

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

July 30, 2019

5:30 p.m.

City Commission Conference Room

I. CALL TO ORDER

Mayor Bill Partington called the meeting to order at 5:31 p.m.

Present were Mayor Bill Partington, Commissioners Dwight Selby, Troy Kent, Susan Persis, and Rob Littleton, Budget Advisory Board members Rafeal Ramirez, Joe Hannoush, Bill Harper, Scott Cichon, City Manager Joyce Shanahan, Assistant City Manager Claire Whitley, Deputy City Attorney Ann-Margret Emery, Finance Director Kelly McGuire, and Assistant Finance Director Chris Byle.

Ms. Joyce Shanahan, City Manager, thanked members of the Budget Advisory Board (“BAB”) for attending. She noted the meeting was held to perform a final review of the operating budget and tentative millage rate.

II. PROPOSED BUDGET FY 2019-20

Overview

Ms. McGuire noted she had met with members of the Commission individually to discuss the proposed budget. She stated the most important goal of the meeting was to agree upon a tentative millage rate that would be approved during the Commission meeting that evening, and noted the tentative millage rate was the tax rate that would appear on the Truth in Millage (TRIM) notices.

Ms. McGuire explained that looking from a high level, the framework of developing the proposed budget was to answer two questions: “What do we fund?” and “How do we fund it?” She stated the Finance Department got their direction on funding from the Commission and citizens, and noted the goals the Commission wanted to focus on: the course of city services, providing a large array of services to Ormond Beach’s citizens efficiently and cost effectively, and established goals.

Ms. McGuire stated the overall budget was \$100,367,140, but noted the budget included duplicates, which made the total of new funds around \$81,000,000. She reviewed changes between the proposed budget and the current budget, noting that Public Safety’s budget was reduced, due to a reduction in pension costs, by \$412,071; Public Works, which included a majority of Capital projects, increased by \$4,356,745; Economic Development increased, due to economic incentives previously approved by the Commission, by \$285,780; Leisure Services declined by \$1,348,769; Transfers Out increased by \$436,752; and Contingency increased by \$398,416.

General Government

Ms. McGuire stated the General Fund consisted of \$10,728,222 and explained the primary objectives proposed through the fund which included multi-year collective bargaining agreements, an upgraded Agenda Management Program, an ADA Compliant Financial Transparency Site, better citizen engagement through social media, and a

succession plan. She noted the city also wanted to evaluate if each department was the right size, and stated the city planned to hire four full time positions and one part time position.

Ms. McGuire discussed financial sustainability, and noted pension costs were reduced by \$550,000, which was an 11 percent reduction from annual pension costs. She stated compared to a survey of sister cities, through the proposed budget, the City of Ormond Beach would provide the third lowest tax rate and the lowest monthly utility bill. She noted the budget maintained General Fund reserves above the 15 percent benchmark, and stated the current reserves as of the end of last fiscal year were 17.3 percent of the General Fund Budget. Ms. McGuire discussed financial sustainability and noted one goal in the budget was to confirm the city had sufficient cash balances during emergencies. She noted the city was still collecting money due to Hurricanes Matthew and Irma through the Federal Emergency Management Agency ("FEMA").

Ms. McGuire stated in addition to the already proposed goals, the budget included the upgrade of the Emergency Operations Center ("EOC") laptops and connectivity, a cyber security incident response plan, and the expansion of the city's fire optic connectivity network, including fire station 91 and the lift stations.

Budgets

Ms. McGuire discussed the possibility of implementing the tag reader program through the Public Safety budget, and noted the equipment needed to do so was priced around \$80,000. She stated the city planned to use law enforcement dollars for that, and mentioned the program was included in the proposed budget. She stated in addition to the tag reader program, the proposed Public Safety budget included funding of the school resource officer in partnership with the Volusia County School Board, a turn out gear replacement program for the Ormond Beach Fire Department, the police recruitment scholarship program in the Ormond Beach Police Department, and a unfunded mandated Fire Cancer Bill from the state. She noted the cost for the Fire Cancer Bill was unknown, but finance had budgeted \$100,000.

Ms. McGuire reviewed a PowerPoint that discussed other budgets within the city. She noted that Public Works had a budget of \$40,797,373 million dollars, and stated a majority of capital projects were funded through the budget. She stated that in the area of Economic Development the budget was relatively low at \$617,000, and explained in addition to funding the incentive programs mentioned earlier, the Economic Development budget would also include the design of the Business Park Drive Phase II, and an update of the Economic Development Strategic Plan. She noted a few additional goals set by the Commission that have been incorporated into the Leisure Services budget, which consisted of \$8,295,207. She discussed the Commission's desire to increase programs at the Environmental Discovery Center ("EDC"), and explained the new part time position mentioned earlier was being added to the EDC to help aid in that goal. She then discussed the Cassen Park upgrades that were mentioned at the Capital Improvements Plan ("CIP") workshop, and noted an update of the Parks and Recreation Master Plan was also included in the proposed Leisure Services Budget.

Funding

Ms. McGuire discussed project funding. She stated charges for services, which consisted of \$33,180,965 from utility fees, provided most of the funding for the city's services. She stated the revenue from taxes also funded a large portion of the city's budget and consisted of \$22,593,419, and included property, utility, and communication

services taxes. She noted that overall, the total taxes in the proposed budget were a \$298,000 increase from the previous year. She explained Licenses and Permits increased by \$137,000; Intergovernmental Revenue increased by \$861,539; Fines and Forfeitures decreased by \$20,000; and stated miscellaneous revenue, which consisted of a majority of Leisure Services fees and additional internal service charges, saw a \$258,474 increase. She then discussed and explained duplicates in revenues in the budget.

She stated the budget was not proposing any increase in water, sewer, storm water, or solid waste, and was not using any General Fund reserves. She noted the budget was proposing an operating tax rate that was 3.28 percent less than the current rate, and a total tax rate that was 5.18 percent less. She stated the total tax rate was declining due to the 2002 voter approved debt millage fine that was paid off, and mentioned that even though the tax rate was decreasing, due to the state's rollback calculation, the city had to advertise an increase of 1.89 percent above the rollback rate, which was consistent with the Consumer Price Index (CPI) number used by the property appraiser. She discussed the changes in tax bills for residents based on the assessed value of property.

Capital Projects

Ms. McGuire discussed the law enforcement forfeiture fund tag readers and the Daytona Beach service area water line extension projects.

Ms. Shanahan explained an obligation the City had through an interlocal agreement via a stipulated settlement agreement that stated the City of Ormond Beach was responsible for providing water service to the area of the Margaritaville development. She stated a new developer has taken over the site and wanted the project to be completed by the fourth quarter of 2021, so design work needed to be started. She noted in previous years the property area was annexed by Consolidated Tomoka Land Company into the City of Daytona Beach, but remained in the City of Ormond Beach's water and sewer territory. She stated though the City of Ormond Beach is charged for providing water to that area, the City of Daytona Beach would reimburse the City of Ormond Beach through an agreement.

Ms. Shanahan stated she met with members of the MacDonald House, and noted while the 2019-20 FY budget had no money funded towards that project, the city had placed preliminary funds into the 2020-21 FY budget for phase one of the project. She explained the city would be applying for an ECHO grant and expected the MacDonald House group would match that grant. She stated there was currently no financial commitment, and the Commission would vote on the project next year.

She noted additional options for capital projects included the installation of an Ormond Beach Sports Complex ("OBSC") girls' softball field restroom and concessions building. Ms. Shanahan discussed the girls' softball complex and stated the city had originally budgeted \$600,000 and had received \$400,000 through an ECHO grant for a total of \$1,000,000. She stated staff revised the proposed drawings to save funds and noted it was found that the restroom and concession building could be added for an additional total of \$289,000 instead of the original proposed \$600,000. She confirmed \$60,000 of that total was set aside for sewer; whereby, Mr. Shawn Finley, City Engineer, confirmed that was correct. She stated the funds for the project would be taken from the Recreation Impact Fees Budget.

Ms. McGuire noted the budget also included options available for funding additional Public Safety vehicles beyond those discussed at the CIP meeting if the Commission was interested in taking that direction.

Commission Discussion

Commissioner Selby stated he would like to discuss the purchase of additional fire trucks; whereby, Ms. Shanahan stated no fire trucks were included in the proposed budget, but three fire trucks had been purchased since 2011. She stated the city had two pumpers that are at least 20 years old and the Ormond Beach Fire Department wanted to replace both pumpers. Ms. Shanahan stated the vehicles were pressed into service more frequently due to the newer vehicles needing maintenance or repairs. She explained it would be difficult to replace both of the trucks in the current budget, and suggested replacing one this year, and one in upcoming years, noting the cost per fire vehicle would be \$55,000 a year for ten years via a lease agreement.

Mayor Partington confirmed three trucks had been purchased in the last eight years; whereby Ms. Shanahan confirmed. Mayor Partington noted that appeared to be a large amount of fire trucks purchased during the given time span.

Commissioner Selby noted while he agreed it appeared a large amount of fire vehicles had been purchased in a short amount of time, the useful life of a fire truck was only an average of ten years. He confirmed that the maximum sale value of the fire trucks was set at ten years; whereby, Ms. Shanahan explained that if the trucks were kept longer than ten years they lost their trade-in value.

Commissioner Selby discussed that he believed public safety and public works were the two most important things that the City of Ormond Beach provided for citizens. He expressed his concern for the 20 year old trucks being used as the main fire vehicles when the other trucks were getting serviced, and noted he believed it was a major issue. He mentioned a crash that took place on A1A where the Ormond Beach Fire Department's vehicle was unable to perform an extraction due to the equipment being worn. He stated he believed it was smart to lease the firetrucks with new equipment over a period of ten years, then replace the truck while it was at maximum sale value.

Mayor Partington asked if members of the Commission agreed with Commissioner Selby.

Commissioner Persis stated she believed the two replacement fire trucks were a priority, and wanted to see a staggered ongoing replacement plan implemented in the future.

Commissioner Kent stated he agreed with Commissioner Selby on the most important services that the City of Ormond Beach provided being public works and public safety. He mentioned he agreed with the additional fire vehicles, but wanted to bring attention to the issues with the Ormond Beach Police Department's safety vehicles, and stated they should be included in the budget as well; whereby, Commissioner Persis agreed. Commissioner Kent stated he wanted to approve the law enforcement forfeiture fund tag readers and the Daytona Beach service area water line extension, due to it being a onetime expense that would be reimbursed. He stated he approved of the girls' softball field due to the price drop, and also noted he would support phase one of the project of the MacDonald House, but only if the MacDonald House group contributed a fair portion to the project as well.

Ms. Shanahan stated that City staff was working with members of the McDonald house to enroll staff members in an upcoming ECHO grant training needed before applying for an ECHO grant.

Commissioner Persis stated she agreed with Commissioner Kent's statements for the proposed projects.

Commissioner Selby noted his support for the OBSC girls' softball field restrooms and concession stands due to the reduction in cost and the funds being provided through the Recreation Impact budget. He believed the tag readers would be amazing addition to Ormond Beach, and stated he also approved of the Daytona Beach water line extension as well. He agreed with Commissioner Kent's comments on the MacDonal House, and noted he had met with members of the Ormond Beach Historical Society and discussed developing a comprehensive plan. He then reiterated his desire to fund the additional public safety vehicles.

Commissioner Littleton stated his support for implementing the tag reader program, starting the Daytona Beach water line extension project, approving the MacDonal house into the CIP, and the girls' softball field; however, he stated he would like to see the millage rate revised to reflect the purchase of the public safety vehicles proposed before committing to additional vehicles, but stated he was in favor of purchasing at least one fire truck.

Mayor Partington asked if Commissioner Littleton would like to see the purchase of police vehicles as well; whereby, Commissioner Littleton stated he would like to see the updated millage rate before making a decision.

Commissioner Selby confirmed what percentage the budget proposed reserves remain at; whereby, Ms. McGuire stated it was 17.3 percent. Commissioner Selby explained because the policy had reserves set at 15 percent he did not believe the millage rate needed to change to reflect the purchase of the additional safety vehicles, but the funds could be funded through reserves instead. He stated if the reserves needed to be raised, then the policy should be raised, but noted he would like to see the millage rate at 15 percent in reserves with the additional funds being used for the proposed purchase of the safety vehicles.

Ms. Shanahan clarified if the Commission used reserves instead of a \$55,000 payment each year, it would be a full one-time payment of \$500,000. She noted she disagreed with the Commission using a non-ongoing revenue source to pay a lease payment.

Commissioner Selby, Ms. Shanahan, and Ms. McGuire discussed the options for funding the purchase of the additional Public Safety vehicles through reserves.

Ms. McGuire suggested one fire vehicle could be funded through a lease purchase and the budget could allocate the millage to fund it, while the other fire vehicle could be purchased upfront. She noted the two police vehicles had the option to be funded through millage as well, and if desired, that millage could be set aside and provide the ability to purchase two more police vehicles each year.

Mayor Partington stated one time dollars should never be used to pay for recurring expenses. He noted the city had enough in reserves to fund one fire truck and two police vehicles, but the additional fire truck needed to be funded another way. He stated if the

desire of the Commission was to get to rollback, the way to get to rollback would be to buy one firetruck this year and buy another one the following year using the millage rate to pay for it. He stated he did not believe two firetrucks could be purchased in the current fiscal year without a tax increase to fund it.

Commissioner Littleton asked about the fire command vehicle that was proposed as part of the budget; whereby, Ms. Shanahan stated that it was originally proposed as part of the budget, but instead the Commission was requesting two reserve trucks and reviewed a PowerPoint that displayed the prices of the vehicles.

Ms. McGuire stated that one reserve fire truck purchased through the millage would result in a 2.29 percent advertised increase, and noted that taxpayers would still receive a savings.

Ms. Shanahan stated a 2.29 percent increase above the rollback rate would still see a reduction in taxes by 4.82 percent and would include the purchase of one fire truck funded through ongoing millage, and one fire truck and two police vehicles from the fund balance reserves.

Commissioner Kent discussed how a Commission inherits a budget when they are elected and commented on the budget the current Commission received when they first started. He stated he believed good roads, water, sewer, and public safety were important to the residents, and noted he was happy to see a reduction in the tax rate. He agreed with Commissioner Selby's proposed plan to use funds from the reserves, keeping it at 15 percent, and buying one fire vehicle and two police vehicles with the funds, and then immediately leasing the second fire vehicle over a ten year period. He stated his goal was to provide the best service possible for Ormond Beach residents.

Commissioner Persis stated she was in favor of the proposed additions and did not want the residents to lose anything. She noted she wanted the City to have the best police and fire vehicles possible.

Mayor Partington asked Ms. McGuire and Ms. Shanahan if it was possible to have one fire vehicle funded through reserves and still leave the reserves at a strong 15 percent. He discussed a 1.89 percent inflation adjustment recommended by the BAB.

Commissioner Littleton confirmed it was the will of the Commission to buy two fire trucks this year; whereby, it was stated the will was that one fire truck would be bought out-right with the reserves at 15 percent, and one would be leased for \$55,000 a year for ten years.

Commissioner Kent and Commissioner Persis expressed their desire for the additional fire trucks to be equipped with up-to-date equipment.

Commissioner Kent and Ms. McGuire discussed the 2.29 percent increase if the fire truck was leased through millage.

Commissioner Selby questioned the option of leasing both firetrucks; whereby, Ms. Shanahan stated if that was the will of the Commission it could be done, but noted staff fundamentally disagreed to use one time dollars to fund ongoing expenses. She

reiterated in years to come, there may not be 15 percent excess in reserves to fund the additional payments.

Commissioner Selby and Ms. Shanahan discussed the reserves.

Commissioner Kent stated he would not be in agreement with leasing both vehicles through reserves and explained he preferred to buy one vehicle outright and lease the other through reserves.

Commissioner Selby and Commissioner Kent discussed the dedicated millage rates for reserves.

Commissioner Selby and Mr. Rafael Ramirez, BAB Chairman, discussed the potential issues of not having an ongoing guaranteed funding source in the reserves.

Ms. McGuire confirmed the Commission wanted to change the operating millage rate to 4.178 mills to fund the lease purchase of one fire vehicle, and to purchase the second fire truck and two police vehicles out-right through reserves.

Commissioner Littleton stated he would have rather seen the second fire truck purchased through the millage; whereby, Ms. McGuire stated that if all the vehicles were to be purchased out of millage the city would have a millage rate that was 3.36 percent above rollback.

Mayor Partington confirmed the City of Ormond Beach would still have the third lowest tax rate; whereby, Ms. McGuire confirmed that was true.

Ms. Shanahan asked for a recess so that staff could run the numbers on the proposed millage.

Mayor Partington recessed the workshop at 6:24 p.m.

Mayor Partington called the workshop back to order at 6:36 p.m.

Ms. McGuire stated if the will of the Commission was to purchase both reserve fire vehicles and two additional police vehicles through ongoing millage, that once those vehicles were paid off in ten years, the City could use that dedicated millage to buy two new vehicles. Ms. McGuire stated there was ongoing revenue set aside for the two leases the city previously had, and noted if the Commission went with this decision they would have funding for four vehicles; two of them on a ten year cycle, and two of them on a five year cycle, and ongoing funding for two additional police vehicles every year. She mentioned the new proposed millage rate, including debt millages, would be 4.2200 mills and a 3.36 percent advertised increase above rollback. She noted the tax savings to homeowners and reiterated this option provided ongoing replacement of fire and police vehicles in upcoming years.

Ms. Shanahan explained due to the 2002 debt service millage retiring this year, the debt service millage dropped from .224 to .133 and explained that because of the decrease, the city was able to fund more but still save funds.

Commissioner Kent asked if 4.2200 mills was the dedicated millage used for all vehicles mentioned, or if it still took money out of reserves; whereby, Ms. McGuire stated the

proposed dedicated millage took no money out of reserves and reiterated that the proposed millage was the total millage rate for all services, all dedicated millage for capital, and the proposed additions.

Ms. McGuire stated that the BAB had discussed the possibility of adding a millage for vehicles.

Mr. Ramirez stated the BAB originally considered the option of taking funds out of the millage to fund vehicles, and considered maintaining the reserves as savings.

Commissioner Littleton agreed with both fire trucks being funded through the millage and stated he was more flexible with the police vehicles coming out of the reserves, but preferred they did not.

Commissioner Kent stated he was pleasantly surprised with the proposed millage rate and believed the proposed changes provided a better financial change moving forward.

Commissioner Persis stated she was in agreement with the Commission to keep the millage rate at 4.2200 mills and purchase all the vehicles.

Commissioner Selby complimented staff on the outcome.

Summary

Ms. McGuire confirmed the Commission desired an operating millage of 4.087 mills, including a debt service millage of 0.133, calculating the total millage to 4.220 mills and a 3.36 percent increase over rollback.

Mayor Partington thanked the members of the BAB and staff.

III. ADJOURNMENT

The meeting was adjourned at 6:43 p.m.

Transcribed by: Cassidi Ritz