

**CITY COMMISSION  
BUDGET WORKSHOP MEETING  
July 11, 2017**

7/11/2017 - Minutes

1. ROLL CALL

**Commissioners Present:** Mayor Eugene Fultz, Deputy Mayor Robin Gibson, Commissioner Stewart, Commissioner Curtis Gibson, Commissioner Howell

**Staff Present:** Kenneth Fields, City Manager; Jennifer Nanek Assistant to the City Manager

Mayor Fultz called the meeting to order.

2. COMMUNICATIONS AND PETITIONS

None

3. DISCUSSION ITEMS

3.1. Draft Budget Review

[Begin Agenda Memo]

**SYNOPSIS**

City staff has prepared a proposed budget for the upcoming Fiscal Year 2017'18 which is balanced using the current Ad Valorem millage rate of 7.3273 dollars per thousand dollars of assessed value. Remaining at the current Ad Valorem tax rate of 7.3273 would provide additional revenue of approximately \$337,723 (\$152,643 General Fund, \$14,755 Library Fund and \$170,325 CRA Fund) over what was levied during Fiscal Year 2016'17.

Based on the Certification of Taxable Value, the calculated roll-back rate, or the millage which would generate the same revenue as the Fiscal Year 2016'17 is 7.0437 which due to new growth would generate an increase of Ad Valorem revenue of \$147,622 (\$7,878 General Fund, \$438 Library Fund and \$139,306 CRA Fund) .

Remaining at the millage rate of 7.3273 compared to Roll-Back Rate of 7.0437 would be considered a tax increase and would generate an additional \$190,101 (\$144,327 General Fund, \$14,755 Library Fund and \$190,101 CRA Fund) revenue above the Roll-Back Rate.

**RECOMMENDATION**

It is recommended that the City Commission approve a Not to Exceed Millage Rate of 7.3273 at its July 18, 2017 meeting if it finds the proposed Fiscal Year 2018 budget acceptable.

**BACKGROUND**

The proposed operating budget generally continues current levels of service for all departments with the following exceptions:

- An Administrative Assistant position is added to Code Compliance to relieve the Code Compliance Officers of administrative responsibilities so they can spend more time in the fields.

- A Recreation Coordinator position is added to Recreation to help coordinate existing recreation programs, seek additional grants, and begin the planning process for a Recreation Master Plan effort in upcoming years.
- A part-time position at the Depot Museum is changed to full time to provide continuing coverage and allow the Director to spend additional time on planning and seeking additional grants.
- An additional Facilities Maintenance Technician is added to keep up with the maintenance needs of aging City facilities and structures.
- A Temporary full-time Firefighter position is added to cover a vacancy created by an expected retirement.
- An Accreditation Specialist is eliminated from the Police Department. No impact is expected on the level of Police services.

The proposed budget also provides for the continuing replacement of obsolete and aging City vehicles and equipment through leasing. This upgrading results in lower maintenance and operating costs, greater productivity due to less lost time due to vehicle and equipment breakdowns, and savings on fuel.

The budget provides a continuing allocation for the Economic Development Council, Lake Wales Main Street and the B Street Center.

Major new Non-Utility Capital Projects planned for next year are

- Capital Projects Fund
  - o The Downtown to Lake Wales walking trail
  - o Additional lighting for the Soccer Complex
  - o Beginning of a Recreation Master Plan
- CRA Fund
  - o Restoration of Alleys in Downtown
  - o Downtown LED Lighting
  - o Additional Walking Trail Funding
- Airport Fund
  - o Corporate Hangers
  - o Aviation Fuel System Upgrade

In addition, many projects begun in the current fiscal year will continue into the next year with carry-over funding. All Utility Fund capital projects comply with the Utility Five Year Capital funding plan as proposed in the rate sufficiency study.

At this time, final estimates for certain State shared revenues have not yet been received. This budget reflects a conservative estimate of these amounts, which have not significantly changed over the past several years except for a continuing decline in Communications Services Tax revenues. The City usually does not receive final figures until the end of July. Similarly, the final estimates for some City insurance costs are not received until mid to late August. The current budget contains conservative estimates of these costs and no significant decrease is expected. These figures will be updated if necessary by the August 8, 2017 workshop and September 7, 2017 Budget Meeting.

## **OTHER OPTIONS**

If the City Commission desires to either increase or decrease the number of capital projects planned, or change the proposed levels of service, staff can make the necessary adjustments and present them at the Budget Workshop scheduled for August 8, 2017. If the Commission desires to increase the level of service beyond that currently proposed, or increase the number of capital projects planned, without offsetting decreases in other areas, it will be necessary to increase the proposed Not To Exceed millage rate beyond that recommended. If the Commission desires to reduce the proposed millage rate below the recommended level, it must provide direction on either what capital projects to eliminate or in what departments the level of service should be decreased.

## **FISCAL IMPACT**

The proposed Fiscal Year 2017'18 budget would require the Ad Valorem millage rate to be set at the current level of 7.3273, which will generate approximately \$190,101 additional revenue above the calculated Roll-Back rate. If the Ad Valorem millage rate is reduced to the Roll Back rate, it

would require corresponding decreases in either capital projects or levels of service.

[End Agenda Memo]

Kenneth Fields, City Manager, reviewed the draft budget.

Commissioner Stewart asked about the status of state shared revenues. Mr. Fields said we are still waiting on some of these figures. They are generally posted on the website. The Communications tax has gone down due to fewer people using land lines. The other two, state shared revenues and sales tax are expected to go up as the economy continues to come back. We should get all of this information by the end of the month. Mr. Fields said that two big items, health insurance and liability insurance. The expect health insurance costs to go up as there have been high costs this past year. On the liability side we are insured through Florida League of Cities. Their costs are reasonable, they are flexible and can work with us. We will see how the quotes come back.

Commissioner Stewart asked if there was money in the budget for street resurfacing. Mr. Fields said there is \$200,000 in the budget. Transportation money has gone down as fuel tax revenues have declined. Some of these funds go to transit services. Our share will be increased this next year from \$7000 to \$30,000. Our bus line is a significant transportation route for employees going to Legoland. We need a route to Bartow in the future.

Commissioner Curtis Gibson distributed a memo listing his questions and concerns about the budget. He is still reviewing the budget. He said Mr. Fields got back to him on some of these concerns.

He asked about increases in salaries from last year. He said there appears to be 26 employees that got more than 3% increase. Mr. Fields explained that there were 2 COLA increases last year, some got merit increases, and some employees get an increase if they get a new certification or degree then they get an increase in pay. There is nothing currently in the budget for increases next year. Depending on final numbers they may add in an increase. Mr. Fields offered to review specific cases with Commissioner Curtis Gibson later. Commissioner Curtis Gibson said he would do that. Commissioner Curtis Gibson asked if these raises were approved. Mr. Fields confirmed they were.

Commissioner Curtis Gibson asked about why audit costs have increased. Mr. Fields explained that requirements have changed especially in the area of pensions. Commissioner Curtis Gibson asked to confirm that we go out to bid every year? Mr. Fields confirmed that it is every three years and the bid process is state mandated.

Commissioner Curtis Gibson asked why Mr. Fields' retirement increased 83%. Mr. Fields explained that increase in retirement costs are due to changes made in his contract last year, the costs of which were disclosed at the time the contract amendment was adopted. In addition, the Deferred Compensation portion of his contract was reclassified from salary to retirement cost to more accurately display his actual current salary.

Commissioner Curtis Gibson asked why bank services charges are nearly doubling. Is all our business with one bank? Dorothy Ecklund, Finance Director, said banking services as relates to deposits is Center State Bank, loans are different. The additional charges are for positive pay security features added in December. They will go out to bid on banking services to be sure rates are competitive. Ms. Ecklund explained the Positive Pay security features. Deputy Mayor Robin Gibson asked if there is protection for local banks as he would like our business to go local if possible. Ms. Ecklund said the final decision is up to the commission. She will provide a matrix with all the necessary information. Mr. Fields added that we do have a local preference ordinance of 5%. Mayor Fields asked about a hacker that stole \$500,000 some years back. Ms. Ecklund confirmed that did happen.

Commissioner Curtis Gibson asked about cutting training costs of \$54,000. Mr. Fields said much of that is required including the Commissioners who have to attend ethics training. Training keeps employees current and is an important investment. \$54,000 for 175 employees is \$300 a year. We get a get investment in our resource that is out staff. He asked about the \$5000 in finance. Ms. Ecklund

explained that one of her employees is getting her master's degree and this reimburses her cost. It is up to the commission to leave it in or not.

Commissioner Curtis Gibson asked about deferring new vehicle costs. Mr. Fields explained that the City is still woefully behind on replacing much of its automotive and front line work equipment, with some it going back to the 1990's. While some items may appear to be functional, the hidden costs of using outdated and worn equipment are significant. With more comprehensive warranties, longer service intervals, and greater reliability, new vehicles reduce the City's maintenance costs immediately when put into service under our contract with Polk County. Newer vehicles also have much greater fuel efficiency and lower operating costs. Most importantly, the frequency of downtime for older equipment reduces employee productivity with employees spending time either taking equipment in for repairs or doing work in a less productive manner due to lack of tools. One of the new trucks is a replacement for a 1998 model, the second is for the new Facilities Technician and the SUV is a pool vehicle available to all departments who do not have an assigned vehicle but periodically require one and as a backup for vehicles in for scheduled maintenance. The City currently uses multi-year lease financing to acquire major capital equipment, including vehicles. As a result, while the total purchase cost is shown in the Capital Outlay portion of the budget, there is an offsetting Lease Finance revenue item for that amount and the only true budget impact is the annual lease payments budgeted under operating expenses.

Commissioner Curtis Gibson asked about a maintenance building in the CIP for 2019-2020 for \$700,000. Mr. Fields said that will replace the CSX Building which may become part of the school complex or a multipurpose center. This building is for Streets and Parks departments and equipment. Mr. Fields said the City has land but need a structure that can get equipment out of the elements. Commissioner Curtis Gibson asked if the City has another building that would work. Mr. Fields said no, not one that would meet the needs of those departments. They just need something basic that doesn't leak and keep our equipment secure.

Commissioner Curtis Gibson said he needs more time to look at the budget and needs to feel comfortable before he can vote for it. Mr. Fields said his goal is to get to the roll back rate but wants the City Commission to keep the flexibility of approving the not to exceed rate at the next regular Commission meeting. Mayor Fultz said that we will have time to go back and look at that project before it gets done and make any needed changes.

Commissioner Howell said that Commissioner Curtis Gibson shouldn't worry about asking questions as she often calls Dorothy Ecklund and other department heads with any questions she has. We are working for the people that voted us and we need to hold their feet to the fire. Mayor Fultz said when he first got on the Commission he went to each department head to get explanations about their budget requests.

Commissioner Howell mentioned the money set aside for Main Street and said that downtown businesses should be open later than two o'clock. Mr. Fields says he is finalizing a contract with Main Street where an employee will be hired by the CRA that will focus primarily on downtown but will address all of the CRA. This person will encourage businesses to stay open later.

Commissioner Howell said she liked the \$200,000 for streets resurfacing. Some potholes near McDonalds and Winn-Dixie that need to be fixed but aren't our responsibility. We should be looking better. Some of these things have been continually pushed back. She had called Dorothy to be sure the 2 dugouts at the Northwest Complex will be fixed. She was glad to see a Recreation Coordinator in the budget.

Mr. Fields mentioned that there is an allocation in the budget for B Street Community Center at \$15,000.

Deputy Mayor Robin Gibson said that finance is one of the strengths of our City and we have made good progress over the last several years. He commended the addition of a Recreation Coordinator to develop more partnerships like the one with the Y. This is better than us paying to construct and maintain a pool.

He reviewed the Annual Comprehensive Financial Report and had some questions. He read that bond related accounts in governmental activities and utilities fund was a funding loss \$526,861 was amortized over the years, the loss was \$30940 and ended in 2016. He asked are we done with that? Ms. Ecklund said yes. Deputy Mayor Robin Gibson asked about the projects for the airport where our remaining commitment is \$.6 million is most of that federal? Mr. Fields confirmed it was Federal and State is 90% of that. Deputy Mayor Robin Gibson confirmed that the rest is matching.

Deputy Mayor Robin Gibson pointed out that we need a clear vision and policy to follow. Currently we just go from year to year. Mr. Fields said that the Commission changes every year and with two year terms it is hard to establish a long term vision. Maybe in the fall a day long workshop to establish long-term goals. Deputy Mayor Robin Gibson said that long term strategies will help bring stability to government. Commissioner Howell pointed out that City Managers change too. Deputy Mayor Robin Gibson commented that the stability we have can be attributed to department heads.

Deputy Mayor Robin Gibson expressed concern about the safety of the CRA. We have to do better at separating the CRA from the City. He wrestles with whether or not it should be separated entirely. He does not want the CRA to be vulnerable.

Deputy Mayor Robin Gibson read "At the close of the fiscal year the City's governmental funds reported combined ending fund balance of \$5,600,000+ and increase of \$1 million+ for the year. Approximately 52% is available to spend at government's discretion." according to that we have \$2.8 million of discretion in a \$51 million budget. Most of it is committed as we have debts to pay. Mr. Fields explained that current policy is to maintain an unrestricted fund balance of 15%-20% of current operations which right now is \$1.9 million which is the lowest we like to be. It is a cushion for cash flow purposes especially when an emergency happens. This gives us flexibility if a need arises during the year. We did not dip into reserves to balance the budget. Ms. Ecklund was built to put \$150,000 back into the emergency sinking fund to build it back where it needs to be. Commissioner Howell said that what is in the budget doesn't mean that is what will be spent. Ms. Ecklund confirmed this as things happen as projects are not always completed.

Deputy Mayor Robin Gibson requested names in the boxes of the organizational chart. Mr. Fields said we could do that.

Deputy Mayor Robin Gibson asked about separating expenses between the City and CRA. He understands that projects that must go above what the City is doing must enhance the CRA. Was the bond that was done for improvements years ago considered enhancements? Mr. Fields said that the rule about enhancements doesn't apply to capital improvements but does apply to operations like police officers and Code Enforcement.

Mr. Fields announced the CRA workshop on Thursday night at 5:30 p.m. to get public input into the rewrite of the CRA plan and encouraged the Commissioners to attend.

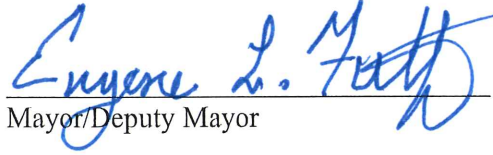
Deputy Mayor Robin Gibson asked if the CRA Trust account should be in the fiduciary category. Ms. Ecklund said no it is a special fund. Mr. Fields said we have to follow governmental rules for accounting.

Deputy Mayor Robin Gibson said he was pleased about the \$485,000 for the walking trail and there is a carry over from this year. Ms. Ecklund said that for active capital projects can be carried over 3 years. Deputy Mayor Gibson hopes this gets spent so we don't lose it.

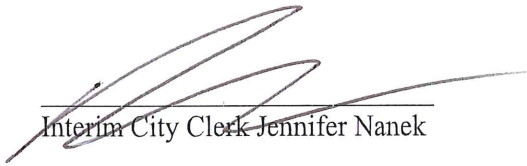
Mayor Fultz said we have done a good job keeping our eyes open on what we say. He thanked the Dorothy and the finance department and commended them on the good job they do and for keeping them out of trouble.

3.II. Draft CIP FY 2017-18

The commission meeting was adjourned at 7:54 p.m.

  
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Mayor/Deputy Mayor

ATTEST:

  
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Interim City Clerk Jennifer Nanek