

A budget workshop meeting of the City Commission was held on August 20, 2008 immediately following the City Commission meeting that started at 6:00 p.m. The meeting was held in the Commission Chambers at the Municipal Administration Building. The meeting was called to order by Mayor Lee A. Wheeler, III.

COMMISSIONERS PRESENT: Jack Van Sickle; Terrye Y. Howell; John Paul Rogers; Kathy Manry; Mayor Lee A. Wheeler, III.

COMMISSIONERS ABSENT: None.

CITY REPRESENTATIVES PRESENT: Anthony G. Otte, City Manager; Judith H. Delmar, Asst. City Manager; Clara VanBlargan, City Clerk.

Agenda Item 1. Proposed FY-08'09 Budget

Mr. Otte reviewed the highlights of the proposed FY-08'09 budget. The full budget memo is inserted into the minutes.

[begin memo]

Mayor and Commissioners:

Submitted herewith is the proposed FY08'09 budget document which includes the revenue and expenditure details for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, Utility System Fund and Airport Fund and the 5-Year Capital Improvement Plan for FY2008-09 through FY2012-13.

This budget has been prepared in accordance with Article VI, Section 6.04 of the City Charter, which requires that the budget provide a complete financial plan of municipal funds and activities. Estimated current year ending fund balances have been considered and are included in the budget.

PROPERTY TAX

The budget is based on the proposed millage rate of 5.7157 per \$1,000 of taxable valuation with \$1.092 million generated by the proposed fire assessment. The proposed millage rate of 5.7157 per \$1,000 is 26.21% below the rolled-back rate of 7.7459 mills and a reduction of 1.6364 mills (-22.26%) from the rate of 7.3521 mills assessed during FY07'08.

For homesteaded residential property, the difference between the current rate of 7.3521 mills and the proposed rate of 5.7157 mills is illustrated in the following chart:

Assessed Value	Taxable Value		Tax Rate per \$1,000		Reduction in taxes paid
	with 1 st \$25,000 homestead exemption	with 1 st & 2 nd \$25,000 homestead exemption	7.3521 mills (current)	5.7157 mills (proposed)	
\$60,000	\$35,000	-	\$257.32	\$200.05	\$57.27
\$75,000	\$50,000	-	\$367.61	\$285.79	\$81.82

\$100,000	-	\$50,000	\$367.61	\$285.79	\$81.82
\$150,000	-	\$100,000	\$735.21	\$571.57	\$163.64
\$200,000	-	\$150,000	\$1,102.82	\$857.36	\$245.46

If the proposed fire assessment is not adopted after public hearing on September 2, it will be necessary to adjust the proposed millage rate from 5.7157 to 7.3277 (+1.612 mills) to fund fire protection services at the level proposed in this budget (i.e., the millage equivalent of the fire assessment is 1.612 mills).

The millage rate of 7.3277 is 5.40% below the rolled-back rate of 7.7459 and represents a reduction of .0244 mills (-0.33%) from the current the rate of 7.3521 mills. The following chart illustrates the difference between the current rate of 7.3521 mills and the rate of 7.3277 mills that will be necessary to fund the proposed budget if the fire assessment is not adopted:

Assessed Value	Taxable Value		Tax Rate per \$1,000		Reduction in taxes paid
	with 1 st \$25,000 homestead exemption	with 1 st & 2 nd \$25,000 homestead exemption	7.3521 mills (current)	7.3277 mills (adj proposed)	
\$60,000	\$35,000	-	\$257.32	\$256.47	\$0.85
\$75,000	\$50,000	-	\$367.61	\$366.39	\$1.22
\$100,000	-	\$50,000	\$367.61	\$366.39	\$1.22
\$150,000	-	\$100,000	\$735.21	\$732.77	\$2.44
\$200,000	-	\$150,000	\$1,102.82	\$1,099.16	\$3.66

The millage rate of 7.3277 is the maximum millage rate that may be approved by a simple majority (3-2) vote of the City Commission and will generate \$347,135 less in ad valorem proceeds than was received in FY07'08.

The following chart compares the tax rate without the fire assessment (7.3277 mills) to the tax rate with the fire assessment (5.7157 mills):

Assessed Value	Taxable Value		Tax Rate per \$1,000		Reduction in taxes paid
	with 1 st \$25,000 homestead exemption	with 1 st & 2 nd \$25,000 homestead exemption	7.3277 mills (without fire assessment)	5.7157 mills (with fire assessment)	
\$60,000	\$35,000	-	\$256.47	\$200.05	\$56.42
\$75,000	\$50,000	-	\$366.39	\$285.79	\$80.60
\$100,000	-	\$50,000	\$366.69	\$285.79	\$80.90
\$150,000	-	\$100,000	\$732.77	\$571.57	\$161.20

\$200,000	-	\$150,000	\$1,099.16	\$857.36	\$241.80
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USER FEES

A series of ordinances adopted by the City Commission in September 2007 authorized annual increases in city user fees based on June's annual CPI or 2.5%, whichever is greater. The increase in the CPI measured from June 2007 to June 2008 was 5%, and all user fees (i.e, water and sewer, solid waste collection, facility rental, development fees, etc.) will be increased by 5% on October 1.

[The remainder of this memorandum assumes adoption of the fire assessment fee, in which case fire department expenses will not be included in the General Fund but will be recorded in a special revenue fund created for the purpose of segregating fire assessment revenues from general revenues. If the fire assessment fee is not adopted after public hearing on September 2, the information contained herein will be revised accordingly in subsequent presentations.]

Although a 5% increase in user fees will generate an additional \$60,000 for the General Fund, ad valorem proceeds are declining and revenues from state and other intergovernmental sources are expected to show little or no growth and, in some cases, are expected to decline significantly. In combination with increasing non-discretionary expenses which include rapidly increasing fuel costs, it has been necessary to make budget cuts in order to keep expenditures below revenues.

The proposed General Fund operating budget totals \$9,907,870. When adjusted for fire department expense not funded by the General Fund, this represents a reduction of 1.6% from the current year budget. Budget cuts are detailed in the chart following this memorandum but are summarized as follows:

Elimination of employee positions in various departments	-\$152,532
Elimination of tuition assistance for employees	-\$42,326
Elimination of training	-\$22,747
TOTAL	\$217,605

The proposed budget includes no Cost of Living (COLA) or merit increase for employees. The cost for each 1% across-the-board salary increase is approximately \$76,000.

In addition, capital outlay requests in the amount of \$240,770 were not funded including purchase of replacement vehicles, mowers, and other equipment; however, the budget does include the expenditure of \$45,000 in General Fund operating revenues and \$75,000 in impact fees for the purchase of police vehicles.

As strongly recommended by the City's auditors, it has been our goal to increase the General Fund balance to 15-20% of the total operating budget. In terms of the proposed FY08'09 budget, this would require a General Fund balance of \$1.5 to \$1.9 million.

On September 30, 2007, the total fund balance of the General Fund was \$876,741 or 7.7% of the total operating budget for FY07'08. To eliminate the need for obtaining a Tax Anticipation Note to provide funding for operating expenses from October 1, 2008 through December 31, 2008, the City Commission and CRA Board of Commissioners on July 1, 2008 approved the transfer of

\$1,000,000 in proceeds from the sale of the former Cooperative Fruit Property to the General Fund to be set aside in a Tax Anticipation Account for the purpose of providing the funds necessary to cover the City's cash needs during the first quarter of each fiscal year. The transfer was approved with the stipulation that the account, which will ultimately fund construction of a municipal pool, must be made whole by September 30 of every fiscal year.

If expenditure levels reported at July 31 are maintained through the end of the year, it is estimated that revenues will exceed expenditures by approximately \$17,750 at 9/30/08. The fund balance now projected at July 31 plus the \$1,000,000 Pool/Tax Anticipation Reserve Account combine to make a fund balance forward of \$1,894,495 –the equivalent of 19.1% of the proposed FY08'09 General Fund budget.

SUMMARY OF ALL FUNDS

General Fund	\$8,607,704
Special Revenue Funds	\$7,307,496
Debt Service Fund	\$2,436,478
Capital Projects Fund	\$690,000
Utility System Fund	\$19,091,356
Airport Fund	\$1,469,130
TOTAL	\$39,602,164

The expenditure total of \$39,602,164 is comprised of operating costs in the amount of \$22,340,785 and capital outlay in the amount of \$17,261,379. Transfers in the amount of \$8,275,847 bring total expenditures plus transfers to \$47,868,011. The proposed operating budget expenditures for FY08'09 are 37.4% less than the actual total operating expenditures for FY06'07.

Capital expenditures include utility system improvements such as the rehab and expansion of the wastewater treatment plant, lift station rehabilitation, reuse transmission lines and downtown water system improvements, parking improvements at old city hall, Kiwanis Park improvements, completion of airport building reconstruction, purchase of police vehicles and miscellaneous equipment purchases budgeted as follows:

General Fund	\$53,500
Special Revenue Funds	\$1,893,000
Capital Projects Fund	\$690,000
Utility System Fund	\$13,260,984
Airport Fund	\$1,363,895
TOTAL	\$17,261,379

REVIEW OF DEBT SERVICE

As required by Charter, a summary of the City's outstanding debt at September 30, 2008 is presented as follows:

Wachovia Utility System Improvement Refunding Revenue Note, Series 2006A; issued to refund existing bonds and fund Water and Sewer system improvements. Balance: \$6,055,107; last payment October, 2016.

Public Improvement Bonds, Series 1997; issued to refund Public Improvement Bond Series, 1991 which refinanced Public Improvement Bond Series, 1989 funding capital projects. Balance: \$2,270,000; last payment October, 2014.

CRA Redevelopment Revenue Note, Series 2007; issued to finance redevelopment capital improvement projects. Balance: \$9,499,999; last payment October 2007.

Total bonded indebtedness: \$17,825,106

Florida Department of Environmental Protection Revolving Loan Program assistance for funding of costs associated with Wastewater Reuse Project, Phase I. Annual interest rate, 2.56%. Balance: \$953,842; last payment February 2019.

Florida Department of Environmental Protection Revolving Loan Program assistance for funding of costs associated with Wastewater Reuse Project, Phase II. Annual interest rate, 3.05%. Balance: \$576,555; last payment August 2016.

Florida Department of Environmental Protection Revolving Loan Program assistance for funding of costs associated with sludge dewatering Improvements to the Wastewater Treatment Plant. Annual interest rate, 2.14%. Balance: \$1,144,442; last payment October 2022.

Florida Department of Environmental Protection Revolving Loan Program assistance for funding of pre-construction costs associated with the Wastewater Treatment Plant Expansion Project. Annual interest rate, 1.88%. Balance: \$1,004,111; last payment October 2028.

SunTrust 2003 Note; issued to accomplish advance refunding of Capital Improvement Revenue Bonds, Series 1996 (\$4,666,859), to refinance Non-Ad Valorem Revenue Bonds, Series 1999 (\$4,757,115) and to finance interest and issuance costs (\$125,716). Annual interest rate, 3.84%. Balance: \$7,720,498.; last payment 2016.

SunTrust 2005 Note; issued finance construction of chlorine contact chamber at Wastewater Treatment Plant and city's cost portion of reuse transmission lines. Annual interest rate, 4.2%. Balance: \$778,216.; last payment 2015.

Florida League of Cities Master Lease Program for lease-purchase of Fire Truck. Annual interest rate: 2.37%. Balance: \$124,428 last payment 2010.

Florida League of Cities Master Lease Program for lease-purchase of Fire Truck. Annual interest rate: 4.28%. Balance: \$349,216; last payment 2012.

Motorola Capital Lease Program for lease-purchase of Public Safety communications equipment and other equipment. Annual interest rate: 6.263%. Balance: \$189,198; last payment 2012.

Utility System Revenue Note, Series 2006B, is an authorized credit line in the principal amount of not to exceed \$3,100,000 to finance the cost of constructing and acquiring certain additions, extensions and improvements to the utility system. Current variable

interest rate as of August 8, 2008 based on 74% of 1-Month LIBOR: 5.74%. Balance: \$2,550,000; last payment 2026.

Total non-bonded indebtedness: \$15,390,506

The City's total bonded and non-bonded indebtedness at 9/30/08 is \$33,215,612 which is equal to 4.0% of the 2008 taxable valuation. Debt payments due during FY08'09 total \$3,865,664 and represent 9.65% of the City's operating budget (excluding interfund transfers and capital outlay). A schedule showing the City's outstanding debt at September 30, 2008 is included in the Charts & Graphics portion of the proposed budget (page C-2).

BUDGET HIGHLIGHTS

A summary of the important aspects of the proposed FY08'09 budget document is provided as follows:

1. A 15% increase for workers' compensation, liability, property and casualty insurance premiums is budgeted in accordance with preliminary estimates received from our property, casualty and workers' compensation providers; actual cost increases, if any, will be determined in mid-August.
2. Our current health insurance provider has indicated there will be no increase to the City or to employees for health care coverage in FY08'09. The City has gone out to bid on health insurance, and a cost reduction may be possible.
3. Pension contribution rates have been budgeted for FY08'09 to yield the actuarially determined funding requirements calculated by the actuaries retained by the City's pension boards as follows:

	General Employees	Police Officers	Firefighters
FY 07'08	7.1%	15.6%	26.5%
FY 08'09	6.0%	17.3%	28.2%
Change	-1.1%	+1.7%	+1.7%

4. Changes in departmental staffing in FY08'09 as compared to the FY07'08 amended budget are:

Police Department	- 1.00	Lieutenant position transferred to Community Redevelopment department for Community Policing program.
Building Department	- 1.00	Admin assistant position eliminated.
Building Department	- 1.00	Permit clerk position eliminated.
Building Department	- 0.25	Bldg Inspector position vacant after June 2009
Finance Department	- 0.25	Accounting Clerk position transferred to Utilities Customer Svc
Depot Museum	- 1.00	Remaining position eliminated.
Facilities Maintenance	- 1.00	Two part-time custodian positions eliminated.
Recreation Services	- 1.00	Two year-round P/T positions at Gym eliminated.
Library Books-by-Mail	+ 1.00	Librarian Assistant position added

Community Redevelopment + 1.00 Lieutenant position transferred from Police Department for
 Community Policing program.
 Utilities Customer Service + 0.25 Accounting Clerk position transferred from Finance Dept
 - 3.75 Net Change in positions since amended FY07'08 Budget

5. Capital expenditures proposed for FY08'09 are as follows:

Item	Cost	Funding Source
IMPROVEMENTS		
Airport - Runway Extension (Engineering)	450,000	Airport Grants, Airport Revenues
Airport - Medium Intensity Taxiway Lights	97,680	Airport Grants, Airport Revenues
Airport - Parking	157,500	Airport Grants, Airport Revenues
Airport - FBO Building Reconstruction	596,665	Insurance Proceeds
Drainage Improvements - Twin Lakes	300,000	CRA Bond, SWFWMD Grant
Landscaping & Signage - LLBP	50,000	Proceeds from sale of lots
Parking Improvements - Old City Hall	750,000	CRA Bond
Streetscape Lighting - Lincoln Avenue	145,000	CRA Bond
Streetscape Improvements - Dr ML King Jr Blvd	200,000	CRA Bond
Parks & Recreation - Hardman Hall	650,000	State grant, CRA Tax Increment
Parks & Recreation - Kiwanis Park Improvements	200,000	FRDAP Grant
Parks & Recreation - Lake Beautification	70,000	CRA Bond
Reuse System - Booster Stations	45,000	Impact Fees, Utility System Revenues
Reuse System - Transmission Lines	1,140,224	Loan Proceeds, SWFWMD Grant
Reuse System - Monitoring Wells	50,000	Loan Proceeds, Impact Fees
Reuse System - Upgrades	40,000	Loan Proceeds, Impact Fees
Sewer System - Lift Station Pumps	75,000	CRA Bond
Sewer System - Treatment Plant Rehab	4,472,077	SRF Proceeds, Operating Revenues
Sewer System - Treatment Plant Expansion	3,990,345	SRF Proceeds, Impact Fees
Sewer System - Lift Station Rehabilitation	196,331	CRA Bond
Sewer System - Sliplining Sewer lines	260,000	CRA Bond
Water System - Asbestos Pipe Removal	300,000	CRA Bond
Water System - Winter Haven Interconnect	50,000	Impact Fees, Utility System Operating Revenues

Item	Cost	Funding Source
Water System - Booster Stations	85,000	Loan Proceeds, Impact Fees, Utility System Operating Revenues
Water System - Downtown Improvements Ph 2	959,862	CRA Bond, CRA Tax Increment
Water System – Misc. New Services	25,000	Utility System Operating Revenues
Water System – Elevated Storage Tank SW Area	1,237,145	Water Impact Fees, LLBP lot sales, CRA Bond
Water System - Northwest Water Line Extensions	250,000	CRA Bond
Water System – PRV Hunt Bros & Scenic	60,000	Utility System Operating Revenues, Impact Fees
LAND		
Airport - Aviation Easements	22,050	Airport Grants
VEHICLES & EQUIPMENT		
Airport - Fuel Truck	40,000	Airport Operating Revenues
Facilities Maintenance – Cap for Truck	1,500	General Fund Revenues
Information Services - Server Upgrade	5,000	General Fund Revenue
Library – Equipment	10,000	Library Fund Revenue
Parks Division – Trailer	2,000	General Fund Revenue
Police Dept – Motorcycles PD Traffic Unit	85,000	FDOT Highway Safety Grant
Police Dept - Night Vision Devices	8,000	Byrne Grant
Police Dept –Vehicles	120,000	General Fund Revenue, Impact Fees
Reuse - Master Reuse Meters	25,000	Utility System Operating Revenues
OTHER CAPITAL OUTLAY		
Library - Books & Subscriptions	40,000	Library Fund Revenue
TOTAL CAPITAL EXPENDITURES	17,261,379	

6. In accordance with Ordinance 2007-07 adopted by the City Commission on September 18, 2007, the schedule of water and sewer rates and charges will be adjusted to reflect a 5% increase based on June's annual CPI. The increase will be applied to service provided on or after October 1, 2008.

WATER CHARGES		SEWER CHARGES	
base	rate per 1,000 gallons	base	rate per 1,000 gallons

	charge	0-5,000	5,001 - 10,000	10,001 - 25,000	over 25,000	charge	0 -5,000	5,001 - 15,000
Current	4.95	1.96	2.65	4.11	6.77	17.59	2.31	4.05
10/01/08	5.20	2.06	2.78	4.32	7.11	18.47	2.43	4.25

For inside-city residential customers using an average of 8,000 gallons per month, water charges will increase from \$22.70 to \$23.84, and sewer charges will increase from \$41.29 to \$43.37; the combined bill for water and sewer will increase from \$63.99 to \$67.21.

7. The FY08'09 Budget includes a 5% increase in all General Fund user fees and charges. For residential solid waste collection and recycling, fees will increase from \$19.20 per month to \$20.16 per month.
8. In addition to staff reductions and elimination of pay increases, tuition reimbursement and training expense, other cost reduction measures recommended in the proposed FY08'09 budget include the following:

Depot Museum. It is recommended that the Depot Museum be turned over to the Historic Lake Wales Society for operation utilizing an all-volunteer staff. The budget includes funds for a contract with HLWS in the amount of \$22,750 to cover utilities, telephone and Pioneer Day expense. In addition, the City will provide \$7,711 in-kind services for Pioneer Day. The City will pay \$16,559 in property and liability insurance costs for the Depot.

Albert Kirkland Sr. Gymnasium. It is recommended that the Kirkland Gymnasium be turned over to the Boys & Girls Club for operation utilizing their staff. The budget includes funds for a contract with the Boys & Girls Club in the amount of \$32,000 to cover admin, utilities, and m&r expense for the gym floor. The City will pay \$10,662 in property and liability insurance costs for the Gym.

CONCLUSION

With the second wave of tax reform taking effect in the new budget, City staff is reviewing our overall fiscal position and planning for the future. There are three cities in Polk County that are close in size for comparison purposes: Lake Wales, Auburndale, and Haines City. Of the three, we have the lowest tax base and the highest tax rate coming into the new fiscal year. City staff is working to address this situation, which will require the implementation of fees to replace tax revenue. The fire assessment is an effort in that direction. The City Commission has also directed that economic development be aggressively pursued to build the City's tax base.

Long term, the City's revenue picture appears to be promising. Several projects that will enhance our tax base, including the Hampton Inn and Suites, and the Lowe's store, have been completed. Other projects around the Eagle Ridge Mall are either underway or in the plan review and approval stages. City staff is also looking to SR 60 West as the City's future industrial base, anticipating the effect of the CSX development on the former City of Winter Haven sprayfield, just beyond the western edge of our utility service area. A key asset that will be a contributing factor is the City's airport: the new fire suppression system and water well and tank have been completed, and the purchase of 60 acres for the runway extension to the west has now closed. The final building to be re-constructed will be complete within the next 6 months. In addition to these improvements, the continued development in the Longleaf Business Park will increase the value of the CRA tax increment, as will commercial and residential construction in the Mayfair development on the former Cooperative Fruit Property. Construction completed during the twelve-

month period beginning January 1, 2008 will be reflected in the City's taxable value established on January 1, 2009 with property taxes to be collected starting in November 2009.

In the near term, our financial resources will be severely constrained as we deal with the fiscal impact of tax reform and the slow-down of the housing market and the economy in general. In order to ensure sufficient financial resources for the future, sustaining the progress of economic development will be our highest priority. Strengthening an organization that is reduced in size and improving the ability of our employees to provide high levels of service with limited resources will also be an important focal point during FY08'09. By continuing to implement strong budget controls, requiring strict adherence to purchasing procedures, and maintaining the timeliness of financial reporting, it is our goal to complete FY 08'09 with improved cash surpluses in both the General Fund and the Utility Fund.

Expenditures must continue to grow conservatively for the next few years in order to increase the City's cash reserves to appropriate levels. Maintaining an adequate General Fund balance is an indicator of the financial health of the City, and a \$2 million cash surplus in the General Fund is the minimum acceptable amount for responding to emergencies, covering expenditures during the early part of the fiscal year before ad valorem revenues are received, and paying costs of grant-funded projects prior to reimbursement from grant sources. The same is true of the Utility Fund. Steady gains in General Fund Balance and Utilities Fund Retained Earnings have been made since FY01'02, but some of the gain was diminished by cost overruns in health insurance for several years. That situation was addressed when the City Commission approved a conventional health insurance program through a provider and eliminated the City's self-insurance program last year. Fund Balance in the General Fund also improved dramatically with the deposit of the escrow account for the swimming pool construction into Fund Balance, with restrictions on use of the funds. It is essential that the cash position of both the General Fund and the Utility Fund continue to be improved above their current levels.

By necessity, the proposed FY08'09 Budget responds to reductions of ad valorem proceeds and other General Fund revenues with significant cut-backs in spending on culture, recreation and other "quality of life" services, as well as employee training and education, in order to ensure sufficient resources for the delivery of basic municipal services. In addition, the proposed FY08'09 Budget addresses several areas identified by the City Commission as problems:

1. *Street and alley conditions.* In FY05'06, city staff completed an inventory of street conditions. Many streets and alleys are in poor condition or have failed due to long-standing problems involving either improper construction or lack of appropriate drainage structures. The improvement of substandard street conditions was a major initiative in FY07'08 upon issuance of the CRA bond. Resurfacing work is scheduled for completion in the next 90 days, and the spreading of millings in alleys and some drainage work will be done in the new fiscal year.
2. *Utility improvements.* In the new fiscal year the Utility staff will continue an aggressive program of repairs and planning for system improvements. Several projects that have been on the drawing boards for many years are now coming to a close, including the southside force main and the first phase of the re-use transmission line. Other long-term projects are underway, including the southside water tower. Planning for the first phase of improvements at the wastewater treatment plant and new facilities in the northeast section of our utility service area will be priorities in the new fiscal year, along with the start-up of the re-use system for residential customers.

3. *Community Development.* The Lincoln Avenue Commercial Revitalization program is planning to produce tangible results this year, as funding is being sought from two grant sources. One new business has opened in the past year and a replacement business has made improvements on a building in compliance with program guidelines. Community interest and expectations in the program continue to grow, and an important step forward is planned in this budget with the opening of the police sub-station in the area.
4. *Downtown Redevelopment.* It is anticipated that FY08'09 will be a year of progress for downtown as the Chamber's management of the Mainstreet program goes into full swing. The Chamber's CRA Steering Committee is also following-up on the downtown plan delivered by Martin Vargas. The FY08'09 budget includes \$397,800 for Economic Redevelopment Assistance to provide incentives to attract new businesses to the historic Downtown area.

Should the Commissioners wish further information or clarification of the proposed budget document, we will be pleased to provide it.

[end budget memo]

Mr. Otte reported that recently a group of citrus grove owners approached City staff and presented a case for exempting them from the fire assessment. They said that well-maintained, working citrus groves do not burn. He said that since the City could not find any evidence where a working orange grove has ever caught on fire, he is looking at a proposal to exempt them. This would mean that the estimated fire assessment revenue in the amount of \$57,000 from citrus groves would have to come from tax revenue, which would cause the proposed millage rate of 5.7157 to increase. The details have not been worked out yet.

Mr. Otte said that the City is trying to look more to user fees rather than relying on taxes. He said that he would like to have a meeting with the Finance Committee to review some staff generated ideas for new user fees, and then bring that list back to the City Commission for review and possible adoption.

Mr. Otte reviewed the budget highlights listed on Page 5. He said that a 15% increase is expected for workers' compensation, liability, property and casualty insurance premiums, but an increase in the City's health insurance premiums is not expected. Staff bid out the health insurance, which might be the reason for no increase being proposed from our current health insurance provider. The bids have been received and are being analyzed. The pension contributions for police officers and firefighters have increased. There is a reduction in departmental staffing.

Mr. Otte reviewed the capital expenditures listed on Page 6. He said that the proposed budget includes a 5% increase in all General Fund user fees and charges, there are no cost of living increases or merit increases for employees, and there are changes being proposed for the operation of the Depot Museum and the Albert Kirkland Sr. Gymnasium. Mr. Otte said that he is recommending that the operation of the Depot Museum be turned over to the Historic Lake Wales Society (HLWS) utilizing an all-volunteer staff. The budget includes funds for a contract with HLWS in the amount of \$22,750 to cover utilities, telephone, and Pioneer Day expenses. He said that he is also recommending that the Kirkland Gymnasium be turned over to the Boys & Girls Club for operation utilizing their staff. The budget includes funds for a contract with the Boys & Girls Club in the amount of \$32,000 to cover administration, utilities, and m&r expense for the gym floor. The City will pay \$10,662 in property and liability insurance costs for the Gym.

Mr. Otte said that the budget is very austere with very limited funding for operational purposes and capital improvements. He said that before the next budget meeting, he would like staff to have an opportunity to meet with Commissioners, one on one, to go through individual questions.

Commissioner Rogers said that he is concerned that this budget does not include raises for employees, and that he is still concerned about the proposed fire assessment. He said that he hopes that each Commissioner would take this seriously and work toward maintaining the services that we have now, although he does realize that cuts would have to be made. Commissioner Rogers commented that he was willing to do whatever is necessary to see that the City has a balanced budget.

Commissioner Howell said that she did not like the idea of police officers who live outside the City limits driving City vehicles home. The vehicles would last longer if they did not and there would be a fuel cost savings for the City. She said that if they have to take a City vehicle home then they should drive the older vehicles home instead so that the better vehicles would not have to be replaced as often. Mr. Otte said that there is \$45,000 budgeted for new police vehicles and that he would work out a plan with Ms. Delmar and the Police Chief on how to spend that money wisely. He said there are several options that could be considered: continue purchasing used vehicles from the City of Longwood; consider the type of cars being purchased; assign different vehicles to certain officers to drive home; have officers pay a flat fee per month to drive vehicles home or purchase their own fuel, etc.

Commissioner Howell said that she was concerned that the gym would be closed to adults who might want to use the gym because the Boys and Girls Club would only be working with kids. Mr. Otte said that he has been working out a schedule with the Boys and Girls Club. Part of the day would be exclusively for them and part of the day would be for any other person who would want to use the gym. The details have not been worked out yet.

Mr. Otte said that as indicated on Page 91, we were hoping to get a grant for the purchase of motorcycles for the Police Department. However, staff received notification that the grant would not be funded this year. This item will be removed from the budget. Mayor Wheeler commented that the City should not even be applying for a motorcycle grant due to liability issues.

Commissioner Van Sickle said that in regards to the citrus grove owners asking to be exempt from paying the fire assessment because citrus groves do not burn, the City is also charging a fire assessment on parking lots and landscaped yards that are on a separate deed than the house, and those areas do not burn. He said that because the City told the citizens that the fire assessment would decrease the millage rate, it needs to push for the proposed millage rate of 5.7157 and find the dollars elsewhere. To keep the millage rate at that rate, citrus grove owners need to pay their fair share like everyone else. Commissioner Van Sickle said that citrus grove owners are more financially able to pay the fire assessment than most people.

Commissioner Van Sickle said that he is not only concerned that the City is not giving raises to its employees, he is also concerned that the City is cutting out all training dollars. The employees are asked to do a lot of things and sometimes they need training to do what is expected of them. So, somehow we have to figure out how to put those training dollars back in the budget. He said that his goal is to see that the millage rate of 5.7157 does not increase. Therefore, citrus grove owners should pay their fair share of the fire assessment because the citizens were told that the millage rate would decrease. Mr. Otte responded that he has consistently said that the figures were only preliminary, but his goal is to reduce the millage rate.

Commissioner Manry said that the City's goal is to keep the millage rate at 5.7157. Because the cost of living is going up, employees need raises. She asked if there were other areas in the budget where we need to be even more cautious. Ms. Delmar explained that there might be a

\$40,000 increase in cost for workers' compensation, liability, property and casualty insurance premiums. Although, the franchise fees and utility taxes are low this year, we are concerned about next year. The City is being conservative, but not overly conservative, on the revenue side considering what is happening this year.

Commissioner Howell asked if the City was proposing to give any raises to employees this year. Mr. Otte said no. Ms. Delmar said that it would cost about \$76,000 for each 1% raise.

Commissioner Van Sickle asked if the \$750,000 that is budgeted for the parking lot at old City Hall was a real number. Ms. Delmar said yes. Commissioner Van Sickle said that \$750,000 for a parking lot is too high. Economic Development Director Harold Gallup said that the \$750,000 is not just for the parking lot. It is also for the drainage system and outfall improvements that have to be done with the parking lot, as well as landscaping, lighting, etc. Staff has looked at every feasible method of construction to reduce the cost. There is a possibility that the cost might be a little lower. Mr. Otte said that the City is making the two retention ponds that are located at the end of E. Central Avenue and Lake Shore Blvd. by Lake Wailes bigger to accommodate the runoff from the additional asphalt for the parking lot on Tillman Avenue and Second Street. Commissioner Manry said that it does not seem like the parking facility would have to be increased that much. Mr. Gallup said that the size and scope of the work for the facility is actually being driven by the Department of Education requirements.

Commissioner Manry said that the thing that bothers her most of all is the employee situation, which should be considered.

Commissioner Van Sickle asked if the City would be using a facility that is already available for the substation on Lincoln Avenue. Mr. Otte said that the City has been discussing putting a substation on Lincoln Avenue before he came to work for the City. Recently, after the CRA acquired the Walker building, the City's Community Development Consultant Linda Kimbrough reviewed the building and found that we could utilize the six spaces downstairs – five for apartments that could be rented through the Section 8 program, and the other one for the substation office. The City is also considering the possibility of putting a substation at Grove Manor. Commissioner Van Sickle said that the creation of a Lieutenant position for the policing program was a good idea. Mr. Otte said he addressed that need because that is where resources are needed. Commissioner Van Sickle asked how fast someone could respond at the mall if that officer needed help. Mr. Otte said he is anticipating that where there are law enforcement needs there would be two officers there.

Mayor Wheeler said that he understands the concerns expressed by the citrus grove owners, however, they would still be getting a tax cut when it comes to this fire assessment fee. Mr. Otte said that the tax cut would not do them any good if they are getting the greenbelt exemption. However, it would do them some good if they own properties such as a packinghouse.

Mayor Wheeler said that in the proposed budget it shows that several projects that have recently been completed will enhance the City's tax base, such as the Hampton Inn and Suites, and the Lowe's Store. He asked what affect that would have on the City's ad valorem revenue in FY 09-'10. Ms. Delmar said that could not be projected at this time because we do not know how the next tax reform would impact the City. However, if there had not been a tax reform, the City's taxable value would have been \$860 million. There has been a significant cut.

Mayor Wheeler said that he sympathizes very much with the employees not getting a raise at a time when inflation is really starting to have an effect. Besides that, the City is laying off some employees, and not training the others. He said that this would be hard to swallow if he was one of the employees that listened to the Commission meeting we just concluded when we discussed having \$2.2 million more dollars in cash. He said that he is having a hard time reconciling that.

There is a way to do that and there is a reason. However, it does not look very good on the surface of it. Mr. Otte said that the City was doing well at building reserves until the last couple of years due to high self-insurance expenses etc. That is why the Commission approved going to a conventional insurance policy to eliminate the possibility of having those huge unexpected insurance claims at the end of the year. Now, the City needs to get back on track and build the reserves to the level where they need to be.

Mayor Wheeler asked what reserves are used for. Mr. Otte said that one thing that reserves are used for is to get the City through the first quarter of the fiscal year when there are no property tax receipts. He said that recently a City Manager of another City had suggested getting a tax anticipation note. Our City has done that before due to having a very low General Fund reserve. Mayor Wheeler asked if the City spent down reserves during the 2004 hurricanes. Ms. Delmar explained that at that time, FEMA and insurance companies were writing the City checks within the first 30 days of the storms to cover expenses because we had no cash to do the repairs that needed to be done. Mayor Wheeler asked if that was the most disastrous situation the City had in the last 20 years. Mr. Otte said that in terms of destruction, yes. But, in terms of the impact on the budget, no. Ms. Delmar said that in terms of the City's finances, the 1991 General Fund and Utility Fund deficit was more disastrous than the impact of the 2004 hurricanes. The City spent down reserves, which caused a \$1.3 million deficit in the General Fund and almost a \$1.3 million deficit in the Utility Fund.

Mayor Wheeler said that before he could sign off on a budget that allowed no raises and training for employees, he wants to be sure that the City has looked at every possibility, including if it has to spend down reserves. Ms. Delmar said that the City has three choices: (1) spend down reserves; (2) increase the millage rate; or (3) make additional cuts elsewhere to fund the things that were cut in the budget. Mayor Wheeler said that there is nothing more valuable to us than our employees. Therefore, the City has no choice but to look at every possibility. Mr. Otte said he agreed, and that it was with that spirit that only one full-time position was cut.

Mayor Wheeler said that the Commission needs to understand that it has the ultimate responsibility for this budget and not management. The Commission sets the policy, the City is the instrument of that policy, and the Commission is the one who has to answer for it. He said that the Commission needed to think about that when meeting one on one with City staff, and think deeply on how to address these issues, especially the lack of training because it could come back to haunt the City down the line.

Mr. Otte asked if the Commission would like to meet individually with City staff and then have another budget meeting early next week. The Commission said yes. Commissioner Manry said that she would like to have a detail on the past year's employee training. She said that she was more in favor of approving a budget that provides the necessary training to an employee to help them improve in their position rather than training that would help them get along with their co-workers. Commissioner Rogers said he did not care how many meetings it took to balance the budget. He said that he is more than willing to devote his time in doing that, which the citizens expect.

Commissioner Howell asked if it would help to reduce the millage rate by building the City's commercial tax base. Ms. Delmar said yes. Commissioner Howell asked why the City has not been doing that for the last couple of years. Mr. Otte said that the City has been doing that. There is now a hotel, Lowe's, and restaurants like Chili's and Bob Evans. There are other stores and another hotel being built near Lowe's. Staff is working toward getting more activity at the Long Leaf Business Park and out on SR60 West. Commissioner Howell said that the City's tax base should then improve over the next year or so. Mr. Otte said that was correct. Mayor Wheeler said that is assuming the tax reform does not take all these improvements away. Mr. Otte said that the

City has saved a lot of money on utility projects that needed to be done. Commissioner Howell said that somehow the City of Frostproof has been getting businesses to come into their City.

Betty Wojcik, Director of Lake Wales Chamber of Commerce, said that what the City is doing right now to lower its millage rate is probably one of the best things it can do to make this community more competitive.

Mr. Gallop said that every element the City can improve on to make our community more competitive or as competitive is always helpful. Corporations go through a life of relocation and expansion. The City has a lot of industry that is tied to the housing market. So, if the housing market drops off then there is no need for corporations to expand. There are specifics that industries look for when relocating, such as the availability of rail. Rail does not exist in the City of Lake Wales. The City is trying to solve that element by attracting new industries that are tied to CSX. Currently, CSX is about nine months behind in construction and probably will not start construction until the end of 2008 or early 2009. That phase is only for rail, which could take about two to four years to materialize. The City can compete but it can't catch what it cannot serve. The City realizes this shortfall and is working toward getting the ground, getting it under control, and getting the utilities out to it. This has to be done in order to be attractive and competitive, which is not an over night process.

Mr. Otte said that the City is utilizing the assets that it has, such as the airport. The City is expanding the runway and is working with a property owner to create an airpark type atmosphere.

Commissioner Howell asked that when these businesses come to Lake Wales how soon would it benefit the City's budget. Mr. Gallup said that it would depend on how fast the buildings are built and how fast they go on the tax rolls. The City has a lot of activity in the pipeline, which is going to generate a lot of revenue. There is no guarantee that it would happen within 18 months to 36 months. However, business is coming.

Commissioner Manry asked Mr. Gallup to keep the Commission updated on what is happening with projects and estimated times of going forward - like with the push back of Kohl's and the Holiday Inn. The information is needed by Commissioners so that they can answer with some degree of certainty if someone should ask. Mr. Gallup said that sometimes these companies are not as generous with the information as we would like. He said that he is happy to provide any information that can be provided.

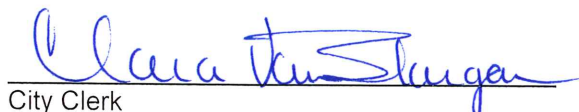
Mayor Wheeler commented that he is glad that the City is focusing on development because that is the only thing that is really going to help keep the millage rate down and to provide the things that the community needs. There are also quality of life issues, which the City would be negligent to ignore. He said that at the next budget meeting public comment would be welcome.

There being no further business, the meeting was adjourned.



Mayor/Commissioner

ATTEST:



Clara Kus Stanger

City Clerk