**VERNON MYERS**
MAYOR - COMMISSIONER

**MARY LAWSON BROWN**
VICE MAYOR - COMMISSIONER

**ALLEGRA KITCHENS**
COMMISSIONER

**PHIL LEARY**
COMMISSIONER

**JAMES NORWOOD, JR.**
COMMISSIONER

CITY OF PALATKA
CITY OF PALATKA
FLORIDA

**ELWIN C. "WOODY" BOYNTON, JR.**
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.***

**CITY OF PALATKA PRE-BUDGET WORKSHOP**
**MINUTES**
**PALATKA CITY COMMISSION**
**Palatka City Hall**
May 26, 2011; 4:00 p.m.

Proceedings of a called workshop meeting of the City Commission of the City of Palatka, Florida, held on the 26th day of May, 2011, commencing at 4:00 p.m.

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

**Also Present:** City Manager Elwin C. Boynton, Jr., City Clerk Betsy Driggers, Finance Director Matt Reynolds, Police Chief Gary Getchell, Fire Chief Mike Lambert, Planning Director Thad Crowe, Water Plant Supervisor Melvin Register, W&S Supervisor Rhett McCamey, Public Works Director Ed Chandler, Airport Manager John Youell; Golf Course Manager/Pro Andy Heartz, and Bobby Weed & Ty Day, BWGD, Inc.

**CALL TO ORDER**: Mayor Myers called the workshop to order and read the following call, dated May 18, 2011:

TO MESSRS: 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 May 26, 2011, at the regular meeting place of the Palatka City Commission, Palatka City Hall, 201 N. 2nd Street, Palatka, Florida, to commence at 4:00 p.m.

The purpose of the meeting is to hold a pre-budget workshop for FY 2011-12.

*/s/ Vernon Myers*
Vernon Myers, Mayor

The following Commissioners acknowledged receipt of a copy of the foregoing notice of a special meeting on the 18th day of May, 2011.

*/s/ Mary Lawson Brown*
COMMISSIONER

*/s/ Phil Leary*
COMMISSIONER

/s/ James Norwood, Jr.
COMMISSIONER

/s/ Allegra Kitchens
COMMISSIONER

I. **OPENING REMARKS -** Mayor Myers said they are here to meet the challenges brought about by a tough economic environment. They will do the best they can for the citizens.

II. **FUNDS BY CATEGORY:**

**GENERAL FUND** - Mr. Boynton said he distributed his memorandum summarizing where they are this budget year and next budget year. The tax revenues were within 1% of what they had calculated last budget year until April; they began to dip in April and have continued to dip, and are trending down. Ad Valorem taxes are not coming in as anticipated. He projects a $400,000 shortfall through the end of the year. That is just in the General Fund. He and the Finance Director will recommend the CRA transfer $200,000 from the CBD TIF Funds to fund a portion of the Frank George Apts. Loan. They will then use Better Place Funds to fund other expenditures they had planned on funding through General Fund. That leaves a $200,000 shortfall in the General Fund. He's met with each department head and indicated he's looking to find upwards of $100,000 from the various budgets. He will have a better understanding of this in the next few weeks. Departments been asked to minimize any operating purchase that is not necessary in order to minimize the impact to employees. They've been tasked to keep all staff without impacting levels of service. The City has not laid off any employees; all have left due to attrition or retirement. He believes they will find the necessary $100,000 they need through the next fiscal year. The contingency set-aside will generate the other $100,000. They should know something more specific in the next few weeks. The June CRA meeting will indicate whether they can meet the shortfall.

Regarding the 2011-12 General Fund, Mr. Boynton said late yesterday afternoon they receive the estimate of property tax from the appraiser's office. The City is looking at a 6.8% reduction in property tax values. This amounts to around $220,000 drop in revenues. Coupled with the $400,000 they've lost this year, this could mean a shortfall of $600,000 to $700,000. They are looking to reduce general fund expenses, and increase general fund revenues, in the coming year. They are looking forward to maintaining all 158 employees, but this may be a stretch. Once they have reports from department heads, they will attempt to balance the budget for next year. Before summer break, the Commission will know if they can do this; if not, they may hold another budget hearing. The 6.77% drop was unanticipated. During Logic meetings they were told to expect less than a 1% drop. It was never up to 2%. They felt they were dealing with a $40 or $50 thousand drop in ad valorem revenues. They have not set aside funds to deal with this large of a drop. They have some ideas in mind to close that gap.

Commissioner Kitchens asked why they don't ask for the full loan payment from the CRA Board if they will approve it. Mr. Boynton said the full loan payment would deplete the TIF. This is an option and would take care of this year's shortfall. He will look at both options and report on that impact. It may prevent the City from having to go back to the CRA next year. Commissioner Kitchen said this is a valid idea. There will be more tax revenues coming in to the TIF throughout the year. Mr. Boynton said they have to be very careful of how much they transfer; Better Place Funds have to be used specifically for capital outlay and expenditure items. They have several loans that are capital expenditure loans. He will look at all options.

2. **PALATKA MUNICIPAL GOLF CLUB** - Bobby Weed, BWGD Inc. - Mr. Boynton requested the Golf Course be moved to the end for discussion.

3. **BETTER PLACE FUND** - Mr. Boynton said last fiscal year they did not appropriate any money for specific projects. They have some ongoing projects that are minor. The problem they have is that over the past four years, revenues coming into the Better Place Fund have dropped around 20%. Most of that goes to the Frank George Apts. loan. They have only $280,000 left for other projects. If they've allocated half of that, it leaves him little to move around. They need to consider this for capital expenditures and outlay for future years rather than have the money fund other new projects. They've discussed using that money to pay off debt service the City has accumulated on vehicles, and for inmate squads used for capital improvement projects. They want to use existing funds to help get the City through this. The Better Place Fund offers some help for the General Fund. There are no leftover funds in Better Place to use this year. There are several grants funded by other agencies for projects that have been completed, but the funds have not yet come in. They don't want to use those funds until they receive those grants. Some of these grants are 50/50, some are 100% funded.

4. **SANITATION FUND** – Mr. Boynton said the Sanitation Fund should finish just about even, with a transfer to General Fund for administration expenses. This Fund will lose money next year. With the rising cost of fuel, they are looking at a fee increase. They are also looking at consolidating routes or reducing routes to once a week, or privatization. He's discussing those options with Mr. Chandler. With a nominal increase this fund would be solvent. Commissioner Norwood asked to include a savings analysis while looking at consolidation. Mr. Boynton said they won't save on personnel, as personnel will shift, but they will save on fuel costs and vehicle costs. Commissioner Brown said the City has tried privatization, but found they could operate the utility more efficiently and at a lower cost. Commissioner Norwood said they need to look at every option; they may need to raise fees. Discussion ensued on personnel issues that may arise if pick-up goes to once per week. Mayor Myers said everything is on the table. They will rely on the City Manager to come back with the options. Mr. Boynton said if they are willing to sacrifice level of service, they can keep fees where they are, but then they will lose three employees. Seventy-five to eighty percent of the City's budget goes to personnel. They've minimized capital expenditures and operating budgets. When they start talking hundreds of thousands of dollars, there aren't many options. Through micro-management he could save $50,000, but the efficiency level decreases. $50,000 is also one staff member. Commissioner Leary said he recycles; he only puts his garbage can out once a week. If they focus more on recycling, they could get by with one pick up per week. There will be a huge effort to go to container deposit legislation. That would generate another revenue stream. Many cities have gone to "pay as you go" programs; if you use a reduced size container and you recycle more, you pay less. There are options they can look at. Mr. Boynton said sanitation collection has changed considerably. Tonnage on Thursday & Friday is significantly less than on Monday and Tuesday. They have homework to do on this.

5. **AIRPORT FUND** – Mr. Boynton said in 2007-08 the City was on the verge of seeing growth at the airport; they borrowed $2 million to finance construction of the terminal building, new hangars and other improvements. It was believed that the hangar rates would increase at such a rate as to repay those loans. They had to lower hangar rates in order to be competitive. That has caused the need for a nominal transfer to the airport this year to balance funding. This fiscal year there could be upwards of $150 – $200 thousand shortfall to repay those loans. They have another commercial tenant there that's paying higher than the normal cost. There's a potential land sale. If they do not see business pick up at the airport, the airport will also need to be supplemented by some degree by the Better Place Fund to pay down the debt. The Airport Advisory Board

wants to meet this challenge head on. They may consider refinancing or loan consolidation. At least for this fiscal year, they are comfortable with the Airport Fund. He is looking at reducing this budget by $40,000 to $50,000, to get them into a suitable loss ratio. At a maximum, they are looking at a $175,000 to $200,000 loss next year.

6. **UTILITY FUND** – Mr. Boynton said this is the one fund that is slightly outpacing expectations. Income is slightly ahead of projections, but expenditures due to increases in operating expenses have kept up with revenues. Next year they will be contemplating an increase to keep pace with the cost of goods and services. Fuel goes up and so does all other areas such as chemicals, pipe costs, other goods and services. This is a direct correlation. Electrical costs continue to increase. Next year expenditures will outpace revenues. They will need to increase rates to keep the same level of service. They cannot decrease level of service by minimizing employees; the WTP and WWTP are 24 hour facilities. They will look at minimizing costs where they can. Commissioner Norwood asked if they have optimized chemical use at the plants. Mr. Boynton said he believes they have. They are still tweaking this. They are working with the WWTP to see if they can minimize chemical feeds. Until they have the new aeration system in place, they won't know how this reacts to what the WTP is doing.

   Mr. Boynton said they are looking at $650,000 to $700,000 overall budget shortfall for next year. Coupled with the money they are losing this year, revenues could fall short by over $1 million next year. The economy has not picked up in this area. They have the prospect of a development coming in on the 100 block. They need to be patient with that. There are some residential developments that may be coming in. Any annexation they do now may not show up in the revenues for 2 years. They are looking at some positive things. They are looking at urban service boundaries. They will have a game plan in place by July. Hopefully the shortfall won't affect personnel levels. He feels comfortable that, come June, they will have a game plan to close the $400,000 gap without affecting level of service. This year is still a work in progress. Everything is on the table at this time. Furloughs are also on the table. A one-week furlough would save approximately $130,000. Other communities do one day per month furlough for employees. That is a last resort. Commissioner Norwood said he'd like to make sure employees have as much input in that as possible. Mr. Boynton said two-thirds of the City's employees are shift workers. To just say take a Friday off once a month is not easy. It puts more work on department heads. Department heads have picked up shifts to minimize overtime. The burden would be on them to make this work. It's an option.

   Commissioner Kitchens said to raise the ad valorem millage minimally from 8.65 to 8.7 would generate income and she'd like to see those figures. This would only cost a few dollars per year, per thousand dollars of value. She'd like to look at increasing ad valorem before utility bills.

2. **GOLF COURSE FUND** (revisited) – Ty Day, BWGD, Inc. distributed a report (filed). He updated them on the 'remainder of the year's numbers. For the rest of the year, the total income is projected at $231,000, which comes from actual usage in 2010. They feel comfortable with those numbers. The top sheet is a summary sheet; the others are supporting documents from each department. This is a forecast of how they will fare for the year. As to expense and salaries, this all comes off existing payroll reports. They are currently working with one less golf professional and will do so until July or later. The other expenses are nominal charges for website and marketing. The Cart Department is the lease on the golf carts. The increase in July is for repairs and maintenance if needed. There are no expenses in food & beverage or administrative; this is based

upon electricity and needs that they have. There may be some general operating funds they may not spend. If it's needed, they will buy it; if not, they won't spend it.

Mr. Day said the next page of his report is for the 2011/12 fiscal year. The very last page is the original pro-forma they distributed; he will use this as a reference point. The loss will be around $290,000 for this fiscal year; in looking at the pro-forma, they are looking at $266,000. They are in line with expectations, as outlined in the prior meeting. In looking at the summary sheet of the 2011/12 budget, it's in a calendar-year format. The column beside the total column will be the 2010/11 position, where they end up.

Mr. Day went through the columns individually. He said they have already talked about re-pricing food & beverage. They feel comfortable with the rest of the numbers. In the future they will need a rate increase to keep up with expenses. There's been no rate increase in 7 years. Cost of sales is the same; there's a $10,000 increase in cost of salaries. They are projecting an increase in expenses. They've chosen not to include any increases in outside play; they only included local play increases. They need to develop a higher rate for the out of town market. About 54% of play is generated from outside the City. About 47% of play comes from City residents. Mr. Boynton noted that's the 32177 area code, which is a bit misleading. This may come down to streets and numbers. Mr. Day said they are looking at options for food & beverage, including an independent operator. Commissioner Leary asked if they considered marketing the facility for rentals. Mr. Day said they do look at that. Mr. Day said they will revise the pro-forma and dovetail that into their budgeting.

Bobby Weed, BWGD Management, said he's accumulated a tremendous amount of information since the last meeting. A number of experts have visited the Course; he's worked with U of F personnel. They've done a thorough job of identifying problems with golf course conditions, which are improving. They work on solutions as they identify problems. They have a tremendous amount of information he's assembled on water quality issues with the effluent. He's provided Mr. Boynton with a memorandum on the ph balance. Simply put, the effluent is a positive and a good move and a good decision. The high level of ph and build up of sodium and total dissolved salts being on the extreme high level is partly due to the effluent, but they've had less than 3" of rain in the last several months. The ph of rainfall is 5.5; it makes everything fresher, because it provides a nice "flushing." The ph of the effluent going out on the course is from 8.2 to 9.5, which is excessive. It is causing the water issues they have. If they could get rain on a weekly basis, they'd all prosper. As to the quality of the effluent water, he said if you had two buckets, and one was full of dirty water and one contained pure, clean water, you could put all the high class detergents you wanted in the dirty water and use that water to wash your car, but your vehicle will still be dirty. If he washes a car with fresh water, it will be much cleaner. The salty water is not cleansing the soil, which is tying up the fertilizer. He's fertilizing greens every four days, which is unheard of. They are making headway, but not much. The solution is to minimize salt build-up, and the best way is to flush the soil. You do this by rainfall or to lower the ph of the water. While the water is coming from the WWTP at neutral, or 7.0, once it sits in the holding pond, it's at a substantially higher level. Another expert is coming in next week to meet with water department staff to discuss sulfuric acid injections on the discharge side of the pipes, so when the effluent comes out of the pond it will be treated in order to lower the ph. Bermuda grass grows at the optimum ph range of 5.2. Water ph and soil ph tracks almost the same after a while. If water ph is high, the soil ph will be high. They can only lower soil ph when they lower the water ph. It shows up worse on the greens because that's the tightest mowed grass they have. When you start mowing grass as tight as the

greens, the deficiencies will show up quicker. They know what the problem is; they are making progress on it with the continued build up of the salt in the soil.

Mr. Weed said another issue is the nematodes. These are parasites that suck all the juices out of the roots. They did not treat for nematodes last year. You can't get away with this at Palatka Golf Club for another year. He talked to the head of entomology at UF about his comment that Palatka is the "nematode capital of Florida." All the farmers in the region have the same problem. The golf course is affected by the minimal chemicals they can use. They can't skip nematode treatment this year. He will submit a price to Mr. Boynton next week. They are working towards solutions. The greens will recover quickly once they treat next month and flush with better water.

Mr. Weed said the golf business inside and outside Palatka is difficult. You can go to Palm Coast, with 10 golf courses, and their assessed value since 08 has dropped 71%. Also, those same 10 courses paid $1.8 million in taxes 2008, but paid $652,000 in 2010. The cost of maintaining a golf course is relatively fixed; it must be continuously maintained no matter the number of rounds played. This is a recreational activity; discretionary income is less today than six months or a year ago. The national unemployment is staying at 9%. Aging golfers are not being replaced quite as fast. Andy is working on programs in schools and junior programs, which they are supporting. They are opening their arms to the next generation of golfers. He's so pleased to see all the tournaments that are being held there to the benefit of the community. The golf course is integral to the community. He has no less optimism than the first day he presented his vision to them. They have accumulated a fantastic staff that is doing a great job. He's really please with Mr. Heartz. The General Manager is the overall quarterback. Nobody works harder than the maintenance manager does; he is making things happen. The numbers aren't where they want them to be, but they are putting in a tremendous effort to turn them around. They've made demonstrable improvements to the course. With the assistance they've received from the City Manager and support from the Commission, they all knew they'd lose money the first few years, but would monetize the asset. Comments are more positive today than last week on greens. He has the right staff, right programs, and right plan and they are being fiscally responsible. They can turn this corner. They will continue to share information however they can. As managers they are managing every line item in the budget. They said they would reduce their fee for the next five months so those dollars will go back into the golf course. They will continue to work through this and tighten belts.

Commissioner Kitchens asked if the ph makes the nematodes worse or if it has any affect on them. Mr. Weed said it does not. Commissioner Kitchens asked if they can just go back to regular city water to water the grass. Mr. Weed said the City has a deal with SJRWMD to use effluent. They are doing everything they can to take wells offline and use effluent district-wide. The City is ahead of the curve on using effluent; they just need to improve upon the quality of water on the discharge side. This issue has not occurred overnight. In the ensuing discussion, Mr. Weed said the golf course is not permitted to use the existing wells. SJRWMD would not permit use of those wells. Mr. Boynton said the solution does not have a significant cost. They have started today with a pumping system and have put acid out today. They are using hydrochloric acid right now, but sulfuric acid may be a better option. Either acid will lower the ph. They've known about this problem for several months; they want to be sure whatever they do is the right thing to do. They talked about using those wells, but couldn't because of the permit. That's when they came back with the acid injections. It's not the water they send there; it's the buffering that takes place that raises the ph. WWTP personnel have been working on this. The next aspect is the nematodes. If they do these applications, within

six to eight weeks they will see a different green systems; greens conditions make people play a golf course. A 10 – 15% increase in play will minimize losses. Come the Fall, when word gets out the greens are better, they should see play improve.

Mr. Weed said they know where the play is coming from; they've held back on marketing and Public Relations. They haven't been comfortable with marketing the product, but need to get the product quality up first. This course is a gem; they don't feel comfortable marketing anything less than a quality product. All courses are struggling, but they have solutions to address the course's problems. They are conservative with their numbers; he hopes to meet and exceed those numbers. Commissioner Leary said nematodes have made things significantly hard for farmers as well as recreational lands. They are looking for a quality product to use. The soil science of the golf course is already complicated. He's enthusiastic about the golf course potential and complimented Mr. Weed on his progress. Mr. Weed said the loss of the chemical "Nemacure" impacted the industry. The cost incurred on the nematicide is high, while the effectiveness is lower. The cost continues to go up.

Commissioner Norwood said he is satisfied that they have the problems identified. He wants to be sure they have no incidents with sulfuric acid over the long term. Mr. Weed said they leave that to WWTP staff. An expert is coming in to meet with them next week. He's already received a tremendous amount of information on it. He feels comfortable they've identified the issues. There are other biological opportunities he wants to pursue. He's notified U of F the course is open to testing opportunities. Commissioner Norwood asked if they've looked for nematodes in the waste water. Mr. Boynton said he has not; they can look at that.

**III. FINAL OBSERVATIONS**

Mr. Boynton said he handed them a 3-pg spreadsheet showing actual and expected expenditures. Looking left to right, it lists what they pay for executive salaries and how each department has been affected, and the trending. This does not include grants or capital outlay expenditures. You can see what departments have taken hits over the past three years. In looking at contractual services, this includes the PEO line item. He even had Mr. Reynolds look at why Work Comp expense has gone up significantly over the last three years. In three years they've seen a million dollar reduction; they may see another million dollar reduction in another year. There was a discussion on work comp rates and how they are affected. The Clerk noted the City had a very high loss experience one recent year, nearly 100%, and that impacts rates over a three-year span.

**IV. COMMISSION DISCUSSION**

Commissioner Norwood said they need to formally address the Putnam County BOCC and ask them to consider the golf course in their budget. They are supported by the community on this. The level of participation from County residents makes it imperative they ask the BOCC to consider this. They should look for a recommendation from the City Manger as to a trade-off for this participation. They may need to relinquish some authority to get them to come in as a partner. They need a partnership. The City cannot continue to support this Course alone. Commissioner Kitchens said they can raise fees for Putnam County players. They partnered with the County years ago on building the new clubhouse; The County agreed to make half the payment on the clubhouse and then refused to do so. Commissioner Norwood noted a different Board is now in place.

**V. ADJOURN** – There being no further discussion, the workshop was adjourned at 5:30 p.m. upon a motion by Commissioner Kitchens, seconded by Commissioner Brown.