

A workshop meeting of the City Commission was held on August 13, 2013 at 5:00 p.m. in the Commission Chamber at the Municipal Administration Building. The meeting was called to order by Mayor Eugene Fultz.

COMMISSIONERS PRESENT: Christopher Lutton; Betty Wojcik; Jonathan Thornhill; Michael S. Carter; Mayor Eugene Fultz

COMMISSIONERS ABSENT: None

CITY REPRESENTATIVES PRESENT: Kenneth Fields, City Manager; Clara VanBlargan, City Clerk; Jacquie Hawkins, Deputy City Clerk

[Meetings are recorded but not transcribed verbatim]

Agenda Item 2. Utility System Draft Budget FY2013'14 and 5-Year Capital Improvement Plan – Police; Fire; Library; Airport; CRA

[Begin agenda memo]

SYNOPSIS

Budget workshop discussion of the draft budget for fiscal year 2013'14.

BACKGROUND

The proposed FY13'14 budget document 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. This document was previously forwarded to the City Commission for review on July 16th.

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

On July 16, 2013, the City Commission adopted an Interim Millage Rate of 9.000 to give itself some flexibility while working through the FY13'14 budget adoption process. Although it may be lower, the final millage rate adopted by the Commission cannot exceed the Interim Millage Rate. The proposed budget was balanced on the rolled-back millage rate of 8.5866 per \$1,000 of taxable valuation. This rolled-back rate of 8.5866 mills would generate the same amount of revenue with 2013 property values as the current rate (8.5119) generated with 2012 property values.

The following chart shows the tax levied at 8.5119 (current rate) and 8.5866 (rolled-back rate) for taxpayers at various assessed valuations; the difference between the two rates is also shown:

Assessed Value	Taxable Value		Tax Levy		
	with 1 st \$25,000 homestead exemption	with 1 st & 2 nd \$25,000 homestead exemption	8.5119 mills (current)	8.5866 mills (rolled-back)	Difference
\$60,000	\$35,000	-	\$297.92	\$300.53	\$2.61
\$75,000	\$50,000	-	\$425.60	\$429.33	\$3.73
\$100,000	-	\$50,000	\$425.60	\$429.33	\$3.73
\$150,000	-	\$100,000	\$851.19	\$858.66	\$7.47
\$175,000	-	\$125,000	\$1,063.99	\$1,073.33	\$9.34
\$200,000	-	\$150,000	\$1,276.79	\$1,287.99	\$11.20

The effect of 8.5866 (rolled-back rate) compared to 8.5119 (current rate) is an increase on fund revenues as follows:

General Fund	32,797
CRA Fund	3,253
Library Fund	4,813
Increase in revenue – 8.5866 compared to 8.5119	<u>40,863</u>

The following chart shows the tax levied at 8.5119 (current rate) and 9.0000 (interim rate) for taxpayers at various assessed valuations; the difference between the two rates is also shown:

Assessed Value	Taxable Value		Tax Levy		
	with 1 st \$25,000 homestead exemption	with 1 st & 2 nd \$25,000 homestead exemption	8.5119 mills (current)	9.000 mills	Difference
\$60,000	\$35,000	-	\$297.92	\$315.00	\$17.08
\$75,000	\$50,000	-	\$425.60	\$450.00	\$24.40
\$100,000	-	\$50,000	\$425.60	\$450.00	\$24.40
\$150,000	-	\$100,000	\$851.19	\$900.00	\$48.81
\$175,000	-	\$125,000	\$1,063.99	\$1,125.00	\$61.01
\$200,000	-	\$150,000	\$1,276.79	\$1,350.00	\$73.21

The effect of 9.0000 (interim rate) compared to the 8.5866 (rolled-back rate) is an increase on fund revenues as follows:

General Fund	180,850
CRA Fund	18,003
Library Fund	26,638
Increase in revenue – 9.000 compared to 8.5866	<u>225,491</u>

Note: The effect of 9.000 mills compared to 8.5119 mills is \$266,354 (40,863+225,491).

OTHER REVENUES

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 change in the CPI measured from June 2012 to June 2013 was 1.8%, and all user fees (i.e, water and sewer, solid waste collection, facility rental, development fees, etc.) will be increased by 2.5% on October 1st.

Although a 2.5% increase in user fees will generate an estimated \$12,000 in additional revenue for the General Fund, ad valorem proceeds and development-related revenues have declined dramatically during the past six years.

Fiscal Year	General Fund	General Fund	CRA	Library	Total
	Ad Valorem	Building Permits	City & County Tax Increment	Ad Valorem	
09'10 (Actual)	3,958,457	313,381	2,071,391	397,969	6,741,198
10'11 (Actual)	3,515,834	265,056	1,370,250	353,468	5,504,608
11'12 (Actual)	3,710,953	196,341	1,045,089	367,102	5,319,485
12'13 (Expected FY 12'13)	3,760,150	175,000	960,773	372,970	5,268,893
13'14 (Draft Budget)	3,764,352	175,000	991,877	373,940	5,305,169

Note: The revenues, listed above, show a reduction in revenues of \$1,436,029 based on FY 13'14 compared to FY 09'10.

Revenues from state and other intergovernmental sources (communication service tax, local option gas tax and county optional gas tax) while showing signs of a slight increase from last year, continue to be significantly lower than corresponding revenue received during FY 2009'10.

Fiscal Year	Public Service Tax	Communication Service Tax	Gas Tax	Total
	09'10 (Actual)	1,580,190	588,111	
10'11 (Actual)	1,531,338	556,166	630,823	2,718,327
11'12 (Actual)	1,465,024	543,749	603,415	2,612,188
12'13 (Expected FY 12'13)	1,491,931	547,745	596,400	2,636,076
13'14 (Draft Budget)	1,496,932	514,000	606,000	2,616,932

Public Service Tax - Includes electric, water, and propane.

Note: The revenues, listed above, show a reduction in revenues of \$182,167 based on FY 13'14 compared to FY 09'10.

BUDGETARY CHANGES IN GENERAL FUND "REVENUE SOURCES & TRANSFERS IN" FOR FY13'14 COMPARED TO FY12'13:

General Fund revenues in FY13'14 (10,028,648 + 828,000 – 237,600 vehicle leases - 500,000 loan for cemetery = 10,119,048) are projected to be \$222,517 less than budgeted in FY12'13 (9,513,565 + 828,000 = 10,341,565).

An expected reduction of \$224,571 is due to the following items:

- Reduction in electric utility tax of \$35,000
- Reduction in communication services tax revenue of \$33,745
- A transfer of communication services tax of \$40,000 for expected debt service obligations relating to the new fire station and the addition to the cemetery
- Reduction in franchise fees – electric of \$30,000
- Reduction in franchise fees – solid waste of \$22,000
- Reduction in admin. charges to the Utility System of \$40,826
- Reduction of site dev. permit & insp fees of \$8,000
- Reduction of court fines & forfeitures of \$15,000

BUDGETARY CHANGES IN GENERAL FUND “OPERATING EXPENDITURES” FOR FY13'14 COMPARED TO FY12'13:

General Fund “operating” expenditures in FY13'14 are projected to be \$10,924,591, which is \$212,571 more than budgeted in FY12'13 \$10,712,020.

An expected increase of \$214,248 is due to the following items:

- Increase of various “operating” items totaling \$90,308, listed on page 2 as “Recommended Delayed Items”. Page 2 shows \$191,308 recommended delayed items of which \$90,308 are operating and \$101,000 are capital outlay items (\$16,000 lift, \$25,000 website design, \$20,000 document manager, \$5,000 network switch, \$15,000 mower, \$5,000 boom sprayer, and \$15,000 mower).
- Increase in economic development of \$19,804, mainly due to the new contract with EDC.
- Increase in recreation facilities of \$19,397, mainly electric costs which were projected too low in the prior year.
- Increase of the depot complex properties (which include the Depot Museum, 1916 SAL Depot, the Stuart House, and the Children Museum) of \$27,817. The depot complex properties were not included in the original budget for FY 12'13 as this properties donated back to the City during FY 12'13 by the Historic Lake Wales Society.
- Increase in the police department of one additional officer for \$56,922. The City has submitted an application for a COPs grant which is expected to reimburse the City \$40,742 of the costs associated with this additional position.

The fiscal impact of the COPs grant, if approved, is as follows:

	FY	FY*	FY**	FY	
	2013'14	2014'15	2015'16	2016'17	Total
COPS Grant	40,742	42,779	43,635	-	127,156
City Portion	13,580	14,260	14,545	58,180	100,565
Total	54,322	57,039	58,180	58,180	227,721

Note:

* Police officers are eligible for a 5% increase following first year of employment.

** Police officers are eligible for a 2% step increase beginning the third year of employment.

FUND BALANCE

The City's auditors, for several years, have strongly recommended that the General Fund have an unreserved fund balance equal to 15% to 20% of the total operating costs. The City's General Fund has realized unreserved fund balances equal to:

<u>Fiscal Year</u>	<u>Unreserved Fund Balance</u>
07'08	17.88%
08'09	24.13%
09'10	29.51%
10'11	21.97%
11'12	14.94%

On July 19, 2011 the City Commission adopted Ordinance 2011-11 creating policies for the provision of emergency sinking accounts in the General Fund and the Utility System Fund. This ordinance also defines lower and upper account balance limits for these emergency sinking accounts. In the General Fund, the lower limit is set at 15% of operating expenditures budgeted for the next fiscal year and the upper limit is set at 20%; the same is true of the Utility System Fund.

- On August 21, 2012, the City Commission approved agenda item #13 for an acquisition of a proposed fire station site at 600 Chalet Suzanne Rd. (3.76 acres of real estate). The City Commission approved an interfund loan from the General Fund Emergency Sinking Account up to \$100,000. The interfund loan shall be repayable from fire impact fees and shall accumulate 3% interest until reimbursement is received. **(\$100,000)**
- On November 20, 2012, the City Commission approved agenda item #13 relating to employee Christmas bonus. The City Manager, Terry Leary, identified \$55,000 expected from Heartland LLC to be used as the funding source for this expenditure. The Commission was advised by the Finance Director, Dorothy Ecklund, that if this money was not received, funding from the reserve would need to be used for this purpose. **(\$55,000)**
- On May 21, 2013, the City Commission approved agenda item #17 the City Commission authorized \$27,505 to be used from the reserve in relation to the purchase of four commercial lawn mowers. **(\$27,505)**
- On July 2, 2013, the City Commission was informed of safety concerns relating to playground equipment located in various parks within the City. The Interim City Manager, Dorothy Ecklund, requested direction from the Commission on appropriating \$140,000 from the emergency sinking fund to be used in FY 2013'14 for the replacement of the significant playground equipment identified within the various parks. **(\$140,000)**

In terms of the proposed FY13'14 budget, a General Fund emergency sinking account balance of \$1.60 million to \$2.14 million would be required to remain within the 15% to 20% margins, while excluding the \$100,000 interfund borrowing for the fire sub-station and \$140,000 for playground equipment. ($\$10,924,591 - \$100,000 - \$140,000 = \$10,602,086 \times 15\% = \1.60 million).

The City is currently not in the position to remain within the 15% margin which would require an emergency sinking account balance of \$1,641,464 ($\$10,943,093 \times 15\%$). The Finance Director, Dorothy Ecklund, recommends \$150,000 for the next five years be used to rebuild the general fund emergency sinking account. The proposed repayment plan would be in compliance with City Code Section 2-553 for "Shortfall" relating to the emergency sinking account:

Fiscal Year	Emergency Sinking Fund
13'14	1,085,000
14'15	1,235,000
16'17	1,385,000
17'18	1,535,000
18'19	1,685,000
19'20	1,835,000

Note: Recommend an annual rebuilding of \$150,000 to the Emergency Sinking Fund for the next five years, beginning in FY 14'15. The reduction in debt service during FY 14'15 will enable the rebuilding of the sinking fund.

The draft budget provides for an emergency sinking account balance of \$411,115. As the Finance Director, I recommend the following action:

- The operating and capital items identified in page 2, as "delayed items", totaling \$191,308, be removed from the current budget unless additional funding sources can be found to pay for these items in FY 2013'14.
- City staff prepare an agenda item relating to benefit changes as recommend by the General Pension Plan Board which will result in a reduction in City pension contribution totaling \$82,000 (\$41,000 for FY 12'13 and \$41,000 for FY 13'14 – General).
- City staff and union representatives from both the Fire and Police collective bargaining units continue to work towards resolving contract differences in the hopes of finalizing negotiations before the end of August 2013. If the negotiations are resolved before the end of August 2013, the proposed changes will result in a reduction in the City pension contribution totaling \$430,180 (\$82,077 for 12'13 and \$82,077 for 13'14 – Fire) and (\$133,013 for FY 12'13 and \$133,013 for FY 13'14 - Police)

Summary:

Ending Fund Balance - Before Changes:

Prepaid & Inventory	314,820
Ending - Emergency Sinking Fund	411,115
Drafted - Ending Fund Balances	725,935
Pension Changes	512,180
Department - Detailed Items	191,308
Reconciliation of Proposed Changes	1,429,423

Ending Fund Balance - After Changes:

Ending - Unrestricted Fund Balances	29,603
Ending - Emergency Sinking Fund	1,085,000
Prepaid & Inventory	314,820
Proposed - Ending Fund Balances	1,429,423

EXPENDITURE OVERVIEW

By necessity, the proposed FY13'14 Budget responds to reductions of General Fund revenues by continued reductions within core municipal services as well as parks, recreation and other "quality of life" services. Taking into consideration the fact that there are cost increases for fuel, utilities, insurance, pension benefits and other non-discretionary items, it is only possible to achieve cost savings by reducing expenditure budgets for operating equipment and supplies, maintenance and repair, contract and

professional services, programs and other items that are required to provide the level of service expected from each department.

Also taking into consideration the fact that reductions in ad valorem and other revenues have necessitated significant cut-backs in capital equipment replacement, maintenance and repair, and operating supplies every year since FY08'09, it must be acknowledged that most of our departments have now reached the lower limit and can make no additional cut-backs without reducing or eliminating services to the public.

The proposed budget includes no Cost of Living Adjustment (COLA) for employees. The cost for a 1% across-the-board salary increase is approximately \$87,951. On October 1, 2008 employees received a 1% COLA; however, this adjustment followed a 12-month period which saw a 5% increase in the CPI. In December 2009, employees received a 1% one-time lump-sum increase in the form of a Christmas bonus. In December 2012, employees received a \$200 Christmas bonus.

SUMMARY OF ALL FUNDS

General Fund	\$11,918,079
Special Revenue Funds	2,126,129
Debt Service Fund	2,110,041
Capital Projects Fund	1,420,000
Utility System Fund	11,955,049
Airport Fund	289,544
TOTAL	\$29,818,841

The expenditure total of \$29,818,841 is comprised of operating costs in the amount of \$20,980,361 and capital outlay in the amount of \$8,838,480. Transfers in the amount of \$1,977,804 bring total expenditures plus transfers to \$31,796,645.

Capital expenditures include utility system improvements are budgeted as follows:

General Fund	\$1,033,780
Special Revenue Funds	103,700
Capital Projects Fund	1,420,000
Utility System Fund	6,120,000
Airport Fund	161,000
TOTAL	\$8,838,480

Capital expenditures proposed for FY13'14 are itemized in the following chart:

Item	Cost	Description
Facilities Maintenance	16,000	One Man Lift
Information Technology	25,000	Web Site Redesign
Information Technology	20,000	Document Management Solution
Information Technology	5,000	Network Switch Replacement
Police (Lease)	150,000	130K, (5) Marked, 20K (1) Unmarked Vehicles
Fire (Lease)	87,600	37.6K (2) Fire Marshal/Inspector Vehicles 50K ¾ Ton Rescue Truck
Cemetery	500,000	5 Acres – New Addition
Cemetery	15,000	Lawn Mower
Economic Development (Funding Source – Tree Replacement Fund)	35,000	Landscaping
Parks Division	31,000	Playground Equip – Crystal Lake
Parks Division	32,300	Playground Equip – Northwest Complex
Parks Division	31,000	Playground Equip – Lincoln
Parks Division	23,200	Playground Equip – Stuart
Parks Division	23,200	Playground Equip – Mobley
Recreation Facilities	7,000	(2) Trailers
Recreation Facilities	6,000	Flail Mower Implement
Recreation Facilities	5,000	Boom Sprayer
Recreation Facilities	15,000	Mower
Recreation Facilities	6,480	Gazebo Replacement
Community Redevelopment	15,000	Lake Weaver Fountain
Community Redevelopment	7,500	Signage Municipal Complex
Library	60,000	Library Books
Law Enforcement	17,200	Vehicle (For Voice)
Law Enforcement	4,000	Video/Cameras
Capital Project Fund	220,000	Rails to Trails Extension

Item	Cost	Description
Capital Project Fund	1,200,000	Fire Substation
Utility System - Administration	20,000	Vehicle
Utility System - Water	60,000	Pole Barn
Utility System - Water	35,000	Water Plant Bathroom
Utility System - Water	300,000	Asbestos Pipe Removal
Utility System - Water	40,000	New Service Connections
Utility System - Water	1,250,000	Upgrading Water Line to Oak Ave
Utility System - Water	200,000	Galvanized Line Replacement
Utility System - Water	35,000	Vehicle
Utility System - Water	100,000	SCADDA Interconnect
Utility System - Water	50,000	Water Vac Trailer
Utility System - Reuse	40,000	Reuse Upgrade
Utility System - Reuse	10,000	New Service Connections
Utility System - Reuse	50,000	90 hp Tractor with Disc and Trailer
Utility System - Sewer	150,000	Building Demo – Lift Station
Utility System - Sewer	60,000	Pole Barn
Utility System - Sewer	225,000	Rehab Existing Lift Stations
Utility System - Sewer	100,000	Force Main – Lift Station #31
Utility System - Sewer	885,000	C Street Sewer Project
Utility System - Sewer	575,000	Transmission System SR 60
Utility System - Sewer	500,000	Greenbrough Subdivision
Utility System - Sewer	200,000	Bel Ombre in association with Heartland Community
Utility System - Sewer	350,000	Vactor Truck
Utility System – Sewer	50,000	Vehicle
Utility System – Sewer	20,000	Crane
Utility System – Sewer	100,000	Telemetry Upgrade for (12) Lift Stations
Utility System – Sewer CDBG	715,000	C Street Sewer Project
Airport	161,000	Runway Extension

Item	Cost	Description
TOTAL CAPITAL EXPENDITURES	\$8,838,480	

REVIEW OF DEBT SERVICE

The City's expected indebtedness at 9/30/13 is \$25,731,977 (\$11,698,561 Governmental, \$12,333,416 Utility System, \$1,200,000 new fire substation, and \$500,000 new cemetery addition). Debt payments due during FY13'14 total \$3,819,424 ((\$2,160,489 general debt service, \$1,640,935 utility system and \$18,000 airport authority) and represent 16.64% of the City's operating budget (excluding interfund transfers and capital outlay). Appendix – 2 provides a schedule showing the City's expected outstanding debt at September 30, 2013.

As required by Charter, a summary of the City's outstanding principal balance at September 30, 2013 is presented as follows:

SunTrust Capital Improvement Revenue Note, Series 2003; 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: \$3,198,275; last payment 2017.**

SunTrust Utility System Revenue Note, Series 2005; issued finance construction of chlorine contact chamber at Wastewater Treatment Plant and city's cost portion of reuse transmission lines. Annual interest rate: 4.20%. **Balance: \$198,851; last payment 2015.**

Wachovia Utility System Improvement Refunding Revenue Note, Series 2006A; issued to refund existing bonds and fund Water and Sewer system improvements. Annual interest rate: 4.09%. **Balance: \$2,962,193; last payment 2017.**

Wachovia Utility System Refunding Revenue Note, Series 2006B; issued to finance construction of south side force main and other Utility system improvements; initially issued as a non-revolving line of credit during May 2006 but converted to a term loan on October 1, 2009. Annual interest rate: 1.14%. **Balance: \$2,134,950; last payment 2027.**

CRA Redevelopment Revenue Note, Series 2007; issued to finance redevelopment capital improvement projects. Annual interest rate: 3.77%. **Balance: \$7,674,157; last payment October 2028.**

SunTrust Refunding Revenue Note, Series 2009; issued to refund Public Improvement Bonds, Series 1997 (which refunded 1991 and 1989 bonds for financing various capital projects) and to refund the 2008 Motorola lease which originally funded fire and police equipment. Annual interest rate: 3.19%. **Balance: \$728,500; last payment 2015.**

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: \$531,290; last payment 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: \$398,032; last payment 2022.**

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: \$815,640; last payment 2024.**

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: \$780,471; last payment 2028.**

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: 2.30%. **Balance: \$375,775; last payment 2033.**

Florida Department of Environmental Protection Revolving Loan Program assistance for funding of construction costs associated with the Wastewater Treatment Plant Expansion Project. Annual interest rate: 2.13%. **Balance: \$4,136,217; last payment 2033.**

Fixed Base Operator's Prepayment Credit for \$340,000 in leasehold improvements done by the FBO on airport property. Annual interest rate: 0%. **Balance: \$97,629; last payment 2019.**

The City currently has a "Request for Proposal" of financing relating to construction projects for a fire substation (\$1,200,000) and a new cemetery addition (\$500,000). Both of these debt issuances are expected to be issued sometime in mid September of 2013.

BUDGET HIGHLIGHTS

A summary of the important aspects of the proposed FY13'14 budget document is provided as follows:

1. No Cost of Living Adjustment (COLA) is budgeted for employees this year but the City Commission has been provided with estimated costs for a 1% increase (\$68,963 General Fund, \$5,706 Library, and \$13,282 Utility System = \$87,951) and a 2% increase (\$137,925 General Fund, \$11,412 Library, and \$26,565 Utility System = \$175,902)
2. A 10% increase for health care coverage and a 15% increase in liability insurance are budgeted per our insurance agent.
3. Pension contribution rates have been budgeted for FY13'14 to yield the actuarially determined funding requirements calculated by the actuaries retained by the City's pension boards as follows:

Percent of Salary Contributed to Pension Plan by City			
	General Employees	Police Officers	Firefighters
FY 13'14	10.9%	28.5%	37.7%
FY 12'13	9.5%	25.8%	36.5%
Change	+1.4%	+2.7%	+1.2%

The above rates represent the City's contribution to the three pension plans with no changes to the current pension plans. Discussions are continuing with both the fire and police unions in the hopes of reaching an agreement before the end FY 2012'13. If the proposed changes of 1) a limited benefit of \$75,000 per year for future retirees and 2) the calculation for "Average Final Compensation" for future retirees is increased from 3 years to 5 years this would result in the following changes:

Proposed Percent of Salary Contributed to Pension Plan by City			
	General Employees	Police Officers	Firefighters
FY 13'14	9.5%	22.1%	30.8%
FY 12'13	9.5%	25.8%	36.5%
Change	0%	-3.7%	-5.7%

By necessity, pension reform is being addressed by staff and the City Commission. The proposed changes listed above would result in annual reduction in pension costs for FY 2013'14 of \$256,090. If approved prior to end of FY2012'13, the City would realize a cash flow saving during FY 2012'13 of an additional \$256,090 which could be carried over into FY 2013'14. In order for this additional cash flow saving to be realized all pension ordinance changes must be completed prior to September 30, 2013.

4. Appendix – 20 provides a schedule of changes in departmental staffing in FY13'14 as compared to FY12'13. One and a quarter employee positions have been removed. In FY13'14 total personnel includes 172.00 positions compared to 173.25 during FY12'13 (Appendix – 19).
5. In accordance with Ordinance 2007-07 adopted by the City Commission on September 18, 2007, water and sewer rates and charges will be adjusted to reflect a 2.5% increase. The increase will be applied to service provided on or after October 1, 2013.

		WATER CHARGES				SEWER CHARGES		
		rate per 1,000 gallons				rate per 1,000 gallons		
base charge		0-5,000	5,001 - 10,000	10,001 - 25,000	over 25,000	base charge	0 -5,000	5,001 - 15,000
Current	5.80	2.30	3.11	4.82	7.93	20.60	2.71	4.75
10/1/13	5.95	2.36	3.19	4.94	8.13	21.12	2.78	4.87

For inside-city residential customers using an average of 8,000 gallons per month, water charges will increase from \$26.63 to \$27.32, and sewer charges will increase from \$48.40 to \$49.63; the combined bill for water and sewer will increase from \$75.03 to \$76.95.

6. The FY13'14 Budget includes a 2.5% increase in all General Fund user fees and charges.
7. Contracts, grants and other items of interest:
 - The contracts with the Lake Wales Little League for field maintenance (\$60,000, pg 67) and the Boys & Girls Club for operation of the Kirkland Gym (\$55,698, pg 68) are budgeted at the same level of funding in FY13'14 as in FY12'13.

CONCLUSION

By necessity, the proposed FY13'14 Budget responds to prolonged reductions of ad valorem proceeds and other General Fund revenues for the last several years. No functional area in the organization has been untouched by cut-backs over the last several years. Most departments have reached the lower limit

in operating cuts and can make no additional reductions without seriously compromising the quality of service to the public. Strengthening the organization at its current size and improving the ability of our employees to provide a high level of service to the community with limited resources will continue to be a primary focus during FY13'14.

There is no question that our financial resources will be severely strained for the next few years as we continue to deal with the fiscal impact of the problems in the housing market, a poor economy in general and working towards economic growth within our City.

However, beginning in FY 2014'15, the General Fund will realize a significant reduction in annual debt service payments as several long outstanding debt issuances (Series 2003 and 2009) are finally nearing completion. The City will realize an increase in "available cash flow" for operational and capital purposes of \$688,986 in FY 2014'15 and \$911,716 in years following. These annual cash flow increases will provide an opportunity for some or all of the following 1) repayment to the general fund emergency sinking account of \$150,000 for next five years, 2) funding of recurring operating expenditures, 3) a capital reserve replacement fund, 4) funding for capital items which require immediate replacement, 5) funding available for economic growth opportunities and 6) a possible reduction in the millage rate.

ATTACHMENTS

Draft Budget Summary, Fiscal Year 2013-2014

[End agenda memo]

Finance Director Dorothy Ecklund reviewed the FY2013'14 budget and said she made some minor changes to the draft budget. Commissioner Carter recommended in the future making small updates in a smaller document.

The following discussions took place:

Overall Budget:

- Mr. Fields said the budget is austere but the good news is that this might be the last year. The balanced budget does not require any cutbacks or reductions.
- There will be a structural change next year and building permits have increased in the last few weeks.
- We need to start thinking 'outside the box' by tapping into revenue sources from other jurisdictions of which we are not getting a fair share. Examples were given as follows:
 - Rescue services as first responders to those outside the City
 - County residents who use services from the Lake Wales Public Library

Millage Rate:

- The balanced budget is based on the rollback rate of 8.5866.
- Commissioner Lutton said that citizens want the millage rate to go down. Some reasons to try to do that are as follows:
 - A high millage rate hinders businesses coming to Lake Wales.
 - Our competitors, Winter Haven and Auburndale, have millage rates lower than ours.
 - It is easier to get a better rating for a lower bond rate
 - Many cities are judged as to their success by their millage rate.

City Employee Raises:

- Commissioner Carter asked if the budget included COLA because employees have not gotten a raise for five years and Ms. Ecklund said it did not, though that information was included on page 5 of the budget.

- Commissioner Wojcik pointed out that while other communities solved their economic problems by firing employees, Lake Wales has fought hard to not do that as well as fighting for no furloughs and layoffs. She said the employees know that the city has not been in a position to give them a raise. But she would like to do something for them because they have been loyal and the commission wants to be able to count on them to move the city forward.
- If the Commission wants the additional \$175,000 added to the budget for a 2% raise, or \$ 87,951 for a 1% raise, it would have to come from the following:
 - It could be taken from the little over one million dollars in the Emergency Sinking Fund Reserve without putting the city in jeopardy.
 - The money would have to come from decreases in the various departments' operating expenses.
- Commissioner Carter said we continually go into the reserves and now we are talking about going below the recommended 15%. Ms. Ecklund said there is a plan built into the budget to replace the funds with a reasonable amount, \$150,000 a year over a five year period, until they get back to the \$1.7 million.
- Commissioner Carter said another option would be starting with a 1% raise and if in six month things start turning around it could be increased to 2%.

Pensions:

- Mr. Fields said the three pension boards came to an agreement for the upcoming year with savings to the city.
- Ms. Ecklund said the unions requested a one year contract for year 2013. They are trying to get it enacted before the end of September so we can benefit from the savings in this year as well as carry those savings forward. Therefore in 2014 we will have double savings; the savings for the year we are in, and also the year we are going into.

Delayed Items discussed: The Department Heads were asked to put all items from their budget that they could get by with not having for one more year on a Delayed Item list. The following delayed items were discussed.

- Tuition
- Mowers
- Website Design: The following comments were made:
 - A good website design is like an entryway to the City so it needs to be one of the first things they do the following year.
 - The website design is the best advertisement a city can have.
 - The city could look at other city websites to help them to come up with a design of our own and possibly piggyback off a contract with other cities.
 - We could liaison with the EDC to create a similar architecture, linked so people can get from one website to the other for information.
 - Over the next year come up with ideas for the architecture before hiring a website designer so they know what it is we want and they won't be wasting time.

FIRE DEPARTMENT: The following topics were discussed with Fire Chief Jerry Brown:

- **The Delayed List:**
 - Chief Brown said some of those items were removed from the budget because through savings in other areas they were able to purchase those needed items in this current year.
 - **Training and Education and Tuition:** Chief Brown said he wishes he could give the firefighters more training but they meet the requirements. Some employees are going further, getting professional education classes to help their career and do a better job, but at their own expense.

- **Vehicles:**
 - The Department has the necessary equipment to do the job.
 - There was a discussion on the expense of heavy vehicles like fire trucks and the necessity to prepare ahead for those large purchases by getting on a regular replacement schedule.
 - There was a discussion about leasing rescue vehicles and Ms. Ecklund explained how leased vehicles are recorded in the budget.
 - There was a discussion about refurbishing and rebuilding the engines on the large fire trucks to extend the life instead of purchasing new ones because the chassis may still be good, but they would need to research to find out how many years can be extended on an old truck if that were done.
 - Purchases need to be staggered so all of the same type need not be replaced in the same year.

- **Grants:**
 - Most of their grants are done in-house but various departments let them know when they find a grant that might be beneficial to the Fire Department.
 - When getting a grant you have to look at the long-term costs. You can always turn a grant down if you find out later that you can't afford it. But if you miss the deadline because you don't think you can afford it, you can't change your mind later and apply. Ms. Ecklund explained the poor odds of actually winning the grant.
 - They are looking at a grant for staffing a firefighter at 100% of the cost including benefits and this particular grant does not have any requirements that you have to keep the position past the two years they pay for.

- **Staff:** They are also looking into the trade-off numbers between hiring new staff versus paying overtime.

- **Physicals:** Physicals are not covered by city health insurance because of the detailed requirement that is more extensive than a regular physical.

POLICE DEPARTMENT: The following topics were discussed with Police Chief Chris Velasquez who said the budget will maintain the level of service the police department has been providing:

- **Replacement of Retirees:** The Police Chief explained that two civilian employees retired from the records department and another employee will be retiring from the evidence department in November. He explained his plans for eventually replacing them with two employees that will be able to handle both crime scenes and evidence, so they can be a backup for each other.

- **Traffic Enforcement:** They are increasing this item because though crime has gone down, traffic crashes have increased and the public has requested additional traffic enforcement whenever possible. He said they need to do everything they can to slow people down and keep the roadways as safe as possible.

- **Training & Education:** Training and education is more than sufficient at this time and the Chief is using a new online training resource to deliver even more material. He will be using Police Forfeiture funds next year to help augment his training budget.

- **Uniforms:** Chief Velasquez said they have uniforms sufficient at this time and he was even able to get some never used surplus uniforms from another city at no cost, which helped increase their stock.

LIBRARY: The following topics were discussed by Library Director Tina Peak:

- The two separate budgets for the two separate services and separate staff are: Polk County Library Cooperative, and Books by Mail
- Funding from property taxes and impact fees
- Alternative revenues from charging for things like adult classes to cover the cost of the instructor.
- Records are kept:
 - The number of city residents that use the library
 - The number of county residents that use the library
 - The number of out of county residents that use the library
- Electronic books
- Outdoor movies
- Early Voting

AIRPORT: Public Service Administrator Teresa Allen reviewed the Airport budget. There were no questions or comments.

CRA:

The following recommendation was made by Murray Zacharia, a volunteer member of the CRA Advisory Committee, who brought forward the recommendation from that Board as follows.

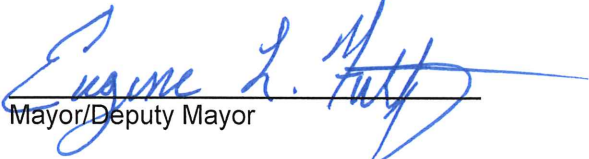
- The committee agreed to the spending of the \$22,500 in the budget for capital outlay on the long-standing projects that have been discussed for a number of years and they feel needs action as follows:
 - The fountain at the Central Avenue entryway.
 - The Municipal Building proposed sign
- Mr. Zacharia read the motion from the Committee which explained their recommendation for the remaining unencumbered \$368,000 as follows: To endorse the draft budget for fiscal year 2013'14 as presented, as long as the \$151,716.00 described as grants and aid for revitalization and economic development be used for CRA related projects, or specifically that those budgeted moneys not be used for supporting operating expenses and departmental allocations beyond those already reflected in the draft.
- The Board discussed using some of the money to tear down old buildings in the CRA area earmarked to be demolished.

The following comments were made:

- Ms. Ecklund said the \$100,000 under economic development that had been for the Economic Development Director salary was taken out of the CRA budget,
- The Commission's consensus was that the CRA Advisory Board's recommendation was reasonable and some money should be used to clean up the CRA area.
- The entryway sign project has been put on hold because the topic of electronic signs is in the hands of the Planning and Zoning Board. The Board will be bringing a recommendation to the Commission at some point and then a common design can be created for all entryway signs.
- Some money could be used to educate the public in ways they can help to beautify their city.
- The Commission should start coming up with projects now for when more money will be available in two to three years.


- There was a consensus to put a 1% raise for employees in the budget and do a budget amendment if needed in six months.

The meeting was adjourned at 8:02.



Mayor/Deputy Mayor

ATTEST:



Clara VanBlargan, MMC, City Clerk