

**CITY OF TEMPLE TERRACE, FLORIDA  
MAYOR AND CITY COUNCIL  
REPORT OF WORK SESSION**

**Wednesday, April 29, 2009  
Council Work Room- City Hall  
8:30 a.m.**

Having been duly advertised as required by law, the Mayor and City Council of the City of Temple Terrace, Florida, met in a work session for a presentation and discussion relative to the Budget Policy for Fiscal Year 2009-2010.

**PRESENT WERE:** Mayor Joe Affronti, Sr., Council Members Alison M. Fernandez, Ron A. Govin, Ken Halloway, Mark A. Knapp, and Mary Jane Neale, City Manager Kim Leinbach, City Attorney Mark Connolly, and City Clerk Lisa Burns.

**ALSO PRESENT WERE:** Public Information Officer Michael Dunn, Code Compliance Director Joe Gross, Finance Director Diane Reichard, Police Chief Ken Albano, Fire Chief Keith Chapman, MIS Director Bob Keel, Leisure Services Director James Chambers, Community Development Director Charles Stephenson, Deputy Fire Chief Ian Kemp, Deputy Police Chief Patricia Powers, Deputy City Clerk Judith Read, Assistant Finance Director Ted Beason, Senior Information Services Specialist Rose Ellis, Police Lieutenant Bernard Seeley, Police Lieutenant Darrin Berberat, Firefighters Robert Sapp and Walt Rogers, Cheri Donohue, and several other persons.

The City Manager explained the purpose of the work session is to address the budget policy for the Fiscal Year 2009-10 budget, and to receive recommendations and direction from the Council. He noted it is a challenging time, but the administration and staff are up to the task. He called on the Finance Director to present the current situation and alternatives for going forward into the Fiscal Year 2009-10 budget cycle.

Utilizing a PowerPoint presentation, a copy of which is part of the record, Finance Director Diane Reichard first reviewed the current Fiscal Year 2008-09, pointing out three areas which resulted in a \$550,000 shortfall: utility taxes, building permits, and State shared revenues. To address these shortfalls, she said a permanent hiring freeze was implemented on several positions, which totaled the amount of lost revenue; however, it is impacting service levels.

Relative to the loss on utility taxes, Council Member Knapp said he previously questioned whether the City can impose a utility tax on cellular phone usage; he did not recall receiving a response. The Finance Director responded the City has already imposed a tax on cellular phones, based on the address where the service is billed. She briefly explained the City updates its address list with the Department of Revenue every six months; cellular phone companies get their billing addresses from the Department of Revenue website. Council Member Knapp commented he is not charged a utility tax on his cellular phone, and suggested she look into that; he also asked the Finance Director to provide him the amount of revenue the City receives on cellular phone service.

To explain the ramifications of the hiring freeze, the City Manager commented, as an example, that the City is short two employees who perform maintenance on the medians; if the rains begin again, the remaining crews won't be able to keep up. Council Member Govin asked whether those positions are being permanently eliminated, to which the City Manager responded affirmatively. The Finance Director added that if the revenue exceeds their estimates, the administration would come back to Council for approval to add positions.

Council Member Halloway asked for clarification of areas where the level of service has been impacted. The City Manager responded the City has fewer employees and was already at minimum staffing levels in most areas, with an increasing workload.

The Finance Director advised that the Hillsborough County Property Appraiser has indicated the City should plan on a decrease ranging from 10 to 15%; therefore, she has used an assumption of a 15% decrease in her preliminary calculations, which would be a loss of \$1,670,000 in the General Fund, including a loss in property tax estimated at \$1,115,000. She briefly noted other falling revenues and the additional revenue needed for the Police and Fire pension funds of \$225,000, which translates into a loss in revenue for other uses.

Council Member Fernandez asked for a clarification of State shared revenues, to which the Finance Director explained that State shared revenues include sales tax and other taxes, such as motor fuels. She confirmed the loss in revenue is from the economy and not from the State cutting the City's share.

Relative to the Police and Fire pension funds, Council Member Govin questioned the amount shown, stating that the amount discussed at the pension workshop was higher. The Finance Director agreed, stating she has two numbers: \$225,000 is the amount to keep the City going at a 30-year amortization; the State has indicated they would prefer the City amortize the debt over 10 years in order to pay it off sooner. She acknowledged that the funding ratios are low; if the City wants to go to the 80% level, it would cost an additional \$245,000 for both plans. She confirmed the \$245,000 is not currently in the budget and that she isn't planning to include it, unless the Council directs her to do so. The \$225,000 additional funding required represents an 8% decrease in general fund revenues, she noted.

The Finance Director briefly reviewed new revenue sources, including annexation, new construction, red light camera (which will be used to pay Police/Fire pension), and sanitation administration. The City Manager explained that it takes two years to realize property tax revenue from annexations, adding that they are currently working on the possible annexation of a significant area.

Notable internal expense reductions include a decrease in the City's property/casual insurance costs and the savings realized from paying off the public radio system, the Finance Director said, in addition to the continuation of a hiring freeze.

The Finance Director reviewed the projected shortfall for Fiscal Year 2009-10 of \$889,000 and presented various options available for consideration, which included external expense reductions, reductions in personnel expenses through a zero pay increase, and modification of the current Police union contract, which provides for a 3.75% plus merit increase in the coming year; the Fire contract expires September 30 and will be going into negotiations. Other options the Finance Director presented were revising overtime pay, reducing "holiday worked" extra pay, reducing work hours to 37.5 hours per week, or 3-day furloughs for all employees. Options relative to benefits include a zero increase in the flex dollar amount, with any increases being a cost to the employees, reducing the flex benefit for those not on the City's insurance plan, capping post-employment benefit liability, flex dollars for health insurance benefits only, and post-employment insurance available upon separation at age 59. She noted that an additional \$280,000 will have to be added to the projected shortfall if the union contracts are not re-opened and modified.

The Finance Director briefly reviewed a slide on the amount of revenue that would be generated by various millage rate increases, stating that it would take a 1.0 mil increase to raise \$1.38 million. She noted the rolled-back rate, which requires only a simple majority, would actually be revenue neutral and would not be a dollar increase for the citizens even though the millage rate would actually be higher [due to the decline in property values]. She commented she will have the numbers in July from the Property Appraiser.

The Finance Director informed the Council that, based on the estimates provided by the Department Directors, the fund balance at the end of September is anticipated to be about \$5.2 million. She continued that Council's policy has been to retain 25% in fund balance, which would leave about \$50,000 in fund balance that could be utilized in next year's budget without affecting the 25%; reducing the level to 20% would make \$1,086,610 available for use next year.

The Finance Director recapped the targeted shortfall of \$889,000, reviewed several alternative ways to recover the shortfall, and concluded with the administration's suggestions, which were:

- Zero pay increases for all employees – renegotiate police union contract
- Holiday pay and overtime calculation to save \$200,000
- Zero flex dollar increase
- Reduce flex benefit for those not on the City's health insurance plan
- Cap and restrict the post-employment benefits
- Use fund balance for the difference

The Finance Director summarized the Fiscal Year 2009-10 revised shortfall of \$889,000 would be eliminated by \$420,000 of expense reductions and \$469,000 of fund balance, which would leave the fund balance at about 23%.

Council Member Halloway questioned whether a new "ceiling" is set when a Department doesn't spend its entire allocated budget in a given year. The Finance Director said that occurs sometimes, but it is not an adopted policy. The City Manager interjected it is difficult to make that a policy; the administration has stressed to the Departments to be extraordinarily conservative, because of having to make up past deficits and a great deal in this current year, in order to go forward. He said that doesn't know if going forward at the reduced level is an accurate depiction of what the Departments need; at the end of the meeting he planned to congratulate the Departments on an excellent job.

Council Member Halloway related his concern from his own past experience with federal budgets where there was a rash of spending at the end of a budget year to ensure getting the same amount for the next year. He questioned whether the City's budget is "zero-based." The Finance Director responded it is zero-based or less, with Department Directors having to justify all of their recommended expenditures.

Council Member Knapp questioned whether these assumptions are based on the City still owning the downtown property. The Finance Director responded the redevelopment budget is self-sufficient and outside the scope of this presentation. Council Member Knapp said his question concerns the debt payments, and whether she has taken into consideration the sale of the property. The Finance Director responded "yes" and "no." She said the quarter mil and net rental income will cover the debt service.

The City Manager interjected that it is very tempting to “attack” the quarter mil, but they have not. The assumptions are planned with or without a development agreement, he said.

Mayor Affronti said he would like for the Council to look at and comment on the administration’s suggestions.

Council Member Fernandez questioned whether a salary analysis was done for the employees. The City Manager confirmed it was done. Council Member Fernandez continued that payroll is the City’s largest expense, but the employees provide the services that the citizens expect. She expressed concern that although salaries make the biggest impact in the budget, there is a point at which morale suffers; she is not ready to rule anything out, but she is also not ready to say “yes.”

The City Manager noted that in terms of position reductions, no positions have been cut from public safety, but the cuts still affect the quality of life. Council Member Fernandez concurred, citing maintenance of ball fields as an example. She questioned at what point are the remaining employees unable to complete their jobs in a day; if they still need to get the same amount of work done, at what point do they say it isn’t worth it.

Commenting that this is an unusual time, when everyone is going through some very tough times, Mayor Affronti related his own personal business experiences, stating the first objective is survival. He noted that his business has been unable to give raises for two years, and there have been personnel cuts. While it may hurt morale, he said, in these times, most people are happy to have a job. Stating that he is not advocating cutting personnel, he emphasized the need to renegotiate the Police union contract, if possible. Relative to the reserve fund, he expressed concern that if they did that and a hurricane hit, the City might not have sufficient funds to deal with the situation, which would be terrible for our City and our citizens. He expressed his belief that they have to look at a survival mode at this point, realizing perhaps they won’t be able to deliver 100% of the services as before; the City should do its best not to reduce the primary services the City provides. He commented that those in business will agree that when someone is cut, it is tough, but somehow the “slack” is picked up. He reiterated these are very unusual and tough times, and they can’t take any option off the table at this point. He concluded they may have to do things they won’t necessarily like, but they still need to provide the primary services.

Council Member Govin questioned the Finance Director as to the amount of increase in taxes per household if the millage was increased by .25 mils. The Finance Director responded that the increase for a home with a taxable value of \$100,000 would be about \$25 per household per year, or a little over \$2 per month. Council Member Govin said he doesn’t believe the City should go much beyond that amount of an increase; .25 mils is small and somewhat insignificant to most people, so that would be a possible source. He commented he liked the administration’s suggestions, believing them to be well thought out and only requiring the use of approximately \$469,000 of reserves. To minimize the use of reserves, he said they could go to the millage increase of .25 mils or even .10 mils, as another source of funding. He summarized that his suggestion would be to continue pursuing the administration’s suggestions. He noted that over the last two years they have lost about 24% in property value, putting the City into survival mode. He added that the City of Tampa and Hillsborough County are restricting pay increases and cutting out jobs that have been on hold for a year. He concluded the administration’s suggestions provide a reasonable plan to go forward, with the hope that next year will be better.

Council Member Fernandez confirmed that the external expense reductions are not included in the administration's suggestions; however, she would not be inclined to take anything off the table at this time. She commented she has mixed feelings about increasing taxes, stating a number of citizens have conveyed to her that they do not want their services to suffer and would not be opposed to paying an extra \$25 per year to prevent a loss in services; therefore, she would not be opposed to a .10 or .25 mil increase, if it is necessary to prevent the loss of services. She expressed her belief that the crisis will continue longer than anticipated, so she is less inclined to tap into reserves at this time; she would be more inclined to make up some of the difference with a very small millage increase.

Council Member Knapp questioned the reduced work-hours alternative, which shows a million dollar savings. The Finance Director described the premise of closing a half hour early every day, resulting in a 37.5 hour work-week. She explained she broke down the figure further, because of the concern that it would be difficult to work with Police and Fire personnel schedules; the 37.5 hour work-week would save \$725,000 for non-contract employees, including exempt (administrative) employees who would have a pay cut. Council Member Knapp surmised that would be the easiest way to handle it; the departments could choose how to spread it out among the employees, such as a half-day per person.

The Finance Director said that could be done, but the downside is less staff to cover the same number of hours, along with paying staff less to work harder.

Reviewing the options, Council Member Knapp said that if they take the administration's suggestions for the expense reductions, they are trying to cover about \$500,000, which he believes they could find in the non-contract employees' reduction of work week with some modification, such as allowing the Directors of each Department to come up with a way to make that work, rather than closing the City at 4:30 p.m. each day. Council Member Knapp stated that is where he would look, because it spreads the "pain." The Finance Director expressed concern that would spread the pain to "everyone" but 54% of the payroll, which is Police and Fire. Council Member Knapp responded that he looks at the Police and Fire differently because their contracts are not easily modified; however, if they go to them with a reasonable request, he has found they will generally respond reasonably. Because the City will already have to speak with them concerning the zero pay increase, he said he doesn't believe cutting the Police and Fire hours will make any sense; safety is not on the table.

Council Member Holloway commented that all alternatives should be on the table. Using fund balance is a short-term solution that should be avoided, he said. He expressed concern that taking it out on the employees and cutting their hours is bad for morale. He suggested one way to increase their morale and make it easier to take would be to close at 4 p.m. on Fridays; everyone likes to get an early start on the weekend. If it comes to a crunch, he said the emphasis should be on the services and eliminating the "lollipops", such as the fireworks, 4<sup>th</sup> of July parade, and things of that nature. The City Manager interjected he would strongly advocate eliminating the external expenses before cutting hours.

Council Member Knapp commented that he will propose on the dais to go back to \$1 per year for Council pay. Mayor Affronti concurred with the suggestion, stating they all knew what they were getting into when they ran for office. Council Member Govin disagreed, stating that a lot of people would be discouraged from running for office with \$1 per year as the pay. He reviewed the costliness of traveling to County meetings as the City's representative, including expenses for gas, parking, and suits, and commented that many people can't afford that.

Council Member Govin continued that he has talked to those who won't run because of monetary pay. If it was a significant amount of money, he said he might reconsider, but it isn't. He acknowledged that the City has done a good job of "looking" for money, and suggested that perhaps the City should consider surveys, such as the energy savings survey that was previously done, which are generally done at essentially no charge, to find additional savings. He concurred that nothing should be "taken off the table" at this time; however, they want to maintain services as much as they can, particularly emergency services.

Relative to personnel alternatives, Council Member Govin suggested offering voluntary time off without pay, citing the example of an employee who earns just two weeks vacation, but perhaps would like to take three weeks. He commented that if they decide to go to a shorter work week, he doesn't believe they need to make it 37.5 hours, but does believe the offices should remain open the present timeframe; it should be floating time, which could save a couple hundred thousand dollars, resulting in perhaps only having to use about \$250,000 from fund balance, keeping it close to the targeted percentage. However, he acknowledged, this is a special time, and fund balances are there for a purpose such as this.

Council Member Neale pointed out that contrary to a manufacturing slow-down, the workload doesn't change in the City; they have to be careful not to reduce the hours too much or the work won't get done.

Mayor Affronti related how his business tried a 4-day workweek several years ago, but found it didn't work; they weren't able to provide the same service. If hours have to be cut, he said he would rather cut back some a half-hour in the morning and some in the afternoon, so everyone is always there to provide the same service; he acknowledged they would still have the workload previous to the cutback. He concluded that they do not want to take anything off the table; everything is under consideration.

Relative to the flex dollars, the City Manager pointed out that the City is not proposing to increase them; however, the double-digit insurance increase will be passed on to the employees. He explained this is the reason they are trying to minimize the effect on the employees.

Council Member Fernandez cited her personal situation, stating that her husband hasn't received an increase in several years; however, their insurance and company car costs have gone up every year, and this year everyone's salary was cut. While she is sensitive to the effect of payroll changes to the employees, she said it is not unique to the City; it is the real world. Regarding the Council pay, losing the stipend is not important to her, but she concurred it may be important to people who may run for office in the future, and who may have to miss work-hours to sit in Council meetings and committee meetings.

Mayor Affronti commented that another view is that they are going through unusual times now, and while he spends a lot of time on a multitude of boards and commissions, he ran for office because he wanted to do something for the City and not to make money. By going back to \$1, he said he believes they would be sending the message that the Council is not immune; everyone has to work together to make this work, and he would have no problem in this economy to go back to \$1.

The City Manager suggested they consider suspending the Council pay during the current economic situation and reinstate it when the economy improves.

Mayor Affronti acknowledged that he and Council Member Govin do spend a lot of time serving on and chairing other committees; however, most of the Council Members serve on a committee or council that only meets once a month.

Council Member Holloway recalled that when the issue of Council pay first came up, it wasn't about the \$250 per month, but to show that their services were worth something – a sort of morale booster for them.

Mayor Affronti asked the City Manager whether he has sufficient direction. The City Manager responded he has some direction on Council compensation and some voluntary time off. He said they will try to incorporate Council's thoughts as best they can into the administration's recommendations and come back to them in June or July, noting that in July they will have numbers from the County.

The Finance Director questioned whether it is necessary to bring in Herb Marlowe to facilitate a workshop, to which the City Manager responded he did not believe that was necessary.

The work session ended at 9:40 a.m.

Submitted by,

Melissa E. Burns, MMC  
City Clerk