

CITY OF ST. AUGUSTINE

City Commission Special Budget Meeting
Monday, June 21, 2021

The City Commission met in formal session Monday, June 21, 2021 at 3:00 P.M. in the Alcazar Room at City Hall. The meeting was called to order by Mayor Tracy Upchurch, and the following were present:

1. Roll Call: Tracy Upchurch, Mayor/City Commissioner
Nancy Sikes-Kline, Vice Mayor/City Commissioner (arrived at 3:06 p.m.)
Roxanne Horvath, City Commissioner
John Valdes, City Commissioner
Barbara Blonder, City Commissioner

John Regan, City Manager
Isabelle Lopez, City Attorney
Darlene Galambos, City Clerk
Meredith Breidenstein, Assistant City Manager
Mark Simpson, Director, Financial Services
Todd Grant, Director, Utilities
Greg Johnson, Deputy Director, Financial Services
Jennifer Michaux, Commander of Administration
Elyse Anderson, Recording Secretary

2. General Public Comments

Public comment was opened, and the Commission heard from the following:

- BJ Kalaidi

Public comment was closed.

3. Discussion of 2022 Budget Assumptions with Focus on Revenues

Mark Simpson, Director, Financial Services, reviewed the Revenue Manual which provided a comprehensive synopsis of the revenue sources within the six City Funds.¹

Mr. Simpson discussed the following with the Commission:

- *Ad Valorem Taxes* were largest City revenue source in the General Fund
- Recommended millage rate remain at 7.5 mills and would be in Resolution form at the July 12th meeting; it could be lowered in future, but not increased above 7.5 mills
- Property appraiser estimated property value increase of 7%, which coupled with 7.5 mills would usher an ad valorem tax revenue increase by approximately \$1 million dollars
- Consumer Price Index (CPI) was at 5.8% the past year and would see dramatic increase in inflation since CPI was previously flat or -0.2%
- Major revenue sources included *FPL* and *Sightseeing Vehicle Franchise Fees*, *FPL Utility Tax*, *Communications Service Tax*, and *State Revenue Sharing*

¹ Included in original Commission packet

- *Communications Service Tax* revenues declined due to decreased landline usage, but were still collected for cell phone usage
- *Half-Cent Sales Tax* had largest fiscal year increase due to tourism growth
- *Fire Assessment Fee* was a major source of revenue with goal to cover half the Fire Department's budget; therefore, no fee increases were currently proposed
- *Rents and Royalties*: Suggested a 5.8% increase in City rental property to keep current with inflation and avoid future radical fee increase, since inflation expected to continue for the next several years
- Inflation could moderate back to 3% levels; however, trillions were pumped into economy, long-term effects were unknown, 5.8% was an anomaly, and an eventual return to a 2.5 to 3.0% annual increase was anticipated
- Supplementing the *Building Permits and Fees* revenue decline with mobility fees required further discussion with the City Attorney and Reuben Franklin, Director, Public Works
- Concerned with City getting shorted on *Local Option Gas Tax* since it was based on St. Augustine's population proportion which would not grow substantially compared to the County
- *Parking Fines*: Some would decrease slightly due to technology increases; however, *Parking Fees* increased as City became busier, which enhanced revenue
- *VIC Garage* lost money in peak of 2020, but rebounded and steady future revenues were projected

Mr. Simpson stated he did not present the Marina Fund since there were no fee increases proposed and revenues were expected to increase with post COVID recreation and boating.

Mr. Simpson indicated the Stormwater and Solid Waste Funds were in poor economic

health, and significant discussion with the Commission ensued:

- 5.8% increase in *Water and Sewer Charges* would just maintain labor costs, but materials and equipment were needed
- Water fees not increased since 2015 and a fee increase may encourage people to conserve or invest in low flow plumbing
- Water rates were tiered and reflected per 1,000 gallon usage
- *Stormwater Charges* increased \$0.50 in 2020 to \$8.00 per month with consensus to raise the fee \$0.50 per year until Fund considered sustainable
- Recommended the additional \$0.50 cent increase in *Stormwater Charges* plus 5.8% to keep up with CPI, for total monthly increase from \$8.00 to \$9.00
- Garbage consumption fees in Solid Waste Fund would be difficult to administratively track
- Solid Waste Fund was not currently sustainable with fleet cost increases and replacement of two garbage trucks
- City residential solid waste rates were undercharged in comparison with other counties; therefore, recommended a \$5.00 monthly increase
- Encourage three 'Rs': Reduce, Recycle, Re-use
- Counties' transfer site imposed a cost-of-living increase to \$58 / \$59 a ton for solid waste, and recycling went from \$25, \$35, \$45 to \$95 per ton; therefore, City contracted with a site in Bunnell at \$44 a ton for solid waste and \$45 a ton for recycling
- Yard debris was taken to Indianhead Biomass and cost \$25 per ton
- Short-term rentals considered a residence by State Statute; however, should be charged commercial solid waste rates due to more usage

Ms. Lopez advised that during the implementation of the short-term rental ordinance, Solid Waste was asked to maintain records for short-term rental

usage versus traditional, and the data was inconclusive at that time. She stated more data and analysis was needed to initiate that modification with the State.

Todd Grant, Director, Utilities, stated that data collection for short-term rental solid waste versus residential was difficult due to collection day conflicts and amounts of trash, and they needed all the evidence for the location prior to recommending the commercial rate of \$60.53 per month versus the residential rate of \$17.44.

Mayor Upchurch stated the changes both nationally and internationally in the solid waste economy warranted a detailed workshop discussion.

Mr. Simpson advised he would provide solid waste increase options at the next budget workshop so the Commission could determine whether to propose a higher increase to assist the Solid Waste Fund.

At the request of Commissioner Blonder, Mr. Grant discussed the topic of composting:

- Citizens Survey showed popularity of residential composting
- Evaluation of an economical and efficient way to address the topic showed a subscription-based volunteer system was not feasible for the City
- Too costly to add another collection day and fleet trucks were too old
- Best option was a cost share so residents that wanted compost bins could get one themselves or through City, if City could save with a better price
- Track usage through weekly residential tons and compare weekly numbers
- From April 2020 to April 2021, residential weekly tonnage doubled, and could be due to increase in short-term rental occupancy
- Commercial data collection had many moving parts and would require contracting out the service

- Departmental research currently being done on approach and program implementation

There was no further Commission discussion on City Fund revenues.

There was Commission consensus that the 7.5 millage rate remain the same, and the recommendations for cost-of-living increase and stormwater increase were consistent with their wishes.

4. Discussion of American Rescue Plan and Other Resiliency Funding Opportunities

Mr. Simpson reviewed the American Rescue Plan which would distribute \$350 billion of \$1.9 trillion to state and local governments by the fiscal year end, with \$6.4 million allocated to the City.² He indicated the funds must be spent prior to the 2024 calendar year end, and they could not be used to directly or indirectly offset tax reductions or fund pension plans. He stated within 60 to 90 days, half the funds would be received, and the Florida League of Cities would handle disbursement, since the City's population was less than 50,000.

Mr. Simpson stated he did not recommend using the funds on routine operating expenses or to pay debt since interest rates were low, but he suggested using funds for one-time capital projects or grant matching. He requested Commission input regarding expenditure of the funds.

The Commission, Mr. Simpson and John Regan, City Manager, discussed the funds:

- \$6,477,725 was actual American Rescue Plan disbursement to the City
- One-time COVID 19 relief stimulus
- Use for stormwater improvement projects, such as Lake Maria Sanchez;

² Included in original Commission packet

however, unsure if capable of completion by end of 2024

- Reimburse General Fund on the parking revenue lost due to COVID
- Modernize the Solid Waste fleet to maintain technological equipment shift
- Addition of Fire Department equipment
- Addition of Utility equipment
- Potential additional State monies for resiliency available to City in semi-near future
- Infrastructure was high State priority
- City's credit rating was superior; however, the cash infusion would enhance credit rating and City's ability to borrow for future capital projects
- One-time investments in capital equipment were normally funded by debt; however, funding with this one-time revenue source was the equivalent of reducing the debt burden

Commission Blonder advocated for a workshop to discuss prioritizing resiliency projects. She noted current combined projects cost around \$10 million, and there was a discrepancy of needed funds versus the City's position, and additional funding sources should be sought.

Commissioner Sikes-Kline indicated her belief that discussions of the American Rescue Plan money would coincide with discussion of the Capital Improvement Plan (CIP) and that more concrete suggestions would have been heard during that meeting; however, there was plenty of time for discussion, with exception of larger capital projects that took many years.

Mayor Upchurch concluded he was hearing a desire from the Commission to have detailed conversation about how the American Rescue Plan money would be spent, and he expected concrete recommendations with alternatives for serious analysis, in addition to the conversation about solid waste. He requested transparency and tangible communication to the public regarding

Commission decisions on where the money would be spent.

Commissioner Horvath noted a presentation had taken place at the Northeast Florida Regional Council on the Economic Recovery Workshop Team who planned a public communication website. She noted although Nassau County had much more money, many of the topics would be good for the City.³

Mr. Regan stated the document summarized Mr. Simpson's review of the American Rescue Plan; however, Nassau County had relabeled it and called it the American Prosperity Plan. He noted the City should engage with St. Johns County in those categories, since St. Johns County was in the league of Nassau County. He thanked Commissioner Horvath for sharing the document and stated he would contact Hunter Conrad, St. Johns County Administrator, to discuss the matter and review the potential to interface at the political level.

Mr. Simpson noted he would contact Jesse Dunn, Assistant Director, St. Johns County Office of Management & Budget, to gather more information.

Mr. Simpson introduced Greg Johnson, Deputy Director, Financial Services, who came to the City from Dekalb County Schoolboard, the seventh largest in the United States, where he managed a \$1 billion dollar budget.

Darlene Galambos, City Clerk, introduced Elyse Anderson, Recording Secretary for the Historical Architectural Review Board and Planning and Building.

Mr. Regan introduced Commander Jennifer Michaux, who was the incoming Police Chief, and in attendance for Chief Barry Fox. He reminded the Commission

³ Provided to Commission at meeting

the swearing in ceremony would be held June 30th at the River House.

Mr. Regan and Meredith Breidenstein, Assistant City Manager, requested to cancel the July 26th Commission meeting in order to provide a full twelve days of uninterrupted audiovisual equipment installation in the Alcazar Room.

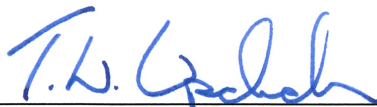
There was Commission consensus to cancel the July 26, 2021 Commission meeting.

There was Commission discussion to reconfigure the Alcazar Room to pre-COVID status, to include removing the center podium behind Mr. Regan, usage of the side podium for public speaking, and potential use of original Commission table.

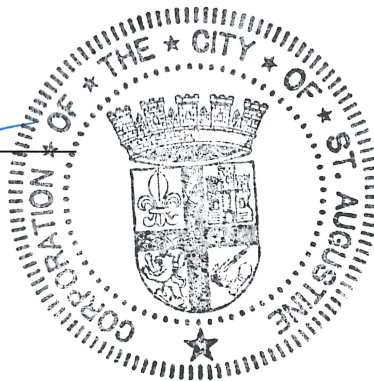
Commission Valdes was not amiable to use the original Commission table, and stated the smaller individual tables provided better opportunity for the room configuration and the ability to see his fellow Commissioners.

6. Adjournment

There being no further business, the meeting was adjourned at 4:01 P.M.⁴


Tracy Upchurch, MAYOR


Darlene Galambos, CITY CLERK



⁴ Transcribed by Elyse Anderson & Laura Morse