

COUNCIL MINUTES JULY 20, 2010

Pursuant to Public Notice, Mayor Ferrante convened the special meeting of the City Council and Blue Ribbon Financial /Budget Committee on Tuesday, July 20, 2010, at 6:30 p.m., in the Council Chamber. Those present were Mayor Joseph Ferrante, Vice-Mayor Jeffrey Fleis, Councilman Mike Chase, Councilman Scott Rhodes, Councilman William Higginson, Committee Members John Burns, III, Jerry de la Rosa, Michael Everett, John Fergus, Patrick Gibbons, Joseph Hemple, III, Dominick Montanaro, Vice-Chairman Harry Pawlak, City Manager Michael Crotty, and City Clerk Barbara Montanaro. Committee Chairwoman Lorraine Gott attended via telephone.

Mayor Ferrante led the Pledge of Allegiance.

REVIEW INTERIM REPORT FROM THE BLUE RIBBON FINANCIAL/BUDGET COMMITTEE

Mayor Ferrante expressed appreciation to the Committee for an in-depth review of finance/budget issues. He presented guidelines for discussing two reports (one hour for each report and adjourn at 8:30 p.m.) and asked Committee Members and Council to introduce themselves.

Chairwoman Gott stated that the Committee reviewed all possibilities they could conceive and made every effort to evaluate all resources, staff reports, board recommendations, newspaper articles, and citizen suggestions. She expressed appreciation to staff for providing information; it was rewarding to see how hard they worked. With the tight time constraints, the Committee focused on presenting the Recommended Millage Rate and supporting information for Council to consider when setting the millage rate this week. The second part of this initial presentation contains Recommendations for FY 2010/11 Budget (attached).

The Committee will continue to meet and present three more documents: (1) Things discussed that are already being addressed; (2) Recommendations for years beyond 10/11; and (3) Things considered but not recommended for consideration by City Council.

Millage Rate Recommendation for FY 2010/11 Budget: 8.2439 mills (Attachment 1)

Although the initial vote on millage rate had one dissenting vote, this report was approved unanimously on July 19, 2010. In addition to recommending a millage rate of 8.2439, the report provides the seven key points considered in making this recommendation. There are two attachments that illustrate the points in the summary page.

The Council and Members of the Blue Ribbon Committee discussed the report, noting that the difference between FY 09/10 rate of 7.8193 mills and proposed FY10/11 rate of 8.2439 mills is forty-two cents per \$1,000 assessed value. They discussed the differences in taxes in Indian Harbour Beach and Brevard County vs. Satellite Beach and the levels of services in the three locations. A question was raised how the differences in taxes might impact the real estate market in Satellite Beach. They gave examples of young families who have moved to Satellite Beach because they want the services and quality of life provided here. Those present discussed higher utility taxes that supplement revenue in other cities; Satellite Beach is very competitive when revenue from all sources is examined.

Mayor Ferrante asked for public comments; there were no comments.

Recommendations for Budget Year FY 2010/11 (Attachment 2)

This report contains suggestions for Changes in City Operations, Personnel Policies, New Revenue Sources, Cost-Cutting Ideas, Fundraising Ideas, User Fees, and Other General Recommendations. Ideas were assembled in functional categories and are not listed in order of priority. The Committee was not able to determine how much revenue would be generated by these suggestions; the ideas are submitted for evaluation and analysis.

The Council and BRC Members discussed the pros and cons of moving away from ad valorem taxes and instituting assessments for specific services, such as emergency medical service, stormwater, and road resurfacing.

Ideas that were raised but not included in the report are listed below:

- Reduce the workweek and cutting pay from 40 hours to 36.
- Cut personnel through attrition, allowing the City Manager to determine what positions would be filled and how.
- Reduce each department's budget by 5% across the board.

Mayor Ferrante asked for public comments; the following individual spoke:

David Ryan, 410 Wilson Street, stated that he attended all but one BRC meeting and commended each department on what they are able to accomplish with the number of employees. He spoke in favor of Red Light Camera enforcement. He would prefer that taxes do not go up – but higher costs are a fact of life.

Mayor Ferrante and each Councilman expressed appreciation to the Members of the Blue Ribbon Committee for the amount of time and work they put into becoming well-informed on all aspects of the budget, and suggested keeping the Committee engaged to help through the next year(s).

Mayor Ferrante adjourned the meeting at 8:25p.m.

Barbara Montanaro, CMC
City Clerk

Blue Ribbon Financial/Budget Committee
Millage Rate Recommendation for FY 2010/11 Budget: 8.2439 mills
(Prepared by Lorraine Gott; approved by Committee on 7/19/10)

With thorough and knowledgeable assistance from our City Department Heads, the Budget Committee has examined a wide range of issues to help our City Council create the budgets needed to weather today's challenging economic environment and sustain our quality of life in coming years. To that end, the Committee's final report to Council will address analyzed issues in two timeframes: those the Committee recommends for implementation in the FY 10/11 budget, and those recommended for implementation in subsequent years.

Because the Council's first step in adopting a new budget for FY 10/11 is establishing a maximum ad valorem millage rate, the Committee begins its report with this recommendation to Council: **Adopt ad valorem rate of 8.2439 mills for FY 10/11 budget.** This recommendation was based on the following considerations:

1. The recommended increased millage rate for next year will generate approximately \$267,203 less revenue than this year's 7.8193 millage rate.
2. Thus, according to Florida tax law, the recommended millage increase:
 - is not deemed a tax increase, and
 - may be adopted by a simple majority vote (three of five members) of the City Council. (Any higher millage would require a supermajority (four of five) vote.)
3. The estimated \$267,203 shortfall in ad valorem revenue created by adopting the recommended millage is expected to be largely offset by one-time increases in various revenue sources and decreases in various costs, leaving an estimated \$95,000 shortfall which will be covered by continuing adjustments to services provided

to our residents. (*See attached comparison of significant changes in revenues and expenditures between FY 09/10 and FY 10/11.*)

4. Some City taxpayers will pay more ad valorem taxes; some will pay less.
 - Most homesteaded properties will pay slightly higher taxes, due to a 2.7% increase in assessed valuation because of the recapture provision of the State homestead legislation which requires assessed valuation to increase by CPI or 3%, whichever is less, until assessed value equals market value. (*See sample properties in attached table.*)
 - Non-homesteaded residential and commercial properties will pay less, due to a decrease in assessed valuation. For example, in Satellite Beach commercial properties in the redevelopment district decreased by approximately 14%.
5. The political trend in Tallahassee imposes further restrictions on local governments' ability to raise needed revenues to provide local services. If a current gubernatorial candidate's proposal to freeze ad valorem rates for two years (FY 11/12 and 12/13) is implemented, the City would be required to adopt the same millage rate for those years as established for FY 10/11. In addition, this proposal further provides that, following the two-year freeze on ad valorem rates at the FY 10/11 level, an as-yet-undelineated bill regarding revenue restrictions (TABOR or TABOR-Lite) would be implemented.
6. If a millage-rate freeze becomes effective for the two years after FY 10/11 (with the recommended millage rate of 8.2439), the City is estimated to lose approximately \$522,994 in the first year and an additional \$235,347 in the second year, based on anticipated assessment decreases of 10% in FY 11/12 and 5% in FY 12/13. Under this scenario, the three-year total ad valorem revenue reduction (\$267,203 in FY 10/11, \$522,994 in FY 11/12, and \$235,347 in FY 12/13) would be \$1,025,544.
7. The City needs to address the problem of increasing millage rates and declining property values to ensure that the City does not back itself into the fiscal bind whereby the millage reaches the 10-mill cap (a problem which can be corrected only through a referendum which approves exceeding the cap). If the City maintains FY 10/11-level ad valorem revenues, it would approach the 10-mill cap over the next two years (based on a 10% decline in the City's tax base in FY 11/12 and a 5% decline in FY 12/13). Under this scenario, the City's millage would be approximately 9.64 in FY 12/13.

As part of its review of property tax revenues, this Committee's report will evaluate other means to help offset the loss of *ad valorem* revenues, including new assessments and utility taxes. While these revenue sources have the advantage over ad valorem taxes of being a dependable funding source regardless of economic conditions, they also have the disadvantage of not being deductible from federal income taxes.

Blue Ribbon Financial/Budget Committee
RECOMMENDATIONS FOR BUDGET YEAR FY 2010/11
(Prepared by Lorraine Gott; approved by Committee on 7/19/10)

1. Changes in City Operations.

a. Code Enforcement.

- Streamline the process and increase enforcement for repeat code offenders.
- Consider citation power, possibly magistrate, for code enforcement.

b. Refinance current City debt. City staff is pursuing this option.

2. Personnel.

a. Check whether any of the six eligible employees will voluntarily retire. City Manager will

discuss with eligible employees. This option helpful only if those employees are not replaced. This could leave only one full-time person in Recreation.

b. Investigate behavior modification program and risk-based health insurance premiums.

- A practice found in private sector with large corporations.
- Some health-care providers reduce premiums for those who participate in such programs.

- Perhaps could be implemented with involvement of local businesses.

3. New Revenue Sources.

- a. Install red light cameras.**
 - Feasible only if vendor bears the capital expense and there is low probability the City will face financial loss on the arrangement. Option is better defined now that State has adopted governing legislation.
 - Increases revenues, including from non-residents of the City.
 - Improves highway safety, without cost to City.
- b. Vending machines.** Competitively lease out space for vending machines on City property.
- c. Joint swim program.** Investigate joint swim program between SB Rec Dept and Satellite High School.
- d. Assessments.** Initiate fire and road assessment fees, and increase stormwater utility fee.
 - Provides stable funding source for an essential service.
 - Reduces dependence on ad valorem taxes, which are at risk from Tallahassee, falling property values, and the 10-mill cap without going to referendum.
 - Could be rendered cost-neutral by adjusting millage downward.

4. Cost-Cutting Ideas.

- a. Group purchasing of goods and services with County and other municipalities.** Being done, in early stages.
- b. Beachcaster:** Investigate cost-saving changes to the Beachcaster regarding publishing (e.g., fewer pages, etc.) and distributing (e.g., editions for pick-up only, digital version on City's website, distribution by e-mail, mail delivery, etc.).

5. Fundraising Ideas. Investigate the feasibility and profitability of the following:

- a. 50/50 City raffle.** Weekly or monthly. Operate out of City Hall, Schechter Center, Police and Fire Departments. Would provide an incentive for residents to visit these locations, get to know City staff, and learn more about available services.
- b. Fiscal education campaign in Beachcaster and City's website.** To inform residents about City's fiscal status, solicit monetary and in-kind donations.
- c. City-sponsored fundraising event(s).** For general revenue or specific projects. Perhaps in spring about 6 months from Founder's Day (so as not to compete with Woman's Club Founder's Day).
- d. Sell City license plates with catchy phrases.** Beautification Board uses City license plate sales as a fundraiser.
- e. Out-of-the-box idea contest.** Has potential to identify additional new revenue sources or cost-cutting opportunities. Could be conducted in conjunction with a fiscal education campaign.
- f. Use Peglegs property as revenue-generating site.**
 - In only a few years, CRA may not bring in enough revenue to cover its debt service.
 - City is not in a position to let CRA default on debt secured by improvements that are of benefit to residents.
 - Perhaps City could negotiate a short sale of the property.
 - City may need to offer the property without any added constraints on use, despite intent to do so when property was purchased.
- g. Sponsor surf, skateboard, and/or dog park festival(s).**
 - Process is under way with CRAAC and Community Development Director.
 - City Attorney will be asked about legal ramifications of such a program.

- Could create environment encouraging businesses to move into City.
- h. **Bowling alley/roller rink/lounge at old bowling-alley site.** City to facilitate such transaction, not be financial participant.

6. **User Fees.**

- a. **Users contribute towards maintaining recreation facilities.**
 - Charge modest per-player/per-season fee.
 - Alternatively, request clubs that use facilities to help pay for their maintenance, instead of for new amenities (that Public Works must then maintain).
- b. **Establish fee for beach bonfire permits.** Satellite Beach and Cocoa Beach are only Brevard jurisdictions allowing bonfires on beach. Cocoa Beach charges \$25 for beach bonfire permit. Brevard County Parks and Recreation now advises those seeking a permit to approach Cocoa Beach or Satellite Beach.

7. **Other recommendations.**

- a. **2:1 ratio (residential:commercial) in commercial mixed-use district.** Task boards to investigate this option.
- b. **Lot aggregation and closing of some roads west of A1A.** Task boards to investigate this option.
- c. **Reserves.** Consider dipping into City reserves in 2010/11 ONLY IF the City uses the reserve funds to pay off two years of capital leases (2010/11 and 2011/12) AND the money allocated in the budget for capital lease payments goes back into the capital reserves.
 - Reduces interest costs by \$24,231.
 - Provides a return on investment of 10.2% for the \$237,170 of reserves thus used.
- d. **Lighting.** Investigate a program to replace incandescent and halogen lighting throughout City-owned facilities and rights-of-way where high efficiency lighting (e.g., fluorescent, compact fluorescent, or LED) is available at reasonable cost.
 - Reduces lighting costs.
 - Involves initial capital expense that needs to be considered.
 - Should be considered on a lifecycle-cost basis.
- e. **Computer software.** Investigate using open-source computer software in lieu of commercial products.
 - Open Office is a free office suite very similar to Microsoft Office 2000 and is able to read and produce documents in the Microsoft formats.
 - Open Office is closer in look and feel to Office 2000 (which City staff uses) than Office 2007.
 - Use of open-source software will save the City several hundred dollars for each copy of a Microsoft product that is not purchased.
 - There are also open-source software suites to replace commercial graphics and other general purpose applications (including GIS) that may serve the City's purposes.
 - It is UNLIKELY that there is open-source software to replace specialized applications such as corporate financial records and Fire and Police Department applications.
- f. **Food vendors.** Contract with Satellite Beach food vendors for the sports complexes.
 - Clubs are now contracting with food vendors at the sports complexes.

- City could enter into profit-sharing agreements with the clubs for contracted food services by vendors at the sports complexes.
- g. Title to Pelican and Hightower.** Negotiate with Brevard County to obtain title to Pelican Beach and Hightower Beach Parks, preferably without conditions attached.
 - Ensures a key attribute of the City (oceanfront parks) remains available to residents.
 - Prevents Brevard County taking unilateral action contrary to the interests of City residents (e.g., selling the land or implementing fees).
 - Opens the potential to implement revenue-generating features at the parks without Brevard County sharing or taking over the revenue source(s).
- h. Tax-abatement program.** Request committees to consider a tax-abatement program for those who develop or redevelop vacant or empty commercial properties.
 - Would increase tax revenues.
 - Would help invigorate the commercial district.
- i. Permit fees.** Consider increasing permit fees, ideally to a level covering the cost of operating the Building and Zoning Department, with modest or no increases in repair and replacement projects (e.g., re-roofs and air conditioner replacement) and all or a majority of increases coming from new construction (e.g., new homes and commercial buildings, etc.).
 - Increases revenues from those using the service involved.
 - Reduces dependence on variable and politically at-risk ad valorem taxes.
- j. Police/Fire retirement plans.** Implement a two-tier police and fire retirement plan, with new hires obtaining minimum benefits under State law.
 - Reduces personnel costs as new hires are added.
 - Measure can be repealed or modified as fiscal conditions improve, if necessary to recruit new staff and not threatening the City's sustainability.
- k. General employees retirement plans.** Scale back non-retirement benefits for employees, even if this entails two-tier-benefit systems for new versus existing employees.
 - Reduces personnel costs.
 - Measure can be repealed or modified as fiscal conditions improve, if necessary to recruit new staff and not threatening the City's sustainability.