

VERNON MYERS
MAYOR - COMMISSIONER

MARY LAWSON BROWN
VICE MAYOR - COMMISSIONER

ALLEGRA KITCHENS
COMMISSIONER

PHIL LEARY
COMMISSIONER

JAMES NORWOOD, JR.
COMMISSIONER



MICHAEL J. CZYMBOR
CITY MANAGER

BETSY JORDAN DRIGGERS
CITY CLERK

MATTHEW D. REYNOLDS
FINANCE DIRECTOR

GARY S. GETCHELL
CHIEF OF POLICE

MICHAEL LAMBERT
CHIEF FIRE DEPT.

DONALD E. HOLMES
CITY ATTORNEY

Regular meeting 2nd and 4th Thursdays each month at 6:00 p.m.

MINUTES CITY OF PALATKA BUDGET WORKSHOP July 1, 2014

Proceedings of a Budget Workshop meeting of the City Commission of the City of Palatka, Florida, held on the 1st day of July, 2014.

PRESENT: Mayor Vernon Myers
Commissioner Mary Lawson Brown
Commissioner Allegra Kitchens
Commissioner Phil Leary
Commissioner James Norwood, Jr.

Also Present: City Manager Michael J. Czymbor; City Clerk Betsy Jordan Driggers; Finance Director Matt Reynolds; Police Chief Gary Getchell; Fire Chief Mike Lambert; Main Street Manager Charles Rudd; Airport Manager John Youell; WTP Supt. Melvin Register; WWTP Supt. Brian McCann; Water & Sewer Distr. Supt. Rhett McCamey; Street & Sanitation Supt. Ed Chandler; Golf Club Manager Andy Heartz; and Bobby Weed, BWMG

CALL TO ORDER: Mayor Myers called the meeting to order at 5:30 p.m. and read the following amended workshop meeting call, dated June 25, 2014:

TO COMMISSIONERS: MARY LAWSON BROWN, ALLEGRA KITCHENS,
PHIL LEARY AND JAMES NORWOOD, Jr.:

You are hereby notified that a Workshop Meeting of the Palatka City Commission is called to be held on Tuesday, July 1, 2014, at the regular meeting place of the Palatka City Commission, Palatka City Hall, 201 N. 2nd Street, Palatka, Florida, to commence at 5:30 p.m.

The purpose of the meeting is to discuss the proposed FY 2014/2015 Budget.

Isl Vernon Myers
Vernon Myers, MAYOR

The following commissioners acknowledged receipt of a copy of the foregoing notice of a workshop meeting on the 25th day of June, 2014.

Isl Mary Lawson Brown
COMMISSIONER

Isl Phil Leary
COMMISSIONER

Isl James Norwood, Jr.
COMMISSIONER

Isl Allegra Kitchens
COMMISSIONER

INVOCATION – Commissioner Norwood

PLEDGE OF ALLEGIANCE – Commissioner Brown

Mr. Czymbor said this is the third City budget process he's been involved with. The most important things the Commission does are: 1) adopt goals, objectives and priorities, and 2) develop the operating budget of the City. They started this budget process in April with department heads. This is collectively the budget of the Commission and staff, and all will be held accountable for the amounts and objectives contained in the Budget. The Commission adopted the 2014 goals and objectives earlier this year, and one tool they use to accomplish these objectives is by using the budget process. The development of the budget is done over time; budgets and expenditures change over time. They are using the information they have at this time to build this budget.

Matt Reynolds, Finance Director narrated a PowerPoint outlining the City's adopted goals.

Goal #1: Continue to Improve the City's overall financial position. Staff proposes to maintain the current millage rate, keep the contribution from the Palatka Gas Authority to \$300,000, no COLA raises for employees, minimal staffing improvements, and minimal appropriations for funding capital improvements, new equipment or vehicle replacements. They removed several items from the various departments, mostly vehicles, building improvements and equipment and technology in the IT department. Regarding the Wetlands Education Center, Mr. Czymbor said the City will be hiring a person to manage that building, per the City's obligation. They are in discussions with GP regarding an annual stipend to pay some of the cost of whatever salary they need to maintain.

Per discussion, a copy of the Five-Year Capital Outlay plan for the Police, Fire and IT Departments is to be distributed to the Commission. Discussion ensued regarding the agreement for the operation of the Wetlands Education Center between the City and GP.

Mr. Reynolds said this Budget includes another 10% increase in water & sewer rates. Currently it does not include an increase in health insurance premiums. The City raised rates last year and a slight increase the year prior. They have not received a quote from FMIT as yet on insurance rates. Indications are that the City will see at least an 8% increase due to taxes, surcharges and factors included in the Affordable Care Act. There was a large increase last year mainly due to a new claim. There have been increases each year. The medical loss ratio is good, but they are still looking at an 8% increase. This budget does not reflect that increase.

A table was shown showing FY 2013-14 Budget Reserves in each Fund, which shows actual, budgeted, projected reserves and net impact on FY 2014 budget year. A graph was shown depicting actual and Better Place Funds. They are expecting Better Place Funds to dip down to zero. The Airport deficit is increasing this year. The Utility Fund started extremely low, but revenues they've received have put it in a better place, but it is still extremely low. The negative fund balance in the golf course continues.

The next slide showed projected reserves they expect to end up with at the end of this year, requested budget amounts, current proposed 2014/15 budget and net impact. The General Fund had a substantial negative figure; however, the proposed budget shows a slight increase solely due to red light camera funds. He's included that in the unassigned fund balance. Restricted Funds are funds that are restricted by outside/external sources, such as loans, Better Place Funds, etc. Committed funds are committed by resolution or ordinance, and the third is unassigned. The Commission can pass a resolution enabling Staff to assign unassigned fund balances. The red light camera funds may go away so they don't want to rely on those.

Commissioner Leary said he recommends they use recurring revenues to bring down the PD's overall budget. They can reduce the general fund allocation accordingly. In every budget you have non-recurring funds that are subject to change. Mr. Reynolds said they don't want to use those fees for recurring costs, but want to use them for one-time expenses or improvements.

Mr. Reynolds said the Better Place Fund balance is low mainly due to the Southern Riverfront Improvement Project and drainage mitigation projects. As to the Downtown TIF Fund, that is being zeroed out and transferred to Better Place for the Southern Riverfront project. At the end of this year they expect to have around \$300,000 in restricted funds for Water & Sewer, but with the 10% increase it will be around \$800,000, or 10% of the Water & Sewer Funds' budget, which is recommended. They have not included the cost of a Water Main Replacement Master Plan, which needs to be done by an engineering firm. They will look at the age and condition of the water mains, and will propose a plan for replacement of these lines. Commissioner Kitchens said Mr. Bush, the former City Manager, had distributed a water line replacement plan. At one time the City had a plan. Mayor Myers said the data in that plan is outdated now. They need sound engineering plans. Commissioner Brown said when they put automatic read meters in place, they were told they'd have better information on water usage. People would only be charged for water they use. People are being charged for water they aren't using. Water bills are going up. They are saving money by not having meter readers.

Mr. Reynolds continued with the General Fund Chart; the original budget had them dipping into negative funds, but it is back up due to usage of red light camera Funds. They are continuing the negative trend at the airport, as does the Golf Course. Sanitation fund remains stable.

Goal #2 – Addressing the water main system deficiencies - Mr. Czymbor said the City has around 112 miles of water main pipe ranging from 2" to 24" and some of it dates back to 1886. The City has a state-of-the-art water treatment plant which currently produces around 1.7 mgpd. They have good capacity. 60% of the water mains are 20 years or older, and 30% are older than 50 years. There is a significant need to replace older water mains. A committee of qualified people solicited proposals from engineering providers. They want to bring back a proposal that will give them the most "bang for their buck," together with funding sources. In this budget they appropriated \$75,000 to purchase materials, and identify certain sections of water mains they can replace. They will be looking at any and all funding sources, including CDBG grants. They applied for a CDBG grant to replace lines in the Southside Hill area, but they did not score high enough to secure the grant. It's painful to raise rates, but the cost of everything the City uses goes up. They have to raise their rates to keep the integrity of the system. It is an aging system that needs significant work. They need to come up with a reasonable amount of money they set aside annually to help bring the system up to par. Regarding the CDBG grant, Jonathan Griffith said the community-wide need score was low; it is based upon the number of successful grant applications over a certain amount of time. They expect that to be "reset" this year which will give the City another 200 points, and should put them within grant range.

Goal #3 – Economic revitalization and redevelopment of the Riverfront – Mr. Czymbor said the former Frank George Apartments Site was sold in April for \$163,000, based upon 1.63 acres, for the construction of a new hotel. The developer has secured his financing and expects to break ground in 60 days. The total balance on the loan is under \$2 million now. Mr. Czymbor said the former 100 block site was sold to Riverfront Development Group in June for a quality mixed use development, which should have significant impact on the downtown. Construction should begin in September. Next year the City will begin receiving taxes on the land.

Mr. Czymbor said the City awarded a contract to S. E. Cline Construction for \$1.2 million for the Southern Riverfront Improvements project. They will be selecting a general contractor and

commencing construction on the GP center in the fall. They plan to use grant funds for the multi-purpose building and Phase II Southern Riverfront Improvements.

Goal #4 - Explore opportunities for intergovernmental cooperation – Mr. Czymbor said they have worked with the County on the removal of four derelict vessels from the River. They received surplus radio equipment from the City of St. Augustine for use by public safety personnel. This is the two-way radio system, mobiles and portables used by the PD, Gas Authority and Public Works. They were forced to change their equipment due to new FCC regulations. City and County officials welcomed the FDOT secretary and spoke with FDOT representatives regarding the City's needs. FDOT representatives pledged assistance on intermodal transportation projects.

Mr. Czymbor said they've conducted meetings with the County's new Parks & Rec director about providing recreation in the City. Commissioner Norwood said the County was going to look at upgrading the park at 10th & Olive. Mr. Griffith said the City does not own that property; it is held privately. Mr. Czymbor said they have talked about the parks system in general. Mr. Griffith narrated a PowerPoint presentation regarding the current parks system and facilities. A breakdown was provided of currently facilities. They are maintaining 45 acres of parks. A breakdown of community parks and centers was shown. They are classified into community parks, neighborhood parks, and cultural facilities. The square footage shown represents the buildings on the grounds. The City has lease agreements with non-profit organizations to occupy and/or run the facilities. Regarding parks facilities, Mr. Griffith said they are being mowed every two weeks. Commissioner Norwood said they are not keeping the same level of service up this year as they have in the past. Mr. Griffith said they are working with the foremen to improve service. Discussion ensued on replacing Bahia grass with turf grass. Commissioner Brown said she'd like to see the stage and curtains replaced at Price Martin Center. She suggested asking the College to come in and do a dinner theater production every few months. This would create revenue for the School and the City. People want something to do. Commissioner Kitchens concurred with Commissioner Norwood's observations regarding maintenance of City property and right-of-way. Mr. Griffith said the stage is available; if someone wants to rent the stage, Staff will set it up at Price Martin. Discussion ensued regarding bringing dinner theater to Price Martin Center.

Mr. Griffith said Staff needs direction from the Commission on how to proceed on deferred maintenance on facilities. The Recreation transfer agreements with the County specify that the County would continue to use certain facilities. The City doesn't have the money to resurface courts and replace goals and maintain infields. The budget contains the same amounts they've allotted in prior years. If the Commission wants them to cover certain things like court resurfacing, lighting improvements, and ADA improvements, they need funds to do so. These are what makes the facilities look bad and like they need attention. Commissioner Leary said the City adopted a Comprehensive Plan that includes recreation. If the City isn't meeting that level of service for recreational opportunities, they are in violation of the Plan. This should be discussed as a separate item. Mr. Griffith said they exceed the requirements contained in the Plan in most of those categories. Commissioner Leary said they should hold a joint workshop and ask the County Recreation Director to come in and discuss this with the Commission. Discussion ensued regarding the City's transfer of recreation to the County. The County passed the fields back to the City with no equipment or personnel when they built the new fields. There was Commission consensus to hold a workshop with the County regarding a recreation partnership. There was consensus that the City needs to keep and maintain its parks and agreement that the City needs support from the Community and civic clubs & organizations.

Mr. Czymbor said the City has an entire portfolio of buildings that are leased to other non-governmental groups. The City still has the cost of keeping these buildings up. They have

changed the agreements to state that these groups must cover more of the cost of the building maintenance. They have a portfolio of parks that are being used passively. The Commission needs to make a decision as to what they want to do with the Parks System. Staff recommends creating a partnership with the County to put an active recreation program in place.

Goal #5 - Develop a technology master plan to provide enhanced level of service. Mr. Reynolds said the City has just launched a new website that is more interactive. They are assessing the feasibility of implementing “dummy” terminals throughout the City. This was removed from the Budget as this requires upgrades to the service, and was expensive. They plan to complete the “fiber loop.” This was also removed from the budget. Currently the fiber network is not complete, and when a switch goes down, everything past that point loses connectivity to the network. Currently they are looking at going with Office 365, an exchange server, so they won’t have to host the email service at the PD. It will be less expensive and will save the City money in the long run. They are looking at a possible cost share between other governmental entities, as all have a connection to the fiber loop. A completed loop would be beneficial to them as well. The estimated cost of this is around \$80,000.

Mr. Reynolds said they are looking at implementing a new state of the art telephone system. The current system is extremely dated. They don’t make the phone sets any more. They have to find used ones which are extremely expensive. This will be a large capital expenditure that was removed from the budget. Another aspect is implementing a city-wide security camera system; that has also been removed from the budget.

Fire Assessment Fee: Mr. Reynolds said the next several slides have to do with a fire assessment fee. He pulled the ad valorem tax profile from 2013 for all municipalities, counties and school districts, compiled it into a table, and sorted it by millage rates. Out of 410 municipalities, Palatka has the 4th highest combined millage rate in the State. For just the City’s millage rate, Palatka has the 13th highest millage rate out of the 410 municipalities. 10 mills is the cap. Under Statute, municipalities are authorized to levy special assessments to fund capital improvements. If the PD and Fire were funded solely by ad valorem property taxes, they’d have to set the millage rate at around 17 mills to fund just those two departments. The Fire Department’s budget equates to over 5 mills. If the Fire Department were funded through a fire assessment fee, the millage rate could be reduced from 9.1749 to 3.8573 and the General Fund would remain revenue neutral. If the City’s millage rate dropped to 3.8573, its ranking on the millage rate list would fall from 13th highest to 249th of the 410 municipalities. There was consensus to develop a matrix showing the number of cities with a fire service fee, comparative millage, and poverty rates.

Mr. Reynolds said currently there are two types of methodologies that are being used to assess fire fees. One is the Demand approach. This is based on service calls for fire only attributable to certain types of properties, and you develop a percentage for each category. The second is the Service Availability Approach, a more recent approach developed by an attorney. It’s much easier to implement and much cheaper, and City staff could do the calculations from year to year. It uses a two-tiered approach in which revenue needs would be shared between parcels, called a base “readiness to serve” fee. This applies to just parcels in the City and has nothing to do with the value of the property. The second tier is based upon the remaining cost of the improvements on the property. An unimproved lot would only be assessed the base fee. An improved property would be assessed both fees. The base fee and improvements fee per \$1,000 can be balanced and adjusted as the City Commission so chooses. The City may choose to exempt certain parcels that are currently exempt from ad valorem taxes. Some cities choose not to exempt parcels, such as Tallahassee; they did not exempt schools. The annual fee can be placed on the tax bill, or billed separately. Prior year assessment fees could be rolled into the following tax bill. This is authorized by Statute. You can also place it on the monthly

utility bill, but this results in renters paying the fee. Implementing a Fire Assessment Fee offers a significant tax equity tool which reduces the City's dependence on ad valorem tax. They are an equitable alternative to property taxes and create a source to pay for costs that might otherwise be paid for with property taxes. They could implement a smaller fee and lower the millage a little, or implement a full fee and lower the millage rate quite a bit. Commissioner Leary urged the Commission to look at implementing this Fee as soon as possible, which will make Palatka more competitive. He said they will not change the paradigm of this City unless they do something about the ad valorem millage rate. Mr. Reynolds said the demand approach, even if they get to the point where they can vote on it, would bring about \$200,000. Under the two-tiered approach, the consultant would prepare everything and the City would pay about half of the cost up front. If it passes, the City would pay the rest of the cost. The cost would be around \$45,000. The cost is recoverable under the special assessment fee. Mr. Czymbor said this is another tool to use. They have a significant portion of the City's inventory that pays no taxes, but the City is obligated to provide public safety services to those parcels. Commissioner Kitchens said only 523 parcels in the City don't pay taxes and much of that is government property. Only a very small percentage of properties don't pay taxes. Mr. Reynolds said the City only collects property taxes on 51% of properties in the City based upon just value figures.

Golf Course – Mr. Czymbor spoke of historical data on the Golf Course; a slide was shown with this information. He said they hope to eventually break even on the Course and then can begin to reinvest in the asset. Since 2010, the Golf Course Enterprise Fund total profit and loss shows it has lost almost \$1.8 million. In 2009 the City refinanced the debt on a significant amount of prior loss. These enterprise funds are an asset to the City. The Commission needs to decide how important they are, how they contribute to the quality of life in the City, and how much they can continue to support them. One alternative is to continue with and/or revise the current management contract with Mr. Weed, which expires in September. They have come up with a viable agreement to continue that management arrangement. The next alternative is to put out an RFP for a private lease. Based upon current budget figures, they project a loss of around \$80,000 next year. They can consider selling the course, having the City resume management/operation of the course, or closing the golf course. The City would still have insurance and maintenance expenses as well as the debt services to pay off. They are still working with Mr. Weed and his group on the management of the course. This includes management of the restaurant. They've hired the architect, developing specs and contract plans, looking at costs for equipment and bathroom upgrades. They expect this project to be completed and operational by the end of this year or early next year. Commissioner Kitchens said under Mr. Weed's management, the golf course has continued to lose less money per year, and rounds of play have gone up and not down. Commissioner Norwood said he is very impressed with losing only \$80,000 instead of \$400,000. He is still not satisfied with budgeting for a loss; however, he complimented Mr. Weed on his ability to turn the losses around. Commissioner Leary said they should probably at least explore an RFP for a lease. They need to keep the course open. Mayor Myers concurred and said this is a recreation facility; recreation is an amenity you provide for your citizens. Commissioner Brown suggested they need to add the golf course to the discussion with the County on recreation.

Mr. Czymbor summarized that they are making progress. They will meet with Mr. Weed on their budget proposal and will come back with a recommendation.

Airport Fund – a table was show with historical data for the Airport. Mr. Reynolds said operationally, over the long run the Airport has been pretty consistent with an operating profit, but after factoring in the debt, a loss occurred. The debt was incurred over the new terminal building and hangars. This was amortized over 15 years. The loan matures in 2023. They project a \$73,000 loss for the next budget year. The debt service decreases each year. Mr. Reynolds said the chart shown does not show grant revenues and expenditures, which would

require a substantial amount of research. They anticipate the Airport will end the year with a negative balance of \$391,000, and that will need to be pulled from the General Fund. Mr. Czymbor said there are a significant amount of revenue opportunities at the Airport. They have monthly income from rentals of t-hangars. There is land they can sell, and natural resources like sand they can harvest and sell. They aren't making promises they can recover the \$390,000, but they have opportunities to make some of that money back.

Mr. Czymbor concluded his presentation saying this is the "macro" view. They will further refine the budget over the next month before he presents his final recommended budget to the Commission. At that time they can discuss individual line items. It will be the Commission's job to determine how the City's resources will be divided. Mayor Myers commended Mr. Czymbor, Mr. Reynolds, Mr. Griffith and all department heads for their work.

Commissioner Comments - Commissioner Kitchens said they provided a pay increase for employees last year, and they need to at least provide a small increase this year. They need to be creative and do this. Commissioner Brown concurred, saying staff works hard for the City. Commissioner Leary concurred and said there are other resources for revenue. Mr. Reynolds said he's spoken with Ken Small with the Florida League of Cities, who is considered the Revenue Guru for the State. They've gone down the list of every single type of revenue source the City can implement, and the City is maxed out on all of them except for millage rate, and they are close on that. Commissioner Norwood thanked Staff for their work.

Adjourn – There being no further matters to discuss, the meeting was adjourned at 7:22 p.m. upon a motion by Commissioner Kitchens.