

REGULAR MEETING
JULY 21, 2009

The Regular Meeting of the Arcadia City Council was held on July 21, 2009, at 6:00 p.m. in the Margaret Way Building at 23 North Polk Avenue. Council members attending were Fazzone, Dixon, Goodman, Johnson and Heine. Also in attendance were: Administrator Rupp, Attorney Galvano, Marshall Lee and City Recorder and Finance Director Baumann.

Mayor Fazzone called the meeting to order.

The invocation was given by Councilman Heine.

Pledge Allegiance to the Flag.

Mayor Fazzone asked Finance Director Baumann to present information for the 2009-2010 Budget to the Council.

Financial Director Baumann reported that the FY 2009-2010 Budget was prepared using the zero based budget method. She explained that a zero based budget is based on a forecast of reasonable expectations. She reported that she spoke with County Administrator Jan Brewer and Administrative Services Director Linda Nipper who also use the zero based budget format and feel that this is a good format to use. Director Baumann stated she had compiled a list of all employees by department with position and salary rates and then factored in costs for FICA, Longevity pay, Christmas Bonus and Vacation and Sick Buyback plans. She stated that the personnel services portion of the budget makes up about 75%-85% of the total budget. The budget as presented includes a twelve percent (12%) increase in health care cost and a ten percent (10%) in liability insurance premiums.

Director Baumann stated the budget had been balanced using last year's millage rate of 7.5587, and noted that if the Council approves this rate, it would be the third (3) year without an increase in the millage rate. Director Baumann stated that due to a decline in taxable property value of approximately Twelve million dollars (\$12,000,000,000.) the City is projected to see a reduction in revenue of Eighty-three Thousand Eight Hundred Ten Dollars (\$83,810.). She then presented hand outs in form of charts and graphs to the Council showing revenues and expenditures as a percent (%) of the total budget along with comparisons of revenues and expenditures showing the 2008-2009 Budget along with the 2009-2010 Budget. The Council thanked Director Baumann for the visual picture noting that this is the first time they have seen the budget in this type of format and that it helps to give a clear overview of the situation. Director Baumann then noted that the roll back rate is actually a roll forward rate and would be 8.0899 mills. This rate would generate approximately Twenty-six Thousand (26,000.00) new dollars over last year's taxes. If the Council elected to go with the roll-back rate the increase of Twenty-Six Thousand (\$26,000) in new tax dollars along with the Eighty-three Thousand Eight Hundred and Ten Dollars (\$83,810) that would have been lost using the same millage rate as last year will allow an additional amount of One Hundred Eleven Thousand Dollars (\$111,000) to be used to balance the FY 2009-10 budget. This would reduce the

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dependence on funding from other funds to balance the budget. She reported that once a tentative millage rate is approved and submitted to the Property Appraiser the Council can change the rate; however it can only go down. Director Baumann reported that a tentative millage rate must be submitted to the Property Appraiser within thirty five (35) days in order to comply with the Truth in Millage (TRIM) notice requirement.

The Council asked for a recommendation regarding the millage rate to which Administrator Rupp stated her recommendation would be to go with the roll-back rate which would be a half-mill (.53) increase and if after further analysis the Council wanted to the rate could be moved back to the current millage rate.

Councilman Johnson stated it was imperative for the City to replenish the fund balance and noted that the reduction in fund balance has been an audit comment for several years.

Mayor Fazzone asked for input from the public. There was none. Johnson then moved to elect to use the roll-back rate and to set the millage rate for 2009-2010 year at 8.0899 and stated that the half-mill increase could be decreased later if needed; seconded by Deputy Mayor Dixon and carried.

Finance Director Baumann then addressed the Council to request that the dates for the First Budget Hearing and the Final Budget Hearing be set. She noted that the City must hold their meetings on a different date than what has been selected by the County and School Board. After discussion Heine moved to hold the First Budget Hearing on Thursday, September 17, 2009 at 6:00 p.m.; seconded by Goodman and carried.

Goodman then moved to hold the Final Budget Hearing to be held on Tuesday, September 29, 2009 at 6:00 p.m.; seconded by Johnson and carried.

Finance Director Baumann then presented the Water and Sewer Fund Budget to the Council.

Administrator Rupp recommended an increase for water and sewer rates in the amount of approximately Four Dollars and thirty cents (\$4.30) per month on a minimum bill of three thousand gallons. Administrator Rupp stated the rates for these services have not been increased since 2003. She reported that a rate study is currently being done.

Finance Director Baumann reported that the City did not meet their Bond Covent and it was noted in last years' audit as a management comment.

Deputy Mayor Dixon asked if there was a law or statue that required that a rate study be done before a rate was increase to which Administrator Rupp replied it is not a requirement. Deputy Mayor Dixon asked if water and sewer revenues have to be used to balance the budget each year.

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Finance Director Baumann explained that the Water and Sewer Fund is required to operate as a business and is called an Enterprise Fund. Revenues received for providing water and sewer, are to cover the expense to provide such services. Councilwoman Goodman reiterated the fact that the City has not increased these rates since 2003. Finance Director Baumann stated that not meeting the Bond Covent will reduce the city's ability to borrow money and reduce the city's credit rating. Deputy Mayor Dixon stated he was hoping for another way to balance this budget without impacting the citizens of Arcadia. He stated, "This did not happen during the recession, but before". "I know people are now struggling to pay their water bills". *"I wish we could find another way, I wish it had been made plainer before now"*. Finance Director Baumann stated the issue was discussed at length at two (2) budget meetings last year and it was noted at both of those meetings that the City would not be meeting their Bond Covent. Deputy Mayor Dixon stated a rate study should have been already done *"you all had an entire year to have had this study done"*. He stated *"The people did not put us in this position and I don't think the people should carry the burden"*.

Finance Director Baumann explained that in an Enterprise Fund all users pay for the services provided. She stated the City held off increasing rates after Hurricane Charley came through; however the time has now come to increase rates. Administrator Rupp stated she did not like the increase, but she was recommending that it be done. Director Baumann stated the current minimum bill for three thousand gallons (3,000) is now Fifty Three Dollars and seventy five cents (\$53.75) with the increase it would go to Fifty Eight Dollars and five cents (\$58.05) which is an increase of four dollars and thirty (4.30) cents. The increase also provides for an increase in the garbage bill of twenty-five (.25) cents per month. Councilman Heine asked City Attorney Galvano if the Council failed to increase the water and sewer rates if it would hurt the city legally. Attorney Galvano stated that a Bond Covent means that you have agreed to pay back your debt and set aside additional funds as required in the bond document. The Council has been told that you are not meeting your Bond Covent; this means that you are not upholding your legal agreement. He stated the Council will always be known as the Council that was put on notice and this is a very serious issue.

Councilwoman Goodman stated *"We will have to bite the bullet"* we have to be a City of our word.

Finance Director Baumann again stated that the Enterprise Fund has to operate like a business. She stated she knew of no business that had been operating since 2003 without an increase in expenses or fees.

Deputy Mayor Dixon stated, "I understand because I am the only one on this council that has owned businesses and met a payroll" "Because I have inherited this mess of a seven (7) year deficit and poor business decisions by the previous administrator/council I have to vote no". *"There are members on this council that have struggled to pay their water bills as they exist at the rate they are so how can you support raising water bills when some don't even pay them fairly and on time and get in rears"*.

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Goodman moved to accept the recommendation of City Administrator Rupp and approve a 10% rate increase on water and sewer rates and a twenty-five cent (.25¢) increase in garbage rates; seconded by Heine and carried on a roll call vote. Ayes: Heine, Goodman, Johnson and Fazzone. Nays: Dixon.

Mayor Fazzone asked Director Baumann to read the auditor's comment as printed in the FY 2007-2008 audit regarding the Bond Covent. Director Baumann read the comment in full. Administrator Rupp thanked the Council for their vote.

Deputy Mayor Dixon stated again for the record, "*I do not support the increase*".

Administrator Rupp stated that she and Finance Director Baumann had been working to reduce costs and save money in a couple of areas. She stated they were not part of the 2009-2010 budget; however, she asked for consideration in two areas. Administrator Rupp then requested that the Council consider going to a biweekly payroll. This would free up time for personnel who prepare the payroll along with a reduction in checks and paper costs and she estimates it could save the City approximately Twenty five Thousand dollars (\$25,000) annually. This would also be more convenient to employees because they would be able to have direct deposit of their checks. The Council was in agreement that the City should move forward with a bi-weekly payroll beginning in October 2009.

The second area she asked for consideration on is to consider participation in the Florida Retirement System (FRS) for Administrative Staff only. At this point, there are about four (4) people that would be eligible, however, in the future there could be seven (7). This alone would be a saving to the City as the City retirement rate is fifteen percent (15%) and FRS is thirteen (13%) to fourteen (14%). This could also assist with the hiring of trained personnel in management positions as most applicants would have already had time in the FRS system under a previous employer.

Councilman Johnson asked that if at all possible that after the first of implementing a bi-weekly payroll the savings be distributed to employees in some form of a raise. Administrator Rupp stated that was an excellent suggestion. Deputy Mayor Dixon stated he would support biweekly pay that saved the City \$25,000 and stated, "*These were the kinds of things we should look at*".

Administrator Rupp addressed the Council with information regarding the painting and repair of the City's elevated water tower. Mayor Fazzone asked if this process should go out for bid. It was noted that due to the estimated cost it would require doing a request for proposal (RFP). Councilman Johnston thought that the water tower was painted a couple of years ago and suggested that the previous company be contacted regarding any warranty that might be due. Administrator Rupp stated she would look into that, but, she wanted the Council to be aware that funds have been allocated in the new budget to pay for the work.

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Martha Craven, a citizen and business owner, addressed the Council stating that there are only ten (10) other cities in Florida with a higher millage than Arcadia. Councilman Heine explained most of those cities owned electrical companies and the billing to citizens for electric which are much higher than is paid by the citizens of Arcadia. Mrs. Craven then asked about an increase in the City Marshall's budget for Two Hundred Ten Thousand Seven Hundred Twenty-eight Dollars (\$210,728) since last year. Finance Director Baumann explained that part of the increase dealt with money that is received by the State and must be shown as an expense in the general fund, so the revenue and expenditure cancel each other out. The bulk of the remaining increase was due to the personnel services budget for FY 2008-09 not being an accurate amount she has corrected this so that the budget would be a true reflection of expense and revenue. In addition to those changes, there were funds budgeted under the contractual services line item to cover the cost of a contract with Mr. Ward for the demolition of dilapidated houses and buildings within the City.

Mayor Fazzone reported that over fifty percent (50%) of properties in the City do not pay taxes due to either being exempt such as government buildings and churches or there is no taxable value after the double homestead exemption has been applied. It was noted that the City is four (4) square miles. Administrator Rupp stated the only way to change our tax base is to expand the City limits and she noted this is being worked on.

Captain Matt Anderson of the Arcadia Police Department addressed the Council to clarify that he has never been in charge of figuring salaries for the Police Department budget this was always done by the former administrator. Deputy Mayor Dixon asked again if the salaries had been done through administration. Finance Director Baumann stated that the budget for all personnel services, for every department was calculated by the previous administrator. The departments only submitted a budget showing proposed operating and capital expenditures. Deputy Mayor Dixon stated he was very pleased with the budget now and complemented Director Baumann for seeking outside help in making sure the budget was prepared using the zero based budget method.

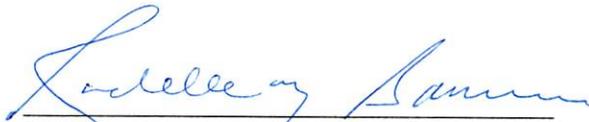
Administrator Rupp reported that she is combining the position of City Recorder and Personal Director. She noted that she and Recorder Baumann have interviewed and selected a candidate for the position. The City Code requires that the Council approve the hiring of the City Recorder. Administrator Rupp asked for Council approval to hire Dana Williams for the position. Administrator Rupp stated that she believes that Ms. Williams's background and experience would entitle her to handle the job. Ms. Williams is a Certified Municipal Clerk (CMC). The salary being offered is Forty Five Thousand Dollars (\$45,000). Heine moved to authorize hiring Dana Williams as City Recorder and Personal Director. Heine then withdrew his motion for lack of a second. Attorney Galvano stated that he would like to review the code regarding the City Recorder's position and see if the ordinance would need to be changed. Councilman Johnson asked to have until next meeting to review Ms. Williams resume. Councilman Heine agreed. Mayor Fazzone stated this would be tabled until the next meeting. Attorney Galvano stated that if the combining of the positions requires a new ordinance he would have a

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proposed ordinance for review by the next meeting. Administrator Rupp stated Ms. Williams could possibly begin work on August 24.

Deputy Mayor Dixon stated he had received a certified letter from an attorney regarding an incident at CVS Pharmacy. He voiced his concern as his name appeared on the litigation and at the time of the incident he was not a Council member. Administrator Rupp responded that this was a formality to be given to anyone having any involvement with the City. She stated she had referred the issue to Attorney Galvano. Attorney Galvano stated he had received the information and that it is a pre-claimed notice by law.

There being no further business the meeting was adjourned.



CITY RECORDER



PRESIDENT