

MINUTES
CITY COMMISSION MEETING

July 23, 2012

The City Commission met this date in a budget workshop session. A quorum being present, the meeting was called to order at 6:00 PM with the following in attendance.

Mayor	:	John B. Arnold, Jr.
Commissioners	:	Heyward H. Strong, Jr.
	:	Diane Kelley
	:	Kay Hamilton
	:	Joe Morgan
City Clerk	:	Tammy Johnson
City Administrator	:	Carl Scott
Police Chief	:	Joe Hart
General Manager VBCS	:	Burt B. Bennett
Director of Public Works	:	James Valandingham
Fire Chief	:	Mark Norris
Library Director	:	David Weatherford
Recorder	:	Beth Millsaps

Others in attendance: James Butler (Camera man), Del Lessard (Bay Beacon), George Murphy, Tony Shipley, Lisa Brooks (Dept. of Corrections) and Larry Caranhan (Dept. of Corrections)

1. FLORIDA DEPARTMENT OF CORRECTIONS PRESENTATION

Lt. Carnahan and Officer Brooks with the Dept. of Corrections have prepared a power point presentation regarding the work squad. Officer Brooks said there are 121 inmates out of 160 that are involved with the work program, public safety is the prime concern. All inmates are put through a very rigorous screen process, so not to encounter any of the victims while they are out on the work squad. Officer Brooks said all inmates are considered "low risk", the screening is an everyday process and none of them have been convicted of a violent crime. There is currently an inter local agreement with Okaloosa County, City of Crestview, City of Ft. Walton Beach, City of Niceville, another service offered is the painting of schools each year for free. Officer Brooks said that the inmates are housed at the work camp which is located beside the jail in Crestview. Officer Brooks stated a beginning annual contract is \$64,479, after the first year there is a reduction of \$4,833, the beginning cost includes a one time cost of a radio that the officer has to keep in touch with the prison at all times. Officer Brooks said that work squads generally work 4 days a week 10 hours a day. Lt. Carnahan said that work squads can be scheduled to help prepare for special events as the do with the Baker rodeo each year. Lt. Carnahan said there would be a crew of 8 inmates with 1 officer. Lt. Carnahan said that most crews are for street maintenance and lawn mowing, there are some inmates with special skills, if a special project calls for special skills they can provide. Officer Brooks said that if it starts from dirt they can build to the roof. Lt. Carnahan said they would provide the labor, permits and code verification would be the responsibility of the City. Mayor asked what kind of freedom an inmate has while in the City, he used the example of using two inmates in one park while three in another. Lt. Carnahan said that all of the inmates have to stay together under the watch of the officer. Mayor said he felt that could be an impediment for our activities. Lt. Carnahan said that the eight inmates and one officer could move quicker and knock the work out faster than just two the inmates have to stay within the sight and sound of the officer at all times. Officer Brooks said that a vehicle was the responsibility of the City; Mr. Valandingham said the cost of the vehicle is already included in his figures for the budget. Comm. Hamilton asked the timing of projects and Officer Brooks said that as long as they had a little notice they could provide whatever manpower is needed. Lt. Carnahan said if we are under a state of emergency the Governor has precedence over the workers and what he needs done, after we are off the state of emergency the crew would return to the City to help in whatever needs to be done. Officer Brooks said for the time frame that the work squad is not with the City our contract would be adjusted pricewise. Comm. Morgan said he had concerns about what type of inmates would be coming into the community. Officer Brooks and Lt. Carnahan both said not domestic violence those inmates are not on work squads. Lt. Carnahan said that no violent offenders are on the squads. Comm. Morgan said what about burglary; Lt. Carnahan said that as long as it was just burglary with no weapon then they can be on squad. Comm. Morgan said so we have burglars, forgeries, and Officer Brooks said drug dealers, they are minimum crime. Comm. Kelley asked if there had ever been any incidents where people felt their homes were being scoped out for a future crime. Officer Brooks said there are always incidences but most of those are about perception, the calls are generally people over reaching. Comm. Kelley said there are no proven incidents, Officer Brooks said no ma'am. Officer Brooks said at all times inmates are in uniform, Lt. Carnahan said on street crews the inmates are in orange safety vest while the officer is in a lime safety vest. Mayor asked if any further questions to which there are none, the Mayor said they would

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Present

continue to discuss and make a decision and he appreciated the Dept. of Corrections coming out to make the presentation. Mayor said that the Commission would be looking to Mr. Valandingham to let them know how he would utilize the workers especially with all of them having to be in one place, he feels that could be an impediment. Mr. Valandingham said when he first began working for the City they were here on a free basis and they were utilized then. He said they can work rights of way in streets, take them into the parks and will also be able to use them in the recycling center to free up our guys especially on Wednesdays. He said it works as a group even though it seems cumbersome but they can knock out a lot of work as a unit in a short time frame. He said in the parks, we would close the park so there would be no children present and they would put up signs and do the work in the early hours.

2. Budget Workshop

Budget Workshop

Mayor Arnold said he believed that Mrs. Johnson had some additional information to add to our last budget discussion. Mr. George Murphy, resident of 1173 Bayshore Drive, said he would like to speak on behalf of the library before the Commission got into the "heavy stuff". He said that he and his wife are patrons of the library and that it is the "bright spot" in the community. He said that Mr. Weatherford was doing a heck of a job and if possible for the Commission to increase the library budget. He said if something needed to be cut, to cut something else, not the library. Mayor thanked him for his opinion.

Comm. Hamilton requested that we start with the overview because she had questions regarding those figures. Mrs. Johnson said this shows where the revenue was and the O & M and the difference between the two, which is a negative amount. Also, capital this gives a total negative amount of \$241,206. The budget numbers have been changed to the roll back rate we would need an additional .69 mills to balance the budget with the O&M and to do all the capital items that are in the budget we would need an additional .7432 mills, total of 1.4343 mills to balance the budget as it is now. Comm. Morgan asked what our current millage rate is, Mrs. Johnson said it is currently 4.0644; the roll back rate is 4.0993. Mrs. Johnson said the next table shows in revenue what changes from current year to the projection for next year, going to roll back rate we would have deficit of \$3,700. Comm. Hamilton asked what does non departmental mean. Mrs. Johnson said non departmental is electricity for city hall, police department, the meeting room no one claims all of it. Mrs. Johnson said expenses by fund showing what has changed on the O&M and how much by department how much they have changed. Total difference of \$52,020 from current budget to next year's budget. Also there is a table which shows what 1 mill of taxes covered from 2008 1 mill represented \$206,919 up to 2013 where 1 mill represents \$170,803. Mayor said that it is a significant decrease due to property values going down. Mrs. Johnson said new budget is \$52,000 less than current budget. She said the O & M stayed about the same; however we did take from reserves to have a balanced budget. Mrs. Johnson said she would go over the changes since the last meeting decrease ad valorem from 5.6 to 4.0993 mills which is the roll back rate which is \$256,324. Mrs. Johnson said in administration we decreased by \$1,300 removing the computer workstation, parks and streets increased \$11,060 for the DOC work crew because the inmates would not be used in sanitation for a third of the time only approximately 20 percent so had to add back into streets & parks. Comm. Morgan questioned about the work squad that Mr. Valandingham said the work squad would be used on Wednesdays' full time? Mr. Valandingham said that is correct originally the cost was split 3 ways between streets, parks and sanitation on further examination it would be more likely that parks & streets would have 40% each with sanitation at 20%. Mrs. Johnson said that in shop we removed \$12,000 for building repair because that would be completed in this years budget, also the administration computer work station would be taken from this years budget that is why it was deleted from 2013 budget. In the street budget there is a carry forward of \$47,000 with decreases in wages, street & traffic signs, miscellaneous, signal & light maintenance, repairs and repair of machinery and equipment this was done in order to get a balanced budget in streets. Mrs. Johnson said in the VCA communication fund we increased revenue by \$36,110 to balance that budget. In sanitation we decreased the carry forward of \$11,100 and decreased the DOC squad equipment and officer. Mrs. Johnson said there is a budget summary of all the funds and our revenue with the expenditures showing in the general fund we are in a deficit of \$244,986, other funds are balanced and the water & sewer fund is positive with \$30. Mrs. Johnson said there is also a table of the reserve funds in the different funds, Comm. Hamilton had a question regarding the pole attachment reserve fund how now it is showing the same amount only under cable, what is up with that? Mrs. Johnson said she was asked to make that change from pole attachment to just cable fund because the pole attachment is part of the cable fund. Comm. Hamilton said shouldn't it be constantly labeled as pole attachment fund and not part of the general reserve fund balances, Mrs. Johnson said it is not a general fund. Comm. Hamilton said it was not just a cable fund either, she said it is a fiduciary fund that people have paid that fee to us for us to hold for a specific reason and the litigation is possible to be on going so that amount is not available for use for anything, she asked if she was incorrect. Mayor asked if she was talking about the CATV fund and Mrs. Johnson and Comm. Hamilton agreed. Comm. Strong said we were talking about the pole attachment fee money that we were holding, our attorney advised us that lawsuit had been won so that fund is there for the cable and it has become a reserve. Mayor said he thought we were going to hold it until all avenues of litigation had been exhausted. Comm. Strong said we were told that in a public meeting and that is what the consultant said; the attorney said that litigation was over. Comm.

Hamilton asked what consultant was that and Comm. Strong said we could go get the minutes from that meeting. Comm. Morgan agreed with Comm. Strong that was what the attorney had said but that the council had not voted to release the funds and that had not taken place. Comm. Morgan said it was tabled for a vote as to what to do with the funds. Comm. Hamilton said she believes it is a fiduciary fund that was taken from the people to hold and was not a reserve fund and until all avenues are no longer available through litigation. Comm. Strong said that night he heard that there wasn't anything to litigate, Comm. Morgan said that what was said was it was remote but not impossible for further litigation, and Mayor said he believed we should review the minutes from that meeting. Comm. Strong said that would be fine but that his recommendation would make that reserve for cable because chances of litigation are slight and hopefully we could build the cable reserve fund even more in the future. Comm. Hamilton feels we have been billing for a service that the residents are not getting, Comm. Strong said that if it was put into the reserve fund everyone would see the benefits. Comm. Hamilton said she believed it would give a skewed view of the financial stability of the cable business. Mayor said he believed at one time Commission had discussed even giving free basic service for a month or two to deplete that fund because it isn't ours. Comm. Strong said he believes we won the lawsuit about the pole rental, the money is to be used for cable and if this Commission decides to use that money to provide free service to deplete it that was fine but as far as he was concerned that is the reserve fund because it is no longer needed for pole attachment. Mayor said he believes when we established the fund that we would give the money back once we won the lawsuit, the City was never suppose to use it, give back to the residents in some form. Comm. Morgan said there had been discussion as to what was needed to bring the cable up to the 21st century, maybe that is what that money should be used for, it would be going back to cable not to a general reserve. Comm. Strong said it would not be in a general reserve, cable is an enterprise fund and all those monies would stay in an enterprise fund. Comm. Kelley said she agreed with the Mayor that those were funds that were collected and once suit was over that money would be returned back to the residents in one form or another, such as free cable for a period of time that way the public does realize that we gave the funds back to them that they contributed. Comm. Strong said that he felt they were reserve funds and if the reserves prevents a cable increase then he believes everyone benefits, we balanced the cable fund by taking \$36,110 out of the reserves to prevent increase. Comm. Kelley said she understood the logic but people that would benefit today might not be the same people who contributed over the years so what needs to be discussed is how best to use the money for everyone's benefit. Mayor said he didn't know where the \$36,000 that needed a supplement for, Comm. Strong said he had a small amount of reserve funds that we pulled along with pole rental. Mayor feels like that does not benefit every subscriber and he feels that whatever is done with the pole attachment money should benefit all. Comm. Morgan said he had no problem with the general logic of using the money to keep fees low the rub is how it is going to be utilized to benefit each subscriber, he said maybe at the next meeting we could have a break out of how the money is benefitting with low rates and good service. Comm. Strong said lets go ahead to the budget for next year, we didn't raise the basic rate by \$36,000 which was taken from reserves so everyone benefitted for that. Comm. Hamilton said something to consider is that this is an artificial reserve that was taken for a purpose and it should be banked separately, if we are taking money out of it, that isn't money that was brought in as profitability level from the cable company, it is not balanced. Comm. Morgan said we need to change the way we are thinking about things, Comm. Hamilton said each enterprise fund should be treated separately. Mayor asked that this be placed as an agenda item for the regular meeting. Comm. Strong for this next budget year we needed to leave this budget alone, but in order to prevent a raise in cost we had to leave the \$36,000 alone. Comm. Morgan said we don't have to vote on the budget tonight, we can place this issue on the agenda for the next regular meeting that way we can see full disclosure on past minutes have said and look closely on how to handle in a public form so we can see how their money is being spent. Mayor said next Monday night we have to come up with the tentative millage. Comm. Strong said once that is done the budget needs to be set. Comm. Kelley asked if this is a one year fix or is it possible that this could be a reoccurring problem for cable department. Comm. Strong this is a one year fix to balance this year's budget. Comm. Kelley said pole attachment balance from those fees \$416,000 at this time it is being requested that we take \$36,110 out, so we aren't talking about the whole \$416,000, but wanting to put the money in the general reserves? Comm. Strong said in cable reserves that Mrs. Johnson would invest the money. Comm. Hamilton said basically there is no cable reserve that the pole attachment money has become cable reserves. Comm. Morgan said we should not be changing the name of it at this time; it should still be pole attachment fund using the \$36,000 as a short fall. Comm. Morgan said he believes we should have a meeting regarding how the pole attachment money is going to benefit the residents. Comm. Hamilton said we cannot look to millage to make up the difference, Mayor agreed. Comm. Strong said he, Mrs. Johnson and Mr. Bennett have reviewed this budget extensively and feel that the numbers we have for next year are more accurate than previous years. There is a discussion regarding the pole attachment fee being charged and what is being charged, Mrs. Johnson said we are still charging a pole attachment fee and that she and Mr. Bennett have discussed for the August meeting to bring a resolution to change the fee structure, pole attachment will go down but overall fee will be the same amount. Comm. Hamilton said the cable service cost is going to go up but the residents won't "feel it" because it will be covered by the decrease in pole attachment fees. Comm. Strong

and Comm. Morgan had a lengthy discussion regarding the streets budget and the bonds and payments of bonds for street projects.

Mayor directed everyone back to the General Fund. Mrs. Johnson said a few years ago the Planning Commission suggested keeping 15 to 20 % of the General Fund Operating and Maintenance expenses aside for an emergency reserve, the City Commission discussed keeping 25% of the General Fund Operating and Maintenance expenses set aside for an emergency reserve for this draft budget that would be \$808,000 in reserves. Mrs. Johnson had also prepared a chart showing the cost of COLA increases from 1.0% to 3.0 %, if the Commission so decided, if the Commission decided on step increases that is usually budgeted at 3%, this would have to be added to the budget to do either one or both. The General Fund has a deficit of \$118,056 without any capital improvements. Mrs. Johnson said the budget with the capital non-operating we show a deficit of \$244,986.

Comm. Hamilton asked if Mrs. Johnson had a total figure on what the total for the increase in health care was going to cost, Mrs. Johnson said she could have for next meeting, Comm. Hamilton believes that we should look at other providers outside of what we have currently. Comm. Hamilton said that she feels it is a dramatic amount that is being increased for health insurance and in her business she is not seeing rates increased so drastically. Comm. Hamilton said she feels the insurance rate increase of 10% is a lot and feels we need to look at other companies. Comm. Strong last year we didn't have an increase last year in health insurance when others were seeing increases. Mrs. Johnson agreed and added that we have to offer insurance to our retirees. Mayor said to put this on the agenda in August to look at then.

Mayor said in looking at everything even if we raise the millage there is no way we will be able to afford the \$245,000 in capital non operating, so serious cutting needs to be done. Comm. Strong said that we are pretty strapped and the only place to go is millage, he suggest everyone go over their departments and he believes there are some funds that would have carry over that could be used so that we would be safe. Comm. Strong said he would like to thank our leaders because they do not spend excessively and watch over their budgets closely and that is why we have the \$700,000 reserve built up in general fund.

Comm. Morgan suggested using some of the reserve to pay back the bonds that we currently have, Comm. Strong explained most bonds are for 10 years and that there are some banks now will to lend to a City at a smaller interest rate that can be paid off more quickly.

Mayor suggested that we go to capital and non-operating for general fund; he said he was going to take a hack at it and see where we are. Mayor suggested we delete part time to full time employee in administration along with raises for employees, delete part time to full time employee with increased hours keep the hours that we currently have in the library, delete the full time police officer position, and to delete all of the expenses of the DOC work squad for a total of \$120,230. Mayor said he would like to see the City do something in way of a raise for the employees, maybe a 2% cost of living. He said that would get us down to some reasonable numbers, keep millage down to .69.

Comm. Morgan said he did appreciate Mr. Murphy's comments regarding the library, we are here to provide services, he feels the library is our shining light, they provide a worth while service for our community's benefit. He said what he is lacking is the big picture analysis, showing what all the streams of revenue are doing and what we would like see done as a Commission, whether it be streets, library or police. He said we need to ask do we needed five police officers on patrol, if that is the number, we are a safe community maybe we can use less police officers, that could save \$47,000 and that could go to the library. Comm. Morgan said we have to look at our priorities first, where we might be able to cut in services. Mayor said that he isn't suggesting cuts; he is suggesting maintaining where we are with what we have been fairly successful with. Comm. Kelley said she loved our police department, loved feeling safe when she is home and know her home is safe when she is away. She said she loves the library of course, but when she was investigating a place to live that safety played a large role.

Mr. Valandingham asked since the work squad was deleted would he get his positions back. Comm. Hamilton said that was part of the problem in deleting the squad we had to add back the employee. Mr. Valandingham said that adds \$14,230 back into the budget, that person would be paid ½ streets and ½ parks just wanted to make sure he would get that back. Comm. Hamilton said that would cost us more in the long run, Comm. Morgan said no it would not, that along with the corrections officer we would also have our own employee giving instruction at the beginning of everyday so that would amount to 1 day of time, he believes it would be a wash for future years. Comm. Morgan believe that we should delete the work squad for this year we are in a deficit budget and that would be one of the things he would delete first go around.

Comm. Morgan said he believes we are one of the highest millage districts in this area, Comm. Hamilton agreed and said we can not go up anymore. Mayor said we would have to go up some, Comm. Hamilton agreed just as little as possible. Mayor said he put out his deletions as something to think about because that is something can be done and is reasonable.

Mayor went back over his deletions and added back the 2% COLA and the \$49,000 needed to cover that. Comm. Strong said this was tough going, when there is only certain places you can go to get funds it is really tough. Mrs. Johnson said we were short \$241,000 now short \$176,000. Mayor said that would give everyone something to think about, next Monday we have go to zero, set tentative millage and have some sort of draft budget. Mayor said the tentative

millage is usually set a little higher than needed you can reduce it but can not increase it once it is set.

Mayor said he had one other item, Mr. Rick Soria with the Stemm School would be in his off this Thursday at 8:30 and all Commissioners are welcome. He is going to brief everyone on the upcoming plans. Mrs. Johnson added that the League of Cities dinner meeting is tomorrow night at 6pm at the Niceville Community Center.

ADJOURN

There being no further business to be brought before the Commission, the meeting adjourned at 7:48 PM.

Adjourn

John B. Arnold, Jr.
Mayor

Heyward H. Strong, Jr.
Chair, VCA

ATTEST:

Tammy Johnson CMC
City Clerk

July 23, 2012

The DVD labeled July 23, 2012 contains the audio and video of this meeting and will be kept as a permanent part of these minutes.