

**MINUTES
CITY OF ORMOND BEACH
CITY COMMISSION
CAPITAL IMPROVEMENT PROGRAM AND DRAFT BUDGET WORKSHOP**

June 23, 2020

5:30 p.m.

Commission Chambers

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 Ken Kimble, Rafael Ramirez, Joe Hannoush, and Scott Cichon; City Manager Joyce Shanahan, City Attorney Randy Hayes, Assistant City Manager Claire Whitley, Finance Director Kelly McGuire, and Public Works Director Shawn Finley.

Ms. Joyce Shanahan, City Manager, stated staff had been working with department directors to review capital costs and operating costs in the budget affected by the COVID-19 pandemic. She noted staff had met with each member of the Commission individually to review the Capital Improvement Program (CIP) and draft budget for FY 2020-21.

II. BUDGET PROCESS

Ms. Kelly McGuire, Finance Director, stated the purpose of the workshop was to provide the Commission with an update on the proposed budget and discuss the CIP. She noted staff requested direction from the Commission on the tax rate and which projects they wished to include in the proposed budget and CIP. She noted the budget would be brought back to the Commission at the July 28, 2020, City Commission meeting where they would set the tentative millage rate; and would then appear on the agenda at the September 9, 2020, and September 23, 2020, City Commission meetings for the final budget and millage rate readings. She noted after the first quarter of FY 2020-21 was over, staff would review the results of the fiscal year and address any COVID-19 related issues that may appear.

Ms. McGuire noted staff had to consider COVID-19 when reviewing the budget for FY 2020-21. She explained the city needed to determine what revenue sources may be impacted by the virus and how to address those shortfalls. She stated other issues unrelated to the virus might include cost increases in the budget.

Ms. McGuire reviewed a PowerPoint Presentation that displayed the statewide sales tax collections data from 2014 to 2020. She noted sales tax had begun increasing over time, but began to decline due to COVID-19 in early 2020. She stated when viewing the City of Ormond Beach's sales tax history and data, staff projected the city's sales tax collections to be cut in half for the remainder of FY 2019-20, noting the city typically received around \$200,000 per month in sales tax and was expecting to receive \$100,000 per month. She reviewed the city's revenue sharing and explained staff predicated a 50 percent reduction through the end of the fiscal year in revenue sharing as well, noting the city was projected to receive \$50,000 a month instead of \$100,000. She reviewed state revenue sharing in detail and how the payments were received.

Ms. McGuire discussed the history and rates of gas tax. She explained the city also expected to see a 50 decrease in gas tax as well. She noted the city typically received \$1,200,000 per year from the tax, which was dispersed between the Transportation Fund for capital projects and the General Fund for street maintenance.

Ms. McGuire stated the Commission had established a Revenue Stabilization Fund on May 26, 2020, when they approved \$3,000,000 from the normal reserves to be designated to the fund to offset revenue shortfalls. She noted that assuming the city received a decline in sales tax, revenue sharing, and Leisure Services fees; the city was looking at a 50 percent reduction for the remainder of FY 2019-20 and a 30 percent reduction for FY 2020-21. She stated based on staff's estimates, the reductions would result in the city losing \$800,000 in sales tax and revenue sharing, and \$200,000 in Leisure Services fees in FY 2019-20, totaling a loss of \$1,000,000. She noted for FY 2020-21 staff expected to see a loss of \$1,065,000 from sales tax and revenue sharing, and \$100,000 from Leisure Services fees, totaling a loss of \$1,165,000. She noted the losses for both years were planned to be offset through the Revenue Stabilization Fund.

Ms. McGuire explained that even though the Commission had set aside \$3,000,000 for the Revenue Stabilization Fund, the city still remained above the 15 percent benchmark for fund reserves. She noted out of the \$3,000,000 set aside in the fund, after removing the funds needed to balance the budget for FY 2019-20 and FY 2020-21, the fund would still have a remaining balance of \$835,000 at the end of the FY 2020-21. She noted the Commission could use those extra dollars if needed to sustain a 50 percent reduction in sales tax and revenue sharing through FY 2020-21. She stated staff would continue to monitor the pandemic and would come back to the Commission with a mid-year budget adjustment for FY 2020-21 if needed.

Ms. McGuire reviewed the city's taxable values. She noted the city would receive final numbers from the Volusia County Property Appraiser in July to calculate the rollback rate. She noted the city had received pre-preliminary numbers and was currently at \$3.9 billion in taxable value, which was a 6.56 percent increase from the prior year, including new construction and annexations. She noted when removing new constructions and annexations, the taxable value had a 5.06 percent increase.

Ms. Shanahan noted a majority of the new construction consisted of the new Security First building at Ormond Crossings.

Ms. McGuire stated staff used the rollback rate of \$3.9083 when composing the draft budget, which was 4.37 percent less than the current rate of \$4.087. She reviewed the different effects the rollback rate had on property tax bills. She explained homesteaded residential properties were capped at a three percent increase in taxable value. She noted if those homesteaded residential properties received the full three percent increase and the rollback rate was levied, the property owners would save six dollars in taxes per \$100,000 of value. She explained non-homestead properties may receive a five percent increase of taxable value or a ten percent increase. She noted if the non-homestead properties received a five percent increase they would have a city tax increase of two dollars per \$100,000 of value, but if they received a ten percent increase in taxable value they would see a \$21.00 city tax increase per \$100,000 of value.

Ms. McGuire noted staff did not normally present a draft budget to the Commission, but believed it was an important step in the current year due to the COVID-19 pandemic.

She stated staff proposed taking \$100,000 that was currently assigned to the Facilities Renewal and Replacement (R&R) Fund and reallocating it to the General Fund for operations. She discussed the city's operating tax rate that was dispersed between five funds, with the largest portion being dispersed into operations. She noted the proposed budgets for FY 2020-21: \$12,918,740 in the General Fund, \$400,982 in the General CIP, \$423,476 in the General Vehicle Fund, \$502,164 in the Transportation Fund, and \$500,000 in the Facilities R&R Fund. She stated within the Facilities R&R Fund the city typically spent around \$400,000 a year and if the Commission approved of moving \$100,000 out of the fund and into the General Fund they would still be able to accomplish the projects they had planned for the Facilities R&R Fund.

Ms. Shanahan stated the city had been putting money into savings for years. She noted putting funds into savings helped the city still be able to perform projects during recessions.

Ms. McGuire noted staff had spoken to the Commission at the beginning of the COVID-19 pandemic and explained they may need to consider taking funds from the CIP and allocating them towards operations for the next fiscal year and deferring all capital projects. She noted staff was no longer suggesting to do that and all the funds that would typically go into the capital project funds were still planned to be placed in those funds, with the exception of the \$100,000 that staff suggested to reallocate from the Facilities R&R Fund to the General Fund.

Ms. McGuire reviewed the highlights of the General Fund draft budget. She noted staff believed they could increase the revenue estimate for utility tax and franchise fees by \$350,000, due to the growth of rate increases in the past. She reviewed the expenditures of the General Fund budget which included collective bargaining agreement and salary adjustments, and health insurance increases. She noted other highlights included closing the city's gymnastics program for a savings of \$100,000, and paying off the fire pumper truck the city had purchased in 2014 for a savings of \$100,000 in the FY 2020-21 budget.

Ms. McGuire displayed an overview of the General Fund budget revenues. She discussed the fund balance for Economic Development incentives, noting the city budgeted the incentive fund based upon what they estimated they needed to pay out. She stated funds in the reserves were set aside for the incentives and noted the incentives had already been approved by the Commission.

Ms. Shanahan discussed the city's business incentives and what businesses needed to achieve in order to receive the incentives.

Ms. McGuire discussed the expenditure changes to the General Fund budget. She noted half of the budget was planned to fund Public Safety. She discussed a negative number on the charts in the vacancy contingency savings that staff expected to see from payroll. She noted payroll was budgeted at 100 percent within the department and had an offsetting line item that took back two percent.

Ms. McGuire noted other operating funds that were not expected to be impacted by COVID-19: Stormwater Fund, Airport Fund, Water and Wastewater Fund, and the Solid Waste Fund. She stated reserves would need to be used for the Airport Fund and the Solid Waste Fund, but noted the city had used reserves in the past for both funds. She noted the Solid Waste Fund was in a good position due to receiving a majority of

reimbursements for storm damage from the Florida Emergency Management Association (FEMA).

III. CAPITAL IMPROVEMENT PLAN

Ms. McGuire stated the CIP was a five year plan that consisted of \$81,040,725. She noted a majority of funds would come from grants and user charges, and a majority of the dollars would be spent on stormwater, transportation, and water and wastewater projects. She explained that staff wanted to focus on the proposed plans for FY 2020-21 and noted the budget was proposed to be \$13,565,333. She noted half of the funds in the FY 2020-21 CIP budget were planned to be used on water and wastewater projects.

Mr. Shawn Finley, Public Works Director, highlighted the projects included under each fund category. He noted a majority of the projects had been done before in the past and mostly consisted of preventative maintenance.

Community Redevelopment Agency

Mr. Finley noted the proposed primary project for the Community Redevelopment Agency (CRA) was a sidewalk renovation project in the downtown totaling \$600,000, funded through property taxes. He noted the project was projected to take two years and discussed the different options and costs for the sidewalk renovations in detail.

Stormwater

Mr. Finley stated the Stormwater Fund projects consisted of a stormwater piping project and vehicle replacements. He noted the total amount for both projects was \$804,000, funded through user charges.

Airport

Mr. Finley noted the main project for the Airport Fund was an airport access road project that totaled \$546,855. He explained a majority of the funds would be primarily provided through a Florida Department of Transportation (FDOT) grant the city had received for \$472,500, with the remaining balance coming from reserves.

Economic Development

Mr. Finley stated the proposed Economic Development project was an extension of Business Park Drive at the Airport Business Park. He noted the extension would connect the Airport Business Park to Pineland Trail and would help encourage further development of the area. He stated the project was expected to cost \$2,055,000, with a grant from FDOT covering \$1,644,000, and the remaining balance coming from reserves.

General Fund Capital Projects

Mr. Finley stated the General CIP consisted of two main projects: Community Development Block Grant (CDBG) Projects and facilities hardening. He noted the CDBG project consisted of replacing the playground equipment at Central Park I, and the facilities hardening project proposed storm hardening the windows at city facilities. He noted the facilities hardening project would be accomplished through the Florida

Emergency Management Agency (FEMA) Hazard Mitigation Grant Program. He noted the total cost for the project was \$1,129,803, with \$879,803 supplied through grants and the remaining balance funded through property taxes.

Ms. Shanahan explained that staff had been very successful with the Hazard Mitigation Grant Program and listed multiple projects that had been accomplished through the program. She complimented the Engineering Department on receiving the grant.

General Fund Vehicles and Equipment

Mr. Finley noted the General Fund vehicles and equipment project would purchase vehicles to replace those that were no longer running correctly. He noted the total cost was projected at \$270,000, and would be funded through reserves.

Ms. McGuire noted in addition to the purchase of the new vehicles, staff would bring back financing for the purchase of two new fire trucks the Commission had requested. She noted staff would include the lease payment for the two fire trucks in the FY 2020-21 budget.

Transportation

Mr. Finley highlighted the major transportation projects. He noted funding for the various projects would be provided through reserves, the Transportation Planning Organization (TPO), property tax, and gas tax.

Facility Renewal and Replacement

Mr. Finley noted the Facilities R&R projects included renovation of the Central Park I observation deck and installation of a chiller at the Ormond Beach Police Department. He noted the projects would be \$155,000, and would be funded through property taxes.

Water and Wastewater Vehicle

Mr. Finley noted the water and wastewater vehicle project would replace vehicles that were no longer usable. He noted the total charges would be \$212,000, funded through user charges.

Water and Wastewater

Mr. Finley reviewed the list of projects for water and wastewater, noting and discussing the major projects in detail. He stated the total amount for the projects would be \$4,071,500, and would be funded through user charges.

Water and Wastewater Impact Fee

Mr. Finley noted \$2,384,175 of water and wastewater impact fees would be used to begin construction of a secondary raw watermain.

Commission Direction

Mayor Partington complimented the Budget Advisory Board for their leadership and knowledge in assisting with preparation of the budget.

Ms. McGuire noted staff requested direction from the Commission as to whether or not they approved of the following three items:

- Prepare the proposed budget at the suggested rolled back tax rate.
- Reallocate \$100,000 from the Facilities R&R to the General Fund if needed.
- Include the CIP projects as presented in the proposed budget.

Commissioner Littleton questioned what the General Fund reserves were currently at; whereby, Ms. McGuire stated they were at \$5.8 million in addition to the \$3 million in the Revenue Stabilization Fund.

Commissioner Littleton stated he approved of all three items and discussed his support of the items. He stated he believed if the city decided to advertise a higher tax rate they would still need to take funds from the Revenue Stabilization Fund and therefore it did not appear to be worthwhile.

Commissioner Persis thanked Ms. McGuire and the Budget Advisory Board. She noted the city was in a comfortable financial position and thanked everyone who helped the city get to that point. She stated she approved of all three items.

Commissioner Kent thanked staff and Budget Advisory Board members for their hard work in preparing the budget. He noted the City of Ormond Beach's finances were in order due to smart financial decisions of implementing a savings account and continuing to keep the 15 percent threshold. He noted he approved of all three items.

Commissioner Selby thanked Budget Advisory Board members and staff for their knowledge and dedication to the budget. He stated he approved of the proposed budget at the rolled back tax rate. He noted he had discussed the potential of homestead properties not receiving any tax break per \$100,000, instead of receiving the six dollar tax break, and questioned how much doing that instead would generate; whereby, Ms. McGuire noted it would generate \$200,000 and the city would have to advertise a 1.3 percent tax increase.

Commissioner Selby stated since the adjustment would only provide \$200,000, he did not feel that it was beneficial. He noted he approved of reallocating the \$100,000 from the Facilities R&R fund to the General Fund. He noted the Leisure Services Department had a long range plan that was 16 years old and needed to be updated. He explained the update of the plan would be an expense paid through the CIP and was scheduled to be updated in FY 2022-23 at an estimated \$125,000. He noted he hoped to see the project funded in the FY 2020-21 budget instead.

Ms. McGuire noted the project was originally included in the current year's budget, but was then removed due to COVID-19. She noted if the Commission wished for the project to be completed, the budget did not need to be amended and the project could be completed if the Commission provided the direction to do so.

All members of the Commission agreed to include the project in the current budget.

Mayor Partington thanked the Budget Advisory Board for attending and for their hard work and dedication. He noted financially the future was unsure, but stated he was proud the budget included no reductions in services and no layoffs. He stated the positive impacts were a benefit of staff, the Budget Advisory Board, and the Commission

working together. He reiterated the importance of the Revenue Stabilization Fund and fund reserves. He complimented the Commission for their direction and smart financial decisions.

IV. ADJOURNMENT

The meeting was adjourned at 6:13 p.m.

Transcribed by: Cassidi Ritz