

**CITY OF VERO BEACH, FLORIDA**  
**CITY COUNCIL BUDGET WORKSHOP – FY 2016-2017**  
**JULY 13, 2016 – JULY 15, 2016 9:00 A.M.**  
**CITY HALL, COUNCIL CHAMBERS, VERO BEACH, FLORIDA**

**PRESENT:** Mayor Jay Kramer, present; Vice Mayor Randy Old, present; Pilar Turner, present; Richard Winger, present and Harry Howle, present. **ALSO PRESENT:** James O'Connor, City Manager; Wayne Coment, City Attorney; Tammy Vock, City Clerk and Cindy Lawson, Finance Director.

**WEDNESDAY, JULY 13, 2016 – 9:00 A.M.**

Mayor Kramer noted that the public is invited to speak.

Mr. James O'Connor, City Manager, said the memorandum provided covers the City Manager's proposed budget (attached to the original minutes). Also included is the Five Year Capital Improvement Plan as staff would propose over the next five years. They did stay with the existing tax rate, which would generate about \$248,000 dollars more in ad valorem taxes. But, that is somewhat offset because they dropped the 6% from the Electric Fund by \$250,000 because of the decrease in rates. It also indicates the policy of the City Council in trying to move away from dependency on the utilities. They added four new positions, which one position was added earlier this fiscal year for ground maintenance. There is one proposed position in the City Attorney's office, one position proposed in the Planning and Development Department, and one position in the Public Works and Survey Engineering Department. They are not proposing any pay increases. He reported that there is an opener in the Union contract, which is something that the City Council needs to consider if the City can't afford it that is the direction they would go. He would think, and if at all possible, that the City Council give some consideration in the pay category. He noted that the impact of 1% in the General Fund would be about \$125,000 dollars.

Mrs. Turner asked is that salaries and benefits or just salaries.

Ms. Lawson answered salaries and benefits.

Mr. O'Connor said the City Council gave direction to try to fund the OPEB Trust Fund and a 27 year policy was established, which would cost approximately \$350,000. They have not found it this year, but did find a way to fund it next year. He explained that there is a debt service that would be paid off next year, which would free up about \$660,000 dollars. He said they did extensive studies and established an Excess Fund Balance Policy, which there is approximately \$133,402 dollars that they did not budget for as under the policy the funds would have to be used for one-time expenditures. The Electric Utility budget shows a surplus of about \$516,000 dollars, which is a very small percentage of the total budget. The Water and Sewer is very strong and they expect a surplus of about \$222,000 dollars. They are asking for two full-time positions in order to help the efficiency of that Department. They are also putting funds aside

in trying to make sure that if the Council decides that they want to move the Wastewater Treatment Plant off site (after the debt service is paid) that they would be able to at least fund a portion of it. He said the Five Year Capital Plan was probably the weakest part of this budget. He explained that they were able to balance based on what they perceive are needs of the operational parts of the budget. The infrastructure issues from all indications are not totally funds, but are within the means in which they have to accomplish those goals. They gave this to the Finance Commission for review and the Chairman sent the City Council a memorandum on an overview of the Finance Commission's recommendations and what was voted on.

Mr. Winger said that he had four (4) overall concerns. He said that he back-figured the raise issue and it doesn't show it anywhere, but it is 0% this year, 3% next year, 0% the following year and 3% the following year after that. He said that he has kept up on economics and currently there is 1.6% inflation. He would prefer to see a raise policy of 1.5% each year, which would come to the same 6%. He said regarding the unfunded capital, they do five year budgets and it becomes intolerable in years two, three, four, and five in what is unfunded. He felt that they needed to deal with it as they deal with the capital. He said that he would like something done with OPEB this year. Also, when looking at this budget, the capital for the electric over time essentially they are funding the removal of everything except Big Blue (Power Plant). He didn't think that it was reasonable to not begin the planning process. He said the building is going to have to go. It is what the public wants. Lastly, the \$500,000 surplus in the electric he was glad to have. But, they are going to markedly exceed that amount. He said that he tracks the revenues and expenses of each component source and their revenues are going to be higher and their costs are going to be lower than what is in the budget. He felt that they would be looking at substantial further rate decrease and with the City's decreases and FPL's rate increases they would get within 10% of FPL rates.

Mr. Old said they have to start thinking about the next five years. He felt that as long as they keep delaying the bubble keeps getting bigger and bigger.

Mr. Howle said they had several power outages this year, especially on the beachside, which he felt was due to infrastructure. He asked would any of the excess funds in the Electric Fund go towards upgrading the system.

Mr. O'Connor answered yes. He said the reliability of the system itself has become their number one priority.

Mrs. Turner said to try to keep things in perspective if they look at last year's budget. She said they increased the tax rate by 17%, they had a 4% increase in property valuations, which resulted in effectively a 21% increase in taxes. This year they are also looking at the property value increasing almost 5%. Therefore, effectively what they were looking at in this budget is 26% higher than what they have had in the past. Yet, once again they are not funding OPEB. She clearly remembers last year and hearing they can't do OPEB this year, but they would do OPEB next year. She said this was something they keep kicking down the road and she refuses to approve a budget that adds personnel and increases their cost without addressing OPEB.

Mayor Kramer said that he would discuss his budgetary concerns as they come through. He said that he was starting to think that the transfers to the General Fund should be expressed in a dollar amount. He explained that in going through the budgeting process and starting to understand that every time they do a rate decrease that they are going to have to increase taxes it is a diseconomy of scale psychologically and Councils in the future might not want to keep lowering rates. He also felt there were some raises that need to happen and he liked the idea of flattening them out through the years rather than staggering them. His hope is that staff could give him a dollar amount when they get to that point.

Ms. Lawson noted that attached to their backup is the actual forms that come from the Property Appraiser. Some things included are the maximum millage levy calculation that shows the maximum millage that Council can levy with a majority vote of almost 2.8 mills. She noted that this is the first year they received a tax increment financing valuation from the Property Appraiser for the Downtown Economic District. Unfortunately, as opposed to the base year, there was actually a decrease in value so this was not a year that they would be taking some of their taxes and putting them aside into that Trust Fund. But, that could happen in future years and would diminish the tax revenue available to their General Fund. Regarding OPEB, currently the recommendation from the Finance Commission from last year is to fund an OPEB Trust over 27 years. She explained that OPEB was not quite similar to pensions in that this budget does incorporate the funding that is required for the City to fund its match to this year's retiree health benefits. They have budgeted enough to fulfill their obligation. She would submit to the Council that whether they do it this year or next, they have at least 20 plus years before they would see any appreciable difference even in the books in terms of what they're funding pay as you go versus what they're funding as a result of a trust fund. The Finance Commission looked at this and unanimously endorsed staff's recommendation to wait until next year so that it could be done without a major impact to the General Fund. She said \$340,000 - \$350,000 dollars in the General Fund would have a fairly substantial impact. She said the Finance Commission did caveat heavily that there would be no more putting it off after this.

Mr. Winger asked as far as the law is concerned, is there a drop dead date that they have to do it.

Ms. Lawson answered no. She explained that the State of Florida requires that they make the annual required contribution that the Actuary establishes to their pension plan. The State of Florida has never stepped in and required contributions to OPEB Trusts. The GASPE allows for pay as you go, which is essentially paying their obligation every year to fund their part of the retiree benefits. The only thing that would change in the next couple of years is the accounting for it. But, that doesn't have any impact on the cash and doesn't create a requirement at any point at this time for them to fund it.

Mr. Winger asked what is the funding on a cash basis that is in this year's budget for the retirees.

Ms. Lawson said there is a little over \$1 million across all the Funds.

Mrs. Turner said \$1 million and they have an unfunded liability of \$34.5 million.

Ms. Lawson said not discounting OPEB, but the unfunded liability in OPEB is very different than the unfunded liability in the Pension. She said the idea of the OPEB Trust Fund is to start putting money in and every year they would take money out to pay leaving a little residual amount that grows over time until it reaches an amount that reaches an amount equal to their liability. But, that would take 27 years so it would be 20 plus years before it even remotely impacts their books. It would not change their funding for a long time.

Mr. Winger questioned adding \$350,000 to the roughly \$1 million.

Ms. Lawson said that is only in the General Fund.

Mrs. Turner thought it was half in the General Fund and half in the Enterprise Funds.

Ms. Lawson said there is \$829,000 Citywide for the City's share of health insurance and it is about \$410,000 in the General Fund. As far as the amount the City would add in order to fund the OPEB, for the next 27 years they would be looking at an additional \$330,000 dollars in the General Fund and an additional \$658,000 Citywide. Therefore, it takes it from \$830,000 to about \$1.5 million.

Mr. Winger said they put this off last year and he didn't think they would be in any better shape next year.

Mrs. Turner said the needs of the City will always be greater than the cash that is available. She said they need to bite the bullet and address it.

Ms. Lawson explained that in order to get \$330,000 to \$350,000 from the General Fund they would have to cut staff. She said they would be sacrificing current staffing levels for a future liability that spreads out over 30 years.

Mr. Old said they could do a tax increase.

Mr. Howle asked why does the amount have to be \$330,000. He said \$125,000 is better than nothing.

Ms. Lawson explained that unfortunately the way it works is they have the Actuary do an evaluation and they have a maximum amortization period they are allowed to use, which is about 30 years. The recommendation of the Finance Commission was to go with 27 years.

Mr. Howle said rather than not funding it at all if they could find the cash to put some towards OPEB this year.

Ms. Lawson said if they partially fund it they would not achieve what they were after for two reasons, which were that they would still have the liability growing on the books because they would not meet the Annual Required Contribution (ARC) and to establish a Trust and then fail to fund the ARC established by the Actuary would put a ding in the audit. They would be better off not doing it at all.

Mr. O'Connor said they could do a reserve and match it when the debt service comes off next year. He explained that they could take an amount and put it into a reserve account only dedicated by Council policy to be used toward OPEB next year.

Ms. Lawson said this is entirely a policy decision. She was only trying to put it into perspective. The General Fund is 85% salaries and benefits. There is no way to make any appreciable cuts in the General Fund without cutting staff.

Mr. Old asked what would be the tax increase.

Ms. Lawson said it would be around .13 mills.

Mr. Winger asked what if they didn't add any additional staff, other than the one that they already hired.

Ms. Lawson said the three (3) additional employees would amount to about \$180,000 to \$200,000.

Mr. Howle asked what were the unfunded liabilities on the OPEB last year.

Mrs. Turner said according to the CAFR it was 34.5. She said it was stated that they would not see any affects of it for 20 years, but that is at the funding rate of \$330,000.

Mr. Winger said they may not be able to do it, but he felt that they should go ahead and look for the \$330,000.

Mayor Kramer said OPEB is a funding mechanism and they don't have to do it. Once they do it they are on hook for payment and it ties their hands further down the road. The idea that this expense just popped up out of nowhere is false. They have had this since the inception of the City when they started doing health care and benefits. He said that he didn't like the idea of tying future hands. Things can come up. It is a nice idea, but when they are talking about cash flow every year he doesn't like the idea of tying their hands.

Mr. Howle felt that OPEB was important and should be at the top of their list. He felt that they should consider the reserve fund suggested by Mr. O'Connor. He said that he also agreed with Mayor Kramer in that once the Trust is established it does tie their hands. To put faith into the

Finance Commission at this point might be the most prudent track to take given all the expenses within this year's budget.

Ms. Lawson went on to the Excess Fund Balance. She reported that the Policy adopted was in the amount of \$133,402 dollars and the Finance Commission recommended that the funds be dedicated to some of the unfunded Capital projects. She noted that this budget is based on extremely current information on the Purchase Power costs and it also includes their projection for shutting down the Power Plant and doing the capital necessary to bring back the reliability and the downsizing of positions. This is what they consider to be a very accurate budget for what is ahead of them in the next year.

Mr. Peter Gorry, Chairman of the Finance Commission, reported that the Finance Commission did not go through the proposed budget line item by line item. One objective was the priorities, one was to make recommendations to the City Council, and to look at it long term. He thanked Ms. Lawson, Mr. O'Connor, Mrs. Vock and her staff for putting the material together for the Commission in such a short notice. He then briefly went over his memorandum to the City Council dated July 12, 2016 regarding the Finance Commission's review of the proposed budget (attached to the original minutes). He reported that the Finance Commission has been straight forward in being an advocate of OPEB and one of the issues faced this year is that six (6) or seven (7) positions would have to be cut in order to fund it. He said the issue is how it would be funded next year. After consideration and enormous caveats, the Finance Commission agreed to recommend the approach to defer OPEB to next year and to use the funds from the defeased debt. When they reviewed the Recreation Department they recommended that the Recreation Director look at the capital programs that were not health and safety to see if they could cut back some of the \$424,000 dollars scheduled. The Commission recommended that if the City was to use any of the Unrestricted Reserves, that they put it into infrastructure.

Mrs. Turner said last year when they discussed OPEB they decided to defer it to this year stating that if they sell the Dodgertown property that they would use that money to fund it. She said next year they would use funds from something else to fund it, but she felt that by the time they get halfway through this year they would have commitments for those dollars as well. She said obviously the Finance Commission thinks OPEB is important. She said that she has fought tax increases for the past six (6) years. However, she would agree to move forward with a tax increase if that is what it takes to address OPEB because she thinks it is that important for them to do.

Mr. Gorry said the difference between using the proceeds from the sale of the Dodgertown property, which was speculative that it may or may not happen, the \$600,000 dollars of defeased debt is real.

Mr. Old said what is real is that they cannot commit next year's Council to that. What is also real is that they will come up with several other ways to spend that money. Therefore, the sooner they decide on this the better.

Mr. Gorry explained that the alternative for being constrained by not increasing the millage and/or not cutting \$300,000 in services, that is the decision the Finance Commission arrived at.

Mr. Winger said the \$600,000 is going to have to go towards the roads and other infrastructure.

Ms. Lawson said if the loan on the Dodgertown property is paid off, that would free up the one-cent sales tax and they cannot fund OPEB with the one-cent sales tax. The only things they could fund with the one-cent sales tax is for capital expenditures.

Mayor Kramer asked the Council if they wanted to make any policy changes.

Mr. O'Connor suggested that they think about it as they go through the budget.

Ms. Lawson said as she understands it as they go through the General Fund, the two things on the table that they would be looking for money to fund was for OPEB and for raises. She said as they go through the budget she would keep a running total of what they come up with.

Mr. Winger said regarding raises, the reality is their good employees need to be kept reasonably whole. He said if they go with zero raises this year and 3% next year, they are going to have the same problem next year in that they are not going to have the 3%. They would have the same problem all over again.

Ms. Lawson explained that the 0% this year and the 3% next year in the Five-Year Plan was just a set of assumptions. She said the percentages were there based on past years. It was not a proposal or a plan. She agreed that the much more sane approach to raises is a smaller percentage every year.

## **GENERAL FUND**

### **General Fund Revenues**

Ms. Lawson briefly went over pages two (2) and three (3) of the proposed budget with the Councilmembers.

Mayor Kramer suggested on the transfers that they have a dollar amount rather than a percentage (Electric Utility). He felt it was a disincentive to have a percentage where if it was a dollar amount they would not have that disincentive to lower rates.

Mrs. Turner felt that it could get into a dangerous area in that whatever number they set as it creeps up higher. She explained that if they set a dollar amount in what now is at a 6% range and as that creeps up higher to something like 8% or 10% she felt that they would hear a big outcry from the public.

Mayor Kramer said FPL has about 10% or 11% and the reason it is that way is because they have lower rates. If they don't give the higher return when lowering rates then they would not have an incentive to lower rates. He was suggesting locking it in at a certain dollar amount and then if they lower rates it would not hurt them. There would not be a disincentive to not lower rates.

Ms. Lawson said they can change their minds every year as to what the fixed amount is so as they see it creeping up as a percentage they could always adjust the fixed amount. Also, they don't ever true this up because this is a part of the General Fund and once they establish it they can't then true it up at the end of the year based on true revenues and then end up having a shortfall in the General Fund that they can't do anything about. She said even though they start the year with the intention of it to be 6%, it wenders up and down a little anyway as compared to actuals because they don't true it up. She felt that what Mayor Kramer was proposing has a lot of merit.

Mr. Winger referred to pages five (5) through eight (8) of the proposed budget book. He said the Utilities budget went from \$644,000 to \$619,000. He said they are going to do better than that because their rates are down 13.85%. He said the overtime salaries are always a concern to him. He asked is there any way that they could spend less.

Ms. Lawson noted that the overtime is in the Police Department, which the Police Chief would address during his budget.

Mrs. Laura Moss urged the City Council to address OPEB this year, even if it means not adding personnel. She didn't think that was taking action against staff, but is actually benefiting staff because they would be ensuring the financial stability on promises already made to the existing staff. They also would be ensuring the financial solvency of the City. They would be helping both the staff and the community. She said that she attended the Finance Commission meeting on Monday and she felt that they did a great job. She urged the Council to consider their suggestion to monetizing properties. She felt this was a valid way to address shortfalls.

At 10:20 a.m., Council took a five-minute break.

### **City Council**

Mrs. Tammy Vock, City Clerk, reported that not any changes.

Mayor Kramer suggested looking into purchasing new chairs for the dais in the Council Chambers.

Mrs. Tammy Vock, City Clerk, said that she would get some quotes and bring them back to the City Council.

Mrs. Turner said the Florida League of Cities (FLOC) has a conference coming up and suggested that Mr. Howle attend. She noted that these conferences provide a chance to meet Councilmembers from other areas and learn how they handle certain issues.

Mr. Winger said that he watched the live streaming of a recent meeting and noted that it is a vast improvement. He felt that their next step should be updating the City's webpage. He felt that the Council should put a marker in the budget in the amount of \$10,000 to get this done. He noted that he did not know the cost of the upgrade.

Mrs. Vock said that she received proposals that were anywhere from \$5,000 to \$100,000. She said that she is in the process of forming a committee made of staff who has the expertise in this field, as well as someone from the Indian River County IT Department, which would work on this and ask for the public's input on what they would like to see on the website. She noted that before anything is done that she would bring it before the City Council.

### **City Clerk**

Mrs. Vock said there is an increase in her budget under Other Contractual Services mainly because of the new contract with Streamlining with AT&T, as well as the website storage fee. She said there is a decrease in the Election Expense as this year the City is piggybacking with Indian River County. She explained that when the City is able to piggyback with the County their Election fee is .50 cents per voter. Next year the expense will go up unless Indian River County has an item on the ballot and the fee would be \$2.50 per voter.

There were no changes made to the proposed budget.

### **City Manager**

Mr. O'Connor reported that he has an overall decrease in their budget in the amount of \$2,400.

Mrs. Turner referred to the City Manager's Major Goals and Challenges. She asked is there anything they could look at getting more efficiency from the employees.

Mr. O'Connor said that he did not have a problem with putting that down as one of their goals. He noted that it is always a goal of his and is something that they do work on.

### **City Hall**

Ms. Lawson reported that the janitorial expenses went up a little and the utilities and maintenance expenses were reduced.

Mrs. Turner asked is there something they can do at City Hall for more efficiently, such as LED lighting.

Mr. O'Connor said they could do that, but there is a capital investment.

Mr. Howle said the carpet in the hallway and the carpet by the elevator is really in rough shape.

### **City Attorney**

Mr. Wayne Coment, City Attorney, reported that Professional Services was decreased, increased Recording Fees and decreased Subscriptions and Memberships. He reported that they budgeted \$90,000 dollars for a replacement for the Assistant City Attorney, Mrs. Peggy Lyon. He said that they received 20 applications, which he felt that only one (1) of them had the qualifications. He said it was probably because of the salary being offered. He said they budgeted \$70,000 for a second Attorney, which would be at the entry level.

Mr. Old asked Mr. Coment if he needed two (2) additional attorneys.

Mr. Coment said they use to have five (5) employees in the City Attorney's office and they currently have three (3). He said that Mrs. Lyon is retiring early, Ms. McKenzie is approaching retirement age, and he would probably be retiring in the spring of 2018. He said they need to get someone in the office to learn the organization and the procedures.

Mr. Old wondered if it would be better to go up in salary for one (1) attorney rather than hiring two (2) attorneys. He explained that he was wondering if it would be better to go up in salary to get one (1) person, rather than hiring two (2).

Mr. Winger said last year they were going to hire an attorney at the half-year and then took it out. He felt that they kind of obligated themselves that it needed to be done in this year's budget. He said that he did not have a problem with it.

Mrs. Turner said when they did bench marketing on legal departments of other cities ours was always higher. She said they are utilizing outside attorneys for electric, union negotiations, law suits, code enforcement, etc. She said that she would like to see a total of what their outside legal bills are before they justify this.

Ms. Lawson noted that for whatever Mr. Coment has budgeted, only 50% is from the General Fund and the other 50% is from the Enterprise Funds.

Mrs. Turner noted that she does not approve of the additional position.

There were no changes were made to the proposed budget.

### **Human Resources/Risk Management**

Mrs. Gabrielle Manus, Human Resources Director, reported that Professional Services and Software Maintenance were reduced.

No changes made to the proposed budget.

### **Finance Administration**

Ms. Lawson reported that she has had a lot of turnover in the Accounting Clerk and Cashier positions. She reported that the Assistant Finance Director left the City for another position and the Senior Accounting Supervisor retired. In order to address the turnover in cashiering is to increase the full time cashier salaries to a level on par with Customer Service representatives. She said currently their full time cashiers earn \$21,000 dollars a year, which is not a competitive salary. She is proposing increasing the salaries of the two (2) fulltime cashiers to just over \$28,000 dollars a year, which will put them even with a Customer Service trainee. She reported that there is a small increase in the operating salaries budget with no change in the number of personnel, which is offset by the decrease in health insurance and there is a total decrease in personnel costs and a decrease in her operating costs.

There were no changes made to the proposed budget.

### **Information Technology**

Mr. Paul Mills, Manager of Information Technology, reported that Microsoft would be de-supporting Microsoft 2007 next year and he would like to look at getting Active Directory software (referring to their Capital Request for software).

There were no changes made to the proposed budget.

### **Purchasing**

Mr. John O'Brien, Purchasing Director, reported that their operating expenses were decreased and they have a capital request for computers.

There were no changes made to the proposed budget.

### **Warehouse**

Mr. O'Brien briefly went over the operations of the Warehouse.

There were no changes made to the proposed budget.

### **Planning**

Mr. Tim McGarry, Planning and Development Director, reported that the Professional Services was decreased to zero and the Schools and Meetings were decreased. He has a capital request for tablets for the Historic Preservation Commission. He is requesting adding one (1) position

as the amount of work is really increasing and they need someone to help with the day to day work in the permitting, answering the telephone, etc. He is also requesting a small increase in pay for their Certified Planner.

There were no changes made to the proposed budget.

Council took a break at 11:48 a.m. and reconvened at 1:00 p.m.

### **Public Works Engineering & Survey**

Mr. Monte Falls, Engineering Director and Mr. Don Dextor, Public Works Manager, presented their budget. Mr. Falls said he will look at some of the places where carpet needs to be replaced in City Hall. He is asking for an additional person in the Engineering & Survey Department. He said we will now be charging people for right of way permit fees. With this new person they will be able to restart the sidewalk replacement program. It nets at about \$53,000 in salary and benefits.

### **Public Works Streets, Stormwater & Traffic**

No changes made to the proposed budget.

### **Public Works GIS**

No changes made to the proposed budget.

### **Public Works Grounds Maintenance**

Mr. Falls explained the one (1) person staffing increase is because of a new person hired in May to mow grass in-house instead of contracting out.

Mr. Falls said that the Beach Cleaning line item is being increased because of the level of service for trash pickup at their beaches, especially during holiday weekends.

### **Public Works Administration**

No changes made to the proposed budget.

Mayor Kramer said he would like to see all Public Works budget items consolidated together. Mrs. Lawson said that she would include this on page 4 in the budget book.

### **Public Works Fleet Management**

No changes were made to the budget.

## **Public Works Facilities Management**

No changes were made to the budget.

At this time Council went through the Five Year Capital Plan for the Public Works and Engineering Department.

Council discussed considering putting the extra \$133,000 (excess fund balance) into streets. This money can only be used for capital items. They will review the different departments where this money could be used for at the last day of the budget hearings. They will review the wish list and review everyone's priorities on Friday.

## **Cemetery Fund (Permanent Fund)**

Mr. Falls gave an update of cemetery sales to date this year. He said so far this year they have sold cemetery property amounting to \$147,000, which is exceeding the budget estimate for this coming year. The opening and closing fees is estimated at \$28,000 and as of last Friday their revenue is at \$22,000. He said the anticipated revenue estimates looks good for this year.

## **Solid Waste**

Mr. Falls explained that they are not proposing any employee changes in Solid Waste. They are replacing a solid waste disposal truck and two (2) light vehicle lease-purchase pick-up trucks.

Mrs. Turner asked if they were competitive with their garbage rates.

Mr. Falls said before the County went to one week pickup the City was lower in rates.

Mr. Peter Gorry, Chairman of the Finance Commission, said there was one other service that Solid Wastes does if you have debris or old furniture the Solid Waste Department will pick up these things.

Mr. Tony Young observed that he was offered a cemetery plot at Hillcrest Cemetery for a Veteran but turned down the offer because to have a service burial for a Veteran at Hillcrest would be more expensive then purchasing a new plot at Crestlawn Cemetery.

Today's meeting adjourned at 2:57 p.m.

**THURSDAY, JULY 14, 2016 – 9:00 A.M.**

## **GENERAL FUND (CONTINUED)**

### **Police**

Mr. David Currey, Police Chief, expressed personnel costs were down. He said that his total operating cost was down \$11,000. The capital request is up \$11,000 and the overall total budget is down \$36,000. The Air Show costs the Police Department \$12,000 in overtime cost and that money is not reimbursed back to the Police Department. He said however a lot of overtime worked by the Police Officers is reimbursed back to the Police Department.

Mr. O'Connor explained that the City has reached an agreement with FAA that they would pay for safety at the Airport at no charge. Up to date applying security for Elite Airlines has cost them \$13,000. The incentive overtime means that Police Officers are given incentive costs for some of the courses that they have taken.

Mrs. Turner asked about the line item - Contractual Services. She asked what is covered in this item. Chief Currey explained that the main reason is to cover costs for outside contracts that they have with various different companies. He said it is a lot of computer and IT related.

Mrs. Turner asked about the starting salaries for their Police Officers.

Police Chief Currey mentioned that it has been several years since the starting salaries for Police Officers has been increased. The current starting salary is \$36,000 and the Police Department requires a two (2) year degree. He said they have the lowest paid starting salary on the Treasure Coast except for Fellsmere. He said they don't want to be a training ground for new Police Officers to be hired, get trained, and then leave the police force because of being paid a better salary somewhere else.

Mr. Howle commented that he would have a list of questions and goals that need to be looked at and will present these items on Friday. He said one (1) of his goals is to offer enough start up pay for Police Officers. He said they don't blink an eye in hiring another employee in the City Attorney's office, but in his mind the Police Department is the most important department that they have. We wanted Council to address this and look at these numbers to come up with a way to get the salaries up to something more deserving for what Police Officers do.

Mr. O'Connor agreed that the Police Department was a very important job. But also are the line men who go out and get the electric turned back on and the water and sewer employee who has to go out when there is a water outage. He suggested looking at the organization as a whole. He said they are having a hard time recruiting in all of the departments because of the low salaries they offer. He said there is no question that the Police Department is important, but it is the crises of the day as to which department employee is most needed.

Mr. Howle appreciated where Mr. O'Connor was coming from, but his opinion remains the same.

Chief Currey said that the starting salary in hiring new Police Officers is the key. He stressed they need to stay competitive with their own County and the Treasure Coast.

Mr. Winger noted that new salary increases have to be negotiated by the Police Union. Last year they received a salary increase and determined how to divvy up the money they received among officers.

Mrs. Turner commented that dealing with the Police Department is a whole different category than dealing with other departments in the City.

Mayor Kramer said if they were looking at increasing funds and directing it towards the starting salaries, what kind of dollar amount are they asking for in order to achieve this.

Mr. Old commented that it was hard to single out a department and give them a raise without considering the other departments in the City.

Mr. Winger stated that there would need more revenue coming in, in order to give this increase.

Mrs. Turner added that when looking at raises they have to include pension, etc.

Mayor Kramer invited anyone wanting to speak at today's meeting to come forward.

Mr. John O'Connor, President IAFF Local 2201, stated that it was a tough job to get Police Officers if they are not offering a decent salary. He encouraged Council to budget money for active training. He expressed how important that is.

Mr. Tony Young asked the Police Chief what was his most important mission that he would like to see put in place.

Chief Currey said having the starting salaries for Police Officers increased.

Mr. Peter Gorry, Finance Commission Chairman, pointed out that since the beginning of the year there has always been a job opening for a Police Officer posted on the website. He said they want to hire the best employees that they can, which may require offering a better starting salary.

Mr. Winger said he was targeting giving a 1½ percent raise across the board. He felt that the financial situation will be worse next year and a 1½ percent is the number that they need to target for the future.

Mr. Old asked in order to run the City the way that the citizens want it run what do they need to do.

Ms. Lawson explained that the Council is responsible for the ad valorem taxes. She said that is under their control. She will need to know what they want to do with taxes in order to balance the budget.

Mr. O'Connor commented that with the five (5) year plan, he didn't want Council to build their expectations. He said that they have to remember they have leases where they only charge \$25.00 a year. He brought up the Dog Park, and the Rowing Club where they have been relieved of costs to maintain these properties, but it did require that the City give up those assets.

Mr. O'Connor reminded Council that they self imposed a 6% on the utilities. He has heard that Council does not want to rely on the utilities as a revenue stream, but they have the right to change that.

Chief Currey briefly went through his capital items. He said that vests have to be replaced every five (5) years whether you use them or not. He said one of the things that was cut from this year's budget was upgrading the Firing Range.

Mayor Kramer suggested having Public Works go out to the Firing Range and some work on the parking lot. He said when it rains you cannot drive near that area. He would like to get that facility functional.

Mr. Howle agreed. He said the last time he went out there it had just rained and he almost got stuck.

Mr. O'Connor would look at getting an estimate to get this work done and would ask the Public Works Department to look at it also.

Mr. Old questioned why the Police Department did not go to Indian River Community College and use their firing range or use the County's firing range. Chief Currey explained that the County only uses their facility for certification purposes because it is an indoor facility.

Mrs. Turner thanked Chief Currey for his annual report (on file in the City Clerk's office).

Mr. Old commented that for the next couple of years it will be tough to upgrade the Firing Range so they need to be looking at other ways to handle the situation.

## **Recreation**

Mr. Rob Slezak, Recreation Director, stated that his staffing has not changed.

Mrs. Turner commented that the Recreation Department does an incredible job and it doesn't go unnoticed and it is appreciated. She said a 40% return in recreation is terrific.

Mr. Slezak explained the procedures that someone holding an event at one of their Parks has to go through in order for it to happen. He expressed that there has been a wonderful private/public support in things taking place in the City.

Mayor Kramer said that he hoped they would continue with these community events. He said the public/private support seems to be working.

Mr. Slezak passed out pictures of different sites that are proposed in this budget where work is needed. This year he is proposing working on the infrastructure inside of these buildings. He said when they sell the property at Dodgertown he will need a place to store some of his equipment, which is now being stored there. He said they are looking at moving an 8,000 square foot building from the Power Plant. He would use that building for storage and expand the Centerstage area.

Mr. Winger asked what improvements need to be made at Royal Palm Pointe. Mr. Slezak said that there are railing and building issues. He said eventually the grate inside of the fountain will need to be replaced. He said the fountain is being utilized heavily this year. There needs to be some improvements made at Centerstage because of water intrusion. He commented that there were 150 kids attending camp this summer and they could use some additional space.

Mr. Winger asked how much would it cost to move that building at the Power Plant. Mr. O'Connor reported that they were getting estimates to how much it would cost to move the structure.

Mr. Slezak reiterated that they will need storage space once the Dodgertown property is sold. The costs involved with moving the building at the Power Plant has not been determined yet. He said they would need to improve the inside of the building to make it functional for recreation.

Mr. Slezak budgeted money for playground equipment at Troy Moody Park, but has been told that GoPlay Vero might be paying for the equipment.

Mr. Slezak had some things inside the Leisure Square building that needed to be replaced. He said eventually they will be moving staff administration located at the Community Center over to Leisure Square. He said staff would be more efficient by being housed at Leisure Square. This should take place within the next two (2) years.

Mr. Slezak reported that in the Community Center floor needs to be replaced. He said painting also needs to be done, but the painting can be done in-house. With Riverhouse and Bethel Creek House, both facilities need to have their floors replaced. He commented on how many weddings are held in both of these facilities.

Mayor Kramer recalled that they are looking at plans for the Power Plant land. He suggested just going with the budget as it is now and then making budget amendments during the year if they need to be made.

Mrs. Turner asked what needs to be done at the racquet ball court. She noted that it says a pro shop expansion. Mr. Slezak said that was taken out of the budget for this year, but there is fencing in this area that needs some attention.

### **Non Departmental**

Ms. Lawson went through page 99, 102, and 103 of the General Budget.

The Marina was discussed and some of the improvements that are needed there. The docks need to be replaced and the building and rest rooms need to be upgraded.

Mr. Winger said that they could do a lot with marketing the Marina if it wasn't so "tired."

### **General Fund Capital & Construction**

Ms. Lawson announced that one of the things they are planning to do is replace the phone system.

Mayor Kramer called for a lunch break and then the meeting reconvened at 1:00 p.m.

## **ENTERPRISE FUNDS**

### **Electric Fund**

Ms. Lawson addressed the revenues in the Electric Fund (page 107).

Mrs. Turner asked about staffing.

Mr. Ted Fletcher went over the staffing. He said that Mr. Ralph Moore and Ms. Diane Quimby will be moving to the T&D Department once the Power Plant has closed.

### **Power Resources**

Ms. Lawson explained that even when eliminating the Power Plant completely there will be a \$700,000 liability for the pension fund from former employees who have retired from the Power Plant.

## **CUSTOMER SERVICE**

Mrs. Turner commented that it was amazing that Customer Service has a \$2 million dollar budget. Mrs. Lawson expressed that it was not just Customer Service. This budget includes meter readers and billing for electric, water and sewer, and solid waste.

Mr. Peter Gorry commented that in the City of Vero Beach they provide Customer Service at a platinum level.

Mr. Tony Young complimented the T&D Department. He said when he visited that department he was so surprised to find out some of the things that are done in that department. He never realized the regulatory changes that have to be made and the areas anticipated that will be impacted by outages. He said the amount of things Mr. Fletcher's office is managing is incredible.

### **Electric Fund Nondepartmental**

Ms. Lawson noted that the professional services line item is shown here. That is the costs that they pay their attorneys from the various lawsuits that they have had.

The Power Plant demolition was discussed. Mr. O'Connor was asked to provide a timeline on when all the different things will be done at the Power Plant. Mr. O'Connor said his timeline would include at least five (5) years before "Big Blue" is taken down.

Mr. Fletcher explained that the capital expenditure request for Asset & Tagging is to be able to prove that the City owns certain assets to prove to AT&T and Comcast so they can continue to have revenue coming in.

Mrs. Turner asked what capital projects listed came out of the Optimization Study. Mr. Fletcher said that it is noted on the different projects. He said he tried to make that clear.

Mr. Winger asked that the value of the assets be provide to the Council. Mrs. Lawson said that she would provide that information.

Mrs. Laura Moss, Utilities Commission Chairwoman, gave a recap of the discussion that took place at the last Utilities Commission considering the solar survey. She said that initially everyone was hesitant about it, but they were assured that there was no commitment from the City to do this. She said different members of the Commission made different points. They were told that there were a significant number of the member cities (FMPA) that are planning to participate. They were told that a survey like this is not something they could do themselves. The Utilities Commission took a vote of confidence in their Vice Chairman who has volunteered his time to lead the charge in the questions that will be contained in the survey. The Vice Chairman is qualified to do this. She said it was probably a good time to begin to find out what is going on with the solar issues. She provided an article entitled "Twilight in Electric Utilities" and asked that the Utilities Commission, City Council and staff be provided with a copy of this article (on file in the Clerk's office). She thanked Mr. Fletcher for his help with providing reliability studies. She then asked how much money has been spent on attorneys defending these lawsuits so far and what has been budgeted for the upcoming year.

Ms. Lawson stated that they have budgeted \$750,000 for the coming year and have spent \$360,000 to date.

Mr. O'Connor stated if the City Council is interested in participating with the solar survey that no money from the City will be spent unless they agree with the study and authorize that it be sent to their customers.

Mr. Winger stated that he did not agree with having this survey done. The rest of the Council agreed to move forward with the solar study and that it be brought back to the Council. It was a consensus of Council by a 4-1 vote to move forward, with Mr. Winger not in favor.

Mayor Kramer called for a break at 2:15 p.m. and the meeting reconvened at 2:23 p.m.

### **Water & Sewer Fund**

Mr. Rob Bolton, Water & Sewer Director, provided Council with a copy of the Optimization Update (on file in the Clerk's office). He gave an update on the STEP System and how many have been completed so far.

Today's meeting adjourned at 3:43 p.m.

**FRIDAY, JULY 15, 2016 – 9:00 A.M.**

### **ENTERPRISE FUNDS (CONTINUED)**

#### **Airport Fund**

Mr. Eric Menger, Airport Director, stated that he is working on trying to attract new businesses to the Airport. He went over the changes happening at the Airport since they have gotten Elite Airways as a new airline service at the Airport. It was noted that the Vero Beach Regional Airport is self-sufficient.

There were no changes made to the Airport budget.

Mrs. Laura Moss, Chairwoman for the Utilities Commission, told Mr. Menger that yesterday the City Council approved looking at doing a solar power survey. She will keep him, as well as the Airport Commission, updated as they go forward.

Mr. O'Connor reported that he received an email yesterday from someone interested in having a solar farm at the Airport. He told this person that they would look at this, but it must be for a competitive price according to the market and they (the City) were not interested in financing this project.

#### **Marina Fund**

Mr. Tim Grabenbauer, Marina Director, stated that he has been losing some money on smaller slips and discussed this with the Marine Commission at their recent meeting. The Marine Commission agreed that he should hold a monthly gathering at the Marina hoping to generate some interest in people living here locally. He said that he would start this monthly gathering in October.

## **SOLID WASTE**

There were no changes to the Solid Waste Budget. This item was heard Monday afternoon.

## **RECAP**

Mr. Winger requested that the remodeling of the restrooms and laundry room for the Marina be moved up in the budget from FY 17-18 to FY 16-17.

Ms. Lawson recalled that since this is the last year of the \$690,000 debt service for Series 2012B in the General Fund, these funds would be available in FY 17-18 to cover the OPEB trust. The remainder of this funding could be used to support the Marina debt service until capital improvements to the Marina are completed.

Mr. Winger stated that his proposal was different from the City Manager's proposal. He would like to move the rent payment for the building that Waddell Insurance leases from the Marina Enterprise Fund over to the General Fund.

Mr. Winger proposed that the \$133,000 available from the excess fund balance be used for road projects.

Mrs. Turner asked Mr. Winger if he would consider using \$15,000 of that money towards the Marina to upgrade their restrooms and laundry room. Mr. Winger had no problem doing that.

Mr. Winger proposed a 1½ percent salary increase for the employees, which would amount to \$190,000.

Mrs. Lawson commented that the Mayor's proposal to flatten out the transfers would cover the costs of the 1½ percent salary increases.

Mr. O'Connor requested making it a round number at 2 percent (\$250,000).

Ms. Lawson wanted to make sure that she heard Council say if they go with a 1½ percent increase the direction they are being given in the Police Department is that it is not a pot of money that get puts out on the table for them to divide up, but that Council wants the starting salaries for Police Officers to be adjusted. Council said that is a priority for them.

Mrs. Turner commented that it is poor management for them to be expanding the size of their government when they are not addressing their infrastructure and having funds to take care of their existing employees by giving them a raise. She felt they should freeze any hiring until they get those things addressed. She would object to doing anything to the budget without addressing the OPEB. Their current unfunded liability is over thirty million dollars and has been increasing by about two million dollars a year. She said in 2013 they were able to lower the liability by going with the medicare advantage supplement option. She said healthcare costs are continuing to rise, life expectancy is increasing and she doesn't think they can be physically responsible without addressing OPEB.

Mr. Winger stated that if they have to increase the ad valorem tax and get the OPEB started then he was in favor of doing that. He did express that once they start OPEB it will have to be funded for the next 27 years, then they would be at the point to "pay as you go." He does not see any other way of coming up with \$330,000, but by raising taxes.

Ms. Lawson commented that if they wanted to reach the \$330,000 estimate the tax increase would be a .1394 mills, which would take them from a 2.58 to a 2.5914. She explained what Council was doing today was establishing the not to exceed millage. When the budget public hearings are held, Council could go down on this millage, but they could not increase it. This increase would be \$13.00 to a homeowner whose property value is \$100,000.

Mayor Kramer stated that he was not in favor of the OPEB trust. He said that it is penalizing health care. He said the idea that they take someone's money and invest it better than they can is not right.

Ms. Lawson explained that she would take the additional increase in taxes and put it in the line item for retiree health insurance benefits in each fund to be a part of the trust as opposed to being for health insurance. She said that they would actually need to establish a trust, which they will be able to do before the next fiscal year starts.

Mr. Howle commented that he was not for raising taxes, but when you promise someone a retirement then you owe it to them for the years they served the City.

Mayor Kramer stated if you want to cut down on OPEB costs then you need to cut employees. He is not against paying an employee more money for more responsibility. If they start bringing on more employees then their health care costs do go up. He was more comfortable having better qualified and educated people working for the City.

Mr. Old wondered if they should increase the taxes a little more to cover the raise for employees.

Mr. Winger said he was not willing to go up in taxes anymore than what they previously discussed. He would not be in agreement with raising taxes other than for the OPEB reason.

Ms. Lawson did not see a problem with being able to cover the salary increase because they are changing the way they handle transfers. They are just back to the OPEB discussion as far as taxes go.

Mrs. Turner asked what is the cost for the additional employees being added this year.

Ms. Lawson said in the City Attorney's office it would be \$88,000 and in the Planning Department it would be \$57,000.

Mr. Howle commented that they need to take into account when the City was in rough shape a lot of people were let go and that put a burden on department heads doing work that they really should not be doing. He used Mr. Grabenbauer and Mr. Fletcher as examples.

Mr. Old added that since the economy is turning around they can see the difference in the extra workload that the Planning Department is doing.

Mr. Winger made a motion to set the millage rate not to exceed at 2.5194, which would generate an additional rate of \$330,000 and 10% over the rollback rate. Mrs. Turner seconded the motion and it passed 4-1 with Mr. Howle voting yes, Mr. Winger yes, Mrs. Turner yes, Mr. Old yes, and Mayor Kramer no.

It was the consensus of Council to give the City employees a 1½ percent salary increase.

Mr. O'Connor commented that he will tell the three (3) Unions in the Police Department what the maximum amount of money there is and they (City Council) want to see the starting salary improved in the Police Department.

Ms. Lawson reiterated that the 1½ percent would amount to around \$190,000. They would levelize these contributions from the utilities and generate enough money to cover these increases.

Ms. Lawson brought up the five (5) year projection and said it was great as to look at as to what might happen in the future, but there are some assumptions made not knowing what direction they will be given next year to go in. Each year's operating budget stands on its own.

Ms. Lawson gave a recap of the budget hearings. She said they have set the max millage and the extra \$300,000 collected in the tax increase will go into the OPEB Trust Fund in the General Fund. There also will be an increase in the Enterprise funds for their cost of the OPEB Trust. They are going to take the \$133,000 and put \$15,000 towards upgrading the Marina bathrooms and laundry room and what is left will be used for street resurfacing. They will levelize these contributions from the Enterprise Funds into the General fund to provide for a 1½ percent salary increase across the board for employees, but also making sure that the policy direction in Union negotiations with the Rank and File is that the starting salary for the Police Officers must be addressed and it is not a lump sum of money to be dispersed in however they see fit. She

said Council has asked for new chairs and to provide funds for the website (City Clerk responsible for these things) and looking to replace the carpet in different places in City Hall.

### **Retiree Benefits Review**

Ms. Lawson told Council that one of the things that they have to do today is make a decision about the discretionary increase in the cost of living adjustment for the retirees. She said right now the way the pension plan is set up is that anyone that retired after October 1, 1998 gets an automatic 1 percent increase in their retire benefits each year. Employees who retired before then get no automatic increase, but Council has the discretion to also give them a 1 percent increase.

Mrs. Turner made a motion that they do not offer any further increase to the group that is already getting the 1 percent increase and that they authorize the \$13,091 (1 percent increase) for the retired employees who don't get an automatic 1 percent. Mr. Winger seconded the motion and it passed unanimously.

### **Setting of Tentative Millage**

Mayor Kramer made a motion to set the public hearings for the tentative millage for September 6, 2016 at 5:15 p.m. and September 20, 2016 at 5:15 p.m. Mr. Winger seconded the motion and it passed unanimously.

Mr. Winger mentioned that he will be bringing forward at a regular City Council meeting that there needs to be a plan for the ultimate use of where the Power Plant is located and that Big Blue must be taken down (in his opinion). The public thinks that there will be an alternative use for this property and that the Power Plant will not be there. He said this is something they have to deal with.

Mr. Gorry commended management on this budget. He said two (2) decisions were made by former Councils' that burdened this Council. One of them is the long term speculation on commodity prices with OUC that caused the situation with the electric. Then years ago Council went out and borrowed \$15 million for Dodgertown and \$5 million for the property at the Marina. The assessed value on the tax rolls is \$10,200,000 less than what those Councils' burdened the present operation.

Mrs. Turner thanked staff for all their work in putting this together and being well prepared in addressing Council's questions and issues.

Today's meeting adjourned at 10:57 a.m.

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