

MINUTES OF A BUDGET WORKSHOP OF THE CITY COMMISSION OF THE CITY OF FORT PIERCE, FLORIDA, HELD IN THE FORT PIERCE COMMUNITY CENTER, 600 NORTH INDIAN RIVER DRIVE, FORT PIERCE, FLORIDA, AT 2:00 P.M. ON WEDNESDAY, APRIL 29, 2009.

Mayor Benton called the meeting to order at 2:10 p.m.

Upon Roll Call, those present were: Mayor Robert J. Benton; Commissioners Rufus Alexander, Edward Becht, Christine Coke, and Reginald Sessions; City Manager David Recor; City Attorney Robert Schwerer; and City Clerk Cassandra Steele. Those absent: None.

The purpose of the Budget Workshop was Discussion on FY 2009 2nd Quarter General Fund Operating Results; FY 2010 General Fund Projected Revenue; General Fund Budget Reduction Strategies for FY 2009 & FY 2010; and Presentation from Siver Insurance Consultants on 2009-2010 Health Plan Renewal Considerations.

Mayor Benton said he will start off by turning this over to the City Manager. He is going to do his best to keep this moving because they have a lot to talk about today. This is probably one of the toughest meetings he has had to attend in 14 years. They are required to do some things that they really don't want to do, but they are going to try to get through this one.

City Manager Recor said this Budget Workshop was originally intended to be the kick off for their next fiscal year, the FY 2010 budget discussion. However, the Quarterly Financial Reports he initiated when he became City Manager have proved to be somewhat of a double-edged sword. On the one hand, these reports have enabled them all to keep the financial solvency of the organization at the forefront of every decision they make; but at the same time the reports have shed light on the dramatic decrease in projected revenues that they are facing as an organization in the current fiscal year. He appreciates the opportunity to meet with each of them over the last few days one on one, both he and the City Attorney. As he stated to each of them on those one on one meetings, they didn't get where they are overnight. The strategies they have used to balance the General Fund Budget over the years have not been sustainable fiscally responsible approaches, i.e. depending on non-recurring sources of revenue like the Marina Fund or the Fund Balance to balance their General Fund Budget; basing their ad valorem tax receipts on 100% collection rates when proven history they know they don't collect 100%; not budgeting for salary adjustments across the board; and miscalculating projected revenues in major category sources. These are fatal flaws that have finally caught up with them. They have in fact made a decision, a conscious effort, to reduce expenditures particularly over the last several years. They will recall that 28 positions were frozen last year. Operating expenditures were significantly reduced across the board. They didn't budget for new capital or replacement capital of any kind. That is virtually unheard of. They have scrutinized the replacement of vacant positions in the current fiscal year, they have limited travel and training, among many other things. All that said, halfway through the current fiscal year, the General Fund is more than \$1.5 million short in projected revenue with no magic pill or home run ball in sight. So he thinks this is where they need to begin their

discussion today, basically to pick up where they left off on April 20th with an overview of the second quarter operating results. Their packet includes options and strategies for reducing expenditures in the remaining five months of the current fiscal year. The bulk of those reductions come from personnel services. But there are certain operating expenditures that may be further reduced as well. It is important to note and to keep in mind that every reduction they reach consensus on in the current fiscal year has a corresponding value in the next fiscal year. He has attempted to provide them with options. There are no recommendations. Everything is an idea today - a suggestion, an alternative, or an option. He wants the Commissioners to look at them as options. There are more than \$2 million in expenditure reductions included for their review and discussion. These reductions, if they were to take every one of them, represent nearly \$3.5 million in reductions in FY 2010. The projected budget gap in FY 2010 is \$6.5 million. That should give them some perspective of the challenge they have before them. They are in a tough situation, but things are going to get better. According to Jeff Furst, they have not seen the worst of the worst yet, but things are going to get better. They simply need to work together, they need to use every opportunity to tighten their belts, to cut back, to reduce expenditures, and identify sustainable revenue sources for the future. That is how they are going to dig themselves out of this. In the packet of information he also included some communications and some correspondence from across the State. One example is the community of Cape Coral, which is projecting a 35% decrease in their ad valorem tax receipts. The point is, they are not alone. Every municipality in the State of Florida is in the same situation Fort Pierce is and it is as a result of Amendment #1. The bottom line is, they are all in this together. The slide that is on the screen is the summary of the Quarterly Projected Revenue shortage in the current fiscal year. Just to graphically illustrate the fatal flaws he mentioned in his opening remarks, they will see the current ad valorem tax receipts are projected at \$772,582 short at the end of the fiscal year - a major source of revenue, if not the major source of revenue, for the City's General Fund. Their various permitting revenues, like building permits and inspections, are woefully short. They will see an overage in salaries. They don't budget for salary adjustments, they absorb that into the operating expenses. The bottom line is \$1.5 million in the current fiscal year, they have five months in which to make that up. So if they correct those fatal flaws, if they project and base their projected ad valorem tax receipts for the next fiscal year on a 95% collection rate, it reduces their ad valorem tax receipts by better than \$2 million. Based on their experience with permitting revenue, a more realistic projection is in the \$250,000 range. Hopefully things will pick up, but he thinks they should be conservative rather than optimistic. He thinks they should base their estimates on conservative projections as opposed to the best case scenario. The physical improvement grants of \$2.9 million in the current fiscal year, there is a zero projected for FY 2010. Those were grant monies they have received or will receive in the current fiscal year for Moore's Creek as well as the Rollins property.

Commissioner Becht said he is looking at the General Fund Detail Summary of Revenues. Under Taxes - Line Items 312-31, 312-32, 314-10, 314-11, and 314-20 - the projected revenue for 2010 is higher than what they actually received in 2008. He questions the wisdom of repeating that mistake. Every one of those, Mr. Recor or Ms. Johnson has projected they are going to have higher revenues in those line items than they actually received in 2008. He doesn't want to do that, he thinks that is a mistake. He doesn't know if Staff has reasons for... In his opinion, this is the same mistake that was made with the building permit fees being projected in this year's budget at \$1.2 million when they didn't even get that in 2008. He must have been asleep at the switch, because he could have told them they weren't going to get that in permitting fees. He is a little more awake today. He is not interested in projecting fees on these particular items which are in his opinion somewhat dependent on the economy, predicting them to be higher in the next fiscal year than they have experienced. It just seems irresponsible.

Ms. Gloria Johnson, Director of Finance, said the projection is based on the State's forecast, she is using their forecast. The State is telling them how much they are going to collect this fiscal year. Basically their forecast, it is telling them the City is going to collect \$1.5 million.

Commissioner Becht said he thanks her for that explanation because that does make sense, except that the State is trying to boost up its projections for its own revenues, which he thinks are artificially enhanced. So he would rather use real figures from 2008.

Ms. Johnson said the thing is, currently she has been monitoring from the first six months, now the first seven months. They are on this path to receive this amount of money this fiscal year.

Commissioner Becht said that would include October, November, and December, which are fairly busy months, and exclude June, July, and August, which he thinks are going to be slow months. He will go back to his forecast. He made the mistake before of relying on Jeff Furst saying they are going to be out of the recession by summer. Now he is just going to trust his own gut. His gut says, they are not going to be out this year, they are not going to be out next year. So do they want to use the higher figures, which may exacerbate the corrections they have to make in mid-year next year; or do they want to use numbers that are consistent with 2008?

Ms. Johnson said the numbers are really close to the 2008 numbers, it is only about \$120,000 off.

Commissioner Becht said then it shouldn't make that big a difference if they use his numbers.

Ms. Johnson said she is using the 2008 actual numbers.

Commissioner Becht said right, that is what he said. So if is only \$100,000, it doesn't make that big a deal. So use his numbers.

Ms. Johnson said okay, they will do that.

City Manager Recor asked are there any other thoughts or comments? They will use the 2008 numbers. He agrees. Again, he thinks they need to be fiscally conservative here. They need to prepare for the worst and hope for the best. It is a good suggestion. Any other feedback? One of the other major sources of revenue that they really need to be cognizant of is the administrative transfer from their Fort Pierce Redevelopment Agency. For a number of years the Fort Pierce Redevelopment Agency has been the financial engine of this community. They had been transferring \$600,000 for the last few years. That transfer has increased over the years, he thinks it started in the neighborhood of \$400,000.

Commissioner Becht said he hates to interrupt him, but Mr. Recor jumped off that page while he was waiting for another Commissioner to weigh in. Under Intergovernmental Revenues, the State Revenue Sharing and the Half Cent Sales Tax, the State Revenue Sharing is slightly higher. Are these again based on projections Ms. Johnson received from the State?

Ms. Johnson said yes. She did send a memo to the City Manager actually saying these are projections. Because she doesn't have projections from the State yet, she is basing it on the projections they are currently experiencing. But it may change, she hasn't gotten anything from the State yet.

Commissioner Becht asked has she factored in any seasonal adjustment with her projections?

Ms. Johnson said right now they are on this pace to receive this amount of money. They may or may not. But it seems like they are going to be in that ballpark.

Commissioner Becht said to answer his question, she has not made any seasonal adjustments.

Ms. Johnson said no. The State actually makes the seasonal adjustments.

Commissioner Becht said the question he has with the sales tax, he is ignorant as to how that is calculated. Is the money coming back to the City of Fort Pierce based on population or geographic area? How is that calculated?

Ms. Johnson said it is a very complicated formula and it is based on all types of things.

Commissioner Becht said that leads into what he wanted to make sure of. With the annexations they have achieved in the last couple of years, have they made sure that all of their annexed areas are being calculated back to the benefit of Fort Pierce? All the addresses for any retail establishment that would generate a sales tax, are they getting the benefit of those establishments they have recently annexed?

Ms. Johnson said yes, they are. As a matter of fact, a couple of years ago she hired a temporary worker who went through and updated all their land files to make sure those matched the State records, that everything the City had annexed that the State did have. In doing so, they did bring in an additional \$300,000 to their revenues under their Telecommunications Tax.

Mayor Benton said on the sales tax, his recollection the last time he looked into it, and he has looked into it several times. It started with a deannexation years ago out on the Okeechobee Road corridor. The last he looked, Fort Pierce collected 49% of the sales tax. St. Lucie County received 16% back. Because it is sent back from the State to the population areas, Port St. Lucie was getting almost 60%. The City received a very low rate. That was kind of alarming, but that is the way it is done.

Ms. Johnson said yes. And the Local Option Gas Tax is done the same way. Fort Pierce gets a very small portion.

Commissioner Becht said the point of clarity is that Staff has, recently and after the annexations, verified that they are getting what they are supposed to get from the annexed areas.

Ms. Johnson said yes, that is correct.

City Manager Recor asked are there any other questions about projected revenues in FY 2010 or the Detail Summary of Revenues? There are not significant differences for Intergovernmental Revenues, Charges for Services, or Fines & Forfeitures. Would anyone like to discuss any of those projected revenues, the methodology?

Commissioner Coke said about six years ago they had \$1.3 million in uncollected liens. At that juncture in time she believes they did hire a collection agency to try to move forward to collect some of that. Considering the financial times, do they have a current figure on uncollected liens?

City Manager Recor said he believes they do. He and Ms. Johnson had discussed an approach to collect those.

Ms. Johnson said that figure has increased considerably since the last time they talked about it. They are currently at \$2.7 million uncollected liens, whether it be lot clearing or demolitions. They did hire a company to do collection efforts some time ago. She thinks it was Alliance or something like that, she can't remember exactly the name. They got very little revenues from that. It just didn't work. She thinks when properties are liened, most people live there, so there really don't collect the money until they move or until they sell. They just keep it on the books. There is no reason for them to pay, so the City just doesn't collect.

Commissioner Coke said considering the economic times, she thinks it is worth at least pursuing. They talk consistently about how the majority of their residents are not property owners, they are renters. She is sure a lot of these properties

are either absentee landlords or out of state corporations that are even less concerned with the future and the well-being of not only how the property is maintained and kept, but with paying off these fines and liens. She is wondering if now would be an appropriate time to further investigate actively pursuing collection of those. She thinks what happened the last time, they started actively pursuing and everybody came in front of the Commission with a teary-eyed little story, and if the property was up to date currently, they were inclined to forgive whatever they could of it. However, she doesn't think they are being fiscally responsible if they have in fact laid out money for administrative fees, demolition, and lot clearing, and they are entitled to get those back and they have a duty to do so. Why should John Q. Citizen pay for some corporation in Miami or California who didn't maintain their property. So if they have that much money out there, she thinks they need to take a very pro-active stance in looking to collect it. She doesn't want to force the 95 year old grandma out of her home. But when they are talking about absentee landlords, she thinks they need to pro-actively pursue those people for getting this money. And then if they are not paying it, what is the next step? Is there a point at which they can look to foreclose on that lien?

Commissioner Alexander said he asked Mr. Schwerer about this two or three years ago and he was saying individuals are not required, unless they want to sell their properties, because a lien can stay on a property for 20 years, right? If they are going to actively be aggressive on it, what can they be aggressive on?

City Attorney Schwerer said ordinarily on homestead properties, there is no right of foreclosures. That is what he thinks he was speaking to, saying the lien just stays on that property and they don't ever really get to collect it until it is sold, and even then they may have problems.

Commissioner Coke asked what about the non-homestead properties?

City Attorney Schwerer said the non-homestead properties, they do have a right to foreclose and/or collect. He and Ms. Johnson worked on that program years ago. What they were finding was that as soon as their collection agency was sending letters to the folks threatening collection, they came before the City Commission. But there was a problem, because once those were already in collection, the collection agency was expecting to get the response through them and not have it waived. That is what was happening. He thinks the City Commission would have to establish a fairly firm policy on where it was going to go in reference to entertaining these lien reduction or lien elimination requests in order for the program for collection purposes to be effective. He thinks they would have to set a policy. Because currently their policy is on special assessments where they have lot clearing liens and they have demolitions, they do not waive the principal about of those. They do however have the ability to waive administrative costs and interest and they have done that. But folks don't come to them generally for those until they are ready to sell or the property is being transferred.

Commissioner Coke said but if they start discussing non-homestead properties... Her gut tells her that the vast majority of the liens are on these non-homesteaded properties. If the Commission decided they have the will - and she for one would have the will - at this juncture in time to force absentee landlords to pay for their mistakes, rather than have their citizens pay for it in reduction of a work force, reduction of services they receive, and reduction in health, safety, and welfare of their community. She thinks they need to look at what they need to do to collect funding to provide the necessary services to their citizens. She is just one voice here, but she would like to actively pursue the non-homesteaded property, the collection of those liens. Because if they can bolster enough to get through these tough times that are going to be with them for another year or two, they might be able to revisit it further down the line. So long it is not mom and pop that are homesteaded, she has no problem knocking on the door and saying give them their money.

Mayor Benton said he would agree. But he thinks what it comes down to, legally they can't discriminate. They would have to set some guidelines and some rules and stick to them. He doesn't know whether they could pick on homesteaded versus non-homesteaded.

Commissioner Coke said Mr. Schwerer said they couldn't go after homestead.

City Attorney Schwerer said they can't foreclose against homestead. But they will often come before the Commission for lien reductions, so they would have to address that.

Commissioner Coke asked could they actively pursue the collection of non-homesteaded liens and leave the homesteaded for a different situation?

City Attorney Schwerer said he thinks they could. Because unlike homestead, non-homestead properties are not protected against foreclosure. But what they really will need for informational purposes is to get an idea of what other liens may pre-exist the City's liens on those properties. Because once they start the foreclosure process, they can foreclose against any subsequent liens that have accrued after the City's lien, but any prior liens are preserved. So they may be ending up causing a foreclosure and a sale of properties to benefit the first lien holder, whoever that may be, who hasn't started a foreclosure of their own for whatever reason.

Commissioner Coke said she understand what he is saying, but she really doesn't want to make it more complicated than it is. If they end up helping somebody else collect their money, then that is one. But they need to be more pro-active in the collection of non-homesteaded liens.

City Attorney Schwerer said they can do that.

Mayor Benton said he would agree. He thinks they can do that

without having everybody that maybe is a resident and doesn't have a homestead coming in and asking why are they picking on them, he wouldn't want to see that at their Commission meetings. But he thinks somehow these liens should go away.

Commissioner Sessions said in order to get to the point she is speaking about where they can make a decision saying homestead versus non-homestead, he takes it as a Commission they are going to need more information from staff pertinent to that, so when an individual comes before them... Because the attitude of this Commission since he has been back on, and he is part of it too, is forgiveness of liens. They have had an opportunity to strictly enforce that, but the overall mentality has been forgiveness of certain liens with the exception of administration costs and things of that nature. But it is incumbent upon Staff to give them more information. He doesn't know whether or not they get in a position where they are discriminating or not. He doesn't have a problem with collecting what is owed to them. But they have to be careful about it in terms of singling out individuals where they will have even more cost involved defending their actions in litigations.

Commissioner Becht said he is in favor of a more aggressive policy of trying to collect the non-homestead liens. He thinks it is a fairly easy matter to determine which are homesteaded and which are not. They can go on line and figure that out, if they have a parcel identification number. Mr. Schwerer's point that they might be benefitting somebody else, he had a note to himself that if they do follow this new philosophy forward - and it appears there are at least three of them willing to do that - he doesn't see it as that complicated, but he wanted to think through what will happen if they follow through all the way to the end. Some of these properties, there may not be anybody bidding on them at the end. If they have been to one of these foreclosure sales, these are not people looking for homes and stuff like that, they are bargain basement investors. His thought is the immediate reaction is going to be that the property is going to enter the tax roll at a lower value. But if that is true, they are going to have lower City revenues on these properties, if these people are even paying the taxes in the first place. But if those enter the roll at a lower rate, then somebody might build on them, somebody might develop them, somebody might do something with it. If a corporation like SunTrust holds a first mortgage on the property and the City forecloses their second or third position, SunTrust is now going to be in the position of having to pay the taxes on the property or they are going to lose the property. They are going to have to bid on the property in order to preserve their first lien position, or not bid on it and let somebody own it that they don't know who owns it. So it becomes very interesting with foreclosing liens. The reason he thinks Commissioner Coke mentioned it is as a revenue source. His recollection is they had like \$2 million or \$3 million worth of these outstanding liens all encompassing. If they just say half are homestead and half aren't, they are still looking at about \$1 million worth of liens. If they only have a collection factor of \$500,000, he doesn't think it is going to cost over \$100,000 for the City to

raise \$500,000, plus they clean up the books and they may stimulate some things happening in the economy. So he is in favor of a more aggressive prosecution of the liens on non-homestead property. He would point out to the Commission that they are going to get slammed with people who call in and say this is unfair. They should have kept their property up. Or they should have gotten a title insurance policy when they bought the property to know the lien was there. These are fundamental parts of being an owner of real estate.

Mayor Benton said he thinks they can look to their sister City of Port St. Luce, because he heard a presentation about six months ago they made to the Treasure Coast League of Cities. They were going to start foreclosing. The discussion was, if somebody hadn't mowed their lawn and they have a lien, they could foreclose on the house? That is as technical as they were getting. So he thinks Mr. Orr could probably shine a little light on how that has moved forward down there.

Commissioner Coke said they can establish a very firm policy of the steps and procedures of what they want to have happen. They can say yes, people can come and appeal this; or they can say no, once it has been turned over... They can send notification to all these people and say they have 30 days to pay this non-homestead lien on their home or it will go into collection; and once it has gone into collection, they will not have the opportunity to appeal through the City, they will have to go through the collection agency. So she thinks they can resolve the issue that way. She thinks the vast majority of these are vacant lots. If these are vacant lots that are still not being maintained, the odds are that their taxable value to the City is very minimal; and it might put them in a position where they could utilize those vacant lots, similar to what they did at Moore's Creek, to stimulate the economy and get something going.

Commissioner Sessions said Ms. Johnson mentioned the company they hired before, obviously that didn't work, so they don't want to travel that road again and spend all that money and go back to that same collection agency. They have to practice what they preach; and if the Commission is going to make this policy, they as a Commission are going to have to strictly enforce this policy. While he is in support of it, he is certainly going to be in support of enforcing it. But from this day forward him personally, his attitude is going to be that they are in desperate times and they are not going to be able to be as merciful as they have been in the past. He would encourage this Commission to take those same steps because, as Commissioner Becht stated, individuals will be coming before them, they will be calling them, they will be ringing the phones off the hook. They are going to be pleading and begging, and it is going to seem like it is a justifiable case. But by the same token, they just have to make sure they across the board enforce these policies from this point forward.

Commissioner Alexander said he would be in somewhat support of this. But in dire times and the need, he just doesn't see the City of Fort Pierce becoming that aggressive. When people have nothing, they are only holding on to small things. They see it every day with the foreclosures of homes and loss of jobs. It

is a desperate time. He is in support of it. But he just doesn't see being Johnny on the Spot and everything they say is correct and accurate, because he has seen it over and over that they are not always right. He just wants to be absolutely positively right about whatever approach they take on this. He has seen it in the past, a \$100,000 fine or a lien for a parked car. That is totally ridiculous. When they talk about the properties and demolition, he is for a beautiful City. But just like those frivolous lawsuits they get, he doesn't see passing it out. They have individuals who just can't even maintain putting food on the table.

Mayor Benton said he thinks what they need to do is have Staff come back to them with the pros and cons, and decide whether that is something they want to get into. Because somehow they would have to eliminate the ability for people to come in front of them at each Commission meeting. They could have 15 people at each meeting with a different story. He doesn't know whether they want to get into that or not. Like Commissioner Sessions said, if they decide to go this route, they are going to have to have strict guidelines and put their foot down. It might not be what they really want to do. He thinks they have to take a close look at it.

Commissioner Coke said she thinks they have heard clearly here today that there is a lot of money involved. They are not going to be pursuing people that are homesteaded in their houses, so that kind of protects what Commissioner Alexander is talking about. She thinks the clear will here is to try to move forward with it. Her preference would be, rather than have Staff come back with a recommendation of whether they should or should not move forward, since the majority of them here would like to move forward, she would prefer to see Staff report back in two Commission meetings from now on a set of rules and procedures they could adopt that would include sending notifications to all the non-homesteaded properties that in 30, 60, or 90 days, whatever is feasible, these liens will be placed in collection, their time to appeal or pay at a reduced rate is in the next 30, 60, or 90 days. After that they will have to proceed through the collection agency and the collection agency will be instructed that they have a 10%, 15%, or 20% variance, whatever it is that Staff would recommend to them that they give them that leeway on. And then it should just go to the collection agency, period. The Commission would by a set policy then remove themselves from the personal nature of it.

Mayor Benton said he thinks Staff could come back with something, especially the legal costs for each piece of property.

City Manager Recor said as he was mentioning earlier, the projected revenue for FY 2010 does not include an administrative transfer from the Fort Pierce Redevelopment Agency. The FPRA realized a significant reduction in valuations last year. They saw the TIF revenues significantly decrease as a result of that. They expect there will be a reduction. But if the FPRA was to realize the same percentage reduction as it did last year, between covering the debt service for refinancing the Sunshine

State Revolving Loan Fund and after operating expenses, there is going to be very little money left over for the real purpose of the Redevelopment Agency, and that is the nuts and bolts for capital projects. So he doesn't necessarily think this number is a zero, but it certainly is not \$620,000 as they have traditionally relied on, notwithstanding the FPRA's ability to pay. The FPRA may very well not be able to make that transfer in subsequent years. He thinks a more realistic number is probably in the neighborhood of \$300,000. Even that number, they will have to justify, because they can't use Redevelopment Agency dollars for every day government operations.

Commissioner Sessions said when he looks at that zero, it scares him. It is time to get drastic here. Are they seriously trying to get these fixed debts refinanced? Are they taking a very pro-active role? Because it appears that most of this is from fixed debts. So are they trying to refinance this and spread it out?

City Manager Recor said this administrative transfer is not considered a debt. It is a transfer from the Redevelopment Agency to reimburse the General Fund for project management responsibilities for the oversight of the capital investments that are occurring with those dollars. But he has raised a good point. He thinks he mentioned it to all of them, but he may not have. He has been in contact with RBC Capital Markets to discuss refinancing of the General Fund's outstanding debt. According to their financial consultants, even in this market today, there would be some long term financial savings. Again, another incremental approach - not a magic pill, not a home run pitch - but another strategy to reduce their expenditure in the General Fund through refinancing existing debt. This item isn't debt.

Commissioner Coke asked Mr. Recor is not talking about increasing any debt?

City Manager Recor said no, absolutely not.

Commissioner Coke said he is talking about refinancing of existing debt only, by extending the terms and possibly lowering the rate.

City Manager Recor said better interest rate, different terms.

Mayor Benton said as long as they don't extend the time frame, because that just makes it that much harder for the people who do follow them to do what they have to do.

City Manager Recor said that may be one of the strategies. All he has asked is for an analysis. When he receives that, he will be sure to pass that on to them to let them know the increment.

Commissioner Becht said he would echo the Mayor's comments. He is not going to say he wouldn't consider it, but he would prefer a lowered interest rate. The next time they see this budget, he does not want to see a zero in the FPRA transfer. With the office space that is used, the utilities, the phone system, the

computer systems, the chambers, legal, purchasing, several staff members oversee several FPRA projects - he thinks they can easily justify at least \$300,000 and he thinks they could probably go much higher than that. So he wouldn't want to see a zero, he thinks that distorts it.

City Manager Recor said that is why he said it is definitely not a zero. They will have to do further analysis with that number.

Commissioner Alexander said a note of concern. The Retirement & Benefit System, have they visited that? He is looking at the projected revenue coming from that from 2007 to 2008 and 2009, it kind of jumped a little bit there.

City Manager Recor said they are prepared to discuss that as a reduction strategy today. And if there is interest from the Commission in determining whether or not they want to pass on a percentage of the health care premiums to the employees to save money, that is certainly an option. One of the other suggestions has been to reevaluate the retirement multiplier. That would certainly have an effect on expenditures.

Commissioner Coke said he says that is something they should be looking at today. She thought at this time last year they established a time frame that they were going to make those changes. So that rather than being a fixed dollar amount which was plugged in for the dependent health care, rather than a percentage that she believes that was intended by the Commission 20 years ago. So over the years, the figure grew from 50% to 87%. She thought they already determined...

City Manager Recor said they did. Right now the City pays 100% for the employee. If the City was looking to further reduce expenditures, they could consider passing a percentage of what the City pays for the employee. rather than pay 100%, they would only pay 90% for the employee. But they are absolutely on schedule for the dependent...

Commissioner Coke asked does he think they have a legal leg to stand on with existing employees? Or is he talking about changing the policy from this day forward?

City Manager Recor said it would be a bargaining issue with their bargaining units, but there is absolutely no legal prohibition against the City passing a percentage of that expenditure on to the employees.

Commissioner Coke asked does she hear the City Attorney concur without a lot of verbiage?

City Attorney Schwerer said he didn't catch that. Are they talking retirement?

City Manager Recor said right now they are talking about the health insurance.

Mayor Benton said they are going to get into the benefits later and he prefers they wait until then. Because they are talking

about taking away from employees when they still haven't talked about this clinic. They have an option about saving a whole lot of money, giving everyone a better opportunity toward health care, but they haven't moved forward with that yet. So before they start talking about passing the cost on to employees, they need to look at ways they could be saving, which the opportunity has been in front of them for almost a year now.

City Manager Recor said the question was, have they looked at it or were they prepared to discuss it? The answer is yes. They can wait until later to discuss it. But he wants to make sure Commissioner Coke understands they are on track, unless the Commission directs them otherwise, to implement the second step of that 10% dependent care coverage. On the last page of the Detail Summary of Revenues, they will see an Intergovernmental Fund transfer of nearly \$1 million. That is the funding from the Redevelopment Agency for the Community Policing Grant. Again, the same logic applies, if the Redevelopment Agency sees a reduction, this may not be an option for next year. That just makes their challenge doubly difficult, because they just brought on 15 new Police Officers, all with capital expenditures as well. Yet this funding source may not be available next year. Which simply means that they eliminate \$1 million from the budget, but it affects the employment of 15 sworn Police Officers.

Commissioner Coke said she doesn't mean to be getting off track, but there are a couple of things she really thinks at this juncture they need to at least put on the table. She loves the Police Department, she is proud of the work they are doing. She thinks this is a good year for them to re-evaluate their priorities - health, safety, services - and make sure they are all on the same page on what they need to be doing. The Mayor just brought up, they have been talking about the possibility of this clinic that could save them money for pushing a year, and they have never moved forward with it. They have been talking collecting tickets at City Hall instead of through the County, it would become a source of revenue. They have been talking about that for over a year. They have been talking about the red light program. Last year at the budget workshop, they all said let's move forward with it. Instead, they said put it through staff and let them do some research. Now it is a year later. And what could have been a safety issue to help residents and tourists visiting here is not implemented and it could have been a revenue source that could have alleviated some of these pains they are feeling. The point she is trying to make is, when they have an opportunity in front of them to alleviate future problems, they need to prioritize that rather than some of the other things that may not be as essential to the future of their citizens and their safety as well as their employees.

Mayor Benton said he is glad Commissioner Coke brought up the red light cameras, because now the State is looking to pass that so they can collect \$30 a ticket. It is something they could have had in operation already. Once the State roads are on board, he thinks they should be ready to go with that.

Commissioner Coke said her point is, they should have been ready to go with it about eight months ago.

City Manager Recor said it is nice to know they did read the information in their packet, because he included some correspondence a year later where other municipalities have moved forward with it. The Legislature, it just passed the House last week. He received a call from the original proposer, Red Light Initiative. She is right, a year later here they are and they are still talking about it instead of doing it. The last revenue source is the Appropriated Fund Balance. They have done their best and have maintained that \$4 million magic number they are required to have in the Fund Balance. The \$971,191 from FY 2009 represents the amount that was above the \$4 million they were able to appropriate for this year. He doesn't believe they will have that luxury. So at the end of the day, where are they? They know they are \$1.5 million short in the current fiscal year on the revenue side. If they sum those major categories of projected revenue - taxes, permits, the Redevelopment Agency, including the interfund transfer as well as the fund balance - their challenge for next year is the budget gap, \$6.5 million.

Commissioner Alexander said Mr. Recor is saying the \$6.5 million is for next year. But he just told them, he just wants to confirm the fact that with the positions that were not filled and the other income, the revenue he is speaking of, that they are over in the Emergency Fund by \$1,364,000.

City Manager Recor said they can come close to meeting the \$1.5 million target in the current fiscal year by freezing the vacant positions, agreeing they are not going to fill them, and accepting the operating reductions that their Department Heads have identified plus the additional expenditures.

Commissioner Alexander said that will take care of this year.

City Manager Recor said it will come close to it.

Commissioner Alexander said when he says take care of this year, he is thinking of the other 28 filled positions that they possibly could eliminate. So that would eliminate them eliminating the 28 filled positions.

City Manager Recor said if they were to lay off the 28 filled positions, that represents a \$3.5 million reduction next year. So that is \$6.5 million shortfall just became \$3 million. Every reduction that the Commission decides to make this year has corresponding value in the next fiscal year.

Commissioner Alexander said he understands that, but he is talking about this year now. This is their initiative on the budget for next year, but this year when they are talking about less the filled position, eliminating those. Mr. Recor is telling him over and above the emergency funds plus the vacant positions that they can write off this year's budget, right?

City Manager Recor said all 53 positions.

Commissioner Alexander said no, only the vacant positions. Is he the only one missing it?

City Manager Recor said Commissioner Coke has that separated that out. He provided it to her.

Commissioner Coke said yes. That was what her point was. She thinks it is important that they look at everything. She called Mr. Recor - and she thanks him for his prompt response - asking if he could give her a breakdown of the Fiscal Year 2009 and 2010 value of existing vacant positions as well as the proposed lay off positions. The existing vacant positions will realize a savings of \$611,471 for the remainder of this fiscal year and \$1,249,772 for the next fiscal year. She thinks it is important to look at all these proposals and opportunities. That is how she is going to look at this, this is an opportunity for them all to re-evaluate their priorities. She thinks it is also important to know that at this juncture in time if they agree not to fill these vacant positions, and then if they were to agree to allow the projected 2009 overage in the General Fund of \$1.36 million, that actually gives them a savings of \$2 million in existence today for this year, which would give them a carryover next year of a \$500,000 savings. If they utilize the monies over the General Fund balance and don't fill these other positions for this year, it gives them an extra \$500,000 to carry over into next year. When they look at next year, they already know by not filling these same positions, they are looking at \$1.2 million and they have \$500,000 that will be extra from this year with just those two figures, and they have already conceded the fact that the FPRA is going to have to kick in about \$400,000. So she would put to them, instead of looking at a \$6.5 million shortfall next year, where in all actuality today, if nothing changed, they are looking at a \$4.5 million shortfall, not a \$6.5 million shortfall. So when she is looking at the rest of the cuts, she would agree some of these things they need to enact today and quickly, because it will have a carryover effect to next year. She wants to remind everybody that just by not filling these positions now and using the excess Fund Balance, not only does it alleviate this year's shortfall, but it brings next year's shortfall down to \$4.5 million instead of \$6.5 million. So she thinks they are looking at things a little more realistically. She doesn't want to do everything gloom, doom, and despair. She knows it is there and she knows they have to deal with it. But she doesn't want to inflate the problem either.

City Manager Recor said make no mistake, with but very few exceptions, every reduction that their Department Heads offered was included on that list and then some. He will tell them how the positions ended up on the list. When he looked at their organization - and he already told them this, but for those in the audience who may be asking themselves how and why - he looked at job classifications where there was more than one position assigned to it. For example, in Public Works there may be a division where they have six maintenance workers. If they eliminate two of those maintenance worker positions, they are going to redistribute the work load to the remaining four. The four remaining maintenance workers are going to be doing the

same thing. The nature of their job hasn't changed, but the expediency and the efficiency in which they are doing it is going to be affected. There are other examples of positions on that list where there is more than one job in that classification that are indicative of that approach. The other approach he used was, he looked at positions in the organization that were very singular and focused in nature. He will use the example of the Accreditation Coordinator in the Police Department. It is a position that is focused on accreditation, it is a responsibility that may be able to be reassigned or absorbed by one of the Captains or the Deputy Chief. The same thing with the Public Information Officer - it is a position that is nice to have, but it is not an essential position. Drastic times require drastic measures. It is something they need to look at and evaluate. Or combine responsibilities with a need in City Hall, there may be those kinds of opportunities. Everything on the table today is for discussion and is for evaluation. He does not think they are at a point where the Commission is comfortable making a decision or he is comfortable making a recommendation. He is trying to give them options so they don't feel like their backs are against the wall.

Commissioner Sessions said based on what he is hearing though, they can walk out of here today without laying anybody off if they were to eliminate the vacant positions and take the rest from the Fund Balance.

City Manager Recor said not the Fund Balance, the additional operating expenditures. The only clarification he does want to make, and it is somewhat self-serving, is the position that is listed as vacant in the City Manager's office is actually not vacant, although the person has indicated she is going to be separating, she has found another position. Every one of these reductions - whether it is in the City Commission's budget, in the City Manager's budget, in the Public Work's budget, or the Police Department's budget - is going to hurt.

Mayor Benton said when it comes to new revenues, the office space at the parking garage, the 30,000 square feet, the going rate for office space he is told throughout Fort Pierce is \$10 to \$12 a square foot. That is \$300,000 monthly and \$3.6 million a year.

Commissioner Coke said she doesn't know who gave him that figure.

Mayor Benton said a realtor who is renting space out is telling him that is the numbers they are getting.

Commissioner Coke said except for the fact that she happens to be personally affiliated with a gentleman who owns an historic building downtown and for 27 years has not had a vacant office, and at this juncture in time today he has 13 vacant offices. They are talking offices that are finished and nice. He is leasing them for \$250 a month including utilities. She is telling them there is more vacant space downtown than they can shake a stick at. The Renaissance building is having trouble filling up the...

Mayor Benton said he understands that. He also talked to one property owner downtown who says he is doing fine. But not many people have 30,000 square feet in one building. There were State agencies, when he was in Tallahassee, that showed interest. They have to, in his opinion, start marketing what they have. He doesn't want to compete with anybody, but 30,000 square feet could put a lot of office workers downtown spending money. They owe it to the taxpayers to look at bringing in revenue. This building is just sitting there empty. Originally they talked about needing office space in the future for the additional employees they could be hiring, but that is not going to happen for many years to come. He thinks if they don't try to market it, they are not going to know.

Commissioner Becht said if the Mayor is just talking about not finishing it out - because he is not in favor of finishing the property - if he is just talking about contacting somebody... He agrees with Commissioner Coke, there is a lot of empty space downtown and there is a lot of 1,000 square foot or 2,000 square foot spaces available. The Mayor is right, there is nothing comparable to 30,000 square feet. He is a little uncomfortable with competing with the private sector. But if they could get somebody on a three year lease who would finish out this space... But he doesn't think anybody is going to finish space out on a three-year lease. The City's opportunities with that space will increase substantially once GSA opens the doors for the Federal Courthouse. He doesn't want to discount what the Mayor is saying. He doesn't mind maybe trying to get somebody. But he needs everybody to weigh in. If they could rent it out for x-dollars today, it will probably be a multiple of x-dollars once they open the Federal Courthouse doors.

Mayor Benton said the reason he brings this up, last year when he was in Tallahassee he had a meeting with a certain government agency, the Secretary of that agency said because of their budget restraints, they were looking at leaving South Florida and they were considering Fort Pierce. He wasn't able to send them the information, so he asked Mr. Ward. What he is looking for from this group is to let them try to market it for State agencies, because they were looking at about 120 employees. That agency has the government money to design the building inside any way they want. It would be revenue coming in. They owe it to the taxpayers to look into it. He wouldn't want a 3-year lease. He would hope, especially with a government agency, to have at least 10 years. Big agencies like that, he doesn't know what their lease would be. But he would like to see what the options are, if there are any.

Commissioner Becht said the State agencies he has negotiated with are going to want a long-term lease. Having represented landlords for State agencies before, it is not just a triple net lease, they are actually changing toilet paper rolls for them, the landlord does everything. The agency walks in and walks out, they don't take on anything. But it is worth pursuing. He is glad the Mayor brought the idea up. With that concept they are really not competing with anybody in town, because there is nobody in town who has 30,000 square feet.

Mayor Benton said he doesn't want to compete with everyone. But if they could get a State agency or two in there, because if one was to leave South Florida where the rent is considerably higher, they might show interest next year with their constraints to move someone else up here. It sure would help the downtown businesses also. He is not saying it is a done deal, but there was interest from the Secretary and the Deputy Secretary who are from Fort Pierce.

Commissioner Coke said the other thing they talked about pursuing while the building was still under construction was the court system, about possibly relocating Juvenile Court back downtown or other parts of it, rather than moving out west of town or some place else. So she thinks if they are looking to pursue that type of thing to go with another governmental agency, that is a whole different thing and she would certainly support that. But she thinks they should also make sure they actively try to consolidate the court system back downtown if they can.

Mayor Benton said they don't need monthly any more, because with space needs, there is no money. But their last meeting was last month and now at the top of their list is the existing Federal Courthouse. What is going to happen? There are courtrooms in there. This came from the Chief Judge. Who knows? They are looking at that big vacant lot over there. So he thinks they have their interest. Nobody from Port St. Lucie comes to the meetings.

City Manager Recor said there appears to be consensus in freezing the vacant positions. And now comes the hard part. He would like to engage the Commission in some dialogue about positions that are in fact filled. Obviously, depending on the position, the level of pain is going to be more severe. But he believes as the manager of this organization that there are absolutely areas on the list of 28 positions that are filled where they can reduce. He is going to encourage them to take that step in the current fiscal year to reduce expenditures, knowing that it has an effect and eases the burden in the next fiscal year. Not necessarily all 28, but he can identify 14 on that list that he thinks they could maximize their efficiency and not miss a beat.

Mayor Benton said he wants to start because the City Commission is at the top of the list and he considers himself to be the Department Head for the City Commission. He did pass out a piece of paper with some of the work that the Executive Assistant for the City Commission does to help ease their pain. With the number of calls she takes and the work she does, he could not do his job without her. When his office was in the City Manager's office years ago, there were three secretaries or assistants there and it didn't work. It works very well now because the overflow is taken up by the rest of the staff in the City Clerk's Office. This list is just a sample of what their Executive Assistant does. He doesn't think they could live without her. As far as he is concerned, the City Commission has a very lean budget. They are the leaders of this City. And

when these reductions do take place, those numbers of calls are going to come in double; because when things are not being mowed and parks aren't getting the same attention, they are going to hear from the public. The Executive Assistant is the person who makes them available, she takes care of a lot of the public's concerns before they even get to the Commission, they don't know about it because she knows how to deal with them.

Commissioner Alexander said he just wants to go along with that. Because in his last comment he made himself clear about just a freeze on positions plus the revenue they added, to come up to close to what?

City Manager Recor said it is just short of \$1.5 million in vacant positions and the additional operating.

Commissioner Alexander said so that would take care of their shortfall this year. He thinks they have to bite their nails and look forward to working on 2010.

City Manager Recor said he knows it is hard to have this discussion.

Commissioner Alexander said it is not hard for him. He just made his position known.

City Manager Recor said he is encouraging the Commission to keep an open mind and make the reductions they know they are going to have to make six months from now, to start this process now; because every dollar they save this fiscal year represents a double dollar saved for next.

Commissioner Coke said she is going to start off by saying, she doesn't want to see anybody go. That being said, they are in tough times, they need to face facts. Part of the problem they have is, everybody has personal relationships throughout the City; and that is a good thing, they are kind of like a family. But if they consider any cut they make in this fiscal year will lessen the need... If they have to lay off 5 people or 10 people this year, it will lessen the need for them to lay off 15 people next year because it is a cumulative effect. She loves the Executive Assistant to the City Commission's office. But she would put to them that was a position they voted on four or five times, she doesn't remember it ever being passed; and then all of a sudden Mr. Beach put it in the budget and it was there. It amazed her because they went from having the Mayor's Office in the City Manager's Office with two or three assistants, to the Mayor's Office is someplace else with an assistant. And the City Manager and the Assistant City Manager and the Deputy City Manager, there were more assistants around than they could shake a stick at. She thinks that a position like Assistant to the City Manager/Commission is a more appropriate position to have. They need everybody to wear more than one hat. When she calls over to City Hall, she has found that whoever she calls - whether it is Mr. Recor's Office - and she asks can they connect her over to her office so she can get something done, everybody is just more than willing to do what they need done. She thinks that if they can consolidate the position and just make sure

everybody is more flexible about what they need to do.

Mayor Benton said he disagrees. Because one reason why the Mayor's Office was moved was because when certain Commissioners were here and things were being done by the City Manager that not all of them agreed with, it put those assistants or secretaries in a real bad position. Because at the time, the secretary was very dedicated to her boss, the City Manager, and she went out the door real quick because things were being done. This was before some of them have come along. But that was one reason why the Mayor's Office left and certain secretaries were gone.

Commissioner Coke said she was here when the Mayor's office was moved.

Mayor Benton said it was moved for a reason. He thinks it is where it should be now because they all don't always agree with everything that is done there. One person cannot handle that job. They can probably ask the Assistant to the City Manager the number of calls she gets. He is in City Hall every day, every afternoon for several hours. He is telling them that they get a lot more calls every year; and with the reductions that are coming, they are going to get more. When they have somebody who can answer that call and take care of it without making that person set up a meeting with a Commissioner two or three days later, it saves everyone a lot more time. They are not talking about a whole lot of money here. But they have a job. And in the public's eye, they are the link between how the City runs and the taxpayer. For them to do it conveniently and efficiently, they need that person. Each County Commissioner has their own assistant. Port St. Lucie has an assistant for their Commission. He thinks the Commission's budget in his opinion is as lean as it can be and they need that assistant there.

Commissioner Coke said she was again thinking the Commissioners ought to take salary cuts, if they wouldn't take her out and lynch her.

Mayor Benton said if Commissioner Coke would like to cut her salary and donate it back, as some people in Port St. Lucie talked about doing, so be it. But he earns every penny. He thinks they are the most underpaid and none of them have had a raise in over five years and none of them have asked for one, but they put in a lot more time.

Commissioner Becht said they are asking everybody else citywide to make concessions. They are pretty lean. But does the Mayor have any ideas where they can show solidarity with everybody else with some sacrifice? He doesn't mean to put him on the spot, but he jumped out there and claimed that Department Head figurative title, so he is going to let him exercise that figurative title and tell them where he sees them able to make any cuts.

Mayor Benton said he thinks they have cut on their travel expenses.

Commissioner Becht asked not where they have, but where can they do it now?

Mayor Benton said basically with the exception of their Executive Assistant, he doesn't know that they can cut anywhere. Because basically they are budgeting for their health insurance, their wages, their gas allowance, and those things. They haven't had a raise in many years. He thinks that was a commitment they did, they haven't raised those numbers in four or five years that he knows of. He thinks they have shown that they are as efficient as... When he brought the salary increases to them some five years ago or longer, that was what the Port St. Lucie Council was making. Now they are considerably higher than Fort Pierce Commissioners. Yes, they might have a higher population; but they are all required to sit on all the same boards that they do, attend the same meetings that the County Commissioners do. Like he said, he has not had a complaint from the public with an exception of a couple of people who think they should all donate their time. Maybe when they are all retired, they can afford to do that. But he thinks people think they are getting a real bang for their buck with what this group does. He doesn't know how they could exist without their assistant. He thinks they are good when they look at the numbers compared to what other cities and counties are doing. Nobody has touched the County Commission with their layoffs, the School Board, and Port St. Lucie. Nobody has touched their operating budget with the exception of one Port St. Lucie City Council member willing to donate part of his salary back.

Commissioner Becht said he is troubled by the message that sends. He is painfully aware of the amount of time each of them spends. He doesn't want to say gives, because they are compensated for what they give back to the City and all the various Boards they serve on. But he is a little bit uncomfortable about there not being any sharpened pencil in the City Commission portion of the budget. He is going to jump around a little bit. In terms of letting people go or not letting people go, he would point out that both St. Lucie County and Port St. Lucie and now the School District have already let people go. Obviously he is not in favor of that, because that is another potential foreclosure, it is another devastation to a family. But they have larger obligations than to individual employees, they have an obligation to the community at large. So if they have to cut people, then they are going to have to cut people. He expects Staff to be creative, innovative, proactive. He made that clear at the last meeting. Let's get through all of this before they start cutting people. But he wants to go on record that he is uncomfortable from a leadership position of not making - as symbolic as it might be - any showing of solidarity with the City employees that he is asking to make great sacrifices.

Commissioner Sessions said as far as leading by example, he understands where they are coming from. He doesn't know what Mr. Recor's approach is going to be, but he takes it he is going to go through each and every one of these departments and offer

employees that could be cut that have been labeled at this point as filled positions. He for one doesn't see a need for it. He thinks he is hearing it from Commissioner Alexander, and perhaps based on what the Mayor is saying, they don't see a need for it too. He is not interested in cutting any people right now based on what was described as being a source of revenue to get them through the balance of this year. Doing away with vacant positions and taking this \$1.3 million, they can make it through. To review it for future purposes, he doesn't have a problem with it. But he doesn't see a need, if they can get the consensus of at least three of them to proceed with doing this... They can back off from laying people off. He hears what the Mayor is saying with regards to the Commission's office. Is that the position the Mayor takes with the remaining departments? If it is, they appear to have what they need to back off from laying people off and move forward with some other things.

Mayor Benton said he was willing to listen to every department, because it is his understanding from talking to staff that there are going to have to be certain reductions. If they can save \$1.3 million by not filling positions this year, he is okay with it. He doesn't want to lay people off either. But he knows there are some places at City Hall, he is not familiar with most of them, but when he goes through there everybody appears to be working. He just knows the office he works in, he just doesn't know how they could do business without that person that it took many years for them to get a hold of.

City Manager Recor said just so the Commission and everyone understands, the Executive Assistant in the City Commission's Office is not at the top of the City Manager's list, it is simply at the top of the list because the City Commission's budget is first in the budget book. Furthermore, to think creatively as Commissioner Becht has asked for, they have an opportunity. The Executive Assistant came from the City Manager's Office. They have an opportunity where they may be able to consolidate that vacancy in the City Manager's Office with the filled position in the Executive Assistant. He knows the loss of their Executive Assistant is going to hurt. He knows the loss of the Administrative Assistant in the City Manager's Office is going to hurt. It never dawned on him that Ms. Robinson was going to take a vacation this year or that she might be sick. What then? It is just him and Anne Satterlee. So it is not the priority, it just happens to be the first one they are talking about. He will tell them there are indeed areas where they can reduce and they can save money.

Commissioner Alexander said he is not stopping Mr. Recor there, because he speaks of the Commission being at the top of the list. But he hasn't heard his input about a reduction or percentage of everyone, he hasn't heard those figures, if they implement that part of it and compare that to laying off some of the filled positions. Everybody he thinks across the board would be willing to take a percentage, whether it be 1% or whatever. But he just hasn't gotten any figures from Mr. Recor other than a position out of certain departments. Somewhere they can be lean in some departments, especially the departments

that is not bringing in a revenue to the City of Fort Pierce. He hasn't said no to anything, but he just hasn't gotten the input.

City Manager Recor said he has those numbers and when they are ready to talk about that...

Commissioner Alexander asked why wouldn't they be talking about it now?

City Manager Recor said if they want to talk about the potential furloughs and the savings that would generate, he has examples and numbers for them. He has broken down to the day what it costs to run this City.

Commissioner Alexander said he doesn't mean he has to go into details right this moment; but again, he just had not heard Mr. Recor implement that as even a number.

City Manager Recor said there is a reason for that. He said so in response to Commissioner Sessions at the last Commission meeting where he had suggested it may be time for the organization to talk about salary reductions across the board. That is certainly an option. Other organizations, like the School Board, has done so. He had two open meetings with the employees to educate them about the City's General Fund budget, what their sources of revenues are, showed them the trends, helped them understand how they got to where they are. He asked them for their ideas and suggestions on how they can reduce expenditures. He will tell them that most of the employees that participated in those meetings said they will take a salary reduction if it means keeping their job. As the City Manager and the administrator of this organization, when he knows there are areas in the organization that they can improve their efficiency, that they can reallocate resources, he cannot in good conscience ask the entire organization to shoulder the burden, to shoulder the responsibility of an across the board reduction when he knows there are areas they can improve their efficiencies.

Commissioner Alexander said that would only be gravy on a meal, because they have to look forward to 2010.

City Manager Recor said they may very well have to do that.

Commissioner Alexander said again, he is holding back on his numbers.

Commissioner Coke said she is going to respectfully disagree with the theory that if they just freeze the position and use the overage in the General Fund, they are out of the woods for this year. Although they are, she doesn't think it is a fiscally responsible thing for them to do to say okay, they are done for today, and go home; because it still leaves them minimally at least \$4.5 million short for their next fiscal year. Now is the time to make plans. She wants to listen to all of this. When it comes to employees, she really doesn't want to micro-manage. She doesn't want to tell Mr. Recor that

she doesn't like these three persons on this list, so get rid of them and whatever. She wants to listen to all of the options, see what their cost savings can be, what the projections are. And then she thinks her job as a Commissioner is to say she understands, if they have to cut 8% of what is proposed here and maybe do this or that. She would like to hear all of the proposals and then at the end if they could recap. She could say she will go along with this and implement it to this degree, or no. And then they can move forward from there. She doesn't think any one solution is going to be the solution. She thinks they are going to have to take one from Column A and two from Column B.

Commissioner Sessions said by no means is he suggesting they walk out of the door with what has been proposed and say it is over with. What he is saying is, why squabble over the small things? Let's talk about some major issues, some furloughs, some individuals cutting back on some salaries, their sick leave policy. For example, things that are going to hit home runs, a \$2.5 million fix or a \$3 million fix, some serious business. He doesn't have a problem with entertaining those major issues. He is not interested in laying off people. What he heard proposed so far, they don't have to lay off people. But there are other things they need to talk about. He is not suggesting that they leave here comfortable. Let's talk about the multiplier, 2.5% versus 3.0%. But squabbling over these small things will not get them where they need to be in the year 2010. So if they are going to do something constructive here, let's talk about some major issues and get some major things done.

Mayor Benton said there are items that were brought up like the furloughs. When he was up north, he saw basically in North Carolina where if they made over \$50,000 a year, they were asked to take ten days off without pay. If they made under \$50,000, it was a lower number. He hasn't seen what kind of savings it would be for a four day work week?

City Manager Recor said let's talk about furloughs. Everyone wants to know about it. Let him give them an example. They have identified almost \$1.5 million without laying anybody off that satisfies the projected shortfall in the current fiscal year. What can they do additionally in this fiscal year to save money? What if they implemented a furlough? What if they asked every employee to take one day off a month for the remainder of the fiscal year? So if they ask every employee, that is five days for the remainder of the fiscal year, that is going to generate \$750,000 additional savings this fiscal year. They don't get that opportunity very often to realize that kind of savings. But the effect of that decision is that they are reducing the employee's pay. So what does that mean? Let him give them an example. \$35,000 a year employee with a five day furlough, one day a month for the remainder of this fiscal year, represents a loss of wages of just over \$1,600. It is 4.6%. It is 4.6%, whether or not it is \$100,000 a year employee. That same furlough applied next year, it is kind of the ace in the hole. He really wants them to reduce their budget where they can. But that same furlough - one day a month, 12 days for the year - is \$1.8 million next year. So if they thought the budget

gap was \$4 million and they closed it, they can see that they are almost there by making those kinds of decisions. He is saying, let's cut where they know they can cut, even if it means a layoff here, a layoff there. Or let's try to incentivize the separation of employees who may be hanging on for a number of reasons - be it health insurance, a retirement multiplier, or whatnot. He is suggesting to them that there are areas of the organization that they should examine further, before they go down the furlough route, and see the kind of money that is going to save.

Commissioner Alexander said he heard Mr. Recor had a suggestion box. Why is it that they don't have input from the employees about the furlough?

City Manager Recor said they have, they have received a lot of input.

Mayor Benton said he should send a questionnaire tomorrow to every City employee to find out how they feel on that furlough. Because to him, that is not a lot of money for the ones who are not losing their jobs or on that list. But the ones who are on that list, that is everything. It could be the health benefits of their family. So he would ask the general employees as soon as possible and have that ready to go in this budget year, that would be his opinion. Because right now it is half of the savings they are looking at for this year.

Commissioner Coke said when they talk about furloughs, there are a limited number of people that the furloughs are going to affect. She thinks when they look at what they need to do with their budget, they need to be fair and even-handed across the board. She is not a labor lawyer, but she does not know that they can have mandatory furloughs to members of the Police Union or to members of the Teamsters Union. She thinks that would have to be a negotiated item during contract negotiations. So her concern then becomes, they are putting an undue burden on their general employees versus their employees in their entirety. She doesn't like to do things that are focused on one group. If they are going to have to bite the bullet, she wants to see everybody have to bite the bullet.

Commissioner Alexander said along that line, it has to go through Mr. Schwerer. Because he had a meeting when they had a conversation about merging the Police Department with the Sheriff's Department. Those union representatives say they would do whatever they needed to do to keep their jobs and keep this community safe. He thinks that is saying a whole lot, because there might have been a few people representing everybody, but they as Commissioners are representing the entire community.

City Manager Recor said he is exactly right. On several occasions that he has had the opportunity to recognize and appreciate the leadership of the PBA (Police Benevolent Association) Union, the Sergeants and Lieutenants in particular, for getting these younger officers to understand that the officers that don't have the time in the organization, that

times are tough. Drastic times require drastic measures. It was the leadership of the Sergeants and Lieutenants and the Chief of Police for that matter that got those young men and women, and changed over the leadership and that got the unions to accept no wage increase for this year.

Commissioner Coke asked was she correct that the furlough is going to be targeted toward a limited group unless they can negotiate a mandatory furlough with the unions they work with?

City Manager Recor said the numbers that he included for them are based on across the board furloughs.

Commissioner Coke said she understands those are across the board numbers. However her question - if they could have a short answer from Mr. Schwerer - would be, can they legally impose mandatory furloughs on bargaining units? She suspects the answer is no.

City Manager Recor said if they are not asking them to do anything more than they are the general employees, he believes the answer is yes.

City Attorney Schwerer said yes, it is, but they have to bargain it first. They cannot unilaterally place it in there.

Commissioner Coke said right.

Mayor Benton said it is either take this or they are going to get laid off.

City Attorney Schwerer said they have to be a little careful about how they say it. But let's just put it this way. They have to negotiate the changes. If it is an already existing contract, they have to negotiate changes to that. If it is not part of the contract, they still have to sit down and negotiate their benefits issues, such as reduction in hours and furloughs and things like that. It just takes time to put it in place. It may take a lot of time if it is not agreed to by the unions. If it is agreed to right up front, then it will take a very little amount of time.

Commissioner Becht said what he is hearing him say is, if they don't start negotiating it now, they couldn't possibly have it in place by the start of October, Fiscal Year 2010-11. If this is something that three of them are interested in, then they need to direct Staff to start negotiating that now with the bargaining units.

Mayor Benton said he thinks they could ask the bargaining units within the next week. He would think they could hear from the Teamsters and the PBA as soon as possible. They are all in this together. They are talking about this year too.

City Manager Recor said let him give them an example, as the administrator of the organization, why he feels the way that he does, why he is encouraging them to take a hard look at these issues. If they said today they have reached their target of

\$1.5 million, and if they do a furlough of five days for the remainder of this fiscal year, they are going to generate another \$750,000, that is great. But he is saying it can be better, they can do better than that. He is going to use an example here in the Building Department. Why isn't right now the time to look at their staffing levels in the Building Department when their revenues are 1/10th of what they projected those should be? Yet their staffing levels are where they were in unprecedented times.

Commissioner Becht said it is time.

Commissioner Alexander said again along that line, they as Commissioners don't hire and fire. So he thinks that is back in Mr. Recor's lap where he takes care of the necessary things. But when he gives them a list, he is looking at the Police Department leading the list as far as layoffs, then he thinks they need to put it back in his lap. Again, he is not micro-managing him, but they are looking forward to the rest of this year and they are looking gracefully for next year. Again, they don't make those decisions. That is Mr. Recor's job.

City Manager Recor said he appreciate that. He appreciates the candor and the sentiment, because this is a lot different than it has been in previous budget years. They have really wrestled with making the tough decisions. They spent months trying to cut \$400,000 from the General Fund Budget. Their challenge is now tenfold.

Mayor Benton said he doesn't want to pick on anybody, but the Building Department was brought up. He doesn't know if Mr. Meyers had anything to do with this, but a week ago Saturday the Firemen were building a Habitat House and he was bringing them lunch, and the City had an inspector out there on Saturday. All it was, it was some rough work done on the house. It could have waited until Monday or done on Friday. But Saturday? He doesn't know if they have somebody working Saturdays. It just surprised him that one of their inspectors was working on Saturday, unless he was doing it out of the goodness of his heart, which he doubts.

Mr. Meyers said he was.

Mayor Benton said if he was, then he takes that back then.

Commissioner Alexander said he has seen them on Saturdays and Sundays. Again, they need to put it back in Mr. Recor's hands. He doesn't mean for him to come back to him with whatever number he uses. They balanced their budget and they are eating the shortfall. He thinks they at least started off with it.

City Manager Recor said one of the other options that was on the additional reduction strategies, it is one of those things they have talked about for a year, but they never really did anything with it. If they can get through the current fiscal year, and it looks like they can and then some, particularly if they were to add the five day furlough, that would really give them some cushion going into the next fiscal year. But it would also

enable them to put together a voluntary separation program. Where folks thought their position may be in jeopardy, they could design a program similar to what the County did that provides the employee a week of pay for x-number of years of service up to a certain amount. The economic return on that would be that number one, they don't fill the position at all if the individual separates; or number two, that chances are someone who would be interested in that kind of proposal would be at the top of their pay range, and if they fill it, they are going to fill it at a lower level. It just makes it a little more palatable for the employee to know that there is a quid pro quo. Any interest in putting together a voluntary separation program where it is something the employee chooses?

Commissioner Becht said yes.

Commissioner Coke said okay, but they are not paying him to retire.

Commissioner Alexander said bring it back.

City Manager Recor said thank you, he thinks that needs to be done.

Mayor Benton said basically what he is hearing, they have the ability if they ask the personnel in the next few days citywide if they would take this one day a month furlough, they could avoid any layoffs this year. Is that what he is hearing?

City Manager Recor said he is hearing that the Commission does not want to implement any layoffs this year.

Mayor Benton said that is what he is hearing. But he is also hearing, with the savings they are looking at... Coming in here today his understanding was they were looking at quite a few layoffs. What he is hearing now is, they possibly have the ability to avoid that by these furloughs.

City Manager Recor said he is not suggesting they avoid layoffs.

Commissioner Becht said Mr. Recor said he is not hearing anybody is in favor of layoffs. He heard Commissioner Alexander say he doesn't want to micro-manage Mr. Recor, that he expects him to make the hard decisions. Now he doesn't mean to pick on the Building Department, but they have a budgeted department at \$1.2 million that is set to preform at \$260,000 in an economy that everybody knows they don't have the volume of building and permitting. The sentiment he is getting from the public is, they are getting hyper-scrutinized by those who are in there with the perception that this is what is necessary in order to justify their job. So he expects Mr. Recor to deal with that situation. If that means people have to be cut or laid off, it is because they don't need \$1.2 million worth of people in a department that is only generating \$256,000 worth of revenues. So please don't think that all of them are in favor of no layoffs. The Building Department needs layoffs.

City Manager Recor said he mis-spoke, he is sorry.

Commissioner Coke said she needs to clarify what she said. Although she did start her comments by saying she didn't want to see anyone go, when she got further in the discussion she believes she clarified - maybe she didn't do a very good job of it - saying she would like to hear all of the proposals and then let's pick A, B, and C. She understands if there is a need for layoffs. She is not the City Manager, she certainly would never want that job. But if he believes they need to make partial cuts by layoffs and partial cuts by a furlough, she thinks they as a Commission need to accept his professional level and say okay. Maybe they can't swallow 25 or 28, maybe they can only swallow 15. She doesn't have a problem with the furlough if it is applied even-handedly across the board. But she doesn't want it applied to general employees and not Teamsters and not the PBA. It has to be right across the board. They have talked for a long time about sick leave conversion and what they can do with that. She and Commissioner Sessions sit on the Retirement Board and it just blows her away every single month that people are coming up and they are paying them for 720 hours worth of sick leave and vacation pay at their final rate of pay. They didn't accumulate it all there. They talked over a year ago about finding a way at the end of each fiscal year pay people for sick days they didn't use rather than creating this liability the City is going to have to pay for 20 years or 30 years to come. They haven't been pro-active on acting on that. She understand they need to make some employee cuts, they need to make some furlough decisions, they need to do all these other things. While they are looking at the big picture, let's look at some of the things that are going to protect the future. She is not going to be here 10 years from now, but somebody else is. She would like to be able to leave them where they are not sitting here saying, oh my God, what are they going to do tomorrow?

City Manager Recor said he thinks he has enough direction to give them some options, particularly for FY 2010. They will have additional budget workshops where they can fine tune that proposal. There are a number of incremental strategies that are included at the end. Before they go down that list, a number of things which they have already hinted and briefly talked about, He would like to invite their insurance consultant up because she may have some insight and input that they haven't considered.

Mayor Benton asked are they going to talk about the ability maybe for a clinic too, like Port St. Lucie?

Ms. Kathy Gordon, Siver Insurance Consultant, said she has that toward the end of her discussion, she knew it was important to a lot of them. The goal today is to let them see options. They have not presented every option that is available, especially when it comes to contributions. They can provide spreadsheets and details on hundreds of different options.

City Manager Recor said he does not want to assume or take for granted that the Commission knows that she currently works for the City. Ms. Gordon is the City's insurance consultant. When

they are looking at options and various alternatives, it is Siver who the Finance Director would consult with and Siver would provide written recommendations. She is not proposing anything to them today. She is currently working for them and will be making some recommendations.

Ms. Gordon said just a little history. The City changed from being self-insured on their health plan administered by WEB-TPA last year and they switched to a fully-insured plan from Blue Cross that became effective June 1, 2008 and it was as a result of an RFP. At the time they estimated that the cost savings by leaving their old plan with WEB-TPA and going to Blue Cross would save approximately \$500,000 annually. When self-insured, they don't know exactly how much it is going to cost until the actual claims come in. With Blue Cross, being fully-insured they know exactly how much it is going to cost every month unless employment changes. If they have more people or less people, that changes the overall cost, but the rate stays the same.

Commissioner Becht asked what happens if they go under 400 employees? When does Blue Cross change their rating in terms of number of employees?

Ms. Gordon said usually they have an option to re-rate if the overall employment changes by more than 10%.

Commissioner Becht asked is Mazella Smith here today?

City Manager Recor said no. They have 409 employees.

Commissioner Becht asked did she say 10%?

Ms. Gordon said they are allowed to re-rate usually if there is a change in counts of more than 10%. That change in counts would include retirees. So it would be 409 plus retirees. They were talking about the possibility of layoffs.

Commissioner Becht said that is where he is going with this. They have retirees who are covered under this plan?

Ms. Gordon said yes.

Commissioner Becht said so the number is larger than 409. So they would have to lose more than 40 people in order for Blue Cross to have a chance to adjust it.

Ms. Gordon said for example, if they laid off 40 people...

Commissioner Becht said he doesn't even think that is under consideration. He thinks the number that was bandied about was maybe 29. Is that correct?

City Manager Recor said yes.

Commissioner Becht said so they don't need to worry about it.

Ms. Gordon said they had estimated it would save approximately

\$500,000 with the change that was made last year. This shows the difference in cost between 2007-2008 (\$5,431,413) to the 2008-2009 with Blue Cross (\$4,190,963). What is included in the \$5.4 million is all the administration and insurance fees and claims that were paid from June 2007 to June 2008, those are the old WEB-TPA numbers, plus the \$594,760 paid in claims in July, August, and September 2008 for claims that happened when they were still with WEB-TPA. In other words, if someone went to the hospital in May, but the bill didn't get paid until June. With self-insurance there is sort of that run-out cost they paid last year. As they can see, Blue Cross has been a significant savings whether they include the \$594,760 in their calculation or not.

Commissioner Coke asked do those figures reflect a savings they had because of the increased cost charged to employees for dependent health care?

Ms. Gordon said these numbers include everyone's costs - the City, the employees, and the retirees.

Commissioner Coke asked could she tell her exactly how much the City saved by increasing the percentage of dependent health care paid for by employees?

Ms. Gordon said she doesn't have that number with her. Later she has some different examples with different percentages when they get to contributions. About the contributions, just again a little history. In June 2008, for the prior year employee contributions had been 18% of the dependent share. So they were paying nothing towards the employee cost and they were paying 18% of the difference between the employee cost and the employee plus spouse cost or the family cost. Effective June 2008, that was increased from 18% to 30%. It is her understanding that the plan this year is to increase that to 40% and next year increase it to 50%. Some of the examples they will look at later include that increase to 40%. The City currently pays 100% of the employees cost regardless of what plan is chosen. Retirees pay 100% of their cost. So they are in the counts, but they are not in with what the City pays.

Commissioner Becht asked when they move the dependent coverage another 10% up next fiscal cycle, what do they save?

Ms. Gordon said if they go behind Tab 1 in the book (City of Fort Pierce 2009-2010 Health Plan Renewal Considerations), that gives the difference between \$684,000 and \$465,000, so \$220,000 approximately the City saves.

Commissioner Becht said no, under Current Funding & Contributions, in the middle of Page 1 behind Tab 1, it shows Contributions - City, Employee, Retiree. Next to Employee on the annualized basis is \$465,984.90.

Ms. Gordon said that is how much the employees are contributing this year.

Commissioner Becht asked does that go up by 10% or is it 10% of

the total?

Ms. Gordon said what goes up by 10% is the difference between... If they looking at that top chart and they look at the Low Plan (PPO)...

Commissioner Becht said he has to look at the dependent coverage. Where is dependent coverage?

Ms. Gordon said it is the difference between the \$555.69 a month and \$1,118.80 a month.

Commissioner Becht said she lost him. Can Ms. Johnson figure that out?

Ms. Johnson said give her a second and she will give them the 10% based on the employees they have now.

Commissioner Becht asked he is wondering if those savings are reflected in the \$33 million rough budget they prepared for them?

Ms. Johnson said based on the percentages she calculated, the extra 10% on the current premium, they are talking about \$300,000.

Commissioner Becht said that seems high to him. It is only 10% on the dependent coverage, so they are only picking up another 10% of the dependent coverage.

Ms. Johnson said that is how much the City would save additional.

Commissioner Becht asked the City is going to save another \$300,000?

Ms. Johnson said for 10% just on the dependent coverage.

Commissioner Becht asked is that savings reflected in the pro forma budget she gave them, which is kind of rough, for 2009-2010?

Ms. Johnson said they haven't done a budget yet.

Commissioner Becht said they have a \$33 million rough budget.

Ms. Johnson said yes, it is not in the current budget so far.

Ms. Gordon said she knows there have been some complaints about Blue Cross. What they have heard is, the majority of the complaints are regarding the prescription plan and the requirement to try generics prior to using a more expensive brand name drug. She also heard a few complaints about providers or physicians that are not on the Blue Cross network that were on their old network. She hasn't heard a lot of complaints about that.

Commissioner Alexander said he thought when they transferred the insurance there would be no changes.

Ms. Gordon asked in providers or in benefits?

Commissioner Alexander said when he says no changes, he means whatever they want to discuss, whether it is medicine or providers. It was supposed to be exactly what they had.

Ms. Gordon said the plan with Blue Cross was very similar, but there were changes. Those were outlined in the Commission's package last year. One of the major changes was, the very inexpensive \$9 mail order was eliminated and the mail order went to a more typical double the monthly co-payment. The step program requiring the use of generics versus brand name drugs has been...

Commissioner Coke said that is not generics. Quite often if they have a cutting edge pharmaceutical, there is no generic for it. She called Blue Cross/Blue Shield and they said go on line and pick another medicine. She asked, when did she go to medical school? She has heard from several employees, that is exactly the attitude. It is something the doctor prescribes and gives them samples, it works beautifully; and Blue Cross says tough luck, they are not paying for it. It is not something that there is a generic available. So she does not see that is in any way considered comparable to the program they had previously.

Ms. Gordon said that is without question that there have been issues with the pharmaceuticals, with the prescriptions. Blue Cross is much stricter about what they allow and they are much more active in working to reduce costs on the prescriptions. She doesn't mean to imply it hasn't been painful. Just to give them an example of the cost savings from this, between October 2007 and May 2008 the City was paying \$66,000 on average per month for prescription drugs. Since they have gone to Blue Cross, the City has have paid an average of \$48,000 a month.

Commissioner Coke said as the City's consultant, acknowledging the fact that the biggest complaint they have heard employee-wide is with the Blue Cross pharmacy program, she sees that they have not gone out to bid on Blue Cross/Blue Shield, because they feel they are competitively priced.

Ms. Gordon said right.

Commissioner Coke said knowing this is a concern, have they looked into the possibility of dropping the pharmaceutical part of Blue Cross and going with another pharmacy program and it would provide for the employees?

Ms. Gordon said they have not looked at that alternative. It is very rare to have a standalone prescription program.

Commissioner Coke said she sees 1-800 numbers on TV every day - call the number and buy their pharmacy cards - for individuals or groups.

Ms. Gordon said she thinks those would not be the type of

generous plan they have here. She hears obviously they don't think it is generous. They can look at alternatives. Her real concern is that there isn't going to be anything with broader or more generous benefits available without a cost.

Commissioner Coke said she had Blue Cross/Blue Shield at her other place of business. None of her employees there complained because every time they brought a prescription, it got paid. As a matter of fact, some of them were the same prescription she tried to get filled. So the concern is, the Blue Cross/Blue Shield that her rinkydink little stationery store company has for its employees has better coverage than the City's Blue Cross/Blue Shield. She gave that coverage up when they went to Blue Cross/Blue Shield here. So it is better coverage she is providing for 10 employees than the City is getting for their 400 plus employees. That is a level of concern. If they are paying for something and getting their money's worth, that is one thing. But if they are paying for something and not getting their money's worth, she doesn't understand that.

Ms. Gordon said she doesn't know about that specific example, so it surprises her frankly. Blue Cross has offered renewal terms for the upcoming year. Actually they did an extension until July 1, 2009 at the old rates. The initial renewal came in with a 16% increase; but that has been negotiated down, with no plan changes, to a 10% increase. One of the reasons for the increase is just plain trend, which is what they call health plan inflation. That includes the fact that unfortunately every one of them who is on the plan this year will be a year old next year. It is assumed that every year they get older, they cost a little more. There also has been some large claim activity. She won't get into any details because of HIPAA (Health Insurance Portability & Accountability Act), but there have been a couple of individuals who have had some very expensive bills that Blue Cross has paid. Those are the most significant issues. Just for reference, behind Tab 4 in the booklet is information about average health care trend factors which are very similar to the increase that Blue Cross is presenting to them, basically showing that on average increases for the coming year are about 10% or a little higher.

Commissioner Coke said she hates to be the only one talking about this, but she has been doing it for seven years now, so she will just keep right on. Every single year she has an insurance consultant she calls five or six months before her policy expires and says they need to get quotes because they know whoever she is with that year is going to go up unless she gets quotes. They put it out for quotes. And as soon as they have all those other figures in line for the exact same policy, all of a sudden miracle of miracles Blue Cross/Blue Shield comes right back down in line. For the City to be with them less than a year and they want a 16% increase, that now they are saying it is going to be 10%, that is still a huge increase. That more than wipes out the savings the City is looking to realize for the dependent health care increase. Why would it not just be standard business practice to put it out for bid without the City even asking their consultant to go out to bid every single year and get a comparable policy and make sure everybody knows

it is a bid situation?

Ms. Gordon said their recommendation for Florida governments - and most of their clients are Florida governments - is not to bid every year. Their recommendation is to bid every two or three years.

Commissioner Coke said but when she came on, they hadn't gone out to bid for anything on insurance in about 15 years or so. She and Mayor Benton pushed them to do it about six or seven years ago. They never bid anything, they just took whatever was handed to them.

Ms. Gordon said one of the things later she was going to talk about was if they wanted to do a marketing effort this summer.

Commissioner Coke said this summer doesn't do them any good. Their policy is up when?

Ms. Gordon said they have moved it to July 1st. If they made a decision to do a marketing now, it would maybe take effect in October or November, the change.

Commissioner Coke asked could she tell her in this nice little book she gave them where the fees the City paid to Siver are?

Ms. Gordon said it is not in that book.

Commissioner Coke said she would think they would have a fee page and monthly charges.

Ms. Gordon said from January 2008 through March 2009 - she doesn't have April's yet - it was a little under \$31,000. Mayor Benton asked when they are looking at their possible options, they still haven't thrown the clinic in there which they talked about last Fall. That was something with Port St. Lucie having such a substantial savings. St. Lucie County, the City, the Fire District, and Fort Pierce Utilities Authorities, the number of employees, he still hasn't seen a number or projected cost with a clinic. It would be another option, insurance with a clinic.

Commissioner Sessions said he would like to entertain that too. But before they move on that, to entertain what Commissioner Coke proposed regarding going out for bids. Ms. Gordon said they don't suggest that for Government agencies. Why?

Ms. Gordon said because what they find is there is significant time spent on Staff's part and on Siver's part, which they charge for unfortunately. That is one reason. A second reason is they find that the second and third year they do it, that some of the insurance companies say they are just doing this again, they are not really going to change, and they don't like to continue proposing every year. When bidding something as complicated as the City's health plan, there is a lot of work that goes into it on the insurance company's point and the proposer's point. That is Siver's recommendation. The City doesn't have to take their recommendation. If they want to bid

it more often than that, Siver is happy to help. Her concern is, she doesn't think there are any alternatives out there that are going to be less expensive for them right now than Blue Cross. She would not want to raise unrealistic expectations. She and Ms. Johnson have discussed this in detail. They are happy to do so, if the City chooses to; but they are concerned that it won't bring them the magic bullet they are looking for unfortunately. Do they want to talk about the clinic?

Mayor Benton said he would like to talk about the clinic. He hasn't heard anything since they had the discussion with the County. He is thinking of what Port St. Lucie is saving. He doesn't understand why they haven't pushed forward working with the County to do so.

Commissioner Becht said personally he doesn't know what Port St. Lucie is saving. He knows there is a lot of rhetoric in support of what they are saying, but he doesn't know that there is any hard data supporting that.

Mayor Benton said they made a presentation to the County. He thinks the first provider, they had some problems with, and then they got the second provider. He thinks their savings was over \$500,000 in one budget year. When they first brought this to everyone's attention, he thought this has got to cost them more. But as the employees bought into it more... They have set time, they don't have to wait in line, they can get prescriptions. It is such a benefit. Once employees buy into it, the reduction continues is what they were told at their meeting with the County.

Commissioner Becht asked would Siver, as an insurance consultant, be involved in helping them set up a clinic?

Ms. Gordon said no.

Commissioner Becht asked then who is the consultant who would know about clinics? Because once they get a clinic set up, she is out of business.

Ms. Gordon said no.

Mayor Benton said they would still have insurance too.

Commissioner Becht asked they are still going to have insurance and they are going to have a clinic?

Ms. Johnson said they would have both.

Commissioner Becht said somebody is going to have to show him where that means they save money.

Ms. Johnson said in their case, they would still have an insurance company, they will not just drop their insurance. The clinic will do basic services to help eliminate some of the expensive costs of going to doctors, it will kind of eliminate that. But they still would have major things they would have to have insurance. It is like a dual role.

Commissioner Becht said Port St. Lucie is the only one he knows of who might be comparable, but they are not comparable in light of the number of employees they have and Fort Pierce has. And Port St. Lucie is self-insured.

Ms. Johnson said Fort Pierce isn't. They are no longer self-insured, so they would have to have an insurance company for the other...

Commissioner Coke asked would it only be cost-effective if they are self-insured? Or would the intention be to lower the benefits that are provided through the insurance program?

Ms. Johnson said it will lower the benefits provided through the insurance company because it is eliminating some of it.

Commissioner Coke asked lower the policy itself?

Ms. Johnson said it will lower the policy.

Commissioner Coke said because otherwise they are paying the same amount for the insurance policy and then they have the added expense of a clinic.

Ms. Gordon said she thinks that is true the first year.

Commissioner Becht said and the liability exposure of a clinic. If that doctor misses something or does something he shouldn't do, doesn't that go back on the City?

Ms. Johnson said she would assume so.

Mayor Benton said when the presentation was made to the County, he was there and he brought certain staff members there, and he thought for sure by now they would have had something back. The County has moved forward with this, they are looking to open it. His understanding is they talked about some of the problems associated with it. But they need to know the facts. Because of the savings and because their policy is coming up in a few months, if they don't change Blue Cross/Blue Shield, they couldn't be part of a clinic with their insurance as they have today, is his understanding.

Ms. Johnson said they have been discussing it, this has not been sitting on the table. She has been meeting with their consultants and with Blue Cross/Blue Shield. They have been meeting and they have been talking about the clinic concept. The problem is that the County has not started yet - they don't have a building, they don't have anything set up. So how can they participate? They have to have coverage for their employees.

Commissioner Becht said the County is moving forward with it in terms of a building. They are already in negotiations with the Fire District for the building out on Rhode Island. That has not materialized. He talked to the Clerk of Courts Joe Smith yesterday and he said he is not going to be out of that building

until at least May 27th. And then it will have to be rehabbed, if that moves forward between the Fire District and the County. He is sorry, he did not mean to cut her off or insult her, but as an insurance consultant, he is wondering what Ms. Gordon knows about the operation of a clinic?

Ms. Gordon said if they participate in a clinic, Siver would have nothing to do with the running of the clinic. If the City chose to, Siver can help them in making the decision as to whether or not to do the clinic. If they go forward now or in the future with some sort of clinic model, whether it is some sort of sharing with the County or on their own, the City will still have health insurance. A clinic will never replace their health insurance. It will only take some of those claims from the health insurance program and move them into a less costly venue, which is sort of the clinic model.

Commissioner Becht said it will eliminate right of choice, because he is going to have to go to that clinic doctor for that particular service that he provides, or he is going to be outside and Blue Cross/Blue Shield is not going to cover it because he could have gotten it at the clinic.

Ms. Gordon said that is not how the Port St. Lucie model works. Port St. Lucie's clinic is fully voluntary. Most of the ones they are seeing proposed around the State for Florida governments are voluntary. So employees will always have the choice of going to the clinic, often with zero co-pay, and seeing that city or county clinic physician for their primary care health care needs, or...

Commissioner Becht asked is the physician an independent contractor, or is he hired by the city or county?

Ms. Gordon said the physician is an employee of the vendor the city or the county has chosen to run the clinic. That vendor she believes takes responsibility for the liability situations.

Commissioner Becht asked how long would it take Staff to get some hard data from Port St. Lucie on their track record? They have been up and running for two years. He thinks Vero Beach just did it yesterday.

City Manager Recor said yes, he has actually been in contact with Jim Gabbard in Vero Beach. He included in their package a newspaper article on Vero Beach's clinic. They could have that in a several weeks.

Commissioner Becht said he doesn't think they can be up and running with a clinic in time to not renew with Blue Cross/Blue Shield. But that would also give them a year of watching the County, if they do proceed with it. The Fire District may or may not move forward with them.

Mayor Benton said they have all that space right there in the parking garage. When they had that meeting with the County he told them they have 30,000 square feet. What better place? If they had employees walking out one door into the other, how much

time would they lose at work if they were going there? They have options that haven't been looked at by the County. But with the U.A. and with the Fire District, there are a lot of employees there.

Commissioner Becht said if the clinic idea is the right way to go. He is not convinced, based on rhetoric from Port St. Lucie, that it is the right way to go. PSL really hasn't had time for a malpractice claim to hit them that first time, when somebody tries to figure out a way to bring in Port St. Lucie. They are naive to think they are not going to try to figure out how to name the City in a lawsuit. So he would like a report back, not just on Port St. Lucie, but some communities who may have had a clinic in Florida for maybe four or five years. Do they know of any communities who have had it longer than...?

Ms. Gordon said Port St. Lucie is one of the longest she is familiar with. There are a couple of others up around Orlando that have been initiated since then. It is really sort of the talk of the industry. Those are the ones she knows of in Florida that are up and running. St. Lucie County has made a lot of strides and are very close, but they aren't open yet.

Commissioner Becht said what he is looking for is somebody who has been open long enough to get stung. If Port St. Lucie is the one that has been up and running the longest, then...

Mayor Benton said in Port St. Lucie, they had a problem with the first vendor they had. When they got rid of that vendor, things got better. As more employees came back and said they had a good doctor, more employees bought into it. That is when their savings was even more. When he first heard about this three years ago, he thought it was a joke. He couldn't understand how a clinic wouldn't be very costly. But when they came back with the numbers they showed them that day, it caught his attention. He went there one afternoon to listen because the numbers got his attention. They have to look at all the options today.

Ms. Gordon said one idea that she and Ms. Johnson had discussed as an option, perhaps getting their feet wet on the concept, is once the County is up and running, she thinks it is going to be a relatively convenient location for City staff. See if they can buy in 20% or so of the County's appointment time and use it for some of their people. That would limit the up-front cost for the City participating, because the County is doing all the build out of the facility and expending a lot of the up-front costs, which they have been a little concerned would be a problem for the City right now. But maybe use some of their appointment spaces and try it for a year with maybe 20% of the County's appointment slots and then share in 20% of their expenses. Now what that would do for the City financially, it wouldn't change their insurance premiums that first year they participated in it. But as their claims reduce, because claims aren't going to Blue Cross because primary care is being received at the clinic, the next year's renewal - which is in great part based upon claims - would reduce. So the cost savings, if they stay self-insured over the next couple of years, will be delayed. That is one of the reasons they are

looking at concepts or ideas to try to limit the up-front cost of it, being respectful of budget issues. Should they jump back to the Blue Cross renewal? Like she said earlier, if they make no changes, the total Blue Cross premiums go up 10% next year. Siver has asked them to provide some plan design changes to limit the increase. The increase for what they are calling Option B is 2.8%. She will get into what all the plan changes are. Just to recap, and this is total cost - this includes the City's share, the employee's share, and the retiree's share. In a minute she will get to just the City's share. Total costs this year are just under \$4.2 million for the current enrollment. If they don't make any changes, that \$4.2 will be \$4.6 million next year. If they make all of the plan changes that are included in Option B, that will be \$4.3 million. Just to give them an idea, the City's share of that in 2008-2009 was \$3.485 million. Behind Tab 1 is some of the details for the following numbers. If they made no changes to the plan design, which is Option A, and they make no changes to contributions except the increase from 30% to 40% as was agreed to and was approved last year, the City's cost will be \$3.668 million. If they make no plan changes, that is the second Option A, and they charge employees the difference between the less expensive plan and the more expensive plan, or what they are going to start referring to as the buy-up cost, that is \$3.578 million. Because right now the City pays 100% of the cost for either the more economical plan or the richer plan. So one thing they put on the table to consider - because they were trying to look for ways to conserve money with it being as painless as possible, although there is no painless solutions here unfortunately - is to have employees who choose the more expensive plan to pay the difference of the employee's share. She thinks that is pretty common. Under that option, the City's cost would be \$3.578 million. Then with Option B, which is the plan changes she is going to get to in a minute, the City's cost would actually decrease to \$3.3 million. All those numbers just assume no change in enrollment all year. Of course, it is going to change some, but she doesn't know how else to compare it. So when they asked Blue Cross to give them some of those options, what they were looking for was to minimize or eliminate the increase to the City. If they make changes, they would like to rename the plans, because right now - and she doesn't know how they got here exactly - the more expensive or more generous plan is called the low plan, and the less expensive and less generous plan is called the high plan. She thinks somehow over the years that sort of oddity occurred. They haven't wanted to change it because people were familiar with those names. And yet it has become something where if they hire a new employee for example, they would look at it and think they were crazy because the plan names no longer make any sense. So they were thinking of renaming them the Base Plan or the City Plan and the Buy Up Plan. Obviously in Option B also they are looking at the alternative of charging employees the difference between the less expensive plan and the more expensive plan, so employees would always have the choice to choose the plan that costs them nothing, but if they chose the more expensive plan, they would have to pay the difference. Again, that was a cost-saving alternative they looked at. The plan design changes that are included in the proposed Option B are outlined behind Tab 3 in

the booklet. It includes some increases to deductibles and co-insurance. It does include an increase to the co-payments for prescription plans. She doesn't know if they want to go through every plan change, or if they want to take this and look at them.

Commissioner Coke asked health insurance and the benefits that incur to employees by having health insurance, is in effect a very inequitable benefit. They have employees who are just employees. They have employees with a spouse. They have employees with a spouse with five children. So the benefit itself becomes an inequitable thing when they are looking at how it incurs to each individual employee. Does she have history on how other municipalities handle that inequity of a benefit, or is it similar to what Fort Pierce does?

Ms. Gordon said it is pretty similar. She doesn't have all the data together, but Ms. Johnson asked them to get information on what contributions are paid by employees at St. Lucie County, the School Board, Port St. Lucie, and the Utilities Authority. She would like to have that in their Agenda packet for the next Commission meeting where they are going to have to make some of these difficult decisions, so they can see what employees are paying there. Generally the four tiers - employee only, employee plus spouse, employee plus children, and family which is a spouse and children, are generally sort of how the breakouts...

Commissioner Coke said they also offer two insurance levels - the high plan and the low plan.

Ms. Gordon said right. Of those entities she just listed, both the County and the School Board offer two plan designs and both of them charge employees more for the more generous plan and less for the lesser expensive plan. So there is some consistency. The City of Port St. Lucie and the Utilities Authority have only one plan, so there is no difference to the cost of employees.

Commissioner Coke asked which plan is that, the base plan or the better plan?

Ms. Gordon said she doesn't know. She will tell them, and this is actually part of their recommendation or their encouragement to not market this year, three of the County governments - the School Board, the U.A., and the City - bid last year. All three of them selected Blue Cross as the most economical. Also the County and Port St. Lucie are with Blue Cross. So in the last couple of years every time one of them has bid, Blue Cross has been the most economical. One of the reasons they are concerned that if the City did bid again this year, they would just be frustrated because they would end up in the same place. They have talked about the clinic already. They sort of talked about whether or not the City should market this again this year. Siver is happy to do whichever they prefer, but they are not recommending it as being something where they will be able to save money this year. They are flexible in terms of looking at different contribution strategies. Maybe with any direction on

that, they can provide additional alternatives.

Mayor Benton asked do they want to go out for an RFP?

Commissioner Coke said she doesn't think any of them have had an opportunity, just receiving this, to make an opinion.

Mayor Benton said they can have that maybe as an Agenda item, if not at the next meeting, but the following one. What time frame do they need for a response?

Ms. Gordon said she thinks they are going to have to make three decisions. Their plan was to bring at least the first two recommendations to a Commission meeting May 18th. One is, they need to decide for their renewal with Blue Cross if they are going to make any plan changes or not. Two, they will need to decide if they want to make any changes to contributions. Those are somewhat related, but they are really two separate decisions. They have to sort of make the first one to make the second one, because that tells them what the premiums are that the contributions that apply against. Then a third decision, which could be made at the same time or could be made later, would be did they want to market or did they want to delay and do it for the Summer of 2010 effective? They could decide it a number of different ways.

Commissioner Coke asked is it possible to get a rate sheet? They are almost like attorneys who bill them a quarter of an hour for a phone call. It is amazing to her. Can they get a rate sheet on what they get charged for and the dollar amount they are getting charged for it? \$31,000 seems to her that saves an employee.

Ms. Gordon said she has a summary by month. That is all she has with her.

Commissioner Coke said not necessary today. But if she can get it to Ms. Johnson, who could forward it to the Commissioners, just what Siver's standard charges are and what their policy is and what they charge them for. She sees here they have some people that are charging \$150 an hour for their time and some people \$50 an hour.

Ms. Gordon said okay.

City Manager Recor asked is there a consensus from the Commission as to how they want to proceed? Do they want them to come back?

Mayor Benton said he thinks that option is coming in front of them at the second meeting in May.

City Manager Recor said May 18th.

Ms. Gordon said that was their original plan, to have the Commissioners make a final decision.

Mayor Benton said right, because the Commissioners wanted to

have a chance to decipher all the information and the details.

City Manager Recor said okay. They have touched on a number of the other budget reduction strategies. Is there something one of them may want to discuss further? Is there an idea that they just say no, that is not worth spending any time on? Obviously this is their first discussion. They will begin scheduling the next budget meeting immediately following this one. He characterized these strategies as incremental approaches. He doesn't think that there is a home run ball in here. The furlough represents the largest opportunity for expenditure reduction. But some of these things when combined with one another can represent some significant savings.

Commissioner Coke said she is glad they are starting to move forward and she is glad they at least have this year covered. She has concerns she expressed earlier about some things they kind of let sit instead of moving forward. She thinks one of the big potentials they need to realize as quickly as possible is expanding their City, expanding their tax base; and therefore, she thinks annexation and promotion of business development within their City limits needs to be one of their top priorities. She thinks they need to look at some of the things they have talked about. Recently she and Mr. Recor spoke about travel and education expenses and limiting it to in-state. She thinks this is a time frame that they need to seriously consider what the overall cost of that to the City is and what they need to do to move forward. They have properties. They have been talking for a year and a half about the lease of Little Jim Bridge property. It hasn't moved forward. She doesn't think they have realized its potential. She doesn't know where it is stalled. But they need to be more pro-active on that type of situation. The Chief and she have been talking for two years about collecting parking fees at City Hall. The money comes to City Hall, so it doesn't cost them court costs. They haven't made any progress on that. She knows everybody is busy with a lot of things, so she is really not looking to point fingers. But on all of these ideas, it was a lot of hard work for the Police Department, for the Finance Department, for the Commission to work through and say they want to move forward in this direction. Then sometimes she starts feeling like the broken record, because she sends the same memo month after month after month. Is it possible that they can maybe Agenda as a priority...? When they start the budget meeting, let's look at some of the things that they as a group - as a Commission, as a Department Heads - have tried to prioritize over the year and let's develop a time schedule when they want it done. Unfortunately it falls through the cracks and they don't move forward. Her expectations are different from the City Manager's or the Chief's. Then they all experience a level of frustration. She doesn't want to point fingers at yesterday, but she wants to be able to move forward with a positive note tomorrow. They are going to have enough trouble down the road in the future with economic things that they don't need to have in-house fighting about why isn't this done, why isn't that done, why is this figure wrong. She thinks now is the time to seize the opportunity, and let's look at it as an opportunity, that they can re-prioritize what they want to get done at a City

level, at a Police Department level, at the Commission level. Let's get those priorities all in line so they are all working toward the same goal. That is where her frustration is. She is working this way, Mr. Recor is working that way, and everybody else is going in different directions.

City Manager Recor said he loves the idea. They put those together in a work program, they make the assignments out to the organization, they identify up front what the expectation is, and then they hold the Department Head accountable for the results. He likes it. Is there something they would like to begin with?

Mayor Benton said parking fees, explain that. Does that mean charging for parking in the parking garage?

Commissioner Coke said no. Chief Baldwin has talked for a long time about not only parking fines, but there are some civil infraction tickets, that if they collect them at City Hall... If they go to court and they lose the court case, they have to pay court fees. If they go to court and they win the court case, St. Lucie County gets the money. So they are paying officers to go out and enforce City ordinances and filling up St. Lucie County's little coffers there. These same fines, as long as they are not felonies or that kind of thing, could be collected at City Hall. It would save them court costs, it would collect money for the City. If they are going to be putting forth the effort, they ought to be the one collecting the money. That is her theory. They have talked about it for a long time. She doesn't know where they are in the implementation of it, but she knows it is something they keep saying they are going to do, and they haven't.

Mayor Benton said it sounds good to him. He would like to know what the numbers are. If they need a person to be collecting that, the City Clerk's Office. He thinks that is something they need to know more about as soon as possible.

Commissioner Alexander said they made a lot of progress today. They have a City Commission meeting coming up. They can have some of the answers to some of the questions. Then are they going to be scheduling another workshop. But he thinks for every City Commissioner there should be some time set aside for comments and progress they have made from Point A to Point B. He thinks workshops are very informative and it allows everyone to know how difficult it is. Looking across the lagoon, it is beautiful, but the tides are strong. So let's look at it that way. They have to be pro-active in a lot of things they do now.

City Manager Recor said he thinks they have demonstrated today that they are prepared. They have given a lot of thought to how to meet the challenge for this year as well as next. At least he hopes that is the impression they are leaving with. He will follow up with the Commissioners and will get the next budget workshop scheduled.

Commissioner Coke asked can she throw one more iron in the fire? She is going to bring up again, last year prior to the end of

the year they put the County on notice that they were going to renegotiate their Parks Referendum MSTU funding. They talked to them about it at length, they exhibited a willingness to do that. She is going to remind all of them that there is some place there, the \$1 million something a year the County collects within the City limits, that a percentage of that ought to come to the City. If they ever thought they were having hard financial straits and they should be pushing that issue a little bit, she thinks now is the time that they ought to let Mr. Recor move forward and try to negotiate a hard deal with the County, since they said they would renegotiate it. The other side of the coin is, she thinks they are all very aware that the City served them notice that they either renegotiate it so at least three of the Commissioners are happy with the renegotiation, or they withdraw from it and the County will lose the entire \$1.2 million or \$1.3 million they collect. She thinks they probably would be happy to renegotiate that funding with them.

Mayor Benton said the list of other Budget Reduction Strategies Mr. Recor gave them, there are 22 of them. Are these things he is going to look into numbers for them? Or are these things he wants to hear from the Commissioners, the ones they are in favor of?

City Manager Recor said they have touched on a number of them. He will follow up on those that they discussed. One of the things they haven't talked about previously is the creation of a DROP Program for the employees eligible for retirement. Also, establish a contribution fund for employees with less than 5 years of service as opposed to the defined benefit plan where the City wouldn't contribute as much. But for example, a young Police Officer who doesn't intend to stay in the community very long, but may be here for five years or less, that may be appealing. The same way with a young Planner who is going to get some experience under his belt and then move on to a bigger community. Those might be appealing options. So they can take all of their money and not waiting for a vesting period, where the City's contribution is substantially less than it would be under a defined benefit plan.

Mayor Benton said he wants to challenge. This challenge has been stated before and he has noticed a lot of the departments in City Hall have done this. When they are not using their lights, turn them off. The last few nights leaving City Hall, he saw a majority of the departments, their lights were off. He commends them for it. He thinks it should be across the board. He is not going to tell them whose lights were on.

City Manager Recor said Dean Kubitschek has some first hand experience where he had an energy consultant come in and review his operation at the Marina. They changed out ballasts and used particular light bulbs. What did he realize, a percent?

Mr. Dean Kubitschek, Marina Manager, said it paid for itself in the first year.

City Manager Recor said he recovered the cost of it in the first year, so now every year he is saving money. Those are the kinds

of things they should be looking at. They will follow up on what they heard today. He thinks they have gotten through the biggest challenge and that is the shortfall. They have another quarterly report coming up in 60 days. He will keep them informed and will begin to schedule the next workshop.

Mayor Benton asked he is checking into the furloughs for this year? He thinks that is what this Commission wanted to hear about as soon as possible. They want to hear also from the unions, the Teamsters and the PBA.

City Manager Recor said he and the City Attorney will follow up on that together.

Mayor Benton said as soon as possible, because he thinks a lot of employees will feel a lot better knowing. Because the last three weeks at City Hall has been kind of difficult because a lot of people were uncertain whether they were going to have a job tomorrow. They want to keep people working. But if everybody contributed one day, they are there this year.

City Manager Recor said he wants to thank the Commissioners. He thinks this has been extremely productive. He knows these are difficult discussions to have, but he appreciates their candor and their feedback. They are going to get through this.

There being no further business, Mayor Benton declared the meeting adjourned at 4:55 p.m.

Adjournment.

ATTEST:

CITY CLERK

MAYOR COMMISSIONER