MINUTES
SPECIAL WORKSHOP
DESTIN CITY COUNCIL
AUGUST 12, 2019
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 Gary Jarvis
Councilmember Chatham Morgan
Councilmember Cyron Marler
Councilmember Parker Destin
Councilmember Steven Menchel
Councilmember Skip Overdier
Councilmember Prebble Ramswell

Destin City Staff

City Manager Lance Johnson
Public Information Manager Catherine Card
IT Manager Karen Jankowski
Public Services Director Michael Burgess
Parks/Rec Deputy Director Scott Berrish
Land Use Attorney Kimberly Kopp
City Clerk Rey Bailey
Deputy City Manager Webb Warren
Finance Director Bragg Farmer
Code Compliance Manager Joey Forgione
Library Director Wen Livingston
City Attorney Kyle Bauman

CALL TO ORDER

Mayor Gary Jarvis called the meeting to order at 6:00 PM, on Monday, August 12, 2019, in the City Hall Annex Council Chambers.

WORKSHOP

1. City of Destin Fiscal Year 2020 Budget.

The City Manager discussed the Fiscal Year 2020 budget process and provided highlights of the Fiscal Year 2020 budget.

Budget Process:

- Operational Budget Workshop – July 10, 2019
- Capital Budget Workshop – July 17, 2019
- Individual Sessions with Council members for Capital and Operational Budget – July 24 - August 9, 2019
- Final Budget Workshop – August 12, 2019
- Adoption of a Balanced 2020 Budget – September 2019

Budget Highlights:

- General Fund Revenue has increased 5.3% - $793,837

- Property Values Increased by 7.07 from $5,036,292,458 to $5,392,311,107
- TDD Operating Funding $459,000

- Town Center CRA Increased $ 75,999
- Harbor CRA Increased $ 42,237

Revenue Highlights

- Property Tax Value Revenue Increase $584,626
- No Millage Increase
- State Revenue Sharing up $ 84,000
  - Communications Service Tax – down $34,000
  - Half-Cent Sales Tax – up $79,000 / Municipal Tax – up $39,000
- Gas Tax – down - $ 23,500
- Grant Revenue – Beach Land Acquisition $6,500,000

DISCUSSIONS:

Councilmember Destin asked for the reason for Communications Service Tax revenue reduction.

Finance Director Bragg Farmer explained it was due to the pressure from the Legislature and the way they are bundling the taxes. The tax is different now than it was in the past when the internet, cable and telephone are all on the same company and taxed separately.

Next, Mr. Farmer provided highlights of Fiscal Year 2020 revenue and expenditures.

Fiscal Year 2020 Budgeted Revenue

- Taxes (38.6%) $8,675,910
- Intergovernmental (38.3%) $8,644,000
- License/Permits (11.9%) $2,685,625
- Special Revenue (7.6%) $1,714,605
  (Note: Communications Service Tax and Half-Cents Sales Tax revenues committed for debt service. Funds are deposited to Special Revenue account. Once cost for debt service is covered, funds are reallocated back into General Funds. The re-allocation is for approximately $1.7 million)
- Charge for Service (2.2%) $ 503,760
- Miscellaneous (1.3%) $ 290,700
- Fines (.2%) $ 50,000

DISCUSSION

Councilmember Destin asked Mr. Farmer to expound on the debt service.

Mr. Farmer explained that the City currently has 4 loans – Town Center CRA loan, Harbor CRA loan, and two notes written back in the late 1990s and early 2000 worth approximately $4.8 million and $5.5 million. He continued that the Harbor CRA loan and the two City loans will be retired in approximately 10 years.

Councilmember Destin inquired as to the nature of the two City loans.

According to Mr. Farmer, one of the initial bonds was for the Morgan Sports Center, and the other was for transportation and stormwater related projects.

Councilmember Destin asked whether the Half-Cent Sales Tax revenues depicted in an earlier slide pertain to the original or the new sales tax.

Mr. Farmer explained it is the original Half-Cent Sales Tax every community receives. The Half-Cent Sales Tax that recently passed is considered a discretionary tax and that money is only available for spending on specific items outlined in the referendum language. He also stated they could also bond the Half-Cent Sales Tax if they choose to do so.

Councilmember Morgan asked how long before they pay off the debt service for the Town Center CRA.

Mr. Farmer noted that based on the payment schedule, the Town Center CRA loan will be paid off in 2037.

Councilmember Ramswell stated that when they were refinancing one of the CRAs a few years back, they were expecting to pay off the debt by 2020 or 2021. She asked for the reason they will be unable to meet that expectation.

Mr. Farmer stated that they refinanced the Town Center CRA and took the interest rate from about 7.5 percent to less than 4 percent. The note was originally amortized for over 30 years and they were already coming up to a 20-year mark; and so, their principal repayment was huge. They extended the CRA loan for another 10 years, which allowed them to re-amortize the note for another 10 years. It also allowed the principal amount to decrease by 50 percent and significantly helped to make that CRA become more solvent on its lower revenue projection. This year is the first year in the past 12 years the City did not have to loan the Town Center CRA

Councilmember Ramswell asked why the Harbor CRA still owe so much money when it was already in fairly good shape.

Mr. Farmer explained the Harbor CRA notes have never been in trouble. They were able to accumulate a significant fund balance prior to the market property values dropping. Currently, the Harbor CRA is not bringing in enough revenue to cover its debt service and its operating cost, but there is enough fund balance to cover that shortfall of about $30,000 a year. He further stated that the City had never loaned the Harbor CRA any money as they have continued to maintain enough fund balance.

General Fund Expenditures Highlights:

- Operating Expenditure Increased 10.79% $1,346,804
- Capital spending (Fund Balance) $2,000,000

- ❖ Beach Land Acquisition
- ➢ No funding to Town Center CRA
  - ❖ Total Advanced ($2,314,144)
- ➢ Sheriff Contract – up $2,288,796
  - ❖ $128,586 increase 6.50% ($108,990)
- ➢ Beach TDD Funding $ 459,000

DISCUSSIONS

Mr. Farmer noted they recently received a revised proposal for the Sheriff's contract that takes the number up to approximately $2.3 million; which is an increase of about $67,000.

Councilmember Marler wants to know the reason for the revised proposal.

The City Manager noted that Capt. Nix announced during the first budget workshop that they were anticipating submitting a revised proposal to incorporate a 3 percent merit raise for their deputies; but the City just never received an official proposal and the increase was never included in the budget.

Fiscal Year 2020 Budgeted Expenditures

➢ Administrative (20.3%)	$3,205,392
➢ Culture/Rec. (20.2%)	$3,184,538
➢ Public Works (18.0%)	$2,838,612
➢ Public Safety (15.2%)	$2,402,870
➢ Community Development (13.4%)	$2,122,993
➢ CRAs (9.5%)	$1,506,330
➢ Debt (3.4%)	$ 535,578

Capital Project Funding: $10,501,653

➢ General Fund **	$2,000,000
➢ Grants **	$6,570,000
➢ Gas Tax *	$ 714,617
➢ Impact Fees *	$ 322,036
➢ Multi-Modal *	$ 250,000
➢ Half-Cent Sales Tax *	$ 645,000

(*) Restricted for specific usage
(**) Beach Acquisition

Capital Improvement Projects

➢ Beach Drive / Resurfacing – Gas Tax	$ 600,000
➢ Other Streets / Resurfacing – Gas Tax	$ 114,617
➢ Beach Land Acquisition – GF Fund Balance	$2,000,000
➢ Buck Destin Basketball Resurface – Imp. Fee	$ 35,000
➢ Destin Elementary Track – Imp. Fee	$ 50,000

- Quail Run Flood Abatement – Imp. Fee $ 85,000
- ROW Access Beach to Benning – Grant $2,700,000
- Public Beach Acquisition – Grant $6,500,000
- Stormwater Cross & Cahoun – Grant $ 70,000
- Stormwater Mattie Kelly Park – ½ Sales Tax $ 120,000
- Zerbe Street Parking Lot – ½ Sales Tax $ 75,000
- Zerbe-Calhoun Pedestrian Phase 1 $ 750,000
  - Impact Fee - $150,000
  - Half-Cent Sales Tax - $350,000
- Zerbe-Calhoun Pedestrian Phase II $ 150,000
  - Half-Cent Sales Tax – $100,000
  - Impact Fee - $50,000

The City Manager discussed the following personnel information.

Personnel: 84 Full-Time & 17 Part-Time Positions

- 2% Cola $ 92,000
- 2% Merit $ 68,000
- Health Insurance Increase 6.0% $ 193,400
- New Positions:
  - Grants/Project Manager $ 94,654
  - IT Help Desk Technician $ 63,117

Surtax Revenues

- Seeking discussion for prioritizing and recommending future surtax projects. Official action would take place at a future Council meeting
- Surtax Committee (Options)
  - Made up of the City Council members and Mayor
  - Made up of volunteers appointed by the Council
  - Other ideas?
  - City Council will always have the approval authority

DISCUSSION

The City Manager noted that the Community Development Director has requested a new Building Inspector, a new receptionist, and job reclassification for two permit technicians. The job reclassification for the technicians have been handled. The new building inspector and receptionist positions are not included in the current budget; however, they anticipate an increase in revenue from the department and possibly bringing those people on board by next spring.

The City Manager also noted that the Code Compliance Department is under a similar situation. They feel the department will generate enough money through fees to be able to increase their staff as necessary. They will bring a recommendation back to the City Council after they had a chance to evaluate the effectiveness of the current regulation this past summer.

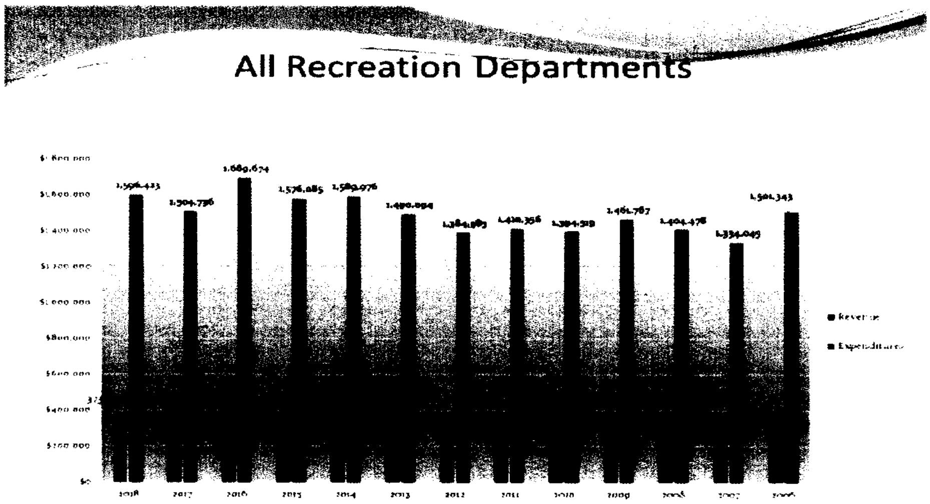
Councilmember Destin asked when the increase in short term rental fees becomes effective and they start receiving added revenues.

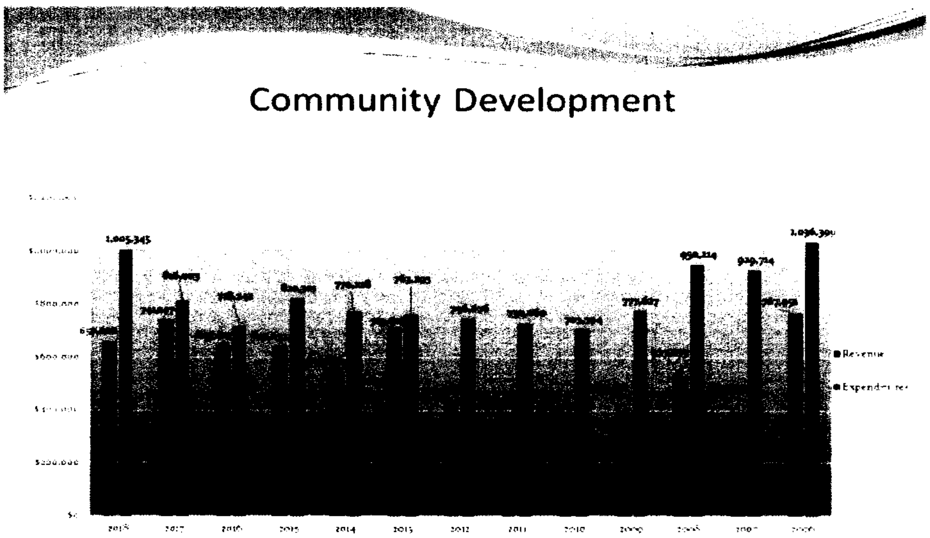
Code Compliance Manager Joey Forgione stated they will start receiving added revenues by February or March 2020; adding they registered approximately 875 short-term rentals last year and they expect a significant increase in the number of registrations this year.

Councilmember Ramswell asked if the Code Compliance Department received all the necessary personnel and equipment they requested and included in this budget.

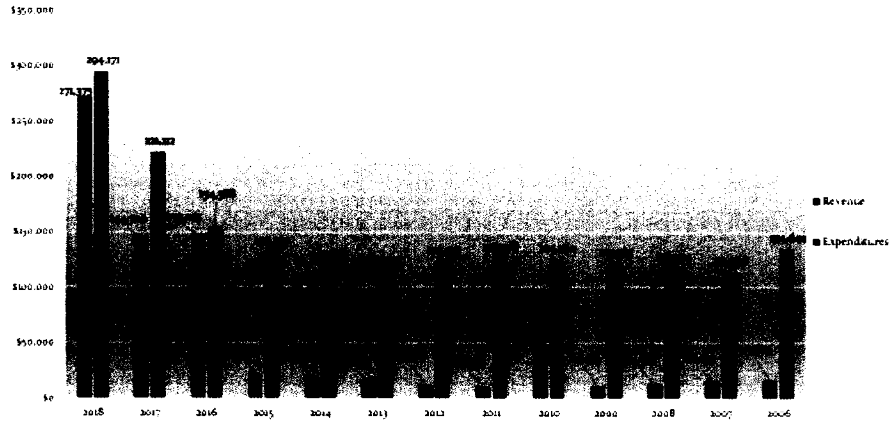
Mr. Forgione noted that the City Manager provided an update regarding personnel. He stated that he is working with the IT Manager for the computers and printers.

The City Manager briefly explained the following slides:

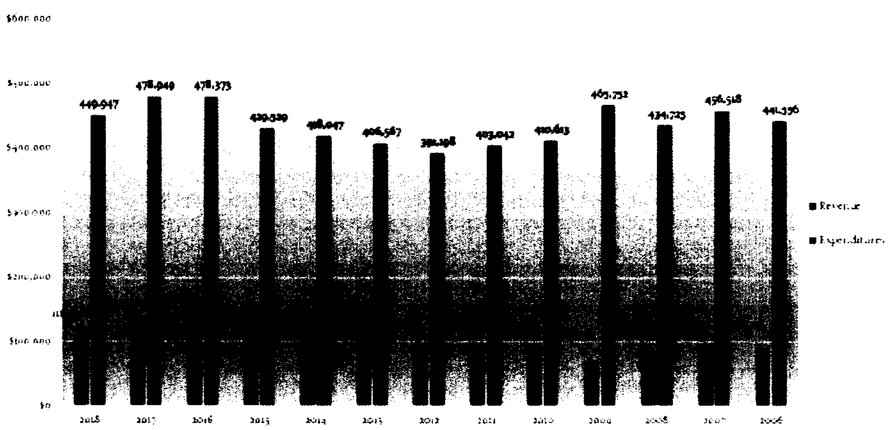




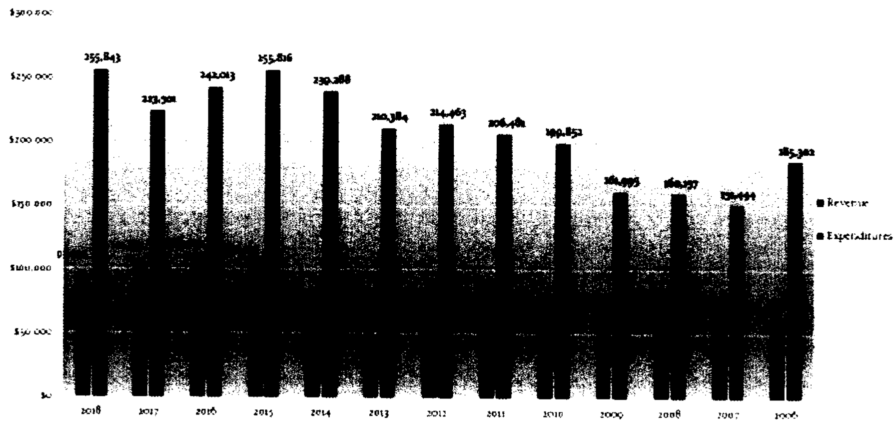
Code



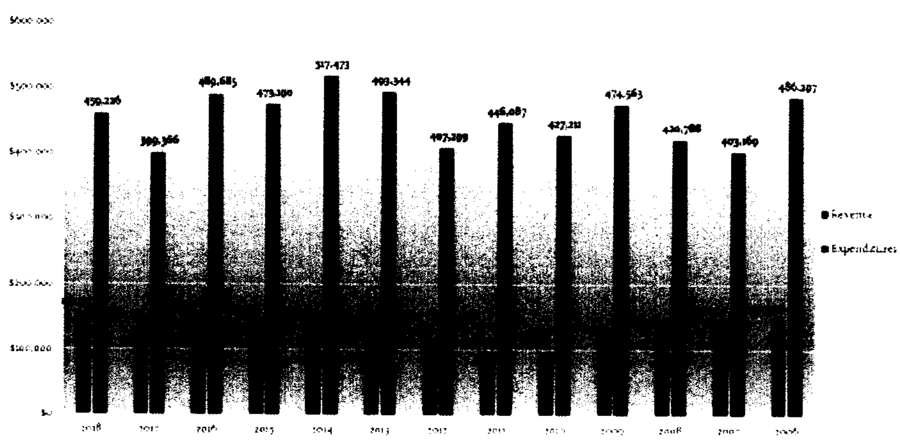
Community Center



Recreation



Morgan's Sport Center



Councilmember Ramswell requested an update on the Pickleball Court situation.

The Parks and Recreation Director Lisa Firth noted that the Council approved $40,000 this year to build one Pickleball court. They received an estimate of $43,000 to build one Pickleball court and approximately $3,000 for the design. They could build 4 Pickleball courts for an additional $50,000; for a total of $93,000 for 4 Pickleball courts.

Councilmember Destin asked where they could place the 4 Pickleball courts if they decide to go that route.

The City Manager replied they could have the courts built next to the small dog park.

There were some discussions whether most Pickleball players would utilize an outdoor Pickleball court as well as an indoor court.

Ms. Firth noted they currently have 3 indoor Pickleball courts at the Destin Community Center and 2 outdoor courts at the Buck Destin Park; adding that people rarely use the outdoor courts during the winter months, and they do not have enough Pickleball courts especially during Snowbirds season.

Several Council members feel it would be a waste of money to build outdoor Pickleball courts if they are not going to be used year-round, and they do not have the funds to build an indoor facility.

Councilmember Menchel asked if they could build a dual-purpose court – such as for Pickleball and Tennis.

Councilmember Destin stated they would not be able to convince people to use an outdoor court during wintertime. Most people would prefer to use an indoor court.

The City Manager noted that this item is on the next Council meeting agenda for discussion and a vote. It was the consensus of the Council to wait until then to discuss this issue further and vote whether to move forward with it.

Next, the City Manager asked how the Council want to proceed with prioritizing proposed projects that could utilize funds from the Half-Cent Sales Tax. He stated that one option is for this Council to review and rank potential projects. Another option is for the Council to appoint an advisory committee that will review potential projects and make funding recommendations to the Council.

The Mayor suggests appointing a committee of citizens as an advisory committee, as they could bring fresh ideas and insights into this process.

The City Attorney noted a third option of appointing a current standing board, such as the Local Planning Agency, as a Half-Cent Sales Tax Advisory Committee.

The City Manager stated that no matter what they decide, the Council will have the final approval authority for the projects.

Councilmember Ramswell asked if there are certain designated uses for this money.

According to the City Attorney, they are basically for capital expenditures that enhance the public safety and public facilities.

Councilmember Morgan stated that based on that reason the Public Works and Safety Committee would be a more logical choice to perform this task.

Councilmember Destin noted that part of the Half-Cent Sales Tax money has been allocated for the Zerbe Street improvements. He asked how much of the proceeds have not been allocated.

According to Mr. Farmer, they have approximately half a million this year that is unallocated, plus approximately $200,000 next year; and so, they have $600,000 to $700,000 of unallocated Half-Cent Sales Tax through September of next year.

Councilmember Menchel suggests they bring this idea to the Public Works and Safety Committee first and see if they are agreeable to handling this task. There were no oppositions from other members of the Council.

Next, the City Manager noted they currently have a shortfall of about $39,000 in their budget due to the revised proposal from the Sheriff's Office; which is basically the cost for one vehicle. Since a valid use for the Half-Cent Sales Tax proceeds is for an emergency vehicle, he would recommend using approximately $39,000 of Half-Cent Sales Tax funds to make up for that shortfall.

Councilmember Menchel stated this would be based on the fact this Council approves the Sheriff's proposal. He stated that he fully supports the Sheriff's Office; however, 80 percent of the calls for service come from non-Destin residents and tourists, and so for this reason the TDD should get involved with the funding. He also stated that Destin brings in the most revenue for Okaloosa County, and so if Destin becomes a crime infested community and no one wants to come to Destin for that reason, it would seriously impact the entire County.

Councilmember Ramswell reiterated that in 2015 she worked closely with then State Representative Matt Gaetz on a bill that would give another 10 percent of the TDC funds to public safety and first responders. That bill passed in 2015. The bill was worded specifically such that the new10 percent funding would not supplant pre-existing expenditures on these services.

It was the consensus of the Council to place this item on the next Council meeting agenda for further discussion and a vote.

2. Tentative Budget for Fiscal Year 2020.

Councilmember Menchel asked if they have budgeted for the Code Compliance Department for any kind of night operations.

Councilmember Ramswell noted that according to the former City Manager, it was written into Code Compliance personnel's job description that there would be night and weekend duties.

Mr. Forgione stated that his officers are working nights and weekends as needed and to the best of their ability with their current manpower. He also stated they receive most of their calls for service during the daytime hours.

According to the City Manager, he and the Code Compliance Manager will discuss what went well and what did not go so well once the summer season is over. He also stated that the department is expected to generate enough funds that would enable them to hire more people and expand their coverage for nighttime and weekend operations; and to have the new people in place before spring break.

Next, Councilmember Menchel mentioned that the Council approved about $30,000 this year for the repair of the street sweeper. He asked whether additional money is needed and if they have it budgeted.

Public Services Director Michael Burgess noted that the $30,000 the Council appropriated a few weeks ago was for the repair of the primary engine. He continued that the street sweeper also sustained some body damage, and that the suction head at the bottom of it was also damaged. He added they received the quotes and have the funding available to repair the other damages.

Councilmember Menchel pointed out that in the draft copy of the Public Works and Safety Committee meeting minutes that was provided to the Council, Committee member Jim Wood stated that the streetlights on US Hwy 98 will be replaced with LED lights after the 3R project is completed and that they are to be paid for by safety funds. Councilmember Menchel asked if anyone is familiar with this safety funds.

According to Mr. Burgess, he is not aware of any lights being replaced as far as the 3R project is concern; but he will check with FDOT and report back to Council.

Councilmember Menchel recommends they live stream all Council meetings, including special meetings and workshops; adding this was also suggested to him by several citizens. He also stated he would be glad to discuss this issue at the next visioning session.

Deputy City Manager Webb Warren stated that from the budgetary standpoint, regular City Council meeting schedules are easy to forecast throughout the year; but, staff would look into budgeting extra funds for special council meetings and workshops and check with the videographer they have contracted for the job to see if his schedule would accommodate live streaming the other meetings and come back with some recommendations.

Councilmember Menchel asked if this task can be performed by an IT person, like most other organizations.

According to Mr. Warren, it is an option they have considered in the past. But most of the equipment belongs to the videographer, and so there will be some infrastructure investments they have to make in order to take on this task in house. He will also look at the City's new IT Manager's credential as it relates to this task.

Next, Councilmember Menchel informed the Council he had asked the City Manager to obtain a price or a quote to purchase or rent a road striping truck or machine. He stated that many people have complained about their roadways not being properly marked, and they could put this equipment to use with the amount of roadway they have in the City. He also stated that he plans to perform a survey identifying each road at every intersection that requires striping and bring it back to the Council. He further stated that even though they do not have the money to resurface every road, re-striping these roads would make them look better and much safer.

Mr. Burgess noted that they have recently completed a pavement marking assessment for the entire City; and that he will send the information to Council.

Councilmember Destin announced that the Emerald Coast Fitness Foundation Aquatic Center has requested a donation of approximately $10,000 from the City for a scoreboard over their facility. He stated that he is a big advocate of the City swimming pool. The City had already put in several million dollars into that facility over the last 10 years, and that the City is benefitting from that deal because they have a private entity running what is basically a public infrastructure, which is the swimming pool, that everybody in town gets to use including the firefighters and lifeguards. The only cost the city has had recently incurred has been the $50,000 they provided to the aquatic center in 2016 so they could reopen the facility. The Aquatic Center has been successful and are moving forward and $10,000 is a small price to pay for what the City is getting in return. He also stated he would invite a representative from the Aquatic Center to come before the Council to make an official request.

Councilmember Ramswell noted that the City's Parks and Recreation Department has done an amazing job of attracting tournaments through the years and has been such a success story for the whole City; and that the Emerald Coast Aquatic Center hosts multiple swimming meets and attracting more and more swimming tournaments. She suggests they entertain the possibility of having some sort of a public-private partnership between the City and the Aquatic Center to bring in even more tournaments, which would then equate to more money for the City. This partnership could potentially benefit the City, the Aquatic Center and the TDC. This is one of the allowable expenditures for TDC funds. It may also allow the Aquatic Center to expand their facility and build the 50-meter swimming pool which they have always planned to build.

Ms. Firth stated that the Parks and Recreation Department would be interested in pursuing this idea. They currently take the children to the Emerald Coast Scuba for their summer swimming programs.

Next, Councilmember Destin inquired as to the City's plan for their Emergency Operation Center (EOC).

According to Mr. Warren, Mr. Patrick Maddox, Chief of Emergency Management at Okaloosa County Public Safety has provided the City a wealth of resources for different grants available for hardening facilities. They have started that process to identify potential funding for the EOC facility; adding that the Half-Cent Sales Tax is also a potential funding source.

Councilmember Morgan asked if they plan to take a vote in establishing the Surtax Advisory Committee.

The City Attorney stated they will bring back some recommendations for Council's approval at a future Council meeting .

Councilmember Morgan opined the best use of the surtax fund is for undergrounding electric utilities and obtaining public beach access.

Councilmember Ramswell noted that the City Clerk has sent the Council a document containing millage rate comparison among State municipalities and counties. The document shows Okaloosa County being ranked 60th out of 67 counties in terms of having the lowest millage rate. Destin is close to the bottom of the list among municipalities; as they are ranked 362nd out of 384 cities.

The Mayor noted that he requested that information because a lot of their citizens are complaining about paying more in taxes. He just want them to be aware of what this City, the City Council and staff have accomplished despite having one of the lowest millage rate in the State.

ADJOURNMENT

Having no further business at this time, the meeting was adjourned at 7:20 PM.

Gary Jarvis, Mayor

ATTEST:

Rey Bailey, City Clerk