

**SPECIAL CALL CITY COUNCIL MINUTES
TUESDAY, MAY 14, 2013 9:30 A.M.
CITY HALL, COUNCIL CHAMBERS, VERO BEACH, FLORIDA**

PRESENT: Craig Fletcher, Mayor; Tracy Carroll, Vice Mayor; Pilar Turner, Councilmember; Jay Kramer, Councilmember and Richard Winger, Councilmember **Also Present:** James O'Connor, City Manager; Wayne Coment, City Attorney and Tammy Vock, City Clerk

1. CALL TO ORDER

A) Roll Call

Mayor Fletcher called the meeting to order and the Clerk performed the roll call.

B) Pledge of Allegiance

Mayor Fletcher led the City Council and the audience in the Pledge of Allegiance to the flag.

2. ITEM FOR DISCUSSION:

A) FY 13-14 'Budget Goals & Priorities' – Staff Presentation

Mr. Jim O'Connor, City Manager, explained that this meeting is so that staff can give Council the inside of how they plan on putting the budget together for the upcoming year. They want to make sure that staff and Council are on the same page. There will be assumptions in the budget depending on when the closing of the Electric Plant occurs. He wanted Council to consider having a partial year, where at the closing, which is scheduled to occur the beginning of 2014, there will be money from the proceeds to carry them throughout the rest of the year.

Ms. Cindy Lawson, Finance Director, reminded Council that they can amend the budget at any time during the year, but they have to set the millage rate at a public hearing in September. The Finance Commission has met and made recommendations to Council (to be discussed later on in the meeting). The Recreation Commission and the Marine Commission have been totally involved with the budget discussions this year.

Mrs. Carroll commented that there has been a shift in the budget process from two years ago and it is much better. She questioned when the utilities are sold and with the predicted (7) seven staff reductions occurring from the electric sale what are they going to do in decreasing from the other departments whose work has to do with the utility department.

Ms. Lawson said that will be part of their discussions today. She said that there will be different organizational structures and changing of job duties when the electric utility sale takes place.

Mr. O'Connor expressed that he did not recommend across the board cuts to take place.

Mrs. Carroll commented that the Finance Director's comment that employees can find work to make up for their time is a problematic statement. Ms. Lawson briefly explained what she meant.

Mr. O'Connor mentioned to get to a 10.9% reduction, 20% of that will be efficiencies and 80% will be employees.

Ms. Lawson went through the Power Point presentation (please see attached).

Mr. O'Connor commented that the cuts to staff could start next year after the sale of the utilities or they could amend the budget and start the cuts now.

Mrs. Turner stated that for planning purposes they should continue to press for the January 2014 target date.

Mr. Kramer felt that it would be prudent do it both ways. He said that they don't know what is going to happen.

Mr. O'Connor added that they can only adopt one budget, but could amend the budget anytime during the year.

Mrs. Turner recalled when they did the benchmarking exercise that there were some cities with close to the same population as the City of Vero Beach, but their number of employees was much smaller. She said that the City of Vero Beach amounts to one employee for every forty-four residents. The average for the other cities that they compared to in the benchmarking exercise there was one employee to every one hundred and ten residents. She realizes that some cities offer different services than other cities. However, she did not feel that the taxpayers were getting their money's worth for all the employees that the City has because they are not being used efficiently.

Mr. O'Connor agreed that the number of employees will have to be reduced and that is how they will be able to bring their numbers down.

Mr. Winger stated that to some degree he agrees with the comments just made by Mrs. Turner. He referred to the organizational charts and pointed out the floor plans of the different buildings and the employees that the City has. He said that there are a lot of empty offices and after the sale of the utilities there will not be a need to have a lot of this space. He felt that the City Manager should be in the center of things (maybe on the first floor) and not out in left field. He said that with an employee retiring in the City Attorney's office that there would be room in that space to consolidate. He felt that both Mr. Fall's department and Mr. Bolton's department should be in the same building since they have to work together on so many projects. He said that the only way they are going to streamline this organization is to consolidate people. He felt that ten locations of where City employees work out of is excessive and that there should not be any more than three or four levels of management. He felt that

they needed to look at changing the organizational chart and seeing what they really need and they could start by asking how much space do they actually need.

Mr. O'Connor expressed that the City is doing some consolidating and if they could move out of this building then they would. Mr. Winger was correct when he said that there is a lot of empty office space. He agreed that the Riverhouse was nice to have for people to rent out for different functions, but he did not think that it paid for itself. That is the same for the Bethel Creek House. He said that the lifeguards are housed there, but that building probably does not pay for itself either.

Mr. Winger wanted to see the City Manager come back and say how he was going to make changes by consolidating (extra space concept that he just brought up). He wanted the City Manager to give them a plan on what he is going to do with some of these buildings that the City owns.

Mrs. Turner agreed with streamlining departments and getting rid of the extra layer of management.

Mayor Fletcher stated that his goal would be a reduction of 5% per year for three years, but not all at once. He said that is his personal concept.

Mr. O'Connor did not think that Mayor Fletcher's approach was a bad goal because the rent for the Utility Plant from FPL stops in three years.

Mrs. Turner suggested that they make all the cuts now. She said that they could make the cuts all at once and then down the road look at giving the employees raises and reward them for the work that they are doing with less.

Mr. Kramer commented that this goes back to what kind of budget are they going to pass.

Mrs. Carroll felt that they could ask the City Manager and the Finance Director to look at combining departments. She recalled that in the last couple of budget hearings she has asked about certain line items and there was always justification given about why these certain things could not be cut. She said that both Mr. O'Connor and Ms. Lawson have been involved with other municipalities and they have witnessed how restructuring can be done. She said that the City should be treated as a corporation and indicated that corporations have had to make a lot of cuts over the last couple of years.

Mrs. Carroll mentioned how many volunteers there are in this community and said that they could create a "volunteer bank" to help out in some areas.

Mr. O'Connor agreed that volunteers are great, but they are stretched pretty thin because everyone counts on them. It was mentioned how hard it is to find volunteers to serve on their City Boards and Commissions.

Mayor Fletcher asked Council if they wanted to phase the cuts in or do it all at once for this budget.

Mrs. Vock was asked to provide copies of the benchmarking documents for Council.

Mr. Winger suggested going with the one-time cut. He said that he wasn't sure that they could get where Mrs. Turner wants to be. However, he said that he would still like to keep Vero the way that it is.

Mrs. Carroll agreed to going with the one-time cut.

Mr. O'Connor was given his directions to implement this one-time cut in the budget.

Mrs. Turner moved on to the transfers from other funds. She wants to see them recover if they pay down the unfunded pension liability. She wanted to see the General Fund to be able to recover that. Ms. Lawson explained that depending on their approach to this that money doesn't belong any more to the General Fund then it belongs to any of the other funds. She said that the only way to do it from an accounting standpoint is a transfer. Mrs. Turner said that it should be done as a one-time increase in transfer.

Ms. Lawson wanted to make sure it was clear that this cannot be called a loan and even if they show it separately in the budget as a transfer that all the transfers are conglomerated and it won't be shown separately in which case they would not need 10% worth of cuts to balance the budget. She said that if Council takes advantage of another one-million dollars savings in the pension funds that now the budget gap is a million-one, which is 6% and not 11%. This would be an annual transfer for thirteen years or however long it takes to amortize the pension liability.

Mr. Kramer remembered when the County took over Sebastian that they put an equalization charge on their bills. He said that if they increase the transfers then there will be pressure to increase the rates. He suggested being straight with the public and add on an equalization charge in order to recoup the FPL expenses.

Mrs. Turner said that this was not from FPL expenses. It was paying off the pension funds.

Mr. Winger brought up the Water & Sewer Fund and felt that the City should have seen to it that water and sewer was paying more every year so that they were not so behind.

Ms. Lawson made it clear that the City always paid what they had to for annual contributions calculated by the actuary to make up the estimated losses. She then asked Council if they wanted 11% in cuts, as well as the extra one million dollars from transfers or do they want to balance the budget with the additional transfers and a 6% cut.

Mayor Fletcher wanted to transfer the funds and balance the budget at 6% and then do 5% per year to total three years.

Mrs. Turner said lets reorganize and streamline this organization and get it done. This way every year employees don't have to wonder if they are going to be laid off. She was going back to the one-time cut.

Mr. Winger added that the 10% cut is what the City Manager will bring them at budget time and then Council will decide.

Ms. Lawson pointed out that by going this route they will have a surplus of one hundred million dollars. The other thing that they need to keep in mind is that three years after the sale they will again have a \$1.5 million dollar deficit in the General Fund.

Mrs. Turner commented that they need to make these cuts now or otherwise they are just prolonging it.

Mr. Winger brought up that they do need to keep in consideration that the City employees have not had a raise since 2006.

Mayor Fletcher commented that they could look at that, but it will be hard to make cuts of about 11% and then have salary increases.

Mr. Winger requested a list of all the different properties that the City owns. Mrs. Vock said that she would provide that list to all of the Councilmembers.

Mr. Winger could not understand why Recreation was considered an Enterprise Fund when it really is not.

Ms. Lawson commented that she asked the same question when she first started working for the City. She said that it is because at one time the County contributed funds to the Recreation programs because it was a joint City/County Recreation Department. She suggested in the future they may want to look at putting Recreation in the General Fund.

Mayor Fletcher asked Council if they wanted to talk about the activities/services that they would like to see reduced or eliminated.

Mr. O'Connor told Council as time goes on if they (Council) see things that can be eliminated or reduced to let him know.

Mrs. Carroll wanted to see him move forward with outsourcing some of the departments, such as fleet, garbage service, etc.

Mr. O'Connor commented that they are trying to market the cemetery and are working at putting an RFP together. He said that there is no reason for the City to be in the cemetery business.

Ms. Lawson wanted to make sure that she understood what Council wanted to do. She said that they are going to assume that the closing will be in January 2014. Then they are going to make the assumption that they take the extra unfunded liability amounts from the other funds and transfer them to the General Fund. But, if it is only three quarters it will not be the whole 1.1 million dollars. However, they will cut 11% from the General Fund budget and then see where that leaves them.

Mr. Winger reiterated that he wanted staff to bring forth ideas on what do with some of the buildings and the empty offices.

Mrs. Carroll added that if they could lease some of the buildings then it would bring some revenue into the City.

Mayor Fletcher was concerned that the sale to FPL probably would not be taking place in the first quarter of the year. He anticipated that it would probably be more like the second quarter.

Mr. Winger agreed with that assumption.

Mr. Kramer did not see it happening until 2016.

Mayor Fletcher said that they would assume that the sale is going to take place in the second quarter of the year 2014.

Ms. Lawson continued going through the Power Point presentation.

B) Council Comments

Comments were made by the Council throughout the presentation.

C) Public Comments

Mr. Mark Mucher agreed that it was hard to pin down the assumption when the sale to FPL was going to occur. He said if the sale doesn't occur then the City will continue to make contributions or they will run out of money. Ms. Lawson explained that they would just amend the budget. Mr. Mucher thought that maybe they needed to have two budgets. One budget showing the sale to FPL and one budget not showing the sale to FPL. Ms. Lawson reiterated that they can only adopt one budget.

Mrs. Alice Johnson talked about the pension plan that she had when she worked for Merrill Lynch and thought that might be an option for the City to look at.

Mr. O'Connor expressed that they will be having negotiations with the Union to change the process of their pension plan.

Mrs. Johnson then brought up the health insurance offered to employees and said that is not what is being given in the private sector. She said that if they cut down on the pension and health insurance costs that are being given to the employees now then they would have a balanced budget.

Mr. J. Rock Tonkel applauded Council on following through on what was said this morning. He agreed with Mrs. Turner that this is a painful process to have to reduce force, but they need to get it done as early as possible. He recalled that he didn't hear any discussions about Public Works. He suspected that it is difficult to measure the efficiency of people carrying out Public Work projects. He said that it should be looked at. There are questions raised about specific projects and could they be done with other parties involved. Are there any options one could take with say the County (shared services) that could be done with both parties benefitting and efficiencies achieved.

Mr. Dan Stump thanked Council for a very informative meeting. He said that it would be nice if the City would freeze the current benefit plan as soon as possible. He referred to attachment C in their Power Point presentation and said that it had a lot of good items. He said that in attachment C it outlines the assumptions and it looks like they will be using more than half of the proceeds that they receive from FPL to fund part of the budget. He said look at the large number of employees that this City has. The taxpayers are asking if they are getting their monies worth. He noted that a large number of employees do not even live in the City and that another concept to consider is "pay as you go." He said that it would be nice if they could find another alternative when it comes to paying down the pension plan.

Mr. Peter Gorry, Chairman of the Finance Commission, pointed out that the proceeds from the sale are in the neighborhood of four million dollars. The balance of the money is resulting from retaining the funds that they already have.

Ms. Lawson explained that they will get one hundred and eleven million dollars from the sale and between that money and money that they have and paying off their obligations, it will leave the City with thirty-five million dollars.

Mayor Fletcher stated that Council understood that.

Mr. Gorry just wanted to make sure that the public was aware of it.

Mrs. Carroll wondered if staff has considered that there will be savings in utility costs (electricity used) because of the sale to FPL. She said that needs to be looked at.

Mrs. Turner requested in the budget books this year that they have a summary of salaries and benefits on one page so that Council does not have to go to different pages throughout the book and total them up.

Mayor Fletcher wondered if they actually needed to have a financial report every month.

Ms. Lawson commented that depending on how many employees that she has to cut in her department, she may be coming back to Council and saying that it was one of the things that she won't be able to provide anymore.

3. ADJOURNMENT

Today's meeting adjourned at 11:11 a.m.

/tv