



**BUDGET WORKSHOP MEETING
JULY 8, 2002, AT 6:00 P.M.
CITY HALL, 116 FIRST STREET,
NEPTUNE BEACH, FLORIDA**

Pursuant to proper notice a Preliminary Budget Workshop Meeting of the City Council of the City of Neptune Beach was held July 8, 2002 at 6:00 p.m., in the Council Chambers, City Hall, 116 First Street, Neptune Beach, Florida.

Attendance:

IN ATTENDANCE:

Mayor Richard A. Brown
Vice Mayor Robert D. Shimp
Councilor James Gilbert
Councilor Ronald D. Patronik
Councilor Harriet M. Pruette
City Manager Richard A. Linn
City Clerk Lisa Volpe, CMC

Director of Finance Steve Ramsey
Director of Public Services Leon Smith
Director of Public Safety William Brandt
Building Official Dan Arlington
Deputy City Clerk Karla Strait, CMC

Absent:
City Attorney Christopher White

Call to Order/Roll Call

The Mayor called the meeting to order at 6:00 p.m.

City Manager Linn explained the proposed budget began with requests from each department head during the months of May and June. He had already cut some requests from the budget, however, the proposed budget would require going into the reserves.

General Fund

Director of Finance Steve Ramsey stated the General Fund projected a revenue increase over last year of \$100,000. The increase in revenue was small because the interest rates dropped from 7% to 2%. The state advised him to project at least 4% lower on the ½ cent sales tax. Due to a projected 20 to 25% increase in health insurance he had added 30% to that line for each department.

Proposed Expenditures

The total proposed expenditures were budgeted at a 10.64% increase over last year. That included employee salary raises of 5% and the health insurance increases. The proposed figures were based on last years property tax rate of 2.64 mils. Before any more cuts were made it showed a deficit of \$445,070. There were some budgeted items the City Manager or Council may consider eliminating.

Not to Exceed Millage Rate

Director of Finance Steve Ramsey requested that Council consider setting the "Not to Exceed Millage Rate." In order for the rate to be on the preliminary tax bill it had to be received by the tax assessor's office before August 4, 2002. He explained it was only a "Not to Exceed Rate" and could easily be lowered. However, it would be more difficult to raise it once it was set because every taxpayer would have to be notified in writing.

The estimated tax rate of 2.64 would amount to \$1,115,582. The roll back rate of 2.444 would amount to \$1,032,928. To balance the proposed budget the millage rate would need

to be increased to 3.64.

The millage rate in 1992 was 4.2 and has dropped to 2.64 over the last 10-years. Mr. Ramsey explained if the city did not start taking steps to increase the millage rate the reserve fund would be depleted in 4 years.

Discussion

Councilor Patronik stated the city also generated income from other sources as well as property taxes.

Councilor Gilbert stated after reading in the newspaper that the millage rate had been too low for years and the city was heading for financial disaster he felt obligated to a millage rate of 2.6. He felt unprepared and did not appreciate reading about business coming before the council in the newspaper before hearing about it from staff. City Manager Linn explained the proposed budget was copied out and in the press box last Tuesday. The press had come to the city for quotes after receiving their copy.

City Manager Linn asked Council to take a serious look at the proposed budget and question each department head regarding the expenditures.

Councilor Shimp stated last year the Council rolled back the millage rate to put the staff on a strict budget.

Council Patronik stated the options were to increase the millage rate and fund the proposed budget the way it stood, leave the millage rate as it was and draw on the reserves, or cut city services. He felt trying to cut small line item requests one by one would not accomplish anything.

Councilor Pruette thanked Finance Director Steve Ramsey for his professional demeanor, adding that he has always been honest and professional in answering questions. She felt everyone needed to work together to cut the budget and the millage rate should remain the same. She did not want to raise taxes unless it was absolutely necessary. She added there was a significant difference between last year's deficit of \$153,595 and this years deficit of \$445,000. She also felt the Council should approve the purchase of all computer equipment in the future.

Mayor Brown agreed with Councilor Patronik that the city had to either reduce services or find more revenue. However, he was proud of the services the city provided to the community and did not want to reduce services.

Vice Mayor Shimp stated he was willing to go through the proposed budget line item by line item if that was what the Council wanted to do.

Director of Finance Steve Ramsey stated that he liked the property tax revenue because it was a fair tax and was deductible on federal income taxes. City Manager Linn added the only sources of revenue a municipality could control were property taxes and franchise fees. The state dictated how much a municipality would receive from sales tax, telecommunications tax, etc.

Councilor Pruette questioned what the City had done in the past to save money. City Manager Linn replied he had deferred capital purchases of vehicles and kept overtime at a minimum. He added he would not be replacing the Director of Public Services position with a certified engineer saving the city approximately \$55,000 annually.

Councilor Pruette asked how much the proposed budget could be cut while providing the same level of services. City Manager Linn responded 75 to 80% of the budget was employee salaries. To lower that figure the number of employees would need to be reduced. Finance Director Ramsey added if each department reduced expenditures by 5%

not including salaries it would only reduce the amount by \$42,000.

Vice Mayor Shimp stated the budget discussion should not be a matter of staff verses Council. The City had hired new employees and made part time positions full time positions without the consent of the Council. He asked that everyone treat each other with respect while reviewing the proposed budget otherwise it would be demeaning to all.

Councilor Patronik asked Mr. Ramsey if he conservatively estimated the other revenue sources. Mr. Ramsey responded yes, however the largest one after property tax was the local ½ cent sales tax and the state set the guidelines on that.

Councilor Patronik stated of the \$2,000,000 Police Department budget 82% was personnel cost and including the vehicles there was not much flexibility within the budget.

Mayor Brown questioned what was the recommended life cycle of police vehicles. Mr. Linn replied the capital program for police cars was to replace them every 5 years and we replaced 3 cars each year. Chief Brandt informed the capital program required replacement every 6 years.

Councilor Pruette asked Mr. Ramsey if there was a budget deficit for the year 2000-2001. Mr. Ramsey replied no that we had been fortunate because the revenues had come through. This would be the first year we actually hit the reserves. With the drop in the market the police pension fund dropped down and the city had to fund it by state law.

Mayor Brown stated we could soften using the reserve fund as much as possible but may still require a slight increase in taxes.

Councilor Gilbert questioned the need for the \$18,000 in other contractual services for the building department. Building Official Arlington replied it was used for inspections and plan reviews. Councilor Gilbert asked if Mr. Arlington's workload could be decreased to allow him the time needed to do the plan reviews and inspections himself therefore eliminating the need for other contractual services. Mr. Arlington responded his department earned enough money to cover the service because the extra work also brought more money to the general fund. It also offset hiring a new employee for the department. Mr. Linn stated he could realign personnel and do some internal reorganizing to relieve Mr. Arlington of some of his workload.

Discussion ensued regarding moving Animal Control Officer John Webber to Code Enforcement Officer.

Vice Mayor Shimp stated other departments also had expenditures for "other contractual services" and asked why city employees could not do the work.

Councilor Gilbert stated the "other contractual services" amounted to approximately \$90,700 that could be cut.

Councilor Pruette felt the budget could be cut if everyone would work together to save money.

Mayor Brown asked the Council how they would like to direct staff.

Councilor Patronik asked the staff to cut the discretionary expenses to the bare minimum, leaving services as they were. He added some cost had risen that there was no control over.

Councilor Pruette did not feel the city did enough to save money; adding that dumpsters and manholes had been purchased but could not be used and they were sitting at the city

yard. City Manager Linn explained the manholes were purchased and delivered as part of the Phase 1 Capital Improvement before it was canceled. The manholes cost around 3 or 4 thousand each and would be incorporated into the project east of Third Street. The dumpsters would also be used in the future.

Mayor Brown requested that staff work on several scenarios and come back with examples showing different millage rates and deductions.

City Manager Linn stated so far this year all of the expenditures were falling right on target with the budget. The large increase in expenditures for the Police Pension Fund was not anticipated and the revenues were on the low side.

Councilor Gilbert asked staff to take a good hard look at expenses from banking fees to the cleaning people.

Consensus: **TO RESTRUCTURE EMPLOYEES TO ELIMINATE "OTHER CONTRACTUAL SERVICES" – SET MEETING DATE OF TUESDAY, JULY 15, 2002, AT 6:00 P.M. TO REVIEW THE BUDGET AND SET THE "NOT TO EXCEED MILLAGE RATE".**

Adjournment

There being no further business, the meeting adjourned at 7:25 p.m.

Richard A. Brown, Mayor

ATTEST:

Lisa Volpe, CMC, City Clerk

Approved: _____