

**MINUTES  
CITY OF ORMOND BEACH  
CITY COMMISSION  
FINANCIAL TRENDS WORKSHOP**

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**March 5, 2019**

**5:30 p.m.**

**City Commission Conference Room**

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**I. CALL TO ORDER**

Mayor Bill Partington called the meeting to order at 5:32 p.m.

Present were Mayor Bill Partington, Commissioners Dwight Selby, Troy Kent, Susan Persis and Rob Littleton, City Manager Joyce Shanahan, City Attorney Randy Hayes, Assistant City Manager Claire Whitley, Finance Director Kelly McGuire, Assistant Finance Director Chris Byle, and Budget Advisory Board members Scott Cichon, Kenneth Kimble, Rafael Ramirez and Kevin Tilley.

Ms. Joyce Shanahan, City Manager, stated that it was the kickoff meeting for staff's budget development for fiscal year (FY) 2019-2020 with general direction from the Commission on where they would want to go with the budget. She stated there would be more opportunities in future meetings to speak about the issues; in June to discuss the Capital Improvement Project (CIP) budget process, in July to discuss the operating budget and set the tentative millage rate, and two in September on the budget overall. She noted it would not be the last time the Commission heard about the budget, but that it gave staff direction as they began to formulate the operating and capital budgets. She introduced Finance Director Ms. Kelly McGuire and Assistant Finance Director Mr. Chris Byle.

Ms. Kelly McGuire, Finance Director, thanked the Budget Advisory Board for attending the workshop and noted it was their first time to see the presentation. She stated they would take direction from the Commission and discuss details of the budget in their monthly meetings over the upcoming months.

**II. FINANCIAL TRENDS**

**Long Term Financial Plan Policies**

Ms. McGuire stated that she would start by reviewing the long term financial plan that had been approved in prior years. She stated the plan called for the city to maintain a tax rate to fund the desired service level, whatever they determined that desired service level was. She stated that it called for providing wage adjustments, noting that contract negotiations were upcoming, and that if the city decided to add new services or facilities, they would have to identify a dedicated, recurring revenue service.

Ms. McGuire explained there was a policy in the General Fund to maintain the undesignated reserves at a minimum level of 15 percent of net expenditures, noting that the current rate was at 17.32 percent and well above that level. She noted that staff earmarked the following amounts: \$1,000,000 for Capital Projects; \$200,000 for the city's estimated share of hurricane damages; and \$300,000 for Economic Development incentive commitments. She stated the policy for leisure services fees was to adjust them annually to capture ten to 20 percent of associated expenditures, with the current

capture at 15 percent of expenditures. She noted that staff usually submitted an annual adjustment of three percent each year for approval by the Commission.

Commissioner Kent noted that residents participating in the recreation programs never paid 100 percent of the total cost, and the city subsidized it for them. He explained everything involved with the cost, and wanted to keep the capture at ten to 20 percent; whereby, Mr. Rafael Ramirez, Budget Advisory Board, stated their board kept that in mind when discussing numbers at the meetings.

Ms. McGuire noted the city had a number of dedicated millages. She explained that instead of setting a target millage rate, they established a target dollar amount. She stated the target was \$500,000 in annual funding for the Facilities Renewal and Replacement millage, \$400,000 annually for the General Capital Improvement Fund, \$225,000 annually for the General Vehicle and Equipment Replacement Fund, and \$500,000 annually for the Transportation Fund. She stated those amounts would be taken out of the millage first, and the rest would go into the General Fund.

Ms. McGuire noted \$400,000 might not be enough for capital improvements, depending on which projects the Commission chose, but the Infrastructure Sales Tax would generate dollars for the Transportation Fund, if passed on the ballot. She explained that staff would proceed with the current numbers unless otherwise directed.

Commissioner Persis wondered if other cities leased vehicles; whereby, Ms. McGuire stated that some did, that staff had looked into it, but the city would only be able to do it with patrol vehicles.

Ms. Shanahan noted the city used vehicles for ten years or more usually before replacement. She noted leasing would involve frequent turnover that was not needed.

### **Staffing Considerations**

Ms. McGuire discussed staffing levels from 2007 through current day, noting 426 employees in 2007 and only 373 currently. She stated a few positions had been added back in, but the city was still running lean. She indicated many employees would be eligible for retirement in the near future, and the city needed a good succession plan in place during the budget process to replace them.

Ms. Shanahan noted the city worked to keep the police and fire departments staffed, and added a few positions back there. She did not want the Commission to be surprised if they noticed new positions coming for their approval.

Ms. McGuire noted prior discussions on adding a Public Information Officer (PIO). She stated the Commission seemed interested to add that position, which would include more social media and public outreach. She stated the Grants Coordinator was currently doing the PIO work, which took away time from grants. She explained that instead of waiting for the next fiscal year to have the position filled, staff wanted to proceed immediately. She stated it would fall within the existing General Fund budget, but reassured them that no services would suffer.

Mayor Partington stated he was comfortable with that, and discussed the social media aspect that had changed since 2007; whereby, Ms. Shanahan agreed with him, and noted the hiring range, based on sister city feedback, would be between \$40,000 and

\$65,000. She later updated the range to be \$40,000 to \$73,000. She noted that Daytona Beach paid \$90,000 and Volusia County paid \$108,000.

Commissioner Persis agreed with filling the position, wanted someone to bring attention to everything the city is doing, and noted it had to be the right person; whereby, Commissioner Selby agreed and noted more valuable information could have been distributed through social media during the hurricanes in 2016 and 2017.

Commissioner Littleton noted that giving the Grants Coordinator more time to work on grants would bring in more grant money, and would be a win for everyone.

### **Property Value Trend**

Ms. McGuire discussed property values between 2007 and 2018, noting a 6.7 percent increase from 2017 to 2018, and a 7.97 percent from 2016 to 2017. She stated that staff would start budget preparation assuming a five percent increase, hoping it would be close to accurate. She noted they wanted to be conservative and would wait to see what information the property appraiser would give them.

Commissioner Selby asked if the figures covered the overall value of Ormond Beach property; whereby, Ms. McGuire stated they did and it was taxable value.

### **General Fund Budget Estimates**

Ms. McGuire stated the General Fund stood at \$33,806,057, and there was no shortfall. She reminded them about reducing the tax rate the prior year for FY 2018-19, and they were using \$438,000 of the fund balance, but that it was not an issue. She stated that looking at the next year they were assuming a five percent growth in the taxable value, the tax rate would remain the same, and they would potentially reduce the vacancy rate to two percent, which meant they would be budgeting 98 percent of the payroll.

Ms. McGuire stated the assumptions for FY 2019-20 also included a three percent increase in wages, a seven percent increase in healthcare costs, and a three percent increase in operating expenses. She noted the three percent in wages was for budget purpose only at that time, as the city was currently in negotiations on employee contracts.

She stated there was an \$800,000 shortfall for the next fiscal year. She stated they would cover the shortfall, indicating that staff would not bring back an unbalanced budget. She discussed how the shortfalls over the upcoming years would be affected, based on what was done for the FY 2019-20 budget.

Commissioner Kent asked about costs related to police officers leaving, hiring new officers, and the training involved, noting it seemed like many would potentially leave after a short amount of time for a better paying job nearby; whereby, Assistant City Manager Clair Whitley, Ms. McGuire, and Ms. Shanahan gave feedback on information available to them.

Commissioner Kent requested detailed numbers on those costs involved; whereby, Ms. Shanahan stated she would get that information for him.

Commissioner Kent noted the city had been tight with wages in the past, and wanted more than a three percent increase for all employees; whereby, Commissioner Persis agreed with him.

Ms. McGuire stated she would keep them updated and staff would have an idea, but not necessarily the final numbers, for the budget when it came time for approvals. She wondered if anyone had objections to how staff planned to prepare the budget; whereby, Mayor Partington stated he would prefer that staff present available options in regards to the budget.

Ms. McGuire stated staff would prepare the budget on the existing tax rate, but would provide a variety of options; once the Commission provided direction in July, staff would update the numbers to reflect that feedback.

### **Tax Rates**

Ms. McGuire stated the assumptions were the General Fund would be adequate to generate the revenue necessary, and also meet the overall tax rate. She noted that for the Facilities Renewal and Replacement Fund, General Capital Improvement Fund, General Vehicle and Equipment Replacement Fund, and Transportation Funds, there was a target dollar amount. She stated that for the total operating millage, there was a target amount, and noted that it was the current operating millage rate of \$4.1655. She noted the displayed tax rates chart was what was being proposed for budgeted purposes, noting it showed how the rate was split out amongst the funds. She stated the overall tax rate in all of the years projected was the same at \$4.1655.

Commissioner Selby confirmed the millage rate numbers with Ms. McGuire.

### **Leisure Services Fees**

Ms. McGuire explained that each year there was an automatic three percent increase in the leisure service fees, and would proceed with that assumption unless told otherwise; whereby, no objections were made to the process.

### **Water & Wastewater / Solid Waste**

Ms. McGuire stated the long term financial plan called for smaller incremental increases in user fees in water and wastewater to fund operations, debt service requirements, and capital needs. She stated they would discuss the specific capital needs in June at the CIP Workshop and welcomed feedback on projects that needed to be funded, but were not included, at that time. She noted that it also called for incremental increases in solid waste user fees to adequately fund operations, including projected increases in contracted services, and noted that it was largely to pay salaries.

Ms. McGuire stated the total bill at that time for a resident was \$57.70 for water and wastewater, and planned to assume that same amount for the upcoming fiscal year. She stated that more information would be available after the CIP workshop, dependent on the feedback the Commission gave on projects. She indicated if an increase was needed, staff would notify them at that point. She stated the current year budget was \$19,658,182 for the Water & Wastewater Fund, with no shortfall or surplus.

Commissioner Littleton commented about raising water and wastewater \$.50, noting that numerous projects under the CIP would need funding, and was comfortable with a small increase.

Ms. McGuire stated they would assume the same rate to complete the budget, but would bring various options for the Commission to review.

Commissioner Kent highlighted the 17 percent increase in 2006 for residents on water and wastewater, and indicated he preferred the small increases over time to keep prices affordable. He looked forward to the options so they could figure out what would work best.

Ms. Shanahan noted the long range plan was developed in 2006 and helped to keep everything on track since that time.

Mayor Partington requested that inflation history be included in the information provided to compare with the various rates over the years; whereby, Ms. McGuire stated she would include that along with the Consumer Price Index (CPI), as well as the Construction Cost Index, used to make adjustments to impact fee rates for water and wastewater.

Commissioner Selby wondered if the water and wastewater expenditures included operating only or capital investment as well; whereby, Ms. McGuire stated it included all operating expenses, all personnel, a set dollar amount for new capital projects, and all the debt service requirements on current bonds that were issued for previous capital projects.

Ms. McGuire noted that if no adjustments were made to the rates, any potential shortfalls would be covered by the reserves. She stated the water and wastewater fund was healthy, but indicated they could not continuously use the reserves year over year.

Ms. McGuire noted the solid waste increase, in regards to recycling, was on the agenda for approval that evening in the regular Commission meeting. She stated that staff was not recommending an additional increase on October 1, 2019. She noted there would need to be additional discussions if the provider requested a CPI adjustment and it was approved by the Commission.

Ms. McGuire stated the current budget for solid waste was \$8,421,651, with a surplus of \$51,349. She was assuming no rate increases, but assumed an increase of 1.5 percent in operating expenses.

Commissioner Selby asked about the 1.5 percent increase and details of the Waste Pro contract; whereby, Ms. McGuire indicated there were other expenses outside of the contract that would need to be covered, and the 1.5 percent increase was to cover potential costs, like a CPI adjustment.

Ms. Claire Whitley, Assistant City Manager, stated the rate hold in Waste Pro's contract only applied to the first two years of the original contract; requests could be made during all years after that, including the recent extension, but approval would be at the Commission's discretion.

Ms. McGuire clarified that staff was not assuming the Commission was going to provide any CPI adjustment, but wanted to be prepared in the event an increase was requested and approved down the road during the FY 2019-20 budget.

Ms. Shanahan noted they were not recommending any changes to the rates, but were recommending the surplus be left in the bank account to build up reserves for future hurricanes. She stated funds had been used from that reserve to cover costs after Hurricane Matthew.

Mayor Partington asked for clarification on the costs involved in the solid waste fund; whereby, Ms. McGuire and Ms. Shanahan gave details on those expenses.

Commissioner Selby asked if stormwater was included; whereby, Ms. McGuire stated it was separate.

Commissioner Persis emphasized comparable salary for the PIO position; whereby, Mayor Partington agreed.

### **Direction for Budget Advisory Board**

Commissioner Selby thought the board should review, and potentially update, the fixed fund amounts, including the Facilities Renewal and Replacement, General Capital Improvement Fund, General Vehicle and Equipment Replacement Fund, and Transportation Fund.

Commissioner Kent and Mayor Partington asked the board to review wages, why employees left, and training costs as well; whereby, Mr. Ramirez stated they would.

Mr. Ramirez asked if the city had records on former employees and why they left; whereby, Ms. Whitley stated they did and Ms. McGuire indicated information could be provided to the board.

Mayor Partington thanked the Budget Advisory Board for being in attendance and their hard work over the years.

### **III. ADJOURNMENT**

The meeting was adjourned at 6:34 p.m.

Transcribed by: Wendy Nichols