

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

---

**July 28, 2015**

**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, Budget Advisory Board members Bill Harper, Kenneth Kimble, Scott Cichon and Rafael Ramirez, City Manager Joyce Shanahan, Assistant City Manager and Public Works Director Ted MacLeod, City Attorney Randy Hayes, Finance Director Kelly McGuire, and Assistant Finance Director Dan Stauffer.

Ms. Joyce Shanahan, City Manager, noted that the City Commission had previously held a workshop to discuss the Capital Improvement Project (CIP) budget. She explained that there were a few changes to that budget and that the CIP would be brought back to a City Commission meeting in August with those adjustments. She stated that one such example of a change was a Florida Recreation Development Assistance Program (FRDAP) grant not received for two park projects.

**II. OVERVIEW – CITY WIDE**

Ms. Shanahan noted that the budget was challenging this year, and it seemed to be a struggle to get the budget where it needed to be. She stated that the city had received their health insurance renewal. She explained that in the proposed budget the city had budgeted for a 15% increase, which would amount to about \$400,000, but the renewal actually came in at a 33% increase. She stated that she had been negotiating with staff and Florida Health Care Plans (FHCP) over the previous ten days. She explained that FHCP had indicated that they would be willing to work with the city and had sent a renewal late yesterday that had a 20% increase with the same level of benefits, or a 17% increase if the deductible was increased; and the city must contract with them for two years with a minimum of a 15% increase in the second year, including a mid-year cancellation penalty of \$300,000. She stated that this was not a proposal she could live with; therefore, the city was looking into the next highest bidder and also into a self-insurance model. She noted that she might not have the self-insurance model together by the time open enrollment would need to occur. She explained that a self-insurance model would have a clinic component where the city would partner with a hospital and buy into a network for access to a network for catastrophic coverage or hospital admissions.

Ms. Shanahan noted that she was not sure if that would save the city any money in the short term, but she hoped that it would in the long term. She explained that the city had three catastrophic claims this year, one of which was a heart transplant with a claim over \$900,000. She stated that the other two serious claims were also in the hundreds of thousands of dollars. She explained that the city was a small plan; and therefore, those types of claims really impacted it. She stated that the self-insurance model was still a work in progress. She noted that the Commission would set a tentative millage rate at

the following City Commission meeting. She explained that whatever was done with regards to healthcare costs would not impact the millage.

Mayor Kelley stated that the Affordable Care Act was not very affordable; whereby, Ms. Shanahan stated that it had not helped the city.

Ms. Kelly McGuire, Finance Director, stated that the presentation she would be giving had previously been given to the Budget Advisory Board. She noted that the Budget Advisory Board agreed with staff's recommendations. She stated that the total proposed operating budget was just under \$69 million. She explained that the big difference between this year and next year was the capital projects, specifically an airport project and grant funding for projects. She noted that there was an increase of \$7.23 million, or 11.72%, due to new capital expenditures.

Ms. Shanahan explained that from an accounting perspective the city had to account for the full dollar amount of any grants received, even though the city's share was less. She provided an example of the referenced airport project, which totaled about \$4 million but the city's share was about \$200,000.

Ms. McGuire stated that the net budget was \$28.6 million, which constituted an increase of about \$1.6 million, or 5.91% over the current year. She explained that the primary reasons for that were a 2% general wage increase included in all of the approved bargaining contracts, a programmed 15% healthcare costs increase, a couple of new proposed positions including a Neighborhood Improvement Division Officer, an Information Technology Specialist, and partial funding for five Police Officers and increased services for grounds maintenance and janitorial services. She explained that the police positions were marked as partially funded since they would be added late next year and grant funding was being sought for them. She stated that the city's taxable value increased about 6% and explained that a large portion of that came from property annexations. She noted that the city annexed almost \$10 million worth of properties. She further noted that there was about \$31 million in new construction.

Ms. McGuire stated that the city's existing tax rate would support the current service level; however, there were a number of items that had been discussed to increase service level, and those items would require additional funding. She stated that one such item was a recently approved contract with Austin Outdoor to provide maintenance services at the city's ball fields. She noted that some employees were also eliminated from that service area, but the net impact of the contract was about an \$84,000 increase to the budget. She explained that there were also a number of landscaping projects and the construction of those projects had been primarily grant funded, noting that the city had to add the maintenance expenses to the budget. She stated that the city had also added some janitorial services to Andy Romano Beachfront Park, the new Nova Skate Park, and planned for services to be added next year for the Environmental Learning Center. She noted the staffing changes she had just mentioned, as well. She explained that there were also anticipated costs for a new enterprise resource system, which would be primarily a financial system but also served a number of other departments. She explained that the current system in place was adopted in the early 1990s, was extremely antiquated, and did not provide the flexibility that the city needed to extract information, or the flexibility that the customers needed to make payments. She noted that the RFPs for the enterprise resource system had been received and staff was working with the Legal Department and outside counsel to review the contracts, which would be coming back to the Commission for approval.

Ms. McGuire stated that there was an increase in new construction of almost \$31 million, adding over \$9.8 million in property value to the tax rolls. She stated that there was also good news regarding pensions, which did not often happen. She explained that the changes to the general employees' pension plan had resulted in savings of \$135,497. She noted that the changes to the plan had eliminated new hires going into the existing defined benefit plan and instead going into a defined contribution plan. She explained that the defined contribution plan allowed for the city to contribute 6% of payroll to those employees. She noted that the employees in the defined benefit plan received a city contribution of 30%. She stated that some in the old pension plan had left and been replaced by workers in the new plan, which resulted in a savings for the city. She noted that those same changes were not seen in the police and fire pension plans as the city was unable to make similar changes to their plans. She explained that the city's contribution had pretty well leveled off with regards to those plans, which was also good news compared to the past couple of years.

Ms. McGuire stated that it was proposed to not use any General Fund reserve in this budget. She noted that the Commission had committed to not using the reserve for ongoing expenses and only using it for one time expenditures. She stated that there was still some money left over in the Revenue Stabilization Fund, which was put into place in 2011 due to vacancy savings. She explained that the thought was to use \$2 million in that fund for the next couple of years to account for any revenue losses and to level things off. She noted that the thought was that it would be fully utilized in about two to three years' time, but there was actually some left four or five years later. She explained that there were some one-time expenses that they planned to use for the balance of the Revenue Stabilization Fund. She stated that the General Fund reserve would be maintained at 15%, whereby the Budget Advisory Board supported that recommendation.

Ms. McGuire stated that state shared revenues, such as sales tax, had begun to increase due to an improving local economy. She noted that while the increases were not substantial it was good news that it was increasing as it took a little bit of the pressure off of the city's property tax revenue.

### **III. TOTAL OVERALL BUDGET**

Ms. McGuire stated that the total overall budget was \$85.9 million. She noted that it was \$6 million more than the previous year and that she had already mentioned earlier the reasons for the increase. She noted that on the pie chart shown for total overall budget expenditures, one of the categories was "physical environment." She further noted that she had been asked a few times to define said category and explained that it referred to the water and sewer and solid waste funds. She explained that the categories were provided by the state and were being used for consistency.

Mayor Kelley asked if that was a new term that was being used; whereby, Commissioner Kent stated that it was.

Ms. McGuire explained that they did not always use that term in the budget but were required to use it in their audit and wanted to establish some consistency. She noted that it might not have been a good idea, as it was not clear from the title what it referred to.

Mayor Kelley stated that he would agree it was not a good idea; whereby, Commissioner Kent suggested using the term and noting underneath that it was water and sewer so that it was obvious what it referred to.

#### **IV. PROPERTY TAX / MILLAGE**

Ms. McGuire stated that property tax values were going up but were not close to the level of 2007.

Commissioner Kent noted that they were not even at the level of 2005 of ten years prior.

Mayor Kelley stated that he thought it would be interesting to see what new construction and annexations had added to the value over the ten year period; whereby, Ms. McGuire suggested it would be substantial.

Mayor Kelley stated that he thought it would be very eye opening to see the results; whereby, Ms. Shanahan agreed.

Ms. McGuire displayed a graph of the operating millage history over the last 10 years going back to 2006, and noted that it compared the adopted millage for each year to the rollback millage. She noted that half of the time the Commission adopted the rollback rate, or something under the rollback rate, and the other half of the time they did not. She explained that the rollback rate provided exactly the same revenue as the year before. She further explained that she would argue that it was not realistic to expect the government to operate on the same dollars year after year.

Ms. McGuire explained that the City Commission would set the tentative millage rate at their regular City Commission meeting following the workshop. She stated that staff was proposing an operating millage rate of 4.2843 mills, which was 4.04% more than the current rate. She explained that due to the state's own calculation formula; however, it had to be advertised as an 8.79% increase over the rollback rate. She referenced to the debt millages and noted that they were adjusted as values went up. She explained that there was a certain dollar amount to get to and it was based on the principal and interest that the city had to pay. She noted that because the property values went up, the millages would go down slightly. She explained that the overall millage rate would be increasing by 3.43%, if the Commission was comfortable with what staff was proposing. She stated that if the Commission was not comfortable with that rate and would like to adopt a different millage rate, staff would need to know during the workshop so that she and Assistant Finance Director Dan Stauffer could run the calculations and change the proposed resolution which included the suggested millage rate from staff. She noted that the Budget Advisory Board supported this recommendation.

Ms. McGuire noted that she had mentioned that the current service could be funded with the existing millage rate. She explained that there were a number of things that were important that were added to the budget for the next year. She noted that she had already mentioned the new police officers for a new police zone on US1, a new Neighborhood Improvement Officer, and a new Information Technology Specialist. She displayed a chart showing the amount and associated millage rate for each of those additional expenditures. She explained that if there was something the Commission wanted to change, they had the information available regarding the amount and associated millage rate; whereby Commissioner Kent thanked Ms. McGuire for providing that information in detail.

Ms. McGuire noted that the other expenditures included restoring facilities renewal and replacement (R&R) funding to original levels, creating a separate millage for general vehicle R&R, educational material and supplies for the Environmental Learning Center, and three part-time athletic fields maintenance employees. She explained that the original target for the facilities R&R funding was \$500,000, but it had been reduced over the last couple of years. She noted that presently the millage rate only provided for \$400,000 of funding and the remaining \$100,000 had been supplemented by General Fund reserves.

Mayor Kelley stated that he believed that it was being taken from the Revenue Stabilization Fund; whereby, Ms. McGuire stated that was correct.

Ms. McGuire stated that the issue was that the Revenue Stabilization Fund would no longer be in place to supplement the facilities R&R funding. She explained that the millage rate had been adjusted for this budget to provide for the additional \$100,000. She stated that staff believed that \$500,000 was the right amount of funding for facilities R&R each year. She noted that if the Commission had concerns and wanted to adjust that funding level, staff could bring back the budget with some of those projects eliminated.

Commissioner Kent stated that if memory served him right, the Commission was concerned that the funding was dipping under \$500,000 and they were the ones who wanted the funding level to be at \$500,000. He noted that he believed that had been the Commission's direction as they did not want children to not be able to play basketball at Nova Recreation Center because the roof was leaking.

Ms. McGuire noted that it had been the Commission's direction.

Mayor Kelley stated that it had been explained to him during his meeting with Ms. Shanahan and Ms. McGuire that in regards to the Neighborhood Improvement Officer position, it was being put into the budget in the event that it had to be done, but they would be looking into it first. He noted that he also had concerns regarding the new police zone on US1 and stated that it would help to annex everything in that area that they could to help offset some of the costs.

Ms. Shanahan explained that essentially the city was fronting the costs for the police officers because the annexations were not yet completed. She stated that as those were completed more revenue would become available. She explained that was why they were not looking for more funding next year and also noted they were hoping to receive grant funding.

Ms. McGuire stated that the grant money would be for three years; and presumably when the grant funding was no longer being received, the city would have the annexation funds to replace it so there would not be a significant impact on the General Fund.

Ms. Shanahan noted that Commissioner Partington had raised some concerns a few months prior regarding the Neighborhood Improvement Division (NID) service process. She stated that Mr. Chris Mason was the new Neighborhood Improvement Division Manager, as Ms. Joanne Naumann had retired. She explained that NID was presently flowcharting their procedures and working with the city's audit firm utilizing the Lean Six Sigma process to see if there was a way to save time. She noted that Mr. Mason was

currently researching alternative service delivery options, including contracting out that service or utilizing part-time employees. She explained that getting individuals served quicker would help get them to the Special Magistrate faster. She explained that they were also looking into the appropriate amount of time to correct a violation. She provided an example of a barking dog and noted that such a violation should not be given 30 days to correct it. She explained that it was being worked on and the Commission would eventually see the results come back to them.

Mayor Kelley stated that it seemed like some of the time was spent following up to ensure compliance. He asked if some of the restrictions that the city had should be reviewed.

Ms. Shanahan stated that everything was being reviewed. She noted that staff brought some issues to the Quality of Life Advisory Board about improved codes.

Ms. McGuire stated that in 2007 or 2008 about \$500,000 was being funded for vehicle replacements each year. She noted that funding was being set aside in the event that replacements were needed. She explained that due to recent economic decline, this was one area where a reduction was made. She stated that there were reserves available in the fund, and as a result new funds were not added while those were utilized. She explained that now most of those reserves had been utilized and the fund needed to start being funded again. She stated that at Financial Trends there had been an interest in starting to set aside some of the millage for funding incrementally. She explained that they would work back up to the \$500,000 in funding but were starting with \$100,000 in the next year. She noted that the millage set aside would be a little more than three cents.

Ms. Shanahan explained that when creating a separate millage was spoken about it was all within the operating millage. She noted that Ormond Beach was different than other local governments in the area as most had one General Fund millage. She explained that several years prior, the Commission had the foresight to want to be sure that money was being set aside for facilities, capital projects, transportation, and vehicle replacement, and such millages were created for each of those categories. She stated that during the recession, Ormond Beach was still paving roads and doing facilities R&R, unlike their sister communities who struggled during that period and were now racing to catch up. She explained that they would not be creating more millage but would be sending less to the General Fund and instead setting aside millage rates for very specific needs so that the city did not get back into a problem where no money was set aside for those projects.

Ms. McGuire stated that the Environmental Learning Center was in the capital projects budget and noted that there would be some additional costs associated with it once it was completed. She referenced the Austin Outdoor contract for ball field maintenance which added \$84,000 to the budget. She explained that if the millage rate proposed was not levied and reductions had to be made, the city would be looking at going back to the athletic fields and eliminating some of the part-time employees, which the city had kept because they felt that they were needed to reach the desired level of service. She stated that those new expenditures would account for a little over 16 cents of the millage rate and equal \$448,700.

Ms. McGuire stated that the millage rate being proposed for the next year, 4.5570 mills, would still keep Ormond Beach at the third lowest millage of the Volusia County

municipalities. She stated that DeBary and New Smyrna Beach were the only millages lower.

Ms. Shanahan stated that she believed that Port Orange would be staying at their current rate or going to the rollback rate, Daytona Beach was staying at their current millage as was Volusia County, and New Smyrna Beach would likely be going a little below their current rate due to debt service savings. She noted that DeBary had an electric generation plant which affected their millage rate. She stated that the plant would be decommissioned in two years, and she was not sure what DeBary would do regarding their millage, noting that to meet their budget they might have to go to 8 mills.

Commissioner Kent stated that they would then compete with Deltona and Daytona Beach Shores for the highest millage, and Ormond Beach would then have the second lowest millage rate.

Ms. McGuire explained that the rate shown was the overall rate, which included voter approved debt service. She noted that some of the other communities had no voter approved debt service and the rate displayed was the rate that they used solely to fund their General Fund.

Mayor Kelley stated that not every municipality had the obligation for pensions that the city did either.

## **V. GENERAL FUND**

Ms. McGuire stated that the majority of the increase in General Fund revenues was an increase in property tax revenue. She stated that the General Fund expenditures were increasing due to additional positions, the 2% salary adjustment obligation, and the 15% budgeted for health insurance increases. She noted that leisure services accounted for 19% of the budget. She stated that breaking that down further, 3% of the budget was cultural, 6.3% was athletics, and 9.49% was parks, maintenance and administration.

Ms. Shanahan noted that with regards to maintenance, leisure services performed facilities maintenance for the entire city. She explained that in a lot of communities that was a function of public works. She noted that the maintenance also included right-of-way maintenance. Ms. McGuire stated that in past years the parks and maintenance budget was reflected in public works.

Ms. McGuire stated that General Fund expenditures were at their highest in 2007 and displayed a graph charting General Fund expenditure history from 2004 to 2016. She noted that not many positions had been added back and explained that what was seen in increases was primarily related to contractual obligations per the bargaining agreements, small salary increases, pension obligations that needed to be paid for and health insurance.

Ms. Shanahan stated that in 2010 the city's pension costs were about \$2 million, which had grown exponentially since most of the city's employees were in the General Fund and that was where most of the cost was.

Ms. McGuire reiterated that no General Fund reserves were proposed to be used in next year's budget. She noted that almost 20% of the budget was reserves in 2011 but in 2013 a portion of that was used for a one-time capital project, the Ormond Beach Sports

Complex perimeter road and multipurpose fields. She stated that it was then reduced to the 15% level benchmark. She stated that the reserves would be hovering around that 15% mark in the future. She noted that as the budget grew, even by a small amount, that 15% would be a larger amount.

Mayor Kelley stated that 2011 might have had a low General Fund figure; whereby, Ms. McGuire noted that there were about \$4 million in the General Fund reserves in 2011.

Ms. McGuire stated that the Revenue Stabilization Fund was established in 2011. She stated that the remaining funds available were proposed to be utilized for one-time expenditures in the next year budget. She stated that the proposed uses were \$250,000 for previously approved economic development incentives, \$190,000 for five new police vehicles, and \$24,500 for one NID vehicle for the new NID position.

Mayor Kelley stated that the Revenue Stabilization Fund was a great thing that staff and the Commission did for the city.

Ms. Shanahan stated that the Commission's direction to use that for one-time expenses and not ongoing operating expenses was the key to making the fund last because the operating budget was able to continue to grow and not be impacted. She noted that originally they thought it would last three years; whereby, Mayor Kelley stated that it would end up lasting twice as long.

## **VI. STAFFING / PENSION COSTS**

Ms. McGuire stated that the city had 426 employees in 2007. She noted that she had mentioned the positions being added previously but had not mentioned those that would be taken out. She explained that there would be a net impact of one position to the budget. She stated that the positions being removed included three firefighter positions that had been carried over and vacant, and some full-time and part-time positions were eliminated as a result of contracting athletic field maintenance services to Austin Outdoor. She stated that two positions were being proposed that would be from the Water and Sewer Fund. She stated that those positions were a full-time SCADA (supervisory control and data acquisition) technician and a part-time utility locator position. She noted that they may find that it would be less costly to contract out the duties of that part-time position, but they at least wanted to mark some funds for it in the budget.

Ms. McGuire stated that in 2010 there were \$2.4 million in annual pension contributions for all three plans. She noted that presently they were just under \$5 million. She pointed out that it had dropped since 2013, however. She explained that thankfully because of the general employees' plan changes it should continue to go down.

Ms. Shanahan noted that the decrease was evident in the general employees' plan. She stated that as the economy improved and employees left to find better pay elsewhere, the replacement employees would come in at a 6% contribution instead of an over 30% contribution.

Ms. McGuire stated that the unfunded liabilities for the pension were continuing to decrease. She noted that they were at almost \$40 million in 2011 and were down to \$33 million, which was still a significant number but was a considerable decrease. She stated that they expected them to continue to decline assuming the benchmark for interest

earning over the long term could be met. She noted that the benchmark had been 8% and was not being met but was now being lowered down to 7% and would eventually be down to 6.5%.

Ms. Shanahan stated that it cost more money if the rate was lower but in the long run they would be better off because the delta did not have to be funded when the market moved away.

Mayor Kelley stated that it showed a more realistic picture; whereby, Ms. McGuire confirmed that was true. She stated that they had assumed 8%, but actually lost 8% and thus had a 16% swing that the city had to make up in their contribution in the future years.

## **VII. TAX RATE**

Ms. McGuire stated that she wanted to get consensus from the Commission regarding the tax rate that would be tentatively set this evening before moving onward in the presentation; whereby, Ms. Shanahan noted that once the tentative rate was set, it could always be lowered, but it could not be raised without special advertisement.

Mayor Kelley stated that the Budget Advisory Board had weighed in on the topic and supported staff's recommendation. He suggested that the Commission set the tentative millage rate proposed by staff.

## **VIII. WATER AND SEWER / SOLID WASTE**

Ms. McGuire stated that the biggest change in the budget for water and sewer was that the retained earnings were being reduced. She explained that retained earnings in water and sewer were equivalent to the reserves in the General Fund. She further explained that the reason for doing so was that in the current year budget about \$2.6 million in reserves was being used for capital projects. She noted that those projects obviously would not be in next year's budget. She stated that expenditures were going down \$1.8 million.

Ms. McGuire stated that there were some capital projects totaling over \$4.4 million and two positions, a SCADA technician and a part-time utility mapping locator. She explained that the big story in water and sewer was that water usage had decreased due to conservation rates and as such rates were not sufficient to cover ongoing costs. She further explained that the city had a water rate structure such that the more water one utilized the more they were charged. She stated that there was a minimal billing amount of 2,000 gallons which everyone paid. She explained that if one went over that amount there was another tier up to 6,000 gallons that was charged at a certain rate per thousand gallons. She stated that every 1,000 gallons over 6,000 had another rate. She noted that essentially it was a conservation rate structure. She explained that due to water conservation, the city was not earning the revenue at the highest tier that they used to in the past. She stated that the rate increase being recommended was largely to make up for the revenue no longer being seen and not to cover additional expenses.

Mayor Kelley asked Ms. McGuire whether she could show the revenues over time; whereby, Ms. McGuire displayed a graph showing the revenue over the past four years, broken into different tier structures.

Ms. McGuire stated that the revenue went down from 2013 to 2014. She noted that it did not appear to be a large decrease but there had been a rate increase in 2014 of 2.5% and so they should have seen an increase instead of a reduction. She noted that putting a rate increase on the highest tier was not working and would not generate the needed revenue. She stated that an increase needed to be added on the base rate. She explained that staff was proposing a \$1.00 per month on water and \$1.00 per month on sewer increase starting in October 2015 and another \$1.00 per month on water and \$1.00 per month on sewer increase in October 2016. She stated that should provide the revenue to get the city through the next two years to fund operations and capital projects.

Ms. McGuire stated that the city's enterprise resource system, which she had mentioned previously, was from the 1990s. She noted that a large portion of that system had to do with utility billing and finance, and as such a large portion of the system would be funded through the Water and Sewer Fund.

Mayor Kelley stated that he liked the new water bill. He noted that the only thing he did not like about it was the way it displayed the graph. He explained that the last graph should be the current month.

Ms. Shanahan stated that the way it was displayed was common in accounting.

Ms. McGuire stated that there should have been a 2% increase in the revenue collected in 2014 but there was not. She explained that was why they needed to come back and look at what was being charged for the base rate and add a flat dollar amount on to that.

Mayor Kelley stated that the conservation schedule was working.

Ms. McGuire stated that the \$2.00, \$1.00 for water and \$1.00 for sewer, would put the city at about \$79 for a total bill which also included stormwater and garbage charges. She stated that Ormond Beach would still be at the low end of water and sewer rates in local municipalities with only Port Orange possibly below them.

Mayor Kelley joked that Port Orange might go up in its rates if it could get its billing sorted out. He noted that the Budget Advisory Board recommended approval.

Commissioner Boehm noted that the rate change was listed as \$2.80 and that Ms. McGuire had not mentioned what the 80 cents was for.

Ms. McGuire stated that the 80 cents had to do with the Solid Waste Fund. She noted that the city had entered into a new contract with Waste Pro and had been funding some of the increased amount with Solid Waste Fund reserves rather than passing along a huge increase to the city's customers all at once. She explained that in the current year 80 cents per month was added to each residential bill and another 80 cents was proposed to be added next year and then again the year after. She stated that the budget included the additional amount. She explained that it would eliminate the use of reserves, but she noted that it did not mean that they would not use any reserves from the Solid Waste Fund, as they were looking to purchase a street sweeper next year.

Ms. Shanahan explained that in the past reserves were being used to supplement the rate so that the customer did not feel the full impact of the rate adjustments when the city

was with Waste Management. She further explained that the city could not continue this practice and remain solvent.

Commissioner Kent asked Ms. McGuire why the water and sewer increase was needed again.

Ms. McGuire explained that with past increases the city counted on the over 6,000 gallon users to fund a majority of the needed revenue. She further explained that the issue was that the revenue was no longer being received and they were losing money on the high volume users. She noted that this was in part because the city wanted residents to conserve water and they were doing so.

Ms. Shanahan noted that residents were also getting off of potable water for irrigation and switching to reuse water.

Ms. McGuire stated that the city was annexing properties that were paying 150% of the rates and once they came into the city they only were paying 100% of the normal rate.

Commissioner Kent asked if there were any more large projects in the water department; whereby, Ms. McGuire stated that the normal capital improvement plan would be implemented including the third phase of the two-inch water main replacement.

Commissioner Kent explained that he liked to have the answer ready for whenever he was asked about the rate increase.

Ms. McGuire stated that there were over \$4.4 million in scheduled capital improvements. She stated that \$1.3 million of those would be funded through existing reserves and therefore, would have no impact on the rate. She noted that the other \$3 million would have an impact on the rate and be bonded.

Commissioner Kent asked how many miles of new water lines had been put in; whereby, Ms. Shanahan stated that they did not have that number offhand, but she would provide the answer to them.

Commissioner Boehm asked Ms. McGuire to explain what a SCADA technician and a SCADA program was for the benefit of the audience, noting that those were not commonly used terms.

Ms. Shanahan stated that SCADA was the telemetry system for all of the pumps, well stations, and lift stations. She stated that a SCADA technician would manage and maintain the system.

Mr. Dave Ponitz, Utilities Manager, stated that they wished to move to a unified system. He explained that over the years the plants had evolved with two different types of software platforms. He stated that the Utilities Master Plan studied the feasibility and this included the first year of a three-year implementation plan. He stated that this would improve the reliability and monitoring of the utility system.

Commissioner Partington stated that someone in an office at the water plant could see that a pump was overheating at a distant well site and send someone out to fix it before it failed rather than discovering it later. He noted that it would save the city money.

Mr. Ned Huhta, Information Technology Director, stated that a higher speed data communication was being implemented; and instead of communicating with the well every six minutes, the information would be received momentarily.

Commissioner Kent stated that was thanks to the fiber optics being installed.

Mayor Kelley noted that he googled SCADA and it told him that the system operated with code and signals over communication channels.

Commissioner Boehm stated that he did not think a lot of people realized that the city produced 40 million gallons of water a week. He explained that they were controlling a lot of water.

Ms. McGuire asked for consensus regarding the rate increases.

Mayor Kelley noted that the Budget Advisory Board reviewed them and recommended approval.

Commissioner Boehm stated that he believed it was proactive. He noted that Assistant City Manager and Public Works Director Ted MacLeod had made the point years ago about the need to replace water mains and not wait until they broke. He stated that Ormond Beach was proactive and replaced them so that its citizens did not have to wait until they did not function.

Mayor Kelley noted that Commissioner Partington and Commissioner Kent served on the Commission when a large rate increase had to be made because no increases had been made the previous 15 years. He explained that now the city did not have to make those big adjustments. He stated that even with the adjustment, the services the city was able to provide were still a value.

Commissioner Kent stated that the Commission went ahead and made that adjustment and were taken to task for the next several months by citizens. He explained that even after that some of the city's oldest neighborhoods still had orange water coming out of their pipes because there was a need for water pipe replacement. He stated that the city had used reverse osmosis to get perfect tasting water but was still pumping it through orange pipes and he likened the situation to ordering a chateaubriand and having the server drag it with a string on the ground to your table. He stated that it did not make sense. He noted that Commissioner Boehm used the word "proactive" and it was the right decision to make.

Ms. McGuire stated that a notice of the rate increase would have to be placed on the utility bills that were sent out in August. She explained that the city was required to provide notice to its customers that the Commission was considering a rate increase.

Mayor Kelley asked if the notice would include the amount of the proposed rate increase; whereby, Ms. McGuire stated that it would just include the date of the public hearing.

Mayor Kelley stated that he wished that the notice would include that the proposed rate increase was \$1.00; whereby, Ms. Shanahan and Ms. McGuire stated that could be included but it was not required to be.

Mayor Kelley explained that he thought it would be wise to do so. He noted that if it was not listed then citizens would call to inquire about it; whereby, Commissioner Kent agreed with Mayor Kelley that it would be wise to list the increase amount.

Commissioner Partington suggested that if citizens needed an explanation for the increase, the notice could direct them to the city's website where there would more information.

## **IX. CAPITAL PROJECTS**

Ms. McGuire noted that the City Commission already held a CIP Workshop in June. She stated that the Commission had provided direction to staff to make a few changes to the proposed CIP and explained that staff would make those changes and bring the CIP back to the Commission for formal approval at the second meeting in August.

Mayor Kelley asked whether one of the changes made had to do with the city's association with the YMCA project.

Ms. Shanahan explained that the YMCA was not looking for funding until fiscal year 2016-17. She noted that she thought that the YMCA would like a letter of commitment from the Commission during this year in order to plan for it. She stated that could be brought back to the Commission with the budget.

Ms. McGuire noted that one of the changes was the Cassen Park docks. She explained that staff would outline in the memorandum accompanying the CIP what changes had been made.

## **X. CRA FUND**

Ms. McGuire noted that the Community Redevelopment Agency (CRA) intergovernmental revenue had increased by \$62,000, which was due to the CRA's value going up and the city receiving additional revenue from the other entities.

Commissioner Kent stated that this was an example of a CRA that should be a blueprint and model for the county, noting that the county had complained about other CRAs. He explained that the city's CRA was done effectively, efficiently, and improved the area.

Ms. McGuire noted that the transfers listed were being transferred out of the General Fund to the CRA for the General Fund's portion. She stated that CRA Fund expenditures were also going up due to capital projects. She noted that \$300,000 was budgeted for property improvement grants like in past years and stated that generally almost all of that was utilized.

## **XI. CLOSING COMMENTS**

Commissioner Kent stated that the budget was an incredible bargain. He noted the increase of five police officers for a new zone. He explained that he had referenced elements from Daytona Beach coming into the city and noted that it would also help that. He stated that the average homeowner would be paying an additional \$17 a year to receive those extra resources. He stated that the bang for your buck in Ormond Beach was amazing. He noted that Ormond Beach still had the third lowest millage rate and Daytona Beach and Daytona Beach Shores had almost double the millage rate of

Ormond Beach. He stated that for an additional \$2.00 a month the city could fund projects like the water pipe replacement and well work. He noted that was an incredible deal and that the proof was evident when looking at where the city was compared to other cities that provided the same services. He stated that Ormond Beach was doing it better and smarter. He thanked staff and addressed Police Chief Andy Osterkamp and told him he was glad that he would be receiving five additional positions.

Commissioner Stowers thanked the Budget Advisory Board members for their work on the budget. He noted that it was the fifth time he had served as a Commissioner and went through the budget process. He addressed Ms. McGuire and stated that this was by far the best and most succinct presentation she had given. He noted that Ms. McGuire did a great job of summarizing the reasons for the tax increase. He stated that his favorite slide was the one displaying what additional services and resources would have to be cut in order to keep the same millage rate. He noted that there had not been a lot of comments from the Commission this evening and explained to the audience that each member of the Commission sat down individually with Ms. McGuire and Ms. Shanahan beforehand to review the budget.

Commissioner Partington echoed Commissioner Stowers and Commissioner Kent's remarks. He stated that the Budget Advisory Board was amazing, and the Commission was able to lean on them very heavily. He noted that the members represented great experience in law and accounting. He stated that the Budget Advisory Board's work with staff in bringing the budget to the Commission was a perfect representation of what the citizenry expected from Ormond Beach, which was smart government. He noted that Ormond Beach had a low millage rate compared to other cities and that citizens received a great bang for their buck, as Commissioner Kent had said. He noted the Revenue Stabilization Fund and referenced the numbers presented by Volusia County Property Appraiser Morgan Gilreath regarding recovery. He explained that there was almost an inverse relationship and that as the city had carefully made decisions on how to spend the Revenue Stabilization Fund, the recovery process had stepped up to where in the next year or so there would almost be a complete recovery. He noted that the establishment of the Revenue Stabilization Fund was a wise move and that he appreciated Mayor Kelley's leadership on that.

Commissioner Partington stated that he had completed a ride-along with the police department. He stated what had struck him the most was when the officer he was with showed him on his computer all of the officers on calls within the city, all of the previous calls, and all of the calls that were backed up waiting for response. He noted that every unit was busy with not a lot of opportunity for back up. He noted that it might not always be like that and explained that he was in the ride-along on a Saturday night. He stated that it was time for the additional officers to come on board, especially with the new annexations.

Commissioner Boehm noted that he appreciated Commissioner Kent mentioning the rain in the gym earlier and explained that he was a long-time proponent of the obligation of the city to take care of its facilities and to present itself in the best light possible. He noted that the city was being extremely transparent in its budget by setting aside specific millages such as the one for facilities R&R. He stated that it sent the message that the city would be taking care of its facilities for its citizens. He noted that the Commission received the data regarding the vehicles needing to be taken out of service and replaced in the CIP. He explained that the data included how often those vehicles had to be repaired and how much they were costing the city to keep them on the road. He stated

that the city was proactive in the replacement of those vehicles and was not waiting until they broke down on the side of the road. He noted that another budget item was athletic field maintenance. He stated that he had visited the national baseball tournament that had taken places on Ormond Beach's fields. He stated that the city's fields were pristine, and national organizations wanted to utilize them because of their condition.

Commissioner Boehm stated that if he represented a company wishing to relocate to the city, or if he was a citizen seeking to relocate to the city, he would look at how the city took care of itself and its resources. He explained that if he saw them deteriorated or dilapidated, he would wonder how well the city was being run and what else was wrong. He stated that if the city was well run, he would think it was a great place to live. He thanked staff for their hard work in achieving that. He noted that new construction was increasing, more people were moving to the city, and businesses were coming in. He explained that he felt that was reflective of what the city was doing to make it a place people could be proud to live and work in. He noted that this was all proactive as they did not wait for things to break and fall apart and planned ahead. He stated that he was wholeheartedly behind those efforts.

Commissioner Kent stated that he would be remiss to not mention that about ten years ago Commissioner Boehm, who was then Leisure Services Advisory Board Chairman, came to the Commission and took them to task about issues at Nova Recreation Center. He noted that the Commission did not know about the issue and had a conversation with the then City Manager and asked why it was not being taken care of. He explained that they found out that not only were there no funds for the repairs but there was no plan to make them either. He thanked Commissioner Boehm for his passion about that issue and for standing up for the right thing for Ormond Beach. He noted that it was shameful and while he did not originally want to take blame for it as the issue originated with a Commission ahead of him, he did take blame for it as did Commissioner Partington.

Mayor Kelley noted that he used "basketball cancelled for rain" in one of his campaigns. He stated that the allocation of millages was started in 1994 or 1995 with the allocation of a millage for transportation. He noted that served as a good guideline and had been incorporated since then. He thanked the Budget Advisory Board for being so positive and noted that they were not dealing with a board like the one in Port Orange. He also thanked them for taking the budget serious and providing the Commission input as citizens.

## **XII. ADJOURNMENT**

The meeting was adjourned at 6:46 p.m.

Transcribed by: Colby Cilento