VERNON MYERS
MAYOR - COMMISSIONER

MARY LAWSON BROWN
VICE MAYOR - COMMISSIONER

ALLEGRA KITCHENS
COMMISSIONER

PHIL LEARY
COMMISSIONER

JAMES NORWOOD, JR.
COMMISSIONER

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

MICHAEL J. CZYMBOR
CITY MANAGER

BETSY JORDAN DRIGGERS
CITY CLERK

MATTHEW D. REYNOLDS
FINANCE DIRECTOR

GARY S. GETCHELL
CHIEF OF POLICE

MICHAEL LAMBERT
CHIEF FIRE DEPT

DONALD E. HOLMES
CITY ATTORNEY

MINUTES
CITY OF PALATKA CITY COMMISSION
WORKSHOP MEETING – PALATKA GAS AUTHORITY

July 19, 2012; 4:00 p.m.

Proceedings of a called workshop meeting of the City Commission of the City of Palatka, Florida, held on the 19th day of July, 2012.

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

Also Present: City Clerk Betsy Jordan Driggers; Finance Director Matt Reynolds; Police Chief Gary Getchell; Fire Chief Mike Lambert; Main Street Manager Charles Rudd, and Jay Asbury, Counsel for Palatka City Commission

Also Present for Palatka Gas Authority: Jud Neufeld, Chairman, PGA Board of Directors; PGA Board Members Charlie Rabun, Ted MacGibbon, Marc Spalding, and PGA Executive Director Don Kitner. Absent for PGA Board: James Vickers

CALL TO ORDER: Mayor Myers called the meeting to order at 4:00 p.m. and read the following meeting call, which was issued on July 13, 2012

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 Thursday, July 19, 2012, 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 workshop is to hold a joint workshop meeting with the Palatka Gas Authority Board of Directors.

/s/ Vernon Myers
Vernon Myers, MAYOR

The following Commissioners acknowledged receipt of a copy of the foregoing notice of a special meeting on the13th day of July, 2012:

/s/ Mary Lawson Brown
COMMISSIONER

/s/ Phil Leary
COMMISSIONER

/s/ James Norwood, Jr.
COMMISSIONER

/s/ Allegra Kitchens
COMMISSIONER

Mayor Myers said the purpose of the meeting is to facilitate a transfer of $1 million from the Palatka Gs Authority to the City of Palatka General Fund. He's asked Matt Reynolds, Finance Director, to provide a succinct presentation on the City's budget FY 2012-13. He noted the presence of Jay Asbury, Esquire, counsel for City of Palatka, as Mr. Holmes, who represents both the City of Palatka City Commission and Palatka Gas Authority, has recused himself from representing either party in this matter.

Mr. Reynolds said he prepared a presentation on the budget. He showed budgets beginning with 2007/08, which, at $13,618,372, was a high budget as it contained the purchase of the Frank George Apartments, which amounted to over $3 million. Budgets have steadily decreased; the FY 2011/12 budget is projected at around $7.5 million. Ad valorem tax revenues went from a high of $3.491,999 in F/Y 2007/2008 to $2,996,516 projected for FY 2012-2013. As to communications services tax revenues, in 2008 the City had received almost $1.2 million. Unbeknownst to the City, they were receiving the improper amount of service tax. The following year, 2009, the City was notified of the $1.7 million overpayment, and those overpayments stopped. In March, 2011 the City started repaying that overpayment at a rate of around $300,000/year, which will continue for another four years, into F/Y 2018. As to federal grants, most of those were SAFR and COPS grants which went to offset the hiring of firefighters and police officers; those positions were grant-funded at 100% in the first year of the grant, but drop down to zero funding over the course of several years. Next year there will be no grant funding for those positions. Grants won't be going to offset recurring costs going forward. They will not receive any state grants this year or next. These are some of the reasons the City's revenues have dropped.

As to revenue decreases from last year, Mr. Reynolds said ad valorem tax receipts will decrease by $230,000 and franchise fee revenues decreased by $300,000. Revenue from federal grants has decreased by $220,000. Transfers from Enterprise funds were decreased by $111,000, and other revenues are decreased by $58,000. Mayor Myers said as to the Clay Electric Franchise, they are currently renegotiating that franchise agreement, but it will not likely be at the 6% of their revenues as has been paid in the past.

As to expenditures, Mr. Reynolds said expenditures have increased around $461,000. This is mainly due to an increase in the transfer to the Golf Course of $172,000, an increase to the transfer to the Airport by $36,000, and an increase to City Hall's budget of $72,000 for the Main Street Manager. Building & Zoning shows an increase of $61,000 to hire a full-time building inspector and for building maintenance. As to Police, there are increases to pensions and technology; this is city-wide technology. The Main Street Manager's salary will come from CRA funds and he will make that transfer on October 1, but he has to show this in the budget.

As to revenues versus expenditures, Mr. Reynolds noted a slide which shows decreases in revenue and increases in expenditures, which shows how they arrived at the $1.4 million deficit. Since the pre-budget workshop, he's increased revenues by $130,000 due to the final estimate received on ad valorem tax, and other estimated revenue increases, such as Better Place funds and sales tax, for a total increase of $130,000. He's increased the amount of the transfer from

the Water & Sewer fund back to what they were last year; in order to do that for the water fund he had to cut out some proposed capital improvement projects, such as new radio read meters and a vacuum truck purchase, and a new truck for WWTP. The expense budgeted for WTP well cleaning and renewal remains the same. He left part of the money for new meters. They have been using radio read meters for over a year now, but some of the 1 and 2 inch meters were never changed out. Per Commissioner Kitchens' question, a 0.1 mill increase will increase ad valorem revenue by $32,000, so a 1% increase would add $320,000 and ultimately decrease the deficit. Mr. Reynolds noted he added $168,000 to franchise fees; this is the Clay Electric franchise fee at 4% and not 6%. Commissioner Leary said it's very doubtful the City will receive anything on that.

Mr. Reynolds said he was able to decrease expenditures by $101,758. Bobby Weed has notified him they are willing to go to $4,000 from $6,000 on their contract fee, and the total contract will be $48,000 per year. Regarding the County's participation in the Golf Course, discussion ensued on support from Putnam County BOCC on this. Mayor Myers said when the new City Manager comes on board, he can request a spot on the BOCC agenda to go on the record and ask for this. Mr. Reynolds said he decreased the amount of transfer to the TIF funds due to decreases in the amount of TIF funds coming in. It was $220,000 but is now around $180,000. He decreased expenses in Better Place to make the loan repayment on the Better Place Funds, which helped to reduce the deficit. This leaves $88,000 for other capital improvement projects and grant matches; this money is not yet specifically directed for any project, but the money can only be used for certain things. This leaves revenues of $8,269.754 versus expenditures of $8,770,563, leaving a deficit of $500,809. This does not include taking the rolled back rate into consideration.

The last slide shown presents remaining options. One of those is adopting the rolled back rate of 9.1749 mills. A millage of 10 mills would still leave a remaining deficit of $32,000. A fire assessment fee could bring in all of the Fire Department's budget of $1.79 million. Several other cities recently approved this fee to balance their budgets. Commissioner Leary said he's done a lot of research on this. Somewhere between 25 – 26% of all households pay no ad valorem taxes. They need to start moving forward on this, even though it's too late for this year. If this is in place they can start reducing millage rates for everyone. This will close this gap for next year. Mr. Reynolds said there may be some revenue coming in from the Red Light cameras, but he can't begin budgeting for this as there is no historical data on that. That could change during the Legislative Session each year and disappear. It is approved by the State now, and many other cities put aside that money in case they ever have to pay it back. Another option is furloughs and reduced health insurance contributions for employees; this means a direct pay cut to employees and reduced benefits. It would mean 17 days of unpaid leave next year, which would result in $300,000 in decreased expenditures, and would be a 6.5% reduction in pay. Right now the City pays 75% of heath insurance costs no matter what option the employee chooses. If the City only pays 75% of employee only, the employee would still be free to choose whatever plan they want, but it would reduce expenditures by $211,006 per year. Those two combined would eliminate the remaining $500,000 deficit. Finally, a 7% reduction of expenses of every department in the General Fund would eliminate that remaining deficit of around $500,000. The other option would be a transfer, but this is unsustainable. If they transfer $300,000 from TIF, they won't be able to do that next year. Those transfers of $800,000 are unsustainable. The 7% reduction would results in layoffs in all General Fund departments. Mayor Myers noted employees have been reduced from around 190 four years ago to around 150 now without a reduction in services, through attrition and retirement. Commissioner Kitchens said she'd be amenable to talking about a Fire Fee if they put it on the water bill and not the tax bill, as people will lose homes over that. Some people just can't pay these fees.

Discussion ensued over Fire Assessment Fees and how they are levied. Mr. Reynolds used the city of Brooksville as an example. He said you can exempt non-profits and churches, or not exempt those. It is up to the individual taxing authority.

Christy Sanford, Dodge Street, asked how many more years the City will be paying on the Frank George Apartments loan. Mr. Reynolds said that will be paid in 2023. The discretionary sales tax will expire in 2017, and that is where the payment is coming from now. They may need to refinance several loans; when the City loses Better Place Funds in 2017, this will mean another decrease to the General Fund budget. This could be renewable, and county-wide. It has to be voted upon.

Mayor Myers said this is an accurate picture of the financial situation. Knowing the Gas Authority has $3 million in excess funds, he arranged a meeting with Jud Neufeld, the Chairman of the Gas Authority Board, in Mr. Holmes office. In that meeting they discussed the City's dire financial situation, and he requested a transfer from the Gas Authority to the City's General Fund. Mr. Neufeld asked him to make the request in writing, so he sent a letter making a formal request. A copy of that letter is included with the agenda packet (filed) as well as a copy of Mr. Neufeld's response. As commissioners, they all know they need to do that which is in the citizens' best interest. The City finds itself in serious financial circumstances and they need the help.

Jud Neufeld, Chairman, Palatka Gas Authority Board, thanked the Commission for inviting the Gas Authority Board members, and for serving the community. They are dedicated to preserving this asset known as the Palatka Gas Authority. They discussed the 50+ year old ordinance, which the Gas Authority operates under, and the 30-year old resolution, which states the Gas Authority is to pay ½ of their profits each year to the City. The rest goes to maintaining infrastructure. They do not believe they have surplus funds at all. He provided Mayor Myers with a copy of projects in process (filed). The Gas Authority Board is very committed to trying to do what they feel is right. They have around $2.8 million in CDs at this time; included in that is around $300,000 worth of customer deposits, $600,00 set aside for gas reserves in winter, and that leaves around $1.9 million in cash; they have a plan for every bit of that money. The sheet he distributed shows $4.8 million in projects; they've already committed to move forward on most of that. This $1.9 million is all allocated to projects. He provided numbers of miles of service lines; they've had very little growth from 2000 to 2010; 9 miles total. In 2011 they started rebuilding the system and had 14 miles of growth in that year. From 2001 to 2010 they did not do a good job of investing in the system. They've enjoyed good counsel from Mr. Holmes, who has encouraged them to reinvest in the system. They've put incentives in place to encourage people to keep from changing from natural gas to electric. They need growth and sustainability. They have low monthly rates; their rates are the lowest in the State, provide fabulous service, and do this with 13 people. They lost customers when they sat on money; they have turned this around. They've paid this City $4.3 million over the past 30 years in revenues. They want that to grow in the future. They have no objection to any decision the Commission makes on this.

Commissioner Kitchens noted the Gas Authority has $4 million in planned projects which are phased in over the next four years. On the average one year's profit is between $300,000 - $400,000. At this time the deficit is $500,000. If the Commission adopts the rolled back rate, they will still have a deficit of around $300,000. She asked if it will be a strain if the Gas Authority gives the City a one-time payment of $300,000 or $500,000. Mr. Neufeld said they would be able to do that.

Mayor Myers asked them to talk about Pipeline Project K, H and C. Mr. Neufeld said none of them are approved, but they are projects they are looking at. There are three more (I, S and L) that have a presence in the Plan. This involves putting a gas line in from the Airport to

Keystone Heights and DuPont Mines. This is an opportunity that came to them from the people who supply the gas. They are looking at ways to sustain and maintain the Gas Authority. If this were to come to fruition, it would make the City $10,000 per month. This would be a bonded move that would be totally protected; Mr. Holmes has worked hard on this and is committed to preserving the City. They have two ways to do this; they can put nothing into this and make less money, or put $1 million into this and make a bigger return. If they give the City the $500,000 this year, this will stop progress on this, but not permanently. Mayor Myers said it is his opinion that investing $1.5 million into a project into a territory not even in Putnam County is not fulfilling the Authority's mission as defined in the ordinance. They should be investing money into the Community. The Board has done a great job and all members are volunteers. Their mission is to supply gas to the citizens of Palatka at the lowest possible price. He has a problem with them functioning as an investment company. It may return a lot of money, but it does not fulfill their mission. He's had this discussion with them.

Rev. Charlie Rabun, Gas Authority Board member, said he's been on the Gas Authority Board for 23 years. There is no business in Palatka that will pay that kind of money. They can't get any more money out of the City limits. They have no other opportunity but to increase their rates each year; at some point the money will all start going to the electric companies and out of the City's coffers. Commissioner Kitchens said they should probably re-write the ordinance to support going outside the city limits to grow profits. If they can make an investment which doesn't lay out any money, that's a win-win. Commissioner Leary said obviously, the City is experiencing a budget crisis. His fiscal philosophy is you don't take single year revenues to pay recurring costs; he does agree they are in a dire situation and supports the roll back rate, as ad valorem values will continue to decline. Market values don't support current assessments. If a transfer occurs, he is committed to the Gas Authority Board, whose members do a tremendous job at no pay, and he thanks them for that. He concurs with Commissioner Kitchens; if they can invest in projects that will generate revenue for the City, they should support that. This is the first he's heard of this "gas line" project. They are at a point now that they have no choice. He's not for raising the millage rate; theirs is one of the highest in the State. They need to find innovative ways to lower the millage rate. They have a delicate balance with socio-economic levels in the City, and have a responsibility to provide for the public's safety and welfare. They may have to bite the bullet and make difficult decisions. He hopes the Airport can begin to generate revenue. They compete with other cities that have airports and golf courses.

Commissioner Brown said they are all taxpayers. They don't want city workers to lose jobs. The City Commission is the "keeper" of the city and they need to do what's best for citizens. If this project is not ready to go, she'd like the Gas Authority to partner with the City to help the citizens out of this. She thanked Gas Authority Board members for their hard work. Communication is the best way to solve these problems. The important thing is to keep people in their jobs. If the Gas Authority can put this project on hold for a while, that will help the City sustain everything.

Mayor Myers said he concurs on changing the ordinance on a future date. He asked what the Gas Authority would be willing to transfer to the City. Discussion ensued on the amount needed to transfer, and current millage rates versus rolled back rates. Mayor Myers recommended a $500,000 transfer due to the Clay Electric Franchise Fee issue.

Marc Spalding, Gas Authority Board member, said Clay Electric put the City in jeopardy by taking their franchise fee away. They cannot operate by not knowing what their revenues will be. This fee is very important. The original ordinance is more than 50 years old. There is an operating agreement which has governed their operation. The amount of the transfer is very important. They need to know how they can operate going forward. Mayor Myers said they can tweak that in a workshop, but today they need to come to a conclusion on a transfer. They need to get through this budget year. Commissioner Leary concurred with Mr. Spalding, and

said they don't want to have to ask the Gas Authority for money next year. Also, once they get this budget settled, they will look at this ordinance and get the operating agreement into the ordinance, so there is clear and concise direction going forward. Mr. Spalding said the baseline would be the operating agreement.

Commissioner Kitchens said next week they will vote on the tentative millage rate. She hopes they will vote on the rolled back rate. If negotiations with Clay Electric are successful, they won't need all of this money. They won't know until next week on the millage rate. Mayor Myers said the rolled back rate will be an issue; he concurs they don't want to input any of that on the revenue side. They'd rather have a transfer and not a loan. A loan would be an additional liability. Discussion ensued regarding the merits of a loan versus a transfer. Commissioner Brown moved to ask the Palatka Gas Authority to make a one-time transfer of $500,000 to the City of Palatka's General Fund. Commissioner Leary seconded the motion, which passed three in favor, opposed by Commissioner Kitchens. There was commission consensus to review the ordinance going forward.

ADJOURN – There being no further business to discuss, the meeting was adjourned at 5:35 p.m. upon a motion by Commissioner Brown.

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