

**COUNCIL SPECIAL MEETING MINUTES
AUGUST 11, 2009**

Pursuant to Public Notice, Mayor Brimer convened a special meeting of the City Council on Tuesday, August 11, 2009, at 6:00 p.m. in the Council Chamber. Those present were Mayor Mark Brimer, Vice-Mayor Martha Kirby, Councilman Mike Chase, Councilman Jeff Fleis, Councilman Dominick Montanaro, City Attorney James Beadle, City Manager Michael Crotty, and City Clerk Barbara Montanaro.

DISCUSS/TAKE ACTION ON AGREEMENT PROVIDING FOR PAYMENTS IN LIEU OF TAXES BETWEEN HP COMMUNITIES, LLC, AND THE CITY OF SATELLITE BEACH, FLORIDA

City Manager Michael Crotty stated that the attorneys have proposed language to cover the questions and concerns raised at the August 5, 2009, Council meeting about the PILOT.

City Attorney James Beadle stated that they addressed the lack of specific provisions for non-military parcels and reconstruction of the demolition partials consistent with the PUD. They added two new paragraphs for eligible tenants from active military to and including general public. The composite rent for both the adjustments/increases or additional units are covered in Exhibit C.

The plat is for single-family residences. If HP wants to develop something else, they will have to request a plat amendment, which would trigger amending this Agreement.

Council expressed appreciation to HP and to City staff for working out this agreement.

Mayor Brimer asked for public comments. The following individuals addressed Council:

- Joseph Ferrante, 520 Rosada Street, voiced his appreciation for efforts put into reaching this agreement. He asked what point in time they are going to use for payment. (Payment will be based on a twelve-month average, from October through September.)
- Bill Higginson, 1175 Highway A1A, stated that this is a win/win solution. It puts the court costs behind us and allows us to move forward.
- Harry Pawlak, 740 Atlantic Avenue, expressed appreciation to staff and everyone who worked to resolve the issues.
- John Fergus, 135 Maple Drive, spoke in favor of approving the agreement.

ACTION: Councilman Montanaro MOVED, SECOND Vice-Mayor Kirby, to approve the PILOT agreement and authorize the Mayor to sign it. VOTE. ALL AYES. MOTION CARRIED.

Mayor Brimer recessed the meeting from 6:14 to 6:20 p.m.

DISCUSS/TAKE ACTION ON FY 09/10 BUDGET ISSUES

City Manager Crotty distributed copies of the proposed budgets to the public and paused five minutes to allow individuals time to review the budget.

City Manager Crotty stated that tax reform, Amendment 1, and the downturn in the economy had directed the budget for the past three years. This year, the usual Levels of Service reports by department heads and workshop were not part of the budget process. Instead, staff was directed to prepare a budget based on the same revenue as last year, no additions. Most operating expenses have been funded with reductions in travel and education.

Consistent with directions from this Council and previous Councils, there are no layoffs in this budget. There will be some juggling of positions.

City Manager Crotty highlighted the proposed *Beachcaster* article "FY 09/10 Budget Proposed – Preserving City Services." (Copy attached) He then reviewed his budget message, noting the negative impact of the economic downturn on revenue sources – State Revenue Sharing, Half-Cent Sales Tax, Local-Option Gas Tax, and Building Permits.

Changes in personnel include the following:

In the Police Department, the retiring sergeant will not be replaced until July/August; they will appoint a Deputy Chief in preparation for the future retirement of the Chief.

In the Fire Department, Chief Rocque will retire in December. Following the City's policy of promoting from within whenever possible, Commander Hughes, who is highly respected Countywide, will move into the Chief's position. The commander position will not be filled until July/August next year. There will be the same staffing on the street to provide dual response and the two in and two out requirements. For one year, the overtime money for fire inspections and plans review will be cut and those duties will be assigned to the Deputy Building Inspector, who is certified to perform fire inspections and examine plans.

City Manager Crotty gave examples of the effects of the Homestead Exemption on various properties in the City, showing the disparity between long-time homesteaded property and newly purchased property.

Council reviewed the budget message and FY 09/10 Budget. They discussed the following:

- Requested that a portion of the revenue received from the PILOT Agreement be used to add personnel to the Public Works Department. That department has lost 3 people and their workload has increased with the improvements to Pelican Beach Park and Hightower Beach Park and the ongoing improvements to beach accesses and ball fields.
- The possibility of making the new hires in Public Works part time.
- The need to continue to build reserves and agreed to put up to 50% of the PILOT payment into reserves.
- The need to get the DeSoto property back on the tax rolls; staff is working on several proposals.
- The need to address the impact and costs associated with senior management (four department heads and the City Manager) ready for retirement within the next five years and to plan for a smooth transition.
- The increase of \$11 per year in the stormwater utility tax to help cover the City's portion of the costs of stormwater improvements, including Cassia Phase 1 and 2 and the hazard mitigation at the north drainage.
- The Community Redevelopment District project to put utility wires underground is still being reviewed. Vice-Mayor Kirby stated that State Representative Ritch Workman is planning to introduce a bill to have all utilities along Highway A1A placed underground. Community Development Director Laura Canady will speak with him.
- The budget for fuel is based on \$3.50 per gallon, down from \$5.00 last year.
- Discussed the costs associated with the lot mowing program.

Mayor Brimer asked for public comments. The following individuals addressed Council:

- Bill Higginson, 1175 Highway A1A, recommended keeping the Police Department fully staffed; it is important for public safety and a necessity based on what is going on in the streets. He noted that there are fifty-five volunteer Citizens on Patrol and their volunteer hours equate to \$86,000 in services to the City.

Council expressed special appreciation to City Manager Crotty, Finance Director Brenda Raver, and Department Heads for the hours of work that went into preparing this budget. Mayor Brimer noted that the elimination of the Level of Services prepared by Department Heads is a sign of the economic times.

Mayor Brimer adjourned the meeting at 7:30 p.m.

Barbara Montanaro, CMC, City Clerk

FY 09/10 Budget Proposed

Preserving City Services

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Since our City's founding in 1957, the citizens of Satellite Beach have worked diligently to create the city they want, demanding and supporting the high level of services and amenities that create our extraordinary, sometimes unique, community.

- **Fire and Emergency Medical Services.** Our City has been a Brevard County leader in providing the highest quality of these crucial services. Having hired six additional firefighters in 2003 to meet new unfunded staffing mandates from the State, our Fire Department is now fully staffed with professional firefighters/paramedics/EMTs meeting all requirements of State law. This addition means that our Fire Department can now respond with a paramedic to two different medical emergencies simultaneously and can immediately enter burning structures without having to await further firefighter assistance from other jurisdictions. In the past 12 months, we've had 164 dual-emergency medical responses, with a response time usually between two to four minutes. The alternative to this level of service is a fire department that is not professionally staffed or which, because it does not meet minimum State staffing requirements, must await assistance from other jurisdictions before providing emergency services, thereby creating a delay that could cost lives or homes.
- **Recreation.** For many years, our family-oriented City did not have enough recreational and athletic facilities to meet the ever-growing demand from residents of all age groups. Responding to the advice of residents through numerous citizen advisory committees over the past 15 years, several exceptional recreational amenities have been created. Among these are:
 1. The *Satellite Beach Sports and Recreation Park*, an ongoing work in progress since the mid-1990s, now containing four athletic fields, paved walking trail, skate park, dog park, picnic/playground areas, and native scrub area with additional walking trails. This Park has been a special gift to us, since all of its amenities have been created primarily through grant funding and Brevard County has agreed to sell the 35-acre site to our City for \$100 in 2016.
 2. The *David R. Schechter Community Center*, containing a gymnasium, Teen Zone, meeting rooms, exercise rooms, offices for the City's Recreation Department, and home for the Police Athletic League and the 55+ Club.
 3. In addition, our City provides 11 athletic fields, 8 monitored tennis courts, 2 racquetball courts, 6 neighborhood parks, a tot lot, and a youth game room.
- **Waterfront Parks.**
 1. *Ocean.* In many ways (referenda, surveys, meetings, et al.) over the years, our residents have made saving oceanfront from development a top priority. Consequently, thanks primarily to grant funding and private donations, about 40% of the City's oceanfront is now publicly owned, to be permanently preserved for generations to come. Dedicated this month, our new Hightower Beach Park preserves the natural environment of the area and provides residents the opportunity to explore its natural state. The cost of this beautiful Park to our residents was substantially reduced: of the \$800,000 total project cost, 25% was provided by grant funding, 50% by Montecito Community Development District, and 25% by our City.
 2. *River.* In addition, with our unique, 52-acre Samsons Island Nature Park, we have permanently preserved approximately 38% of the City's land between the Banana River and the Grand Canal. This island is a special treasure, because it will forever be the only permanently-preserved land along the river and canal between the Eau Gallie and Pineda Causeways.
- **Staffing.** The hallmark of our City government is the exceptionally-high quality of workers who provide the services our residents expect. These include our ubiquitous Recreation Department; our highly-professional and responsive Police Department; our Building and Zoning Department,

which works diligently to ensure that development remains under control; our Finance and Administration Departments, which keep various, essential, behind-the-scenes activities functioning smoothly; our creative and industrious Public Works Department, which maintains all City facilities and amenities and keeps our City looking its best; and our grantwriters, who have obtained more than \$18 million in grant funds for numerous major improvement projects.

The foregoing are examples of how, over the years, our City has delivered the services and amenities our residents have desired. To accomplish this, every year our City Council has passed the minimum budgets necessary to maintain our desired quality of life, ensuring that every penny has been wisely and carefully spent. It is worth noting that, even while providing these exceptional amenities and expanded fire/medical services, State information provided in 2008 showed that **the increase in City taxes for the previous five years had been lower than the statewide average.**

Reduction in Property Values: Impact on City Budget

Over the past few years, the driving issue in preparing our budgets has been declining property tax revenue.

- In 2007 (for our FY 07/08 budget), the State Legislature imposed property-tax reductions on local governments, forcing our City to reduce staffing and decrease operating expenses by 14.3%.
- In 2008 (for our current FY 08/09 budget), the newly-adopted Amendment 1 decreased the City's tax base by approximately \$82 million, primarily as a result of increasing the Homestead Exemption from \$25,000 to \$50,000. This further reduced funding for staffing and operations.
- In 2009 (for our proposed budget), we are being challenged by a reduction of approximately 7.8% (\$61,389,213) in tax assessments resulting from the economic downturn.

Other Revenue Reductions from Economic Downturn

In addition to revenue reductions caused by the foregoing property-tax issues, other major sources of General Fund revenues for our proposed budget have been significantly reduced. This revenue decline presents yet another challenge to providing essential City services. The following chart illustrates the changes in these other major revenue sources.

Revenue	2007	2008	2009
State Revenue Sharing	\$ 316,341	\$ 294,884	\$ 269,672
Half-Cent Sales Tax	\$ 596,005	\$ 542,248	\$ 450,340
Local-Option Gas Tax	\$ 356,015	\$ 341,556	\$ 296,127
Communication Services Tax	\$ 467,991	\$ 512,775	\$ 518,737
County Contribution to Advanced Life Support Units	\$ 67,157	\$ 67,857	-0-
Building Permits	\$ 168,299	\$ 123,000	\$ 106,498
Total	\$1,971,808	\$1,882,320	\$1,641,374

Revenue Decrease from 2008 to 2009: -\$240,946 (-12.8%)

Revenue Decrease from 2007 to 2009: -\$330,434 (-16.8%)

Property Tax Rate for Proposed Budget

With these fiscal realities, the City Council proposes to establish a property tax rate of 7.8193 mills for FY 09/10 (one mill equals \$1 per \$1,000 of taxable value, which is a property's assessed value minus exemptions, e.g., homestead). To make this determination, State law requires us to begin with the "rolled back" rate of 7.6286 mills (i.e., the rate that would give our proposed budget the same revenue as our current budget—in this case, due to decreased taxable values, the rate of 7.6286 mills in 2009 would provide the same revenue as 7.1207 mills in 2008). Then we add the State's approved inflation factor of 2.5% to the "rolled back" rate (7.6286 mills) to determine the proposed tax rate (7.8193 mills) for FY 09/10. (Under State law, Council could have established a tax rate as high as 8.3915

mills, but instead opted for last year's revenue adjusted for inflation.) This proposed tax rate will require us to eliminate three more positions (two Public Works positions and a Community Redevelopment Agency Coordinator) and further decrease operating expenses. However, it will allow us to continue to fund the core, no-frills, essential services expected by our residents.

Impact of Proposed Tax Rate on Residents

As has been discussed during many previous budget sessions, the Florida property tax system is broken. The 1992 "Save Our Homes" Amendment has created different classes of taxpayers, with long-term, homesteaded property owners enjoying relative stability in their property taxes, while newer and non-homesteaded residents pay a disproportionate share of these taxes.

Last year, a *Beachcaster* article about our FY 08/09 Budget explained that most of our residents would see a decrease in their property taxes ("some win") and some would see an increase ("some lose"). For 2009, however, the winners and losers are mostly reversed, due to the decline in property values and the "Save Our Homes" provisions. The following examples illustrate this.

1. **Seville Court Residential Property Purchased in 2005* for \$770,000**
**during height of property market values*

	<u>Taxable Value</u>	X	<u>Tax Rate</u>	=	
2008 City Taxes	\$406,000	X	.0071207	=	\$2,891.00
2009 City Taxes	\$321,420	X	.0078193	=	<u>\$2,513.28</u>

2009 Decrease in City Taxes: -\$377.72

2. **Carole Court Residential Property (Non-homesteaded)**

2008 City Taxes	\$153,000	X	.0071207	=	\$1,089.47
2009 City Taxes	\$121,070	X	.0078193	=	<u>\$ 946.68</u>

2009 Decrease in City Taxes: -\$142.79

3. **225 Cherry Circle (Long-term, homesteaded property)**

2008 City Taxes	\$71,350	X	.0071207	=	\$ 508.06
2009 City Taxes	\$71,470	X	.0078193	=	<u>\$ 558.84</u>

2009 Increase in City Taxes: +\$50.78

Examples #1 and #2 illustrate that homeowners who previously paid higher property taxes, due either to purchasing a home at the height of the real estate market or not being homesteaded, will receive relief this tax year due to market conditions.

Example #3 (225 Cherry Circle) identifies a typical "loser" for 2009. This is my residence at 225 Cherry Circle. Under "Save Our Homes," my assessed value will actually increase due to the "recapture" provision, which requires the assessed value of homesteaded properties to increase each year by 3% or the CPI (whichever is less) until the assessed value equals the market value. My taxes for 2009 will increase by \$50.78 at the proposed 7.8193 millage rate. However, taxpayers must view this in the perspective of their tax bill over a number of years. For instance, in 2003, the City taxes on my property were \$536.46. My taxes in 2009 are approximately \$22.00 higher than they were in 2003. This equates to less than a 1% annual increase in the property taxes I pay to our City. Approximately 60% of Satellite Beach residences will fall into this category, with relative stability in their taxes over the past ten years due to "Save Our Homes."

Budget Hearings

Budget Public Hearings are scheduled for Wednesday, September 9, and Wednesday, September 23, at 6:00 p.m.

Questions? Contact Michael Crotty, City Manager, at 773-4407 or mcrotty@satellitebeach.org.