

**MINUTES
CITY OF ORMOND BEACH
CITY COMMISSION
OPERATING BUDGET WORKSHOP**

July 25, 2017

5:30 p.m.

City Commission Chambers

I. CALL TO ORDER

Mayor Bill Partington called the meeting to order at 5:30 p.m.

Present were Mayor Bill Partington, Commissioners Dwight Selby, Troy Kent, Rick Boehm, and Rob Littleton, Budget Advisory Board members Bill Harper, Scott Cichon, Kenneth Kimble, Rafael Ramirez, and Kevin Tilley, City Manager Joyce Shanahan, City Attorney Randy Hayes, Finance Director Kelly McGuire, Assistant Finance Director Chris Byle.

II. Proposed Budget for FY 2017-18

Ms. Joyce Shanahan, City Manager, stated that staff wanted to thank the Budget Advisory Board (BAB) for making their recommendation to the Commission to approve the budget. She noted that the budget was reviewed individually with Commission members. She stated that this workshop was being held in order to develop a consensus moving forward. She noted that the Commission was not voting on anything at the workshop. She stated that there were going to be two public hearings on the budget in September. She noted that the public would have plenty of opportunity to speak about the budget at those public hearings.

Ms. Kelly McGuire, Finance Director, stated that the budget had been reviewed at had been a meeting with the BAB in early July. She noted that the BAB recommended approval of the proposed budget to the Commission. She stated that she appreciated the time the BAB took to go over the budget with staff and them making the recommendation to the Commission.

Overview

Ms. McGuire stated that the city's net budget was \$72.5 million. She noted that that amount was a decrease of \$1.89 million from the previous year. She stated that the decrease was largely due to capital expenditures, and in particular water and wastewater projects.

Ms. McGuire noted that the net general fund budget was \$30.6 million. She noted that that was an increase of \$578,000 from the current year. She explained that the increase was due to general wage increases and pension cost increases. She stated that contracts with the police and fire unions were already approved and that staff was in the process of working out a contract with the general employees' union.

Ms. McGuire stated that taxable property values increased to \$237.6 million. She noted that existing properties increased by \$191.8 million and new construction and annexations increased by \$45.8 million. She stated that that was 11.9 percent below the peak of 2007. She noted that some members from the BAB had stated that the number from 2007 was artificial, but noted that she wanted to make the comparison.

Ms. McGuire stated that staff was proposing an operating tax rate of 4.2843 mills. She noted that that was the same rate as the current year. She explained that there was a 6.20 percent increase because property values had increased. She noted that the overall tax rate, which included debt, was proposed to remain the same at 4.5362. She stated that the three debt millages were the 2002 general obligation bond, the 2003 general obligation bond, and the 2010 general obligation bond. She noted that those bonds were for a police station, a fire station, and Andy Romano Beachfront Park.

Ms. McGuire stated that staff was proposing a rate increase of one dollar for water and one dollar for wastewater. She noted that it would be an increase of \$2.00 on the monthly water bill effective October 1, 2017. She stated that a second increase was proposed that would take effect on September 30, 2018. She noted that that increase would be 50 cents for water and 50 cents for wastewater, for an increase of one dollar on the monthly water bill. She stated that the minimum bill was 5,000 gallons. She noted that staff proposed an increase of 2.38 percent for solid waste. She stated that the 2.38 percent increase was an adjustment that Waste Pro had requested. She noted that if the Commission were to approve the 2.38 percent increase, it needed to be included in the budget. She stated that solid waste was similar to water and wastewater as staff was proposing one increase taking effect on October 1, 2017, and a second one on September 30, 2018.

Ms. McGuire stated that staff was looking for direction on those items from the Commission. She noted that if the Commission agreed to the water and wastewater increases, a notice would need to go out with the August billing. She explained that the notice would let residents know that there would be two public hearings in September, and if they wished to speak on the water and wastewater increases, they were able to do so at those public hearings.

Total Overall Budget

Ms. McGuire stated that the overall net budget was \$72.5 million. She noted that the gross budget, which was what the Commission would see and approve in September, was \$90.6 million. She noted that the differences in those amounts were the result of inter fund transfers. She explained that inter fund transfers were funds that were moved within the budget but did not create new revenue. She stated that the real funding that came in and out the door was the \$72.5 million. She noted that the majority of funding to create revenue was from charges for services, which were the city's water, wastewater, and solid waste, at 34.4 percent. She stated that most of the funds that went out of the door were physical environment expenditures, which were water, wastewater, solid waste, fleet, and engineering.

Ms. McGuire stated that there was a reduction in capital projects, but clarified that even with the reduction, the city still had planned a pretty substantial capital improvement program for next year. She stated that current year's budget was \$7 million and that next year's capital improvement budget was \$5 million.

Property Taxes

Ms. McGuire stated that property tax values were below the 2007 level. She noted that there had been a slow increase of six percent in the values. She stated that the proposed property tax would result in an average increase of \$16.11 on a citizen's tax bill. She noted that the operating tax rate was 4.2 mills. She explained that the operating tax rate was broken down and spread out against a variety of functions within the city.

She stated that most of the rate went to the general fund. She noted that funds were also going to various capital projects. She stated that by virtue of the funding model approved by the Commission, the city had set up flat dollar amounts for certain areas. She stated that for facilities renewal and replacement (R&R) the amount was \$500,000, the capital improvements amount was \$400,000, the vehicle replacement amount was \$225,000, and the transportation amount was \$500,000. She explained that if the rate increased, staff would adjust the mills accordingly so that the dollar amounts remained the same for those funds.

Ms. Shanahan stated that staff segregated money off the top for dedicated funds. She noted that a lot of sister cities had not done that. She noted that Ormond Beach took funding right off of the top and explained that whatever was left over was used for operating the general fund. She explained that the Commission had been disciplined for a long time, and set up reserve funds that allowed the city to continue to make investments in infrastructure, replace police vehicles, replace fire trucks, and pave streets. She noted that many sister cities had struggled with doing those things while Ormond Beach had been able to forge ahead. She stated that she wanted to thank the Commission for their wisdom and steadfastness to this particular funding scenario. She noted that it had kept staff disciplined to make sure that they had the correct amount of funds to make necessary improvements.

Ms. McGuire stated that Ormond Beach's millage rate was at 4.2843 mills. She noted that the city had the third lowest rate compared to sister cities in Volusia County. She stated that she expected Ormond Beach to remain at the third lowest rate for the upcoming year. She noted that New Smyrna Beach, Florida, was proposing raising their rate to 3.7 mills, and that that was an increase of 12 to 13 percent over the rollback rate. She stated that Ormond Beach was proposing a 6.2 percent increase over the rollback rate. She noted that Debary, Florida, had the lowest operating tax rate and that it was most likely going to remain that way.

Ms. Shanahan stated that the operating tax rate did not include debt service. She noted that in the state of Florida had a ten mill cap. She stated that some sister cities had come close to bumping that cap when their debt service was included in their millage rate.

General Fund

Ms. McGuire stated that the net budget for the general fund was \$30.6 million, with an increase of \$961,737. She noted that the increase was due to increased wages and explained that on the revenue side it was reflected in increased taxes. She stated that the millage rate would remain the same but property values had gone up, so the city was generating more revenue as a result. She noted that the city had to rely on the increase in the property taxes to fund all the increases on the revenue side. She stated that the city did not see growth in utility taxes, franchise fees, or the communication service tax.

Ms. McGuire noted that the use of the fund balance for the current year was \$460,676. She explained that fund balance was used to fund one-time expenditures. She noted that that had been the policy all along and that fund balance was not used for ongoing items. She stated that there was \$325,000 of one-time items in the proposed budget, but noted that the fund balance would not be used for those projects because there were enough funds in the reserves to cover them. She noted that the city would use ongoing revenue so that when those one-time expenses went away the following year, the ongoing revenue would still be there. She noted that they hoped that it would help

support the potential increase of the \$75,000 homestead exception proposed by the Florida legislature, which was likely to pass on an upcoming ballot.

Ms. McGuire stated that on the expenditure side of the budget, the overall wages were increased. She noted that \$32.7 million was an increase of 7.1 percent. She explained that the city would be taking out inter fund charges, which meant items that were doubled in the budget. She stated that \$2.4 million in the general fund was for fleet and engineering. She noted that the majority of the funding that was spent in the general fund was spent on police, fire, and leisure services. She stated that the city did not plan on using any general fund reserves in the upcoming budget.

Staffing and Pension Costs

Ms. McGuire stated that citywide staffing levels reached a high in 2007 with 426 employees. She noted that staff was proposing to be at 369 employees for the upcoming year. She stated that staff was looking at an addition of two employees, one coordinator at the Environmental Discovery Center and a utilities engineer. She noted that one of those employees would be in the general fund and one would be in the water and wastewater fund.

Ms. McGuire stated that pension costs increased in the general employees and police officers' pension funds. She noted that the fire fund had not changed much from 2017 to 2018. She noted that the increases in the other two funds were a result of the newly adopted mortality rate. She noted that the city had to assume that all up and coming retired employees were going to live longer and add funding into the pension costs that would allow those additional benefits to be paid out. She stated that if staff had not implemented the new mortality table it would have likely shown that the unfunded liabilities would have gone down. She noted that the contributions would have remained the same because the city was getting good returns on their investments. She explained that unfortunately the interest income that the city had been earning was offset by the new mortality tables.

Water and Wastewater

Ms. McGuire stated that water and wastewater increased to \$686,905, noting that the increase was one dollar for water and one dollar for wastewater effective October 1, 2017. She stated that an average utility bill was based on 5,000 gallons. She noted that the average bill for an Ormond Beach resident for water, wastewater, and recycling was \$84.37. She stated that with the proposed increase Ormond Beach's rates would still be below other cities in the county.

Ms. McGuire stated that the solid waste increase was 2.38 percent. She noted that the total increase in the budget was \$202,164, or 2.50 percent.

Public Hearings

Ms. McGuire stated that there would be two public hearings on the budget, held on Tuesday, September 5, 2017, and Tuesday, September 19, 2017. She noted that staff was happy to answer questions or hear the direction the Commission had. She stated that the Commission needed to set the tentative millage at the July 25, 2017, City Commission meeting, which would be held later that evening.

Capital Project Budget Changes

Ms. McGuire stated that there were two capital projects that could change the proposed budget. She noted that one of them was for North US-1 utility improvements. She stated

that the construction was planned for the 2018-19 budget, but explained that staff was looking to move that up to the 2017-18 budget. She noted that if the Commission approved the project, it would need to be moved to the proposed budget of 2017-18. She stated that the funding for the project would come from the water and wastewater fund.

Commissioner Kent asked what the total amount of the project was; whereby; Ms. McGuire stated that it would be around \$2.3 million, including design and construction.

Ms. Shanahan stated that one of the Commission's strategic plan objectives was to provide an additional water line up US-1 in order to provide additional capacity past Destination Daytona. She noted that that would help increase water pressure and water quality in that area. She stated that after speaking with staff, they had decided that the project needed to be accelerated instead of doing design work one year and hopefully construction late the following year. She noted that staff would be bringing the item to the Commission as part of the capital budget. She stated that impact fees could only be used for the expansion.

Mayor Partington asked if that project changed any numbers in the operating budget; whereby, Ms. McGuire stated that it would only affect the capital budget.

Mayor Partington noted that he appreciated staff thinking ahead enough to move those projects up. He stated that it was a priority with this Commission and past Commissions to make sure that infrastructure was in place to serve the US-1 area in order to facilitate more growth.

Commissioner Boehm stated that he agreed with Mayor Partington. He noted that the Commission had realized the importance of US-1 and the infrastructure before the construction of Ormond Crossings, Plantation Oaks, and phase two of Destination Daytona.

Commissioner Selby stated that he agreed that it was important to get ahead of the project and not behind it.

Solid Waste Increase

Commissioner Selby asked about the year two CPI increase on solid waste collection, and how the approval would be worded if it was approved; whereby, Ms. McGuire stated that staff would propose the same amount on September 30, 2018, although no one would be billed until October 2018. She noted that the actual CPI was unknown but staff had a good idea that it would be somewhere in that percentage range. She stated that the increase would be 2.3 percent on October 1, 2017, and 2.3 percent on October 1, 2018. She noted that if for some reason the Commission decided not to approve the increase for Waste Pro, that funding would be available the next time the Commission desired to approve an increase.

Ms. Shanahan stated that it also provided a cushion for future hurricanes because that was where all the city's debris removal costs came from. She noted that there was a small fund balance in the sanitation fund. She explained that before the city contracted out that service, the city had sold their vehicles to Waste Management. She noted that she believed that the city had received around \$5 million from that. She stated that that money was left in the fund balance at the Commission's direction, explaining that if the contract for that service had not worked out; the city would have had money to buy new

vehicles. She noted that it had worked well for the past 15 to 20 years that the city had contracted out the service, and explained that the city had instead been slowly using that money to offset any rate increases. She noted that it had put the city at a disadvantage because it put the city below market value when going out to bid on that service. She stated that any money left over stayed in the solid waste fund and could be used for debris removal.

Commissioner Selby clarified that the city was not obligated to give Waste Pro an increase. He noted that the reason that staff had suggested the increase was to stay at market price so at the end of the contract, if the city went out to bid, there would not be a huge rate increase that would be passed along to the residents; whereby, Ms. McGuire stated that whether or not the city provided the CPI adjustments, the city should be increasing the rates incrementally every year so that the city did not get to the point where their rates were below market value.

Commissioner Selby asked why the city had not done what Ms. McGuire had just stated; whereby, Ms. McGuire asked for clarification, and whether Commissioner Selby was asking why they had not declined a CPI adjustment and passed along an incremental increase.

Commissioner Selby asked if it would be better to keep the funding within the city rather than giving it to Waste Pro; whereby, Ms. McGuire stated that if the Commission decided not to increase the rates as staff had proposed, to 2.3 percent, it would become a separate agenda item and continue to go into revenue.

Ms. Shanahan stated that it was entirely the Commission's discretion whether or not they wished to provide the CPI adjustment. She noted that Waste Pro was not allowed to ask for a CPI adjustment until the third year of their contract, and that this was the first year they were allowed to do so. She stated that staff would be bringing this as an agenda item to the Commission within the next few weeks; whereby, Ms. McGuire stated that it would be at the second meeting in August and the Commission would be making their decision at that time.

Commissioner Boehm stated that previously the Commission had declined to provide a CPI increase to Waste Management, and explained that when the city had gone out to bid on the item, the city had been so below market value that the bid had come back at \$800,000 more than what the city had been paying previously. He noted that had been a huge gap as a result of not giving the CPI adjustments.

Commissioner Selby stated that the gap was to be passed on to the customers. He noted that this strategy would eliminate the gap because consumers would be paying at market and the vendor would be paid a fixed rate.

Commissioner Boehm stated that that was assuming that vendors would bid in accordance with what the city had set aside for the bid. He noted that that had not happened the last time they went out to bid. He stated that Waste Management's bid had gone up almost \$2 million. He noted that Commissioner Selby was operating with the assumption that bids would not go up that much.

Commissioner Selby stated that he did not see where the city had any protection by passing the voluntary increase along to Waste Pro. He asked what the advantage was

by passing the increase along to Waste Pro, and how that the better outcome for Ormond Beach.

Commissioner Boehm stated that the city had to operate with the assumption that waste disposal was not a hugely competitive field. He noted that Waste Pro could one day decide that they did not want to do business with Ormond Beach anymore. He explained that it would then come down to Waste Management, and Waste Management could end up increasing their rates by \$2 million. He noted that the city would have no other vendors out there to choose from.

Commissioner Selby stated that if that were the assumption that the city was operating under then staff should be speaking to Waste Pro about getting a three-year extension on their contract. He noted that the city did not have to give Waste Pro a 2.38 percent CPI increase. He stated that the city could tell Waste Pro that they were thinking of doing the voluntary increase, but wanted their service for more years for doing that increase. He noted that if not, the city was just giving Waste Pro money that was not required and the city could end up in the same situation as it had before. He stated that he did not know if Waste Pro and Waste Management colluded.

Ms. Shanahan stated that the city had specific contract terms with that particular bid. She noted that she was unsure of how to change that, but staff would need to speak with the legal department about changing the contract.

Commissioner Selby noted that the city should be receiving something if they were going to giving Waste Pro a voluntary rate increase.

Mayor Partington stated that keeping small increases year after year, not necessarily every year, but within a two to three year range, brought the customer along in the rates that they were paying. He noted that those small increases were fairer to the consumer by keeping up to pace with the market rate, rather than hitting the customer with a 30 percent increase because they were not up to market rate. He stated that the Commission had not always given CPI increases and that there had been times when different vendors had declined it. He noted that it was important to look at the market and the cost of inflation. He explained that this would be a future agenda item and that they would have the contracts to see exactly where the city was at and if Commissioner Selby's idea of obtaining something for the increased CPI had value.

Mortality Tables

Mayor Partington asked if all the work that this Commission and prior Commissions had done to make incremental changes resulted in a lower unfunded liability amount; whereby, Ms. McGuire explained that changes that were made to all of the plan, mostly the general plan, had reduced the annual contributions and the unfunded liabilities, but noted the addition of the mortality tables played a factor in the results.

Ms. Shanahan stated that previously there were changes that were able to be seen. She noted that in 2013 the Commission had switched to a defined contribution plan for general employees. She stated that going forward it did not increase as dramatically because there was a recession.

Mayor Partington stated that the unions had worked with staff to make those changes. He noted that unfunded liabilities were legislatively challenging.. He stated that he

believed that the Commission had made as much progress as possible to offset the mortality tables.

Ms. Shanahan stated that the mortality tables changed every three to five years. She noted that years had gone by before the city had changed them. She stated that the state required that cities keep their mortality tables up to date. She noted that the state did not require this until the pension crisis started looming in the recession and interest rates had fallen.

Girls Softball Field

Ms. McGuire stated that in the Capital Improvements Plan (CIP) that staff had presented to the Commission in June, there had been one project that was tentatively funded for the 2018-19 budget. She noted that it was contingent upon some grant funding. She stated that Commissioner Boehm wanted to speak about moving the project for field seven for girls' softball at the Ormond Beach Sports Complex up and potentially using some recreation impact fees along with a Daytona Beach Racing and Recreation Facilities District ("Daytona Racing") grant.

Commissioner Boehm stated that that project had been in the works for years. He noted that it was a project that had always been close to him, explaining that the reason he had been behind the project for so long was because there was not a single girls' softball field in Ormond Beach. He stated that Ormond Beach had built the men's softball field quad years ago. He noted that every girl who had ever played softball in Ormond Beach had played on temporary fields and had to adapt to playing on infields that were bigger than girls' softball fields. He stated that Ormond Beach happened to have a field that could be converted on the girls' behalf.

Commissioner Boehm noted that the city had no projects in the recreation section of the CIP. He stated that there was a recreation impact fee fund that was restricted to being used for the recreation expansion of existing facilities. He noted that as of September 30, 2016, it had \$350,661 in it. He stated that the estimate that Ms. McGuire had provided for what it would take in this year was \$150,000, which would make the recreation CIP balance over \$500,000. He noted that the Commission had always planned to go to Daytona Racing and ask them for \$300,000 to build the field. He noted that combining the recreation CIP funds with the grant for \$300,000, the city should be able to build the field in the upcoming year without going into the general fund, affecting taxes, or raising tax brackets. He stated that that was what the recreation CIP fund was for. He noted that, in his opinion, it did not work for it to be sitting around and accumulate to \$500,000, with no plan to use it for any purpose.

Commissioner Selby asked how much the field would cost; whereby, Commissioner Boehm stated that staff had an estimated number of \$810,000, but noted that number was not based on any kind of bid from a contractor.

Mr. John Noble, City Engineer, stated that the number was based on other field costs and design.

Commissioner Boehm stated that the project should be moved up, as there was a fund that was dedicated for that purpose and a grant that the city felt confident that they could get. He stated that he would like the Commission to agree to move the project up from the 2018-19 budget to the 2017-18 budget so that when the grant came in, in January, the city could start the project instead of waiting another year.

Commissioner Selby asked what the funding source for the project was in 2018-19 budget; whereby, Commissioner Boehm stated that in the proposed budget it had stated ECHO grants, property taxes, and general fund reserves.

Commissioner Littleton asked if the fund was sitting there because someone wanted it to accumulate or if there was a plan for the money; whereby, Ms. McGuire stated that staff typically let that fund accumulate to a larger amount to do larger projects. She stated that there was nothing in the future CIP that would be negatively impacted by using those funds.

Mayor Partington stated that the project was contingent on the Daytona Racing grant. He asked where field seven was located; whereby, Commissioner Boehm stated that it was located on Hull Road pass the soccer fields, explaining that field one was on the right and field seven was on the left by itself. He noted that it was completely separate from every other field so that if the Commission decided to build it, it would be distinct and separate.

Commissioner Kent stated that when standing right in the middle of the softball quad and facing the airport, where Commissioner Boehm was talking about was to the left. He noted that it could easily be missed if someone was out there watching the games. He stated that when he was a coach, field seven was only utilized for practice purposes. He noted that he appreciated Commissioner Boehm's creative solution.

Commissioner Littleton stated that he was in support of the project being moved up, as long as it did not hit the general fund.

Commissioner Selby stated that he supported the concept but was shocked that a field cost \$810,000. He noted that he hoped the bid for the field came in a lot lower.

Commissioner Kent stated that he agreed with Commissioner Selby. He noted that when he first got onto the Commission, they had spoken about putting a restroom some place in the city. He stated that the cost estimate came back at \$100,000 for two toilets, one for men and one for women. He noted that one of his concerns was that once the number for the fields was out to the public, contractors knew that and would come in for bid right around that number.

Commissioner Boehm stated that he appreciated Mr. Noble and his staff because he could not say how many times a project had come back from bid and was under the amount the city had thought it would be because Mr. Noble and his staff had stayed on top of it.

Mayor Partington stated that he agreed with Commissioner Boehm. He stated that staff had a reputation of being fiscally sound.

Tentative Millage Rate

Ms. Shanahan stated that staff needed a general consensus about the budget as it was presented to the Commission. She noted that the Commission would receive a final budget and an ordinance that supported it during the public hearings in September. She stated that the Commission would be setting the tentative millage rate at the July 25, 2017, City Commission meeting. She noted that the city was required by the state to set

the tentative millage rate by August 4, 2017, so that the property appraiser was able to send out his report.

Mayor Partington stated that the city was fiscally conservative with limited government. He noted that he wanted to thank the Budget Advisory Board. He stated that the city was down 57 positions since 2007. He noted that he was unsure how Ms. Shanahan did it. He stated that the budget this year was almost \$2 million less than what it was last year.

Commissioner Littleton stated that the proposed budget increased taxes, water and waste water rates, and solid waste rates. He noted that he wanted to give taxpayers a little break.

Mayor Partington stated that that sounded great and asked Commissioner Littleton what his plan was to do so; whereby, Commissioner Littleton stated that the Commission had staff to figure that out, and noted that he would be able to find ways to cut the budget if that was what the Commission wanted him to do. He noted that the budget would need to be cut by \$961,000 in order for the millage rate to be lowered. He stated that if there was compromise with the budget, he would be willing to lower the tax rate.

Commissioner Kent stated that he was comfortable with everything staff had proposed for the budget. He noted that he was anxious to hear what the BAB had to say about the water and wastewater rates. He stated that he had a feeling that there might be a Commissioner in a conundrum around budget time because they promised taxpayers during an election that they were not going to raise taxes. He noted that he agreed with Mayor Partington and liked the way Commissioner Littleton thought, but asked what was he planning on cutting from the budget. He stated that if Commissioner Littleton was going to vote in favor of spending money, and then not vote for the tax increase, that would be on him and not the rest of the Commission.

Commissioner Littleton stated that he hated the politicians that did that. He noted that those politicians voted for everything the whole year and then stood on a pedestal and voted against the tax increase. He stated that many of the items voted on during the past year were already approved by the previous Commission. He noted that he would “talk the talk” and “walk the walk.”

Commissioner Boehm stated that the Commission negotiated with unions for multi-year contracts. He noted that it guaranteed personnel cost increases and there was nothing that any Commissioner could do after they had agreed to those union contracts. He stated that the healthcare increase was disproportionate to any CIP adjustment. He asked what the Commission would be cutting if they were locked in with personnel, pension costs, and healthcare costs. He stated that there was a very limited area of the budget with any movability. He noted that cutting it sounded good in theory. He explained that the federal government talked about cutting funds all the time but every single day a deficit went up in the United States. He noted that the city balanced their budget and had a reserve. He stated that Ormond Beach ran their budget a lot better than the federal government. He noted that if the budget needed to increase slightly in order to continue to do that, he was favor of it.

Commissioner Selby stated that what he was relatively struck with was that property taxes accounted for less than half of the operating budget. He noted that that was where all the focus was and he did not understand that. He stated that the Commission had a lot of discussions over time about various expenditures. He stated that with just his

limited time on the Commission, he believed that the budget was not a straight line and was a very zig-zag line. He noted that the budget was related to quality of life. He stated that the city spent \$43,500 on fireworks for Independence Day. He noted that he did not have a problem with that and explained that he had not heard one person complain about how much was spent on fireworks.

Commissioner Selby stated that the tax increase was \$16.00 per year for the average homeowner with an average assessed value of \$169,000. He noted that he believed that that was a manageable amount. He stated that he believed a huge part of the budget was going to raises for employees and the adjustment in pensions because of the mortality tables. He noted that he was in favor of approving the proposed budget. He stated that he understood where Commissioner Littleton was coming from, and was sympathetic of him trying to get there. He noted that the Commission had to be realistic. He stated that Ormond Beach was a great place to live and was all about the quality of life and quality cost.

Mayor Partington stated that he was in support of the proposed budget. He noted that when he was a newer Commissioner he had felt the same way that Commissioner Littleton was feeling. He stated that he spent about 14 years watching Commissioners beat themselves up over the budget, only to realize that it was a few cents a day difference. He noted that the budget fluctuated and some years it went up while other years it had gone down. He stated that because the Commission had an excellent staff, the budget had always been within a responsible range for the range of services that Ormond Beach provided for its residents. He noted that someone may spend \$20.00 a month on a cable bill while others spend \$160.00 a month. He stated that residents received their city services for far less than that amount.

Mayor Partington noted that the city's budgets received awards and had consistently great audit reviews, which were great accomplishments for Ormond Beach. He stated that when he was a new Commissioner, he had seen the Mayor, who was a very fiscal conservative, push through one of the biggest tax increases the city had seen. He noted that that Mayor had explained that at the city level, the residents decided what level of service they wanted to receive and what they were willing to pay for it. He noted that the fact that the BAB unanimously approved the budget showed that this was the budget the residents of Ormond Beach wanted to see.

Budget Advisory Board Comments

Mayor Partington stated that he wanted to open up the discussion to the BAB to get their opinions, specifically on water and wastewater.

Mr. Ken Kimble, Chairman of Budget Advisory Board, stated that it was about quality of life. He noted that the quality of life was what made Ormond Beach great and that was why the BAB had voted to recommend the proposed budget, even though there was a disagreement on water and wastewater.

Mr. Scott Cichon, Budget Advisory Board, stated that he believed that the Commission should hold out on implementing the water and wastewater increases. He noted that there had been a \$2.00 increase last year and a \$2.00 increase this year. He stated that it was not only \$2.00 this year, but there was another \$1.00 increase coming, making it \$3.00 in one year. He noted that \$3.00 to some may mean nothing, but a lot of residents that were on fixed incomes may wonder why water and wastewater went up so much from a percentage standpoint. He stated that the cost of living did not go up that much.

He asked why water and wastewater went up so much. He noted that Mayor Partington had mentioned a cable bill and explained that when he received a bill that went up \$3.00, he looked for ways to cut out some of his services. He stated that residents were not able to do that with their water bills because they needed the water.

Mr. Cichon noted that if there was going to be an increase, the city should look into stretching it out over the years. He stated that stretching out the increase would not be as noticeable to residents on their monthly water bill. He noted that he wanted to thank Ms. Shanahan and Ms. McGuire for doing an excellent job, and for putting up with the questions that the BAB had.

Ms. McGuire explained that if there was no increase then the city would not be able to issue the bonds next year that were required in order to do some of the capital projects. She noted that if the Commission decided not to do the increase, staff would need to come back to the Commission and take a look at the CIP and decide what items would be deferred. She stated that staff had reduced next year's program for the current year. She noted that it was imperative that the water and wastewater systems be maintained properly. She stated that the reality was that for many years it had not been maintained, and to this day the city was playing catch up.

Ms. Shanahan stated that the Commission had told staff that they would rather see incremental adjustments. She noted that back in the early 2000's, there had been a 35 percent increase in water because the water plant was in disrepair and the wastewater plant needed major upgrades. She stated that it had cost the city around \$40 million over the last 15 years to upgrade those facilities. She noted that the city had a water and wastewater master plan that had been adopted ten years ago. She stated that the city was not funding all the projects that were planned because of the need. She noted that staff had an aggressive plan to replace the two-inch water mains with six-inch lines. She stated that staff was as sensitive as the BAB was about residents' water bills. She noted that staff believed that the incremental increases could be sustained over time rather than doing a \$5.00 or \$4.00 increase in one year.

Mayor Partington asked if the increase was one dollar per month; whereby Ms. McGuire stated that effective October 1, 2017, it would be \$2.00 per month, \$1.00 on the water and \$1.00 on wastewater. She noted that a year after that increase it would go up an additional \$1.00. She stated that over a two year period, the monthly bill would increase by \$3.00.

Mayor Partington stated that even with the increase, Ormond Beach had one of the lowest rates for water and wastewater services. He noted that around 2005 or 2006, that Commission had had emergency meetings about its water systems. He stated that it was a disastrous time that he never wanted to get back to. He noted that he understood where Mr. Cichon was coming from. He stated that if there were some other way to do it, he would be happy to listen, but noted there was a certain base cost that needed to be maintained. He noted that he believed that the city had been doing more with their dollars to properly maintain the water system.

Commissioner Kent stated that he wanted to thank Mr. Cichon for bringing the item to the forefront of the meeting. He explained that in 2005-06, when that Commission had had those emergency meetings, the media was all over the issue and residents were screaming and yelling about it. He noted that he vowed to himself that he never would let that happen again while he was on the Commission. He stated that when that had

happened, the city had had a 30 percent rate increase and it was the first time in 17 years that the city had implemented a water and wastewater increase. He noted that he then had vowed to himself that he would never again do that to the residents of Ormond Beach. He stated that he vowed to do small incremental amounts to make sure that there was not a large percentage increase.

Commissioner Kent explained that when his son was a baby, he was angry about drawing a bath for him when the water had looked like chocolate milk water because of the galvanized steel pipes. He noted that the city had spent so much money to get the water and then pushed it through pipes that had been in the ground for 70 to 80 years, and were in poor condition. He explained that he then made the third vow to himself that funding would be spent to get that fixed. He noted that even with all that, he still thanked Mr. Cichon, noting that Mr. Cichon was right that a \$2.00 increase with another \$1.00 coming at the tail end of the following year, was technically a \$3.00 increase in one year.

Mr. Rafael Ramirez, Vice Chairman of the Budget Advisory Board, stated that he wanted to following up on what Mayor Partington had stated earlier. He noted that he was the longest serving member of the Budget Advisory Board, and Ms. Shanahan and Ms. McGuire knew that he was crazy about the city's reserves. He stated that Ormond Beach had the second lowest tax rate in Volusia County. He stated that the tax rate in DeBary, Florida, could not be counted because DeBary did not have a fire department and had a Florida Power and Light (FPL) plant which helped with taxes. He noted that if the city was giving an increase to solid waste, then the city should be receiving something in return. He stated that he believed that getting the contract extended was a great idea.

Mr. Ramirez stated that he noticed that staff had proposed cutting the economic development budget by over 25 percent; whereby, Ms. Shanahan stated that those funds were not really being cut. She noted that they those funds were for incentives. She stated that there were separate reserves in the general fund for economic development.

Mr. Bill Harper stated that the water and wastewater increase was aggressive, but noted that there was a significant amount paid by non-city residents. He noted that the ad valorem tax was a flawed system. He noted that it was the only thing the city could control. He explained that if the state decided to increase the homestead exception by \$50,000, that would raise taxes from last year.

Mayor Partington stated that Mr. Harper brought up a good point and asked what a better system would be; whereby, Mr. Harper stated that one of his shocks from being on the BAB was learning how hamstrung the Commission and staff were in trying to come up with revenue sources, even with what the state of Florida dictated and shoved down the city's throat. He stated that it was not going to change and if Ormond Beach dropped their tax rate back, the residents would still be paying more because the amounts they paid to the school board and county went up. He noted that was always hard to explain to residents.

Mr. Kevin Tilley, Budget Advisory Board, stated that he was the rookie on the board. He noted that he had served on the board for seven months. He stated that Mr. Ramirez was very concerned with reserves. He noted that he wanted to thank Ms. Shanahan, Ms. McGuire, and their staff for what they had prepared and for making his introduction to

the board so easy to understand. He stated that he understood the ways that staff was looking out for the future and the residents of Ormond Beach.

Commissioner Kent stated that there were several residents who had come to the Commission Chambers in the years that the Commission had gone to the rollback rate or below the rollback rate. He noted that many residents had no idea of the distribution in their taxes, like Mr. Harper had explained. He stated that he applauded Commissioner Littleton's willingness to want to find cuts to the budget. He stated that he remembered being newly elected and going line by line through the budget because he wanted to find those cuts too, because he did not want to continue to vote "yes" for tax increases. He explained that it was difficult to make the decision of where to make those cuts. He noted that he learned that staff was never able to find extra funding just lying around that could be cut. He stated that he applauded staff for what they had accrued with the city's dollars.

III. ADJOURNMENT

The meeting was adjourned at 6:44 p.m.

Transcribed by: Courtney Culver