

CITY OF MELBOURNE, FLORIDA  
MINUTES – SPECIAL MEETING BEFORE CITY COUNCIL  
SEPTEMBER 16, 2008



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
	Kathy Meehan	Vice Mayor, District 3
	Richard Contreras	Council Member, District 1
	Mark LaRusso	Council Member, District 2
	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
	Cathleen A. Wysor	City Clerk
	Amy W. Elliott	Deputy City Manager
	Howard Ralls	Deputy City Manager

3. COUNCIL ACTION RE: Review of the 2008-09 Proposed Budget

Mayor Goode announced that staff will review the 2008-2009 proposed budget and the public hearing will be held under Item 4.

Deputy City Manager Amy Elliott reported that this is the first public hearing on the 2008-2009 fiscal year budget. The City's fiscal year begins October 1 and ends September 30. Council previously reviewed the City Manager's proposed budget at the July 21 workshop meeting, which was tentatively approved at \$155,140,296.

The budget is the operating program for next fiscal year and includes all major funds and operations of the City. It includes all traditional municipal services, such as police, fire, streets, and recreation in addition to the regional water and sewer system, stormwater utility, two golf courses, the Airport, and insurance internal service funds.

Mrs. Elliott reviewed the steps that were taken to get to this point. Amendment 1 was approved in late January and City Council met with staff in a workshop meeting in February to review cost reduction measures in light of the expected negative impact of Amendment 1 on property tax revenue and the downward trend in other revenues. At that meeting a number of measures were approved for use in developing the proposed budget, including:

- Reduction in capital equipment
- Reduction in capital improvements
- Implementation of Department Director recommended expenditure reductions
- Reduction of 10% in transfers to the Community Redevelopment Agencies

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- Reduction of non-essential (non-public safety) personnel through attrition
- Elimination of holiday gift certificates
- Reduction in grants to non-profit organizations

With regard to reductions in personnel, the proposed budget assumes there will be 10 more vacant positions occurring next year in addition to the currently frozen 12 positions.

At the February workshop, Council also approved long-range recommendations that could not be implemented in the next four to six months; however, they are still being explored to further reduce expenses. Two concepts have been incorporated in the proposed budget: 1) reduction in pension expense for employees who opted out of the local pension plan and transferred to the Florida Retirement System; and 2) providing de minimus salary increases next fiscal year. Staff is negotiating these salary adjustments with various bargaining groups.

At the July 21 budget workshop meeting, Council reviewed the budget, allocated grant funding to non-profit organizations, and set a proposed millage rate. There was lengthy discussion at that meeting about the appropriate millage rate level and whether it should be higher. Ultimately, Council approved notification to the Property Appraiser of the lower rate used in the proposed budget.

At this meeting, Council will need to formally approve changes made to the proposed budget at the July 21 meeting and tentatively approve the \$11.4 million Airport budget for next year. These changes will bring the total proposed budget to \$166,523,936.

Mrs. Elliott summarized the budget document:

The budget reflects a property tax rate of 4.5110 mills, as tentatively approved on July 21. This rate is 4.5% below the rolled back rate of 4.7251 mills. It is a tax decrease, and it will generate less property tax dollars than the current fiscal year. This is the first time in 14 years that the actual property tax revenue is lower than the previous year. This rate is expected to generate \$21 million, which will fund about 13% of the City budget. The property taxes only fund 58% of the Police and Fire budgets. The remaining public safety costs and City services are funded from other revenue sources.

Although the proposed millage rate requires a two-thirds vote, staff believes this is the minimum prudent property tax rate. It honors the voters' direction to hold the line on property taxes, yet provides a stable base to support General Fund operations at slightly below current levels. Melbourne's proposed millage rate compares favorably to, and is the lowest of, other full service cities in the County.

Other General Fund revenues have been adjusted to reflect growth trends – some of which are negative. Major revenue sources are flat or declining, such as state shared revenues, communications services taxes, and electric utility taxes. Some proposed

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General Fund revenues may not materialize as budgeted; however, staff made reasonable projections given the available data. As the next year unfolds, these projections may need to be revisited and further adjustments made.

The Water and Sewer Fund revenues reflect the system-wide seven percent rate increase as recommended by the rate study consultant and approved by Council last year. This level of rates is needed to provide for operations, maintenance and debt service costs. The proposed budget also reflects use of \$4.1 million of reserves for capital improvements to reduce the amount of water and sewer bonds required. Other revenues have been adjusted for trend but are generally consistent with current year receipts.

The Golf Courses Fund revenues reflect the annual fee increases adjusted by the CPI that were recommended by the independent consultant and the Golf Courses Advisory Board in 2006. The Insurance Fund reflects favorable premiums for general liability and property damage coverage and favorable workers' compensation claims experience; therefore, the charges to the user funds have been correspondingly reduced.

With regard to total expenditures, the single biggest change is the decrease in the General Fund. This is detailed in the budget transmittal letter and on the department summary pages of the budget. The major reductions are in funding for staff and deferral of capital equipment purchases and capital improvement projects. Many of the General Fund expenditure reduction measures have been applied to the other operating funds as appropriate to cope with flattening revenues.

Personnel expenses are proposed to decrease \$1.4 million due to not filling 12 current vacant positions and assuming 10 more vacancies will go unfilled next year. Capital outlay included in the operating budgets decreased \$952,000 or 23% from the current year. This was the result of deferring needed replacements to future years to achieve a balanced budget proposal.

The Capital Improvement Fund increased about \$1.4 million largely due to expanded Community Redevelopment Agency projects to be funded by grants and loan proceeds. Nearly 70% of this fund's budget is for water and sewer projects financed by bonds, grants, impact fees, and operating transfers. It is important to note that the only General Fund project is for renovation of Fire Station 71. All other General Fund projects have been deferred.

On August 27 the Airport Authority approved a budget for its operations next year of \$11,383,640. This document has been previously provided to Council. It is recommended that the Airport budget be added to the total proposed budget at this meeting.

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In accordance with TRIM requirements the Council must first take action on the millage rate. This does not preclude Council from discussing the proposed budget, but the proposed millage rate must be adopted first.

Mrs. Elliott concluded by stating that the recommendation is to approve a millage rate of 4.5110 mills and to tentatively approve the 2008-2009 proposed budget of \$166,523,936. The tentatively approved budget and millage rate will be advertised prior to the second public hearing, which is scheduled for Sept. 30.

4. COUNCIL ACTION RE: Adoption of a Proposed Millage Rate.

Mayor Goode opened the public hearing.

Lisa Herendeen, 1309 South Babcock Street, stated that the millage rate being proposed is still an increase. She noted that this is not the time; property tax revenues are down because market values are down. Ms. Herendeen encouraged Council to be diligent in cutting costs.

Hope Bookman, President of the Melbourne Art Festival, referenced the action Council took in July to cut funding to the non-profit organizations. She stated that the non-profit organizations in our community are a valuable asset; they contribute a lot to the community each year. Ms. Bookman recommended that the City partner with the Melbourne Art Festival and other non-profit organizations.

Mayor Goode referenced the recent action by the Florida Legislature and the voters, which has resulted in budget cuts. The City has avoided laying off employees, although it does have positions that are vacant. He noted that cutting funding for non-profit groups was a tough decision made by Council.

Ms. Bookman replied that she understands; however, she does not care for the comments that were made about the Art Festival at the July Council meeting. She pointed out that the Art Festival pays over \$25,000 to the City for services during the festival and they were requesting an amount to help offset those City fees. She added that she's not sure other festivals provide this type of payment to the City.

That concluded comments from the public. Mayor Goode closed the public hearing.

Mrs. Elliott announced that the proposed rate of 4.5110 mills is 4.5% below the rolled back rate of 4.7251 mills. The rolled back rate is the rate that is tax neutral in terms of revenue increase or decrease.

Moved by Thomas/Meehan for adoption of a millage rate of 4.5110 for the 2008-09 fiscal year.

Mrs. Corby stated that at the workshop meeting there was discussion about increasing the millage rate from the proposed rate and the rolled back rate of 4.7251. She asked

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the difference in dollar amount if that were to occur. The City Manager replied that it is in the range of \$1.5 to \$1.7 million; however, that opportunity has passed.

Mrs. Corby asked if there is a reason why the option of keeping the current millage of 4.4751 was not proposed. Mayor Goode replied that Council voted for the rate proposed by staff.

Mrs. Elliott added that staff proposed and Council concurred with a rate of 4.5110 mills, which is less than the rolled back rate. It is revenue neutral. Every year the City needs an increase in revenues to maintain the same level of service and cover cost increases we routinely incur. A lot of cutbacks were made to reduce costs. If the City went with the same millage rate as the current year, it would be a reduction of \$1.6 million (\*see clarification below). Mrs. Elliott stressed that it would not be prudent as a responsible manager to propose a budget that would deliver less than what's needed to provide necessary services for the community.

Mrs. Elliott confirmed that number factors in new construction. Mrs. Corby commented that based on the information from the Property Appraiser, the City would generate approximately \$20.9 million with the current millage rate of 4.4751, which is a difference of \$170,000 - \$180,000. \*Mrs. Elliott replied that is correct and added she was looking at a wrong table in the materials when she made her previous comment.

Mrs. Corby said that her recommendation would be to stay with the current millage rate. The whole purpose of Amendment 1 was to cut taxes. She added that she believes the City can come up with \$170,000 to \$180,000 more in the General Fund. In order to have a true tax cut and a decrease, the City should lay flat with the millage rate. She concluded by saying that staff has done a great job getting to this point; however, she does not believe we are quite done.

Mrs. Palmer agreed that \$170,000 - \$180,000 is a small amount of money. She asked why the ideas generated at the workshop meeting were not implemented for this budget year. Mrs. Elliott replied that some required more time and study. Examples include changing the Airport fire station operation and consolidating the dispatch function.

Mrs. Palmer recalled that some of the suggestions were simple and easy to implement. Mr. Schluckebier agreed and said that those ideas were used to reach a \$3 million reduction. However, with regard to some of the ideas that were generated staff is not ready to say you can count on savings at this time. Mrs. Palmer said that by the second public hearing, she would like to hear some of the ideas from the workshop meeting that are definitely going to be implemented.

Mrs. Corby said that Melbourne's property values stayed steady last year. Our property values decreased less than zero – and that's factoring in new construction and additions to our City. She stressed that she knows Council can come up with \$180,000 difference.

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Mr. Schluckebier confirmed for Mr. Contreras that the \$300,000 Brevard County EMS funding is still an issue and has not been resolved.

Mr. Contreras discussed the following concerns: known risk of a potential \$300,000 shortfall from Brevard County; the City is banking on a reduction of 10 more employees through attrition; the deferral of projects, including road maintenance, involves pay now or pay later; and Council has failed in its commitment to the Police Department vehicle take home program. He added that he appreciates staff looking at renegotiating union contracts; however, those are legal binding contracts. The City is at the mercy of the goodwill of the union negotiating parties.

Continuing, Mr. Contreras stated that the value of our employees and the services they render to the citizens of this City are worth it. He noted that at the workshop meeting he was a proponent of maintaining a higher millage rate with the thought that through prudent discussions, it could come down. At this point, however, that can't be done. He congratulated staff on a well-footed budget and stated that at this time he cannot support it.

Mr. LaRusso commented that this Council has successfully fought back a fire fee, an increase in business tax receipts and a one-cent sales tax. The City has successfully negotiated a 1% cost of living increase for Police and is in the process of maintaining stability with fire and other employees. He stated that he plans to support the 4.5110 proposed millage rate, and added that there are many items Council will continue to review.

Discussion followed regarding the number of votes needed for the motion to pass. Mr. Schluckebier said that the motion for the proposed rate of 4.5110 mills would require five votes.

The question was called. The roll call vote was:

Aye: LaRusso, Thomas, Meehan and Goode

Nay: Contreras, Palmer and Corby

Motion failed. (Two-thirds vote, or five ayes, required by legislation to pass the proposed millage rate.)

Mayor Goode asked where Council goes from this point. Mrs. Elliott replied that Council needs to come to some conclusion on the millage rate. And, it can't be higher than 4.5110 mills.

Moved by Corby/Palmer to adopt the current millage rate of 4.4751 mills.

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Following brief discussion, Mrs. Elliott said that this would result in a property tax revenue reduction of \$167,744. This is at the 95% collection rate used in the budget.

With regard to adoption of the total budget – not the millage rate – Mrs. Corby said that Council could indicate a range, which would allow staff the flexibility to determine exact totals prior to the second public hearing.

Discussion continued.

Mrs. Palmer stated that at the workshop meeting she voted for the proposed millage rate of 4.5110 mills, and she believes it was a very fair millage rate. However, following the recent turn of events with the stock market, she decided to support a lower rate. Our citizens have taken a real hit over the last couple of years. People have moved out of the area and more homes have been foreclosed. Perhaps a cut of less than \$168,000 might be what our citizens need.

The question was called. The roll call vote was:

Aye: Thomas, Palmer, Corby and Meehan

Nay: Contreras, LaRusso and Goode

Motion failed.

Following brief discussion, Mrs. Elliott confirmed that a two-thirds vote was needed to approve the motion. Attorney Gougelman added that based on legislation, the maximum millage that could pass by a majority vote of Council is 4.1861 mills.

Mrs. Corby's motion to approve a millage rate of 4.1861 mills did not receive a second.

Mrs. Corby briefly discussed the communication from the City Engineer at the workshop meeting regarding roads that need resurfacing. Following discussion, the City Manager clarified that the communication related to a hypothetical situation about a higher millage rate. The streets proposed for resurfacing are listed in the Appendix of the budget and do not include the streets identified by the City Engineer in the communication. Additionally, funding for the streets identified in the budget for resurfacing will not come from property tax revenue. The recommendation for a millage rate of 4.5110 does not include any General Fund property tax dollars for resurfacing. Mrs. Elliott added that it includes local option gas tax funding.

Mrs. Corby asked if any of the Community Redevelopment Funds have carried money forward from previous years. Mr. Schluckebier replied that he doesn't have that information available. Mrs. Corby asked for a breakdown of that information.

Mayor Goode briefly addressed street resurfacing and pointed out that this is the first item that was cut. The City is back to resurfacing less than two miles per year. His

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prediction is that in approximately three years when Florida has reached such a degree of deterioration with its roadways and other infrastructure, it's not going to be the land of milk and honey.

Mr. LaRusso said he'll be surprised if there is any money for Community Redevelopment Agencies next year given the climate transpiring with (our County government).

Mrs. Corby said that's why it's important to see how much money is in those funds and how much has been carried forward from previous years. She pointed out that only those areas benefit from the funding, not the entire City.

Mr. LaRusso offered that it comes down to a quality of life issue. The executives from Embraer selected Melbourne because quality of life was a deciding factor. Melbourne has offered tax abatements to Embraer, DRS, and others. He cautioned against cutting too deep.

Moved by LaRusso/Goode to approve the proposed millage rate of 4.5110 mills.

Mrs. Palmer said that the City has granted many tax abatements to help companies locate here and ease some of their burden to provide jobs. However, she emphasized that \$167,744 is not a huge tax abatement to give our 70,000 citizens. Council made suggestions at the workshop meeting that haven't been implemented. Between now and the next meeting, the city should find some extra cuts and send a message to the taxpayers of the City that we are not just looking out for corporations. We're looking out for people who live here. Melbourne is a retirement community and Council should ensure that people are able to stay in their homes and not be forced to move.

Continuing, Mrs. Palmer pointed out that the entire Council Chamber is full of employees who are looking to take care of their jobs and their paychecks. There are thousands of people not at this meeting wondering if they are going to get their next paycheck. She stressed that this is not just about our employees. Council can make cuts and still take care of the employees.

Mr. Thomas mentioned that if the 4.5110 millage rate will force people to move, they won't be moving to Palm Bay with a rate of 5.3 mills, to Titusville with a rate of 5.49 mills or to Satellite Beach with a rate of 7.1 mills. He urged Council to do what is best for our City.

Discussion continued.

The question was called. The roll call vote was:

Aye: LaRusso, Thomas, Meehan and Goode

Nay: Contreras, Palmer and Corby

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Motion failed. (Two-thirds vote required.)

Mr. LaRusso stated that Mrs. Palmer made a compelling argument. Given the situation with Embraer and the tax abatements offered to other corporations, he supports her statement.

Mayor Goode reminded all that Embraer is spending \$43 million in construction.

Moved by Corby/Palmer to approve a millage rate of 4.4751 mills.

Mr. Contreras said he thought that at this point if we had to return to the department directors, we would be looking at loss of full time employees.

Mrs. Elliott replied that the proposed budget was predicated on the assumption that we wouldn't lay off any currently employed personnel. It assumes the 12 frozen positions plus 10 more vacant positions next year.

Mr. Contreras said that our citizens are looking at their preliminary tax notices and not seeing the relief. The root cause of the property tax problem has not been fixed and the Legislature dumped this in the City's lap to meet its budget needs. The quality of life is eroding and potholes are just the beginning. People will start to realize that these amendments were not prudent. Mr. Contreras concluded by saying he can't support the motion.

Mr. LaRusso asked if a rate of 4.5110 is passed at this meeting, if Council can pass a rate of 4.4751 at the next meeting. Mrs. Elliott replied yes. Mr. LaRusso pointed out that in the meantime, staff will have time to respond to Council's questions and identify the additional \$167,000.

Mrs. Palmer pointed out that the City has been in a boom, not a bust. Our roadways did not deteriorate since Amendment 1 passed. She added that in her opinion we did not take care of the roads in years when we had additional money.

Mrs. Corby recommended that the City not pass blame. Melbourne has done a great job of maintaining its services and will continue to provide excellent services. The City experienced a 168% increase in property tax revenue over the past four or five years. Our current change in property values is less than zero percent. Identifying another \$170,000 in savings is nothing compared to what has already been done.

Mr. Contreras said that when he arrived on Council, previous administrations had been frugal and many capital improvement projects had been deferred. During the boom of 2001-2005, many deferred projects were put in the pipeline. During the boom, money went into capital improvement projects that had been deferred for years.

The question was called. The roll call vote was:

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Aye: LaRusso, Thomas, Palmer, Corby and Meehan

Nay: Contreras and Goode

Motion carried.

(The approved proposed millage rate of 4.4751 mills is 5.3% below the rolled back rate of 4.7251 mills.)

5. COUNCIL ACTION RE: Adoption of a Tentative Budget.

Note: Adoption of the tentative budget includes the following: a) \$77,308 for grants-in-aid to specific non-profit organizations as approved on July 21. The grant program expense will be reduced by this amount and the contributions to the individual non-profit organizations will be increased by a like amount. b) Council Member Mark LaRusso volunteered a reduction of \$155 per month to his automobile allowance generating an annual savings of \$1,860. An increase of \$1,860 will be made to contingency to balance the change. c) Addition of the Airport budget as approved by the Airport Authority on August 27.

Mayor Goode pointed out that based on the adoption of the millage rate of 4.4751, the total budget will be reduced accordingly at the second public hearing. Mrs. Elliott asked if Council is recommending the numbers proposed at this meeting be reduced by a reduction in property taxes. Mayor Goode agreed and Mrs. Corby recommended a range be adopted at this meeting of \$160,000 - \$180,000. Mrs. Elliott stated that a specific number has to be advertised prior to the second public hearing.

Mrs. Palmer said she believes the 7% water rate increase provided for in this budget is a burden. She noted that it has been recommended; however, it does not have to be approved by Council. Because this is in the budget, she will not vote for it.

In response to Mrs. Corby, Mr. Schluckebier said that our outside water customers pay 10% higher rate.

Moved by LaRusso/Thomas for approval of the 2008-2009 tentative budget of \$166,523,936 (which includes adjustments to the General Fund and addition of the Airport Fund), less the reduction in property tax revenue as a result of the adoption of the proposed millage rate. The roll call vote was:

Aye: LaRusso, Thomas, Corby, and Meehan

Nay: Contreras, Palmer and Goode

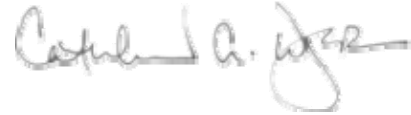
Motion carried.

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6. ADJOURNMENT

Moved by Corby/LaRusso to adjourn. Motion carried unanimously.

The meeting adjourned at 7:40 p.m.



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City Clerk – 9/24/2008

Approved by Council: \_\_\_\_\_