

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

July 13, 2016

5:00 p.m.

City Hall Training Room

1. CALL TO ORDER

Chairman Ken Kimble called the meeting to order at 5:02 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. Dwight Selby stated that he was a candidate for Zone 1 Commissioner and was observing tonight.

3. APPROVAL OF MINUTES OF MAY 25, 2016, MEETING

Mr. Rick Banker moved, seconded by Mr. Rafael Ramirez, to approve the minutes of the May 25, 2016, meeting. The motion passed unanimously.

4. DISCUSSION OF PROPOSED BUDGET FY 2016-17

Intern John Boehm stated that the budget had gone down about \$2 million primarily due to grant funding related to airport capital projects.

Ms. McGuire noted that there was a runway project in the current budget that was 90% funded through the FDOT/FAA funding. She stated that the capital projects changed from year to year, as well as the funding.

Mr. Rick Banker noted that the total budget was \$68 million; whereby, Ms. McGuire stated that was before the transfers that occurred between the funds and before adding a borrowing fee to the bond proceeds. She stated the total budget would be \$91.7 million, which was about 2.0% less than the current budget.

Revenues

Mr. Boehm stated that most of the revenue was from taxes and charges for services, which were primarily water and sewer. He stated that the expenditures were down 2.15% due to transportation which was down 1.70% as a result of the airport capital projects.

Ms. McGuire stated that Human Services was going down which included the contribution for the dog park. She noted that Leisure Services expenditures fluctuated from year to year.

Mr. Banker asked if the YMCA dog park was completely funded; whereby, Ms. McGuire stated it would be completely funded in the current year. She stated that Human Services was any project that was categorized as a partnership or contribution. She stated that the Leisure Services core operation was funded out of the General Fund, but they had other projects that would be part of this category in different funds, primarily wrecking type fees. If there was no particular project, she stated the funds could be used elsewhere.

Expenditures

Mr. Boehm stated that the majority of expenditures were from public safety and physical environment, which included water, sewer, solid waste and stormwater. He stated that property tax values went up by \$160 million with steady growth since 2012, but they were still not up to the levels of ten years ago.

Mr. Rafael Ramirez noted that the expectations were based on a 6.0% gross value increase, but he did not believe it would be 6.0% every year. He asked Mr. Dwight Selby if he saw it trending up; whereby, Mr. Selby stated that residential real estate would be most of the valuation in the city. He stated that the number of "for sale" properties was trending downward, which would drive values up. He stated that 6.0% sounded a little aggressive and maybe we should go back a few more years, as in 2005, 2006, and 2007 there was some pretty aggressive inflation.

Ms. Joyce Shanahan, City Manager, stated that this was the actual value received from the property appraiser, as the city did not set that value.

Mr. Ramirez stated that he was talking about the years going forward; whereby, Ms. McGuire noted that the Financial Trends Workshop in March 2016 began with projections, as well as the long-term financial plan. She stated she believed 6.0% was accurate. She stated their assumption was 6.0% for next year and 4.0% for years after that.

Mr. Selby noted that "Save Our Homes" was 3.0% along with the taxable value increase.

Mr. Ken Kimble commented that the 6.0% came from the annexations, which was new taxable value for the city; whereby, Ms. McGuire stated that there was \$35 million from new construction and annexations and \$128 million for existing properties.

Millage Rate

Mr. Boehm stated that the millage would be going down by 0.5%, but taxable values had increased so residents should see about a \$15.00 to \$20.00 increase on their tax bills.

Ms. McGuire stated that the overall millage rate would go down by a few pennies because the debt service millages were going down. She stated the city had an even level debt service because they kept the principal and interest payment the same every year. She stated that when the taxable value went up, they could rollback taxable rate value and still generate the amount of revenue needed. She stated as long as the taxable values kept going up, the millage rates for debt would continue to go down, but the operating millage would stay the same. She stated that this was 4.52% over the rollback rate, which would be advertised as a tax increase.

Property Values

Mr. Boehm noted that since the property values increased, the property tax revenues would increase. He noted that the intergovernmental revenues were based on the sales tax collected by the state. He also noted that there was a decrease in the use of fund balance.

Ms. McGuire stated that they were trying to use General Fund Fund Balance for one-time expenditures for capital projects. She stated that the \$350,000 proposed for next year was specifically for the replacement of Advanced Life Support (ALS) cardiac monitors, \$50,000 for preparation of an IT strategic plan, and \$200,000 match for an \$800,000 landscaping grant for North US1.

Mr. Ramirez stated he was excited about the landscaping project; whereby, Ms. Shanahan stated she felt it was a wonderful partnership with the business community with the county. She stated the city had been working with the FDOT to look at improvements to the I-95 interchange, as well as the LPGA interchange, which was again a result of the business community coming to the forefront regarding US1 and LPGA. She noted that a Dollar Store went in where the former Cheaters was, and an assisted living facility was also going in out there. She stated she thought we would see more and more improvements in that area.

Mr. Bill Harper asked about the BrightHouse franchise; whereby, Ms. Shanahan stated that the communications services tax was managed by the state, which collected all the funds and remitted them back to the cities. She noted that the cities had had control over them until 1999, when the legislature changed the law. She noted that Dorothy Hukill was advocating eliminating the communications services taxes which would impact the city's budget by about \$1.7 million. She stated the city would have to cut service levels at that point.

Mr. Selby commented that Dollar Stores typically fed off a one-mile radius, walkable customers and generally looked for more challenged demographics as a location, and he did not understand their selection of the Cheaters site. He suggested making the intersection at Broadway and US1 as attractive as possible in the development of Ormond Crossings. He noted the vacant land on the southwest corner of Broadway and US1 was for sale at this time and noted that it might be nice for the city to control that land for future development as a gateway into the city.

Mr. Selby asked about the improvements needed at LPGA; whereby, Ms. Shanahan stated that the stack median was insufficient with the new development currently going in. She believed they had already removed one of the traffic lights. She noted that Williamson Boulevard had not been four-laned from Hand Avenue to LPGA, and their concern was how traffic would exit the interstate both north and south at I-95 and Granada. She stated they had been working with FDOT on those issues.

Mr. Boehm stated that expenditures would increase by 1.64% because of a 10% increase in health insurance, wage adjustments, and additional staffing positions.

Mr. Ramirez asked about union contracts; whereby, Ms. McGuire stated that the pension costs would go down next year which was attributable to turnover in the General Employees' pension funding for new hires.

Citywide Staffing

Mr. Boehm stated that the staffing changes were for five full-time positions and four part-time positions.

Ms. Shanahan explained the justification for each of the nine positions, noting that the city was still 65 positions below the level of 2008. She stated there were 328 full-time employees.

Water and Sewer Rate Comparison

Ms. McGuire stated that the city was in the lower end of the rates in Volusia County.

Mr. Boehm stated that there was no proposed increase in water and sewer rates for next year, as the water and sewer fund was adequately funded based on rate increases from this year; whereby, Ms. McGuire stated that a rate increase went into effect on October 1, 2015 and there will be another one on September 30, 2016.

Water and Wastewater Fund Expenditures

Ms. McGuire stated that the non-departmental revenues would be going up by \$886,000, which the majority would be transferred from the Water & Sewer Operating Fund to the Water & Sewer Capital Projects Fund. She stated it

was an accounting issue, not additional money being spent. She stated it was generated by current sales of water and sewer and they were required to account for it in a separate fund because it would go for a capital projects.

Solid Waste Fund Revenues

Mr. Boehm stated there were no proposed rate increases for solid waste as the fund was adequately funded based on rate increases from this year.

Ms. McGuire stated that they had been using retained earnings (or Solid Waste Fund Balance) for the past three years to cover the increased cost of Waste Pro's contract. She stated that this was the third year of a three-year plan and there would not be any use of fund balance next year.

Ms. Shanahan stated that the fund balance was created when the city got out of the waste contracting business and sold their trucks, whereby the money went into the fund balance. She stated the city put that money aside 15 years ago, which had enabled the city to underwrite the rates to the customers.

Solid Waste Fund Expenditures

Mr. Boehm stated that the expenditures included a 0.9% CPI increase.

Ms. McGuire stated that they included the CPI adjustment in the budget whether the Commission decided to provide it or not. She stated they would have the money built in for future CPI increases.

Ms. Shanahan stated that the city was way below the market with Waste Management's contract and when it was bid out Waste Pro was \$1 million higher and Water Management was \$2 million higher. She stated that the city did not wish to be in the position again where we had priced ourselves below the market and did not have a contingency for it.

BAB Recommendation

Ms. McGuire recalled the board had discussed parameters for the long-term financial plan at the last meeting and discussed at great length about how the operating millage was split up. She stated the board's recommendation was to have \$500,000 every year for Facilities R&R, \$400,000 for General property improvements, \$225,000 for Vehicle Replacements, \$500,000 for Transportation capital projects, and the remainder went to the General Fund.

Ms. Shanahan stated that the city had guaranteed the residents that the city would continue to maintain the infrastructure by these dedicated millages. She noted that many cities had not done so, but our city had always set aside money for the other funds. She said that was why Ms. McGuire thought it was better to identify a dollar amount so they were guaranteed to get the funds into the areas where they were needed.

Mr. Rafael Ramirez moved, seconded by Mr. Rick Banker, to recommend the proposed millage rate and budget for FY 2016-17as presented. The motion passed unanimously.

Ms. McGuire requested the board members to attend the Operating Budget Workshop with the City Commission on July 26, 2016, in the Commission Conference Room at 5:30 p.m.

Ms. Shanahan stated that a light meal would be served at 5:00 p.m.

The board members complimented Mr. Boehm on his presentation and suggested he present it to the Commission on July 26.

5. OTHER BUSINESS

6. ADJOURNMENT

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

Respectfully submitted,

Lois Towey, Recording Secretary

Attest:

Ken Kimble, Chairman