

VERNON MYERS
MAYOR - COMMISSIONER

MARY LAWSON BROWN
VICE MAYOR - COMMISSIONER

ALLEGRA KITCHENS
COMMISSIONER

PHIL LEARY
COMMISSIONER

JAMES NORWOOD, JR.
COMMISSIONER



MICHAEL J. CZYMBOR
CITY MANAGER

BETSY JORDAN DRIGGERS
CITY CLERK

MATTHEW D. REYNOLDS
FINANCE DIRECTOR

GARY S. GETCHELL
CHIEF OF POLICE

MICHAEL LAMBERT
CHIEF FIRE DEPT.

DONALD E. HOLMES
CITY ATTORNEY

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

MINUTES
CITY OF PALATKA WORKSHOP
June 27, 2013; 2:00 p.m.

Proceedings of a special called Workshop meeting of the City Commission of the City of Palatka, Florida, held on the 27th day of June, 2013.

PRESENT:

| | |
|--------------|------------------------|
| Mayor | Vernon Myers |
| Commissioner | Mary Lawson Brown |
| Commissioner | Allegra Kitchens |
| Commissioner | Phil Leary (arrived at |
| Commissioner | James Norwood, Jr. |

Also Present: City Manager Michael J. Czymbor; City Attorney Donald E. Holmes; City Clerk Betsy Jordan Driggers; Finance Director Matt Reynolds; Fire Chief Mike Lambert

CALL TO ORDER: Mayor Myers called the meeting to order at 2:00 p.m. and read the following Workshop Meeting call, dated June 13, 2013:

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

You are hereby notified that a workshop meeting of the Palatka City Commission is called to be held on June 27, 2013, at the regular meeting place of the Palatka City Commission, Palatka City Hall, 201 N. 2nd Street, Palatka, Florida, to commence at 2:00 p.m.

The purpose of the meeting is to hold a pre-budget workshop for FY 2013-14.

/s/ Vernon Myers
Vernon Myers, MAYOR

The following Commissioners acknowledged receipt of a copy of the foregoing notice of a special meeting on the 13th day of June, 2013.

/s/ Mary Lawson Brown
COMMISSIONER

/s/ Phil Leary
COMMISSIONER

/s/ James Norwood, Jr.
COMMISSIONER

/s/ Allegra Kitchens
COMMISSIONER

INVOCATION – Commissioner Norwood

PLEDGE OF ALLEGIANCE – Matt Reynolds

I. FY 2012/13 Budget Status Report – Michael J. Czymbor, City Manager, presented the annual budget process, saying this is a process in which they set the vision of the community, goals and objectives. He reviewed FY 2012/13 and the process when adopting the current fiscal year budget. This is where all employees and officials work together for the common good. He will take questions and comments at any time.

A copy of the Power Point presentation is included in the Agenda package (filed).

Mr. Czymbor went over the Opportunities to Explore in FY2013-14 as follows:

- Evaluate merits of implement a Fire Assessment Fee. This was done. The cost of this process is between \$30,000 and \$90,000. Per the question, Mr. Czymbor said they only apportion the cost of fire suppression service, not the cost of medical service. Approximately 43% of the parcels in the City are tax exempt. Of those that pay tax, some pay no taxes due to the Homestead Exemption. In this process, those parcels that pay no ad valorem taxes would be assessed a fire service fee of some type. After looking at this, they do not believe this is something they should pursue this year. They did not incorporate the cost of this study into the budget for FY 2013/14. The cost to evaluate this can be rolled into the assessment levied on property owners. This is a viable tool to collect everyone's fair share for this service. This could also present an opportunity to decrease the millage rate.
- Surplus Property – a Committee was established to look at 49 properties, which was cut down to 40 parcels that can be disposed of. The Commission approved 10 of those for disposal. A Real Estate Consultant was hired through the RFP process and that project is in process.
- Red Light Camera Program – full implementation – this was done in a phased approach; last week Notice of Violations totaled \$4,158. At the end of the fiscal year the City will net around \$89,000. They are adding two addition intersections to this program. At the end of next fiscal year, the net is estimated at \$235,619. This money will be used for Police Department-related expenses.
- Strategic annexation policy: They have annexed 19 properties to date and expect five more to be annexed by the end of the fiscal year.
- Urban Service Boundaries with Putnam County: Staff has reviewed service boundaries and there have been preliminary discussions on developing urban service boundaries in the future. They have looked at an Economic Development Annexation Policy looking at the logical extension of city boundaries in the future.
- Assessment of goods and services purchased by the City – Staff has sought proposals and bids on different types of services and hired a bond counsel and other agents of record for professional services. They anticipate significant savings in the future on these services. These professionals look at every possible provider for services through the issuance of RFPs. They are obligated to get the City the best rate possible. They have significantly reduced costs of office & janitorial supplies as well as jet fuel through this process.
- Conversion of vehicles to compressed natural gas – the issue with this is the cost of retrofitting older vehicles. After research on this, the future return on investment is significant. They are looking at retrofitting new vehicles going forward and only those older vehicles they anticipate will be kept for a significant amount of time. Regarding EPA restrictions, you must use EPA approved equipment after putting the initial program in place. They intend to contract out fueling stations through a vendor. There is money set aside by the State for grants to retrofit government fleets for Compressed Natural Gas.
- Refinancing of existing debt: This realized significant savings; the Golf Course Loan realized \$50,425 in savings in FY 2014 and Frank George Loan an annual savings of \$72,589 in FY 2014.

- Increasing service and fees at the golf course; this was done, and they will meet budget expectations for this year and next year. The food and beverage operation will provide substantial tangible and intangible benefits.
- Payment in lieu of taxes – they looked at several agreements they have with different entities; one of those entities is PHA. They met with them last September regarding their parcel tax and historic payments, number of calls for service (both police and fire) and analyzed these based upon the current budget, were they paying property taxes. These were not equal. They suggested making an additional payment to the City to equalize these numbers, and the director was not interested in looking at this. The City will have a larger discussion on this topic later.

They also looked at an agreement with Putnam County concerning property that was transferred to the County. A nursing home is located there, which the City believes is subject to certain taxes. The County would be responsible for paying those taxes. The nursing home has a not-for-profit status, but they are in a government-owned building and are still responsible for paying tangible personal property taxes, which the County has not levied. The City provides services, but the City is not receiving a fare share for those services. The County's agreement with the nursing home states that if there are any taxes levied, the County will pay those.

The City is looking at levying police service fees to properties currently exempt from taxation, but are nonetheless receiving services.

- Designation of Staff member for grants administration and project administration – This was done. Mr. Griffith has been very productive and busy. He has applied for 17 grants, has received 12 of them for a total of \$8,495,028. They are awaiting word on some of the 17 grants as to approval, and one was denied.
- Riverfront RFP – Staff has spent significant amount of time on this, and there are two redevelopment proposals under review and consideration. This will be a cornerstone of Palatka's economic evaluation.
- Online Auction sites - the City has enlisted an on-line auction site for surplus sales and uses an e-payable company to receive payments on contracts; for every payable, the City receives a percentage.
- Clay Electric Franchise Agreement – The City recently executed a franchise agreement with Clay Electric at 5.9% for five years. The special counsel hired by the City was instrumental in bringing this to fruition.
- Asses the current fee schedule – They have completed a thorough review and will be recommending increases in several departments.
- Redevelopment opportunities within the City – There are 17 new businesses in the downtown, which is significant, with a net increase of 15 businesses downtown. This is due largely to the Main Street Manager's efforts. There are 53 new businesses City-wide. They were unsuccessful with 3 new prospects at the Airport, but they are continually meeting with people and generating new interest at the Airport. Mayor Myers said these Airport businesses were actively pursued by Mr. Czymbor and his staff. Discussion ensued regarding pursuit of economic development opportunities and attracting business prospects to Airport industrial and commercial areas.
- Pursuit of more intergovernmental partnerships with Putnam County BOCC – this includes urban service boundaries and financial assistance with the Golf Course. They have had preliminary discussions with individual commissioners on this.

II. Preliminary FY 2013/14 Budget Overview – Matt Reynolds, Finance Director, updated the City on budget FY 2012/13 and projected 2013/14. They anticipate changes in cost of employee benefits, pension costs and other costs. Reserves are estimated at \$1.25 million for a fund

balance of \$9 million. GFOA recommends two months of operating expenses held in reserves. That is an unassigned reserve. They would need \$1.5 million to make that reserve. Next year they are looking at \$10 million in expenditures, which will raise that to \$1.7 million. Other cities are looking at putting 25% or so in unassigned reserves in anticipation of natural disasters and other unanticipated expenditures. They will end the budget year with \$292,366 in assigned restricted funds, and \$961,419 (from \$386,385) in unassigned reserves. The estimate next year the assigned reserves will increase to \$540,859, but the unassigned reserves will drop to \$705,917. There are several unknowns; two of those being health insurance and pension costs. The majority of the almost \$1 million in revenues is because of the way they are budgeting red light camera expenditures and revenues. This is due to the way the expenditures were shown.

Budget Assumptions & Funds By Category:

General Fund: Mr. Czymbor said, as to property values, they anticipate a less than 1% total drop in property values, so those are likely stabilizing. This is based upon the Property Appraisers preliminary 6/1/13 estimates.

They are setting the stage to move forward into FY 2013/14. The components of the funds are considered the "building blocks" of the budget. The goal is to retain the level in quality of services they provide. Recommendations are as follows:

- They recommend maintaining the current millage rate. The rolled back rate would mean a 1% increase, or 0.0917 mills, which takes it to 9.26 range. This would realize \$35,000 in revenues.
- They recommend an increase in the utility tax ordinance to a 10% flat rate. It's currently on a tiered rate structure; this will bring in around \$70 to \$80 thousand in new revenue which has been incorporated into this. This would not affect small businesses, unless their water bill is over \$1,000/month. They need to change this to a flat rate to be in compliance with State Statute.
- Increases in Building & Zoning and Cemetery fees.
- Red light camera program accounting methods and setting aside proceeds for public safety vehicles. Commissioner Kitchens noted if the program "goes away" they wouldn't necessarily lose services, but they would be using older vehicles. Mr. Czymbor said that is true, depending upon how they finance the new vehicles. If the revenues goes away, they'd have to find other revenues to fund those payments.
- Transfers from Water & Sanitation funds to remain the same (\$260,000/\$95,000)
- Transfer from the Gas Authority of \$300,000
- No cost of living or adjustments for employees (6th year in a row). This puts a burden on employees; everyone contributes their part. They want to be sure the Commission knows this. Commissioner Kitchens said this also puts citizens in a bind regarding their pensions, as those will also be affected. Mayor Myers said they need to do everything they can to get employee raises going forward. After discussion, Mr. Czymbor said they can come back with 1 and 2 percent raises across the board.
- Significant increases in health insurance costs are predicted, as much as 25%, but may be less with competitive quotes solicited. Commissioner Brown suggested having talks with BC/BS regarding rates in conjunction with School Board and County employees, and use that

leverage to get better rates. They want to purchase insurance locally, but if it becomes a burden to employees, they will have to shop out of town.

- They will do a similar analysis with property/casualty insurance rates.
- They are looking at realigning responsibilities regarding building maintenance, landscaping & property maintenance. They are going from three prison crews to one next year.

Better Place Plan Fund – Balance forward is going from \$3,342,217 budgeted to \$1,726,478 projected due to a grant expiring. There are other grants available that may reduce the City's liability on this. If the City is successful at two FEMA grants, this number will be reduced to around \$70,000. This is where most of the City's capital improvement projects lie; they use this fund to maximize grant opportunities. This fund has dropped significantly over the last few years, but is rebounding slowly. They project an increase next year. Details on items included in this budget are included in the agenda package (filed). This includes the Fire Department's aerial truck and the Frank George Apartments Loan.

Airport Fund – they had included estimates of sale of surplus funds that did not materialize and that is a large factor in the deficit's increasing from \$86,764 to \$212,305. That amount increases next year to \$306,465. Mr. Czymbor said they ran into unexpected permitting issues, delays and contractor issues. They do have the permits. There is a significant amount of high quality sand that is for sale which will generate a significant amount of revenue. They could take care of this debt by the recovery of those materials. Timber, limerock and millings are also available for sale; they expect this to happen, just not as quickly as they had expected. They will be marketing these materials; this will be a relatively complex operation, and logistically they will need to be transported to a job site. Mr. Reynolds said revenues continue to be lower than expenses. Projected revenues were listed and are as shown in the budget agenda package. Those include a FDOT REDI grant for additional hangars, FAA general aviation grant which requires a small match, and an estimated \$30,000 from the sale of surplus materials.

Utility Fund – as to the Water Fund, Revenues are projected to be better than expected, and due to expected expenditures, the result is almost neutral. The Impact Fees cash forward balance is projected to go from \$23,723 to \$32,229 due to several riverfront projects now in the works. Regarding the energy grant, the WWTP has seen a significant savings. There has been a savings city-wide. The majority of the surplus next year is due to those savings. Included are a 10% increase in water/sewer rates, \$125,000 for the City's share of a CDBG grant for line replacement, proposed increase in late payment penalty fee and septic dumping charges at the WWTP, which has not been raised in some 15 years, and a \$70,000 estimated cost for the re-use line repair at St. Johns Avenue & SR 19. They have applied for assistance from SJRWMD for this. Any increase in water & sewer fees will come back to the Commission; if fees are not increased, that reserve fund will be in the negative.

Golf Course – They started with a \$1.4 million negative balance, projected to be \$1,540.35 at the end of the year, which carries forward. They estimate the operating deficit for next year to decrease to around \$92,000; the majority of this is due to increases in revenue estimates for increased play, the restaurant's cost share in utility bills and restaurant improvements.

Commissioner Norwood asked when they project the Golf Course will become self sufficient. Mr. Czymbor said there is a very low probability it will ever be self sufficient due to the number of rounds needed to do this. It is not impossible, but it will be extremely difficult and is highly unlikely. The options are to become more efficient, which they are doing, but there will be a point they will have to decide whether they want to consider whether or not to continue to subsidize this asset, or lease it out. Commissioner Norwood said they need to start those talks now. There was

consensus to schedule a workshop on the topic. Commissioner Kitchens said she'd like to look at the Airport, too. Mr. Czymbor said there are other considerations when it comes to the Airport as the City has taken federal money for improvements there.

Other pertinent information is included in the golf course budget. This includes a transfer of \$152,355 from Better Place Fund to cover the debt service and a \$192,000 USDA grant for kitchen improvements. They have incentivized extra pay for certain employees if conditions continue to improve.

Sanitation Fund – they carried forward a small balance forward; after all projected revenues and expenses, that's estimated at around \$160,000, which will increase to \$175,000 next year. Included in this budget is a 10% increase in sanitation fees to cover costs for pensions and health care costs, and the purchase of a new CNG front-loader of \$175,000. This starts the process of replacing the fleet. It costs around \$30,000 more to replace it with a regular diesel engine truck; the cost of the fuel for a CNG truck is a 50% savings.

Central Business District TIF – after changes, the contingency has dropped to a negative amount, but they will adjust expenses going forward. Next year it will just be revenues versus expenditures. This is subject to change, but they estimate around \$40,000 in contingency. Included is \$30,000 for BIG and façade grant programs, \$10,000 for landscaping, \$16,000 for site amenities, and \$8,000 for an aquatic midge control program which will be modeled after the City of Sanford's program; there is some spraying involved, but there is also money to change the lighting, which attracts the midges.

South Historic District TIF – They carried forward around \$180,000, but they plan to spend some of that. A majority of what they've set aside will not be spent this year. The \$245,000 will be carried forward to next year. They will go more into depth on these budgets at the CRA meeting. There is a project they want to discuss at the next CRA meeting. This budget includes \$60,000 for HIP, \$4,000 for signage, \$20,000 for the "Live Where You Work" program, and \$40,000 for the Commercial Improvement Program.

North Historic District TIF – They did not spend all their money, so this increased their contingency from \$21,840 to \$70,676, which will be carried forward to next year. He has not received their projected expenditures for next year.

- III. Commission Discussion and Direction** – Mr. Czymbor said they need feedback from the Commission. If these "building block" assumptions are not accurate, they need to know that. If there is significant direction the Commission wants to give them, they will need that. They will go into line item detail at subsequent budget workshops. Any concerns a commissioner has can be brought to Mr. Czymbor's attention and discussed at the July 18 Workshop meeting. They have to set the tentative millage rate by the first week of August. They need to set fees and charges before adopting the budget. They can provide alternatives for the golf course and airport at the July 18 meeting. Any decision they make probably won't affect the FY 2013/14 budget. After discussion there was consensus to hold that workshop after this budget has been set.

IV. Next Budget Workshop: July 18, 2013 @ 2:00 p.m.

- V. Adjourn** – There being no further business to discuss, the meeting was adjourned at 3:30 p.m. upon a motion by Commissioner Kitchens.