

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

May 25, 2016

5:00 p.m.

City Hall Training Room

1. CALL TO ORDER

Chairman Ken Kimble called the meeting to order at 5:03 p.m.

Those present were board members Chairman Ken Kimble, Vice Chairman Bill Harper, Rick Banker, Rafael Ramirez, and Scott Cichon, Finance Director Kelly McGuire, City Manager Joyce Shanahan, and Intern John Boehm.

2. PUBLIC COMMENTS

Mr. Alan Jorczak, 679 North Beach Street, asked about the current level of the city's bond obligations; whereby, Ms. Kelly McGuire, Finance Director, stated that there were two different water and sewer bond issues and a general obligation bond.

Mr. Jorczak asked about the interest rates; whereby, Ms. McGuire stated it was about 2-3%. She noted that in the past some of the bonds had been refinanced in order to obtain a lower interest rate.

Mr. Jorczak asked where the city ranked in terms of bond obligations as compared to other Florida cities; whereby, Ms. McGuire stated she believed the state tracked this information and it could be provided to him. She stated the city was low in terms of its General Fund obligations and mid-range for water and sewer.

Mr. Jorczak asked what the longest bond issues were; whereby, Ms. McGuire stated it was typically 20 years.

3. APPROVAL OF MINUTES OF MARCH 30, 2016, MEETING

Mr. Rick Banker moved, seconded by Mr. Bill Harper, to approve the minutes of the March 30, 2016, meeting. The motion passed unanimously.

4. APPROVAL OF MINUTES OF APRIL 27, 2016, MEETING

Mr. Rafael Ramirez moved, seconded by Mr. Rick Banker, to approve the minutes of the April 27, 2016, meeting. The motion passed unanimously.

5. DISCUSSION OF DRAFT LONG-TERM FINANCIAL PLAN

Ms. McGuire noted that the board members were provide with the draft Long-Term Financial Plan at the last meeting, and tonight's discussion would continue that discussion on the policies contained in the plan. She stated that she was looking for the board's recommendations tonight.

All Funds Policies

- **Maintaining existing tax rate which will properly fund desired service levels – for budgetary purposes, projections will be prepared with the existing tax rate.**

Ms. McGuire stated that this was consistent with prior years, and the board concurred with staff's recommendation;

- **Provide wage adjustments as negotiated which take into account:**
 - **Changes in the cost of living**
 - **Comparable salaries in surrounding communities**
 - **The city's ability to fund such adjustments**
 - **Merit increases**

Ms. McGuire stated that wages were not usually discussed publicly as there were three bargaining units, but they desired to have an overall policy in the draft.

Ms. Joyce Shanahan, City Manager, suggested there needed to be language added such as "Provide wage adjustments as negotiated which take into account..." because those benefits had to be negotiated. She noted that about 85% of their time was spent on wage and benefits, mainly health insurance and pension.

Ms. Shanahan suggested that merit increases should be included in the policy. She noted that up until several years ago, pay plans across the state of Florida were step plans.

Mr. Rafael Ramirez suggested adding it to the policy as a separate line.

Ms. Shanahan suggested that merit increases would be for the professional staff (non-union).

Ms. Bill Harper asked about the policy; whereby, Ms. McGuire stated that the policy would give direction to city staff.

Mr. Rick Banker moved, seconded by Mr. Rafael Ramirez, to add "as negotiated" language as discussed above and a separate line for merit increases. The motion passed unanimously.

Mr. Harper moved to remove the language “Comparable salaries in surrounding communities”; whereby, Ms. Shanahan stated this was very important to her to have this comparison because they did look at it. She noted the city conducted a pay and classification analysis every ten years.

Mr. Harper suggested that this was something that would be done automatically and did not need to be part of the wage adjustment statement. He withdrew his motion.

- **New services and facilities should not be added until a dedicated recurring revenue source has been identified.**

Ms. McGuire stated that they felt this was important to have in the policy, unless there were extenuating circumstances.

Mr. Ramirez asked about the recent annexations; whereby, Ms. McGuire noted that there had been a few more annexations.

Ms. Shanahan stated that it would take a long time before the city realized enough additional revenue. She stated that the lengthening of the US1 corridor would eventually create a new police service unit because of the distance required to travel to that area. She noted that the city would have to support that service before it realized the benefit over the next 10 to 12 years.

Mr. Rafael Ramirez moved, seconded by Mr. Rick Banker, to approve the policy with the addition of “and facilities.” The motion passed unanimously.

Mr. Scott Cichon arrived for the meeting at 5:24 p.m.

General Fund Policies and Funding Model

Ms. McGuire noted that the board had discussed at the last meeting the undesignated reserve, which had been maintained at 15% of net expenditures and was also the directive from the Commission.

Ms. McGuire stated that currently the annual adjustment of Leisure Services fees was 3%, which had a minimal impact on the budget revenue. She asked the board if they desired to target a certain percentage of the expenditures.

Mr. Ramirez asked where the percentage was at this time; whereby, Ms. McGuire stated that the revenue was about 15% of the expenditures.

Mr. Banker stated he favored a small increase every year to prevent having to make a very large increase.

Mr. Ramirez suggested a range of 10% to 20%.

Ms. McGuire stated that in order to get to that range, the annual 3% increase would need to be evaluated each year to insure that it was not too low or too high and then adjusted up or down.

Mr. Rafael Ramirez moved, seconded by Mr. Bill Harper, to approve a range of 10% to 20% of expenditures. The motion passed unanimously.

Ms. McGuire stated that with the Stormwater, Water & Wastewater and Solid Waste Funds the policy was to schedule small incremental increases in user fees (revenue neutral) in order to fund the operations, debt service requirements, and capital needs. She noted that several years ago it had been about ten years since there was a large water increase, which ended up being 17%. She stated the Commission said they did not wish to have such a large increase ever again and wanted staff to present a small increase when needed. She stated that they wanted to formalize this policy for stormwater, water and sewer, and solid waste, which were funded through user fees.

Mr. Ramirez asked what the increase would be for this year using the funding model formula; whereby, Ms. McGuire stated that for stormwater the fee would remain at \$8.00 per month, as it funded the operations and capital projects at this time. She noted that in solid waste they were already phasing in a rate increase over three years (October 1, 2016 would be the third year). She stated that the water and sewer rates were also approved for next year, which were \$1.00 per month per water and \$1.00 per month per sewer.

Mr. Rick Banker moved, seconded by Mr. Rafael Ramirez, to approve the policies and funding models for the Stormwater Fund, Water and Wastewater Fund and Solid Waste Fund. The motion passed unanimously.

Facilities Renewal and Replacement Policies and Funding Model

Ms. McGuire stated that the policy provided \$500,000 annual funding through the dedicated millage. She stated that it was better to have a specific amount each year so they could plan for years out, as it was part of a five-year plan, and kept this fund level.

Mr. Cichon asked if this was a fund that could not be invaded; whereby, Ms. McGuire stated that it was.

Ms. Shanahan commented that the Commission would have to give staff affirmative action in order to move these funds. She stated that they had had this fund for a long time, and the Commission had been very good about protecting the dedicated revenue streams, as they wanted city facilities to be maintained.

Mr. Cichon asked about the current reserve balance in the fund; whereby, Ms. McGuire stated that the current balance was \$312,000.

Mr. Bill Harper moved, seconded by Mr. Rick Banker, to approve the policy to provide \$500,000 annual funding through dedicated millage. The motion passed unanimously.

General Capital Improvement Fund Policies and Funding Model

Ms. McGuire stated that the General Capital Improvement Fund typically was for Leisure Services type projects and technology projects. She stated that the current policy provided \$400,000 annual funding through the dedicated millage. She stated that they felt it was better to set a dollar level for this fund.

Ms. McGuire stated that there was a large reserve currently in this fund that will be used up.

Mr. Cichon asked about the difference between this fund and the prior one just approved; whereby, Ms. McGuire stated that the prior fund was for maintenance of existing buildings, and this fund was used for new buildings or amenities to building.

Mr. Scott Cichon moved, seconded by Mr. Rafael Ramirez, to approve the policy to provide \$400,000 annual funding through dedicated millage. The motion passed unanimously.

Mr. Ramirez commented that these motions were all within their discussion to keep taxes at the same rate.

Mr. Banker stated that the board was basically reaffirming the policy to keep the tax rate the same.

Ms. McGuire stated that hopefully the tax rate would generate more revenue than the year before. She stated that they desired to keep the special funds at a dollar amount.

General Vehicle and Equipment Replacement Fund Policies and Funding Model

Ms. McGuire stated that they had discussed an increase in the millage rate over a period of time to get to a \$500,000 funding level in this fund. She stated that the reserve had been used up and now needed new dollars. She stated that the BAB at the last meeting recommended \$500,000 annual funding over a period of time.

Ms. McGuire stated that they had reviewed the fund again and decided a different approach of \$225,000 for next year and then as the years went on to look at increasing the millage.

Mr. Ramirez asked if there were any large trucks or fire trucks scheduled for replacement; whereby, Ms. McGuire stated that there was one next year which they would continue to fund through the General Fund and Vehicle Fund.

Ms. Shanahan stated that the old lease expired and the new lease began so that the expenditure stayed the same and was just extended out five more years.

Mr. Rick Banker moved, seconded by Mr. Rafael Ramirez, to approve the policy to provide \$225,000 annual funding through dedicated millage. The motion passed unanimously.

Ms. McGuire stated that they were also looking at leasing some of the vehicles.

Mr. Ken Kimble asked how this would affect the maintenance department; whereby, Ms. Shanahan stated that they would not be leasing any public safety vehicles, fire or police officer vehicles. She noted that Fleet Maintenance still did small engine repairs and so forth.

Transportation Fund Policies and Funding Model

Ms. McGuire stated that they were recommending \$500,000 annually for these projects.

Mr. Rafael Ramirez moved, seconded by Mr. Bill Harper, to approve the policy to provide \$500,000 annual funding through dedicated millage. The motion passed unanimously.

Ms. McGuire stated that she would take all these recommendation and create a draft long-term policy, which would be sent out to the City Commission for approval.

6. OTHER BUSINESS

Ms. McGuire stated that she recommended that the board meet on July 13, so they could discuss the proposed budget; whereby, the board was in consensus to move their June meeting to July 13.

7. ADJOURNMENT

The meeting was adjourned at 5:49 p.m.

Respectfully submitted,

Lois Towey, Recording Secretary

Attest:

Ken Kimble, Chairman