

**LAKE HELEN CITY COMMISSION
SPECIAL MEETING
July 21, 2009
7:00 P.M.**

MINUTES

The special meeting was called to order by Mayor Duffy.

COMMISSION DISCUSSION

Discussion regarding the draft budget for fiscal year 2009/2010.

City Administrator Findell asked if everybody had an opportunity to read his memo and look over the budget. "I prepared the draft budget with input from Ricky (Mullen), Keith (Chester), Mike (Walker), Cheryl (Leonard) and other members of the staff. It reflects the items that we think need to be done this year in terms of capital improvements and it also reflects items or projects that we think could be done if we used impact fees to fund them. So, it's a combination of a maintenance budget, as we typically prepare, with an addition of some physical repairs to facilities that could be deferred but we don't recommend that they are. Also, there are a few capital improvements that we'd like to pay for by using impact fees. The budget has been balanced at the 2009/2010 rollback rate which in this case is really a roll forward rate because the current millage rate is 4.2 and the millage rate that would have to be levied in order to generate the same property tax revenue that was generated by the 4.2 mil rate this year would be 5.218. So, instead of being a rollback number, as it has historically been from year to year, it is a roll forward of the millage rate. The 5.218 mills, coincidentally, is approximately the same millage rate that we've lived with for the better part of a decade until the last couple of years. The budget you have in front of you includes the general fund, the utility fund, the stormwater utility fund and the Creative Arts Café fund so you have everything at one time. The general fund budget includes the building maintenance projects such as reroofing the shuffleboard building, reroofing a portion of the Public Works building, painting the exterior of City Hall and the construction of sidewalks. Where the sidewalks will be constructed will be left to the discretion of the City Commission. We do have a sidewalk list that the Commission can consider later this year if they wish to use impact fees to pay for that construction. The budget also includes the purchase of computers for the Police Department and this includes computers for the vehicles and computers for the office. So the water utility budget includes facility maintenance and capital improvement expenditures and painting and repairing of the elevated storage tank. However, we can put off painting the elevated storage tank for at least a year and instead perform the required maintenance on the storage tank at Lemon Street well; it has a higher priority. We also anticipate the purchase of touch read meters and software to complete the citywide water meter changeover to implement the touch reading of water meters. One of the things that I've included in this budget, which is sort of a new wrinkle, is that I'm recommending that we include within the budget the utilization of impact fees because we have a fairly significant amount in reserve (\$60,000) in the water utility to make a one time payment, which equals a half-year payment, toward the SRF loan that we have for the City's

system wide improvements. That will take a little bit of pressure off the water utility budget because we're trying to maintain the rate structure as best we can. It's an expense that can be paid for out of impact fees because the citywide improvements were made as a result of growth. The stormwater utility budget reflects no major projects this year. We generally fund those projects with grant funding and we use our stormwater revenue to augment the funds that we receive. No grant funds have been allocated this year and we don't anticipate any so what we are recommending is reallocation of certain Public Works personnel costs. That's primarily a portion of the personnel costs associated with individuals in roads and streets and reallocating those costs from Public Works to the stormwater utility budget. That takes additional pressure off the general fund budget and can be easily accommodated by the stormwater utility budget. The CAC restaurant budget reflects a continuation of the current trend of minor profitability. When I put the budget together I tried to do a number of things. Foremost, I looked at the historical revenues and historical expenditures of the City and then looked at line item transactions to try to get a feel for where we've been in the past, where we are this year and where we might be next year for each of the individual revenue line items and each of the individual expenditure line items. In general, if you look at the revenue side of the budget and you look at the individual line items, where there is a line item that shows approximately the same amount for this year as last year, then our history would indicate that little change is expected. Where the amount is more, or where I've identified that we have a revenue that is exceeding expectations, we've accounted for it next year, if it is less, then it is a revenue that is not meeting expectations. If it is a revenue that we have received an estimate from the state for, then the line items have been adjusted accordingly. So that's why when you look at your revenue sheet, you'll see three or four items there that are Department of Revenue estimates. Local option gas tax, state revenue-sharing and sales tax. Their estimates are generally conservative and we normally do better. This year, I don't believe that was the case, so we're going to go with the more conservative estimates. Note that in a couple areas that depend on collection of revenues through property taxes, either ad valorem or non-ad valorem assessments, those collection rates have been estimated at 98%. Typically, we collect 99% or greater of what has been estimated. This year we're collecting a little bit less, I don't feel comfortable estimating it at more than 98%. At some point, you will derive the taxes that aren't being paid but I'm not willing to count on them in the coming budget year. On the expenditure side it's basically the same. As you go through the expenditure side, you'll see increases from what was projected as it relates to expenditure trends or costs that I've seen this year. This year, staff has made a concerted effort to reduce expenditures considerably where they could. Where you see that the expenditure is less, it reflects a trend that is showing less than what was projected. An example of that would be in your fuel budget. We anticipated that fuel prices would be considerably higher this year than they actually have been so as a result, most of your fuel line items reflect a decrease over what had been originally anticipated last year. I will say that they do not entirely reflect what today's gas price is because I'm trying to anticipate if the gas prices will go up next year so somewhere in between what they are now and what they may be next year is where I've budgeted that amount. There was a note that I included in my transmittal memo which I thought was important. It was anecdotal information. It came from a meeting that the Mayor and I attended which was a meeting of managers, mayors, the county manager and the

county chairman last week. The meeting was primarily held this month to talk about budget and finance issues and the economy and other related topics. I found it interesting that the managers, mayors and elected officials were on the same page as far as their take on the economic situation and how it has affected their community budgets. What I found more interesting was that both on the elected official side and the manager side, there seems to be a better understanding of the fact that there is a certain amount of revenue that is needed to provide either a minimum or a moderate level of government. The overall take on it was that you would think because of the economic downturn that you would also see a decline in the demand for services and you would have a decline in requirements and mandates placed on you by state and federal government. What we've all found is the opposite. The demand for services is every bit as great and sometimes it's greater. The mandates and requirements placed upon us by other agencies has expanded considerably. I noted that in my experience, there appears to be an inverse relationship between the decline in the economy and the additional requirements that are being placed on us by state and federal government. That's a disturbing trend. It's disturbing from a workload point of view and disturbing from an effect on the overall performance of the budget standpoint. I also found it interesting that Mayor Glen Ritchie in Daytona Beach who describes himself as a long time conservative Republican and said the word 'tax' was never a good word or an acceptable word has found that since he has been actively involved in government, it has amazed him at the work that government is required to do. So it's been a real education process for him. As a result, he has a substantially different opinion of the work that government does and the cost that is required to pay for it. The other thing that I thought was important to point out in looking at our revenue stream is that the revenues that we received from property taxes are not the only revenues that have declined over the last couple of years. We have also had a continuing decline of revenues that we receive from other sources that we depend on to operate the government. We have seen a decline in sales tax revenue, a decline in revenue sharing, a decline in gas tax revenue and a decline in the amount of money that's been made available for grants. The state government has raided a number of trust funds to balance their budget and has increased fees dramatically in order to do that. That has an effect on us at the local government level. The other thing you'll notice is that our investment income has been reduced dramatically. The reason for that is as the federal reserve has lowered the interest rate for banks so has the interest rate been lowered for investments. The interest rate we receive now is .6% compared to a couple years ago when it was about 4.5% and last year when it was 2.5% percent. So it's a negligible return and the budget reflects that. There were notations that I made in the budget margins for both the revenue side and the expenditure side. I did that for a couple reasons. One was to alert you to some of the larger expenditure changes from one year to another so you'd know the specific project that was being proposed. The other thing that I did was to alert you to some of the ongoing expenditures that we have that you're probably aware of but you may not be aware of those expenditures in the magnitude that they are being incurred and therefore they might be subject to additional discussion. I made notes such as pest-control of Lake Macy, weed control, cost of street lights, tree removal, landfill fees and some of the capital projects."

Commissioner Burton said, "I have been in Daytona at the Daytona City Hall and they are preparing their budget as well and I was talking to the City Manager. Pretty much

what Don has said is what he said. Cities across the state have been inundated with decreasing revenues and increasing unfunded mandates and there doesn't seem to be a balance that's going to show up on anybody's balance sheet in a positive way. The unfortunate part of the scenario is that the citizens are looking to us because they are stressed. Their budget is just as bad as ours and they are trying to cut corners to make ends meet and the last thing they want to hear is an increase of any type. At the same time, the citizens are looking forward to having the services they are entitled to so it's a balancing act. I've been talking about this for a long time, the economic situation is not looking good. We just looked at the foreclosures in the month of May and we had over 1,900 filings for foreclosures in Volusia County. At the same time last year, they had 980 foreclosures. So foreclosures went up 123%. There is no good news. We notice the declining revenues even more in a little city like ours. The value of our property in two years dropped from \$147,000 down to \$102,000. Spread that over the value of the properties that each one of us holds and that means our house is now worth less but our mortgage payments haven't gone down. There's nothing else I can say. There's no good news." **Mayor Duffy** said, "I'd like to say that at the meeting that Don and I went to with the other mayors and managers from Volusia County, each one went through some of the things they're going to try to do to reduce their budgets. Some of them will be reducing personnel but we're talking about cities that already have over 400 people working for them. Additionally, most reduction of staff is accomplished through attrition. It's important to note that we only have 19 full-time personnel to maintain the city.

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Just maintaining what we have is what we've been doing this year. No, we're not going to get new roads, we're going to try to put in some new sidewalks. The thing is, we have to maintain the City so the things that are most important are reflected in this budget. The roof on the shuffleboard court building is leaking. It needs a new roof, it's needed a new roof for a long time. So there are certain things we need to do and that's what's in this budget. I think there are several things we can't afford not to do. Everybody does their jobs and that's where we are. To get the funds we need because of the reduction in real estate taxes and revenues, we have to bite the bullet and roll forward which is about what all the other cities are going to be doing. So it's nothing that's outrageous. It's the millage rate we had for many years and it's needed." **City Administrator Findell** said, "What was more telling than anything during that discussion was when each of the individual cities talked about their proposed budgets and their millage rates and kind of the cost of doing business. With the possible exception of one or two, each of the others said their proposed budget was balanced at either a roll forward or in excess of roll forward. Historically, our millage rate has been 5.2 mils. We've lived and died by 5.2 mils. In those years that the economy was good we had some discretionary money to do some discretionary things. In those years that the growth of the economy was not so good, we had less. We went from 5.2 mils to 4.2 mils a couple years ago in recognition of economic conditions. Rather than hitting a momentary slump that we would come out of quickly, the economy kept sliding down. So we stayed at 4.2 mils. The rollback rate would have been 4.7 mils but we stayed at 4.2 mils anticipating that the economy had bottomed out last year and was finding its way out this year. That hasn't occurred. The historical rollback concept is really roll

forward. So just by way of example in Lake Helen 5.218 mills is the rollback rate. The rate that could be levied by a super majority of the Commission that reflects the conditions of the last two years is 5.7289 mills which could have been avoided to some degree by being at 4.7 mills last year. If you had a larger Commission, a two-thirds vote would allow you to go to 6.4593 mills. That's a 2.2 mil increase that really shows the effect that economic conditions have had on your budget. We're in uncharted waters. We've been through recessions before but not like what we're seeing right now."

Commissioner Robbins said, "I spoke with the property appraiser's office today. The rollback, roll forward whatever you want to call it means to Lake Helen a 16% increase and with the county, whatever they're going to do to us, it's going to be like 24%."

Commissioner Lane asked Mr. Findell if that increase is offset by the decrease in property values. "If you have a 24% increase in your millage rate and you have a 24% decrease in your property value it's really not an increase." **Mr. Findell** said, "I think what the property appraiser said a few days ago was that the difference between the current rate and the rollback or roll forward rate, whether it's 16% 18% or whatever, by quirk of law is going to more greatly affect people with Save Our Homes protection. That's not necessarily a bad thing. The enactment of the Save Our Homes legislation some time ago has kind of skewed the property tax numbers so that businesses and new people coming to Florida or people that are moving from one residence to another in Florida are paying a disproportionately high share of the property taxes because others are paying a disproportionately low share of the property taxes. This begins to level the playing field. I'm one of the ones that has been protected by the Save Our Homes legislation because the house I live in has been lived in for about 30 years by the same owner so when the legislation was enacted, the impact was immediate and the taxes have not gone up dramatically over the last 10 years. The other thing that I think is important to note from a statistic or percentage basis is that if this represents a 16% increase in terms of millage rate, the reduction of the millage rate two years ago from 5.2 to 4.2 was a 20% decrease so it cuts both ways." **Commissioner Robbins** said, "In 2001 it went up 6%, in 2002 9%, in 2003 11%, in 2004 13%, in 2005 28%, in 2006 33%, in 2007 10% and in 2008 14%." **City Administrator Findell** said, "It went down from 5.2 mills to 4.2 mills which is a decrease of 20%." **Commissioner Robbins** added, "That must've been with the increase in the homes where it might go up. My assessment goes up a little bit every year but in looking at the tax rolls there are some that have gone down 20, 30, 40, even \$50,000. Nancy's went down." **City Administrator Findell** said that he knows some that have gone down \$100,000 over the last year. **Commissioner Robbins** said, "On the line item stuff, I did note the revenues on the permits. I clumped them all together and last year we had \$20,350. That's gone down almost half to \$10,950. And yet on the side of the inspection fees it only went down \$5,000." **Mr. Findell** said, "What I looked at this year when I went through the budget detail and looked at what the revenue has been so far this year on building permits and projected it out three more months, it looked like we probably would be in the neighborhood of \$8,500 for building permits this year. Obviously that will change from month to month. That's on the building permits. So when I did this year's proposed budget, I tried to reflect what the current conditions are because I really don't see much change in that particular area so that's why you see a reduction in each of the individual line items that make up building permit fees. I also reduced the amount that we might pay for inspections as well. They should roughly balance."

Commissioner Robbins continued, "On police education, if the fines and forfeitures are the same, why would the police education not be the same? It's \$2 per ticket for the police education." **Mr. Findell** said, "It was overestimated last year. It was a \$300 difference over what it was estimated last year than what it was estimated this year. I was conservative. I'm being more conservative in general this year." **Commissioner Robbins** asked, "Would you kind of elaborate what you have under miscellaneous revenue of \$25,000?" **Mr. Findell** said, "In this budget there is nothing specific in miscellaneous revenue. What I looked at was historical budget detail because that's a figure that I struggle with every year because I can't anticipate how we're going to generate \$25,000 in miscellaneous revenue. Oddly enough, when you look at the budget detail from an historical perspective we always do. For instance, when you looked at our historic detail for everything that gets lumped into that category it always exceeds \$25,000. I'm not sure how it does because it's not specific revenue that we anticipate but it is revenue that we get from one source or another that doesn't fit neatly into one of the other categories so when I budget low for it, it actually ends up being a revenue enhancement. This year, I anticipated that it would stay the same, around \$25,000. In fact, that's exactly what it's on track to be." **Commissioner Robbins** said the only thing she could think of that used to go into miscellaneous revenue are copies. **Mr. Findell** said, "No, that's an individual line item under printing." **Commissioner Burton** then pointed out that there is an individual category for copies. He added that last year the photocopying income was \$400 and this year it's \$150. **Commissioner Robbins** said, "So you don't have any example of what goes in there? For two years we haven't had any code enforcement fines." **Mr. Findell** said that's correct. "I'm not going to budget for something we have no control over. One year we had \$16,000 in fines and \$12,000 in another year." **Commissioner Burton** said, "I recall one year when Patrick had a number of appearances in court about a particular case and we collected fines. We don't have any code enforcement issues that Patrick is actively pursuing?" **Mr. Findell** answered, "It's not the same thing. What this means is that we don't have any issues that have gone to a special master for which a fine has been imposed or an administrative fee has been imposed or a lien has been placed against the property that we subsequently have collected on. To go back to Ann's question - the things that have gone in that line item before are donations, vendor fees, program registrations, Market in the Park, miscellaneous filing fees and other miscellaneous revenues not specifically categorized. But most of it comes from donations, registrations and filing fees." **Commissioner Robbins** said, "The next one down is the communication tower lease. Last time I heard we were going to get \$5000 and he was going to come out and do a survey on the property. Are we going to get a tower or are we going to tie up Lake Helen so that nobody else can put a tower in?" **Mr. Findell** said, "The \$5,000 fee has been paid so he has put in his option to build. Either he will exercise his option and construct a tower or his option will not be exercised and the property will be available for somebody else." **Mayor Duffy** asked if there was a deadline. **Mr. Findell** answered that the option was for six months to a year. **Commissioner Robbins** said, "I remember a long, long time ago the same thing happened with the franchise on the cable TV. It happened in the neighborhood of 1982. In 1984 we put our satellite dish in and had it paid for before they ever got the cable TV in. Even though they had hung us up all that time so nobody else could come in. I don't want that to happen on this." **Mr. Findell** said, "That's revenue you could look at with

some degree of concern but if the cell tower is constructed next year, which it legitimately could be, there is no physical reason why it can't, it would be more for financial reasons than physical. Then the revenue that we would derive from that would be immediate revenue because that revenue is not paid to us on a monthly basis it's paid up front." **Commissioner Robbins:** "Under expenditures, 512 Executive on the retirement at 9.85%. I got a different number." **Mr. Findell** said, "And you will. The reason it's changed is because we received notice from the state that statutorily it has to be the 13% rate. So it's something that we protested to no avail. The rate change is for senior management and it wasn't something that we had any choice in. In fact, we had advised them that we specifically had gone into the system at the lower rate but they said statutorily that is not an option." **Commissioner Robbins:** "I have another question on the café budget in regards to retirement. Who do we pay retirement on? Because as long as they are here, I think the rule of thumb is that they have to be a regular employee." Cheryl Leonard answered that once they hit the six-month mark they are on the city's retirement plan and it's not retroactive. **Commissioner Robbins:** "In Department 519 General Government, that is up by \$10,200 under salaries." **Mr. Findell** said, "The reason is, there is some overtime in that department and our experience with the janitorial and custodial service is that a greater number of hours are required to perform the work here than what we had originally estimated so I adjusted it based on current conditions." **Commissioner Robbins:** "So she'll be making \$10,200 more?" **Mr. Findell** answered, "No, the custodian will not be making \$10,200 more. I said that there would be money also in there from overtime. Being paid for the hours she works would obviously increase that amount. This was an analysis of current expenditures from this year in that line item." **Commissioner Robbins** asked what people are in this department? The answer was: Wendie, Sharon, Lynn, Nancy. Wendie and Sharon are both half time in that department. Nancy's full-time in that department and Lynn is paid approximately 75% from that department. **City Administrator Findell** said, "The city can reduce the number of hours that we're going to provide custodial care but I think that the work would be affected as well. That's a discretionary option on the part of the Commission." **Commissioner Robbins** said, "Contractual services went up \$11,000 in general government." **Mr. Findell** said, "One of the things that I noted in my memo to you is that there were some instances where you wouldn't have an apples to apples comparison between last year and this year because Cheryl and I are working in anticipation of using the new software and coding line item expenditures on a more consistent basis. So, sometimes you'll see what may not be an obvious reason for a substantial increase or substantial decrease but sometimes that reason is simply because, in going through the budget detail, I've made a number of notes that Cheryl can rely on to more consistently code some of these expenditures. Many of them are in contractual services. This would include something like mosquito control. So what it includes is: our website hosting, mosquito control, our elevator maintenance contract, Halifax Humane Society and pest management." **Commissioner Robbins:** "Why is Halifax Humane Society not in police?" **Mr. Findell** answered, "Because it's a general government function. Even though Patrick is housed in the police department, he actually has a dual role reporting to both the police department and administration. His code enforcement role and his animal control role is more of a dual department role. It doesn't make a difference whether it's coded in general government or in police, both of them are general fund line items. But what I

wanted to bring to your attention in that regard is that we're paying around \$6,000 for mosquito control and it looks like we're going to be paying \$8,700 to \$9,000 for animal control so these are not insignificant costs."

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Mayor Duffy said, "I think somewhere along the line with the significant jump in that line item expense that we should go back to the revenues on the first page where we have confiscated properties and code enforcement fines – the amount is \$0. We need to do something about our ordinances to be able to fine people when they don't abide by our codes." **Mr. Findell** said, "We can issue citations but our general policy has been, as much as possible, to be an empathetic and user friendly city. Only in more egregious cases has Patrick issued citations. Citations, if paid, result in revenue. If citations are contested, they result in a trip to court. The case that you are most familiar with is the Diane Morris animal control issue. It went to court and it went to mediation and she agreed to pay \$400 by some date in July. Lo and behold, the date has come and gone and no payment has been received so we have to follow up on that. The thing that you also have to realize is that there is a cost incurred by following up on those actions. We don't want to send the message that we aren't enforcing our codes, on the other hand, it sometimes costs us more to enforce the code than the revenue that we will receive from that enforcement action. The Diane Morris situation looks like it's going to cost us more than we will receive at the end of the day." **Commissioner Robbins:** "For 41-communications under general fund, it is up \$5,400. The following one, utility services, is up \$1,600 and general insurance is up \$4,500." **Mr. Findell** said, "Let me provide a word of caution here. The comparison here is between what was budgeted in 2008/2009 and what's budgeted this year. What was budgeted in 2008/2009 doesn't necessarily reflect what our current history is. 2009 largely reflects the current history. When you see communications, for instance, it simply means that what we're spending on communications is something that's going to be in the \$9,600 range probably by the end of this year so it's been accounted for next year. When you see \$7,600 versus \$13,000 what that does from my vantage board is it provides information to me that says I need to go locate how that money is being spent and where it's being allocated. In this particular instance, the communications are your phone system so it's basically our monthly cost for our phone system. That's why you see a disparity between the two because one reflects today's costs and one reflects what was budgeted last year before the phone system was implemented. As far as utility services, where it goes from \$8,000 to \$9,600, that reflects what our current experience is and I'm anticipating an increase by Progress Energy next year as well. It's going to reflect a minor increase at best. As far as general insurance is concerned, this is one of the areas where I made some adjustments from one department to another in the budget. I made adjustments between general insurance and worker's compensation to reflect the amounts that we are actually paying for the two discrete insurance areas. The Florida League of Cities indicated that we shouldn't expect to see an increase in what we're paying for our general insurance this year or for our workers compensation insurance based upon our workman's compensation history. So, what I did was look at the contract that we have with Florida League of Cities this year to see what we are actually paying for insurance and worker's compensation separately to reach that amount." **Commissioner**

Robbins: “The other current charges and obligations, miscellaneous is down \$25,000. **City Administrator Findell** responded, “In that particular instance, we anticipated some expenditures from last budget year that either did not materialize or were paid for last year and those expenditures will not be recurring expenditures this year. So, the \$5,000 number reflects what we believe is a more accurate figure for this coming year.”

Commissioner Robbins said, “The 5021 operating supplies - other is down \$8,500.” **Mr. Findell** said the same thing applies here. “I looked at the experience this year and the operating supply costs have gone down quite a bit on the general government side. Part of that I can say is due to admonishments early in the year and continuing admonishments to spend as little money as possible in each of the departments - not to buy something unless it was absolutely necessary.” **Commissioner Robbins** said under police department, workers comp is down significantly. **Mr. Findell** said, “The reason that is down is because of that reallocation I mentioned earlier. When the League of Cities sends the contract they don’t have the workmans comp amount broken down in into individual departments, so, we break it down internally based upon the codes that they use. We try to reflect that as best we can in the budget and what that obligation would be for that particular department. Sometimes that estimate has been larger than it should be, sometimes less so we’re always tinkering with it. The more important factor is that it’s not so much where it is, but the fact that it’s in general government or in some other fund. You just want to make sure that the general government side covers that portion that would be proportionate to them.”

Commissioner Robbins said it looked to her as if dispatch was split out from communications. **Mr. Findell** said he did that for two reasons. “One is because dispatch is a contractual service and as I noted earlier we’re going to try to be more consistent with how we code some of these things because it makes everybody’s job easier on a day-to-day basis. It certainly makes more sense from a budgetary and budget tracking and preparation standpoint. The other reason I did it was to alert you to the fact that it was roughly \$17,000. The total for communications is projected to go up slightly. It was split out not so one would be lower than the other, but simply to bring it to your attention.” **Commissioner Robbins** asked about the impact fees that will be used for computers and how many we will need. **Mr. Findell** said, “We’re talking about four or five when all is said and done. It depends on what we’re able to get for the money. There will be least two for the cars and the remainder for desktops.”

Commissioner Robbins said, “One of my things is like on the police vehicles, we spend a lot of money fixing up old cars and I remember at one meeting asking about the inventory of vehicles and I never really did get an answer. I’m just wondering do we have any vehicles that are surplus that we can get rid of and maybe get one good car. I don’t know that we need one car per officer.” **Mr. Findell** said, “What the police department is doing this year is taking the two cars from Orange City and making one good car out of them. The goal is to have one car per officer so that each officer is responsible for an individual vehicle. They think that will help with the overall cost of maintenance because generally you have more pride in ownership than you do when you’re switching people among vehicles. There’s sort of an accountability issue there. The other thing that they are trying to do, by having more cars on the road, is to put fewer miles on each car so potentially the need for repairs would be reduced and the third thing that we’re going to try to do this year is bring some of the maintenance back to the Public Works Department. The way that it is proposed to work is that the Public

Works Department would do the maintenance on a relatively scheduled basis depending on their availability. This was made very clear to all parties. It would not be a schedule that was determined by the Police Department but a schedule that ultimately is determined by Public Works. That will allow vehicles to be maintained on a regular basis and will allow for more thorough inspection of the vehicles. It will also allow Public Works to do their other public works functions and handle vehicles on days when it's raining or when there are certain conditions where they don't have to do something specifically out in the field." There was further discussion about who drives what vehicles and where the vehicles came from. **Commissioner Robbins** said, "I know you said that some of the people in roads and streets will be paid out of storm water so I'll defer that until we get to stormwater. There is a huge increase in streetlight and electricity. **Mr. Findell** said, "It's not an increase in what the costs really are. This is an example of coding that Cheryl and I are looking at. When I looked at the budget detail, I couldn't understand where we were spending 10, 12 or \$13,000 in rentals and leases and then spending 'x' amount in utility services. The total amount between the two was \$23,650 which is what we budgeted based on previous experience but when I began looking at it in more detail, we realized that the streetlights were being coded to rentals and leases and then a portion of the streetlights were being coded to utility services so we separated it out. Now it's all utility services but let's recognize that the lion's share of that are the streetlights. We all take that for granted but every time we put up a streetlight it costs us money. That's why I made a note to bring it to your attention." **Commissioner Robbins** said, "When you started your dissertation on that I realized what the issue was." **Mr. Findell** continued, "The first note that I made there is that we generally budget somewhere in the neighborhood of \$4,000, give or take, for tree removal. In the best year, that might be accurate. Most years it's not. This year with demand for services not decreasing, we will be spending in the neighborhood of \$30,000 for tree removal and landfill fees. What I budget for next year is \$14,400, which is roughly half of that. I just want to let you know that we spend a substantial amount of money for this very basic service. We could pay more, we have greater demand than the \$30,000 that were going to pay this year so I've included half of it next year. My objective is if the Commission decides to leave this as a base amount and if we're requested to do anything beyond that, we would come back to the Commission and get authorization so that everybody knows that the demand is there. Or, if the commission wished to set the base amount at a lower amount and request that we come in with the demand once we get to that lower base amount we'll do that too. I think it's important that you know that." **Commissioner Robbins** said, "We are a tree city, should we not have a line item somewhere that denotes the amount that we need to budget for being a tree city?" **Mr. Findell** said, "This line item more than covers the requirement to be a tree city. We're supposed to spend two dollars per capita so it's roughly \$6,000. You've got to demonstrate that you spend at least \$6,000 doing tree maintenance and maintaining your urban forest. We never have a problem meeting that." **Commissioner Robbins** said, "There is another impact fee under capital improvements for the sidewalks. Before our next meeting could we possibly get a report as to how much we have in each line item of the impact fees?" **Mr. Findell** had this information available adding that the amounts were approximate:

General Government - \$10,000

Public Safety - \$10,000
Roads and Streets - \$23,000
Parks - \$3,100
Water - \$66,500

On the general government side, most if not all of that is going toward expenditures that we've already incurred so it will be reduced. The public safety impact fee money is proposed to go toward computers and I'm anticipating that half of the \$10,000 would go toward paying for the phone system improvements as well. \$23,000 would be dedicated to the sidewalk construction at the Commission's discretion." **Commissioner Robbins** said, "Under the Teen Program. In lumping all the salaries together you don't get a clear picture. We used to have it separated by 12.00 salaries and 12.10 for the Teen Program. **Mr. Findell** said, "It's separated in your budget detail but it hasn't been separated in the budget itself for many years. The salary on the general fund side, Parks & Rec., is two-thirds of Rodney's salary. The remainder of it is Teen Program salaries which is Kelly and the other teen program employees." **Commissioner Robbins** said, "In the general ledger does it get broke down?" **Mr. Findell** answered in the affirmative. Commissioner Robbins then asked, "What is the 'professional services' under that?" **Mr. Findell** answered, "It is just a catchall category in case there's something that the city wishes to pursue in the area of Parks & Recreation that requires some sort of professional service such as engineering services or architectural services.. It's not for a specific project or cost it's just a reserve amount." **Commissioner Robbins** asked, "On the water – am I assuming that there is not going to be any rate increase?" **Mr. Findell** said he wouldn't make that assumption right now. "I held off on the rate increase last year and it should have been about 4.5% and I held off on it the year before when it should have been about 3.5%. Here's my thought on that. I'm trying to maintain our rate structure and our revenue as much as possible, recognizing the state of the economy. I'm trying not to raise rates just to raise rates. One of the ways I'm doing it in this budget to take the pressure off the ratepayer, is to use impact fees and water impact fees as a partial payment for the State Revolving Fund loan. Our total loan obligation is about \$134,000 a year. Our obligation for the first improvements that we made is about \$123,000 a year. So, I'm transferring half of that from impact fees this year. That should help us maintain that rate structure for the coming year but I don't want to create a problem in the following years by having a very sizable increase at once. We established several years ago the indexing system that the county and other utilities use. Indices that automatically index rate adjustments based on the CPI change each year. What I've done with that is in years where we needed to boost the revenue because of conditions, then we've enacted it and in other years where it looked like revenues were going to exceed what we had originally projected or in the last couple of years because of the economy, I've tried to hold off on enacting the increase even though it's automatic." **Commissioner Robbins** asked, "So, we still have to maintain the coverage of a certain percentage for the loan." **Mr. Findell** said that is correct.

(01:30)

"It's a balancing issue. Even though you're required to maintain the coverage and even though we typically do, when you take depreciation into account, there could be a point early on where coverage is not maintained. It would subsequently be brought to our attention. There could be a point in the near future if not this year where coverage would not be maintained either." **Commissioner Robbins** said, "The touch readers. I was under the impression that we had all the meters before I left." **Mr. Findell** responded, "We have just over half of the meters so we need roughly 300 more and the software to implement the system and complete the work. They need to do this in 2010 because that's a condition of our Consumptive Use Permit. **Commissioner Robbins** said, "The water utility finance administration is half Cheryl, half Wendie and half Sharon and a small portion of Don. I know it's miniscule but at \$1,600 under utility services that dropped to zero." **Mr. Findell** said, "The only reason it dropped to zero is because in this year's budget we didn't cover anything in utility services for administration because it's covered under the general government budget. They are not self sustaining this year so I have pressure on both budgets. Transferring between funds doesn't benefit us bottom line. If I benefit one budget by making a small change I'd impact the other somewhat negatively." **Commissioner Robbins** said "On the stormwater, can you give us a percentage of the amount for each person who is reflected in there?" **Mr. Findell** said, "It's about one third for each of the Public Works employees and about 10% for me. Rodney, Sefer, Jeff and Andy. That's a third of each of their salaries." **Commissioner Robbins** said, "Now we come to the Creative Arts Café. There's hopefully a 32% increase in the food sales." **Mr. Findell** said, "The food sales have been projected out to the end of the year. We had nine months of experience but when we projected out to an annual basis it indicated that the food sales would be in at around \$340,000. We'll know in a couple more months what it will actually be but that's where it looks like it was heading." **Commissioner Robbins** said, "While everything goes up with that except for profit. \$7,500 profit for a whole year in business? Most businesses wouldn't survive with only making \$7500." **City Administrator Findell** said, "That's better than we anticipated so it is an improvement if it's realized." **Commissioner Robbins** said, "Well obviously there are still corners to be cut because if Papa's Pizza only made \$7,500 he wouldn't be in business. If Lou Benton only made \$7,500 he wouldn't be in business. If Ray Schafer only made \$7,500 he wouldn't be in business, if Dennis Geyer only made \$7,500 he wouldn't be in business."

*Lou Benton
Lake Pearl Drive*

"Restaurants are given five years to turn a profit."

Mr. Findell said, "One of the positive things that have been done this year is that Kelly's got a better handle on personnel costs and needs. I think that is reflected positively here. Utility services are still high." **Commissioner Robbins** said, "As we're going about salaries. Sharon takes in the money and deposits the money. Cheryl makes out all the checks. Really and truly part of their money should be reflected in this." **Mr. Findell** said that they could be. "If the point of this discussion is that full cost accounting is not done for the CAC I think that you could make a point that there could be full cost accounting and that's an evolutionary process. I think that the other point that has to be made, and has been recognized by the Commission, is that the CAC has served and

continues to benefit this community so the trade-off between the full cost accounting and the benefit that it serves to the community is based upon the Commission's desire to implement full cost accounting or keep the Creative Arts Café restaurant providing the service that it does for the community. So that's a community values judgment. On the positive side, the accounting for this year is certainly better than it was the previous year and an order of magnitude better than the year before that." **Commissioner Robbins** said, "Do you have any idea what the \$2500 is under contractual services?" Mr. Findell said he would find out. **Commissioner Robbins** said, "The finance charge dropped \$1,800?" **Mr. Findell** said, "I can't tell you why but I can tell you that was this year's experience is that would tell me that we either over budgeted last year or that more people are paying cash." **Commissioner Robbins** said, "I hate to see, especially in this time of all these people losing their homes, taxing them more. I just don't want to do it. I went away over the weekend and I picked up a paper in Sanford. Sanford's people had not gotten a raise in several years so what are they doing, they're giving them a 2% rate increase and they are cutting their hours." **Mayor Duffy** asked how many people work in Sanford. **Commissioner Robbins** said, "I don't know, Joan." **Mayor Duffy** continued, "Well that's an important factor." **Commissioner Robbins** said, "We like to compare ourselves to other towns. I think Lou sat up here and agreed with me a year or two ago about comparing ourselves to these other towns when it comes to giving out raises and now every city that you hear about has either laid-off people or cut salaries. I know we only have 19 people. God knows, if anybody knows, I know how many people worked when I was the only one in the office." **Mayor Duffy** said, "That was before federal mandates, state mandates and all the other requirements that are now required that weren't required when you were here. We have to maintain the City. I'm not talking about anything extraneous. We have to maintain what we have or we will never be able to afford to bring it back up. Even road base, you know what it costs. There are many streets that need more road base. If we don't do it now, it's going to cost us more." (Road base was budgeted at \$13,500) The employees aren't getting raises for yet another year. Yes, it's going to be tough but there isn't one city in Volusia County that isn't going to have a bad year." **Mr. Findell** said, "I think as far as reductions in staff are concerned, most of the other communities have been able to accomplish reduction in staff through attrition - a position is vacated and they don't refill it. The county has had over 400 positions that they have not filled. They've been fortunate in not having a reduction in workforce in terms of actually reducing bodies. There have been a couple communities that have found themselves in such dire straits such that they had to reduce the number of bodies and that's certainly not a pleasant experience. While it has reduced some of their budgetary costs, it has increased unemployment costs and you've put more people out of work so you're adding to a problem that we already have. We had an increase in workforce when the Commission brought Sharon on full-time. That was balanced to some degree by a reduction in workforce in the Public Works department. Public Works lost one employee last year. We had a position that was open that we didn't fill in last year's budget." **Mayor Duffy** added that we have also given Public Works the added responsibility of maintaining the police cars. **Mr. Findell** said, "If you look at our workforce now, the only department that we have with staff that hasn't already been affected is the police department so if you get to the point where you're looking for a reduction in numbers to address budgetary concerns, then that's the only place I've got to go and I'm not going to sit here

and recommend that. They've got plenty of work to do and plenty of responsibilities. That's one of the problems with being a small city. If you're a small city and you are a full-service small city such as we are, then it takes a minimum number of bodies to accomplish the work. You can either agree that you have the minimum number at the present time or you can reach a conclusion that some of your bodies are expendable. I just know by experience, because I've worked for both large and small government, that in every single case the smaller the staff the more difficult the job. I've had 150 employees who've worked for me and I've had three employees who've worked for me and I will again tell you by experience that the individuals that you have here, including Commissioner Robbins when she was the Finance Manager, wear a number of hats that their counterparts don't wear in the larger cities. So, when you're cutting a body or you're cutting work hours, you're not just cutting an individual position, you are cutting a multiple number of responsibilities that are carried out by an individual in any given position." **Commissioner Lane** said, "We are in a long-term stagnant position at best. It took us 20 years to come out of the Great Depression. We really didn't come out of that until the early 50's. We're probably going to be in this down economy for a long time so the conservative approach that we're taking is exactly what we have to continue to take and I appreciate your conservative numbers Don. To address what you started with, I think that this proposed increase in the millage rate is offset for the most part by the decrease in property values and is needed to offset the decrease in the other revenue sources, sales-tax and things like that. You mentioned Mayor Richie who said that he was a life-long conservative who hated anything that had the word 'tax' in it. I'm a lifelong conservative too, but what is happening now is that the federal and state governments are balancing their budgets on our backs. They have the power to do that and power corrupts and we're seeing it now. We at the local level are much more accountable to our citizens and much more efficient. For us to cut a body has so much more of an impact for a city of our size. We can't make those cuts without having massively unintended consequences so we need to maintain a full-service city. Our position is very defensible; it's very defensible that we raise the millage rate. It was commendable of the previous Commission to lower it because we had property values going northward at a rapid clip. But that lower rate has put the squeeze on us. The city has done a fantastic job of not trying to grow when the temptation is there because of potential windfalls of revenue. We did not succumb to that temptation. So, kudos to you Don." **Mr. Findell** said, "You must look at the budget from a very practical sense. Sometimes it's hard to separate the practical from the emotional. From an emotional standpoint, when you look at the increase from 4.2 mils to 5.2 mils, the emotional impact is fairly strong. There are a couple ways that you try to address it and one is by recognizing that the increase, to some extent, is offset by declining property values. At the same time to be fair you have to recognize that the burden of paying for that increase shifts this year and those of us who have received the benefit of "Save Our Homes" legislation over the years will pay a larger proportion of this increase than those who have been paying the larger proportion of the taxes the last few years. It's not without impact but it will impact people differently. The other thing you have to recognize is that a considerable amount of effort has been made on the part of staff to bring a budget to you that tries to accomplish the majority, if not all, of what you would like to accomplish on an annual basis in maintaining the City and maintaining the quality of life that exists here. But things have been moved around in that budget in quite a

dramatic fashion in order to offset the loss of revenue that occurred this year and last year. I don't want anybody to think the budget was prepared in a cavalier fashion. There was considerable time and effort and a lot of angst devoted to this budget on the part of all of the staff that was involved. None of us likes the end result, none of us likes the fact that the budget is balanced at 5.2 mils versus 4.2 mils. If you include in the budget those capital repairs that are part of this budget, then it's going to cost money to do that. If you take those out, it would lower the overall budget pressure but you are increasing what you're going to have to spend in the coming years. That's what my real concern is and that's what I've expressed as the staff has discussed this. I don't want to see us get into a hole, that I see us going into, that results in us never being able to get beyond where we are today which is not a good place. I see the potential for going there if we don't realize that there is a certain level of service that we need to maintain and certain costs associated with that. We do not have the benefit of the economies of scale that larger governments have and we don't have the benefit of a large commercial economy because that's not been the direction that the City has chosen to take. The reality is that there is a cost associated with being a city. There is a cost associated with providing services at whatever level we provide them. Our employees are not paid extravagant wages and while we may compare them with other communities when we do our job classification wage scale analysis, we're always on the lower end of that scale.”

*Lou Benton
Lake Pearl Drive*

“Since 2002 properties were inflated. The city got increases every year on their taxes even though the mil rate has stayed at 5.2. Because of the inflation on prices people's taxes have gone up every year. I've been in the workforce for 55 years and in only nine years of those 55 years, I worked for somebody else. The utility department is a business. There's no inventory taken. Nobody knows what goes in and what goes out. There should be an inventory. If you've got a water break whoever goes out to repair it should be listing every part that they use and how much time it took so at the end of the year you know what your maintenance is. The way it's been done is a number is pulled out of the sky or you wait until the end of the year and you get a total of what you spent. That's not the way to do it, that's not smart business.

(02:00)

When Joe Mohr was here, he used to change the oil in all the cars and all the equipment on the ground – he didn't have a lift. You could walk into Joe's place and ask him about his inventory and he'd tell you exactly what he has. You can't do that today. You don't have any inventory, you don't have any control because you do not know what goes in the front door and out the back door. I'm not saying anybody is stealing, it's just an expression. I don't know anybody in business who doesn't have an inventory because you can figure out pricing by inventories. There was also metal that they were told to take to the dump but they never did it and now the market is too low. We've got a tree guy and nobody knows if we're getting the best price because none of it goes out to bid. I can understand emergencies but if you've got a tree, when you cut it

down it should go out to bid. It's no different being in business now. I call multiple lumber companies before I actually buy material because if you don't compare with anybody else, you don't know if you're getting a good price. There's money that can be saved if it's done right but it's not being done right. Just like you mentioned one time when we were working at the tennis court that we only got three bids. If you only request three bids, that's all you're going to get. There are a lot of people out there who are hungry. It's guesswork if you don't have an inventory. You hold me to my three minutes but you waste time otherwise. You don't have control over anything. We have a concrete mixer but we paid someone to come pour concrete.”

Commissioner Robbins said, “I'll address the inventory deal. Every year we did an inventory of all the water products on the last day of the fiscal year. We did that every year until the auditor told us that we did not need to do it. There was such a miniscule amount of difference between one year and the next that it didn't even require an adjusting entry.” **Mr. Findell** added, “What the auditor told us is that we were spending more to do the inventory than we were accomplishing by doing it. It's not that what you said is not accurate or not good practice but it's not a practice that is instituted in one department and not another. There's also a cost associated with performing an inventory.” **Commissioner Burton** said, “We're talking about 19 employees in our small town. I've heard it said many times that they ought to be glad they have a job. I'm here to tell you that there are a lot of people who are out of work today. I stopped at a gas station yesterday and a gentleman walked up to me asking if I had any work he could do. He'd been out of work for two years. Our employees go home and they've got friends and they've got relatives who are out of work. If we tell our employees that they should be glad that they have a job, I think we are missing the point as a City and as employers. When I sat in the audience as a regular citizen and I used to bring this up to the Commission, I used to get feedback about what the historical model has shown, that things are cyclical and this and that. That's yesterday's news. What we are now exposed to is that there has never been an historical model that can emulate where we are now. There's never been a cycle that's taken a turn that this economy has taken. We cannot use yesterday's rhetoric or yesterday's measuring stick to determine how we can get out of this. Every household is affected by this. ‘There but for the grace of God go I’ is what I said to the gentleman who approached me. I came home and told my wife. It affected me because it let me know just how appreciative I am to be in the position that I am in. I think that anybody in the kind of work that I do, which is disaster relief work, which puts me in the homes of people who've been displaced by floods, who have had their incomes taken away from them, who have lost their houses and who are being foreclosed on, understands the economy and the negative effect it's having. In the last two weeks, I have helped stop two suicides. People are hurting out there and I don't think that any of our employees take it for granted that they have jobs. I think that we can depend on them to do their jobs and three or four other jobs. They understand just how tight it is out there. We as a City Commission and elected officials need to be as current on the economic climate as the rest of the world is. We can't sit here and say ‘well, we don't need to have this and we don't need to have that’ because it's not reality. Tallahassee is telling the counties there isn't any more money. The counties are telling the cities there isn't any more money. The federal government is telling us all that we have to do more with less so it's the trickle down effect that has

trickled down to just about a drop. We can get emotional and get hotheaded or we can do some things to work together. It was a very good point that Don was making about making a decision based on value judgments. I talked to Elisha from Community Roots. They have a program where they want to grow crops and work with the citizens. They have about 400 people who have already signed up to volunteer. All they need is a work schedule. That's indicative of a lot of people who realize that we put people to work during the Great Depression doing very simple things. We've got to change our rhetoric, we've got to change our attitude. Pointing fingers is not going to work. This is the time we need to start pulling together and we need to look out for one another. That's one of the commandments 'I am my brother's keeper'. I'm very proud to be a part of this particular body at this particular time. It's not the same when you sit in the audience. When you sit up here and you realize how many lives you can affect by one vote - you can change people's lives. You make the wrong vote at the wrong time and everything changes. I'm glad to be in a position to be able to make a difference because I hope when I'm not sitting up here, that the people who have taken these seats are as considerate and concerned as the people I see sitting up here now. I wouldn't want to be in a City that didn't care about whether or not my rights are being addressed or whether or not I was eating or whether or not my house burned down or whether or not I can afford my taxes. I wouldn't want to be in a country that allowed people to go through those things and not give a damn. I can't accept that it's not my responsibility to be concerned." **Commissioner Lane** said, "On the Creative Arts Café, you mentioned if it's something that the City wants to continue supporting. The conservative side of me has never been a big fan of the Café. In my opinion, that \$343,000 projected income is income that should be going to private business in the city. I don't know that it would be. It's not an apples to apples comparison. I do believe that we're on the wrong track there to some extent not that I want to pull the rug out from under it mind you. It's an ongoing concern and we have a lot invested. To address something else that you said, something that I've heard as well from our citizens and that is that the people who work for the city should be glad that they have a job. I haven't heard that from the Commission in speaking to the City employees and it's important that we not present that attitude. The employees we have working for us, we value very much. It's important to say that publicly. We do value them. They are doing yeoman service in many ways. We don't want to give them the impression that we don't care or they should be glad they have a job and they should suck it up and shut up. That's not what we've got. We've got a great city that's an almost family type operation and we have to honor them from these seats because they deserve it. They've earned it and they deserve it."

*Dennis Geyer
509 East Kicklighter.*

"I'd just like to say one thing. This is the way I was brought up. If you can't take pride in your job, go find another one. In my business, I can't tolerate dead weight and I feel we have dead weight working for our city."

*Betty Doherty
240 N. Euclid Avenue*

"We have seven policemen at 40 hours a week that's 280 hours. There's 24 hours in a day times seven that's 168 hours. You take that from 280 and it's 112." **Mr. Findell** said, "They work 12 hour shifts. Going to 8 hour shifts means you'd have to have another person to cover the shift. So there would be 3 shifts per day instead of 2. Another thing you have to remember is that your police officers have discrete duties so they are not all patrol officers. There's a police officer who's your animal control officer and your code enforcement officer who doesn't as a general rule function as a patrol officer except to fill in on shifts that other officers aren't available for. Your police chief's position is largely an administrative position. Your commander's position is not so much patrol as it is investigation so your patrol officers are largely Rob, Scott, Marcel and Brandon. Sometimes the Commander fills in for patrol officers shifts and he's doing that basically at no additional cost because his position is salaried." Ms. Doherty asked what the percentage of our yearly budget is spent on police functions." **City Administrator Findell** said, "It's fairly substantial but it is not out of the ordinary with other communities. Generally, your police and fire departments are the highest proportion of costs in government. It amounts to about one third of our budget. Ms. Doherty concluded by saying, "It seems like a lot of money to me because we don't have that much crime." **Mayor Duffy** announced that our second and last budget workshop will be on Wednesday, July 29th.

The meeting was adjourned at 9:20 p.m.

Joan L. Duffy, Mayor

Nancy Wilson, City Clerk