

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

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**May 27, 2015**

**5:00 p.m.**

**Commission Conference Room**

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**1. CALL TO ORDER**

Mr. Ken Kimble called the meeting to order at 5:10 p.m.

Those present were board members Vice Chairman Kenneth Kimble, Rafael Ramirez and Scott Cichon, Finance Director Kelly McGuire, and Assistant Finance Director Dan Stauffer.

**2. APPROVAL OF MINUTES OF APRIL 29, 2015, MEETING**

Mr. Rafael Ramirez moved, seconded by Mr. Scott Cichon, to approve the minutes of the April 29, 2015, meeting. The motion passed unanimously.

**3. PUBLIC COMMENT**

There were no public comments.

**4. REVIEW OF ANNEXATIONS**

Ms. Kelly McGuire, Finance Director, noted that City Manager Joyce Shanahan had mentioned at the last meeting putting aside the additional tax revenue received from the annexations to fund any expenses that may occur as a result of the annexations. She stated that in the FY 2013-14 there was about \$42 million of taxable value from the annexations with \$193,000 of additional tax revenue, which was spent on current expenses.

In FY 2014-15, Ms. McGuire stated that the total taxable value would be about \$42 million with \$167,000 of additional tax revenue. She noted that the area annexed on North US1 would require additional police officers, at a cost of about \$100,000 per officer. She stated that the city would need recurring revenue to pay for these additional costs.

Mr. Rafael Ramirez asked for a breakdown of the \$100,000; whereby, Mr. Dan Stauffer, Assistant Finance Director, stated that salary and benefits were \$60,000 for an entry level police officer and a police vehicle cost \$38,000, plus other equipment and uniforms.

Ms. McGuire stated that long term there would most likely be a need for four or five officers in that area.

Ms. McGuire stated the City Commission had the idea to set aside the additional tax revenue and not use it to fund the additional expenses associated with the annexations, which would create a shortfall in the budget this year of \$193,000 and next year of \$443,000, increasing every year thereafter. She stated that the current budget did not allow us to set aside the additional tax revenue.

Ms. McGuire stated that the budget figures assumed that Destination Daytona, Phases I and II, would be annexed with the additional revenue included in the budget. She stated they figured about \$130,000 for special events for police patrolling, as well.

Mr. Scott Cichon asked if the vendors paid for extra police services during special events; whereby, Ms. McGuire stated that was part of the special events permit, if additional police services were needed.

Mr. Cichon suggested that something could be put into place to ensure recovery of the additional cost for special events; whereby, Ms. McGuire stated that it already was.

Mr. Ramirez was concerned that the Commission may wish to put the additional tax revenue aside, which might require a raise in the millage rate to pay for the additional expenses. He stated he did not think they could ignore the increasing shortfall by doing so.

Ms. McGuire stated that all tax revenue went into the General Fund and went to pay all the expenses of the budget, and was not segregated for specific areas of the city.

## **5. REVIEW OF FUND BALANCE/RESERVE FUNDS**

Ms. McGuire stated that there were two fund balances; one was the Revenue Stabilization Fund, which was created in 2009 with \$2 million that came from savings from personnel vacancies. She stated that as of September 30, 2014, there was a balance of \$659,503 in the Revenue Stabilization Fund. She noted that the FY 2014-15 budget was balanced with \$242,000 of Revenue Stabilization Funds for economic development projects. She stated that this fund was not intended to be a long-term fund.

Ms. McGuire stated that the General Fund Fund Balance was a long-term reserve fund of about 15% of the current General Fund expenses. She noted that the General Fund reserve balance as of September 30, 2014, was \$4.16 million. She stated that the FY 2014-15 budget was balanced with \$100,000 of General Fund Reserve for Facilities Renewal and Replacement funding, which had declined in the last couple of years because of reduced tax revenue.

Mr. Cichon asked about the assumptions Ms. McGuire used in budgeting future revenues; whereby, Ms. McGuire stated that they used around 3% for tax revenue.

Ms. Ramirez asked about the millage rate in order to keep 15% in the reserve fund; whereby, Ms. McGuire stated that she and Mr. Stauffer prepared all the expenses, including personnel increases, and had some idea of what the revenues would be, and what was left would determine the tax rate. She stated that this calculation did not use reserve funds.

Mr. Ramirez suggested that bond ratings might suffer in the future in the case of renewal or refinancing.

Ms. McGuire stated the reserve could be used for capital projects, but in order to do that there had to be a millage rate that supported the ongoing expenses. She stated we were getting close to being able to do that.

Ms. McGuire stated that she was concerned because the other revenue sources did not move very much and expenses continued to increase. She stated that the tax rate was not high enough to support the level of services desired by our community.

Ms. McGuire stated that there had been discussion of a utility tax added to the water bill, which would go back into the General Fund, but she felt that property taxes were more straightforward.

Mr. Ramirez asked Ms. McGuire to give a review of previous years; whereby, Ms. McGuire stated that the city had cut 15% of the workforce (about 60 positions) several years ago. She stated that the expectation was that the reduced staff could handle the increased workload and level of services.

Ms. McGuire stated that some of the issues with the annexations were the need for increased police, fire, and neighborhood improvement services.

Mr. Cichon asked about the Neighborhood Improvement Advisory Board (NIAB); whereby, Mr. Ken Kimble stated he served on the NIAB which reviewed neighborhood improvement such as street lighting, ADA compliance, and street improvements, through the Community Development Block Grant (CDBG) program. He noted that the funding increased this year from \$95,000 to \$141,000.

Ms. McGuire stated that the Neighborhood Improvement Division handled code enforcement violations and was complaint driven.

## 6. OTHER BUSINESS

Ms. McGuire stated that the next meeting was scheduled for June 24 and she wished to reschedule it for July 8, in order to give the board an opportunity to review the proposed FY 2015-16 budget. She stated that the board would make a recommendation on the tax rate at that meeting, the use of reserves, and any other items the board had. She stated that the board's recommendations would be transmitted to the Commission through the budget.

Mr. Cichon asked if Ms. McGuire recommended increasing the communications service tax; whereby, Ms. McGuire stated that we already had the maximum. She noted that the city had not added a utility tax to the water bill, as yet.

Ms. McGuire stated that she should be receiving the preliminary taxable value in the next couple of days, which would be the last piece of the puzzle for the proposed budget.

Mr. Kimble stated that last year the board discussed increasing water and sewer rates by 3% or 4% for the next three years; whereby, Ms. McGuire stated that bonds had been issued for the two-inch water main replacement projects.

Mr. Stauffer stated that the water revenues had gone up slightly (about \$50,000), but the higher tier rate users' revenue was down about \$200,000. He stated that the big users were being more conservative.

Mr. Ramirez asked if the board members were allowed to talk with the City Commission; whereby, Ms. McGuire stated that the board members could talk to them individually, if they desired.

Mr. Cichon asked how the Commission responded to the board's recommendations; whereby, Ms. McGuire stated that the board had generally been of the same mind as staff, and the Commission was generally in agreement.

Mr. Cichon asked if the Commission had ever reduced the millage rate; whereby, Ms. McGuire noted that in 2007 the state required the city to roll back the millage rate by 9%.

## 7. ADJOURNMENT

The meeting was adjourned at 5:51 p.m.

Respectfully submitted,

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Lois Towey, Recording Secretary

Attest:

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Ken Kimble, Vice Chairman