

**SPECIAL CALL/WORKSHOP CITY COUNCIL MINUTES  
AUGUST 3, 2022 9:30 A.M.  
CITY HALL, COUNCIL CHAMBERS, VERO BEACH, FLORIDA**

**PRESENT:** Robbie Brackett, Mayor; Rey Neville, Vice Mayor; Honey Minuse, Councilmember; Bob McCabe, Councilmember and John Cotugno, Councilmember **Also Present:** Monte Falls, City Manager; John Turner, City Attorney and Tammy Bursick, City Clerk

**1. CALL TO ORDER**

**A) Pledge of Allegiance**

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

**B) Roll Call**

The City Clerk performed the roll call.

**2. ITEMS FOR DISCUSSION:**

**A) Discussions regarding the Budget (General Fund & Revenues)**

Mayor Brackett stated that the goal today is to give staff the direction on how they want to finalize the \$700,000 needed to balance the budget. He said they will not take a vote today. The vote will take place at the budget hearing meetings that will be held on September 6, 2022 and September 20, 2022 at 5:10 p.m.

Ms. Cindy Lawson, Finance Director, reported that on July 15, 2022, the City Council voted to adopt a proposed "not to exceed" millage rate of 2.7190. Since that time, the changes in the budget have slightly decreased the millage required to balance the budget from 2.7190 to 2.7164. The following changes were made to the General Fund budget at the workshop. The City Attorney's Department budget was increased by \$11,419 in order to increase the salary for the Assistant City Attorney. The funding in the amount of \$65,000 was added to the Planning Department budget for a development plan study in the downtown area. Excess fund balance in the amount of \$162,244 was appropriated for non-recurring capital expenditures in accordance with the City's adopted fund balance policy and the transfer to the Economic Development Zone Fund was reduced by \$1,777 based on the lower millage rate of 2.7164. On July 19, 2022, the City Council adopted a Stormwater Utility Final Assessment Resolution at \$7.00 per ERU, which was approximately 10% of the originally proposed amount. In order to replace this revenue in the Stormwater Utility Fund, City Council directed staff to fund the remainder (\$972,003) through a transfer of funds made available by using American Rescue Plan (ARP) Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) for revenue replacement for eligible government expenditures in the General Fund. The budgeted amounts for State revenue sharing line items, including Local Option Gas Tax, Municipal Revenue Sharing and Local Government Half Cent Sales Tax have been updated to reflect the latest estimates provided by the State's Office of Economic and Demographic (EDR), the research arm of the Florida Legislature responsible for all official revenue estimates. The EDR has not yet provided revenue estimates for FY 2022-2023 for Local Communications Services Tax. The millage rate required to balance this revised General Fund budget is 2.7164, which is an increase of 0.2164 over the City's millage rate from

the prior year, to replace decreased transition plan (a.k.a. "glide path") revenues and provide for a 5% cost of living adjustment to City employee salaries.

Mayor Brackett asked Ms. Lawson if she would adjust the budget after she receives the estimates for the local communications services tax.

Ms. Lawson said yes. She said there are some other things that they are waiting on. Like information from Florida League of Cities on the renewal quote for their annual insurance.

Mayor Brackett said that they just received \$500,000 for the Tower. He asked where that money is appropriated to.

Ms. Lawson explained that money will not be in next fiscal year it will be in the current fiscal year and because it is associated with the lease she is not positive that it can be considered all revenue. She said it would become excess Fund Balance for future years and not go anywhere. She said they are having some challenges in the current year in one area particularly and that is their interest earnings.

Vice Mayor Neville asked how many years have gone by without changing the ad valorem tax.

Ms. Lawson explained that there was an increase in 2015/2016 and 2016/2017 and it was reduced in 2020.

Vice Mayor Neville commented that during that period there were costs and expenses and they made up the difference by the generosity of other government agencies.

Ms. Lawson commented that with the first three (3) and four (4) years of the glide path there were a couple of things going for the City that have leveled off. First of all there were increases in property taxes and when they sold the electric utility they didn't have enough information to accurately say how much different revenue there would be based on Florida Power and Light (FPL) methods so for the first couple of years she was very conservative. Also, there have been very modest salary increases and modest health insurance cost increases, which has kept the cost down.

Vice Mayor Neville commented that they can all agree that the citizens made a bargain saying that they would be happy to have lower electric rates by selling the electric utility to FPL and higher taxes and they need to acknowledge that. At some point they have to make an adjustment as the community agreed to several years ago when they passed the electric utility referendum.

Mr. Cotugno acknowledged that the City of Vero Beach has the lowest millage rate for all of the municipalities on the Treasure Coast. As they are approaching this situation they are looking at the millage increase at an uncertain time. He wanted to know that the City is doing everything they can to control and mitigate some of the General Fund expenditures. He knows that there are some open job positions in the City that have not been filled and wondered if they could put a freeze on those positions.

Ms. Lawson explained that they could put a freeze on them, but that is a staff cut. If someone should leave the City then the department would not be able to replace that person if a freeze was put into place.

Mr. Cotugno commented that implementing a hiring freeze is a lot less painful than staff cuts.

Mr. McCabe brought up the quality of life for the people remaining would be tough. Ultimately, they would have to reduce City services.

Mr. Cotugno said not necessarily. He said right now they don't have those people working for the City. He has seen some of these positions remaining open for weeks and the City has not been able to fill them. So whoever is doing those jobs now is getting the work done. He said when asking people to increase their taxes they must explore all options first before doing that.

Ms. Lawson noted that there are eight (8) part time positions open and they were mostly recreation positions like people who worked during the summer at summer camp. There is one (1) Police Officer position open and an opening in their Customer Service Department because of someone that recently retired. She said while this is a policy decision, to her it is no different than cutting staff.

Mr. Monte Falls, City Manager, did not see any exempt employees on the list of open positions. He said if the positions are frozen then overtime will have to be used to get the jobs done. He noted that the Assistant City Attorney's position would be frozen and Mr. Turner would not be able to hire anyone.

Vice Mayor Neville commented that there are a lot of areas in the City where work needs to be done, but with such a lean budget everyone does what they can.

Mr. Falls added that City workers are very proud of their product. But, there are only so many hours in the day to get work completed.

Vice Mayor Neville recalled that he told City Council about the City of Punta Gorda at one of their earlier meetings. He said that Punta Gorda was in the same situation as Vero Beach and had not raised their taxes for many years. They recently had a 15% increase in taxes and now their Town "sparkles." He wants to see Vero Beach "sparkle" also.

Mr. McCabe commented on the maintenance schedule for baffle boxes.

Mayor Brackett told Ms. Lawson for their budget hearing meetings in September he would love to see a path showing millage rate increases and a balance of ARF. He has fought hard against tax increases for years. However, he has learned through this process that doing what they think is the right thing to do for their citizens can create a bind in the future because they are limited on how they can increase taxes later without having to have a unanimous vote (initiated by the State). He doesn't want to see them put in a bind next year. He knows that he will not be on Council next year, but he doesn't want to put his future Councilmembers in a bind.

Ms. Lawson explained that the bind they are in with the super majority, unanimous vote is permanent because of the way the Legislation is constructed. It is essentially designed to keep them from leveling anything but the roll back rate plus a small percentage with a simple majority vote. Any increase in a millage rate and considering they have not had an increase in many years is likely to require a unanimous vote. She said there is plenty of excess funds in their fund balance that can be appropriated and the glide path ends in 2023, but they could reset the glide path.

Mayor Brackett was not saying that he wanted to reset the glide path, but any increase in the millage rate they do now could affect what happens next year, which will require a super majority or unanimous vote regarding the millage rate.

Ms. Lawson said it would depend on the increase in property values and also depends on what the State puts out as an increase in per capita income, which she doesn't know what that will be over the next five (5) years.

Mr. Cotugno commented that if they are going to implement this type of millage increase then they owe it to their citizens to show them the various scenarios that can happen. He would like to see them have a gradual increase instead of what Punta Gorda did.

Ms. Lawson provided Council with three (3) different scenarios (attached to the original minutes). She reminded Council that they have until December, 2024, to spend the ARP funds.

Vice Mayor Neville commented on the benefit of having property values increase, primarily in the residential areas. They have seen the cost of construction go up and he would argue what goes up can come down. They had that happen in the recession in 2008, and it had dramatic effects on all municipalities. If they have a millage rate that is as low as it is now and they have a situation like they had a decade ago then those property values would go back to half of what they once were. If they try to raise taxes on that they will have to cut staff and their services like crazy. They have to anticipate the future, which is very uncertain. They need to be preparing for the worst case scenario and part of that lies in having an ad valorem tax that is appropriate for their situation. He believes raising the ad valorem taxes now would be a one-time jump to where they need to be.

Mrs. Minuse asked Ms. Lawson to clarify when she said resetting the glide path.

Ms. Lawson said for whatever time that Council wanted to they could pick another declining balance and put in the glide path again for any time period that they want. She said they have a pretty fair amount of excess fund balance, it's just that the glide path fund balance says that it will be over in 2023.

Mayor Brackett said that doesn't fix the problem long term.

Ms. Lawson commented that it was the 2007 law that imposed this millage rate levy limitation to local governments. They purposely set this up so that essentially they can only get to last year's roll back rate with a simple majority vote and everything else requires more than that. It puts them in a bind.

Mayor Brackett believed that they don't need to have tax increases until they absolutely need them as long as they are financially secure, which the City is. He expressed to the general public that this discussion is not because they are in a financial bind of any kind. They are very financially sound and have plenty of excess revenues. They are just trying to do what is fiscally responsible to balance a budget the proper way and not create problems for Councils' down the road. He agreed with the Vice Mayor Neville's comments that they don't know what the future holds. Most of the residents here if they are a homeowner their property taxes can only be increased by 3% because of the law. The investors who don't have the homestead exemption are the ones that are being hit by 20% or so.

Ms. Lawson recalled that it took to fiscal 2013 after the 2008 recession before the City's property values reached their low points and started to climb up again. It is not an instant affect. If they talk about an 8% or 9% increase in City's taxes then that is not a 9% increase in someone's tax bill. People who live in the City sometimes think that the Council has control over their entire millage rate, which is not the case.

Ms. Lawson went through the three (3) scenarios that she came up with and suggested that Council pick one (1). She said that the math is straight forward.

Mr. Falls commented that previous Councils' decided on the five-year glide path because it was long enough to reach some equilibrium, but not so long as they all forgot that it was a glide path.

Vice Mayor Neville commented if they had not had the inflation issue that came up this year things would be entirely different.

Ms. Lawson said that is why she predicted a 5% increase in expenditure and operations, but maybe in the middle is where they need to be.

Vice Mayor Neville felt it was important not to put a future Council in a position that in order to balance the budget they have to have a unanimous vote of the Council.

Ms. Lawson explained they may be there already regardless of what they do this year. This year's requirement for a unanimous vote was at around \$860,000. She said in one of the scenarios she provided they may be able to get to a four out five vote territory. Right now they cannot levy last year's current rate with a simple majority vote.

Mr. McCabe was not interested in going to a glide path again.

Mayor Brackett said what he is hearing is that Council is looking for something like either the proposed increase or some options in between. Ms. Lawson said the simple option is half and half. Mayor Brackett said that is a choice and they each have the option of trying to rationalize that. He thinks that is what Ms. Lawson was looking for even though they can't give her a clear answer.

Ms. Lawson explained at their public hearing they have to adopt a millage rate according to State law. What she is hearing is if they didn't make the entire amount happen through the millage rate they would use the ARP funds for the remainder needed to balance the budget. If at their first public hearing they bring a budget that requires millage to balance it and then use the other half needed to balance out of the ARP funds that is fine.

Mayor Brackett said that was what he was getting at. He said they still don't have all of the numbers from the State, which seem to be coming in later and later every year.

Ms. Lawson explained the reason for that was because the State has had some budget cuts. She said that there will be two public hearings on the budget and they can always go down with the millage rate, but they cannot go up.

Mr. Cotugno commented that the City runs several Enterprise Funds and they take a certain amount of money from those Enterprise Funds and put them into the General Fund. He asked if they change what they are taking from the Enterprise Fund, which is 6% now, can they do that and what would the constraints be for doing it.

Mayor Brackett explained that when he got on Council four (4) years ago they made a policy to only move 6% from the Enterprise Funds to the General Fund. It was his understanding that previous Councils did that on a regular basis to balance the budget and were taking more than 6% to balance things out and it

got them into a bind. So Council agreed to stay at 6% so they were not raiding those funds and putting them into a bind.

Ms. Lawson agreed that when she was hired they were going between 6% and 10% to balance the budget and Council agreed with the 6% because that was the franchise fee that they used. Could they raise the 6%, absolutely but they would have to raise it substantially to make any real debt and the rates for water and sewer, the Marina rates and Solid Waste rates would have to go up.

Mayor Brackett added that some funds have noncitizens paying into them and they don't have any voting powers. He was mainly thinking of South Beach and Indian River Shores. He recalled that there was a Bill filed in Tallahassee not to take any money out of the Enterprise Funds. The Bill did not pass this year, but it probably will be reintroduced in the future.

Vice Mayor Neville agreed with staying with the 6% franchise fee because it is standard for what most municipalities use.

Mayor Brackett thanked Mr. Cotugno for his comments and felt that he was doing the right thing and they have to continue asking these questions to make sure that the public knows that they have done everything that they can for the citizens of Vero Beach.

Ms. Lawson stated in the current year they appropriated one million dollars for the Vero Beach Community Complex, but obviously they were not going to give anyone any money or write a check until such time they have approved an agreement for giving this money. She knows that will take some time to work out. She said given that it likely will not happen before September 30<sup>th</sup> she asked in order to avoid a budget amendment for next year would Council like her to remove it from the 2021-2022 budget and put it into the 2022-2023 budget. Council agreed with doing that and felt that it made sense.

Vice Mayor Neville commented that because this is being handled as an unrestricted grant to the School Board, he wondered if they have some interest as the City Council to evaluate what is going to be done with this million dollars.

Mayor Brackett said that is the point of the agreement and it will not be unrestricted. He said the project has to take place or the City gets their money back. The Park will be open from dusk to dawn, etc. He has been talking to the School District about opening other playgrounds in different neighborhoods so they can have in theory more Parks around the County that are not locked down.

## **B) Retirees Benefits**

Ms. Lawson reported at the July 15, 2022 budget workshop the City Council discussed the approval of a Cost of Living Adjustment (COLA) for retirees of the City's General Employee Retirement Plan in excess of the automatic annual 1% COLA granted by the plan. Since the automatic 1% COLA is part of the actuarial assumptions used in the annual valuation of the plan, any increase above 1% may impact the City's annual required contribution to the unfunded liability of the plan. City Council requested that the actuary provide an impact statement for COLA increases greater than 1% for Council consideration in making a decision about the COLA. She provided Council with the impact statement prepared by their actuary. It shows the one time increase in annual contribution attributable to each 1% increase in COLA about the automatic 1%. Although 61.9% of these amounts would be charged to the General Fund, there would be no net

impact to the General Fund as the annual pension contributions are made with funds appropriated from a reserve set aside for this purpose.

Mayor Brackett did not have a problem giving a 3% increase for this one time. He said these are individuals who served the City well and were and still are a big part of the City. He said they are battling this inflation the same way every other employee is. His philosophy is when someone retires that they not be forgotten. He loves to see people who have retired from his company, as well as the City, walk through the door and say hello because they are still part of the family.

**Mr. Cotugno made a motion to have the COLA set at 3% this year. Vice Mayor Neville seconded the motion.**

Mr. Rob Slezak (retired City employee) appreciated everything done in the budget process and for Council thinking of the retirees.

**The motion passed unanimously.**

Mr. John Turner, City Attorney, stated that with the budget that is going to be adopted next month he wanted to make sure that in the City Attorney's budget there were a couple of requests for increase in salary ranges. He said one was for the Assistant City Attorney's new salary range, which was going to be increased to 99,999.00. There was also a salary range for the paralegal in his department that was to be set at a salary next budget year at \$52,500. However, the paralegal would not receive the 5% cost of living increase for next year, but her base salary was going to be increased. Additionally, there was a small increase for continuing legal education and similar work. He wanted to make sure that it was clear and they are proceeding under that direction, which Council gave at the budget workshop.

Ms. Lawson stated that the direction that they proceeded under per that workshop was they did bring the Assistant City Attorney's salary up to \$99,999.00. The paralegal with the 5% increase came to \$52,252. So it is \$250.00 short of the request being made by Mr. Turner. She said the salary increase for the paralegal will be \$52,252, which is what is in the budget right now.

Mayor Brackett said essentially it is a wash. Ms. Lawson said there is a \$250.00 difference.

Mr. Turner said that the paralegal has requested a base salary of \$52,500. It is his understanding that this is what Council authorized.

Ms. Lawson stated that what Council authorized was the increase to the Assistant City Attorney's salary. She said that was the only discussion at the workshop and the only change that they made. They held the paralegal to the same 5% increase that the other City employees will be receiving.

Mr. Cotugno asked if there would be a problem with adding the \$250.00.

Ms. Lawson said that would be a policy decision and the City Manager may want to weigh in on it.

**Vice Mayor Neville made a motion to adjust the salary as a new base rate as opposed to the 5% increase. (\$52,500). The motion was seconded and passed unanimously.**

Mr. Turner mentioned that the suggestion was made about obtaining a contract attorney to contract with to have someone fill in, in the City Attorney's office if they are needed. He said in doing this he will let Council know who that person is. It will be someone in the private sector that he will contract with that can fill in from time to time. This person will be paid out of the City Attorney's budget.

**3. PUBLIC COMMENTS**

None

**4. ADJOURNMENT**

Today's meeting adjourned at 10:55 a.m.

/tb