

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

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**May 20, 2014**

**5:30 p.m.**

**City Commission Conference Room**

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**I. Call to Order**

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

Present were Mayor Ed Kelley, Commissioners James Stowers, Troy Kent, Rick Boehm, and Bill Partington, 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 welcomed the Budget Advisory Board members in attendance: Chairman Rick Banker, Kenneth Kimble, Bill Harper, and Kathy Weston. He thanked them for the support that they provided to the City Commission.

**III. Opening Remarks**

Ms. Joyce Shanahan, City Manager, explained that the purpose of the Town Hall Budget Meeting was to gain feedback from the public on the direction the City's budget should take. She noted that the Commission had previously participated in a workshop utilizing the electronic voting system, but the public audience members in attendance would be utilizing the voting devices and be the ones providing their input.

Ms. Kelly McGuire, Finance Director, explained that staff would ask a number of questions that the audience members would have an opportunity to answer on their electronic keypads and staff would also provide additional information after the questions were asked. She further explained that to answer on the keypads all the audience members had to do was press the number corresponding to the answer they desired to choose.

**IV. Financial Presentation / Discussion**

Mr. Dan Stauffer, Accounting Manager, asked the audience members the first question as follows, reminding them to choose one answer, and directing them to select the number listed next to their answer on the electronic keypads to record their votes:

***What prompted you to attend this meeting?***

1. Interest in learning more about the city's budget
2. Interest in the city's tax rate
3. Interest in the city's service levels.
4. Walked in the wrong door.

Mr. Stauffer confirmed that all nine keypads had recorded answers. He stated that the results of the polling were as follows:

Percentage of Votes	Answer
100%	<b>1. Interest in learning more about the city's budget</b>

Mr. Stauffer asked the audience members the second question as follows, reminding them to choose one answer, and directing them to select the number listed next to their answer on the electronic keypads to record their votes:

***What is the city's primary source of revenue?***

1. Property taxes
2. Other taxes (sales, communication service, business, utilities, gas)
3. Utility fees (water, sewer, stormwater, garbage)

Mr. Stauffer confirmed that eight keypads had recorded answers. He stated that the results of the polling were as follows:

Percentage of Votes	Answer
50.0%	<b>2. Other taxes (sales, communication service, business, utilities, gas)</b>
37.5%	1. Property Taxes
12.5%	3. Utility fees (water, sewer, stormwater, garbage)

Mr. Stauffer stated that the correct answer was option #3, utility fees; which generated just under \$25 million in revenue. He noted that the revenue amounts derived from property taxes and other taxes were similar amounts, both at just over \$10 million.

Mr. Stauffer displayed a pie graph showing all of the city's revenues across all funds.

Ms. McGuire clarified some of the other categories of revenue listed. She explained that "Charges for Services" referenced things such as ticket fees for the Performing Arts Center, "Intergovernmental" included revenue sharing from the state, and "Bonds" referred to funds borrowed on behalf of the city. She noted that in some cases there was the use of fund reserves, where dollars from reserves were used to stabilize other funds or rates.

Mr. Stauffer asked the audience members the third question as follows, reminding them to choose one answer, and directing them to select the number listed next to their answer on the electronic keypads to record their votes:

***What is the city's largest expense?***

1. Wages & benefits
2. Operating expenses (utilities, fuel, contracts)
3. Capital projects

Ms. Shanahan and Ms. McGuire clarified that capital projects included things like road resurfacing, new facilities, and replacement of water mains.

Mr. Stauffer confirmed that eight keypads had recorded answers. He stated that the results of the polling were as follows:

Percentage of Votes	Answer
75%	<b>1. Wages and benefits</b>
25%	2. Operating expenses (utilities, fuel, contracts)

Mr. Stauffer stated that the correct answer was option #1, wages and benefits. He stated that wages and benefits consisted of just over \$25 million.

Mr. Stauffer displayed a pie chart showing all of the expenses from all of the city's funds. He stated that the operating expenses were around \$18 million and the capital expenses were at \$12 million.

Ms. McGuire noted that the expenses not previously mentioned were the debt service, which consisted primarily of money borrowed for water and sewer infrastructure, and small portions provided to non-profits for contributions and grants.

Mr. Stauffer asked the audience members the fourth question as follows, reminding them to choose one answer, and directing them to select the number listed next to their answer on the electronic keypads to record their vote:

***What is the city's largest benefit expense?***

1. Health insurance
2. Retirement
3. Social security/Medicare
4. Worker's compensation

Mr. Stauffer confirmed that all nine keypads had recorded answers. He stated that the results of the polling were as follows:

Percentage of Votes	Answer
<b>66.7%</b>	<b>2. Retirement</b>
22.2%	1. Health insurance
11.1%	4. Worker's compensation

Mr. Stauffer stated that the correct answer was option #2, retirement. He stated that for all three of the City's pension plans; general employees, fire and police, the total expense was just over \$5 million annually.

Ms. McGuire noted that four to five years ago the pension expense was half of that amount. She explained that the reason that it had risen since then was primarily because of interest earnings, or more specifically, a lack of interest earnings. She further explained that the market was not what it used to be and they did not make as much money on their investments, and the city had to make up the difference. She noted that the city did not have a lot of control over the market and could only focus on what they did have control over, which was the actual benefits provided.

Ms. McGuire stated that some changes had already been made to the existing plans, primarily with new hires. She explained that new general employees were no longer

in a pension plan and instead were in a defined contribution plan in which the city contributed 6%. She stated that someone currently in the city's pension plan received a contribution of 30% or more, noting that the 6% contribution constituted a significant difference.

Ms. McGuire stated that there had been some changes made recently to the police and fire pension plans, noting that some of the listed changes were on the City Commission agenda that evening for approval. She explained that police were kept in a pension plan because they would lose \$300,000 in premium tax money from the state if they were to change to a defined contribution plan. She noted that was also true with fire pensions, and that they were much more restricted with what they could do for police and fire pensions than with general employee pensions. She stated that the benefit had been reduced for new hires in the police and fire departments. She explained that current employees received 3.3% of their annual salaries for every year of service and new hires would receive 2.75%. She noted that currently police and fire personnel could retire after 20 years of service. She explained that a new amendment would require a police officer to be 52 years of age with 25 years of service, or age 60, whichever was earlier, in order to retire. She explained that in a new amendment a firefighter would be required to be 55 years of age with 10 years of service, age 52 with 25 years of service, or age 60, whichever was earlier, in order to retire.

Ms. McGuire noted that since those changes were being made to new hires, it would take time to see the savings. She stated that she anticipated seeing savings of a couple hundred thousand dollars a year in the long term.

Mr. Stauffer displayed a pie chart showing the breakdown of the cost of general government services in the City. He explained that it was broken down into core services: police, fire, streets maintenance, leisure services, and other government and non-departmental services.

Ms. McGuire clarified that Mr. Stauffer's first slide showed \$62 million in revenue, which included the General Fund plus utilities and capital projects. She noted that this slide focused on the General Fund and property tax dollars. She explained that police, fire, and streets maintenance were the core services that the City had to provide.

Mr. Stauffer displayed and read a chart, recreated below, which showed the total expenditures for those service areas as well as the estimates of the levels of services they provided for fiscal year 2013-14.

Description	Total Expenditures	Estimates DY 2013-14
Police	\$8,149,804	83,000 Calls for Service 3,500 Traffic Citations 1,450 Total Arrests 3,500 NID Cases / Complaints
Fire	\$5,737,129	2,100 Fire Responses 4,600 Rescue Responses

Streets Maintenance	\$1,720,344	5,200 Maintenance Work Orders 183 Miles of Paved Roads 124 Mile of Sidewalks
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Mr. Stauffer asked the audience members the fifth question as follows, reminding them to choose one answer, and directing them to select the number listed next to their answer on the electronic keypads to record their votes:

***What would you expect the average household to pay annually for police services?***

1. \$75
2. \$100
3. \$150
4. \$200

Mr. Stauffer confirmed that eight keypads had recorded answers. He stated that the results of the polling were as follows:

Percentage of Votes	Answer
<b>50.0%</b>	<b>3. \$150</b>
37.5%	2. \$100
12.5%	4. \$200

Mr. Stauffer explained that the correct answer to this question, and also the next several other ones, would be revealed together at the end of that line of questioning.

Mr. Stauffer asked the audience members the sixth question as follows, reminding them to choose one answer, and directing them to select the number listed next to their answer on the electronic keypads to record their votes:

***What would you expect the average household to pay annually for fire services?***

1. \$75
2. \$100
3. \$150
4. \$200

Mr. Stauffer confirmed that all nine keypads had recorded answers. He stated that the results of the polling were as follows:

Percentage of Votes	Answer
<b>55.6%</b>	<b>3. \$150</b>
44.4%	2. \$100

Mr. Stauffer asked the audience members the seventh question as follows, reminding them to choose one answer, and directing them to select the number listed next to their answer on the electronic keypads to record their votes:

***What would you expect the average household to pay annually for streets maintenance services?***

1. \$75
2. \$100
3. \$150
4. \$200

Mr. Stauffer confirmed that all nine keypads had recorded answers. He stated that the results of the polling were as follows:

Percentage of Votes	Answer
<b>55.6%</b>	<b>2. \$100</b>
33.3%	1. \$75
11.1%	3. \$150

Mr. Stauffer displayed a breakdown of discretionary services, which were leisure services as listed in the next question, including their total expenditures and the net costs to taxpayers for each. He stated that the net cost was created by subtracting the monies generated by the activities. He provided the example of the Performing Arts Center, which cost the city \$401,793, but was offset by \$200,000 in ticket sales and rentals so the actual General Fund cost absorbed through tax dollars and other revenues was \$201,793.

Mr. Stauffer asked the audience members the eighth question as follows, reminding them to choose one answer, and directing them to select the number listed next to their answer on the electronic keypads to record their votes:

***Which discretionary service is most important for the City to provide?***

1. Parks and Grounds
2. Casements
3. Performing Arts Center
4. Senior Center
5. Community Events
6. Gymnastics
7. City-Sponsored Activities
8. Community Recreation Centers
9. Athletic Fields Maintenance

Mr. Stauffer confirmed that eight keypads had recorded answers. He stated that the results of the polling were as follows:

Percentage of Votes	Answer
<b>62.5%</b>	<b>1. Parks and Grounds</b>
12.5%	5. Community Events
12.5%	7. City-Sponsored Activities
12.5%	9. Athletic Fields Maintenance

Mr. Stauffer asked the audience members the ninth question as follows, reminding them to choose one answer, and directing them to select the number listed next to their answer on the electronic keypads to record their votes:

**What would you expect the average household to pay annually for leisure services?**

1. \$75
2. \$100
3. \$150
4. \$200

Mr. Stauffer confirmed that all nine keypads had recorded answers. He stated that the results of the polling were as follows:

Percentage of Votes	Answer
<b>66.7%</b>	<b>2. \$100</b>
22.2%	1. \$75
11.1%	3. \$150

Mr. Stauffer stated that the next slide provided the answers for the line of questions regarding property tax cost for government services. He explained that the average homeowner’s cost in property taxes for *all* city services was \$442. He stated that the general government services, which those questions revolved around, accounted for \$362 of that cost. He stated that the rest of the amounts broke down as follows: \$14 for capital improvements, \$12 for facilities renewal and replacement, \$23 for transportation improvements, and \$31 for debt service.

Ms. McGuire explained that the voter approved debt service was primarily for Andy Romano Beachfront Park. She stated that for general government services, the average homeowner paid \$362. She noted that the audience answered that they believed that amount to be between \$350 and \$500. She also noted that the total bill reflected was the total tax bill to the *City only* and that homeowners paid taxes to other agencies, as well.

Mr. Stauffer displayed a pie chart of the distribution of taxes for the average homeowner in Ormond Beach with a \$150,000 home and a \$50,000 homestead exemption. He stated that the total tax bill for all agencies for that hypothetical individual would be \$2,071. He explained the breakdown as follows:

- \$736 (35.5%) – School District
- \$727 (35.1%) – County
- \$442 (21.3%) – City
- \$100 (4.8%) – Hospital
- \$66 (3.2%) – Other

Ms. McGuire noted that each individual person’s bill would be different, as it was based on their taxable value. She explained that they were providing an average. She explained that average covered roughly 13,000 homes, noting that they looked at homesteaded properties when creating those averages.

Mr. Stauffer asked the audience members the tenth question as follows, reminding them to choose one answer, and directing them to select the number listed next to their answer on the electronic keypads to record their votes:

***Do you receive a good value for your city tax dollar?***

1. Yes
2. No

Mr. Stauffer confirmed that eight keypads had recorded answers. He stated that the results of the polling were as follows

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Percentage of Votes	Answer
<b>87.5%</b>	<b>1. Yes</b>
12.5%	2. No

Mr. Stauffer asked the audience members the eleventh question as follows, reminding them to choose one answer, and directing them to select the number listed next to their answer on the electronic keypads to record their votes:

***What do you value more?***

1. Same property tax rate
2. Same level of service

Mr. Stauffer confirmed that all nine keypads had recorded answers. He stated that the results of the polling were as follows:

Percentage of Votes	Answer
<b>66.7%</b>	<b>1. Same property tax rate</b>
33.3%	2. Same level of service

Mr. Stauffer asked the audience members the twelfth question as follows, reminding them to choose one answer, and directing them to select the number listed next to their answer on the electronic keypads to record their votes:

***Where does the city's tax rate rank amongst the other 15 Volusia County municipalities?***

1. Top 4 (highest)
2. 5 to 8
3. 9 to 12
4. Bottom 4 (lowest)

Mr. Stauffer confirmed that all nine keypads had recorded answers. He stated that the results of the polling were as follows:

Percentage of Votes	Answer
<b>44.4%</b>	<b>4. Bottom 4 (lowest)</b>
22.2%	2. 5 to 8
22.2%	3. 9 to 12
11.1%	1. Top 4 (highest)

Mr. Stauffer stated that the correct answer was option #4, bottom four (lowest). He stated that Ormond Beach was the third lowest amongst the other 15 municipalities.

Ms. McGuire stated that Ormond Beach's millage rate was \$4.42 for every \$1,000 in taxable value. She noted that the highest was Daytona Beach Shores which was

\$8.72 for every \$1,000 in taxable value. She stated that the two lower rates were New Smyrna Beach and Debary, noting that Debary had an electric generation plant which provided them an opportunity to collect less property tax because it generated revenue.

Ms. Shanahan explained that if Debary had to collect revenue just in property taxes, they would likely exceed the 10 mill cap.

Mr. Stauffer showed a slide with graphs comparing utility rates in Ormond Beach and other local municipalities. He noted that Ormond Beach had the lowest rate based on a 5,000 gallon usage.

Mr. Stauffer asked the audience members the thirteenth and final polling question as follows, reminding them to choose one answer, and directing them to select the number listed next to their answer on the electronic keypads to record their votes:

***Do you receive a good value for your public utilities?***

- 1. Yes
- 2. No

Mr. Stauffer confirmed that all nine keypads had recorded answers. He stated that the results of the polling were as follows:

Percentage of Votes	Answer
<b>88.9%</b>	<b>1. Yes</b>
11.1%	2. No

Mayor Kelley clarified that property taxes only made up about 40% of the general fund and were below \$10 million, and that other taxes accounted for about \$16 million. He noted that property taxes would not cover all the services provided. He reiterated that all of the revenue discussed in the presentation was not from property taxes.

Mayor Kelley noted that a pension slide mentioned a multiplier and he believed some might not know what that was. He explained that if the multiplier was 3.3%, then after ten years a person would retire at 33% of their salary and after 30 years at 99%.

**Comments / Questions**

Mayor Kelley stated that it was interesting to see what the audience members felt was important and where expenses should fall. He noted that he wished the polling would have provided the opportunity for audience members to rank their choices first, second, and third in certain categories. He stated that it was interesting to see that most people felt they received a good value for their tax dollars, but he noted that some did not. He stated that those were the ones he most wanted to hear from and understand what they felt the City could do to provide a better value. He encouraged ideas and suggestions to be shared.

Commissioner Kent explained that this meeting used to be conducted with easels and markers set up around the room and that he was excited with how seamless and interactive the polling system was now. He stated that the City was the lowest in their utility rate, and the second lowest, for all intents and purposes, in their tax rate

and still provided a great amount of services. He noted that in the pie chart on the tax bill breakdown, the School Board was the greatest expense and that they were asking for even more soon. He stated that he believed the City had made huge leaps in pension reform, and he thought they were doing it the right way, by making the changes mostly effect new hires.

Commissioner Partington thanked staff and the Budget Advisory Board for their work. He stated that a month or two before, he and Ms. Shanahan went to speak at the Chelsea Place subdivision's community center, explaining that the subdivision was built in the county and had been annexed into the city. He stated that it was great to tell those residents that their tax bill would be less now that they were a part of Ormond Beach. He noted that the developer of the property would also be paying substantially less in property taxes. He stated that he also met with an individual who owned property in Ormond Beach who was just over the border in the county. He stated that he was excited to hear that he could save money by annexing into the city. He noted that they strived to provide quality service at an affordable rate.

Commissioner Boehm noted that it was roughly \$1.25 a day that was paid to Ormond Beach by homeowners for all of the services the city provided. He stated that he felt that was an outstanding value. He explained that the Commission was dedicated to keeping that the same.

Commissioner Stowers thanked staff and the audience members in attendance. He stated that he heard from residents who had a sense of frustration, and he wanted to convey that now was the time for them to get involved, speak to Mayor Kelley or their Commissioner, and the Budget Advisory Board. He stated that they would continue to work hard to make sure the level of service and efficiency was maintained.

Mayor Kelley invited audience members who wished to speak to do so.

Mr. Jim Cameron, Senior Vice President of Government Relations, Daytona Regional Chamber of Commerce, stated that the issue they consistently brought up at budget meetings was pension. He congratulated the Commission on taking bold steps, especially with the multiplier. He requested that they stay vigilant on the pension issue, noting that they should not expect any major assistance from the state on the issue as they had an opportunity to address it and decided not to.

Ms. Rita Press, Citizens for Ormond Beach (CFOB), stated that CFOB had researched vacant houses and their effect on home values and the city's revenue. She noted that there was not a neighborhood or subdivision that had not been affected by the problem. She stated that Volusia County Property Appraiser Morgan Gilreath responded to an email from CFOB asking about the effect of the vacant homes on property values. She stated that Mr. Gilreath conveyed that the values of properties on the tax roll was reflective on the condition observed from the outside of the building and that the effect of long-term, unoccupied homes on surrounding values was judged by the degree of deterioration and the level of upkeep in the immediate area. She explained that the CFOB research team had visited those unoccupied homes and observed that those homes had a definite negative effect on surrounding homes and their value. She noted that empty homes were not producing revenue to the city and that there were hundreds of such homes.

Ms. Press stated that the city had to recognize that working on the problem was a top priority. She stated that CFOB was encouraged by the action that the city was taking but also hoped the city would include the addition of code enforcement personnel, which they felt was important. She stated that having a strong outside structural maintenance code was a must, but opined that it would be ineffective without the personnel to identify and enforce the code. She stated that results would come from being aggressive and proactive. She noted that money for personnel was always an issue and that CFOB recommended that the city increase the fee charged to the banks for registering their foreclosed homes on the city's registry. She stated that if the city raised the fee to \$250, it would bring in between \$75,000 and \$87,500, which was enough money to hire two additional employees to specifically work on the problem.

Ms. Press explained that Ormond Beach had always been a pacesetter for the other cities in Volusia County to follow. She noted that it was essential to work on the problem as vacant homes continued to deteriorate. She stated that in 2015 another round of adjustable mortgages would take effect, possibly adding additional foreclosed properties. She stated that it was time for a full court press and that the ball was in the city's court.

Mayor Kelley noted that if audience members did not feel comfortable speaking that evening, they could feel free to contact members of the Commission directly, noting that all of them had their phone numbers and emails listed on the city's website. He encouraged everyone to share their thoughts and ideas.

Mr. Rick Banker, Budget Advisory Board Chairman, stated that he felt a lot of progress had been made with pension reform. He stated that he had always been very concerned about the costs of the pension and that they had by far and away been the city's number one operating expense. He noted that they were always looking for ways to make the operation more efficient.

Mayor Kelley stated that a lot of credit for the efficiency was due to Ms. Shanahan and the city employees. He noted that the city employees were doing more work than ever now. He stated that Ms. McGuire did a great job, and he applauded Ms. Shanahan for being able to accomplish all that she did with the number of employees that the city had. He stated that he felt the overall condition of the city was better than it was five years ago. He noted that he was especially proud to say he lived in Ormond Beach looking at the improvements downtown and the work being done by the Chamber of Commerce. He singled out several city-offered activities and city facilities as further evidence.

Ms. Shanahan stated that the Commission deserved all the credit. She stated that they had been planning for the last several years and positioned themselves during the recession to set aside a portion of the operating millage in order to continue funding capital improvements, transportation improvements, and renewal and replacement projects. She stated that many sister communities were not doing the same, and were not resurfacing roads or replacing vehicles during those times. She noted that the Commission had also contracted out services such as sanitation and median maintenance to help the city do more with less. She stated that staff had been set on a path to succeed by the Commission's vision for the community. She noted that there were always opportunities for improvement and the city was open to hearing them.

Ms. McGuire noted that there were other opportunities to be involved in the ongoing budget process. She stated that the following public meetings would also be held:

- June 2, 2014 – CIP Workshop
- July 29, 2014 – Operating Budget Workshop
- July 29, 2014 – Set Tentative Millage Rate
- September 2, 2014 – 1<sup>st</sup> Public Budget Hearing
- September 16, 2014 – 2<sup>nd</sup> Public Budget Hearing

**V. Adjournment**

The meeting was adjourned at 6:53 p.m.

Transcribed by: Colby Cilento