MINUTES
BUDGET WORKSHOP
DESTIN CITY COUNCIL
JULY 8, 2019
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 Gary Jarvis	Councilmember Prebble Ramswell
Councilmember Chatham Morgan	Councilmember Steven Menchel
Councilmember Cyron Marler	Councilmember Skip Overdier
Councilmember Parker Destin	Councilmember Rodney Braden

Destin City Staff

City Manager Lance Johnson	City Clerk Rey Bailey
Public Information Manager Catherine Card	Deputy City Manager Webb Warren
Community Development Director Louis Zunguze	Building Official Noell Bell
Deputy Public Services Director Tim Pietenpol	Finance Director Bragg Farmer
Parks & Recreation Director Lisa Firth	HR Manager Karen Jankowski
Code Compliance Manager Joey Forgione	Permitting Supervisor Susan Destin
Public Services Director Michael Burgess	Library Director Wen Livingston
Land Use Attorney Kimberly Kopp	City Attorney Kyle Bauman

CALL TO ORDER

Mayor Gary Jarvis called the meeting to order at 5:30 PM, on Monday, July 8, 2019, in the City Hall Annex Council Chambers; which was then followed by the Pledge of Allegiance.

WORKSHOP

A. City of Destin Fiscal Year 2020 Budget

The City Manager explained that on March 4, 2019, Council consensus was provided to staff to schedule several budget workshops following the annual visioning session. The intent is to provide opportunities for Council and staff, early in the budget process, to discus priority items for the upcoming fiscal year. An operational (departmental) budget workshop is scheduled for tonight and a capital budget workshop is scheduled for July 17th. A final budget workshop will be scheduled in August for Council discussion on the proposed departmental and capital project budgets. Final adoption of the budget will occur during the regular Council meetings in September.

The City Manager noted that the initial proposed budget is out of balance by $2.8 million. Staff has reduced the deficit by $1.8 million, leaving a shortfall of just over $1 million. They could either reduce that number or raise the revenues to cover it; and staff has some recommendations in this regard.

Finance Director Bragg Farmer announced that the State should be releasing the preliminary numbers for their State-shared revenues soon. These are the Half-Cent Sales Tax, Communication Service Tax and Gas Tax. Their budget revenue numbers would change some once those numbers are released. Mr. Farmer provided the following budget highlights.

- City property values have risen by $356,018,649 or 7.1 percent
- Town Center CRA values have risen by $17,496,594 or 7.1 percent
- Harbor CRA values have risen by $16,714,752 or 4.3 percent
- Overall projected additional General Fund revenue is $683,000
- Payroll increases not covered in the FY 2019 budget is $448,000
- Sheriff requested budget increased by $128,586
- Initial proposed budget is out of balance by $2,899,470
- Staff has reduced the deficit by $1,863,278, leaving a $1,036,192 shortfall
- Current millage rate is 1.6150
- Each additional 100th (1.6250) increase is worth $47,657
- Each additional 10th (1.7150) increase is worth $476,574

Mr. Farmer also noted that the following documents have been provided to the Council prior to this meeting.

- Proposed Budget Revenues
- General Fund Budget Comparison – with proposed FY 2020 Budget and prior years' budget
- Proposed department budget – line by line items

Councilmember Ramswell asked why they have such a shortfall when they have some terrific increases in property values.

According to Mr. Farmer, even though property values went up, the City has such a low millage rates that they only benefited from it by a little over $500,000.

Councilmember Ramswell inquired as to last fiscal year's estimated budget.

Mr. Farmer stated that the General Fund operating budget last year was approximately $12.5 million; and this year it is $16.3 million.

Councilmember Ramswell noted that during the visioning session, someone mentioned that the City had a lot of vacancies. She asked how they could be overbudget if they have a lot of vacant positions and not spending money on salary.

According to Mr. Farmer, they would have to assume that a budgeted position is going to be filled. If the position is not filled, for instance by December of a given fiscal year, then they have a positive cash flow of one quarter of that position for that year. From the cash flow standpoint, the fund balance can grow at the end of the year if they do not spend all the money that they budget for including positions. From the budgeting standpoint, they budget every dollar they receive to be spent in a certain capacity; unless they are re-allocated somewhere else.

At this time, the City Manager informed the Council they have been provided a draft version of the City of Destin Strategic Plan for their review and approval. It is a summary of the result of their recent Council Strategic Visioning Session. The minutes for that meeting were approved at the last Council meeting. He continued that the Strategic Plan is a very important part of their budgeting process; and so, if there are any changes the Council wants to make to this document, they just need a consensus from the Council in order to make those changes. The plan would be brought back for official adoption by the Council at the next Council meeting.

B. Departmental Budgets

HR Manager Karen Jankowski provided a summary of personnel requests from each department.

POSITIONS REQUESTS			
POSITION	DEPARTMENT	EFFECT ON BUDGET FISCAL YEAR 2020	COMMENTS
Records Management Specialist	City Clerk	$7,294	Position Reclassification - Job Description Update
Administrative Assistant	Code Compliance	$1,670	Position Reclassification from Clerk to AA
Code Compliance Officers (4)	Code Compliance	$260,000	New Positions
Receptionist	Community Development	$50,226	New Position
Permit Technician II	Community Development	$8,540	Position Reclassification of 2 Technicians to Level II
Building Inspector/Code Compliant	Community Development	$61,000	New Position
Special Projects/Grants Manager	City Manager	$93,500	New Position
Service/Help Desk Technician	City Manager	$62,000	New Position
Library Assistant	Library	$38,732	Convert Part-time Position to Full-time
Technology Programming Specialist	Library	$2,835	Position Reclassification from AA to Library Technician
Recreation Assistant II	Parks & Recreation	$52,042	New Position
Maintenance Technician	Parks & Recreation	$53,779	New Position
Recreation Program Coordinator – Lead	Parks & Recreation	$3,637	Reclassification from RPC to RPC - Lead
Maintenance Technician – Custodial Lead	Parks & Recreation	$2,250	Reclassification from MT to MT - Lead
Maintenance Technician (7)	Public Services	$376,453	New Positions
Stormwater Maintenance Technician	Public Services	$53,779	NPDES Program
Mechanic	Public Services	$68,225	New Position

DISCUSSIONS

Councilmember Destin asked how they could make the Code Compliance Department more self-sustainable with regards to hiring more people.

Code Compliance Manager Joey Forgione stated that livery vessels permit fee is currently at $75 per vessel. Increasing it to $100 per vessel would bring in approximately $41,800. Increasing long-term rentals registration fee from $50 to $100 would bring in approximately $33,800. That total would increase once they have identified the unregistered units. He continued that the average beach vendor fees throughout the State is about $500 per registration, and the City only requires $75. Increasing the fee to $150 per property would bring in $6,000 a year. They currently charge $250 administrative fee per case brought before the Special Magistrate. By increasing that fee to $500 per case, the City would receive approximately $20,000 depending on the number of cases annually. Estimated paid parking revenue is estimated at $20,000. Short-term rental registration fees are at $200 per unit. They have almost 1,000 registered units last year, and they expect to have more this year. The average registration fee throughout the State is about $800 per unit. Increasing their short-term rental registration fee to $500 would bring in approximately $500,000 to the City based on 1,000 registered units.

The Mayor commented that the biggest complaints from citizens have been the lack of enforcement of existing regulations. Increasing the number of Code Compliance officers would be money well spent based on Mr. Forgione's leadership and his department's performance thus far. It has improved the quality of life for the entire community.

Councilmember Braden asked if the projected paid parking revenue of $20,000 which Mr. Forgione mentioned was based on $5 per day. He stated that they have discussed increasing the parking fee.

Deputy City Manager Webb Warren stated that he was not sure where that figure came from, but last year's revenue was approximately $49,000, and they are on pace to gain $80 - $85,000 this year.

Councilmember Menchel asked about revenues from parking fines and the possibility of raising these fines.

Mr. Forgione noted that parking fees are included in the ordinance, and it is $30 per parking violation. He continued that he and the Community Development Director have already spoken to the Sheriff's Office regarding the possibility of increasing it to $75 to $100 per violation.

Councilmember Ramswell wants to know the percentage the City actually collects for each traffic ticket; to which Mr. Warren replied they collect about 25 to 30 percent.

According to Councilmember Ramswell, she seems to recall the City implementing a higher registration fee for short-term rentals; and that the difference in the amount to be applied to the hiring of a code compliance officer dedicated to enforcing short-term rental regulations.

Mr. Farmer stated the amount currently covers the additional staff. It currently brings in $260,000. The current registration rate is $200 and next year's projected revenue is $226,000 based on the current rate.

The Mayor commented that they are way below the State-wide average in terms of millage rate, registration fees or fines. Without a fire department, police department, power company or other means of generating meaningful revenues, the City would need to do something to provide all the necessary services and create a quality of life for their citizens.

According to Councilmember Morgan, it met a lot of opposition from the public the last time they tried to raise taxes; and that even the Mayor had a different view about raising taxes then. He explained that if they drop the millage rate back to 1.5 mils from when he took office, they would still have an extra $548,000 of decreased revenue. There would be an additional $683,000 with the property value increase, plus the $900,000 from the Half-Cent Sales Tax. He added they are in a very good position to drop their millage rate down to 1.5 mils.

Councilmember Destin would like to see a proposal by the next budget workshop for a fee increase to at least the short-term rentals; however, he would not want to increase long-term rental registration fees at this time because the majority of the people running a long-term rental business in Destin are not even aware of the registration requirement. He stated that he agrees with Councilmember Morgan about lowering the millage rate to 1.5 mils. They would need to find creative ways to increase revenues within each department; otherwise, they would need to prioritize things and start cutting the budget. He would also like to see a proposal for how they could fund at least a portion of the requested personnel increase for Code Compliance officers and some ideas for increasing revenues that are collected within that department.

According to Councilmember Morgan, short-term rentals need to be treated differently than the other businesses because they have had to increase spending for code enforcement in order to properly manage it.

Councilmember Menchel inquired as to the status of staff's presentation to the TDC for additional funding to support the Sheriff's Office.

According to the City Manager, the TDC had already set their FY 2020 Budget; and so, they may not consider this issue until the FY 2021 Budget season.

Councilmember Menchel asserts they need to look for alternate funding sources for law enforcement services since 80 percent of service calls the Sheriff's Office receive in Destin are from tourists and not from residents; adding that the TDC may be able to modify their FY 2020 Budget for this reason.

Mr. Farmer noted that they have made the proposal for additional funding from the TDC for law enforcement services several years ago but were unsuccessful; however, the TDC has a new board and a new director and he believes they are more amenable to supporting some of the beach and tourist related issues.

Capt. Nix of the Sheriff's Office informed the Council the Sheriff would like to give a 3 percent pay raise for Sergeants and below, and that this additional expense was not included in the budget proposal submitted to the City. It would raise the total proposed budget from $128,000 to $170,000.

The Mayor asked what kind of impact it would have on their budget if they lower the millage rate to 1.5 mills.

Mr. Farmer explained that lowering the millage rate to 1.5 mills would result in a reduction of more than $500,000 in revenue.

Councilmember Morgan noted that for each tenth of a percent reduction of millage rate, they are looking at a decrease of approximately $548,000 in revenue. However, they would have an increase in property values this year.

According to Mr. Farmer, one of the things they need to consider when they reduce the millage rate and they have community redevelopment areas (CRAs) in place is that those CRAs pull part of the revenue that they would get from an increase in property values and that they would lose those additional revenues. He pointed out that property values in the Harbor CRA went up to about 4.5 percent, and about 7.1 percent in the Town Center CRA.

Councilmember Ramswell stated she would need more explanation as to how they are coming up with all these numbers because she does not have a whole lot of depth in the areas of accounting and finance; and why they would be $500,000 in arrears they roll back the millage rate or stay at the same level.

Mr. Farmer noted that the current millage rate is 1.615 and the roll back rate is 1.5447. He explained that a roll back rate is the millage rate that they would have to assess on the property values based on the current year property values and what last year's revenue produced to get the exact number in revenue.

According to Councilmember Morgan, since property values went up this year, they are paying more ad-valorem taxes to the City. He also stated that lowering the millage rate to 1.5 mills and adding the $900,000 from the Half-Cent Sales Tax, they would have more money this year than last year.

Councilmember Ramswell asked why the rollback rate was presented as an option.

Mr. Farmer explained they do not normally go to their rollback rate every year. They normally keep their millage rate at the same level as the previous year. The rollback rate is presented at the Council meeting when Council adopts the millage rate at their desired level.

Councilmember Ramswell asked if the numbers Councilmember Morgan is discussing take into account the same expenses staff is presenting to the Council.

According to Councilmember Morgan, they would be required to make additional cuts in the budget if they reduce the millage rate to 1.5 mils; however, it is a better scenario because it results in less taxes for their citizens.

The City Manager noted that the Half-Cent Sales Tax revenue can be used for specific projects, but not for repeating expenses or ongoing expenses such as personnel payroll. He also stated they have intended to bring back a proposal to set the tentative millage rate at the next Council meeting on July 15th. However, based on tonight's discussion, he would have to recommend holding a special meeting after the next budget workshop on July 17th for Council to vote on setting the tentative millage rate. It would give the Council a better idea where the budget stands before voting on the tentative millage rate because once they set the tentative millage rate, they can only decrease it and not increase it.

Councilmember Ramswell noted that in FY 2017, the Council approved two part-time front-desk receptionist positions. She would like to know what happened to those positions or if they switched those positions to one full-time position.

According to Ms. Jankowski, she would have to go back and research that information.

Councilmember Ramswell asked if Mr. Warren would still be involved with IT issues once they hire a new IT Manager.

Mr. Warren stated he would continue to work closely with the IT personnel. This would bring them to a level where they have an IT Manager, a Systems Specialist who will be working very tightly on a project involving the Community Development software which they would be introducing to Council shortly. This will be a very time-consuming project. They will also have a Help Desk Technician who will handle the day-to-day issues involving computers, cell phones and the likes which are increasing in volume.

The City Manager noted that the software package cost approximately $150,000, but it will be funded by the people who created the work. They could probably partially fund the position out of that fund for the first year but not after. He added that they need to commit the resources to implement this software correctly and so he strongly endorses this position.

Councilmember Ramswell noted that Mr. Zunguze is looking for someone to implement some new software program to facilitate management of their files. She asked if this will be part of the job of the Systems Specialist or if it is a new position.

Mr. Zunguze explained they are not looking for a dedicated position but for a firm that would be able to implement this program for his department on a one-time basis. His present staff would then take over management of the program.

Councilmember Destin asked how much they are spending on median maintenance technicians; and whether they employ any technicians, or if the job is contracted out.

According to the City Manager, the median maintenance contract costs about $185,000, and the request for the 7 maintenance technician positions far exceed that cost.

Public Services Director Michael Burgess noted that they currently have 8 technicians doing various jobs and handling a lot of projects throughout the City. These additional personnel would enable the department to have two crews – one to handle concrete work and the other for median maintenance. They are also asking for a Stormwater Maintenance Technician. When the City renewed its National Pollutant Discharge Elimination System (NPDES) permit with the State, they committed to a Stormwater Maintenance Technician position for FY 2020 as well as for FY 2021. They are planning on assigning this person to either the right-of-way maintenance crew or concrete crew, and at the same time perform the functions required under the NPDES permit.

Councilmember Braden asked why the City would want to get involved with the concrete business.

According to Deputy Public Services Director Tim Pietenpol, they have currently identified about $300,000 worth of concrete repair. Typically, it is funded for about $90,000 - $150,000 annually. They feel they could get a lot of those repairs done quicker by doing them in-house; and having safer sidewalks for liability reasons.

Councilmember Braden asked if they have anyone employed full-time that does nothing but maintain sprinkler heads and pumps.

Mr. Burgess noted these would be part of the function of the right-of-way maintenance crew.

Councilmember Menchel asked what type of equipment they would have to purchase to support the 7 new maintenance technician positions.

According to Mr. Burgess, they have identified 2 pick-up trucks, a 4 x 4 super cruise, 20-foot trailers, a Gator, traditional lawn mowers, 2 right-of-way mowers and a dump trailer.

The Mayor asks Mr. Burgess to come up with cost comparison between hiring a full-time vehicle mechanic and having a vehicle maintenance services contract based on the past fiscal year.

The City Manager stated that the consensus of the Council seemed to be that if staff can bring back some documentation that shows a cost recovery of near 100 percent for the requested positions, they could move forward with funding them for FY 2020.

There were no objections from the Council.

C. Comments from Mayor and Council

1) Councilmember Braden

Councilmember Braden inquired as to the status of Clement Taylor Park.

According to the City Manager, there are two issues with the park. One was the repair of the sea wall that was damaged during Hurricane Michael; and the other was the full renovation of the park itself. With regards to the park renovation, they have a $750,000 grant that is waiting for final approval by the US Treasury.

Parks and Recreation Director Lisa Firth stated that with regards to the seawall, FEMA wants to upgrade it and they were supposed to provide the plans showing the type of upgrade they want the City to do in order to obtain the funding for it. They are waiting for those plans from FEMA before they could do anything.

Councilmember Braden asked if they would be reimbursed if they go ahead and fund the cost for repairing the seawall.

According to the City Manager, FEMA is willing to pay for more than the cost of repairing the seawall. They will pay the extra cost to make sure the seawall does not sustain a similar damage when hit by another storm. They could go ahead and do some work with the seawall, but more than likely, they will not be reimbursed for it.

2) Councilmember Ramswell

Councilmember Ramswell asked if they would be discussing different departmental projects and other departmental expenditures at the next budget workshop; to which the City Manager replied affirmatively.

3) Councilmember Menchel
4) Councilmember Overdier
5) Councilmember Marler
6) Councilmember Destin

Councilmember Destin stated that he would be bringing back a proposal for funding a scoreboard for the YMCA swimming pool. They could not run swimming events or host tournaments that would bring people into town without a scoreboard.

7) Councilmember Morgan
8) Mayor Jarvis

At this time, the City Manager informed the Council they have a lot of vehicles that are due to be replaced, but he realizes that they will not be able to purchase all these vehicles this year and so they will bring back a list of vehicles they could possibly purchase this year.

According to Mr. Burgess, a previous City Manager set a policy several years ago about when to replace a vehicle. It is based on either time or mileage, and that the Deputy Public Services Director put a list together for FY 2020 of 11 vehicles that meet the criteria for replacement. Some were purchased in 2001 and some in 2004.

Next, Mr. Farmer stated they had planned to bring back an agenda item at the next Council meeting on July 15th for Council to adopt a tentative millage rate. Based on tonight's discussion, the Council may not be ready to adopt a tentative millage rate until at least after the second budget workshop on July 17th. They were also going to ask Council to adopt a new fee schedule. He recommends scheduling a special Council meeting after the July 17th workshop just for the adoption of a tentative millage rate and the new fee schedule and try to incorporate the result of their discussion tonight as well as the next budget workshop.

Councilmember Morgan stated he sees no reason why they could not adopt a tentative millage rate at their regular meeting on July 15th since it is "tentative" and they will still can still change it later, if necessary.

Mr. Farmer noted that once they adopt a tentative millage rate, they could only decrease and not increase it.

There were no objections to schedule the adoption of the tentative millage rate and fee schedule on July 15th City Council meeting.

Building Official Noell Bell noted that the Code Compliance Building Inspector that the Community Development Department is proposing would conduct inspections for all short-term rental registrations. The inspector would check vacation homes to make sure they meet all life-safety requirements and detect any serious code violations such as placing additional bunks in closets with no emergency egress and smoke detectors. The position will be self-sustainable with the permitting fees.

D. Public Comments

ADJOURNMENT

Having no further business at this time, the meeting was adjourned at 6:55 PM.

Gary Jarvis, Mayor

ATTEST:

Rey Bailey, City Clerk

CITY OF DESTIN SEAL FLORIDA