

1 **MINUTES OF THE WORKSHOP MEETING** of the City Council of the City of Orange City, Florida,
2 held on Monday, July 11, 2017 at 6:00 p.m. in Council Chambers, 201 N. Holly Avenue, Orange City.

3
4 **CALL TO ORDER**

5
6 The meeting was called to order at 6:00 p.m. by Mayor Blair and roll call was taken.

7
8 **ROLL CALL**

9
10 **PRESENT:** Mayor Gary Blair; Vice Mayor William (Bill) Crippen, Council Members: Anthony J.
11 Pupello, Evelyn Robinson, Jeff Allebach, Bill O'Connor, Jim Mahoney, City Attorney William
12 Reischmann; City Manager Dale Arrington; City Clerk Gloria Thomas.

13
14 **ABSENT:**

15
16 1. **OVERVIEW AND DISCUSSION OF FISCAL YEAR 2017/2018 BUDGET**

17
18 Dale Arrington, City Manager, came forward and thanked Council for taking the time to have this budget
19 workshop. She noted that staff was present to answer any questions Council may have. Ms. Arrington
20 remarked that the most important action a Council takes annually is adopting a budget which sets up work
21 for the next fiscal year.

22
23 Ms. Arrington provided a detailed PowerPoint presentation regarding the budget for fiscal year 2017/2018
24 (a copy of which is attached and becomes a permanent part of these minutes). She advised that budget
25 preparation is an eight month process which began in February with department head presentations to City
26 Council. A Strategic Planning Goal Setting Workshop was held in March and city departments prepared
27 their operating and capital budgets for submittal to the City Manager in April. In addition, a citizen budget
28 input session was held. All these meetings are needed to make appropriate decisions in adopting a final
29 budget.

30
31 Ms. Arrington advised that the City Council will set the tentative millage rate for next fiscal year at the
32 July 25th City Council meeting. The tentative millage rate is the maximum rate that can be levied; it cannot
33 be increased but it can be decreased. A draft budget will be provided to Council on August 1st and a
34 budget work session has been scheduled for August 14th. Two public budget hearings are scheduled for
35 Wednesday, September 13 and September 26, 2017 and final adoption of the 2017/2018 budget will occur
36 on September 26, 2017.

37
38 Next, Ms. Arrington provided a summary of the various funds. She advised that the General Fund is the
39 fund generally associated with general government. It is the fund in which ad valorem taxes are collected
40 and it provides the greatest flexibility to fund City operations. Other funds such as Utilities, Enterprise,
41 SRF and Stormwater Enterprise, Impact Fees, Forfeiture, CRA, Solid Waste and Sparkman SAD can only
42 be used for the purpose in which it was intended.

43
44 Ms. Arrington advised that overall the budget is in sound fiscal shape with ample reserve funds in all of
45 the accounts. She displayed a PowerPoint slide with a budget summary of the General Fund noting that
46 it included anticipated revenue for next year and is based on maintaining the current millage rate of 7.45
47 mil which will generate \$4,352,073. Other revenues include licenses, permits, grant funds, transferring
48 of impact fees and intergovernmental fees and taxes (sales, gas, electric franchise fees, etc.). In order to
49 meet the proposed budget money must be transferred from the General Fund account. It is projected that

1 there will be approximately \$5.6 million in the General Fund at the end of this fiscal year. Ms. Arrington
2 stated that staff is comfortable with that amount as it will tide the City over in case of emergencies or
3 shortfalls in collecting revenues.

4
5 Ms. Arrington discussed expenditures. She noted that staff is not proposing any increase in personnel
6 services, operating expenses, or the capital outlay contribution for DeBary Fire Services. She noted that
7 the DeBary Fire Services is a pass through and that the City is proposing adaptive signals for DeBary fire
8 trucks and new air packs this year because the current equipment is outdated.

9
10 Council Member O'Connor questioned how conservative is the budget. Ms. Arrington responded very
11 conservative. She explained that the budget has been thoroughly reviewed and items that were purposely
12 inflated to allow large carry over funds have been removed. In addition a small contingency for things
13 not anticipated has been set aside. She stated that she wished to present an honest picture and does not
14 tend to over inflate. *It is the Council's job to set the policy and the City Manager's job to implement it.*

15
16 In response to a further question from Council Member O'Connor, Ms. Arrington advised that the City is
17 required to be accurate in financial reporting and is currently between 96 and 103% accuracy.

18
19 Ms. Arrington advised that the City is proposing to bring in the same amount of revenue as last year. In
20 order to achieve that this year \$563,348 was transferred from the General Fund reserve in order to balance
21 the budget. She explained that there are several instances where money was budgeted but not expended
22 and that money is transferred to the General Fund at the end of the year

23
24 Ms. Arrington commented that what is brought in through ad valorem using the current mileage rate of
25 7.45 mils is approximately \$4.4 million. She noted that public services such as police and fire cost \$4.8
26 million. The average parcel value, which increased slightly this year is \$56,500 and if the property did
27 not have any homesteads or other exemptions the taxes would be approximately \$421 annually or \$44 a
28 month, a \$3.00/month increase over last year. Ms. Arrington noted that there are 2,149 single family
29 residences in the Orange City of which 628 parcels (one-third) pay no taxes.

30
31 Next, Ms. Arrington discussed the General Fund by department. She advised that no personnel changes
32 are proposed for FY 2017/2018. The total operating budget, excluding capital is \$10.4 million. She noted
33 that amounts quoted are after the \$119,000 in reductions and \$2.1 million of cuts from capital requests.

34
35 Ms. Arrington discussed the deferred capital items by category stating that all new buildings and parks
36 capital expenses are deferred. This includes exploring the water leak and making repairs to City Hall.
37 Computers and equipment, several vehicle replacements and other equipment were deferred and the street
38 paving program was reduced. One half of a new financial software system which would cost \$300,000
39 was deferred. The financial software would include all of accounts payable, accounts receivable and
40 budget components. The Utility Fund would pay for half as the City generates the water and sewer bills
41 at City Hall.

42
43 Ms. Arrington talked about the dangers of deferring capital needs and moving those costs to future years
44 eventually winding up with ever increasing and larger amounts. This year \$2.1 million is being deferred
45 and tacked onto what was already going to be \$1.7 million capital needs for FY 18/19 for a total of \$3.8
46 million. The new buildings being deferred include a new fire training building and a down payment on a
47 new police building. There are many decisions that must be made such as, establishing a savings program
48 for these projects or continue to defer them. Grant funds, which are rapidly diminishing may be another
49 option however there are not many grant funds for police buildings, etc.

1 In response to a comment from Council Member Mahoney, Ms. Arrington agreed that if capital needs
2 were fully funded the fund balance would be reduced to almost zero within 5 years. Council Member
3 Mahoney stated that it would be helpful if Council was provided with projections of the fund balance in
4 order to be accountable of the revenues associated with the decisions that are made. Ms. Arrington advised
5 that a 5 year capital improvement program report will be distributed this evening and that it will include
6 the current fund balance.

7
8 Ms. Arrington discussed the positions requested but not funded which include an IT Support Specialist,
9 Human Resources Coordinator, Account Analyst, 4 police officers and 3 new fire fighter positions, a part-
10 time executive assistance and reclassify 3 fire lieutenant positions. She noted that the positions for fire
11 and police are needed to make shift rotations and keep all shifts staffed similarly. Both the police and fire
12 departments are using incredible amounts of overtime and it is getting harder and harder to get voluntary
13 overtime for special events and any number of things because people are burned out.

14
15 A discussion about the net costs for funding police and fire positions ensued. Ms. Arrington told Council
16 that she could provide a report of the net costs for the police and fire positions however the costs were
17 over \$100,000 for both which is why she is not recommending that these positions are funded at this time.

18
19 Ms. Arrington noted that a part time parks maintenance specialist position has been deferred. This position
20 is needed because of the additional parks that were added including Mill Lake which will be completed
21 by the end of this year. In addition, deferring reclassification of fire lieutenants is also being deferred.

22
23 Other items being deferred include updates to the Land Development Standards, holiday lights, new city
24 events, free food at City events, the radio show, deferred building maintenance, financial & billing
25 software, 5 replacement vehicles, reduced sidewalk and road improvement funding and deferred savings
26 accounts for all new building funds (fire training facility and replacement building for the fire department
27 and city chambers area).

28
29 Ms. Arrington discussed the other major funds in the budget. She talked about the Utilities and
30 Stormwater Enterprise funds. She advised that money is currently being spent on engineering for the
31 stormwater projects and staff is researching grant funding. There is a \$2 million in reserves in the Utility
32 Fund to do all of the major utility projects. Orange City like many cities in Florida and nationwide built
33 prior to stormwater regulations are having to fix its aging infrastructures. This is a result of prior decades
34 of deferred maintenance and unusual decision making such as purchasing the Country Village lift station,
35 which is badly in need of repair.

36
37 Ms. Arrington talked about issues that affect all funds such as health insurance and cost of living
38 adjustments (COLA). The tentative budget reflected a 15% increase in health insurance but after meeting
39 with representatives that amount was reduced to 7% over the current premium. COLA's were not included
40 in the budget. Every other city in Volusia County is providing a COLA. She recalled that earlier this year
41 the City moved forward to bring employee salaries up to parity. She stated that she would like to provide
42 a COLA to prevent such disparity from occurring again.

43
44 Ms. Arrington advised that the City could save money by switching healthcare plans, however, staff must
45 meet with the Police and Fire union representatives to discuss this matter. A new dental plan which will
46 provide better dental insurance at a lesser cost is being offered this year, this issue will also be discussed
47 with union representation. Workmen's compensation, property and liability insurances were less than
48 expectation. She commented, there are several ways the City can scrape together, keep our current

1 insurance and still provide a COLA. She requested to go back and “crunch” the number and be able to
2 provide a COLA.

3
4 Next, Ms. Arrington discussed the matters that concern her with regard to the budget, such as funding for
5 new positons, recurring capital such a computer, vehicle and equipment replacement and other big ticket
6 items. She suggested that Council consider increasing the current millage rate and/or consider doing
7 another fire assessment fee.

8
9 Ms. Arrington discussed items for Council considerations including, increasing the current millage rate,
10 enacting a fire assessment fee which will allow everybody, including properties with exemptions to pay
11 for fire services; conduct utility and stormwater rate studies; and increase the residential electric utility fee
12 from 5 to 10% to match the commercial electric fee.

13
14 A discussion about fire assessment fees ensued. Council Member O’Connor asked several questions to
15 which Ms. Arrington responded that a fire fee would pay for a portion of the fire services provided,
16 excluding paramedic or medical needs. Currently, Lake Helen has assessed a fire fee. There are some
17 good and some bad points with regard to fire fees.

18
19 Ms. Arrington concluded her presentation. She provided Council with additional information to think
20 about as the City moves forward and adopt an annual budget.

21
22 In response to an additional question from Council Member O’Connor, Ms. Arrington advised that even
23 though money has been budgeted to do utility and stormwater rate studies, it would be at least another
24 year before the tax revenue was collected. She reiterated the importance of “coming to grips with the true
25 amounts of money needed then making a plan and working the plan.”

26
27 Council Member Allebach felt that deferring maintenance of utility assets to the tune that they are failing
28 5 years before their expected life is a disservice to the citizens. The Utility is a corporation run by the
29 City Council that is supposed to make a profit for the citizens. Council must start thinking about that and
30 raising the prices and fees when the rate study comes forward. He suggested that a 7.75 millage rate,
31 which would raise an additional \$181,000 and increase the average monthly tax fee to \$36.42, is
32 appropriate.

33
34 A lengthy conversation ensued between Council and Ms. Arrington referring to the cost benefits of hiring
35 4 new police officers and raising the millage rate.

36
37 Council Member Pupello suggested that the City seek additional forms of revenue for which the City
38 would have more control of the funds and have other options. Vice Mayor Crippen agreed.

39
40 Council Member O’Connor asked whether the City treats new construction impact fees as pros and cons
41 and/or another revenue source.

42
43 Ms. Arrington replied there are police, fire, parks and recreation, transportation, water and sewer impact
44 fees. The sewer impact fees are directed to Volusia County because they own the plant. Ms. Arrington
45 provided a detailed explanation of how the impact fees are implemented and used. She noted that the
46 impact fees are a small revenue source and can only be used for capital projects.

47
48 In response to a further question about fire assessment fees, Ms. Arrington advised that there are only a
49 few cities that have fire fees because they are very controversial and provided a detailed explanation.

1 A lengthy discussion between Council and Ms. Arrington ensued discussing private owners purchasing
2 the City’s water systems, the process of charging a levy tax, growth of ad valorem vs police and fire, cost
3 of updates and impact fees ensued.

4
5 Council Member O’Connor asked for an explanation on the \$44,000 outlay for police officers. Ms.
6 Arrington replied that every officer receives a car, uniforms and the items needed to perform their duties.

7
8 Council Member Pupello recalled that the Council approved a fire assessment study and fee several years
9 ago, but it was never implemented. He questioned whether it was still valid. Ms. Arrington replied that
10 she is unsure, however, it would the cost the same to update the fire fee.

11
12 Council Member Mahoney asked if the fire assessment fee was reapproved should it be reassessed and
13 implemented. Ms. Arrington replied that it could, however, there is a risk for complaint.

14
15 Ms. Arrington reiterated Council’s desires for additional information. She noted the items on the list were;
16 send out the fire assessment study, provide information on the net cost of Fire and Police department
17 personnel, deducting voluntary overtime, capital outlay fund balances and information about impact fee
18 schedule.

19
20 **1. ADJOURN:**

21
22 There being no further business, Mayor Blair adjourned the meeting at 6:57 p.m.

23
24
25 **RESPECTFULLY SUBMITTED:**

26
27 _____
28 Melani Brown,
29 Deputy City Clerk

APPROVED ON:

November 14, 2017

Date