

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

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**July 8, 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 5:03 p.m.

Those present were board members Vice Chairman Kenneth Kimble, Rafael Ramirez, Bill Harper, and Scott Cichon (arrived at 5:07 p.m.), City Manager Joyce Shanahan, Finance Director Kelly McGuire, and Assistant Finance Director Dan Stauffer.

**2. APPROVAL OF MINUTES OF May 27, 2015, MEETING**

Mr. Rafael Ramirez moved, seconded by Mr. Bill Harper, to approve the minutes of the May 27, 2015, meeting. The motion passed unanimously.

**3. PUBLIC COMMENT**

There were no public comments.

**4. REVIEW OF ~~PROPOSED~~ DRAFT FY2015-16 BUDGET**

Ms. Kelly McGuire, Finance Director, stated the board's recommendation on the tax rate, water and sewer rates, and solid waste rate would be included in the draft budget that went to the Commission in the next couple of days. She stated that the gross budget amount was almost \$86 million and included transfers of about \$13 million. She stated that transfers were existing dollars that were just moved from one fund to another, and were not new tax dollars.

Ms. Joyce Shanahan, City Manager, stated that this was where the Finance Director and Accountant had a split personality because they could not say there was an \$86 million budget because of the transfers; whereby, Ms. McGuire stated the state said everything had to be appropriated, so for their purposes the transfers were added to the budget.

Ms. McGuire stated that about 36.10% of the overall budget was the General Fund for all general services (police, fire, leisure services, etc.). She stated that 13.07% was for special revenue funds where money was received from special sources and said revenues could only be earmarked for specific expenditures; for example, the \$8.00 stormwater fee could only be spent to manage the stormwater fund, or FDOT money received for the Airport could

only be spent for airport related projects. She stated that the debt service funds (1.79%) were to pay for bond debt. She stated that 3.73% of the budget was for capital improvement projects. She stated that 43.14% went for the enterprise funds (water, sewer and solid waste funds); and there were two insurance funds (2.18%), one for worker's comp claims and one for general liability.

Ms. McGuire stated that the General Fund gross revenue budget was approximately \$31,008,970. She stated that property taxes made up about one-third of the revenue, other tax revenues (27.57%) included utilities taxes, franchise fees on electricity, the communication service tax, and transfers (12.82%) were the primary revenue sources in the General Fund. She noted that most of the dollars in the General Fund went for salaries, benefits, social security taxes, and pension costs. She stated about 66.31% went for personnel costs which was not unusual for a service organization with 300+ employees. She stated operating costs (27.27%) went for utilities, fuel, etc. She stated that 0.81% was for Economic Development incentives which the Commission had already approved and would be paid out next year or moved forward another year. She stated that transfers and grants were about 5.62% of the budget.

Mr. Scott Cichon asked for examples in the personnel section; whereby, Ms. McGuire stated all of police and fire, all of leisure services, parks and maintenance people and ball field people where in the General Fund. She stated that the water, sewer, stormwater, and solid waste employees were not in the General Fund because they were paid for by enterprise funds and user fees.

#### Impact of Increased Service Level

Ms. McGuire discussed the impact of increasing the service level to the millage rate and the roll back rate. She stated that the roll back rate was the rate advertised as a tax increase. She stated that even if the millage rate was the same as last year and the taxable values increased, it would bring in additional tax revenue, so it was considered a tax increase.

#### IT Specialist

Ms. McGuire stated that in addition to the current service level, staff had recommended an addition of an IT specialist to assist the current staff with maintenance of laptops, notebooks, iPads, phones, etc.

Ms. Shanahan stated that the IT Division managed all of the city's software such as for accounting, permitting, dog licenses, fire services, and the email network. She stated that there was a lot that went on in IT. She stated new planning software called Project Dox had been implemented this year where engineers could electronically file for building permits, but there still had to be someone to man the new program. She stated Ms. McGuire would be talking about the enterprise resources system, which was the city's fundamental

accounting system, for accounting, check writing, payroll, Human Resources, etc.

Ms. McGuire stated that the Commission indicated during their strategic planning session that they were interested in us doing an information technology master plan.

#### Additional Staffing

Ms. McGuire stated that an additional NID officer was proposed, as well as four police officers and a corporal in order to service the newly annexed areas of the city. She noted that the \$79,685 was for 25% of the cost of the police officers whereby a grant would cover the other 75%.

Ms. Shanahan stated that the reason it took four police officers and a corporal was because they had to add a whole new zone of coverage. She stated they put it in this year's budget contingent on the receipt of a COPS (Community Oriented Policing Services) grant, which funded police officers' positions for three years. She stated that staff had applied for the grant at the end of June, but would not hear if we were approved until September or October. She stated that if we did not receive the grant, then we would not hire additional police officers and would have to readdress it to determine how to handle the issue.

Ms. Shanahan stated that the assessed value grew in part because of the annexations, but it was not enough to cover the whole cost of providing that service. She stated that the city would receive less revenue for water and sewer because currently they were paying outside rates or 150% more than those inside the city limits. She stated that additional tax revenue did not cover the full cost of additional services.

Mr. Cichon asked if there would be a time that it would be economically feasible/profitable; whereby, Ms. Shanahan stated that in maybe 20 years from now it would be.

#### Ground Maintenance

Ms. McGuire stated that there were additional costs for ball field maintenance as the city had recently contracted out that maintenance whereby some positions had been eliminated and some positions went from full-time to part-time.

Ms. McGuire stated that North US1 and the Environmental Learning Center were partial years and would need to be added to the grounds maintenance contract going forward.

Janitorial

Ms. McGuire stated that there was a need for additional janitorial services at the Andy Romano Beachfront Park, the new Nova skate park, and the Environmental Learning Center.

Enterprise Resource System – Project Dox

Ms. McGuire stated that this was the new software system Ms. Shanahan spoke about earlier. She stated that \$118,000 was the annual ongoing cost.

Ms. McGuire stated that all of these increased service level ongoing expenses totaled \$447,540, which were expenses that were above and beyond the budget of FY 2014-15. She stated that this would at a 16¢ (per \$1,000 of taxable value) increase on the property tax millage. She stated that the current service level was 4.79% and the additional expenses totaled 4.00% for an 8.79% increase in the roll back tax rate.

Ms. McGuire stated that they had to purchase five police vehicles and one NID vehicle (\$214,500), which was a one-time expense, and the funds would come out of the Revenue Stabilization Fund. She stated the Revenue Stabilization Fund would be depleted after that.

Ms. Shanahan stated that \$500,000 would have to be cut out of the budget in order to get a zero percent increase. She stated that these projections did not include the increase in health insurance. She noted that the bids were opened yesterday and the costs were shocking. She stated the increase was over 30% which would cost about \$316 per employee per pay.

Ms. Shanahan stated that the proposed increases were above our current service levels resulting from annexations and additional park and recreation facilities, which required additional grounds maintenance and janitorial services.

Millage Overview

Ms. McGuire stated that General Fund millage for next year would be 3.6870.

Ms. Shanahan stated that several years ago the Commission wanted to keep the General Fund millage the same and have dedicated millage for facilities renewal & replacement (R&R), capital improvements, vehicle and equipment R&R, and transportation improvements. She stated that this money was set aside during the recession and that was why the city was in much better shape than its sister cities.

Mr. Ken Kimble asked about the savings from Project Dox; whereby, Ms. McGuire stated that it was not for savings, but was more for convenience.

Ms. Shanahan stated that Project Dox was a more modern way and 21<sup>st</sup> century technology for the process.

Ms. McGuire stated that there would be a decrease in the debt millages; therefore, the overall millage would be an increase of 0.1510 over last year or 3.31%, which would be about \$30 on the average tax bill for the city's portion.

Ms. Shanahan stated that the average home value was about \$175,000; whereby, Ms. McGuire stated that the taxable value was about \$116,000 of just value.

Ms. Shanahan stated that the real estate ratio was about 70%-71% residential and 29%-30% commercial.

Ms. McGuire stated that the city had the third lowest millage rate in Volusia County at 4.4060, and would still be the third lowest even with the proposed millage increase.

Ms. Shanahan noted that New Smyrna had seven and one-half miles of beachfront and was not a full service city, which was provided by a separate taxing authority in New Smyrna Beach. She stated that they also had very few city roads, as most of their roads were county road, so they did not have the transportation network like Ormond Beach. She stated that New Smyrna Beach was not a good comparison for us. She suggested that Port Orange was a better comparison, as it was more urbanized and provided water and sewer. She stated that Port Orange was a closer example to Ormond Beach. She noted that DeBary had a power generating plant and if they had to levy a property tax to supplant the revenue received from FPL, it would be about eight mills. She stated that the plant would be going away in the near future, so DeBary would have to do something to make up that difference in revenue.

#### Revenue Stabilization Fund

Ms. McGuire stated the proposed use of revenue stabilization for FY 2015-16 was \$250,000 for Economic Development incentives, \$190,000 for five police vehicles for the new positions, and \$24,500 for one NID vehicle for the new position, which would deplete the fund.

#### General Fund Reserves

Ms. McGuire noted that the reserve went down significantly in 2013 because the Commission decided to use the reserve to fund the Ormond Beach Sports Complex perimeter road and multi-purpose fields. She stated staff was not proposing use of the reserve in FY 2015-16.

#### Millage Projection FY 2016-17

Ms. McGuire stated that they projected an increase in grounds maintenance for North US1 landscaping, Environmental Learning Center, Hospital Park, and A1A landscaping for ongoing maintenance. She stated that there had also been discussion about the Volusia Safe Harbor project. She stated that these projects would increase the millage about 6¢ or 7¢, which would be 6.13% above the roll back rate. She stated that it was possible that there

could be additional revenue from sales tax, community service tax, franchise fees, and permits, which would pay for these projects.

Mr. Rafael Ramirez suggested the reserve should be restored back to 15.0% or increased slightly; whereby, Ms. McGuire stated that she believed it would be back up to 15% in FY 2015-16, but as the budget grew, so did the dollar amount needed to stay at 15%.

Mr. Bill Harper asked for the reserve amount they would be comfortable with; whereby, Ms. Shanahan stated 25%, which Ms. McGuire stated would equal about \$7.5 million.

Ms. Shanahan stated that generally these types of policies were set as a percentage of the operating cost.

Mr. Ramirez asked about the annexations; whereby, Ms. Shanahan stated that Destination Daytona would be annexed in August and would not be counted in the city's taxable value this year. She stated that only the annexations counted that occurred up to the date the tentative millage was set. She stated that there was potential for property value growth through annexations, but largely it was bringing us closer to meeting increased costs out there.

Ms. McGuire stated that the board could make a recommendation to go from a percentage to a dollar amount, which would cover the undesignated portion of the General Fund reserves. She stated that there was also an additional portion for things set aside, such as economic development or matching funds for airport projects.

**Mr. Rafael Ramirez moved, seconded by Mr. Scott Cichon, to approve a millage rate of 4.2843 for FY 2015-16 as recommended by staff. The motion passed unanimously.**

Mr. Harper asked about the increase in health insurance costs; whereby, Ms. Shanahan stated that the bids were received yesterday and had not been reviewed as yet, but by the time the budget was approved, they will have decided the course of action. She noted that the city had a bad year for claims this year, and then the rates increased significantly. She noted that any major changes would have to go to collective bargaining.

#### Enterprise Funds

Ms. McGuire stated that water and sewer had several funds, such as for operations, vehicle replacement, capital projects, and debt service. She stated that the water and wastewater operations proposed budget was \$28,613,912 and the solid waste budget was \$8,433,163.

Ms. McGuire stated that most of the bonds were for capital projects. She noted in 2013 they issued bonds to refund prior bonds because they got a much better interest rate and saved money by doing so.

Mr. Cichon asked if Ms. McGuire anticipated issuing bonds in the future; whereby, Ms. McGuire stated that bonds were currently being issued for the next phase of the two-inch water main replacement program. She stated they would probably do this again next year, as well.

Ms. Shanahan noted that the future users, as well as the current users, should pay their fair share of the water main upgrades.

Ms. McGuire stated that staff was proposing a \$2.00 increase for next year, \$1.00 for water and \$1.00 for sewer, on the minimum water bill, and using \$10,000 of reserves. She stated that the water and sewer reserve was well above 15%.

Ms. McGuire stated that the city had a tiered water rate schedule whereby people were conserving water and the city was collecting less revenue as a result.

Ms. McGuire stated that the Water and Wastewater Fund budget was \$18,242,180 and the bulk of it was from transfers from other funds.

Mr. Cichon noted that it only cost 7.21% for utility billing; whereby, Ms. McGuire stated that included four meter readers, a meter reader supervisor, five office people who did the bill production, took and processed payments, answered phone calls, utility bill production/mailing service, and ongoing costs of the utility billing software system. She stated they were looking at an interactive voice response service where people could call in and pay their bills, which was not available at this time. She noted the Commission was adamant that they still wanted people answering the phones and did not want a total automated service.

#### Water and Wastewater Increased Service Level

Ms. McGuire stated that the items added for next year were the SCADA system and an instrumentation tech (\$51,894), which was for telemetry on the water wells and pumps so that they communicated with each other.

Ms. Shanahan stated that the SCADA (Supervisory Control and Data Acquisition) system used telemetry for data collection at remote sites (water wells, pumps) which was transmitted to receiving equipment for monitoring. She noted that there was a number of different software at each of these facilities and no one to coordinate it. She stated that they were in the process of updating the equipment and an instrumentation tech (full-time position) would maintain the system going forward.

Ms. McGuire stated that they were looking at utility locate services (\$15,550), which could be a part-time position or be contracted out. She stated they had added some dollars to the budget for next year.

Ms. Shanahan commented that currently the city had 24-48 hours to go out and locate utility lines for AT&T or FPL.

Ms. McGuire stated that the capital projects (debt service) item (\$381,000) was the debt service payment and new bond that was currently being issued.

Ms. McGuire stated that the additional services would cost \$448,444, which equaled to about \$1.79 of the \$2.00 increase of FY 2015-16.

Ms. McGuire stated the Enterprise Resource System would be the new utility billing system (accounting, utility billing, and payroll systems, and shared systems between building inspection and planning). She stated this system would be an ongoing cost of \$268,000. She stated that it was uncertain when the ERS would be implemented so they would use reserve money to fund it. She stated that there would need to be another \$2.00 increase in FY 2016-17, which would be for implementing the ERS system. She stated that this system was absolutely necessary, as the current system was from 1990 and very outdated. She noted that many of their spreadsheets were generated outside the system.

Ms. McGuire stated that the monthly fee would still be below other cities in our area. She noted that they were very frugal and cautious about increasing water and sewer rates. She stated that staff would be presenting the two \$2.00 rate increases to the City Commission for approval.

Mr. Ramirez asked if the city wrote a letter to the utility customers informing them of the \$2.00 increases; whereby, Ms. Shanahan stated that the city was required by state law to provide four weeks' notice before it went before the Commission. She stated that it would appear on their utility bills.

Mr. Kimble asked if the water rates had been increased last year; whereby, Ms. McGuire stated they had not been increased.

Mr. Kimble stated that he favored this approach.

**Mr. Bill Harper moved, seconded by Mr. Scott Cichon, to approve \$2.00 water and sewer increases in FY 2015-16 and FY 2016-17, as recommended by staff. The motion passed unanimously.**

#### Solid Waste

Ms. McGuire stated that there was a substantial increase to the solid waste contract with Waste Pro, and last year the Commission approved an 80¢



increase per month in the solid waste fee. She stated they were looking to continue this for another two years.

**Mr. Rafael Ramirez moved, seconded by Mr. Bill Harper, to approve an \$0.80 increase to the solid waste fee for FY 2015-16 and FY 2016-17, as recommended by staff. The motion passed unanimously.**

Mr. Cichon asked about franchise fees; whereby, Ms. McGuire stated that franchise fees (6.0%) were paid by the Revenue Fund to the General Fund, which reduced the amount of the transfer. She stated that FPL paid a franchise fee of 6.0% to the city for the privilege of doing business in the city.

Ms. McGuire stated that she and Mr. Dan Stauffer, Assistant Finance Director, would forward the board's recommendations to the City Commission with the budget.

#### Operating Budget Workshop

Ms. McGuire stated that the Operating Budget Workshop was scheduled for Tuesday, July 28, at 5:30 p.m. She stated the board would be meeting with the City Commission.

Mr. Ramirez encouraged the board members to attend the workshop. He noted that one year he was the only member of the board that attended the workshop.

## **5. OTHER BUSINESS**

Ms. McGuire stated that the board did not need to meet again after the workshop until January 2016, unless a special meeting was called for.

## **6. ADJOURNMENT**

The meeting was adjourned at 6:30 p.m.

Respectfully submitted,

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Lois Towey, Recording Secretary

Attest:

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Ken Kimble, Vice Chairman