

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

April 26, 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, and Bill Harper, Finance Director Kelly McGuire, and City Manager Joyce Shanahan.

2. APPROVAL OF MINUTES OF FEBRUARY 22, 2017, MEETING

Mr. Bill Harper moved, seconded by Mr. Rafael Ramirez, to approve the minutes of the February 22, 2017, meeting. The motion passed unanimously.

3. PUBLIC COMMENTS

Mr. Joe Hannoush, 87 Carriage Creek Way, stated he was attending the meeting to learn more about the budget of Ormond Beach.

4. DISCUSSION OF FINANCIAL TRENDS WORKSHOP AND FY 2017-18 OPERATING BUDGET PREPARATION

Ms. Kelly McGuire, Finance Director, stated she would review the Financial Trends Workshop held on March 20, 2017. She stated the Commission discussed maintaining the tax rate, which had been done over the course of the last several years, and was the current threshold. She stated that staff was not asking for an increase in the millage rate because a property value increase should allow for additional tax revenue, so that they would be able to fund increases in the General Fund and Facilities Renewal and Replacement (R&R). She noted that those revenues were set as part of the long-term financial plan as a dollar amount and not tied to the millage rate. She noted that a certain portion came off the top of the property tax revenue for the CIP and then the General Fund lived on the rest of it.

Ms. McGuire stated that she had assumed a 4.0% increase in the taxable values but the property appraiser had given out some unofficial numbers of 6.1% increase.

Ms. Joyce Shanahan, City Manager, commented that the House Committee had passed an additional homestead exemption of \$25,000, which would

make the homestead exemption \$75,000. She stated they were proposing a referendum election to increase homestead exemption from \$50,000 to \$75,000. She stated that the average value of Ormond Beach residents was about \$150,000, which would exempt about half of their value. She stated that there was no question that this would pass on referendum, probably next year with the governor's election in 2018. She stated that she was really concerned about it, but she fully expected that it would pass in the House and Senate.

Mr. Scott Cichon asked who was pushing this legislation; whereby, Ms. Shanahan stated everyone was pushing the bill called "Economic 35." She stated that it was disheartening that most of the representative in Tallahassee grew up in local government and were political officials in local or county government before moving on to Tallahassee, so they could appreciate how difficult it was to make a budget. She stated she believed the real push was because they wanted to do away with "home rule" that allowed local governments to govern themselves, and they wanted to be able to set all tax rates which could not be changed without going to Tallahassee. She noted that Tallahassee wanted greater control in order to make things more business friendly. She stated that increasing the homestead exemption would really hurt us.

Mr. Cichon suggested that if the city needed more money that they could increase the tax rate and it would balance out; whereby, Ms. Shanahan stated that there was a cap on millage and once that cap was reached, there could not be any more millage increases. She noted that Lake Helen was at 9.8 mills.

Mr. Rafael Ramirez commented that some cities would be hurt more than others, such as Lake Helen; whereby, Ms. McGuire stated that the alternative was that the businesses ended up paying more to make up the difference.

Ms. Shanahan noted that businesses were 25% and residential was 72% of the real estate tax revenue.

Mr. Cichon asked how this proposal could be business friendly; whereby, Ms. McGuire stated that it was just the opposite.

Mr. Bill Harper stated he thought his taxes would go up at least 3.0%; whereby, Ms. McGuire stated that the taxable value would go up 3.0% and then back down another \$25,000, if the homestead exemption was increased.

Mr. Ramirez commented that he favored smaller incremental increases, rather than much larger increases at one time.

Ms. Shanahan stated that the Florida League of Cities (FLOC) was opposed to this legislation for the following reasons:

- If approved by 60 percent of voters, it was estimated that the new homestead exemption would have a negative fiscal impact on cities, counties and special districts of \$752.7 million in the first year and that impact grew to \$816.8 million in the fifth year.
- The additional homestead exemption will require local governments to either reduce services or increase the taxes of businesses and renters by increasing millage to offset the fiscal impact.
- This new exemption transfers tax burden to non-homestead properties such as businesses and renters, who currently receive far less property tax relief than homestead property owners.

Ms. McGuire noted that in the next few years the shortfalls would double and triple if this legislation passed. She stated that our current millage rate was 4.28 mills with 10.0 mills being the limit.

Ms. McGuire stated that staff was in the process of preparing the capital improvement plan. She stated she would bring this back to the board at the next meeting to review just the projects that were proposed/funded next year. She stated the discussion would not be to discuss the projects and priority so much, as this was discussed by other boards, but to talk about the funding. She stated that much of the funding came from property taxes that were dedicated for these projects.

Financial Trends Workshop

Ms. McGuire stated that the Commission was asked if the current tax rate should be used for FY 2018 budget development, whereby the Commission voted 80% for and 20% against.

Ms. McGuire stated that the Commission was asked if a 3.0% annual adjustment to Leisure Services fees should be continued, whereby the Commission voted 100% for the increase. She stated that a 3.0% increase did not bring in very much revenue, and the city would continue to subsidize these programs. She stated that staff set a range of 12%-15% and we had stayed within that range. She stated that the residents favored keeping the programs and that was when the 3.0% annual increase started.

Mr. Ramirez asked Ms. Shanahan if the sports programs were generally full; whereby, Ms. Shanahan stated that soccer and baseball were big sports. She noted that the Leisure Services Advisory Board included a member of each of the sports associations, who actually ran the programs and the city collected the registration fees and maintained the athletic fields.

Ms. McGuire stated that the Commission was asked if a 5.0% vacancy rate should be used for FY 2018 budget development, whereby the Commission voted 80% for and 20% against. She stated she budgeted for 100% of payroll assuming that all positions would be filled 365 days a year and then they

budgeted the savings. She stated that much of the savings was in the police area.

Ms. McGuire stated that the long-term financial plan on the Water & Wastewater Fund was to implement incremental increases in user fees. She stated these funds were in pretty good shape and there was plenty of cash available for emergencies. She noted they were in the process of issuing a bond for construction of some capital projects, as there were several million dollars of capital projects that needed to be done. Typically, she stated that \$1.5 million was set aside for capital projects and the bond issue would cover the other projects. She stated that this year they were doing water main replacement, which was a very large scale project. She stated the bond issue would be about \$4 million. She stated that a rate increase was usually implemented before we received the bond issue, because the rate increase had to fund the debt before the bond was issued by the bank.

Ms. McGuire stated that in the Water & Sewer Fund there were increases to fund new debt and increases to fund general operations, because the cost of chemicals increased and to cover maintenance costs.

Mr. Ramirez asked about the bond rates; whereby, Ms. Shanahan stated that bonding was cheaper for the city than putting out a lot of cash. She stated her fundamental philosophy about debt service, especially for 20-year improvements, was that we did not want to front all that money so that everyone living here now paid 100% of the cost, and by spreading the funding over the next 20 years, the new people would also pay their fair share. She stated that the debt service would be included in the rates charged for the services. She stated it was the same for financing a fire truck.

Mr. Cichon asked about improving the bond rating; whereby, Ms. Shanahan stated that we could always buy insurance to improve our bond rating. She stated she did not know what the city's stand-alone rating was, but the city was not large enough to have a stand-alone AAA rating, and probably had an AA rating and bought insurance up to an AAA rating.

Mr. Ramirez asked about the insurance; whereby, Ms. McGuire stated that they do not usually buy the insurance because the profit was not enough to get us a better rate. She stated that our rates were in the 4.0% range.

Mr. Cichon asked if there were any current water and sewer bonds; whereby, Ms. McGuire stated that we had bonds in 2004 and 2008, which were laddered, and the new bond would be structured so that we did not pay much for the principal up front and waited for another bond principal to be paid off in full and then pay the principal on the new debt. She stated they reviewed all the bonds and leveled the principal payment.

Mr. Cichon asked if the city rebought old issues; whereby, Ms. McGuire stated that they looked at that in 2010 and since they were paying money for an attorney and financial advisor, they also refinanced them reducing the interest rate from 7.0% to 4.0%.

Ms. Shanahan noted that sometimes they could get state revenue bonds for water and sewer which were lower than the going rate, and they had done that from time to time, but you had to wait in a queue for that money which was not always available when we needed it. She stated that we took our bond and refinanced it with the state revolving loan fund; whereby, Ms. McGuire stated that in 2008 they were waiting for approval from the state for the revolving fund loan but needed to get a project done, so they went out and got a short-term bond; and then when the money was received from the state, it was paid back.

Ms. Shanahan stated that there was not much debt in the General Fund, as most of the debt was for water and sewer. She noted that the only General Fund debt was for the Andy Romano Beachfront Park, which was a voter approved referendum, which was separate on the tax bill and did not count towards the regular millage.

Ms. McGuire stated that they were proposing \$1.00 increase for both water and sewer per month (\$24.00 total per year per customer) for next year's budget.

Ms. McGuire stated that the Commission was asked if an adjustment of \$1/month on water and \$1/month on wastewater should be used for the FY 2018 budget development, whereby the Commission voted 100% for it.

Ms. McGuire stated that the Commission was asked if a 1.25% adjustment to solid waste rates should be used for the FY 2018 budget development, whereby the Commission voted 100% for it.

Operating Budget

Ms. McGuire stated that the board would review the CIP projects funding at the May 31 meeting. She stated their focus would be on the projects proposed for next year and not on the full CIP document. She stated the focus was on the priority of the projects and funding of them.

Ms. Shanahan stated that there were always more projects than could be accomplished in one fiscal year, so they concentrated on those projects for the CIP.

Mr. Ramirez asked about the completed projects this year; whereby, Ms. McGuire noted that the Engineering Department posted a quarterly status report on the city's website of the progress/completed projects which the board could review.

Ms. McGuire stated that there would not be a June meeting, because the board would meet in July. She proposed a board meeting on July 12 to preview the proposed budget before it went to the Commission in order to provide their recommendation to the Commission. She noted that the board was also requested to attend the Operating Budget Workshop with the City Commission on July 25 at 5:30 p.m.

Ms. Shanahan stated the Commission appreciated hearing from the Budget Advisory Board as they were the eyes and ears on the ground for the budget, and they looked forward to their recommendation.

5. OTHER BUSINESS

6. ADJOURNMENT

The meeting was adjourned at 5:43 p.m.

Respectfully submitted,

Lois Towey, Recording Secretary

Attest:

Ken Kimble, Chairman