MINUTES
BUDGET WORKSHOP
DESTIN CITY COUNCIL
MAY 17, 2022
ANNEX COUNCIL CHAMBERS
5:30 PM

The Council of the City of Destin met in special session with the following members and staff present:

Destin City Council

Mayor Pro Tem Dewey Destin
Councilmember Jim Bagby
Councilmember Johnny King
Councilmember Bobby Wagner (virtual)
Mayor Gary Jarvis (virtual)
Councilmember Terésa Hebert
Councilmember Kevin Schmidt

City of Destin Staff

City Manager Lance Johnson
City Clerk Rey Bailey
Grants/Projects Manager Jeffrey Cozadd
Library Director Wen Livingston
Deputy Parks/Recreation Director Ryan Reed
Community Development Director Louis Zunguze
Land Use Attorney Kimberly Kopp
Deputy City Manager Webb Warren
Finance Director Krystal Strickland
Senior Accountant Rhonda Greene
Parks/Recreation Director Lisa Firth
Public Works Director Michael Burgess
City Attorney Kyle Bauman

CALL TO ORDER

Mayor Pro Tem Dewey Destin called the meeting to order at 5:30 PM.

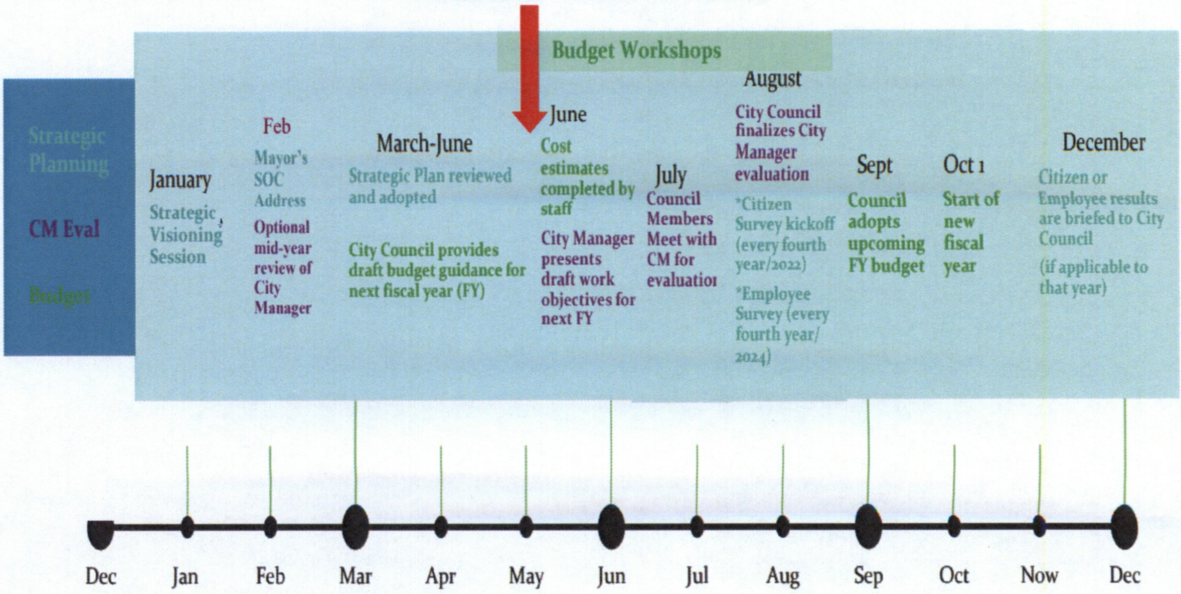
WORKSHOP

A. Fiscal Year 2003 Budget Workshop

Deputy City Manager Webb Warren provided a brief summary of the Fiscal Year 2023 Budget process:

- City Council Strategic Visioning Session held in January 2022i
    - Council voted in March 2022 to approve council objectives
- Operational Budget Workshop – Tonight
    - Council provides guidance on next fiscal year's budget
- Capital Budget Workshop – June 23, 2002
- Adoption of Tentative Millage Rate and certify to Property Appraiser on August 1, 2022
- Adoption of a Balanced Budget – September 2022

Strategic Planning , City Manager Evaluation and Budget Cycle
Calendar Year Timeline



3 Kinds of Priorities:

- Critical
  - Must be successfully accomplished within a specified time, no matter what.
  - Resources from "Desirable" priority items may have to be acquired to meet the established deadline (1-3/year).
- Important
  - Have fixed resources with varying time requirements and/or objectives
- Desireable
  - Have variable resources and time.
  - The organization desires an outcome but cannot absolutely commit specific resources over a specified timeframe.
  - Resources are diverted to critical priorities when required.

Council Objectives:

- Critical Priorities

  1.1 – Offer livable wages & benefits to attract and maintain high caliber qualified staff.
  1.2 – Work Work with stakeholders to pursue the Destin City Center.
- Important Priorities

  1.3 – Complete two-lane Crosstown Connector
  1.4 – Public beachfront acquisition initiative
  1.5 – Underground utilities
  1.6 – Zerbe Street/Calhoun Avenue Phase II – Design pedestrian pathway under the Marler Bridge
- Desirable Priorities

  1.7 – Annexation of unincorporated enclave
  1.8 – Transit/Trolley System
  1.9 – City Marina (Phase 1 Feasibility Study)
  1.10 – Improve parking, explore options (i.e., garage, surface, etc.)
  1.11 – Beach renourishment, planning and scheduling

Next, Finance Director Krystal Strickland outlined the City of Destin Fiscal Year 2023 Operational Budget.

General Fund Revenues

ACCOUNT DESCRIPTION	FY 2021 ACTUALS	FY 2022 ADOPTED	FY 2022 PROJECTED	FY 2023 PROJECTED	% Change 22 vs 23
Taxes	$ 11,740,988	$ 10,188,604	$ 10,322,716	$ 10,527,600	2.0%
Licenses & Permits	2,885,812	2,826,871	2,838,818	3,072,450	8.2%
Intergovernmental	8,053,048	2,763,870	3,166,563	3,238,913	2.3%
Charges for Services	937,122	331,398	447,075	463,900	3.8%
Other Revenue	135,803	122,742	55,890	311,901	458.1%
Total GF Revenue	**23,752,772**	**16,233,485**	**16,831,063**	**17,614,764**	

- Taxes: Ad Valorem, CST, BTRs, Gas Tax#1
- Licenses & Permits: franchise fees, rental registrations, zoning reviews
- Intergovernmental: State ½ Cent; Municipal sharing; TDC & FDEP Ops; FDOT medians, traffic signals, hwy lighting; County Library Cooperative

General Fund Revenue Highlights

- Ad Valorem: 04/15/2022 uncertified taxable values rose 3% ($6.083MM to $6.289MM)
- Licenses & Permits INCREASE $233k: $200k attributed to solid waste franchise increase from 1% to 6%
- Other Revenue INCREASE $256k: $200k attributed to estimated interest earned
- Reminders:
  - ✓ Parking fees ($400k/yr) moved to Parking Fund 122
  - ✓ Building Permit Fees (Permits $900k/yr) moved to Building Fund 111
  - ✓ New 2% Electric Franchise fee recorded in "restricted" 315 Fund

FY 2023 Revenue Projects

- Reviewing/revising the Schedule of Fees for all departments with possible increases in Parks and Recreation and Community Development fees
- Exploring incorporation of parcels within City Limits
- Impact Fee Study underway
- Building Permit Fee Study planned for FY 2023
- Business Tax Receipt fee study planned (simplification to encourage compliance)

Ad Valorem – Actual vs. Projected

	FY2021 Actual	FY2022 Projected	Amount of Increase	% Change
GF Ad Valorem @ 1.6150	$8,069,061	$8,685,256	$ 616,195	7.6%
Town Center CRA (city)	290,297	397,430	107,133	36.9%
Harbor CRA (city)	331,449	354,898	23,450	7.1%
	$8,690,807	$9,437,584	$ 746,777	

To be updated when certified data received from Okaloosa Property Appraiser (by July 1)

Ad Valorem – at Different Millage Rates

Ad Valorem Taxes Payable per Household
Two scenarios to demonstrate the difference 1/10th of a mill creates

Property Taxable Value	1.6150	1.7150	Variance
$100,000	$161.50	$171.50	$10.00
$475,000	$767.13	$814.63	$47.50

Zip code 32541 median real property value = $475,000

Funding to the City at the two Different Millage Rates

Total Taxable Property Taxable Value*	1.6150	1.7150	
$5,843,705,555	$9,437,584	$10,021,955	$584,371

*for budgetary purposes use 95% of value

To be updated when certified data received from Okaloosa Property Appraiser (by July 1)

General Fund Expenditures

ACCOUNT DESCRIPTION	FY 2021 ACTUALS	FY 2022 ADOPTED	FY 2022 PROJECTED	FY 2023 PROJECTED	% Change 22 vs 23
General Government	$ 3,326,395	$ 4,354,106	$ 4,018,045	$ 4,429,486	10.2%
Public Safety	2,996,101	3,245,704	3,186,954	3,433,630	7.7%
Transportation	1,663,328	1,852,003	1,661,210	2,192,323	32.0%
Culture & Recreation	2,943,335	3,709,787	3,546,999	4,511,427	27.2%
Others/Debt Svc/Cap Outla	4,642,458	504,693	444,769	481,459	8.2%
Total GF Expenditures	**15,571,617**	**13,666,293**	**12,857,977**	**15,048,325**	17.0%

Salaries & Benefits, Fuel, and Cost of Equipment have risen for our contractors.

ACCOUNT DESCRIPTION	FY 2021 ACTUALS	FY 2022 ADOPTED	FY 2022 PROJECTED	FY 2023 PROJECTED	% Change 22 vs 23
Salaries	$ 3,938,276	$ 5,101,250	$ 4,476,210	$ 6,002,365	34.1%
Benefits	1,421,705	1,624,440	1,561,262	2,168,178	38.9%
Contracts	3,690,523	4,253,784	4,023,773	3,905,144	-2.9%
Operations	2,057,829	2,319,457	2,590,040	2,784,544	7.5%
Other/Contr/Debt/Cap	4,463,284	367,361	206,692	188,094	-9.0%
Total GF Expenditures	**15,571,617**	**13,666,293**	**12,857,977**	**15,048,325**	17.0%

General Fund Expenditures Highlights

- Salaries & Benefits drive most of the increase (see Personnel slides)

- Fuel and labor costs are affecting median maintenance, park maintenance, and utility costs to run stormwater pumps, streetlights, park lights, and are also affecting costs of fertilizer and chemicals used to maintain and clean our parks.

- Capital Outlays for FY2023 are still under review and will be brought to the June Budget Workshop. Funding from capital grants ($6m), RR fund balance ($1.3m), Oka Half Penny ($4m), Impact fees ($2.6m), and excess general fund balance will be available for appropriation.

Personnel: 99 Full Time and 29 Part Time

- 8.54% Cost of Living*
- 2% Merit
- Estimated Insurance increase 7%
- New Positions
  - 4 FT wishlist: Engineering, Stormwater, Facilities, Parks
  - 1 PT wishlist: Finance Intern (max 29 hours/week x 16 weeks/year)
- Currently recruiting to fill 14 FT and 11 PT vacancies

**Per staff policy for recommendations of annual CPI/COLA to City Council*

	FY 2022 PROJECTED	FY 2023 PROJECTED	% Change 22 vs 23
Salaries + OT	$ 4,997,369	$ 6,670,611	33.5%
Benefits	1,737,782	2,413,551	38.9%
ALL FUNDS	$ 6,735,151	$ 9,084,162	34.9%

FY 2023 Regular Salaries	Full-Time	Part-Time	Total
Employees	$ 5,052,978	$ 367,007	$ 5,419,984
Vacancies	865,663	208,564	1,074,227
Wishlist	148,530	6,044	154,573
	$ 6,067,170	$ 581,615	$ 6,648,785

FY 2023 Salary Components	Full-Time	Part-Time	Total
Salaries @ 04/02/22 Rates	$ 5,480,197	$ 525,455	$ 6,005,652
COLA (8.54%)	468,009	44,874	512,883
Merit (2%)	118,964	11,286	130,250
	6,067,170	581,615	6,648,785

FY 2023 Employee Count	Full-Time Humans	Part-Time Humans	Total Humans
Active Employees	81	17	98
Vacancies	14	11	25
Wishlist	4	1	5
	99	29	128

Cost of 1 new FTE at $15.50/hour			
Annualized Salary	$ 32,240.00		
2% Merit	$ 644.80	Min Benefits	Max Benefits
Avg Benefits	19,784.22	$ 12,306.24	$ 27,262.20
	$ 52,669.02		

Full-Time Positions AFTER Salary Adjustments 04/02/2022					
Labor Type	Grades	# FT	New Avg Salary	min	max
General	101-103	26	$ 38,467	$ 30,201	$ 51,251
Specialists	104-110	59	$ 52,751	$ 31,200	$ 79,644
Sr Mgmt	111-115	13	$ 94,280	$ 65,000	$ 119,000

FY 2023 Benefit Components	Full-Time	Part-Time	Total
FICA	$ 69,469	$ 42,720	$ 112,189
Retirement - Participating	624,598	-	624,598
Budget - 25 more positions will participate	69,427	-	69,427
Health & other Insurance Current Cost	1,391,615	-	1,391,615
Health Insurance 7% increase	97,413	-	97,413
Workers Comp (active)	96,243	-	96,243
Workers Comp (vacant & wishlist)	22,067	-	22,067
ALL FUNDS	$ 2,370,832	$ 42,720	$ 2,413,551

Change in Fund Balance

Operating & Debt Service FUND 01 ONLY (General Fund)	FY 2021 ACTUALS	FY 2022 PROJECTED	FY 2023 PROJECTED	% Change 22 vs 23
Net Change in Fund Balances	898,653	(180,259)	1,026,560	
Fund Balance, Beginning	25,420,782	26,319,435	26,139,175	
Fund Balance, Ending	26,319,435	26,139,175	27,165,735	3.9%
Operating & Debt Service FUNDS 102, 110, 111, 122, 125, 129, 213, 214, 221	**FY 2021 ACTUALS**	**FY 2022 PROJECTED**	**FY 2023 PROJECTED**	**% Change 22 vs 23**
Net Change in Fund Balances	2,134,571	940,886	524,879	
Fund Balance, Beginning	356,096	2,490,667	3,431,553	
Fund Balance, Ending	2,490,667	3,431,553	3,956,432	15.3%
Operating & Debt Service Funds FUNDS 01-221	**FY 2021 ACTUALS**	**FY 2022 PROJECTED**	**FY 2023 PROJECTED**	**% Change 22 vs 23**
Net Change in Fund Balances	3,033,224	760,626	1,551,439	
Fund Balance, Beginning	25,776,878	28,810,102	29,570,728	
Fund Balance, Ending	28,810,102	29,570,728	31,122,167	5.2%

01 General Fund
102 Town Center CRA District
110 Harbor CRA District
111 Building Fund
112 Parking Fund
125 Technology Fund
129 Oka 1/2 Penny Infra Surtax
213 Debt Service 2013 Note
214 Debt Service 2014 Note
221 Debt Service 2021 Note

Fiscal Year 2023 Operating Grants

FY 2023 Operating Grants	
FDOT Median Maintenance	$ 39,600
FDOT Traffic Signal/Hwy Maint	146,300
FDEP Leonard Destin Park	156,711
TDC Beach Operations*	458,402
County Library Cooperative	71,500
TOTAL Operating Grants	**$ 872,513**

DISCUSSIONS:

Councilmember Schmidt inquired as to the reason for the drop in advertising budget line item.

Ms. Strickland explained that projected costs for advertising for the next fiscal year have not actually dropped. They are being absorbed by each of the other departments involved. She continued that the City Clerk's Office has been traditionally paying for all of the expenses. They gathered the data from all the different departments. Advertising costs for next year are being allocated out to the other departments that are actually behind the costs.

Councilmember Bagby commented that even though they are no longer required to advertise in the paper, and that they now have the option to advertise on the city's website, he still believes they should continue to do so.

Council members Destin and Hebert echoed Councilmember Bagby's sentiment with regards to newspaper advertising.

Councilmember Bagby asked whether they should consider removing the pedestrian pathway under the bridge and moving annexation up on their list of objectives.

Ms. Strickland stated they are not part of the operating budget, but council can discuss them at the next budget workshop.

Councilmember Bagby asked if they could expect a solid waste franchise fee increase of 6 percent.

Ms. Strickland noted that during a previous council meeting, they discussed potentially increasing the solid waste franchise fee from 1-6 percent. The council voted to keep it at one percent at this time and asked staff to bring back a plan to potentially restrict those funds.

Councilmember Bagby asked when they could expect to receive the result of the impact fee study.

According to Community Development Director Louis Zunguze, they can expect to receive the result of the impact fee study before the end of calendar year 2022.

Ms. Strickland pointed out that by state statutes, impact fees are for growth necessitated capital improvements. When the impact fee study report comes before the council for their review and approval, they would take those revenues into consideration in the capital project budgeting process.

Councilmember Bagby inquired as to the cutoff date of the personnel compensation study.

Ms. Strickland noted that the effective date of the new salary increases was April 2, 2022. Two Cost of Leaving Allowance (COLA) rates are being proposed. One for those who received the adjustments on April 2nd and the other for those who received no adjustments.

Councilmember Bagby asked when the facilities study being conducted by the Matrix Design Group be completed, and whether they would be able to incorporate their numbers into next fiscal year's budget.

Public Works Director Michael Burgess noted that city staff will be meeting with members of the Matrix Design Group tomorrow morning and will start the process immediately afterwards; adding that the goal is to complete the study in 8 weeks.

According to Ms. Strickland, they expect to have those data by July 2022. The council will set the tentative millage rate on August 1st. They have to certify their millage rate to the county on August 4th. Following that, they could only decrease and not increase the millage rate.

Councilmember Hebert announced that the Tourist Development Council (TDC) will meet at 8:30 AM tomorrow to discuss their next fiscal year's budget. She will be in attendance as the city's primary representative to TDC, but she is also encouraging other members of the council to attend and represent the city at that meeting. She stated that the county and the TDC have previously promised to help maintain all the parks and beaches for both the tourists and residents, but they seemed to be reneging on that promise. She continued they need to let the county and TDC know they are fully expected to fulfill their promise to the city.

Ms. Strickland noted that she had reviewed the proposed TDC budgets that will be presented at tomorrow's meeting. The city requested $458,000 to help operate and maintain all the city's beach access points and waterfront parks. The budget TDC is presenting is reduced to $258,000, and that the TDC had asked the city to use $200,000 of the city's portion of the 12.5 percent that has been allocated to the municipalities.

The City Attorney stated that the feeling of city staff with regards to the 12.5 percent funding allocation is that it is more geared for capital type projects and not for ongoing and operational type expenses. Traditionally, 70 percent of the city's beachfront maintenance costs come out of just the TDC funding.

Councilmember Hebert stated that the city is merely asking for their fair share to continue to provide their pristine beaches and clean parks and meet everyone's expectation.

Councilmember Bagby recommends they make it known at tomorrow's meeting that in addition to Fort Walton Beach, they also have the Niceville and Valparaiso residents and tourists that visit the Destin parks and beaches.

The mayor noted this will be the first year they will have self-collection. They will know exactly the amount of revenue the city is bringing into the county. They have been at the whim of the county as to how much is generated in Destin itself that finances a large portion of the TDC budget. He believes the city will be in a much better position in their budgetary discussion with the county next year to make arguments regarding the city's fair share and what they should request from the county.

ADJOURNMENT

Having no further business at this time, the meeting was adjourned at 6:50 PM.

Gary Jarvis, Mayor

CITY OF DESTIN SEAL FLORIDA

ATTEST:

Rey Bailey, City Clerk