

**MINUTES
CITY OF ORMOND BEACH
CITY COMMISSION WORKSHOP
TOWN HALL BUDGET MEETING**

May 21, 2013

5:30 PM

Commission Chambers

I. Call to Order

Mayor Ed Kelley called the meeting to order at 5:30 p.m.

Present were Mayor Ed Kelley, Commissioners Troy Kent, Rick Boehm, and Bill Partington, Budget Advisory Board Members Rafael Ramirez, Kathy Weston, Kenneth Kimble, and Bill Harper, City Manager Joyce Shanahan, Assistant City Manager and Public Works Director Ted MacLeod, City Attorney Randy Hayes, Finance Director Kelly McGuire, and Accounting Manager Dan Stauffer.

II. Introductions by Mayor Kelley

Mayor Kelley thanked the audience for attending and participating in the Town Hall Budget Meeting.

The members of the City Commission, Budget Advisory Board, and Ms. Shanahan, Ms. McGuire, and Mr. Hayes introduced themselves.

III. Opening Remarks

Ms. Joyce Shanahan, City Manager, stated that it was exciting to get the public's input into the budgetary process. She noted that there would be four additional opportunities for the public to provide input as well: the June 3, 2013 Capital Improvement Program (CIP) Workshop, the July 29, 2013 Operating Budget Workshop, the July 30, 2013 City Commission meeting which set the tentative millage, and the public hearings for the millage rate which were tentatively scheduled for September 3, 2013 and September 17, 2013.

IV. Commission Goals & Community Successes

Ms. Shanahan stated that the Commission had set specific financial goals for staff to achieve over the last several years. She stated that the first goal was to not increase taxes and noted that the 2012-2013 budget had been prepared at the rollback rate. She explained that the Commission had directed staff to pursue pension reform and that she was pleased to say that they had been successful in that endeavor. She stated that all new general employee hires as of January 1, 2013 were in a defined contribution plan instead of a defined benefit plan. She noted that the change effectively saved the city 25% of the salary for every new hire moving forward. She stated that the police officers pension plan had reform as well. She explained that because of state law there were limited things that could be done about police and fire pension reform. She stated that all of the pension adjustments had an initial savings of \$60,000, with a long term savings of 4.3% of payroll. She noted that fire department pension negotiations were ongoing.

Ms. Shanahan stated that economic development was high on the Commission's agenda. She noted that Economic Development Director Joe Mannarino had done an amazing job. She stated that one of the key goals had been to survey the businesses and that was accomplished working with the Ormond Beach Chamber of Commerce and the Center for Business Excellence. She explained that the results were then incorporated into the city's Strategic Economic Development Plan. She stated that brainstorming sessions had been conducted with members of the business community to identify manufacturing and technology companies for targeted recruitment.

Ms. Shanahan stated that one of the key initiatives had been to develop a walk-able downtown, which was well under way. She stated that Florida Department of Transportation (FDOT) just finished a resurfacing project but the thermal striping was not yet completed. She stated that the undergrounding of the utilities was bid out and later on that evening during the City Commission meeting the Commission would be reviewing specifications to bid out for landscaping. She stated that bids were also awarded for replacing the 2-inch watermains on the mainland, south peninsula, and north peninsula. She noted that construction was scheduled to be completed in early 2014.

Ms. Shanahan stated that the Commission carried over their 2012-2013 financial goals. She stated that the 2013-2014 Commission goals were more centered on quality of life and were as follows: create an annual parent/child fishing tournament, develop a beautification plan for A1A, complete a joint planning agreement for improvements on US 1, create two community gardens, and review the code enforcement fee schedule.

V. Financial Presentation

Ms. McGuire stated that the General Fund Budget was primarily composed of personnel costs. She stated that significant reductions had been made since 2007, largely in the area of personnel. She stated that 62 positions had been eliminated since 2007. She noted that the city's organizational structure continued to be reviewed.

Ms. McGuire stated that they expected the tax revenue to go up in the next year by about \$240,000, based on new construction. She stated that there would be a decline in franchise fees and also decreases in pension costs. She stated that the city was also looking at health insurance increases. She stated that the city's potential shortfall would be about \$378,000. She stated that that shortfall would be added to as time moved forward. She stated that, if however, the shortfall was able to be eliminated next year, then future years would only have shortfalls of about \$100,000.

Ms. McGuire explained that there was dedicated infrastructure funding put in place in 2005 and 2006 and that they intended to continue to maintain that.

Ms. Shanahan stated that that was a decision that the Commission made many years ago that set the community up for success. She explained that many local governments were not currently paving streets or doing capital improvements but

because the Commission set aside a dedicated millage for infrastructure, capital improvements, and renovation and replacement; the city was able to do so.

Ms. McGuire stated that the city also annually reviewed its fees and charges. She stated that several years ago there had been issues with the water rates not being sufficient enough to cover the infrastructure needs. She stated that the leisure services fees were also not sufficient to cover the operating and the capital costs associated with those programs so significant increases had to be made. She stated that they certainly did not want to have to do that again and wanted to review the fees each year to ensure that if increases needed to be made, they did not need to make sizable ones.

Ms. McGuire stated that just because the financial situation was starting to stabilize it did not mean that the city would not continue to look for savings. She noted that the city was also constantly looking for grant funding and how it could be utilized to maximize the city's dollars. She stated that the city had obtained over \$10 million in grant funding in the last four years.

Ms. Shanahan stated that a good example of such grant funding was underway currently on Hand Avenue. She explained that in 2009 that area was severely flooded and about 168 homes were impacted at some level. She stated that the city received over \$3.5 million through a grant program from Federal Emergency Management Agency (FEMA) for that project. She stated that if it were not for staff working with the engineers to apply for those grant funds, that project would not have been able to be expedited.

Ms. McGuire stated that a \$2 million Revenue Stabilization Fund was established several years as a result of savings that occurred due to vacancies. She stated that that amount was set aside to be used for the next couple of years because they knew that the tax revenue would not be sufficient to cover expenditures.

Ms. Shanahan clarified that those funds were for non-reoccurring expenditures.

Ms. McGuire stated that there was about \$1.7 million left in that fund, assuming that all that was planned to be used for the current year would be used. She stated that the city also had a General Fund Reserve. She stated that the Commission had set a goal for that reserve to remain at 15% of expenditures. She noted that that dollar number changed every year of course as the amounts of expenditures fluctuated. She stated that they had been able to maintain the reserve slightly above the 15% level. She explained that the city occasionally used a portion of that money to fund a capital project or some other non-reoccurring expense. She noted that the city would be looking at that Revenue Stabilization Fund to try and help cover some of the \$378,000 shortfall, should they not be able to cut expenses to the level needed while not reducing any services.

Ms. Shanahan stated that the city's service level had actually been added to with the brand new Andy Romano Beachfront Park and the boundless playground at the Sports Complex. She noted that the city had not reduced their paving schedule or the like either.

Ms. McGuire stated that one of the questions that would be asked of the audience further in the presentation was whether they felt they received a good value for their

tax dollar. She stated that they compared what was paid annually in city taxes, not county, school board, or any other agency's taxes, to what someone paid annually for groceries or entertainment. She explained that for city tax dollars the city provided citizens with police and fire protection, recreation activities and parks, community events, neighborhood improvements, capital projects and infrastructure projects.

Ms. McGuire stated that the city would be reviewing the water and wastewater rates to see if there was a need for an increase. She stated that one of the concerns was making sure that there was sufficient funding to do necessary infrastructure projects. She noted that one of the major projects was the galvanized pipe replacement program. She stated that the city had done very few rate increases in the last few years and that when they were needed rates had only been increased in the two or three percent range. She noted that the corrugated metal pipe replacement program was the major project in the stormwater fund.

Ms. McGuire stated that they city had received \$2.5 million in federal grants for the airport in the last five years. She stated that many of the capital projects related to the Airport Fund were paid for through the Federal Aviation Administration (FAA) or FDOT, with the city providing a two or five percent match.

Ms. McGuire stated that there was a reserve of \$2 million in the Solid Waste Fund. She explained that the city used that reserve for stabilizing the rates so that rate increases did not have to occur, and also so that in the event of an emergency with a storm, the city had the funds to put out first for repairs so that they were completed since FEMA may not reimburse the city for years.

Ms. Shanahan explained that that money was set aside more than twenty years ago when the city contracted out its solid waste disposal. She stated that the money was set aside in case the city would go back into waste collection but since they had not, the fund had been used to pre-fund money from FEMA and also for rate stabilization, noting that fuel and other costs had risen significantly over time.

VI. Round Table Discussions

Ms. McGuire stated that the city needed to know what services were important and essential to the quality of life in the community.

Ms. Shanahan stated that Mr. Dan Stauffer, Accounting Manager, would bring a microphone to any audience member who wished to speak.

Mr. Jim Cameron, Senior Vice President of Government Relations, Daytona Regional Chamber of Commerce ("Chamber"), stated that he provided the Commission with recommendations from the Chamber to the city and a summary of notes that he had taken at the City Commission's February 5, 2013 Goals Workshop. He stated that the Chamber thought that the Commission was on the right track with their financial goals and liked the adjustments and decisions that the city had made regarding their pension fund. He noted that the Chamber's position was still that the 401k plan was the optimal plan for pension, but for new employees only. He asked that the city be cognizant of long term debt and that he wanted to see the city maintain a competitive tax rate to entice new business. He stated that the Chamber

liked the direction that city had taken with economic development. He noted that a good strong economy in Ormond Beach would mean a good quality of life.

Mayor Kelley thanked Mr. Cameron for his comments. He noted that there would be still be subsequent public meetings held regarding the budget. He stated that all of the budgetary information referenced was available to view online on the city's website.

Mr. Ron Hoopper, 11 Aucuba Circle, encouraged the Commission to review the smallest expenses in all of the departments to try and save as many tax dollars as possible. He stated that he knew that the city reviewed all expenses but noted that small things could fall through the cracks. He stated that there was a street sweeper that went around town and noted that it was needed in different areas. He stated that the street sweeper drove all the way out to the Southern Pines subdivision, where he lived, and that the subdivision did not have a thing in their streets that needed to be cleaned. He noted that perhaps the city did not have to waste the gas and time for the sweeper to come out to such a subdivision and opined that it could instead be utilized more in other areas that needed it.

Mr. Hoopper explained that his background was in flood control and that he used to work for the federal government. He explained that the more asphalt and concrete that was put down the less area there would be for rain to soak in and areas that normally would not flood would see higher water as a result. He stated that the city had to plan to how to move the water and needed to understand that before they laid concrete and asphalt. He stated that he knew that Andy Romano Beachfront Park was very nice but he was concerned about the long range maintenance of the park. He stated that there would be a continuous maintenance fee as well as additional landscaping maintenance costs. He stated that he looked long range plans and how they affected his pocketbook. He asked what would happen to any monies left over at the end of the city's fiscal year that were budgeted to a department that did not use them.

Mayor Kelley explained that even though money was budgeted there was no requirement that it be spent. He stated that the city would make a budget adjustment.

Ms. Shanahan noted that in the federal government most budgets were spent completely because if they were not then that money would not be allocated for the budget the next year. She stated that if the city did not spend all of the money that was budgeted then it went back into the fund balance reserve. She noted that the city always started with a zero balance from the beginning of the year and budgeted all over again.

Mr. Hoopper asked if those unused funds could be used for part of the budget for the next year.

Mayor Kelley stated that most of the instances where there had ever been a significant amount of money left over was due to a capital project not being completed or paid for by September 30, the end of the city's fiscal year. He stated that that money could go back into the budget for that project for the next year. He noted that Ms. McGuire did a great job with planning the budget and that adjustments were made quarterly throughout the year to the budget. He stated that

the city was required by law to make budget adjustments when they were needed. He stated that city staff did a great job of watching their expenses, even in little matters such as turning off lights. He noted that credit needed to be given to Ms. Shanahan and the Finance Department. He stated that they watched for waste and did a tremendous job preventing it. He stated that, unlike some other governments, there was not a large amount of money spent in September, the last month that it could be spent. He stated that the Budget Advisory Board did a great job of providing input and looking for savings ideas. He stated that he did not like spending money on a street sweeper either but noted that some areas after storms had debris washing into drains which could cause problems. He stated that Ms. Shanahan would look into whether the street sweeper was needed in the area that Mr. Hooper had mentioned.

Mayor Kelley stated that the previous Commission set a millage rate for streets and sidewalks. He stated that the city was probably in better shape than any city regarding the funding of maintenance and repair of streets and roads. He asked if there were any city services that the audience wanted to be cut. He stated that he did not think that citizens really wanted the maintenance cut on the new beachfront park. He stated that the ongoing maintenance costs had been a consideration when residents voted to tax themselves for that park.

Commissioner Partington stated that of course the core services such as police, fire, and city government were essential. He noted that he often thought about the fact that the country had an aging demographic, and that there would be quite a few retirees in the next 15 to 20 years; many of whom would move to Florida. He explained that to in order be competitive as a city and offer a great quality of life he thought that senior programs and activities were something that the city should focus on and plan for in the future. He noted that seniors were living longer, healthier, and much more active lives. He stated that senior oriented programs and activities would make the city attractive to people who were looking for a place to retire. He thanked the residents who showed up for the meeting and encouraged them to speak and ask questions. He noted that 15 non-staff people were in attendance, nine of whom were regulars that the Commission saw frequently; two were members of the press, and four were citizens who decided to attend. He stated that was who the city wanted to hear from. He noted that the meeting was very well advertised every year and that there was not usually a lot of participation. He stated that he felt that that was a testament to what a good job city staff did on answering questions on a year round basis.

Commissioner Kent stated that he was pleased that the current Commission and prior Commissions had created a blueprint for the city to be in the great financial shape that it was in. He noted that he would say that even with the looming pension issue. He stated that he was proud to be a part of the Commission that made the changes to the pension plan for new hires. He stated that it was a big deal to him and the other members of the Commission but noted that it was also the right decision not to change the plan for the current employees. He stated promising them one thing when they were hired and then changing that suddenly would not have been the right thing to do. He noted that the changes that were made would start saving the city money then but in ten or twenty years the city would be in ever better financial shape as a result. He stated that the renewal and replacement millage was fantastic. He stated that the first year Commissioner Partington and Commissioner Kent were elected Commissioner Boehm, who was then the Leisure

Services Advisory Board Chairman, came to a City Commission meeting and told the Commission that city facilities were shut down because it was raining and they did not have enough buckets for all the leaks. He stated that he was proud that that did not happen anymore because the Commission made that right. He stated that he would like to hear from residents whether they wanted to cut services or add additional ones.

Commissioner Boehm stated that the Commission was proactive with regard to the infrastructure in the city. He noted that the city just completed a major project sending reuse water out to Hunters Ridge and Breakaway Trails, which saved a great deal of potable water and benefited the environment. He stated that the city was also in the process of replacing water mains throughout the city, in addition to the galvanized pipe replacement. He stated that city staff was encouraged to look for infrastructure needs and report them to the Commission so that they could jump on getting them done.

Mayor Kelley stated that when making capital improvements the Commission and city staff looked at the requirements to maintain those additions.

Mr. Al Jorczak, 679 North Beach Street, stated that he had the privilege of serving on the Planning Board for a number of years. He stated that, as Ms. Shanahan had indicated, the City Commission had a priority for economic development in the city. He referred to Commissioner Partington's comments about the quality of life and activities for senior citizens and noted that would fund those activities was economic development. He stated that he could not think of anything that carried a higher priority than that other than basic services such as water and police. He noted that doing creative things to attract additional economic development in the city was important. He stated that a tremendous amount of time and effort had been spent to get Ormond Crossings moving. He stated that they anticipated that that development would be a big shot in the arm for light manufacturing type operations, which had higher paying jobs. He stated that he would like to see the city try to be not only creative as possible, but focus their attention on those specific things that they might be able to capitalize on. He stated that Team Volusia and the economic development activity that had been tried consistently with respect to the Daytona Beach area had had problems in terms of attracting the businesses that they would like to see. He noted that he knew that the city was making efforts but he felt that the process needed to be accelerated and that the business community would be more than happier to try and make that happen for the city.

Mayor Kelley stated that he thought that the low tax rate was an attraction. He stated that the quality of life benefits and a well-maintained city also attracted people. He asked the audience if they were generally satisfied with the services that they received and happy with the priorities and responsiveness of the city. He stated that he personally received 30 to 50 emails a day and tried to answer them all daily and direct any questions necessary to the City Manager. He stated that each member of the Commission tried to answer emails, questions, and concerns. He stated that the City Manager held Walks with the City Manager where citizens could come and ask questions.

VII. Wrap-Up

Mayor Kelley recapped the upcoming budget meetings as follows: the June 3, 2013 Capital Improvement Program (CIP) Workshop, the July 29, 2013 Operating Budget Workshop, the July 30, 2013 City Commission meeting which set the tentative millage, and the public hearings for the millage rate which were tentatively scheduled for September 3, 2013 and September 17, 2013.

Ms. Shanahan stated that the public could have the most direct input at the CIP Workshop. She noted that Andy Romano Beachfront Park came as a result of that. She stated that a number of projects at the Sports Complex had come from boards such as the Leisure Services Advisory Board or from the public at large. She explained that the city budget was designed from a format that had won the budget awards from the Government Financers Association. She stated that in order to receive that recognition, the city had to have a CIP that not only identified the current costs but what the future costs of maintenance would be. She noted that all of the budgets for the last several years were available on the city's website as well as the comprehensive annual financial reports and audits. She encouraged citizens to look online to become informed and educated about how the city used their tax dollars.

Mr. Rafael Ramirez, Budget Advisory Board member, stated that he spent the week in New Orleans visiting his family and as he drove through that city he thought about the low tax rate of Ormond Beach. He stated that the streets there were in much worse shape than those in Ormond Beach and he could not help but feel pride about what his city was doing. He stated that it had been an interesting experience going through the detailed budgeting process.

Mayor Kelley stated that Ormond Beach citizens took pride in the community and offered to volunteer their services and expertise in certain areas to serve on boards and committees. He stated that it was important to have as many people as involved in the process and that maybe someone would come up with something creative that the city could do that they had not thought about for economic development. He stated that Commissioner Stowers was currently attending a conference and hopefully would bring back some ideas. He stated that Commissioner Kent and Commissioner Partington had attended a conference in Savannah, Georgia, several years ago and brought back ideas. He stated that the city was always looking for new ideas.

Ms. Kathy Weston, Budget Advisory Board member, stated that she appreciated the fact that there were citizens in attendance to participate in the process but was disappointed that more were not present; as it was a great opportunity to talk to a very receptive Commission. She stated that she would do her part to make sure there were more attendees at the next meeting.

Mr. Bill Harper, Budget Advisory Board member, stated that he was new to the process and it was the first time he had ever served with the city. He stated that he was impressed with the job that city staff was doing and guaranteed that the general population of the city had no idea what kind of restrictions the city worked under. He explained that in his job, as a certified public accountant, if he needed to make more money he just raised his fees. He stated that if the city needed more money they were hamstrung with agreements that were made ten years ago and would not renegotiate for another five. He stated that those were not necessarily bad things but just the way that it was, noting that the city was under restriction from the state

and also had to share money with the county. He stated that he was impressed with that and beginning to understand where the focus needed to be.

Mayor Kelley stated that Mr. Harper's expertise and understanding were appreciated. He stated that one of the most difficult things for Commissioners when elected coming from private sectors was to learn about those difficulties that cities had to work with. He thanked those citizens in attendance and encouraged them to come back out and work with the Commission to make the community even better than it already was.

VIII. Adjournment

The meeting was adjourned at 6:27 p.m.

Transcribed by: Colby Cilento