

CITY OF MELBOURNE, FLORIDA
MINUTES – SPECIAL MEETING BEFORE CITY COUNCIL
SEPTEMBER 11, 2007



A special meeting of the City Council was held in the City Council Chamber, 900 East Strawbridge Avenue, and was called to order at 6:30 p.m. by Mayor Harry C. Goode, Jr.

1. Pledge of Allegiance.
2. Roll Call.

Present:	Harry C. Goode, Jr.	Mayor
	Mark LaRusso	Vice Mayor, District 2
	Richard Contreras	Council Member, District 1
	Kathy Meehan	Council Member, District 3
	John Thomas	Council Member, District 4
	Cheryl Palmer	Council Member, District 5
	Joanne Corby	Council Member, District 6
	Jack M. Schluckebier, Ph.D.	City Manager
	Paul R. Gougelman, III	City Attorney
	Cathy Baker	Assistant City Clerk
	Amy W. Elliott	Deputy City Manager
	Howard Ralls	Deputy City Manager

3. COUNCIL ACTION RE: Proposed 2007-08 Budget

Mayor Goode announced that staff will review the 2007-2008 proposed budget and the public hearing will be held under Item 4.

Deputy City Manager Amy Elliott noted that the handout in the Council package, which summarizes the budget is available to the public. The fiscal year begins October 1 and ends September 30. Council reviewed the proposed budget at the July 23 workshop meeting and tentatively approved the budget at \$155,580,124. The budget is the City's operating program for the next fiscal year and includes all traditional municipal services, such as police, fire, streets, and recreation; and the regional water and sewer system, the stormwater utility, the two golf courses, the airport, and the insurance internal services funds. Council is asked to formally approve changes made to the proposed budget at the July 23 workshop and at the August 14 Council meeting (included in the September 11 budget agenda package); and tentatively approve the \$14.9 million airport budget. These changes bring the total proposed budget to \$169,982,581.

Mrs. Elliott reported that the proposed budget is about \$10.3 million less than the current year. The vast amount of this change is a reduction in capital improvements funded by the general fund and the water and sewer system. The budget reflects a property tax rate of 4.4751 mills, which Council tentatively approved on July 23. This is equal to or 0% from the rolled back rate and will generate the same level of property tax revenue the City received in the current fiscal year as adjusted for new construction and annexations. It is estimated to generate about \$21 million or 12% of the total City budget. The proposed millage rate is less than the current millage rate

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and compares favorably to other full service cities in the County. She noted that the use of the rolled back rate requires a 2/3 vote by Council.

Mrs. Elliott pointed out that other general fund revenues were adjusted to reflect growth trends, some of which are negative. Our major revenue sources, such as construction permit and State shared revenues remain flat and/or declining. The water and sewer fund revenues reflect a system wide 7% rate increase as recommended by the rate study consultant and approved by Council on July 24. This level is needed to provide operations, maintenance and debt service in the water and sewer system. The golf course revenues reflect annual fee increases as adjusted by the CPI as recommended by the consultant and approved by the Golf Courses Advisory Board in 2006; and reflect additional rate increases approved by the Advisory Board this year for items such as summer green fees, cart rentals, and the driving ranges.

Continuing, Mrs. Elliott reported that the single biggest change to the total expenditures is the decrease in capital improvements, which is reported in two places in the budget. First, the capital improvement fund decreased \$4.6 million and second, the transfers from the two largest operating funds - the general fund and the water and sewer system - decreased a combination of \$7.1 million. The budget proposes funding for salary adjustments for employees consistent with union contracts, and increased health insurance and pension costs to maintain a quality workforce. There has been a marked decrease in new staff proposed compared to previous years; only one net new position was added with six part time Leisure Services positions deleted. The capital outlay, including the operating budget, decreased \$2.4 million as a result of deferring needed replacements to future years to achieve a balanced budget proposal. In accordance with TRIM (Truth in Millage) requirements, Council must first act on the millage rate; however, this does not preclude Council from discussing the proposed budget. Both the tentatively approved millage rate and budget will be advertised prior to the second public hearing scheduled for September 25.

Staff's recommendation is to approve a millage rate of 4.4751 mills and the 2007-2008 proposed budget of \$169,982,581.

Responding to Vice Mayor Mark LaRusso, Mrs. Elliott confirmed that there were no layoffs with the deletion of six Leisure Services part-time positions.

4. COUNCIL ACTION RE: Adoption of a Proposed Millage Rate for FY 2007-08.

Mayor Goode opened the public hearing.

Donna F. O'Malley, 475 Mallard Lane, Indialantic, said it is her opinion that this meeting is only to satisfy the requirement for public comment; it is unfortunate that public input/comment is at the end of the process. The budget is a done deal; minds are made up evidenced by Council's vote July 23 to ignore the Legislature and approve the rolled back rate. She said it appears that taxes were reduced because the budget is 6% less than last year; however, it is still 23% higher than the 2005

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budget. And, the population growth since 2000 has only been 6.5%. Ms. O'Malley discussed her taxes, government employment and the new City Hall. She concluded by asking why citizens are not invited to participate in the budget process until the end, and why the City needs a new building, when Harris Corporation is functioning nicely in facilities that date back to the 1950s. She asked how Council justifies a 23% increase in spending when the population has only increased 7%.

Council Member Richard Contreras thanked Ms. O'Malley for attending the meeting. He noted that she is the first Melbourne citizen in four years to speak on the budget. He said there is a budget season, with workshops, etc., and City staff and Mayor and Council are accessible any time. He asked if she contacted anyone to share her input.

Mrs. O'Malley responded no.

Lisa Dutcher Herendeen, 6565 Ward Parkway, Melbourne Village, addressed her concern with property taxes. Her only source of revenue is property management; she and her husband own eight properties, both residential and commercial, in Melbourne. She said since 2005-2006 her taxes have increased 33%. She noted that she does not know one residential landlord that is not in the negative right now due to the increase in taxes and insurance. If municipalities do not find a way to substantially reduce spending and property taxes there will be a negative impact on the overall economy in Brevard County. The cuts Council is trying to avoid now are going to be inevitable. The tax implication is already having affects on consumer spending, including dining out and travel.

Regarding Council's reference to no public input, Ms. Herendeen says she feels that Council Members are elected to be the public input. She does not have time to attend all of these meetings; it is becoming ridiculous. Continuing, she commented that she has not seen the tax relief promised; basically taxes have gone up 33% a year, and it appears they will come down about 15%. She asked where the money is going and said more accountability is needed. Someone needs to pay attention to trimming the fat in the budget. She does not believe that she and her husband are using the \$32,000 in taxes they paid in 2006 to the City of Melbourne for services; they don't even have kids in school. She said it is getting out of control and Council needs to take a more active role. She added that if Council asked for citizen input it would be given.

Mr. Contreras stated in a democratic society people shouldn't have to be asked to speak; freedom of speech is one of the tenements of the Constitution of the United States. As elected officials, Council is entrusted to be good stewards of the taxpayers dollars. He again noted that in the past four years Ms. Herendeen is only the second person to speak on the budget. He said there is a "housing crisis"/ "insurance crisis" and only two people speak. He recommended looking at the City of Melbourne budget over the last ten years. This Council and previous Councils have been very frugal, providing very austere budgets at the risk of not doing things for the citizens of the City of Melbourne, such as road improvements and other services. There was such a

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backlog of projects over the years that when the dollars came in over the last four years, that is where the money was spent. Unfortunately, \$2,000 in the year 2000 is not the same as in 2007; we can't buy what we could five or ten years ago. The City took some hits for not doing those backlog projects in order to maintain a very austere and lean budget. However, those were decisions that were made.

Ms. Herendeen stated she appreciates that, but there has been a lot of talk about backlog; and to her backlog says money was not being managed properly.

Mr. Contreras asked Ms. Herendeen if she had any input or recommendations as to what was not being managed properly.

Ms. Herendeen said if there is a backlog, then certain expenses are not being covered. As with any household budget, the money has to come from somewhere. She said salaries are not increasing 117%. She understands Mr. Contreras' comments, her expenses are increasing also, but spending has to be cut at some point or it will get completely out of control.

Mr. Contreras stated it is not a mismanagement issue. In prior budgets Council chose to hold the millage rate and those budgets were very flat by design so as not to impact the Melbourne taxpayers that were asking for relief and a backlog was incurred. He asked if Ms. Herendeen had a recommendation.

Ms. Herendeen stated backlog says you are not taking responsibility for the issue. People must be held accountable; there needs to be more workshops before we get to a crisis point.

Mr. Contreras said about six years ago he commissioned a group of five citizens, comprised of comptrollers and accountants, the "bean counters", tasked with reviewing the City's budget. These experts in the field determined that the City runs a lean and austere organization. He said he welcomes input, there just hasn't been any.

Ms. Herendeen suggested Council solicit more input. Property values are dropping, assessments will go down again, and there will be a roll back situation. Next year the problem will be bigger, you can't keep putting off the problem. Revenues are declining, not increasing.

Council Member Cheryl Palmer said she has been on Council for nine years and has only seen two or three people willing to speak at these hearings. She does speak with people on the street and on the telephone, so there is communication with constituents. Mrs. Palmer noted that she recently discussed these issues with Ms. Herendeen.

Mrs. Palmer said she came on Council as a conservative in 1998 when our economy was rather flat; there was no development. The City looked at ways to become more friendly to investment and development. That, coupled with the economy in general,

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created a lot of new investment, an increase in property valuations, and people like the Herendeens began to purchase investment properties. She said we have no control over the current economy in general. But, during the time we had the increased revenues, we tried to put the money into non-recurring expenses to take care of some of the capital improvements that had been stagnant simply because there hadn't been any development. The City did not hire a lot of new employees, which is fortunate because now there are no layoffs. The City kept the service level up. However, inflation of property values is probably the biggest factor in taxes right now. The City's millage rate historically has been low compared to the County and other cities in Florida. She said she can't say there is absolutely nothing in this budget that couldn't be cut, noting that grants-in-aid to non-profit organizations is not an essential City service; but traditionally people that speak at the budget hearings don't ask for tax cuts, they ask for more money or to add to the budget. There are some non-profits that actually do provide a service that is beneficial to the City and its citizens.

Mrs. Palmer said the City has no control over property valuation, the national/international economy or the insurance rates. She commented that she is a taxpayer, too, and appreciates Ms. Herendeen's hard work.

Mr. LaRusso stated that Council is accessible to everyone here and anyone who is watching or listening. He said he takes phone calls and people knocking on his front door. Property values, both the assessed value and the market value are not controlled by this Council. He asked if Ms. Herendeen has approached Mr. Ford (Property Appraiser). In terms of the school board, tax rates are higher, the legislators passed a 7% increase for the school board, which is not part of the City. He said his taxes also increased. This Council worked very hard and provided something we thought was above and beyond. He concluded by recommending that anyone that has something to say to contact Council or staff.

That concluded comments from the public.

Mayor Goode commented that he became Mayor the first time in November 1979 and that year Council voted to approve a budget at 7½ mills. He said this year at 4.4 mills his tax bill is about \$700; at the 1979 rate of 7½ mills his tax bill would be \$1,200. This Council cut taxes over the years and still provided services. The Mayor reported that there are approximately 225 miles of city roads in the City. A city street needs to be resurfaced once every 20 years. The City should be resurfacing 12 miles per year. Prior to his return to Council in 2004, the City was resurfacing about two miles per year. Over the last two years the budget was increased to about five miles per year, but with the 7% cut this year that money came right back out. He said Council agonized over this budget and has to live with it. It has not been a fun time, but he believes Council has done a good job.

Moved by LaRusso/Thomas to approve the millage rate of 4.4751 for the 2007-2008 fiscal year. Motion carried. (Council Members Contreras and Corby voted nay.)

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5. COUNCIL ACTION RE: Adoption of a Tentative Budget for FY 2007-2008.

Moved by Thomas/Meehan for approval of the 2007-2008 tentative budget of \$169,982,581 (which includes adjustments to the General Fund, Special Revenue Funds, Capital Improvement Fund, and the Airport Fund).

Mrs. Palmer commented that in the past she would vote nay if she didn't agree with everything in the budget; however, she has moved past that. It has been a good effort and although she doesn't agree with all of it, most of it is right on target and she will support it.

Council Member Kathy Meehan referenced the gift certificates (\$25 Holiday gift certificate) and asked that her name be added to the list of those who do not wish to receive the gift certificate.

Mrs. Palmer commented it is a very small amount; however, she will do that also. Council Member John Thomas asked to be included as did Council Member Joanne Corby who said it's a small amount, but it is the principle.

Mayor Goode stated that staff can take all of Council out of the gift certificates.

Mrs. Palmer commented that she appreciates that Council Member Contreras asked for a review of the City's dues and subscriptions, which resulted in substantial savings.

Mr. Contreras said he is not voting in favor of the budget because in his opinion too much damage is being done. Regarding the City's infrastructure, canceling existing funded capital improvement projects is a step backwards. Postponing the second phase of the Police Department assigned vehicle program is bad faith; 50% of the cars were in the first phase and now the next phase, 26 cars, is being postponed. He discussed the reduction of maintenance vehicles and postponement of fire engines. Due to the mandate of the Legislature the City has gone backwards. We offset some items and increased or added new fees to reach the target mandated by the State Legislature. He said it is a bit of a shell game, maybe not 100%, but costs have been added to other areas.

Continuing, Mr. Contreras referenced some Florida Today articles. He said he is not an advocate for the Florida Today, however, he believes the public at large, the citizens of Melbourne, Brevard County and the State are finally waking up to the fact that, and he quoted from a Florida Today by-line "Thanks for nothing." People are opening their tax bills and noticing that their taxes increased or they realized a savings of a few dollars per hundred thousand dollars (assessed value). It is his opinion that people are realizing that all of this churn from our staff, the Council, the citizens, has been non-value added.

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Mayor Goode said the motion is for adoption of the proposed budget of \$169,982,581, less the seven gift certificates to Council. Mrs. Elliott confirmed that savings will be included in the contingency balance and won't change the overall budget.

The question was called. The roll call vote was:

Aye: Meehan, Thomas, Palmer, LaRusso and Goode

Nay: Contreras and Corby

Motion carried.

Mayor Goode reminded everyone that the second public hearing will be held September 25.

6. ADJOURNMENT

The Mayor adjourned the meeting without objection at 7:08 pm.



Assistant City Clerk – 9/19/2007

Approved by Council: _____