

VERNON MYERS
MAYOR - COMMISSIONER

MARY LAWSON BROWN
VICE MAYOR - COMMISSIONER

ALLEGRA KITCHENS
COMMISSIONER

PHIL LEARY
COMMISSIONER

JAMES NORWOOD, JR.
COMMISSIONER



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 BUDGET WORKSHOP
MINUTES
PALATKA CITY COMMISSION
July 14, 2011 - 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, 2011, commencing at 3:00 p.m.

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 Attorney Donald E. Holmes; City Clerk Betsy Jordan Driggers; Finance Director Matthew Reynolds; Planning Director Thad Crowe; Police Chief Gary Getchell, Fire Chief Mike Lambert, WTP Superintendent Melvin Register; WWTP Assistant Supt. Brian McCann; Water & Sewer Distr. Superintendent Rhett McCamey; Streets & Sanitation Supervisor Ed Chandler; Parks & Cemeteries Superintendent Jeff Norton; Airport Manager John Youell; Golf Pro Andy Heartz;

CALL TO ORDER: Mayor Myers called the workshop to order at 3:00 p.m. and read the following call, dated July 7, 2011:

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

You are hereby notified that a special workshop meeting of the Palatka City Commission is called to be held on July 14, 2011 at the regular meeting place of the Palatka City Commission at 201 N. 2nd Street, Palatka, Florida, to commence at 3:00 p.m.

The purpose of the meeting is to conduct a FY 2011/12 Budget Workshop.

/s/ Vernon Myers
Vernon Myers, MAYOR

The following Commissioners acknowledged receipt of a copy of the foregoing notice of a special meeting on the 7th day of July, 2011.

/s/ Mary Lawson Brown
COMMISSIONER

/s/ Phil Leary
COMMISSIONER

/s/ James Norwood, Jr.
COMMISSIONER

/s/ Allegra Kitchens
COMMISSIONER

- I. **Opening Remarks** – provided by Mayor Myers.
- II. **Presentations By Department:**

GENERAL FUND

Mr. Boynton said for the first time, the Commission is not being presented with a balanced budget at this annual workshop. The General Fund revenue is some \$280,000 short of being balanced. They project revenues of \$8.2 million, ½ million shy of what came in last year, which is also ½ million less than the year before, and \$1.6 million less than four years ago. Over the past four years, personnel reductions have been made through attrition and further balancing has come by eliminating capital improvements, capital outlays, minimizing operating budgets to bare minimums. They have kept staff at 166 employees. He's provided a list of how staff is situated in the various Departments, and how staff is broken out. Of those 166 employees, 145 are full time, not considering commissioners as full time but part of that number; several volunteer firefighters are part of the part-time status as well as some contractual labor, which is almost a 12% reduction of employees, which constitutes a 16% reduction in revenues over that time. Most of this loss is due to miscellaneous tax number being lower than expected, which is made up of various state taxes. Most of this is telecommunications tax, which has dropped from 1.2 million to 200,000. The reason is that for almost a three-year period the City was overpaid by almost 1.8 million. They are now paying that back. Ad valorem is reduced by about 5%. The biggest loss was in telecommunications stream.

They are not recommending an increase in millage; they recommend the millage stay at 8.65. He's provided an article from the Dayton Beach Journal comparing Palatka's millage to other cities throughout the State. Going to the rolled-back rate is not an appropriate measure. It would solve the budget deficit, but this is not the course of action they want to take. They believe the shortfall should be made up internally, and will look to the legislative body to help find that shortfall. Back in 2010, the County and City instituted an additional local gas tax which generated enough funds to maintain levels of service in the Streets Department. They are down about 12% from a high of 190 employees three or four years ago.

As to the General Fund Pension Increases, this went from 14% of payroll last year to 21.6% of payroll this year; two primary factors are the number of employees contributing to the fund has decreased, along with return on investments in 2008, which was double-digit negative numbers.

Around \$200,000 was transferred from TIF funds to Better Place funds to assist with paying the debt service on the Frank George Apts. They feel comfortable that the budget in Better Place funds will be balanced with that transfer, but are not comfortable with the reserves going forward. Looking forward, they are looking at the 2011/12 budget year. Much of the transfer from the General Fund is going to the Golf Course and Airport. They are projecting almost \$150,000 will be transferred to the Golf Course to maintain that fund. This does not include the \$180,000 needed for the Bobby Weed contract. They are not recommending that be extended. If the Enterprise Funds, Golf Course and Airport are to break even, the General Fund would be

balanced, but currently they are looking to transfer \$250,000 to the Airport and Golf Course. Also, he's attached a list of all loans the City has outstanding. There are several in the General Fund. Every fund has a loan associated with it, with the exception of the Sanitation Fund, as the truck loan will be paid off next year, there will be no loans coming off the books next year. Mr. Reynolds is working with the banks to see if they can restructure 2 or 3 of these loans to interest-only payments for several years; this is another option for balancing the budget. It is unlikely they would have an answer to that question by September when they have to present a balanced budget.

Mr. Boynton thanked Police Chief Gary Getchell, whose budget is nearly \$300,000 less than last year. Most Department Heads have come in with a lower budget than last year, except the Utility Fund. Everyone has cut. The Police Department had the largest budget in the City and it has been reduced by nearly 10%, on top of the nearly 12% that was cut last year. If not for those efforts, they'd be looking at nearly ½ a million dollar shortfall. He extends his personal gratitude there.

CITY HALL (GENERAL GOVERNMENT), BETTER PLACE & TIF FUNDS – Mr. Boynton said they have proposed a budget that is approximately \$90,000 less than last year. They had hoped to reduce salaries and line items by over \$14,000, but the net increase to pension, health and insurance contributions increased it by almost \$21,000. Most of the savings in the General Fund are related to operating budgets and in the IT Departments. They were able to reduce some of the contractual services and equipment maintenance agreements. The good news there is that for many years they've been talking about replacing the software, which they did this year. They eliminated the HTE agreement, which saved substantial money. The other factor is that, of the budget they have for City Hall/General Government, 84% of the budget is set aside for personnel. They reduced operating budgets to bare minimums. If they can't come up with creative ways of funding that \$280,000 budget deficit, they will have to reduce personnel. Whether they have 10, 5 or one employee, the operating budget still has to be there.

In General Government, which includes legal services and social group transfers, funding requirements have increased by nearly \$51,000. The main reason is there is no contingency. For the first time they have shown the TIF fund transfer; there is about a \$51,000 increase in that category. They have maintained all contributions to social organizations. The request for contributions has increased; Keep Putnam Beautiful has requested several thousand dollars as their funding has been cut at the State level. They are fearful they may not have an agency next year. The Larimer's State funding has also been significantly cut. Keeping the Larimer open is important, but the City already has a severe budget deficit.

Commissioner Leary asked why they give the Chamber \$5,000. Mr. Boynton said they handle economic development for the City of Palatka. Putnam County funds the majority of those expenses; the municipalities make a small contribution. The Larimer contribution funds the Concert Series at the Riverfront and programs at the Larimer.

PLANNING, BUILDING & ZONING DEPARTMENT – Mr. Boynton said this budget has been reduced by \$13,000 in the salaries line item; pension and benefits have increased, but they have reduced contractual operating budget. 73% is personnel related expenses. \$50,000 is set aside for professional services; the Chief Building Official is a contractual employee. If they had to hire a full time CBO, it would be much higher.

Thad Crowe, Planning Director, said they have reduced staff by a code enforcement position and an assistant planner position. The Building inspector has gone to part time status. The

Building Official's activities can be reduced. They've reduced the operation expense due to software maintenance cuts. In the future there will be a need for another planning position in the department.

Commissioner Leary asked if there is a potential for working out a mutual agreement with the County on permitting; their permitting is down significantly and it may be more cost effective to enter into a MOA for building inspections, etc. Mr. Crowe said the City has an experienced building official and his experience goes a long way. He will be retiring soon. Commissioner Leary said that is the time to approach the County for those services. Mr. Boynton said the County does do plan review if Mr. Filion is not available. He is limited in his inspections due to a lack of certification in certain areas. This is an informal agreement. They can approach the County Administrator on a more formal agreement. The City has traditionally provided all Planning, Building & Zoning services in order to maintain its own identity. He'd prefer to keep that in-house, but if budgets get any tighter, that may be a prudent course of action. Commissioner Leary said they also need consistent building permit fees in line with the County's fees. Mr. Boynton concurred and said Mr. Crowe mentioned there is a need for an assistant planner type position. He needs someone who can do checks and balances on his work. The comp plan, codes, ordinances are antiquated. They try to move forward with simple items, which become issues, like mixed use residential downtown. This is not allowed in the City's comp plan. A fee schedule review is needed, but they are seeing increases in levels of activity on people inquiring about annexations, utilities, etc., and that's a lot for one person to handle and try to piecemeal in a comp plan update or code changes. They may need a workshop to prioritize initiatives as they move forward.

Commissioner Brown said she receives good feedback from citizens on city permitting processes. The people in their departments go above and beyond. Commissioner Kitchens concurred; the public is very complimentary about the City Building Department. They experience many more problems with the County regarding lack of information. Commissioner Norwood said he is hearing the City needs threshold inspectors and defined that as inspections on concrete, rebar, etc. Mr. Boynton said if it is building related, the City can do them. A contractor is required to do concrete testing for independent testing on PSI and the like. Commissioner Norwood said with the cuts being taking in the building department, no personnel cuts are being made, so level of service should not change. If they can't find resources and personnel are cut, they need to start looking at where those cuts will come from.

POLICE DEPARTMENT – Mr. Boynton said Chief Getchell cut nearly \$300,000 from his budget compared to last year. 80% of his budget is personnel. The rest is related to gasoline, cars, and a small component keeps the building open. Mayor Myers asked what percentile of the City's budget is the PD's budget. Mr. Boynton said \$3.2 M out of \$8.2 million, or close to 40%.

Chief Getchell said that is typical. They understand the financial predicament the City is in. Bottom line, moving forward into the next fiscal year, the citizens won't see any change in services; changes will be on the administrative side. There will be significant job realignments. They won't be able to continue videotaping City Commission meetings. His concern is that if he has to make additional cuts, they are talking about service impacts. They will have the same staffing level and some things will go away. They've tried to position the City to take on additional growth. The City is looking at new housing developments and commercial business, which they can absorb without having to increase personnel. They are also looking at crime prevention. The PAL program will go away. They will focus on core business, which is delivering law enforcement services to the community. The kids will see the change. They've scaled this back considerably over the last three years.

Commissioner Brown said people ask her about the police cars that are parked around town, and asked if those cars are being used. Chief Getchell said the cars outside the PD are assigned to officers who live outside the 10-mile radius. They park those cars at various business and communities. They are being used throughout the week on certain days, but not on all days. Commissioner Brown said citizens think the City has so many police cars they can just park them around town, so they need to get that message out.

Commissioner Kitchen asked what affect getting rid of PAL will have on crime. Chief Getchell said he can't say from an expert standpoint. They set this up, and it brought crime down significantly over the last 10 years. They need to bring it down further. The way to do that is to divert a generation away from crime, and educate the public on how to prevent crime. He hopes they will not see a change, but some may slip through the cracks. Commissioner Kitchens asked when they will stop filming. Chief Getchell said he's drafted a plan for changes and will go over that with the City Manager. Commissioner Brown said Congressman Mica suggested they look for some foundations that can help with certain programs. The 3-M company has a youth program. Also look at Boys and Girls Clubs of America. She asked that he look into those and call Patrick at Congressman Mica's office, who can help with that.

Commissioner Norwood said the PAL program really helped the community. The Girls' basketball team has won district championships 3 years in a row, and played in the Regional championship game. Last year the boys' team went to Regionals. They are in a bad economic climate and need to accomplish core business. He commended the Chief on not having forgotten what the PD's core business is. They have to get back to basics and provide those services.

Commissioner Leary complimented Chief Getchell; he has not received one complaint about the PD. He's been proud to be involved with their initiatives. He's presented a great business. He's glad to see filming go and believe people need to be active in government and be here during meetings. Commissioner Kitchens said she promised the public they'd be able to see what goes on at city commission meetings, and they appreciate it. She will make arrangements to keep filming meetings. Transparency is important. The public needs to see how elected officials do business. Some folks are not always comfortable with the camera on, but this is a campaign promise she made, and she will fund it if she has to. Commissioner Brown said whether the camera is here, it's always been empty unless someone has a problem with them. The camera has been good for them; people can now see what they are doing. Mayor Myers also complimented Chief Getchell on his fiscal adroitness, saying this will pass, but they will all be better off and will have a much leaner organization. Commissioner Norwood said these extra programs were never designed for the City/Police Dept. to continue to sponsor; these came out of the Weed & Seed program. The Police Department took over these programs because no one else stepped up. This gives them an opportunity to find corporate sponsors which was the original goal. Commissioner Brown said a parent's responsibility is to take care of their children, and sometimes parents forget that. They need more parent participation. She hopes parents will hear this and volunteer to keep these programs going.

Chief Getchell said they have a plan for PAL. The Board of Directors requested the establishment of a 501(c-) with paid employees. Obviously this will push that ahead. The Board can make decisions as to what they will do. As for furloughs, the personnel at the PD have worked without pay raises for three, going on four years, and the ones that have stayed have not complained. For them, furloughs will be a kick in the teeth. They need to keep up morale. He hopes the Commission considers this as they move forward.

FIRE DEPARTMENT – Mr. Boynton said this department has reduced their budget by nearly \$49,000, mostly through personnel related expenses. 85% of this budget is related to personnel. They do have an aging fire truck fleet. As trucks continue to age, maintenance cost goes up. They are researching options for truck replacement; USDA loan/grants are primary option #1.

Fire Chief Mike Lambert said the personnel budget hasn't changed a great deal. It went down considerably between 2009/10. They have increased personnel through SAFR Grants, which pays 90% of the salary the first year and decreases over a 5 yr. period. They already had employees in the DROP that would be retiring within that five year period. This lowered salaries, even with promotions. With that savings, and knowing bad times were coming, they could maintain the base salary budget with very little change, and it has even lowered this year. They have several people in the DROP that don't contribute to pension any more. They cut operating expenses drastically last year, and are at bare bones; they have just enough to keep equipment online. They do a lot of maintenance in-house. With fuel prices going up, this hurts. The SAFR Grant allowed them to hire 3 extra firefighters, which helps cut back on overtime. They maintain minimum staffing. In order to cut down on overtime expense he works shifts as needed, and picks up several shifts. They have guys who rearrange their schedules to cover when personnel are out. Everyone understands budget needs. Officers have stepped up and worked extra hours with no pay. They have no union issues. Having extra firefighters increases the level of safety for all firefighters. As to equipment, the newest engine is 14 years old; one is 20 years old and one 22 years old. They purchased two trucks at the same time, which was a mistake. They are at the point now that they have four engines that are in the same shape. The average life span of an engine is 10 years. One engine is having issues but can still be traded. They received a \$136,000 grant to purchase all new air packs, as they needed to be replaced. The Fire Dept. has State-recognized USAR and HAZMAT teams. They also do inspections in-house, along with pre-plans. Their Department is the highest trained in the State, if not the country; they do much of this in-house with little or no cost to the City. They are ready to do whatever it takes to protect the City and the public.

Commissioner Leary asked if they are still pursuing a lower ISO rating; Chief Lambert said they are at the point they can do that, but ISO has lowered its levels of staffing and inspections, and are around a year out on that. They may drop from a 5 to a 3, which should help. They can easily get to a four. Commissioner Leary asked if the City gets funding from the County fire service fee; Chief Lambert said no. Per Commissioner Leary's question, Chief Lambert said for any incident in the City, they call incident command. This is part of their training. At times, if the County is there first, the County takes the lead on incident command. This frees them up to do the manual work they need to do. They have a good working relationship with the County.

Commissioner Kitchens said the USDA meeting was quite informative and they learned USDA has bought fire trucks for cities in Florida. They bore down on the fact that they have things available, but the forms need to be filled out. She asked if the SAFR Grant is still available, and if so, can they use it again? Chief Lambert said they can get another, but it is still a disappearing grant. It looks like Crescent City will get a 50/50 match on a fire truck. He has a copy of that application. He hopes to have the USDA application filled out by next week.

Mayor Myers said if there's a small fender bender, an overwhelming amount of public safety personnel shows up to the accident scene, which seems like an overreaction. He asked if there is a way not to deploy too many units. He asked if it is a waste of resources, both personnel and equipment. Chief Lambert said you can never trust what a dispatcher states; it could be a one-car minor incident or a three-car pileup. They have a response protocol. The engine is for

manpower and in case you need the water. Usually there are two vehicles and three to four personnel. Until they arrive on scene, they don't know. You always need law enforcement. Most of their guys are EMT's, but for liability purposes, unless they are 100% positive they aren't needed, they have to go. They try not to use engines for hydrant inspections. How they perform normal daily activities has changed; they use squads more than they used to. There are efforts to minimize use of vehicles. They've cut their fuel cost by more than 1/3 by cutting back on use of large vehicles. Commissioner Kitchens related an incident where an ambulance had to be called for a minor accident. Commissioner Norwood said when you have hazmat cleanups these men are the only ones qualified to do that. He commended the Department's transparency; in the past, they've had a lot of issues with transparency, which lowered morale; now morale is quite different. If they cut one individual, the over time cost will go up higher than the money saved by lowering personnel levels.

PUBLIC WORKS DEPARTMENT:

TRANSPORTATION/STREETS – Mr. Boynton said they've been able to reduce expenses without changing level of service by nearly \$18,000 due to employees entering the DROP program, reducing pension costs. 44% of the overall budget is personnel-related; electricity alone for street and traffic lights is high; if that were removed, personnel expense would be around 70%.

Ed Chandler, Streets Supervisor, said they have six employees, down by two from last year. They are doing business as usual and maintaining two inmate squads. He could cut a position, but three of six laborers are back-up laborers for the Sanitation Department. He'd rather look somewhere else for cuts. They've not done paving for 3 to 4 years and have cut back on sidewalk replacement. They have completed most of their drainage projects. They will lose a few people in Streets by attrition due to retirements. They will maintain their level of service.

Commissioner Kitchens thanked him for the job they do and asked him to pass that along. Mayor Myers concurred, and commended Mr. Chandler's leadership. Commissioner Norwood said he appreciates that Mr. Chandler has looked ahead to see where personnel can be cut without losing his back-up personnel.

CEMETERIES/CULTURAL/PARKS/COMMUNITY CENTERS – Mr. Boynton said Mr. Norton oversees parks and cemeteries. Overall they are reducing the budget by about \$17,000. From 64% to 72% of these budgets are personnel-related expenses.

Jeff Norton, Parks and Cemeteries Superintendent, said some personnel have resigned over 2008/09 and going forward, which has cut back on personnel expense, as they were not replaced. There are three full and two part-time employees in Parks, and two full-time in Cemeteries, and one at the Bronson House. Parks and Cemeteries employees interchange duties. They have 50 years of combined expertise. Between 95 to 120 funeral services are held per year between the cemeteries. It saves time by the City providing vault services. Commissioner Norwood asked if all budget cuts have been in operations, and not in personnel. Mr. Boynton said no personnel have been affected; Mr. Norton said one employee recently resigned and that position has not been filled. No personnel changes are proposed. Commissioner Norwood asked if that replacement shows up in the budget? Mr. Reynolds said Current salaries were maintained. The salaries dropped when Ms. Sessions retired and will drop again this year. It will be very close. The figure shows includes the new employee. The budget will change by around \$20,000 if that person is not replaced.

Commissioner Brown said Mr. Norton has upgraded the Parks department through grants he has gone after on his own. His personnel are very courteous. He is to be commended. Commissioner Norwood said both Cemeteries and Parks staff are to be commended on their level of service.

BETTER PLACE FUND – Mr. Boynton said over ½ of the revenues coming in are dedicated to the repayment of the Frank George loan. Another significant portion is for the two inmate crews. The rest will be grant matches for current and potential grants. They will continue to roll those reserves forward. They should have between \$150,000 to \$175,000 rolling forward next year for capital improvement projects, but there is not a lot of money available for capital outlay. There is no contingency. Commissioner Norwood said they have to provide for a contingency. Mr. Boynton agreed, and said this budget is still \$280,000 from being balanced. This budget maintains all personnel and does not affect levels of service the citizens have become accustomed to. He can't say enough about staff's commitment to the City and what they do. Every one of them goes out of their way. They have had a difficult time with this budget; they don't want to strike people, because they are what makes things happen. It does not contain a contingency. Over the past three years they have transferred nearly \$800,000 to cover deficits at the golf course. That could have provided contingency. In March or April they may come in and make significant adjustments. Two years ago they made over \$200,000 worth of changes in mid-stream to make things work. They are starting below zero this year. The last time this budget was below \$8.1 million was 2004/05. The next year it jumped to \$9.4 million from \$7.6 million. In 2005, the Better Place Plan was enacted; the overpayment of telecommunications also started. If you took a straight line and drew it out, they would probably be in the \$8.1 to \$8.2 million range; they are now back to core service solutions. He hopes there is a solution available that doesn't affect level of service.

Commissioner Leary asked if Better Place funds are for capital outlay. Mr. Reynolds said they can pay for debt service, but he doesn't know the restriction on capital service. Commissioner Leary asked if they can reserve a portion of that reserve for capital outlay; Mr. Boynton said they could, but it would be specific to that capital outlay. Mr. Reynolds said in the General Fund they do have free and clear reserves of \$525,000, but that is just over 5% of the GF operating fund, and the recommendation is 18%. They don't have a contingency in the budget, so they are not adding to current reserves. .

Commissioner Kitchens said all departmental budgets contain funds for building and equipment maintenance. She asked what kind of emergency might require the use of contingency funds. She asked if they can earmark money in the Better Place Plan Funds and just leave it there until it's needed. Mr. Boynton said they would not move money from Better Place into another fund. Building & equipment maintenance funds get used up first. If that repair happens in November, they'd better hope nothing else happens throughout the rest of the year. They usually bring adjustments to the Commission in March/April. This year could be the year something big fails. Commissioner Norwood related an instance of garbage trucks failing before they purchased the new fleet.

Mr. Boynton said, overall they have reduced General Fund expenditures by around \$520,000, leaving a shortfall of \$280,000. If they set the tentative millage rate at 8.65, they can't set the final rate higher, but they can lower it. He wants to make that point. This won't be easy. They need to have public workshops; they could be overestimating levels of service. They could be providing too much or not enough service. They have options. Furloughs aren't an option. Debt service reduction is an option. Personnel transfers are an option. Commissioner Kitchens said

if they go up to the rolled back rate, they can reduce it if they can. The rolled back rate is a 47-cent increase per \$1,000 on the tax bill.

RECESS – Mayor Myers called a recess at 4:35 p.m.

RECONVENE – Mayor Myers reconvened the budget workshop at 4:45 p.m. and continued with department presentations.

ENTERPRISE FUNDS

UTILITIES - Mr. Boynton said they refinanced much of their debt last year and moved forward with a \$200,000 contingency. Given how rates were raised, they've done okay in that department. They have a contingency. They will have an increase in the operating budget in personnel of \$168,000; there are increase in electricity, chemicals and professional services. Nearly \$128,000 is directly related to personnel increases, mostly in pension costs. This is an increase from 14% of payroll to 21.6% of payroll. They are looking to increase rates by a minimum of \$2.00 per month. Today they will look at a power point on a rate study done by a firm, free of charge.

PUBLIC WORKS/SANITATION: Service & Maintenance – Mr. Boynton presented several options to maintain the current level for collection. Option one is to move to a once per week trash pickup. Option 2 looks at combining the three commercial routes into two routes. The final option is to privatize this service. Currently, the collection rate is \$11.00 per household per month plus collection fees associated with recycling, bringing the total amount to around \$13.50 for recycling and collection. Some of the privatized rates around this area range from \$12.02 in Trenton to \$14.44 in Crescent City. He was asked to look at rates for cities that collect their own garbage and has provided those rates. All those are based upon twice per week pick up -- one yard trash, one recycling. The \$13.50 per month the City charges for this is very competitive. Recycling charges are assessed by Putnam County and show up on the annual tax bill. Mr. Chandler was asked to determine when recycling days occur. Discussion ensued on getting the message out on recycling and when to put the blue bin out. Commissioner Leary said they can look at a pay-as-you-go recycling program. They need to do glass recycling.

Mr. Boynton said one of the three options they looked at is reducing commercial routes from three to two. They found that the dumpster would need retrofitting to do this, so this was eliminated. Privatizing would not produce a great savings; he's not sure if the recycling cost was included the Trenton cost figure. They'd have to increase collection cost by \$2.10 to privatize to twice per week pick up. Going to a once per week pickup is not indicative of a city trash pickup schedule. Other cities have twice weekly pickup. If they were to consider that, they could eliminate one driver and two laborers and save \$110,000, plus eliminate a truck. Currently they use street laborers to supplement sanitation. That would increase if they let two people go. They would have a higher turnover and would expose themselves to higher injuries and liability because of the amount of increased work for other employees. On Mondays and Tuesdays they have heavy garbage and sanitation workers are walking the entire route; this would add 60 miles. The rate increase is a more acceptable option. Palatka's rates are still well below fees charged by neighboring communities. They need a \$1 per month increase. If they do nothing, there will be no contingency in Sanitation. The trucks are six years old. They are looking at \$100,000 in maintenance this year and that number increases by the year. They cannot increase rates and hope nothing goes wrong. There is no contingency and no reserves in Sanitation, due to the golf course. That decision doesn't have to be made tonight. The options are once a week pickup or a \$1.00 per month per household increase. After next year

the trucks will be paid for, which will generate \$125,000 in additional revenue per year to go towards the purchase of a new fleet. They hope to get 10 years' service from these trucks. Commissioner Norwood asked if they want to purchase an entire fleet at one time, or stagger the purchase of trucks. Mr. Boynton said they would be in that position; you could pick the worst truck of the three and replace that one year, and replace a rear loader the next year. It is likely they could purchase one truck per year over five years. They could do this without borrowing money. They've maintained the current fleet quite well.

POWERPOINT PRESENTATION – Andy Burnham with Burton & Assoc., a firm out of St. Augustine, said they provide financial management and rate plans. They want to show what they can do to help the City manage its utility systems. This is about financial management. Grant Misterly, who will be making this presentation with him, is with ATM and works in utility infrastructure area. They have assessed Palatka's utility system and have recommendations and conclusions, which includes comparisons to other utilities and national indices.

A power point presentation was given, starting with key issues, going to renewal and replacement analysis, potential additional capital needs, annual rate revenue adjustment plan, and finally rate structure improvements. Mr. Burnham said they specialize in multi-year financial planning and rate services to local governments since 1988. They serve many NE Florida municipal utilities.

Grant Misterly, Sr. Engineer with Applied Technology and Management said they work predominantly with municipal utilities, infrastructures, and waterfront. They have many clients in NE Florida and understand issues facing many utilities in NE Florida. He said his presentation revolves around two principal components. The first is to develop a multi-year financial management plan that will provide for funding for replacement facilities. They also will ensure compliance with terms of existing debt and maintain adequate, prudent operating reserves. The 2nd component is preparation of a comparative rate survey to show them where they stand compared to communities around them, to evaluate conformance of the rate structure to national structures. They've developed a financial plan that would maintain three months of operating expense contingency. This is recommended by all rating agencies. That's around \$700,000 for the City; the current reserve is less than \$200,000. The City also has to maintain an adequate debt service ratio of 2 times the annual debt service. Current revenues don't provide any funds at all to address replacement of current systems. Their rates need to provide revenue for this gradually.

Mr. Misterly presented his renewal and replacement analysis. He said he looked at reinvestment in the system. The first step was to come up with a replacement value of the system. The cost is around \$115,128,000 considering water distribution system, sewer collection system, water plant and WWTP. The life expectancy for each is from 32 to 40 years. Divided by the expected life expectancy, the City should be setting aside \$3,023,370 per year.

Occasionally you have repair and maintenance costs plus capital improvements. He met with supervisors in each department during his evaluation to determine what they will need to do over the next five years. They need to gradually increase their reserve to pay for replacements over the next five year. They recommend an annual rate increase of around 5.25% per year, or \$2 per month per year. That level of increase is consistent for local and national water & utility systems. A regular plan of adjustments is consistent within the industry. The US CPI water and sewer increase chart shows about a 5% increase per year for 10 years, which is consistent. This is on a national basis. They surveyed neighboring communities as to their current water & sewer bill per 4,000 gallons of use. Palatka is fourth from the bottom, or fourth lowest. Even

with a series of \$2 per month per year increases, they will still remain 4th in line. This does not include sanitation. Many of these utilities have increases planned for over 5% per year.

They compared the city's rate structure to other utilities. Cost is very comparable; they can adjust areas of rate structure to make it better. They enumerated specific suggestions:

1. Reduce level of fixed monthly charges to \$30 from \$39
2. Remove minimum allowance to enhance affordability
3. Implement an inclining block rate structure, which means the rate increases for higher levels of consumption
4. Adjust fixed monthly charges by meter size; customers with larger meters pay higher fees consistent with potential demands.

These would enhance affordability; at the end of the day, they need to be revenue neutral.

Conclusions and recommendations were provided. Revenue produced by current rates is not sufficient to address aging infrastructure. They need to consider establishing a plan of rate revenue adjustments based upon water and sewerage CPI with an annual increase of 5.25% greater than water and sewerage CPI. They should review/update the financial model on an annual and bi-annual basis. They need to consider performing a rate structure analysis and develop modifications consistent with industry practice, conservation and affordability objectives, local practices, etc. They need to stay on top of the planning on a yearly basis. They need to enhance affordability to low volume users.

Commissioner Kitchens asked if he compared average annual income for residents in those other towns as well; Mr. Misterly said no, the cost of the system and delivering utilities is what counts. As to income, Mr. Misterly said income does come into play with grant applications; they look at how rate increases impact citizens and their income levels. Commissioner Leary said he likes the declining rate structure; this will help with lower income folks, as they generally don't use a lot of water. He agrees state and local grant money will dry up and they need to be prepared to do this themselves. Mayor Myers concurred; they have a lot of lower income people in the community and a water bill is a significant expense. If they lower bills in one area, they need to raise them in another. He asked if they have enough commercial users to make up for this? Commissioner Norwood said they all hear about the rust that comes out into customers' sinks; they need to look at replacing those oldest lines. They need to provide good quality water. Cost will always be an issue if you don't plan for it.

Mr. Boynton said his recommendations are to solicit a proposal from Burton & Associates for this study, and to increase rates up to \$2 for water and zero for sewer. Commissioner Kitchens said she's inclined to vote for a rate increase taking into consideration the economy, but is against paying someone to do a structure analysis. Mr. Boynton said they don't have the time or expertise to do this in-house. There was consensus to bring the cost analysis back in August. Mayor Myers said enterprise funds need to be self-sustaining.

PUBLIC WORKS/WASTE WATER TREATMENT PLANT - Brian McCann, WWTP, said the plant looks good, they've made improvements, going from an average daily flow of over 2.4 mgpd to 1.6 mgpd. The Plan has been re-rated from 3 mgpd to 3.5 mgpd, which almost doubles capacity. Mr. Boynton said five years ago they were looking at having to expand the WWTP by 3 million gallons per day, and now have an excess capacity of nearly 2 million gallons per day. This alone has saved the City \$10 to \$15 million. Mr. McCann said they are in the middle of a construction project that will increase their capacity to chlorinate water and on the reclaimed system. They should be able to put out enough reclaimed water to meet capacity.

They are replacing aerators that don't meet DEP requirements. Their operators maintain around 40 lift stations throughout the City; he can't see personnel cuts. Commissioner Norwood said they are doing ph control, and asked what that cost is. Mr. Boynton said they paid a lump sum cost of three months. Mr. McCann said he doesn't have those figures. Mr. Boynton said it is not significant and can be absorbed by the current chemical budget.

PUBLIC WORKS/WATER TREATMENT PLANT – Mr. Boynton said Mr. Register has been recognized as the 2011 Water Plant Operator of the Year in Florida.

Melvin Register, WTP Superintendent, said they have a staff of six; four shift operators, a mechanic and himself. They require 24/7 staffing and are staffed at minimal levels. He can't see losing anyone. They built a new water plant last year and are putting out good water. They have a 6 mgpd capacity and put out around 2.5 mgpd. With a larger plant they have more maintenance costs. He fills in where he can. He thanked Ed Chandler for use of his inmate crews, who take some of the burden off their mechanic by doing lawn maintenance. As for the plant's operation expense, they keep them as tight as they can. They haven't asked for any increases, although the cost of everything is going up. Their pension cost went up. They've tweaked what they could. Their cost to produce water is around \$1.30 per thousand gallons; five years ago it was 85 cents per thousand gallons. They are making pennies on their water; this is just barely enough to cover operating expenses; they have no reserves; they are behind on well refurbishing. If they have a well go down, it will cost major dollars to fix. The old building is still there, operating as the pump house now. They discovered a void underneath the building which will have to be addressed. They are doing what the government requires them to do. The plant is doing what it needs to do and for the first time in many years they are in compliance with state and federal regulations. They are producing good water and are doing it at a reasonable cost, but that cost will continue to go up. They are the only plant in their classification in the State that does ultra filtration. He's had other utility managers visit the plant, as well as schools and youth groups on tours. The water plant is something the City can be proud of. Commissioner Norwood said water management requires they put meters on the wells, and it could be catastrophic if those go out.

PUBLIC WORKS/UTILITIES: Water & Sewer Distr. & Water Administration – Rhett McCamey, Superintendent, said they've trimmed down three positions and now have 14 employees. The FDEP requires as of May 1, 2011 that all water distribution operators become licensed, and they've met that mandate. Sewer collection system is in good shape due to lining projects to combat infiltration. This eliminated the need for a new sewer plant. Approximately 53 miles of their lines need to be replaced. They are at the point that if they had funds, they could do this in-house. Projects like the Dunham Street project have improved water pressure in the north side of town. Comparative photos were distributed. Mr. McCamey said the vacuum truck is 15 years old; it was set to be replaced at 10 yrs. old and was transferred to the Street Dept; they've spent over \$10,000 on repairs to it alone. Their total equipment maintenance budget was only \$7,000.

Mr. Boynton said they've been operating with minimum reserves for a number of years, which have not allowed them to maintain and replace equipment. Even if they are to increase by \$3.00, they will still be underfunded. They need to get ahead of these issues.

PALATKA MUNICIPAL AIRPORT - UTILITY FUND – Mr. Boynton said this year they will transfer around \$100,000 from the General Fund to the Airport Fund to meet budget. Much of this has to do with the decision to build the new terminal building and hangars, and that debt service. They needed these improvements. They are now a corporate airport and are poised to take advantage of this when the economy turns around. The deficit is due to the economy. The

hangars just didn't rent after they were built. They've had to reduce rates on commercial hangars to minimums. In order to be competitive in the fuel market, they are selling more fuel today than last year at a lower net profit. He believes in the Airport and believes by the end of the fiscal year it won't be necessary to transfer money to the Airport, but at this time there is a need for a transfer.

John Youell, Airport Manager said it is taking longer to rent some hangars but this is something all airports are experiencing. They need to look beyond general aviation and need to look to larger aircraft markets. The improvements are worth every penny put into them. They are just waiting on returns. Some markets are going very well. The aircraft painting business is doing quite well and is looking at more contracts. Some months ago they assembled a team to put together a marketing plan, which is just about ready for dissemination. Mr. Boynton said Chief Getchell spearheaded the effort and it was done internally. He thanked Chief Getchell for putting that together. The estimated budget will be presented by Sharon Buck at a future meeting. Mr. Boynton said people are looking for larger hangars, and the runway will be strengthened significantly to accommodate jet traffic; they are looking at a G-4 as the largest they can take. They are making strides even though they have a deficit, but you have to struggle through after making improvements. There is a restaurant proposed for the Airport. They can restructure loans to balance these budgets; it may not happen by September, but it can come about before the end of the 2011/12 budget year.

Mr. Youell said they recently lost a long-term employee, Donna Franklin. They will replace her. They are looking at every single line item and are looking for volunteers.

MUNICIPAL GOLF COURSE CLUBHOUSE & GROUNDS MAINTENANCE – Mr. Boynton said the Commission has made several efforts and has spent over \$800,000 to save the Golf Course in the past few years. They are looking at having to make a \$150,000 transfer from the General Fund to keep it going, and he is not making a recommendation to renew the Bobby Weed contract. They just can't continue to pay that \$180,000 management fee. One recommendation is to consider selling the golf course. The other option is to create a partnership with Putnam County. They've talked about this over the last several years. He is requesting permission to set a date to appear before the County Commission to propose a partnership.

Commissioner Norwood said they have developed a good working relationship with the County. There is an opportunity for them to approach the County on an interlocal agreement. There is a huge discrepancy between county citizen usage and city citizen usage. They need to approach the County before looking at selling. He'd liked to be part of the contingency that goes before the County. Commissioner Kitchens concurred. There was consensus to allow the City Manager to appear before the County Commission to begin this discussion.

CLOSING REMARKS – Mr. Boynton said in regards to the Enterprise Funds, in order to move forward with a contingency, they need to either move forward with reduction in service or an increase of \$1 per month for sanitation, and \$2 per month for water/sewer service. He is also recommending that Burton and Associates move forward with an analysis. Finally, if they don't do the rate structure increase, they will experience a \$200,000 shortfall next year and he will have to have a recommendation on how to cover that. The General Fund to Airport Fund transfer may not need to happen by this time next year, but they need to put that in the budget. The only prudent action on the golf course is to move forward with partnering with the BOCC, and if not, they need to take a serious look at selling the golf course.

Commissioner Kitchens said she thinks at this point she will support a rate increase. She does not support the Burton and Associates study, as this is a cost. They have too many other costs. A study is useful and they can do it when the economy supports it. She can't justify studies when employees get no raises.

- III. **ADJOURN – There being no further discussion, the Budget Workshop was adjourned at 6:05 p.m. upon a motion by Commissioner Brown, seconded by Commissioner Kitchens.**

PERSONS WITH DISABILITIES REQUIRING ACCOMMODATIONS IN ORDER TO PARTICIPATE IN THIS MEETING SHOULD CONTACT THE CITY CLERK'S OFFICE AT 329-0100 AT LEAST 24 HOURS IN ADVANCE TO REQUEST ACCOMMODATIONS.