

City Commission Budget Workshop
August 27, 2013

A workshop meeting of the City Commission was held on August 27, 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; Michael S. Carter; Mayor Eugene Fultz

COMMISSIONERS ABSENT: Jonathan Thornhill

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 – General Fund and All Others

[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	<u>26,638</u>
Increase in revenue – 9.000 compared to 8.5866	225,491

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.

<u>Fiscal Year</u>	<u>General Fund Ad Valorem</u>	<u>General Fund Building Permits</u>	<u>CRA City & County Tax Increment</u>	<u>Library Ad Valorem</u>	<u>Total</u>
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.

<u>Fiscal Year</u>	<u>Public Service Tax</u>	<u>Communication Service Tax</u>	<u>Gas Tax</u>	<u>Total</u>
09'10 (Actual)	1,580,190	588,111	630,798	2,799,099
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 2013'14	FY* 2014'15	FY** 2015'16	FY 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, will 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

Item	Cost	Description
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
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

Item	Cost	Description
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
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			
	base charge	rate per 1,000 gallons				base charge	rate per 1,000 gallons		
		0-5,000	5,001 - 10,000	10,001 - 25,000	over 25,000		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.

[End agenda memo]

BUDGETS: CITY COMMISSION; CITY CLERK

City Clerk Clara VanBlargan reviewed the city commission and the city clerk budgets. There were no comments by the City Commission.

BUDGETS: CITY MANAGER; CITY ATTORNEY

City Manager Kenneth Fields reviewed the City Manager and the City Attorney budgets. Mr. Fields commented that the city attorney budget was very reasonable and about 1/10th of what he would expect for a city the size of Lake Wales.

BUDGET: SPECIAL EVENTS

Special Project Manager Jennifer Nanek reviewed the two Special Event budgets for the 4th of July Celebration and Pioneer Days. Ms. Nanek noted that the summer film series was put on the delayed item list.

Summer Film Series: Commissioner Lutton asked if there was a tally of how many people used the program last summer. Ms. Nanek said she had not gotten that information yet but she would find out. After discussion the Commission's consensus was to find out how well the program was received so they would know what benefit it was to the children. Once they get that information they can make a more informed decision as to if the program should continue. If feasible, they might be able to add it back into the budget prior to next summer's event. Commissioner Lutton noted that to reinstate the program they would have to take money from some other budget or take it from the emergency fund, which they have already had to dip into. Mayor Fultz said they will cross that bridge when they get there.

BUDGETS: FINANCE; WASTE DISPOSAL; OTHER

Finance Director Dorothy Ecklund reviewed the budgets for Finance, Non-Departmental, Waste Disposal, Municipal Administration Building, Other Transportation, Economic Development, Depot Complex, Debt Service, Capital Outlay and other Fund budgets (Brookshire, Duke Electric, Debt Service Fund, and Capital Project Funds).

The following comments were made:

Copy costs: Commissioner Carter asked what is being done to lower the copying cost by 10% as requested by the Commission several months back to show that the City is going green and is environmentally conscious. Ms. Ecklund said she would get some exact numbers to them but several examples of efforts to reduce paper use were given. Ms. VanBlargan said she had already tremendously cut paper costs by going green on the city commission agenda packets.

New Recycle Bins: Commissioner Carter said he had thought the City was going to get new, larger recycle bins but it never happened. Ms. Ecklund said Florida Refuse (Republics) approached the city twice about that and both times the Commission at that time did not approve it. One concern was that the bins were quite a bit larger and storage space would be an issue. Florida Refuse is still very interested.

Commissioner Carter said he recalled that the new proposed recycle bins had a Coca Cola logo on it which was an issue with the commission as they didn't think the city could promote a private business. Commissioner Lutton said the bins cost about \$60 each and that was a way to defray the cost.

Garbage Fee Reduction: Commissioner Carter asked what the City, the Commission, and Community could do to better control the fees paid to Florida Refuse (Republics). He gave the example of the city reducing the amount of garbage collected by 10% by increasing the amount of recyclable collection, which would reduce the cost because the company would have less to take to the landfill.

Mr. Fields explained how the city has control over residential collection but does not have much control over commercial or multi-family residential collection. Commissioner Lutton said it is not the city's place to tell contractors what to do. Construction contractors can contract with any company they choose. Only weekly commercial pick up has to be done through Florida Refuse (Republics).

Mr. Fields said, to make a change in the overall production, both sides of the equation would have to be addressed. Commissioner Carter said they could do more education and try to encourage commercial recycling in the interest of good corporate citizenship, and explain to the contractors that by increasing the amount of construction debris that goes into recycling, the lower the cost will be.

Mr. Fields said we have a contract with Florida Refuse (Republics) for about four or five more years. Ms. Ecklund explained that the contract has a clause whereby the City can renegotiate the fee at any time we feel there has been a significant increase in recycling, causing a significant reduction in Florida Refuse's operating costs. She said she could pursue that if the Commission wants her to.

Economic Development:

- Commissioner Lutton pointed out that the Director's salary was still listed and needed to be removed.
- It is in the budget to use the Tree Replacement Fund to plant seedlings in the common area at the front of the Longleaf Business Park, to be irrigated with reuse water. Commissioner Lutton said it will add character to that flat un-landscaped area.

Bus Service: There was a discussion about the new bus service available to residents and comments were made that ridership seemed to be up since the new transportation system was put into place.

BUDGETS: HUMAN RESOURCES; INSURANCE/RISK MANAGEMENT

Human Resources Director Sandra Davis reviewed the Human Resources Budget and Insurance/Risk Management. Comments were as follows:

Tuition Reimbursement: There was a discussion about tuition reimbursement being on the delayed list. Ms. Ecklund said tuition is still in the Utilities budget and asked for direction. The consensus was that it would only be fair if tuition was delayed across the board to include all departments. Commissioner Carter said tuition reimbursement should be the first item restored when possible because it makes for a more trained and educated workforce. [This did not affect the reimbursement of required certifications.]

Employee Recognition: There was a discussion on ways employees could be recognized.

- **Employee of the Month:** Commissioner Carter said the intent of the Commission had been to recognize an employee of the month using the \$600 budgeted, but that never happened. Mr. Fields said it would be difficult with such a small staff to do that for long as they would run out of employees or the same ones would repeatedly get the award; plus that would involve a great deal of staff time.
- **Recognition at City Commission Meetings:** Public recognition for doing an outstanding job.
- **Employee of the Year:** Already in place.
- **Monetary Reward:** for employees that come up with ways to save the city money, which is presently in place.

Increased Risk Management Insurance Premium: Commissioner Lutton asked why the premium almost doubled over the past five years and Ms. Davis said the premiums are based on claims and they increased along with an increase in worker's comp. She said she will look into why the premium for worker

BUDGET: PLANNING & ZONING

Planning & Development Director Margaret Swanson reviewed the Planning & Zoning budget. The following were discussed.

Airport Signage: Commissioner Carter asked if more directional signage could be placed for the airport as right now it is hard to locate and he explained. He said talks with FDOT about putting up a sign several years back resulted in them saying basically that the airport wasn't important enough to put one there. He asked that staff try again. Ms. Swanson explained that they recently had that discussion with FDOT again during the design of the resurfacing project and got the same reply.

Sidewalks: There was a discussion about the gap in the sidewalk on the south side of SR60 between 8th and 9th Streets and that FDOT will not connect the sidewalks there because of problems with a slope at that location. She said they will continue requesting it.

A question was also raised about the premier streets project and the housing conditions survey. Ms. Swanson said that the city has been approved for a \$25,000 state grant to look at ways to improve the appearance of major streets such as Central Avenue and First Street. Mr. Fields noted that this will include recommendations for improving city entrance features.

BUDGETS: PERMITS & INSPECTIONS; CODE ENFORCEMENT

Building Official Cliff Smith reviewed the Permit and Inspections and the Code Enforcement budgets. The following comments were made:

Demolitions:

- Commissioner Wojcik asked if Mr. Smith needed money in the budget for emergency demolitions. Mr. Smith said that he brought Ms. Ecklund around to see the houses earmarked for demolition. Ms Eckland met with the CRA Advisory Board who was in agreement to use CRA Funds to demolish two of the worst buildings because they are in the CRA zone and are clearly blights.
- Commissioner Lutton asked if once demolished the city took position of the property. Mr. Smith explained why they don't. He explained that they send the property owner a bill and if not paid within a specified timeframe the City places a lien on the property.
- Commissioner Lutton asked if owners pays the service and maintenance liens. Mr. Smith said the city has recouped \$8,500 in the last year and is waiting for \$15,000 more to be released. He explained the process.

BUDGETS: FLEET MAINTENANCE; INFORMATION TECHNOLOGY; SUPPORT SERVICES

Support Services Director James Slaton reviewed the Fleet Maintenance, Information Technology, and Support Services budgets. The following were discussed.

Maintenance Agreement with the County: There was a discussion on determining the trade-off between purchasing or leasing new vehicles that require less maintenance, have better gas mileage and are under warranty, and continue using very old, high maintenance vehicles. Mr. Field said he wanted a comprehensive analysis to be done before next year's budget to include those things plus the cost of productivity loss and staff time while vehicles or equipment are in the shop.

Replacement Plan: Mr. Slaton was asked about the Replacement Plan whereby all vehicles and equipment are listed and when they will need to be replaced. Mr. Slaton said the plan is finished and in place but the funding has not been put in place.

Local Businesses: Commissioner Carter said that by contracting with the County, local businesses have been precluded. Mr. Slaton explained that because of the wide variety of equipment and manufacturers, staff would be hauling them all over Lake Wales, and some of the equipment is such that local businesses would not be able to service them. He said it was easier on staff to have one central location. Commissioner Carter asked if the city got extended warranties on new vehicles. Mr. Slaton said they haven't as of yet but he and the city manager have been discussing it. Commissioner Carter asked if the warranties were used on new vehicles and equipment or if the county did the work. Mr. Slaton said they use the warranties.

BUDGET: FACILITIES MAINTENANCE

Facility Supervisor Don Porter reviewed the Facilities Maintenance budget.

One Man Lift: Mayor Fultz questioned the wisdom of putting the purchase of a one-man lift on the deferred list for safety reasons. Commissioner Lutton suggested leasing a one-man lift twice a year for a month each time, scheduling all the city's needs during those two months. He said it would be cheaper than purchasing the lift and when it needed to be replaced the leasing company would have to buy the new one instead of the city. The consensus was for staff to add a line-item to lease that piece of equipment every six months for a month each time.

Municipal Administration Building – Operational Costs: Commissioner Lutton said the square footage chart for determining the operational costs for the Municipal Administration Building probably needed to be revised because of the recent office expansion in the Utilities Division.

BUDGETS: LAKE CONSERVATION; FIELD OPERATIONS; CEMETERY OPERATIONS; PUBLIC SERVICES ADMINISTRATION; PARKS DIVISION; RECREATION FACILITIES; STORMWATER DIVISION; STREET OPERATIONS

Public Services Administrator Teresa Allen reviewed the budgets she is responsible for. The following were discussed.

Spraying the Lakes:

Ms. Allen explained that cattails and hyacinths have to be sprayed at Twin Lakes and Weaver Lake because of their evasive nature. Commissioner Carter asked if it was done in-house or under contracted services and Ms. Allen said they contract with Wildlife and Evasive Species. Commissioner Carter asked if city employees could do it to save money and Ms. Allen said no because it takes a special license.

Cemetery: Commissioner Lutton wanted to know why they had to have so many weed eaters at the cemetery when only three employees work there. Ms. Allen explained that they also have many Weekday Warriors and Weekend Warriors so they have to have enough equipment for them to use.

Commissioner Carter asked why they would delay the mower and Ms. Allen said they delayed getting a new mower this year so that all the mowers would not have to be replaced in the same fiscal year.

Fertilizing at the Parks:

Commissioner Lutton commented about the high cost of fertilizer but said that if we let the quality of the fields diminish it will cost a whole lot more to bring them back to standard. He asked which parks were fertilized. Ms. Allen listed them but said most of the fertilizer is listed on the recreation budget and most of that at the Multipurpose Complex. She explained.

Gymnasium Floor: Commissioner Carter said the gym floor needs to be refinished. Mr. Fields said it was refinished not long ago and it will have to be replaced the next time because the floor has worn too thin to be refinished again.

User Fees: Mayor Fultz asked that in the near future they consider the possibility of setting a fair and equitable standard for charging user fees for those in the unincorporated areas that use city facilities without paying city taxes to help defray the high cost of maintaining them. The following problems were identified with it:

- To be fair, they would have to charge for use of all high maintenance cost facilities, fields etc. including things like the walking trails, and that wouldn't be easy to do.
- For it to be fair and equitable there could not be any exceptions
- There is a perception in town that some groups are favored over others.

Mr. Fields explained that he hadn't wanted staff time to be spent doing a complete analysis of what it would take to accomplish this and to do a comparison with other cities without commission consensus. He asked for and was given consensus.

Hardman Hall:

- Commissioner Carter suggested coming up with a plan to create revenue at Hardman Hall as right now it is being used for no purpose.
- Commissioner Lutton noted that irrigation costs jumped way up and questioned the city charging itself for irrigation. He asked that \$1,000 be moved from that line item.

Sidewalks: Commissioner Carter asked if the sidewalks were ever put on a rating scale. Ms. Allen said Ms. Pennington has a list she has been working on as money becomes available.

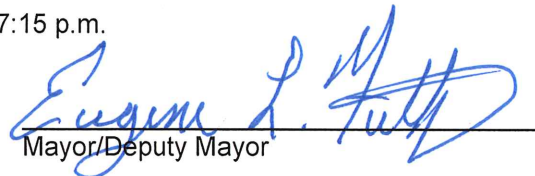
Alleyways: Commissioner Carter said there have been many complaints about potholes in the alleyways. Ms. Allen explained that they use millings on the alleys and that they recently received a large amount from FDOT from the repaving of SR60. They hope to get caught up.

Storm Water: Mr. Fields advised the Commission so they are aware that within the next 10-15 years the water quality standard will rise. He said it will be a critical concern and we will need to be prepared to fund cleaning up the storm-water before it enters the lakes.

Mr. Fields said the following about the budget:

- The budget is balanced.
- The reserve balance is higher than expected and he explained.
- Citizens will pay approximately the same taxes as they paid last year.
- There will be a 1% COLA for employees; another 1% COLA for employees will be reviewed in about six months
- They have enough to get through the next year
- He would like to do a budget review in six months and if possible consider making some changes.

There being no further business the meeting was adjourned at 7:15 p.m.



Mayor/Deputy Mayor

ATTEST:



City Clerk Clara VanBlargan, MMC