



MINUTES

Budget Workshop Meeting

Thursday, July 22, 2021

8:30 a.m.

TOWN OF INDIAN RIVER SHORES

6001 N. STATE ROAD A1A INDIAN RIVER SHORES, FL 32963

1. Call to Order
 - a. Invocation
 - b. Pledge of Allegiance
 - c. Roll Call

The meeting was called to order by Mayor Foley at 8:30 AM. Vice Mayor Carroll gave the invocation, and the Pledge of Allegiance was recited. Those present were ELECTED OFFICIALS: Mayor Brian **Foley**, Vice Mayor Sam **Carroll**, Councilmember Chris **Hendricks**, Councilmember John **McCord** and Councilwoman Mary Alice **Smith**. STAFF present were Town Manager Jim **Harpring**, Town Treasurer Heather **Christmas**, Town Attorney Chester **Clem**, Assistant to the Town Clerk Chelley **Pallo-Darnell**, HR/Finance Manager Darlene **Wiltzius**, and Public Safety Chief Rich **Rosell**. Building Official Luis **Martinez** and Town Clerk Laura **Aldrich** both had excused absences. RESIDENTS present were Bob **Auwaerter** (Charter Review Chair, Ocean Colony), Patty **Gundy** (PZVB Chair, Pebble Bay), Mike **Ochsner** (Finance Committee Chair, The Estuary), Peter **Tedesko** (Finance Committee, Sea Forest) and Former Vice Mayor Jerry **Weick** (Bermuda Bay). GUESTS present were Janet **Begley** (Press Journal), Bob **Gibb** (John's Island Real Estate), Mike **Korpar** (JIPOA), Nikki **Monahan** (CCSI) and Pete **Sweeney**.

2. Budget Overview and Discussion

Mayor Foley said discussion will begin with the Council members, going right to left. He acknowledged that he knows this Council has been working hard toward a budget that will benefit the public. Per the Sunshine Law, individual Council members have had discussions with the Town Treasurer and Town Manager regarding the budget prior to this public discussion.

Councilmember McCord said he had no comments, and Mayor Foley moved on to Vice Mayor Carroll. He commended the Town Manager and Treasurer on putting together a very thorough summary, and he congratulated the Finance Committee for the work they did. Vice Mayor Carroll said he looks forward to addressing the millage rate, which Mayor Foley confirmed he wanted to save for after public comment. Mayor Foley said the tentative millage rate will be set today, which is the number that cannot be exceeded. It is not typically the millage rate that is imposed, but the tentative millage rate that is set for the TRIM (Truth in Millage) Notices, beyond which the final millage rate cannot be set. It is always set comfortably above where we think the final millage rate will be set.

Councilmember Hendricks echoed the Vice Mayor's comments. He said that, from an overall budget perspective, what was presented to them represents keeping our level of service at the same level. He assumed that it does not represent an increase, which Town Manager Harpring agreed that would be fair to say. Councilmember Hendricks said the budgeted 4% salary increase for non-union employees is below the social security premium increase, set to be in the sixes, which will affect all retirees and some others. He thinks the 4% should be higher, because he thinks the Town's employees should not be losing money

by coming to work. Councilmember Hendricks said 6% was budgeted last year and he thinks it is a little unfair. Inflation is 6% and he thinks they should give more than 4%. He commented that three of the thirteen non-union employees are funded by the revolving fund so the expense to the Town would only be for the remaining ten employees. The Public Safety officers will negotiate their contract, as they always do. Councilmember Hendricks also agreed that not using reserves to help fund budget deficits is prudent. Considering the potential costs associated with water issues, septic-to-sewer and stormwater impacts that are coming down the pipe in the next couple of years, we may need the extra funds.

Councilwoman Smith said she echoes everything that everyone said. She added that she found the detailed Finance Committee meeting minutes very helpful when reviewing the budget, and the summaries were excellent. She agreed with Councilmember Hendricks that 4% does not seem like very much money, and is glad he said something, because she was unaware regarding the 6% inflation rate. She agreed with him on that, and with everything else that was said by others.

Mayor Foley also echoed his fellow Council members comments, and congratulated the Finance Committee, particularly the new members on it. He said the work they did was very exhaustive, and it was interesting to see different perspectives and approaches. He thinks it was very helpful for the Town's staff to have the benefit of that Committee. He said also thanked Mrs. Christmas and Mr. Harpring. Mr. Harpring really hit the ground running, as the budget was thrown at him 2-3 months into the job. He also wanted to thank all the Council members for the work and preparation they did. It is really an honor and a privilege to work with people who are always prepared and always do the work.

Regarding keeping the service at its current level; he believes we are looking for enhanced services. Mayor Foley said we are always trying to get better, not just stay the same, particularly if there are going to be discussions about raising staff's recommended 4% increase to a higher level. We can always improve, and he knows the Town Manager has expressed that sentiment; fresh pairs of eyes always have different ways of improving services and turn-around time on everything from ordinary, day-to-day tasks to figuring out better and more efficient ways of doing things. Mayor Foley said he and Mr. Harpring share this goal.

Mayor Foley asked that before they get into the millage rate, they come to a consensus about Councilmember Hendricks' and Councilwoman Smith's sentiment that the 4% (increase) proposed for staff sounds a bit on the low side given considering where inflation may or may not be going. Mayor Foley asked staff to explain how they arrived at that number, as usually Council is paring back requests of this nature. This interest is in making sure the employees are adequately compensated and are not actually making less and spending more.

Mr. Harpring explained that in reviewing the budget overall, he does not disagree either philosophically or practically regarding the comments relative to the salary increase. As he understands it, 4% is an average; it could be higher or lower. In light of the increases Councilmember Hendricks referenced, that he himself was probably being a little conservative given his tenure on the job to make that leap within the first few months to make that recommendation. However, he is not opposed to it. From a fiscal point of view, it is not reckless to contemplate more, and it also allows him to ask the employees to understand that we are looking for that enhanced level of service. Mr. Harpring continued qualified his comments regarding maintaining the same level of service in that he was referencing more of the nuts and bolts or brick and mortar operations, such as the number of vehicles we have, the buildings and things of that nature, as opposed to what he thinks we should all strive for, which is doing better for the citizens, and for Council, and for all our constituents.

Mayor Foley said at the Regular Town Council meeting, they will be discussing a recommendation to change healthcare insurance providers, and along with that comes some benefits to the employees at a cost to the Town, such as reduced co-pays. Mr. Harpring confirmed that is part of the difference in plans. Mayor Foley said that is something we will want to take into consideration when we are setting any recommended increases.

Mayor Foley asked Mrs. Christmas what impact a greater increase would have on the millage rate, and said she can take some time to come up with the numbers as today they are merely setting the maximum millage rate. He knows that an increase from 4-6% would not affect the millage rate that dramatically. Mrs. Christmas said the 4% is about \$15,000, so an increase to 6% would not be detrimental and would not have a material impact. Mayor Foley said he would like to hear discussion from other members of Council, but his suggestion would be that they send Mrs. Christmas and Mr. Harpring back to determine the numbers, and he would also like a very top-line summary of where each department thinks they can do better, in conjunction with Council's consideration of a potential increase.

Vice Mayor Carroll said with due respect to Councilmember Hendricks, he would caution Council and staff against putting too much reliance on inflationary expectations. He added that inflation is defined differently today compared to the time when most of (the Council) were in our working careers. He said the past 20 years have been a period of disinflation and cautioned against putting very much credence into government projections of anything. He believes they should discuss the appropriateness of the 4% number. He also thinks Mayor Foley's suggestion of having Mr. Harpring and Mrs. Christmas go back to each Department to see where there might be room for improvement is an excellent suggestion.

Mayor Foley said he is not suggesting anyone make their mind up today as to whether they agree with Councilmember Hendricks' suggestion; he thinks they just need to have Mrs. Christmas and Mr. Harpring give it some thought and come back with where they think we can see some improvement, and then at the next budget meeting Council can have a deeper dive on all these issues – whether inflation is a factor to consider and whether Council wants to increase the 4%.

The Mayor asked Councilmember McCord if he had any thoughts, and he replied that one of our largest costs is employee compensation, and he noticed there is an absentee rate of 17.9%. He does not know what that amounts to in overtime, but he certainly wanted to bring that to the attention of Council, as it is a staggering number. Mayor Foley said he had a conversation with the Town Manager about that, but that rate is for the Public Safety officers, and we are discussing the budgeted increase for non-union employees. Mayor Foley said they are just coming to a consensus on their path forward.

Councilmember Hendricks addressed the inflation factor, whereby Social Security is giving out 6.2%-6.3%, and the minimum wage is increasing to \$15 per hour. The City of Sebastian is using some of their COVID money to give their employees an increase for all the work they did during COVID. Councilmember Hendricks thinks salary reviews are important. Regarding level of service increases, it is not that how things are done now are right or wrong, it is just a matter of what more can be done. Under the Federal Manager's Financial Integrity Act, federal and most state employees and their entities and enterprises usually spend a day each year looking at their mission, purpose, policies and rules that must be followed; such things as the systems, procedures, how they could do things better, their vulnerabilities, the things that affect the way they do their job, if automation or new procedures could help, would an influx of capital make the job easier, and the like are reviewed. The Building Department is now looking at automation of some of their books and records to help make the permitting process easier, such as Indian River County has done. He said other Departments can find easier ways of doing things through automation, and everyone needs to look within their department to see what they can do, and ask what products or services would make the Town better. He believes the Town's residents have higher expectations regarding service level than others may.

Councilmember Hendricks added that he is a member of many boards, and the members are all given an iPad, and all the materials for his monthly meetings are submitted to him through his iPad. All memos are sent to the iPad, everything is stored in one central location. All the previous years' meeting minutes, prior decisions, etc. (are on the iPad), and it helps him, as a member of the board, to look at the past and the future and be prepared. It also saves time when books and copies do not have to be made. The Town Council is the only organization he works with that uses paper. He said it is okay, but he thinks we can do much better.

Mayor Foley agreed, and he has had discussions with Mr. Harpring regarding automation, doing things such as simplifying the minutes; he agrees that we have a lot to do in that regard. Mayor Foley said, with all due respect, he doesn't think we want to follow the federal government as a model. He thinks we do a better job here. He wants Council to be fair, but their function is as advocates for the taxpayer. He thinks the Town Staff has a good handle of what is going on and that we need to pay attention to that.

Mayor Foley suggested that the way forward is to take Councilman Hendricks' issue, have it discussed among the staff, and the Council members should be prepared to discuss it further at the next meeting. Mayor Foley asked if Councilwoman Smith had any comments, and she answered that she did not.

3. Public Comment

Mayor Foley asked if there was any public comment, and there was none.

4. Recommendations (8:53)

Mayor Foley moved on to the *setting the tentative millage rate*, which he reiterated is the number not to exceed, and it is expected will come in much below that. Mayor Foley turned it over to Town Treasurer Christmas and Town Manager Harpring to explain the millage rate, and directed everyone to page 2 of their handout, which shows the proposed millage rate, the percentage increase from the previous year, the operating deficit, the taxes in FY 20-21, and the increase in taxes from FY 20-21.

Town Manager Harpring said page 2 of the summary outlines how each percentage increase in millage rate would affect the operating deficit. Right now, we all know the sale of the SurfsEdge property resulted in the Town's being able to reduce the millage rate with the intention of giving back to the citizens of the community. We have evaluated where we are with the reserves, which are healthy and are very good insurance to have. They laid out at 0.5% increases what the millage rate would look like and how the operating deficit would decrease along this spectrum, and what the actual dollar increase in taxes would reflect as it relates to FY 20-21. Mr. Harpring said while the reserves are very healthy, there is always concern about the future adverse impacts from hurricanes or other unknown issues. It is up to Town Council to determine the extent at which they want to move along that spectrum to get to balanced budget operations without having to draw from the reserves. Mr. Harpring invited Mrs. Christmas's comments.

Mrs. Christmas addressed the operating deficit, stating if Council determines there are things that can be cut or changed, that number could decrease from \$164,000.

Mayor Foley asked for any discussion from Council. Councilmember Hendricks said he would like to not use excess funds and would like to go to 0-deficit funding. Mayor Foley said that is an issue for when Council sets the final millage rate. He explained the excess funds that Councilmember Hendricks was referring to were funds gained from the sale of the SurfsEdge property that were used to reduce the millage rate, which was done by prior Councils in measured fashion. That is a decision we make at the final meeting when we set the millage rate. Today, what we are doing is setting the maximum millage rate. The Town's procedure has been to set it at the highest millage rate recommended by the Finance Committee and staff, which is 1.3821. That would be the maximum rate that would go out on the TRIM notices and which we would not be able to exceed.

Mayor Foley asked if there was any public comment. There being none, he asked for **a motion to set the maximum millage rate at 1.3821**, which was made by Councilmember McCord, was seconded by Councilmember Hendricks, and **passed unanimously**.

5. Adjournment

Mayor Foley adjourned the meeting at 8:57 AM and announced they would reconvene at 9:05 AM to begin the Regular Town Council Meeting.

Respectfully submitted,
/s
Laura Aldrich, Town Clerk

Approved by the Town Council at their
August 26, 2021 Regular Council meeting