

**SPECIAL CALL CITY COUNCIL MEETING  
MONDAY, MARCH 29, 2010 9:30 A.M.  
CITY HALL, COUNCIL CHAMBERS, VERO BEACH, FLORIDA**

**A G E N D A**

**1. CALL TO ORDER**

- A. Roll Call
- B. Pledge of Allegiance

**2. OPENING COMMENTS – Mayor Sawnick**

**3. RESOLUTIONS FOR ADOPTION WITHOUT PUBLIC HEARING**

- A. A Resolution of the City Council of the City of Vero Beach, Florida, reducing the scheduled April 1, 2010 Usage Rate Increase for Wastewater Customers; providing an effective date of April 1, 2010.

**4. CURRENT STATUS OF BUDGET**

- A. Budgeted Employee Positions
- B. Vacancies
- C. Furlough Impact

**5. PRESENTATION OF STATUS OF GENERAL EMPLOYEES**

- A. Pension Plan Status - Steve Maillet, Finance Director, and Rocky Joyner, Segal and Company

**6. PRESENTATION OF HEALTH INSURANCE**

- A. Barbara Morey, Risk Manager, and The Gehring Group

**7. PRESENTATION OF CITY FINANCIAL STATUS**

- A. General Fund
- B. Enterprise Funds
  - i. Airport
  - ii. Marina
  - iii. Electric Fund
  - iv. Water and Sewer
  - v. Solid Waste

**SPECIAL CALL CITY COUNCIL MINUTES  
MONDAY, MARCH 29, 2010 9:30 A.M.  
CITY HALL, COUNCIL CHAMBERS, VERO BEACH, FLORIDA**

**PRESENT:** Kevin Sawnick, Mayor; Sabin Abell, Vice Mayor; Tom White, Councilmember; Brian Heady, Councilmember and Ken Daige, Councilmember **Also Present:** James Gabbard, City Manager; Charles Vitunac, City Attorney and Tammy Vock, City Clerk

**1. CALL TO ORDER**

**A. Roll Call**

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

**B. Pledge of Allegiance**

The audience and the Council joined in the Pledge of Allegiance to the flag.

**2. OPENING COMMENTS – MAYOR SAWNICK**

Mr. Daige requested that after the Mayor is finished with his comments, he asked Council if they could hear Resolutions for Adoption without Public Hearing first and then go to number 7 “Presentation of City Financial Status.” He thought that it would be prudent for them to find out what the health of all of their funds are first before discussing anything else on the agenda.

Mr. Heady noted that there was no place on the agenda for public comments.

Mayor Sawnick reported that under number 8, “Mayor and Council Comments” that he will allow for public comments.

Mr. Heady made a motion to allow the public to have comments as they usually do at the beginning of the meeting after each particular topic.

Mr. Daige had no problem with allowing the public to speak at the end of the meeting.

The motion died for lack of a second.

Mayor Sawnick opened the meeting and made a few comments. He welcomed everyone to their quarterly budget meeting and explained the main issues that they would be talking about today are the pension and insurance plans and what options they have to move forward. He asked Council that during the meeting to voice their ideas if they have any and then when they set their next quarterly meeting they will discuss those ideas in more detail.

### **3. RESOLUTIONS FOR ADOPTION WITHOUT PUBLIC HEARING**

#### **A. A Resolution of the City Council of the City of Vero Beach, Florida, reducing the scheduled April 1, 2010 Usage Rate Increase for Wastewater Customers; providing an effective date of April 1, 2010.**

Mayor Sawnick read the Resolution by title only.

Mr. Rob Bolton, Water and Sewer Director, reported that at the last meeting he presented them with some additional capital postponements of projects for next year and as a result they are able to reduce the increase that was scheduled for April 1<sup>st</sup>. He said that originally the increase in the wastewater rate was to go up \$6.78 and now it will go up \$3.96. Staff is working hard on next year's budget and hopes to get the rates even lower.

Mayor Sawnick explained that they approved the rate structure some time ago and now they are going to decrease what they had originally proposed.

Mayor Sawnick opened the public hearing at 9:34 a.m.

Mr. J. Rock Tonkel had some questions on transfers.

Mr. Bolton answered his question and said that currently they are budgeted at approximately \$850,000 a year, which is roughly 5%.

Mr. Joseph Guffanti commented that he was under the impression that the City hired a consultant to establish these rates and apparently they are not following the consultant's advice. He asked how much was the consultant paid.

Mr. Bolton stated it was around \$35,000.

Mayor Sawnick closed the public hearing at 9:36 a.m., with no one else wishing to be heard.

Mayor Sawnick made a motion to approve the Resolution. Mr. White seconded the motion.

Mr. Daige stated that he didn't think that this was the time to have any increases on any of their City utilities. He said that when this first came up a number of months ago, he was against this and at that time he was not a member of the City Council. At the meeting when this was discussed, he asked Council instead of doing the full 18% increase to do it in increments (two increases). He said at this point in time he is not willing to approve any rate increases. He feels that this will hurt some of their residents, especially the ones that pay sewer. He said this is the wrong time to raise any rates. He knows that staff can do better than this and he challenged the City Manager to challenge his staff to do better.

Mr. White commented that the original increase was around 29% and he voted against that completely. The way this was originally structured there was going to be an 18% increase on the wastewater side and now it has been lowered to 10.8%. The only increase that they are doing today is with sewer.

Mr. Bolton explained that a residents total bill will go up approximately 6½%.

Mr. White continued by saying that he met with staff on this issue to try to figure out how they could minimize any type of increases for April 1<sup>st</sup>. He has been promised by staff that in October they will be looking at another decrease, which is the only reason that he agreed to vote in favor of this Resolution today. He said that they have to be competitive and in checking with other cities their prices are in line. He approves the motion as long as this issue is revisited by October 1<sup>st</sup>.

Mayor Sawnick clarified that Council approved the rate structure a few months ago. He said that a vote against the passing of this Resolution would actually be approving the rate increase.

Mr. Daige reiterated that he was not in favor of any increases. He said that there are a lot of their residents who, if you increase even a small amount they will be hurting.

Mr. Abell reminded everyone that this Resolution deals only with wastewater and nothing else.

Mr. Heady commented that this is a public hearing for reducing the rate and voting in favor of it is an increase in the existing rate. He pointed out that this is not a reduction, but an increase. It is a reduction as to what the increase would have been without this. He heard Mr. White say that their water and sewer prices were in line. He said if that was true then they would not have County residents ready to leave their system as soon as they have the opportunity to do so (franchise agreements expire). He said these ratepayers will go with the County because their rates are lower than City rates. He said the problem that the City is going to face is when the County chooses not to renew the franchise agreement that will be 40% of their customer base. If they continue to reduce the income, what they end up doing is leaving the debt to City taxpayers. He has a hard time to continue to increase their debt and pass it on to his grandchildren. He doesn't have a problem if they continue reducing charges, but there needs to be some consideration on who has to pay that ultimate payment of debt. He also noted that some of the signatures on the last page of the Resolution had not been signed by staff. The City Attorney told him that he did approve the Resolution. Everyone needing to sign the document will do so.

Mr. Heady expressed the importance of knowing ahead of time that the document meets legal sufficiency.

Mayor Sawnick called the question.

The Clerk polled the Council on the motion and it passed 3-2 with Mr. Daige voting no, Mr. Heady no, Mr. White yes, Mr. Abell yes, and Mayor Sawnick yes.

At this time Council heard item number 7 as it appears on the agenda.

#### **4. CURRENT STATUS OF BUDGET**

##### **A. Budgeted Employee Positions**

Mrs. Lynne George, Human Resources Manager, passed out a copy of the budgeted positions versus actual employees as of October 1, 2009 (please see attached).

##### **B. Vacancies**

Mrs. George reported that they are down eight employees since October 1, 2009. As far as regular part-time employees go, they are down one position and with casual part-time positions they are down nine positions.

##### **C. Furlough Impact**

Mrs. George reported that the furlough savings for six months has been \$499,184.60 and for the year the annual estimated savings is \$998,369.21.

#### **5. PRESENTATION OF STATUS OF GENERAL EMPLOYEES**

##### **A. Pension Plan Status - Steve Maillet, Finance Director, and Rocky Joyner, Segal and Company**

Mr. Steve Maillet, Finance Director, introduced Mr. Rocky Joyner, Actuary from Segal and Company.

Mr. Joyner stated that there will be four parts to his presentation, which consist of 1) October 1, 2009 Valuation Results; 2) Five-Year Actuarial Experience Review; 3) Contribution Projections; and 4) Summary of Plan Provisions (backup material attached to the original minutes). He is not asking Council to adopt this plan today. As he understands it, it will be brought back up at their June quarterly budget meeting. He told Council that at any time during his presentation that they had questions, to just stop him and ask their questions. After he finished his presentation, he asked Council to let Mr. Maillet know what changes that they would like him to present at their June quarterly meeting.

Mr. Gabbard suggested to Council that they will need to schedule a future meeting to discuss the Police Pension Fund.

At this time, Council took a ten minute break (11:11a.m.).

Mr. Daige wanted to know the total contribution that the City has to make for 2010 and what are they projecting for 2011 in contributions.

Mr. Maillet said that FY 2010 for the general employee pension plan it is 4,050,000 (budgeted). He said that Mr. Joyner updated his numbers this morning which showed \$4,028,000. He said for the Police Fund they started the year budgeting \$450,000, but the number from the actuary has come in at \$538,000. He has asked Mr. Joyner to start working on some numbers for 2011.

Mr. White asked how much is the contribution rate for general and police employees.

Mr. Maillet stated that the general employees contribute two and a quarter percent for their base pay and the Police contribute three percent.

Mr. White asked when they meet in June can they be provided with how much of a contribution percentage increase is needed to go to the General Fund. Mr. Joyner said that he will bring back some options to Council at their June meeting.

Mr. Abell mentioned that he did not think that the rates of return were feasible. He pointed out in the study where it showed a five year average return and felt that needed to be adjusted. He also felt that because of some other information that they received last November by the Florida League of Cities, something needed to be done because the defined benefit plan is not possible. They need to come up with some sort of hybrid plan and work out as much as they can on the defined benefit plan, which may result in more contributions given by the employees.

## **6. PRESENTATION OF HEALTH INSURANCE**

### **A. Barbara Morey, Risk Manager, and The Gehring Group**

Ms. Barbara Morey introduced Mr. Christain Burchestrom (spelling may not be correct), from the Gehring Group. She explained that they have come up with different options to present to the employees concerning their health insurance plan.

Mr. Burchestrom explained that the current plan is operating at a surplus and is very healthy. He said they are now looking at a triple option design (please see attached plan design) in order to save the City money with their health plan. He went over the three different options. He reminded everyone that the City is self-funded for their insurance. He feels that the plan is still very competitive. He wasn't looking for any decisions from the Council on these options today.

## **7. PRESENTATION OF CITY FINANCIAL STATUS**

### **A. General Fund**

Mr. Maillet started with the General Fund March update dated March 23, 2010 for March 31, 2010 (please see attached documents). He said so far they are on track for revenues and expenditures.

## **B. Enterprise Funds**

### **i. Airport**

The backup material was provided for the Airport Fund.

### **ii. Marina**

Mr. Maillet reported that the Marina is doing well.

### **iii. Electric Fund**

Mr. Maillet said that the Electric Fund is quite different from last year. He briefly explained.

### **iv. Water and Sewer**

Mr. Maillet said that revenues are up and operating expenditures are down. He explained the debt service is up because of a bigger principle payment.

Mr. Heady asked Mr. Maillet if he was still retiring.

Mr. Gabbard said that he will be staying with the City until his replacement is hired.

### **v. Solid Waste**

Mr. Maillet reported that the rates have gone up slightly and they are in a better position this year than last year.

## **8. MAYOR AND COUNCIL COMMENTS**

Mayor Sawnick commented that their July budget hearings are coming up quickly. At their June quarterly budget meeting he wants Council to bring forth their ideas and suggestions. He suggested that they may want to have someone come in and look at their (City) staffing levels to show the public that the staffing levels are appropriate or they are not. He mentioned that a few counties around the State have a program called "Shine," which is an incentive program for employees who offer budget reductions. He wants their employees to know that Council will be looking at the best way to provide the best services possible to their residents at the cheapest costs. He agreed with Mr. Abell that they should be moving forward with defined contribution, instead of defined benefit, and it would be easier to budget for the future. He brought up transfers that they do for the electric, water and sewer, and wanted the Council to be thinking if they

want to change things or adjust the way that they handle these transfers. He will be working with staff to see what ways they can cut costs internally.

Mr. Abell agreed that one of their prime concerns is that the defined benefit program needs to be changed or adjusted in order to be sustainable. He said that with the health plan there are other options and he still has not given up on the clinic option.

Mr. White wondered if by their June meeting they would have the figures from the Property Appraiser's office on what their income is going to look like. Mr. Gabbard said they should have those figures by the June quarterly budget meeting. Mr. White complimented staff on doing their home work and cutting the budget.

Mayor Sawnick asked if there were any comments from the public.

Mr. Richard Winger presented Council with an article that appeared in the Wall Street Journal (on file in the Clerk's office). He felt that they will not be able to achieve some of the numbers as presented by Mr. Joyner.

Mrs. Pilar Turner thanked Council for inviting the Finance Commission to attend their meeting. She noted that their ad valorem tax revenue will be decreasing next year, so they need to keep that in mind when talking about pension and health plans. She also wondered why HMO's were not being considered in their health plan.

Mr. Charlie Wilson mentioned that there was no discussion as to what happens if the Referendum passes. He has provided a draft copy of the Referendum to the City Clerk and they are waiting to meet with the City Clerk and the City Attorney regarding the Referendum. He said that the organization of the Referendum is meeting on Thursday morning to go over the petition language. He said one of the questions Council should probably be asking before the next meeting is what the result/impact will be on dissolving of the department that operates the electric utilities. He said that when this same issue happened in St. Cloud, Florida, the company that took over St. Cloud utilities hired all of their employees and not a single employee lost their job. Also, a part of the negotiations was that the new company took over the liabilities for the current pensions and took over the pensions for all of the employees. He commented that when staff brings them things that have a number on it and then they tell Council that it is too late to vote on because it is already set in stone, he said all they need to do is a make a motion to amend that document.

Mr. Steve Myers, Business Agent with the Local Teamsters, stated that he wanted to add a few comments in regards to the remarks made by Mr. Abell. He said moving towards a define contribution plan in lieu of a defined retirement plan is not a good idea and they would be moving in the wrong direction. He said that they have been advised by the consultants here today that by doing that there would be no short term savings. He said this would be putting the employees in a different plan than other employees at no savings to the City so they would not be accomplishing anything. He is going to object and the bargaining unit is going to object to any of the proposed health plans.

This is a time where employees are sacrificing by taking furlough days and now they are going to ask the employees to have to start paying another \$1,100 a year to meet their health care costs. It would be inexcusable for Council to think that the employees could then absorb more costs in contributions to their retirement plan. He said that there is no way that the employees can sustain their way of living with all of these deductions.

Mr. Joseph Guffanti didn't want this meeting to end with a threat that some of the employees of the City of Vero Beach may lose their jobs. He has no objections to the furloughs and does not think that it is unfair that the city workers suffer from some of the same lines as other people.

Mr. George Christopher congratulated them on this meeting. He said that it has been a very good discussion and complimented staff on their presentations. He expressed that they (Council) needed to have all of the facts. He referred to page 9 of the report and made some comments. The other topic that he brought up was the unfunded liability, which he thought was scary. Again, all he was suggesting was that Council get the facts and then make their decisions based on the facts.

#### **9. SET DATE FOR NEXT QUARTERLY MEETING IN JUNE**

The City Clerk will work on setting the date for the June quarterly budget meeting.

Mayor Sawnick again asked Council to be working on coming up with at least five different ideas on ways to decrease the budget.

#### **10. ADJOURNMENT**

Mayor Sawnick made a motion to adjourn today's meeting at 11:50 a.m. Mr. White seconded the motion and it passed unanimously.

/tv

**8. MAYOR AND COUNCIL COMMENTS**

**9. SET DATE FOR NEXT QUARTERLY MEETING IN JUNE**

**10. ADJOURNMENT**

Council Meetings will be televised on Channel 13 and replayed.

This is a Public Meeting. Should any interested party seek to appeal any decision made by Council with respect to any matter considered at such meeting or hearing, he will need a record of the proceedings and that, for such purpose he may need to ensure that a record of the proceedings is made, which record includes the testimony and evidence upon which the appeal is to be based. Anyone who needs a special accommodation for this meeting may contact the City's Americans with Disabilities Act (ADA) Coordinator at 978-4920 at least 48 hours in advance of the meeting.