

budget workshop meeting of the City Commission was held on June 5, 2012 at 5:00 p.m. in the Commission Chamber at the Municipal Administration Building. The meeting was called to order by Mayor Michael S. Carter.

**COMMISSIONERS PRESENT:** Christopher Lutton; Betty Wojcik; Terry Y. Howell; Mayor Michael S. Carter

**COMMISSIONERS ABSENT:** Jonathan Thornhill

**CITY REPRESENTATIVES PRESENT:** Terry Leary, City Manager; Albert C. Galloway, Jr., City Attorney; Clara VanBlargan, City Clerk; Jacquie Hawkins, Deputy City Clerk

[Meetings are recorded but not transcribed verbatim]

**Agenda Item 2. CRA Budget for FY 2012'13 and 5-Year CIP**

The full staff memo is incorporated into the minutes.

[Begin agenda memo]

The City Commission has requested additional workshops relating to budget discussions for Fiscal Year 2012'13. This workshop is dedicated to the CRA Fund.

**The presentation format includes:**

	<u>Page</u>
CRA Draft Budget – FY 2012'13	1
CRA Long-term Debt Service Schedule	6
CRA 5-Year CIP	7

[End agenda memo]

Finance Director Dorothy Pendergrass reviewed Agenda Item 2. It included the preliminary estimates from the property appraiser: the gross taxable amount will be lower than estimated; the ad valorem tax regarding CRA will be lower; and the county tax increment will also be lower for a total reduction of \$103,555.

Economic Development Director Harold Gallup went through the CRA expenditures. The long-term debt service has to be paid first out of the limited CRA budget. Only the CIP projects that have been identified as having funding sources will be done at this time. Grants are very difficult to get but they will be looking into some along with other funding sources to try to do projects on the backup list and if they can find a 100% or even 90% grant, they might be able to swap projects. But, right now there has been very little, if any, change from last year.

The following questions and concerns were addressed.

Mayor Carter:

- Mayor Carter said the preliminary estimates were just received from the county, so we will not know the final numbers until it can be recalculated based on the 5.1% reduction. Ms. Pendergrass said the reduction is 6.04% and pointed out where that is calculated in the budget.
- Mayor Carter said the carryover money is funding that was not spent on projects last year so is carried over to this year; therefore the quarter million not spent last year on entryways will be

carried over but it doesn't mean we will be getting an additional quarter million this year. He said the revenue requirements for this year are reduced by the amount of money not spent and therefore carried over from the previous year. Ms. Pendergrass said that was not correct. She explained that the ad valorem tax and county money bring in about a million dollars. Debt service that has to be paid is about \$960,000, leaving about \$40,000. The carry-over money is about \$800,000, out of which the operating costs have to be paid. Commissioner Wojcik said there is a CRA requirement that the carry-over funds have to be designated. Mr. Gallup concurred but added that the money had to stay in like categories.

- Mayor Carter said there had been a previous discussion concerning making the CRA area smaller and he asked what became of that. Mr. Gallup said that was done already by removing Mayfair and the business park from under the CRA, though the business park is still owned by the CRA. When the economy picks up, the money from sales will therefore go into the CRA.

Commissioner Lutton:

- Commissioner Lutton asked if all three of the debt vehicles were against CRA. Ms. Pendergrass said there was actually only two and both instruments show what needs to be paid from CRA funds. In the next year you have a little over one million dollars coming in with about 964,000 of that going to debt service. The CRA reserves that were carried forward will be used to pay for the projected capital projects and for operating expenses.
- Commissioner Lutton said that over the next five years it will get a little bit better and then there will be a big jump in 2012-2017, so it would be a smart move to plan for that now. Ms. Pendergrass said that the revenue coming in for the next three years is sufficient to cover the debt service but how the carry-over reserve amount is used will determine how the operating expenses will be funded. If property value goes up there will be more money available, but if the economy continues to drop, there will be less.
- Commissioner Lutton asked if there was a pre-payment penalty and Ms. Pendergrass said we can pay early, but we will still have to pay every bit of the interest, so there is no incentive to do that.
- Commissioner Lutton asked if all the grant cycles start on July 1st. Mr. Gallup said not necessarily because July 1st is a just target date and not a hard date; he explained.
- Commissioner Lutton asked if there was money to pay for the targeted \$240,000 project and Ms. Pendergrass said that was part of the \$829,000 carry-over for projects like the entryways that were scheduled in this year's budget but were not done. But the carry-over balance has to also cover the operating costs, so it will be determined by how quickly or slowly the carry-over funds are spent.
- Commissioner Lutton asked if the money from selling a piece of property in the Long Leaf Business Park goes into the CRA Fund to be re-expended. Mr. Gallup said the proceeds from the sale go into the CRA but the taxes go into the General Fund.
- Commissioner Lutton said it appeared to him that we will be out of reserves before 2016-2017 unless the property taxes go up. Ms. Pendergrass said if we run out of reserves we will have to cut operating expenses or pay for it out of the General Funds, which is already low.
- Commissioner Lutton said that once we are over the hump and the debt goes down, we will have a fully funded operating expense and we can start building the reserve back up. Ms. Pendergrass said you wouldn't want to put the money into reserves; you would want to use the money for economic development, which is the purpose of the CRA funds.

Commissioner Wojcik

- Commissioner Wojcik asked that the allocations for the police department and field operations be identified. Ms. Pendergrass said the field operations item is for the salary with benefits of the employee to do the flowerbeds and landscaping, and the police department's is for the police officer assigned to the Lake Wales Housing Authority, though half of that is reimbursed by the Housing Authority.
- Commissioner Wojcik asked if using the CRA money for improved technology at the business park was okay to do even though the business park is no longer in the CRA. Mr. Gallup said it

was okay because it is owned by the CRA. Commissioner Wojcik asked if the dollars were included in the budget for that and Mr. Gallup said it was.

Commissioner Howell said there is enough money to cover all the identified projects for the coming year. She asked if a project like the entryways could be dropped until, for example, 2020. Mr. Gallup said they couldn't because if the money is not used for what it was intended to do, and is just sitting there, it can be challenged and the county may tell us they want the money back. However, if we decided to do something else instead, the money could be redesigned from its intended purpose for that. Commissioner Wojcik said it is important that we use the money on projects that will improve the economic development of the city. Mr. Gallup added that it should also improve the physical or safety environment so it will entice private money to be invested in buildings, property, upgrades or business operations, which will in turn enhance the business base and stimulate the economy. Commissioner Wojcik said it was their job to be frugal with the money and determine what is economically feasible for them to do.

**Agenda Item 3. Utility System Draft Budget for FY 2012'13 and 5 Year CIP**

The full staff memo is incorporated into the minutes.

[Begin agenda memo]

The City Commission has requested additional workshops relating to budget discussions for Fiscal Year 2012'13. On May 8, 2012 the Utility System draft budget as provided to the City Commission for discussion purposes. Attached is an updated draft budget based on recommendations provided by the City Commission.

**The presentation format includes:**

	<u>Page</u>
Utility System Draft Budget – FY 2012'13	1
Utility System 5-Year CIP	22

[End agenda memo]

Agenda Item 3 was reviewed by Finance Director Dorothy Pendergrass and Public Works Director Tom Moran.

Commissioner Wojcik asked if the budget included funding for the study of the sewer and water lines. She said it appeared to have been put on the "prudent" list of items. She asked about the Master Plan for Wastewater Collection and asked about the infiltration and intrusions study that would look into the pipes to see which ones needed to be replaced.

Utilities Project Manager Sarah Kirkland said the old Wastewater Collection System Master Plan focused on growth and the new plan was to focus on the repair and maintenance of the current infrastructure. Commission Wojcik said that she thought the intrusion study was to see which pipes were in the worse shape, so they could develop a plan over several years, knowing which pipes have to be done first and which can wait a little longer. She said she thought that study was important. Mr. Moran said it was important but, in the light of the other projects, it was deemed "prudent" because it was not a mandated project.

Mayor Carter asked where in the budget they would find the prioritized list. Ms. Kirkland directed them to where they listed the operationally necessary projects, the health and safety related projects, the mandated projects, and the prudent projects. She said everything listed under prudent was moved back because of lack of funding. Commissioner Wojcik said that some listed under operational necessities is budgeted in 2013/14, and parts of others on the necessary list have also been moved. Ms. Kirkland said they were trying to present a balanced budget. Commissioner Wojcik said she understood putting off

prudent projects, but those listed operationally necessary means to her that it is necessary in order to operate.

Commissioner Howell said that the budget is balanced and all the projects concerning health and safety are listed. Therefore, after the mandatory ones are finished, other needed things can be picked up.

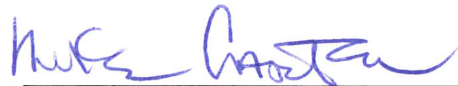
Commissioner Wojcik said the budget isn't zeroed out. Ms. Pendergrass said that was correct. \$251,000 is unrestricted cash that can be spent for other purposes. It does not include funds for restricted purposes, and money that will go into the emergency fund to build reserves or the sinking fund. Commissioner Wojcik said that money could go toward the lift station rehab or the VAC truck. Ms. Kirkland said it wouldn't be enough money for the VAC truck. Mr. Moran said it did not account for emergencies that might come up so it would be prudent to have a reserve.

Commissioner Howell said the money is there for what they want done and asked if they could go ahead and start immediately, or as soon as possible. Ms. Pendergrass said they could start with the new fiscal year. Mayor Carter asked if any of the projects could be started now. Ms. Pendergrass said it could with a budget amendment, but they would need to ask Mr. Moran that. Commissioner Howell asked if, because we have the funds, we could go ahead and start July 1<sup>st</sup> instead of waiting until October 1<sup>st</sup>. That way we will have time to do other projects if there is any money left. Ms. Pendergrass explained that the money recorded in the budget is money generated within that year and is not there yet. Because it therefore depends on the monthly deposits that come in, the projects really need to wait until then. Commissioner Lutton said that according to the budget there is no money in there now so we would have to wait.

Commissioner Lutton commented that the \$250,000 surplus has been calculated from the amount of water and sewer fees collected this year. That is not a "for sure" deal because, for example, if we have a rainy year people won't have to water their lawns as much and we will have less money coming in. He said that just because we plan on doing the health and safety projects this year, does not mean we won't have health and safety issues next year, though the list should be smaller. By the third year we should be out of the emergency projects on the list and can start on the projects that are most critical at that time. Mr. Moran said that every year DEP inspects the wastewater system and if they find something wrong it becomes a mandated item. They can't foresee things like that so it is wise to have an emergency reserve.

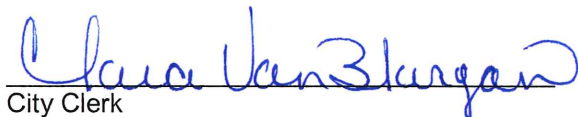
Ms. Pendergrass asked if the CIP and Utility Budgets could rest until August when she can bring the final budget and she received consensus to do that.

There being no further business, the meeting was adjourned at 6:52 p.m.



Mayor/Commissioner

ATTEST:

  
City Clerk