

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 BUDGET WORKSHOP
July 18, 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 ; Planning Director Thad Crowe; Water & Sewer Distribution Supt. Rhett McCamey; Streets & Sanitation Supervisor Ed Chandler; WWTP Superintendent Brian McCann; Water Treatment Plant Superintendent Melvin Register; Golf Course Manager Andy Hartz; Main Street Manager Charles Rudd; Palatka Gas Authority Manager Don Kitner

CALL TO ORDER: Mayor Myers called the meeting to order at 2:00 p.m. and read the following call, dated July 3, 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 July 18, 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 budget workshop for FY 2013-14 per TRIM calendar requirements.

/s/ Vernon Myers

Vernon Myers, MAYOR

The following commissioners acknowledged receipt of a copy of the foregoing notice of a special meeting on the 3rd day of July, 2013.

/s/ Mary Lawson Brown
COMMISSIONER

/s/ Phil Leary
COMMISSIONER

Isl James Norwood, Jr.

COMMISSIONER

Isl Allegra Kitchens

COMMISSIONER

INVOCATION – Commissioner James Norwood

PLEDGE OF ALLEGIANCE – Commissioner Phil Leary

- I. **Preliminary FY 2013/14 Budget** – Michael J. Czymbor, City Manager said he spoke at the last workshop about the budget development process, which starts with goals and objectives. Then you develop a budget trying to maximize resources. The Commission received a preview of the goals and objectives at the last Workshop. They look to the Commission to provide guidance and motivation to keep Staff doing what they need to do and the public satisfied.

REVIEW & DISCUSSION OF BUDGET ASSUMPTIONS (BUILDING BLOCKS)

Mr. Czymbor said a budget consists of building blocks and a budget is built brick by brick. They've put together assumptions based upon what they will be building the budget around. Sometime next week they will be distributing a proposed budget based upon the budget they will be developing. The goal is to continue to provide the same level of services to residents. The preliminary estimates show there is a nominal drop, in taxable property value rates, less than 0.01%, and if they go with the rolled back rate they would realize only about \$24,000 from that. They recommend staying with the same millage rate.

Mr. Czymbor said as to the electrical utility tax rate, you cannot have tiered rates, as this is contrary to state statute. They recommend changing the utility tax rate to a flat 10% across the board. As for the cost of doing business, i.e. B&Z and Cemetery permits, those warrant increases and they will be recommending those. They've spoken about transferring funds from Water & Sewer to pay for administration, accounting and legal at City Hall, and recommend transferring \$260,000 and \$95,000 respectively. They have asked the Gas Authority to transfer \$300,000 to the City. The Gas Authority wants to sit down with the City Commission to get direction on their focus, goals and objectives and to set parameters for expansion outside the city Limits. They wish to discuss plans for capital improvements with the Commission. They also want to talk about reserve amounts to set aside and want to establish a guideline/formula for establishing that annual transfer.

Commissioner Leary asked if they are regulated under the PSC; Mr. Czymbor said they are not; their rates are established by their Board like the City establishes Water & Sewer rates. At this time the Commission solely sets rates for inside and outside the City. As to the question asked regarding what reserves are set by other gas authorities, they have not checked with other gas authorities to see what their reserves are. The PGA was established by ordinance in 1959 and is in the City's Charter. They are a component of the City. As to their current capital improvement plan, that is submitted in their budget. They have a very ambitious capital improvement plan that extends service significantly outside the service area. He attends their meetings. He believes the Commission needs to be aware of what their plans are and have some approval and oversight on providing service outside the service area. There was consensus on agreement to hold a workshop with the Gas Authority.

Mr. Czymbor said the City's request for \$300,000 is no surprise to the Authority; they have been apprised of this request for some time. They are looking at some type of standard or policy upon which to rely upon in the future. They are looking at setting a workshop in August. Mayor Myers noted the Gas Authority was formed to serve the Citizens of Palatka and every penny they make belongs to the citizens of Palatka.

Regarding health insurance cost, Mr. Czymbor said they generally believe they will experience a 22% increase in health insurance cost next year. That is built into the budget. This is based upon

upon claims history; this will be a significant increase. If insurance goes up 22%, the cost to the employees will go up depending upon the cost of the plan they take. Commissioner Leary said he understands that they voted to take the best quote the City obtains and this was decided at the last meeting. Mr. Czymbor said they are seeking the best options possible for not only the Commission but also the employees. Commissioner Leary said the evaluation committee made some recommendations which the Commission ignored; he suggests in the future they hold a workshop with the Commission in order to keep them informed of the developments and the reasons for them as they happen.

Mr. Czymbor said they are recommending at least a 10% increase in water/sewer rates to cover expenses for employees and replacement of lines. Commissioner Leary said around 60% of the recycling comes from the City; Palatka has one of the highest rates in the state. Palatka is not getting credit for those materials. They need to look at an independent recycling program. Mr. Czymbor said he assumes the County gets some return on recycling, but the city receives nothing. They can look at putting out an RFP for those services. Commissioner Leary noted there is tremendous value in those materials and the citizens of Palatka need to get some credit for those services. Commissioner Kitchens asked how much revenue the 10% increase will generate; Mr. Reynolds said combined, around \$200,000, but that's an approximation.

Mr. Czymbor said they are also looking at a Sanitation rate increase of 10% to cover pensions, other benefits and replacing the fleet. The first vehicle they will replace is the Packer. Each of those trucks costs around \$200,000 each. They can look at USDA grants to determine what is available. They are looking at retrofitting new vehicles with Compressed Natural Gas (CNG). Commissioner Kitchens said she looked at her bill increasing by 10% and it comes to about \$6 - \$7 per month. Commissioner Leary said there are a substantial amount of property owners who pay no taxes, and 50% of the residents of the City pay no taxes at all. All they pay is utilities. At some point they need to address that or the budget will not survive.

Matt Reynolds, Finance Director, showed slides on projected reserve budget balances at the end of this year and at the end of next year, (includes assigned, committed and reserved) and the third column shows a net impact to each fund. The General Fund reserve fund is increasing quite a bit; the majority of that is money they are holding for red light camera reserves, and the majority of that will go to public safety vehicles and equipment. They don't want to rely on those funds solely to make these purchases as the Red Light Camera program could go away at any time.

The second line per fund shows the unassigned fund balances; the recommendation is to have unassigned reserves of around 17% of the total budget. They project that to be around \$1 million at the end of the year; with no employee raises, they expect that to remain about the same for FY 2013-14. Revenues are up slightly. The net impact is a negative \$15,339. They would need around \$1.7 million to meet reserve requirements.

Better Place restricted funds are around \$531,014 projected 2012-13 and budgeted at \$6,039 FY 2013-14. The City's share of grant match required on grants is built-in.

Airport Fund is projected to increase the restricted fund balance by around \$91,412 to (\$299,216). They project they will realize around \$40 to \$80 thousand on surplus millings and other materials they plan to sell next year. There are no employee raises built in.

Water fund restricted is projected to be around \$138,000 at the end of this year and \$127,874 at the end of next year with no employee raises built in. They need to replace the majority of the line that runs along the south side of Palatka and the damaged reuse line that runs under St. Johns Avenue.

As to recommended reserves, the 17% figure recommended for reserves applies to the General Fund. When it comes to enterprise funds, they recommend enough to replace all of the assets in that Fund. Last year they had an engineering firm look at a set-aside each year to replace the lines, and that amount each year was over \$1 million each and every year. As far as identifying critical lines for replacement, they haven't done a formal study on that. He'll be including capital improvement plans in the budget that will be distributed and this includes a 5- and 10-year replacement plan for various lines with that cost estimated. They know they need to replace lines in the ground. Commissioner Norwood suggested undertaking a risk assessment in order to identify those future critical needs. Commissioner Leary concurred, saying there is less money for grants due to the federal sequester; they need to rely upon themselves to begin putting money in reserves to make these improvements. They are one or two water main breaks away from disaster.

Discussion ensued on finding a market for the reuse water and putting reuse rates in place, and taking steps to expand the system to serve consumers. There was consensus to look at putting this infrastructure in place as they replace lines.

Discussion ensued regarding using League services to estimate building replacement values together with financing building replacement. Mr. Reynolds said they are looking at those costs as part of the overview of property and casualty insurance.

Regarding the increase in impact fees, that is due to new development. This can also be used towards capital projects i.e. expansion of systems.

The Golf Fund deficit is projected to be at \$1.54 million at the end of this year and they expect an increase of around \$77,000 for next year. They have a transfer from the Better Place Fund to cover the \$152,000 in debt service. Because the debt service is down, that transfer will go down. Commissioner Leary said it's important to understand that BWGD inherited that debt service; nothing they have done went into that debt service. They need to look at this as a bifurcated issue.

Sanitation restricted reserves should be around \$165,000 at the end of this year. This goes up to \$181,368 for FY 2013-14. This includes rates increases. They need to keep enough in reserves to begin replacing the fleet. They can keep rates lower in the future by doing this now.

Downtown TIF is projected with no reserve balance at the end of this time; next year it is projected at \$38,548, but there are enough projects anticipated that that number will change. Currently those are unassigned to certain projects, but they will see options for assigning those funds when they distribute the budget next week. The South Historic District and North Historic District have had no change since the last workshop.

Regarding refunding of grants, Mr. Czymbor said 3 people have sold properties prior to the 3-yr commitment term of the grant, and they have recovered various amounts of money from those.

Discussion ensued regarding grants for downtown projects and whether businesses fulfilled their obligations incurred to the City for receiving those grants. Mr. Czymbor said they will go over those grants in detail at the August 8 meeting.

PROJECTED COST OF EMPLOYEE COST OF LIVING INCREASES - Mr. Czymbor said these figures do not contain a cost of living adjustment. The next 3 slides show a 1%, 2% and 3% COL increases and the impact on fund balances. A 1% increase will cost around \$46,939 for General Fund, \$1,390 for Airport, \$13,466 for water fund and \$5,837 for Sanitation Fund employees. At 2% those figures are \$93,878, \$2,781, \$26,933 and \$11,675 respectively. The next slide shows 3% raises, or \$140,817, \$4,171, \$40,399 and \$17,512 respectively. They can do any of those numbers or a combination. He asked for ideas or projections on any of those percentages.

Mayor Myers said employees have not received a raise in six years. This is too long. They've been very patient. Commissioner Kitchens concurred, saying it affects their living situation both now and in retirement. She'd like to see a 3% increase. It is cruel not to provide them with a raise, especially now that they know insurance costs will go up. Commissioner Leary said he supports a 3% increase and believes the City can afford it. Commissioners Norwood and Brown concurred, as did Mayor Myers. Commissioner Norwood asked where they can get the funds to provide raises. Mr. Czymbor said they can either decrease expenses or go into reserves. They have cut expenses significantly and have held the line where they could, and cut where they could. At this point this would decrease fund balances and increase expenses. They have not plugged those amounts into the budget. They've done a good job of cutting unnecessary expenses.

REVIEW OF FUNDS BY CATEGORY - Mr. Reynolds showed several slides regarding proposed expenditures and inclusions for each fund, most of which were a recap of slides they showed at the 6/27 budget workshop detailing projects included in the budget. Slides were shown for Better Place Fund, Airport Fund, Water Fund, Golf Course Fund, Sanitation Fund, Downtown TIF District, South Historic District, and North Historic District.

Commissioner Norwood asked if they've considered parking meters. Every other city he goes to, he has to put money into a parking meter. Mayor Myers said they are trying to generate downtown business. You run into merchant and citizen resistance. He agrees that every time he goes out of town he has to put money into a parking meter. This is a disincentive and creates negativity. Commissioner Norwood said he's not just talking about St. Johns Avenue. They should consider metering the boat ramp parking. Mr. Czymbor said there are significant opportunities for funding the boat ramp management fees and they can look at this as a revenue source.

As to the Larimer Center Roof Repair, Commissioner Norwood asked if they've looked at TIF funds for the roof replacement. Mr. Czymbor said that budget will come to the CRA before it goes to the Commission. They can make that decision then.

Regarding FEMA drainage grant upgrades, those are at St. Johns & 15th & Oak Street project and St. Johns & 9th Street project. Several years ago they received funding for FEMA studies, but the actual construction was not funded. These have now been funded for the construction phases.

Debt service expenses include the Golf Course, Airport and Fire Dept. aerial truck loans.

The Airport Fund includes a REDI grant for airport hangars, and a smaller FAA general aviation grant. They estimate revenue of around \$30,000 for the sale of sand and millings. Those revenues could occur before the end of the fiscal year, so those amounts may need some tweaking. Commissioner Brown said they need to aggressively seek a way to bring an international customs agent to the airport. She sits on the FLC International Trade Committee and she's been authorized to invite other city officials to their meeting during the Annual Conference. Regarding what it would take to put a customs agent at the Airport, Mr. Youell said they need to provide an office and a vehicle. Another option is to make arrangements for a customs agent to come over from a nearby airport with 24 hr notice. Commissioner Brown said there are several options available to house a customs agent. They can leverage off of what is already there. Eventually the space will more than pay for itself. Mr. Czymbor said he's going to bring a report on this process with a recommendation at the August 8th Commission meeting. Commissioner Brown said the top floor of Orlando's City Hall is an Embassy; they could obtain information from that resource.

Regarding the Water Fund, they projected a 10% rate increase. There is \$125,000 set aside for a CDBG grant match with a total projected grant of \$1 million. This will replace lines near the South

Historic District, but not in the historic district itself. Mr. Griffith will make a map available. They may be able to use some impact fees for that match.

They propose increasing WWTP fees by 10% and will use that to replace lines. They propose fixing the re-use line at St. Johns Avenue & SR 19, which will cost around \$70,000.00

As to the Golf Course, nothing has changed since the prior workshop. As to incentivizing pay for certain employees, Commissioner Norwood said he is adamantly opposed to giving incentives if they are still having to transfer funds out of the General Fund to the Golf Course. If it can't stand on its own, they shouldn't be incentivizing pay. Commissioner Leary said the management at the Golf Course has been paying huge dividends. If you look at the number of charity tournaments, all that money goes back into the community. They are raising close to \$70,000 per year. He understands the concern. They have an opportunity to perhaps break even in the next few years. Most golf courses are operating with a 15% deficit. Palatka is way ahead for a rural community golf course. This would help to reduce expenses further.

Mr. Czymbor said this is a very nominal increase. He had this discussion with Mr. Weed. These are not city employees. He asked how they can justify giving raises to contractual employees who have not met financial obligations of the Fund. This is a nominal increase for a small group of employees who don't make much money. Finances have improved over the last three years. They want to incentivize moral and keep them moving forward. This is a nominal amount of money. They are going into the last year of the 5-yr BWGD agreement. The \$77,000 required transfer is just for the operations of the course; they will cover debt service in the next few slides. Commissioner Kitchens said Palatka Golf Club is doing quite well compared to other courses around the Country.

The Sanitation fund projects a 10% increase to cover employee costs and replacement of one truck.

The Downtown TIF District Fund remains unchanged from the last workshop. Commissioner Norwood asked if they can use TIF funds to address flooding on St. Johns Avenue rather than put money into the BIG program; these programs are not yielding any jobs. Commissioner Brown said these people have paid into this fund and they've used these funds to stay in business. There aren't many places the small business owner can get help. Commissioner Norwood said they need to rethink their priorities and put money into rectifying the flooding problem. Once the flooding is addressed they can go back to putting money into programs.

Mr. Griffith said if this is a CRA priority, they can do a capital improvement project. This will eat up the funds, but they can do it. Commissioner Brown said they need to pressure FDOT to come in and do what they should have done when they made improvements to Hwy 20. This is a State road. They don't need to take money away from downtown programs; they need to put pressure on FDOT to fix this. Commissioner Leary said infrastructure is critical to what happens above ground. He's in favor of taking those funds and making infrastructure improvements. Mr. Griffith said the problem is a lack of inlets on the 9th street corridor. This is too few inlets on too small a pipe size. The FEMA grant will address some of those issues but not all of them. Commissioner Kitchens concurred with Norwood and Leary and said they need to put some of the TIF money into a separate infrastructure fund. Reference a midge program, you have to be very careful when getting rid of blind mosquitoes; the insecticide can affect fishing, which would affect bass tournaments. Fish eat the midge larvae. Re landscaping, Commissioner Leary said they need to look at ways to fund artificial bricking for the downtown area. Mr. Czymbor said their job is to choose projects and divide up limited resources. Discussion ensued regarding downtown benches.

There were no changes to the two neighborhood historic districts.

Historical Review of Golf Course and Airport Funds:

GOLF COURSE FUND – Mr. Czymbor said the slide shows historical data. The slide shows the operational loss versus revenues and expenditures beginning in 2003. In 03/04 there was less debt service; in 08/09 the City refinanced the debt service that was accounted for, but the other funds of the City had been transferring funds to the Golf Course, and that money was owed to the other funds. A loan was taken out to repay that money. It has become more and more difficult to pay for golf course-generated debt service. This is an asset of the City. The reality is that it is subsidized by other funds. The “rounds played” number goes up every year, which means more people are enjoying the facility, which produces more revenue and awareness. The physical condition of the Course is what attracts people to the course. This is what creates a pleasurable experience. They’ve done a lot of marketing and the course is to the point that they can market the course. Regarding city residents versus county and out-of-county residents who play, Chris Monti said it’s around 40/40/20. They have increased green fees. They cut costs as much as they could without sacrificing appearance. They’ve raised fees and food & beverage prices. Things are getting better. The restaurant coming in will create a lot of tangible and intangible benefits. Commissioner Leary said the golf course has made great strides since he’s come on the Commission, and he believes the Course will break even in a few years. Mayor Myers said they can either see this as an enterprise, which is supposed to make money, or a recreational asset, which does not make money. The golf course is something in between. It brings people and business to the community. It’s recreation for residents. Steps have been taken to minimize losses. It may always have to be subsidized.

Commissioner Brown said there are certain things they need to have in order to draw business to the community. Back in the 1980’s the golf course was taking care of itself. When they upgraded the clubhouse they went into debt; they thought the County was going to partner with them. The County backed out when a new commission was elected, and that’s when the downward spiral began. Most of Putnam County’s assets belong to or are located in the City. The City has done a good job of making these assets work. Commissioner Kitchens agreed that it’s an amenity and draws people into the community. She is very pleased with the job the Weed Group has done and concurs they need to stay on this path. Mr. Czymbor agreed and said they will be looking at alternatives listed at the bottom of this slide.

AIRPORT – this slide shows the profit and loss over the past 10 yrs. Generally the Airport has covered its cost other than the debt service. The change came about at the end of 2008, when the debt service increased. The Airport has more opportunities than the Golf Course to be self-supporting. Those are listed at the bottom of the slide. Commissioner Brown said the Airport Manager is very sharp and they have a good Airport Advisory Board put together of people who are very knowledgeable about the Airport Industry. They can improve industrial and commercial transportation opportunities in the future.

II. Recovery of City’s Cost (hard and soft) to support special events and functions

Regarding costs and recovery of costs for special events, the recap of expenses vs. fees from the Blue Crab After-Action Report was shown. Mr. Czymbor said the City has traditionally not recovered its cost from festivals and special events, because they want to be partners with those special events as they bring in benefits. The policy discussion they will have today is to decide whether the City wants to recover all of its hard costs, or continue to subsidize them in consideration of the benefits the City realizes.

Charles Rudd, Main Street Manager, said special events are a fundamental part of any redevelopment effort. Blue Crab Festival is a great example of bringing money in from around the region. It has a tremendous economic impact. This is a signature event for Palatka. The other option is for the City to do it themselves, and this would be a tremendous effort. Smaller

communities can do these things through partnerships. It's a great way to spend city dollars and create a ripple effect. The CRA pays for street parties, which is a redevelopment strategy, but other groups benefit from the event through food sales and vendors. There is tremendous intangible benefit to having special events.

Commissioner Leary said festivals depend upon good weather and other factors. The investment is a good one for the community. He is curious as to what the profits are used for and whether they are used for the good of the City. Mr. Rudd said last year was a wash for the Festival; they closed early due to weather. This year he hopes they can increase the entertainment to grow the festival. It's the largest out-of-area market for Palatka. They are looking at bringing in big name entertainment. Commissioner Kitchens said Blue Crab was created for the benefit of Downtown Palatka and to draw new businesses and visitors. She'd like to see the balance sheets on their profits and losses and where the money goes. They've donated money to civic groups and for downtown improvements and infrastructure at the Riverfront Park. Their books were not open, but you could request to see them. Money is put aside for the start-up fund for each year. CRA money could be used to offset City expenses. If festivals paid the total cost for city employees that would help the City. Commissioner Norwood noted they are recouping about 1/3 of the City's cost. He'd like to see the City recoup at least 50% of its cost. Discussion ensued on festivals and the benefits the exposure created by special events brings to the community. Mr. Czymbor said a financial audit is required by the ordinance. If a surplus is realized, the organizer should be required to make some critical or public improvement within the City of Palatka.

Commissioner Norwood left the meeting at this time (3:45 p.m.), as he had another meeting to attend.

III. COMMISSION DISCUSSION/DIRECTION:

Commissioner Leary said they need to look at acquiring a full-time city attorney. This is no reflection on the current city attorney, but they need full-time legal counsel. They need to start looking at this.

Mayor Myers noted they have seen the bottom of the recession and the budget will start improving.

Commissioner Kitchens said the current city attorney does a good job and he satisfies her concerns whenever she requests his assistance. Legal services are extremely expensive. Commissioner Leary said they are going to be paying the Attorney around \$90,000 this year. Staff is doing many things a city attorney should be doing. Commissioner Kitchens said staff does not keep those lines of communications open with the City Attorney and he spends a lot of time correcting things they've done without conferring with him first.

IV. NEXT BUDGET WORKSHOP: To Be Determined

- V. ADJOURN** – There being no further business to discuss, the Workshop was adjourned at 4:00 p.m. upon a motion by Commissioner Brown.