

1 **MINUTES OF THE WORKSHOP MEETING** of the City Council of the City of Orange City,
2 Florida, held on Monday, August 14, 2017 at 6:30 p.m. in Council Chambers, 201 N. Holly Avenue,
3 Orange City.

4
5 **CALL TO ORDER**

6
7 The meeting was called to order at 6:30 p.m. by Mayor Blair and roll call was taken.

8
9 **ROLL CALL**

10
11 **PRESENT:** Mayor Gary A. Blair; Vice Mayor O. William (Bill) Crippen; Council Members Bill
12 O'Connor, Jeff Allebach, Jim Mahoney, Anthony J. Pupello (arrived to the meeting at 6:48), Evelyn
13 Robinson; City Attorney Bill Reischmann; City Manager Dale Arrington; City Clerk Gloria Thomas.

14
15 **ABSENT:** None at this time

16
17 **1. Overview and Discussion of Fiscal Year 2017/2018 Budget**

18
19 Christine Davis, Finance Director, came forward and provided a detailed PowerPoint presentation
20 regarding the budget for fiscal year 2017/2018 (a copy of which is attached and becomes a permanent
21 part of these minutes). Ms. Davis' presentation included a five-year financial review and she
22 highlighted the budget challenges and key assumptions. Ms. Davis pointed out the factors that were
23 discussed by legislature potentially resulting in reduced funding. She advised that staff is proposing to
24 use the fund balance to pay for capital items in the next fiscal year.

25
26 Ms. Davis noted that two budget hearings have been scheduled for September 13th and September 26th.
27 Final adoption of the 2017/2018 budget will occur at the September 26th public hearing.

28
29 Ms. Davis listed the budget challenges as insufficient revenues to fund capital replacements, fund new
30 positions and low property values coupled with slow economic recovery. Voter referendums for
31 additional exemptions, such as the Save our Homes 3% cap, the 10% cap on non-homestead/ property
32 classes, maximum millage calculation and vote requirements are additional challenges. She stated the
33 external threats were State actions against pension contribution rates, business tax receipts,
34 communication service tax, and water management mandates such as 2018 CUP renewal, Blue Springs
35 nutrient reduction and the septic to sewer programs.

36
37 Ms. Davis shared historical timelines that provided the ad valorem taxable values ranging from 2006-
38 2017. She noted there was a 5 year decline which bottomed out in 2012. While there has been a steady
39 recovery, the City has yet to recover to level it was post the "great recession." She provided a historical
40 timeline of the fuel tax, electric franchise fees and communication service taxes and stated that these
41 revenue sources continue to be flat or declining.

42
43 Ms. Davis provided a budget summary of the General Fund. She noted that the total allocated and
44 expensed for 2016/17 was \$15,566,192. The 2017/2018 proposed budget is balanced at \$11,844,995
45 with a \$3,721,197 million change which is mostly related to Mill Lake Park Phase 3. She pointed out
46 that the cash carry forward amount in 2016/2017 was \$2.9 million. Staff will analyze the various
47 ongoing projects to determine the cash carry forward amount and present it to Council to amend the
48 budget for 2017/2018, thereby increasing and capturing these projects.

1 Ms. Davis specified that an ad valorem millage rate of 7.45 mils will generate \$4.4 million in revenue.
2 The cost to provide public services such as police and fire is \$4.8 million. She observed that the largest
3 source of revenue does not cover public safety.
4

5 Ms. Davis provided a budget summary of expenditures and revenues for Enterprise Fund which includes
6 water, sewer, reclaimed water and the Enterprise Stormwater Fund. She provided a summary of the
7 major funds such as the General, Utilities and Stormwater Funds and other funds such as Impact Fee,
8 Forfeiture, Solid Waste, Sparkman SAD and the CRA. All major funds for 2016/17 totaled \$34,530,924
9 and the proposed total is \$17,260,720. Ms. Davis explained that once the cash carry-forward amount is
10 identified, the proposed amount will increase.
11

12 Ms. Davis provided a summary of funds; major funds and other funds. She stated the major funds are
13 general fund, utilities and stormwater. 2016/2017 the total of the major funds was \$33,853,791 and the
14 other funds being impact fee, forfeiture, solid waste, Sparkman and CRA totaling \$677,133. The major
15 funds proposed for the 17/18 budget are \$17,260,720. The 17/18 for other funds \$738,414. All funds for
16 the previous year 16/17 were \$34million; the proposed are \$17million. Ms. Davis explained that once
17 the cash carry forward is quantified then those funds will be increased. She continued to explain the
18 Capital Deferred and Budget General Fund and described the different outlays.
19

20 Next, Ms. Davis discussed what was funded in the budget. She stated that the budget as presented is
21 balanced at 7.45 mils and maintains current staffing and operations. A 2% COLA, utility and
22 stormwater rate studies, a contingency fund, sponsorships & contributions, pledge to the neighborhood
23 center, continued funding for the senior center, funding for the Collin's Dream Skate park, continued
24 funding for special events, replacement computers, servers, and software updates, 5 vehicle
25 replacements, repairs to clock/cupola, and 2 historic preservation events & replacement of historic
26 banners were all included in the proposed budget.
27

28 Ms. Davis explained what was not included in the budget. New positions including capital of \$851,000,
29 no funding for the reclassification of the firefighters to fire lieutenants, updates to the land for
30 development standards, Hollywood lights, no new city events, free food at various events, radio show,
31 deferred building maintenance, deferred financial and billing software, deferred 5 vehicle replacements,
32 reduce sidewalk and road improvement funding and deferred all new buildings.
33

34 Ms. Davis recalled the revenue funding options discussed at a previous budget meeting. She reiterated
35 an increase in the current millage rate from 7.45 to 8.2101, achieving equalization of the Electric Utility
36 Fee by increasing the residential fee from 5% to 10% matching the commercial. For future consideration
37 when we move forward with construction of new facilities there will be an opportunity to consider the
38 debt millage where the City asks the voters to vote new construction projects. The Fire Assessment Fee
39 that was previously approved but not funded. She then presented the ad valorem budget balanced at
40 7.45 would generate \$4,352,073 and at the tentative millage rate of 8.21 would generate \$4,800,069 the
41 difference is an increase of .706 mils totaling \$447,996.
42

43 Ms. Davis reported that the average taxable value for single family residential homes in 2016 was
44 \$52,027 with a millage rate at 7.45 mils, the average annual cost for city taxes was \$388 or \$32.00
45 monthly. The proposed budget with 7.45 mils shows the average taxes paid would be \$421 annually or
46 \$35 monthly. The tentative millage rate of 8.2101 would generate an average tax bill of \$463 annually
47 or \$39.00 monthly. Ms. Davis noted a change in the average taxable value from the \$52,027 to \$56,447.
48

1 Ms. Davis discussed the 15 items on the prioritization list. She noted that after Council set the tentative
2 millage rate, staff met to discuss the items that had been deferred or not included in the budget. Those
3 items were then ranked by the City Manager in a prioritization list. She listed the items as follows: (1)
4 reclassification of 3 firefighter positions to fire lieutenant; (2) iPad and application for fire inspectors (3)
5 IT support specialist position; (4) reserve funds for new financial software with the budget, which is a
6 two year program; (5) design standards manual update (6) Large format scanner for Development
7 Services; (7) facility needs assessment; (8) 1 police officer position; (9) an additional 1% COLA bring
8 the total COLA to 3%; (10) 2nd new police officer position; (11) reserve funds for fire apparatus
9 replacements \$100,000, (12) reserve funds for Big French; (13) facility needs plan developed; (14) 1
10 police patrol vehicle replacement; and (15) a generator for City Hall.

11
12 Ms. Davis then provided a PowerPoint slide which provided several revenue scenarios for a millage rate
13 ranging from 7.50 to 8.21 mils. Ms. Davis concluded her presentation and invited questions from
14 Council.

15
16 Council Member O'Connor asked for clarification of the new construction cost comparisons from 2006
17 to present. Ms. Davis replied the data was gathered from DR420 form which the property appraiser files
18 with the State. Ms. Arrington explained that the amounts quoted are based on the contractual costs
19 presented for the project, which are then discounted by the property appraiser. The ad valorem for the
20 new construction will be included on the tax roll the year the certificate of occupancy is issued.

21
22 Council Member Allebach asked several clarifying questions with regard to budget line items, to which
23 staff replied that the other services line item on page 63 was decreased because the City now contracts
24 out custodial services, also funding for debris removal for Hurricane Matthew was removed from that
25 line item. The line item for the splash pad maintenance was reclassified to repairs & maintenance. The
26 Parks and Recreation operating and supplies line item increased to allow the purchase of new parts for
27 small equipment and vehicles. Current charges for the Police Department increased significantly to fund
28 police department physicals, which was originally in the administration budget. The funding for
29 elections was reduced because the City now holds elections in even years, like most of the County,
30 which reduces the funding needed to administer an election.

31
32 Council Member Mahoney voiced a concern that recurring revenues may not cover recurring
33 expenditures. Ms. Davis assured him that recurring revenues will cover recurring personnel and
34 operating expenses. Any remaining revenue would be designated and used for capital expenses.

35
36 Ms. Davis asked what items on the prioritization list Council would like included in the budget. She
37 asked for direction on drafting an ordinance for increasing the utility tax from 5 to 10% to be brought
38 forward in October or November. Ms. Davis again noted the voting requirements for adopting the
39 budget and asked if there were any planned absences for September 13th or the 26th.

40 Council discussed the items they would like to see funded in the budget.

41 Vice Mayor Crippen, Council Member O'Connor and Council Member Robinson chose item number 3.

42 Council Member O'Connor stated that number 1 was a bigger issue.

43 Council Member Pupello chose 1 through 8 and 13.

44 Council Member Allebach chose 1 through 8.

45 Council Member O'Connor and Council Member Allebach stated an ad valorem rate of 7.95.

46 Council Member O'Connor chose 1, 3 and 8.

47 Council Member Mahoney chose 11 and voiced his concern about long term capital cost.

48

1 A lengthy conversation ensued between council members and Ms. Arrington regarding achieving
2 equalization of the utility fee by increasing the residential fee from 5% to 10% matching the
3 commercial, concerns about the fire district fees, fire assessment study, electric franchise fees, utilizing
4 the Utility Tax to pay for capital needs.

5
6 Ms. Arrington stated that a fire assessment study has already been adopted by a previous Council but it
7 was not implemented. Ms. Davis reported that if Council wished to implement a fire fee another
8 assessment study would be require.

9
10 It was the consensus of Council to have Ms. Arrington move forward in preparing an analysis for an
11 electric utility tax. Ms. Arrington advised that the analysis and an ordinance would be brought forward
12 around October, November for Council's consideration.

13
14 Council Member Mahoney asked if the City needed a capital needs plan. Ms. Arrington replied that
15 there is a 5 year capital needs plan. He stated his concern if the City defers due to the lack of revenue.

16
17 Council Member O'Connor voiced his disapproval of funding reserves with the millage rate.

18
19 Council Member Mahoney asked for clarification about the financial software position requested. Ms.
20 Davis replied that the current part time seasonal position would be made into a full time position. Ms.
21 Arrington clarified the first year, a committee will convene and prepare a study for what is needed to
22 update and replace the 1992 financial system. The cost is approximately \$300,000. The system will
23 combine all financial software into one city wide program. Next fiscal year \$75,000 and additional funds
24 from the utility account will total \$300,000 in funds to purchase the program and begin testing it. That is
25 when the full time position, accountant analysis, will be needed.

26
27 Ms. Arrington stated that the City will need to hire a consultant to move forward with the property that
28 was purchased for the facility updates. She stated that she would work with a citizens committee in
29 conjunction with the consultant to determine what issues would need to be addressed.

30
31 Council Member Pupello, Council Member Allebach and Mayor Blair agreed to make number 13 a
32 number one priority.

33
34 Mayor Blair chose number 1-8 and number 13. He asked Council if they agreed with numbers 1-8 and
35 number 13.

36
37 Ms. Davis stated that only 5 votes were needed to agree on this priority list.

38
39 A conversation ensued between Council regarding the priority of having more police officers or more
40 facilities and what was included in the salary of the police officers.

41
42 Council Member O'Connor suggested bringing on a new police officer in October and then a second one
43 midyear. And the additional cost to the citizens would be a tax rate between 8.2 and 8.1.

44
45 **2. ADJOURN:**

46
47 There being no further business, Mayor Blair adjourned the meeting at 8:31 p.m.

1 **RESPECTFULLY SUBMITTED:**

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4 _____

5 Melani Brown,
6 Deputy City Clerk

APPROVED ON:

09/26/2017

Date