

**CITY COUNCIL BUDGET WORKSHOP – FY 2014-2015
SPECIAL CALL MEETING
CITY HALL, COUNCIL CHAMBERS
CITY OF VERO BEACH PROPOSED BUDGETS**

MONDAY, JULY 7, 2014 – 9:00 A.M.

PRESENT: Richard Winger, Mayor; Jay Kramer, Vice Mayor; Pilar Turner, Councilmember; Amelia Graves, Councilmember and Craig Fletcher, Councilmember **Also Present:** James O'Connor, City Manager; Wayne Coment, City Attorney; Tammy K. Vock, City Clerk and Cindy Lawson, Finance Director

GENERAL FUND

Mayor Winger said that in future years they need to find a way to stream line the budget hearings to no more than two days. He said that he did some spread sheets regarding his questions rather than them paging through the budget books (on file in the City Clerk's office).

Mr. James O'Connor, City Manager, said the Department Heads are within a short telephone call so whatever time frame the Council wants to work under they can do it. He then gave a brief overview of his memorandum on the Fiscal Year 14-15 Proposed Budget (please see attached). He said Council asked that he present a budget that would be reflective of the administration and at the same time the administration hopefully reflects what they took from the Council and the general public. He said that this reflects the interaction of the Department Directors and himself with the community in trying to get their priorities set. He said they took the position that the mileage rate was not going to change, especially since they saw an assessed valuation increase of about 4.14%, which allowed the City to gain some revenues through the General Fund mileage and ad valorem taxes. He said staffing salaries was still an issue and they streamlined where they could. They did have a reduction of seven positions throughout the City. He said they rolled the Recreation Fund into the General Fund. He explained that it had been treated in the past as an Enterprise Fund and when they have less than one-third of revenues reflect what the expenditures are, it is not an Enterprise Fund. This year they have identified revenues and expenditures in the budget. He said it is a major cost factor to the General Fund because they transfer any makeup money necessary in order to carry that operation. He reported that there was an increase of about 10% in health insurance across the board, but due to the reduction of employees, as well as attrition of employees, and employees moving to the basic plan, the reflective impact was only about 2.5%. They are also projecting the budget on the fact that they would negotiate in good faith with the Teamsters Union. He said the pension cost did have an impact. They had to adjust their contribution to the Pension Plan in the amount of about \$300,000 because under State law the City's salary projections over the last 10 years did not keep up with what was projected. He said they are projecting negotiating in good faith with the Teamsters Union that they would go from a defined benefit plan to a defined contribution plan. He reported that the Electric Utility is showing a balance forward of about \$338,000 and staff is looking at ways of reducing costs. The Utilities Director has been in communication with OUC and FPL regarding the transmission issue and the mothballing of the power generation facilities. He said the Water and Sewer Department shows about \$1.2 million dollars and there are a total

of four full time positions that have been eliminated. He said staff is recommending the part time position in the City Clerk's office be moved to full time. He said the dollar amount comes to about \$10,000, which is reasonable. Also that position would be charged out to various utilities in the Enterprise Funds. Staff is also requesting adding a full time position back at the warehouse, which that position would be paid through the Electric Enterprise Fund. He explained that people from T&D are waiting in line in the morning to get their materials, which is the reason for another employee in the warehouse.

Mrs. Turner commended Mr. O'Connor and Ms. Lawson for presenting a budget that maintains the millage rate. She said the size of the budget is not just \$20 million dollars in the General Fund that they are dealing with. They have \$100 million dollar Electric Fund and a \$16 million dollar Water and Sewer Fund, for a total of about \$136 million dollars of taxpayer money that they are managing and allocating. She said the City is looking at incredible liabilities in the future. They have an underfunded pension liability of \$37 million dollars. They have other post employment benefit liability of \$14 million dollars. They have the penalty of exiting the All Requirements in the amount of \$42.5 million dollars. She would like Council to look at their reserve position. She wants to make sure they are setting up sufficient reserves. That they have funds to continue to protect the Lagoon, to move the Wastewater Treatment Plant from the river, to eliminate septic tanks, to expand their lifeguard programs, etc. She said they need to live within their means. They need to prioritize things and still address things in the reserve liability areas.

Mayor Winger felt that this Council and the prior few Councils and particularly Mr. O'Connor and Ms. Lawson, have done a good job of addressing some of the hills of the past. He felt that Mrs. Turner was right. He felt that as they do a capital plan for five years, they should be thinking about doing a preliminary budget more than once a year. He felt that they need to plan for a longer period than one year of cash flow. He said they could do what Mr. Peter Gorry did in the Gorry Plan on the pension (on file in the City Clerk's office). He said they could think farther out than one year.

Mrs. Turner agreed that the lack of strategic plan has always been a weakness with this system.

City Council

No questions.

City Clerk

Mrs. Turner referred to the City Clerk's major goals and challenges. She asked what is the City-wide document imaging process.

Mrs. Tammy Vock, City Clerk, explained that at one time they were going to have all the records put on the computer so the public could access them. She said it is very expensive, but it is one of her goals. She reported that the Library has an imaging system and volunteered to put the City Council minutes on the computer and they have the first set of the minutes completed.

Mrs. Turner said that she has a problem with the personnel in the City Clerks office. She said in the benchmarking study, the average within a City Clerk's office was two and a half and she thought three people in the City Clerk's office was fine. She said last year they discussed reducing the staff of four to three and this year they are requesting five. She felt that maybe the personnel they have within the City Clerk's office does not have the skill set they require. She felt that was a failure of management not to train those individuals to provide the services necessary. She said the City of St. Lucie has two employees in their City Clerk's office and it is the ninth largest City in Florida.

Mr. O'Connor felt that it is the roles in the Clerk's office. One of the issues we have is that we are getting more and more committees, which requires televising, minutes, etc. He felt that the City of Vero Beach goes beyond what many cities do because we are trying to be as transparent as possible. He said just the access of the information in the City's website is phenomenal compared to many cities. He felt that they should go a little deeper into the benchmarking and see what roles are being played and what functions are carried out in these departments. He said being diversified he was not sure the City Clerk's office could have someone running the cameras and taking minutes at the same time.

Mrs. Vock gave the City Council a copy of statistics on how much time the Government Coordinator has been spending on the City's website, broadcasting, how many people watch the meetings on live stream, facebook, etc. She said that she truly believed that this position was not a position that she is requesting, but for the community, the Council, etc. It just happens to be in the City Clerk's budget. She felt that this needs to be a full time position.

Mr. Fletcher felt that this was very important.

Mayor Winger said that he was in favor of moving forward as it is in the budget.

City Manager

No questions.

City Hall

Mr. Fletcher said they are spending \$6,000 dollars a year in maintenance on air-conditioning units. He asked is it time to replace them.

Mr. O'Connor said replacing the air-conditioning system in this building could be a very expensive up front capital cost. Over time they might be able to save, but he would like Mr. Falls to address it.

Mrs. Turner asked could they look at an energy saving program for City Hall. She said they are spending \$80,000 dollars a year in utilities.

Ms. Graves said there are empty offices with nothing covering the windows to block out the heat.

Mr. O'Connor said the layout of the building is not very good, but staff can take a look at the energy.

City Attorney

Mr. Fletcher said under office furniture they went from \$100 dollars to \$4,000 dollars.

Mr. Coment said that should have been changed. He said they had put in for computers, but have reduced it to one computer. He said they could reduce that item to \$500 because they might have to replace their UPS units.

Mrs. Turner referred to the City Attorney's major goals and challenges and requested that they add that the City Attorney's office be more proactive in advising Council on legislative changes.

Mr. Coment said the employee who did this is no longer there and that position is not budgeted to be replaced. He said they don't have anyone they can dedicate to that. All they can do is look at the reports as they come out.

Mrs. Turner said that is all she is asking for and when they see flags that they bring the information to Council. She wanted this added to his goals.

Ms. Graves wants them to try to take advantage of law school programs for help with the workload.

Mr. Coment said they are signed up at the University of Miami. The problem is that Vero Beach is so remote from law schools.

Human Resources

Mayor Winger said they have a budget of \$57,000 dollars in professional services. He asked what does that pay for.

Ms. Lawson said that includes a large component of expenses for Mr. Jason Odom, Outside Attorney, to negotiate their Union contracts.

Mrs. Turner referred to the Human Resource Director's major goals and challenges. One goal is to monitor performance appraisals system for compliance of all departments. She asked how are they doing that.

Mrs. Gabrielle Manus, Human Resource Director, said they are uploaded on the "O" drive so the Department Heads can access it. She said that if the Department Heads has not kept up with it she sends them an email.

Mrs. Turner said the timing of reviews is on the employee's anniversary.

Mrs. Manus said there is an annual employee review on the employee's anniversary date. They do a trial period performance review at three months and five months for newly hired employees.

Mrs. Turner said another major goal and challenge is to update the City's personnel rules.

Mrs. Manus said that she has not had a chance to work on them yet.

Mr. Fletcher asked that Council receive a copy of Mrs. Manus's resume.

Mr. O'Connor gave some brief background on Mrs. Manus's experience.

Finance Administration

Ms. Lawson reported that they reduced their printing and binding expense by going to quarterly financial reports rather than monthly and by sending most of the reports electronically rather than hard copies.

Mrs. Turner said that she did not need a monthly copy of the ledger. She said that she does use the report occasionally, but did not think that she needed it monthly. She felt that having a couple copies of the reports available in the City Clerk's office would be sufficient.

Mayor Winger said that he needs a copy because he uses them every month.

Mrs. Tuner said they could have two copies available in the City Clerk's office and if they need it they can check them out.

Ms. Lawson said that they make them available electronically to the Department Heads in a slightly different format. She said that they could make the electronic version available to the Councilmembers who does not want a hard copy.

Ms. Lawson said they are working on implementing changes in their electronic banking services with some consequences in the Cashier Department. She said currently they see a budget that is status quo, but during the course of the summer and into the fall they are able to implement some changes they would bring it back to Council to let them know what impact it would have on the budget. She said it would impact their part time salaries, but it would also impact the banking fees. She felt that it would probably be a wash at first, but it would improve efficiency in revenue collections.

Information Technology

Mayor Winger referred to the operating salaries. He questioned why they have gone down \$50,000 dollars.

Ms. Lawson said they have lost a couple of long term employees. As they lost the long term employees, they replaced them with employees who were within the City, but at an entry level.

Mr. Fletcher said it seems like a lot of money recurring cost for software updates. He asked are they working with a lot of old computers.

Mrs. Tuner questioned the age of their existing disaster recovery software.

Mr. Paul Mills, Information System Manager, said it was about seven or eight years old.

Mrs. Turner felt it was vitally important and she knew it was an old system.

Mr. Fletcher referred to page 119 of the Budget Book. He said under Water & Sewer expenditures there is a 27% increase in software maintenance.

Mr. Mills said they are done by the individual departments.

Ms. Lawson said that Mr. Rob Bolton, Water & Sewer Director, will address that during his budget review.

Mr. O'Connor said they are working with older technology that they are phasing out.

Mr. Mills explained that currently they are using Office 2007 and in a few years it will be de-supported. He said they have to start looking forward to some of the numbers in the Five-Year Plan so Council is not surprised with a cost to get upgrades. He said their core switches will be coming up in 2018, which is the backbone of the network.

Mr. Fletcher asked when they get a new software package, do they contract for a maintenance package with it.

Mr. Mills said several years ago Microsoft started offering software assurance and because they typically keep software for so long they actually end up paying for it almost twice over the lifespan. Therefore, they opt not to get the software maintenance they just upgrade everyone as opposed to paying that software assurance every year that you own the software.

Mrs. Turner questioned the consolidation of the storage resulting in more efficient use of available storage.

Mr. Mills said last year they implemented a central storage device, which has allowed them to consolidate their physical servers. He said this reduces electric costs, cooling costs, etc. He said they found that it is much more efficient to do upgrades and they noticed that Microsoft Windows runs better under the virtual environment.

Purchasing

Mrs. Turner said in looking through the budget books under the Departments major goals and challenges it seems like they are copying things from one year to the next year. She asked Mr. O'Brien to discuss what has been done and what he is looking for in the next year as far as developing supply contracts, how many have been added, etc.

Mr. John O'Brien, Purchasing Director, said they basically have gotten rid of their general administrative warehouse supplies. He said they recently combined some safety contracts so the warehouse can receive the supplies rather each department having to source the items themselves. He said they have piggyback contracts with Indian River County on debris removal and fiber optic cables.

Warehouse

Mr. O'Brien said they want to add an additional employee at the warehouse. They currently have a staff of three, which one is the Mail Delivery Attendant. He said when they made the cuts the previous year, in order for them to continue they had to limit their hours of operation so staff had time to do the paperwork generated. He said this has not been efficient because it affects T&D operations. He said T&D has about seven crews that are at the warehouse every morning and it can take 30 to 45 minutes to get them out the door.

Mrs. Turner asked what is the cost.

Mr. O'Brien answered \$34,000.

Mrs. Turner said that does not include benefits. She said what is happening is that benefits are running 60% of the salary cost as they are trying to catch up with the unfunded pension.

Ms. Lawson said regardless of the salary level the contribution to the unfunded liability would remain the same. She said the incremental cost is 7.65% FICA/Medicare and 7% contribution for pension. She said it would be about \$50,000 dollars. She said because this was directly at the request of the Electric Utility she added this to the general administrative allocation to be 100% charged to the Electric Utility. She said this does not really affect the General Fund.

Mrs. Turner said it doesn't make sense to have crews held up.

Mr. Fletcher referred to vehicle maintenance located on page 36 of the Budget Book. He said there is a 44% increase in vehicle maintenance, under Public Works there is a 109% increase, etc. He asked what happened.

Mr. O'Connor said they are now allocating and changing the format they are operating and charging to the various departments the true cost. He said they are trying to upgrade and update their vehicles.

Public Works Engineering & Survey

Mr. Monte Falls, Public Works and Engineering Director, said their budget is pretty much the same, and there is no increase in staff. He referred to the question earlier in today's meeting regarding the air conditioners. He said there is a \$6,000 dollar maintenance item, which has averaged \$5,500 dollars for the past five years. City Hall has 16 air conditioner units and if they divide the \$6,000 dollars by the 16 units that would amount to \$375 dollars a unit. If there is a

big replacement of a commercial unit it would show up as a capital item. He said that he did make note of the request for an energy audit.

Mr. Fletcher referred to page 38 of the Budget Book. He said vehicle maintenance dropped 60%.

Mr. Falls said they did a full cost allocation to the Enterprise Funds, but kept the General Fund maintenance in the garage budget.

Mrs. Turner referred to the major goals and challenges of continuing implementation of the stormwater projects. She said this has to do with reducing the nitrogen and phosphorus loads into the Lagoon. She felt that they were way ahead of the game having quantified issues, but they still have reductions they need to make and that they needed to lay out a plan.

Mayor Winger said when they get into capital appropriation they only have a \$50,000 dollar budget, which is down significantly. He did not think \$50,000 dollars was enough.

Mr. Falls explained that they intended to reduce that to \$150,000 dollars this year, but they had a failure of the outfall on 27th Avenue where it discharges into the main canal. Therefore, they shifted \$100,000 dollars of that stormwater outfall to a specific project on 27th Avenue.

Mayor Winger said if they have to put another \$100,000 dollars for the outfalls if that is in the interest of the Lagoon, then that is the responsible thing for government to do.

Mr. Falls said that he intended to bring an update on where they are with the outfalls and how many are left when they discussed the capital projects.

Mayor Winger asked that Council receive the information by Friday.

Public Works Streets, Stormwater & Traffic

Mayor Winger questioned their budget on signs.

Mr. Falls said they would be doing all the restriping on Royal Palm Pointe, Indian River Boulevard, and Royal Palm Boulevard. He said the cost would be around \$15,000 dollars to \$18,000 dollars. Also, in 2004 they had to replace all the signs after the hurricanes. After 10 years they start to lose their reflectivity and therefore, they will be repairing the signs over the next few years.

Mayor Winger referred to the budget of \$200,000 for street resurfacing. He said there are a lot of streets that need resurfacing and he did not think \$200,000 dollars was enough to take care of their street.

Mr. O'Connor said Ocean Drive is scheduled to be resurfaced the next fiscal year.

Mr. Falls said they would be bringing a contract to pave Ocean Drive between Gay Feather and Grey Twig, Beachland Boulevard from A1A to Ocean Drive, and 14th Avenue from 18th Street to St. Lucie Avenue before Council at their next meeting. But to answer the Mayor's question, \$200,000 dollars is not enough. He said the funds they use for capital projects come from the one-cent sales tax and gas tax. He said to get them on a 20-year replacement cycle they would need about \$600,000 dollars a year. To get on a 15-year replacement cycle they would need about \$800,000 dollars a year. They are taking care of the worst roadways until their funding conditions look better. He said there are things that they have to deal with because of debt service from City properties that are going to be with them for some time.

Mr. O'Connor said that is for the purchase of the Dodgertown Golf Course. He said the City has been paying interest on that and now are going to be paying principle.

Mayor Winger said that maybe they can't do \$600,000 dollars, but maybe they should be doing \$400,000 dollars. He said doing deferred maintenance they always pay for it later on. He was not happy with putting \$200,000 dollars into streets when they know they should be putting in \$600,000 dollars. He said if they have to raise \$200,000 dollars more revenue to do it would only be five percent of ad valorem taxes. He was not happy with the street situation.

Mr. Kramer suggested that they talk to the County about releasing the restrictions so they can get away from that debt.

Ms. Lawson noted that page 47 of the capital book shows the money the City receives from the one-cent sales tax and that money goes toward debt service and whatever they have leftover goes into the general construction fund. The top two lines are the two pieces of the Dodgertown debt service.

Mrs. Turner asked the City Manager to investigate what possibilities they have with the property.

Mayor Winger felt that they should add another \$200,000 dollars in the budget.

Mr. O'Connor said they can propose that change in the ad valorem taxes.

Public Works GIS

Mr. Fletcher said there is a 40% increase in part time salaries.

Mr. Falls said that is because of their intern program.

Public Works Grounds Maintenance

Ms. Graves asked Mr. Falls if he was happy with their mowing contract.

Mr. Falls said they are a lot better and have been able to meet expectations.

Public Works Administration

Mrs. Tuner said there is almost a half-million dollars in administration costs.

Ms. Lawson explained a portion of that is allocated to Solid Waste.

Mrs. Turner asked are they putting a focus on further efficiencies, such as their structure, cross training, etc.

Mr. Falls said most of their employees have multiple capabilities. He said they have had some of their Equipment Operators trained and certified on forklifts, etc. so if they need someone at the warehouse they would have someone available. He said all the Departments are working to find ways to help each other.

Public Works Fleet Management

Mrs. Turner questioned the eight people in Fleet Maintenance.

Mr. Falls said they have an aging fleet with the average age of a vehicle being 15 or 16 years old, which makes them maintenance intensive. He said they are rolling out a new program City-wide to try to reduce the age of their fleet. They are starting with a lease-purchase program to reduce the age of the vehicles from 15 or 16 years to five years. This should make the major maintenance go away on the light vehicles. They hope as this happens and they see the maintenance decline they could look at their staffing.

Mrs. Turner said they had looked at doing maintenance on a contract basis outside of the City.

Mr. Falls said they did look at that and it was for oil changes. He said they looked at the amount of time and it came to about 1/3rd of a man year, which did not warrant taking an employee out of the Fleet Department. He noted that this was for light vehicles only. Not for bucket trucks, garbage trucks, etc.

Public Works Facilities Management

Mr. Fletcher questioned the increase in contract painting.

Mr. Falls explained that the back buildings they use to house their equipment would be on a two or three year program to be cleaned and painted. The estimate that they received was for \$100,000 dollars and therefore, they would be doing it over a two or three year period. He noted that City employees would do as much of the work as they can in getting the building ready, but they would have a contractor do the painting.

Mrs. Turner referred to maintaining the City parking lot, lighting, etc. She asked are they looking at lower cost options for lighting.

Mr. Falls said as they replace the lighting they try to go to the most efficient that they can.

Mrs. Turner felt that they should be looking at a proposal to go to a more efficient LED system for their street lighting.

Mr. Falls noted that street lighting is an issue for T&D.

Mrs. Turner said that is something that they could be looked at jointly as a future capital project.

Ms. Graves asked as they lease vehicles, are they setting a perimeter on fuel efficiency, as using hybrid vehicles.

Mr. Falls said they are trying to get the right vehicle for the right use. They haven't looked at hybrids because of the amount of driving they do.

Non Departmental

Mr. Fletcher referred to page 79 under operating expenses. He said there is a 550% increase in professional services.

Ms. Lawson explained that she increased it because of the actuals for the past few years. She said this has been under budget for the past five years.

Mayor Winger questioned code enforcement abatement in non-departmental.

Ms. Lawson said they have buried cost of code enforcement into the departments that do them and so they decided to segregate a few so they could be compared to revenue.

Mr. Fletcher said the fines went up from \$8,000 dollars to \$75,000 dollars.

Council took a break a 15-minute break at 10:40 a.m.

General Fund Revenues

Ms. Lawson briefly went over page five of the Budget Book with the Councilmembers.

Mayor Winger said referred to the Recreation Department income of \$397,000 dollars. He said they are never going to do \$397,000.00. He felt this was \$40,000 or \$50,000 dollars too high. He suggested \$45,000 dollars less and if they do better that is fine.

Ms. Lawson said they could take it down to \$345,000 dollars.

Mayor Winger suggested that they go to \$342,000 dollars.

Mr. Kramer suggested that they discuss this with Mr. Slezak during the review of the Recreation Department's budget.

Mrs. Turner asked Ms. Lawson to discuss the unappropriated surplus.

Ms. Lawson explained that as the budget sits today they have an extra \$170,000 dollars as compared to last year's of \$227,000 dollars. She felt that was a reasonable bit of breathing room.

Mr. Kramer asked is the gas tax a flat charge per gallon or a percentage.

Ms. Lawson said it goes up and down with gas prices, but it is predicated on the City's portion of sharing based on the formula with the County, road miles, etc. She said this is an estimate that is prepared by the State.

Mr. O'Connor said it was his understanding that is a flat cent per gallon that is sold, not a percentage of the pricing.

Mrs. Turner asked that Ms. Lawson go over their reserves prior to Council having their final review.

Mrs. Turner asked if they want to change the schedule in the budget reviews.

Mr. O'Connor said they could spend all day doing the budgets tomorrow if Council would like.

After a brief discussion, Council agreed to move up to Tuesday's review and include the Solid Waste Department, the Marina, the Cemetery, and Recreation Department.

Today's meeting adjourned at 11:06 a.m.

Tuesday, July 8, 2014 – 9:00 a.m.

Police

Mayor Winger felt that the overtime salaries were high.

Chief David Curry explained that some issues in years passed with overtime salaries they did go over what was budgeted.

Ms. Lawson explained that there is a tendency in the summer time that the overtime runs higher because of some events that occur.

Mayor Winger commented that the City Incentive line item looks low. Ms. Lawson explained this year there was a settlement and grievance case that was settled and the money came out of that account. Mayor Winger said in the other contractual line item that the Police Department has they have already gone over budget. Chief Curry said a lot of the maintenance contracts that the Police Department has are in that line item. Mayor Winger asked if \$60,000 was going to be enough for next year. Mr. O'Connor will go back and look at that number. Ms Lawson explained that a lot of these are one time payments.

Mrs. Turner felt the importance of looking at training for the officers.

Mayor Winger commented that the gas/oil line item in the budget does not look bad. Chief Curry said that there has been a little increase in that line item because more patrol officers are on the street.

Mr. Fletcher brought up that the ammunition cost has doubled.

Chief Curry said that in prior years there has been zero in the budget line item and he has used other line items to pay for the ammunition, but now it will have its own line item.

Mr. Graves asked if sometime because of the detective work needed on a case that their overtime goes over.

Chief Curry answered yes when they have a big case it can take quite a bit of overtime.

Chief Curry went over the Florida Accreditation Program that they go through every three years.

Mrs. Turner noted in the capital program there is a need for more police cars. She asked if there were more patrolmen on the street.

Chief Curry explained that they would not be adding any new positions. They have reduced management and been able to have more patrolmen on the street. There are 52 sworn police officers on the street and seven (7) staff officers.

Mrs. Turner wanted to see more quantifiable types of goals in the future.

Mr. Kramer commented that looking at the budget they see only the expenses. He would like to see the revenue from the police department in a separate line item.

Ms. Lawson said some of the revenue generated from the police department is from fines and forfeitures, police miscellaneous income, burglar alarm permits, etc.

Ms. Lawson explained that these account numbers are verified by the State, but she could do something off to the side if Mr. Kramer wanted her to do. She agreed that it was nice to see what revenue the Police Department brings in.

Mr. Kramer asked if a department head runs short in one of their line items can they transfer funds from one item to the next? Ms. Lawson answered yes. She said that she instituted being able to do that when she was hired.

Ms. Lawson briefly talked about the new lease/purchase program that the City is looking at for City vehicles.

Planning

Mr. O'Connor reported that Mr. McGarry's department has stepped up code enforcement procedures/violations. He is also responsible for the fertilizer ordinance and how that is being implemented. He also was a victim in having reduction in staff.

Mrs. Turner mentioned that the completion of amendments to Original Town was one of last year's goals.

Mr. McGarry commented that he is getting closer to getting that done. He said that they will have the public hearing for this on August 21st. He also plans on beginning work on Osceola Park and is working with one of his staff members to work on this. His priorities are working on the land development regulations. He wants to get them cleaned up because next year they have to update the comp plan.

Mrs. Turner asked how do they improve the effectiveness of code enforcement.

Mr. McGarry makes sure that his staff gets proper training and makes sure that his code enforcement officers understand the code, which sometimes can be complex.

Mayor Winger wanted to see something specific with the fertilizer ordinance. He said if they can do that within the City that is fine, but at this time that is not being done.

Mr. McGarry explained that this is addressed when they can. He said his department sends out letters out and communicates with people when they see someone not following the Ordinance.

Mrs. Turner felt that the public needs to take pictures and send them in when they see violations occurring.

Mayor Winger reiterated that they have the Ordinance in the City so it needs to be implemented.

Mr. McGarry added that they needed to put in some specifics on the wetlands that would be in combination with the fertilizer Ordinance.

Mayor Winger felt that the City was too easy sometimes with their code enforcement fines.

Mr. McGarry explained that his department tries to have people come into compliance and not punish them. If the same person keeps coming back then they fine them right away. A lot of fines are on-going, which is why the property has liens on them. He tries to be fair with everyone involved, but to be sending the right message.

Mayor Winger commented that as Mayor he gets more calls on code enforcement complaints than anything else. He is of the general opinion that they were air on being too lenient.

Mr. McGarry explained that when starting a case for code enforcement that due process needs to take place.

Ms. Graves asked how often do they rely on the City Attorney's office to help on these issues.

Mr. McGarry explained that his staff usually talks to him and they talk to the City Attorney on procedural issues.

General Fund Construction

Ms. Lawson explained that the primary source of revenue from this fund is transfers from the sales tax (page 3 in the Five Year Capital Program).

Mr. Falls referred to page 11, which covers the equipment used to clean baffle boxes.

A short discussion of the replacement vehicles took place.

Mayor Winger was happy to see that they were taking care of deferred maintenance.

Mrs. Turner commented that they are lax in pursuing grants. She said that the Airport has done a great job in getting grants and maybe we can learn from them.

Ms. Graves explained that the Airport has a full time Grant Writer and it takes a lot of work to put a grant together.

Mr. Falls said that they have received some grants and will continue to look at more grant funding.

Mr. Falls gave an update on where they are with the stormwater outfall and passed out a map indicating this. Mr. O'Connor will talk to Sebastian about what plans they have in place.

Mayor Winger brought up the economics for the Dodgertown Golf Course and what benefits there would be if they sold the golf course.

Mr. O'Connor explained that in selling the property they would have to get approval from the County to remove the deed restrictions. He said that the land has no value. If they could sell the land then their debt service would be removed. This would produce \$675,000 annually.

Mr. Winger asked what if they sold the property at a loss. Ms. Lawson explained they would have to pay whatever is owed on the property, but the debt service would go down.

Mr. Kramer explained that they want the deed restrictions removed so the City can start looking at other options.

Mrs. Turner suggested that the Mayor send a letter to the County requesting that the deed restrictions be removed and that Mr. Kramer present this to the County Commission.

Ms. Graves agreed with that suggestion and said that it would allow the public to know what is going on.

Mayor Winger did not know why the County would oppose the request.

Mr. Kramer agreed with presenting the request to the County Commission instead of staff. However, there needs to be a political case for doing this. There has been some difficulty with staff at the County who always looks at the best interest for the County. So the City should present this request as what is the best for the City and the County and that this would be good for the Indian River Lagoon project and money could be used towards funding this.

At this time Council took a ten-minute break and the meeting reconvened at 11:06 a.m.

Solid Waste Fund

Mr. Falls commented that there is a small revenue source that hasn't been identified in the past and that is rolling a dumpster back and forth and charging the customers \$2.00 each time it is done which will bring in around \$10,000 a year.

Mrs. Turner asked Mr. Falls if they were utilizing the land fill and what future does the land fill look like.

Mr. Falls explained that the City is just a contract hauler to the land fill. They work with the County to extend the life of the landfill. The County has taken the yard stream out of the landfill.

Mrs. Turner wanted to see in the future goals and objectives to look at efficiencies and cost savings.

Mr. Falls explained with the truck replacement schedule they will do the same thing as Solid Waste as doing in other departments.

Cemetery Fund

Mrs. Turner felt that they needed to start developing a reserve for the cemetery. She knows that the cemetery was funded by a Trust and that is not the case anymore. The cemetery needs to be sustained.

Mr. Fletcher did not think there is ever sustainability for cemeteries.

Mrs. Turner reiterated that the City used to have a Trust Fund for the cemetery that has been depleted and they need to have a reserve fund

Mr. Fletcher asked if she had any ideas on doing that.

Mrs. Turner suggested looking at the rates they charge.

Mr. Fletcher said that they don't want to transfer from the General Fund in doing that.

Ms. Graves felt that they have already looked at the rates that they charge at the cemetery and the public understands that the cemetery funding is not exactly perfect, but they are okay with that.

Mr. Fletcher reiterated that the cemetery is not an Enterprise Fund, but called a Trust Fund.

Mayor Winger felt that the columbarium is the weak link in this and the City sells very few columbarium markers.

Mr. Falls agreed it was not as productive as they had thought. He said things have changes with cremains also. More and more people choose to hold onto their cremains before they get rid of them.

Mr. Falls explained that he has looked at rates and they are competitive with Sebastian. He passed out the new cemetery information brochure that they will be using.

Mrs. Turner felt there was a big difference between the Sebastian cemetery and their (Vero Beach) cemetery. She said they are charging an affordable premium price.

Ms Graves suggested having a cemetery committee to work on marketing the cemetery.

Mayor Winger commented that he tried to start up a group like that and couldn't get one person to volunteer.

Airport Fund

Mr. O'Connor commented that Mr. Menger is doing a great job at the Airport and continues to get grants. The Airport also has been active in leasing property at the Airport. They are trying to make sure that they get quality tenants at the Airport.

Ms. Lawson explained how the insurance costs work for the Enterprise Fund. She said she is returning funds to the different departments from money that she had available from when they were self-insured. She said there are restrictions on what they can do with these funds.

Mrs. Lawson explained that there are some restrictions from the State on how they can allocate that money. They must give back what originally the funds were used for. Every Department is getting a piece of the funds back.

Mr. Fletcher asked about the 400% increase for part time salaries.

Mr. Menger explained that he has reduced personnel by 20% over the last two years. He wanted some flexibility in this account in case that he needed it.

Mrs. Turner mentioned that the Airport was a big electric user. She asked if they were doing anything to help be more energy efficient.

Mr. Menger said that he is expecting a little bit of a higher cost in that area. However, the led lighting they have put in is helping.

Mrs. Turner asked what is the timing of the Master Plan.

Mr. Menger hopes to have it done by March.

Mr. Fletcher heard that the Airport Commission is working on putting together a financial plan of the Airport.

Mr. Menger reported they are working on that and including some strategic planning in it also.

Mrs. Turner complimented the Airport for being self-sustaining.

Council took a lunch break 11:41 a.m. and the meeting reconvened 1:00 p.m.

Recreation

Mr. O'Connor reported that the primary issue is that the Recreation Department is being rolled into the General Fund. Ms. Lawson provided a summary page comparison of Recreation Funds from last year to this year. She said next year they probably will not have to do this. They have not budgeted any additional funding for lifeguards. It would cost \$10,000 more a year for increasing the times that Humiston Park stays open.

Mayor Winger didn't think they should budget the revenue at \$397,000. He is proposing \$342,000 for this year. He would rather have numbers hit or exceed and feels this budget is \$40,000 to high.

Mr. Slezak wanted to talk to Council about the revenue. He said it seems like every year they come up \$40,000 short in the revenue side. Every year they try to do something new and seem to come up short. He feels the numbers they have this year will be higher. He has seen summer camp numbers higher than projected. He feels \$365,000 for revenue is a good number. He said the facility rental will make money, but it was a controversial issue.

Mayor Winger suggesting lowering the income by \$30,000 and the facilities rental lowered by \$10,000, which would make the reduced revenue to \$40,000.

Mr. Slezak explained that he had three (3) proposed budgets he was looking at this year. He presented the flat end budget to Council. He said on the expense side he raised his part time salaries, but lowered his professional services because of the outcome of the IRS.

Mrs. Turner asked why the new paddleboards have been projected over two years.

Mr. Slezak explained they are replacing one paddleboard per year at the different beaches.

Mayor Winger mentioned the holes in some of their awnings and asked if they want to put that off for another year.

Mr. Slezak explained when they were developing capital items they put them into the priority list. He said there are some big ticket items.

Mayor Winger and Mrs. Turner suggested replacing the roof at Centerstage.

Ms. Lawson said they could look at the numbers and report to Council.

Ms. Graves asked what facilities are used the most often.

Mr. Slezak said it is the Riverhouse, then the Community Center.

Ms. Graves said that they should put the facilities that make the most money first to be renovated.

Mr. Slezak mentioned that he added some money to the building maintenance account which is \$1,000 a month.

Mr. Kramer stated that somewhere down the road they have to look at replacing some of the Recreation buildings. There needs to be a long term plan.

Mr. Kramer realized that they have to pass the budget today, but there are options they can look at. He said right now they have to maintain the buildings, but must also have a long term plan.

Mr. Slezak passed out statistics for Humiston Beach. He said restoring the hours at Humiston Park would cost close to \$30,000.

Mrs. Turner wondered if they could find the \$30,000 somewhere in the General Fund.

Mayor Winger wanted to see the hours back to what they were.

Mr. Kramer commented that in talking with the lifeguards they mentioned going under the Police Department and then they would have the police pension.

Mr. O'Connor explained by doing this there would be some issues, supervision would be needed and the pension would not be cheaper.

Mr. Kramer asked if they ever tried getting money from the hotels (tourist tax dollars). They have a tendency to want to address activities to bring people in the City.

Mr. Slezak commented that they are looking at selling license plates.

Mr. Kramer said that could take two years to get it through the process.

Ms. Graves, Mr. Fletcher, and Mr. Kramer wanted to leave the hours where they are for lifeguards and not include the \$30,000 for extra hours at Humiston Park.

Marina Fund

Mr. O'Connor reported that the Marina is an Enterprise Fund. This has been a longer season than usual and the Marina has sold quite a bit of gas.

Mr. Tim Grabenbauer, Marina Director commented that the budget is pretty much the same as last year.

Ms. Turner questioned the dock rental south complex.

Mr. Grabenbauer told her that revenue item was put in the wrong line item.

Ms. Turner asked why the subscription and membership line item was up.

Mr. Grabenbauer thought it was for marketing, but would make sure.

Ms. Graves asked how they were recovering costs from boats that are abandoned.

Mr. Grabenbauer explained they sold the last boat that they had that was abandoned.

Ms. Graves felt that they needed to make sure if they have any problems with these boats in the future that nothing leaks into the Lagoon.

Mr. Winger had some discrepancy on what the gas/oil line item was. He said that sales look better than the budgeted costs.

Mr. Grabenbauer reported that he submits an inventory of the gas/oil every month so they know how much fuel is in the tank.

Water & Sewer Fund

Mrs. Turner asked about staff changes at the Water Plant.

Mr. Bolton explained that it will go down next year to a staff of seven (7).

Mayor Winger asked about the line item odor control.

Mr. Bolton explained this is the wood chips by the river.

In the Water Treatment Plant Mrs. Turner noted that staffing was suppose to be at eight (8) and it is still at nine (9) employees.

Mr. Bolton reported that next year it would be at eight (8). Mrs. Turner would also like to see some quantitative goals.

Mayor Winger asked about professional service. Mr. Bolton told him that includes the deep well. Mayor Winger said that the license and testing is running a lot less than what is predicted. Mr. Bolton said that number may not be correct because of closing the Water Lab. The equipment maintenance is running a lot less.

Mrs. Turner had some concerns with each Department that under Major Goals and Challenges that they are being copied from last year. She asked Mr. Bolton when the maps would be completed. Mr. Bolton said that would be talked about later today.

Mr. Kramer wondered if Council should be more proactive and tell the different Departments what goals they would like them to complete.

Mr. Bolton passed out an Optimization update (please see attached).

The STEP Plan Program was discussed and Mr. O'Connor will give an update.

Today's meeting adjourned at 3:58 p.m.

Wednesday, July 9, 2014

Risk Management

Ms. Lawson explained that the Risk Management Fund cannot be closed until all of the claims in that fund have been paid. The only thing being paid out of this fund is legacy claims.

Mrs. Amy Yeitter, Benefits Administrator, explained that there are nine remaining workman comp claims and she is hoping to be able to settle one of those claims this year. She said eventually this Fund will be deleted and the Ordinance could be repealed.

Mr. Fletcher asked why the 100% increase in schools and meetings.

Mrs. Yeitter explained that because Mr. David Checchi is their new Risk Manager there are some certifications that he has needed to get so hopefully next year this line item will be lower.

Mr. O'Connor commented that Mrs. Yeitter works to keep their insurance premiums as low as she can. He said when a claim comes in she begins working on it right away in order to minimize payments.

Mrs. Turner questioned if they are continuing to conduct training classes.

Mrs. Yeitter explained that Mr. Checchi keeps track of all the certifications that are needed by the different employees, which helps keep their insurance premiums down.

Electric Fund

Ms. Lawson passed out to Council a copy of the spreadsheet outlining the Fund/Cash Balance History of the different funds (please see attached).

Mr. O'Connor explained that since the FPL deal has slowed down the utilities department is working on getting their rates down. They are submitting an application to OUC to do the transmission study.

Mr. Tom Richards, Electric Utilities Director, said that he is looking at alternatives to their current operations. He is stuck at some point until the FPL deal goes one way or another. They have to get FPL to agree to the sales agreement to keep it the way it is. They don't have any indications they won't go along with those things.

Mrs. Turner recalled that the City did receive a letter from FPL saying that they were willing to help the City in keeping their rates down.

Mr. O'Connor added that they have received a similar document from OUC.

Mayor Winger reported that Mr. Shef Wright, Attorney, would be giving an update at their Council meeting next week. Ms. Lawson hopes to bring the RFP for the Optimization Study to the Council in August, if the RFP does not have to go before the Finance and Utilities Commission.

Mr. O'Connor was going to try to have the Optimization Study be as broad as possible.

Mayor Winger had some revenue questions but would wait until the Optimization Study has been completed.

Mr. O'Connor did not plan to make a lot of adjustments until they receive the study.

Mrs. Turner commented that they are anticipating a 7% percent increase with their utilities.

Mr. Richards hoped that it would not be that high, but that it was they could anticipate at this time.

Mrs. Turner said reducing the R&R Fund concerns her.

Ms. Lawson explained that they have leveled the R&R Fund to show what projects can be done this year.

Mayor Winger brought up looking at having a Utility Authority. He thought by doing this it would take the politics out.

Mr. Fletcher did not feel that by having a Utility Authority that the politics would be taken out.

Mrs. Turner felt that the utilities should be under the control of the City.

Mayor Winger explained that if the return on assets changes there can be flexibility. He said there could be County people on this Utility Authority. He believes they should look at what other people across the State of Florida are doing. It is unique that we (City Council) are still running this business and their history has not been that good. He doesn't think that they should just say no to the idea. He said in some cities the Mayor or the City Manager reside as a member on the Board. He is uncomfortable in the future where the City Council, the politicians, carry this forth.

Mr. Fletcher felt by having a Utility Authority they would just be shedding the political responsibility off of their shoulders to another body.

Mayor Winger told Mr. Fletcher that he was concerned that he and Mr. Fletcher would not be on Council in the next few years when this may happen.

Mr. O'Connor said that the Optimization Study should be an element where having a Utility Authority could be a recommendation and he will look at hiring a consultant capable of providing that recommendation.

Mr. Kramer agreed by having a Utility Authority it would take the politics out. They need to have this structure professionally run.

Mr. Fletcher felt that it was being professionally run now.

Mr. Kramer did not think that the City Council was allowing staff to run the utilities professionally.

Mrs. Turner felt that having a Utility Authority it would be putting another step in between the public. She said that Ft. Pierce is not happy with their Utility Authority. She said if ratepayers don't like how the City Council is running their utilities then they can get voted out of office.

Mr. Kramer told her that was not true.

Mrs. Turner recalled that they tried to put more County residents on the Utilities Commission but some Council members objected.

Mr. Kramer said that there was objection because some members had their own agenda.

Mayor Winger agreed that Mr. O'Connor's proposal was a good one. That they look at alternatives and do what the public wants to do. He is concerned that the City's assets be protected and the ratepayers have a voice in this.

Mr. O'Connor understood his marching orders.

Ms. Lawson went over the Customer Service Department and passed out a memo outlining the Customer Service Cost Allocation (please see attached).

Mr. Herb Whittall talked about electricity and lighting and wondered if some of the lighting in the Chambers could be reduced.

Mrs. Turner told Mr. Whittall that one of the comments made earlier this week is to look at doing some sort of energy study in City Hall.

Mr. O'Connor noted that was all they had to discuss today. He said tomorrow they would do the budget wrap up, the Retiree Benefits Review and the setting of tentative millage. Council agreed that they would do the Charter Officer review at another time.

Ms. Lawson will be making the changes that have occurred this week and incorporating them in the budget for the first budget hearing in September.

Mayor Winger was happy that they were able to get the budget hearings down to four days this year and wanted to see it done in two days next year.

Mrs. Turner thanked everyone for this budget process and for the discussion on polices for the upcoming year.

Mr. O'Connor appreciated that Council was able to interact with the different departments through this process.

Today's meeting adjourned at 10:30 a.m.

Thursday, July 10, 2014 – 9:00 a.m.

Mr. Fletcher was not at today's meeting.

Budget Wrap Up

Mayor Winger noted that prior to any vote taken today, they would have Public Comments.

Mr. O'Connor said today they would be going over changes that were made this week and the retiree review, which they would need Council action. He said they would be setting the tentative millage rate, which they could set up the highest expectation and they could always bring it down. Staff put the Charter Officer review on the agenda knowing that last year Council chose not to do it during the budget hearings, but he wanted to remind Council that they would need to do the review eventually.

Mayor Winger asked Council if they wanted to do the Charter Review today.

Mrs. Turner requested that the City Clerk provide Council with copies of position descriptions and their goals so Council can review them in preparation of their review. She did not feel it was fair to the Charter Officers to do their review after a week of budget reviews.

Ms. Lawson gave a recap of changes made and items that staff is to bring back to Council. In the General Fund they are reducing the Recreation Department income line item by \$30,000 dollars the Recreation facilities rental by \$10,000 dollars. As far as expenditure changes, they are reducing the City Attorney's office furniture and equipment by a few thousand dollars. She and the Police Chief will go over the Police Department's overtime salary budget to see if their projection is valid for the coming year and will make any adjustments they think are appropriate. They are adding \$24,000 dollars in the General Fund for the Recreation Department for a combination of building maintenance, labor, and materials. Other changes that they have not discussed that can be made prior to the first public hearing are they will have updated State revenue estimates for the one-cent sales tax. She said the preliminaries that she has seen shows that they will be positive. She said they are also waiting on numbers for insurance. In Water and Sewer, they will be adding funding to their five-year CIP for the STEP program initiate, as well as some engineering and study of relocating the Wastewater Plant. They also would be updating the Goals and Objective sheets and adding backup to the Capital Projects Book. She said that she has a list of items that staff is to give Council, which are energy efficiency initiatives, the STEP plan, and planning on moving the Wastewater Treatment Plant.

Mayor Winger said the City Manager is to start looking at the Stormwater District.

Mr. O'Connor said that staff would get Council a copy of what Sebastian has.

Mayor Winger said that he was still not happy with the street situation. He felt that in future years they should have a reasonable number for 2016, 2017, 2018, etc. He felt that they have to plan to keep the streets up.

Ms. Lawson said one of the action items they discussed was speaking with the County about freeing up the Dodgertown debt service money.

Mayor Winger said with being told that it would take \$600,000 to \$800,000 dollars a year for the streets and they are only putting in \$200,000 dollars that is not responsible. He felt that was no different than letting the pension get underfunded in his opinion. If they are in a cash pinch this year, they still have to plan that the number is going to increase in the future.

Ms. Lawson said the five-year CIP has a revenue increase projection built in for one-cent sales tax. She said sales tax revenue in the State is rising after years of decline. The real issue becomes revenue and in the current situation they either have to make some other initiative within the capital budget lower or they have to find a way to get out from under the Dodgertown debt service, which would be almost \$700,000 dollars a year.

Mayor Winger said they wouldn't get out from all of it because they would presume that would presume that they would be able to sell the property.

Mr. O'Connor said even if they sold half of it, it would free up a couple hundred thousand dollars.

Mayor Winger did not think they should not have a budget book that says they are not going to take care of the streets in the long range planning.

Mr. Kramer asked that Council receive a list of priority streets.

Mrs. Turner asked that they include the criteria for when they would repave the streets.

Mr. O'Connor suggested that Mr. Falls give Council a presentation at one of their meetings on how his program works.

Mr. Kramer said roads are one of those things that if they let it go too far it gets really expensive.

Mr. O'Connor said that is an item that they could fund through the debt service if they wanted to take out a loan.

Mayor Winger asked how many miles of roads does the City have.

Ms. Lawson said the City has 108 miles of paved roads.

Mayor Winger said that he was more concerned with bringing this to the surface and finding a solution.

Mayor Winger referred to the Water Control District stating that if it would be a way to help the Lagoon they need to understand it.

Mrs. Turner said that it is just another tax.

Ms. Graves felt that before Council decides, they need to hear the pros and cons and make an informed decision. She said they also should hear from the public to see if this is something that the public wants.

Mr. Kramer said it is not a bad idea if it is a guarantee that tax is going to be used for the purpose it is made for.

Mayor Winger said that this morning he saw three areas that were covered with grass and they know that grass is going into the ditches. He said they have to catch that grass as soon as they can. He felt the public would support that in the interest of the Lagoon. He felt that having a dialogue would allow that to come to the surface.

Mr. Kramer said that is a perfect referendum question.

Mr. Peter Gorry, Finance Commission Chairman, said that he highlighted a number of items discussed this week, which he briefly went over with Council. He said that the Finance

Commission would be discussing these items when reviewing the budget at their next Finance Commission meeting.

Mr. Mark Mucher, 617 Indian River Lilac Road, said it seemed like most of the Council wants to keep the millage the same. He said the City's millage is low and it is a result of higher electric rates. He said this whole budget discussion is based on the fact that the millage rate will stay the same. He said the transfer from electric to the General Fund to keep those rates lower is increasing this year, which he felt was a trend in the wrong direction. He suggested increasing the millage rate and reducing the transfer from electric a little bit, even if it is a token gesture.

Mr. Charlie Wilson, 2134 18th Avenue, thanked Council for their hard work in these budget hearings. He said this budget is the calm before the storm. They will see the budget process quite differently over the next few years. He said that he has been here since 1986 and since 2005 he has watched Mr. James Gabbard, former City Manager, telling Council that pension reform was right around the corner and they were going to take care of it the next year. Mr. Wilson said "next year" never happens. He said they are continuing their addiction to the electric utility transfer. It seems that they have assumed that they are going to be in the electric business forever and he doesn't believe that. It disturbed him when the issue of the Utility Authority came up for a number of reasons. He referred to a memo from FMPA that was sent to Mr. George Christopher that they discovered when they found out that he (Mr. George Christopher) was having negotiations directly with the attorneys of FMPA. Mr. Wilson said in the memo they described to Mr. Christopher how to set up a Utility Authority. He said this is not a Utility Authority, it is an FMPA protection act. He said the memo shows how to set up the annual budget for a new Utility Authority, it shows how to establish a Utility Authority to set rates, they can set the amount of the transfer, they can enter contracts and agreements with FMPA, it shows how to appoint members to the Utility Authority, whether or not to include outside customers, and how to include all utilities or just the electric utility. He reported that at the Original Town/Planning and Zoning Board meeting, one of the things said was the reason they were having trouble in their community was because electric rates were so high that people couldn't afford rent and electric.

Mayor Winger did not know if this topic impinges on the budget itself.

Mr. Wilson said the Finance Commission went through 18 items and the amount of savings going through those 18 items came to zero. He said they are not putting anything in this budget having to deal with the real problem and that is the electric system.

Mr. Steve Myers, Teamster Local 769, wanted to clarify for the record a statement made earlier regarding Mr. Gabbard indicating that there would be a pension reform. Mr. Myers said there was pension reform. They reduced the pension accrual three years ago for all City employees. He said there has been pension reform 40% lower for all employees going forward. He said that was a great sacrifice of the employees and now the City plans to freeze the plan. He thought that the amount of impact in this year's budget is increased by approximately \$455,000 dollars just from freezing the current pension and moving forward to a defined contribution plan.

Ms. Lawson said it was just over \$400,000 dollars Citywide and it has to do with the difference between the current normal contribution, which is just over four-percent and the proposed contribution to the defined contribution plan of seven-percent of salary.

Mr. O'Connor said that is to reduce the future risk that they keep accumulating in their present defined benefit plan. The direction of Council is for a defined contribution plan to try to reduce future risk.

Mr. Myers asked when will the City start seeing savings in the defined contribution plan.

Ms. Lawson explained that there are two pieces to the pension contribution. The total contribution Citywide is about \$4.6 million dollars and the largest piece of that is the City's payment towards the unfunded accrued liability of the defined benefit plan, which is about \$3.5 million dollars. She said the idea of switching to the defined contribution plan is that a component of the plan would not continue to grow. She said the City is currently paying the contribution towards the unfunded liability on an amortization of about ten years until the gap is closed and the plan is 100% funded.

Mrs. Turner said the pension is only funded 62% in the General Fund. She said that comes to a \$37 million dollar liability and they have other post employment benefits of \$14 million dollars. That comes to a \$51 million dollar liability hanging out there for the City. This is something they have to address.

Mr. Myers said the multiplier for the City's employees is 1.6 and the multiplier for the employees for City of Ft. Pierce is 3.0. He said Ft. Pierce's pension fund is funded at 89% because they made sure they made the appropriate allocations every year towards their pension fund.

Ms. Lawson said the City has an annual actuarial evaluation, which prescribes an annual required contribution to make the plan sound and this City Council has never failed to make that contribution. She said the big turning point in this pension was in 2008.

Mr. Myers said other City Councils' have not exercised their good judgment on funding the pension plans and the employees are being asked to suffer. He said there could be a \$400,000 dollars savings this year just by exploring the possibility of waiting to see what happens next year with the pension plan and they could use that \$400,000 dollars on things that can help the tourist economy.

Retiree Benefits Review

Ms. Lawson said per the City's Code, they are required to do this review process annually. She briefly went over the memorandum on the General Employee Pension Plan Cost of Living Adjustment (please see attached). She said currently the 12-month percentage change in the CPI is 2.1% and the Social Security Administration has programmed a cost of living adjustment of 1.5%. She explained to Council that they would need a separate motion and vote on if they want to increase the automatic one-percent increase.

Mrs. Turner asked when they vote for an increase, that is not just for one year but for the rest of their lives.

Mr. Kramer asked has the Pension Boards said anything about this.

Mr. O'Connor said the Pension Board is made up of people who could possibly benefit from the decision.

Ms. Lawson did not know if the Pension Board would feel comfortable giving Council a recommendation.

Mrs. Turner made a motion to maintain it without any additional increase. Mr. Kramer seconded the motion.

There was no public wishing to speak on this item.

The Clerk polled the Council on the motion and it passed 4-0 with Ms. Graves voting yes, Mrs. Turner yes, Mr. Kramer yes, and Mayor Winger yes.

Ms. Lawson said the next motion would be if Council wants to give a percentage to the 134 employees who retired before the date.

Mrs. Turner made a motion to make no increase. Mayor Winger seconded the motion.

Ms. Graves said the employees who retired prior to 1998 do not get an increase and the employees who retired after 1998 do receive an annual increase.

Mr. Kramer said that he spoke with some of those employees and they are having a tough time adjusting. He said it is difficult to look at the pension status and to put more weight on the pension does not seem to be the right thing to do. He would have rather split the difference and give each group one-half percent.

Ms. Graves asked Mr. Kramer if he would be willing to go with one-half percent this year and one-half percent next year.

Mr. Kramer said because of the fact that the pension hinges on market prices, if they guess wrong everyone is going to pay for it. He said that he really felt bad for them and would rather go half and half, but the rules won't allow it.

There was no public comment on this item.

Mr. Kramer said that he would probably give leeway to one-quarter of a percent.

Ms. Graves made a motion to give them one-quarter of a percent raise. Mr. Kramer seconded the motion.

There was no public comment on the motion.

The motion failed with Ms. Graves voting yes, Mr. Kramer yes, Mrs. Turner no, and Mayor Kramer no.

The motion made for no increase in the pension benefit (retirees prior to 1998) passed 3-1 with Ms. Graves voting no, Mrs. Turner yes, Mr. Kramer yes, and Mayor Winger yes.

Setting of Tentative Millage

Ms. Lawson said this budget was predicated on setting the same millage rate as the previous year. She explained that what they were doing today was the proposed millage rate and as they go through the process of the first and second public hearings, Council cannot raise it, but they do have the ability to decrease it. This is the millage once they vote today that will be certified to the Property Appraiser and will be used for the trim notices that go out in August. They are proposing 2.0336 and the rollback rate is 1.9728 and the 2.0336 represents just over a three-percent increase over the rollback rate. She said the total combined millage rate for a property owner is just over 17 mills and so people seem to have the idea that Council has a large amount of influence over the total tax bill, but they only control about 12 percent. She asked Council for a separate motion and vote on the millage and on the date and time of the public hearings.

Mayor Winger said that he is against a tax increase, but he is also against not having some flexibility in case they have a hurricane. He personally would recommend a minor tax increase. He said that yesterday the City of Sebastian went from 3.72 to 3.90. He said this is a first class City and we get first class service and there are not many places like this one that have lower taxes. He thought that Marco Island was the only area in the State comparable that has lower taxes. He would like to see the taxes go up from 2.04 to 2.14, which is a couple thousand dollars. He felt that they have to. He did not think it was responsible to have a budget with a little over \$100,000 dollars. He said that he planned to vote against any tax increase, but they need to allow themselves some "free board."

Mrs. Turner asked to generate \$100,000 in additional revenue, what is the corresponding increase in the tax rate required.

Ms. Lawson said approximately .05 mills. She explained that each .1 mill generates \$210,000 dollars.

Mrs. Turner said they are fortunate to have a reserve of nine-million dollars in their General Fund. She said there is about \$723,000 dollars in capital projects involving stormwater projects in protecting the Lagoon. She felt that they had sufficient funds for the Lagoon. When they increase revenue by raising taxes it relieves the pressure on government and it is always a concern when looking at raising taxes.

Mr. Kramer said they were already looking at a three-percent tax increase just by keeping the same millage. One reason they have a low tax rate in Vero Beach is because there are high

property values. If the City's property values significantly decreased they would have a much higher millage rate. He felt they would have higher property values next year and he would like to keep it the way it is.

Ms. Graves said they have discussed a few ideas, such as the Dodgertown property. She would like to see what happens with that before they change the millage rate. If the other avenues they are trying to explore fail then she would look at raising the millage rate.

Mayor Winger explained that all they are doing today is allowing that possibility. He is not promoting raising taxes, but promoting that they allow the possibility.

Mrs. Turner said they have to set the maximum tax rate today because they can't go above what they set today.

Ms. Graves said that she would go with a tentative five to ten cent increase to 2.13.

Mrs. Turner said that would generate another \$200,000 dollars.

Ms. Graves made a motion to increase the millage rate to 2.1336. Mayor Winger seconded the motion.

Mr. Peter Gorry explained Marco Island is marginally lower, but their ratable are three times. If they had the City's rate they would not be 1.9, but 6. He said five years ago the City was getting 5.7 million dollars a year in ad valorem taxes, the millage was 2.29 and then it went to 1.9 for three years and then crept up.

Mayor Winger said in looking at this budget there is about \$200,000 dollars that is coming back from the insurance trust fund. So it is a bit artificial to start with.

Mr. Charlie Wilson said they are getting an increase from the increase in property values, they are getting an increase from the transfer from the electric utility, they defeated an increase in the pension by tie vote, and now they want an increase in taxes. He said this is the first casualty they see of killing the electric sale because the electric sale proceeds would have gone to underwrite the pension reform.

Ms. Lawson explained that the motion of setting the millage at 2.1336, which is 8.15% higher the rollback rate of 1.9728.

The motion failed 2-2 with Ms. Graves voting yes, Mrs. Turner no, Mr. Kramer no, and Mayor Winger yes.

Mrs. Turner made a motion to retain the millage rate at 2.0336. Mr. Kramer seconded the motion and it passed 4-0 with Ms. Graves voting yes, Mrs. Turner yes, Mr. Kramer yes, and Mayor Winger yes.

Ms. Lawson explained that they cannot hold their first public hearing before September 3rd, which is the reason staff is suggesting holding the meeting on Wednesday, September 3rd. They cannot schedule their meeting on the same date as the County or the School Board, which is why staff is suggesting the final public hearing be held on their regular meeting date of September 16th. She noted that they have to hold these meetings after 5:00 p.m. and therefore, they would advertise the time certain of 5:10 p.m.

Mrs. Vock said their regular meeting would be held on September 2nd at 9:30 a.m. She said Council could hold their regular meeting and then have a Special Call meeting on September 3rd or they can hold a Special Call meeting on the 3rd at 5:10 p.m. and then go into their regular meeting at 6:00 p.m.

Mrs. Turner said her concern is that they only had one meeting in July and are having only one meeting in August. She felt that it could be a lot to handle agenda wise. She suggested that they hold their regular meeting on September 2nd and have a Special Call meeting on September 3rd. Council agreed.

Mrs. Turner made a motion to hold their first public hearing on September 3rd at 5:10 p.m. and their second public hearing on September 16th at 5:10 p.m. Mr. Kramer seconded the motion and it passed 4-0 with Ms. Graves voting yes, Mrs. Turner yes, Mr. Kramer yes, and Mayor Winger yes.

Mayor Winger felt that this was a useful budget session. He was pleased with what they have accomplished and thanked the Council for their contribution in doing public business.

Mr. Coment handed out the Florida Statute regarding stormwater funding (on file in the City Clerk's office). He noted that it is not a tax, it is a utility and fees that goes into that utility pays for the infrastructure.

Today's meeting adjourned at 10:17 a.m.

/tv