

**MINUTES
THE TOWN OF INDIAN RIVER SHORES
6001 North Highway A1A, Indian River Shores, FL 32963**

**BUDGET WORKSHOP MEETING
Thursday, July 23, 2009
2:30 p.m.**

PRESENT: E. William Kenyon, Mayor
William H. Ahrens, Vice Mayor
Frances F. Atchison, Councilmember
Michael B. Ochsner, Councilman
Gerard A. Weick, Councilman

STAFF PRESENT: Robert J. Bradshaw, Town Manager
Laura Aldrich, Town Clerk
Judith Lewis, Town Treasurer
William Schauman, Director of Public Safety
Richard Jefferson, Building Official

OTHERS PRESENT: One Resident

1. **Call to Order.** Mayor Kenyon called the meeting to order at 2:30 p.m., with the roll call as reflected above. The Mayor made general announcements about this workshop and the budget.
2. **Finance Committee Presentation**
Councilman Mike Ochsner spoke on behalf of the Finance Committee, noting that he appreciated the Mayor's comment about adopting the highest millage rate allowable for flexibility, although he is not in favor of using that rate. Councilman Ochsner worked with Town Treasurer Judy Lewis to put together a one-page summary highlighting revenues and expenses for the current and proposed budget that shows the necessary changes.

The current millage rate is 1.3923, and the budget shows a proposed rate for 2010 as 1.4307. Adopting the rollback rate of 1.4307 would necessitate a transfer of funds from the Reserves of \$142,786.

At the last Council meeting, Councilman Weick had asked what amount should be contained in the reserves, as there are currently \$2.4 million in the emergency reserves and another \$520,961 in general reserve funds. Drawing from historical experience with the 2004 back-to-back Hurricanes Jeanne and Frances, the total out-of-pocket expenses for the Town was close to \$800,000. Out of this, FEMA reimbursed \$700,000, netting only \$100,000 expense. In 2005, Hurricane Wilma cost the Town a net of about \$10,000. Having \$2.4 million in reserves seems a little excessive, as we are \$400,000 or \$900,000 ahead of the \$2 million target initially set. We did not have to set up a remote office due to our facilities being unusable during any of these hurricanes, but if we did, we have business interruption insurance, which will pay for this. Most of the staff is able to conduct Town business at home, so we probably would not need to relocate the offices, Councilman Ochsner added.

Please Note: The Town of Indian River Shores does not routinely keep verbatim minutes. Any party interested in such an appeal relating to any decision made by the council with respect to any matter considered at this meeting is responsible to record the meeting and include the testimony and evidence upon which the appeal is to be based.

Mayor Kenyon stated that we are not getting much return on the \$2.4 million in funds, and asked that the Finance Committee investigate alternative investments. Councilmember Atchison added that Judy Lewis had referred to some options recently. Councilman Ochsner said that State law as to what they are allowed to invest in limits them, and the return rates will be going up. Councilman Ochsner agreed with Mayor Kenyon, and agreed to research alternative investments.

He continued that the discussion focuses on drawing on the Reserves. Going back to revenues, he said that Ad Valorem is up slightly, and the other revenue is down almost an equal amount. The net effect is static revenue, so to maintain the current spending levels would require \$142,841 from the reserves. The largest increase in expenses is for the Public Safety Department, which is comprised of two major components: salary increases and pension/health benefits. The two of those added together are more than the suggested transfer from the reserves. Other than this, \$14,070 more than last year is needed to fund the sick leave bank, and repayment of the General Fund for Public Safety building renovations is significantly less than last year as this will complete payment for incurred costs.

Councilman Ochsner recommended that the Council adopt the budget as it is, and in the meantime review the budget more closely for further cuts.

3. **Council Discussion**

Vice Mayor Ahrens asked about the \$142,786 amount to transfer increasing from preliminary estimates by about \$100,000. Mrs. Lewis said that there was a transposition error between worksheets that resulted in a math error, and Mr. Bradshaw clarified that the costs are not different.

Councilman Weick asked what the tax rate was this year, and Mr. Bradshaw replied that it has been 1.3923 for the past 2 years, and Councilman Ochsner said it had been 1.470 for about five years. Councilman Weick noted that we are operating at a lower millage rate than what we have been for more than five years. Mr. Bradshaw said that it was due to a mandate from the state to cut it to 1.3923. Mr. Bradshaw would have been at 1.47 if the State had not intervened.

Councilman Ochsner said that if we adopted same level of expense as requested at 1.3923 it would take \$235,979 from the reserves. He believes that we might be able to cut some expenses and not transfer so much from the reserves, but the reserves are for difficulties. We have had a double "rainy day" with the downturn of the economy in which drove the assessed valuations down, and the Defined Benefit plan required funding due to the market crashing in December. There is a catch-up to get funding, and one to offset the losses.

Councilman Weick clarified that Councilman Ochsner was proposing a 1.4307 millage rate, and if the budget can be trimmed further we would just lower the amount to be transferred. Councilman Ochsner said he would prefer to see the millage rate at 1.3903 and minimize the transfer with more cuts.

There was a discussion regarding the assessed value being limited to 3% growth per year on homesteaded property, with differing opinions that an increase in the assessment would directly correlate to an increase in taxes. Rough calculations during the meeting were that the \$142,000 shortage is only about \$17 - 40 per resident on a \$500,000 home. Councilman

Ochsner said rationalizing increases is a slippery slope, an increase is an increase, whether \$20 or \$2,000.

Mr. Bradshaw added that in addition to being prepared to talk about the millage, the Council also needed to be familiar with the budget amount in order to adopt tentatively \$4,485,980. Councilmember Atchison said she approves of this budget for starting purposes. Councilman Weick said that he is concerned that some of these numbers may be too low, especially with utility and gasoline costs being uncertain. He would be hesitant to cut this budget as it has already been significantly reduced, especially by Public Safety. The Town has been cutting the budget for years, Councilman Weick concluded, and therefore is comfortable with the \$142,000 transfer from reserves.

4. **Audience Discussion**

No one had any comment.

5. **Recommendations**

- a. Set Tentative Millage Rate. As discussed above.
- b. Approve Tentative Budget. As discussed above.

6. **Adjournment**

Mayor Kenyon adjourned the meeting at 2:52 p.m.

Respectfully submitted,
Laura Aldrich, CMC, Town Clerk

(Approved by the Town Council at the August 27, 2009 Meeting)

/s