

The Budget Workshop of the City Council of the City of Panama City Beach, Florida, and when permitted or required by the subject matter, the Panama City Beach Community Redevelopment Agency, conducted on July 30, 2015.

ROLL

MAYOR GAYLE F. OBERST

CITY MANAGER:

MARIO GISBERT

COUNCILORS:

JOHN REICHARD

CITY CLERK:

HOLLY J. WHITE

RICK RUSSELL

ASSISTANT CITY ATTORNEY:

KEITH CURRY

AMY MYERS

Mayor Oberst called the Budget Workshop to order at 9:00 A.M., with Councilman Reichard, Councilman Russell, Councilman Curry, the City Manager, City Clerk and Assistant City Attorney present.

Ms. White said she would give a broad overview of the material and answer any specific questions, or if there were any operational issue questions, the Department Heads were in the audience to respond.

COMMUNITY REDEVELOPMENT AGENCY (CRA)

Ms. White began with the Community Redevelopment Agency, a separate entity from the City. This Agency had two sources of revenue, the Tax Increment revenue from the Front Beach Road Redevelopment Area and the Pier Park Redevelopment Area. She said for the Front Beach Road project last year, she had projected approximately \$6.2 Million Dollars in the Tax Increment Revenue on Front Beach Road with the amended Budget at approximately \$7.8 Million Dollars. She explained the initial \$6.2 Million Dollars was based on the fact that the County was talking about raising the millage rates but had not formally done so. Subsequent to the Budget, the County adopted the new 1 mill increase and the \$7.8 Million Dollars was what had actually been received from the County this Fiscal Year. She continued that the Tax Increment Funding (TIF) was projected to rise to \$8.6 Million Dollars for this next year, solely as the result of increased property values.

Mayor Oberst said even though the County announced they were not raising the millage rate, this revenue would still rise because of the increased property values on Front Beach Road. Councilman Reichard questioned why the large increase and Ms. White responded that these figures came from the preliminary tax rolls issued by the Property Appraiser.

Ms. White said these funds would be deposited into the Agency, transferred to the City into the CRA Special Revenue Fund, and within that Special Revenue Fund was where the Council authorized the different expenditures.

The other CRA within the Agency was the Pier Park CRA which also increased from \$353,960 (projected) to the actual \$450,845, due to the millage increase. She said it was projected to rise slightly next year to approximately \$470,327. She said that money would be deposited into the Agency and be transferred to the Pier Park Community Development District (CDD) as part of the public/private partnership. These funds were used to pay down the bonds issued to build the infrastructure within Pier Park.

Ms. White distributed an information sheet with the historical collection of the Tax Increment Revenue for the Front Beach Road CRA since the initial TIF in 2003. Since that date, the revenue rose to a high of \$10,019,940 in 2009. Property values were starting to trend up now so the funds were rising again. She said the total collected was almost Ninety Million Dollars.

Regarding the Special Revenue Fund, Ms. White said the bulk of the funding was from the Agency with a few other minor revenue sources such as parking fees. She said the City Collected \$84,000 this year from the three public parking lots (Churchwell, Barnacle Bay, and the grassy area on North Thomas Drive). She said she projected the number decreasing next year because of possibly using the North Thomas Drive lot as a laydown yard for the Front Beach Road Segment 2 construction project. She said it was merely a guess at this time. She added that the City also collected Proportionate Share payments from new development, not necessarily restricted to the CRA. She said she accounted for the monies in the CRA because most of the roads collected for

were CRA roads and easier to collect in this fund and use as needed. She said one number rising from approximately \$22 Million Dollars to \$68 Million Dollars was due to the Bond refunding a few months ago. She said when she reached the expenditure side that money would have gone out to pay off the Bonds.

Regarding expenditures, Ms. White explained the costs were split into two divisions, Code Enforcement and Roadway Redevelopment. For the proposed 2015-2016 Budget, she said no additional personnel were added but some personnel did shift around internally. Operating expenses were fairly stable and \$201,000 was proposed for contractual services to use for any demolition-type projects the Council may select. Ms. White added that Repairs & Maintenance were increased because the Powell Adams warranty expired and now the City would assume the landscape maintenance. She said the biggest impact would be in the Capital Outlay section with the kickoff of Segment 2, with basically half of the expenditure in FY16 and the remaining in FY17. Ms. White directed attention to the large spreadsheet at the end of the Packet which detailed the different "pots" of money available in the CRA. She said a lot of the CRA cash was restricted by the Bond documents and sinking funds, and that money could only be used for its intended purpose. Based upon the estimates provided by the engineers and Ms. Jenkins, she said she thought with the increased TIF and the fact the construction was later than anticipated, the City should be able to fund Segment 2 without borrowing internally from the Utility Fund.

Councilman Reichard asked if interest would be charged on the money loaned internally for the few months if needed. Ms. White replied no because the account itself no longer earned interest. She explained that she had determined it was more beneficial to go to a non-interest bearing account in order to reduce fees since the interest rates were so low.

Councilman Russell asked if there was a revised estimate on the Segment 2 construction. Mr. Gisbert said Staff was working on the matter now and negotiations were ongoing for reduced fees plus a better understanding on what line items needed to be trimmed. He said he hoped to have the new drawings bid and the job under construction by the end of the year.

Mayor Oberst gave a brief history about the City's CRA and how a CRA worked. She explained the legislative process on one of the largest CRAs in the State. Ms. White added that the base year used for the Front Beach Road was \$616,000,000 and the projected value from the Property Appraiser for next year was \$2,569,000,000. Mayor Oberst said the City must have a plan for using those TIF monies each year and those funds could only be used in the area where the money was collected and for the purposes stated.

Ms. White explained the installment payments for the Barnacle Bay property and the final payment for the Wal-Mart project on Powell Adams, and that there were not many large right-of-way purchases planned for next year.

Councilman Reichard asked about the lease for Barnacle Bay which expires in September. Mr. Gisbert said the City sent notice that the property would be assumed October 1st because there were other activities which needed to start, such as work behind the location with the lift station. One other thing involved the billboard sign, with a Five Thousand Dollar per year lease, which transferred to the City. That sign will remain.

Ms. White said for the debt service component, it was down approximately \$350,000 per year for the P&I payments due to the refinancing.

Councilman Curry asked Mr. Gisbert where the Segment 2 project was going since Mr. Alaghemand had left and the original bids came in over budget. Mr. Gisbert replied that Ms. Kelly Jenkins and Mr. Don Churchwell had taken over the project, and Staff had met with the Engineer of Record to trim some parts of the project. He explained the aspects of Segment 1 which would not necessarily be needed for Segment 2 and the complexity of the underground work. He said the approach now was to look at the quality of work to be maintained and design guidelines with the lower TIF monies. Mr. Gisbert said the new figure for the Budget was \$13.8 Million Dollars over a two year span, with approximately \$2 Million Dollars for Gulf Power. He said it would be \$8 Million Dollars budgeted per year.

Mayor Oberst said Staff went back to revalue the project, and once satisfied, would bring the project to the Council. Councilman Curry said he hoped Staff was looking 10-20 years down the road with the goal being the best for the taxpayer's money. Mr. Gisbert explained that the design for Segment 2 had been done at the same time as Segment 1, and now Staff had Segment 1 to proof.

Councilman Curry asked about the Transportation Proportionate Share Payments and all of the monies going into the CRA budget. Ms. White said the only roads on which the City collected the Proportionate Share Payments were CRA roads and it was easier to account for all of the fees there because usually they would be paired with a CRA project.

PIER FUND

Ms. White said the Pier Fund was doing very well with admissions up from the proposed Budget. She said the figure remained flat for next year, projected at \$800,000. She said with the addition of the revenue from the Hook'd restaurant and the small kiosks on the beachfront, it added up to approximately One Million Dollars in revenue. The rent figure, approximately \$200,000 per year, rose and dipped between the budgets due to timing issues. She said the Cash Carry Forward for this Fund was excellent, with \$750,000 in reserve for Renewal and Replacement. She mentioned the blowout panels being replaced as needed with the old panels kept as backup. Ms. White said there was also approximately half a Million Dollars in unrestricted Cash Carry Forward.

Councilman Reichard questioned if the designated Renewal and Replacement could be used for other purposes. Ms. White said yes as this was only set aside as a place-holder. Mr. Gisbert reminded that the Pier was not insured. Councilman Reichard said he was concerned that future Councils could use those funds for something else. The Mayor said that was strictly an accounting designation, only saving the money. Councilman Reichard said he was concerned that those earmarks could be used for other purposes. Mayor Oberst said any Council could undo what had been done in a previous meeting. Ms. White said this was not a legal restriction, only an internal election. Councilman Reichard again voiced his concerns. Councilman Curry said the money could not be legally bound and if the entire City was hurt by a hurricane, it might be needed for other things. For the Pier expenditures, there was no new personnel.

For operating expenses, Ms. White reported approximately a Ninety Thousand Dollar increase in repairs and maintenance, mostly involving handrail and deck painting. She said this money would come from the reserves, but a substantial sum would remain carrying forward. Mr. Gisbert explained the City would use a product which would not only stain the wood but also seal it, similar to a garage deck floor preventing splintering. He said they hoped this would add additional life to the Pier.

Regarding capital needs, another lifeguard stand was added to the proposed budget as well as a beach access mat for the disabled and a new vehicle.

Ms. White said \$450,000 would be transferred next year to the Aquatic Center Fund. In this year's budget, \$350,000 came from the Pier Fund and \$100,000 from the General Fund, so she proposed next year transferring the full amount from the Pier Fund to Aquatics.

RAISES

Ms. White said something which would affect all aspects of the City related to personnel raises. She said there would be two components, one a cost of living piece which this year was zero percent. She said there were adequate reserves set aside for when the new Risk Management/City Clerk person came on board, and one of her first tasks would be to develop an evaluation and performance process to look at the pay grades and pay plan to make recommendations to Council on how the employees would move through the pay grades. Once the Council decided how to move the employees through the process, numbers would be set to each individual and then come back to Council for a Budget Amendment. She said Mr. Gisbert's intention was for this to occur in January or February, a year from the last pay plan implementation.

Councilman Russell said he would like all employees to receive an across the board increase and then let the Department Heads decide in January about other raises. Mr. Gisbert said Staff proposed to have a plan ready for Council review before January. The Mayor said for the employees, there would be raises, and as soon as the new person was in a position to make a recommendation to Staff, then it would be brought to Council and hopefully implement some type of raise in January. Ms. White said some funds were specifically set aside for those raises.

Councilman Curry asked about retention. Mr. Gisbert said retention seemed to continue fairly well but one area of concern was the group in the DROP program. He said it was a substantial number of people. He said in general, the City did not have a lot of people who left as most of the full-time personnel seemed to stay. The Mayor reminded that one comment by the pay study consultant was the small amount of turnover of the full-time employees. Ms. White said twenty employees were in the DROP and within the next five years, the City would lose those senior people. She said she had projected out estimated payouts to those employees over the next five years and set aside some funding. Last year, between \$400,000 and \$500,000 was set aside. Councilman Curry questioned about payouts from the Sick Leave Plan and vacation. Mr. Gisbert said that would be the next priority for the new Risk Management/City Clerk to look at the benefit package. Mayor Oberst said the employees when retiring would be paid for their unused Sick Leave and some in the past could accumulate a year's worth of Sick Leave. A second tier of Sick Leave started in 1998 when those employees would be paid up to 500 hours of unused Sick

Leave. Ms. White confirmed for those twenty employees, it would be a One Million Dollar payout for the Sick Leave over the next five years. She confirmed the large amounts would be in 2018 and 2019. However, Mr. Gisbert reminded that those employees could opt to leave early and not stay the full five years. Ms. White said the Department Heads normally had a good idea of who was contemplating retiring so those estimates would be built into the current budget. She said recently, several employees retired that did not go into the DROP.

Councilman Reichard said some of the discussion going forward should be raises based on a performance basis rather than guaranteed across the board. Mayor Oberst said that was not her opinion and the Council had not voted on that aspect. Councilman Reichard said he did not want to give the employees the impression that everyone would get an across the board raise. He added that he thought the Council should submit ideas of their own concerning raises and not depend solely upon the new HR person. The Mayor stressed that the City would give a raise to the employees but right now, it was unknown how much or how it would be administered. However, the money was set aside.

HEALTH INSURANCE

Ms. White said Staff could not be more pleased with the way the health insurance program was working. Prior to becoming self-insured, the City's annual premiums were increasing up to 10% - 16% every year. The first year of being self-insured, the individual premium was \$542.00, the next year \$560, and next year's proposed rate would be \$540-\$550 range. She said the insurance premium costs for the last few years had been basically flat and the City had accumulated an excellent reserve in excess of One Million Dollars for future claims. In response to a question by Councilman Reichard as to the reserve, Ms. White explained it was earmarked and could not be used for other purposes because it was funds withheld from employee's pay. Mr. Gisbert said that reserve could be used for a wellness plan and had been used for that in the past.

Mayor Oberst said the County was now considering becoming self-insured because it had been reported their premiums would rise 35% this year. She complimented Mr. Gisbert and Ms. White for the good job in getting the City together with Lockton and becoming self-insured. Ms. White said Lockton was also helping her by preparing actuarial reports that previously had to be prepared by outside consultants at about \$10,000 to \$12,000 per year as well as the time accumulating the claims information. With Lockton preparing the reports, they had in-house actuaries which not only saved the City money but considerable time.

Mayor Oberst said the Plan had not changed and Mr. Gisbert said it was still Blue Cross/Blue Shield. He said Lockton was also providing aggregate data which would permit partnering with local health agencies to educate our employees on issues such as high blood pressure and diabetes. The Mayor remarked at the first bio-screening two people were identified with life threatening health issues. Ms. White said it was a win-win for the City. Regarding dental coverage, that rate may increase slightly. For dependent health coverage for the few employees who carried it, she said it was proposed to stay the same or have a small decrease.

AQUATIC CENTER

Ms. White said there was a little improvement in revenue, baby steps, up about \$15,000 overall. She said next year, the proposed Interfund Transfers would increase to \$870,000 from \$450,000, a one-time transfer of \$420,000 from the Utility Fund to repay the Utility Fund for outstanding debt due to internal borrowing. This would effectively eliminate about \$50,000 per year P&I payments to the Utility Fund. She said on the expense side, the Aquatic Center facility was aging and this year a very expensive heater failed. The Pool has five other heaters so there could be significant repairs necessary in the future. Mr. Gisbert mentioned the pool lining was old also. Ms. White said it made sense to pay off that annual \$50,000 debt as it was not significant income to the Utility Fund and this would take some of the pressure off the Aquatic Center Fund and give it extra money each year for repairs.

Regarding expenses, Mr. Ponek requested one additional full-time lifeguard to address staffing issues. Last year, one full-time lifeguard was added which reduced the seasonal guards. Mr. Ponek said this new person would help as March and April were brutal for staffing as the part-timers would not stay. He said swim lessons had doubled and he felt with more consistency in staffing, swim lessons could reach \$30,000 annually. Swim teams were paying more each year and he anticipated almost double by 2018. The Mayor said the State required a certain number of lifeguards at the pool. Mr. Gisbert mentioned the pool slide which required three people while in use but when it reached the end of its lifespan, a shorter slide may be found which would not require a person at its top at all times.

Councilman Reichard asked about the geothermal system at the pool. Mr. Ponek said this system was cooling the water now and the heaters would be used for the winter. Councilman Reichard asked about the pool winter hours and Mr. Gisbert replied there would still be reduced hours for this winter. Mr. Casto added that the pumps ran on electricity, running year round. Mr. Gisbert explained the heat exchange, keeping the water at a constant temperature. Mr. Ponek said he was very pleased with the pool and looked forward to improvements next year. He said the pool's use this year was greater than last year and anticipated more increases next year. He anticipated an increased from the concessions and added an obstacle course in the deep end which drew swimmers to the deep end which had not been used. Mr. Ponek said his biggest challenge was consistency in staffing.

Councilman Curry asked if the revenue was paying for the electricity. Ms. White explained the total pool revenue was approximately \$300,000 per year and the electricity costs were approximately \$150,000 annually. The revenue did not cover personnel costs. Councilman Reichard questioned using heat pumps as replacements for savings. Mr. Gisbert said the geothermal system was the state of the art for pools. Mr. Casto said it cost about \$750,000 to install the geothermal system initially and it paid for itself within the first four years. This was the most energy efficient system available.

Councilman Reichard asked about the pool cover used in the winter and how many swimmers were accommodated in the winter. Mr. Gisbert said the pool cover was only removed during the reduced hours and otherwise the pool was covered to maintain a constant temperature. Mayor Oberst said two options were available; increase the costs which meant fewer people would use the pool or close the pool in the winter which happened in a lot of other cities. She said Frank Brown Park cost the City a lot of money every year and it was a service for the residents. Councilman Curry said the Park may be losing money on paper but everyone could see the vast numbers of ball teams who came during the season. The Mayor said Parks and Recreation was a service and could not be run as a business.

Mr. Ponek said he had instituted changes during the last year involving staffing and new amenities. The swim teams were the largest part of the equation and the City would see those changes show improvements in the next few years. Councilman Russell said some improvement could already be seen with new swim teams using the Pool and he said Mr. Ponek had done a real good job in that effort. Mr. Ponek said adding one more person would help. Ms. White added that some items had been cut from his budget and a target was set for a minimum 10% reserve left at the end of the year.

Mr. Gisbert added that the Pool gives back to the employees by free admission which benefits the City in the sense that it was a healthy amusement, helping on the insurance side. He added that the Pier had free admission with an employee id. Both were a great resource for the employees.

Ms. White added that the next Workshop would be the Utility Fund and the individual Departments within the General Fund on September 3rd. Included within today's materials was the General Fund Revenue.

For the Revenue, Ms. White said those graphs shown quarterly to the Council for the eight revenue accounts comprised approximately 85% of the General Fund revenue. So far through July, the totals were up over 11% compared to last year, almost Two Million Dollars. She said it was a really good year. She said the City had also received almost One Million Dollars in grants this year, with the Fire Department grant alone was over \$700,000. For next year, Staff had discussed revenue estimates as with the new Spring Break Ordinances, it was unknown what affect these would have on the future revenue. Ms. White said she took a conservative approach, with revenue relatively flat. Some bigger line items such as Gross Receipts and Utility Taxes had a proposed 3% increase in the proposed budget, reasonable based upon the history of the last five years. Ms. White said she felt these goals were attainable, and if more was received, Staff could come to Council to ask how to spend the extra funds. Mr. Gisbert added that he did not anticipate a big spike in retail next year compared to this year seeing a new Wal-Mart and Pier Park North.

Ms. White said the Amended Budget had increased considerably in some cases, and with the last two months of the year estimated conservatively, the Gross Receipts had increased One Million Dollars for that one line item alone. She said she would not be surprised to surpass Ten Million Dollars in Gross Receipts this year. The Grants were included in the Amended Budget, almost One Million Dollars, and would not be included in next year's Budget even though she anticipated Staff would pursue more grants and once awarded would be brought to Council to amend the budget.

She said most of the Parks revenue line items increased a little, totaling Fifty to Seventy-Five Thousand Dollars.

Ms. White added a cautionary note, for the cash carry forward number, there was a highlighted Eighteen Million Dollar number. She said that number would change when all of the expenditures were received, as it was almost the original budget number and nothing had been done on an amended basis throughout the year. She said the restricted cash number was a good number, already calculated out, the \$3.7 Million Dollars. She said a good portion of that cash would be spent in this next year funding the new Police Department building, funded about 60% by Impact Fees.

Councilman Reichard asked if the current Budget reflected any of the expenditures for the new buildings. Ms. White responded only about One Quarter of a Million Dollars for the construction already started, the architectural services, and only one or two draws on a cash basis for this year. More details would be given at the next Workshop. She said from a financial standpoint, she could not be more pleased. Mayor Oberst said she agreed.

Ms. White said at the next Workshop all of the Departments would present their expenditures as well as a new reserve number. She said the City would continue to maintain the 25% reserve as a cushion for contingencies. She said there would be a pool of money set aside for raises as already discussed, with money set aside for the Sick Leave payouts, road resurfacing, and the new 800 MhZ system. She said all of the big future items had a good piece set aside, even if not fully funded. She said she thought there would remain adequate money left for other projects.

Mayor Oberst said Staff had done a great job. Ms. White said the fact the City could build the two new buildings totaling over Nine Million Dollars without borrowing was great.

The Mayor announced the next Budget Workshop would be September 3rd at 1:00 P.M. Mr. Gisbert said he would not be at that meeting and he requested Council's approval for vacation starting August 27th through September 12th. He said he would have discussed the Budget with Ms. White at length before leaving. Mayor Oberst asked if there were any objections by the other Council members and there were none.

Ms. White said at the next Budget Workshop, the Utility Fund would be discussed and Mr. Shortt would have his capital improvement projects summary laid out, updated, and many of the projects had been completed, such as the Wetlands, the new Wastewater Operations building. She said there were small projects remaining, scheduled out for the next five years, and all fully funded through cash reserves or Impact Fees.

With nothing further, the meeting was adjourned at 10:40 A.M.

READ AND APPROVED this 27th of August, 2015.

IN THE EVENT OF A CONFLICT BETWEEN THE FOREGOING MINUTES AND A VERBATIM TRANSCRIPT OF THESE MINUTES, THE FOREGOING MINUTES SHALL CONTROL.


Mayor

ATTEST:


City Clerk