

**MINUTES
WORKSHOP
DESTIN CITY COUNCIL
JULY 14, 2025
ANNEX COUNCIL CHAMBERS
6:00 PM**

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

Destin City Council

Mayor Bobby Wagner
Councilmember Kevin Schmidt
Councilmember Jim Bagby
Councilmember Sandy Trammell

Councilmember Torey Geile
Councilmember Dewey Destin
Councilmember Rodney Braden

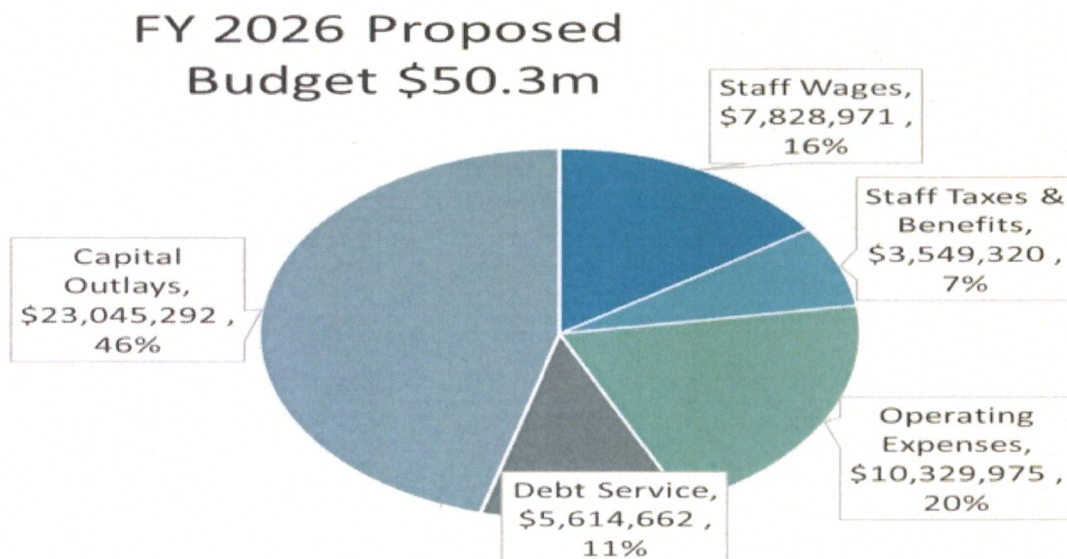
City of Destin Staff

City Clerk Rey Bailey
Exec Asst to the City Manager Sheri Bethea
Projects/Grants/Contract Manager Jeffrey Cozadd
City Engineer Robert Tomasek
Deputy Parks and Rec Director Ryan Reed
Special Project Attorney Kyle Baumann

Finance Director Krystal Strickland
Parks and Recreation Director Lisa Firth
IT Director Andy Peters
Library Director Wen Livingston
Public Works Director Michael Burgess
HR Director Jaime Haynes

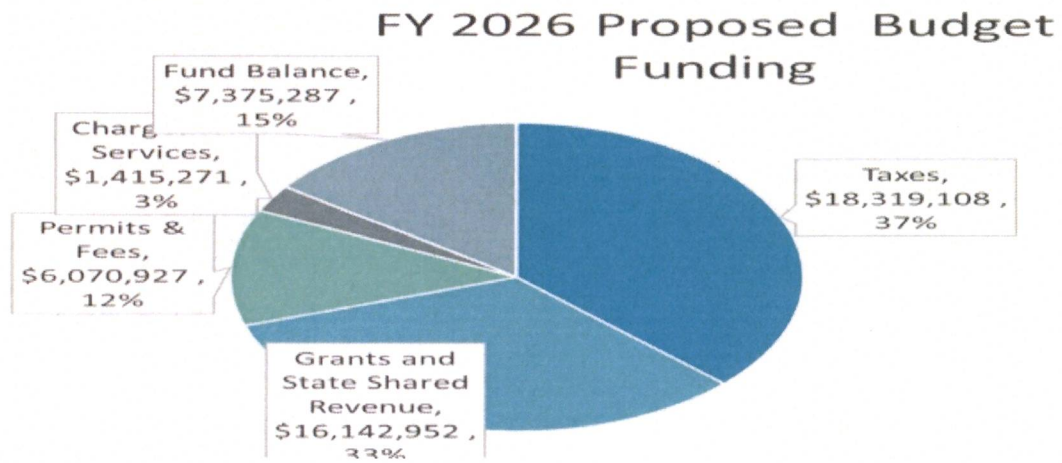
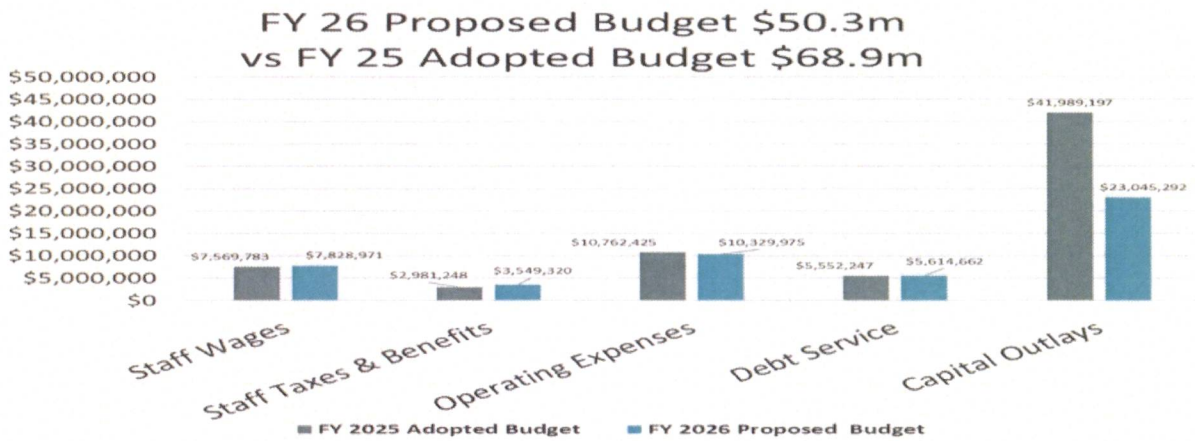
WORKSHOP

A. Fiscal Year 2026 Budget Cycle



2026 Budget Highlights

- Ad Valorem taxable values rose 5%
- Staff Taxes & Benefits – 19% Increase
- Operating Expenses – Decreased 4%
- Capital Improvement Program – Decreased 45% (Undergrounding, Xtown)
 1. CIP = Grant-Funded &/or Contract
 2. Renew/Replace = as per Resolution



Last updated: 7/11/2025 7:47 AM

ALL FUNDS	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Budget	FY 2025 Projection	FY 2026 Proposed	FY 2027 Projection
10 Taxes	14,309,803	16,227,087	18,735,232	17,509,734	18,319,108	18,760,236
11 Intergovernmental Revenue	17,655,465	6,418,348	16,873,438	6,017,986	16,142,952	6,048,490
12 Permits, Fees, & Special Assessments	5,935,313	5,477,266	5,586,775	4,684,568	6,070,927	5,683,645
13 Charges For Services	1,488,332	1,645,874	1,270,200	1,004,037	1,415,271	1,297,695
14 Judgements, Fines, & Forfeits	107,889	95,484	104,001	38,225	63,000	72,603
15 Miscellaneous Revenues	711,828	2,406,423	971,852	2,450,727	998,675	764,640
16 Other Sources	7,364,524	121,461	25,166,720	25,000,000	-	-
17 Transfers In	4,268,705	6,163,646	21,918,789	18,519,002	8,932,838	9,400,734
ALL FUNDS TOTAL CASH IN	\$ 51,841,859	\$ 38,555,588	\$ 90,627,008	\$ 75,224,279	\$ 51,942,771	\$ 42,028,044
20 Personnel Services	5,232,060	6,457,343	7,569,783	5,821,505	7,828,971	8,063,840
21 Personnel Taxes & Benefits	1,895,052	2,598,245	2,981,248	2,300,560	3,549,320	3,655,800
22 Operating Expenses	6,939,706	7,268,275	10,762,425	9,217,996	10,329,975	9,592,941
23 Grants And Aids	16,752	14,452	16,900	10,526	17,000	17,510
24 Debt Service	3,556,874	3,488,857	5,552,247	5,446,963	5,614,662	5,608,032
25 Capital Outlay	20,890,887	15,654,494	41,989,197	22,604,388	24,066,192	5,487,407
26 Transfers Out	4,268,705	6,163,646	21,758,789	18,469,858	8,932,838	9,400,734
ALL FUNDS TOTAL CASH OUT	\$ 42,800,035	\$ 41,645,311	\$ 90,630,590	\$ 63,871,796	\$ 60,338,958	\$ 41,826,265
NET CHANGE	9,041,824	(3,089,723)	(3,582)	11,352,483	(8,396,187)	201,779
BEGINNING FUND BALANCE	38,771,830	47,813,654	44,723,931	44,723,931	56,076,414	47,680,227
ENDING FUND BALANCE	47,813,654	44,723,931	44,720,349	56,076,414	47,680,227	47,882,006

2026 Budget Highlights

- Proposing to use \$7.3m of fund balance to balance the FY 2026 Budget
 - \$2.1m General Fund (\$2m to RR)
 - \$5.2m Capital Project Funds
- Capital Improvement Program:
Council Motions, Resolutions, Grant Matching funds, and Restricted Use funds

FY 2026 PROPOSED CAPITAL IMPROVEMENTS BY FUNDING SOURCE

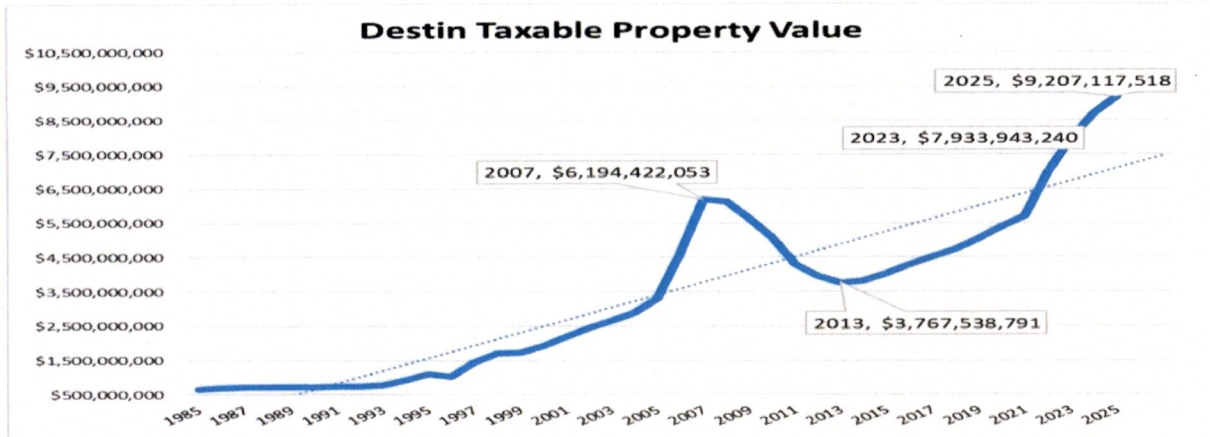
FY 2026	(Multiple Items)
Row Labels	Sum of FY 2026
2024 Bond Capital Project Fund	2,527,607
Capital Grant Fund	9,973,774
Electric Franchise For Undergrounding	150,000
Gas Tax#2 Fund	700,000
General Fund	898,025
Library Impact Fees	250,000
Okaloosa Half-Penny Fund	900,000
Renewal & Replacement Fund	6,074,886
Transportation Impact Fee Fund	1,571,000
Grand Total	23,045,292

**FY 2026 PROPOSED CAPITAL IMPROVEMENTS
BY FUNDING SOURCE**

Row Labels	Sum of FY 2026
2024 Bond Capital Project Fund	2,527,607
100018 Cross Town Connector– Construction	2,527,607
Capital Grant Fund	9,973,774
4-Prong Lake Stormwater	1
Grant 500014 4-Prong Lake Stormwater	1,000,000
Grant 500015 State-FDEP-Pickleball Court Construct	50,000
Grant 500025 BOCC - Crystal Beach Park (CM001)	1,488,965
Grant 500026 BOCC - Tarpon Beach Park (CM002)	1,197,000
Grant 500028 BOCC-CrossTown Construction	3,300,000
Grant 500029 TDC 12.5% - Crystal Beach Park (CM00	440,808
Grant 500038 TDC 12.5% - Tarpon Beach Park (CM00	1,197,000
Grant 500TBD TDC 12.5% - Pickleball Courts	300,000
State-FDEP-Mattie Kelly Pier Outfall	1,000,000
Electric Franchise For Undergrounding	150,000
100064 Utility Undergrounding	150,000
Gas Tax#2 Fund	700,000
100018 Cross Town Connector– Construction	700,000

**FY 2026 PROPOSED CAPITAL IMPROVEMENTS
BY FUNDING SOURCE**

Row Labels	Sum of FY 2026
General Fund	898,025
100023 HURRC-Hurricane Response	100,000
100029 Collection Development Budget	65,925
100031 NORG2-Norriego Point Park Development	234,000
100038 RC127-Pickleball Courts	375,000
100040 RC132-Morgan - Batting Cage	98,100
John Deere Gator Public Works Irrigation, Signs, Sic	25,000
Library Impact Fees	250,000
100028 LB002-Library Expansion	250,000
Okaloosa Half-Penny Fund	900,000
100058 Mattie Kelly Pier Outfall	200,000
100059 4-Prong Lake Stormwater	600,000
100063 Public Works & Safety Committee	100,000
Renewal & Replacement Fund	6,074,886
100043 General Government Renewals	16,000
100046 Roadway Renewal	5,015,420
100047 Library Renewal	140,316
100049 Recreation Facility Renewals	903,150
Transportation Impact Fee Fund	1,571,000
100018 Cross Town Connector– Construction	1,571,000
Grand Total	23,045,292



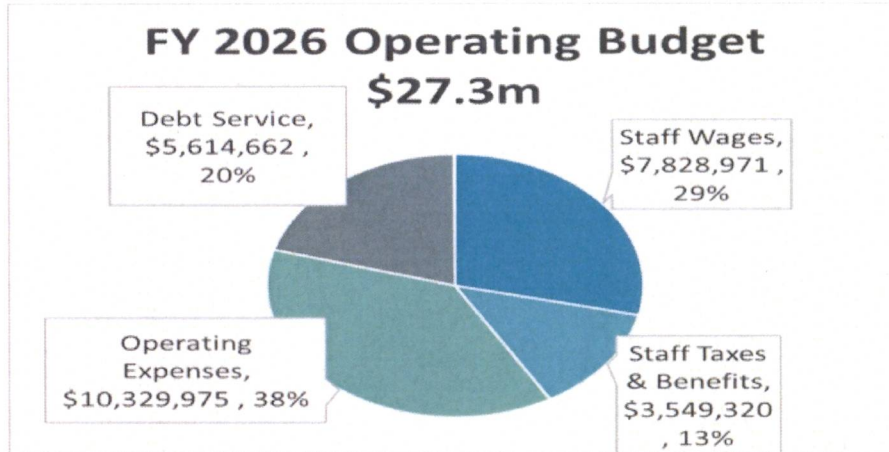
Parcel Use	Count	07/01/2025 Taxable Value	Ad Valorem @ 1.615 x 96%	Avg Taxes per Parcel	% of Total Taxes
Homesteaded	3,667	\$ 1,289,084,091	\$ 1,998,595.97	\$ 545	14%
Other Residential	10,524	6,858,497,263	10,633,414	1,010	76%
Non Residential	1,988	933,232,600	1,446,884	728	10%
	16,179	\$ 9,080,813,954	\$ 14,078,894	\$ 2,283	100%
		LESS: 1% Allowance for Delinquencies	146,655		
		Estimated Proceeds from Levy	\$ 13,932,239		
		General Fund	\$ 12,647,220		
		Town Center CRA	674,157		
		Harbor CRA	610,862		
			\$ 13,932,239		

Retirement

PERSONNEL	FRS	ThriftPlan	\$ variance	% variance
Wages	\$ 7,828,971	\$ 7,828,971	\$ -	0%
FICA (medicare, social security)	594,234	146,021	448,214	307%
Retirement	1,232,851	970,971	261,880	27%
Insurance (health, dental, disability, workers comp, life...)	1,686,663	1,686,663	-	0%
TOTAL	\$ 11,342,719	\$ 10,632,625	\$ 710,093	7%

*Florida Retirement System –13.63% FRS + 6.2% Social Security (19.83%)
1 year vest “investment plan”//8 years vest “pension plan”

*Thrift Plan – 7.5% base + 5% match (12.5%) Require 1000 work hours
7.5% no vesting schedule (in lieu of SS)//match on 7-year vesting plan



Account Character Name	FY 2025 Adopted Operating Budget	FY 2026 Proposed Operating Budget	FY26-FY25	% change
Staff Wages	\$ 7,569,783	\$ 7,828,971	\$ 259,187	3%
Staff Taxes & Benefits	2,981,248	3,549,320	568,072	19%
Operating Expenses	10,762,425	10,329,975	(432,450)	-4%
Debt Service	5,552,247	5,614,662	62,415	1%
Grants And Aids	16,900	17,000	100	1%
	\$ 26,882,604	\$ 27,339,928	\$ 457,324	2%

Next Steps:

July 21: Council Adopts Tentative Millage Rate

July 25 – 31: Detailed Budget Briefings

August 11: Optional Budget Workshop#3

September 3 & 15: Budget Hearings

DISCUSSION

The Finance Director presented a comprehensive overview of the City of Destin’s proposed \$50.3 million budget. The presentation highlighted two primary areas of focus. First, the city will be drawing \$7.3 million from its fund balance, primarily to fund capital improvement projects that are already under contractual or council-mandated commitments. Second, the city is considering transitioning its staff retirement system from the current thrift plan to the Florida Retirement System (FRS). This proposed change, intended to improve staff retention and attract experienced municipal employees, is expected to increase personnel costs by approximately 7% annually. Although this is a significant recurring expense, the Finance Director emphasized that it was a worst-case scenario and that not all staff may opt into FRS immediately.

The capital improvement program (CIP) shows a 45% decrease from the previous year due to the near completion of large projects like utility undergrounding and stormwater infrastructure. Notable capital projects for FY2026 include the Cross-Town Connector, improvements at Crystal and Tarpon beaches, Matty Kelly Pier outfall funded by state appropriation, and ongoing stormwater projects like the Four Prong Lake restoration. There are also allocations for park upgrades, library expansion planning, and funding for renewal and replacement per a resolution passed two years prior.

Councilmember Schmidt inquired about the CRA funds, asking whether the Harbor and Town Center CRAs still had encumbrances from past debt obligations. The Finance Director confirmed that Harbor CRA's funds are entirely committed to debt service, mainly for undergrounding and the purchase of One Harbor Boulevard and are projected to hold only \$39,000 in fund balance by 2027. In contrast, the Town Center CRA has seen a significant recovery in property values and is expected to have a \$2.8 million fund balance by 2027. The Town Center's key project is a linear multi-use trail, pending easement and grant funding.

Councilmember Braden raised concerns about funding stormwater improvements in the gated community of Destiny. The Finance Director, along with others, clarified that Four Prong Lake serves a regional stormwater function. Historic drainage patterns and road expansions by FDOT redirected significant runoff into the lake, which used to be a coastal dune lake. The city's \$600,000 investment, funded through the restricted half-penny sales tax, is part of a broader \$3 million multi-agency restoration effort that includes contributions from the state and county. Councilmember Braden's concern stemmed from the impression that city funds were being used for private benefit, but the explanation clarified the broader public infrastructure necessity.

Councilmember Destin questioned how the city would fund the increased FRS costs annually, noting that operating cuts are not a sustainable long-term solution. The Finance Director acknowledged this concern and explained that while ad valorem revenues are projected to rise 5% annually, generating roughly \$500,000 more per year—that would still fall short of covering the \$700,000 increase. Additional fees, such as proposed short-term rental (STR) registration fee expansion, are being explored to fill the gap.

Council members Geile and Destin expressed support for identifying recurring revenue sources to offset FRS-related personnel costs. They focused on the STR registration program, which currently includes only 1,200 single-family homes. The Finance Director projected that expanding the program to the estimated 4,000–5,000 condos could generate over \$1 million annually. Councilmember Bagby further supported this idea, emphasizing that STR-related calls to law enforcement create significant burdens and that the city should capture revenue from all STR properties contributing to service demands.

Councilmember Schmidt questioned the status of the STR registration program, stating that the council had previously agreed on the concept. The Finance Director explained that staff turnover had stalled the process and that a staff "champion" was needed to push the initiative forward. Councilmember Bagby expanded on the collection difficulties, noting that attempts to coordinate with the county clerk for data access had failed due to confidentiality concerns. However, Councilmember Bagby identified Florida Statute Section 213.05.35 as a potential solution. Under this statute, the city could leverage its Business Tax Receipt (BTR) process to

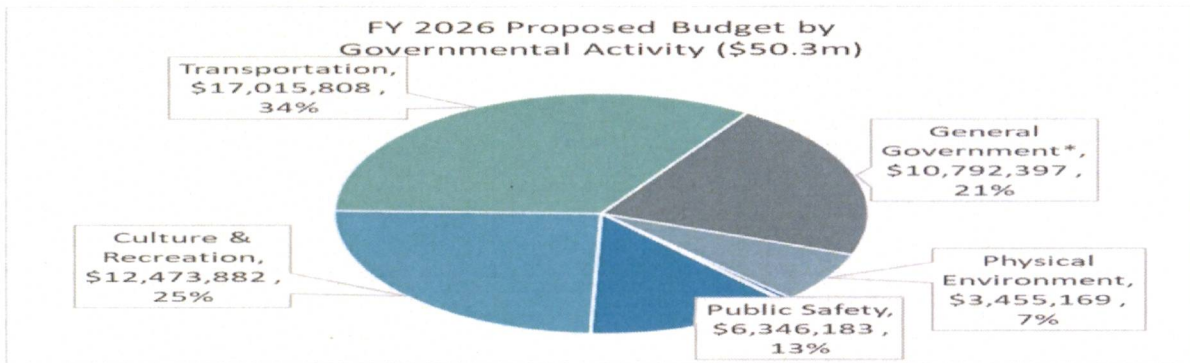
obtain rental property information from the Department of Revenue (DOR), eliminating the need for third-party vendors and streamlining fee collection.

Councilmember Bagby suggested that the city prioritize implementing the STR registration program, especially given its potential to generate significant revenue without imposing additional burden on existing staff. He reiterated the value of bypassing middlemen and taking direct control of the data and billing. There was general consensus that the STR fee initiative had support and could provide a recurring funding stream for future costs, including the transition to FRS.

The Finance Director reminded the council they would be voting on adopting the tentative millage rate at the upcoming Monday meeting. The proposed rate of 1.615 mills has been consistent for the past nine years. The public hearing on the budget is scheduled for September 3rd at 6:00 PM.

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A few slides from Workshop#1 for reference and other commonly asked questions (Supplemental Information)

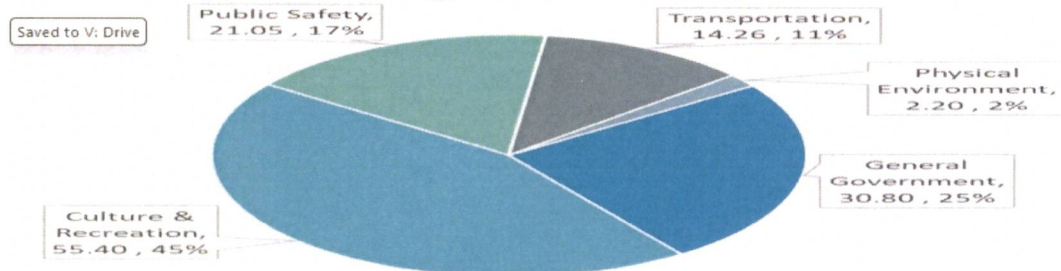


*General Government includes \$5.6m for Debt Service

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Personnel

2026 Proposed FTEs (124.2)
(2025 budgeted 127.08)



Personnel

	2025 Staff Count	2026 Staff Count
Full Tme Positions	109	110
Part-Time and Season	27	27
Total Positions	136	137

Requesting 1 new position:
 PW Maintenance Tech
 (landscaping & irrigation)

1 FTE = 2080 labor hours

Function	2025 Budgeted FTEs	2026 Proposed FTEs
General Government	31.29	30.80
Culture & Recreation	56.84	55.40
Public Safety	20.78	21.05
Transportation	14.47	14.26
Economic Environment	1.90	0.50
Physical Environment	1.80	2.20
TOTAL FTEs	127.08	124.20



	FY 2026 Projected Tax Revenues
Current Ad Valorem Taxes	\$ 13,583,991
Ad Valorem Int/Pen/Disc	(743,450)
Tiff Revenue - City	1,285,019
Tiff Revenue - County	2,209,970
Local Business Tax Receipt	214,268
Delinquent Local Btr	36,345
Florida League Collected Lbtr	400
Gas Tax#1	530,000
Gas Tax#2	240,000
Prior Year Ad Valorem Taxes	5,000
State Communications Services Tax	957,565
	\$ 18,319,108

MEDIAN Taxable Values 07/1/2025	
Homesteaded	\$ 236,253
Other Residential	\$ 460,606
Non Residential (exemptions excluded)	\$ 259,695
all properties	\$ 375,000

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The difference 1/10th of a mill creates

	<u>1.6150 *96%</u>	<u>1.7150 *96%</u>	<u>Variance</u>
Property Taxable Value			
\$100,000	\$155	\$164.64	\$9.60
\$236,253	\$366	\$388.97	\$22.68
\$460,606	\$714	\$758.34	\$44.22
\$600,000	\$930	\$987.84	\$57.60

City of Destin median **taxable** property value on all properties = **\$360,754**

Funding to the City at the two Different Millage Rates

	<u>1.6150</u>	<u>1.7150</u>	
Taxable Value x Millage x 95% = total ad valorem collections			
\$9,080,813,954 =	\$13,932,239 or	\$14,794,916	var= \$862,677

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DISCUSSION

The Finance Director noted that while the additional slides above were more informational, they covered commonly asked questions. The \$50 million budget was broken down by governmental activity, with a substantial portion allocated to transportation due to the city's renewal and replacement program. Culture and recreation, along with general government spending (\$10.7 million, including \$5.6 million for debt service), were also highlighted. She provided an explanation of FTEs (Full-Time Equivalents), which are calculated using annual labor hours divided by 2,080. While one new position was requested, overall labor hours were reduced due to improved planning with new software.

The Director also reviewed projected tax revenues, showing the makeup of the \$18.3 million, including TIF funds, business tax receipts, state communication taxes, and fuel taxes. Median taxable values for homesteaded, residential, and non-residential properties were presented, with homesteaded properties having a median taxable value of \$236,000. She also addressed hypothetical scenarios of increasing the millage rate, showing that an increase from 1.615 to 1.715 would bring in \$862,000 and cost the average homeowner about \$22 more.

On the topic of capital projects, the Finance Director described how each project in the packet included a summary with timeline, funding sources, and potential operational impacts. There was also a second page for each project detailing major milestones like RFP release dates and expected construction start times. The presentation included TRIM data certified by the property appraiser, breaking down taxable values and allocations to CRA funds. A summary of fund balances showed the effects of the proposed budget and included both operational and capital fund projections.

Councilmember Schmidt raised several points. He questioned the rollback rate and sought clarification on whether adopting it would prevent property owners from paying more in taxes. The Finance Director confirmed that the rollback rate, estimated at 1.53, would result in no tax increase for properties whose values had not changed, preserving prior year tax bills (e.g., \$495).

Councilmember Schmidt asked for more detail on the \$900,000 allocated for recreational renewals, particularly what made up that figure. The Finance Director stated she had printed the backup material but would email it to all council members. Councilmember Schmidt also asked for clarification on capital project listings that reference FY27. The Finance Director confirmed those were informational placeholders for future planning. Expressing concern about dipping into the fund balance by \$7.3 million, Councilmember Schmidt pointed out the need to focus on finishing existing projects rather than adding new ones. The Finance Director agreed, citing limited resources and the need to keep spending minimally.

Councilmember Schmidt also commented about parks and recreation projects, specifically at the community center where water intrusion repairs remain in the budget, and about sod replacement at Morgan's, which is also included. However, no new recreational initiatives are being added until the master plan is complete.

Mayor Wagner raised the topic of restricted or "handcuffed" funds, such as parking fees, and suggested creatively using those funds to support areas like Crystal Beach and Morgan's. The Finance Director explained that all funds outside the general fund are restricted by law or ordinance, though council can change their use via motion or resolution.

Councilmember Destin inquired about the criteria used for renewal and replacement decisions. The Finance Director responded that these vary by asset and include factors such as age, mileage, and prior maintenance for buildings, vehicles, roads, and HVAC systems. She added that roadways are prioritized based on their function (collector or arterial) and surface condition.

Councilmember Destin expressed concern over the projected decline in general fund balances, especially with potential FEMA support reductions. The Finance Director clarified that \$13 million is reserved for emergencies (one year of debt service and six months of operations),

and although the general fund is projected to dip to \$24 million by 2029, the overall city fund balance should grow to \$55 million due to capital fund accumulation.

Councilmember Bagby reassured that refinancing the city's debt early remains an option if interest rates drop, and that safeguards are in place to protect the city's financial stability. He voiced concern about depleting the general fund and emphasized the importance of careful planning. He also praised the streamlined budget presentation, noting it was clearer and more effective than in previous years. He requested two motions be prepared for the upcoming council meeting: one to maintain the current millage rate and another to allow employees to opt into FRS and Social Security, which he views as beneficial for retention and recruitment. He reiterated that while renewal and replacement plans include best practices and asset lifespans, the challenge lies in catching up from years of underinvestment.

Councilmember Geile asked about the cost of Henderson State Park parking passes, which the Finance Director confirmed are funded through Parks and Recreation and included in the general fund. Revenues from residents typically match the city's payments to the state for per-car usage.

Councilmember Destin asked for a list of anticipated revenue increases—such as short-term rentals or mobility fees—to help inform spending priorities.

Councilmember Schmidt proposed that median landscaping improvements on Airport Road and Main Street be considered under Town Center CRA funds. The Finance Director affirmed the idea's feasibility. Councilmember Schmidt also revisited the issue of deferred recreation projects, noting that the Parks Department had submitted \$5.2 million in requests primarily focused on Morgan's Sports Center. These included sunshades and dugout upgrades, but they were omitted from the presentation due to insufficient backup documentation. The Finance Director explained that staff absences and time constraints prevented full vetting, though a prioritization plan is in development. She assured that once documentation is complete, those projects will be presented to the council.

ADJOURNMENT

Having no further business at this time, the meeting was adjourned at 6:45 PM.



Bobby Wagner, Mayor



ATTEST:



Rey Bailey, City Clerk