

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

March 28, 2018

5:00 p.m.

City Hall Training Room

1. CALL TO ORDER

Mr. Rafael Ramirez, Vice Chairman, called the meeting to order at 5:05 p.m.

Those present were board members Chairman Ken Kimble (arrived at 5:10 p.m.), Vice Chairman Rafael Ramirez, Bill Harper, and Kevin Tilley, and Finance Director Kelly McGuire.

2. APPROVAL OF MINUTES OF JANUARY 31, 2018

Mr. Bill Harper moved, seconded by Mr. Kevin Tilley, to approve the minutes of the January 31, 2018, meeting. The motion passed unanimously.

3. PUBLIC COMMENTS

There were no public comments.

4. DISCUSSION OF FINANCIAL TRENDS WORKSHOP AND FY 2018-19 OPERATING BUDGET PREPARATION

Ms. Kelly McGuire, Finance Director, stated she would review information presented at the Financial Trends Workshop held on March 6, 2018. She noted that Mr. Cichon, Mr. Kimble and Mr. Tilley had attended the workshop and heard the materials presented, so that this would be a brief overview. She stated that the City Commission gave direction to the Budget Advisory Board on the upcoming budget.

Ms. McGuire stated that the city had a long term financial plan that outlined what the city would do from a budgetary standpoint. She explained that the plan included the following items: maintaining a tax rate which would properly fund the desired level of service, which typically would be at the current millage rate; provide wage adjustments per the contracts, which were three percent a year going forward until the contracts expired; and if new services or facilities were added, a dedicated, recurring revenue source would need to be identified. She stated that the undesignated reserves of the General Fund would be maintained at a minimum of 15 percent of the net expenditures.

Mr. Ramirez asked if that was what had been done in prior years; whereby, Ms. McGuire stated that he was correct.

Ms. McGuire stated that the leisure service fees would be adjusted yearly so that the amount of the fees would equal between ten to 20 percent of the expenses. She noted that those were some of the baseline policies.

Mr. Ramirez asked if that had been the historical benchmark in order to keep the costs affordable; whereby, Ms. McGuire stated that he was correct.

Ms. McGuire stated that the city spent \$3,500,000 or more on leisure services and that they would not be able to collect that much from the residents. She stated that the choice was to either not provide the services or understand that they would be largely subsidized by tax revenue and other revenues.

Mr. Ramirez stated that he wanted to make sure the details were clarified for Mr. Tilley since he was the newest member of the board; whereby, Mr. Tilley thanked Mr. Ramirez and stated that he understood the situation.

Ms. McGuire stated that the long term financial plan policy included four capital funds that included Facilities Renewal and Replacement, General Capital Improvement Fund, General Vehicle and Equipment Replacement Fund, and the Transportation Fund. She stated that a specific amount of money was taken off the top of what the city collected in property taxes that went to each of the four items.

Ms. McGuire stated that staff brought up the details of the long term financial plan to the City Commission at the workshop and requested guidance on whether or not to keep the current policies or change them, noting that the Commission wanted to keep the policies as they were currently. She stated that that would assist staff and the Budget Advisory Board as they moved forward in developing the Fiscal Year (FY) 2018-19 budget.

Ms. McGuire stated that she thought the city would be in good shape for the FY 2018-19, assuming that there would be four percent growth in taxable value, a five percent vacancy rate which meant that they would budget for 95 percent of the payroll, a three percent salary increase per the contracts and a possible ten percent increase in healthcare, and a two percent increase in operating expenses. She noted that the amounts were conservative and could be more or less in actual figures. She stated that if all of the above came to fruition at the current tax rate, the city should be close to even on the General Fund with no issues. She stated that staff was starting to be concerned about the homestead exemption issue and how that would affect the city. She noted that without the homestead exemption, the city would potentially have a \$300,000 shortfall in the FY 2019-20 budget, and that with the homestead exemption, it would rise to a \$1,100,000 shortfall. She stated that she did not want to go too far ahead because circumstances could change quickly.

Mr. Ramirez asked how the Commissioners responded when Ms. McGuire gave them those numbers; whereby, Ms. McGuire stated that they had heard those numbers before, potentially making them used to hearing it and that they understood the concern.

Mr. Ramirez stated that the homestead exemption was a new variable that had not affected the city in recent years.

Ms. McGuire stated that she agreed with Mr. Ramirez and that everyone seemed to think that the homestead exemption would pass. She stated that if it passed the tax rate would be adjusted so the city would be collecting the same revenue, and the individuals that were not eligible for the homestead exemption would be paying higher taxes. She noted that it was not a tax cut, but a tax shift.

Mr. Ramirez stated that groups were being formed to inform the public about the homestead exemption details. He wondered if the city should have a few open forums for the residents so that they could hear all the facts of the bill and how it would affect the city they resided in.

Ms. McGuire stated that if the board was interested in taking that up, they could look into it. She stated that reviewing the budget each year started to become routine and that they would eventually start to have issues finding areas to adjust. She noted that the budget was not changing much over time. She stated that it might be something for the board to work on and develop a recommendation.

Mr. Ramirez stated that as Chairman of the Board of the Ormond Beach Chamber of Commerce (Chamber) he had formed a Government Affairs committee, noting that the forums or whatever they decided to call them, would be great for the Chamber to be involved with. He noted that the forums would be informational of how the homestead exemption would affect everyone if it passed. He stated that he would start looking into it.

Mr. Tilley stated that he recalled hearing about a tax and was not sure the status; whereby, Ms. McGuire stated that he was referring to the communication service tax and that it had not happened up to that time.

Ms. McGuire stated that she had asked the Commission several questions, including whether or not the current tax rate should be used to develop the upcoming year's budget. She noted that four individuals said "yes" and one individual said "no", so they would develop it based upon the majority vote. She stated that the Commission was also asked if the city should continue adjusting the Leisure Service fees by three percent. She noted that she thought it was the same result as the prior question, four individuals said "yes" and one individual said "no", so staff would continue with the three percent adjustment.

Ms. Wendy Nichols, Recording Secretary, confirmed the vote.

Ms. McGuire stated that the current revenue was 14.7 percent of the overall amount spent for Leisure Service activities so that it would not be a significant amount dollar wise. She stated that in total about \$500,000 was taken in across all programs, and that was small compared to the total budget for that group. She noted that when \$500,000 was increased by three percent that it did not add up to a lot of money.

Mr. Tilley asked if \$3,500,000 was budgeted for Leisure Services; whereby, Ms. McGuire stated that it was \$3,500,000 budgeted for expenditures and that did not include the parks, but did not know the exact number off hand.

Mr. Tilley asked who had said “no” from the Commission on both questions; whereby, Ms. McGuire stated that it had been Commissioner Littleton.

Ms. McGuire stated that the water and wastewater (sewer) fund and the solid waste fund had been discussed. She noted that the long term financial plan policy indicated that staff would look for incremental increases. She stated that many years ago, the city did double digit increases in water and sewer for several years, as it had been over ten years at that time since the rate had been adjusted. She stated that the Commission then stated that they did not want to do that again and that staff tended to bring two or three percent increases for approval each year. She noted that there were times that increases were not necessary and that staff might skip the increase that year, but that most times it was necessary.

Ms. McGuire stated that in water and sewer, the increase usually related to debt service requirements and capital projects. She stated that in the case of solid waste, the increase in the fees was generally a result of the increase in the contract process. She noted that if the city provided a Consumer Price Index (CPI) adjustment to WastePro, which the Commission was not required to do, it would be completely at their discretion. She explained that if they did provide that, the fees to the residents would increase, noting that even if they did not increase the amount paid to WastePro, they might allow the increase to the user fees because the cost of the services would increase eventually and the city did not want to get behind.

Ms. McGuire stated that staff asked the Commission if an adjustment of \$1 per month on water and \$1 per month on sewer should be used for the development of the FY 2019 budget. She stated that the funds should be fine if that adjustment was made. 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. She noted that that way, staff could take one rate adjustment to the

Commission for approval but it would cover two years. She questioned if all five members of the Commission had opted for that; whereby, Ms. Nichols confirmed that they had.

Ms. McGuire stated that for solid waste, the budget would end up being close to even for the upcoming year, assuming that staff did the rate increase for customers of 1.25 percent and a 1.5 percent CPI adjustment to the contractor, even if the Commission did not provide them that. She noted that staff asked the Commission if an adjustment to the solid waste rate of 1.25 percent should be used for the development of the FY 2019 budget, and confirmed that all members of the Commission were in agreement that staff should go that direction.

Ms. McGuire stated that the Budget Advisory Board now had direction for the FY 2018-19 budget, including using the current tax rate, increases in water, sewer, and solid waste rates, plus the increase for Leisure Service fees. She noted that all policies under the long term financial plan would remain the same.

Mr. Ramirez asked if the City of Ormond Beach had the second or third lowest rates in Volusia County; whereby, Ms. McGuire confirmed that they were third lowest.

Ms. McGuire stated that her presentation was completed but that they would need to decide what topics to discuss at the upcoming meetings. She noted that there was nothing specific listed for discussion at the April meeting, the May meeting would probably be about capital expenditures, and the June meeting would have details about the proposed budget.

Mr. Tilley asked if anything was being looked at involving the developments to the west, including traffic; whereby, Ms. McGuire stated that she was not the expert in that area.

Mr. Ramirez stated that at some point they needed to discuss the Hand Avenue extension due to the developments in Daytona Beach that were going to increase the traffic on Ormond Beach roads.

Mr. Tilley asked if that was what CANDO 2 was looking at; whereby, Mr. Ramirez stated that he did not know.

Mr. Ramirez wondered if the stance they took was for better roads to sustain the growth or if they did not want development at all; whereby, Ms. McGuire and Ms. Nichols stated that they did not have those details.

Ms. McGuire stated that if that was a point of discussion for a future meeting, she could invite one of the city's engineers to the meeting. She wondered if they wanted to discuss the homestead exemption.

Mr. Ramirez stated that a discussion around the homestead exemption would be helpful.

Mr. Bill Harper stated that on their level it was just math and it was easy to come up with the figures of how to offset the exemption, noting that the Commission would be the ultimate party responsible for making the decision and informing the public of any rate increases.

Ms. McGuire stated that she would bring detailed information on the homestead exemption bill and explain what areas would be affected in the city if it passed.

Mr. Tilley asked about looking at a possible open citizens meeting to inform the public; whereby, Ms. McGuire stated that they could discuss that as well.

Mr. Ramirez stated that he would invite members of the Chamber to the upcoming meeting so that they could gather information and ask questions.

Mr. Bill Harper wondered about details on the half-cent sales tax that would be voted on in November; whereby, Ms. McGuire stated that she would bring detailed information and reports on that as well.

Ms. McGuire asked that the homestead exemption and half-cent sales tax be included on the agenda for the April 25, 2018, meeting; whereby, Ms. Nichols stated that she would include them.

5. OTHER BUSINESS

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

6. ADJOURNMENT

The meeting was adjourned at 5:27 p.m.

Respectfully submitted,

Wendy Nichols, Recording Secretary

Attest:

Ken Kimble, Chairman