CITY OF TEMPLE TERRACE, FLORIDA **Thursday, July 30, 2009**
MAYOR AND CITY COUNCIL **Council Work Room- City Hall**
REPORT OF WORK SESSION **4:00 p.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 of the Fiscal Year 2009-10 Proposed Budget.

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, and City Clerk Lisa Burns.

ALSO PRESENT WERE: Public Information Officer Michael Dunn, Finance Director Diane Reichard, Public Works Director Joe Motta, Police Chief Ken Albano, Fire Chief Keith Chapman, MIS Director Bob Keel, Leisure Services Director James Chambers, Human Resources Director Woody Hubbard, Community Development Director Charles Stephenson, Deputy Police Chief Pat Powers, Assistant Fire Chief Ian Kemp, Joyce McKenzie, and several other persons.

Mayor Affronti called the meeting to order at 4:00 p.m.

The City Manager reviewed that at the last budget workshop the administration presented a very stark and reduced budget based upon a significant rolled-back rate, with the blending of some reserves. He continued it was the consensus of the Mayor and Council that to proceed on that course would take away the essence and characteristics, whcih make the community unique and special to our residents. He said the administration was charged with coming back with options, which were provided prior to this meeting, and which the Finance Director will briefly review this afternoon.

The City Manager commented the first option will utilize the "roll-up" rate [technically the "rolled-back rate" as defined in Florida Statutes 200.065(1)] of .7137 mills added to the current millage rate of 4.5692, for a rate of 5.2829 mills; along with 1.3% of reserves, this option would restore the bulk of the City's programs. He noted that due to the depressed property values, even though the millage rate would go up, the residents would not pay any additional tax dollars to the City.

The City Manager explained the second option would "roll-up" only .4 mills, to 4.9692 mills, and would require more of the City's reserves (3.7%) to accomplish the same goal. He asked the Finance Director to provide further details and answer any questions the Mayor and Council may have.

The Finance Director pointed out several items on the Fiscal Year 2010, Council Direction to Balance Budget, July 30, 2009, as follows:

- Administration Recommendation column - Preliminary Target - July 21 of $1,266,233, and the listing below of all of the things that were required to be eliminated to make the target number, along with 3% of Reserves;
- Restored Programs – shows a listing of everything that was put back into the budget, i.e., that won't be eliminated in the final recommendation, leaving the shortfall at $1,266,233;

- Option 1 and Option 2 columns show putting back in the previously reduced Library hours at a cost of $42,706, continuing with the reduction for the FLSA Holiday Worked of $100,000, and implementing the Lightfoot Membership fee;
- The last item, "Pay additional millage to TTRA Fund," means that if the millage rate is increased, the City has to put more in the Temple Terrace Redevelopment Agency (TTRA) Fund; therefore, that money would be used to pay down additional principal.

Mayor Affronti confirmed with the Finance Director that under Options 1 and 2, the employee wages remain frozen. He asked the Finance Director what other things are still cut under the options presented.

The Finance Director responded 10.35 positions are suspended; flex benefits for those not on the City's health insurance will be cut; retirees will be restricted to the flex dollar amount only; there is still no wage increase; and there is no increase in flex dollars.

In response to a question from Council Member Knapp, the Finance Director clarified that Option 1 shows $1.2 million as the target they have to "find." She explained at the top of the page it shows how the funding will occur, which is presented as an increase in millage and use of reserves. Council Member Knapp interjected he was simply trying to understand the format. He surmised that starting from the line below the Total Available Funds, the document shows the shortfall, items being restored, and options to meet that fund balance at the top of the page. The Finance Director confirmed that was correct.

Mayor Affronti concluded the only difference is how much the millage is increased and how much is taken from reserves.

Council Member Neale asked for an explanation of the Library hours, and what is being restored with the options presented. After a brief discussion, the City Manager explained this is the second year the City has had reduced revenue from the Hillsborough County Co-op.; the hours are proposed to be the same as the current fiscal year.

Council Member Neale confirmed with the Finance Director that the cost to add the four hours back on Sunday would be $12,000.

In response to a question from Council Member Govin as to when the Sunday hours were removed, the Leisure Services Director said they were discontinued this fiscal year, along with opening two hours later on Tuesday and Thursday. Council Member Govin asked the cost to add back the Sunday hours and restore the Library to where it was last year, to which the Leisure Services Director responded would be $12,000 for the four hours on Sunday, and another $12,000 for opening earlier on Tuesday and Thursday.

Council Member Neale asked if that meant they took out $24,000 last year. The Leisure Services Director responded that more was taken out, because in addition to the $24,000, they also cut the book budget and some of the materials budget.

Mayor Affronti confirmed that by raising the millage rate by .4 mills would put them close to where the City was two years ago when the millage rate was 4.91 mills.

Focusing on the Recreation Center budget, Council Member Fernandez asked whether raising the fees would be appropriate, pointing out the heavy usage it receives and that it is existing on a "bare bones" budget. She expressed concern that the City could get behind in needed repairs or maintenance.

The City Manager responded that every other year they have an automatic 10% increase, and they still remain highly competitive with other facilities. He continued that the only adjustment they have planned to make is to implement a fee at Lightfoot for the seniors. The Leisure Services Director confirmed the last fee increase was October 1, 2008.

Commenting that she is aware the City has an agreement with the County relative to fees, Council Member Fernandez asked how the structure is now, with regard to fees and program usage, and whether the City is getting behind in maintenance abilities, or in general, to run the Recreation Center at the level citizens expect.

The Leisure Services Director briefly explained the fee structure. He commented in the last two cycles the revenue has stayed the same, because they also lose members; in other words, if they have a 10% increase in membership fees, they only see about a 5% increase in revenues. He added they are seeing a number of non-renewals in this current economic climate. The City Manager recalled that 40% of the Parks and Recreation budget is supported by fees. Council Member Fernandez said her biggest concern is that the capital expenditures and maintenance tend to be put off; however, it can be more expensive to do the repairs later than to spend the money necessary to maintain it appropriately all along.

Council Member Neale questioned whether the Country Club request is included in the budget, to which the Finance Director confirmed the requested principal payments are not included, but they did remove the .5% administrative cost of approximately $10,000 as previously discussed. If the Council had agreed to fund the request to cover the principal payments, she said the money would have come from the Fund Balance, but she understood Council direction was to NOT cover the principal payments on behalf of the Country Club. Several Council Members concurred that was correct. The City Manager confirmed the $10,000 was eliminated from the proposed budget.

Council Member Neale acknowledged the Council's position about supporting a private corporation, but she questioned whether the Council is considering what would happen if the Country Club fails to meet its obligation. She asked whether the City has received a Management Plan from the Country Club that explains how they plan to meet their deficit. The City Manager responded the issue was discussed at the Council Goal Setting Session, and he believes that a Management Plan was to be a condition, if the Council had agreed to help them with the principal payments for two years. He noted that as a course of the normal relationship with the Country Club, in having guaranteed their loans, the Country Club does provide the City with financial statements, but that is a separate transaction.

Mayor Affronti commented the Country Club generated about $100,000 of additional revenue from summer memberships. He said the key is what they will do when those memberships run out on August 31, adding that the Country Club is working on a new plan to retain as many of those members as they can, but they haven't announced it yet.

The City Manager remarked that the leadership at the Country Club is disappointed in the reaction to their request for support; he would not be surprised to see them come to a Council meeting to address the issue.

Council Member Knapp recalled he and Mayor Affronti were both serving on Council when they helped the Country Club secure the original financing; he was also on Council when it became a taxable asset, rather than a non-taxable asset. He cautioned there are a lot of legal issues if they were to try to give the Country Club money to make their principal payments. He briefly reviewed the history of the relationship from when the Country Club paid $1 per year, until the asset became taxable and its taxes were about $70,000 per year; the Country Club lease had to be redone to provide for the Country Club to pay the taxes and the $1. He continued that they also had to leave it as an open park area for the evenings for walking or dog-walking; in addition, they had to get a Letter of Opinion from the City Attorney that they met the requirements of not loaning money to a private institution. By asking the City to make its principal payments, he remarked the Country Club is basically asking the City to do something that is illegal.

Mayor Affronti commented that he was very intimately involved with the Country Club at that time, because that is when they were planning to build the new clubhouse and he was the President of the Club. He explained the Country Club had to renegotiate the lease with the City in order to be able to ask the City to guarantee the loan; unless they were able to show public purpose, the City was not allowed to guarantee a loan for a private entity. He remarked they had to jump through a lot of hoops to make that work.

Council Member Knapp reiterated one of the conditions of the City Attorney was that the lease at least covered the taxes. He noted that all of this came about because of the stadium becoming a taxable entity.

Council Member Neale questioned whether it is appropriate to ask the Country Club for a management plan. The City Manager said he believes it would be appropriate, and he will communicate that to them, if Council concurs. The Council Members concurred.

The Finance Director noted that the Country Club's Promissory Note is a part of the loan documents; any change to the Promissory Note would require amendments to the loan documents. She mentioned the administration has already talked to the bond counsel, who has most recently quoted $100,000 to redo the loan documents.

Council Member Fernandez questioned how often the City Manager believes the City would need the lobbyist and whether they could call him only when needed, i.e., on an hourly rate. The City Manager responded he has not approached the lobbyist about that, but he could ask. Mayor Affronti noted how much help the lobbyist has been with County funding. Council Member Fernandez concurred, but wondered if there was a way to eliminate the retainer aspect and use him periodically.

Council Member Govin surmised that may be difficult, because the lobbyist probably represents the City when he happens to be in Tallahassee. He suggested the lobbyist's true value may be that when he comes in, the Legislators know he represents the City of Temple Terrace. Council Member Fernandez agreed, but said she would prefer that they at least ask. Council Member Neale emphasized the need for representation in Tallahassee. Council Member Fernandez mentioned the City would like to have its own water treatment plant and would need help in securing funding. The City Manager interjected that the lobbyist has been working on that.

Council Member Govin asked for further clarification on the format presenting Options 1 and 2. The Finance Director reviewed how she arrived at the figures in the options presented.

Council Member Govin confirmed with the Leisure Services Director and Finance Director that the Lightfoot Membership Fee will be $55 per year for residents and $110 for non-residents. In response to another question, the Leisure Services Director confirmed they will still provide free transportation.

Council Member Halloway stated both options do the same good work in balancing the budget without diminishing any of the City's well-known services, which he believes is commendable. He said the difference between the two is the amount of reserves used, with Option 1 using 1.3% of reserves and Option 2 using 3.7%. He noted that with Option 1, the citizens will not be paying any additional tax dollars, while with Option 2, the citizens would pay less tax dollars. He concluded that Option 2 is subsidizing the tax reduction with reserves; therefore, he favors Option 1, using less reserves, which he believes is explainable and defendable.

Council Member Govin questioned where using 1.3% of reserves would leave the fund. The Finance Director responded that using 1.3% of reserves would leave them at 23.7%, and using 3.7% would leave them at 21.3%.

Council Member Govin asked the City Manager to confirm that under either option the comment, "Mayor and City Council hereby direct the City Manager to reestablish the original millage rate (Fiscal Year 2010 at 4.5692) and replenish reserves as funds become available," will be incorporated into the adopted budget.

Confirming the comment's inclusion, the City Manager said he believes they all realize the recovery may be slow, and will likely not occur within the next two fiscal years, but as they can, they would like to replenish the reserves and restore the original millage rate per Council's directives.

Council Member Fernandez voiced her support of Option 1. She emphasized the difficulty in restoring reserves; therefore, she believes Option 1 is the better choice.

Council Member Neale questioned whether the roll-up of .7137 mills would mean that most taxpayers will be paying the same amount of tax dollars this year as they paid last year. Upon confirmation from the Finance Director that was correct, Council Member Neale said then she, too, favors Option 1.

Council Member Knapp said that in this particular case, he would also support Option 1. He remarked that, unfortunately, they won't be here to give future direction, adding it is a lot easier to raise millage than to lower it. However, he said in this case he believes that is what they should do.

Relative to the property being conveyed and the associated rents, Council Member Knapp questioned the net dollar effect of the transaction for this year versus next year, since it was not defined in the overall budget and the City will be receiving considerably less revenue. He asked how much of the budget shortfall is attributed to that.

The Finance Directed responded that she budgeted $447,000 for net income that Vlass will be paying next year, of which approximately $235,000 comes from North River (south of Chicago Avenue) and the rest from Area A, which is about $215,000 in additional revenue the City would have generated.

Mayor Affronti questioned whether the City has to carry insurance on that, to which the Finance Director confirmed the City does not. She commented that the Developer actually obtained insurance for $50,000 less than the City was paying last year for comparable insurance. While the City is not paying it outright, the Finance Director stated it is in the net income calculation.

Council Member Knapp questioned whether the City is named as "Additional Insured," to which the Finance Director said she did not know. Council Member Knapp suggested the City obtain an endorsement naming the City as Additional Insured, adding it is a simple endorsement. The City Manager said he would look into it.

Council Member Govin expressed support for Option 2, stating that a 21.3% budget surplus is a lot, and he wouldn't be surprised if the State mandates that a surplus be cut to 20% or less. He noted that the Legislature tried to do that, but it failed; if they were to do a survey, he believes most cities are around 20%. He said that would be his basis for selecting Option 2, adding that once the millage is increased, it is hard to go back. Council Member Govin commented he would "piggy-back" on Council Member Knapp's comment that once the millage rate is rolled up, it is hard to roll it back, although they did it the year before last. In his opinion, he said they are only going to be borrowing a small amount from the reserves that could easily be replenished to 25% over a two- to three-year period.

Council Member Fernandez explained her concern with the reserves is that everything they encounter is getting more expensive; if a major hurricane was to occur, 20% would likely not be adequate. She questioned how the reserves are calculated. The Finance Director responded the reserves are based on actual expenses; she briefly explained how she arrives at the amount each year. Council Member Fernandez confirmed with the Finance Director that as costs go up, the requirement amount in fund balance also goes up; therefore, while it is difficult to reduce the millage, it could be more difficult to replace the amount required in reserves.

Acknowledging there will be two public hearings before the adoption of the millage rate and budget, Mayor Affronti questioned the vote of the Council that will be required to raise the millage rate. The City Manager responded that only a simple majority vote is required to go with the rolled-back rate [in this case, actually a "roll-up" rate]. Mayor Affronti commented that, personally, he concurs with Council Member Govin, remarking that even though on paper the citizens will not be paying more tax dollars, they may perceive it as an increase in taxes, and he doesn't believe this is a good time to be doing that.

The City Manager concluded the consensus of the Council is to put together the budget utilizing Option 1, remarking it has been a challenging budget year.

The work session ended at 4:40 p.m.

Submitted by,

Melissa E. Burns, MMC
City Clerk