

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

July 31, 2018

5:30 p.m.

City Commission Chambers

I. CALL TO ORDER

Mayor Bill Partington called the meeting to order at 5:30 p.m.

Present were Mayor Bill Partington, Commissioners Dwight Selby, Rick Boehm, and Rob Littleton, Budget Advisory Board members Bill Harper, Scott Cichon, Rafael Ramirez, and Kevin Tilley, City Manager Joyce Shanahan, City Attorney Randy Hayes, Finance Director Kelly McGuire, Assistant Finance Director Chris Byle.

II. Proposed Budget for FY 2018-19

Ms. Joyce Shanahan, City Manager, stated that staff wanted to thank the Budget Advisory Board (BAB) for making their recommendation to the Commission to approve the budget. She noted the budget was reviewed individually with Commission members. She stated this workshop was being held in order to develop a consensus moving forward. She noted the Commission was not voting on anything at the workshop. She indicated they would discuss the tentative millage rate and set it at the next regular Commission meeting. She stated there were going to be two public hearings on the budget in September. She noted the public would have plenty of opportunity to speak about the budget at those public hearings.

Ms. Kelly McGuire, Finance Director, stated the budget had been reviewed at a meeting with the BAB on July 18, 2018. She noted the BAB recommended approval of the proposed budget, with the current tax rate and a reduction in the stormwater rate by \$1, to the Commission. She appreciated the time the BAB took to go over the budget with staff and them making the recommendation to the Commission.

Ms. McGuire indicated the direction they had received from the City Commission in the past was to maintain the current services and to do so at the lowest tax and utility rate possible. She reminded them of the capital project the city wanted to fund, but doing so in the proposed way would reduce the fund balance to a level that staff and the commission were uncomfortable with, noting it was discussed at the Capital Improvements Plan Workshop. She indicated there were solutions to that project provided in the proposed budget.

Overview

Ms. McGuire stated the city's net budget was \$77.7 million. She noted the amount was an increase of \$2.5 million over the current year. She stated the increase was largely due to capital expenditures, and in particular the upcoming Breakaway Trails and Airport Runway projects.

Ms. McGuire noted the net general fund budget was \$31.4 million. She stated that was an increase of \$1.1 million from the current year. She explained the increase was due to general wage increases per the three union contracts, pension cost increases, and

health insurance increases. She explained that staff was also looking to use some ongoing revenue that would be generated the next year for capital projects funding, in order to eliminate having to use any reserves for that.

Ms. McGuire stated that taxable property values increased \$224.2 million. She noted that existing properties increased by \$190.2 million and new construction and annexations increased by \$34 million. She stated that was 8 percent below the peak of 2007.

Ms. McGuire stated that staff was proposing an operating tax rate of 4.2843 mills, with a rollback rate of 4.0493 mills. She stated that the three debt millages were the 2002 general obligation bond, the 2003 general obligation bond, and the 2010 general obligation bond. She noted that those bonds were for a police station, a fire station, and Andy Romano Beachfront Park.

Ms. McGuire stated that staff was proposing to decrease the stormwater rate by \$1, which would keep them at one of the lowest rates in the area.

Total Overall Budget

Ms. McGuire stated the overall net budget was \$77.7 million. She noted the gross budget, which was what the Commission would see and approve in September, was \$95.8 million. She noted that the differences in those amounts were the result of inter fund transfers. She explained that inter fund transfers were funds that were moved within the budget but did not create new revenue. She stated that the real funding that came in and out the door was the \$77.7 million. She noted that the majority of funding to create revenue was from charges for services, which were the city's water, wastewater, and solid waste, at 32.8 percent. She stated that most of the funds that went out of the door were physical environment expenditures, which were water, wastewater, solid waste, stormwater, fleet, and engineering.

Capital Improvement Project (CIP) Budget Changes

Ms. McGuire stated that staff made changes based on the Commission's direction after the CIP Workshop. She stated that due to unexpected costs, staff was proposing to fund the majority of projects with revenue generated from the current tax rate, instead of with General Fund (GF) reserves. She stated the communication infrastructure project, essentially fiber optics, had been moved out of the current budget and would be funded in future years. She proposed using Tax Increment Financing (TIF) funding to finish the Cassen Park Dock project, and defer the project related to the restrooms and painting to a future time, when additional TIF dollars would be available. She indicated she would bring information on the Beach Street property project the next year, in order to receive direction from them.

Commissioner Selby asked about the footnote on the bottom of the slide; whereby, Ms. McGuire stated it referenced a police department project. She noted other police department projects had been deferred to a future time, such as the new radios, but the body camera purchase had been moved to the upcoming budget. She indicated that funding both the radios and the cameras in the same fiscal year was not feasible.

Ms. Shanahan stated the city was relying on the county to make a decision about the radio system they preferred to use, but did not expect anything definite for some time. She indicated that Police Chief Jesse Godfrey determined the body cameras were the higher priority due to that situation.

Ms. McGuire stated the body cameras would be listed in the updated CIP, but they would be funded through an operating account due to financing over a five-year period.

Commissioner Selby asked for clarification on what the cost would cover; whereby, Ms. McGuire confirmed it would include everything needed up front, but expected on-going costs after that, which would be covered in the operating budget.

Ms. Shanahan stated that all items would come back to the Commission for a Request for Proposal (RFP) process and an award, due to amounts being greater than \$25,000.

Commissioner Selby asked for clarification on the total amount for the Ormond Beach Sports Complex (OBSC) Field Lighting project; whereby, Ms. McGuire stated the total was \$950,000. She indicated \$500,000 would be from current revenue, \$50,000 from elsewhere, and \$400,000 from grant funding.

Ms. Shanahan stated the girls' softball field discussed in prior meetings would be through a separate CIP; whereby, Ms. McGuire stated it would be on the CIP for the next year and funded through recreation impact fees. She confirmed staff would bring all revisions before the Commission for approval in August.

General Fund

Ms. McGuire stated the net budget for the general fund was \$31.4 million, with an increase of \$1,114,653. She noted that the city had to rely on the increase in the property taxes to fund all the increases on the revenue side. She stated the city did expect to see an additional \$110,000 in utility taxes, and approximately \$110,000 in sales tax. She noted the city would not use the fund balance for most of the projects, and was looking to fund all of the current operating expenses, including personnel, within the current budget. She explained that fund balance was used to fund one-time expenditures. She noted that had been the policy all along and that fund balance was not used for ongoing items. She assumed a 5 percent vacancy savings in the listed expenditures.

Ms. McGuire stated that some of the expenditure categories were a little different as compared to past budgets. She explained that the Human Services category had been removed and a Contributions category was now listed. She noted the money reserved for not-for-profit agencies, such as the Early Learning Coalition and the homeless shelter initiative, were now under the Contributions category.

Ms. Shanahan noted that HR was listed under General Government.

Staffing Costs

Ms. McGuire stated that citywide staffing levels reached a high in 2007 with 426 employees. She noted that staff was proposing to be at 373 employees for the upcoming year. She stated that staff was looking at an addition of two employees, one Building Maintenance Supervisor of the parks and one Planning and Building Permit Tech, with a change of one part-time employee into a full-time employee.

Mayor Partington commented that he did not have any concerns, highlighted how the city had reduced staff and maintained that amount of employees over the prior 11 years, and noted that staff had continued working hard with additional responsibilities. He stated that residents benefitted from a frugal approach to the budget.

Ms. McGuire stated the city had been selective in adding positions, but had needed staff when new facilities were added.

Property Taxes and Tentative Millage Rate

Ms. McGuire stated that property tax values were eight percent below the 2007 level. She noted there had been a slow increase of 6.9 percent in the values, most coming from existing properties at \$190.2 million, and the remainder coming from new construction and annexations at \$34 million.

Mayor Partington and Ms. Shanahan commented on the property values of Deland and New Smyrna Beach compared to Ormond Beach.

Ms. McGuire stated the current operating rate for Ormond Beach was 4.2843 mills. She mentioned the three additional debt millages, which were voter-approved in prior years. She noted the city had the third lowest rate compared to sister cities in Volusia County. She expected Ormond Beach to remain at the third lowest rate for the upcoming year, and indicated that other communities in Volusia County were either going up or staying the same.

Ms. McGuire stated that rollback was the rate that provided no new revenue even if the property values increased. She explained the Commission would be setting the tentative millage at the regular meeting later in the evening, but needed direction at that time for the verbiage. She noted staff would provide the information to the property appraiser's office the next day, and that information would be put on the Notice of Proposed Property Taxes (TRIM notices) going to all citizens in August. She stated that whatever rate was set that night could be reduced or increased at a later time; however, a second notice would have to be sent to the citizens at the city's cost, if it were increased. She was hopeful they would set the rate that night that would be approved in September.

Ms. McGuire stated the proposed rate for the next year was 4.2843 mills, same as the current year, and the rollback rate would be 4.0493 mills. She noted the proposed property tax would result in an average increase of \$5.33 on a citizen's tax bill, but that if they went to the rollback rate, the result would be an average decrease of \$18.60.

Commissioner Selby asked for clarification on the current rate, assessed values, taxable values, and average values of homesteaded property; whereby, Ms. McGuire answered in detail.

Ms. McGuire stated there needed to be more discussion about the CIP projects in regards to the two rates. She noted prior discussions about funding the projects with the ongoing revenue for the next year, and then using that ongoing revenue the following year to address any shortfalls from Amendment 1, should it pass. She stated that if the city went to the rollback rate instead, the capital projects would have to be funded with the GF reserves. She noted that using the current rate, the GF reserves would stay at 18.15 percent, and using the rollback rate, the GF reserves would be at 15.5 percent.

Commissioner Selby asked for clarification on Amendment 1 passing, the millage rate and the results involved; whereby, Ms. Shanahan noted changes could be made down the road, but they were looking ahead because the rate could end up being double-digits, compared to the current 5.8 percent above rollback.

Commissioner Selby commented that Amendment 1 would have the impact on the FY 2019-2020 budget, not the FY 2018-2019 budget; whereby, Ms. Shanahan noted the city was preparing for the potential budget impact in advance of it actually happening.

Commissioner Selby asked if the city were building up the reserves; whereby, Ms. McGuire stated they were not building reserves at 18.15 percent, and clarified the reserves were currently at that level. She emphasized that if they stayed at the current tax rate, the city would not have to use reserves.

Ms. McGuire explained the reserve minimum and that it was established for emergency-related expenses, which could take years to recover from government entities. She stated that going above the minimum could assist in unexpected opportunities, like the Beach Street property purchase, without affecting the emergency fund. She noted staff was comfortable with whatever rate the Commission chose to pursue.

Commissioner Selby stated he was comfortable with the 15 percent minimum for reserves, and that it was better to leave the extra money in the taxpayer's bank accounts. He noted that everything could be funded with the rollback rate and the city would still have more than 15 percent in the reserves.

Commissioner Boehm noted that any costs related to the Beach Street property, a new police station, or an EOC in the upcoming year would have to come out of the reserves since it was not accounted for in the budget. He stated that going to the rollback rate would prevent those projects from happening until a later date. His opinion was that Amendment 1 would pass and felt the city needed to be prepared for that budget impact and anything extra.

Mayor Partington stated that whatever rate was chosen, they were essentially dealing with pennies per month. He noted they could keep the same rate, go to the rollback rate, or split it; take the rollback rate plus the Consumer Price Index (CPI), which was 2.87 percent according to the U.S. Bureau of Labor Statistics. He indicated that the third option made the most sense to him. He commented there were individuals in the community who were not proud of a low tax rate, but indicated he was proud of that fact. He welcomed the BAB member opinions.

Commissioner Boehm agreed with Mayor Partington about looking at the different rates, their impacts, and finding the best outcome for the city.

Mr. Bill Harper noted the property taxes were only 16 percent of the total budget, and wondered the impact if revenue from the other 84 percent changed.

Commissioner Littleton asked the approximate revenue if the city went to the CPI; whereby, Ms. McGuire stated there would be \$400,000 less revenue, the operating millage rate would be 4.1655 mills, and they would be 2.87 percent above the rollback rate.

Commissioner Littleton thought that going with the CPI, along with the stormwater rate decrease, would be a good way of giving the residents a break and would not destroy the revenue or reserve balance.

Ms. McGuire stated that going to 2.87 percent above the rollback rate would mean a \$6.77 decrease on the average citizen's tax bill. She noted that if Amendment 1 passed, everything the city did in the next year would have to be undone the following year.

Commissioner Selby asked what would need to be done if Amendment 1 did not pass; whereby, Ms. McGuire stated the city would need less revenue and would not have to find extra funds that would be removed if it did pass.

Commissioner Selby stated his personal challenge with the thought process was that staff was assuming that Amendment 1 was going to pass and the budget was being adjusted in anticipation of that happening. He thought they should wait and deal with it in one year, if it did pass, instead of adjusting at that time.

Ms. Shanahan clarified that staff was given direction not to use GF reserves at the CIP Workshop, they did exactly that, and were instead using the operating revenue. She indicated they could use the GF reserves, but that it would not be building them up, it would be taking it below the current level; whereby, Commissioner Selby stated he understood the situation.

Mayor Partington stated that he asked staff to prepare a tax rate that envisioned Amendment 1 passing, and would have the most seamless impact on the city's residents. He was comfortable going with the rollback rate plus CPI or the current rate, since that would put the city in the best position going forward, and restoring funds that had been spent on the Beach Street property. He stated that buying the Beach Street property was a great opportunity, but was an unexpected expense that affected the budget.

Mr. Rafael Ramirez asked if there were new contingencies in the budget for future storms; whereby, Ms. McGuire stated there were not.

Mr. Ramirez agreed it was better to look ahead and build the GF reserves, in case something did end up happening. He noted he would prefer to pay \$5 more to keep the quality of life currently in Ormond Beach.

Commissioner Boehm reminded the group that projects were deferred to future years and removed from the current CIP at the workshop, in order to keep the reserves from going below 15 percent.

Mr. Scott Cichon stated that he could see both sides and was not sure of the answer.

Mr. Kevin Tilley agreed with Mr. Ramirez about building the reserves back up in the event of future storms. He was impressed by the reports given after the hurricane in the prior year, with how the money was used and how quickly things were handled in Ormond Beach compared to the surrounding communities. He shared Mr. Harper's concern about certainty of other revenue streams affecting the budget.

Ms. McGuire stated that money had been used from the Solid Waste reserve to fund the prior two hurricanes, noting that some of the money would be reimbursed and some funds would never come back. She indicated there needed to be a second source to fund similar situations, and the GF reserves was that source. She stated that if the city had a third hurricane, the GF reserves would become the primary source for resolution. She stated that staff thought other revenue sources in the GF were fairly secure, but

knew the Communication Service Tax had been a target with unknown results potentially coming in the future.

Commissioner Boehm noted the money in GF reserves was guaranteed money in the event of unexpected expenses.

Ms. McGuire stated the GF reserves would be at 18.15 percent if the Commission approved the current rate, 15.5 percent if they approved the rollback rate, and somewhere in the middle for a different rate.

Commissioner Selby stood firm at the opportunity to go to the rollback rate, and whether the GF reserves had 15 percent or 18 percent would not negatively impact the city.

Commissioner Selby and Ms. Shanahan discussed details of how Amendment 1 would affect taxpayers in Ormond Beach.

Mayor Partington asked for the numbers involved using the CPI rate; whereby, Ms. McGuire confirmed the change in homestead bill would be a decrease of \$6.77 for the taxpayers, and the GF reserve would be at 16.88 percent.

Ms. Shanahan noted the change would be advertised as a tax increase, even though the bill for residents would show a decrease.

Mayor Partington, Commissioner Littleton, and Commissioner Boehm agreed to go with the CPI adjustment.

Ms. McGuire confirmed the operating rate would be set at 4.1655 mills, which would be 2.87 percent over the rollback millage rate of 4.0493 mills.

Ms. Shanahan reminded the Commission they would have another chance to discuss the millage rate at the regular meeting later in the evening.

Utility Funds – Stormwater, Water/Wastewater and Solid Waste

Ms. McGuire noted that all three utility funds had balanced budgets and no reserve use. She stated they were proposing a \$1 reduction per month in the stormwater rate, which was a 12.5 percent reduction. She explained that staff had included funding for a CPI adjustment to solid waste, in the event the Commission decided to proceed that direction when the request came in from the provider. She noted the city was not obligated to provide the adjustment, and if they did not, the money would remain there as part of the fund balance.

Ms. McGuire stated that all utilities, including water, sewer, stormwater and the reuse, would come out to \$84.84 per month, based upon 5,000 gallons per month. She indicated the utilities were currently lower than sister cities in the area, and would be a little lower if the \$1 stormwater reduction was approved.

Commissioner Littleton wondered how many other municipalities were lowering their stormwater rate; whereby, Ms. McGuire stated that none were lowering it.

School Marshals

Ms. McGuire stated that staff needed direction on the request received for funding of the school marshals. She noted the Volusia County School Board was looking at five

marshals and it had been requested the City of Ormond Beach pitch in 30 percent, after taking off \$15,000 for the school resource officer. She indicated if the Commission wanted to provide the funds, staff would modify the budget and advise of the changes before advertising and the September approval meetings.

Commissioner Boehm asked if the funds would come out of reserves; whereby, Ms. Shanahan stated they would not.

Ms. Shanahan noted that sister cities were mixed on the issue, and some were not interested in funding it. She suggested the Commission provide one-time funding, discuss on a yearly basis, and wait to see what would happen in the next legislative session, as she thought the legislature could provide additional funding for the initiative.

Mayor Partington agreed with Ms. Shanahan to fund it one time, and review the initiative yearly. He was not comfortable when the legislature did not fund what they dictated.

Ms. Shanahan noted she would work out details with City Attorney Randy Hayes and bring it back for the Commission's approval.

Commissioner Selby initially thought it should be the Volusia County School Board's responsibility to cover the cost for the school marshals, but realized the city provided public safety to everyone in the jurisdiction, including schools. He thought the decision was a good compromise, and noted that residents supported making the schools safer.

Ms. Shanahan confirmed consensus from the Commission to proceed as suggested.

Public Hearings

Ms. McGuire stated that there would be two public hearings on the budget, held on Wednesday, September 5, 2018, and Wednesday, September 19, 2018. She stated that the Commission needed to set the tentative millage at the July 31, 2018, City Commission meeting, which would be held later that evening.

III. ADJOURNMENT

The meeting was adjourned at 6:37 p.m.

Transcribed by: Wendy Nichols