

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

February 22, 2017

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 Rafael Ramirez, Scott Cichon, Bill Harper and Kevin Tilley, Finance Director Kelly McGuire, City Manager Joyce Shanahan, and Commissioner Rob Littleton in the audience.

2. APPROVAL OF MINUTES OF JULY 13, 2016, MEETING

Mr. Rafael Ramirez moved, seconded by Mr. Bill Harper, to approve the minutes of the January 25, 2017, meeting. The motion passed unanimously.

3. PUBLIC COMMENTS

There were no public comments.

4. DISCUSSION OF THE IMPACT OF ANNEXATIONS

Ms. McGuire distributed a table of information regarding the annexations in 2014, 2015 and 2016. She stated that in 2014 \$41.5 million in taxable property value was annexed with the total tax revenue received of \$209,236, which was an annual amount, which would increase as the property value increased.

For 2015, Ms. McGuire stated that there were additional annexations totaling \$43.6 million in taxable property value with tax revenue received of \$186,742 on an annual basis. She noted that 2016 only went through April 2016.

Ms. McGuire stated that the total tax revenue generated for 2014, 2015, and 2016 was \$382,546 on an annual basis.

Rafael Ramirez asked if there were any unexpected expenses; whereby, Ms. Joyce Shanahan, City Manager, stated that they expected at some point, maybe a six to ten-year period, that the revenue generated from the annexations would help to pay for a new zone in police, but currently they had not had to create that new zone. She stated that the downside was that we were not receiving the 125% or 150% of the water and sewer revenue that

the city received prior to the annexations. She noted that code enforcement was a big issue in the area and there were still quite a few parcels that had not been annexed.

Mr. Ramirez asked where the revenue went; whereby, Ms. Shanahan stated that it went into the General Fund. Ms. McGuire stated that the largest portion went into the General Fund but some also went into Renewal & Replacement, General Capital Improvements, Vehicles and Transportation.

Ms. Shanahan stated that this was what set Ormond Beach apart from every other city in Volusia County, because the other funds were not legally restricted funds and were done internally with a dedicated millage to fund these things. She noted that this forced city staff to live within an operating budget, creating an internal savings account in each of those funds.

5. DISCUSSION OF RESERVES

Ms. McGuire suggested there should be some consideration to set aside some of the annexation revenues for the purpose of a future police zone, vehicles and equipment costs, etc.

Mr. Scott Cichon asked if they had done an analysis of the future needs; whereby, Ms. Shanahan stated that it had been done. She suggested it should be viewed as future capacity or expanded service area.

Mr. Ramirez asked if Ms. McGuire was suggesting starting a reserve fund; whereby, Ms. McGuire stated she believed there should be more discussion on it by the board.

Mr. Kevin Tilley stated he favored looking at the cost out ten to 12 years.

Ms. Shanahan stated that predominantly the costs were for public safety, water and sewer services, and code enforcement.

Ms. McGuire stated that next month's meeting would coincide with the City Commission Financial Trends Workshop, whereby, the board would sit with the Commission at the workshop.

Ms. McGuire noted that the Financial Status Report and the Audit Report were presented to the City Commission at their meeting on February 21, 2017. She stated they had a positive variance in licenses and permits revenue of \$247,000 of which about \$100,000 had to do with the annexations, such as special events permits.

Ms. Shanahan stated that the legislature was talking about a bill to do away with business licenses tax (occupations licenses) or capping them at \$25. She noted our average business tax license was about \$75. She stated they also

talked about eliminating the communications service tax, which was the tax on your cable, internet and cell phone. She noted this would be a loss of revenue of about \$1.6 million, which would be a big hit that the city could not absorb. She stated that the city had no control over this tax. She noted that last year the state eliminated the state portion of this tax.

Ms. Shanahan noted that permit fees were charged to cover the cost of operations in the building and engineering departments.

Mr. Ken Kimble asked about the permits after the hurricanes; whereby, Ms. Shanahan stated that most were residential roofing permits. She stated that there were only two total losses. She noted that staff estimated about \$40,000 to \$60,000 in lost revenue, but staff also did not wish to impose an undue hardship on the residents, which was typical of what most communities did, as well as what the city had done in the past. She noted that a permit was still required, but the fee was waived.

Ms. McGuire noted that the General Fund had just over \$9 million in Fund Balance, which was separated from the General Fund into several pieces:

- Committed Uses in FY 2017-18 - \$460,675;
- Revenue Stabilization Fund - \$481,661, which was the result of some savings back in 2009;
- Dog Park Partnership - \$500,000;
- City portion of Hurricane Matthew damage to city buildings - \$250,000
- Economic Development Incentives - \$480,686. Ms. McGuire stated that these were economic development incentives approved by the Commission to provide incentives for job creation.

Mr. Cichon asked for some examples; whereby, Ms. Shanahan stated that Duvasawko d/b/a QTI (Healthcare Billing Services) was provided \$100,000 as a matching grant for a \$1 million investment for additional parking facilities. She stated another one was Emergency Communications Network (ECN); Skyo Industries, a tool manufacturer from New York in the Airport Business Park, who also received job creation credit; and S.R. Perrott on North US1 for a sewer lift station connection;

- FY 2018 through FY 2021 CIP Commitments - \$952,500. Ms. McGuire stated that the commitment was for just one year.

Ms. Shanahan noted that many of the CIP projects had more than one funding source, such as grants.

Ms. McGuire stated that these projects were largely non-recreational projects where they expected to get some type of grants;

- Vehicle Replacement (Police) - \$50,000

Mr. Ramirez asked about the dog park; whereby, Ms. Shanahan stated the city attorney has advised he had everything he needed to go out for appraisals.

Ms. Shanahan stated the Commission had set a benchmark to keep 15% of the overall General Fund expenses as reserves, which were roughly \$30 million. She stated the reserves were at 15.7%, which was a little above the minimum amount.

6. DISCUSSION OF FEMA REIMBURSEMENT

Ms. McGuire stated that the General Fund reserves would be where the city would go to pay our share of any damage that was not debris removal related and was not covered by insurance.

Ms. McGuire stated that currently there was over \$6 million in invoices from the two debris removal contractors. She stated they expected that the majority of that would be reimbursed by FEMA or the state, and then the Solid Waste Fund would pick up the difference. She stated that the Solid Waste Fund had several million dollars set aside to take care of the city's side of debris removal. In additions, she noted there was a long list of projects of repair (roofs, light poles at OBSC, etc.) totaling over \$1 million.

Mr. Ramirez asked about payment; whereby, Ms. McGuire stated the city had to pre-pay before they could apply for the reimbursement. She stated the city had incurred about \$300,000 of damage related projects of which many required the engineering department to go out before they started work. She stated many of the projects done were for emergency repairs. She noted that last week they paid out \$2 million for debris removal and tomorrow they would pay out another \$4.5 million, which would take care of the majority of the hurricane related projects.

Ms. McGuire stated that they anticipated paying up to \$7 million or \$8 million, which could take FEMA up to five years for reimbursement. Fortunately, she noted that the city was in a financial position where the General Fund and Solid Waste Fund had sufficient cash to cover the expenses. She stated they could also borrow from other funds that had cash reserves.

7. OTHER BUSINESS

Budget Calendar

Ms. McGuire distributed a budget calendar to the board members and reiterated that next month's meeting will be on March 20 at the Financial Trends Workshop. She stated Ms. Shanahan would layout the initial financial status of the city and the initial budget proposals, whereby the Commission would give them some direction in terms of the tax rate, water and sewer rates, solid waste rates, and guidance on developing the budget. She stated

that the board would have discussion during the process and then present their recommendation back to the Commission in July.

Ms. Shanahan stated it was very helpful to have the board sit with the Commission as decision makers and very helpful for staff. She stated they would be able to identify some of the key issues coming up during this process.

Ms. Shanahan stated that the police collective bargaining contract was just ratified, and fire was in the process of doing so, and the general employees were about two-thirds of the way through the process, which was very helpful to have the labor piece settled when preparing the budget. She stated the other big piece was health insurance. She noted the city was in their second year transition into a high deductible health plan (HDHP) and the insurance provider advised that the HDHP were here to stay. She stated the employees seemed overall satisfied. She stated the city had a long-term vision in terms of health insurance, such as self-insurance.

Ms. McGuire stated the board would attend the workshop on March 20, and then there would be an operating budget meeting in July and two public hearings in September. She stated the board would need to set up a meeting in June or July for the board to review the budget so they could provide a written recommendation for the budget document to the Commission. She stated the plan was to give the budget to the Commission the first week of July.

MacDonald House

Mr. Ramirez asked about the operation of the MacDonald House property; whereby, Ms. Shanahan stated that the city owned the property and currently had a lease with the Historical Society and paid them to conduct a welcome center in that facility. She stated the city did all the major repairs to the structure. She stated the city had been discussing the repairs to the MacDonald House for a long time, and last year during the CIP it was one of the unfunded projects of about \$500,000.

Ms. Shanahan stated the Commission requested an independent analysis to determine the historical value of the MacDonald House, which was recently performed by Bender & Associates. She stated their charge was to do an historical analysis of the property and determine if there was any historical significance; and if so, to document that and then to estimate the cost of repairing, rehabbing or restoring the facility. She noted that Bender & Associates determined that there was historical significance, and part of it was because of where it was located. She stated that Bender said if you moved the structure the value would be lost because it was no longer in its original location. She stated the MacDonald House's relationship to the Ormond Hotel, The Casements and Billy's Tap Room gave it a sense of prominence. She noted it was distinguished by a square tower with a

castellated parapet with Victorian details. She stated the estimate to repair/restore the MacDonald House was between \$1.2 million and \$1.3 million. She noted that the building needed fire suppression (costing about \$50,000); and if the home was rehabilitated to use the second and third floors, then an elevator would have to be installed in order to meet ADA compliance.

Mr. Cichon stated he thought there were exceptions because it was an historic building; whereby, Ms. Shanahan stated that the elevator was required if the building would be used for commercial use and would cost about \$20,000.

Ms. Shanahan stated that the choices were to demolish it or move it, but if you moved it the historical significance was lost and the ability to get state grants for the rehab and repair was lessened. She noted the state grants were very generous at a two to one match, where ECHO grants were a one to one match. She stated the consultant gave prices to restore it as if it was a period piece. She stated that the city had to determine the level of rehab or if they wanted to sell, demolish, rehab, restore or repair it and any other alternatives.

Ms. Shanahan stated that the Historical Society would like to use the whole building, so they would need the elevator, but if the Historical Society only maintained the first floor for a museum and welcome center, then the second and third floors could be used as apartments and would not need an elevator. She noted that the city was not a realtor, but the city had not determined the end use of the facility at this time.

Mr. Ramirez asked about the number of people visiting the welcome center; whereby, Ms. Shanahan stated that there were about 12,000 visitors last year. She stated that the MacDonald House would probably never make money.

Mr. Cichon asked what the city might do with the property; whereby, Ms. Shanahan stated that the city bought the property in 1979 for \$269,000. She stated the property could be sold with caveats on it, such as the maintenance of the historical façade, or we could sell it and let the new owner do whatever they wanted to do. She stated they had not explored that at this time.

Mr. Ramirez asked if there was discussion about public and private partnership; whereby, Ms. Shanahan stated that if we sold the property to a third party and not to a 501(c)(3), they would not be eligible for state or ECHO grants; so the idea was if we were to sell it to a third party whose intent was to rehab it, then probably we would want to enter into some sort of agreement with them to maintain the property so they would be eligible for those grants. She stated that some of the state grants came with caveats that it would need to be maintained for a certain amount of years in a certain capacity before any changes could be done. She stated there had been some talk about

moving it to where the tennis courts were located, or purchasing the property and coming to some sort of agreement with the city about the level of restoration, and so forth.

Ms. Shanahan stated that the Historical Society had been raising funds and believed they could raise a portion of the matching funds, but she believed they would have to have a very generous donor to help them with matching funds.

Mr. Ramirez asked about the tax revenue if the facility was fully commercialized; whereby, Ms. Shanahan stated that they had not gone down that road to date.

Ms. Shanahan stated that there would be ongoing discussion about this property at future meetings. She suggested the board take a look at Bender & Associates' report on the city's website, which encompassed the history of the structure. She noted that the second and third floors had three or four bedrooms, as the house at one time had been used as a rooming house and a school for girls.

8. ADJOURNMENT

The meeting was adjourned at 6:08 p.m.

Respectfully submitted,

Lois Towey, Recording Secretary

Attest:

Ken Kimble, Chairman