

**ORMOND BEACH CITY COMMISSION SPECIAL MEETING  
HELD AT CITY HALL TRAINING ROOM**

**July 31, 2006            5:30 p.m.**

Present were: Mayor Fred Costello, Commissioners Lori Gillooly, Troy Kent, Ed Kelley, and Bill Partington, City Manager Isaac Turner, Assistant City Manager Theodore MacLeod, and City Attorney Randy Hayes, Finance Director Paul Lane, and Budget Director Kelly McGuire.

**A G E N D A**

- 1) Meeting Call to Order by Mayor Costello.
- 2) Discussion of FY 2006-07 Proposed Budget.
- 3) Adoption of the Proposed Millage Rates:
  - A) Resolution No. 2006-147 adopting proposed millage rates for the 2006-2007 fiscal year; establishing the date, time, and place for the first public hearing on the proposed millage rates and the tentative budget; directing communication; expressing legislative intent; setting forth an effective date. (3.58732 for General Fund Operations, Facilities Renewal and Replacement, Capital Improvements and Transportation Improvements; .40620 for the 2002 Refunded General Obligation Bond Issue and .03600 for the 2003 General Obligation Bond Issue).
- 4) Close the Meeting.

Item #1 - Call to Order

Mayor Costello called the meeting to order at 5:33 p.m.

Item #2 – Discussion of FY 2006-07 Proposed Budget

City Manager Isaac Turner stated that the Commission would set the tentative millage rate for FY 2006-07 at tonight's meeting. He noted the millage rate could be reduced later in the process, if the Commission chose to do so.

Mr. Turner stated the amount of money generated by the capital improvements millage for FY 2006-07 would be \$507,362. He stated that one-time funding would only fund one year, and subsequent years would not have funding.

Mr. Turner stated the General Fund one-time expenditures totaled \$144,863, which would be funded from fund balance. He stated that the Commission favored maintaining the Facilities Renewal & Replacement tax rate at the staff recommended level of .1769 mills. He stated there

were risks with budgeting less than 100% of personnel costs as staff could not guarantee a specific vacancy rate, so it was suggested that an equivalent amount of General Fund fund balance be reserved in the event that the vacancy rate was less than 1% (\$204,258) of personnel costs. The total for these three items would be \$440,441.

Ms. Kelly McGuire, Budget Director, stated that if there were \$440,441 in reductions and the tax rate was reduced by 3.6%, then a person with homesteaded property would be paying about 4¢ less than last year. She stated the two firefighter positions were added to reduce overtime costs, and grants might be available for additional savings. Mr. Turner stated the Commission had their commitment that if there was not a reduction, then the positions would be reduced through attrition.

Ms. McGuire stated there would not be a significant tax rate increase in FY 2007-08 if they maintained the \$4.13 tax rate next year.

Mayor Costello noted he considered \$507,362 as a placeholder for capital improvements. He stated he did not favor funding one-time expenses from fund balance that were included in the placeholder.

Mayor Costello stated he favored the vacancy of 1%. He stated he would vote for corresponding fund balance of 1% to be allocated into a reserve fund for employee costs. He suggested that if employee costs increased more than 1%, then the reserve allocated should also increase. He suggested each new elected body should be aware that there was not a historical cushion in the budget for vacancies as it had been removed from the budget by funding salaries 99%.

Commissioner Partington suggested noting in the budget the projects that were funded with prior millage rates. He stated he was comfortable with the General Fund one-time expenditures and vacancy of 1%. He stated he favored the facilities renewal and replacement being retained at the designated millage rate, and beach property as a one-time fund balance payment. He stated his opinion that the \$300,000 for beach property was a luxury item and should be voted on by the people. He suggested it could be put on the ballot for November 2006, and the millage would be in the FY 2007-08 budget. He suggested there were other options for obtaining beach property, and the people should decide if they wanted to tax themselves for it. He stated that this was a year to coast and only reduce the tax rate a small amount and that there had been as many budget cuts as possible.

Mayor Costello summarized that the four items were the one-time expenditures (\$144,863), \$91,320 to maintain facilities renewal and replacement, vacancy of 1% (\$204,258), and \$300,000 for beach property.

Mayor Costello stated he did not believe any Commission he served on attempted to coast, and he felt that spoke well for Ormond Beach.

Commissioner Kelley stated he was comfortable with the \$300,000 for beach property. He stated that the only way to gain off-beach parking was to participate with the County, but the City had to follow through with participation in funding. He stated he favored the vacancy of 1% and one-time expenditures, but he commented that laptops were not one-time expenses as they had to be replaced. He stated he would like for the Commission to reconsider the additional Neighborhood Improvement Office Assistant position (\$33,728), as he did not feel that position was a necessity.

Commissioner Kent stated he favored the one-time expenditures, facilities renewal and replacement, vacancy of 1%, and \$300,000 for beach property. He noted he spoke with someone at the Chamber of Commerce who advised that the County had funds set aside and was looking for partners in the beach property. He stated the City of Ormond Beach had sent a strong message that they would dedicate money for it.

Mayor Costello asked Commissioner Kent if by funding the \$300,000 out of fund balance and not with recurring millage, that the City was not sending an appropriate message; whereby, Commissioner Kent stated that was the message the County received.

Commissioner Gillooly stated her opinion that the \$300,000 sent a message to the County that the City was serious about it. She stated she thought about a referendum vote, but she questioned if there had to be a specific property; whereby, Mr. Randy Hayes, City Attorney, advised it could be viewed as a straw vote, but it was not possible to have the referendum before January because of the qualifying requirements. He stated the language would have to be to the Supervisor of Elections by August 8, and an ordinance would have to be approved by

two readings, which would not happen until the end of September. He advised a special election could be called early next year, if the Commission desired.

Commissioner Gillooly asked about the reduction in the millage by removing \$300,000; whereby, Ms. McGuire stated there would be a reduction of 2.87% in the rollback rate. She stated the new rollback rate would be 17.11%.

Commissioner Gillooly stated she was in favor of the one-time expenses, facilities renewal and replacement, and vacancy of 1%. She stated she agreed with putting aside a reserve for employee costs. She suggested defining a policy on the use of fund balance as many people thought it was a slush fund with no specific purpose. She asked about the percent of fund balance that this would be; whereby, Ms. McGuire stated about .75%.

Commissioner Gillooly asked about the non-profit organizations; whereby, Mayor Costello stated \$75,000 had been allocated to the Quality of Life Advisory Board, which would present the Commission with a recommendation on how to spend it.

Mayor Costello summarized that the Commission was unanimous on the one-time expenses (\$144,863) to be funded from fund balance, and vacancy of 1% (\$204,258) to be removed from the budget and funded with designated fund balance, if needed.

Mayor Costello stated Commissioner Kent and he favored funding beachfront property partnered with the County, as they felt the community was ready as well. He stated he did not think there needed to be a vote.

Mayor Costello stated he would remove the Neighborhood Improvement Office Assistant position, since he favored beachfront property. He stated he wanted the residents to see loudly and clearly that they were prioritizing.

Commissioner Partington stated he favored the Neighborhood Improvement position, but suggested paying for the \$300,000 from the fund balance; whereby, Mayor Costello stated he would be for this idea if the Commission passed a resolution to increase millage next year to pay for the recurring cost of the amortization for the purchase of the property.

Mr. Turner stated the \$300,000 was the anticipated cost for debt service for the next 20 years. He stated the Commission would be committed for 20 years after that.

Mayor Costello stated he supported an increase in millage next year to pay for the beachfront property debt.

Commissioner Kelley asked about the \$300,000; whereby, Mr. Turner stated it would be in the proposed millage. He suggested letting the people know that the Commission was willing to use the fund balance this year, but that taxes would have to be increased to pay for the property once it was acquired.

Mr. Turner stated it was critical that this first step with the County for beachfront property was positive, as there could be other opportunities with the County in the future. He stated the County needed to know that they could depend on the City to be aggressive, innovative, and to step up to the plate.

Commissioner Kelley stated the County had significant funds set aside in their budget this year. He stated the City could send a strong message to the County Council by setting aside money on a recurring basis for off-beach parking.

Mayor Costello suggested passing a resolution to show that the City was willing to commit to some type of funding match over the next 20 years.

Commissioner Kelley expressed his concern about using the reserve for beachfront property and possibly for the vacancy of 1% (204,258). He stated he wanted the citizens and the County to know that the City was serious about buying beachfront property.

Mr. Turner stated it was his understanding that the County would be paying significantly more than the City, with maybe \$3.5 million from the City. He stated there were no specifics at this time.

Commissioner Gillooly stated she favored taking the \$300,000 from fund balance, but she had concerns about using fund balance.

Mayor Costello mentioned the Police Department software for \$400,000.

Mayor Costello summarized that Commissioners Partington, Gillooly, and Kent favored the Neighborhood Improvement Office Assistant position and that there was a consensus to use fund balance for one-time expenses (\$144,863) and vacancy of 1% (\$204,258), if needed. He stated his opinion that the \$204,258 should be set aside as designated fund balance for employee vacancy support to the budget.

Commissioner Partington suggested that might affect the City's bond rating as he did not think fund balance was supposed to be designated.

Mayor Costello asked if fund balance could be designated; whereby, Ms. McGuire and Mr. Lane stated it could be designated or undesignated. Mr. Turner stated they were definitely recommending that the funds be set aside.

Mr. Rick Lovell, 354 Applegate Landing, noted that the \$400,000 would impact the Budget Advisory Board's recommendation as he stated there was a high probability that it would be spent. He stated his concern that there was not a technology renewal and replacement fund, and he suggested the Commission consider that for next year.

Mr. Lovell announced his resignation from the Budget Advisory Board and Planning Board due to changes in his work schedule. He expressed his appreciation to staff for their patience and assistance to him. He stated he would submit his official resignation notice to the boards.

Mayor Costello stated they appreciated all Mr. Lovell had done for the City and understood his situation.

Mr. Turner stated that Mr. Lovell had been fair and challenging to work with on the boards. He noted that an additional \$25,000 was included in the budget for technology.

Mr. Lovell noted that Ms. McGuire was an amazing asset to the City, and he hoped she would stay with the City for a long time.

Mayor Costello asked about the millage rate by deleting \$144,863 and \$204,258; whereby, Ms. McGuire stated the overall millage rate would be 4.02952, 16.64% over the rollback rate, and a decrease of 2.98%. He asked about the placeholder for beachfront property; whereby, Ms. McGuire stated it was 2.87% of the rollback.

Mayor Costello stated he would like reflected to the media that they were passing a 13.77% increase over the rollback plus 2.87% over rollback for beach acquisitions for a total of 16.64% over rollback.

Commissioner Partington stated he would not vote for the \$300,000 as he viewed it as a luxury item that should not be paid out of a tax increase millage rate. He stated his opinion that it should be voted on by the people. He stated he favored a 13.77% millage rate as he felt there were other ways to obtain beachfront property.

Commissioner Kelley suggested setting the millage rate at 16.64%, which could be reduced later on.

Commissioner Kent stated he favored the 4.02952 millage rate, and he stated that it was a responsible government approach to go ahead and save the beach for the future.

Commissioner Gillooly stated she was torn about the beach issue with the County, but she stated she was not comfortable encumbering the citizens without a referendum. She stated it would not be responsible on her part to do this. She suggested getting the word out to the public about leaving the \$300,000 in the millage before September 6.

Mayor Costello requested a discussion item on the agenda in order to get community input about the beachfront property millage.

Mr. Turner noted there was a limited window of opportunity in terms of funding being available from the County or else they would spend the funds somewhere else.

Mayor Costello stated the Commission was ready to approve the 4.02952 millage rate, except for Commissioner Partington, and were unanimously on the rest of the budget.

Item #3 – Adoption of the Proposed Millage Rates

RESOLUTION NO. 2006-147  
RESOLUTION NO. 2006-147 ADOPTING PROPOSED MILLAGE RATES FOR THE 2006-2007 FISCAL YEAR; ESTABLISHING THE DATE, TIME AND PLACE FOR THE FIRST PUBLIC HEARING ON THE PROPOSED MILLAGE RATES AND THE TENTATIVE BUDGET; DIRECTING COMMUNICATION; EXPRESSING LEGISLATIVE INTENT; SETTING FORTH AN EFFECTIVE DATE.

Ms. McGuire stated the proposed millage rate would be 3.58732, which would be 16.64% over the rollback rate, with the proposed debt millage rate for the 2003 General Obligation Bond at .036 mils, and 2002 General Obligation Bond at .4062 mils. She stated there would be an overall reduction from the current rate of 2.98%.

**Commissioner Kelley moved, seconded by Commissioner Kent, to approve Resolution No. 2006-147, as read by title only.**

Call Vote:	Commissioner Gillooly	Yes
	Commissioner Kent	Yes
	Commissioner Kelley	Yes
	Commissioner Partington	No
Carried.	Mayor Costello	Yes

Mayor Costello stated the next public hearings would be September 6 and 19.

Mayor Costello requested a discussion item on the agenda for August 15 about including \$300,000 in the budget or funding it out of fund balance one time. He stated he wanted the public to be clear on the Commission's intent.

Item #12 – Close the Meeting

The meeting was adjourned at 6:45 p.m.

APPROVED: \_\_\_\_\_ August 15, 2006

BY: \_\_\_\_\_  
Fred Costello, Mayor

ATTEST:

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Veronica Patterson, City Clerk