

TERRILL L. HILL
MAYOR - COMMISSIONER

MARY LAWSON BROWN
VICE MAYOR - COMMISSIONER

RUFUS J. BOROM
COMMISSIONER

JUSTIN R. CAMPBELL
COMMISSIONER

JAMES NORWOOD, JR.
COMMISSIONER



CITY of *Palatka* FLORIDA

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

TERRY K. SUGGS
CITY MANAGER

BETSY JORDAN DRIGGERS
CITY CLERK

MATTHEW D. REYNOLDS
FINANCE DIRECTOR

JASON L. SHAW, SR.
CHIEF OF POLICE

MICHAEL LAMBERT
CHIEF FIRE DEPT

DONALD E. HOLMES
CITY ATTORNEY

MINUTES CITY OF PALATKA BUDGET WORKSHOP July 14, 2016; 3:00 p.m.

Proceedings of a Workshop Meeting of the City Commission of the City of Palatka, Florida, held on the 14th day of July, 2016.

PRESENT: Mayor Terrill L. Hill
Commissioner Mary Lawson Brown
Commissioner Rufus Borom
Commissioner Justin Campbell
Commissioner James Norwood, Jr.

Also Present: City Manager Terry Suggs; City Attorney Donald E. Holmes; City Clerk Betsy Jordan Driggers; Finance Director Matt Reynolds; Police Chief Jason Shaw; Fire Chief Mike Lambert; Planning Director Thad Crowe; Public Works Manager Jonathan Griffith; WTP Supt. Melvin Register; WWTP Supt. Brian McCann; Airport Manager John Youell; Golf Course Manager Andy Hertz

CALL TO ORDER & Reading of Workshop Meeting Call – Mayor Hill called the meeting to order at 3:08 p.m. and read the following workshop meeting call, which was issued on July 6, 2016:

**TO COMMISSIONERS: MARY LAWSON BROWN, RUFUS BOROM,
JUSTIN CAMPBELL 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 14, 2016, 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 workshop meeting is to discuss the proposed FY 2016/2017 Budget (1st Budget Workshop).

/s/ Terrill L. Hill
Terrill L. Hill, MAYOR

The following Commissioners acknowledged receipt of a copy of the foregoing notice of a Workshop meeting on the 6th day of July, 2016.

/s/ Mary Lawson Brown
COMMISSIONER

/s/ Justin Campbell
COMMISSIONER

/s/ James Norwood, Jr.
COMMISSIONER

/s/ Rufus Borom
COMMISSIONER

INVOCATION - Commissioner Campbell

PLEDGE OF ALLEGIANCE -- Mayor Hill

1. **PUBLIC COMMENTS** – There were none.
2. **PRESENTATION & DISCUSSION** – Proposed General & Enterprise Funds budgets per FY 2016-17 TRIM Calendar Requirements – Matt Reynolds, Finance Director, said this presentation format is identical to what they did last year and includes both Enterprise and General Fund information. There is no Better Place or TIF fund information included and those will be discussed at the workshop on the 28th.

City Wide Assumptions include a 5% cost of living increase, 30% increase in health insurance cost due to claims rate of 92% of premiums paid; they will have better information on that next week. As to the City's share of pension contributions General Employees going from 23.3% to 22.4% of payroll; Police Officers from 11.6% to 8.4% of payroll; Firefighters from 31.3% to 32.8% of payroll. He has spoken to the League about getting a second quote, but because they can't get specific claims information from Blue Cross, they are hesitant to give us a quote. Blue Cross takes the position that claims information is proprietary. Mr. Suggs said this is due to the size of our employee group. Discussion ensued regarding group insurance options.

AIRPORT FUND – Revenues for hangar rentals decreased due to unrented larger hangars and the old terminal building. Hangar rental revenue is up due to construction of T-hangars, which are all full. Fuel revenues are reduced due to resale price of fuel; however, cost of fuel also decreased. As to expenditures, they anticipate no major changes to personnel and reduced fuel expenditures. The grant match required for obstruction removal project grant is \$21,680.

Commissioner Brown complimented and thanked Airport Manager John Youell on the annual Airport Fly-In and purchase of a fuel truck, stating he has done a good job of acquiring grants and promoting the airport. Mr. Reynolds said the City paid a minimal share on the T-Hangar Project, which was completed at a cost of \$1.1 million-plus. It is important to have competitive fuel prices; Mr. Youell makes sure the City's Airport has the lowest-priced fuel in the area.

A slide entitled Airport Fund Revenues & Expenditures was shown (filed). They budgeted a transfer from the General Fund of \$133,000 but due to lower than expected revenues; they project a transfer of around \$207,000 for the year. This will be offset by the Administrative Expense Reimbursement which will go back to the General Fund. They anticipate next years projected transfer to be \$207,000, a coincidental figure, which is around \$50,000 in Administrative Expense Reimbursement to the General Fund and the balance is debt service, which goes away in 2023. They hope to go back and recoup some project expense for overruns on older completed projects from FDOT. An example provided was overages for the Terminal Building Project.

UTILITY FUND - This includes a CPI rate increase for water & sewer maintenance of 4.9%.

Water Treatment Plant - For expenditures, there are no changes in staffing levels, a decrease in operating (chemical) expense. Capital Outlay expenses were as listed on the slide, which total \$68,000, which includes \$10,000 for HVAC replacement of components and \$40,000 for well upgrades. They hope to contract this out for next year, which will include a warranty on parts. The \$40,000 figure is for one well; the City has 8 wells. This way they will have a predictable cost. Per the question, the Water Treatment Plan is meeting all compliance conditions.

Waste Water Treatment Plant – For expenditures, there are no changes in staffing levels. Expenditures increased \$42,000 primarily due to equipment maintenance. Capital Outlay includes \$97,000 for 5 lift station and primary scum tank rehabilitation. They know the equipment is at the end of its life and it has to be replaced.

Discussion ensued regarding a Risk Assessment Study. Mr. McCann said they have done the studies; once the biosolids system is in place, the risk for the plant decreases, but they need to start investing now in lift stations.

Water/Sewer Distribution – There are no changes in staffing levels. There was a slight increase in operating expenditures. As to capital outlay, they have projected expenses for meters/meter repair, sewer repair materials, and sidewalk repairs. This includes \$60,000 for pipe and fittings and \$60,000 for debt service payment for a new vacuum truck, as replacement is critical. Last year they transferred \$25,000 from General Fund to address pipes, but they had to spend that on the Moody Road lift station and other critical repair costs. They did not address any pipe replacement this year. With the CPI rate increase they will be able to address some pipe replacement in the coming year. There are no non-compliance issues.

There are no changes in staffing levels for office administration. Due to the rate increase there was a \$23,000 increase in transfers to General Fund for franchise fees (5.9%).

A slide entitled Utility Fund Revenues and Expenditures was shown (filed). The reasons for the difference between projected vs. budgeted expenses were shown; the BCR project which did not occur this year was \$1.5 million. There was a \$55,000 projected increase in revenues versus project revenues. They anticipate doing much better at the end of this year on reserves; they will be close to the recommended level of reserves and will have money to start looking at larger projects. Mr. Reynolds said he missed adding in debt service for a new building at the City Lot, which they estimate at around \$400,000, or a \$30,000/yr. payment split between three funds.

GOLF FUND - Due to the outstanding RFP for management/lease of the course, Mr. Reynolds said he has not finalized budget figures. Current year projects on revenues are based on last year's revenues. They did not anticipate revenues on the snack bar due to the anticipated restaurant operation, which has not yet happened. Course maintenance looks to be around \$44,000 below budget for the year. Clubhouse expenditures are \$150,000 over budget due to the continuance of the snack bar operations.

A slide entitled Golf Fund Revenues & Expenditures was shown (filed). They show a budgeted transfer of \$121,354, but project it to be around \$293,297. He hopes to refine that estimate.

SANITATION FUND – Revenues include an anticipated rate increase of 6.5% per year for three years. Expenditures show no changes in staffing levels, but personnel expenses went up due to shifting of personnel, health insurance and raises. In collections, expenditures increased around \$115,000 due to increased tipping fees. They increased the debt service by approximately \$100,000 due to purchase of new sanitation trucks, a front-loader last year and two rear-loaders this year. They are rotating replacement of trucks on a yearly basis.

A slide entitled Sanitation Fund Revenues and Expenditures was shown (filed). Reserves in Sanitation Fund are estimated to be around 33.5% which is very good. Next year with the increase they plan to use around \$93,000 of reserves, which will drop it to 24%. He estimates with the planned increases, they will be breaking even on pulling expenditures from reserves and it will be back to normal. The goal is to provide a service at the actual cost of the service and stay at or above the minimum fund balance.

GENERAL FUND – They are projecting a decrease in ad valorem millage rate from 6.9967 to 6.2500. They estimate the collection of fire assessment at 95% due to uniform method of collection, instead of 60%, which is the current year estimate. To date they have collected around 71%. The vast majority of other revenue sources are trending upwards. The transfer from Gas Authority was reduced from \$250,000 to \$158,185 (5.9% of gross revenues).

As to expenditures, for City Manager's office that has decreased by \$65,000 for salary of Grant Administrator, whose duties will be reassigned as the former Grants Administrator is now the Public Works Director. They will allocate those duties to someone that is already a budgeted employee. In Finance there was a decrease of \$25,000 due to the State coming in and doing an audit the City had already budgeted for. In IT there were increases in operating expenditures and capital outlay for new servers and equipment. Commissioner Borom asked Mr. Reynolds to get with the County public works director to see how they can piggy back onto the County's recent fiber optic upgrade. Discussion ensued regarding the fiber optic network and connectivity options for city departments as well as increasing staffing levels in that department possibly through internships. Mayor Hill said they cannot have a "one person department" anywhere. Building & Zoning saw an increase of \$50,000 due to transfer of an employee from cemeteries. Police Department increased by \$80,000 due to debt service on vehicle leases and personnel due to cost of living and health insurance increases. They are one of the largest departments.

Streets - They made significant changes in this Department which created an increase of \$170,000 due to added personnel as well as health insurance increases and benefits.

Cemeteries decreased by \$25,000 as there are no personnel remaining in that department. All they have is operating expense. Discussion ensued regarding why the cemetery personnel decreased \$25,000 but B&Z increased by \$50,000, as one cemetery clerk was transferred there. Mr. Suggs said they will take another look at the figures.

Parks & Recreation increased by \$70,000 due to additional of two full time laborers and additional operating costs for field maintenance, herbicides and irrigation. They set aside \$50,000 for programs and that was reallocated – some to PAL and the rest for field maintenance contractor. Discussion ensued regarding money for programs. Mayor Hill said they want to see money allocated for programs and well as a program director which will decrease crime. It makes no sense to put a lot of money into maintenance and fields when you have no programs. Mr. Suggs agreed and said they can look at putting money into the budget for this purpose. He can proceed based upon input from the Commission or they can bring a number forth.

Water Taxis – This department is being created per Uniform Accounting Standards to cover the cost of insurance, maintenance and operating supplies, which is estimated at \$15,000 for the current fiscal year. He estimated money for next year's operating costs. Commissioner Brown said the intent was to have the operator cover those costs. They boats are supposed to support themselves. She'd like to see an RFP issued for an operator. Mr. Holmes said they have to insure the boats at a cost of \$1,000 per boat. Whether they budget for maintenance or not, it is his advice to insure the boats. If they do operate them and there is no liability insurance, this creates a whole other issue. Mr. Suggs said at this time they have a boat in dry-dock awaiting certifications and it is the City's responsibility to keep it insured and stored. They have no operation in place at this time. Storage fee is a few hundred dollars per month. Certifications are pending. Discussion ensued regarding dry storage of the boat versus storage in the water. Mr. Griffith said it costs several hundred dollars to put it in and out of the water so they are leaving it in the water at this time. He enumerated the items they have to address before they can obtain certification. The Coast Guard inspectors have said they can be here and finish certification within a month of addressing minor issues.

Transfers to Golf and Airport are estimated to be increased by \$170,000. They removed a one-time transfer to the utility fund of \$125,000.

A slide entitled General Fund Revenues & Expenditures was shown (filed). Revenues are projected to increase. Operating expenditures remain stable. They estimate being able to increase reserves to \$1,207,938, or 14.13%, and increase from 10.35%, for this year. Next year they project a reserve at \$1,211,053, or 13.61% of expenses. This includes a 5% increase in salaries and 30% increase of health insurance. This creates an almost-balanced budget.

3. OTHER COMMENTS

Mr. Suggs congratulated the Commission on addressing last year's deficit without using reserves, which have grown from 8% to 14%. Some of these were done on the shoulders of staff. They have addressed deficiencies thanks to department heads and staff. They have done everything they could possibly do to hold this budget and City together. He thanked departments and the Commission.

Commissioner Brown said she'd like to see the boats operational and operating.

Mr. Suggs reiterated they need direction between now and July 28th so they can address variables, raises, health insurance increases, CPI utility rate increases and other increases. They need to set the tentative millage rate at the July 28th meeting. They will adopt the millage rate in September. They can adopt a millage rate below the tentative rate set this month, but not above the tentative millage. They can set the tentative millage rate at the same rate as last year but adopt a lower rate in September.

Mayor Hill said they promised the citizens that they would have an overall reduction from 2014 base line to now, so they need to be at 6.45 mills or below. They have made major strides on increasing reserves but need to put a plan in place to replace infrastructure and maintain it. They need to get to a point to be able to pay employees a living wage and provide benefits.

Commissioner Brown expressed appreciation for budgeting employees a 5% increase. Commissioner Norwood concurred with Mayor Hill and Commissioner Brown and said at some point they need to take a survey of the City infrastructure and implement a replacement plan over a period of time. Mayor Hill said there are grants for rural communities to create economic development from Bethune-Cookman and other entities.

Commissioner Borom asked where they are with averages in water main breaks per month. Mr. McCamey said the number on paper is probably higher than actual.

Mr. Suggs introduced Miss Ware and Mr. Sessions, two participants in the summer intern program, who were in the audience.

Mayor Hill congratulated Department Heads for the great jobs they've done and sacrifices they have made during the past year.

4. ADJOURN – There being no further discussion, the Workshop was adjourned at 5:00 p.m. by Mayor Hill.

ANY PERSON WISHING TO APPEAL ANY DECISION MADE BY THE CITY COMMISSION WITH RESPECT TO ANY MATTER CONSIDERED AT SUCH MEETING WILL NEED A RECORD OF THE PROCEEDINGS, AND FOR SUCH PURPOSE MAY NEED TO INSURE THAT A VERBATIM RECORD OF THE PROCEEDINGS IS MADE, WHICH RECORD INCLUDES THE TESTIMONY AND EVIDENCE UPON WHICH THE APPEAL IS TO BE BASED. FS 286.105