



**AGENDA  
CITY OF ORMOND BEACH, FLORIDA  
BUDGET ADVISORY BOARD**

**March 28, 2018  
5:00 p.m.**

**CITY HALL TRAINING ROOM  
22 South Beach Street, Ormond Beach, Florida 32174  
Phone: (386) 677-0311 Fax: (386) 676-3330**

**AGENDA**

1. Meeting Call to Order by Secretary
2. Approval of Minutes of January 31, 2018, Meeting
3. Public Comments
4. Discussion of Financial Trends Workshop and FY 2018-19 Operating Budget Preparation
5. Other Business
6. Adjournment

Website Address – [www.ormondbeach.org](http://www.ormondbeach.org)

**NOTICE** – Pursuant to Section 286.0105 of the Florida Statutes, if any person decides to appeal any decision made by the board with respect to any matter considered at this public meeting, such person will need a record of the proceedings and for such purpose, such person may need to ensure that a verbatim record of the proceedings is made, including the testimony and evidence upon which the appeal is to be based.



For special accommodations, please notify the City Clerk's Office at least 72 hours in advance.  
Phone: (386) 677-0311



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

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**January 31, 2018**

**5:00 p.m.**

**City Hall Training Room**

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**1. CALL TO ORDER**

Ms. Kelly McGuire, Finance Director, called the meeting to order at 5:04 p.m.

Those present were board members Chairman Ken Kimble, Vice Chairman Rafael Ramirez, Bill Harper, Scott Cichon and Kevin Tilley, Finance Director Kelly McGuire, and City Manager Joyce Shanahan.

**2. CALL FOR NOMINATIONS FOR CHAIRMAN**

Mr. Rafael Ramirez moved, seconded by Mr. Scott Cichon, to elect Mr. Ken Kimble as Chairman of the Budget Advisory Board to serve a one-year term to the first regularly scheduled City Commission meeting in January 2019. The motion passed unanimously.

**3. CALL FOR NOMINATIONS FOR VICE CHAIRMAN**

Mr. Scott Cichon moved, seconded by Mr. Kevin Tilley, to elect Mr. Rafael Ramirez as Vice Chairman of the Budget Advisory Board to serve a one-year term to the first regularly scheduled City Commission meeting in January 2019. The motion passed unanimously.

**4. APPROVAL OF MINUTES OF JULY 12, 2017, MEETING**

Mr. Kevin Tilley moved, seconded by Mr. Rafael Ramirez, to approve the minutes of the July 12, 2017, meeting. The motion passed unanimously.

**5. PUBLIC COMMENTS**

There were no public comments.

**6. REVIEW OF ROBERTS RULES OF ORDER AND SUNSHINE LAW**

Ms. Kelly McGuire, Finance Director, stated that normally Deputy City Attorney Ms. Ann-Margret Emery would be in attendance and discuss the rules. She stated that the Budget Advisory Board was an advisory board to the City Commission and was required to uphold the Sunshine Law. She stated that the current group had been on the board for a period of time and knew the rules, but reiterated that anything discussed before this board had to

be done in a public meeting and anything coming before the board or anything that may come before the board in the foreseeable future, also had to be in a public meeting. She stated that there was no prohibition in talking to staff outside of a public meeting.

## **7. TENTATIVE BUDGET CALENDAR**

Ms. McGuire stated that the budget process was the same every year and started with the Financial Trends Workshop on March 6. She stated that the board was requested to attend that meeting, as well as the Operating Budget Workshop on July 31. She stated that between those two meetings the board would review the proposed budget and provide feedback to the Commission. She stated that the proposed five year Capital Improvement Program (CIP) would be submitted to the Commission in June, the Fiscal Year (FY) 2018-19 proposed budget would be submitted to the Commission in July, and that final approvals would be in September.

Ms. McGuire stated that the board met on the last Wednesday of the month. She stated that the next meeting was scheduled to be held on February 28, but that the board was needed for the Financial Trends Workshop on Tuesday, March 6 in the Commission Conference Room. She noted that the board would sit with the City Commission at the workshop. She stated that they could forgo the meeting on February 28 and meet on March 6, since the same information would be presented both times.

Mr. Kevin Tilley stated that it would be a better use of time to prepare for the workshop and cancel the board meeting on February 28; whereby, Ms. McGuire stated that the next meeting would be on March 6 for the workshop.

Ms. McGuire stated that regular meetings would continue on the last Wednesday of each month for March (28), April (25), May (30), and June (27). She noted that the July meeting would coincide with the Operating Budget Workshop on Tuesday, July 31.

Mr. Scott Cichon questioned whether or not the board had been involved with the five year CIP previously; whereby, Ms. McGuire stated that they had not, noting that the CIP was reviewed by a number of other boards, so that it did not need to be brought before the current board.

Ms. McGuire stated that in prior years, the Budget Advisory Board had reviewed the funding aspect of the CIP after the Leisure Services Advisory Board, Quality of Life Board, and other boards reviewed the specific projects involved. She noted that that would be the case again for the current year.

Mr. Rafael Ramirez asked if there had been any news from the Federal Emergency Management Agency (FEMA); whereby, Ms. McGuire stated that there was not.

Ms. Joyce Shanahan, City Manager, stated that she thought progress was being made on the FEMA funds. She stated that FEMA had obligated them, the State of Florida was working on them, and that the Finance group made calls about them every couple of days over the prior weeks. She noted that many people the city had tried to contact about the funds were out with the flu.

Ms. McGuire stated that she had met with the FEMA representative earlier that week on the Hurricane Matthew funds. She stated that she provided feedback to him about the process and issues involved, noting that different contacts were currently involved every other week, paperwork had been lost, updates were not being provided, and if information was being provided, it was not consistent. She stated that he was one of the original contacts at the beginning of the process, having been with FEMA for 15 years, and that he had heard the same thing from other groups he had met with previously.

Ms. Shanahan wondered if the Finance group met with FEMA every week.

Ms. McGuire stated that the meeting with the representative had been for Hurricane Matthew specifically, but that they did meet with someone every Friday in regards to Hurricane Irma. She noted that there were times that no update was available but that the recurring appointment stayed on the calendar, no matter what. She stated that they wanted the Hurricane Irma process to progress differently than the Hurricane Matthew one had previously. She noted that her team was new to the process in general after Hurricane Matthew and was not given much guidance along the way. She stated that the city was definitely progressing at that point.

Mr. Ramirez asked if the delay was causing any issues with the budget; whereby, Ms. McGuire stated that it was not.

Ms. McGuire stated that the City of Ormond Beach was fortunate and that they would be reimbursed for the majority of what had been expended, noting that the real issue was making sure they had the cash to put out knowing that the wait for reimbursement could be two years. She stated that some communities took out loans thinking that they would be reimbursed quickly, but those loans were due and they did not have the money yet.

Ms. Shanahan stated that there were a few items that she wanted the board to think about, with budget development and the Financial Trends Workshop in the upcoming weeks. She stated that there was some preliminary information from a property appraiser about the proposed homestead exemption that would be on the ballot in November of 2018, that would affect the FY 2019-20 budget. She noted that that was not the current budget that was being considered, the FY 2018-19 budget, but that the city would definitely be impacted and she wanted them to think about it while making decisions throughout the year. She stated that the city expected to be

impacted by approximately \$800,000 or so because it was a tiered approach to the exemption. She stated that she thought the sister community of Port Orange would have an equal impact, if not more. She reiterated the sentiment about thinking ahead in general and about where the economy was going. She wondered what kind of message could be crafted or what method should be used to inform the community of the pros and cons of the homestead exemption. She stated that the overriding desire of individuals would be to receive the additional homestead exemption, but that if that happened, the city needed another method to make ends meet.

Mr. Ramirez stated that the city should hold meetings to inform the public, noting that should be one of the first things done.

Ms. Shanahan stated that in 2009 the city cut most of the middle management staff positions, noting that there were no deputy or assistant directors and that those positions had not been added back. She stated that it was easy to target staffing levels for cuts, but that it was a pretty lean organization at that point. She stated that the police department was underfunded by nine positions and that staff was working aggressively to fill them, but that had not happened yet. She stated that she thought that New Smyrna Beach was in a similar situation, noting that there were not enough individuals in the area for positions needed. She stated that the private sector had been experiencing the same issue and used Minto Communities, LLC ("Minto") as an example. She stated that Minto had struggled to find individuals available to build the homes in Latitude Margaritaville. She noted that she wanted to have future discussions on that issue.

Ms. Shanahan stated that the city had continuously looked for ways to contract out services that had been provided directly by them in the past. She noted that an example of that was building inspections, which was a peak and valley situation. She stated that some weeks were busier than others and that there were more permits recently than the housing boom of 2005. She stated that a contract was established with Universal Engineering to assist with inspections and that it was on a per-contract basis.

Ms. Shanahan stated that another situation involved utility work, where there was one individual on staff, but the need for more staff increased at times due to demand. She stated that the city wanted to hire a private contractor to assist during those times instead of hiring another person on staff, since that was also a peak and valley situation. She noted that even landscaping maintenance had been contracted out a few years prior when the city experienced a lot of rain in a short amount of time and could not keep up with the demand.

Mr. Cichon asked if there were times that the city needed more law enforcement than other times, i.e. Bike Week or SpeedWeeks; whereby, Ms. Shanahan stated that they did not and could handle the current demand.

Ms. Shanahan stated that the city had an all-hands-on-deck requirement during special events and that employees would forgo vacation or other time off during those weeks. She noted that there were emergency plans in place for special events in both the police and fire departments.

Mr. Cichon stated that he liked Ms. Shanahan's way of thinking. He stated that it was a great idea to use staff to their maximum potential and that they were not sitting idle during slow times. He appreciated that the city had thought of ways to contract certain services out for peak times.

Ms. Shanahan reiterated that the city had been contracting out for the prior two or three years in different areas. She asked if anyone in the room drove Clyde Morris Boulevard on a regular basis; whereby, Mr. Cichon and Mr. Tilley indicated that they both did. She stated that it was not a city road but a county road and that the county only mowed it approximately 12 times a year, noting that she had received complaints from residents about the look of the roadway. She stated that there were times that they asked the county to mow it and the county complied, but other times the city had to do it themselves.

Ms. Shanahan stated that the city had multiple budget hearings in 2009 and 2010 when they were facing budget crunches and allowed the citizens to contribute feedback. She noted that the results showed that citizens did not want to cut services and wanted to maintain the same quality of life, even if it meant a small increase in their tax base. She stated that the community had also voted on a bond referendum for Andy Romano Beachfront Park in 2010.

Mr. Ramirez stated that he thought public forums, that involved the Ormond Beach Chamber of Commerce and representatives from Tallahassee or whomever, might be a good option to include the community in open discussions about the upcoming issues.

Ms. Shanahan stated that she would love to say that would be helpful, but did not think it would be. She noted that only about 25 percent of the individuals who were serving in Tallahassee had served on the local government level, and felt that those individuals might not have the same experiences that the board members did in making the difficult decisions locally. She stated that the state level groups were in the process of attempting to erode the home rule powers that cities and counties had, noting that medical marijuana and short term rentals were hot topics.

Ms. Shanahan stated that the city enacted their short term rental regulations in 2011 and that short term rentals were limited to six months or more and only allowed in certain areas. She stated that code enforcement in Ormond Beach was complaint driven and that they had received increased complaints about Airbnb, HomeToGo, and other companies that handled short term leases. She noted that the city was becoming more aggressive in those

situations, noting that a white house on Halifax Drive was on its second offense. She stated that the citizens had a certain expectation for Ormond Beach and wanted the board to understand that in making future decisions.

Ms. Shanahan stated that there was a utility tax on the Florida Power and Light (FPL) bills called a Public Service Tax and that entities were allowed to charge up to ten percent for it. She stated that Ormond Beach only charged it on electric utilities but that it could be done on water also, and that her understanding was that sister city Port Orange charged it on electric and water. She stated that increasing a tax like that, or adding one, could possibly generate \$1,000,000 for the city, but that staff had not looked at that option in about ten years. She noted that it was a tough tax to pass since it would require citizens to pay more money to the city. She stated that staff was also looking at revenue generating opportunities.

Mr. Cichon asked if there were a tax on natural gas; whereby, Ms. Shanahan stated that Ormond Beach dealt with little natural gas, but that South Daytona used it to cook and dry clothing.

Ms. Shanahan stated that some local communities, such as New Smyrna Beach, were charging for parking at beach approaches. She stated that she thought New Smyrna Beach collected a few hundred thousand dollars a year from those fees. She noted that only individuals from outside Volusia County had to pay the fees, all county residents were exempt and had a special parking pass. She stated that there had been prior discussions about doing something similar at Andy Romano Beachfront Park in Ormond Beach, but that nothing had been put in place yet. She stated that even if they charged, the amount produced might not be enough to cover the potential shortfall. She stated that she was giving different scenarios to get the board thinking ahead about future budgets and the budgetary gap that she anticipated would happen.

Ms. Shanahan stated that in approximately 2010 or 2011, the city ended up with a positive fund balance at the end of the fiscal year, and staff requested that the Commission set aside a revenue stabilization fund. She stated that it could not be used for recurring or operating costs, since it was not a recurring revenue source, but that it was specifically for capital or one-time expenditures. She stated that Ms. McGuire had kept a close eye on that fund but at that time there was still \$480,000 in it. She stated that the board could fund a capital project.

Ms. Shanahan stated that all of those issues were at the top of her mind and that the board and staff needed to find real solutions for them.

Mr. Ramirez asked if there were any upcoming annexations for Ormond Beach; whereby, Ms. Shanahan stated that there were no immediate ones.

Ms. Shanahan stated that Mr. Ramirez brought up a good point. She stated that she had recent discussions about that issue, and thought that there might be a few neighboring areas outside of corporate limits that the city would potentially end up providing water and sewer service to in the future. She stated that she thought Volusia County was considering getting out of the day-to-day water and sewer business since it was more of a city issue, than a county issue. She noted that the Latitude Margaritaville project was outside the corporate limits, but that Ormond Beach provided water and sewer to a portion of that project area, specifically the parcel of land where Hand Avenue would fall if it went across I-95 to the west, and north to Granada Boulevard. She stated that the county approached staff at one time about providing water and sewer to Halifax Plantation, north on U.S. Highway 1, but noted that if they were annexed into the city that there would be additional cost for fire and police protection.

Mr. Cichon asked if Ms. Shanahan was saying that the city had to annex an area in to provide water and sewer service to them, noting that that seemed like the opposite of what the city wanted to do; whereby, Ms. Shanahan stated that the city did not.

Ms. Shanahan stated that Mr. Cichon was speaking about growing the tax base. She stated that the city did want to annex, but that an annexation could only happen if an area was adjacent to an Ormond Beach address. She stated that the city could provide water and sewer service to a location that was not contiguous, noting that they never provided one without the other. She stated that in that situation, once that location became contiguous they were then required to annex into the city.

Mr. Cichon asked if that location was definitely required to annex in; whereby, Ms. Shanahan stated that they were and the city would make them sign an agreement.

Mr. Cichon asked about Ormond Beach supplying water and sewer to beachside; whereby, Ms. Shanahan stated that that was a completely different situation.

Ms. Shanahan stated that the city did provide certain services to Ormond-by-the-Sea, but that her understanding was that the agreements involved only agreed to provide water, no sewer since they used septic, and that the city could not compel them to annex in. She noted that the main reasons the city would want to annex Halifax Plantation was good property, nice homes, decent dollar value and not a lot of code or crime issues.

Mr. Cichon asked if the city supplied Halifax Plantation with water and sewer; whereby, Ms. Shanahan stated that they did not. Mr. Cichon asked if they were contiguous with the city; whereby, Ms. Shanahan stated that they were not, but that they could become contiguous, noting that contiguity could

happen across a body of water or a roadway. Mr. Cichon asked if contiguity could happen across a state park; whereby, Ms. Shanahan stated that she thought it could.

Ms. Shanahan stated that Volusia County had started more code enforcement in the Ormond-by-the-Sea area. She noted that when an annexation discussion had happened about 20 years prior, the residents did not want to annex into Ormond Beach because of the strict code enforcement. She stated that they preferred to have boats in the front yard, did not care if the grass was tall, or whatever. She stated that there was a rumor that the county might be considering a municipal services act for that area, and if that were the case, the residents might want to annex into the city because it would be cheaper for them in the long run.

Ms. Shanahan stated that an annexation could not happen across a county boundary, like Flagler County to the north, unless there was legislative authority. She noted that almost happened with the county run portion of Hunter's Ridge previously, but that it ended up vetoed.

Ms. Shanahan reiterated that she wanted the board to consider everything she mentioned in preparing for all future budgets.

Ms. Shanahan stated that she would be surprised if the homestead referendum did not pass on the ballot. She stated that it was a flawed system in her opinion, since an individual's neighbor would not pay the same amount as that individual, but they were both receiving the same service. She noted that whatever happened, the city could not change the system and would have to go with it.

Mr. Cichon asked if anyone personally knew Representative Tom Leek; whereby, Ms. Shanahan stated that she knew and had prior conversations with him, but did not think that holding a public meeting with him was the answer.

Ms. Shanahan stated that certain services the city provided were not sexy. She stated that they provided water to drink, the ability to flush a toilet, a street to drive on, fixed potholes, and cleared storm drains, just to name a few. She noted that everyone loved the police and fire departments, which was great, but that public works and public utilities did not receive the same appreciation. She stated that an individual would hopefully only call the police or fire once in a lifetime, where the other services were essential and used on a daily basis.

Mr. Cichon stated that he disagreed with Ms. Shanahan and noted that when he was without water, during a hurricane or storm, that service seemed much more important than police and fire.

Ms. Shanahan agreed with Mr. Cichon and stated that she was proud of how the city had performed during those times.

Mr. Tilley stated that he heard them saying that he could turn his faucet on every morning and flush his toilet every night, but thought nothing of the fact that the city provided those services.

Mr. Cichon stated that once an individual was without something, there was more appreciation for it. He stated that if he had no electricity, he would appreciate it all the more.

Mr. Ramirez stated that all of them made good points.

Ms. Shanahan reiterated that the citizens of Ormond Beach stood behind the city in prior situations and were willing to accept paying a little more in taxes, if they could keep the services that they were used to having provided. She stated that although certain measures had been taken previously, staff and the board needed to continue looking at new ways to do things differently.

Ms. Shanahan wondered if anyone in the group had heard of a fire service fee. She stated that it was when a city levied a separate fee for fire service only, and that it did not pertain to emergency response vehicles or EVAC/Emergency Medical Services. She stated that they were hugely unpopular with residents and made them question the amount of property taxes they paid. She noted that the City of Ormond Beach received \$10,000,000 in property taxes, but that amount was not enough to cover both the police and fire department budgets, and that it barely covered one of those budgets. She stated that she had heard Port Orange discussing that issue and that the residents seemed receptive to the idea, but that she was not aware of anyone that had approved that fee in the prior ten years. She stated that the City of Palm Bay had considered it a few times, but that it had gone down in flames. She noted that some fire unions supported the fee thinking that they would get more benefits and pay from that money, but others opposed it because they did not want to be the 'bad guy' asking for another tax.

Ms. Shanahan stated that she did not see the City of Ormond Beach going that direction and could see them pursuing a public service tax on utilities instead.

## **8. OTHER BUSINESS**

Mr. Ken Kimble asked for other business; hearing nothing he adjourned the meeting.

## **9. ADJOURNMENT**

The meeting was adjourned at 5:48 p.m.

Respectfully submitted,

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Wendy Nichols, Recording Secretary

Attest:

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Ken Kimble, Chairman

**MINUTES  
CITY OF ORMOND BEACH  
CITY COMMISSION  
FINANCIAL TRENDS WORKSHOP**

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**March 6, 2018**

**6:00 p.m.**

**City Commission Chambers**

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**I. CALL TO ORDER**

Mayor Bill Partington called the meeting to order at 6:00 p.m.

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

Ms. Joyce Shanahan, City Manager, thanked the City Commission for having the meeting. She stated that it was the kickoff meeting for staff's budget development with general direction from the Commission on where they would want to go with the budget. She stated that there would be more opportunities in future meetings to speak about the issues; in June to discuss the Capital Improvement Project (CIP) budget process, in July to discuss the operating budget and set the tentative millage rate, and two in September on the budget overall. She noted that it would not be the last time that the Commission heard about the budget, but that it gave staff direction as they began to formulate the operating and capital budgets. She introduced Finance Director Ms. Kelly McGuire and Assistant Finance Director Mr. Chris Byle.

Ms. Kelly McGuire, Finance Director, thanked the Budget Advisory Board for attending the workshop and noted that it was their first time to see the presentation. She stated that they would take direction from the Commission and discuss details of the budget in their monthly meetings over the upcoming months.

Ms. McGuire stated that the Commission was provided polling device keypads, as they had been in past workshops, and would use those to select their answers on some questions that would be posed to them.

**II. FINANCIAL TRENDS**

**Long Term Financial Plan Policies**

Ms. McGuire stated that she would start by reviewing the long term financial plan that had been approved the prior year. She stated that the plan called for the city to maintain a tax rate to fund the desired service level, whatever they determined that desired service level was. She stated that it called for providing wage adjustments per the existing contracts and that if the city decided to add new services or facilities, they would have to find a new recurring revenue service. She noted that they were not going to add anything new using the General Fund balance or an existing revenue source, as those were already allocated to other expenses.

Ms. McGuire explained that there was a policy in the General Fund to maintain the undesignated reserves at a minimum level of 15 percent of net expenditures, noting that

the current rate was at 18.72 percent and well above that level. She stated that 15 percent dollar wise would be about \$5,200,000 and that the current rate was about \$1,200,000 over that. She stated that the policy for leisure services fees was to adjust them annually to capture ten to 20 percent of associated expenditures. She stated that they had been adjusting them by three percent and that they were currently capturing 15 percent of expenditures. She noted that the goal there was not to fully cover the recreation programs with those fees, explaining that to do so the city would have to charge such a high fee that no one would participate.

Ms. McGuire noted that the city had a number of dedicated millages. She stated that on a resident's property tax bill the tax was listed as one amount, but that the city parceled their portion into the General Fund and the separate millages. She stated that some went to the Facilities Renewal and Replacement Fund. She explained that instead of setting a target millage rate, they had established a target dollar amount. She stated that the target was \$500,000 in annual funding for that facilities renewal and replacement millage. She stated that another millage was for the General Capital Improvement Fund. She noted that the target dollar amount for that millage was \$400,000.

Ms. McGuire stated that there was also a General Vehicle and Equipment Replacement Fund dedicated millage, with a target dollar amount of \$225,000 annually. She stated that there was a Transportation Fund, which had a dedicated millage that was annually funded at \$500,000. She noted that the city had done rather well with those dollar amounts and was not presently looking to change them.

### **General Fund Budget Estimates**

Ms. McGuire stated that the General Fund stood at \$32,762,088, that there was no shortfall, and that they were not using the fund balance to fund any of the recurring expenses. She noted that they were in a good place to start out. She stated that looking at the next year they were assuming a four percent growth in the taxable value, the tax rate would remain the same, and that they would potentially increase the vacancy rate to five percent, which meant that they would be budgeting 95 percent of the payroll.

Commissioner Selby asked what a five percent increase of vacancy savings rate was; whereby Ms. McGuire clarified that it should say five percent in vacancy savings rate.

Ms. McGuire stated that the city was currently doing four percent, which meant that they were budgeting 96 percent of payroll, but thought they could bump it up from four to five percent and budget for 95 percent of payroll.

Ms. McGuire stated that the assumptions for fiscal year 2018-19 also included a three percent increase in wages. She stated that the assumptions also included a ten percent increase in healthcare costs, but that there would be further conversations about it. She stated that there was also a two percent increase in operating expenses assumed. She stated that all of that should get the city pretty close to even, with approximately \$30,000 of revenue in excess of expenditures, which was not too bad. She stated that looking further ahead the city would start to see shortfalls, noting that those amounts were largely dependent on what happened with wages, the tax bill, and other information. She stated that four percent going forward was very conservative.

Commissioner Kent asked if that were four percent in wages or taxable value; whereby, Ms. McGuire stated that it was in taxable value.

Ms. McGuire stated that they liked to start out assuming the worst and go from there. She noted that if the city saw a five, six, or seven percent increase, which was more realistic, those shortfalls would go away. She stated that that was also assuming that the tax rate did not adjust down or that there would be more than a three percent salary increase.

Ms. McGuire stated that the only issue and real concern was if the homestead exemption amendment passed in November of 2018. She stated that the \$800,000 shortfall from that exemption was not included in the fiscal year 2019-20 budget, so the estimated \$300,000 shortfall would turn into an estimated \$1,100,000 shortfall. She noted that they would not discuss that issue at that point, but would continue to bring it up so that when it came around, no one would be surprised. She reiterated that the budget for the upcoming year looked good for the General Fund and that there was not a great deal of concern.

### **Tax Rates**

Ms. McGuire stated that the assumptions were that the General Fund would be adequate to generate the revenue necessary, and also meet the overall tax rate. She noted that for the Facilities Renewal and Replacement Fund, General Capital Improvement Fund, General Vehicle and Equipment Replacement Fund, and Transportation Funds, there was a target dollar amount. She stated that for the total operating millage, there was a target amount, and noted that it was the current operating millage rate of \$4.2843. She explained that they essentially had to back into the General Fund amount. She noted that the displayed tax rates chart was what was being proposed for budgeted purposes, noting that it showed how the rate was split out amongst the funds. She stated that the overall tax rate in all of the years projected was the same at \$4.2843.

Commissioner Selby asked if it made sense to have the four funds outside the General Fund set as fixed numbers and not adjust them for inflation; whereby, Ms. McGuire stated that the city could do that.

Ms. McGuire stated that the larger financial plan did not call for that and they decided to target a dollar amount, but that could be changed. She stated that if they adjusted those four funds and let them increase proportionate to the taxable value, then those funds would get more money each year but the General Fund would get less. She stated that it was really a question of where they wanted to put those dollars.

Ms. Shanahan stated that at one time, she thought the city did have a millage rate assigned to those funds but that during the heart of the recession, the city was not able to fund at that level. She noted that a few years prior, the City Commission went to a fixed dollar amount using ideal amounts each year, with the understanding that there would be inflation. She stated that she thought the city could make due in this scenario.

Commissioner Selby stated that he was not necessarily proposing a fixed millage rate, but asked if the dollar amounts were sufficient to do what needed to be done or would the amounts have to be raised at some point in the future; whereby, Ms. Shanahan stated that she thought they were sufficient.

Ms. McGuire stated that she did think Commissioner Selby was correct and that at some point, they would have to raise the dollar amount. She noted that the five year capital plan had been approved and that it would be reviewed at the June meeting with the listed assumed dollar amounts. She stated that staff was planning around those numbers and since there were not any deficiencies to speak of, they were comfortable with the numbers.

Ms. McGuire asked the Commission the following question and instructed them to select their answer by pressing the corresponding number on their handheld keypads:

- ***Should the current tax rate be used for FY 2019 budget development?***
  1. Yes
  2. No

**Ms. McGuire noted that four respondents, or 80% of the Commission, selected option #1 – yes; indicating that the city should use the current tax rate for FY 2019 budget development, and that one respondent, or 20% of the Commission, selected option #2 – no, indicating that the city should not use the current tax rate for FY 2019 budget development.**

Commissioner Kent asked if they could discuss the results; whereby, Ms. McGuire stated that they could.

Commissioner Littleton stated that in looking in the Capital Improvement Plan (CIP) at projects, he did not think \$225,000 would be sufficient for the General Vehicle and Equipment Replacement Fund in two years and thought that it would be closer to approximately \$389,000. He stated that he was proposing to give more to that fund and move it up to \$250,000. He noted that there were not a lot of transportation projects coming in the next few years that were listed in the CIP, so he was prepared to move that amount from \$500,000 down to \$400,000.

Ms. Shanahan stated that she wanted to make sure the Commission understood something about the Transportation Fund. She clarified that the city used most of that money to resurface local roadways, and that did not take into account any of the big projects, i.e. Hand Avenue extension or expanding intersections, that were on the list if the half-cent sales tax was approved by voters in November of 2018. She stated that the city was on a 20 year cycle for resurfacing roadways and asked City Engineer Mr. John Noble to correct her if that was wrong.

Mr. John Noble, City Engineer, stated that Ms. Shanahan was correct.

Ms. Shanahan reiterated that the bulk of the Transportation Fund was to resurface the roadways once every 20 years and did not think that the Commission would want to reduce that.

Commissioner Littleton stated that it was his understanding that the amount for resurfacing the roadway was exactly how much the city took in from the gas tax. He reiterated that he thought the city could do the \$400,000 in Transportation.

Ms. Shanahan stated that her understanding was that the gas tax money received not only went to resurfacing the roads, but also to roadway lighting. She stated that that

amount would be a separate bill altogether, but noted that it was part of the cost and included all lighting, including Florida Power and Light poles.

Ms. McGuire stated that approximately \$550,000 each year went towards the lighting.

Ms. Shanahan stated that the Commission could do what they wanted, but felt that they should have all the facts before making the decision.

Commissioner Kent stated that his main reason for discussing the results was because he wanted to know who was in favor of the current tax rate and who was against it, since it was 80 percent and 20 percent respectively, noting that he did not think that it was a secret. He stated that he was in favor of it because he thought that the tax and millage rates were appropriate for the level of services that Ormond Beach gave to their residents. He noted that he also liked to pay bills on time and thought that it allowed for that.

Commissioner Kent stated that he had struggled with the vote the prior year where Commissioner Littleton voted for the budget, but not for the tax increase and was concerned. He stated that since then Commissioner Littleton had voted out up to \$152,000 in projects, but thought he had around \$750,000 to \$800,000 more to vote against before October 1, 2018 came around. He wondered what Commissioner Littleton's plan was. He stated that he wanted to understand Commissioner Littleton's thinking because he might change his vote that way instead and he wanted to gain knowledge on things that he had not thought about in order to make things better in Ormond Beach. He noted that as elected officials they could vote how they wanted, but there had been another elected official that previously served and would do that exact same thing. He stated that that individual would vote against the millage rate because by law it was considered a tax increase, even though it was exactly the same, but would do it so that they could say that they voted against it, then turn around and vote for every spending item. He stated that it bothered him when someone did that. He asked for more thoughts from the group.

Commissioner Boehm stated that his stance had never changed and that he believed that the city needed to take care of what they owned including all facilities, all property, all buildings, all vehicles, all roads, etc. He stated that the city had the same obligation that a private homeowner, corporation, or anyone else had in maintaining what it owned and what it was responsible for taking care of. He noted that this was the means by which to do that and that he was in favor of the current tax rate.

Mayor Partington stated that he was in favor of the current tax rate also. He stated that he and Commissioner Kent had the benefit of watching budgets go through over the prior 15 years and noted that there ended up being a lot of hoopla over such small variations of the actual tax bill from the city's perspective, that it really did not make sense to play traditional Washington politics with a little budget. He stated that they had experienced a hardcore conservative mayor who led the charge for some of the biggest tax increases that Ormond Beach had in years.

Commissioner Kent stated that it was 17 percent one year.

Mayor Partington stated that even though that mayor was conservative, part of that conservatism was the freedom for the city and its residents to choose what level they wanted to fund themselves at, how they wanted to create their city, and what services

they wanted to provide and pay for them. He stated that even though the city had demand for road paving, on a 20 year cycle, that there were any number of demands for certain items and the city did not have money to do that. He stated that in that instance, \$500,000 was not adequate for transportation. He noted that the city's staff did a great job with the budget, got a lot of bang for their buck, and that he was comfortable with maintaining where they were at that point. He stated that additional items would have to be addressed separately.

Commissioner Selby stated that Commissioner Littleton must have been the one against the tax and wondered how high he wanted to raise it.

Commissioner Littleton stated that in the long term financial planning, he wanted to increase the leisure services fees and capture a minimum of 20 percent, but up to 25 percent, of the associated expenditures. He stated that he knew that might take a few years to get it up to that, but thought it was something that the city could do. He stated that the city was giving the citizens light emitting diode (LED) lights and they cost money.

Commissioner Selby asked if the range was ten to 20 percent; whereby, Ms. McGuire stated that he was correct and that the city was at 15 percent. She stated that if it went up to 20 percent, a five percent increase, that would be approximately \$25,000.

Commissioner Selby asked if it were a one third increase that someone was paying; whereby, Ms. McGuire stated that he was correct.

Commissioner Kent stated that he had recently signed up his son, Wyatt, for baseball and that it had cost over \$100. He noted that Mr. Kimble's daughter played softball and thought the fee for her was probably similar. He stated that he disagreed with Commissioner Littleton on adjusting the leisure services fee, noting that it had been less in the past and was adjusted over the years. He stated that an increase of even \$50 would make a huge difference to some citizens. He stated that residents expected something different than what they would get from sister cities and that Ormond Beach had a different level of service that they provided.

Commissioner Kent stated that he had not heard an exact answer about changing the current tax rate and wondered what the tax rate should be if the current one was not what they should have. He wondered what staff was doing wrong. He wondered what the leadership on the Commission was doing wrong so that they could do it right.

Commissioner Littleton stated that in regards to the leisure services fee, the five year increase average had been 3.99 percent and that instead of raising it three percent, to go ahead and raise it four percent to be consistent with the average. He stated that he would like staff to prepare a budget, which showed the millage with a rollback rate for example, and compare it to the budget with the current rate, so that the Commission could hash it out and meet in the middle somewhere.

Commissioner Selby stated that in the current budget, city taxes went up a \$13 average per person for the year, and noted that the amount was totally justifiable for the quality of life in Ormond Beach. He stated that in his opinion, it was not worth looking at or doing roll back since the actual dollars were tiny for the quality of life. He stated that the bigger issue was making sure the homestead exemption amendment did not pass in November 2018. He noted that if the amendment passed, that it only benefitted the people who were in the \$100,000 to \$125,000 range, and that everyone else would have to pay

more or the city would have to decrease the budget by \$800,000. He stated that was extremely unfair.

Mayor Partington stated that it was a tax shift, not a tax cut, and that it was definitely unfair.

Commissioner Boehm stated that they needed to keep in mind the union contracts for employees to get a three percent pay increase. He stated that if the city went with roll back something would have to be cut elsewhere, in order to meet all of those agreed upon expenditures. He stated that he was hearing the idea to cut services that the city provided in order to keep a rate the same, which he thought was already low, instead of staying with the same rate currently in place.

Commissioner Selby stated that one of the hardest things to do was to have reserves for replacements. He stated that the current fixed dollar amount might not be enough in the future, as costs rose, and that they would need to reevaluate down the road. He stated that he was proud of Ormond Beach for having the discipline to repave their roads as needed, instead of letting them go or removing it from the budget, and then having crappy roads which would take a gigantic expenditure that required a massive tax increase.

Commissioner Kent stated that none of the current Commission could take credit for the roadway millage that was in place, noting that it had been created by wise people on the prior Commissions. He stated that when Commissioner Boehm was serving as Chairman of the Leisure Services Advisory Board, he went into the Chambers and shamed the Commission for not taking care of what they owned, especially when the Nova Recreation Center had to be shut down due to rain penetrating the facility. He stated that Mayor Partington looked at him and they vowed not to let it happen again while they were on the Commission.

Commissioner Kent thanked Commissioner Selby for explaining the extra homestead exemption in a way that he had not heard before. He stated to Commissioner Littleton that if they went to roll back, he wanted to be told where they would be cutting the funds so that he could communicate that to the residents and let them know what services would not be available anymore. He stated that if he went to roll back in his personal budget, he would have to cut something else so that Wyatt would be able to eat, since he was eating more these days as a growing boy. He reiterated that he wanted to be shown the leadership and direction of what would be cut going to roll back.

Ms. Shanahan pointed out that what Commissioner Selby stated had happened during the recession. She stated that many of Ormond Beach's sister cities did not have any specialty funds during the recession, and thus were having difficulty paving roads, replacing vehicles, and repairing facilities, noting that they were currently behind and having to play catch up since that time. She noted that Ormond Beach was penalized some because they had been good stewards and continued to do that. She stated that Commissioner Selby was correct in that if those things were eliminated, it was harder to add them back, but that once they were there and had a line item, the city was disciplined to use it for that item.

Mayor Partington stated that when he and Commissioner Kent joined the Commission, it was during a time when the city had gone to roll back three, four, or five years in a row. He stated that the conservative mayor then led the charge for a 17 percent increase,

which was somewhat extreme. He stated that he would trust staff that did an amazing job with award winning budgets year after year, and rely on the numbers that they provided which had been heavily vetted and were detailed with reason behind all of them. He stated that he would not agree to much of an increase with the leisure services fee, since Leisure Services Director Robert Carolin and staff knew what was needed to allow kids, who might not otherwise be able to afford it, to participate in activities run by the city. He noted that it was fairer to residents to bring them along a little each year, than to give them five years off and shock them with a 32 percent increase. He stated that that was crazy and that the city's budget had worked well for years, so they should continue that direction.

Commissioner Kent stated that during one of biggest financial downturns in the history of his life, Ormond Beach residents voted overwhelmingly to tax themselves more for a beachfront park.

Ms. Shanahan clarified that the meeting was only to give staff general direction and that they were not voting, only designating what was preferred. She clarified that Mayor Partington, Commissioner Selby, Commissioner Kent, and Commissioner Boehm had said "yes" and that Commissioner Littleton was a "no".

### **Leisure Services Fees**

Ms. McGuire explained that each year there was an automatic three percent increase in the leisure service fees. She stated that if the city went to four percent instead of three percent, the additional percent increase would only generate about \$5,000.

Commissioner Kent asked how long they city had been doing that; whereby, Ms. McGuire stated that it was at least seven years.

She noted on the chart she displayed that the expenditures were increasing, while the revenue was both not coming close to covering the cost of the services, and also not really changing. She explained that that was because even if the fees were increased by three percent, it was a very small figure to begin with.

Ms. McGuire asked the Commission the following question and instructed them to select their answer by pressing the corresponding number on their handheld keypads:

- ***Should the 3% annual adjustment to Leisure Services fees be continued?***
  1. Yes
  2. No

**Ms. McGuire noted that four respondents, Mayor Partington, Commissioner Selby, Commissioner Kent, and Commissioner Boehm, or 80% of the Commission, selected option #1 – yes; indicating that the city should continue its 3% annual adjustment to Leisure Services fees, and that one respondent, Commissioner Littleton, or 20% of the Commission, selected option #2 – no, indicating that the city should not continue its 3% annual adjustment to Leisure Services fees.**

### **Water & Wastewater / Solid Waste**

Ms. McGuire stated that the long term financial plan called for smaller incremental increases in user fees in water and wastewater to fund operations, debt service

requirements, and capital needs. She stated that they would discuss the specific capital needs in June at the Capital Improvement Plan Workshop and welcomed feedback on projects that needed to be funded, but were not included, at that time. She noted that it also called for incremental increases in solid waste user fees to adequately fund operations, including projected increases in contracted services, and noted that it was largely to pay salaries.

Ms. McGuire stated that the current year budget was \$20,130,857 for the Water & Wastewater Fund, with no shortfall or surplus. She noted that they were using reserves in the current year of \$744,000, but that was specific to capital projects and not something that they generally did. She stated that the city happened to have more capital projects that they wanted to get completed than revenue to cover them. She stated that they would not go out and increase the revenue for a single year of capital projects because that would not make sense.

Commissioner Kent asked how much was left in the solid waste reserve after the \$744,000 was removed; whereby, Ms. McGuire stated that it would be around \$3,000,000 once the city was reimbursed from the Federal Emergency Management Agency for Hurricane Matthew.

Ms. McGuire stated that staff was assuming an annual rate increase of \$1 for water and \$1 per month for wastewater. She stated that they recommended doing what had been done in the past, which was to charge \$.50 on the water and \$.50 on the wastewater at the beginning of the fiscal year, and charge it again at the end of the fiscal year, noting that it would cover two years' worth of the budget.

Commissioner Kent asked if Ms. McGuire could clarify the dates of those charges; whereby, she stated that they would be October 1, 2018 and September 30, 2019.

Commissioner Kent asked if there would be another charge on October 1, 2019; whereby, Ms. McGuire stated that there would not be.

Commissioner Kent asked if the city had just done that; whereby, Ms. McGuire stated that it had been two years prior, to cover the previous and current years.

Ms. Shanahan stated that the city had been charging \$.50 a year on each for the prior four years.

Commissioner Kent asked if it were only \$.50 a year; whereby, Ms. Shanahan stated that it was \$.50 on water and \$.50 on sewer for the last four years, noting that it was voted on one time and came out to \$1.00.

Commissioner Kent stated that that was another area that had not been touched for a long time in prior years and had a huge increase after that time. He noted that it had made the national news.

Mayor Partington stated that there had been outrage at that time and included special meetings with the residents.

Ms. McGuire stated that on an annual basis per year it was roughly three percent. She stated that staff might come back in July or October to propose doing three percent of the higher tier, instead of \$.50 for water and \$.50 for sewer, which would be the same

thing dollar wise. She noted that how it would be divided up would need more time. She stated that staff had been adjusting the minimum and was happy to continue doing that.

Ms. Shanahan stated that the city currently had a conservation rate where the more an individual used the more they paid, explaining that it encouraged conservation. She noted that on the opposite end, there were those that had a certain amount of fixed costs just to operate the system for water and sewer.

Commissioner Selby stated that he did not understand the \$.50 and \$.50.

Ms. McGuire explained that on the minimum bill each month for a resident, the city would add \$.50 on the water portion and \$.50 on the sewer portion. She stated that overall they would be paying an extra dollar per month, but emphasized that the way the city was doing it would cover two fiscal years.

Ms. Shanahan stated that that was the only way the city could do a rate that covered two fiscal years and not have to re-advertise it. She noted that they could do a one year water rate, advertise it as a one year water rate, even though it spanned two fiscal years. She stated that on October 1, 2018, the resident would receive a bill with \$.50 additional on water and \$.50 additional on sewer, and then a year later on September 30, 2019, adjust for the \$.50 for water and \$.50 for sewer, so that it would be one rate over two years.

Commissioner Selby asked if they lost 12 months of revenue; whereby, Ms. McGuire stated that they did not need that revenue during the 12 months, only for the next budget year at \$1 total per month per resident.

Ms. McGuire stated that they would have this conversation again the next year but that the rate would already be approved at that point. She stated that it might not end up being in the minimum bill, staff might do something with the conservation pricing instead. She noted that the method had been used before, but the problem was that it worked and people started conserving water. She stated that the three percent increase ended up going to a four percent increase and then a five percent increase. She stated that staff decided to have the fixed costs instead, so that it spread the rate increase across everyone and not just certain users.

Commissioner Selby stated that he did not understand a conservation rate and that it was the only commodity that cost more per unit, the more that one bought.

Ms. Shanahan stated that the idea was to encourage people to use less; whereby, Commissioner Selby stated that he agreed with that, but did not like being penalized for using more.

Ms. McGuire asked the Commission the following question and instructed them to select their answer by pressing the corresponding number on their handheld keypads:

- ***Should an adjustment of \$1 per month on water, and \$1 per month on wastewater, be used for FY 2019 budget development?***
  1. Yes
  2. No

**Ms. McGuire noted that all respondents, 100% of the Commission, selected option #1 – yes; indicating that the city should use an adjustment of \$1 per month on water, and \$1 per month on wastewater, for FY 2019 budget development.**

Ms. McGuire stated that the current budget for solid waste was \$8,291,000. She stated that they were assuming a rate increase of 1.25 percent per year and an increase of 1.5 percent in operating costs, noting that would largely be the case if there were a CPI adjustment in the contracted rate.

Commissioner Selby asked if that was voluntary; whereby, Ms. McGuire stated that he was correct.

Ms. Shanahan stated that the reason they had the rate increase with the expected expense increase was because they had a fund balance.

Ms. McGuire stated that the city had additional revenue that came in that was relatively small in comparison to what the user fee was, noting that there were shortfalls there in the future but that they were small.

Ms. Shanahan hoped that the city would get reimbursed for Hurricane Matthew sometime in the current century.

Ms. McGuire stated that none of the numbers everyone was seeing took that money into account, noting that was a cash issue at that point. She stated that the latest news was that they had two project worksheets that had been approved and were waiting on the money to be put in the bank. She asked Mr. Byle the amount; whereby, Mr. Chris Byle, Assistant Finance Director, stated that it was \$5,800,000.

Ms. McGuire stated that the payment would be the first and largest amount and that staff were working on the other two project worksheets to get the remaining amount.

Commissioner Selby asked if it would be a one-time increase; whereby, Ms. McGuire stated that he was correct.

Commissioner Selby asked if it would start at the beginning of the fiscal year; whereby, Ms. McGuire stated that it would start on October 1, 2018.

Commissioner Selby stated that it amounted to less than \$.50, maybe \$.30 or \$.40; whereby, Ms. McGuire stated that he was correct and that it would be per month times 12, if that was the direction that the Commission wanted to give staff.

Ms. McGuire asked the Commission the following question and instructed them to select their answer by pressing the corresponding number on their handheld keypads:

- ***Should a 1.25% adjustment to solid waste rates be used for the FY 2019 budget development?***
  1. Yes
  2. No

**Ms. McGuire noted that all respondents, 100% of the Commission, selected option #1 – yes; indicating that the city should use a 1.25% adjustment to solid waste rates in FY 2019 budget development.**

Ms. McGuire stated that her presentation was completed, whereby; Mayor Partington stated that he appreciated the work that Ms. McGuire and Ms. Shanahan had put into the presentation. He noted that it was nice to be on the Commission at a time when the city was in excellent financial shape, noting that Commissioner Kent had mentioned an earlier time when it was not that way.

Ms. Shanahan asked if someone would introduce the members of the Budget Advisory Board; whereby, Ms. McGuire stated that she would be happy to do it.

Ms. McGuire introduced Chairman Ken Kimble, Mr. Scott Cichon, and Mr. Bill Harper, noting that they were missing Vice Chairman Rafael Ramirez and Mr. Kevin Tilley.

Commissioner Kent stated that he would like someone to remind him who appointed each member of the Budget Advisory Board, noting that Mr. Kimble was his appointment.

Mr. Bill Harper, Board Member, stated that Mayor Partington had appointed him.

Commissioner Littleton stated that his appointment was Mr. Kevin Tilley.

Commissioner Kent confirmed that Mr. Cichon was appointed by Commissioner Selby and Mr. Ramirez was appointed by Commissioner Boehm.

Mayor Partington thanked the Budget Advisory Board for being in attendance and wondered if they wanted to speak about anything. He noted that they had heard many details on the budget and had not seen it before that day. He indicated that there were no comments.

Ms. McGuire stated that she was sure the Commission would hear from them in future meetings.

### **III. ADJOURNMENT**

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

Transcribed by: Wendy Nichols