

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

June 27, 2018

5:00 p.m.

City Hall Training Room

1. CALL TO ORDER

Chairman Ken Kimble asked Recording Secretary Wendy Nichols to call the meeting to order and perform roll call. Ms. Wendy Nichols, Recording Secretary, called the meeting to order at 5:06 p.m.

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

2. APPROVAL OF MINUTES OF MARCH 28, 2018, MEETING

Mr. Rafael Ramirez moved, seconded by Mr. Kevin Tilley, to approve the minutes of the March 28, 2018, meeting. The motion passed unanimously.

3. PUBLIC COMMENTS

There were no public comments.

4. DISCUSSION OF CAPITAL IMPROVEMENT PROJECTS FUNDING FOR FY 2018-19

Ms. Kelly McGuire, Finance Director, stated that she had reviewed the Capital Improvements Plan (CIP) with the City Commission at a workshop on June 5, 2018. She noted that she wanted to discuss the funding portion of the CIP with the board.

Ms. McGuire stated that the city had a five-year capital improvement plan of \$89 million that would be funding the capital improvement projects over the next five years. She stated that CIP projects were projects that were over \$25,000 and usually took about a year to complete. She stated the projects typically dealt with the infrastructure of the water and sewer systems, roads, stormwater, all airport projects, and miscellaneous items such as roof replacements and playground equipment.

Expenditure Categories

Ms. McGuire discussed the city's expenditure categories:

- Airport and Airpark – Ms. McGuire noted that only 15.43 percent would be spent on the airport and its facilities;

- Beautification; Community Redevelopment; Facility Renewal and Replacement; Facility Construction and Renovation; and Parks, Recreation, Cultural – Ms. McGuire stated that all categories in the group were only using small percentages of the budget, at around 4.06 percent or less each.
- Stormwater – Ms. McGuire explained that stormwater made up a larger portion of the budget at 19.26 percent.
- Technology; Transportation; and Vehicles – Ms. McGuire noted that these categories were all at small percentages of 4.04 percent or less each.
- Water and Wastewater – Ms. McGuire explained that the largest amount of the budget went to water and sewer projects, at 44.29 percent of the budget.

Funding Sources

Ms. McGuire stated that a significant portion of the expenditures typically occurred in the airport fund, whose projects were primarily funded through Florida Department of Transportation (FDOT) or the Federal Aviation Administration (FAA). She noted the city typically had some beautification projects that were grant funded, and the Community Redevelopment projects were funded through Tax Increment Financing (TIF) dollars. She noted there were other areas that were not of particular significance in terms of dollar amounts.

She noted the majority of the money for the projects came from two sources; grants and donations, and a few other large grants that were expected to be received from utility related projects, with all grants totaling 37.73 percent. She stated the airport projects were generally 95 percent funded with grants.

Mr. Scott Cichon asked if he heard the airport projects were 95 percent funded; whereby, Ms. McGuire stated that they were typically, but changed from year to year.

Mr. Cichon commented on the benefits to the budget of having to provide a small amount for the airport and that the rest was funded outside.

Ms. McGuire stated that the city usually paid 2.5 percent and up to five percent of project costs for the airport, noting that the projects involved millions of dollars. She explained there were a few projects that would have an 80 percent/20 percent split, with the city paying the 20 percent.

Ms. McGuire also discussed user charges at 17.74 percent, which were water and wastewater fees that paid for utility projects, and stormwater fees that paid for the stormwater projects. She mentioned the bond proceeds and financing were not usually that large at 27.40 percent, but there were a few bond issues planned in regards to utilities, noting that the bonds would be paid back through the monthly rates the city charged.

Ms. McGuire stated that she showed them the graphic five-year plan but wanted them to focus on the upcoming year, noting the real question was what would and would not get into next year's budget.

Ms. McGuire gave the breakdown of each category:

- \$5,215,541 in grants, which equaled 37.73 percent;
- \$2,086,600 in property taxes, equaling 7.91 percent, which would be used to pay transportation, recreation projects, and maintenance related projects for city buildings;
- Use of the General Fund reserve at 2.72 percent, bond proceeds at 27.40 percent largely related to utilities, user charges at 17.74 percent, and the Local Option Gas Tax (LOGT) at 2.51 percent for road projects.

Ms. McGuire stated that the city was looking at \$2,200,000 in grant funding for the heliport improvement project and rehabilitation of runway 8/26 at the airport. She stated that \$1,000,000 was allotted for beautification on Granada Boulevard with \$900,000 of that being paid for through grants. She noted that the city would receive \$200,000 in grant funding for the Cassen Park public dock project, and a \$400,000 ECHO Grant for a lighting project at Ormond Beach Sports Complex (OBSC). She explained that Fleming Avenue drainage and the Wilmette Avenue pump station would receive \$600,000 in grants for stormwater projects, and \$792,000 in grants for water and wastewater projects.

Mr. Kevin Tilley asked if any of those projects were a result of a hurricane; whereby, Ms. McGuire stated they were not.

Mr. Bill Harper asked if the grant funding was a definite and already in the books or were they hoping to receive those amounts; whereby, Ms. McGuire stated the majority of those projects had already been approved, noting that occasionally they would be in the process of getting something approved.

Ms. McGuire explained that if the grant did not get approved the project would not go forward, unless the Commission said it was something they wanted to do anyway, which they did in the case of the Cassen Park dock because they thought they would get significantly more than a \$200,000 grant. She noted that unfortunately, that was all they were able to get approved through grant funding so the Commission said they really wanted that project and agreed to put some additional dollars in.

Ms. McGuire stated that in regards to property taxes, the numbers were consistent with what the board had viewed previously when they did the long term financial plan. She reminded them that they would allocate \$500,000 towards Facility Renewal and Replacement projects, \$400,000 towards general Capital Improvement projects, \$400,000 towards Transportation

projects, and \$225,000 will be available for Vehicle Replacement. She noted that those were the projects planned for the next year, and what would not be spent that was already collected in property taxes would be set aside for the following year.

Mr. Rafael Ramirez asked if she could remind them how the homestead exemption would negatively affect the city's budget, if it passed on the November ballot, thinking it was about \$2,000,000 a year; whereby, Ms. McGuire stated that it would be about \$800,000 per year. She noted the city would potentially have to go to some sources and decide that they would not set aside money for those capital projects anymore. She stated that in past years, they really had to crunch because of other reductions in the taxes, noting that they had gone to the General Fund and eliminated employees, but the ability to continue to do that was not there anymore.

Mr. Ramirez commented that he thought everyone should be aware of that issue, in case the homestead exemption should pass.

Ms. McGuire stated that the most important thing for their discussion was upcoming and had been discussed with the Commission recently. She stated that everything in the current CIP that was approved one year prior were left as they were, and an additional year was added on to it, like they had done in prior years. She noted that based upon that, they would be using General Fund reserves, and it would reduce those reserves from the 15 percent threshold to 13.69 percent, noting that was assuming they used all the remaining Revenue Stabilization Fund at \$480,000. She explained that they were not recommending that, but simply letting the Commission know that if they did not make any changes to the CIP plan, that would be what would happen. She noted the primary reason was that when the plan was put together staff did not know two things; first, they did not know in October 2017 that they would not get as much funding for the Cassen Park dock project and that the Commission would still want to move forward, which created the decision to take money from the General Fund reserves; and second, they did not know the city would purchase the church property, that closed the prior Monday for \$750,000 and came out of the General Fund reserves.

Mr. Ramirez asked which church property; whereby, Ms. McGuire clarified that it was located at 56 North Beach Street.

Multiple members of the board questioned what would be done with that property; whereby, Ms. McGuire stated that she would discuss that later.

Ms. McGuire stated that at any rate, those decisions were made after the plan was put together and that changed everything. She noted they would have to look at making changes to the CIP or the General Fund reserves would be at 13.69 percent, noting that the Commission all agreed that they did not want to go below the 15 percent benchmark.

Mr. Tilley wondered if the Commission did not know that information in advance.

Ms. McGuire stated they had to understand that the assumption was that changes had to be made or else it would go below. She noted staff asked what changes to make and gave a couple of options; they could eliminate a project equal to \$500,000 and that would keep the reserves where they wanted them, or go forward with the CIP 'as is' with the understanding that staff would do the projects for the next year, unless they added to the fund balance in the current year. She stated the Commission directed them to cut a project and be done, noting they chose to cut out the Cassen Park dock. She explained that after the meeting, she reviewed the plan and conferred with City Manager Joyce Shanahan about other possible options. She stated that one new suggestion, which had not been discussed with the Commission at that point, was since the Cassen Park dock seemed high priority and involved grant funding the city did not want to lose, they could decide to go forward with the dock and eliminate the restroom project at Cassen Park.

Mr. Ramirez asked for clarification on the location of the park; whereby, Ms. McGuire stated it was across the street from City Hall where the bait shop was located. She wondered why they would add restrooms if the public dock was not there.

Mr. Cichon questioned the amount listed as \$500,000 for the restroom project and how expensive that was; whereby, Ms. McGuire clarified that it would include a separate building for multiple restrooms and paving the parking lot.

Ms. McGuire reiterated they had a consensus from the Commission about not going below 15 percent and noted that was a good financial decision. She emphasized they did not want to eliminate projects that involved grant dollars.

Mr. Ramirez questioned the projects and which one should be eliminated, indicating that he understood her to say that the Cassen Park project seemed like the only choice; whereby, Ms. McGuire clarified that the restroom project was the best choice based upon the projects that were specifically being funded, in full or part, by the General Fund reserves. She noted the restroom project was not funded by those reserves, but would be funded with TIF money, and that they could take that money and use it towards the dock. She noted that is what she would suggest to the Commission at the next meeting.

Ms. McGuire explained that they had reviewed other projects with the Commission at the meeting, and they were not comfortable with replacement of radios project under technology and asked staff to hold off for a year. She noted that other projects were covered by user fees and were completely covered by what the city collected. She stated that money from LOGT was specifically for road resurfacing projects and there was money to cover it

under transportation, and about \$400,000 in the TIF fund which could be used to cover the Cassen Park dock, instead of the restroom project if the Commission agreed to it.

Mr. Ramirez stated that he sent a letter to the newspaper asking the CANDO2 people to understand a few things; no one was against the environment, if they kept taxes where they were it might affect the city's repair capability, or they could raise taxes so that things could be maintained. He asked that they submit a rational plan to explain how they would keep the quality of life without some smart growth. He stated that the developers had permits to do what they requested based on rules in the city, whether anyone liked it or not, noting that to stop development was not an option; whereby, Ms. McGuire stated that their board did not have to take that issue thankfully.

Mr. Cichon wondered if the bond issue was a new issue or were they refinancing prior bonds; whereby, Ms. McGuire stated it was a brand new issue for the new projects.

Mr. Cichon wondered about many bond details; whereby, Ms. McGuire clarified all details on old bonds, possible new bonds, and any potential overlap.

Mr. Kimble stated that he would like to keep the GF reserves at 15 percent. He stated that he did like the idea of keeping the Cassen Park dock and using the CRA TIF fund for that project instead.

Mr. Tilley asked why the city bought the church property for \$750,000; whereby, Ms. McGuire stated the property came up for sale and the Commission thought it would be a good opportunity to buy property next to and across from Bailey Riverbridge Gardens. She noted there was discussion about a possible community center and the Commission felt that the opportunity for a property like that would not come up again, and if it did, it would be twice the price.

Mr. Ramirez asked how it was paid; whereby, Ms. McGuire stated the city paid cash.

Mr. Bill Harper asked about the 15 percent benchmark in the past; whereby, Ms. McGuire stated that it had stayed within the 15 to 18 percent range.

Mr. Bill Harper asked if the dollar amount escalated as the budgets went up; whereby, Ms. McGuire stated the dollar amount they had to keep did go up, noting that 15 percent was a higher dollar on that day's budget, than it was on the budget from two years prior. She noted that hypothetically they had to add to it every year to maintain the percentage rate that was listed as the benchmark.

Mr. Cichon questioned if the General Fund reserves were accounting reserves or real money that was invested somewhere; whereby, Ms. McGuire stated it was real money invested somewhere and an accounting entry. She noted it was money they had collected from whatever source, and was not expended.

Mr. Cichon asked where it was invested; whereby, Ms. McGuire stated it was invested in a variety of different things. She noted that Regions Bank was the main custodian and that the main account was with SunTrust Bank.

Mr. Ramirez asked if they did requests for proposals (RFP) for financial investment services; whereby, Ms. McGuire stated that they had but not often.

Ms. McGuire explained that a prior board was adamant about getting an investment advisor to do all the investing and she disagreed. She explained that she finally agreed to do it, they did an RFP, hired an investment advisor, and the amount of money spent to pay for the advisor versus the interest brought in caused the city to lose money. She noted it proved the theory that it would not be in the best interest. She stated they had done an RFP for every bond, noting those were scattered between numerous institutions based on the best rate at the time.

Mr. Bill Harper commented that allowing the General Fund reserve to drop to 13.69 percent was not necessarily a bad thing, if they were always saving 15 percent and only spending 85 percent of the budget.

Ms. McGuire noted that they were planning to spend 100 percent of the budget each year, but before starting the year had an amount equal to 15 percent of that total budget for a catastrophe. She clarified that the reserve was revenue that already had been taken in, where they did not have to turn around and spend the money, and it existed before the budget existed. She noted the budget was separate from the reserve that was set aside and used as an emergency fund.

Mr. Tilley asked if the 15 percent level was based on an ordinance or a feel good number; whereby, Ms. McGuire stated it was a long term policy in place that could be changed by the Commission at any time. She noted that most coastal communities were recommended to keep it at 20 percent, but keeping it at such a higher number was hard to explain to the taxpayers. She stated that 15 percent was a level that everyone could be comfortable with. She explained that since there were hurricanes the prior two years, they had to be prepared in advance again for the upcoming year.

Mr. Cichon asked whether or not she needed a vote; whereby, Ms. McGuire stated she needed a recommendation by vote.

Mr. Scott Cichon moved, seconded by Mr. Rafael Ramirez, to accept the Capital Improvement Program as presented to the board, keeping the General Fund reserves at 15 percent, and using the CRA TIF fund to cover the Cassen Park dock project instead of the Cassen Park restroom project. The motion passed unanimously.

5. OTHER BUSINESS

Ms. McGuire stated that the next meeting would normally be on July 25, 2018; whereby, Ms. Nichols stated that was correct and noted that the board agreed early in the year to remove that meeting date and only have the combined Operating Budget Workshop with the City Commission on Tuesday, July 31, 2018.

Ms. McGuire indicated she would like to have another meeting before the workshop at the end of July, noting that it would be more important to meet and have a final recommendation on all issues from that board for the Commission. She explained that it was election year with many candidates and that they needed to discuss tax issues also. She noted they could set the meeting for July 25, 2018, or another day that might work better.

Mr. Harper asked when the information would be ready; whereby, Ms. McGuire stated the budget would be available on July 17, 2018.

Ms. McGuire stated that July 18, 2018, would be the best time so that she and Ms. Shanahan could pass along the board recommendations at individual meetings with the Commission after July 17, 2018, and before the workshop on July 31, 2018. She indicated that the Commission would be better prepared for the workshop having that information from them already.

Mr. Kimble asked if July 18, 2018, would work for everyone, except Mr. Ramirez, who mentioned he would be out of town; whereby, all other members indicated they should be able to meet on that day and would check calendars.

Ms. McGuire confirmed the meeting would be July 18, 2018, at 5:00 p.m. She stated that she would send the entire budget out, but did not expect them to read it all. She indicated that they should review the City Manager letter and she would provide a presentation at the meeting. She thanked them for their flexibility in adding another meeting to the calendar.

Mr. Kimble asked for other business.

Ms. Nichols reminded the members that if they were attending the Operating Budget Workshop on July 31, 2018, they would receive an email in advance requesting their meal preference from a provided dinner list.

6. ADJOURNMENT

Mr. Bill Harper motioned, seconded by Mr. Kevin Tilley, to adjourn the meeting. The meeting was adjourned at 5:45 p.m.

Respectfully submitted,

Wendy Nichols, Recording Secretary

Attest:

Ken Kimble, Chairman