CITY OF ST. AUGUSTINE

City Commission Special Budget Meeting
Thursday, August 19, 2021

The City Commission met in formal session Thursday, August 19, 2021 at 9:13 A.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
Roxanne Horvath, City Commissioner
Barbara Blonder, City Commissioner

Absent: John Valdes, City Commissioner

John Regan, City Manager
Isabelle Lopez, City Attorney
Darlene Galambos, City Clerk
Meredith Breidenstein, Assistant City Manager
Mark Simpson, Director, Financial Services
Greg Johnson, Deputy Director, Financial Services
David Birchim, Director, Planning & Building
Todd Grant, Director, Public Works
Reuben Franklin, Director, Public Works
Jim Piggot, Director, General Services
Melissa Wissel, Communications Director
Jennifer Michaux, Chief of Police
Laura Morse, Recording Secretary

2. General Public Comments

Mayor Upchurch advised if time permitted, there would be an additional opportunity for the public to speak when the meeting ended.

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

- Commissioner Sikes-Kline reviewed an email received from Gina Burrell who was unable to attend the meeting and requested to add an additional $10,000 to the Tree Canopy Enhancement Program and two Code Enforcement Officers to City staff[1]

[1] Attached to original minutes

Public comment was closed.

3. Agenda

3.A. Presentation and Discussion Regarding FY2022 Proposed Budget (Mark Simpson, Financial Services Director)

Mark Simpson, Director, Financial Services, reviewed the fiscal year (FY) 2021 Financial Highlights and Accomplishments and the FY2022 Citywide Budget Highlights and he noted the following:[2]

[2] Included with original Commission packet

- Suggested largest allocation of the American Rescue Plan (ARP) funding be used towards the Solid Waste fleet replacement
- Total Revenue Budget for FY2022 was up from $60.5 million last year to $64.7 million and was the general budget City-wide for all Funds
- 60% of City revenues came from fees, charges, or services
- Large portion of Expenditure Budget Report for FY2022 went to public safety, police and fire
- City debt was down to 7%
- Projected 2021 Expenditures due to the $13 million on Lift Station projects, and FEMA revenues were not estimable at the time; however, the City expected 87% returned from FEMA
- Six new personnel recommendations were a difficult ongoing commitment

Commissioner Blonder reflected on City accomplishments and thanked the Commissioners and City staff for their role. She remarked on the body cameras embraced by the police department which showed the community's leadership standard, and she commended the City's COVID response.

Commissioner Blonder expressed her support for the Resiliency Project Manager due to upcoming funds available through various Federal and State opportunities for resiliency. She believed without increasing staff to take advantage of the funds, the City would miss the opportunity.

Mr. Simpson advised the Commission the Budget Book was produced without administrative assistance, and based on the Commissioner's feedback, the final copy would include the following:

- A corrected revenues graph
- A 'budget percentage change' column would be added for the ability to track ad valorem and fees under revenues
- A side-by-side comparison in revenue and expenditure projections would be inserted
- A Table of Contents and numbered pages

Mr. Simpson reviewed each of the City Funds' Revenues, Expenditures and Budget Summaries for FY2022 and noted:

<u>General Fund:</u>

- No tremendous change from year to year in the allocation across categories
- Most revenue came from taxes
- Majority of 6.5 million transfers were administrative for the overhead of the City and various enterprise funds
- No big expenditure change from 2021 to 2022
- Revenues' biggest component was ad valorem tax
- 2021 revenue projection was better than anticipated, the expenditure budget was observed, and there was a projected surplus of $941,000
- The 2022 budget was balanced
- City Commission and City Manager Administration Budgets had significant increase from a $30,000 nightlife engagement risk assessment, and the return of items significantly cut due to COVID, such as St. Francis House and the Chamber of Commerce membership

<u>Utility Fund:</u>

- Majority of revenues were from charges for services
- Debt was paid off which decreased debt service significantly, and the 2011 bond refinance assisted with the figures
- Connection fees or 'flow-based fees' were higher than anticipated and included water and sewer
- Most revenues projected to increase
- Force main overlay charges were off; however, Todd Grant, Director, Utilities, indicated there was a CIP to replace and upgrade the force mains, and the revenue anticipated did not materialize since the projected connections based

on the forecast of certain subdivisions and phasing was inaccurate

- Utility Fund monies were placed into restricted funds and did not have a huge effect on operations
- Projected 2021 charges for services versus the 2022 budget decreased since only $500,000 was budgeted for restricted connection fees which could not be used for ongoing operation, but they were reserved for plan capacity increases
- The $1.1 million could not be used and must remain in reserves and saved for future planning capacity
- It appeared less was budgeted than projections; however, there were new businesses and developments that increased connection fees, and during the past few years the fees were much larger than budgeted

Stormwater Fund:

- Nearly all revenues from charges for services had a 5.8% increase for FY2022 with an anticipated extra $80,000 to $1.2 million in the Fund
- Incremental increases were not completed with the amount of stormwater projects and necessary maintenance, and should be increased 50 cents per year in perpetuity
- Increases approved by the Commission were completed, Stormwater could always use more money, and there was 50 cents in the budget for the year, averaging $9 per single family unit
- Fund only covered maintenance and could not cover capital projects which must be covered by grants, borrowing, or other means
- Stormwater operation was comprised of personal services, operating expense and some capital

Solid Waste Fund:

- Fund was largest challenge
- Rate increase for FY2022 would hopefully provide for upgraded equipment, particularly garbage trucks, and the ARP would be used
- Increase brought Fund 'above water' to operate at a surplus, not a deficit
- Expenditures were almost all operating
- Solid Waste visited each residential property three business days a week, the service was excellent, punctual, pleasant, and focused, and the department deserved a lot of credit

Mayor Upchurch reminded the Commission of the need for a Solid Waste and Recycling Workshop sooner rather than later.

Commissioner Blonder stressed the need to address the fee system inequities during the Workshop, which could assist with the Fund's shortfall.

Marina Fund:

- COVID-19 brought an increased demand for boating and outdoor activity
- Record year of revenues with marina fully functional for 12 months
- No hurricanes
- Uptick in fuel prices, projected surplus from gasoline and diesel sales
- Dockage was better than anticipated
- Mooring field came in on budget
- Did not anticipate record year next year

Visitor Information Center (VIC) Fund:

- VIC performed extremely well with record parking revenues
- Fund rebounded rapidly and nicely
- Major expenditure component was transportation expense at the garage
- Large amount of debt from constructing the garage was covered by the Historic Area CRA
- Gift shop was not at full capacity the entire year, but anticipated a rebound next year
- Interest earnings were unfavorable for the entire City and rates were at 0.1%
- Tourist Development Council allocation offset costs at VIC
- Most gift shop expenses were cost of goods sold

- VIC parking garage hit $4 million for year with 1-1/2 months left in the budget
- VIC should continue with the transfers to help offset the taxpayers' burden and enhance the mobility transfer, historic preservation transfer, or other strategic items requested by the Commission, which could be funded by parking revenues or VIC profits
- Transfer money from VIC Fund to General Fund to offset increased cost of services for large number of tourists who do not pay property taxes
- Expenditure increase from $690,000 to $1.2 million was for re-roofing a portion of the VIC

Mr. Simpson advised Mayor Upchurch the reserve policy for the General Fund was four months of operating income, and the Utilities, Marina and VIC Funds had three months of operating income. He noted these were met favorably by two bond agencies, and the only Fund short was the VIC fund.

Commissioner Sikes-Kline requested that budget reserves be shown in the reports and noted her appreciation of the $108,000 in the VIC reserve. She questioned the projected income on the gift shop.

Mr. Simpson advised the gift shop typically made a 50% profit margin which covered employees, telephones and overhead, and they were looking at revenue enhancements to increase the profitability.

Commissioner Blonder requested a workshop discussion on the following topics:

- Impacts of visitors on fire rescue and policing
- Impacts of increased housing needs for those visitors and the new hotels with potential property development
- Impact fees
- Provide incentives for sustainable development
- Unfair impacts of increases to ad valorem taxes
- Engage with a consultant and reallocate the impact fees, sustainability, resiliency, incentives, and a budget reflecting the opportunity to work with a consultant

Mr. Regan advised the mobility fee technical report, fee schedule, and ordinances were being considered by the Planning and Zoning Board at their special meeting on August 26th, and the Commission would see this topic soon.

Mr. Simpson stated he could add the engagement of a consultant to the Commission professional services budget and remove another item. He stated if a plan could be adopted, then the ARP dollars could fund it since it fit within their categories. He noted first tranche of $3.5 million from the ARP was expected in September, it was not contained in the budget, and the Commission would need to appropriate it separately with a spending plan and changes to the City Code. He advised one workshop would be devoted to Solid Waste, and the other to sustainability initiatives and a master plan development to disburse ARP funds.

Darlene Galambos, City Clerk, advised that in the very near future, workshops on these topics would be scheduled at 3:00 P.M. prior to regular Commission meetings.

Commissioner Sikes-Kline stated this was unusual discussion because of ARP money totaling $7 million which precipitated an entirely new discussion. She requested that a few items be added to the budget:

- Fish Island breakout, more specifically it becoming part of the archeological zone
- Original Bridge of Lions 'lions' needed crash barriers, they were irreplaceable, the most photographed image in the

City and they should find a way to protect them
- Beautification of the City with placement of plastic wraps with nice images on utility boxes, starting at the exterior of the historic districts

Mayor Upchurch noted City staff prepared the ARP suggestions, which they needed to understand as a Commission that this was a once in a lifetime revenue source with few strings attached, and it was important to be judicious and thoughtful for the use and benefit of the City. He asked Mr. Simpson to review the ARP and then they would return to Commissioner comments.

3.B. Discussion of American Rescue Plan Items for Consideration (Mark Simpson & John Regan)

Mr. Simpson reviewed the American Rescue Plan Initiatives which included usage of the funds for projects suggested by City staff.[3] He noted the following:

- Cautioned that federal government program rules could change daily and weekly, and they should all be aware
- Certain project categories had no cost estimate, but were listed for discussion
- They could plus up the VIC reserves for three months of operating revenue, productivity investments, infrastructure and amenities under future economic growth
- Preferred to put majority of money into Capital Improvement Projects (CIPs); however, challenge was money must be spent prior to 2024, and CIPs took a long time
- Suggestions on list were tactical in nature and were items they could meet within the timeframe objectives

The Commission and Mr. Regan discussed:

- Cautioned long lead times in construction, but there were facilities' requests that could be accomplished
- City wanted many projects they could not get to work, such as structural solar shades at the VIC garage to be off grid
- Use of upper garage deck as event space
- $20,000 was allocated for the re-design of City entry signs in the current fiscal year, facilities person was contacted and project was placed on hold, since a complete re-design was contemplated
- Entry signs should be pressure washed and re-painted at the very least
- Items in regular budget that would be appropriate for the expenditure of the ARP funds
- If a project did not fit into the ARP funding, it could be interchanged effectively next year, placed into an operating budget, then something could be deferred from the operating budget and use the ARP funds
- Public Art was needed to make the City unique, with a workshop or a request to artists for ideas, as so much input was required on the idea
- Suggested an amount should go into an Art 'fund' annually so when ready, they had multiple years to draw from
- Upgrade storage facility at the archeological building which housed artifacts in paper boxes that would be lost if there was a leak
- City needed high speed internet services
- Detailed pictures requested when discussing projects such as the VIC roof, which allowed the Commission to better understand the details
- 50 Bridge Street project suggestion was for carpet and paint at the Financial Services building which opened in 2006 or 2007
- Cyber security was paramount; bond ratings review and financial auditors hit hard on cyber security, and although the City passed, it must always stay ahead of the curve

[3] Attached to original minutes

- Take home police vehicles for public safety and mobile office use which became difficult when officers had to share vehicles
- Every City department should have all necessary tools for adequate operation
- Consider purchase of the land for the Island fire station which would convey to the FDOT the seriousness of re-working the intersection and would jumpstart the process

Mr. Regan advised the fire station issue was an active project and they were in negotiations with the State of Florida's head of Land Management; therefore, it was active and would be thought through regarding how to finance.

There was Commission discussion regarding the City's entry signs. Mr. Regan advised the entry signs maintenance contract was stopped because it was substantial, and those monies would carry over into the budget and would be available to commence the work for creating designs for a new entry corridor for a wholesale brand and not refurbishment.

Commissioner Sikes-Kline was going to contact Don Crichlow to determine if there had been a re-design in the past.

Mayor Upchurch stated that although he understood the historic role, he did not envision displaying Civic Club signs on the new City entry signs as they no longer worked with the City's image.

Mr. Regan indicated the entry signs would be pressure washed and painted.

4. Items by Mayor and Commissioners

Commissioner Sikes-Kline inquired about Gina Burrell's request to increase the Tree Canopy Enhancement Program by $10,000.

Commissioner Horvath indicated that the canopy had been added to Lincolnville.

Commissioner Blonder stated Glabra Skipp, Environmental Program Coordinator, was overseeing bringing trees to residents.

Mr. Simpson would verify the operating budget which had a specific line item that dramatically increased, which included tree canopy.

5. Items by City Staff

Mr. Regan provided the Commission with an update to current City challenges and important information. He noted much had been done to meet these challenges:

- Tracked daily COVID outbreaks, but could not adequately track the impact of those staying home to quarantine
- Out of 32 positive cases, 11 were breakthrough cases
- Ripple effect could decimate a department with the example used that Mr. Simpson was without administrative support to produce the budget report
- Water plant operation division was down to 40% of workforce
- Demand on City services had increased significantly; Emergency Management Services (EMS) was running double the call volume at 30 and although some was tourism, 5 out of 30 were COVID related, and COVID cardiac calls put expensive demands on the equipment and supplies
- Planning and Building put out 100% more items such as permits and applications to the PZB versus one year ago
- Challenge when workforce went down was where the management team was focusing their time
- Employee retention issues due to the economy and market competition
- Travel to and from Jacksonville for COVID testing at the Mayo Clinic could be arduous

- Flagler Health Plus unveiled a totally free testing program at the VIC which City employees could use and caused a ripple effect from businesses and industries
- Employees requesting time off for funerals for loved ones who had passed from COVID
- Two employees had passed due to COVID complications and underlying health conditions

Mr. Regan reiterated that a Solid Waste workshop would be scheduled, and the City was one of the few municipalities that had not missed a garbage pickup schedule. He commended Mr. Grant for his leadership.

Mr. Regan stated that educating the workforce on the vaccine had a positive impact on many employees along with the City's sick-leave policy. He indicated the workforce was continually advised of their essential services provided to society and provided the continued suggestions of risk management for COVID prevention. He asserted that the City had a great group of people and a great Commission, and he thanked the Commission for their time.

Mr. Regan noted the American Recovery Act was 'in the build', the Commission was being left with a lot to process, there were a lot of great ideas, and he suggested to contact Mr. Simpson or him directly if there were any questions.

Commissioner Sikes-Kline stated the 2020 City Census was 15,308 residents. She expressed her appreciation for Mr. Regan and his report which summated everything nicely for the Commission. She thanked City staff for 'grinding on' and agreed they were really good people.

Mayor Upchurch announced there would be no continuation meeting on Friday, August 20th since all the items were addressed during that meeting.

6. Adjournment

There being no further business, the meeting was adjourned at 10:55 A.M.[4]

Tracy Upchurch, MAYOR

Darlene Galambos, CITY CLERK

[4] Transcribed by Laura Morse