

City Manager's PROGRESS REPORT

Changes in the economy have been dramatic. Consequences include a reduction in funds for local government operations. Challenges range from a spike in home foreclosures to an escalation in the crime rate. New realities include an abrupt halt to annual population increases here and throughout Florida.

The City of Melbourne is focusing on the preservation of core services that are foundation stones for our quality of life. Melbourne's responsibilities go far beyond the municipal borders. Along with being at the geographic center of the South Brevard County urban area, Melbourne is the focal point for jobs, technological advancement, medical care, cultural events, and higher education.

This report provides information about how Melbourne's government is performing and how the City organization is being positioned to meet community responsibilities. The information presented here, and more, will be taken into consideration by elected officials as they shape a new budget later this year. By law, the budget must balance expenditures with revenue. The task is challenging, even in good times. New to the equation is the continuing decline in revenues.

Even as the belt-tightening has continued, the City of Melbourne has completed many improvements and achieved a variety of successes, some dramatic and others noted only by dedicated employees who complete work that ensures availability of essential infrastructure and services.

Some of the investments being made in public resources will yield results over a period of years. Ongoing improvements to the water and wastewater infrastructure are good examples. However, much of our collective energies must be directed toward fulfilling each day's new requirements.

Responding to Emergencies

The incredible amount of rainfall delivered by Tropical Storm Fay last summer reminded us that local government must expect the unexpected. To help protect Melbourne homes from Fay's August deluge, our employees prepared 11,000 sand bags, using 211 tons of sand. As the record-setting rain fell, our employees made the decision to mobilize large, flatbed trucks in an effort to get sandbags to residents.

In portions of South Melbourne, 25 inches of rainfall overwhelmed some drainage structures and caused serious flooding. Melbourne police officers and firefighters began an assistance and rescue operation that included the use of airboats to evacuate some residents.

The recovery period saw FEMA set up two centers in Melbourne, one at the Grant Street Community Center and the other on

WELCOME TO MELBOURNE

Mayor Harry Goode welcomes Governor Charlie Christ and representatives of Embraer, the Brazil-based company that plans to assemble and sell mid-sized passenger jet aircraft at sites near Melbourne International Airport. The inset photo shows Embraer aircraft.



John Rodes Boulevard. More than 1,800 federal assistance claim forms were submitted.

Work has been underway since then to repair damaged drainage structures and other infrastructure. The Engineering Department took the lead in arranging for \$2.8-million in federal grant funds toward the \$3.4-million cost of major improvements to a pair of primary drainage canals.

In September, the threat of two hurricanes prompted citywide preparations to minimize damage and allow a rapid response to community needs. The City again prepared sandbags for free distribution to those protecting properties in flood-prone areas.

The City secured a half-million-dollar 'My Safe Florida Home' grant to help Melbourne residents strengthen their homes against hurricanes. About 110 homes are expected to benefit from the improvements.

A different emergency, the wildfires in May of 2008 in Palm Bay, prompted assistance to the neighboring city that went beyond the traditional aid from firefighters. Melbourne workers repeatedly hauled water to fire scenes. Staff from the Fleet Management Division assisted by delivering fuel and making electrical repairs to lights torn from many of the brush trucks.

A different kind of threat is being posed by the economic crisis. The City's Code Compliance Division has received an increasing number of complaints about abandoned properties due to foreclosures. As a result, the City Council approved a registration program for mortgage holders. The City will now know who to contact so that properties with maintenance problems can be corrected. Code officers are now authorized to take emergency action to protect the public safety.

The City Council has authorized application to the Florida Department of Community Affairs for a \$1.9-million grant under the Neighborhood Stabilization Program. Melbourne is to use the funds for acquiring

and rehabilitating foreclosed homes and other residential properties in areas of greatest need. The properties are to be available for sale or rental to individuals and families.

Dealing with Challenges

The elected officials who serve the City of Melbourne are called upon to employ their wisdom and experience in helping the community. In 2008, the Melbourne City Council saw the departure of two elected officials with long and exemplary service records. Both Cheryl Palmer and Richard Contreras had completed two consecutive terms as elected officials, the maximum allowed by the City Charter.

In November, voters selected Mike Nowlin, a lead technician for Florida Power and Light, to serve a four-year term as the District 1 member of the City Council. Council Member Nowlin served for 10 years on the City's Zoning Board of Adjustment. Selected for the District 5 seat was attorney Molly Tasker. Council Member Tasker served as an attorney for the Central Intelligence Agency before retiring and returning to live in Brevard County.

Mayor Harry Goode began a second term in that office after being elected without opposition. Mayor Goode, who previously served as mayor from 1979 to 1986, was returned to the position by voters in 2004 after extended service in the Florida legislature.

Voters elected Council Member Kathy Meehan to a second District 3 term in November. Council Member Meehan is a sales representative for Meehan's Office Products and previously served on the City's Planning and Zoning Board.

Budget Work Coming Soon

The current budget sets expenditures at \$166.4-million and reflects a reduction in operating expenses and capital purchases in response to projections of reduced revenues.

The current property tax rate is unchanged from the previous year, remaining at \$4.48 per \$1,000 of taxable property



valuation. As a result, revenue decreased by nearly \$170,000. Other revenue decreases necessitated reduction of nearly \$2-million in the General Fund Budget as compared to the previous year. Property taxes provide 31% of General Fund revenues and 12.5% of overall revenues to the City.

In the current fiscal year, a \$67-million General Fund Budget provides for day to day operations of police, fire, streets and storm-water maintenance, recreation, and other municipal services. The \$24.8-million Capital Improvements Projects Fund provides for facilities and infrastructure projects.

The budget also includes two self-sustaining funds that receive revenue directly from customer payments: a \$50.4-million Water and Sewer Fund and a \$3-million fund for the two municipal golf courses. A budget of \$1.3-million was approved for the City stormwater program, an assessment-funded effort to reduce flood risks and comply with federal environmental mandates.

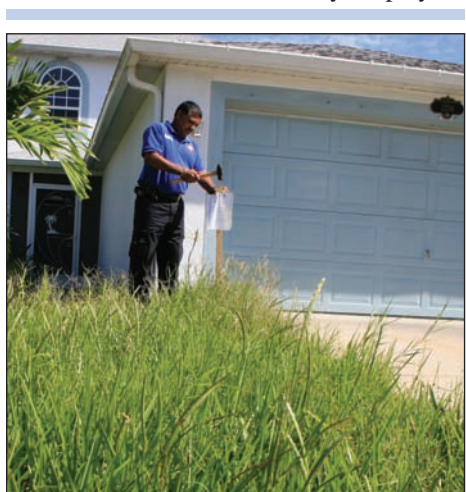
The City continues to aggressively seek state and federal grants to improve Melbourne's public infrastructure and services. Grants in the current year totaling \$1,486,835 are providing housing assistance, improvements in community facilities, and other aid to low-income neighborhoods and residents.

Other grants valued at more than \$3.3-million include \$2,565,000 in federal assistance to fund major drainage improvement projects, \$565,000 from a state grant to support economic development, and \$193,128 to support police services.

Financial Stability is Maintained

Melbourne was again awarded the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting earlier this year. The award reflects a City goal of exercising a high level of fiscal responsibility.

Among the efforts to control costs was the successful transfer of many employees



FORECLOSURES of Melbourne homes has required City actions to protect neighborhoods with multiple vacant homes.

from a local retirement fund to the Florida Retirement System to reduce the rate of contribution by the City. Employee health insurance was renewed with no cost increases to the City or to employees. Another example of cost reductions was the recent receipt of a \$29,930 rebate check resulting from the City's conversion of payments to vendors to a credit card system.

In order to maintain the financial health of the utility system, rates are being adjusted over a five-year period to allow for system improvements and increasing costs of operations. Rates are to be adjusted by 5% this year and in each of the following two years.

Two separate, recent studies have recommended changes in the utility rate structure to ensure that all water customers are paying their fair share for the cost of the production and distribution system. The anticipated result is a reduction in the amount of the upcoming water rate adjustment for all residential customers and most businesses.

The City is also in the process of recovering funds from FEMA for expenses incurred during Tropical Storm Fay. We anticipate a reimbursement of \$400,000 during the current budget year.

Planning Melbourne's Future

City planners completed several activities in 2008 that are intended to set the stage for a complete update of the Melbourne Comprehensive Plan as mandated by the state. The work included completion of an 'Evaluation and Appraisal Report' and preparation of a 'Vision Plan 2020' for City Council consideration.

The physical size of the City grew to 41 square miles in 2008, with seven voluntary annexations adding 20 acres, including the oceanfront Melbourne Beach Hilton.

Planning efforts must take into account the various impacts of the altered economy. For instance, Melbourne's population changed little from 2007 to 2008. The population estimate from the University of Florida actually showed a decline of 80 people to a Melbourne population of 78,308. The estimate is consistent with reports from throughout Florida. The unending flow of newcomers is apparently coming to a halt and many in construction trades have migrated to states that are lesser-affected by the recession.

However, many indicators of a healthy, dynamic economy were evident in Melbourne during 2008 despite the dramatic downturn in the housing market. Staff in the Code Compliance Division completed 3,129 construction plan reviews in 2008 and issued 4,848 permits. Staff completed 17,727 inspections of construction projects started in 2008 or continuing from previous years. During the year, 672 certificates of occupancy were issued.

The value of residential construction,

both new structures and renovations or additions, was set at \$72-million for the year, an increase of about \$4-million as compared to 2007. The value of commercial construction of all types was recorded at \$118-million, an increase from a \$77.6-million value in 2007. The value of miscellaneous construction was \$26.5-million, a drop of \$9-million from the previous year.

The demand for services for the Code Compliance Division remained at about 26,000 requests annually. City responses to citizen complaints resulted in about 10,000 citations for violations of city codes. Of those cases, 113 were eventually submitted to the Code Enforcement Board for action.

Development Activities Continue

City staff continues to process commercial construction permits at a steady rate and there remains a substantial level of activity within the urban core area. Those investments represent what planners sometimes call 'smart growth,' since it avoids urban sprawl.

Some investments in Melbourne stem from long-range visions of area employers such as Florida Institute of Technology, where multiple construction projects are boosting world-class educational resources. Other investments require encouragement. The City works with the State of Florida, Brevard County, and the Economic Development Commission of the Space Coast to provide incentives for investments. Some of the new investments include:

- Jet aircraft manufacturer Embraer announced plans for a \$43-million investment in an assembly plant and sales center near Melbourne International Airport.
- DRS Technologies, a supplier of defense electronic systems, is planning on a \$20-million investment to expand a location on Babcock Street.
- The South Crane Creek Medical Complex, a six-story building that is to host multiple medical enterprises, has just been completed.
- Kindred Health Care is building an acute care facility on NASA Boulevard.
- Construction of the MIMA medical office facility on Gateway Drive is underway.
- Plans for an ALDI Food Store have been announced.

The Historic Downtown Melbourne area centered on New Haven Avenue is to benefit from the construction of a multi-story parking garage on Strawbridge Avenue. Changes to Strawbridge are planned to improve pedestrian access to the downtown area.

The garage is to be on the site of the old city hall building. That building was opened in 1964 and has undergone repeated interior changes in an attempt to accommodate the contemporary work force. It has now been replaced by a five-story municipal building



just west of the old location.

The new City Hall allows adequate work space and greatly improves public access. The project, including the parking garage, was approved by elected officials before actions of the state legislature and the economic downtown began to erode revenues to local governments. Contractual and bonding agreements meant that any disruption of the planned work would have carried with it very high costs for the City.

Redevelopment Areas Advance

The parking garage is partially funded by the downtown Melbourne redevelopment area. All three of the City's redevelopment areas continue to see a high level of citizen involvement as both private and government resources are directed to revitalization. Each of the areas benefits from tax increment funding which derives from increases in property values as conditions improve.

A year ago, the historic downtown area benefited from a \$2.6-million investment in redesigned streets, lighting, benches, and landscaping. In 2008, the area experienced a high level of private investment. Matt's Casbah restaurant was opened within the New Haven retail core area and a 104,326-square-foot medical office building became the first major private investment within the southern expansion area.

Now the citizen advisory committee is focusing on planning, design, and engineering activities for future projects including the changes to Strawbridge Avenue and improved public access at Crane Creek.

The redevelopment area encompassing the Babcock Street commercial corridor is to see walkway improvements in the coming year. The final realignment of Babcock Street near U.S. 1 is to be completed this year, and road widening is planned between Laurie Street and U.S. 1. Public parking is also being added in that area. Engineering for intersection improvements at Babcock Street and Hibiscus Street is complete and construction is planned this year.

The Babcock Street area has added a community policing program with a full-time officer assigned to the area. A facade improvement program has been approved for the north end of the district, offering matching grants to encourage businesses to complete exterior improvements.

In the Olde Eau Gallie Riverfront redevelopment area, projects completed in 2007 included the Eau Gallie Square and the Eau Gallie Pier. In 2008, efforts focused on the planning of future capital improvement projects. Goals include major improvements at Pineapple Park. A grant from Waterfronts Florida was utilized to complete a parking study.

The 'Art District Overlay Zone' was finalized in 2008 to allow a live-work environ-



FEDERAL GRANTS allowed the stabilization of a major drainage canal between University Boulevard and Florida Avenue, pictured above, as well as improvements to the canal alongside Edgewood Drive.

ment for artisans. An incentive program is to be proposed this year, intended to assist applicants who want to convert their residential property to a commercial use.

The area's advisory board has assigned priority to finalization of the art district incentive program as well as completion of improvements to Pineapple Park, planning for streetscaping improvements, and acquisition of land for additional public parking. The City Council recently approved measures that will allow the purchase of property for parking to serve the Eau Gallie downtown area businesses.

Grants Benefit Neighborhoods

Improving the quality of life for Melbourne residents is a primary goal of the Housing and Community Development Department, which obtains and administers grant funds that provided \$1.5-million in 2008. Primary sources of the assistance continue to be the federal Community Development Block Grant (CDBG) and HOME Investment Partnership programs, and the State Housing Initiatives Partnership (SHIP) program.

Collaboration between the City and non-profit partners is resulting in significant and visible progress in the Booker T. Washington neighborhood in the northern part of Melbourne. The work is fueled in no small measure by private investments from the business and faith communities channeled through non-profit organizations.

The \$2.48 million, 18-unit Greater Heights Apartments -- an affordable housing project developed by Brevard Neighborhood Development Coalition -- is nearing completion. Greater Heights was made possible by financial support including an \$890,440 SHIP grant to the coalition from the City.

Across the street from the Greater Heights Apartments, the construction of a 10-unit town home development is nearing completion on the former site of an abandoned apartment project. The \$769,570 de-

velopment by Habitat for Humanity of Brevard County, Inc. will serve first-time home buyers who receive down payment assistance from \$240,000 available in SHIP funds.

Neighborhood lighting improvements in the Booker T. Washington neighborhood were also completed in 2008, funded with \$100,293 in federal funds. The City is also providing \$284,380 in grant funds in support of a special housing partnership involving a church, an affordable housing developer, an affordable housing builder, and a social services provider. The result will be construction of three single family homes in south Melbourne for rent to low income families. Sixty-three other households received various types of assistance.

Partnerships with nonprofit agencies continued to play a vital role. Hundreds of households were served through nonprofits funded by the City to assist with providing child care, after-school enrichment, scholarships for youth athletic programs, emergency housing, and substance abuse recovery services. Summer camp scholarships were also provided with federal funds.

Recreation Programs Are Popular

Melbourne continues to be successful in ensuring that residents and visitors have the opportunity for a rich variety of recreational experiences. The effort ranges from maintenance of a system of parks and sports fields to enrichment classes, two self-supporting golf courses, facility rentals, and expanding aquatic and tennis programs.

Combined annual attendance of more than 130,000 for recreation programs and services was recorded in 2008. Rentals for public use were continued at four recreation centers as well as the Front Street Civic Center on the Indian River Lagoon and the Melbourne Auditorium.

In 2008, major improvements at Lipscomb Street Park were completed and a new phase of upgrades got underway, the work supported by \$400,000 in state grant funds. Recreational impact fees from new development funded about \$780,000 in improvements at Southwest Park that include lighting for multiple soccer fields and a building that provides a concession area and restrooms.

Both routine and special improvement projects continued. Tennis courts at the Fee Avenue Tennis Complex were resurfaced as the level of activity there and at Jimmy Moore Tennis Complex continued to increase. Aquatic activities at the three municipal pools also increased as the City hosted events and lessons. Numerous improvements were completed at both the Crane Creek Reserve Golf Course and the Mallards Landing Golf Course. Players benefited from renovations at both clubhouse buildings as well as on the courses.



Providing Public Safety Services

The Melbourne Police Department responded to 130,554 calls for service in 2008, an increase of 3% over last year. Law enforcement officials report that historically, statistics indicate that the rate of serious crime increases as the economy slows and unemployment increases. In Melbourne during 2008 there was a 28% increase in robberies and a 17% increase in assaults as compared to the previous year. Department successes included a 15% reduction in auto thefts.

The Selective Traffic Enforcement Unit continued to focus on the top five crash areas. Enforcement efforts reduced citywide traffic crashes by 12%. The unit conducted strict traffic enforcement in school zones. Officers issued 23,410 traffic citations in 2008, which is a 1% increase over last year.

The Street Crimes Unit – a unit that focuses on serious crime and repeat offenders -- was responsible for 108 arrests of suspects in cases involving 102 felonies and 154 misdemeanors. The unit also confiscated weapons and seized drugs during the arrests.

The department was aided by grants that included \$22,792 in support for the Street Crimes Unit from the Department of Justice, \$29,745 from the Victims of Crime Act to support aid to victims of domestic violence, and \$133,280 as a federal 'COPS' grant to allow purchase of a backup radio system.

The Police Department benefited from the work of 58 volunteers whose efforts were equal to some 23 full-time employees. They contributed more than 12,000 hours, drove 31,000 accident-free miles, and raised over \$20,000 through fingerprinting services.

The Fire Department experienced a slight decrease in calls for service, responding to 13,205 incidents during 2008. Calls for emergency medical assistance continued to present the highest demand, accounting for 83% of responses by the Fire Department.

The 222 fire incidents also represented a decrease in the annual rate. Property damage resulting from the fires was more than \$1.1-million, while property that was put at risk by those blazes topped \$719-million. Forty-four vehicle fires resulted in \$348,640 in property damage.

Department improvement projects included grant-funded work to install fire sprinkler systems at five stations and install diesel exhaust extractors on all vehicles, a step that affords environmental protection.

Auto-Pulse devices were added to four more trucks to improve the effectiveness and

safety of resuscitations. A trailer was put into operation for use in hauling equipment to fire scenes requiring extended assignments, such as wildfire incidents. The trailer was donated by Firehouse Subs.

Utility Improvements Completed

As a regional provider, Melbourne places a priority on ensuring a water supply that is safe, ample, and affordable. The job requires an ongoing effort to develop the resource and ensure compliance with state and federal standards, even as they continue to evolve. Because the City now uses ozone gas in the water treatment process, a program to sample tap water for lead and copper was undertaken to confirm that the parameters are in compliance with federal rules.

Melbourne also has a responsibility to maintain a sound financial footing for the utility system. That includes the need for equitable rates to fairly distribute the cost of the system to all users. Periodic adjustments to rates and the rate structure, as well as contracts with bulk customers, are intended to maintain both physical and fiscal integrity of the system.

The quality of drinking water is maintained and enhanced through several important projects. A contractor has completed high-pressure flushing of the entire water delivery system to scour the distribution pipes. The flushing cleaned sedimentation from 2,000 miles of underground water lines. The \$835,000 project has resulted in a 78% drop in complaints about discolored water.

Work continues to expand the City's capacity for reclaiming water and for distribution of the 'reuse' irrigation water to new areas. Construction is underway on a major transmission line to allow reuse service to southern areas. Improvements to the reuse water production system are planned at both City reclamation plants. The St. Johns River Water Management District is providing \$1-million in grant funding to assist the program.

The installation of fully automated water meters is continuing, allowing utility workers to collect readings from vehicles to increase efficiency and safety. The City replaced 6,309 meters in 2008, bringing the total number of automated meters in service to 21,572 out of 55,671 meters in the system.

The City continues an active environmental education program with an emphasis on water conservation, prevention of storm-water pollution, and recycling. Melbourne's low per-capita rate for water use, currently at 100 gallons per day, is well below rates in other Florida communities.

Melbourne's rebate program to encourage installation of water-conserving toilets entered its eleventh year and has facilitated the conservation of an estimated 22-million gallons of water. Rebates have been provided



PREVENTING POLLUTION of waterways is the goal of a new ordinance approved in 2008 to prohibit the dumping of materials into drainage structures or surface waters.

to 1,769 Melbourne water customers.

Connecting with the Community

Success of the City in serving the community is in great part due to the direct assistance provided by our citizens. Some 147 citizens now volunteer their time for duty on 19 boards. The newest board, the Affordable Housing Committee, began work in 2008.

The City has used both community and employee surveys to improve operations and services. Efforts continue to improve citizen access to information. Many choose to access information and services by way of the municipal web site, which averages about 80,000 visits per month.

Citizens are now able to view City Council meetings in their entirety on Space Coast Government Television, and can obtain DVD recordings of the meetings at a nominal cost. A Citizens Academy was held to offer insights into municipal operations and afford participants a way to get involved in their local government.

Community contributions will allow the continuation of the Independence Day celebration with a fireworks display near the Melbourne Causeway and support for the July 4 parade organized by Honor America. Due to fiscal constraints, the City no longer plans to provide daytime activities at Claude Edge Front Street Park or evening concerts.

As the City organization continues to adjust to declining revenues, every effort is being made to preserve the municipal work force. Employees are being asked to reduce costs wherever possible while maintaining a high level of services to the public.

During the last year, the City recognized 10 employees with the 'Service is Our Business' Award to note their exemplary efforts in serving the public and supporting fellow workers. The award is symbolic of the dedication with which City employees work to protect and enhance Melbourne's quality of life. Their energies and innovations, coupled with continued community support, will ensure our City's continued success.

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Progress Report & Guide to Services

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