



City Council Chamber  
735 Eighth Street South  
Naples, Florida 34102

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**City Council Special Budget Meeting -September 15, 2003 – 5:07 p.m.**

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Mayor MacKenzie called the meeting to order and presided.

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**ROLL CALL .....ITEM 1**

**Present:**

Bonnie R. MacKenzie, Mayor  
Gary Galleberg, Vice Mayor – arrived at 5:45 p.m.

**Council Members:**

Joseph Herms  
William MacIlvaine  
Clark Russell  
Penny Taylor  
Tamela Wiseman

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**Also Present:**

Robert Lee, City Manager  
Robert Pritt, City Attorney  
Pamela M. Koepke, Recording Specialist  
Karen Kateley, Administrative Specialist  
Jessica Rosenberg, Deputy City Clerk  
Ann Marie Ricardi, Finance Director

**Media:**

Dianna Smith, Naples Daily News

Other interested citizens and visitors

Mayor MacKenzie made the following statements: This is a special meeting of the Naples City Council and, as such, only the items listed on the published agenda may be considered. State law requires that the first substantive issue to be discussed will be the percent increase, if any, in the millage rate over the rolled-back rate, which is necessary to fund the budget and the specific purposes for which the ad valorem tax revenues are being increased, if they are to be increased. During this discussion the City Council will hear comments regarding the proposed increase, if any, and will explain the reasons for any proposed increase over the rolled-back rate. If anyone wishes to speak to Council, please complete a registration form at the rear of the room. Anyone from the general public will be allowed to speak and ask questions prior to the adoption of any measures by the Council. The Council will adopt the tentative millage rate prior to adopting the tentative budget. Tax levies and budgets for dependent special taxing districts will be adopted at the hearing following the discussion and adoption of the levies and budgets for the City. Council may adopt the tax levies for all of its dependent special taxing districts and may adopt the budgets for all of its dependent special taxing districts by a single unanimous vote; however, if a member of the public requests that the tax levy of the budget of a dependent special taxing district be discussed separately, Council will discuss and adopt that tax levy or budget separately. Mayor MacKenzie concluded by announcing that the final millage and budget hearing would be conducted in the City County Chamber on Monday, September 29, 2003, at 5:05 p.m.

**Public Comment:** (5:10 p.m.) **Gordon Skrede**, City Engineering Department, said that in November of 2002 the pension shortfall was discussed by Attorney Robert Sugarman with the former City Manager and the Finance Director. In July and August of 2003 the pension shortfall of approximately \$1 million was announced, which caused a chaotic effect among the employees; rumors were rampant, morale dropped, and a proliferation of information was circulating, he said. Mr. Skrede further advised that he attended meetings where employees were told that they would contribute a percentage to address the shortfall. However, he noted the percentage changed over time, which augmented the decline in morale and the extent of rumors. Then a call for employees to organize was raised, he said, but others expressed a wait-and-see attitude. Noting that the shortfall was caused by investment losses, Mr. Skrede said however that on the same day that the shortfall was realized in November 2002, James Demming of Montage-Caldwell (pension asset managers) had reported a rise in that stock market between October and that November, making up for the shortfall. Mr. Skrede also said that there is the possibility that there is no longer a shortfall. He also referred to Chapter 112, Florida Statutes, which he said addresses pension funds and apparently supercedes any local ordinance and also indicates that taxpayers are required to contribute to any shortfall. In conclusion, Mr. Skrede suggested that Council delay making a decision until the anticipated actuarial report for the current year is presented.

City Manager Robert Lee identified the following items provided in the meeting packet and which are contained in the file for this meeting in the City Clerk's Office: a comparison of the proposed as well as the adopted budget and changes as a result of the reorganization as it pertains to the submittals of the June 2003 budget workshop meetings. City Manager Lee said it would be appropriate to address the pension issue at this time and said that he had prepared a report that included: a statement of the problem; a chronology of events; the action taken to correct the problem; an overview of manager and employee meetings; and recommendations (Attachment 1). City Manager Lee indicated that information dating back to November 2002 regarding the pension issue had been provided in the meeting packet (a copy of which is contained in the file for this meeting in the City Clerk's Office).

City Manager Lee cited what he described as lengthy delays in addressing the shortfall situation and characterized as misinformation the position of the attorney and actuary for the Pension Boards who had opined that the obligation to fund the deficit rested with the City. This misinformation had been communicated in November 2002 and reaffirmed in February of 2003 by this same attorney, Manager Lee advised, and as recently as the latest Pension Board meeting the attorney continued to take that position. Manager Lee said that this had however created an atmosphere of distrust and low morale among employees as well as concern among City Council Members and citizens.

City Manager Lee then reviewed the information listed above and described in Attachment 1.

Commending City Manager Lee on the above presentation, Mayor MacKenzie responded to Mr. Skrede (public speaker above) to the effect that Chapter 112, Florida Statutes, calls for the City to provide a plan to assure the actuarial soundness of the pension plans which in fact had been done. City Manager Lee confirmed the amount of the shortfall as being \$966,000. Finance Director Ann Marie Ricardi explained the amount identified could not be changed and she

confirmed that Mr. Skrede was correct in that an actuarial report for the next fiscal year is due in November 2003, which would take into account any improvements in the stock market. Mayor MacKenzie also noted that there is a difference between pension fund financial and actuarial soundness, however.

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**It is noted for the record that Vice Mayor Galleberg entered the meeting at 5:45 p.m.**

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City Manager Lee said however that pensions being actuarially sound and financially sound are somewhat synonymous because an actuary is conducting the review. He further explained that a large number of variables go into the actuarial formulas used in assessing the condition of pension funds. These include anticipated investment performance as well as employee salaries and length of service. City Manager Lee also confirmed for Mayor MacKenzie that actuarial soundness is mandated by statute and observed that even though the stock market may be performing well, it should not be assumed that the upcoming actuary report would be optimistic.

City Manager Lee said the proposed aggregate millage rate of 1.1263 mills exceeds the current year's aggregate rolled-back rate of 1.0462 mills by 7.6563%. He attributed this to increases in employee benefits and reductions in state revenues and user fees.

**ORDINANCE (First Reading)..... ITEM 2-a (1)**  
**AN ORDINANCE DETERMINING AND FIXING THE 2003 TAX LEVY AND MILLAGE RATE FOR THE CITY OF NAPLES, EXCLUSIVE OF DEPENDENT TAXING DISTRICTS, FOR THE PURPOSE OF PROVIDING SUFFICIENT FUNDS FOR THE GENERAL FUND OPERATIONS; PROVIDING A SEVERABILITY CLAUSE, A REPEALER PROVISION AND AN EFFECTIVE DATE.** Title read by City Manager Robert Lee (5:50 p.m.).

**Public Comment:** None (5:51 p.m.).

In response to an inquiry made by Council Member Herms prior to this meeting, Finance Director Ricardi explained the general fund budget is \$11,604,000 more than the prior year, equating to a revenue increase of 12% in ad valorem taxes. Vice Mayor Galleberg however observed that revenues derived from sales tax, gas tax and franchise fees have decreased by approximately the same amount. Therefore, he said, this represents a change in allocation outside City Council's control. Council Member Russell said this nevertheless represents a reduction in the millage rate, which was the goal of Council. Finance Director Ricardi confirmed that the millage rate had dropped from 1.113 to 1.110.

Council Member Herms pointed out however that from 1995 to 2000 the City increased revenues by 9.5% while revenues during the past four years have increased 57%. Vice Mayor Galleberg reminded Mr. Herms that the allocations have changed; overall budgeting had become more disciplined.

In further discussion it was noted that changes in the budget total would require corresponding changes in the millage rate, while allocations within the budget could nevertheless be altered. City Attorney Pritt also noted that while the budget could be reduced during final reading of the applicable ordinances, it would not be possible to increase it. City Manager Lee, however, clarified that the actual budget could increase if the fund balance is used to offset the recommendation regarding the pension, which could be adjusted at second reading. City Manager Lee and Finance Director Ricardi then indicated that only the budget total, not the millage rate would be affected by a recommended additional \$214,000.

**MOTION by Russell to APPROVE this Ordinance on First Reading, as submitted; seconded by MacIlvaine and carried 5-2, all members present and voting (Galleberg-yes, Herms-no, MacIlvaine-yes, Russell-yes, Taylor-no, Wiseman-yes, MacKenzie-yes).**

Council Member Herms said rather than 12% he could have supported an increase of approximately 9%. Vice Mayor Galleberg however observed that over the previous two years the Council had been effective in actually lowering the millage rate. Council Member Herms said that neither his budget reduction recommendations the prior year nor his suggestions for the 2003-04 budget had been heeded, noting that a review should be undertaken regarding decreasing amounts paid by enterprise funds for general fund services. Several millions dollars, he said, could be offset by the latter. While Vice Mayor Galleberg responded that only certain charges from enterprise funds are in fact lawful, Mr. Herms said that greater charges in the past were also within the confines of the law. He said, therefore, that it depends on what level of analysis had been conducted.

Prior to review of the next item, it was ascertained that the budget would be increased by \$214,424 for a total of \$85,177,577, City Attorney Pritt having advised that it would be sufficient to indicate the methodology by which totals changed along with the beginning figure.

**ORDINANCE (First Reading)..... ITEM 2-a (2)**  
**AN ORDINANCE ADOPTING THE FINAL BUDGET FOR THE CITY OF NAPLES, EXCLUSIVE OF DEPENDENT TAXING DISTRICTS, FOR FISCAL YEAR COMMENCING OCTOBER 1, 2003 AND ENDING SEPTEMBER 30, 2004; APPROPRIATING FUNDS FOR OPERATING EXPENSES OF THE CITY OF NAPLES FOR THE GENERAL OPERATION OF SEVERAL DEPARTMENTS OF THE CITY, INCLUDING UTILITIES, AND FOR CONTRIBUTING TO THE SINKING FUNDS OF THE CITY TO PAY INTEREST ON AND PROVIDE FOR THE RETIREMENT OF THE OUTSTANDING BONDS AND OTHER FIXED OBLIGATIONS OF THE CITY AND THE UTILITY TAX FUND FOR AND DURING THE FISCAL YEAR COMMENCING OCTOBER 1, 2003, AND ENDING SEPTEMBER 30, 2004; PROVIDING A SEVERABILITY CLAUSE, A REPEALER PROVISION AND AN EFFECTIVE DATE.**  
Title read by City Manager Robert Lee (6:04 p.m.). Finance Director Ann Marie Ricardi explained the amendments were precipitated by pension ordinance changes and corresponding collective bargaining agreements. The proposed budget of \$84,963,153 would therefore be increased by \$214,424 and would total \$85,177,577.

**Public Comment:** None (6:06 p.m.).

**MOTION by Russell to APPROVE this Ordinance on First Reading AS AMENDED by changes as noted; seconded by MacIlvaine and carried 5-2, all members present and voting (Galleberg-yes, Herms-no, MacIlvaine-yes, Russell-yes, Taylor-no, Wiseman-yes, MacKenzie-yes).**

**ORDINANCE (First Reading).....ITEM 2-b (1)**  
**AN ORDINANCE DETERMINING AND FIXING THE 2003 TAX LEVY AND MILLAGE RATE FOR THE EAST NAPLES BAY SPECIAL TAXING DISTRICT, FOR THE PURPOSE OF PROVIDING SUFFICIENT FUNDS FOR THE OPERATIONS OF THE SPECIAL TAXING DISTRICT; PROVIDING A SEVERABILITY CLAUSE, A REPEALER PROVISION AND AN EFFECTIVE DATE.** Title read by City Manager Robert Lee (6:07 p.m.).

**Public Comment:** None (6:07 p.m.).

***MOTION** by Wiseman to **APPROVE** this Ordinance on First Reading, as submitted; seconded by MacIlvaine and unanimously carried, all members present and voting (Galleberg-yes, Herms-yes, MacIlvaine-yes, Russell-yes, Taylor-yes, Wiseman-yes, MacKenzie-yes).*

**ORDINANCE (First Reading).....ITEM 2-b (2)**  
**AN ORDINANCE DETERMINING AND FIXING THE 2003 TAX LEVY AND MILLAGE RATE FOR THE MOORINGS BAY SPECIAL TAXING DISTRICT, FOR THE PURPOSE OF PROVIDING SUFFICIENT FUNDS FOR THE OPERATIONS OF THE SPECIAL TAXING DISTRICT; PROVIDING A SEVERABILITY CLAUSE, A REPEALER PROVISION AND AN EFFECTIVE DATE.** Title read by City Manager Robert Lee (6:08 p.m.).

**Public Comment:** None (6:09 p.m.).

***MOTION** by Wiseman to **APPROVE** this Ordinance on First Reading, as submitted; seconded by MacIlvaine and unanimously carried, all members present and voting (Galleberg-yes, Herms-yes, MacIlvaine-yes, Russell-yes, Taylor-yes, Wiseman-yes, MacKenzie-yes).*

**ORDINANCE (First Reading)..... ITEM 2-c (1)**  
**AN ORDINANCE ADOPTING THE FINAL BUDGET FOR THE EAST NAPLES BAY SPECIAL TAXING DISTRICT FOR FISCAL YEAR COMMENCING OCTOBER 1, 2003 AND ENDING SEPTEMBER 30, 2004; APPROPRIATING FUNDS FOR OPERATING EXPENSES OF THE CITY OF NAPLES FOR THE GENERAL OPERATION OF THE EAST NAPLES BAY SPECIAL TAXING DISTRICT FOR AND DURING FISCAL YEAR COMMENCING OCTOBER 1, 2003 AND ENDING SEPTEMBER 30, 2004; PROVIDING A SEVERABILITY CLAUSE, A REPEALER PROVISION AND AN EFFECTIVE DATE.** Title read by City Manager Robert Lee (6:09 p.m.).

**Public Comment:** None (6:10 p.m.).

***MOTION** by Russell to **APPROVE** this Ordinance on First Reading, as submitted; seconded by MacIlvaine and unanimously carried, all members present and voting (Galleberg-yes, Herms-yes, MacIlvaine-yes, Russell-yes, Taylor-yes, Wiseman-yes, MacKenzie-yes).*

**ORDINANCE (First Reading)..... ITEM 2-c (2)**  
**AN ORDINANCE ADOPTING THE FINAL BUDGET FOR THE MOORINGS BAY SPECIAL TAXING DISTRICT FOR FISCAL YEAR COMMENCING OCTOBER 1, 2003 AND ENDING SEPTEMBER 30, 2004; APPROPRIATING FUNDS FOR OPERATING EXPENSES OF THE CITY OF NAPLES FOR THE GENERAL OPERATION OF THE MOORINGS BAY SPECIAL TAXING DISTRICT FOR AND DURING FISCAL YEAR COMMENCING OCTOBER 1, 2003 AND ENDING SEPTEMBER 30, 2004; PROVIDING A SEVERABILITY CLAUSE, A REPEALER PROVISION AND AN EFFECTIVE DATE.** Title read by City Manager Robert Lee (6:10 p.m.).

**Public Comment:** None (6:10 p.m.).

***MOTION** by MacIlvaine to **APPROVE** this Ordinance on First Reading, as submitted; seconded by Russell and unanimously carried, all members present and voting (Galleberg-yes, Herms-yes, MacIlvaine-yes, Russell-yes, Taylor-yes, Wiseman-yes, MacKenzie-yes).*

**ORDINANCE (First Reading).....ITEM 3**

**AN ORDINANCE AMENDING SECTION 2-146 OF THE CODE OF ORDINANCES OF THE CITY OF NAPLES FOR THE PURPOSE OF ADOPTING A REVISED ORGANIZATIONAL CHART; PROVIDING A SEVERABILITY CLAUSE, A REPEALER PROVISION AND AN EFFECTIVE DATE.** Title read by City Manager Robert Lee (6:11 p.m.).

**Public Comment:** (6:11 p.m.) **Sue Smith, 15-11<sup>th</sup> Avenue South**, confirmed with City Manager Robert Lee that he was intending that Planning Director Ron Lee oversee the new Community Development Department. Mrs. Smith then requested an explanation regarding the reorganization and City Manager Lee indicated that Planning, Building & Zoning, Geographic Information Services and Code Enforcement would be combined into one department with Ron Lee as director. The concept, he explained, would better utilize City resources and locate related services together for the convenience of the public. Mrs. Smith said that she continues to experience difficulty in obtaining public information from Planning Director Lee and his department, having both visited there and requested information in writing, to no avail.

Mayor MacKenzie confirmed with Mrs. Smith that she was opposed to the appointment of Ron Lee as director rather than to the reorganization itself. Mayor MacKenzie indicated that the reorganization is within the City Manager's authority, including staffing. She then suggested Mrs. Smith contact the City Clerk for records assistance, or the City Manager, if she is experiencing difficulty with a particular employee. City Manager Lee indicated that he was aware of the situation, and that as a result of Mrs. Smith's inquiries, was a request for postponement of an item before the Planning Advisory Board (PAB), but that he also recognizes Ron Lee's professionalism and responsiveness. (We need to rework this sentence about the PAB. I think something's missing after editing.) Mayor MacKenzie pointed out that during her tenure there had been several instances of departmental reorganization by the City Manager.

**MOTION by Wiseman to APPROVE this Ordinance on First Reading, as submitted; seconded by Russell and carried unanimously, all members present and voting (Galleberg-yes, Herms-yes, MacIlvaine-yes, Russell-yes, Taylor-yes, Wiseman-yes, MacKenzie-yes).**

**PUBLIC COMMENT**.....  
See Page 2.

**ADJOURN** .....  
6:24 p.m.

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Bonnie R. MacKenzie, Mayor

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Tara A. Norman, City Clerk

Minutes prepared by:

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Pamela M. Koepke, Recording Specialist

Minutes Approved: 11/5/03