

1 **MINUTES OF THE BUDGET WORKSHOP MEETING** of the City Council of the City of Orange  
2 City, Florida, held on Monday, August 25, 2008 at 6:30 p.m. in Council Chambers, 201 N. Holly  
3 Avenue, Orange City.

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5 **CALL TO ORDER:** The meeting was called to order at 6:30 p.m. by Mayor Strickland and roll call  
6 was taken.

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8 **ROLL CALL**

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10 **PRESENT:** Mayor Harley Strickland; Vice Mayor Jeff Allebach; Council Members; Tom Laputka,  
11 Tom Abraham, Jim Mahoney; City Manager John McCue; City Attorney William  
12 Reischmann; City Clerk Deborah Renner

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14 **ABSENT:** Council Members Donald Sandford and Don Sherrill;

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16 **1. PRESENTATION OF PROPOSED BUDGET FOR FISCAL YEAR 08/09**

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18 (No presentation was made)

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20 **2. DISCUSSION**

21  
22 Mr. McCue noted that at the last budget workshop, he was directed to review the budget for possible  
23 cuts that would reduce the millage rate. He said that the only way to accomplish a millage reduction is  
24 to eliminate positions. Mr. McCue said that he reviewed nine positions and at this time, he  
25 recommended that the Community Relations Coordinator and Leisure Services Coordinator positions be  
26 eliminated. He said that the duties of these two positions can be assumed by other staff. He noted that  
27 there is a special events committee in Leisure Services that can handle event planning and the Parks  
28 Superintendent and Public Works Director could handle the grant writing that Ms. Hart has been doing.  
29 He stated that the Community Relations Coordinator is a support position in his department and he  
30 expressed his confidence that the roles and responsibilities could be absorbed by himself and the  
31 remaining departmental staff. Mr. McCue advised that elimination of these two positions would have  
32 "the least visible impact" on service levels.

33  
34 Mr. McCue said that elimination of these two positions would reduce the millage from 4.7513 to 4.5855.  
35 Council Member Mahoney noted that this millage would be below the maximum rate and that the City  
36 would be absorbing some revenue lost due to Amendment 1.

37  
38 Mr. McCue said that he was not recommending elimination of any additional positions at this time. He  
39 explained the factors he considered when recommending cutting positions. Reduction of direct service  
40 delivery positions would have a direct impact on service delivery. Mid-management positions were  
41 then considered along with secretarial support. He said that he had more positions on the list if Council  
42 wishes to reduce the millage rate even further. He reiterated that reduction of staff in the "lower tiers"  
43 of employment within the City will have a direct impact on service delivery.

44  
45 Mayor Strickland asked Mr. McCue to discuss his other recommendations. Mr. McCue named the  
46 following positions: Community Relations Coordinator, one of the Executive Assistant Positions in the  
47 Clerk's office, the Executive Assistant in the Police Department, the Project Manager in General  
48 Government, a Permit Specialist in the Building Department, a Part-Time Fire Inspector, and the

1 Leisure Services Coordinator. Mr. McCue advised that any cuts beyond these would have a direct effect  
2 on service delivery. He said that senior management positions could be evaluated, noting that if the City  
3 Manager's position was defunded it could reduce the millage by .3 to .4 mills. Mr. McCue said that  
4 evaluating the cutbacks from "the top down" would realize the greatest savings. He noted that in  
5 addition to the Manager's position, the Public Works Director and Development Services Director are  
6 all long-term employees which increases the cost of carrying them versus the maintenance workers. He  
7 said that these are the only positions that he could realistically recommend reducing at this time,  
8 although he stressed that he did not favor eliminating positions at this time because he did not feel it was  
9 necessary.

10  
11 Council Member Mahoney questioned why Mr. McCue was not recommending the "Permit Specialist"  
12 position for elimination. Mr. McCue responded it was because there was "a workflow in the building  
13 department that that position supports." He called Chester Murray, Development Services Director,  
14 forward to explain further. Mr. Murray advised that the City currently has only one direct position in  
15 the building department. The rest of the positions are contracted through Independent Inspectors  
16 Limited (IIL). He explained that the expenses in the building department are "a function of revenue"  
17 and are based on anticipated revenue collections for building permits. He said that the permit specialist  
18 "bridges" the Development Services Department and IIL. He said that the position primarily does data  
19 entry.

20  
21 Mayor Strickland requested that, based on his years of experience, the City Manager provide some  
22 specific recommendations and discuss the implications of those recommendations. He said that his  
23 recommendation would be the two positions mentioned previously, Community Relations Coordinator  
24 and Leisure Services Coordinator. He said that short of senior management positions these two  
25 positions would "bring the largest impact in the reduction of the tax rate for the minimal loss of  
26 positions." He reiterated that the workloads could be assumed. Mr. McCue said that his only problem  
27 was the fact that elimination of the positions would cause layoffs and people would lose their jobs. He  
28 again assured Council that the workloads of these two positions could be assumed by existing staff.

29  
30 Mayor Strickland asked Mr. McCue to articulate how it would work if Council followed his  
31 recommendation to work "from the top down" in considering positions for elimination. Mr. McCue  
32 compared budgeting in the City with the Corporate world, noting that the objective in the City is to  
33 reduce the tax rate, thereby reducing the tax burden on the public. He said that the top position he  
34 would recommend for elimination is his own. Mr. McCue stated, "I know that sounds pretty radical, but  
35 from my perspective, it's less radical and more progressive." Mr. McCue noted that he has been in the  
36 position for some time, therefore, it is more costly for the City to maintain his employment. He noted  
37 that there are just under forty positions on the senior management team. He said that generally, when  
38 evaluating staff positions, managers tend to ignore themselves and work from the bottom up, rather than  
39 the top down. He said that Council should evaluate his position based on his longevity with the City.  
40 Mr. McCue said that eliminating his position would save the City about .3 mills. He noted that he  
41 currently has an employment contract with the City and dissolving that would have to be negotiated. He  
42 said that one of the department directors could then be promoted to fill the position on a long term basis,  
43 attributing that to "how well organized and how well functioning this city government is." He stated, "I  
44 don't want to use the term 'maintenance', but it would be more of a care taking manager that you would  
45 get in there and you would reduce the expenses by a significant amount for that position." Mr. McCue  
46 advised that the only other position at that level that he could recommend for elimination/replacement  
47 would be the Development Services Director. He said that removing this position would save about .2-  
48 .3 mills. Mr. McCue said that if this position was eliminated rather than his, he would assume those

1 responsibilities. He stated, "So from that point forward, other than the recommendations I made, I really  
2 would advise strongly not to consider doing anything else." He warned that any further reductions  
3 could have a negative effect on service levels and create morale problems. He said that the City  
4 currently has a great retention and recruitment program and cautioned, "If we start making short-term  
5 decisions they're going to have long-term implications that I would advise against facing."  
6

7 Mayor Strickland asked Mr. McCue what his retirement plans are. Mr. McCue responded that he would  
8 be experiencing health issues over the next 3-5 years that will force him to retire. He said that he hoped  
9 to retire in the next two years so that he and his wife can travel. He noted that his employment  
10 agreement with the City is open-ended. Mr. McCue said that if an agreement is reached for him to leave  
11 the City, the goal would be that his position not be filled from outside the organization. He said that this  
12 would provide a savings to the City in the form of a year's salary and benefits. Since this would be  
13 money never spent, it correlates to a direct reduction in ad valorem tax rates. Mr. McCue expressed his  
14 confidence that "a fairly decent Manager" could be hired for about \$80,000, but that would defeat the  
15 purpose of trying to reduce the millage rate. Mayor Strickland clarified that Mr. McCue was saying that  
16 any plan would be contingent upon at least a year of using an Interim Manager. Christine Davis,  
17 Finance Director, stated that cutting the City Manager's position would result in a .2343 reduction in the  
18 millage rate. She said that the City Manager's salary and benefits package costs \$166,700 per year  
19 which would be removed from the budget. Mr. McCue said that the amount including contractual  
20 benefits would be \$214,000 in 2009 and \$228,000 in 2010. Ms. Davis said that equates to .3 mills. Mr.  
21 McCue said that eliminating his salary along with the two positions previously identified would reduce  
22 the tax rate by nearly ½ mill. Ms. Davis confirmed that it would be .46581.  
23

24 Mr. McCue stated, "Keep in mind now....this is where it gets tough, that's a big wad of money because  
25 what you'd end up doing is buying my contract out for two years. And that's a big wad of money." He  
26 said that it appears at this time that between \$400,000 to \$600,000 will be put back into reserves at the  
27 end of the fiscal year. He said that the reserves will be about \$4.5 – \$4.6 million at the end of the fiscal  
28 year. He said it would be necessary to take the buyout money out of the reserves because it is a  
29 one-time cash payout. He reiterated that his expectation would be that the City would buy two years of  
30 his contract. He said that if that money was paid from reserves, it would lower the tax rate and would  
31 not hurt the City's reserve balance in any way going into the next fiscal year. Mr. McCue said that the  
32 only other position that could be cut would be Mr. Murray's, however, he would not recommend doing  
33 that because it "delivers the meat and potatoes that we're trying to reduce the tax rate for."  
34

35 Council Member Laputka questioned how Mr. Murray would handle his current position as  
36 Development Services Director plus serve as Interim City Manager. Mr. McCue said that it would not  
37 be any different than if he eliminated Mr. Murray's position today and then he would have to assume the  
38 responsibility. He said the benefit would be that the demands on the Development Services Director  
39 have diminished with the slowdown in development. Mr. McCue stated, "I don't want to call the City  
40 Manager's job a maintenance position, but we have a very finely tuned organizational structure right  
41 now. The department heads are excellent at what they do." He suggested that a continuity of leadership  
42 could be established by making Mr. Murray the Interim Manager because he is already well known by  
43 staff. He said that the department heads have formed a functional team and that he would not  
44 recommend disturbing that. He stated, "If you went to do a two-year buyout of my contract, what you'd  
45 be doing at that stage of the game is making a decision that somebody will be promoted from within.  
46 The entire Manager's budget, effectively, other than the Administrative Services Coordinator, Roz'  
47 position, that would be the only expense in the budget."  
48

1 Council Member Mahoney prefaced his statement by saying, "This is not intended to be cold." He said  
2 that the City Manager has proposed two options, eliminating the two positions previously identified.  
3 And then the elimination of individual positions, which he did not recommend because it would  
4 adversely affect the people involved, and the other option is to buy out the City Manager's contract. He  
5 expressed his concern that the Council has the responsibility to provide services to the residents in the  
6 most cost-effective manner, and to "put the best team out there." Council Member Mahoney expressed  
7 his respect for Mr. Murray, but he questioned how the "team" would react to his assuming the City  
8 Manager's duties. Mr. McCue responded that he felt because it was planned, it would provide some  
9 continuity to the "team," rather than the effect of "an abrupt change in leadership." Mr. McCue said that  
10 it may be "a small bump in the road" to some staff members, "but life goes on." He acknowledged that  
11 some staff members like him and may feel "a sense of loss" if he were to leave. He expressed his  
12 confidence that it would work out in time.

13  
14 Mayor Strickland asked Mr. Reischmann to comment on the legal implications in implementing a  
15 buyout. Mr. Reischmann noted that the Manager's original contract was for a two-year term in  
16 accordance with the Charter provisions at that time. However, since then, the Charter was amended in  
17 2004 to provide that all Charter officers are hired and terminated at-will. Mr. McCue's contract was  
18 amended to reflect the charter change. Mr. Reischmann noted that the contract contains a six-month  
19 severance provision which would apply if Mr. McCue was terminated involuntarily. Mr. Reischmann  
20 advised that the only way the City Manager could be denied his severance is if he was convicted of a  
21 crime. Mr. McCue stated that he felt the terms of the contract termination could be negotiated. Mr.  
22 Reischmann advised that his firm negotiates such agreements regularly.

23  
24 Council Member Abraham suggested that there are other areas of the budget which could be reduced  
25 such as travel and training. He asked what the reduction in the millage would be if the travel/training  
26 budgets were reduced to \$5,000 for each department. Ms. Davis responded that it would not be practical  
27 in the police and fire departments as they have statutory requirements for their training. Mr. McCue  
28 said that it takes \$70,000 in cuts to reduce the millage by 1/10<sup>th</sup> of a mill. Council Member Abraham  
29 suggested that additional money could be saved by reducing the amount spent on consultants. Ms.  
30 Davis advised that the total spent on travel and training city-wide is \$108,000. Excluding police and fire  
31 the amount is \$60,000. She said that if that entire amount was cut it would amount to a reduction of  
32 1/10<sup>th</sup> of a mill. She said that each individual department would have to be reviewed to determine how  
33 much is required to maintain professional certifications, etc. Council Member Abraham said that he  
34 reviewed the budgets of many other cities and they did not have such large amounts budgeted. He  
35 stated, "For a small city like Orange City, I am really surprised that this kind of expenses are incurred by  
36 the departments for travel and training every year." He said that he has inquired at other, larger cities  
37 and was told that they are not going to trainings because they don't have the time. Council Member  
38 Abraham expressed his objection to trips such as the one to Tallahassee last year. He expressed his  
39 opposition to laying people off and at the same time spending money on things like travel because it is  
40 "unfair."

41  
42 Mayor Strickland questioned whether there has been a decrease in some of these line items as a result of  
43 the economy in general. He noted that no one is attending the Florida League of Cities conference this  
44 year.

45  
46 Mr. McCue said that he implemented a new system for training which requires that all training and  
47 travel must be approved by him. He said that what he found was "remarkable." He noted that a great  
48 deal of training is received for free. He said that he has denied a number of training and travel requests.

1 Council Member Abraham said that he was also looking at legal expenses, noting that the proposed  
2 budget figure is \$230,000. He questioned why it is so high and suggested that it could be reduced. He  
3 stated, "We need to think in different ways" and suggested having some positions become part-time  
4 rather than full-time.

5  
6 Vice Mayor Allebach stated that there are several nearby communities with "no leadership," citing the  
7 current flooding in DeBary as an example. The Vice Mayor said that leadership is one of the hardest  
8 things to develop in any company." He contrasted this with the City's emergency response to the  
9 flooding crisis at the hospital. Vice Mayor Allebach stated, "We want to say what we need to do is save  
10 somebody \$5 to \$10 a year through our community and forego the accomplishments that have been  
11 building up, for \$5 or \$10." In conclusion, the Vice Mayor stated, "What you're talking about is turning  
12 off the progress for \$20."

13  
14 Council Member Mahoney recalled that at the previous budget workshop, the City Manager had told  
15 him to arbitrarily pick a millage rate and he disagreed, stating that he wanted to look at "the structure" of  
16 the budget and millage rate. He stated, "Our roll back rate exceeds the maximum rate. So, effectively,  
17 if we adopt the roll back rate all we're doing is taking the benefits of Amendment 1, the savings, and  
18 passing it on to those who do not enjoy those benefits. The maximum rate effectively starts with the roll  
19 back rate and accounts for Amendment 1. So, having said that, it might sound arbitrary and I apologize,  
20 but the voters went to the polls in January and voted Amendment 1. The message wasn't to pass it on to  
21 someone else. The message was to the governments to absorb that. So in that respect, I now do have an  
22 arbitrary rate, it's 4.62633. I would like to see us at or below that millage rate." Council Member  
23 Mahoney reiterated his belief in the importance of not circumventing the objectives of Amendment 1.  
24 He said that the City is responsible for assembling a team that provides services in a most cost efficient  
25 manner. Council Member Mahoney stressed that he does care about people's jobs, but that he is also  
26 responsible to the tax payers. He stated that good leaders are often faced with making tough decisions.

27  
28 Council Member Abraham asked Council Member Mahoney if he was insinuating that there are good  
29 leaders in Orange City, but not in DeBary. Council Member Mahoney responded in the negative,  
30 clarifying that he does not support cutting funding for continuing education for staff. Council Member  
31 Abraham responded to Vice Mayor Allebach's comments by stating his understanding that many of the  
32 people employed by the City of DeBary hold degrees. He stated, "Let's not sit here and insult DeBary's  
33 leadership." Vice Mayor Allebach said that his comment was specific to the flooding. Council Member  
34 Abraham stated that because of DeBary's contractual relationships with the County, "they are in good  
35 shape." He noted that their millage rate is at 2.9 and when he inquired of them how they can keep it so  
36 low, he was told it was because of their contracted services with the County. Mr. McCue stated, "That  
37 is not right." He said the millage rate is kept that low because of the power plant located within the  
38 City. Mr. McCue advised that the City of DeBary spent \$8 million of their reserves over the past two  
39 years. He said that their City Manager was doing "a tremendous job down there," but he reiterated that  
40 the low millage rate is because the power plant contributes millions of dollars per year in tax proceeds.  
41 Vice Mayor Allebach restated his opinion that the flooding problems in DeBary were due to a policy  
42 decision which he felt was "a mistake." The Vice Mayor stated, "My opinion, and the leadership here,  
43 is if we want to cut off everything that's been going, I feel, in the right direction in Orange City, I think  
44 that's inappropriate." Council Member Mahoney questioned how it could be inappropriate when the  
45 Manager is saying that there would still be a continuity of services even with a reduction in the millage  
46 rate from 4.75 to 4.58 and the elimination of two positions. Vice Mayor Allebach responded that his  
47 concerns were if Council tried to lower the millage rate even further by eliminating the City Manager  
48 which would halt forward progress. He stressed the importance of continuing education for staff, noting

1 that it contributes to the City's low attrition rate. The Vice Mayor noted decreasing property values that  
2 the citizens are experiencing.

3  
4 Council Member Abraham stated that he must make adjustments to his personal budget when times are  
5 tough which sometimes requires cutbacks in spending for certain items. He noted that many staff  
6 members have cell phones provided by the City at a cost of \$50 per month or more. He suggested that  
7 the budget needs to be examined for areas which are "luxuries" and could be cut.

8  
9 Mr. McCue responded that if budgeted positions which are vacant are simply "frozen," it does not result  
10 in a reduction in the tax rate. He said that a hiring freeze is only used when an organization is in a  
11 financial crisis. He said that to reduce the tax rate, the positions must be taken out of the budget.

12  
13 Mayor Strickland observed, "We have lots of things on the table." He said that he would like to explore  
14 looking at the impact on the budget by making changes "from the top down" and to look at the costs  
15 involved in negotiating that. Mr. McCue advised that it would cost about \$440,000 to buy out his  
16 contract for two years. He said that the cash for the buyout would be available at the end of the fiscal  
17 year which would not require tapping into reserves. Mr. McCue stated, "We could look at it from a  
18 more creative position than just buying me out, but then maybe what you do is you reduce the obligation  
19 for my two-year buyout and we negotiate a side consulting agreement that doesn't require me to be here.  
20 That you pay out over that period of time whatever you want so that I can pop in and out and assist the  
21 Council or assist Chester if you're going to start going down the path of recruiting next year and things  
22 like that." He said that rather than a payout, he could sign a contract to earn the money over the next  
23 year. Mr. McCue stated, "There's ways that we could work the numbers....I mean \$440,000 is a big nut  
24 to bite into, there's no question about it."

25  
26 Mayor Strickland said that Mr. McCue's proposal "makes a lot of sense" and would address some of the  
27 issues of transition and continuity in leadership which would be "favorable" for the City. Mr. McCue  
28 stated, "I don't want to leave. Please understand very sincerely, I love Orange City and I'm retiring  
29 here." He said that the impact could also be reduced by just keeping him on the City's monthly  
30 retirement and health insurance payments rather than a lump sum payout for those items. He stated,  
31 "Those are the types of things you could look at to reduce the cash out the door, keep me having some,  
32 providing some level of service or value to the Council and to the staff and reducing your tax rates  
33 pretty significantly." Mayor Strickland expressed that he felt it would be "very desirable" to look at that  
34 option. Mr. McCue cautioned that he had been "talking off the top of my head" and would have to  
35 look at the hard figures. He said that he would put some information together. Mayor Strickland noted  
36 that would provide the opportunity for Mr. McCue to maintain some involvement while allowing him to  
37 do some traveling. Mr. McCue observed that this would avoid the "coldness of just terminating a  
38 manager" which could have a lingering effect on the organization. He suggested that terminating him  
39 for the sake of a tax reduction would have a lasting effect on the City. Mayor Strickland concurred that  
40 it "would not be good for the City, nor for you." He said that "everybody needs to win on what we do  
41 with this." Mr. McCue stated, "So we wouldn't have that to worry about. If this comes out this way,  
42 you're not going to have me to worry about because I'm the one that's throwing this out here on the  
43 table." He said that he would get with the Finance Director and put together some spreadsheets which  
44 he will email to everyone. He said that he would look for ways to reduce the expense that don't "show a  
45 big check going out the front door." Mr. McCue stated, "We don't need 'McCue gets a big cash  
46 handling on the way out the door.'" He said that even though it's the same as a severance check if he  
47 was to get fired, "it's still a very big check to write for six months." Mr. McCue said that he would put

1 something together. Council Member Mahoney asked if Mr. McCue would be putting two sets of  
2 numbers together. Mr. McCue responded that he has the other set together now.

3  
4 Vice Mayor Allebach said that the City would not win either way. He stated, "Write the check and let's  
5 walk. If that cures the venom that keeps getting spewed in this community right now and is tearing it  
6 apart because there's a hatred running around against John McCue, for whatever reason. Then let's end  
7 it now." In conclusion, the Vice Mayor stated, "If that's going to cure the tumultuousness that keeps  
8 coming up every month for the next two years.....we need to do that." He said that the City should  
9 proceed expeditiously if this will solve the problem.

10  
11 The Mayor asked Council Member Mahoney if he agreed with Vice Mayor Allebach. Council Member  
12 Mahoney said that he agreed with what he said, but that he did not agree with the entire premise of the  
13 discussion. The Vice Mayor expressed his concern regarding the impact on the community if the status  
14 quo is maintained.

15  
16 Council Member Laputka asked, "So where do we go from this meeting?" Mr. McCue responded that a  
17 budget hearing is scheduled for September 9<sup>th</sup> at which time this change would be incorporated into the  
18 budget. He said that he would distribute the impact sheets that had been prepared detailing the changes  
19 associated with the elimination of the two positions previously mentioned. He would also get  
20 information out regarding the changes discussed for the Manager's position as soon as he could get it  
21 ready.

22  
23 **3. ADJOURN**

24  
25 The meeting was adjourned at 7:37 p.m.

26  
27 Respectfully Submitted:

Approved on:

28  
29  
30 Deborah J. Renner, CMC  
31 City Clerk

9/9/08