

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
August 21, 2014

Proceedings of a Budget Workshop meeting of the City Commission of the City of Palatka, Florida, held on the 21st day of August, 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; Planning Director Thad Crowe; WTP Supt. Melvin Register; Water & Sewer Distr. Supt. Rhett McCamey; Streets & Sanitation Supt. Ed Chandler; Airport Manager John Youell; Golf Club Mgr. Andy Heartz; Main Street Mgr. Charles Rudd;

CALL TO ORDER: Mayor Myers called the meeting to order at 3:00 p.m. and read the following amended workshop meeting call, dated August 12, 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, August 21, 2014, at the regular meeting place of the Palatka City Commission, Palatka City Hall, 201 N. 2nd Street, Palatka, Florida, to commence at 3:00 p.m.

The purpose of the meeting is to hold the 3rd Budget Workshop per the 2014 TRIM Calendar to discuss the proposed FY 2014/2015 Budget.

/s/ Vernon Myers
Vernon Myers, MAYOR

The following Commissioners acknowledged receipt of a copy of the foregoing notice of a workshop meeting on the 12th day of August, 2014.

/s/ Mary Lawson Brown
COMMISSIONER

/s/ Phil Leary
COMMISSIONER

/s/ James Norwood, Jr.
COMMISSIONER

/s/ Allegra Kitchens
COMMISSIONER

INVOCATION -- Commissioner Norwood

PLEDGE OF ALLEGIANCE – Commissioner Leary

BUDGET WORKSHOP – Mr. Czymbor said this is the 3rd budget workshop during this TRIM calendar year. This proposed budget was distributed on August 1. Staff is looking for direction on three items. The first public hearing on this Budget adoption is scheduled for September 11. They hope to propose a budget the Commission can adopt on September 25th.

Today Staff is requesting direction on 1) employee wage increases and percentage; 2) proposed utility fee adjustments and 3) the proposed Fire Assessment Fee. At the end of the workshop Commission will be able to make comments or ask questions on the line item detail.

Since the last budget workshop there have been several changes. They anticipated a 15 – 20% increase in health insurance rates; they have received one proposal with an 8% increase and are awaiting a second proposal. This amounts to a \$70,000 city-wide savings. There was a \$30,000 correction to the PD's NRA grant. They reduced contingency from \$100,000 to \$50,000 for unexpected expenses. They put \$50,000 in the Fire Department for the potential Fire Assessment Fee. They have dedicated around \$50,000 to work on the development of that for 2015-16. They've increased the Golf Course and Airport subsidies as they came in higher than anticipated, and added \$4,000 in capital outlay for a new vehicle for the City Manager. They have surplussed several vehicles, which saves money on gas, maintenance and insurance.

As for the Airport Fund, the transfer was higher than expected for a higher than anticipated operational deficit. Mr. Reynolds said he's set aside a contingency to make sure deficits could be covered at the end of the year. They keep the liabilities on both funds which show that those monies are owed back to the General Fund. Those amounts have gotten so large that the Commission needs to decide whether or not to keep those amounts on the books as liabilities to be repaid to the General Fund; if they do that, the auditors may consider this an increasingly deteriorating financial position. He suggests this be a one-time transfer from the General Fund so that those liabilities aren't increased.

Mr. Czymbor said every 5 years they have to renew the NPDS permit for the WWTP and the cost of that has been added to the Utility Fund. They went through the process for continuing services for engineering; they have three firms already ranked and will go to the highest ranked firm for a proposal first, second and third, pursuant to State law. Ayers Associates is the top ranked firm. The permit expires April 15, 2015. Commissioner Leary said they need to put together the information on water improvement projects in order to meet with Senator Thrasher/legislative delegation. There are other studies to be funded, and they will be putting together a RFP for the sale of biosolids, or sludge. Discussion ensued on issues and projects to be discussed with the Legislative Delegation for funding in the 2014 Legislative Session.

EMPLOYEE RAISES - Mr. Czymbor said he believes that during the previous five years the City's employees have been good workers. Last year they received their first raise in five years, which was very much appreciated by the employees. They need to come up with a consensus on providing the City's well-deserving employees with a raise. The figures on the 1%, 2% and 3% options were provided in their agenda package (filed). A 3% raise would reduce the General Fund balance by \$195,028. These figures anticipate full employment with all expected revenues being received; 99.9% of the time this does not happen. Based upon this Plan, or budget, this is the anticipated Fund balance. He noted that the 2015 Reserves include red light camera reserves of approximately \$285,000 and also anticipates a 10% increase in water & sewer rates. If the Commission does not want to increase rates by 10%, that figure will change. A fire impact fee will have no effect on the utility rates. It will impact the millage rate for 2015/16.

UTILITY RATE INCREASES - Mr. Czymbor said they spent a lot of time looking at the utility system during prior workshops. Slides were shown depicting water flow at a fire hydrant both before and after the Kate Street line replacement. This was 660 ft. of lineal pipe at a cost of \$35,150. If done by a private firm, the total cost would have been around \$33,000. It costs the City crews a little more to do this work. This is not a change in water pressure, but a change in water volume

The next slide was entitled Utility FY End Balances and Proposed Rate Increases. All budget figures and recommendations include a 10% rate increase, which will raise the Utility Fund balance to \$709,846. This can be used for line replacement. This costs around \$50 per lineal foot. In order to produce and treat the water, there are many fixed and variable costs. The system is in need of repair and replacement. They also provided figures showing increases of 7.5%, 5% and 3%.

Mayor Myers said the increase in the County's tipping fees due to the "no sale" vote on the landfill increases the financial burden on citizens. He said before they start passing along other increases to citizens, they need to consider all the increases for citizens. Commissioner Leary said he would like the opportunity to work with the legislature to try to get grant funding for these improvements as opposed to raising rates 10%. Commissioners Kitchens, Brown and Norwood concurred on all points; however, Commissioner Norwood said they have to start replacing some pipes, and aggressively so, and proposed a 5% increase.

Mr. Czymbor said not included in the proposed budget was replacement of the VacCon truck, financed at \$40,000/yr for 10 years, and \$70,000 for the Water System Revitalization Plan. Those expenses will come out of this fund balance. Commissioner Leary said they need to have that line replacement plan in place before they approach their legislative delegation. Mayor Myers concurred on putting a plan in place, noting the need to replace aging infrastructure is not unique to Palatka.

FIRE ASSESSMENT FEE - Mr. Reynolds presented slides on the Fire Assessment Fee, noting they are the same slides as were shown in the prior workshop. He's spoken with Mark Lawson, the attorney who handles the alternate type of fire assessment fee studies; not the "demand approach," but the alternative fee study called the "simplified" or "readiness" approach. The way this works is the attorney would prepare the resolution or ordinance the Commission would need to pass to put the fee in place. The attorney partners with another firm to determine the base land and improvement values. Based upon input from the Commission, they can adjust the "base" and "per \$1,000/improvements" fees and put those figures on a website, which any citizen can access. This will cost \$20,000. If the Commission does not pass the resolution or ordinance, there are no further fees. If the Commission does adopt it, the attorney would take it to the Supreme Court to have the revenue validated, so the City can purchase a Bond, which legalizes the revenue stream and ensures that, down the road, if the City decides to not implement the Fire Assessment Fee, none of the proceeds ever have to be repaid. The entire process costs around \$75,000, more or less. This process can be done in 3 to 4 months, from hiring the attorney, to the ordinance being passed, to taking it through the bond validation process. This attorney did a similar process for a small city in the Panhandle and it took around 4 months to complete the process. Discussion ensued regarding placing nominal fees on non-profits. When implementing special assessments, they have to be "fairly apportioned" throughout classes throughout the City. Everyone has to be assessed; you can't exempt certain classes. Certain classes of properties can be exempted, but they can assess government-owned buildings. If everyone pays something, it won't be a substantial fee.

Mr. Reynolds said, at the last budget workshop, he found information on the State's website comparing Palatka's total assessed property values and exempt property values, which shows percentages of institutional exemptions, the majority of which are churches and nonprofits. It shows the City has a far higher percentage of governmental exemptions than other like municipalities. For this coming tax year the City holds around 25% of the total governmental exempted value. The other 75% are held by the county, schools and the Water Management District, as well as the Post

Office, Palatka Housing Authority, Port and Developmental Authority. The City can decrease ad valorem rates 1/1 with the fire assessment fee, which will enable the City to lower its millage rate.

Mr. Czymbor said this concluded the City's budget presentation.

Mr. Czymbor said Staff needs to make a final proposal on the budget. The utility fee increases are subject to change on the first reading of the budget. Staff would like direction on utility rate increases and raises. They can prepare a 5% utility increase to put before them, which could be changed on first reading. The same applies to a 3% cost of living raise. There was general consensus of the Commission to not increase utility rates. Commissioner Leary said he will work diligently with the Legislature to procure grant funds for utility upgrades, noting Senator Thrasher will be the appropriations chair in the Senate, which is good news for Putnam County. Consensus was reached to put a Utility Replacement Plan in place. Mr. Czymbor said unless they put a utility rate increase in place, the City won't have the money to hire a firm to do the Plan. Commissioner Norwood said they need to commit to fixing the infrastructure, regardless of what the County does with the landfill issue. They have to start somewhere, whether it's 2% or 1%. They have to build a consensus on this. Their system needs to be addressed. If they don't start replacing lines now, they may need to raise rates 20% in a couple of years when water lines begin to burst all around them. He is seeing this happen now. Discussion ensued regarding a plan of action.

Mr. Czymbor asked for and received Commission consensus a utility rate increase is not recommended.

Discussion ensued on providing a cost of living raise for employees. There was consensus to adopt a minimum 2.5% raise for employees, and to propose both a 2.5% and 3% wage increase for employees.

Mr. Czymbor said Staff has proposed including the expense for the Fire Assessment Fee in the budget; there was consensus to keep that in the budget.

There was consensus to meet with Mr. Czymbor individually to pose questions on individual line items.

ADJOURN – There being no further business to discuss, the meeting was adjourned at 4:15 p.m. upon a motion by Commissioner Brown.