



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

BUDGET WORKSHOP MEETING

Thursday, July 26, 2012

1:30 p.m.

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

ABSENT: Gerard A. Weick, Vice Mayor (Excused – Telephonic Attendance)

STAFF PRESENT: Richard Jefferson, Town Manager
Laura Aldrich, Town Clerk
Chester Clem, Town Attorney
Judith Lewis, Town Treasurer
Robert Stabe, Public Safety Director
Shawn Hoyt, Public Safety Sergeant

OTHERS PRESENT: Residents John Porta (Finance Committee) & Chris Hendricks (PZV)
Reporters Press Journal (Janet Begley) & VB 32963 (Lisa Zahner)

1. **Call to Order**

- a. Invocation (Withheld until 3:30 Regular Town Council Meeting)
- b. Roll Call

Mayor Cadden called the meeting to order at 1:34 p.m. with the roll call by the Town Clerk as reflected above.

2. **Finance Committee Report**

Chairman Mike Ochsner reported that the Committee recommended approval of a buyout of Sick Leave and Vacation accumulation through September 30, which is reflected in the budget.

The Committee discussed whether or not to have an actuarial report, which would cost approximately \$4500 - \$5000, with no determination to proceed at this time. It will be revisited at a future meeting.

Because of the intense interest in the unfunded portion of pension liabilities, the Committee voted to recommend to the Council that the Town put an additional \$250,000 payment above the actuarial recommendation into the Pension fund, broken into two payments of \$125,000.

Based on Councilman Haverland's discussion at the last Council meeting, it was decided by the Committee that retiree insurance is part of a bigger employee benefit picture, and they decided not to recommend that the Council take action one way or the other.

Most importantly, they reviewed the FY12-13 budget in detail, and voted that Council favorably consider it as presented with addition of \$250,000 for Pension.

Councilman Haverland asked about the reference to the pension expense and the pension number recommended by the actuary as percentage of payroll in the Finance Committee Minutes. He questioned only adding \$250,000 to the pension when the percentage number would be closer to \$950,000 with stable earnings. This was discussed in some detail between the Mayor,

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.

Councilman Ochsner, Councilman Haverland and Mrs. Lewis. Based on their individual correspondence with the actuary, Mrs. Lewis and Councilman Haverland each had a different impression on the amount needed to cover the extra obligation we are required to provide. They agreed to compare notes from the actuary to more fully understand the situation. **The Council agreed to recommend an actuarial report for the Public Safety Officer's Defined Benefit Pension to the Pension Board, and to budget \$4,500 for that purpose.**

Councilman Haverland briefly discussed the Postal Center with Councilman Ochsner.

3. **Town Manager's Discussion**

Mr. Jefferson said there was a memo from him in their packet that related to four Public Safety administrative personnel and five at Town Hall receiving a 5% incentive pay increase next fiscal year. Councilman Ochsner asked if it would be in a raise pool based on merit, and Mr. Jefferson affirmed it would not be across the board but based on performance.

Councilman Haverland said it would be helpful to have the history of increases for this group over last number of years, with doubts that the 3% per year cost of living allowance (COLA) increases related to inflation, and asked how this compares to other people in comparable positions. We should be competitive, but not above the rest. Councilman Ochsner suggested it is more than being competitive, when you have people in our employ; they are becoming more adept and experienced and should be rewarded. Town Manager Jefferson said there is only a 5 and 10 year increase. Councilman Haverland added that is above the COLA and the Bureau of Labor Statistics (BLS) says the average increase for state and municipal workers in last six years has been less than 1% per year. Unless we were not competitive five years ago, with wage freezes and furloughs in other local municipalities, it would seem that we would be over and above local salaries. He is willing to look at other data, and we should be toward the head of the pack.

Mayor Cadden clarified that this is a **request for \$24,000** to be added to the budget, and he liked it as a merit increase. Town Manager Jefferson said it would be a pool with a performance report that goes along with it, which the Mayor and Councilman Ochsner agreed. Since this is a workshop, **they agreed to put it in the budget** and take it out later if needed. **Mr. Jefferson was instructed to put it on the August agenda under his matters.**

4. **Council Discussion**

Councilman Haverland asked for clarification on the Town Manager's salary, which Mr. Jefferson explained that it was always 100% under the Town Manager's salary. When he accepted this position, \$14,000 was added for work performed in Building Department. Now it is divided equally between the Town Manager and Building Official positions to more accurately reflect the workload. Councilman Haverland said he is confused as he only sees half of the amount in the Town Manager budget, and was informed the other half is in the Planning, Zoning and Variance Fund. Another 25% of the Town Manager's salary is allocated to Roads & Bridges, a non-General Fund category, leaving less than half actually in the Town Manager's budget. Mr. Jefferson clarified that the State Statutes require that the funds collected in the Building Department actually pay for the Building Official's salary.

Councilman Haverland and Councilman Ochsner briefly discussed retirees as a department expense with differing opinions. Councilman Haverland said there were two critical numbers they did not received as part of the budget package, the unrestricted funds and the total net assets. (Mrs. Lewis left the room briefly to retrieve information to assist in answering the questions)

Councilmember Atchison asked about the Cemetery Contracts, which Mr. Jefferson said was only to mow the lawn. She mentioned that the cleaning of Public Safety uniforms was the

only other area she always had a problem with, asking why we had to have the dry cleaning expense and if there was a special process. Chief Stabe said he is one who does not use the cleaning service, and it has been a reduced expense over a period of time. There is five less full-time staff, so this should be even lower. It is a normal service provided by almost every agency for the public safety officers.

Councilman Haverland asked what the unrestricted assets are projected to be versus the projected expenses at the end of this year. Mrs. Lewis said last year there were unrestricted funds of \$1.9 million, and the unassigned (General) fund is \$2.3 million, including the \$660,000 deficit. The net assets are \$7.7 million at the end of the year. The government-wide financial statements have a function that is outside of our budgetary process, which is usually done later. Councilman Haverland asked if they were loss plus depreciation, and Mrs. Lewis said she would appreciate the opportunity to analyze that before responding. An annual net asset value is an indicator Councilman Haverland desired. Mrs. Lewis explained it is a one-time per year calculation. He also asked about infrastructure tax, which she said is deferred revenue, and is pulled into income as it is spent so we can track its use. The taxes become revenue, and the asset becomes an expense.

Councilman Haverland asked about ambulance billing also being applicable to non-Medicare patients, which was explained that it is, and we are collecting on those.

The Postal Center pension costs went up dramatically, Councilman Haverland noted, which Mrs. Lewis explained were due to putting someone in to help who is on the Defined Benefit Plan, who has over 54% of her salary going into the pension plan. It is a matter of allocating expenses from one to another department.

Councilmember Atchison asked if we still have \$2.3 million in the Emergency Fund, which is being decreased by \$668,741, and it is very close to that.

5. **Audience Discussion**

John Porta, Finance Committee member, asked how the Town stood from a cash-on-hand reference. He iterated several obligations, including an underfunded pension of \$3 million, the implied subsidy of \$1.8 million for retiree insurance, and anticipated revenues increase of about \$100,000.

Councilman Ochsner asked Mrs. Lewis about the \$1.8 million as the implied subsidy for retirees, which Mrs. Lewis said we must offer. Councilman Haverland said we have to offer it, but they may not take it and thereby reduce our obligation. Councilman Haverland said the actuary makes an assumption of whether or not a retiree will take it. The three discussed the difference between the implied and actual subsidy. Councilman Haverland believed that if we had a plan like most others, we would have an 80% participation rate. With no subsidy of a retirement plan, the actuarial assumption would drop to 70%, which drops the liability. It is very dependent on what insurance subsidy employees currently take and the quality of the plan. Councilman Ochsner said the number is built into the medical rates that the employees pay, so it is pay as you go. Councilman Haverland said it is age and gender related rates. There is an opportunity to encourage non-smoking retirees to go outside and get another Blue Cross policy. Councilman Ochsner said he can't get insurance at the rates Councilman Haverland provided. Pooling insurances may be an option.

Lisa Zahner, reporter for Vero Beach 32963, asked what the corresponding revenue source is for the \$24,000 pool of merit increase funds. It is budgeted surplus in Department 9, Mrs. Lewis explained.

Mrs. Lewis said that the election costs were inadvertently left out, approximately \$6,500. It was agreed it must be included. Mrs. Lewis said that there is also \$4,500 needed for repairs for

the pumper. Chief Stabe said they chose not to replace the fire truck this year, therefore, must have funds available for repairs to the 23-year old truck.

6. **Recommendations**

a. Tentative Millage Rate Ceiling

The Finance Committee did not actually discuss the millage rate, and the Council was agreeable to keeping the rate the same at 1.4371.

b. Approve Tentative Budget

With the additions discussed of \$24,000 for the merit increase pool, \$6,500 for March 2013 elections, \$4,500 for an actuarial report on the Defined Benefit Pension, and \$4,500 set aside for pumper repairs, they approved the tentative budget.

7. **Adjournment**

Hearing no further comments, the meeting was adjourned at 2:36 p.m.

Respectfully submitted,

/s _____
Laura Aldrich, Town Clerk

(Approved by the Town Council at the 8-23-12 meeting)