

**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 24, 2014

Proceedings of a Budget Workshop meeting of the City Commission of the City of Palatka, Florida, held on the 24<sup>th</sup> 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; Water & Sewer Distr. Supt. Rhett McCamey; Street & Sanitation Supt. Ed Chandler; Golf Club Manager Andy Hertz; Don Kitner, Executive Director, Palatka Gas Authority

**CALL TO ORDER:** Mayor Myers called the meeting to order at 4:04 p.m. and read the following amended workshop meeting call, dated July 11, 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 Thursday, July 24, 2014, at the regular meeting place of the Palatka City Commission, Palatka City Hall, 201 N. 2<sup>nd</sup> Street, Palatka, Florida, to commence at 4:00 p.m.

The purpose of the meeting is to hold the 2<sup>nd</sup> Budget Workshop per the 2014 TRIM Calendar to discuss the proposed FY 2014/2015 Budget.

*Is/ Vernon Myers*

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Vernon Myers, MAYOR

The following Commissioners acknowledged receipt of a copy of the foregoing notice of a workshop meeting on the 11<sup>th</sup> day of July, 2014.

*Is/ Mary Lawson Brown*

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COMMISSIONER

*Is/ Phil Leary*

\_\_\_\_\_  
COMMISSIONER

**INVOCATION** – Commissioner Norwood

**PLEDGE OF ALLEGIANCE** – Commissioner Leary

**BUDGET WORKSHOP** – Mr. Czymbor said this is the 2<sup>nd</sup> budget workshop for this TRIM year. They want to talk about six major topics today. He noted the budget is a comprehensive team approach; they are all in this together. They are climbing the ladder up out of a down economy. There is optimism present as long as they continue to make good business decisions. Debt is being paid down. The City's taxable value has increased this year. They are seeing redevelopment in the Riverfront and Downtown Areas. They can slowly build themselves up and stabilize the community, and then they will be able to do things they haven't been able to do in the past.

During this process, he and City Staff will provide the Commission with alternatives and suggestions on how to get there, but the Commission will make the final decision on the budget. Staff will implement whatever plan they are directed to implement.

**Changes in Proposed FY 2014/15 Budget since last Budget Workshop** – A PowerPoint Presentation was shown (filed). Mr. Czymbor said they were hopeful for a nominal increase on the Health Insurance premium. It appears the premium will increase by around 15%, on top of the 30+ percent increase they received last year. They are going to FMIT to receive an alternative health care quote. A 15% increase will increase the budget amounts. That would be a 15% total cost of premium; a smaller portion of that increase would be passed on to the employees. As soon as the City receives the final increase, they will provide that to the subscribers. This will be an additional \$86,000 cost to the General Fund for health insurance. The City pays 75% of the premium and the employee pays 25% of the premium. This reflects only the cost to the City. This is based upon each employee and the type of health care program they have chosen.

Mr. Czymbor said they recently received notice from Nextel, one of their telecommunications provider that rents space on the Water Tower, that they are cancelling their lease, so that will decrease the revenues to the Utility Fund by \$51,650. Nextel was purchased by Sprint two years ago and they are taking their equipment off the Water Tower. They are negotiating with Sprint for the placement of more equipment on the water tower, so that may mitigate some of that loss.

Slides were shown detailing capital improvement and equipment needs submitted by the IT Department, Police Department and Fire Department. At this time they don't have the resources to fund these requests. They can reprioritize some of these purchases in the final budget.

**COST OF LIVING ADJUSTMENT FOR EMPLOYEES** – a table was shown showing the affect of a 1% cost of living increase to employees and showing results on the reserves. Mr. Czymbor said this year a new column was added showing the affect on the reserves as a percent of budget. The operational balance of each fund was included; this is the recurring operational revenues minus the recurring operational expenses. Most cities say they will pass an operationally balanced budget. The Water Fund includes a 10% increase in water & sewer rates. General Fund reserves include \$285,000 estimated revenues in red light camera money. Mr. Reynolds said after payment of contracted amount to ATS and a red light camera hearing

magistrate, and remittance to the State, will net the City \$150,000 as of the end of this year. That does not include overhead the City has incurred to operate that program, such as the salary of the police officer who reviews the program. Commissioner Leary said the League of Cities needs to get engaged with the Legislature on the formula on what portion of the ticket money goes to the State. They get around 75% of the money. It should be 1/3. Commissioner Norwood said one of the priorities his Committee discussed was the ratio of the revenue on red light camera citations going to the State. He asked if there are any projects they want to do that they are not doing that are in the proposed budget. Mr. Reynolds said that would be in Better Place Fund and he would have to pull that up to answer that question. At this time they have included the St. Johns River Center, improvements to docks and boat ramps, refurbishment of river boats, and Airport T Hangars. He can compile a list of projects. Most of them are well known and ongoing planned projects.

Commissioner Leary asked for a report on where they are on projects included in the Comprehensive Plan.

Mr. Reynolds said a later slide will show the budget without an increase in water/sewer rates. The balance is a negative \$110,000, which means they are spending down into the reserves. Tax revenues from the sale of redevelopment properties won't show up until 2015/16 budget year. Another slide was shown with a 2% COL raise. Per the question, Mr. Reynolds said the recommended reserves balance is two months' operating cost, or 17%. Another slide was shown showing a 3% COL increase, which shows an increase in the operational balance to around \$240,000 in the "red."

**UTILITY SYSTEM** – Mr. Czymbor said the City has 489,165 lineal feet (111.58 miles) of water pipe dating back to 1886; 32% of it is more than 50 years old. A slide was shown showing the impact of tuberculation on pipes; Mr. McCamey said these examples show the actual build-up of deposits inside pipe in the water system. This is for the transmission of potable water. Several slides highlighting the condition of pipes with locations were shown. Mr. McCamey said this is mineral and cast iron build up of rust inside the pipe. As it builds up it forms a "skin" of scale build-up inside the pipe. Mr. Register said this is mostly rust. They use a corrosion inhibitor in the water to keep it down. Mr. Czymbor continued, saying this build-up causes issues with water pressure. A piece of pipe dated 1886 was shown, which was removed during a recent project. There are 4,767 water customers. 86.37% are inside the City; 13.7% are outside of the City and they are surcharged for being outside the City. Since 2000 there have been nine rate increases in that 15 year period. One year there was a decrease in one category of almost 19%. The biggest increase was in 2009 when the City borrowed for the new Water Treatment Plant and added capacity. There were increases in 2011, 2012, 2013 and 2014. To keep rates in context, a slide comparing bills from 2000 to today's bills were shown. According to the CPI index for water & sewer maintenance systems, or the average annual percentage of operational costs, excluding debt service, to provide the same level of service, the City's rates should have gone up 104.2% and not 80%. The City's increases include debt service.

Commissioner Brown said the automatic read system was sold to the Commission on the basis that it would save customers money. Mr. Reynolds said the system reads the meters every 15 minutes and it allows them to look at hourly usage charges. What they likely meant is that they can track usage by monitoring water usage. Discussion ensued on whether or not the claim was made that the automatic read system would save customers money by showing exact meter readings. Commissioner Kitchens said they said this was due to better readings, based upon the premise that many meters were giving faulty readings. They did make it clear that it doesn't lower the water bill if the water usage was correct. Benefits of the system were discussed. Mr. Reynolds said they can run usage charts for customers that show water usage hour by hour and helps to verify the presence of leaks.

Mr. Czymbor said if they come up with an annual replacement plan, and they address the pipe that is over 50 years old, and they do a total replacement by contractor, it would cost \$50 per foot. If a City crew does it, it can be done at a lower cost. If they replace 188,532 LF it would cost \$9,426,600. If they did this over a 10-year period, it would cost around \$1 million per year. If they replace that same pipe over a 20 year period it would cost around \$500,000 per year. The Commission needs to come up with a reasonable plan to begin replacing this pipe. Commissioner Leary said they need to ask their legislative delegation each year for funding to replace this pipe.

In 2013-14 they started the Fund Balance with \$120,000. They expect to end this year with \$300,000. Included in that is a payment of \$151,000 from SJRWMD from a former reuse project in which the City's expenses exceeded 50%. That will not recur every year. With the current projections, and a 10% rate increase, they'd have a fund balance of around \$765,047. They can then start prioritizing sections of water main to replace.

In looking at just a 10% rate increase, this will yield \$409,733 in revenue. A 5% increase will yield \$204,866 in revenue. They are recommending the Commission choose the 10% increase. Up to now, there has been no program in place to replace pipes. Pipe replacement has been reactive. Commissioner Kitchens noted the City at one time had a replacement plan to gradually begin with the worst areas and work their way through the lines. They did this through CDBG grants, which "dried up." Commissioner Leary said they need to look at all available Federal and State resources, and what potentially the fire assessment fee could replace in the General Fund. It is a much more complex issue than raising water rates 10% or 5%.

**FIRE ASSESSMENT FEE** – Mr. Reynolds said at the July 1 budget workshop there was a conversation regarding a Fire Assessment Fee. He gathered additional information on this Fee per the request made at the July 1 workshop. Out of 83 cities that responded to the FLC survey that said they had a fire assessment fee, 8 comparable cities were found and were listed on a slide shown. According to his data, in 2013 Palatka had approximately \$330 million in total tax exempt properties. In comparison to other cities, their taxable value was much higher, but their exemption value was roughly the same as Palatka's. The amount of governmental exemptions in the Palatka City Limits comes to 31% of property value. County government is a large chunk of that. An additional slide was shown comparing Palatka's budget to other municipal budgets. The amount of taxes levied were roughly the same, but Palatka's millage rate is 9.147 versus an average of 5% elsewhere. It shows that Palatka has substantially more commercial properties than other comparable cities. The number of police officers and firefighters are comparable.

Mr. Reynolds said by implementing a fire assessment fee, this would bring a better balance to the responsibility of funding city government. Per the discussion, Mr. Reynolds said the Commission can choose not to exempt certain uses. Commissioner Kitchens provided a comparison of increases if the City were to raise the millage to 10 mills on homes with zero taxable value up to homes with \$165,000 in taxable value, noting the increase would be around \$10 a month for the highest taxable valued home. Commissioner Leary said the stigma attached to a millage rate of 10 would be almost impossible to overcome. Mr. Reynolds said he will try to come up with a spread sheet on assessed value versus taxable numbers, and try to run some numbers showing the value of governmental properties, and if they were not exempt, what they would pay under a fire assessment fee. Mr. Czymbor said the City has an excellent fire department; they were recently re-rated to a Protection Class 2 from a 5. Everyone benefits from that through lower homeowners insurance rates. Only 53% of the property owners are paying the cost of the fire department. Commissioner Kitchens said there are 415 parcels in the City that don't pay taxes, and over half of those are government.

**GOLF COURSE** – Mr. Czymbor said revenues are increasing at the Golf Course. The management agreement is up at the end of September. They may or may not be successful in renegotiating an agreement with Mr. Weed. They will be bringing an option to the Commission on the sale or lease of the golf course to provide the Commission with options. There was consensus to include an option for a lease to purchase option. Commissioner Norwood asked for an assessment of performance of the current management so they can assess the performance of the current manager.

**PALATKA GAS AUTHORITY** – Mr. Czymbor said the Palatka Gas Authority (PGA) was created by ordinance adopted in 1959 which specifically states the Authority is a component unit and business unit of city government. It speaks to application of administration of the gas system. Section 166 speaks to revenue produced by the Authority and states any revenue of the system after meeting requirements of revenue certificates, may be used by the City for other municipal purposes, provided the City make provisions to pay operating costs and expenses of the Authority and set a reasonable reserve in the Authority's fund. The PGA has reserves of \$1,321,000 and of that; they've set aside \$400,000 in operating reserves, which is two months' operating costs, and \$400,000 for capital reserves. They have also set aside \$260,000 in deposits, which can't be used. Around \$261,000 is undesignated. In their proposed fiscal year budget they are asking the PGA to transfer \$300,000 to support the City and its operations. If they pay the City the \$300,000, under a proposed FY 2014/15 budget year end fund balance of \$1,135,029, their undesignated reserve would be \$75,029. The business units of the City, like Water & Sewer and Sanitation, help subsidize the operation of the City. The Commission has no authority to approve the Authority's budget. They also don't set the rate structure. They do have the ability to send a message to the Authority Board that they should adopt a budget and a rate structure to provide annual support as part of the City's annual budget process. They need to adopt a rate structure to support the asset.

**GAS AUTHORITY PRESENTATION** - Jud Neufeld, Chairman, Palatka Gas Authority Board, 204 Nellie Street, narrated a power point presentation on the Gas Authority's position. A document entitled Palatka Gas Authority Goals & Budget 2014-15 was distributed (filed). Mr. Neufeld said they do not believe they have these available surplus funds. They have operated with no debt. Slides were shown detailing current Gas Authority projects which are included in the 2014-15 budget. A slide was shown regarding the PGA's strategic plan including the Hastings Project, Project "C" which is Continental Gas (formerly LaFarge), and Project I in Interlachen for 2016. They maintain a steady, low cost operation.

A slide was shown containing a list of current capital projects. Discussion ensued regarding use of USDA Rural Development Funds for capital projects. A Gas Rate Comparison chart was shown. Mr. Neufeld said they have a lower monthly service charge as they have a lot of lower income homes they service. The average service charge is \$10 and they are at \$5 and \$7. They are higher than average on gas consumption. They are within the basic average range on fuel adjustment and distribution + fuel adjustment.

A slide was shown detailing customers by year from 2001 through 2014, showing a decreasing trend of customers from 2002 to 2009. Mr. Neufeld said they began reinvesting in the system and the trend has begun to increase beginning in 2011. In the past they have paid the City 50% of its profits. By reinvesting in the system and adding lines, they have increased customers. At this time they have 3,470 customers and hope to have more than 4,000 by next year.

A slide was shown entitled Financial Summary Audited 2010-2013 & projected through 2015 which shows they will be left with around \$40,000 in capital reserves. Mr. Neufeld said they don't believe they will have \$130,000 in surplus funds. The \$5.366 million they've transferred to the City since 1982 does include the \$1 million they've transferred over the last few years.

They believe they need their remaining funds. They will be forced to borrow money to complete projects. They would like the Commission to reconsider its request for \$300,000 as they don't have that money to give the City. Historically the contribution has averaged \$144,000 per year.

Commissioner Leary noted Mr. Neufeld called the Gas Authority's contribution a "gift." The Gas Authority is a department of the City. The City is in dire need of budget funds and next year may ask for far less. They need both short and long-term solutions for the City's budget crises. Commissioner Kitchens said if the City took the millage rate to 10 mills, it would not cover the \$300,000 they need to balance the budget. Commissioner Leary said they need to find a way to eliminate the need for a transfer of funds from the Gas Authority. The City has lost \$2 million in tax revenue from the two banks that recently came off the tax rolls. Basic services are 99% of their budget. Mayor Myers complimented Mr. Neufeld, Mr. Kitner and board members for the great job they have done managing the Gas Authority, noting the City has had to rely heavily on the Gas Authority for the past few years.

Other Palatka Gas Authority Board Members present: Ted MacGibbon, Charles Rabun, and James Vickers

**PUBLIC COMMENT:**

Christy Sanford, 312 Dodge Street, said Gainesville has a wellness program which allows them to not only cut insurance rates but give employees refunds on rates. She asked why the Police Department has 60 vehicles for only 36 officers. This is one of their biggest expenses. She is not against the Police Department, but everyone should be involved in cutting expenses. She noted large contractor overruns on the Water Treatment Plant improvements several years ago and hopes these projects can be completed with more oversight in the future.

Mr. Czymbor said the PD has 52 vehicles; some are not passenger vehicles, but are specialized vehicles that are used for specific purposes. They are surplus and selling vehicles that are not needed. He can provide the Commission with that breakdown. Commissioner Leary said they have a 41% poverty rate, which is directly correlated to high crime rates.

Mr. Czymbor said they are in the final stages of preparing the budget document. He asked for any direction or consensus for Cost of Living Adjustment (COLA) raises for employees, direction on infrastructure improvements, and extent of utility rate increases. Discussion ensued on looking for other funding sources.

**ADJOURN** - There being no further discussion, the workshop was adjourned at 5:48 p.m.