

**STAFF MEETING MINUTES
LANCASTER COUNTY BOARD OF COMMISSIONERS
COUNTY-CITY BUILDING, ROOM 113
THURSDAY, AUGUST 28, 2008
8:30 A.M.**

Commissioners Present: Bob Workman, Chair
Bernie Heier, Vice Chair
Larry Hudkins
Ray Stevens
Deb Schorr

Others Present: Kerry Eagan, Chief Administrative Officer
Gwen Thorpe, Deputy Chief Administrative Officer
Dan Nolte, County Clerk
Cori Beattie, Deputy County Clerk
Ann Taylor, County Clerk's Office

The Chair opened the meeting at 8:33 a.m.

AGENDA ITEM

**1 APPROVAL OF THE STAFF MEETING MINUTES OF THURSDAY,
AUGUST 21, 2008**

MOTION: Stevens moved and Heier seconded approval of the minutes of the August 21, 2008 Staff Meeting. Hudkins, Heier, Workman, Stevens and Schorr voted aye. Motion carried.

2 ADDITIONS TO AGENDA

- A. Emergency Medical Services (EMS) Appointment
- B. Proposal to Divert Lincoln Electric System's In-Lieu-of-Tax Payments to the City

MOTION: Heier moved and Hudkins seconded approval of the additions to the agenda. Hudkins, Heier, Workman, Stevens and Schorr voted aye. Motion carried.

3 A) CONVENTION & VISITORS BUREAU (CVB) QUARTERLY MEETING; B) RECOMMENDATION FROM VISITORS PROMOTION COMMITTEE (VPC) (.5% OF IMPROVEMENT FUND FOR BID FEES); AND C) VPC APPOINTMENTS - Wendy Birdsall, Lincoln Chamber of Commerce President; Jeff Maul, Lincoln Convention and Visitors Bureau (CVB) Executive Director; Steve Hilton, Embassy Suites

A) Convention & Visitors Bureau (CVB) Quarterly Meeting

Jeff Maul, Lincoln Convention and Visitors Bureau (CVB) Executive Director, presented CVB Highlights, Last 3 Years (2005-2008) (Exhibit A).

Workman asked Maul to estimate how many room nights will be lost as a result of the State Fair's move to Grand Island.

Maul said a lot of the attendees are from eastern Nebraska and do not stay overnight. He said most of the overnights are vendors.

Steve Hilton, Embassy Suites, said the hotels that generally benefit are the ones on the perimeter.

Heier asked whether gasoline prices have had an impact.

Maul said he doesn't think it affected travel as much this year as was anticipated.

Hilton said Lincoln is a fairly stable market. He said higher gasoline prices may have helped because Lincoln is viewed as a reasonable destination.

B) Recommendation from Visitors Promotion Committee (VPC) (.5% of Improvement Fund for Bid Fees)

Maul presented a recommendation from the VPC that .5% of the lodging tax for July through December, 2007 and January through June, 2008 be released to the CVB for bid fees (Exhibit B). He estimated the amount at \$230,000 to \$245,000 and said the groups/events that will receive bid fees are:

- * 2008 United States Amateur Roller Sports (USARS) National Speed and Figure Skating National Championships
- * 2008 Christian Congregation of Jehovah's Witnesses Convention
- * 2008 North American Senior Circuit (NASCS) Senior Softball World Series
- * 2010 Special Olympics National Games

Maul said all of the events have city-wide impact.

Stevens noted there is also a community fund drive underway to help support the 2010 Special Olympics National Games.

MOTION: Hudkins moved and Stevens seconded to grant the request for release of funds. Hudkins, Heier, Workman, Stevens and Schorr voted aye. Motion carried.

C) VPC Appointments

Maul reported on the resignation of Scott Miller, VPC Chair, and said it is recommended that Hilton assume the position. Appointment of Julie Lattimer of SouthPointe Pavilions and reappointment of Jim Partington and John Klimpel is also recommended.

Board consensus was to schedule these items on the September 2, 2008 Board of Commissioners Meeting agenda.

ADDITIONS TO AGENDA

A. Emergency Medical Services (EMS) Appointment

Schorr said someone who has familiarity with rural medical delivery or rural ambulance service is requested.

The following names were suggested: 1) Jim Densberger, Lancaster County Firefighters Association; 2) Brian Johnson, formerly Waverly's Fire Chief; and 3) Greg Hall, Rural Emergency Medical Services Committee Chairman.

B. Proposal to Divert Lincoln Electric System's In-Lieu-of-Tax Payments to the City

Board consensus was to request a briefing by Shelley Sahling-Zart, LES Vice President and Assistant Counsel.

4 REGIONAL EMERGENCY COMMUNICATIONS UPDATE - Doug Ahlberg, Emergency Management Director

Doug Ahlberg, Emergency Management Director, said Nebraska's Southeast Region, which is comprised of 13 counties including Lancaster County, has received a Public Safety Interoperable Communications Grant in the amount of \$2,362,803. He said the focus is primarily tower construction and said one will be placed in southern Lancaster County.

5 PRUDENTIAL PENSION PROPOSAL - Conference Call with Frank Picarelli, Segal Advisors (Pension Plan Consultant), and Prudential Representatives - Paul Nacario, Vice President, Tax Exempt Sales; Kenneth Verzella, CFA Vice President of Investment Strategies; John Byrne, Vice President, Retirement Plans; James Malloy, Vice President, Contracts; Ann Jadro, Contracts; James Roche, Vice President, Stable Values

James Roche, Vice President, Stable Values, said Prudential is one of the nation's top Stable Value managers with \$47 billion in assets under management and has created an institutional Stable Value product for the large market called the Gibraltar Guaranteed Fund. He said the fund is a fully transparent, highly liquid, high quality, Triple A, Stable Value solution.

Frank Picarelli, Segal Advisors (Pension Plan Consultant), noted Prudential has guaranteed a rate of 5.13 percent for the first quarter of 2009 unless the actual rates are higher.

Roche said it is a separate account structure and if there is a deficit, it will be amortized over a four year period.

Picarelli said the County had a general account product with Nationwide Retirement Solutions (NRS) and never had a clear picture of the market value differential.

Roche stressed that Prudential's rate setting formula, book-to-market ratio (a ratio used to find the value of a company by comparing the book value of a firm to its market value), underlying investment strategy, portfolio holdings, and fee schedule are fully transparent. He said the rate setting formula is structured to keep the book-to-market ratio tight at all times and said the average book-to-market swing with the product is typically above book. Roche said the underlying investment strategy is very disciplined to stay very tight within the benchmark, adding Prudential strives to do 15 to 25 basis points above the benchmark. He said if the County terminates the plan with Prudential it will move on to the next the book value wrap guarantor and continue on. There will be no impact to participants' accounts and their principal and interest will remain intact. Roche said that is the critical difference between general account pooled product versus a separate account institutional product.

Picarelli said he wants to make sure that Prudential will audit NRS' calculation of the Stable Fund at the time of conversion.

Roche said Prudential will absorb the market value adjustment from NRS over a four year period and there will be minimal impact to participants.

Workman asked what type of securities the funds will be invested in.

Roche said Prudential invests in securities that are in the Lehman Aggregate Index, a broad market index of investment grade bonds that are traded in the United States (includes U.S. Treasuries, Triple A Agencies, Government Agency Mortgage-Backed Securities and Bonds).

Paul Nacario, Vice President, Tax Exempt Sales, asked whether there is subprime (loans that do not meet Fannie Mae or Freddie Mac guidelines) exposure.

Roche said absolutely not.

Workman asked whether there is any Fannie Mae or Freddie Mac involvement.

Roche said the Mortgage-Backed Securities are backed by those government institutions.

Picarelli said Segal Advisors has analyzed the underlying securities and said they are pretty traditional. He added that Prudential's credit ratings are sound.

Doug Cyr, Pension Review Committee member, said it is his understanding the Gibraltar Guaranteed Fund has variable fees and charges based upon the amount in the account.

Roche said that is correct. He said fees are reduced as the Stable Value assets grow within the plan.

Cyr noted there are separate investment agreements for the County's 401(a) Retirement Plan and 457(b) Deferred Compensation Program. He said the agreements have fee charge schedules and asked whether the accounts are aggregated for purposes of a single fee schedule that is applicable to both contracts.

Roche said they are.

Workman inquired about a participant's ability to remove themselves from the Stable Value Fund at retirement or separation.

Roche said the participant gets the full account value, regardless of market conditions.

Eagan noted there are minor restrictions for moving funds within the plan and a 90-day equity wash provision for competing funds.

Roche said the plan is structured so participants can move freely among funds.

Discussion then focused on variable funds.

Picarelli said Prudential has indicated it requires 25 basis points on the assets of the program to run the account, with no additional administration fee.

Nacario said the revenue requirement has been lowered to 19 basis points.

Kenneth Verzella, CFA Vice President of Investment Strategies, discussed the County's current funds by investment category and Prudential's fund recommendations (Exhibit C):

Large Cap Stock - Value

- * Allianz NFJ Dividend Value Instl
Van Kampen Growth and Income A

Large Cap Stock - Blend

- * American Funds Fundamental Invs R4
Davis NY Venture A
- * Vanguard 500 Index Signal
Nationwide S&P 500 Index Svc

Large Cap Stock - Growth

- * American Funds Growth Fund of America R4
American Funds Growth Fund of America R3

Mid Cap Stock - Value

- * Janus Mid Cap Value Investor
JP Morgan Mid Cap Value A

Mid Cap Stock - Blend

- * Fidelity Advisor Leveraged Co Stk I
Fidelity Advisor Leveraged Co Stk A
- * Vanguard Mid Capitalization Index

Mid Cap Stock - Growth

- * Munder Mid Cap Core Growth Y
- or-
- * American Century Vista Inv
- JP Morgan Diversified Mid Cap Growth A

Small Cap Stock - Value

- * Allianz NFJ Small Cap Value Inst
- Diamond Hill Small Cap A

Small Cap Stock - Blend

- * Neuberger Berman Genesis Instl (closed - will work to re-register)
- Neuberger German Genesis Tr

- * Vanguard Small Cap Index

Small Cap Stock - Growth

- * BlackRock Small Cap Grth Equity Instl
- Baron Growth

Socially Conscious

- * Neuberger Berman Socially Resp Tr
- Calvert Social Investment Equity A

Global Stock - Value

- * American Funds Capital World G/I R4
- Mutual Discovery A
- Oppenheimer Global A

International Stock - Blend

- * American Funds EuroPacific Growth R4
- American Funds EuroPacific Growth R3

Balanced - Blend

- * Oakmark Equity & Income I
MFS Total Return A

Target Date/Lifestyle

Proposed GoalMaker Underlying Investment Options

- * Allianz NFJ Dividend Value Instl
- * Large Cap Growth/Waddell & Reed Fund
Manager Composite
Blended Performance
- * Mid Cap Value/Systematic Fund
Manager Composite
Blended Performance
- * Mid Cap Growth/Westfield Capital Fund
Manager Composite
Blended Performance
- * American Funds EuroPacific Growth R4
- * Core Plus Bond/PIMCO Fund
- * Gibraltar Guaranteed Fund

Nationwide Inv Destinations Conservative Svc
Nationwide Inv Destinations Moderate Conservative Svc
Nationwide Inv Destinations Moderate Svc
Nationwide Inv Destinations Moderate Agressive SVC
Nationwide Inv Destinations Aggressive Svc

Intermediate-Term Bond

- * Core Plus Bond/PIMCO Fund
PIMCO Total Return A
Principal High Yield A

Stable Value

- * Gibraltar Guaranteed Fund
Fixed Income Option

NOTE: The funds recommended by Prudential are marked with an asterisk (*).
Current funds are also listed.

MOTION: Hudkins moved and Stevens seconded to approve Prudential's recommendations, with the exception of Munder Mid Cap Core Growth Y which will be eliminated as a Mid Cap Stock Growth option.

Picarelli noted the County has a \$100,000 credit allowance (revenue sharing paid to the County by Prudential).

Eagan said the Pension Review Committee (PRC) recommends the revenue sharing be leveraged to lower the fees on the funds.

ROLL CALL: Schorr, Stevens, Workman, Heier and Hudkins voted aye. Motion carried.

Eagan and Cyr agreed to continue to work with Prudential to bring forward a contract.

Also present were the following members of the Pension Review Committee (PRC): Terry Adams, Vince Mejer, Dennis Meyer and Marcia Thomas.

6 WEST OLIVE CREEK FLOODING - Don Thomas, County Engineer; Tom Fox, Deputy County Attorney

Don Thomas, County Engineer, discussed flooding problems on West Olive Creek Road stating it is his fear the County will lose the road. He said the flooding is caused by beaver dams and water from the Upper Salt Creek structure that is upstream from the road (Exhibits D & E).

MOTION: Hudkins moved and Stevens seconded to direct Kerry Eagan, Chief Administrative Officer, to write a letter to the Lower Platte South Natural Resources District (NRD), for signature by the Chair, requesting review and a recommendation. Schorr, Stevens, Workman, Heier and Hudkins voted aye. Motion carried.

ADMINISTRATIVE OFFICER REPORT

B. Weed Control (Southwest 40th Street and "O" Street)

Hudkins said the property that is the site of the new jail did not get planted this spring and weeds have taken over. He asked Thomas if his crew could mow the property.

Thomas said sure, if they are provided the boundaries.

Heier said he will contact the tenant first and verify that no planting was done.

7 JAIL JOINT PUBLIC AGENCY (JPA) AND CITY PRISONER INTERLOCAL UPDATE - Scott Keene, Ameritas Investment Corporation; Lauren Wismer, Gilmore & Bell PC (Bond Counsel)

Scott Keene, Ameritas Investment Corporation, said the City Prisoner Interlocal Agreement Committee continues to meet and work through the City Prisoner Interlocal Agreement, JPA Agreement and Facilities Agreement. He said two issues have come up that need input from the Board. The first is a request from the City to limit the amount of its levy allocation to \$3.5 million. Keene said the request seems reasonable.

There was no objection from the Board.

Keene said the second issue relates to ownership of the facility. He said it makes good accounting sense for the JPA to be the owner of the facility since it will be issuing the debt, levying the taxes and making the payments on the bonds. Ownership of the facility can transfer to the County upon maturity of the bonds.

Lauren Wismer, Bond Counsel, said an Operating Agreement has been drafted that gives operational authority to the County.

Keene said the County would lease the property to the JPA. The lease will become null and void at the time the bonds are paid off.

Board consensus was to request review by the County Attorney's Office.

8 POTENTIAL LITIGATION - Sue Eckley, County Risk Manager

MOTION: Heier moved and Schorr seconded to enter Executive Session at 11:13 a.m. for discussion of potential litigation. Schorr, Stevens, Workman, Heier and Hudkins voted aye. Motion carried.

MOTION: Hudkins moved and Heier seconded to exit Executive Session at 11:24 a.m. Schorr, Stevens, Workman, Heier and Hudkins voted aye. Motion carried.

9 ADMINISTRATIVE OFFICER REPORT

A. City-County Common Agenda Items (September 2, 2008)

Discussion of the jail bond and interlocal agreement with the City for the housing of prisoners in the jail were suggested.

B. Weed Control (Southwest 40th Street and "O" Street)

Item was moved forward on the agenda.

C. Tri-County Meeting Date (November 6, 2008)

Informational only.

10 DISCUSSION OF BOARD MEMBER MEETINGS

A. Joint Budget Committee (JBC) Meeting - Stevens

Stevens reported on the status of the JBC contracts.

B. Lincoln Independent Business Association (LIBA) Monthly Meeting -
Workman, Schorr

Workman said discussion focused on the budget, levy and JPA.

Schorr said she discussed expanding opportunities for businesses in the rural parts of Lancaster County.

C. Community Mental Health Center (CMHC) Advisory Committee -
Stevens

Stevens said Dean Settle, CMHC Director, reported on an application for a rural health services grant to provide behavioral health services. He said it may be done in collaboration with County Extension.

Schorr said it may duplicate efforts by Region V.

Gwen Thorpe, Deputy Chief Administrative Officer, agreed to follow up with Settle.

11 ADJOURNMENT

MOTION: Stevens moved and Schorr seconded to adjourn the meeting at 11:25 a.m. Schorr, Stevens, Workman, Heier and Hudkins voted aye. Motion carried.

Dan Nolte
Lancaster County Clerk