MINUTES

CITY OF COCOA
SPECIAL MEETING OF THE CITY COUNCIL
BUDGET WORKSHOP

April 23, 2018

A Budget Workshop was held on Monday, April 23, 2018, in City Council Chambers at Cocoa City Hall, 65 Stone Street, Cocoa, Florida as publicly noticed.

I. OPENING MATTERS:

Deputy Mayor Blanco called the workshop to order at 5:35 p.m.

Councilman Whipple provided the invocation. Councilman Boisvert led the assembly in the Pledge of Allegiance.

Present:	Jeri Blanco	Deputy Mayor
	Brenda Warner	Councilwoman
	Clarence Whipple	Councilman
	Don Boisvert	Councilman
	John Titkanich, Jr.	City Manager
	Matt Fuhrer	Assistant City Manager
	Monica Arsenault	Assistant City Clerk
Absent:	Henry U. Parrish III	Mayor
	Anthony Garganese	City Attorney

Other Staff Members Present:

Tammy Gemmati, Administrative Services Director; Jack Walsh, Utilities Director; Nancy Bunt, Deputy Community Services Director; Gene Prince, Fire Chief; Jonathan Lamm, Deputy Fire Chief; Michael Cantaloupe, Chief of Police; Lora Howell, Interim Finance Director; and Lea Taylor, Budget Analyst.

II. WORKSHOP TOPICS:

1. Budget Presentation

City Manager Titkanich explained that the purpose of the workshop is to lay the foundation for the FY19 budget. He explained that projections, priorities, and influencing factors that will affect the budget need to be discussed as well as to obtain direction from Council. Lastly, there will be discussion held on the FY19 Budget Calendar.

He noted that information regarding upcoming budget meetings has been posted on social media to encourage the attendance and input of the community.

City Manager Titkanich mentioned that the City received a Certificate of Achievement for Excellence in Financial Reporting in 2017 from the Government Finance Officers Association. The City was also assigned the Aa2 rating from Moody's Investors Service. He noted that the City of Orlando only received a rating of Aa1. He stated that he feels the City is off to a good start and is on the right track towards fiscal sustainability.

Councilman Whipple inquired about the ranking of the ratings. In response, City Manager Titkanich explained that Aa2 is the third highest ranking and Aa3 is the highest ranking that can be achieved.

City Manager Titkanich shared a snapshot of the current budget. He stated that revenues are at forty-seven percent and the expenses are at forty-five percent in the General Fund. He explained that revenues are at thirty-six percent and expenses are at forty-one percent in the Water/Sewer Fund, however there is a one week lapse that has not been accounted for as the numbers were not completed in time. Additionally, revenues are at thirty-eight percent and expenses are at forty-one percent in the Stormwater Fund.

City Manager Titkanich explained external factors and challenges. This includes the Consumer Price Index, Municipal Cost Index, Construction Cost Index, along with wages, salaries and compensation for state and local government workers. Additionally, the passage of Amendment 1, which is the Expanded Homestead Exemption, catastrophic claims, an increase in health insurance, and natural disasters pose as challenges. He stated that the City still has not received full reimbursement for Hurricane Matthew and the City has not received any money for Hurricane Irma. Furthermore, he explained that there are still expenses that have not hit the books yet that will effect both the Utilities Fund and the General Fund reserves. He stated that there is no definite date as of yet as to when the City will receive reimbursement.

Councilman Whipple asked for additional information regarding the status of the reimbursement from the hurricanes. In response, Ms. Lora Howell provided an update. She stated that the City has received a large portion of funds from Hurricane Matthew; however, there is still approximately one hundred and forty thousand dollars left to be received. This is reimbursement for two outstanding categories, one of them being debris. She stated the City is still working through the process of receiving funds for Hurricane Irma and staff works with FEMA every week to keep the process moving. She noted that even though it is a cumbersome process it seems to be moving along smoothly so far.

City Manager Titkanich provided a brief history leading up to the current budget. In FY15 Stantec worked collaboratively with City staff to develop a Fiscal Sustainability Model. The City was able to use the modeling process to assess options for the fund's sustainability over a ten year projection period. He explained that the City worked with Stantec to update the model for the upcoming FY19 Budget Process. This process involved updating and validating projections, looking at capital funding availability, and evaluating FY19 Utility rates and Millage and Fire assessment rates.

He explained the basis for FY19 General Fund analysis. He explained that in order to determine the preliminary FY19 budget staff utilized the amended FY18 budget, the FY17 CAFR, and extrapolated existing revenues for FY19 projections. Staff took into account departmental requests and projected expenses for future fiscal years through FY2027. He explained that the idea is to maintain the Fund Balance, or Reserves, equal to four months of O&M expenses. City Manager Titkanich mentioned the Capital Improvements Program (CIP) which is a five year program. Each department has submitted their requests. He stated that the CIP review is underway.

City Manager Titkanich noted the budget expenses and revenue drivers. He mentioned that there is an ARC increase in Public Safety Pensions, however, it is important to note that the City is still below thresholds enacted through Pension Reform.

City Manager Titkanich explained the uses of the General Fund balance. He stated that per the Fund Balance Policy, reserves are used for capital expenses only, they cannot sustain recurring expenses. The fund balance must be preserved at the minimum reserve requirement. Furthermore, the City can continue use for catalytic Capital/Economic projects to enhance overall City growth and quality of life.

He shared personnel requests subject to funding availability. The requests are as follows:

- Community Services:
  - Convert Contract Services to FTE or Building and Permitting
- Finance:
  - Customer Service Representative in FY19
  - Staff Accountant (mid-year FY19, TCR/SJR Regional Project)
- Fire:
  - Training Officer (Part-Time GE-12)
- Police:
  - 1 Detective (CPSM Study)
  - 1 Administrative Specialist for Support Services/CID (CPSM Study)
  - 1 Code Enforcement Officer
  - 2 School Resource Officers
- Public Works:
  - 2 Maintenance Workers
  - 1 Fleet Technician
  - Assistant Manager Streets/Stormwater

City Manager gave his recommendations on which items should be prioritized. They are as follows:

- Community Services:
  - Convert Contract Services to FTE or Building and Permitting
- Police:
  - 1 Administrative Specialist for Support Services/CID (CPSM Study)
  - 1 Code Enforcement Officer
- Public Works:

- 2 Maintenance Workers
- Assistant Manager Streets/Stormwater

Councilman Whipple asked how many employees are currently working in the Building Department. In response, City Manager Titkanich explained that there is only one Building Official, one Building Inspector, one Permitting Technician and one Plans Examiner. He explained that if this item is approved in the budget than the City would contract with a third party to assist with inspections and plan reviews and it would also allow for an upgrade for the Permitting Technician so that instant issue permits can be done.

Councilman Whipple inquired about the Public Works positions. Additionally, he inquired whether a second Code officer could be hired. In response, Assistant City Manager Fuhrer and City Manager Titkanich explained that these would be new positions, meaning the head count at Public Works would increase or if there are any positions that are currently "frozen" they would become "unfrozen". In regards to a second Code officer, City Manager Titkanich stated that there are already three officers, one of which is the Code Enforcement Manager. If the budget is approved, this would allow for one additional Code Officer.

City Manager Titkanich reviewed community based requests. These include:

- Cocoa Logistics Training Center – Clearlake Education Center
    - Partnership with BPS subject to FL DEO Job Growth Grant
    - Consistent with 2015 City Economic Base Analysis and Strategic Plan Economic Development Goal 2, Objective 2.1
    - $100,000 capital construction grant
    - Annual operating contribution of $10,000
    - Certified Logistics, Welder, Heavy Equipment Operators, Warehouse Management, Inventory Management, Port and Railroad Worker Training
        - Up to 25% of students would be Cocoa residents, first right to participate

City Manager Titkanich recommended support through Assigned Economic Development Catalyst Funds.

City Manager Titkanich noted that Principal Rachad Wilson from Cocoa High School had met with members of Council to discuss the potential assistance the City could offer in funding several school initiated projects. They are as follows:

- Rubberized track - $145,000 ($120,000)
    - BPS provides $25,000 for School Initiated Projects
- Turf Field - $185,000 ($160,000)
    - BPS provides $25,000 for School Initiated Projects
- Gym Bleachers - $85,000 ($60,000)
    - BPS provides $25,000 for School Initiated Projects

City Manager Titkanich stated that the total request is for $400,000, which would be $80,000 per year for five years. He recommended that Council delay commitment until the outcome of Amendment 1 and that the maximum commitment match BPS contributions.

Discussion was held among Council regarding the request from Cocoa High School. Deputy Mayor Blanco stated that Cocoa High is already known for their strong athletic programs and if the City assists with paying some of the costs of these projects it will help raise the quality of these programs even more.

Councilwoman Warner stated that at the very least, she would like to see the City assist Cocoa High School with some of their fund raising for these projects.

For the purpose of planning the upcoming budget, City Manager Titkanich asked if there was a consensus among Council to commit funds to match BPS contributions for the upcoming budget year and then coming back next fiscal year to consider additional commitments thereafter.

A consensus was made among Council to agree to the recommendation made by the City Manager.

City Manager Titkanich explained that staff will be reviewing Capital Improvement Plan projects for Public Works. He reviewed the budget prioritization in terms of imperative priorities, essential priorities, important priorities, and desired priorities.

He discussed the Financial Analysis Management System (FAMS) model for the General Fund. He noted that this is a preliminary analysis. He provided a brief background and stated that this is a mid-year update to provide preliminary rate plan adjustments utilizing current available data. He explained that this will be updated again with the FY19 budget once it is available. He stated that the prior year analysis showed that the General Fund will be sustainable over the next ten years and it is able to fund the capital projects that were discussed last year, that were included in the model, but were not included in the budget.

City Manager Titkanich reviewed the Budget Development Philosophy for FY19. He noted that in FY15 and FY16 the focus was on public safety and in FY17 and FY18 the focus was on community improvements and infrastructure. In FY19 the focus will be on community improvements and employee investments. This includes:

- Maintain/enhance current LOS
- In addition to providing negotiation raises, provide for level of market equity adjustments for those employees who were hired before implementation of Pay Plan adopted in 2015, and who haven't already received market rate adjustments
- Maintain employee benefits at reasonable levels
- Strategic use of Fund Balance Reserves
- Work in collaboration with CRAs to implement certain redevelopment projects

- Diamond Square CRA – Dr. Joe Lee Smith Center
- Cocoa CRA – updated Waterfront Master Plan

Council expressed their pleasure in providing raises to long standing employees and having competitive rates to encourage people to come and work for the City.

A consensus was made by Council to agree to the proposed Budget Development Philosophy for FY19.

Councilman Whipple inquired about establishing a Key to the City program. In response, City Manager Titkanich explained that this would need to be included in the City Clerk's budget. Councilman Whipple stated that the program would need a policy established and certain requirements would need to be met.

City Manager Titkanich explained the FY19 General Fund revenue assumptions. They are as follows:

- Millage Rate – maintain at 5.9790 mills
- Fire assessment – return to 3% increase from last year's 5% increase
  - FY18 additional increase related to unanticipated higher than projected Debt Service for Fire Protection Assessment Revenue Bonds
- Strategic use of unassigned fund balance for one-time capital and non-recurring expenditure

City Manager Titkanich shared a General Fund trend over the next ten years. He explained that the current analysis shows continued sustainability of the fund.

He asked Council if there is a preliminary consensus for the following:

- Maintain the current Millage Rate at 5.9790
- Preliminary Tax Roll will not be received from BCPA until June 2018
- FY19 projected 3% Fire Assessment Rate increase
  - Reduction from FY18 5% increase to account for higher than projected debt service

A consensus was made by Council to agree to the proposed preliminary recommendations made by the City Manager.

City Manager Titkanich pointed out key observations in regards to the General Fund. The observations include:

- Current analysis shows continued sustainability of the Fund
- New Homestead Exemption included in analysis
- Approximately $110,000 dollars in Ad Valorem revenues lost in FY2021
- Unanticipated costs associated with Hurricane Irma utilized available reserves
- Slightly less available funds for Catalytic projects
  - Total 10-year CIP: $32.5 million

  - Prior plan: $34 million

City Manager Titkanich asked Council for a preliminary consensus to approve the following:

- Millage Rate
  - Maintain current millage rate – 5.9790
  - Preliminary tax roll will not be received from BCPA until June 2018
- Fire Assessment Rate
  - FY19 projected 3% increase
    - Reduction from FY18 5% increase to account for higher than projected debt service

A consensus was made by Council to agree to the proposed preliminary recommendations made by the City Manager.

City Manager Titkanich discussed key observations in regards to the Water and Sewer Fund. The observations include:

- Preliminary 5% annual rate adjustments
- Additional revenues to offset reduced water sales
- Funds higher level of near-term debt for capital needs
- Provides strong debt service coverage
- Maintains reserve balances above minimum target (5 months O&M costs)

Key issues are as follows:

- Minimum Rate Plan: 3.5% annual rate adjustments
- Would require significantly higher levels of borrowing for future capital needs
- Shows weakened debt service coverage to minimum levels
  - 1.5 coverage ratio as minimum
  - 2.0 recommended
- Lesser available emergency reserves than recommended adjustments
  - Reserves used for capital and debt service

City Manager Titkanich spoke about the Water and Sewer Fund trend over the next ten years.

He asked if there is a consensus among Council to accept the preliminary utility rate. Council agreed.

In closing, City Manager Titkanich shared the following announcements:

- June 28, 2018 at 5:30pm - Fiscal Sustainability Update/Budget Priority Workshop
- July 10, 2018 - at 6:00pm - TRIM Hearing to set the tentative ad valorem millage rate
- July 16, 2018 - City Council provided the FY 2019 Budget/CIP Workbooks NLT

- August 8, 2018 at 5:30pm - FY 2018 Budget/CIP Workshop
- August 28, 2018 @ 6:00 p.m.
  - Resolution – Stantec Utility Rate Study/Rate Increase
  - Resolution – Fire Protection Assessment
- September 5, 2018 at 5:30pm – 1st Public Hearing
  - Vote for a Proposed Millage Rate
  - Vote on the Proposed FY2019 Budget
- September 13, 2018 at 5:30pm - 2nd Final Public Hearing
  - Adopt Millage Rate
  - Adopt the FY2019 Budget

City Manager Titkanich asked if there were any additional questions or comments. There being no response, the meeting was adjourned.

III. ADJOURNMENT:

* **MOTION by Councilman Boisvert; Seconded by Deputy Mayor Blanco, to adjourn the Special Meeting of the City Council of April 23, 2018.**

AYES: Boisvert, Warner, Blanco, Whipple

THE MOTION CARRIED UNANIMOUSLY (4-0)

The Budget Workshop adjourned at 7:09 p.m.

Henry U. Parrish III, Mayor

ATTEST:

Carie Shealy, City Clerk
(Transcribed by M. Arsenault, Assistant City Clerk)

SEAL