then they would not get any of those funds, other than 4% interest on what they have put in.

City Manager Hernandez added for general employees, governments typically attract an older workforce, whereas the private sector is more attractive to a younger workforce.

Mr. Maxwell replied the 401K could incentivize those people who want to come for a short period of time but the pension plan encourages people to stay because they can increase their retirement benefits the longer they stay.

Alderman Thomas asked what the age requirement for retirement is for general and uniformed employees. Mr. Maxwell replied 57 for general and 55 for uniformed. Alderman Thomas asked if that is 57 with full benefits. Mr. Maxwell replied 57 with 5 years of service will give full benefits based on your salary and number of years worked, but it will not have a reduction to benefits.

[3. Development Services 2018 Report](#)

[Council Work Session Development Update 1.17.19.pdf](#)

Heath Lloyd, Chief Infrastructure and Development Services Officer, introduced Julie McLean, Director of Development Services. He stressed to Council that they will see some very important stats today and asked that they focus on the new residential and commercial, as there are some exciting things that are taking place in the City of Savannah. He stated there are great numbers but asked that Council remember with great growth comes great challenges.

Julie McLean, Director of Development Services, stated 2018 was another very strong year. She stated she will share the overall permitting trends. She gave a brief overview of the department's mission, to ensure safety of the built environment, and core services which include: building permits and inspections; site development permits and inspection services; and subdivision plat approvals. Ms. Mclean also provided a brief summary of the overall levels of service in 2018. Permitted building projects totaled \$547 million; there were 1,500 building permits issued; 4,700 trades permits (mechanical, electrical and plumbing); completed over 23,000 building & trades inspections; completed over 2,400 site inspections; approved over 80 site permits; and processed over 90 survey plats for land development.

Ms. McLean then showed Council a graph of the annual total value of construction permits issued from 2007 through 2018. She used Plant Riverside as an example stating the permits were issued in 2016, but inspections are still being conducted by Development Services to date. She stated 2018 was the second highest year on record.

Ms. McLean showed Council the following:

- A graph of new residential permits issued between 2007 through 2018. \$84 million worth of new home permits were issued in 2018, which represents 438 new houses under construction (just 16 fewer homes than in 2017)
- A graph of new commercial construction permits. She stated the department set a new record in 2018 with \$357 million.
- A map of the top 20 largest commercial projects permitted in 2018. Three of the top projects are City of Savannah projects including: Bio Solids Dryer Facility on East President; Pennsylvania Avenue Resource Center; and Central Precinct. She stated the City is also contributing to creating construction jobs in the City and improving our community.

She stated these projects represent about 63% of the total dollars spent on construction.

Ms. McLean went through the 20 projects stating permits were issued for four new hotels, all four are currently under construction and total approximately \$30 million of building construction which will create about 333 new hotel rooms.

She stated 2018 saw a tremendous amount of new warehouse development, particularly in the Morgan Lakes Industrial Boulevard area (Highlands Boulevard). There is approximately \$60 million in warehouse construction that created over 2 million square feet of additional warehouse space which is being driven by the growth at the Ports.

She stated the City has been doing a tremendous amount of work in permitting for apartment buildings. There is approximately \$190 million in new apartment development which will create about 1,252 units. Some of these include: the Eastern Wharf development formerly Savannah

River Landing (a mixed use development); 630 Indian Street, which will include 275 apartments near Indian and Fahm streets; and the second largest project permitted The Ellis (site annexed into the City last year) with 235 units.

Chief Lloyd thanked Julie and her staff in Development Services, stating they work really hard to produce those kinds of numbers.

Alderman Foster asked how the process is working with developers and builders, which is one of the things that was an issue in the past from developers not understanding why it takes 60-90 days here and less time in other cities.

Ms. McLean replied no two projects are the same, and the time involved for permitting often depends on the quality and original submittal. There are a lot of variables that are beyond the City's control, and we are in a boom period and there is a limited number of engineers and architects, and when there are so many projects they may take longer to address questions. She continued stating typically the process that is longer is the site process which involves the Metropolitan Planning Commission and Zoning Board of Appeals, but we do have open meetings twice a week at Development Services where all the technical staff is available to meet with anyone who has issues. She stated they do have benchmarks and staff reviews projects each month that fall out of the benchmarks. She concluded stating it is usually the client response time that drives those projects outside of those benchmarks. But staff is always looking for ways to improve things.

Alderman Foster asked Ms. McLean if she thinks NewZo will make it better and smoother. Ms. McLean replied yes, she thinks that will definitely help as there are several pieces to the overall planning part. She stated NewZo will help with a lot of the rezonings that have taken longer because a current zoning code doesn't match the modern development needs.

Alderwoman Shabazz asked what percentage of this permitting money went in to hotel permitting. Ms. McLean replied the total value of new hotel construction was \$28.8 million. Alderwoman Shabazz asked what the second highest category is. Ms. McLean replied new apartments, which is about \$190 million. Alderwoman Shabazz asked if a forecast can be given of what the industry is saying on how the City is doing. Ms. McLean replied we still have a lot of work, and a lot of big projects that are coming in, there are several that are under the review process currently. She stated things are still strong.

Alderwoman Shabazz asked Alderman Foster, how he thinks the City is doing and what he predicts for the next five years. Alderman Foster replied he believes there will definitely be a slowdown in 2020. He stated this year will be a good year, but there is a decline in real estate and building currently. He stated he thinks 2020 will be a downturn year, not necessarily a major one.

City Manager Hernandez added Dr. Toma's recent quarterly report shows there is a softening in activity in the entire region. He stated Dr. Toma will be attending the City's first quarterly budget conference to give Council a better idea of what's happening in the region from an economic perspective.

Alderman Miller asked if the two a week meetings is something new or has been done in the past. Ms. McLean replied those have been going on for many years, in 2014 we added a weekly building plan review meeting as well. Alderman Miller stated in 2016 he was getting about one complaint a week, but he doesn't get those anymore. He commended Ms. McLean and staff stating they have obviously turned a corner and he wanted to recognize that.

Alderman Durrence stated the City of Savannah did not get \$547 million, that is the estimated construction cost, we get a few dollars of that for permitting. Ms. McLean confirmed his comments.

Alderman Thomas asked Ms. McLean if she had a way of breaking out the residential permits by new areas versus infill. Ms. McLean stated she could.

Alderman Thomas stated he would be interested in those numbers as the City is going to have a huge spike in the coming years in the west and south areas. He asked if apartments were included in that. Ms. McLean replied apartments fall under the commercial building codes category.

Alderman Hall asked why the 2008 and 2016 numbers are identical in the residential slide. Ms. McLean replied it's just a coincidence.

Mayor DeLoach stated there was an article in the paper about how the City is losing a lot of historic properties due to all of the new construction, and asked if we have a map that shows properties that might be torn down.

Alderman Hall added the article talked about the demolition of Meldrim Row houses.

Mayor DeLoach stated we have great construction going on, and the overlay pushed hotels out.

Alderman Foster stated the largest hotel development was Plant Riverside and it was complimented for taking a project that had been there forever that there was no use for and incorporating it, which shows the smokestacks. He concluded stating it incorporated the historic parts into it.

4. Executive Session: Personnel and Litigation

Upon motion of Alderman Durrence, seconded by Alderman Miller, and unanimously carried Council went into Executive Session for the purpose of discussing Personnel and Litigation.

Upon completion of this session, a motion was made to come out of Executive Session by Alderman Durrence, seconded by Alderman Miller, and unanimously carried.

5. City Council Agenda Review

City Manager Rob Hernandez presented the City Manager's Briefing of the agenda items for the Council Meeting of January 17, 2019. The agenda can be found online and will be made a part of the permanent record.

There being no further business, Mayor DeLoach declared this meeting of Council adjourned.

The video recording of the Work Session can be found by copying and pasting the below link in your url:

<https://savannahgovtv.viebit.com/player.php?hash=EvQaQodJWXfl>



Luciana M. Spracher
Acting Clerk of Council