

MINUTES
CITY COMMISSION MEETING

August 26, 2013

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

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| Mayor | : | John B. Arnold, Jr. |
| Commissioners | : | Heyward H. Strong, Jr. |
| | : | Diane Kelley |
| | : | Kay Hamilton |
| | : | Joe Morgan |
| City Clerk | : | Tammy Johnson |
| City Attorney | : | Hayward Dykes |
| Police Chief | : | Joe Hart |
| Public Works Director: | | James Valandingham |
| Library Director | : | David Weatherford |
| Fire Chief | : | Mark Norris |
| Recorder | : | Beth Millsaps |

Others in Attendance: (Not Inclusive) James Butler and Michael Matthews (Cameramen), Capt. David Bruckelmeyer, Tony Shipley, Emily Ruff, Clark (Tom) Browning

Interlocal
Agreement

Mayor Arnold said we have two items on the agenda the charter review and budget but he sees that someone is want to add an interlocal agreement on revenue sharing gas tax to the agenda. COMM. MORGAN SAID DUE TO INFORMATION THAT COMM. STRONG WOULD LIKE TO SHARE IN REGARDS TO THIS MATTER HE MADE A MOTION TO ADD THIS ITEM TO TONIGHTS AGENDA. COMM. STRONG SECONDED THE MOTION, WHICH PASSED BY A UNANAMOUS VOTE OF THE COMMISSION WITH A 5 TO 0 VOTE.

Comm. Morgan said that Comm. Strong had done a lot of work in the numbers in calculating the gas tax and if we do not get an increase we would be losing money to the tune of \$25,000. Comm. Strong said the bottom line the county commissioners said they would not extend the existing for another year they would resolve the issue this year which they have authority to do. Comm. Strong said we received this spreadsheet Friday plus another sheet which is 64/36 from 70/30. He said total income from our 1¢ gas tax, he said he understands they are going for 3¢ instead of 5¢ so that would be \$220,864 over the next year. He said there reason the 0 to 3¢ isn't any more than it is because it is only for 9 months. Comm. Strong said he had Mrs. Johnson put in the Streets budget for this year \$220,684, that is the resolution that we have in front of us. Comm. Morgan said he thought the difference for the total municipalities is about \$244,000 which about \$24,000 would affect us now. If we had a 3¢ increase we would get an addition back in but then we, meaning the county, would have to raise taxes but we don't know if that is what we will do. Comm. Morgan said there is at least an 8 million dollar difference in our numbers and the counties. Comm. Strong said the county has the authority to do what they are doing. From what he sees in the spreadsheet is basically they took the 64 and 36 and said we had 4¢ reduction which is a 10% reduction and they took our old percentage and reduced that by 10% for each city. Comm. Strong said that is how we ended up with 2.786 instead of 2.97, everything he has seen including last week's meeting the county commissioners have agreed to the 64/36 split. He said the press has said that it looks like they have the votes to get not 5¢ but 3¢ tax, right now based on what we have before us that is probably what it is going to be. Mayor Arnold said his concern was who was speaking for the cities or negotiating with them? Comm. Strong said Mayor Seever's of Destin made a presentation this past Tuesday night at the meeting to stick to what we have the 60/40 split for another year until we could shake the numbers out and really see what we have. Comm. Strong said they were told pretty straightforward that they would not review it, they were going to solve it this year, he said they did go back after receiving the letters and presentation they did drop it to 64/36 from the data they had been given. Comm. Strong said looking at the new spread sheet and working the numbers all weekend they have a solid program and they can do what they have proposed to do. He said they are steadfast in their beliefs, he said if we didn't like it we would have to appeal it in some way. Comm. Strong it came over pretty solid to everyone at the meeting they would be going with a 3¢ gas tax and split as 64/36. Mayor Arnold said his concern was who represented the cities and why we adopted a different position and why did we capitulated. Comm. Strong said a lot of the cities did not respond, we did and he believes Ft. Walton Beach and Shalimar, a lot responded to the county commission because that is what we were told to do and so the county commission came back to the 64/36 split. Comm. Strong said if he was asking who represented us in that, he would say no one at this point. Comm. Strong said the county has the authority to do this and this is probably the best we are going to be able to do. Comm. Morgan said when Comm. Strong originally went through these numbers there was an \$8 million difference, a 61/39 split, he said he knew part of the difference is what was submitted to the state in accordance with the state in the annual report and what was requested informally by commission. Comm. Morgan said they then used the lower number by the municipalities to justify a higher need by Okaloosa County. Comm. Morgan said that he feels the 8 million needs

to be figured out where that is. Comm. Strong said according to the law, they followed the law, they asked for numbers and looked at the numbers from that data base that we all worked and back off the 75/25 and the 60/40 and came up with the 64/36 which they can justify from the data. He said there is a difference in the annual financial report and the submission by each city but in order for each city to justify the difference report there just isn't enough time to do that. He said we have no idea how the books are kept in each city and we just have to rely on what is given to us. Comm. Morgan asked what Comm. Strong's recommendation is. Comm. Strong said to let him check and see the latest date the county has to have the resolution and if the League of Cities is going to meet before that date lets see what they have to say, because the League hasn't made any comments as of yet. Mayor Arnold said if they need to call a special meeting we would. Comm. Strong said to see what the League has to say and if they support it and the majority of the cities support it then he would recommend we do the same.

1. CHARTER REVIEW

Charter
Review

Mayor Arnold said in late June or early July of this year the Commission had given approval for the draft charter changes to be given to the attorney to put the draft in the proper legal format and it was given to the Commission prior to the weekend for their perusal. Mayor Arnold said if we received formal approval tonight then things could be prepared for the March 2014 referendum. He said the legal wording had to be to the Supervisor of Elections by December of this year for next year's ballot according to Mr. Scott. Comm. Strong apologizes that due to the fact his wife had surgery and working on the tax agreement he hasn't had a chance to take a good look at the charter review. Mayor Arnold said he feels there aren't any real changes that have been made from the draft except for the legal formatting. Comm. Morgan said that isn't completely true, there is changing in the words from supervisory to oversight, beyond that in the July meeting where we authorized the lawyer to put in the current form of government and what has been done has been revision of current form of government from basically City Commission to City Council. Mayor Arnold doesn't agree and doesn't want to argue that point with him, he feels Comm. Morgan wasn't in agreement with any changes. Comm. Morgan said there was some legal wording that needs to be changed and something's added like administrator. Mayor Arnold said that the Commission could have added the administrator position without a charter review and legal review.

Mr. Dykes said most of his changes were deletions due to not needing them in the charter anymore because Florida Statutes, he would still recommend those to streamline changes to bring the document up to date. He said many things that are in the charter we would have to change via referendum and if we take those things out we can make changes with ordinances or resolutions. Comm. Morgan would propose to take a look at or review by the voters is we have a charter that omits what is not needed. Comm. Hamilton said this is the same argument that he had before, he is not in agreement with changes. Mayor Arnold said he felt he was using stalling tactics, so we would be past the dates we needed. Comm. Strong said we had to December. Mr. Dykes said if you do decide to do a referendum you have to have two ordinances before you can have the referendum to be put on the ballot, he said all the language would have to be ready to go before December. Mr. Dykes said we wouldn't be able to get on March ballot if we waited until December to start the process. Comm. Strong said he would think the 1st of October would be fine to read the first Ordinance, Mr. Dykes said that he didn't have the Ordinance prepared tonight but once the draft is approved he can have it to Mrs. Johnson fairly quickly he just wants to verify the wording of the charter.

Mr. Browning, Chair of the Planning Board, 227 Bayshore Drive, said that when he read the charter it says it is amending the current charter, so is it amending or replacing. Mr. Dykes said we are not changing the boundaries or form of government to the charter. Mr. Browning said it also lists code enforcement under the police department and also the administrator, Mayor Arnold said that is the way it is done now. Mr. Dykes said the administrator is the person who presents the case to the magistrate. Mr. Browning said he also noticed that the fire department would now be under the police department and is that how we operate currently. Mayor Arnold said no that isn't how we operate now. Mayor Arnold said with the new charter we are redefining the duties of the Commissioners, removing the managing of departments and placing them in an oversight capacity so that they can have the time to work with outside groups. He said the city would be consolidated into three groups, safety, administrative and services. Mr. Browning asked if a person would be able to be elected and then have six months to move into the area. Mayor Arnold said that is not the way it should be written, that would be for the police chief and city clerk. Mrs. Johnson said it says it in two ways that the city clerk, police chief would have to live in the city and then in another place it says they don't have to live in the city but have six months to become residents, she said it also said the same thing for the elected officials. Mayor Arnold said that would have to be corrected regarding the residency for public officials. Mr. Dykes said that in section three it says "only persons over the age of eighteen years who shall have resided in the state for twelve months, and within the corporate limits of the City of Valparaiso, as such limits are described and incorporated by this Charter, for six months last prior to any election". Mrs. Johnson said it says it that way in section 3 but follows on the next page with "individuals meeting all qualification with the exception of residency

requirements within the corporate limits of the City of Valparaiso shall be allowed 6 months to establish residency within the city from date of hire”, she said it did state date of hire but it continues from the qualifications of officers. Mr. Dykes said that would need to be moved to under the police chief. Mayor Arnold said only the constitutional officers have to live in the city. Mayor Arnold said the administrator doesn’t have to be a resident but should establish residency within six months of being hired. Mrs. Johnson said maybe we need to change that because we only have officers and qualifications of officers. Mr. Dykes said we want that residency qualification to be for city clerk, city administrator and police chief.

Mrs. Johnson mentioned that the age to run for office had been changed to 18 from 25. Chief Hart mentioned that the document as a whole could be stated in plainer terms for easier flow and understanding. After a brief discussion regarding age qualifications it was agreed that the age to run for elected office would be 21. Mrs. Johnson asked Mr. Dykes if changes should be sent to him regarding the charter. Mr. Dykes said yes that he would be working on the draft and the language to submit a working draft to the Commission with an original charter for comparison to see the changes.

2. BUDGET

Budget

Mayor Arnold asked Mrs. Johnson to review the budget for us. Mrs. Johnson said changes since the last meeting lowered ad valorem to what we are currently at, carrying forward \$67,100 from General Fund budget difference of \$11,590, with the capital items we are still at a deficit of \$154,790. She said that Stormwater, Water & Sewer Fund and CATV all are even. Mrs. Johnson said the street fund is at a deficit of \$112,455 and sanitation is at a deficit of \$196,570 those amounts are after the capital and O & M items. Mrs. Johnson has also included the budget that Comm. Strong had proposed with the roll back rate. She has included all the reserve fund balances.

Mrs. Johnson said that the Planning Board had suggested keeping 15% to 20% of the General Fund Operating and Maintenance expenses set aside for emergency reserve, and the Commission had discussed keeping 25%. Comm. Morgan asked what would 20% of the budget be, Mrs. Johnson said that would be approximately \$569,777. Mrs. Johnson said the first budget hearing would be the 10th of September and the second and final would be 23 September.

Mrs. Johnson said this budget is based on 4.524 ad valorem tax rate, 6% increase for employee health care insurance, 5% increase for worker’s comp, and a current figure of \$6,175 for nonprofit donations with an addition \$1,000 for the garden club. Mrs. Johnson said still to be determined is the final ad valorem rate, COLA and raises if there would be either. Mayor Arnold said he thought it was generally agreed to a 1.7% COLA raise. Mrs. Johnson said that was mentioned but not added into the budget that we presently have.

Mrs. Johnson said the carry forward of \$67,100 is the carry forward from this year’s budget and she has changed the ad valorem rate to 4.524% which is the same millage rate as we are at this year. Mrs. Johnson said on the non-departmental budget she added a line item for median beautification of \$30,000 to be transferred out to Streets. She said it was decided that it would come from to General Fund at the last meeting. Comm. Morgan said that is for the design cost and the remainder of that would be paid for by the grant. Mrs. Johnson said that would put the General Fund at a negative 11,590 and she had been asked to calculate that with the roll back rate which would be at a negative \$34,997.

Mayor Arnold said we would need to make some changes. Comm. Strong said we have the \$30,000 transfer to Streets we need to review the whole budget because when we get to Streets we may be able to use reserves and not transfer that money.

Mrs. Johnson said she had been asked to add \$5,000 to the Parks from reserve. She said making the difference of \$154,790 using the rate we are currently using and if we were to use the roll back rate it would be a difference of \$178,197.

Mrs. Johnson said that Stormwater is balanced at \$45,050 and no new items to consider and putting \$25,000 in reserve. Mrs. Johnson said on the Streets fund she added the \$30,000 for the median beautification for revenue and also added \$220,685 for the local option gas tax, the numbers Comm. Strong mentioned earlier this evening. Comm. Morgan said that has not passed. Comm. Morgan said he didn’t know if we should rely on that number. Mayor Arnold said all of these numbers are projected numbers. Comm. Strong said the budget number is as good as we are going to get. Comm. Morgan said for sake of conservatism maybe we should go off what we already have, he said he has no problem doing it this way but to be transparent we might need to be more conservative. Mayor Arnold said that is the best information we have. Comm. Strong if it is less then we will have to adjust for that. Mrs. Johnson said when you complete the budget you have a positive \$9,895 and when you add in all the new items you have a difference of \$112,455.

Mrs. Johnson said on the Utility fund it is a balanced fund with the only change being \$1,250 for new work order software which will be used by both the Utility and General Fund. Comm. Strong said \$7,500 went into the reserve.

Mrs. Johnson said in cable budget there are no changes and they have a balanced budget with about \$23,000 going into reserve. Comm. Strong said he thought there would be enough money in reserve from the Water and Sewer Fund and Communications Fund to cover whatever

raises might be granted. Mayor Arnold said the General Fund is the only department that is hurting for money for raises or COLA.

Mrs. Johnson said she has changed the amount of the new items on the Sanitation budget with the good news that Mr. Valandingham had last budget meeting that a rear loader garbage truck would be \$118,000 instead of \$180,000. She said the difference on the fund is \$196,570 but they have that in their reserves.

Comm. Strong said he suggests not going to the roll back rate on this budget. We would need all \$25,000 in this fund. He said we didn't need to roll back we need to stay with the \$11,590 difference. Comm. Strong said that \$30,000 for median beautification could come out of the Street reserve. Comm. Morgan said he didn't know where Comm. Strong thought the money could come from, he needs the money to get the new items in the fund that are proposed so he would need the reserve funds. He said the median beautification had already been agreed on in the last meeting.

Mayor Arnold said some cuts would need to be made so that we would know what we can and can't do. Comm. Strong said the General Fund would need to be balanced with the new items included. Comm. Morgan said in the Streets budget involves the work squad issue, he said he has had large reservations about the work squad and he has talked with Mr. Valandingham for over a year on this. Mr. Valandingham has proposed not filling one position which would put forth approximately \$40,000 and that would pay for the majority of the work squad and we would be gaining 8 people not just one.

Mr. Valandingham said about 3 years ago in the shop they decided they didn't need 3 employees in shop so one employee was funded 50% by parks and 50% by Streets, he currently has a utility position that is not filled and the 50/50 position is filled. He proposes to move that 50/50 employee to the utility position and not utilize the 50/50 position for the time being. He said that 50/50 position would free up some of the money for the work squad. Mr. Valandingham is proposing eliminating the one position to help fund the work squad. Comm. Strong said however they wish to handle that is fine with him. A discussion followed of moving funds from one fund to another. Comm. Morgan said the money for both half positions would go to fund the work squad in doing this we would be about \$24,500 short. Mr. Valandingham said he has spoken with Lt. Carnahan as to what the work squad can do, his exact answer is that they can do anything the city asked them to do as long as it is on public property because the work squad can't work on private property. He asked specifically about roofing, he said they have a high turnover rate at that facility and when they come into the facility that note their specific skills and use them for those skills on the work squad. Mr. Valandingham said whatever project needs to be done, the work squad can do, there are several places in the parks that need vegetation done, roofing, and so on. He said there is more to do than can be done with the current staff. Mr. Valandingham said he spoke with representatives from Ft. Walton Beach and Crestview and they told him they didn't know what they would do without their work squads. Mayor Arnold said they would only be semi-skilled or unskilled. Mr. Valandingham said that the majority of the work is unskilled or semi-skilled.

Comm. Morgan said that the flatbed truck that is a new capital item in Streets is very much needed, it has been years of differed maintenance and it is needed. Comm. Morgan said what is being asked for is continuing to establish a better reserve, he thinks the \$60,000 reserve needs to remain intact that is nothing when you are talking about what might be needed in Streets budget. Comm. Morgan thinks we should move the money from the General Fund reserve to fund the capital items. He said this is not an enterprise fund it is funded through the General Fund and he gets some money into that fund but not a lot, he said in order for the city to have the work continue from the Streets department it needs the flatbed truck and 40hp tractor, they are needed. Mayor Arnold asked if we could find a lease purchase for the flatbed truck to expand the expense over a few years. Mr. Valandingham said he didn't know but would find out. Mr. Valandingham said they have two flatbed trucks now, one is not operational at all and the other is just hanging on, he is willing to try and nurse the tractor to be able to afford the flatbed. Mayor Arnold said we needed to look at innovative ways to do business. Comm. Morgan said he feels those should be funded out of General Fund and to leave the \$30,000 for the median beautification money in. Comm. Strong does not see the budget in the same way, he said we are \$11,000 in the hole, we have \$143,000 that we need and to take \$200,000 to \$250,000 out of reserve is not something he believes we should do. Discussion on budget needs and capital items continued.

Mrs. Johnson said she wanted to make sure that the \$30,000 is being removed from the Streets budget but that it would be paid out of the General Fund reserves instead of the General Fund proposed budget, the Commission agreed. Comm. Strong said after adding the \$30,000 back into the General Fund budget and then adding the \$20,000 back to General Fund for the elimination of the parks position, the General Fund is now at a positive \$38,410 and we will look at the new items now. Comm. Strong said to check off the new items in administration, new items for library, new items for the police department and the new line items for fire department, then go to the parks department. Mrs. Johnson said at the last meeting Comm. Kelley said she would take \$5,000 from the parks reserve toward the memorial at Doolittle Park. Comm. Strong

said the new item for shops would be left in. Comm. Strong asked what we would do with the non departmental new items. Mayor Arnold said if we got the work squad they could paint the outside of city hall reducing that from \$20,000 to more like \$5,000. Comm. Strong said so the overall \$128,200 would be what we took out of reserve and \$45,000 out of reserve for Streets. Mayor Arnold said he hasn't talked to Comm. Kelley but we might delete the \$15,000 from parks for the Doolittle Memorial until we have something concrete. Comm. Strong said that would make it \$150,000 out of reserve and he can live with that. Mayor Arnold said he is concerned about taking anything out of reserves, it would have to come to an end at some place. Mrs. Johnson said with the deletion of the Doolittle Memorial it would also remove the \$5,000 add in from park reserve so it would only be a \$10,000 savings. Mrs. Johnson said the total new items would be \$118,200 and \$45,000 for Streets, Comm. Strong said that would be the amount we would need to take from reserves. Mrs. Johnson said when you add new employees they are an expense that is ongoing for every year not just this one, Mayor Arnold said that is what he is concerned with. Comm. Morgan said what the Mayor is saying is we are in a deficit budget and taking money out of the reserve and we will continue to have to do that to fund the budget again next year. Mayor Arnold said we might have to raise taxes. Comm. Strong said we might not. Mayor Arnold said maybe the economy will have an upturn and maybe the real estate values will increase but you can't bank on that. Mayor Arnold said we still haven't talked about any COLA for the existing employees, the Department of Labor recommendation is 1.7%. Comm. Strong said that would have to be added back in. Comm. Morgan said that isn't the average because federal employees have been frozen for three years. Comm. Hamilton said we did it last year, Comm. Morgan said he knows we did it but many city budgets are not giving COLA this year we need to be cautious in a deficit budget, he feels max should be 1%. Comm. Strong said with that we would be looking at \$180,000 out of reserves. Mayor Arnold said we agree on 1%, the Commissioners agreed. Mrs. Johnson said the new budget figures she would get to the Commissioner within a week or so.

Adjourn

ADJOURN

There being no further business to be brought before the Commission, the meeting adjourned at 8:19 PM.

John B. Arnold, Jr.
Mayor

Heyward H. Strong, Jr.
Chair, VCA

ATTEST:

Tammy Johnson, CMC
City Clerk

August 26, 2013

The DVD labeled August 26, 2013 contains the audio and video of this meeting and will be kept as a permanent part of these minutes.