

**MINUTES  
ORMOND BEACH BUDGET ADVISORY BOARD  
HELD AT CITY HALL TRAINING ROOM**

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**March 25, 2015**

**5:00 p.m.**

**Commission Conference Room**

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**1. CALL TO ORDER**

Mr. Rick Banker called the meeting to order at 5:10 p.m.

Those present were board members Chairman Rick Banker, Vice Chairman Kenneth Kimble, Bill Harper, Rafael Ramirez and Scott Cichon, and Finance Director Kelly McGuire.

Mr. Rafael Ramirez stated that Mr. Scott Cichon was recently appointed to the board by the City Commission.

Chairman Banker asked Mr. Scott Cichon to introduce himself to the board; whereby, Mr. Cichon stated he had been a resident of Ormond Beach since 1959, as he was born and raised in Ormond Beach. He stated he was a partner with Cobb Cole in Daytona Beach. He stated he lived on John Anderson Drive and was appointed by Commissioner James Stowers.

Mr. Bill Harper stated that this was his third year on the board and each year he gained more knowledge about the city's budget process. He stated that the board made recommendations to the Commission regarding the budget items that came before the board, such as capital improvements, pension plans, etc. He stated that their job was to absorb as much knowledge about them in order to make a recommendation to the Commission. He stated that the Commission could accept or deny said recommendations.

Mr. Scott Cichon asked about the form of the recommendation from the board; whereby, Ms. McGuire stated that every year the board's recommendations were included in the proposed budget, as well as other boards, such as the Public Works Advisory Board, Quality of Life Advisory Board, and Leisure Services Advisory Board that looked at certain projects in the Capital Improvement Program (CIP).

Ms. McGuire stated that this board reviewed the whole budget and made recommendations accordingly, but typically it was on the tax rate.

**2. APPROVAL OF MINUTES OF FEBRUARY 25, 2015, MEETING**

Mr. Rafael Ramirez moved, seconded by Mr. Ken Kimble, to approve the minutes of the February 25, 2015, meeting. The motion passed unanimously.

### 3. PUBLIC COMMENT

There were no public comments.

### 4. REVIEW OF THE FINANCIAL TRENDS WORKSHOP

Ms. Kelly McGuire, Finance Director, stated that tonight she would review the Financial Trends Workshop presentation that was presented to the City Commission on March 3. She stated the Financial Trends Workshop was generally the start of the budget process. She stated she tried to give the Commission some idea what to expect in the next year, but there was much information not available to her at this time, such as the state revenue projections.

#### Budget Process

Mr. Cichon asked when the budget was adopted; whereby, Ms. McGuire stated the budget was adopted by two readings in September, as required by *Florida Statutes*. She stated that the first public hearing would be around September 3 or 4. She stated the City Commission adopted the tentative millage and tentative budget at their first meeting and the final budget at the second meeting. She stated the property appraiser also sent out TRIM (Truth in Millage) notices.

Mr. Cichon asked if there was a requirement or policy with respect to the budget; whereby, Ms. McGuire stated that the policy was that the budget had to be balanced, and the revenues and expenditures were equal in a balanced budget, but part of the revenues may come from the reserve funds. She stated that at the Financial Trends Workshop she had an approximate shortfall to bring forth, whereby the Commission would provide guidance on the use of the General Fund reserve to cover said shortfall.

#### Leisure Services Subsidies

Ms. McGuire stated that the Commission had asked the Budget Advisory Board (BAB) in the past to review the Leisure Services subsidies. She noted that the fees charged did not cover the cost of the programs; therefore, the city had to subsidize these programs from other revenue sources.

Ms. McGuire stated that the city had sent out Request for Proposals (RFP) to run The Casement, gymnastics program, Senior Center, and Performing Arts Center, and there were a few proposals received, but in some cases, no proposals received.

Mr. Ken Kimble noted that the Tennis Center had been privatized; whereby, Ms. McGuire stated that the individual was an employee and was considering retirement, so it worked out for him to make a proposal to take over running the Tennis Center.

Ms. McGuire stated that the city partnered with the Council on Aging to run the Senior Center, which had worked out well for the city. She noted that the programming was just as good as when the city ran it.

Ms. McGuire stated that the board had discussed the gymnastics program last year.

Mr. Cichon asked the board's level of detail in their discussions where they were making recommendations that programs such as gymnastics, go out for a RFP; whereby, Ms. McGuire stated that this program was a good example of a program that had a large subsidy that served a very small group of individuals. She stated the board could recommend eliminating the program because it was not a good use of the city's money for such a small group of individuals.

Ms. McGuire stated that they would discuss Leisure Services programs at the next meeting. She stated she would invite Mr. Robert Carolin, Leisure Services Director, to the next meeting to discuss the budget, program structure, number of participants in various programs, etc.

#### Financial Trends Workshop

Ms. McGuire asked the board the following question and instructed them to state their answers verbally:

- ***What is the most significant short-term financial issue facing the city?***
  1. Maintain an affordable tax rate – *Rick Banker, Scott Cichon*
  2. Continue pension reform – *Ken Kimble*
  3. Monitor healthcare funding – *Bill Harper*
  4. Maintain capital project funding
  5. Keep adequate reserve levels - *Rafael Ramirez*

Mr. Cichon stated that it seemed the board should focus on all of the above; whereby, Ms. McGuire stated that the above five things collectively were what drove the budget.

Ms. McGuire stated that the tax rate was the last thing they would talk about. She stated that the city had made changes to all three pension plans by reducing the benefits for new hires. She noted that the general employees' plan was closed to new hires and 6.0% of their salary was put into a defined contribution plan, which would really help long-term.

Mr. Banker stated that he favored raising the age and number of years before the member was eligible for retirement. He stated that funding the pension plans was unsustainable. He stated he felt the

same about social security. He reiterated he favored raising the age significantly.

- ***What is the most significant long-term financial issue facing the city?***
  1. Maintain an affordable tax rate – *Rick Banker*
  2. Continue pension reform
  3. Monitor healthcare funding
  4. Maintain capital project funding – *Bill Harper*
  5. Keep adequate reserve levels – *Ken Kimble, Rafael Ramirez*

Mr. Cichon stated he was not familiar enough with the above to make a determination at this time.

Mr. Banker asked about the increase in healthcare costs; whereby, Ms. McGuire stated that it increased about 12%-13%, which was about the same amount as last year.

#### Taxable Value

Ms. McGuire stated that they projected the taxable value to go up to 6.0% next year and 3.0% thereafter because of annexations taking place this year, which would drive the taxable value up. She stated that this was based on keeping the tax rate the same.

#### Major Revenue Outlook

Ms. McGuire stated that they projected a 3.0% increase per year in franchise fees, utility tax and sales tax/revenue sharing.

#### Pension Costs

Ms. McGuire stated that they expected pension costs to increase in proportion to salaries, as pension was a percentage of payroll. She stated they did not expect to see the volatility they had seen when the market was all over the place.

#### General Fund Budget

Ms. McGuire stated that she projected the General Fund would have a shortfall of \$83,000 next year. She stated it had changed right after this workshop when the City Commission approved an athletic field maintenance contract with Austin Outdoor, which added \$70,000 to the budget. She stated that the shortfall got larger each year, and five years out it would be over \$1 million. She stated that we could not wait five years to figure out how to cover the shortfalls.

Mr. Ramirez asked about the reserve fund; whereby, Ms. McGuire stated that this current year they had used \$100,000 of the reserve for capital projects and \$242,000 for economic development projects, which were basically for

incentives provided to developers of either cash incentives or tax abatement or a combination of both.

Mr. Banker asked about General Fund reserves for R&R; whereby, Ms. McGuire stated that this money was for facilities renewal and replacement, which they tried to be proactive regarding maintenance of city facilities.

Ms. McGuire stated that the General Fund actually had two reserves; one was temporary called "Revenue Stabilization," which was \$2 million from 2009 that was saved and had been used for various projects since then. She stated that there was about \$600,000 left in the fund. She stated that there was another \$3 million in reserve (Fund Balance), and they tried not to use either of the reserves unless it was for a one-time expenditure.

Mr. Ramirez asked about the amount of reserve that was used; whereby, Ms. McGuire stated that the Commission had set a goal that the General Fund Fund Balance would be no less than 15% of the annual budget, which was set aside for reserves. She stated that in the case of a hurricane, the city had to put money out before it got any of it back through FEMA, etc.

- ***What should be the maximum use of revenue stabilization next fiscal year?***
  1. \$100,000 – all members chose #1.
  2. \$200,000
  3. \$300,000
  4. \$400,000
  
- ***At what level should the general reserves be maintained?***
  1. 15% (city's current benchmark) – all members chose #1.
  2. 17% (GFOA recommendation)
  3. 25% (Florida League of Cities recommendation)

Mr. Cichon asked if the reserve was an investment or just an accounting entry; whereby, Ms. McGuire stated that all of the city's money was an accounting entry from all funds and all sources, which were pooled into one pooled cash fund. She stated all funds benefited from the interest allocated to them.

Mr. Cichon asked where the money was invested; whereby, Ms. McGuire stated that some was invested in SunTrust, Treasuries, CDs, etc., but no stocks. She stated they were very limited.

Ms. McGuire stated that the Commission was comfortable at 15% and she asked the board if they were, too; whereby, the board was in consensus at 15%, as well.

- ***What tax rate should the city use for budget development?***
  1. Increase tax rate – *Bill Harper, Rafael Ramirez*
  2. Maintain current tax rate (revenue increases as value increases) – *Rick Banker, Scott Cichon, Ken Kimble*
  3. Rollback tax rate (revenue neutral)
  4. Decrease tax rate

Mr. Ramirez suggested that the tax rate should be raised a little. He noted that Ormond Beach had the third lowest tax rate in the county. He stated he did not feel the economy was fully recovered, and he was very conservative, and the city needed an adequate tax rate to cover the budget.

Ms. McGuire stated that the majority of expenses were for salaries and benefits, and she believed the employees deserved at least a cost-of-living increase of at least 2% to 3%. She stated that operating expenses did not change very much, but there could be as much as a 2% or 3% increase. She stated that property taxes were only 30% of the budget. She stated that taxes would need to be increased if other revenue sources did not increase. She stated the city did not have control of the other revenue sources.

Ms. McGuire stated that even if we kept the tax rate the same, we would still have to advertise it as a tax increase, because it would bring in more money.

Mr. Banker stated that the average citizen read it as a tax increase because it increased their tax bill a few dollars.

- ***How should the vehicle replacement funding be addressed?***
  1. Phase in addition of dedicated millage
  2. Use of General Fund reserves

Ms. McGuire stated that they used to put money aside for vehicle replacement, but in 2007 this was one of the first things that was cut.

Mr. Kimble suggested a third option of allowing vehicles to go past 80,000 miles before replacing them. He stated that police vehicles were replaced at less than 90,000 miles, which he believed they could go a lot longer than that. He noted the board had discussed this in a prior year.

Ms. McGuire stated that they had a benchmark that triggered vehicles for replacement, not just the miles on it. She stated it would come up for review for replacement and would be put through a checklist at that time.

Mr. Cichon asked about the vehicles included in the chart; whereby, Ms. McGuire stated that all city vehicles were included, except for Water and Sewer vehicles which came out of the Water and Sewer Vehicle Replacement Fund.

Ms. McGuire stated that there were a few pooled vehicles which were used by several departments, such as at City Hall.

Mr. Cichon asked if it would be cheaper to pay employees mileage rather than provided vehicles for them; whereby, Ms. McGuire stated that they had looked at that and found it not to be cheaper.

#### Water and Wastewater Fund

Ms. McGuire stated that the last water/sewer rate increase was in 2013. She stated that they would be talking to the Commission about a rate increase in conjunction with the CIP of about 2.0-2.5%. She noted the first phase of the two-inch water main replacement program bid had been awarded, and they would be issuing a request to issue bonds to pay for it. She stated they were also phasing in the replacement of all the water meters, as many were visual read meters which were very old and not accurately reading the water usage.

Ms. McGuire stated that the stormwater fee was used for ongoing maintenance with a portion going for capital projects.

#### Airport Fund

Ms. McGuire stated that the majority of the money spent at the airport was from FAA and FDOT, with the city paying 2.5%. She stated the General Fund loaned money to the Airport Fund until the FAA and FDOT money was received. She stated the loans were going down, which was good.

#### Solid Waste

Ms. McGuire stated that the city changed providers last year at a substantial increase in the cost to the provider. She stated they had asked the Commission if they preferred using the reserve to cover the shortfall, and the Commission stated that they favored a combination. She stated that they were phasing in a rate increase over three years.

- ***Should the city continue phasing in the solid waste increase?***
  1. Yes – continue phased in approach
  2. No – use fund reserves to cover shortfall

#### Town Hall Budget Meeting

Ms. McGuire stated that a Town Hall Budget Meeting was scheduled for May 22. She asked the board if they had any suggestions or ideas to get more public participation.

Mr. Ramirez suggested that it was hard for the average person to understand the city's budget.

Ms. McGuire stated that the upcoming Community Conversation workshops would be far more in depth than the Town Hall meeting.

Mr. Banker suggested that there were no issues at this time that would bring out the public.

Mr. Ramirez suggested discussing this again after the two Community Conversation workshops.

## **5. OTHER BUSINESS**

Mr. Banker stated he felt it would be important to have Leisure Services staff attend the April 29 meeting so the board could listen to their presentation regarding the leisure services programs.

Mr. Cichon asked if gymnastics was the issue, not the whole gym; whereby, Ms. McGuire stated that the issue was not gymnastics specifically, but looking at each of the programs, because we know that the fees do not cover the cost of the programs. She stated that the city subsidy for soccer was well over \$1 million per year.

Mr. Cichon asked what the association fees covered; whereby, Mr. Kimble stated that the money went for jerseys, referees, and trophies.

Mr. Banker noted that the lighting of the fields was quite expensive.

Ms. McGuire stated that the amount the sports associations contributed was a fraction of the cost to run the programs.

Mr. Cichon asked how other cities handled these programs; whereby, Ms. McGuire stated that they handled them the same way we did. She stated they did not charge their participants enough to cover the cost and made up the difference through property taxes and so forth.

Mr. Kimble commented that other cities' ball fields were not in good condition like our sports complex.

Mr. Banker stated that some cities had some sort of meters on the lights to cover the cost of the lighting.

Ms. McGuire stated that this had been discussed this several years ago, and the associations said they would have to double their fees and then no one could afford to play.



Mr. Banker suggested that the boards listen to Mr. Carolin's presentation on April 29, and then make their decision.

**6. ADJOURNMENT**

The meeting was adjourned at 6:18 p.m.

Respectfully submitted,

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Lois Towey, Recording Secretary

Attest:

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Rick Banker, Chairman