



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

BUDGET WORKSHOP MEETING

Thursday, July 25, 2013

7:00 a.m.

PRESENT: **Brian M. Barefoot, Mayor**
 Gerard A. Weick, Vice Mayor
 Thomas W. Cadden, Councilman
 Richard M. Haverland, Councilman
 Thomas F. Slater, Councilman

STAFF PRESENT: **Robert Stabe, Town Manager** **Laura Aldrich, Town Clerk**
 Chester Clem, Town Attorney **Jose Guanch, Building Official**
 Cpt. Mike Jacobs, Public Safety **Mark Shaw, PSD Lieutenant**
 Kip Benham, PSD Officer **Charlene Hall, PSD Admin.**
 Darlene Wiltzius & Heather Christmas, Finance Department

OTHERS PRESENT: **Mike Ochsner, Jerry Solin, & Frannie Atchison; Janet Begley, Press Journal**

1. Call to Order

- a. Pledge of Allegiance
- b. Invocation (Councilman Slater)
- c. Roll Call

Mayor Barefoot called the meeting to order at 7:01 a.m. with the Pledge of Allegiance and Invocation, followed by the roll call by the Town Clerk as reflected above.

2. Finance Committee Report (Heather Christmas)

Foregone.

3. Town Manager's Discussion

Foregone.

4. Council Discussion

Mayor Barefoot said this is his, Heather's and Robbie's first budget. Everyone has spent a lot of time and effort trying to do their best, and asked that the focus be on an accurate baseline. He added he may not do things in the same manner as they have been accustomed in the past. Ms. Christmas did a spectacular job summarizing the changes to the current budget in her memo, and a second page gives the summary of the budget draft changes that shows the evolution of line items. Mayor Barefoot explained the memo that the Council had before them.

Three items need discussion. One is the Postal Center. This year it will lose about \$37,000, which obviously has budgetary implications. Second is the fire truck issue, whether we buy or lease, and then it will be voted on after this year. It is set up now to buy the pumper and cars and lease the ladder truck. Third, we are in the position of having to purchase five or six automobiles. The newest with lowest mileage is a 2005 with 125,000 miles. The issue is whether to allow the person who drives this to have an allowance, or have the Town buy them.

The Mayor said Heather has a power point presentation that is extensive and will explain almost everything. Rather than going through each line item on the budget, he explained that they would receive input from each council member by seniority beginning with Councilman Cadden, then Vice Mayor Weick, then Councilman Haverland, Councilman Slater, and her would go last, followed by input from others.

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.

POSTAL CENTER. Mayor Barefoot asked Mr. Stabe to address the facts and some of the things they have discussed. All of the costs surrounding the Postal Center are in personnel, Mr. Stabe said. The last major change that took place to help reduce the cost was the retirement of our full time employee and the hiring of two part-time employees. It saved about \$34,000. Mr. Stabe reviewed several options: add a fee to purchased items, such as stamps, postage, or services; offer the service to seasonal residents of premium forwarding to their other address for a fee, such as \$125/year or season, as the Main Post Office does; or limit the hours of operation to just 10-2 during the off season. This is a subject that has come up a number of times over the years. It is obvious that the residents enjoy having the service, but he is not sure they understand the cost of operation. The least intrusive option may be having reduced hours during the summer.

The Mayor asked what the cost per hour is to operate the Center, and Ms. Christmas said it is \$16 an hour. Mayor Barefoot suggested that we pick a time frame and cut the hours, such as for three months. Many residents and those who live north of us use this service, so completely shuttering it is not preferred. Marking up stamps was discussed, which Mrs. Wiltzius said as a third party center, we can mark up stamps and add a package handling fee, especially for overnight express mail handling, since we must deliver those items to a USPO.

Mike Ochsner said as a citizen, this is one of the few services that the residents take advantage of and appreciate. It is just a small cost, he added, not a loss, and it is not any different from providing a Public Safety service. Councilman Haverland said there is a big difference, and people would quickly adjust to it being open shorter hours in the summer. It is not that inconvenient, and our volume is 25%-33% of in-season.

Mayor Barefoot said it would reduce the Town costs, and we could try it. Vice Mayor Weick said he could see going 9-3, but is not in favor of this. It is one of the perks that residents enjoy. He did agree that Express Mail should go up, but was not in favor of charging more for stamps. We are a fairly wealthy town, and can afford to offer this service. Councilman Cadden agreed we could easily reduce the hours in the summer. Councilman Haverland recalled there was so much demand for boxes in 2006 that we added quite a few, and it should have been breaking even. We have not. The intent was to stop the subsidy after three years. Nobody raised the issue then, and after four years we said it's okay. He thought the intent was to close it if it didn't break even.

Vice Mayor Weick continued that a fee for forwarding the mail would be a good way to gain income. Councilman Slater agreed that reducing the hours to 10-2 for June, July and August would save a few thousand. Councilman Haverland said the season is extremely clear if you look at the evidence, it is May through October. Councilman Slater continued that areas where we clearly provide a service, like express mail, we should have an upcharge. PakMail has many additional costs charged, and there is room to gain some revenue. Councilman Haverland suggested that they have a general consensus that they should cut about \$5,000 by raising prices and reducing hours. Mayor Barefoot said the Council can ask Robbie, Darlene and Heather to come back with some suggestions on how to do this. He was more in favor of keeping it open as much as possible.

Mr. Ochsner reminded them that PakMail is a "for profit" institution, and the Town is not. Vice Mayor Weick said they have already cut Postal Center costs substantially this year.

FIRE TRUCKS. Mayor Barefoot said there has already been a lot of analysis by the Finance Committee and staff, and it is a huge amount of money at \$1.2 million for the two vehicles. Whether to lease or buy is the question, and it's been shown that buying is the best way to go if money is no object. It would wipe out a lot of our funds. This budget reflects purchasing the pumper for \$245,000, purchasing the cars, and leasing the \$900,000 ladder truck. Councilman Haverland said we should spend the money and deplete the emergency fund; we have cash. The economics is that if you lease it for 10 years and assume 2% inflation, it costs \$1.9 million, whereas to buy it is \$900,000. He said he talked to three fire chiefs in three counties about the life of the truck, and they said there is no question that the trucks have a 20-year life, although the maintenance in years 11-20 is higher than during years 1-10.

Mayor Barefoot referred to a handout provided to the Council today which explains what happens if we purchase different capital items in the budget what the results are, and how to fund \$1,312,465. He asked if the Council is comfortable with leaving the Town with only one emergency fund, even with the decision to not to let it fall below \$2 million. Finance Committee Chairman and former Councilman Ochsner said the \$2 million number was determined before he came on the Council and it was built up to that level based on the hurricanes in 2004, for which only \$800,000 cash out of pocket was required, and had a final cost of about \$200,000. If we are concerned about a Category 5 hurricane, Mayor Barefoot said, we could always get a line of credit. Councilman Haverland agreed, we have no debt, the Town would pay a little to have it available, and we could have a loan against future ad valorem taxes. Vice Mayor Weick said FEMA will no longer reimburse like they did in 2004, and didn't think \$2 million is too large of a cushion. Councilman Haverland said we can replenish the infrastructure fund.

Councilman Cadden said we basically loaned ourselves the money and used taxes to replenish the emergency fund. Former Finance Committee Chairman Joe Duncan had checked with other municipalities and found that \$2 - \$2.5 million was recommended around the state for an emergency fund. Councilman Haverland said FLC now recommends 15% of the budget for this since we are on the ocean, concluding the emergency fund won't disappear.

Mayor Barefoot said we would have to cut a check in 15 days for the truck for the full amount, and we are ahead of the game. It's a 5-6% discount, which is much better than letting the money work for us. Councilman Slater said the Finance Committee recommendation is to buy, and they looked at the options. Councilman Cadden asked how much we have in capital, and was told it is about \$750,000. Mayor Barefoot recapped that they would deplete the infrastructure fund of about \$700,000, deplete the projected surplus of \$70,000, deplete the \$343,000 unassigned funds, and take \$232,000 from the emergency fund to bring us up to \$2 million.

Mr. Solin, Finance Committee, said that leasing is borrowing at 3.8% interest, and noted that the Mayor was questioning how we have a confluence to buy all of these vehicles at once. Just because we buy them at the same time, doesn't mean we have to keep these vehicles for 20 years. The Finance Committee analysis confirmed that it is better to sell them after 10 years.

Mayor Barefoot said the **consensus is to buy rather than lease**. We can take the annual lease of \$87,000 year out of the budget, and he requested that we explore a line of credit, maybe for \$1 million and have that information ready. That way we can activate the credit line and have ready cash.

OTHER VEHICLES. There are five vehicles outside the fire trucks, Mr. Stabe summarized, of which one of those is used as a patrol vehicle that we have to buy. Three are with lights and sirens for the captain, the lieutenant and the detective and are assigned as a patrol vehicle. They take the vehicle home because they are subject to being called in at any time. Councilman Haverland asked if we capture the business versus personal mileage, and Mr. Stabe said the vast majority is business related. They discussed the vehicle Mr. Stabe uses and whether mileage to and from home counts as personal use. Councilman Haverland said if the car is used while on the job, like Jose's car is used all day long in Town, it's primarily for business. The individual who uses 75% of the miles coming to and from work should be using their own vehicle. Mr. Stabe and Councilman Haverland discussed this briefly.

Mayor Barefoot said they have a **consensus to buy the five cars now**. Mr. Stabe said only the two trucks are essential to have a decision to buy today. Mr. Clem reminded them that the purchase will technically be approved when the checks are on the agenda.

REST OF THE BUDGET.

Mayor Barefoot asked Councilman Cadden if he had any other general comments about the budget, and he said the note he had was to reduce the \$16,000 Postal Center budget to about \$12,000.

Vice Mayor Weick questioned the ambulance fees we got in 2011/12, which was explained as back-billing. The line item for Surplus Vehicle Sales should be more than \$2,000. Mayor Barefoot said we can't sell the pumper, we owe \$38,000 for repairs, so we will give them the truck and they will waive the fees. We can sell the other fire truck and other vehicles, and Ms. Christmas said she will increase the revenue and research the vehicles to sell. He also was fine with phasing in the cost of the painting. On page 5, PZV personnel cost increased, which was for the reallocation of insurance. He addressed the FICA calculations, which were done using 0.0765. This is only up to \$113,000, and then should be 0.045% on the difference to \$130,000. On page 8, footnote 4, the change was for paying both employees for a cell phone \$50 rather than one \$75. On Page 12, pension payment was discussed by the Vice Mayor and Councilman Haverland, who said there was reference in the Finance Committee minutes about Foster and Foster. He questioned why 53% was used rather than the 60% they suggested, to which Ms. Christmas said she has done calculations at 53.2%, we are guessing a 10% increase to 63.2%. He said we should pay it now, and all agreed to increase that category to \$113,620. Vice Mayor Weick continued that it was a good move to reduce bank charges. Heather said she will wrap the line of credit into the RFP for banking services she is preparing. The General Employee pension payment of \$75,000 was included, and Councilman Haverland opined it is way underfunded. On Page 21, the PZV Per Diem expenditure was explained that it includes wages for a part time inspector when Mr. Guanch takes time off.

Councilman Haverland commented that we have re-estimated the retiree medical liability to \$1.5 million, and spoke about the situation in Detroit. He felt the obligation to employees to begin to fund this, with a suggestion that we put \$100,000 into this fund and to work hard to reduce the liability and eventually to eliminate it. Mayor Barefoot said there is a contingency line which could be dispersed to unfunded liabilities rather than specifically set a budget for this. Councilman Haverland said that other cities set up trust funds, and that sets it aside with an expense and an outside audit requirement. We could also commit the funds without the expense. Vice Mayor

Weick disagreed, and they discussed this for several minutes. Mayor Barefoot agreed it seems the responsible thing to do to add another \$100,000 against the unfunded projected liability of \$1.5 million. Vice Mayor Weick and Councilman Haverland continued discussion, with Mayor Barefoot concluding they should address the unfunded liabilities as they are realized. This all could change October 1st, and they reached a **consensus to put the \$100,000 aside towards the medical insurance liability.**

Continuing, Councilman Haverland said on Page 12, the Public Safety Uniforms for per diem officers have nothing to do with the safety of the Town, and while it is not a costly item, he did not deem \$6,000 for per diem officers and dress shirts to be necessary. Mr. Stabe said the primary purpose is to be worn in the event of a funeral that involves honoring one of our neighboring agencies, which protocol calls for a class A uniforms in order to properly represent the Town in a professional manner. Councilman Haverland said the Town doesn't really care to spend money in a way that does nothing to protect the safety of the Town, only about taxes. Mr. Stabe disagreed. Vice Mayor Weick said having per diem and regular officers with two different uniforms is not good; they should all be identified as Indian River Shores police. Mr. Stabe said the majority of that cost is not related to the additional uniforms, it is for using additional per diems to build the work force. Councilman Haverland said there isn't anyone in the Town who would notice. In the law enforcement community, Mr. Stabe said, the level of professionalism has been raised. Lieutenant Shaw said they also wear them to court and on many other occasions. Councilman Haverland agreed with uniforms for new employees.

The merit increases have changed from \$29,000, Councilman Haverland continued, and Ms. Christmas said it is now shown as \$20,000 in the GF, and \$2,500 for the Building Department Fund. The 2% COLA has been removed, and Public Safety Officers have been taken out. Councilman Haverland discussed the ratio of raises to the salary pool and the eligibility date for a raise. He then discussed how salaries and raises relate to the local market in Vero Beach, Indian River County, Sebastian, and Fellsmere. Councilman Haverland said at the anniversary date, an employee who does a good job should receive 2%, some might get 4% and some would get none. Mayor Barefoot said we aren't differentiating between COLA which presumes that everyone gets 2% and a merit pool. It is a pool for raises that will go to those people who the Town Manager deems who are deserving, from nothing to 6 % with changed responsibilities. Ms. Christmas said the Merit pool also includes FICA and Pension costs of about 25%. Councilman Haverland also disagreed with the proposed increase for the Town Manager. Mayor Barefoot asked to address this at the Council meeting when the contract for the Town Manager is discussed.

Councilman Slater had no comments, stating that we have covered and hashed most of the things he was going to address. Vice Mayor Weick asked if the maintenance fees were reduced with all of the new equipment, and Ms. Christmas said they were.

3. **Audience Discussion**

There was no comment.

4. **Recommendation**

a. Tentative Millage Rate Ceiling

Mr. Stabe said they have to set the tentative millage rate, which is one that can be lowered prior to the final budget Public Hearing but not raised. The recommendation from the Finance Committee is 1.5376. Mayor Barefoot asked what the percentage increase was, noting the County has recommended a 7% increase which will impact our residents. Vice Mayor Weick said the school district, which is about 50% of the tax bill, is steady, Sebastian has suggested zero increase, and Vero Beach is still to be determined. He is in favor of 1.51729, less than the roll back rate of 1.5376 last year.

Finance Committee Chairman Mike Ochsner said they didn't want to go as high as the Maximum Millage Rate, and they wanted the Council to have some latitude. He didn't have the actual roll back number from last year at the meeting, so he estimated it to be somewhere around 1.51. Vice Mayor Weick suggested the 3% increase as 1.51729 as the maximum.

Councilman Haverland said it appeared we had a \$375,000 surplus when they entered the room today. If we charge ourselves \$100,000 for the retiree medical, and charge ourselves \$108,000 for the pension increment, they would still have roughly \$175,000 projected surplus. He suggested we stay with the current millage rate, with the understanding we can't go higher. Ms. Christmas said the surplus of \$175,000 is needed for the fire truck, and we will need a slight millage rate increase. Vice Mayor Weick said the Finance Committee also said that if there is a slight increase, that surplus could go towards the pension fund. Councilman Haverland agreed with the Finance Committee, which Vice Mayor Weick affirmed to use 1.51729. The Council **reached a consensus to set it at 1.51729.**

b. Approve Tentative Budget

There is a tentative budget with the changes as recommended, which were summarized by Ms. Christmas as • increase revenues or decrease costs to reduce the Postal Center budget by \$5,000, • buying Fire Trucks, • buying other vehicles (patrol & administrative), • increasing Infrastructure Revenues and eliminating Capital Lease Proceeds, • assigning \$100,000 to be set aside to pay for the unfunded Health Insurance Liability, •raising Pension Contribution by 10% to 63.3% for Police & Fire, • raising revenues for Surplus Equipment Sale, • reanalyzing Merit Increase and Town Manager FICA, • reanalyze the Uniforms , and • investigate the cost for maintaining a Line of Credit. The Council **reached a consensus to approve the tentative budget with potential changes for the discussed items.**

5. **Adjournment**

Hearing no further comments, the meeting was adjourned at 8:40 a.m.

Respectfully submitted,

/s

Laura Aldrich, Town Clerk

(Approved by the Town Council at the 8-22-13 meeting)