



BUDGET WORKSHOP MEETING
August 17, 2009, AT 6:05 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 August 17, 2009 at 6:05 p.m., in the Council Chambers, City Hall, 116 First Street, Neptune Beach, Florida.

Attendance:

IN ATTENDANCE:

Mayor Harriet M. Pruette
Vice Mayor John Weldon
Councilor Fred Lee
Councilor Eric Pardee
Councilor Kara Tucker
City Manager James Jarboe
City Clerk Lisa Volpe, CMC

STAFF:

Community Development Director Amanda Askew
Senior Center Director Leslie Lyne
Director of Finance Steve Ramsey
Director of Public Safety David Sembach
Director of Public Services Leon Smith

ABSENT:

City Attorney Chris White

Call to Order/Roll Call

The Mayor called the meeting to order at 6:05 p.m.

SPECIAL REVENUE FUNDS & ENTERPRISE FUNDS: City Manager Jarboe explained Special Revenue Funds were special sources of revenue that could only be used for an intended purpose.

City Manager Jarboe recommended Council direct questions to Finance Director Steve Ramsey.

Councilor Pardee stated he did not have any questions.

Councilor Lee stated he asked Finance Director Ramsey to provide Council with information regarding the percentages of decreases and expenses in the budget over the past five years. He felt this information would aid in explaining to citizens why the millage rate needed to be increased.

Councilor Lee had also had asked Mr. Ramsey to provide Council information regarding profit and losses from the Stormwater and Sanitation Fund. He felt the majority of the problem was that the stormwater and sanitation fees billed to residents were not high enough to meet the actual cost of services. Therefore, the cost of stormwater and sanitation has been supplemented through the General Fund. He felt these service fees needed to be increased in the future.

Councilor Lee also asked Mr. Ramsey to provide information regarding the City's contractual obligation to annually supplement the losses in the Police Pension Plan.

Councilor Lee felt it was interesting that according to State law if Council did not vote to raise the millage rate, the city tax revenue automatically reverted to the Roll Back Rate.

Director of Finance Ramsey explained the State Statute referred to the Roll Back Rate in order to guarantee the City would have the same revenue it received in the prior year. However, because property values have declined the Roll Back Rate has actually increased to guarantee last year's revenue.

Mayor Pruette questioned how many positive votes were needed to adopt the Roll Back Rate. Mr. Ramsey replied a simple majority of 3 to 2 was required to adopt the Roll Back Rate. To increase the millage rate a 4 to 1 vote would be necessary. However, to increase the millage rate above 3.2, a 5 to 0 vote would be necessary.

Councilor Lee stated he also asked Mr. Ramsey to provide Council a list of grants the city has received over the last couple of years. Mr. Ramsey responded that material has already been distributed.

City Manager Jarboe stated Council asked him to provide information comparing the millage rates of surrounding Counties. He explained that in comparison, even with an increase in our millage rate, ours would still be lower than surrounding cities.

Councilor Tucker was concerned about the employees keeping their jobs and making sure the City had enough money for future needs.

Vice Mayor Weldon felt the shortfall in Sanitation and Sewer Funds was the fault of previous Councils not increasing the rates when necessary. He agreed these fees should be "pay as you go" and not paid by hiding the losses and increasing the city debt in the General Fund.

Councilor Weldon suggested the City create a matrix showing the maximum amount of debt it could incur and the lowest amount of reserves that could be tolerated without considering millage rate increases or increases in service fees. He stated the City currently pays a little over a million dollars per year in debt service which is a significant amount of overall expenses. He was aware that raising the millage rate was an unpopular political decision but he did not know what else to do and still remain prudent and focused on the long term financial health of the community.

Mayor Pruette was concerned about the shortfalls in the Reserves Fund. She stated this Budget would only increase the Reserves Fund by \$2,000.00. She felt Council should go through the Budget once more to see if there was anything else that could be cut. Mr. Ramsey replied the Reserves Fund should normally contain enough money to operate the city for three months, without outside assistance, should a major disaster occur. This would amount to 25% of overall operating expenses. The Reserves Fund currently held 21%. An additional \$300,000 would be needed to increase the Reserves Fund to 25%.

Councilor Lee suggested the City save money by putting the monthly newsletter on the website and implementing a membership fee for the Senior Activity Center.

Councilor Pardee asked if the stormwater and sanitation fees were based on consumption. Mr. Ramsey replied the stormwater and sanitation fees were a flat rate for all residents.

Councilor Pardee asked how much of the proposed increased millage rate was based on sanitation and sewer shortfalls. Mr. Ramsey replied that portion of the proposed millage rate increase was .175.

Councilor Pardee stated he would like Council to consider having residents pay the same flat rate fee for these services in lieu of including the cost in property taxes. He felt this was unfair to tax payers because owners with higher property values ended up paying more for these services than average. If these fees were not included in property taxes the millage rate would only need to be increased by .125 instead of .3.

Councilor Weldon explained a benefit to the sanitation and stormwater fees being included in property taxes was that the property owner could deduct them from their Federal Income Taxes.

Mr. Ramsey stated if Council wanted they could adopt a Resolution increasing both the sanitation fee and stormwater fee \$2.00. This would decrease the proposed millage rate from .3 to .175.

For the Record Councilor Weldon stated for the record Council approved a new rate structure for water and sewer that went into effect early 2008. Council recognized at that time those rates were not adequately structured to pay both the debt in the Enterprise Funds and maintain the necessary service levels. This fall another rate study will be conducted to determine if the projections were accurate and they can be adjusted accordingly. He reviewed the various capital outlay, staffing projections, and work level projections for the Enterprise Funds and found them reasonable. If anything more was cut from the budget there would be outages and maybe worse problems in our water and sewer service. He believed Council should accept the Enterprise Fund budget as presented.

Mayor Pruette questioned how long it would be before an improvement would be seen in the Reserves Fund. Mr. Ramsey replied it would take two to three years before improvements would be seen in the Fund.

Mayor Pruette questioned how the City could increase the Reserves Fund. Mr. Ramsey replied the only way to increase the fund would be to raise the millage rate.

Mayor Pruette asked if funds from the City Attorney and the Senior Activity Center budgets could be placed in the Reserves Fund and later adjusted if needed.

Councilor Lee questioned if the City would be able to borrow the money, if we needed it, and did not have it in the Reserves Fund. Mr. Ramsey stated if that was the case, the City would have to borrow money against the General Fund.

Mayor Pruette suggested the Council hold a Budget Workshop meeting in January to begin discussion of the 2010-2011 FY Budget.

Vice Mayor Weldon stated he would be amenable to transferring the \$15,000 from the City Attorney budget into a Contingency Fund. He did not agree the \$20,000 from the Senior Activity Center should be transferred. Mr. Ramsey explained the money for the Senior Activity Center would remain in the General Fund, and would not be transferred to the Senior Center, unless it was needed.

Mayor Pruette explained money from the Operating Budget was never intended to be used for the Senior Activity Center. However, \$75,000 was transferred in 2007, \$45,000 was transferred in 2008, and \$25,000 was transferred in 2009. This Budget included \$20,000 of operating funds being transferred into the Senior Activity Center.

Mayor Pruette suggested Council decrease their monthly salary by \$100.00 to save the City \$6,000.

Councilor Tucker felt because we were a small City the only source of revenue had to come from property taxes. Mayor Pruette responded some citizens could not afford a property tax increase.

Mayor Pruette asked how many additional budget meetings were planned before the Council had to vote on the Budget. City Manager Jarboe stated no further workshop meetings were planned. There would be two more meetings to vote on the millage and the budget. He advised Council to inform staff if they wanted to adjust the budget.

Vice Mayor Weldon stated he supported the budget as submitted and was prepared to vote to increase the millage rate. He felt the citizens needed to recognize that a 3.17 millage rate was a reasonable rate under the circumstances. If a majority of the Council agreed another meeting would not be necessary.

Mayor Pruette felt more money should be placed into the Reserves Fund. Vice Mayor Weldon suggested if additional monies were available at the end of the year that money could be placed in the Reserves Fund.

Councilor Pardee was not comfortable moving forward with the budget with the sanitation and stormwater fees being included in the property tax. He felt these fees should be "pay as you go".

Councilor Pardee suggested selling the property on First Street that housed City Hall and putting the money from the sale in the Reserves Fund. He was not prepared to vote on the budget as presented.

Councilor Lee stated he would be comfortable voting on the budget with the following amendments: 1) save \$3,000 by placing the newsletter on the website, 2) it would be a personal choice of each Councilmember to donate part of their salary to the City, 3) it would need to be decided if the sanitation and stormwater fees should be increased in the future and not supplemented from the General Fund, and 4) have citizens decide by referendum if they would like to sell the First Street property / City Hall building.

City Manager Jarboe stated he needed a consensus of the Council on whether they wanted to increase the sanitation and stormwater fees or supplement them from the General Fund.

Vice Mayor Weldon did not want to delay voting on the budget based on the sanitation / stormwater issue. He objected to selling the First Street property / City Hall building.

Councilor Tucker stated she supported having additional workshop meetings to discuss the sanitation and stormwater fee issue. She agreed each Councilmember had the personal choice to donate part or all of their salary back to the community. She did not support selling the First Street property / City Hall building.

Councilor Pardee felt a flat rate fee should be charged for sanitary and stormwater fees. They should not be included in the property taxes.

Vice Mayor Weldon suggested Council review the sanitary and stormwater fees next budget year.

Finance Director Ramsey stated Council could either increase the sanitation and stormwater fees beginning October 1, 2009 or increase the millage rate.

Councilor Tucker stated she would like to see a comparison between a sanitation and stormwater fee increase and/or a millage rate increase.

Vice Mayor Weldon advised the State was considering placing a cap on municipal government millage rates. Therefore, he felt the millage rate should be set at a reasonable level. He added 3.17 mills was almost level with Atlantic Beach millage rate and was 3 mills lower than Jacksonville Beach.

Councilor Lee wanted to ensure that the City would look at stormwater and sanitation fees being "paid as you go" and not continue to cover the cost by reducing the General Fund.

Councilor Pardee asked for a comparison of sanitation and stormwater fees of Atlantic Beach and Jacksonville Beach.

Consensus: **TO VOTE ON THE BUDGET AS IT STANDS**

Finance Director Ramsey stated the next budget meeting would be for the first read on the millage rates and the budget.

PUBLIC COMMENTS

Scott Wiley, 723 Davis Street, felt the low millage rate was limiting the city. He voiced concern regarding the City's ability to obtain money for future projects and suggested hiring a grant writer.

Mayor Pruette asked Mr. Wiley to speak with City Manager Jarboe after the meeting regarding grants.

City Manager Jarboe added he was recently informed the State Revenue has decreased an additional \$18.000. The City may have two more reductions in State revenues this budget year.

Michael Aston, 1523 Summer Sands Drive, stated he would prefer the sanitation and storm water fees being included in the property tax so they could be deducted from his Federal Income Tax. He suggested the City erect a communication tower as a source of revenue. He also felt the First Street property / City Hall building should not be sold.

Lynda Padrta, 1113 First Street, opposed selling the First Street property / City Hall building and opposed a tax increase.

Adjournment

There being no further business, the meeting adjourned at 7:32 p.m.

Harriet Pruette, Mayor

ATTEST:

Lisa Volpe, CMC, City Clerk

Approved: _____