

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

**Monday, April 26, 2010
Council Workroom
3:00 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, beginning at 3:00 p.m. on Monday, April 26, 2010, in the Council workroom in the rear of Council Chambers, for a Budget Policy Workshop for Fiscal Year 2010-2011.

PRESENT WERE: Mayor Joe Affronti, Council Members Alison M. Fernandez, Ron Govin, Ken Halloway, Mary Jane Neale, City Manager Kim Leinbach, and City Clerk Lisa Small.

ABSENT WAS: Council Member Mark A. Knapp.

ALSO PRESENT WERE: Finance Director Diane Reichard, Police Chief Ken Albano, Human Resources Director Woody Hubbard, Public Works Director Joe Motta, Public Information Officer Michael Dunn, Code Compliance Director Joe Gross, Fire Chief Keith Chapman, Leisure Services Director James Chambers, IT Director Bob Keel, Police Lieutenant Darren Berberat, Police Lieutenant Bernard Seeley, Human Resources Officer Janet Bledsoe, Assistant Fire Chief Ian Kemp, Assistant Director of Leisure Services Karl Langefeld, Senior Information Services Specialist Rose Ellis, Police Patrol Sergeant Mike Lowell, Police Detective Mike Zimmerman, Joyce McKenzie, Robert Boss, and several others.

Mayor Affronti called the work session to order at 3:00 p.m.

The City Manager opened the work session stating they are here at the request of Council to get direction for next fiscal year; some ideas are the same as last year; some may be considered “off the wall”; however, the administration would like Council’s input and direction at the end of the presentation. He introduced Finance Director Diane Reichard.

Utilizing a PowerPoint presentation, a copy of which is part of the record, the Finance Director presented a brief overview of the presentation for the coming fiscal year, citing the City can cut services, increase revenues, or a combination of both. She briefly discussed what is happening so far this year, stating there has been some revenue loss this year in the areas of building permits, State-shared revenues, Communications Services Tax, and interest income. With that \$397,000 loss this year, she said the City has suspended and eliminated from the budget several positions, in the amount of \$456,600. She reviewed the positions that are no longer in the budget from last fiscal year – Assistant Director of Community Development, Redevelopment Director, Part-time Customer Service Representative, Inventory Clerk in Warehouse Division, several Maintenance Attendants in the Parks & Recreation and Public Works Departments, and the equivalent of a half of a Code Compliance Officer.

The Finance Director stated that going into next year’s budget, the Property Appraiser has informed her that values could go down 10%; if that occurs, that will mean a loss of \$736,000 in property tax revenues to the City. She continued there is a Police contract already in effect that, if honored, will cost the City about \$70,000, and the amount of the percentage rate of contribution to the Police Pension Plan has increased at an additional cost of \$260,000.

The Finance Director explained that at the end of the 2009 audit, this was the first year that the City recorded the expense of Post Employment Benefits, per GASB requirements, for retiree health insurance, and put the money aside to cover the cost; the cost this year will be \$94,000 for Police, \$106,000 for Fire, and \$132,000 for general employees.

Council Member Fernandez questioned whether the cash is actually being put aside, as opposed to a “paper entry,” to which the Finance Director confirmed actual cash is being put away that will be recorded in a separate internal service fund.

Regarding property tax, the Finance Director reviewed that taxable values have decreased from \$1.645 billion in Fiscal Year 2007-08 to an approximate \$1.25 billion anticipated in 2010-11, which represents a drop of 26% over the last three years, which is a \$1.9 million loss in property tax revenue. She mentioned potential new revenues, subject to Council approval, from a 10% increase in recreation fees, which would result in \$27,000, or an additional 5% would add another \$12,600; a 5% increase in the Local Business Tax would generate an additional \$11,500; and additional providers added to the Cell Tower would bring in \$50,000.

The Finance Director continued, stating there were several Internal Expense Reductions that are proposed, which total \$97,300, and include \$50,000 in savings on property/liability insurance; elimination of the Employee Appreciation Luncheon for a savings of \$4,500; elimination of the Council Contingency of \$10,000; and \$32,800 in savings resulting from the new way in which the Fire Pension actuarial calculation is done. She continued, stating three of the frozen positions in Fiscal Year 2009-10 are recommended to be eliminated in the budget for 2010-11, and they are a part-time Custodian, a Maintenance Attendant II, and a Facility Maintenance Foreman. She noted those positions are vacant now, and they are proposing to eliminate them. She commented there are also several positions that were suspended last year that will remain “frozen” this year; if revenues return, they will be able to be filled; representing a total of \$205,200, they are a Building Inspector, Police Detective, and a Police Officer.

The Finance Director recapped the Fiscal Year 2010-11 Shortfall, summarizing the projected shortfall of \$1,398,000; adding \$101,500 of new revenues, additional internal expense reductions of \$97,300, and eliminated/suspended positions of \$308,300, bring the total projected shortfall down to \$890,900.

The Finance Director then presented an overview of options to meet the projected shortfall, which include new revenue, external expense reductions, program/service reductions, retiree health insurance, personnel expenses, employee health insurance, gas tax for street maintenance, property tax rolled-up rate, and the use of Fund Balance.

Relative to new revenue, the Finance Director proposed that commercial businesses could be charged a fee for the annual inspection that is required to be done to cover the actual cost of the inspection; at \$50 per commercial customer, that would result in about \$50,000 of revenue. She noted this is a brand new concept that has not been explored with Council at a meeting or workshop before today.

The Finance Director referred to the next new revenue option as a Fire Service Tax, which she explained would be assessed to all property owners for fire service, suggesting it could be any number, but at \$150 per parcel, would result in about \$1,350,000 in additional revenue; the \$150 per parcel is only used as an example. With this option, she said they could possibly avoid raising the millage rate, but instead charge all of the parcels \$150+/- for fire service. She said it is one of the concepts being explored in the State.

Referring to the first option given, the fire assessment fee for Commercial businesses, Mayor Affronti questioned what the fire assessment fee would amount to, per customer, to which the Finance Director responded it would be \$50.00.

Council Member Fernandez questioned, relative to the second option presented, whether the fire service fee would be imposed for one year or whether it would be ongoing. The City Manager responded it would be ongoing, unless it was changed by the Council, because it would supplant property tax.

The Finance Director reviewed External Expense Reductions, stating these proposed reductions were discussed last year, but have been brought back for further as possible reductions in this budget.

- Fourth of July celebration (overtime expense) - \$43,000
- Grants - Community Enhancement - \$5,000
- Grants - Education Enhancement - \$15,000
- Chamber of Commerce – \$12,500
- Quarterly Newsletter - \$2,000

Regarding Program/Service Reductions, the Finance Director stated there were a number of options concerning Library operations; if it is open eight hours less per week, the savings would be \$24,000. Other reductions presented included Fire Programs - \$20,500; Recreation Programs - \$115,800; and Recreation Special Events - \$8,300. In almost all of these areas, the Finance Director noted some layoffs or reduction in hours would occur. She then briefly reviewed each one of the programs for which reductions were proposed.

Council Member Halloway questioned the Fire program, “Fire Blitz.” Fire Chief Chapman explained it is a program for all of the City’s elementary schools; Fire Department representatives teach fire safety programs to the children.

Council Member Fernandez asked whether the City charges participants a fee to participate in the Community CPR Class. Fire Chief Chapman responded a small fee is charged under their contract with the American Heart Association, to cover the cost of the cards and the textbooks; the contribution for manpower is not covered. He continued they do offer a non-certified class, which is free to the public, as part of their agreement with the American Heart Association.

Council Member Halloway questioned whether they were planning to eliminate the Knox Box Program altogether. The City Manager and Fire Chief responded affirmatively. Council Member Halloway followed up to ask if those who already have a Knox-Box are locked in, to which the City Manager responded affirmatively.

Mayor Affronti questioned whether the Community CPR and Fire Blitz classes involve extra time that someone is paid to do these classes. The Fire Chief, Finance Director, and City Manager all responded affirmatively. The City Manager explained they have to keep the appropriate number of manpower on the shift.

Recapping the proposed program/service reductions in Recreation Programs, the Finance Director explained that the amount of \$31,000 shown for the reduction resulting from closing the Aquatics Complex in the winter is the net savings. The City Manager commented that last year a fee for propane to heat the pool was charged. Leisure Services Director Chambers interjected that the propane cost was \$17,000 last year, because of the very cold winter, while about \$6,000 in propane fees offset a portion of that cost. Council Member Halloway questioned the amount of activity in the wintertime. The Leisure Services Director responded that closing the pool in the wintertime would basically stop the year-round swim team, since they could not operate in a non-heated pool; they would probably go to a summer-only swim team. He said there are currently about 35 children in the year-round program, adding this would also affect instructors, such as the Swim Coach, which would likely become a part-time or seasonal position. He said this would be a big part of their revenue loss. Briefly summarizing the balance of proposed Recreation reductions, the Finance Director commented that if all of the proposed program reductions/eliminations were made, it would result in a savings of \$115,800.

The Finance Director displayed the breakout of Recreation Special Event programs, which make up the proposed savings of \$8,300, if the programs are eliminated. There were no Council comments regarding these programs.

Regarding Retiree Health Insurance, the Finance Director pointed out the program ended November 1, 2005; therefore, they are only dealing with current employees who have 20 years service and are ready to retire. She explained that when a person retires, they continue to receive \$576 in (monthly) flex benefits to use towards their health insurance and other cafeteria plan benefits. She said the administration has suggested that all groups be the same, for instance when Police and Fire can retire from their plan, they could be 40 or 45 years old, and the City is currently covering their insurance from that age through to age 59. She noted that general employees typically don't leave until they are 59. She stated that is what is causing the OPEB cost to be higher and that is the point they are trying to explain to Council, to see whether they wish to change the program. She explained the savings that would be realized in current costs would be \$130,000, with a savings on the OPEB cost for the future benefit of \$50,000.

The City Manager said they are not planning to change the program on employees retiring now; it would affect those retiring in the future, who would not receive the benefit until age 59. He clarified for Council Member Fernandez that he was referring to those who have not yet retired; the benefit could not be changed on someone already retired and depending on that benefit. Council Member Govin asked if the Finance Director could determine the total savings. The Finance Director responded that the \$130,000 amount to be saved means there are 19 employees younger than age 59, who are receiving the \$576 per month benefit now. She continued that going forward the City has a \$7.8 million liability for this program, for which the City is putting away \$408,000 every year to prepare for that; if the rule is changed going forward to age 59, the City could save \$50,000 on the \$408,000 currently being put aside.

Mayor Affronti asked for clarification of the age to which the City pays the retiree health insurance benefit, to which the Finance Director responded the City pays to age 65 for any employee who retires from the City, is not working anywhere else, and has no insurance from any other organization or working for another organization that offers health insurance. Mayor Affronti clarified that if a Police or Fire employee retired at age 45, the City would pay their health insurance for 20 years, to which the Finance Director responded affirmatively.

The Finance Director continued the presentation with Personnel Expenses, stating that no pay increases are planned for non-contract employees, and salaries of Elected Officials are proposed to be maintained at the current monthly amount. She commented that the 2008 Salary Survey indicated that the City's pay scales were 15% below other jurisdictions in the area last fiscal year.

Mayor Affronti raised another question regarding the Police and Fire retiree insurance. He asked whether that is for new hires today, as well as those who have been on the contract plan. The Finance Director responded that anyone hired after November 1, 2005, is no longer eligible to get anything.

Regarding Benefits, the Finance Director stated there is no increase proposed in the \$576 flex dollar amount, with any health insurance increase (currently projected to be about a 10% increase) will be a cost to the employees and retirees. If Furlough Days are implemented, which the City has not done as yet, she said the savings would be \$67,000 for every furlough day and they would have to do a union contract modification in order to negotiate that.

Mayor Affronti questioned what the annual savings would be if the City paid the health insurance instead of giving the employees \$576. The Finance Director said that would be an \$840,000 difference, but those 58 employees with families and children would have to pick up the cost of the insurance; one family plan currently offered costs about \$1,000 per month. She noted the employees would have to pick up the estimated \$550 difference between the \$1,000 family plan cost and the employee-only cost of about \$450. She confirmed for Mayor Affronti that employees with children or family coverage currently have to pick up the difference. She briefly explained the slide demonstrating the reduction in the average employee paycheck with health insurance only shown, which reflects a 4.6% reduction in the employee's bottom line due to the projected hike in insurance costs.

The Finance Director explained that the difference in the Police union contract currently in effect and the current salary expense is only \$70,000, because this year there are some higher-paid employees who have left the City and were replaced by lower-paid employees. She pointed out that 2% increases in October and April were negotiated, along with a one-time Merit increase in December, in the range of 0-3%, which was calculated on their September 30th rate. She noted the Fire union contract has not been negotiated at this time.

Referring to the slide on the Police and Fire Pensions, the Finance Director explained they currently amortize over 30 years. With that amortization, she said the Police contribution rate will increase this year from 26.3% to 35.5%, which is a cost of \$260,000. She continued that the Fire contribution will decrease from 23.8% to 22.55%, which is a savings of \$32,800.

The Finance Director explained that the reason the Police contribution rate is going up so much is because of the funding ratio. She commented that the unfunded actuarial liability ratio for the Police is 58% and the Fire is at 77%; the higher contribution is required for the Police to bring the ratio up. Last year, around budget time, she reviewed Council held a Special Meeting concerning the Pension Plans, where they discussed amortizing over 10 years in order to bring the Police ratio back up closer to the 100% mark; if they amortized it over 30 years, she said it would cost an additional \$245,000, which is not included at this point. Clarifying that the \$245,000 figure includes both plans, she concluded they are seeking Council's direction as to where the administration should go with the funding contributions.

The Finance Director clarified the \$245,000 would be an extra cost if they choose to amortize it over 10 years instead of over 30 years. Council Member Fernandez commented the annual contribution would need to be \$500,000 instead of \$260,000 if that was done, to which the Finance Director concurred.

Mayor Affronti pointed out that the Council has to guarantee an 8% return on the money put into the Police and Fire Pension Funds every year, which is pretty high.

Council Member Fernandez questioned how the funding ratio became so different between the Police and Fire Pension Funds, when their pension plans are very similar. The City Manager said there are some differences, including the "20 and Out" provision in the Police plan, as opposed to the "25 and Out" provision in the Fire plan.

The Finance Director explained the slide on Property Tax Alternatives, stating that a "rolled-back (actually "rolled-up") rate of an additional .60 mils, which would generate about \$752,000, would be revenue neutral to the City and the citizens; the vote required by the Council to increase the rate to the rolled-up rate, from 5.2829 mils to 5.8829 mils, when the rate is set in July would be a simple majority. The City Manager interjected that the maximum millage the City is allowed to assess is 10 mils. Council Member Halloway asked how that rate compares to similar municipalities, such as Plant City, to which the City Manager responded he would have to research that for them. The Finance Director cautioned she does not yet have the property values, so she hasn't been able to accurately calculate the rolled-back (up) rate; the numbers will be available by the end of May. The City Manager interjected these are preliminary figures provided by the Property Appraiser.

The Finance Director commented that utilizing some of the Fund Balance is another choice. She reviewed the Fund Balance at September 30, 2009 was \$4,387,748; 25% of expenses would be \$5,386,191 and 20% would be \$4,308,953. She explained the City maintained 25% for a number of years; however, because of paying off the radio system out of the CIT funds to save interest expense, having to take out funding for the OPEB (retiree) requirement for the first year, and State-shared revenues are down, the City is currently at a little above 20% in Reserves.

The Finance Director stated that the Departments were asked for further cuts to make up for the shortfall and they came up with \$638,000 of cuts, detailed on Slide No. 28. She said that excluding those cuts already discussed today, the amount becomes an additional \$216,400 in cuts, as clarified on Slide No. 29.

Other than the loss of another position in the Fire Department, the Finance Director explained the cuts are comprised of operating expense cuts within the various departments. To clarify, the Finance Director reviewed some of the previously discussed cuts to show those items included in the \$638,000.

Reviewing Capital Expenditures, the Finance Director expressed concern that last year the City only did \$201,000 in Capital Expenditures, pushing off the balance of Capital Expenditures to the future; with the amount not spent, this year it would be \$821,000, as projected in the five-year Capital Improvement Plan, noting that the City should replace capital at approximately \$600,000. While some of the planned expenditures can be delayed to future years, she said they wanted to remind the Council that the needed expenditures are still out there. The City Manager commented that they cannot keep pushing needed capital expenditures off indefinitely.

The Finance Director recapped the alternatives available to meet the projected shortfall of \$890,900. She briefly explained the new alternative being presented, which is \$475,000 from the Gas Tax Fund to pay for operations in the general fund, which can be used for street maintenance, in addition to the \$200,000 already allocated for this purpose. She cautioned that would reduce the amount available for street improvements to \$325,000.

The Finance Director reiterated the effect of various millage levy increases and amounts that would be generated from reductions in Fund Balance below the 20% mark.

The Finance Director presented the administration's suggestions to cover the \$890,900 shortfall as follows:

- Zero pay increases for all non-contract employees
 1. Current Police contract in effect
 2. Fire contract to be negotiated
- Zero flex dollar increase
- External expenses - \$77,500
- Program/Service Reductions - \$168,600
- Cap and restrict postemployment – \$130,000
- Gas Tax Transfer - \$298,400
- Additional Department Cuts - \$216,400
 1. Provided that fund balance can be used to ensure that a program remains healthy and does not jeopardize service.

Relative to the CIT Fund, the Finance Director explained that the Five-Year Capital Plan allocates \$2,400,000 for the Arts Education Center. She reviewed that Vlass has said they can use the \$2.4 million to build the Arts Education Center for the City, and the City would have to put in an additional \$540,000 for the three studios for the Recreation Department. She presented options for the use of the \$2.4 million, which included: 1) Save for the future Library; 2) Use towards \$4 million infrastructure contribution; or 3) Allocate to other capital needs, coming back with a new Five-Year Capital Plan.

Council Member Fernandez said she would like clarification as to how restrictive CIT funds are, and whether some of the capital replacement that is being put off could be done with these funds.

The City Manager responded that generally speaking, it is used for Police, Fire, and Parks.

The Finance Director responded she hasn't yet received the Five-Year Capital Plan from the Departments, but the answer to Council Member Fernandez' question would be that some of the capital expenditures could come from the CIT fund, if that is what the Council prefers. Council Member Fernandez said she wanted to know all of their options; if they use some of it towards the \$4 million infrastructure, it reduces the amount of the loan the City would have to take, which ultimately reduces what the City has to pay out.

Council Member Halloway said he understands that the CIT Fund originally authorized \$2.4 million for the Arts Education Center; Vlass came along and said he would build the building. He continued that from the \$2.4 million, all that the City did was take \$640,000 and say the City would do the interior; then they said \$540,000 of the \$640,000 would be used for three studios. He said if they choose this direction that leaves well over \$1 million that could be used, in addition to the \$640,000, for the Arts Education Center. The Finance Director confirmed that was true.

Mayor Affronti remarked they need to know the cost of relocating the Library, if they decide to do that. The City Manager responded the projected amount is \$2.4 million, adding that he doesn't know any of the details at this point. He said they will be recommending in the Second Amendment to the Master Developer's Agreement an agreement to consider that in the next phase, pending the configuration, square footage, etc. He said that is what was offered up, and he believes it was a \$3.6 million contribution when they take away the \$2.4 million, it is just mathematical. He said he doesn't believe it was scientific at this point. Council Member Fernandez asked about the remaining life on the CIT funding. The Finance Director did not know for sure, but she believes the City is in the seventh year of it. The City Manager interjected they will check the date and apprise the Council. The Finance Director remarked that if they decide to "save" the money for the Library, it will only earn about \$13,000, because interest rates are so slow right now; whereas, if it is used to pay down the debt, as Council Member Fernandez suggested, they would save about \$160,000 in interest.

Regarding the Water and Sewer Fund, the Finance Director reported the unrestricted net assets in this fund are \$816,000; if they follow the same logic, 25% of the operating expenses equals \$1.9 million, and 20% of the operating expenses would be \$1.5 million. She reviewed they have had a net loss in this fund for four consecutive years; they are seeing less consumption as people try to conserve water usage. She said there is an OPEB expense that has to be recorded in this fund, which amounts to \$43,000 per year.

The Finance Director explained that back in June, 2009, when the administration recommended a rate increase, they did not do it all at once; instead they suggested looking at the rate on an annual basis. She said her projections indicate they need to continue with the 3% increase suggested last year. The City Manager stated they had discussed an automatic 3% increase versus coming back to the Council each year; however, the Council preferred that the administration bring it back each year for consideration.

Council Member Halloway pointed out, for the benefit of the general public, that the City cannot mitigate the \$890,000 General Fund shortfall with Enterprise Fund dollars; Enterprise Funds are to be self-supporting. The Finance Director added this increase is to make sure that the Water and Sewer Fund operates on a sound financial basis as an Enterprise Fund.

Council Member Fernandez questioned whether the City is on track to maintain the declining water and sewer system, noting that some portions of the sewer system are quite old. She said she wants to know whether the rate they are considering is sufficient to properly maintain the system; maintaining the system is cheaper than replacing it.

The Finance Director responded that the City has a sound Renewal and Replacement Fund, authorized by the Bond covenants, adding that 5% per year is put into that fund, and the five-year planned program is able to be taken care of by that fund. She remarked the sewer improvement fund, which is for expansion, is funding some major improvements; therefore, it will be down close to zero. She stated the water improvement fund is being used to implement the automatic meter reading program; 5% of the meters are in the ground now, and when completed, staff reductions will be possible. The City Manager interjected that the City did not contract out the work, but is doing the work in-house.

The Finance Director stated that the administration would not want to recommend an increase higher than 3% to the citizens. Council Member Fernandez commented that while they want to be conservative with any rate increases, they also want to keep track of the bigger picture, to make sure they don't impact the infrastructure.

The Finance Director mentioned their recommendations in the Water and Sewer Utility are to continue with the automatic meter reading in-house implementation and maintain the two suspended positions in the coming budget year, for a savings of \$84,300.

Regarding the Sanitation Fund, the Finance Director shared the good news that there is \$894,984 in unrestricted net assets at September 30, 2009 in this fund, which is above the 25% targeted reserve amount of \$676,490. She said the program is on track to do their scheduled capital; a position was eliminated this year for a savings of \$42,900; and as a result, while the County's landfill fees charged to the City went up, it is not necessary to pass that increase on to the citizens. She concluded that the Sanitation Fund is "living within" its Five-Year Capital Plan.

Mayor Affronti and the Council complimented the Finance Director on the presentation.

Council Member Fernandez commented that her "two-cents worth" would be a mix of cutting expenses and raising some of the revenue, particularly in the area of end-user fees. As an example, she cited the Fire Department's CPR class, wondering whether a group could get together and pay the total cost of the class; the class would exist without the City's cost of providing it.

Fire Chief Chapman explained that their agreement with the American Heart Association, they are required to offer so many classes free of charge to the public, as part of being a Training Center for the American Heart Association; unfortunately they cannot limit that to City employees or City residents, adding that participants come from all over the area. He said they have to maintain a certain number of educational offerings; if they offer classes at a higher cost than surrounding areas their numbers will drop and as a result, the American Heart Association will drop them as a Regional Training Center. He said it is a "Catch-22."

Council Member Fernandez questioned if the classes were dropped altogether, whether it would have the same effect, to save the \$7,500. Fire Chief Chapman responded it does have the same effect, in that they do not have the overhead to run the program; there are other training institutions in the area where people could get that type of training.

Council Member Fernandez asked how it would affect Fire Accreditation. Fire Chief Chapman explained that his staff has to maintain their CPR certifications, but they could piggy-back onto another regional training center; therefore, that would not affect their accreditation. However, for their accreditation, he said they count each student that comes through as a public educational opportunity; therefore, it will reduce their public education numbers a little bit, but most of their education numbers have to do with the schools in the area, where they educate a little over 3,000 elementary school children each year, which would help them maintain adequate numbers for accreditation.

Council Member Fernandez confirmed with Fire Chief Chapman that the elimination of both programs would leave the Fire Department struggling to maintain accreditation.

While public safety is vital to the City, Mayor Affronti commented that one thing that caught his attention was that over the last three years, the City's property tax revenues have decreased by \$1.9 million; however, the public safety expenses have increased by \$2.5 million since 2006. He expressed the need to look at some creative ways to keep that in check, emphasizing the City can't keep looking at decreasing revenues and increasing public safety costs or the City would go bankrupt.

Council Member Halloway said he favors user fees, specifically as applied to the recreation facility; the people who take advantage of those facilities should pay. He said he is not in favor of "stealth" taxes, such as the \$150 per household fire "tax"; if they are going to increase taxes, just say so. The Finance Director confirmed she called it a "Fire Service Tax." The City Manager interjected the assessment would be on parcels.

Mayor Affronti asked about the commercial properties, to which the Finance Director said the \$50 per commercial properties, which would result in \$50,000 of additional revenue, is for the annual fire inspection fee for commercial facilities; they are required to be inspected annually, but currently pay nothing to cover the cost. She continued that residential rental properties are inspected through the Rental Housing Program; otherwise, residential properties are not inspected. The City Manager commented that the fire assessment would be to assess all of the parcels in the City for the provision of fire services, adding that a number of cities in the State of Florida are looking at that or have it in place.

Fire Chief Chapman confirmed a number of cities have a fire service assessment for the community; Pasco County is looking at one now. He said the idea behind the assessment is that there are properties within the City that don't contribute through taxes, due to the value of their property; however, they receive the same service as every other property owner; the idea is that everyone pays something. He said another reason this is being utilized, is because it is a standard fee for each year that isn't subject to change based upon the value of their property. He cited, as an example, while property tax revenue that currently pays for the cost of providing fire or emergency services may go down, the cost of providing those services doesn't go down; if anything, it increases, because of equipment and changing technology.

Empathizing with the small business owners, Mayor Affronti commented that he would not want to hit the business owners with any additional tax or charge these days. Mary Jane Neale confirmed the fire inspection fee would be for businesses only (\$50 annual fee resulting in \$50,000 of new revenue), while the fire service tax (fire service assessment) would be on everything.

Council Member Govin commented they went through a similar routine last year, where they received an exhaustive list of things that could be cut, none of which are desirable at all. He continued that, as he mentioned last year, they are talking about cutting the heart out of the City by eliminating all of these things. He said he would not want to vote for taking out any of them, because Temple Terrace has a character – a heart; while they may get some things for free, it is so minimal. He said he would be more inclined to increase the millage, because the citizens understand the millage and know what it is used for, and the City is being up-front with them about it. He remarked the fire assessment sounds like they are trying to go in a “back door.” While the fire assessment would still be there even if the property tax went down, he said that is a problem, because the citizens are already having problems just keeping things running. He asked the Finance Director to restate the millage rate for this year.

The Finance Director responded the millage is 5.2829. In response to his question about the chart describing the revenue from various millage increases, the Finance Director responded that chart is in the handout for the Neighborhood Town Hall meeting scheduled for later this evening that was sent to Council on Friday. She continued that it shows that taxes would go down if the same millage rate was kept, but utilizing the rolled-back rate of 5.8829, with a .6 mil increase. She said that amount of an increase would cover half of the shortfall of \$1.4 million, which the City Manager added would be a huge step. The City Manager said if they were looking at the .6 mils, the administration could come back with sufficient cuts that they would not have to “gut” the character of the City – those cuts could be eliminated.

Council Member Govin said he would like to see a combination of something less than a .6 mil increase, so when it comes down to an individual homeowner, such as a .2 or .3, so it would only be a \$20 or \$30 increase to the homeowner of a \$100,000 home. He said something minimal that would generate \$300-\$400,000. In addition, he said he would like to see a 5 to 10% reduction in the number of employees. The Human Resources Director commented there are about 320 employees at this time, to which Council Member Govin suggested the City drop that number to about 300 employees. He commented he knows that is tough, but every American business that is surviving has done that, and he believes there is room to look at doing that.

Cutting 20 employees, assuming an average salary of \$35,000, with 35% in benefits, would take it to \$45,000 per employee or an almost \$900,000 savings, Council Member Govin said, adding that this would also probably affect some of the other numbers presented. He summarized that the gain of \$300-\$400,000 by a minimal amount of millage, and raising another \$900,000 through payroll reductions, they are pretty close.

The City Manager questioned whether this would be in addition to what they have already shown them; some positions have already been taken out. Council Member Govin said he assumes those were already counted; therefore, these would be in addition. The Finance Director interjected they are not all out yet. The City Manager noted enterprise fund employees won't help the millage levy side of the equation. The Finance Director added that they cannot touch the Fire Department because of the Safer Grant; the sworn officers are bound by the \$500,000 Safer grant.

Council Member Govin said he wants to put this on the table for the administration to look at to see how many more employees can be taken out without totally diminishing the service given to the citizens; he understands the union problems with Fire and Police, which don't give them much flexibility. He suggested that whatever they bargain with this year, that the bargaining be the same as the rest of the United States is being affected, which is no increase, and if anything, perhaps a decrease in benefits. He understands that is subject to union contracts, and as such, he is not telling them to look at that right now; they should look at the other two in combination, and see if they can come up with a number that pretty much wipes out the shortfall.

Council Member Govin said there are a few other things he would agree on, such as the retiree health insurance, which is a benefit that is disappearing in the public sector. He said he does not know of any small company that pays that benefit. He said that was the purpose of COBRA – to give the employee the opportunity to buy their own at the company price; it is just a non-existing benefit out there. He said he believed it should be looked at and if it can be reduced, it should be reduced. While he doesn't understand the “mechanics” of it, it is about another \$130,000 in savings. He summarized his suggestions of a millage increase resulting in \$300-\$400,000; health insurance savings of \$130,000; and employee cutbacks of \$800,000. He remarked the administration has already shown six people at a \$300,000 savings; perhaps they can do it in less than 20 people, such as 10 or 15. Unless this is an exceptionally odd organization, he said there are people who are not working that should be producing. While he'd like to think the City's employees are perfect, he knows better, believing there is room there.

At Council Member Govin's request, the Finance Director totaled his suggestions, coming up with \$1 million thus far, and noting he hasn't said anything about Fund Balance. Council Member Govin said he understands everyone is very strong about Fund Balance; he personally believes that 20% is an adequate Fund Balance, which would add another \$100,000 to his suggestions. He said he believed those are ways they could do it and fit the character of Temple Terrace a lot more than doing away with the 4th of July Parade or taking the money away from the Chamber of Commerce. He commented the City has no Public Relations person, other than Mike Dunn; the Chamber of Commerce is the one that tells everyone about Temple Terrace and is responsible for a lot of people sticking with Temple Terrace even when things are bad.

Council Member Govin said he doesn't agree with most of the cuts, whether it is Recreation, which has made this City, or the Library. He said he would not tell anyone they would cut eight hours from the Library; he doesn't even want to broach that subject, because people do use the City's Library and Parks. He opined that making the smaller changes that were presented would undo what they did to make the City a City for Living. He said they need to look at the bigger items that would generate some dollars; go back to the Departments and see if they can dig out another 5% or \$350,000.

The City Manager said they just did that to the Departments not too long ago, which Council Member Govin acknowledged. The City Manager continued that the administration doesn't like the cuts either; they are not popular with our residents or anyone. He said he did not believe the administration had the right to come to Council and ask them to raise taxes or roll up taxes or go to the Fund Balance; if they could they would have recommended that. The City Manager stated this is the third year of significant cuts, to which Council Member Govin responded they are probably looking at another year or two.

Council Member Neale asked if the administration could come back with how much revenue can be realized from the various millage rates and what it would do to someone's taxes. The City Manager said they would provide examples as to the impact on an individual.

Council Member Fernandez suggested they could eliminate certain things while the revenue is down as a temporary measure, but she doesn't want to do across the board cuts, citing the recreation special events, which add a sense of community to the City. She said she looks at what makes a person choose to live here; these are things that tell friends this is a great place to live. She gave several examples, such as cutting the CPR class and Fire Prevention Month, but keeping the Fire Blitz, to teach kids early on. She also suggested keeping the winter aquatics class, since it attracts people from outside the area, possibly closing the recreation center earlier, but keeping the early opening time.

Council Member Fernandez expressed concern that by cutting personnel too much, staff would be unable to provide all of those services, such as those in the recreation center. She concurred they should look at retiree health insurance, and said she is not opposed to a slight millage increase, but commented it would be easier to deal with if the taxes stayed revenue neutral or went down. Regarding enhancements, she said they have to keep in mind why someone would want to live here; while she is a huge supporter of education, she would be in favor of cutting the \$15,000 grant this year, if it has to be done, understanding they can't do everything, and the same with the community enhancement, if it is necessary this year, because they know it would be temporary. She said she is not in favor of cutting the quarterly newsletter, because it is hard enough to get information out to the residents.

Council Member Halloway said he would definitely never support an arbitrary reduction in workforce – 5%, 10%, or 15% - whatever it is, is the worst thing that can be done to an organization. He said if someone is a non-producer, this is one thing.

Mayor Affronti said that he agrees with Council Member Govin, and while they don't want to go overboard with it, he believes a small increase in the millage rate will be necessary; however, if they only get about \$300,000 from the millage, it still leaves about \$800,000, which will have to be made up from Department cuts somewhere. He mentioned they need to keep in mind that they want to maintain services the best they can to keep the integrity of the City. He said the money has to come from somewhere. He suggested each Department will have to look at it, perhaps not on a percentage basis, but that they need to cut another \$800,000 from somewhere and let the Departments come in with their suggestions as to what could be done, but still maintain the services that make Temple Terrace what it is. He said he believes that is the next step, and all departments should be affected - he doesn't know any other way to go. The City Manager confirmed that all departments have been affected thus far.

The City Manager mentioned that at the Neighborhood/Town Hall Meeting this evening they would do a quick summary of the redevelopment and then the main thrust would be the significant potential changes to the community and listen to what the residents have to say. He said it will be interesting to hear what they say.

Mayor Affronti commented he has been in business a long time; there are times when they have to make cuts and have to pick up the slack - everyone does it. He continued that he has been in business for many years, and many times they say they can't cut any more, but sometimes they have to and somehow they pick up the slack. He said that everyone says there is no way, but he guarantees it can be done.

Council Member Neale commented that sometimes the demand on the City is more when the citizens are not so prosperous; they need the Library and its resources and the Recreation Department even more.

The City Manager commented the administration and staff appreciate their time spent wrestling with this huge problem. Mayor Affronti acknowledged it is not an easy job to determine how to continue to provide the services with fewer resources.

The work session concluded at 4:37 p.m.

Submitted by,

Lisa Small, MMC
City Clerk