

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 THURSDAY, MAY 28, 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 2010 Revenue Projections (General Fund and FPRA); FY 2010 General Fund Budget - Proposed Expenditures and Projected Budget Gap; and Strategies to Close the Projected Budget Gap: (a) Employee Furlough, (b) Employee Layoffs, (c) Collection Initiative for Outstanding Liens, (d) Health Insurance, (e) Refinancing CIP Bonds, Series 2009, (f) Contracting Building Division Plan Review & Inspection Functions, (g) Retirement - Defined Benefit vs. Defined Contribution Plan, (h) Renegotiation of Parks MSTU with St. Lucie County, and (I) Voluntary Separation/Severance Program and Early Retirement Program.

City Manager Recor said today is their second Budget Workshop. In the last 30 days they have had an opportunity to fine tune their projected revenues, particularly with the appearance of Mr. Furst (St. Lucie County Property Appraiser) at the City Commission meeting a few weeks ago. They also have a proposed budget for the General Fund. It is a status quo budget. What he means by that is that it does not reflect any new expenditures above and beyond this fiscal year and the budget totals reflect the reductions that have already been made. Today what he would like to do is revisit those revenue projections for FY 2010 for both the General Fund as well as the Fort Pierce Redevelopment Agency, which they have been able to get a better feel for what their TIF revenues are going to be now that they have an idea where the taxable valuation is going to be. They can then talk in as much detail as they would like about the status quo budget. What he would like to do today and hope to accomplish is to get their arms around the projected budget gap, the difference between their projected revenue and proposed expenditures. Once they have an idea what that budget gap is going to be, talk about the strategies that they had discussed at the first budget workshop, and then additional ideas, options, alternatives, and how they move forward today. They do have the framework for a voluntary separation proposal included in their package. Again, what he is hoping to accomplish today is to get a consensus on whether or not they would like to move forward with that and the parameters in which they would like to offer that to the employees. What he would like to do with the separation package and separation incentive is to put the information in writing, allow the employees an opportunity to evaluate it as it pertains to their individual circumstance, and then have an enrollment period and a defined time at which the separation from employment would occur. They have an updated spreadsheet that lists every employee in the organization - it identifies the service pay, the payout of sick leave and vacation, less the costs from the City for FICA,

Medicare, whatnot, and then gives them a bottom line. They may have given it some additional thought and want to talk about some other alternatives. That is what he would like to accomplish today and then decide when they would like to meet again. Is every 30 days a good schedule? They will just see where they end up today. The news that Mr. Furst gave them the other evening was not what any of them had anticipated or hoped for. Mayor Benton, Mr. Ward, and himself had an opportunity to meet with Mr. Furst about a month ago prior to their initial budget workshop. What they were told was that a 10% reduction in

valuation was a good working model and it could go plus or minus 2% in either direction. Based on their experience last year, they were really hopeful that that plus or minus 2% would go in the direction to their favor. That was not the case. What they heard was that it is more realistic, now that Mr. Furst has had an opportunity to look at Fort Pierce numbers, that 13% or 14% is more realistic. Port St. Lucie obviously would fare the worst countywide, St. Lucie County unincorporated would fall somewhere in

the middle, and then Fort Pierce would fare the best of any jurisdiction on the Treasure Coast. But that number is still in a 13% to 15% number. They have adjusted their projected revenues based on what they would like to think is going to be the worst case scenario; and that is, a 15% reduction in the taxable valuation, which reduces their ad valorem tax receipts to \$12,477,000. This figure also reflects an issue that they discussed at the initial budget workshop, a collection rate of 95%. History shows that they do not collect 100% of their ad valorem tax receipts. They have in the past, particularly last year, used 100% when they know that is not the case, it is just not fiscally prudent and responsible for them to move forward with that. Bottom line, given that 15% model that they are using now, is that their ad valorem tax receipts are going to be reduced by \$2.9 million, nearly \$3 million. Other categories of revenue (under Detail Summary of Revenues) where there were question marks is Taxes. Ad valorem tax receipts is the first major category or major source of revenue. Next is Licenses & Permits. Mr. Meyers (Building Official) can tell them over the last month there has been a significant increase in building permit revenue in the current fiscal year. That is good news. But he does not know that it is sufficient enough to say it is a pattern or it is a trend that warrants revisiting their revenue projections for permits in the building department for next year. Is \$250,000 the right number? Probably not. He thinks that it can go up. But again, what they are trying to use as a base line, use as a model, is a conservative approach. They do not want to overestimate their projected revenue and end up in the hole.

Commissioner Coke said last year they ended up over-budgeting some revenue figures with leases and things. She is looking at occupational licensing. They are budgeting the same amount for 2010 as they had projected for this year. If they look in the last several months, they have had several major car dealerships go out of business. If they walk downtown, there is more businesses going out of business that are not going to be renewing occupational licenses. She has concerns that they have not decreased that figure at all, but rather left it at a stagnant level.

Mayor Benton said he thinks that question should be posed to the City Clerk. He believes that there are some new businesses. Maybe she has more of an accurate reflection.

City Clerk Steele said they are anticipating greater revenues this budget year mainly because they raised the business tax receipts. As to the car dealerships going out of business, very few of them are actually within the city limits, so it did not affect them that way. It might affect them with the State sales tax, but not business tax.

City Manager Recor said they will recall over the past few months, both their Planning staff as well as their Building staff have brought forward fee initiatives to increase the development review fees, to increase the building permit fees and costs of reinspection. He would encourage them to keep an open mind with regards to increasing the fees. They understand the data set they want to use to compare themselves to, the other jurisdictions on the Treasure Coast. They do not want to be at the very top, they should not be at the very bottom, but they should be somewhere in the 75 percentile. So he would encourage them to keep an open mind as staff brings those initiatives back to them. That can be a significant source of revenue. What they hear from the development community, particularly when it comes to building permits, is that applicants are willing to pay for an additional service if they are getting something additional, if it improves the response time. They do not mind paying for the service if they know when they are going to get that permit. He thinks that is something that resulted from the series of workshops staff had with the building community from early last year and something. It is an initiative by the Building Official which is continuing to move forward as they speak.

Commissioner Alexander said he knows Mr. Recor has laid out how he wants to get this done. But he thinks Mr. Recor should revisit or bring them up to par as to what their last meeting was about, what they have left, and what their intent was to date when they came back. He thought they came to some conclusions last month. He was reading a memo from Ms. Johnson speaking about the furlough program, no filling of the vacancies, and reducing operating expense. But in none of these proposals did he see where he included the figures for the unfilled jobs.

City Manager Recor said he thinks he can do that fairly succinctly. If they will recall, at their initial Budget Workshop at the end of April, they had just closed out the second quarter for the current fiscal year. What their operating results reflected was a shortfall in projected revenue of \$1.5 million. He presented to the Commission a number of alternatives that they could utilize in the current fiscal year to make up that projected shortfall. The Commission elected to not fill in the neighborhood of 25 vacant positions throughout the entire organization that comprised in the neighborhood of \$600,000. Then there was an \$800,000 reduction in operating expenses from the various departments, primarily Public Works

and the Police Department, but the smaller departments also made reductions in operating expenses. Between those two areas they were able to address the projected \$1.5 million shortfall in revenue. There was a question about a furlough. A number of organizations across the country are utilizing furloughs to reduce expenditures and demand on the resources. When the Commission heard the number, the savings that could be generated by a one day per month furlough for the remainder of the current fiscal year, i.e. 40 hours, they were very interested in that. It would generate an additional \$750,000 in savings in the current fiscal year. The furlough alternative is a mandatory subject of bargaining. The Director of Human Resources and their lead negotiator with Cody & Associates, Nick Pellegrino, have met with the Police Benevolent Association (PBA) as well as the Teamsters. There is not an agreement as they speak. So to date, the furlough program has not been implemented. He does have on the agenda a discussion on an update of the furlough, because he thinks that every week, every month that goes by that they do not have an agreement on implementing that program, it will be harder on the employees to accept that 40 hour reduction in the current fiscal year.

Commissioner Alexander said that is why he brought it up. Mr. Recor gave them five or six months left in this year and plus next year. He thought that they had come to some agreement that they would utilize that against laying off individuals. In his proposal, he sees none of that. He is still seeing Mr. Recor proposing to layoff individuals by June 26.

City Manager Recor said yes, that is correct.

Commissioner Alexander said that is the problem he has. They had a meeting last month and they set it out. Now whoever wanted to reject that offer, then he thinks these positions should be filled with their positions. That is how he feels. He does not think it is a bad thing. He has not heard any gripes from the public. If they are giving up one day a month, that is two hours a week. But Mr. Recor has not been able to bring them back anything affirming.

City Manager Recor said they do not have agreement from any of the bargaining units, but they continue to negotiate the furlough option. He does not mind sharing the strategy because this will be the position. They will continue to negotiate, they are moving forward with implementation of the furlough as directed by the Commission, but it is a subject of mandatory bargaining. Layoffs are not. Layoffs do not have to be bargained. So if they cannot reach agreement with the bargaining units, they will define a date by which they must have an agreement. If they do not, they will layoff the equivalent number of people to achieve the same results and savings. That does not require bargaining.

Commissioner Sessions said this question is directed toward the City Attorney. If in fact this Commission decides that the furlough is the way, it is the only way, this is the way it is going to be, and they lay that on the table to the unions, is there anything that the unions can do to circumvent their

authority to impose the furlough on their employees that are union members?

City Attorney Schwerer said the answer is yes, they can. Because under the collective bargaining agreement and under labor law, a furlough would constitute one of those subjects of mandatory bargaining. Their labor counsel has given Mr. Recor the same advice, that layoffs are not subject to mandatory bargaining. So in essence, they can tie up the bargaining process by not agreeing to the furloughs and trying to make different rules for different circumstances. If they do not agree during the first session of negotiations and the City needs to implement this, they have no other options to save costs other than going to the layoffs.

Commissioner Sessions asked so they can hold up a process, but legally can they stop them from imposing it?

City Attorney Schwerer said they can stop the City from imposing the furlough on their bargaining unit by tying them up in the negotiation process. Because if the negotiation process reaches an impasse, then they have to go to the Special Magistrate, just like they had to do the last time with the contracts, and that may take six months to seven months just to resolve, plus there is additional things that they could file that would tie it up. So the City cannot implement the furlough until the end of that process. At the end of the road, they will probably succeed in imposing the furlough, but it may take a year or year and a half through the legal process if it is challenged vigorously.

Mayor Benton said at least for the non-bargaining, they work directly for the City Manager, he does not have to bargain the furlough. They could have started this month with those furloughs. He thought they said clearly that if the unions were not buying into it, then they could decide who they wanted laid off. But they could have already started saving some money in May, at least with the non-bargaining, by the furlough.

City Manager Recor said he does not think that they have reached a critical level yet where it still cannot be implemented. But he does not think it would be fair to the employees in the organization, particularly non-bargaining, to say they are going to be furloughed, and the non-bargaining is not impacted.

Mayor Benton said versus layoffs, because usually with unions it is seniority. He has met some of the union folks around town and he thinks that could be negotiated, at least from talking to some of the members. But when it comes to the non-bargaining, they do not have to bargain it. But if it means that fellow worker next to them is keeping their job, at least the ones he has talked to, he has not heard of anybody that did not like that idea. He thought that is where they were.

Commissioner Coke said it was her understanding at the last Budget Workshop they said they did not want to target just non-negotiating people. Her understanding was they said all employees needed to be affected, they did not just want to pick on the non-bargaining members at City Hall. They wanted to be

sure they treated everyone exactly the same, which would include all of the unions that they bargain with.

City Manager Recor said that was his understanding as well.

Commissioner Alexander said Mr. Recor proposed positions to be eliminated. But again, he did not include the figure that he was speaking of, the other 25 vacant jobs.

City Manager Recor said those jobs have been frozen and the savings is reflected already.

Commissioner Alexander asked where?

City Manager Recor said when the Commission made the decision not to fill those jobs, that made up \$626,000 of the \$1.5 million projected shortfall.

Commissioner Alexander said he is telling him the reason why he chooses 20 positions to eliminate. Where is that amount reflected on this?

City Manager Recor said they will see the \$626,000 savings in the 3rd Quarter Financial Report. What they should see is a balanced General Fund budget. But there could have been additional shortfalls in a particular area. That was the whole idea of providing these quarterly financial reports is to always keep the financial solvency of the organization at the forefront of the decisions that they make.

Commissioner Alexander said he is telling him up front, he is not in agreement of this effective date of June 26, 2009, of laying off anyone. He thought they came to a conclusion last time that they had monies available to cover them for 2009. And where they would have to worry about is 2010.

City Manager Recor said at the last Budget Workshop the Commission was able to address the projected shortfall in the current fiscal year through vacant positions, freezing vacant positions, and accepting the reduction in operating expenditures that the various departments offered. Then there was the discussion of the furlough. And that was an additional \$750,000 savings, knowing that they were going to have a budget gap in FY 2010. He attempted to bring the Commission back to the second group of positions which was a list of 28 positions in various departments. He identified positions that responsibility was singular in nature and jobs where there was more than one position assigned to that job classification, and suggested that those were positions that could be eliminated in the current fiscal year in anticipation of the projected budget gap for FY 2010. What he has done over the last month is looked at the original list of 28 and now he is suggesting that they move forward immediately with a reduction in the workforce of 20 positions. Those are the 20 positions that are listed. That results in an immediate savings this fiscal year of \$270,000. And next year, those 20 positions represent an additional \$1 million in savings.

Commissioner Alexander said he just does not see it. They are talking about eliminating 20 jobs. Then coming up next year, that same 20 jobs, if eliminated on October 1st, then he could go along with the \$1 million that be in savings. But they already covered their shortfall this year and he still wants to eliminate positions?

City Manager Recor said he does not think any of them want to.

Commissioner Alexander said he understands that. But the Building Department itself is \$1.2 million shortfall. He sees only two positions out of the Building Department.

City Manager Recor said since the last Budget Workshop - and it is on the Agenda for discussion at a later point - over the last 30 days he has met with and included the Building Official in the discussion of privatizing or contracting for plan reviews and inspections to determine whether or not that would save them any money. There are various ways that those savings could be achieved. Even though they are balanced at the moment in the current fiscal year, knowing what they all know now, that there is a projected budget gap, he is suggesting that they reduce the expenditures in the current fiscal year in anticipation of that gap. He thought about this a lot. There are a couple of metaphors or a couple of analogies he can use. He used to play a lot of golf in the summer. He was an assistant golf pro, that is how he would earn his college money. He had to earn enough money over the summer to cover his expenditures during his college years. He decided he was going to buy a car. His parents said do not buy a car because he is going to spend that money on other things, he is not going to want to make that car payment. He bought the car. Six months into his college year, he could not make the car payment. His parents were right, he had spent the money on other things. So he had to sell the car. It was a hard lesson to learn. All of the Commissioners have a diverse background, all of them are business people, all of them earn their living based on services that they provide. They are constantly monitoring their revenues and expenditures in their business life. This budget process is no different, they constantly have to monitor their revenues and expenditures. So he just thinks it is fiscally responsible knowing what they know to take the steps now, as painful as that may be. He is not suggesting that it is an easy decision for anybody. He does not want to let 20 people go; but he is suggesting that that is an appropriate measure to take, knowing what they know about the budget gap for next year.

Commissioner Coke said she is going to look at all of it and listen to all of it. She does not want to make a commitment now on how she feels about any particular item. It was her understanding from conversations that she and Mr. Recor had earlier prior to this budget meeting when she called him about some of this stuff, that his take on it was that they could layoff 20 people now and not have to layoff 40 people next year, because the additional savings they would have this year would be applicable toward next year.

City Manager Recor said that is correct. He thinks that taking

these steps in the current fiscal year greatly reduces the number of potential positions that are affected in the next fiscal year. He has an idea where they are going to end up at the end of the day as far as the budget gap. What he would like to do is discuss the strategies of how they close that gap. He does not want to spend all summer talking about this and he knows the Commissioners do not either. He wants to have the strategies in place and get consensus of the Commission on how they are going to move forward. He thinks at the end of the day he will be able to demonstrate that they may not have to affect a large number of their employees if they use these various incremental approaches that they have been talking about for months and in some instances years. It is just unfortunate that this is where they are. He knows it pains them. And believe him, this does not give him any more pleasure to have to bring these matters to their attention. Any other questions at this point on the Detail Summary of Revenues?

Commissioner Coke said Intergovernmental Revenues, Other Public Safety, they had \$66,600 in 2007, \$13,600 in 2008, they adopted \$526,300 in 2009, they have projected \$346,300 in 2009, and yet their projected revenue for 2010 is \$1.9 million.

City Manager Recor said he is going to go to the bottom line (of the Detail Summary of Revenues) just to show them what the Total Resources are projected to be for FY 2010 - \$34,963,524 in revenues. A status quo budget, no additional expenses, the budget reflects the reductions that have already been made. The status quo budget then reflects a budget gap so the expenditures, status quo, would be \$39,838,000. That is a \$4.8 million budget gap. If they did not do anything today, if they do not do anything further for the remainder of the summer, the difference between their revenues and expenditures is \$4.8 million, closer to \$4.9 million. The area that Commissioner Coke has pointed out is actually grant revenue in the Police Department. So the expenditures have been included for \$1 million worth of grant revenue in the Police Department from the Federal government and then there is another \$1 million in expenditures that have been included for the Community Policing Program. He does not want to jump too far ahead, but knowing what they know about the condition of the Fort Pierce Redevelopment Agency for the next fiscal year, it does not appear that they are going to be able to fund various programs and services at the same level or potentially at all as they have in the current fiscal year. That is what that reflects. He thinks he has described that accurately, but he will defer to Ms. Johnson.

Commissioner Coke said let her ask the question a different way because she is not understanding him. They are looking at a Total Resources figure of \$34.9 million. Mr. Recor is saying that is \$4.8 million short. She does not believe this \$1.9 million figure (Intergovernmental Revenues - Other Public Safety) to be realistic. So that takes them from \$4.8 to \$6.8 million short. When they look under Miscellaneous Revenues, they have a transfer from the FPRA of \$400,000. From their discussions in the last few days, all the FPRA is going to be doing is debt service kind of things, so she does not know if it would warrant legally a \$400,000 transfer to the city. Then Ms.

Steele just expressed some concern about their State of Florida money coming down and yet they have budgeted almost \$100,000 increase from the State of Florida under Miscellaneous Revenues. So as she is looking at this, they have a \$4.8 million shortage. And she is looking at another almost \$3 million that they have as a projected increase in their revenue and she does not see any correlation or legitimate reason to have increased their revenue. Her concern is, she does not want to be sitting here this time next year saying they do not know where they got that revenue budget figure from, there is no way they are going to get this \$1.9 million, they should have seen it, so why did they approve the budget that way?

Ms. Gloria Johnson, Finance Director, said under the Miscellaneous Revenues - State of Florida - that additional revenue they see there, that was added to the Engineering Department's expenditures. Mr. Andrews (City Engineer) informed her that the State increased their transportation contract by another \$70,000. That is where that additional revenue came from. They added it in the expenditures in his department and they also increased the revenues. That is basically the contract that they have from the State for all their transportation expenditures.

Commissioner Coke said so the State is paying that additional funding to them.

Ms. Johnson said right. The \$1.9 million that is in the General Fund Budget (under Intergovernmental Revenues - Other Public Safety), the Police Department is anticipating that they are going to get about \$2.8 million in grants. She subtracted \$1.1 million out because it included people and she did not want that \$1.1 million in there because potentially they may not get the grant. So anything that was dealing with their people, she literally said they are not going to fund any people with grant money. They can put the expenditures in and they cannot buy items if they do not get the grant. But she did not want to include people because they may not get the money. So that is where the \$1.9 million came from.

Commissioner Coke asked then can somebody tell her how they are supposed to...? She just cannot wrap her head around it. This year they were projecting that they were going to get \$526,000 worth of grant money there. They are only going to actually get \$346,000. How do they conceive that in these tough economic times they are going to go from \$346,000 to \$1.9 million? Where is the Chief getting his \$1.9 million from?

Chief of Police Sean Baldwin said it is actually \$2.8 million.

Ms. Johnson said it is \$2.8 million.

Commissioner Coke said do not make it worse. It says \$1.9 million. She needs them to explain \$1.9 million to her.

Chief Baldwin said it appears that what was done is that they budgeted expenditures for grants that they have applied for but not yet received, but they have not budgeted the like revenue

coming in.

City Manager Recor said that is correct.

Chief Baldwin said in his opinion, what they ought to do is take the expenditures out of the proposed budget until they receive the grant funding. Because they will not do the projects if they do not have the grant.

Commissioner Coke said that would be so much clearer when they are looking at it.

Chief Baldwin said he thinks there is one grant for 10 Police Officers and there is another grant for 4 Community Service Aides, which adds up to about \$1 million.

City Manager Recor said he thanks the Chief for making that suggestion, because that is exactly where he is going with this. They know what their starting point is, \$4.8 million. But the budget, the status quo budget, reflects \$2 million in expenditures that they know they are not going to have the revenue for.

Commissioner Coke said except it also includes the revenue that they do not know that they are going to have.

City Manager Recor said no, it does not. That is the difference between the \$2.8 million and the \$1.9 million that is reflected there. The two areas are the Federal grant money to the tune of \$1 million and the Community Policing Grant which does not appear to be a viable option for next year. That is \$2 million that comes right off of the top of that \$4.8 million budget gap. That \$4.8 million gap just became \$2.8 million.

Ms. Johnson said no, that is not the case. For that \$1.9 million, they have \$1.9 million worth of expenses.

Commissioner Coke said so it is a wash. It is a little misleading when John Q. Citizen wants to look at it like she did - they only got \$350,000 last year, so where do they think they are going to get the \$1.9 million? It is also making their expenditures look higher.

Ms. Johnson said it makes their expenses look higher, but it makes their revenues look higher, so it is a wash. So that difference was the correct difference. This difference in the budget, this is the actual difference. Except the \$1.0 million, that is what she is saying, she took the people out.

City Manager Recor said but they can still reduce that \$4.8 million by \$2 million.

Ms. Johnson said that includes the FPRA grant of \$1,016,826 and that includes the people that are in... The \$2 million that they need to reduce in expenditures are people. That is what that amounts to. The 15 people in the FPRA, they are budgeted.

Commissioner Alexander asked the people?

Ms. Johnson said FPRA has 15 people (Community Policing Program) that they are paying for and that cost is \$1,016,826.

Commissioner Coke asked is that included in Line Item 331-21, Other Public Safety revenues?

Ms. Johnson said no, it is not.

Commissioner Coke asked can they not muddy the water? She needs to know about this \$1,903,511 under Other Public Safety.

City Manager Recor said this is revenue. Let them focus on revenue. Let them answer the questions regarding revenue.

Ms. Johnson said what they need to do is only reduce their expenditures if they are going to forget about the FPRA grant. The \$951,574, that is the people that are under these two grants - 10 Police Officers and the 4 Community Service Aides.

Commissioner Coke asked can the Chief tell her what this \$1.9 million revenue thing is?

Chief Baldwin said the Police staff did not do the revenue side of the budget; so to be frank, he does not know. If they add the FPRA and the two Federal grants together, they get to the \$1.9 million.

Ms. Johnson said the grants they have in their budget total \$2.8 million.

Chief Baldwin said right.

Ms. Johnson said she took \$951,574 from that figure because it was people. So this number here (\$1,903,511) is short the amount for the people.

Commissioner Coke said she guesses they have to talk about that \$2.8 million. What is that number comprised of?

Ms. Johnson said it is 14 people under the grants that they are applying for. No, let her go back. As far as this number here, the \$1.9 million, this number should be \$2.8 million.

Commissioner Coke said let's pretend that number says \$2.8 million. What numbers make up that \$2.8 million and where does it come from?

Ms. Johnson said the \$2.8 million are the grants in the Police Department. Out of those grants, \$1.4 million are salaries.

Commissioner Coke asked who is giving them the \$2.8 million in grants?

Ms. Johnson said these are Federal grants.

Commissioner Coke asked outside agencies, not the FPRA.

Ms. Johnson said no, not the FPRA.

Commissioner Coke said so the Police Department has applied for \$2.8 million in grant money that they do not know if they are going to get or not.

Ms. Johnson said that is correct.

Commissioner Coke said but since she included the expense on the expense side, she also included the revenue on the revenue side.

Ms. Johnson said they got the \$2.8 million in grants. She subtracted the personnel services out, the people, because she did not want to include people in this budget that they were not sure they were going to get.

Commissioner Coke said on the revenue side.

Ms. Johnson said yes.

Commissioner Coke asked she also subtracted the people out of the expense side?

Ms. Johnson said no, she left the people in the expense side.

City Manager Recor said not yet, but they will. That is where the \$2 million that he was attempting to explain...

Commissioner Coke said she always assumed if there was a debit, there was equal credit.

City Manager Recor said that is not the case. There is a debit, but there is not a corresponding credit. But that is good news. They just took \$2 million...

Commissioner Coke said no, that is not good news. What is good news is if she or anybody that can do math can understand a system of debits and credits can look at this and see their debits minus credits equals zero.

City Manager Recor said he thinks they are getting bogged down.

Commissioner Becht said he is seeing some body language that indicates to him that the Chief does not agree that the \$2.8 million is just federal grants. Is it, or does he know?

Chief Baldwin said this is difficult to... He hopes none of them feel bad for not understanding it, because he does not clearly understand it either. It seems to him that the question here, what they are dealing with right now, is that there is funding to continue the FPRA project and funding for two Federal grants that would provide 14 positions for the Police Department in their expense side that have not been put in their revenue side, because they have assumed - he guesses - that they are not getting that revenue.

Commissioner Becht said he will get to that in just a second. So when the Chief did his numbers, what did he have in his numbers for the FPRA grant?

Chief Baldwin said roughly \$1 million.

Commissioner Becht asked so when he looks at that \$2.8 million, is he looking at an additional \$1.8 million?

Chief Baldwin said he does not know what he is looking at.

Commissioner Becht said he is looking at the revenue side. Did the Chief have any contribution to that?

Chief Baldwin said no.

Commissioner Becht asked so where did Ms. Johnson get her \$2.8 million from?

Ms. Johnson said the \$2.8 million, it came from the Police Department. They have Federal grants, not including the FPRA, of \$2.8 million. In that \$2.8 million, they had \$1.4 million in personnel services.

Commissioner Becht asked when she plugged in the \$1.9 million on the revenue side, what got plugged in on the expense side?

Ms. Johnson said \$2.8 million.

Commissioner Becht said so that is \$900,000 worth of savings if they do what the Chief says and not plug in the expenses for money that they are not going to receive.

Ms. Johnson said that is correct.

Chief Baldwin said it looks like they are putting two very distinct issues together. He does not want anybody to misunderstand him. He is okay with taking the expense side out of the budget for grants that they have not been funded for. In fact, he would just as soon take all of their grants out of the General Fund budget and not worry about it. If they do not get the grant money, they do not do the project. What he does not want to make the mistake of doing here today is just assuming that they are not going to fund the FPRA grant anymore, it is just going to go away, and just cut the program, because he would like to have some discussion about that.

City Manager Recor said the money is not there. It is not going to be funded to the tune of \$1 million. The Commission, even if they wanted to, does not have that option any longer. And the Chief needs to be realistic.

Commissioner Becht said he is trying to make sure that there is some accord between what Ms. Johnson is telling them and what the Chief is telling them. If they got \$2.8 million in Federal grants, they also have the \$1 million on top of that, which roughly means that there are \$3.8 million worth of expenses in the budget that are tied to the FPRA grants and the \$2.8 million in Federal grants. Is that correct?

Ms. Johnson said that is correct. The Police Department has

\$2.8 million in Federal grants. So in all it is \$3.8 million, including FPRA.

Commissioner Becht asked can they have some agreement that is correct?

Chief Baldwin said he is sorry he does not know what is on the revenue side of the budget, he did not calculate that.

Commissioner Becht said okay, he is just going to move forward because Ms. Johnson is saying that is correct. Are all \$3.8 million of those expenses in this budget?

Ms. Johnson said that is correct.

Commissioner Becht asked of the \$3.8 million though, they only have \$1.9 million in revenue?

Ms. Johnson said that is correct.

Commissioner Becht said going back to what Mr. Recor was trying to lead them to, if those assumptions are correct, then right now if they eliminate the expense for the unreceived grants, they have bridged that gap to the tune of roughly \$2 million.

City Manager Recor said yes. So the \$4.8 million just became \$2.8 million.

Commissioner Becht said there is some discord between them on how they are handling this. And they may at the end of the day have to make a decision that Mr. Recor says they are going to have to make, but they are not there yet and they will have conversation on it. They have seen the numbers and if they do project it at 17%... He had asked Mr. Recor project it at 17%, because that is consistent with what he thinks happened last year, that in the FPRA area property valuations fell off consistent with the Countywide decline, not with the Citywide decline. So he asked Mr. Recor to prepare it at a 17% decline. And based on the numbers that he saw coming in to the FPRA, his initial opinion is that he has to agree with Mr. Recor, he does not know where they are going to find the money to do all of the things that they are obligated to do. But they can have that discussion later and the Chief can tell him where he disagrees with the numbers and that they do have the ability to do that.

Chief Baldwin said his request is that they have some discussion about it and not just assume that it is...

Commissioner Becht said another point he wants to make is that they are just under \$35 million. He had the same questions that Commissioner Coke had about the \$1.9 million. It does seem to him that somewhere between the \$1.9 million and what they are projecting to receive this year would seem reasonable. Based on what they are looking at next year, the budget cycle that they are talking about today, the budget cycle that he thinks they will be talking about the next time, he would prefer to be more conservative with the grant money and also take out the expenses that he is talking about. When and if the grants arrive, it is simple - come in with budget amendments. This grant was

received and this is what they want to do and they go forward. Is there a problem with administrating the budget that way from the Police Department side?

Chief Baldwin said no. His preference has always been to try to somehow get the grants out of the General Fund budget.

Commissioner Becht said he was just wondering if they did it that way, if it would cause a problem for the Chief. For instance, if he does not plan for it, then when the grant comes in... But he can do it?

Chief Baldwin said that does not cause him a problem at all.

Commissioner Becht asked does Ms. Johnson have a problem with doing it that way?

Ms. Johnson said no. She is a great advocate of taking these out.

Commissioner Becht said great. The last point that he wants to make is, he wants to point out that they are, based on the side of this budget that they are seeing - and he does not see the corresponding expenditure side in the packet that he had today, but maybe he missed it - there is a \$482,000 transfer from the fund balance. Which again, they are robbing that little piggy bank. What are their projections on what the fund balance...?

Ms. Johnson said what happened was, in their last meeting with all of the savings that they thought they were going to have...

Commissioner Becht said she is giving him the explanation, but he wants numbers before he can...

Ms. Johnson said they were supposed to save \$2 million. Their shortfall was like \$1.5 million or something like that.

Commissioner Becht asked what is the fund balance today?

Ms. Johnson said it is about \$4 million.

Commissioner Becht said so if they in fact adopt a \$35 million budget, they have \$500,000 that they could transfer and still maintain their 10% policy.

Ms. Johnson said that is correct.

Commissioner Coke said she is going to make one more comment and then she is not saying anything else about this. It seems to her if they are making an honest effort to be fiscally responsible and operate out in the open so that everybody can understand it, if they put in \$3.8 million in grants or whatever, then if they are going to pretend that those expenses are real, then they need to pretend that the equal income is real. If they are going to use a pretend income figure of \$1.9 million, then they need to use a pretend expense figure of \$1.9 million. They cannot go ahead and start the day off with all of them having heart palpitations saying they are \$4.8 million short, because they are not \$4.8 million short. There was

already \$2 million that the nomenclature was not correct, there was not a corresponding debit to a credit. Debit plus credit equals zero. And that is not what they have here.

City Manager Recor said she is exactly correct, she is right on the money. He thinks that that is the way to leave it. The \$4.8 million between the status quo budget and the proposed revenue, there is a \$2 million difference because there is not a credit.

Commissioner Coke said in the future they will not see that.

City Manager Recor said in the future they will not. Staff will not make this mistake again.

Commissioner Alexander said the Chief is having to propose that they will receive grant money for 15 officers. If they do not get that grant money, they already have the 15 officers, what are they going to do with those 15 officers? Not only that, he heard him saying the grant that he is going to be receiving is for Community Service Aides. He sees on this list for jobs reduction for June 26th, he is looking at three Community Service Aides. So why are they going to let someone go and then turn right around and hire somebody?

City Manager Recor said they are not going to hire anybody.

Commissioner Alexander said that is what they just told him.

City Manager Recor said he knows what the Chief said, but that is not correct. If there is no funding from the Redevelopment Agency...

Commissioner Alexander asked what if there is funding?

City Manager Recor said then the 15 officers that have been hired can stay. If there is not funding from the Redevelopment Agency for the Community Policing Grant, those 15 officers who were hired are going to be eliminated.

Commissioner Alexander said he just heard the Chief say he was going to also receive another grant that would give him the Community Service Aides. Again, talking about 15 officers plus 3 Community Service Aides. He is going to release 18 officers that he hired? But these officers that he has in the Community Service area are the veterans, because the Chief got them in place where they know what they are doing. The ones that he hired are the new ones on the street. Is that how he did that?

Chief Baldwin said obviously if they do not get funding from the FPRA that is paying for 15 positions, they will have to eliminate 15 positions. What will happen, the way they go through the layoff is the most senior officers stay. They would have to go through a process, the last 15 people that they hired they would end up laying off. The Federal grants that they have applied for are 10 Police Officers and 4 Community Service Aides. The Police Officers are intended to try to make up for what they have already cut out of the budget this year. Just

two months ago they froze 8 sworn positions. So it is not additional staffing. What they are trying to do is use the Federal Stimulus money to make up for what they have already lost. Please do not assume they are getting those Federal grants. There is \$1 billion available to hire police officers and there is \$8.3 billion worth of applications that have been submitted. Almost every police agency in the nation has submitted applications. So the chances of getting those Federal grants are slim.

Commissioner Becht asked when the Chief hired for the Community Policing Program, that shot him up to how many sworn officers?

Chief Baldwin said they have currently 126 sworn.

Commissioner Becht asked that is inclusive of the Community Policing Officers he just hired?

Chief Baldwin asked for the FPRA project? That number is correct.

Commissioner Becht asked are these 15 all sworn officers?

Chief Baldwin said there is one unsworn, 14 sworn.

Commissioner Becht said he knows they have to have hard decisions and they need to make hard decisions today. He does not know that he is prepared to make the decision today to lop off essentially 10% of their sworn officers. If that is what they have got to do, then Mr. Recor is going to have to show him that they have explored every other opportunity for not doing that. In these economic times - the Chief is doing a real good job on holding the line on crime - but he fully expects with the jobless rate and everything else, that crime is going to be more difficult to manage. In that time frame they are going to eliminate, if he is not mistaken, 10% of their sworn officers. He is not sure that is the best move. He does expect there to be some pain in the Police Department, but to lose 10% of the force seems disproportionate to what is going to happen across the board. But he does not know that, because Mr. Recor has not had the time to go through everything he wants to do.

City Manager Recor said the Chief is correct, there are two separate and distinct issues between the Federal grant money and the FPRA grant money. He does not want to put words in the Chief's mouth, so correct him if he is wrong, but the Federal money is money that would go to cover positions that were frozen last month at their first Budget Workshop, the vacant police officer positions that were affected by that freeze. If that money comes in, it was the Chief's intent to use that money to fill those positions. If that money comes in, that is fine, he has got a green light and their police force is not reduces by those x-number of officers. The second side of it was the \$1 million in Community Policing Grant money from the Redevelopment Agency. All indications are that that money is not going to be available. But those expenditures are reflected in the budget. So if they cannot depend on the revenue, they have to eliminate those jobs. Or the alternative would be to identify a \$1

million source of revenue to cover it, other than the Redevelopment Agency.

Commissioner Becht said there is one other option; and that is, to identify another \$1 million worth of cuts somewhere else in the City budget.

City Manager Recor said yes. Of course, they are well aware of the difficulty of that.

Commissioner Becht said right.

City Manager Recor said but that is absolutely an option.

Commissioner Coke said she thinks that they do need to go through and look at everything. She called Mr. Recor because she was very upset the other day because she wondered, why do they need to have Commissioners when Staff is saying they are eliminating the Community Policing, they are eliminating the Sunrise Theatre, they are doing all of those other things? Certainly there are 40,000 residents that felt the five of them should be making those decisions and setting that policy. It is one thing for Staff to say they have a \$4.8 million budget and here are 15 options they feel are viable for the Commission to pursue. It is another thing entirely to have it kind of like cast in stone. Because she is going to agree with Commissioner Becht, although there most likely will not be money in the FPRA budget for their Community Policing Program and it may not be able to be carried out to the size that it has, she wants to look at everything and all of their options and other revenue generating things that they have coming in. Because there may be some other priorities that they as a Commission have that they feel that they need to reallocate to at least pursuing whether or not they can keep that up and running, even if it is on a smaller scale.

City Manager Recor said she is exactly correct. He apologizes if through the background information, he or staff misled her.

Commissioner Coke said he does not need to apologize. She is just voicing her opinion. She gets over having her feelings hurt very quickly.

City Manager Recor said they certainly did not mean to usurp their authority as the legislators.

Chief Baldwin said he understands there are going to need to be cuts in the Police Department, no question about it. He and Mr. Recor sat down yesterday in fact and talked about this. Like the Commissioners, he would like to explore the options before they decide what they are going to do. He is sworn to provide public safety services and protect this community. In other words, if there is going to be something done to jeopardize that, he hopes that they expect him to at least say something and call their attention to it, and he is going to do that. Then they will find the best way to solve these problems. He understands that there are going to be some cuts. Hopefully they can manage their way through those cuts and not put any lives in jeopardy and continue the good progress that they have

made over the last 10 years. That is his interest in this. He is doing his job.

City Manager Recor asked are there any other questions on the Detail Summary of Revenues?

Commissioner Alexander said his concern is about the furlough. Mr. Recor is saying that it is being negotiated. Was he at the table when that negotiation was going on?

City Manager Recor said the City Manager does not participate directly in any union negotiations.

Commissioner Alexander asked so who gives the directions?

City Manager Recor said the Commissioners do.

Commissioner Alexander said he thought they gave some direction.

City Manager Recor said they did and staff is implementing their direction consistent with the requirements for bargaining with the bargaining units. They are going to get it done.

Commissioner Alexander said again, his eyes are set on June 26th and he has a problem with June 26th even coming to fruition with this type of layoff.

City Manager Recor said the June 26th date does not have anything to do with the furlough.

Commissioner Alexander said he thought the furlough was supposed to be implemented to save jobs. This June 26th is eliminating jobs. So why is it don't co-mingle, why it don't mix?

City Manager Recor said another way to look at that is, if those 20 positions were eliminated, the \$2.8 million deficit for next year just became \$1.8 million for next fiscal year. They will see the corresponding FY 2010 value is just over \$1 million. What he is suggesting is not related to the furlough at all. But that reduction not only represents \$250,000 in the current fiscal year, it is \$1 million next year, and their \$2.8 million budget gap just became \$1.8 million. When they implement the furlough, that is another \$750,000. That money could further reduce that \$1.8 million gap to just over \$1 million. So incrementally they are getting there.

Commissioner Becht said touching on the furlough program, he has had at least two meetings with police union folks in the last couple of months. In his opinion, they may think it is the old attitude, but he is sensing a new attitude - it is a sense that they really are a part of the team, that they are part of the family, and that sacrifices are going to have to be made throughout the family in order to balance this budget. Yes, it is just packaging or diplomacy or sugar-coating. But he thinks if they are asked, rather than told, he thinks the response is going to be yes, they understand they are part of the team and they understand they need to participate. He has asked them for alternative ideas if they do not like the furlough program, to

come and bring those in. Someone mentioned a part of the furlough program that seemed to him on its face to be more punitive for someone that is working night shifts or four days or something like that. He said if they do not think it is fair, come back with a program that makes it fair for the unique situation inside the Police Department. Today, even though it is just rhetoric, he would like to use the rhetoric that they are asking all employees, those represented by union and those that are general, to participate in the furlough program. He thinks they are going to get 100% participation at the end of the day. It may seem silly, they do not have to do that when they can just tell them they are going to cut jobs. But he would rather package it that they are asking all of the family to participate in the cuts. And that would include the City Commission to the extent that they can agree to a furlough or whatever it is.

Mayor Benton said he would agree to that furlough. Speaking to some representatives from the union that he has spoke to since the furlough issue came up, and also to Ms. Smith (Human Resources Director), what they need to do is... Last week at City Hall there was a meeting. He and Commissioner Alexander both spoke to everyone that was meeting outside that room. It appears it was brought up. But because there was nothing in writing, they did not discuss the issue. He guesses the union is looking for the details. So if they could put the details down about the furlough. Everything they do, they have to negotiate. But if they could put something down in writing that Mr. Pellegrino and Ms. Smith can bring to the table as soon as possible.

City Manager Recor said first he appreciates Commissioner Becht recognizing that there has absolutely been a change in the leadership with the PBA, with the union. When he spoke at the PBA a month or so ago, he recognized that. It took the leadership of the senior officers to get the union on board in accepting no wage increase for this year. But to suggest that negotiations did not proceed because there was nothing in writing... The furlough is simple - it is one day a month for the remainder of this fiscal year, it is forty hours. He is absolutely not going to buy into they cannot discuss something because they did not have it in writing. It is simple. It is forty hours by the end of the fiscal year, that is what it amounts to. It is not any more complicated than that.

Commissioner Alexander asked why wasn't it? They have a representative sitting there. Their representative knows exactly what they are speaking of. So why do they continue to have to reinforce what they say? He thinks they should go get the Minutes and read the Minutes and that will help them when they sit there and discuss these things. It seems like they have an agenda of their own and it is not in the best interest of the City of Fort Pierce.

City Manager Recor said his opinion, and that is all that it is, the longer the negotiation of the furlough takes, the more painful it is on the employee. Because he is going to implement the furlough program. The Commission has made that clear, that

is their direction. He is going to make that happen. But if the negotiation process is prolonged and they come to September, they have lost the opportunity to spread that pain over five months in the fiscal year. That means that employees are going to be taking a week off without pay. For those that are living paycheck to paycheck, that is going to hurt. That is going to hurt a lot more than if they accept and acknowledge that this is the decision that has been made and it needs to be implemented now. He thinks that he may have confused Commissioner Alexander by suggesting, in lieu of the furlough, the 20 positions. He is suggesting that those 20 positions be eliminated in addition to the furlough because it represents an additional \$1 million in savings, knowing that they have this gap in front of them for FY 2010. So even with the furlough, he is recommending that those positions be reduced effective the end of June.

Commissioner Alexander said he thinks the misunderstanding came on Mr. Recor's behalf, because he thought at the last meeting that they had they were inclusive of the furlough to make... They already found the shortfall for this year, they have those monies. They were trying to find some other alternative that everybody will participate and the one that sits next to each other will be concerned about saving that position or that job. Now Mr. Recor just told him that maybe he misunderstood, but he thought they gave Mr. Recor the directions. What directions he should be taking is including the furlough without the jobs being eliminated.

City Manager Recor said his recollection is the Commission was split -there were two that were willing to cut, two that were not willing to cut, and one that was interested in... The Mayor. There was not a consensus. It was two to two, and he did not take any action. He is suggesting that they could and that they should eliminate these positions. He thinks it is fiscally responsible that that is what they do. Obviously he wants their consensus, he wants their agreement. He believes that these positions need to be eliminated and will save them an additional \$1 million.

Mayor Benton said seeing as he was the one it appears was up in the air at the last meeting, he thought he had at least got it across that unless the person is essential to the operation... He means that if there were people out there that had absolutely nothing to do. He thought when they talked about implementing the furloughs ASAP, especially getting a buy-in from the employees, that they could save as many jobs at least through this year, and the employees would know that coming into October there could be layoffs. At least this year, he was trying to save as many jobs unless... He is sure there are people, with the slowdown in the economy, that are not as essential as they were two years ago.

City Manager Recor said what he heard Commissioner Alexander say was that he did not want to make any reductions in workforce in the current fiscal year; but come October 1, he recognized that there may need to be a reduction in workforce and he would be willing to consider it then.

Commissioner Becht said if they allow Mr. Recor to get to the point where he talks about the incentives for early retirement, they may have early retirement take the place of job cuts.

City Manager Recor said that is correct. The delay in not moving forward with the reduction is approximately \$270,000 dollars.

Mayor Benton said by no means is he going to tell Mr. Recor how to run the operation - he knows how the City is run and what areas where people maybe do not have a full 40 hour work week. They are going to have to do what they have to do. But just coming to the table last month with 70 people getting laid off, that was just too much to fathom. Even 20 is a lot. But he thinks they have come a long way. He is just kind of sad that they have not started the furlough voluntarily throughout the whole organization. He hopes they have a buy-in from everyone because, if your name was on that list, you sure would be looking to your fellow employees to take a day off. He will be the first one to take that day off every month. Commissioner Becht had asked at the last meeting if they would buy into it and that is something that he would buy into.

Commissioner Sessions said as far as layoffs are concerned, that is an alternative that he really does not want to explore let alone impose, not only for 2009, but 2010. In light of that, if in fact they are not able to make up the shortfall by furlough the way it is now with the present formula that Mr. Recor is proposing, he goes back to what he always says - desperate times warrant taking desperate measures and that accomplishes great sacrifices. So perhaps they need to increase from a furlough standpoint what was actually proposed in order to make the shortfall up for 2010. Again, he just does not from his personal standpoint want to reduce the workforce.

City Manager Recor said he understands that. He knows that some form of furlough next year is an option. What he is suggesting to them is that there are cuts that can be made in the organization. And those cuts should be made before they go to that alternative. He believes that the responsibilities of these 20 positions can be reassigned. He is going to use the Police Department as an example. There are eight positions in the Police Department, these are not sworn officer positions. He has met with every department head that has a position affected by that list. With the Police Department, it is a little different. Because the budget is so large, the Chief asked him for the flexibility of coming up with the equivalent amount of savings, not necessarily those eight positions. But if the dollar value is \$100,000 this year, allow the Chief an opportunity to cut his budget by \$100,000; and if the equivalent value is \$400,000 for next year, allow him the opportunity to cut his budget by \$400,000. He agreed and said yes, that is fine. He is not going to micro-manage the departments. But those are positions, based on the criteria that he described to them, that he thought could be eliminated and save them money. Let him use the City Clerk's office as an example. It is a little harder for Ms. Steele if he says she has to cut her budget by \$30,000. It is a little harder for her to do that

without affecting personnel. This list was never intended to be a substitute for the furlough, it was always in addition to. He knows where each of them stand on the issue. What he was hoping to get today was an understanding and a consensus to move forward with this reduction, knowing that that reduces the burden next year even more. He knows it is not popular.

Commissioner Coke said as long as they have been bouncing all over this agenda, she would like to do a little more bouncing and talk about a Voluntary Separation Incentive Program. She read the background material and they are talking about a time frame and whatever. She would propose at this juncture that they take a minute and look at this as something that should be higher up on the list. She thinks perhaps if they were to get a consensus to pursue that option, then maybe... It is pretty much laid out here, if they can all agree and refine that plan. Next week is June. She does not understand why they could not say they are going to offer this voluntary separation program from June 1st to June 30th, the exit date would be July 15th. That will still give them enough time by June 30th, 30 more days, to understand what the cuts in their workforce will be voluntarily, what savings they will have, and then they can better evaluate what they need to do as far as if they still need to cut staff further or look at that possibility. Cutting staff is the least favorite thing that any of them want to do. But voluntary separation is a means of cutting staff where both the employee is happy and the needs of the organization are met. So she would like to offer those things, if everybody else feels the same way, for a very short window of time - 30-day time frame for voluntary separation with the benefit package that was outlined here. Let them see at the end of 30 days what further steps they need to take.

City Manager Recor said okay. That is a great idea and certainly worthy of additional discussion. Any other thoughts?

Commissioner Alexander said he agrees with that.

Commissioner Sessions said yes.

Mayor Benton said he would agree to offer it.

City Manager Recor said let them go to the parameters of the voluntary separation program. The date on the memo is not a mistake. They can see how long staff actually has been working on this, evaluating this, toying around with the idea. He first wrote the Director of Finance on July 18, 2008. They actually talked about this as a potential savings for the last fiscal year. This separation program was modeled after what the County had offered last year. It identified the eligibility, it had to be a full time employee, and separation must occur before the end of the fiscal year. Obviously, at Commissioner Coke's suggestion, they could step that up. Identify an enrollment period and then a date at which separation must occur. If it occurs in the current fiscal year, obviously that represents savings in this fiscal year. The incentives would be two weeks of pay for each year in the organization up to 12 weeks of pay, they are going to cap it at three months, and full credit

payment for unused vacation and sick time. He anticipates that they are going to be changing the payout of sick leave. It is one of those issues that they have talked about for years. They seem to be making some progress in providing some alternatives. But as an incentive to separate, they would pay out the balance of sick leave. And one additional month of health insurance coverage; at which time, the employee would be eligible for coverage under COBRA. The County had offered an early retirement program. But the County's retirement is a little different, he believes they participate in the Florida Retirement System. It attempted to address an issue of health insurance. In the background materials, for example they will see the amount that the City pays for health insurance coverage for its employees varies depending on the sex of the employee, depending on the age. So what he would like to focus on is defining the parameters of the voluntary separation/severance program. Is two weeks for each year of service enough? Are they interested in capping it at 12 weeks?

Commissioner Becht said he is not interested in a voluntary separation/severance program. He is interested in an early retirement program.

Commissioner Coke said she is going to disagree. She is interested in the voluntary separation/severance program. She does think that it should have a 30 day window, June 1st through June 30th, and separation should occur by July 31st.

City Manager Recor asked does Commissioner Becht want to talk about the voluntary separation and how he could live with it?

Commissioner Becht said no. In these times, he does not think that they need to do that. He does not think that there will be a whole lot of people that take advantage of it. And the Commission is going to spend a whole lot of time talking about it. But if he is in the minority, then they are going to talk about it.

City Manager Recor said let him offer additional explanation as he has to Commissioner Coke, they talked about this earlier today, and it may affect his opinion on it. Obviously the economic benefit to the City in a position that separates is, number one, the City does not fill the job. That is real savings to the City. Number two, if it is somebody who has been with the organization for a long time, chances are they are at the top of the pay scale. If they elect to fill the position, then chances are they are going to fill it at a lower pay rate. His idea, his concept behind this incentive is, let's say 20 employees volunteer to separate. It is not practical, it is not realistic to think that they would not need to fill some of those positions - it just depends on what position it was. But he would like to move forward with this program with the understanding that they do not fill a position until such time as they have recouped the savings or the expense of the buyout.

Commissioner Coke said she thinks a more valid point to look at the voluntary separation/severance program is, the employees are all aware the hard times that they are facing and there might

very well be mandatory layoffs whether it is in 2009 or 2010. She thinks those who feel that they might be facing a layoff, they can leave with a much better taste in their mouth rather than a bitter taste from a layoff. Rather than belaboring the point, Commissioner Becht has no interest in it, but she knows she has an interest in it. So before they spend an hour talking about it, do they have three people who want to talk about a voluntary severance package?

Commissioner Alexander said yes.

Commissioner Sessions said yes.

Mayor Benton said he agrees. He thinks they have to look at all of their options and this is an option. He agrees with Commissioner Becht though, he does not think they are going to have a lot of takers, because there is not a lot of opportunity if they leave the workforce that they will find a job somewhere else.

City Manager Recor said let him give them some perspective. He asked 15 department heads, just department heads, that if the City were to make a change in the payout of sick leave, would that affect their decision to evaluate an early separation? More than a handful said absolutely yes. He thinks they may be surprised at the number of folks that would be interested, not necessarily the 12 weeks of incentive, but particularly the payout of sick leave.

Commissioner Coke said she thinks that if three of them agree that they ought to do it with a 30 day window June 1st through June 30th, separation date of July 31st - or somebody else throw something else on the table - then they can say yes to that and move forward.

City Manager Recor said they will get it done if that is what the consensus of the Commission is.

Commissioner Becht asked can they offer both? If they have a department head earning over \$100,000 per year with 25 plus years, it seems to him that they could do a voluntary separation and an early retirement program. Is that what he is talking about?

City Manager Recor said they would certainly not prohibit a department head that was interested in retiring... They would not penalize them, in other words. Yes, they could do both.

Commissioner Becht said they can have both.

City Manager Recor said yes, whatever works best for them in their particular situation.

Commissioner Becht said it is simple. They could do both. They can get money under the voluntary separation program and they can get money under the early retirement program?

City Manager Recor said no, it is an either/or.

Commissioner Becht said then they cannot get benefits under both. They either are voluntary separating or they are doing early retirement.

City Manager Recor said that is correct.

Mayor Benton said he wanted to make something clear. When they talk about changing the sick time, the way that would have to be legally done is that would be dealing with new hires. He does not think that they can go back to people that have been there for 20 years and change things. He is sure that the union would not allow it and he sure would not want to put it on their employees that are non-union. Everything they had done when he was at the Fire District to make changes like that had to be done when it came to new hires. So he does not want to threaten any department head by saying they are going to change the way the sick leave is. They would have to somehow negotiate that legally, even with non-union.

City Manager Recor said there are a number of ways in which they can implement a change to the way sick leave is paid out upon separation. The primary concern is that they are paying out hundreds of hours of sick leave at the current rate of pay when it was not accrued in the same manner. One of the options he thinks addresses this, while it is only going to apply to new hires and they cannot penalize the people that have been here, but they convert everybody's hours to a dollar value and they accrue it based on a dollar value and it is paid out on a dollar value. He thinks that addresses part of the issue. Let them not get bogged down in that part of it. It is a component. It is incentive. It is an area that they know they are going to be visiting and likely adopting some sort of change. But to offer incentive to the employee to separate, they will pay out at the existing rate of pay.

Commissioner Alexander said the employees will be having some concern about insurance. Reading this chart, it is kind of a little confusing to him. Mr. Recor says it is a difference in charge of cost for female, male, or age. But he is looking at the chart and it says the average health insurance...?

City Manager Recor said the \$18,802.80, that is the average for three years payment.

Commissioner Alexander said so the employee would have at least three years after separation.

City Manager Recor said they would receive that money. That would apply to the early retirement option. The incentive would be that they would get the \$18,802.80, which is the equivalent of the average health insurance for three years.

Commissioner Alexander said about ten pages back, it shows the average health insurance is \$522.20. What is that?

City Manager Recor said that is the one month under the voluntary separation. That is the average cost of one month of

health insurance coverage of what the City would pay.

Commissioner Alexander asked if a person volunteers to separate and they want to keep their health insurance through the City of Fort Pierce, what is the cost going to be to them?

City Manager Recor said he does not know if they would get their cost or if it would be a COBRA. It is going to be a little bit more than that. He does not think that they would get the City's rate.

Commissioner Alexander asked wouldn't they need to know that?

City Manager Recor said either Blue Cross/Blue Shield or the provider would define what that charge would be. They would be able to tell them that, yes. So there appears to be a consensus with the voluntary separation. Any other incentive? Any other ideas? Is this enough?

Commissioner Coke asked the voluntary separation/severance program? Again, she is going to be echoing Commissioner Becht. She does not know that they are going to have a lot of response. She thinks the employees who kind of feel they may be at risk to maintain their jobs in the future might take advantage of it. But they have three that agree with incentive.

City Manager Recor said let them shift gears a bit and look at the revenue for the Fort Pierce Redevelopment Agency. This table is included in their background material. What they will see here are the four districts that comprise the Redevelopment Area within the city and the two funding sources, which are the City of Fort Pierce and St. Lucie County. The first table shows a projected 15% decrease to their TIF (Tax Increment Financing) funding that would result in \$5,900,000 in TIF revenue, or a reduction of just over \$1,041,000 million. They believe, based on their real life experience, that number is going to be higher, more in line with the overall countywide devaluation. So that number represents a reduction of close to \$1.2 million or TIF revenues of \$5.7 million. The memorandum (from the Director of Finance dated May 20, 2009) actually shows them with TIF revenues of \$5.7 million and mandatory debt service of just over \$5 million, once they take out the administrative charges, the operating expenses of the Agency itself, and then the \$400,000 transfer, which obviously can be less. If they will recall, they had it in as zero at the first budget workshop. They knew that that was not the right number, but they also knew that \$600,000 was not the right number either. Is \$400,000 the number? It could be a little less. Let them say it is \$250,000. At 17% reduction in their TIF, they see the bottom line of where the Redevelopment Agency is. There is no funding for particularly those two big sources of expenditures - the Sunrise Theatre and FPRA Grants - the community based organization grants, the facade improvement grants. All of those additional programs, there is no funding for them.

Commissioner Alexander asked what is the definition of blight and slum? Mr. Recor is telling him that there are no funds to even initiate anything in the public? Everything is going to be

employees and the transfer? He is telling him they are not going to be able to put anything into this?

City Manager Recor said unfortunately, that is exactly what...

Commissioner Alexander asked what is the purpose of it existing then?

City Manager Recor said what that indicates is that there is no money available based on the valuations. The value of the property is certainly going to increase, they are going to rebound.

Commissioner Alexander asked what is the need of the FPRA then?

City Manager Recor said there are existing and ongoing projects. They have got a variety of projects that are on the CIP list for the Redevelopment Agency. And that is what justifies the transfer to the General Fund in the first place, because they are routinely tasking project managers - like Mr. Hood, Mr. Martzolf, and Mr. Carlin - to manage these ongoing CIP projects. Yes, they are going to have to slow down with their Redevelopment Agency for a year or two. It will rebound, it will come back. But it is what it is and unfortunately it does not appear to be good.

Commissioner Alexander said along that line, yesterday at the FPRA meeting he did understand that the Sunrise Theatre was \$400,000 shortfall for this year. Where is that going to come from?

City Manager Recor said he believes there has been an additional appropriation above and beyond the \$750,000 for this year. It is projected to be in the neighborhood of \$1.2 million, so it is an additional \$500,000 for this fiscal year.

Commissioner Alexander asked so why did it not come before the Board?

City Manager Recor said they discussed it under the Financial Reports yesterday. Mr. Ward brought that to the attention of the Board and explained the reason for that. He is sure Mr. Ward could do so again today if they would like to hear more about that.

Mayor Benton said he thinks that they agreed yesterday was they needed to see some details. It was not already given to them. They said before they discussed this any further, they needed to know the details, because there is a lot of issues there.

Commissioner Coke said they are looking at the FPRA now and she is hoping that nobody is asking them to make any hard and fast decisions because she is not prepared to do that. They are looking at estimated revenue, estimated expenses. They do not have hard and fast numbers yet. She thinks they all definitely need to keep in mind the fact that the economic times that they are in, this is a temporary situation, it is not going to last for forever. The FPRA, the Community Policing, the Sunrise

Theatre have all made tremendous contributions to their community in a positive note. She thinks that they need to take a step back and slow down maybe a little bit with this stuff. The FPRA still has a lot of projects they will be continuing to work on, because just as this year they have that column of funds that were not expended last year and have carry-overs, so they are going to have those funds next year. Before she is ready to make any hard and fast decisions on any of the other things, she would need details of budgets.

City Manager Recor said they will know by July 1st what the real number is. Right now, these are just estimates.

Mayor Benton said he knows Mr. Recor and Commissioner Becht talked about 17%. But he believes last year it was 30%, right? The City overall was 15%. He thought they were closer to 28% to 30% with the FPRA.

Mr. Jon Ward, Director of Fort Pierce Redevelopment Agency, said it wasn't quite that bad.

Ms. Johnson said it was about 25%.

Mayor Benton said so until they get the numbers in, he thinks these are very conservative. He hopes it is closer to 17%. But they will see.

Commissioner Sessions said also they have to keep in mind the anticipated expansion from a time frame standpoint. That is something to be considered in terms of the viability of the FPRA. He thinks they are moving toward that and that is going to have a great impact on it financially.

Mr. Ward said they will not see those dollars until 2011.

Mayor Benton said they just have to stretch those few dollars further until property values go up.

City Manager Recor said he is sure that they realize that affects the General Fund to a certain degree as well. But Commissioner Coke is right, there are existing projects that the Agency will be responsible for. But they just need to be cognizant of where things potentially will be with the FPRA.

Mayor Benton said their meetings will be considerably shorter.

Commissioner Coke said there has to be a bright side to everything.

City Manager Recor said they have talked about the implementation of the furlough. They have talked about the update on the reduction in workforce. They are following up on the suggestions that were generated at their first budget workshop. The collection of outstanding liens for non-homesteaded property, it does not appear that that will result in a significant amount of revenue, even in the event they were to collect 100%. Nonetheless, at their next Budget Workshop staff should be in a position to be able to give them a more

realistic number as to what that actually is. He had an opportunity to meet with another potential broker for health insurance. He and Ms. Johnson met with BenefitAbility just the other day. This broker indicated that they are paid by the health insurance companies, that there would not be any additional hourly charges or consulting fees on top of their compensation through the providers. Immediately a red flag went up with him - who are they working for? Are they working for the providers or would they be working for the City? The broker assured them that the difference in the compensation with the providers that they work with is not significant such that it influences the advice they would provide, that the City would be their client. They have this health insurance renewal and options on the Monday night City Commission agenda. One of the options is to extend the current plan for a period of time that will allow them to go back out for an RFP to request a new broker. That would allow not only this company that has approached the organization but others as well. There may be some advantage to talking to the FPUA and seeing whether or not they want to combine groups, they have talked about that as a possibility. He and Mr. Thiess have met to discuss consolidation.

Commissioner Coke asked did they not also have a company that has set up employee clinics in other places? It not only saves money but can be...

City Manager Recor said that is originally how this started. Yes, this particular broker could assist them in evaluating the benefits of an employee clinic. BenefitAbility advised that the clinic would be especially beneficial if they were to combine with the Utilities Authority and with St. Lucie County. They know St. Lucie County is evaluating it. The larger the group, it could actually be a potential source of revenue for the City in the long run. If they were to use a portion of the 30,000 square feet of office space in the parking garage building and they acquired the medical equipment, the doctors there could see people that are not necessarily in the group. They would be paying a higher rate, it would be generating revenue. They advised that they could provide some expertise in this area, if that is something the City was interested in evaluating. Staff indicated that it was. One of the other things that they talked about, although it does not necessarily reduce the budget gap per se, it does provide an additional source of capital improvement revenue. It is a subject that they discussed back in March with the Board of County Commissioners at their first joint meeting. It is renegotiation of the Parks MSTU. There was not a consensus on moving forward with that. But they are leaving money on the table. Those are dollars that can be used for capital dollars that will not require them to go back and revisit that blue sheet where they have said they want to spend monies with the Redevelopment Agency here, but now because of another project, a competing interest over there, they have to reallocate those dollars. He is suggesting that they revisit that issue. They have put the County on notice that the City can opt out in December if they are not successful in their renegotiation. But that is in the Commission's hands. If there is a consensus to move forward with that, they will. If not,

they will simply leave it alone. (Commissioners Coke, Sessions, and Becht indicated they were in favor of moving forward with renegotiating the Parks MSTU.)

Commissioner Coke said they got figures from the County on the \$4.1 million which included the skate park and the money for the Ilous Ellis Park and what they have paid into it. She is in full agreement that the City needs to pay 100% of Ellis Park. She is in full agreement that they need to pay a majority of Lawnwood, but she would not go so far as to all of it. With all of those facts and figures, the County was willing to give them someplace around \$50,000. Her big concern with all of that is that Lawnwood Stadium generates \$100,000 per year. That money ought to not come from the MSTU to pay off something for the County to make money on it. That money ought to go toward lowering everybody's share of what needs to be paid for that bond revenue. The County talks about how Port St. Lucie is paying for 100% of their regional park. She will fully agree, they are. However, PSL also controls and gathers all of the revenue from their regional park. So the citizens are in essence paying for Lawnwood and the County is making money off of it.

Mayor Benton said he would venture to say if the County is generating \$100,000 for the Lawnwood facility, the maintenance is a lot more than \$100,000 per year.

Commissioner Coke said she believes that the net figure is \$100,000.

City Manager Recor said there appears to be consensus to revisit that issue. Staff will move forward and schedule discussions with County staff. It will likely end up back at a joint meeting, but they will see where they can get with this administratively.

Commissioner Coke said she knows the Treasure Coast Sports Commission books a lot of things in there and their fees are way up there. When they book it for a weekend, it is like \$40,000 or \$50,000 they are charged.

City Manager Recor said he does want to mention that he and Mr. Meyers had an opportunity to sit down with a private company to discuss the potential for contracting out plan review and inspections. There are a number of ways in which this could potentially be beneficial to the City. One of the options is a split of the revenue they would simply negotiate. In other words, if the City takes in \$1 million - and the terms that the consultant used yesterday were an 80/20 split - the City would keep \$200,000 and company would keep \$800,000, but they would run and manage the Building Department. They would likely hire some of the folks at least that the City has, they would be responsible for determining staffing and whatnot. As the City Manager, he is concerned about losing the flexibility and the authority, quite frankly, that he has over the department now. All of them receive the same inquiries that he receives - where is my permit, why is it taking three weeks, and why is this happening? A lot of the fires that he puts out regularly

involve permitting and inspection issues. So he is cautious about losing that flexibility and the ultimate authority. But the advantage - if they negotiate the right split, if that is the direction that they were to go - is that all they have to worry about is the revenue and not necessarily the personnel side and whatnot. Again, it is a rock that they have turned over and looked under to see if there is any potential savings.

Commissioner Alexander asked where did that idea come up from? Who does he know this is working for?

City Manager Recor said there are a number of jurisdictions that do this, particularly smaller organizations that cannot afford to pay the salary and benefits for the staffing that is necessary to support that. Where did that come from? That came from the creative mind of their City Manager. He knows that it is a strategy that a number of organizations have used. He felt like it was something that he needed to be able to advise them in case one of them were to come up with that same brilliant idea.

Commissioner Alexander said but he is giving up his manager rights.

City Manager Recor said both Mr. Meyers and he would not want to lose that. And he would not, quite frankly. That would be a deal breaker for him if that were the case.

Commissioner Alexander said that he would like to see some numbers from other cities as that being a workable solution. He is just saying, this is the only year that they have had a problem that has showed up. In the past, he thinks this City has really developed itself and it was done with their employees. He thinks they should take some kudos for that. But he does not see giving it up to someone that they do not even know that does not even live here and wants to take control of that. That is just his opinion.

Commissioner Becht said he wants to keep an open mind. He likes Mr. Recor coming in with ideas that are outside the box. Mr. Recor has already pointed out the primary reason that he would not be able to support this - the loss of the ability to emphasize the projects that they need fast-tracked. There are two other analogies he could give them. One is, they went through the philosophical discussion and thought process of contracting out their police services to the Sheriffs Department. The reasons for not doing this with the Building Department are akin to that. The other thing that hits him is, cyclically societies go through the idea they want to have privately-run prisons. A company comes in and shows them how much money they can save. And then a few years later the abuses in the privately-run for-profit prisons come to light, people start to care again, and then society ends up taking them back over. With the Planning Department, their ability to steer what they need done through there... As Mr. Recor said, he troubleshoots a lot with the inspections and everything else. He thinks, at the end of the day, it would be a mistake.

City Manager Recor said it is simply another option, another alternative.

Commissioner Alexander said he wants to see some numbers.

City Manager Recor said he wants them to know that their staff is being creative, they are looking at every alternative, and will continue to do so. He would like to invite Mr. Bradish with RBC Capital to talk to them about the potential savings that could be generated by refinancing the \$4.5 million bond.

Mr. Wes Bradish, RBC Capital Markets, said over the last few months, interest rates in the bond market have rallied fairly significantly. When rates got to a certain level, they started looking at refinancing a couple of the City's outstanding bond issues - the Capital Improvement issues that are funded through the General Fund, a 1998 issue and a 2001 issue - to take advantage of potentially a lower prevailing interest rate and more importantly a debt service reduction to provide cash flow relief to the General Fund. They looked at a couple of different scenarios. If the Commission is interested in pursuing this, they will get a memo to City Staff outlining their assumptions and the scenarios that they looked at and what the exact dollars are. Basically it involves refinancing just under \$7 million of outstanding bonds. The refinancing could be structured in a way where savings could be realized on a level basis over the outstanding maturity of the bonds remaining. Mr. Recor and Staff were very adamant that it is not the Commission's interest to extend the term, so no scenario that they looked at involves extending the term of the debt. There is a couple of ways that they could approach this. They could structure a refunding issue whereby they would realize a level annual savings. That number is approximately \$55,000 per year for the next 12 years. It does not sound like a huge number, but it is a pretty big number from a present value prospective and a very attractive number from a present value perspective. The other extreme way that they could realize those savings, again without extending the final maturity of the debt, is to accelerate the savings and to restructure some principal coming due in the next two to three years or whatever time period they pick, to restructure, to reduce some of the principal burden coming due in deferring some of that principal to later years when hopefully, their budget is not as tight. A lot of local governments, especially in Florida, are looking at a structure like that to provide cash flow relief. It would result in an overall present value savings. And it could be accelerated to where the savings is \$300,000 or more per year for the next three years if that is the time period that they picked. They have obviously already budgeted for the debt service payment for September of 2009, so they did not look at that. When he says three years, they looked at starting in September of 2010, 2011, and 2012. Those are the two scenarios that they looked at, discussed it generally with bond counsel and the City's counsel. He just wanted to talk briefly and generally about it, and answer any questions.

Commissioner Becht asked roughly \$50,000 per year for how many years?

Mr. Bradish said that would be through 2018. Starting in 2010 going through 2018, so roughly 9 years.

Commissioner Becht said that is \$450,000 in savings, which reduced to present value would be less than that.

Mr. Bradish said exactly.

Commissioner Becht asked is that before or after the cost of redoing the bonds?

Mr. Bradish said that is after. That is a net number. So it is about \$444,000 gross; or from a present value perspective, about \$390,000.

Commissioner Becht said that is after the cost of redoing the loans.

Mr. Bradish said of course. Any analysis that they look at is after all costs incurred.

Commissioner Becht said he does not want to assume that. He wants Mr. Bradish to state it.

Mr. Bradish said yes, absolutely.

Commissioner Becht asked the present value was what?

Mr. Bradish said roughly \$390,000.

Commissioner Becht said he would like more information on what he would call the more complicated principal juggling before he says yes or no to that. If they have the opportunity to save \$350,000, that is pretty much a no-brainer.

Mayor Benton said looking at the FPRA and the City, they have almost \$70 million in bonds out there. He knows the Sunshine State loan could be pulled from that. But they have considerably more than \$7 million. Why wouldn't they look at all of the bonds out there?

Mr. Bradish said these are the ones that are outstanding at the highest interest rate and present the largest opportunity for savings just because they were sold in much higher rate environments. The two CRA issues that they sold were in 2005 and 2006 at pretty attractive rates, at rates that would be difficult to lower in the current market. Again, they would look at any analysis in producing at least an overall present value savings, whether that is level over a number of years or whether that is accelerated in two to three years. Those issues again, they are outstanding at pretty low rates, very attractive rates. They were both 25 year financings and they were both done in the low to mid 4% interest rate, so it would be tough. They definitely looked at those issues and they will continue to look at those issues if the market continues to rally. The other difficulty with those issues is that they have a longer call protection. All of their issues have been sold with a

standard 10 year par call. So the call protection on the 1998 bonds, there is no escrow left there, they are currently callable. The 2001 bonds, it is a very short escrow, approximately two years. But when they go to the 2005 and the 2006 CRA issues, those have call protection out to 2015 and 2016 respectively. So they would have to fund an escrow with proceeds; and the interest rate that they could earn on that escrow in the current environment, given how low treasury yields are, that escrow would be well under water and would lose money. That is what makes it tougher to realize any kind of savings from those two issues. They would love to look at it if municipal rates continue to rally. Treasury yields actually over the past couple of weeks have started to come up, which would help. They will continue to monitor that. However at this point, he does not think there would be any meaningful savings to refinance those two issues.

Commissioner Sessions said he does not understand why he doesn't favor extending the maturity date if they can get a more present savings in light of lowering the debt service.

Mr. Bradish said that was something that Mr. Recor had communicated to them early on, that it was not the interest of the Commission. It was more of a conservative approach, that they did not want to extend the term of the City's debt.

Commissioner Sessions asked wouldn't that have a greater impact?

Mr. Bradish said they would be selling bonds at higher interest rates because they would be selling them with longer maturities. So overall, the blended interest costs would be higher. They could structure it again in a way to where they could realize some incremental cash flow savings, but that would result in higher debt service after the next two to three years. That is the trade-off essentially. Some state and local governments in this environment are looking at extending their debts. Again, it was indicated to him that that was not something that Fort Pierce wanted to consider doing.

Commissioner Sessions asked who did he get that from?

Mayor Benton said when they had this discussion, he believes there were three Commissioners. He and Commissioner Becht were very vocal about it, that they did not want to handicap people that held their offices in the future any more than they are going to be handicapped. To extend those longer would just be a real problem.

Commissioner Becht said as Mr. Bradish was explaining, they would save cash flow today, but later on somebody is going to pay more interest. So the people holding the bonds make more interest because they have lowered the payment. What he tries to practice personally is to get the debt paid off, even though it hurts more today. The City needs to be debt free or at least not having this debt going out forever and ever. In his opinion, it is more fiscally responsible to repay the debt, get the debt done. He hesitates to bring up the FPUA, but the FPUA is where it is, even though they do not agree on where it is,

because it does not have a heavy layer of debt on it. The City has about \$70 million worth of debt on it. They could pick a 50 year amortization period and never pay it off. Or they can bite the bullet and be responsible and pay it off within the terms that the money was originally borrowed. Rather than be irresponsible and stretch it out and burden those that come after them with paying interest forever and ever.

Mr. Bradish said the other thing is, it involves a more detailed tax analysis when they extend the term because the terms of the financings are typically matched to the useful life of the assets that are financed with those financings. So when they extend it, the useful life of the assets are not being extended, but they are extending the term of the debt. It is not to say that it cannot be done, but it complicates it from a tax perspective to do it on a purely tax exempt basis, which is obviously the goal of any financing that they do.

Commissioner Sessions said the reason why he brought that up, he just looks at this crisis as something that is going to be temporary, so they need a temporary fix. He anticipates things will get much better in the future and they will be able to handle the anticipated increase in the interest. But right now they are getting desperate, they need something with greater impact.

Mr. Bradish said that is why they looked at the alternative of not extending the overall final term, matching the overall final term, but restructuring some of the principal payments that are coming due in the next three years starting in 2010 to accelerate that savings. That is how they get to the \$300,000 or the \$350,000 number versus the \$50,000 or \$55,000 in annual savings. He brings up a great point. A lot of governments are saying they think the next two to three years are going to be the toughest and that is when they really need the relief, they pray that things are going to turn around after that and that they can handle a little slightly higher principal burden, they just need some time to get through a tough environment. That is an option and it is a very straight forward option. It has been discussed with the City's bond counsel and it can be done, if that is the route that they are interested in taking.

Commissioner Sessions said he would like to at least entertain the option and see what the numbers look like.

City Manager Recor asked anyone else?

Commissioner Alexander said he thinks they need to look at some numbers.

City Manager Recor said the analysis that does not involve extending the term has been included in their package. If there is a consensus to evaluate further, certainly Mr. Bradish and RBC could do that. Are there three of them that want to extend the term?

Mayor Benton said no, not to extend the term.

Commissioner Coke said she thinks if they can save \$350,000 over the next nine years, it would be foolish of them not to pursue it.

Mr. Bradish said that would be the \$300,000 option, just to clarify, it would be over the next three years. If they did it on a level annual basis, it would be approximately \$50,000 or \$55,000 in the current market.

Commissioner Coke said she thinks they ought to at least look at those figures. But she agrees they do not want to be necessarily paying twice as much interest just to have a longer mortgage basically.

Mr. Bradish said they would be given the rates that are outstanding on those bonds. Even if principal was deferred, they would be deferring it to years where the actual interest rate is still lower than what the City is currently paying. The issues were sold in 1998 and 2001, so the maturities in 2010, 2011, and 2012 were much longer maturities back then than they obviously are now. The short end of the yield curve is where the yields are the lowest and it gradually slopes up. It is very steep now, meaning that yields a year from now are x and yields 10 years from now are x plus 2.5%. Again, if they defer the principal past 2012, it would still be in the 3% area versus currently where it is outstanding at 4%.

City Manager Recor said it does not appear that any further analysis is necessary. There is a consensus to move forward with the refinance as presented.

Mr. Bradish said what he would like to do at this point is put together a memo to Mr. Recor that outlines all of this that he could share with the Commissioners so he has the numbers and have a little text to back it up with the assumptions. He can get that over to him within a week, if that would be helpful.

City Manager Recor said it would be.

Commissioner Becht asked what are they proceeding with? Did he give them two options and they can take both of them? Or did he give them two options and they can only take one of them?

Mr. Bradish said they can proceed with a refinancing and then they can ultimately determine down the road what structure they want to pursue on that refinancing. If they want to pursue an accelerated savings structure where they would have approximately \$300,000 a year in savings starting in 2010 through 2012, or a level savings structure where they take the savings equally over...

Commissioner Becht said he understands that, but he needs to see paper on that. And when Mr. Bradish said he was proceeding with refinancing, he did not know if he thought they had chosen from A or B. They are not choosing from A or B today. They are just telling him to bring them back numbers and they can choose.

Mr. Bradish said absolutely. Which structure they want to

pursue can be determined all the way up until the date they actually price the bonds, so that is very flexible.

City Manager Recor said they have a couple of other subjects before they entertain general discussion. At this point he would like to ask Ms. Johnson to lead the discussion regarding the retirement options - a defined benefit program versus a defined contribution plan. They will be able to see the differences and understand between the two.

Ms. Johnson said in looking at some options as far as cost savings for the City, one of the suggestions that she came up with is perhaps they could institute a defined contribution plan in conjunction with their defined benefit plan. Maybe she should define what a defined contribution plan is and what it does. Right now they have what they call a defined benefit plan. In the defined benefit plan, they actually compute the employee's retirement based on the years of service and the annual salaries, and that gives them the amount that they receive for the rest of their lives. The contribution that the City puts in is based on an actuarial study which says this is how many employees the City has and this is how much money the City has to put in in order for this employee to get a retirement for the rest of his or her life and the beneficiary. That is why they call it a defined benefit plan, the benefit is defined. The defined contribution plan, the employee can literally put in a percentage of their pay; and whatever that figure is, is actually what their retirement amounts are. The benefit of the defined benefit plan is that the employee can contribute and the employer can contribute also. She should state that the Charter says that the City must contribute towards an employee's retirement, so that is why they have to put in. But in setting that rate, it does not say how much they can put in. She just did a basic analogy. Currently they have 145 employees who are not vested, they are not a part of the retirement system as of yet. An employee has to work five years before he becomes vested. If they just assume that the employee is putting in .0516 and the employer matches that .0516, the savings from that would be about \$311,000. If the City puts in as its regular contribution rate of 10% for that employee, the City would save about \$500,000 per year. The other benefit of the defined contribution plan is that currently when their employees leave under the defined benefit plan, they cannot take the City's contributions with them. In a defined contribution plan, they can take the City's contribution with them if they leave. For example, an employee has 15 years of service and leaves, he can only take his contributions that he contributed, he cannot take anything that the City contributed. Under a defined contribution plan, he can take what the City contributed and what he contributes, he can leave with that. The benefit she thinks as far as a defined benefit is that the City knows exactly what the contribution rate is going to be, it is not an arbitrary number. So if the investments did not do good this year, they need to increase their contribution rate by another 3%. Now they actually have a set rate and they know what that cost is to the City. The other benefit is that the taxpayer is not saddled. They pay for the liability currently. It is not a future value liability as it is in a defined benefit plan, no

matter what that contribution rate goes up to, the taxpayer is responsible for making that payment. So under the defined contribution plan, they pay 6% or 10% or whatever the City elects to pay, and that is it, they know what that benefit is. She also put a schedule in their package showing the contribution rates of the employees and employers of all of the surrounding municipalities. There is only one employer, Port St. Lucie, that has a defined contribution plan. Everybody else has a defined benefit plan.

Commissioner Becht said if he understood her correctly, they could realize a savings next year of \$311,000 if they go to a defined contribution plan.

Ms. Johnson said if the employer contributes the same as the employee is contributing.

Commissioner Becht asked what was her assumption for that?

Ms. Johnson said currently the employee is contributing .0516 or 5.16%.

Commissioner Becht said so her assumptions are based on that for general employees and police. The FPUA is 6.16%.

Ms. Johnson said every employee in the City pays .0516.

Commissioner Becht said the FPUA is higher, but they have their own plan.

Ms. Johnson said that is correct.

Commissioner Becht said assuming that they maintain the same dollar contribution that they are doing this year at that percentage of 5.16% and the employee matches it at 5.16%... They do not really care if the employee matches it or not, they can do whatever they want to do. But the City would have a savings of \$300,000?

Ms. Johnson said that is correct. Because currently they are putting into the retirement system for that employee who is not vested yet.

Commissioner Becht said he is sure that there has to be some disadvantages to the defined contribution plan that he is not aware of.

Ms. Johnson said there are some downfalls.

Commissioner Becht said but he would like to move forward with that because, based on his own simple understanding of the two plans, they would unsaddle the City and the City's taxpayers if they converted these new employees to the defined contribution plan.

Ms. Johnson said that is correct, they would just have the current liability every year. Does anybody else agree that they should continue to look into it or get some more data?

Mayor Benton said he thinks it is worth looking into if they can save.

Commissioner Alexander said yes.

City Manager Recor said he thinks they have touched on each one of the strategies. Just to recap where they are, it appears that they have a \$2.8 million budget gap between projected revenues and proposed expenditures. They will continue their negotiations on implementation of the furlough for this fiscal year. He will put the 40 hour furlough for FY 2009 in writing so their negotiating team can present that to the unions. He would like to establish a deadline for the negotiations to conclude, to ease the pain on the employees. That will result in an additional \$750,000 in savings that he would suggest that they earmark, retain in the fund balance, to reduce that \$2.8 million anticipated budget gap by \$750,000. It does not appear that there is a consensus to move forward with the reduction in the workforce at this time. Rather, they will develop, publish, and allow the employees an opportunity to evaluate the voluntary separation program with provisions that require the separation occur by July 30th. That will realize some savings in the current fiscal year, but certainly will have a greater impact next fiscal year that can potentially reduce that \$2 million number down even further. So it looks like their potential budget gap is in the neighborhood of \$2 million as they speak. They have heard various incremental strategies and approaches to reducing that, but that is what it is going to take. They will continue to develop ideas and alternatives over the next 30 days until they are ready to meet again.

Mayor Benton asked that is next year, that \$2 million?

City Manager Recor said that is next year. They will be wrapping up the third quarter here at the end of June. Just as they did when they realized that there was a shortfall after the second quarter, staff will be presenting that third quarter operating result report to them with recommendations on how to close that gap in the event that there has been some drastic fluctuation.

Commissioner Becht said following up on something Commissioner Alexander suggested as they started the meeting, if Mr. Recor would tonight or tomorrow morning dictate a summary of what he heard them agree on today and circulate that immediately. And when they have their next Budget Workshop, have that summary attached perhaps as a front sheet. He thinks Commissioner Alexander's suggestion of knowing where they were will help them move forward. They will have three weeks or four weeks to talk to Mr. Recor individually about any disagreement they may have with his summary.

City Manager Recor said okay, fair enough.

Commissioner Alexander asked concerning the furlough, is their representative invited to these workshops so he can get it firsthand?

City Manager Recor asked Mr. Pellegrino with Cody and Associates? No. But Mazella Smith is here.

Commissioner Alexander asked but Mr. Pellegrino is the lead person in negotiations, right?

City Manager Recor said he would like to think that Ms. Smith is the lead. But Mr. Pellegrino does take his direction from the Commission and from Staff.

Commissioner Alexander said he just wants to know if it is a good working relationship, that is all.

Mayor Benton said Ms. Smith just indicated yes.

Commissioner Alexander said all right. He hates to keep repeating the same thing over and over, and then when he gets two versions of one thing he... He sits up all night and reads these things. Everybody has some input on it, so it is not a paper waste, not they are wasting the trees. But they have to get something out of those meetings.

City Manager Recor said he will do as suggested and will have the written summary of today. He will also have a follow-up report on the collection of outstanding liens and a follow up report on the potential advantages for the clinic. Hopefully he will have news on the furlough for the Commissioners.

Commissioner Coke said at their last meeting they talked about, but did not get an update today, pursuing renting the office space in the parking garage next door to City Hall. Make sure that they get a progress report on that. They had also touched base for a couple of years on collecting non-felony tickets at City Hall so the revenue... The expense of the police officers giving out the tickets, going to court, and everything else falls on the taxpayers of the City of Fort Pierce, but the revenue goes to the County. They have talked about it for three or four years. It should be simple enough, since there are ordinances in place, to get somebody else's ordinance, cross off their city name, put our city name on it, and pass the ordinance so that then they can collect non-felony citations. City Hall can keep some people employed and possibly that money could be directed toward Community Policing. So if they are going to have to be creative and think outside the box, they need everybody to make all the efforts that they can to assist in generating more revenue.

Chief Baldwin said in 29 days, he will have it.

Commissioner Coke said he has been telling her that for three and a half years.

City Manager Recor said he and the Chief will continue to meet about some revenue generating ideas that he has that he brought up at their discussion on the Police Department's budget. First of all, they have not forgotten about the red light camera initiative.

Commissioner Coke said but she has heard about that in the last 30 days. She has not heard about the citation collection in the last 30 days.

City Manager Recor said candidly, they did not make any progress on the rental of the 30,000 square feet. But they will do that.

Commissioner Alexander asked are they putting it on the Channel 27? He does not know who that belongs to, but a lot of people watch it.

City Manager Recor said no, they have not, but they could.

Commissioner Alexander said they need to look at their income, but they are not going to be competing downtown. That is one thing that he will not go along with is competing downtown.

City Manager Recor said he does not know of another location where there is that kind of square footage available. There are some office spaces, but not the kind of space that is available if someone were to come in and say they wanted an entire floor or something of that nature.

Mayor Benton said he is hoping what they can do is put together maybe a little package with the square footage on each floor and maybe some pictures. He has some State agencies he would like to get that package to as soon as possible because they are dealing with their budgets right now. If they can get that to Tallahassee, he does have some people he will be discussing it with, one of them next week. When it comes to the furloughs, he knows they are going to put something in writing for the unions. He does not know if every employee has got all the details, but for the non-bargaining folks if they could have something in writing that goes out in their paycheck. He just thinks they should get the information out to every employee that way.

City Manager Recor said good suggestion. He will follow up on that. Any other thoughts or comments? Thanks for being respectful. He knows these discussions are hard to have. But they are going to get there.

There being no further business, Mayor Benton declared the meeting adjourned at 4:35 p.m.

Adjournment.

ATTEST:

CITY CLERK

MAYOR COMMISSIONER