

**ORMOND BEACH  
BUDGET ADVISORY BOARD  
REGULAR MEETING**

**July 10, 2019  
City Hall Training Room  
22 South Beach Street  
Ormond Beach, FL**

**5:00 P.M.**

**CALL TO ORDER – ROLL CALL**

Members present were, Scott Cichon, Joe Hannoush, Bill Harper, Ken Kimble and Rafael Ramirez.

Staff present were: City Manager Joyce Shanahan, Finance Director Kelly McGuire, Assistant Finance Director Chris Byle, Intern Samantha Jacobsen, and Recording Secretary Shā Moss.

**PUBLIC COMMENTS**

None

**PRESENTATION**

City of Ormond Beach Youth Council Pitch – Samantha Jacobsen

Ms. Shanahan introduced Ms. Jacobsen and gave a brief description of her schooling and interests.

Ms. Jacobsen made a presentation regarding having a youth council in Ormond Beach.

The Board thanked Ms. Jacobsen for her presentation and wished her the best in her future endeavors.

**DISCUSSION**

**Review of Proposed Operating Budget Presentation**

Ms. McGuire stated the Proposed Operating Budget would be finalized in a few days and sent out to the City Commission and the joint workshop is scheduled for Tuesday,

July 30 at 5:30 p.m. She noted if there were any recommendation or suggestions from the Board, they would be given to the City Commission prior to the workshop.

### **Budget Development**

What do we fund?

Focus on core city services

Provide the full array of municipal services efficiently and cost effectively

Focus on established goals (2019 strategic plan)

Ms. McGuire stated the City Commission wanted staff to focus on what we fund. At the strategic planning session from the things they wanted to include, they narrowed it down to specific goals. Those goals drives the budget and what they are focusing on adding to or maintaining the budget.

How do we fund?

Be responsible and accountable to the taxpayer

### **Expenditure Highlights**

Ms. McGuire reviewed the Expenditure Highlights and noted it ties in with the City Commission's goals. *General Government* includes the City Commission, City Manager and several other department's personnel has increased. She noted that the City was in the bargaining process for personnel as the current agreements expire at the end of this fiscal year. Health insurance costs will increase as well. *Public Safety* is going down because of the significant pension cost savings. The contributions for next year will be less than the current costs. *Public Works* costs have increased because that is where the majority of the capital projects end up in the budget, to include stormwater, transportation, water and sewer and solid waste projects. There is not a big change in *Economic Development* because of the incentives for the companies within the City. They have goals they have to meet in order to receive those incentives. *Leisure Services* is down because of capital projects. Regarding *Debt Service* one of the three millage rates, which were voter approved millages to pay for debt is paid off this year so we won't have that debt service next year. You will see that when we discuss the tax rate. *Transfers Out* are transfers among the funds, which consist of taking dollars from the general fund. The *Contingency* is a reflection primarily in the capital project fund where we are taking in revenue but not spending next year on a capital project and holding it aside so that we can do a larger project in a few years.

### **Goal Highlights**

General Government – Budget \$10.7 million

Multi-year Collective Bargaining Agreements

Upgraded Agenda Management Program

ADA Complaint Financial Transparency Site

Better citizen engagement through social media

Succession planning

Ms. McGuire stated these were the City Commission's goal. To get multi-year collective bargaining agreements, to upgrade the agenda management program, which is what the City Clerk's office uses to generate the agenda material for the meetings. We currently have an ADA transparency site, but there are some things we need to do to make it better from an ADA standpoint and will be moving to a new platform. She noted IT Director Ned Huhta is staying on top of protecting the City from hackers. We have a closed server back-up system using snap shots that he is very confident in. The City has a new Public Information Officer and one of the things she wants to do is move to a different platform which is specific to government, and that will assist us in how the City gets information out to the citizens.

Ms. McGuire noted there were four position they wanted to add to the budget, an IT supervisor, a finance accountant, a mechanic and a deputy fire chief. Within the next five to seven years a number of staff will retire and many of them in upper management level and throughout the organization. The areas are where reductions were made about twelve years ago thinning out the departments and now a few employees need to be added back.

### **Goal Highlights**

- General Government – Financial Sustainability
  - Pension costs reduced by \$550,000 (11%0
  - Maintain 3<sup>rd</sup> lowest tax rate
  - Lowest monthly utility cost
  - Budget maintains General Fund reserves above benchmark
  - Sufficient cash balances for emergencies

Ms. McGuire stated financial sustainability was discussed at the last strategic planning session and was another City Commission goal. There are a number of things that can be done. Pension costs are being reduced, general funds are being maintained and are not looking to use any general funds reserved to balance the budget. The benchmark is 15%, so the reserves equal at least 15% of the operating budget for the general fund. We actually have reserves that equal a little over 17%. The City is still waiting for reimbursement from the two hurricanes which is between \$4 and \$5 million. Ms. McGuire noted the City had a utility rate increase a few months ago because of the recycling issue, and even with that, the rate is still low.

### **General Highlights**

- General Government
  - Upgrade of EOC Data Terminals & Connectivity
  - Development of Cyber Security Incident Response Plan
  - Expansion of City's Fiber Optic Connectivity Network for critical facilities including fire station #91 and lift stations

Ms. McGuire stated these were necessary IT related issues. The upgrade would include eight new laptops and air card dedicated to the EOC. There would be redundancy in the networking and the development in cyber security in the event there

is a breach. It was mentioned at the CIP Workshop to continue to expand the fiber optic network, to include Andy Romano, Fire Station #91 and some lift stations.

### **Goal Highlights**

- Public Safety Function – Budget \$17.8 million
  - Implement Tag Reader Program
  - Continuation of School Resource Officer
  - Turn Out Gear Replacement Program
  - Police Recruit Scholarship Program
  - Fire Cancer Billing (Unfunded mandate)

Ms. McGuire stated one of the things they want to implement is the Tag Reader Program with forfeiture money. There would be eight tag readers throughout the City. This would assist in locating stolen vehicles and other criminal activities. The school recourse officer was originally funded through a COPS grant, but that grant reduces each year, and next year there would not be any funding for that grant, so the City and School would split that cost. The Police Department has a recruitment scholarship to assist with new recruits and in turn, they commit to work for the City. Ms. McGuire stated in the past the Fire Department's gear has been replaced as funding became available, but in next year's budget a program has been implemented for replacement of gear every ten years as recommended.

### **Goal Highlights**

- Public Works Function – Budget \$40.8 million
  - Design of Septic to Sewer Conversion
    - North Peninsula
    - Oak/Magnolia/Bonita
  - US1 Water main/force main Extension

Ms. McGuire stated this was the largest piece of the budget because this is where the capital show up. She noted that the Cassen Park upgrade was included in this costs as well as the septic to sewer conversion, in addition to the extension of the US1 water main/ force main. This will assist in additional businesses north on US1.

### **Goal Highlights**

- Economic Development Function – Budget \$617,000
  - Funds incentive program to bring high wages jobs/business to City
  - Design of Business Park Drive Phase II – from Pineland Trail to Airport Business Park
  - Update of Economic Development Strategic Plan

Ms. McGuire noted these are items that were discussed at the CIP Workshop as well. We also want to update the strategic plan and are working on a grant to assist with that.

## Goals Highlight

Leisure Services Function – Budget \$8.3 million  
Increase EDC programming (addition of part-time employees)  
Cassen Park Upgrades  
Update Parks & Recreation Master Plan

Ms. McGuire stated they want to add a part-time employee to the EDC to assist with program expansion. Their Master Plan needed to be updated as well. It's been over 10 years since it has been updated and most of the projects have been accomplished.

## Funding Highlights

Ms. McGuire stated there is a variety of different funding sources and *Taxes* are one and it's not just property taxes. They also including franchise fees and utility taxes as well as sales taxes in the area. *Licenses and Permits* show what's going on with building permits and inspection and there has been a steady increase over the past several years. There has also been a large increase in Intergovernmental Revenue and some of that is in sales tax, and the assistance with the resource officer. As the property values go up, the CRA District gets additional money from the County. Ms. McGuire stated *Charges for Services* was a reflection for usage primarily in the area of water and sewer and not a proposed increase. *Fines and Forfeitures* does not change much from year to year. *Miscellaneous Revenue* are charges for internal services, such as Fleet and Engineering because the things they do are for other departments. She noted in *Bonds and Other* category, there is not much in terms of bonds for next year, but they are doing a lease purchase for a loader and the rest is use of fund balance. None of those funds are coming from the general fund, but coming from the capital project funds. In water and sewer, there are some large projects, so the City is saving the reserves to be spend next year on those projects.

Mr. Cichon asked whether more bonds will be issued to get more money; where Ms. McGuire answered that they are only issuing a lease purchase of \$250,000 for a street loader. Bonds were done in the current year for three water and sewer projects.

## Future Highlights

FY 2019-20 Proposed Budget

No increase in water, sewer, stormwater or solid waste rates

No Use of General Fund reserves

Proposed operating tax rate is 3.28% less than prior year

Proposed total tax rate is 5.18% less than prior year

Proposed tax revenue is 1.89% above "roll back amount and is consistent with CPI

*What is Rollback? Rollback requires a reduction in tax rate when property value increases so that no new additional revenue is generated.*

Most homeowners will see a reduction in City tax bill

Ms. McGuire stated there are no proposed increases in water, sewer, stormwater or solid waste rates and no use of general fund reserves. She noted the proposed operating tax rate is the operating rate from the rollback calculations were done on and the voter approved rate, so the rate would be 3.28% making the total tax rate 5.18% less. Because of the State required map the City still had to advertise a tax increase of 1.89% above rollback.

Mr. Cichon mentioned the increased water bill and asked if that was last year or the prior year.

Ms. McGuire stated that was two years ago and in two parts. One was in 2017 and the second part was in September of 2018. The only rate increase was for recycling.

Ms. McGuire stated in terms of your tax bill, and the proposed rate for the assessed property value, your tax bill would go down \$10.89 and the higher the assess property value is, the more reduction you would see.

### **Decision Point CIP – Capital Projects**

#### Staff Additions

Law Enforcement Forfeiture Fun-Tag Readers (\$88,000)

DB Service Area Water Line Ext. Design \$1 million

MacDonald House Phase I North Face-Add to CIP for funding in FY 2020-21 following year budget)

#### Optional Additions

OBSC Girls Softball Field Restrooms/Concessions (\$200,000 funded with Rec Impact Fees)

Ms. McGuire stated regarding the MacDonald House, it will not impact the budget. The City is looking to make a change to the CIP so that in two years we can use CRA dollars and some grant dollars to start improvements.

Mr. Ramirez asked if the Historical Society will contribute funds as well for the improvements.

Ms. Shanahan stated she met with the Historical Society and noted they could be eligible for an ECHO grant and they should apply for that. The ECHO grant is a 50% match but this grant will go away in 2021. This is a City facility that is leased.

### **Decision Points – Operating/Total Tax Rate**

#### Proposed

4.029 Mills/4.162 mills

Operating Rate 3.28% less than prior year

Total Rate 5.18% less

Tax revenue is 1.89% above “rolled back”

Savings of \$10 or more for most homeowners

#### Rollback

3.94543 mills/4.0873 mills  
Operating Rate 5.07% less than prior year  
Total Rate 6.88% less  
Equal to “rolled back”  
Savings of \$20

#### Impact

Parks & Rec Master Plan not included or funded with reserves  
General CIP funding level reduced from \$400k to \$250K  
Fire Cancer bill expenses funded with reserves

Ms. McGuire noted that staff was making the proposed recommendations. She stated there are decision points for the City Commission and wanted to know if the Board wanted to make any recommendations. In order to get to the rollback we have to remove some things from the budget which would be around \$250,000-\$300,000 in expenses. One of the important things is that with the proposed tax rate we would have to cut capital funding which was discussed at the Financial Trends Workshop. In that fund, there is \$400,000 to \$250,000 in tax revenue that comes in every year that is dedicated each year to capital projects, which would be cut if they went below the current rate. Ms. McGuire stated they have been able to manage through cuts that have been made to make it so that we can do the proposed rate which saves the tax payers money and still keep the \$400,000. She noted \$400,000 is not a lot of money when you are trying to fund IT projects and recreation projects or purchase a fire truck for example. One of those projects generally takes all the funds. Ms. McGuire stated if we don't go to current rate, can we get somewhere between current and rollback. She mentioned if the City went with the proposed rate, it would be a rollback percentage increase of 2.7%. She further noted that this proposal does not include vehicle replacement.

Ms. Shanahan noted the budget does not mention the need for a new fire truck but will try to do that for the next budget year. She noted they try not to use fund balance for ongoing expenses.

Ms. McGuire stated there is funding for four vehicle replacements in this budget and we would have the cost for the first year for the street loader. The vehicle replacement program is designated for police and fire.

Mr. Harper agreed it was a reasonable proposal.

Mr. Hannoush noted the difference was \$250,000 and asked what the difference was in the general fund from 15% to 17%.

Ms. McGuire answered that the 2% difference would equal \$600,000.

Mr. Cichon agreed with the proposal.

Mr. Ramirez supported the proposal as well and noted they were saving money for the homeowners.

Ms. McGuire noted the budget process starts and ends in the Finance Department and with the City Manager. We look at the current and past budgets and analysis them on what is spent and what funds can be moved. We let the departments know what they should be able to work with and ask them what they need.

Mr. Kimble asked why not keep the rate at 0% with no increase or decrease for the homeowner. He agreed with staff's proposal.

Ms. McGuire answered that the City Commission gave a benchmark and asked what it would look like in the middle. Staff is comfortable with the budget. Of course they would like to see more funds for vehicles, but the City Commission is not ready to make that move. Ms. McGuire stated if they made it 0% they would have additional revenue and asked what to do with that additional revenue.

Ms. Shanahan stated Ormond Beach was mainly a residential community so the majority of the tax revenue comes from the homeowner.

Mr. Hannoush noted the City was at 17% in revenue and asked where it was last year.

Ms. McGuire stated the benchmark was 15% but the City has been above that benchmark for the last several years.

Mr. Hannoush was in favor of the rollback.

**The Board agreed with the proposal at 4 to 1.**

**NEXT MEETING DATE – Joint Workshop with the City Commission on July 30, 2019 at 5:30 p.m.**

**ADJOURNMENT** – The meeting adjourned at 6:20 p.m.

Respectfully Submitted,

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Shā Moss, Recording Secretary



ATTEST:

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Rafael Ramirez, Chairman