

**MINUTES
CITY OF ORMOND BEACH
OPERATING BUDGET WORKSHOP**

July 29, 2014

5:30 p.m.

City Commission Conference Room

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 City Engineer John Noble.

Ms. Joyce Shanahan, City Manager, stated that the budget was the culmination of six months of work from the City Commission and city staff. She noted that there had been several workshops held in the budget process, which were open for public involvement. She stated that the workshops were as follows:

- March 4, 2014 – Financial Trends Workshop
- May 20, 2014 – Town Hall Budget Meeting
- June 3, 2014 – Capital Improvement Projects (CIP) Workshop
- July 29, 2014 – Operating Budget Workshop

Ms. Shanahan stated that the City Commission would set the tentative millage rate that evening at the City Commission Meeting and would hold public hearings on the adoption of the budget at their City Commission Meetings on September 15, 2014, and September 29, 2014.

Ms. Kelly McGuire, Finance Director, recognized the Budget Advisory Board members who were in attendance: Kenneth Kimble, Rafael Ramirez, Kathy Weston, and Bill Harper. She explained that the Budget Advisory Board worked with staff behind the scenes from the beginning to the end of the budget process. She noted that staff met with the Budget Advisory Board on the last Wednesday of the month and those meetings were also open to the public. She stated that their next scheduled meeting was August 27, 2014.

Mr. Rafael Ramirez wished Ms. Kathy Weston a happy birthday.

II. Operating Budget Discussion

Budget Overview

Ms. McGuire noted that there were not many changes in the proposed budget for the next fiscal year. She stated that the proposed budget was \$61,585,979. She stated that the objectives for the budget were to maintain the existing tax rate, fund capital improvements, and make incremental rate adjustments to user charges when needed. She stated that other objectives included maintaining existing service levels, funding employee obligations, and providing funding for the maintenance, repair and replacement of facilities, athletic fields, parks, roads, watermains, stormwater lines

and technological improvements. She noted that personnel costs and operating expenses, which included fuel, vehicles, chemicals, and tools, which made up the majority of budget expenditures.

Personnel Costs

Ms. McGuire stated that overall personnel costs were increasing by \$644,460, which was a 2.5% change from the previous year. She explained that there were increases in wages and health insurance costs. She stated that the increase in wages related back to the bargaining union contracts that had been approved, as well as a similar increase for non-bargaining employees. She noted that some good news was that the pension costs had decreased. She stated that there was a reduction of \$384,980, or 7.3%, in pension costs.

Commissioner Boehm asked if the health insurance bids had come in yet; whereby, Ms. McGuire stated that they had and that staff was currently evaluating them. She stated that it looked like there would be at about a 15% increase.

Commissioner Boehm noted that Ms. McGuire had 18% listed in the budget.

Ms. McGuire stated that amount may be revised by the time the final budget was brought back for approval.

Ms. Shanahan stated that any changes made during this meeting would be made before the first budget hearing in September.

Ms. McGuire clarified that the \$4,902,506 figure listed for the next fiscal year was for pension and deferred compensation costs. She noted that deferred compensation was provided to new employees.

Commissioner Boehm stated that the change in personnel costs may be closer to a 2% increase then, factoring in health insurance increases.

Ms. McGuire stated that was correct. She noted that was actually what the consumer price index (CPI) was.

Pension Costs

Ms. McGuire stated that there were three pension funds: general employees, police, and fire. She noted that the general employees no longer were provided a pension plan and instead received a defined contribution plan, where the city provided 6% of their salary into the plan and there were no further obligations. She explained that that had helped the city save dollars, and noted an 8.36% deduction from the previous budget. She further explained that part of the reason the city's costs had been increasing before was because the interest earnings on investments was low.

General Fund

Mayor Kelley clarified that so far the discussions had revolved around the total budget and not specifically the General Fund.

Ms. McGuire stated that some goals were set by the Commission for the budget during the Financial Trends Workshop. She stated that the goals were listed below:

Goal	Outcome
Reduce reliance on reserves for R&R Funding	Cut use of reserves by 50%
Maintain reserves at 15% of budget	Reserves projected to be 15% of budget
Use no more than \$300,000 from Revenue Stabilization	Budget includes use of \$242,427

Ms. McGuire noted that the Revenue Stabilization Fund had been set up approximately four or five years ago with \$2 million. She explained that those funds came from savings with vacant positions. She stated that in March the Commission had expressed that they were comfortable with no more than \$300,000 of that fund being used in the budget. She stated that those funds were to be used for economic development incentives which were already approved. She explained that once that \$242,427 was used in the coming year, the fund would have about a \$400,000 balance. She noted that the funds were being used for one-time expenditures.

Ms. McGuire stated that the city was looking at adding one full-time position, a Contract Manager in Building Maintenance, who would handle all of the many Leisure Services contracts, and two part-time employees, a Maintenance Worker for the Parks division and a custodian for The Casements.

Commissioner Kent stated that he had not heard about the new positions. He asked who performed the custodial work at The Casements previously.

Ms. McGuire stated that there was already one custodian there and they were looking at adding another. She explained that the existing individual performed custodial work but also opened the facilities and set up for events.

Commissioner Kent stated that he would speak to Ms. Shanahan about the positions.

Property Taxes

Ms. McGuire stated that the consensus at the Financial Trends Workshop had been to maintain the property tax rate. She stated that next year's budget proposed to maintain the operating property tax while reducing the debt millages so that the overall millage rate would go down just slightly. She noted that it would decrease by about 4/10ths of a percent. She stated that the Facilities Renewal & Replacement (R&R) Funds had funds set aside to perform maintenance projects on city facilities. She explained that the property taxes in the past generated \$500,000 towards that funding but had declined in the past years and only generated about \$300,000. She stated that \$100,000 was being added from the General Fund to keep that funding at \$500,000 for the future year.

Ms. Shanahan noted that in the early 2000s the Commission set up that plan so that they could reduce their reliance on ad valorem taxes for general operating costs. She noted that personnel costs and overall expenditures had been reduced. She stated that at one time the overall budget totaled \$99 million and now was just over \$61 million. She stated that by setting up special millages, internal to the city, and dedicating them for renewal and replacement, capital improvements, and transportation, had enabled the city to pave roads, replace city vehicles, and infrastructure unlike other sister cities. She stated that the city had been maintained to a standard like no other city in Volusia County.

Ms. McGuire stated that a homesteaded property owner with a \$150,000 home, and a \$50,000 homestead exemption, would see that their taxable value would increase 1.5% under *Florida Statutes* because of the "Save Our Homes" program. She stated that with the proposed millage rate of 4.4060 mills the homeowner would pay \$450 instead of the \$442 they paid the previous year, an increase of \$8 in additional taxes and a decrease of 0.41% in the tax rate. She noted that the state dictated how the city had to advertise the millage rate as a tax increase because it was 4.10% over the rollback rate.

Ms. Shanahan noted that the overall millage rate was being lowered but the operating millage was being kept the same.

Ms. McGuire displayed a property tax rate comparison, showing what portions of a citizen's tax rate went to the city, the county, and to the schools. She noted that 4.4241 of the millage went to the city, while the county received 7.2709 and the schools received 7.3580.

Mayor Kelley explained that citizens often received their tax bill, but did not look at that breakdown, and incorrectly assumed the city received most of their taxes.

Ms. McGuire suggested that citizens may think most of the taxes were going to the city since the city provided the majority of their services.

Water/Sewer

Ms. McGuire stated that the overall water and sewer budget was \$20,044,812. She noted that there was no general rate increase proposed. She stated that staff was investigating improving efficiency in the new customer setup area by streamlining deposit amounts for renters and homeowners. She explained that currently they had to verify whether the person owned or rented the home and required documentation establishing their position. She stated that it was a lengthy process which frustrated citizens and staff. She noted that the deposit amounts had not been changed since 1988. She stated that they were operating on the honor system, allowing citizens to tell them if they were renting or owned the home without documentation, until the situation was resolved. She stated that \$2.48 million was being transferred from the Operating Fund into the Capital Projects Fund.

Solid Waste

Ms. McGuire stated that the overall budget was \$7,819,815, which included an additional \$495,000 in franchise fees from the city's new solid waste contract. She stated that phasing in a rate adjustment was also discussed and the rate adjustment would be \$0.80 per month for residential customers. She noted that commercial customers had a variety of different rates but there would also be an increase. She explained that the overall goal was for the citizen or commercial customer to pay what it cost the city for their solid waste services in three years' time. She noted that in the meantime, they would use retained earnings so that they did not have to implement the rate increase all at once.

Ms. McGuire noted that utility bills included solid waste, water, sewer, and stormwater. She stated that someone who currently used 5,000 gallons a month paid \$75.50, and with the additional \$0.80 they would be paying \$76.30. She noted that was still a bargain compared to other communities in the area and the second

lowest rate among them. She noted that if Port Orange raised their rates they would probably remain the lowest.

Mayor Kelley stated that he believed Port Orange would eventually have to raise their rates.

Ms. McGuire stated that the solid waste expenditures totaled \$7,819,815 and included the new waste hauler increase of 21.7%.

Property Values

Ms. McGuire stated that property values were starting to increase. She stated that in 2014 taxable value increased from \$163 million to \$2.66 billion. She stated that the increase included \$103 million from existing properties and \$60 million from new construction and annexations.

Ms. Shanahan noted that the property had to be annexed as of January 1 for it to be applicable to that total. She noted that any of the annexations after January 1, 2014, would not count until the following year, and cited Chelsea Place as an example.

Mayor Kelley stated that those being annexed in from Volusia County were seeing a decrease in their property taxes and costs for services by being in the city.

Ms. McGuire showed a chart of tax rates for cities in Volusia County. She noted that Ormond Beach was the third lowest and she stated that she expected that to be the case again.

Budget Advisory Board

Ms. McGuire noted that this was the first time that the Budget Advisory Board had seen the proposed budget which they would review again at their meeting in August. She stated that the Budget Advisory Board would make recommendations to the Commission after their review.

Closing Comments

Mayor Kelley stated that he looked at how much per capita was paid in taxes. He stated that the City of Ormond Beach residents actually paid 33% lower per capita than New Smyrna Beach. He noted that Ormond Beach had a friendly competition with New Smyrna Beach.

Ms. Shanahan explained that New Smyrna Beach's taxable value was higher than Ormond Beach's, primarily because they had seven miles of beachfront property.

Mayor Kelley noted that they had fewer residents, as well.

Mayor Kelley thanked city staff, Ms. Shanahan, Ms. McGuire, and the Budget Advisory Board for their efforts. He noted that the number of full-time city employees had been greatly reduced over the last several years.

Commissioner Partington thanked the Budget Advisory Board members for their hard work and participation. He noted that the Commission relied on citizen input and their knowledge was valuable. He stated that he had asked Ms. McGuire what the percentage increase was over the last 10 to 15 years. He stated that the last seven or eight years the Commission had worked hard to not politicize the budget and have

small incremental increases each year rather than going several years without an increase and then assessing a large increase. He stated that citizens appreciated small increases each year that were manageable.

III. Adjournment

The meeting was adjourned at 6:04 p.m.

Transcribed by: Colby Cilento