



MINUTES
THE TOWN OF INDIAN RIVER SHORES
6001 North Highway A1A, Indian River Shores, FL 32963

BUDGET WORKSHOP MEETING

Thursday, June 16, 2016

9:00 a.m.

PRESENT:

Brian M. Barefoot, Mayor
Gerard A. Weick, Vice Mayor
Richard M. Haverland, Councilman
Michael B. Ochsner, Councilman
Thomas F. Slater, Councilman

STAFF PRESENT:

Robert Stabe, Town Manager
Chester Clem, Town Attorney
Lt. Mark Shaw, Public Safety
Heather Christmas, Finance

Laura Aldrich, Town Clerk
Jose Guanch, Building Official
Sgt. Shawn Hoyt, Public Safety
Darlene Wiltzius, Finance

OTHERS PRESENT:

Bob Auwaerter, Chairman, Finance Committee; Chris Hendricks, PZV Board Chairman; Residents Bill Klukas, Patty Gundy, Judy Orcutt, Joanne Sardella, David Kogg (sp); Attorney Bruce Barkett; Croom Preconstruction Manager & Estimator Jayson Clayton; Reporters Janet Begley and Lisa Zahner

1. Call to Order

- a. Pledge of Allegiance & Invocation
- b. Roll Call

Mayor Barefoot called the meeting to order at 9:09 a.m. with the roll call by the Town Clerk as reflected above.

2. Town Manager's Discussion

Mayor Barefoot stated the order of the meeting, and Mr. Stabe noted that the budget message was attached to the draft budget that indicated the challenges they faced in crafting this budget. He thought the end product was very well put together with as minimal increase as possible. The Finance Committee participated in the review of the draft, Mr. Stabe added, and asked the Mayor if he would like the Chairman to address the Council's questions now. The Mayor addressed Finance Committee Chairman Bob Auwaerter, commending him for his oversight of the Committee, and asked him to take the lead.

Mr. Auwaerter said the Committee had two fairly intensive meetings to review the budget. First, the ongoing litigation with the City of Vero Beach (CoVB) regarding the electric utilities was discussed at length, with four of five members of the Committee recommending continued funding of litigation from the Reserves based on the premise of it being a different kind of legal expenditure. The expenditure is almost like a capital investment, with anticipated long-term payoff in the form of lower electric rates. A second long and involved discussion with the Town Manager and Chief regarding the ISO report was held in order to fully hear the reasoning behind the request for additional staff, and at the end of the discussion the Committee recommended to continue to maintain a 6-person shift for PSD. They also recommended to continue to fund the OPEB trust with another \$100,000. We are at the leading edge of the municipal bond market to fund ahead rather than pay as you go. We also discussed the Police-Fire pension rate of return assumptions, which can only be adjusted by that Board, not the Council. Recent news is that interest rates for corporate and government bonds have dropped down so low that \$10 trillion worth of these bonds have negative returns. Double digit yields of the late 70's are no longer the norm, and 40% of the portfolio has a very low associative interest rate. Stock returns would have to be consistently 7% going forward, which is difficult to achieve, so they have recommend that the Police-Fire Pension Board lower their rate of assumption to 5.75%. Speaking for himself only, Chairman Auwaerter said if the Town Council decided to sell the 5-acre property on the East side of A1A, at least a portion of funds could be added to reduce the actuarial unfunded liabilities.

Please Note: The Town of Indian River Shores does not routinely keep verbatim minutes. Any party interested in such an appeal relating to any decision made by the Council with respect to any matter considered at this meeting is responsible to record the meeting and include the testimony and evidence upon which the appeal is to be based.

3. Council Discussion

Vice Mayor Weick addressed the requirement to fund versus a requirement to just list the *OPEB liability*, regarding which Mr. Auwaerter agreed. The Vice Mayor had a major problem with continuing to fund the liability, as we have three retirees in their 50's and 60's until age 65, and have over \$398,000 in the fund. We are paying retiree health insurance of \$12,000 - \$13,000 maximum annually. This benefit is not offered to new employees. Adding another \$100,000 to this fund, Vice Mayor Weick fears, will be setting aside money needlessly. Councilmen Haverland and Ochsner discussed this further with Mr. Auwaerter. Councilman Haverland said the expense isn't going away, it should be recognized and funded when people are working and the cost is incurred. Mr. Auwaerter and others discussed future taxpayers' liability. Vice Mayor Weick said it looks good but it isn't necessary at this point in time, as we have other major expenses. Mayor Barefoot wondered how much is enough in the trust, being in favor conceptually of paying as you go. The Council must determine first how to run the Town, annually or for the future. The calculation only assumes 75% participation, and based on the Town's history in this, it's about 50%. Councilman Haverland said we have to make assumptions, and have the ability to access other municipalities who offer this benefit to see their assumptions and test whether ours are good. The majority of municipality's pay as you go, the Vice Mayor added, which drew more discussion. Chairman Auwaerter added that we are at the forefront of prudent financial management by prefunding benefits.

Councilman Haverland questioned *college tuition reimbursement*, asking if we know who is enrolled, and Ms. Christmas said \$7,200 can be cut from this because the budget included funds for 7-man shifts, not six triple-trained officers. *Overtime* was also questioned by Councilman Haverland, if it is comparable to other 24-hour operations for Public Safety. Mrs. Christmas said we can cut 6½ % overtime that is caused by sick time, which was workers comp and is not included. The average for all PSD employees is 6.5 sick days, according to Chief Rosell, this past year. The Councilman questioned if we have a management issue or a health issue, which the Town Manager explained that in the private sector, it is not normal to have 6% absentee rate for desk workers. For 24-hour shift work with industry standard, we are on the low side. The officers work 2,912 hours, on 24 off 48 hours. They are wearing bullet proof vests in 90 degree heat here during a normal 8-hour patrol shift, and it's not unusual to get sick when dealing with sick people. We are low compared to other agencies. ***Councilman Haverland asked him to contact the nearest four (4) counties and get their absentee rates, and that we review the Town's absentee rates for the past five (5) years.***

Mayor Barefoot asked about *differentiating between sickness and workers comp*. Mr. Stabe said we have a very specific Workers' Comp policy that covers an on duty injury or illness immediately. Mayor Barefoot asked if we are budgeting 6.5 sick days per officer, and Mr. Stabe clarified that each officer earns 12 sick days (shifts) per year. The days can be carried over but not with value. Mr. Stabe said staff stays very much involved, and watches for abuse. Mayor Barefoot said it is up to management to manage. Town Manager said we can budget for less, or budget a little higher and add to Reserves if we go over budget.

Councilman Haverland continued that the *PZV budget* assumes a *decrease of 10 to 15% in revenue activity* (permits, fees, etc.), while the *expenditures* on page 29 *include a 20-25% increase* for a part time building official instead of using the contracted employee. If Jose' is not here, we contract out inspections. Since we invested a somewhat significant amount for a program to help with productivity, he asked if there are (quantitative) standards of performance for a building inspector. Mrs. Christmas explained she had increased the budget significantly because the projected levels were so low last year. Councilman Haverland opined that the relationship between activity and expense should correlate. Mayor Barefoot noted this is not part of the ad valorem tax, it is a separate fund. The numbers show a lot of activity last year, and the expenses are less than what we are budgeting. The revenue increase suggests there is more going on that what we thought would be. He agreed with the point Councilman Haverland made, and there should be a balance between the revenue with expenses.

Continuing, Councilman Haverland thought there should be revenue for the cell tower, and Mrs. Christmas said she was told we would not have revenues until 2018, although there is an anticipated completion date of within a year (summer 2017). They won't build a tower without a commitment from a carrier, the Town Manager added, and this was discussed further about a projected completion date and anticipated revenue. ***Mrs. Christmas said she will include conservative revenue estimates when we set the maximum millage rate.***

Finally, Councilman Haverland asked how large the proposed Community Center would be when it's rebuilt. The Town Manager replied approximately 5,000 square feet. Brief discussion regarding the design

fee ensued, which is being revised to the standard 8% of the construction cost when we go out to bid.

Councilman Slater said his questions primarily relate to *pension*, which is the same debate as the Post Employment Benefit. Even though we may have the lowest return rate assumption, it has to reflect reality, and a 5.75% rate is more realistic rate. He thought the budget should reflect the lower rate whether the Pension Board does or not, and asked if Chairman Auwaerter or the Town Manager had any sense on the direction of the Pension Board. Neither of them did, and their next meeting is not until October 31. The Mayor said they should keep the budget as it is. Councilman Slater concluded that Councilman Haverland had covered other questions he had regarding the *sick days*.

Councilman Ochsner had one minor comment regarding *employee health insurance* on page 13, footnote #3. Mayor Barefoot noted a mistake on page 14 with the health insurance rate estimated increase at 4% rather than 5% as on the other pages. Continuing, Councilman Ochsner addressed the *generator muffler*, which Mr. Stabe explained is partly capital and partly maintenance for the generator at Town Hall which is in the shade, and the one at Public Safety in sunlight has little problems.

The *legal advertising expenses* seemed high to Councilman Ochsner, to which the Town Clerk said we have cut down this expense significantly over the years. Just for the state-required TRIM ad, it is over \$2,000. In the *Attorney budget*, Councilman Ochsner continued, we have \$15,000 for the labor attorney, and \$30,000 for public relations. Mayor Barefoot clarified that this is part of the electric litigation expense overall that is ongoing with the City of Vero Beach. Regarding the labor attorney, Mr. Stabe thought \$15,000 was very reasonable, as we are still dealing with a few straggling issues. Councilman Ochsner addressed the *patrol boat*, which the Town Manager said is solely dependent on whether we receive the 50% grant. Councilman Ochsner said it hasn't been used much, and according to the Chief the volunteers will be able to use the new one. Mr. Stabe said we have very good visibility on the roadway, and need to also have the visibility in the water, especially from the river. Councilman Ochsner thought it should have extensive use, almost a full time person dawn to dusk. We will utilize it as much as possible, according to Chief Rosell. The Town Manager added we are not covering that area as we should, but can't go to full time as some agencies have. We provided statistical data with the grant submission regarding rescues, crimes, capsized boats in the Inlet and other uses. Councilman Haverland agreed that there many questions to ask about this that will be explored later. Councilman Ochsner said he will address other capital expenses as they come up.

Mayor Barefoot asked Mrs. Christmas for a list of changes when the next budget is provided and to coordinate with the Finance Committee so everyone stays up to date with the latest information.

Vice Mayor Weick had some administrative corrections that he had discussed with Mrs. Christmas, who said that they will be updated if any changes occur.

4. Audience Discussion

Mayor Barefoot asked if there were any comments, and there were none.

5. Recommendation

- a. Tentative Millage Rate Ceiling. Mr. Stabe explained that this budget is based on a millage rate of 1.7435, and they would need to recommend some rate to be voted on at the Council meeting in a few minutes. It includes \$100,000 set aside for OPEB. A **motion to recommend setting the tentative millage rate ceiling at 1.7435** was made by Mayor Barefoot and seconded by Councilman Ochsner, which **passed 5-0**.
- b. Approve Tentative Budget. The Mayor said they need to come to a consensus regarding the OPEB funding, and those in favor were the Mayor and Councilmen Haverland and Slater, and opposed were the Vice Mayor and Councilman Ochsner, which resulted in a **motion** by Mayor Barefoot, supported by Councilman Slater, to **recommended approving the General Fund budget at \$6,859,071**, The **motion passed 3-0**. Paying the roughly \$12,000 explicit and \$8,000 implicit costs from the trust fund versus the ad valorem taxes was discussed briefly.

6. Adjournment

Hearing no further comments, the meeting was adjourned at 10:16 a.m.

Respectfully submitted,

/s

Laura Aldrich, Town Clerk

(Approved by the Town Council at the 7-27-16 meeting)