

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

BUDGET WORKSHOP MEETING
Thursday, July 28, 2011
1:30 p.m.

PRESENT: Thomas W. Cadden, Mayor
Gerard A. Weick, Vice Mayor
Frances F. Atchison, Councilmember
Michael B. Ochsner, Councilman
Richard M. Haverland, Councilman

STAFF PRESENT: Richard Jefferson, Town Manager
Laura Aldrich, Town Clerk
Chester Clem, Town Attorney
Judith Lewis, Town Treasurer
Rob Stabe, Captain, Public Safety
Nick Schauman, Captain, Public Safety
Nina Osbahr, Administration, Public Safety

OTHERS PRESENT: Town Residents Allen Ludlum, Jack Mitchell, Bill Kenyon
Vero Beach resident Dick Winger; Reporters, VB 32963 & Press Journal

1. Call to Order

- a. Pledge of Allegiance (To be performed at the 3:30 Regular Town Council meeting)
- b. Invocation – Councilman Ochsner (To be performed at the 3:30 Regular Town Council meeting)
- c. Roll Call

Mayor Cadden called the meeting to order at 1:30, and the Town Clerk called the roll for Council as reflected above.

2. Finance Committee Report

Chairman Mike Ochsner said the Committee met a week ago, and determined that the revenues weren't sufficient to sustain the budget as crafted. Available options such as increasing revenue, reducing spending and/or services, using some funds from the reserves, or increasing the ad valorem rate were discussed. One idea was to charge a convenience fee for the Postal Center, which is budgeted at \$80,000 and costing the Town about \$66,000 this year. With some nearby U.S. Post Offices possibly closing soon, we may pick up some business. Mr. Jefferson was asked to see if it is allowable to charge the convenience fee.

To achieve a balanced approach, they discussed increasing the ad valorem rate and transferring up to \$100,000 from the Reserves. The Town Manager was asked to cut \$50,000 overall from the departmental budgets, and using the roll-back rate up to the maximum allowable (non-referendum) ad valorem rate was included in this discussion.

Regarding the topic of Sick Leave, the Committee recommends that the Council wait until the union contract comes up for negotiation to enact any policy changes.

Vice Mayor Weick how much is in reserves, and Mrs. Lewis said that there is \$2.433 million in the Emergency Designated funds and the Unreserved balance is about \$600,000.

Councilman Haverland, Mrs. Lewis, Mayor Cadden and Councilman Ochsner discussed net assets in detail. Mrs. Lewis stated that at the end of FY10, the total government-wide net asset value

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.

was \$8,004,729 as stated in the Auditor's Report, and the unrestricted assets are \$2.7 million. Capital assets are \$4.2 million, and there are close to \$1 million in funds that are restricted for roads and the Building Department, as shown on Page 14.

Chairman Ochsner continued by stating that after the meeting several of these recommendations were incorporated into the draft budget they had before them. Mr. Jefferson said that the Public Safety Department (PSD) has changed their structure to have three captains on 24-hour shifts rather than two captains on days plus overtime, which has reduced overtime costs by \$90,000. The PSD total budget cuts are \$106,000, bringing the new PSD budget from \$3,412,669 to \$3,306,669.

Vice Mayor Weick asked if the potential sale of the old ambulance would bring more than \$12,000, and Captain Stabe replied there is that possibility. Mayor Cadden received confirmation that funds from the sale of equipment go back to the General Fund, but when we buy equipment it comes out of the Capital Equipment Fund. Mrs. Lewis clarified that while the source of the funds is restricted to capital expenses, the proceeds from selling the capital equipment is not restricted.

Town Manager Jefferson directed them to page 15 of the budget and reviewed some of the line item requirements, pointing out possible revenue sources with grants for bullet proof vests (\$6,000) and a Florida League of Cities (FLC) Safety Grant (\$5,000). Vice Mayor Weick asked if the \$3,000 estimate for PSD gutters was a firm bid, and Mr. Jefferson said not yet, they will get three quotes. A power stretcher was recommended by the FLC, and replacement computers are also needed. The license plate reader is a desire of the PSD, but not of the entire Council. Town Manager Jefferson commented that a new ambulance would come equipped with a power stretcher.

Chairman Ochsner brought the discussion back to the overall budget, mentioning that one thing that is different is that the Postal Center is now included in the General Fund rather than a standalone fund. Therefore comparing last year's budget to this year's proposed budget is only 0.07 of a percent higher than the approved budget last year, and compared to projected spending this year, about 2.25% over. With about 81% of the budget tied to salaries and benefits with step increases and COLA included, an overall 2.25% increase shows that they have done a pretty good job in keeping everything under control. Yesterday he asked the Town Clerk to compare what the County and other municipal residents in Indian River County pay for fire, emergency and police services, we pay less than half and have far superior service. The Chairman concluded this budget is well crafted.

3. **Council Discussion**

Postal Center. Mayor Cadden asked if they wanted to talk about the Postal Center, and Councilmember Atchison said she attended the Finance Committee meeting as a Town resident. Although it is not something the entire Town uses, it is something the residents like. She continued that she has spoken with Barbara, who is being very helpful in other departments during the slow period of summer. She hopes that the Town can try to keep some form of service in the Postal Center, even if it means being open fewer hours. She said that convenience fees could add extra revenue, and hates the thought of closing it down. Mayor Cadden said he feels the same, and had staff check on cutting back to six hours a day during the off-season, and it only saved \$3,000 a year. Barbara plans to retire in a little over a year, after which we could hire two part-time non-benefit employees. When we had the smaller Post Office, there was a waiting list for boxes. When we moved everything around and remodeled, we lost customers. He said that maybe we could add the convenience fee to those who are mailing boxes, and with two small nearby public Post Offices possibly closing soon, we may pick up those customers.

Councilman Haverland asked if we should consider installing a self-help machine for stamps and mailing packages, to which the Mayor was amenable. Mayor Cadden said he was fine with the suggestion of the Town trying being open five or six hours a day for the rest of the season, maybe from 10-4, which gives enough time to get the mail in the boxes and have the outgoing mail and boxes being shipped picked up. The Mayor said if we close it, it should be done gradually.

The cost of the boxes was discussed, and the personalized forwarding of mail to suit the box holder's need. Councilmember Atchison said that they take care of us very well, and provide an

excellent service for the Town. Vice Mayor Weick added even if it costs a little money, the people love it, and it's worth keeping it open. At Christmas and income tax time it's very busy. Councilmember Atchison also suggested that we post the shortened times of the Postal Center being open so Barbara can help out in another department. Mr. Jefferson said that most of the help she provides can be done between customers and not out of the office. After Barbara retires, having part time help may be a good option, the Vice Mayor added.

Councilmember Atchison said that maybe having your own Postal Center is part of the benefit of living in Indian River Shores. Mr. Jefferson added that we had found enough in extra funds from the PSD budget to pay for the Postal Center, and we need to make sure that the residents are aware that we don't make any money from the sale of stamps or postage. The Council agreed to wait and see how it goes.

Pension. Councilman Haverland discussed his concerns with the pension investment rate of return, which was set two years ago by the Pension Committee, with the investment strategy of 40% in short term low-yield bonds and the assumption of 8.75% gross, 7.75% net on our portfolio. He called local investment advisors at Northern Trust, PNC, NY Mellon Trust, and US Trust, and spoke to the head of the Indian River Foundation (former head of US Trust here) and the Vice Chairman of T. Rowe Price, a large multi-billion dollar investment manager which manages significant pension assets. Each was presented with a copy of our portfolio and the rates of return over the last 10 years, and asked for their view of what they thought the average return ought to be. With six different answers, a reasonable expectation averaged a gross return of 6.7% as per these professional investors. We assume 7.75% net, and fund on that basis. He was against the assumption of 7.75% Rate of Return and disappointed that there has not been a recent pension report (we skipped one year). Councilman Haverland said if we plan on paying when employees retire, we should fund them at the proper level, and budget for a significantly lower interest rate (1% percentage point equals \$107,000 cost). Vice Mayor Weick said we did go from 8% to 7.75%, which Councilmember Atchison reminded them was Paul Shamoun's recommendation. Mayor Cadden said he would not have a problem with a quarter or even a half percent this year, adding that there has to be a Pension meeting so they will have a recommendation before our final budget meetings. Councilman Haverland said our expenses will be \$340,000 higher at the lower interest return rate that the experts he spoke with said was realistic.

Vice Mayor Weick also had researched this, finding that CALPERS, the largest pension fund in the nation, gained 20.7% this year. Annualized, they are claiming to have made 12.4%, but he was not sure of the time frame referenced. The New York State Pension system portfolio returned 12.1% for FY ending June 30, and 17% the first half of this year. Even with the recession and downturn in the economy, these municipal pension funds are performing over 10%. Councilman Haverland said he knows CALPERS investments are much more aggressive, high risk, and are very well managed, so the difference in our conservative portfolio versus theirs is like night and day.

Vice Mayor Weick discussed our portfolio's performance with Councilman Haverland, who said that per Paul Shamoun, we have averaged 5% per year for last 10 years. Mayor Cadden and Councilman Haverland discussed funding pension with an increased ad valorem and some from the Reserves. Treasurer Judy Lewis said we don't have to have a change in the rate to put more funding into the Pension plan, and if the Pension Board agrees to lower the rate, it must be in effect the following year according to the actuary. She continued that she absolutely relies on the pension experts to tell us how much to put into the fund, and she does not believe in putting in any more than the actuary tells us. Councilman Haverland said the main issue is the rate.

Councilmember Atchison recalled that Mr. Shamoun said he would be thrilled if we lowered our rate, and Vice Mayor Weick said maybe the Pension Board should recommend a more aggressive approach with their investments. Councilman Haverland said three of the people he spoke with said they would not recommend that balance of investments. The average date for retirement was discussed, with Capt. Stabe saying that the current employees eligibilities are spread out, with some who will be eligible within the next four years. Being eligible doesn't necessarily mean they will

retire, especially considering the economy, he added.

Taxes. Councilman Haverland continued that funding the pension plan will incur a higher cost in the future, and revenue from ad valorem tax is likely to be reduced due to assessments being from zero to ten percent lower in the next year in our Town, according to Mr. Nolte. Vice Mayor Weick said that there are only about 200 building lots left in Town, and soon we will be built out. Our assessment will not be growing after that, but build-out could take several years. Councilman Haverland concluded that with pension plan costs being higher, and revenue down, and a decreasing unrestricted fund, the only thing left is (raising) taxes and (cutting) expenses to balance the budget. Vice Mayor Weick said for a long time they have kept the taxes very low, with those on his home essentially the same last year as they were in 1998.

Councilmember Atchison said she thinks that the ideal limit for emergency fund was set at \$2.3 million. Mayor Cadden said when Joe Duncan was on the Finance Committee, his research showed that it should be set at \$2 - \$2.5 million. Councilman Ochsner recognized that we spent a total of \$1.1 million, and got most of that back, making the point that the level is too high and it's tax money we have already collected.

Salaries. Councilman Haverland brought up the point that Fellsmere, the County, and Vero Beach had no salary increases and head count cuts. For the last so many years we have paid 3% increases, but the marketplace has not had COLA for many years. Our salaries have been increasing faster than inflation and much faster than the market, and we should at least keep the pay levels the same. Vice Mayor Weick said the last time he checked, over the past ten years it's been 23 or 24% inflation, and the CPI up over 20 percent in the last ten years. Councilman Ochsner said that the majority of labor costs are covered by union, and we have opted to treat all of the employees the same out of fairness. If you flatten the increase and say all non-union employees get nothing, it is a token amount of about \$3,000 in savings, but to have seventy-five percent getting a raise and twenty-five percent not, that gives him heartburn. Vice Mayor Weick agreed. Mayor Cadden said to leave it where it is until the next contract negotiations.

4. Audience Discussion

Jack Mitchell, 220 Sandpiper, commented that he likes the convenience of the Postal Center. However, within the past two years, the U.S. Postal Service has changed the routes which affected his delivery time for the mail at his house from noon to 4:45 or 5:30. He has changed the address for all of his mail to come to the Town Postal Center address to avoid the serious inconvenience. He thought the convenience charge was paid when he got the box.

Councilman Ochsner said that maybe for those who rent boxes, there should not be a convenience fee, and those who don't rent, a fee? Mayor Cadden said it won't net much. Councilmember Atchison added that most are paying bills and communicating online, and you can order stamps delivered to your home from your home computer. Councilman Haverland concluded that the Postal Service is down 17% the past two years and is expected to decline more rapidly.

5. Recommendations

The Mayor was uncomfortable with recommending a tentative millage rate ceiling or approving the tentative budget since they could not vote on it at this meeting. Therefore they postponed this action until the following Regular Town Council meeting. No one objected.

6. Adjournment

There being no further comments, the Mayor adjourned the meeting at 2:41 p.m.

Respectfully submitted,

/s

Laura Aldrich, CMC, Town Clerk

(Approved by the Town Council at the 9-9-11 Meeting)