MINUTES
BUDGET WORKSHOP
DESTIN CITY COUNCIL
JULY 13, 2020
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 Prebble Ramswell (Virtual)
Councilmember Chatham Morgan (Virtual)
Councilmember Cyron Marler (Virtual)
Councilmember Steven Menchel (Virtual)
Councilmember Skip Overdier (Virtual)

Destin City Staff

City Manager Lance Johnson
Deputy City Manager Webb Warren
Finance Director Krystal Strickland
City Clerk Rey Bailey
IT Technician James Lauria
City Attorney Kyle Bauman

CALL TO ORDER

Mayor Pro Tem Prebble Ramswell called the meeting to order at 5:30 PM, which was then followed by the recitation of the Pledge of Allegiance.

WORKSHOP

A. City of Destin Fiscal Year 2021 Budget

Finance Director Krystal Strickland presented the following information:

2021 Budget Process

- Capital Budget Workshop – June 29, 2020
- Operational Budget Workshop – July 13, 2020
- Individual Session with Council for Capital and Operational Budget – July 29-31, 2020
- Optional Budget Workshop – August 10, 2020
- Adoption of a Balanced Budget – September 2020

Ad Valorem – Actual vs Projected

		FY2020 Actual		FY2021 Projected		Amount of Increase	% Change
;F Ad Valorem @ 1.6150	$	7,556,223	$	8,099,316	$	543,093	7%
'own Center CRA		257,304		290,297		32,993	13%
·larbor CRA		319,174		331,449		12,275	4%
	$	8,132,701	$	8,721,062	$	588,361	

Ad Valorem – at Different Millage Rates

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

	1.6150	1.7150	Variance
Property Taxable Value			
$100,000	$161.50	$171.50	$10.00
$400,000	$646.00	$686.00	$40.00

Zip code 32541 median real property value = $420,000

Funding to the City at the two Different Millage Rates

	1.6150	1.7150	
Total Taxable Property Value			
$5,400,038,408	$8,721,062	$9,261,066	$540,004

How We Leverage Your Tax Dollars
FY 2021 Grants and Aids

	Total Funding to City		Average Household
Ad Valorem you pay	$ 8,721,062	26%	$646.00
Grants and Aids	24,899,292	74%	
	$ 33,620,354		

General Fund Operating Revenues

	FY2019 Actuals	FY2020 Adopted	FY2020 Projected	FY2021 Projected
Ad Valorem	7,346,575	7,777,693	7,559,732	8,099,316
Licenses & Permits	2,848,464	2,683,525	2,817,611	3,565,470
Intergovernmental	3,494,078	3,716,736	2,310,667	5,321,633
Other Revenues	2,480,160	2,632,718	2,194,101	2,066,451
TOTAL OP REVENUES	$ 16,169,277	$16,810,672	$14,882,112	$19,052,870

- Electric Franchise (Licenses) may increase to assist towards Undergrounding
- Intergovernmental increase in FY2021 with RESTORE and NFWF reimbursements
- Other Revenues decrease due to moving restricted $ from GF into CIP restricted fund

8

General Fund Operating Expenditures

	FY2019 Actuals	FY2020 Adopted	FY2020 Projected	FY2021 Projected
General Government	4,310,583	5,215,598	4,779,770	5,140,145
Public Safety	3,061,646	3,581,031	3,482,665	3,584,206
Transportation	1,777,864	2,586,012	1,771,731	2,105,683
Culture & Recreation	2,576,438	3,603,930	2,675,110	3,152,301
Other Expenditures	110,151	250,930	242,149	156,237
TOTAL OP EXPENDITURES	$11,836,683	$15,237,501	$12,951,426	$14,138,572

FY2021 assumes the 11 open positions will be filled.
FY2021 begin staffing and maintenance of Leonard Destin Park.
OCSO Contract for 2021 is $28K lower than the 2020 contract

Personnel: 87 Full Time & 20 Part-Time

- 2% Cost of Living $89,490
- 2% Merit $64,345
- Health Insurance increase 3.5% $63,058
- New Positions
  - Zero Additions for FY2021
  - Currently recruiting to fill 11 FT vacancies

	FY2021 Expenditures	
Personnel	$6,606,234	47%
Other Expenditures	7,532,338	53%
TOTAL GF Op Expenditures	$14,138,572	

General Fund Transfers Out

	FY2019 Actuals	FY2020 Adopted	FY2020 Projected	FY2021 Projected
Facilities R&R Fund	-	-	-	1,556,000
2013 Debt Service	543,600	556,827	556,827	556,047
Infrastructure R&R Fund (gas tax #1)	774,746	714,617	1,180,586	470,879
1/2 Cent Sales tax for Capital Projects	-	-	645,000	1,431,792
CD Technology Fund	-	-	-	120,459
CIP Grants (NFWF, RESTORE)	-	878,196	-	2,744,151
Special Capital Projects	-	-	-	3,000,000
TOTAL TRANSFERS OUT	$ 1,318,346	$ 2,149,640	$ 2,382,413	$ 9,879,327

FY2021

- Establish a facilities Renewal and Replacement Fund
- Reimbursement from NFWF and RESTORE
- Beach acquisition and matching funds for capital grants

General Fund Balance

	FY2019 Actuals	FY2020 Adopted	FY2020 Projected	FY2021 Projected
Operating Revenues	16,169,277	16,810,672	14,882,112	19,052,870
Operating Expenditures	11,836,683	15,237,501	12,951,426	14,138,572
Transfers Out	1,318,346	2,149,640	2,382,413	9,879,327
Net Change in Fund Balance	$ 3,014,248	$ (576,470)	$ (451,727)	$ (4,965,030)
Beginning Fund Balance	21,762,217	24,776,465	24,776,465	24,324,738
Ending Fund Balance	$ 24,776,465	$ 24,199,995	$ 24,324,738	$ 19,359,708

General Fund Balance

	FY2019 Actuals	FY2020 Adopted	FY2020 Projected	FY2021 Projected
Nonspendable				
Interfund Advance	2,448,824	2,448,824	2,448,824	2,448,824
Restricted:				
Impact fees	2,584,256	2,584,256	2,410,452	1,934,882
Gas Tax #2	224,345	221,809	215,000	220,000
Debt Service	2,327,337	2,392,206	2,346,194	2,336,115
Committed:				
Emergency	2,793,067	2,793,067	2,793,067	2,793,067
1/2 Penny Local Surtax	918,383	1,768,383	1,768,383	2,968,383
Assigned:				
Encumbrances	965,486		2,054,487	
Software Upgrades	248,106			120,459
Unassigned:	12,266,660	11,991,450	10,288,330	6,537,979
FUND BALANCE	$ 24,776,465	$ 24,199,995	$ 24,324,738	$ 19,359,708

13

Updated 5-Year Capital Budget Summary

	FY 21	FY 22	FY 23	FY 24	FY 25	Total
FACILITIES R&R SUBTOTAL	$ 1,566,000	$ 242,078	$ 242,078	$ 242,078	$ 242,078	$ 2,534,310
INFRASTRUCTURE R&R SUBTOTAL	1,568,589	$ 920,000	$ 866,800	$ 800,000	$ 800,000	$ 4,955,389
COMP PLAN INFRASTRUCTURE SUBTOTAL	200,000	$ 200,000	$ 200,000	$ 200,000	$ 200,000	$ 1,000,000
GROWTH NECESSITATED SUBTOTAL	352,000	$ 750,000	$ -	$ -	$ -	$ 1,102,000
CITIZEN/COUNCIL DIRECTED SUBTOTAL	26,100,000	$ 3,300,000	$ 1,600,000	$ -	$ 48,000,000	$ 79,000,000
OTHERS SUBTOTAL	5,323,621	$ 1,009,000	$ -	$ -	$ -	$ 6,332,621
GRAND TOTAL BUDGET REQUESTS	**$ 35,110,210**	**$ 6,421,078**	**$ 2,908,878**	**$ 1,242,078**	**$ 49,242,078**	**$ 94,924,320**

AVAILABLE FUNDING	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**	**Total**
FACILITIES R&R	$ 1,566,000	$ 242,078	$ 242,078	$ 242,078	$ 242,078	$ 2,534,312
GAS TAX #1	470,879	480,296	489,902	499,700	509,694	2,450,471
GAS TAX #2	213,128	213,128	213,128	213,128	213,128	1,065,640
POLICE PROTECTION IMPACT FEES	4,800	400	400	400	400	6,400
TRAFFIC IMPACT FEES	1,001,657	20,000	20,000	20,000	20,000	1,081,657
PUBLIC LIBRARY IMPACT FEES	116,679	2,000	2,000	2,000	2,000	124,679
PARK IMPACT FEES	142,368	4,000	4,000	4,000	4,000	158,368
NPEB	114,589					114,589
MITIGATION FEE MULTI-MODAL	92,994					92,994
1/2 CENT SALES TAX	1,431,792	438,128	446,891	455,829	464,945	3,237,585
1/2 PENNY LOCAL DISCRETIONARY	3,260,603	1,200,000	1,200,000	1,200,000	1,200,000	8,060,603
CD TECH FUND	120,459	120,459	120,459	120,459	120,459	602,295
Harbor CRA '09 Bond Proceeds	17,188					17,188
02 Construction Bond Proceeds	39,533					39,533
Obligated Grants	2,714,119					2,714,119
Potential Grants	18,162,932	3,300,000	1,600,000	-	-	23,062,932
FUNDING TBD	100					100
GF FOR SPECIAL CAPITAL PROJECTS	3,000,000					3,000,000
GRAND TOTAL AVAILABLE FUNDS	**$ 32,469,820**	**$ 6,020,489**	**$ 4,338,858**	**$ 2,757,594**	**$ 2,776,704**	**$ 48,363,465**

Fiscal Year 2021 Grants

Grant: National Fish &Wildlife Foundation (Deep Horizon)	768,589
Grant: RESTORE Captain Royal Melvin	1,216,530
Grant: RESTORE Clement Taylor	729,000
Grant: TPO Stahlman Ave Intersection*	1,501,500
Grant: TPO X-Town ROW Acquisition*	1,000,000
Grant: TPO HWY 98 Landscaping*	1,161,432
Grant: TDD Beach Acquisition*	13,000,000
Grant: TDD New Beach Park*	1,500,000
FEDERAL GRANT-PHY ENVIRONMENT	2,744,151
GRANTS/MEDIAN MAINTENANCE	13,595
TRAFFIC SIGNAL/HWY LGT MAINT	114,269
FDEP OPS LEONARD DESTIN PARK	83,236
BEACH OPERATIONS/TDC FUNDING	421,976
COUNTY OCCUPATIONAL LICENSES	12,385
COUNTY LIBRARY COOPERATIVE	62,629
CARES ACT*	570,000
	24,899,292

*Expected to be signed within 3-6 months.

X-Town Connector Construction Funding Update: TDC has scheduled $3.2m to be granted to the City

Councilmember Menchel pointed out that in the "General Fund Transfer Out" slide, general fund for "Special Capital Projects" showed a total of $3 million. He asked what the other million dollar funding was for since the cost for beach acquisition was only $2 million,

Ms. Strickland explained the other million dollars are distributed amongst certain projects that require match funding.

Referencing the "General Fund Balance" slide, Councilmember Menchel inquired as to the purpose for "emergency" funding.

Ms. Strickland noted that the City has two accounts created with Raymond James. She has not found the background for these accounts, however, both accounts are very clearly designated as emergency funds.

Next, Councilmember Menchel pointed out that under "Available Funding", in the "Updated 5-Year Capital Budget Summary" slide, "Police Protection Impact Fees" and "Traffic Impact Fees" showed a much higher number in FY 21 than in both FY 22 and FY 23. He asked why there was such a difference in number.

Ms. Strickland explained that funds have built up over the years that are restricted towards growth necessitated transportation needs for FY 21; adding they anticipate developers paying the City an additional $20,000 minimum a year from FY 22 moving forward,

Councilmember Menchel asked if they have attempted to rebid the health insurance portion of the budget to get a better rate.

According to Ms. Strickland, the Human Resources Director Karen Jankowski is not available to speak to that issue this evening; however, Ms. Jankowski is a very prudent person and follows these pricings very closely. She added that Ms. Jankowski is known to go out and either search for another broker or search the territory for better pricing when it is reasonable to do so.

Councilmember Ramswell asked how they stood with the general unassigned fund balance.

Ms. Strickland stated the general unassigned fund balance total is where it should be at this time; adding they should have at least a minimum of 3 months general operating expenditures funding on hand.

Councilmember Ramswell asked how long the City's 11 positions have been vacant and how they may be able to fill these positions.

The City Manager explained that some of the non-essential positions have been intentionally frozen during the pandemic, which came about in March this year. However, they are still trying to hire for the other essential positions, such as the City Engineer position, which are a lot tougher to fill.

Ms. Strickland noted that August 4, 2020 is the deadline to certify their millage rate to the Tax Collector; at which point they set the millage rate to a certain level. They could only lower the millage rate but not increase it until the final adoption of the budget in September. She recommends leaving the ad valorem rate at 1.615. It would technically be a tax increase of 4.25%. She feels it would be more prudent to continue maintaining the millage rate at this point, and that the additional income is so important at this critical juncture for the City where they are so close to achieving some of their primary objectives on their strategic plan.

Councilmember Ramswell asked whether Ms. Strickland, as Finance Director, had any recommendations, possibly a different way of allocating funds that would be more advantageous and beneficial to the City.

Ms. Strickland stated that she has been looking at the current way expenditures are being allocated. Like in many other cities, citizens want to see more fund spent on parks and recreation and less on general government. One thing this city has not been doing to the best of its ability is allocating out those general fund expenses though they have a lot of expenses like maintaining the parks and recreation facilities. She continued that they will see incremental changes over the next 18 months with better parks and recreation numbers and public works transportation; and with general funds expenditures going down. It will be a slow process as she will need more time to go through the books and recalculate and reallocate funds. She added that the City is in a very good shape funding-wise. They are at the appropriate level to meet all their strategic objectives. They do not want to jeopardize their future funding for the undergrounding of the utilities, which is why they need to stay in a nice and slow steady course and work with a solid financial advisor who understands both the bonding and grant funding world.

B. Update on Cares Act Funding

The Deputy City Manager Webb Warren stated that the City has had great partnership with Okaloosa County. They are working in conjunction with the other local cities and the County to find and identify opportunities to help deal with issues during this pandemic. Funds are being released to the County level. The Cares Act Funding must go toward direct action on the COVID-19 pandemic. It cannot supplant any existing funding. He also stated that the City is experiencing challenges with staffing as well as some consulting. The Cares Act gives an opportunity for the City to get some outside consulting on the ENERGOV project to help keep it on track. It is one example of projects they will be working with the County and staff could potentially bring Council an agenda item at their upcoming regular meeting to approve a contract.

Councilmember Menchel inquired as to the status of document scanning.

Mr. Warren noted that the organization they contracted was heavily impacted by the pandemic which has slowed things down on this project considerably.

Councilmember Menchel stated this is something they may want to consider with regards to Cares Act Funding.

C. Update on Beach Acquisition Funding – TDC/Okaloosa County

The Deputy City Manager noted that the City has been working with the County organization on this endeavor, and that everything has been going very well.

PUBLIC COMMENTS

ADJOURNMENT

Having no further business at this time, the meeting was adjourned at 6:15 PM.

Gary Jarvis, Mayor

ATTEST:

Rey Bailey, City Clerk