

The Special Meeting/Budget Workshop of the City Council of the City of Panama City Beach, Florida, and when permitted or required by the subject matter, the Panama City Beach Community Redevelopment Agency, held on July 26, 2018.

ROLL

MAYOR MIKE THOMAS

COUNCILORS:

PAUL CASTO

PHIL CHESTER

GEOFF MCCONNELL

HECTOR SOLIS

CITY MANAGER:

MARIO GISBERT

CITY CLERK:

JO SMITH

CITY ATTORNEY:

AMY MYERS

Mayor Thomas called the Special Meeting/ Budget Workshop to order at 10:26 A.M. with Council Members, City Manager, Finance Director, City Clerk and City Attorney present.

Councilman McConnell gave the invocation and led the Pledge of Allegiance.

Mayor Thomas announced it was a Public Hearing and he introduced Ms. White, Finance Director. He explained that he had asked Ms. White to give information about the budget items that might require lengthy debt service from the City. Ms. White said she would give a brief overview and that the Department Heads were in the audience to address their operational needs and answer any questions from the Council members. She added that she did not remove additional personnel requests from the budget and included all capital equipment requested by the Department Heads. However, whether the revenue stream for the next ten years would support all requests was questionable.

**ITEM 1 CRA FUND, AGENCY/SPECIAL REVENUE FUND, PUBLIC HEARING.**

Ms. White explained the CRA Agency, its function, and the TIF funding. She reported the Tax Increment Funding (TIF) since its inception beginning in 2003 starting at less than One Million Dollars to projected FY19 at \$10.6 Million Dollars. Councilman Solis asked the amount of the annual payment for the CRA bonds and Ms. White responded \$3.4 Million Dollars was the debt service on the bonds.

The primary source of revenue for the Special Revenue Fund, which was directed by Ms. Jenkins, was the TIF, with some minor grants, public parking fees and Prop Share money. Councilman Solis asked Ms. Jenkins if any of the CRA sites qualified as brownfields and she replied none.

Ms. White explained the printout with the projected FY19 funding and expenditures, approximately \$16 Million Dollars. However, much of that money was restricted for debt service on the Bonds, pre-funding the next principle and interest payment, and some money for Prop Share on various roads. In actuality, the Trust Fund column totaling \$8.5 Million Dollars was the money Ms. Jenkins could use. Information was also listed for other upcoming projects such as the next Segments, and the funds appeared to be coming in at a rate which would allow the projects to continue moving forward, one Segment after another.

For this Budget, there were two additional personnel requests, one a CRA Manager and the other a CRA Field Inspector. For Operating expenses, they were in line with those in the past, no significant increases. One decrease was due to the new landscaping contract which was less than projected.

Ms. Jenkins presented the draft Near Term Work Plan, stating that the redesign of Segment 3/Highway 79 and property acquisition was in process as well as Segment 2 construction. She said they would continue to partner with future developments for right-of-way projects. Ms. Jenkins said they would also finalize the financial modeling for Operations & Maintenance costs. The Plan also included beach parking opportunities via public/private partnerships, as well as pursuing grants and public/private partnerships for alternate roadway transit funding.

Ms. Jenkins said the costs were projected out for five years and finishing Segment 2 this upcoming year. The majority of funds were now being used to acquire land for Segment 3 and hopefully bid out construction at the end of the next fiscal year. She said as soon as Segment 3 was ready, they would push to move into Segment 4.1. A

placeholder was prepared for Segment 4.2 but it was not anticipated until 2021 or 2022. She continued that in about four years, the funding for the projects would not be received as quickly. Mr. Gisbert said that was where the Assessment would make the difference as those funds would not only be used for maintaining the roads but also for capital projects.

Mayor Thomas said maintenance was an issue for the roads, and he thought the existing landscaping was too vigorous. He said the City could not maintain what had been planted in Segment 1 and he would rather have grass and pine straw, low maintenance. Ms. Jenkins said Segment 2 was scaled back and it was an ongoing project for the landscapers to keep on top of the existing plantings. Councilman McConnell said the tall grass and shrubbery in Segment 1 were hazards for motorists.

Regarding parking, Mayor Thomas said no one was checking the parking lots and that was a good source of revenue. He said local construction people were using the lots, preventing available parking for people to go to the beach. He recommended sending officers through the City parking lots. Councilman McConnell said the parking meters were also inoperable at times. Ms. Jenkins said the meters had been replaced and the new versions were operating better. She continued that staff had proactive communications to the Police when the meters were not operating and when repaired.

Councilman Solis said when the CRA reached the locations around Reid's Court and Sharkey's, the reconstruction would displace a significant amount of business pull-in parking. He said the City had a fund with approximately \$800,000 which dealt with parking lots, and he asked for discussion about purchasing lots for more parking. He mentioned some lots at Nautilus which would be good opportunities for paid parking lots and another revenue source. Mayor Thomas said he opposed public parking lots and explained the creation of the beach accesses which allowed locals to cross to the beach, not bring in out of town visitors. He urged caution. There were no objections for Staff to look into the matter.

Mr. Gisbert suggested, after based upon his conversations with staff, that the City not fill the Inspector position and instead look for a manager with field experience. Councilman McConnell said he would prefer the CRA Manager be an Assistant to the City Manager since the City did not have that position. Mayor Thomas said the CRA Manager should have worked up through the fields to reach that level. Councilman Solis agreed that an Assistant City Manager was needed. Mayor Thomas said he supported one position, the CRA Manager, as he felt it would save the City money, but would like them to stay within the CRA. Councilman Chester concurred. Ms. White said she would remove the Field Inspector.

**ITEM 2 PIER FUND, PUBLIC HEARING.** Ms. White explained the bulk of the revenue was from admissions and annual Pier passes, approximately One Million Dollars annually. Another source of revenue was the rent from Coastal Parasail, with the total revenue being approximately \$1.3 Million Dollars annually. Over the past few years, Staff set aside funds for future major repairs such as handrail replacements in event of a hurricane. She said she would like to reach One Million Dollars in Renewal and Replacement. Ms. White continued that the City had been using this Fund to subsidize the Aquatic Center for years. The sandy beach lifeguards were paid from this Fund and the TDC contributed to pay for the program. She said one new beach lifeguard was requested for this Fund.

Ms. White mentioned that health insurance benefits across the board were a significant cost to the City and reminded that the City was self-insured. This option helped the City immensely with being able to maintain the premiums basically flat and proposed keeping the premiums flat for next year. However, claims increased and plans were to spend some of the reserves which she thought were too high anyway. Ms. Philput was working with the City's new insurance broker for alternatives such as tiered plans.

For expenses, Operations and Maintenance were basically flat. The repairs to the Beach Accesses made them look better and costs were controlled. There were no large capital items in the budget.

Councilman Solis said he would support the additional beach lifeguard. He also suggested an additional deck area to the west which would allow more vendors and kiosks, room for walking and bring in more money. Councilman Chester mentioned purchasing the vacant lot across the street. Councilman Casto said he liked the idea of the deck and kiosks as it would not block the view and would bring in more money. Mayor Thomas opposed the idea as he thought it increased the value of the land with it being open.

Mayor Thomas commented that he did not think the Parks Department should run the beach lifeguard program or the Police Department run the Beach & Surf program. He said with it being a life safety issue, they should be run out of the Fire Department. He added that there should be no permanent lifeguards and it would save the City money by only having them seasonal. Councilman Casto said he agreed with Mayor Thomas and questioned why the guards were not hired as seasonal rather than full-time. Mr. Ponek replied that the current guards were seasonal and this new employee would be full-time. Councilman Solis said he understood the logic of hiring on a full-time basis for consistency and how difficult it was to hire lifeguards for only the season. Councilman Casto said he would not support a full-time lifeguard but would support adding a part-time employee and a full-time employee to Beach and Surf. Councilman McConnell said he would like the program run by the Fire Department. Mayor Thomas said the Beach & Surf employees were not certified and having the employees spread out made the program dysfunctional. Ms. White said from a budgetary standpoint, moving the employees from Pier and Police to Fire would take some time.

Mr. Gisbert asked to maintain status quo until September 30<sup>th</sup>, and then afterwards the three Departments get together and do a Budget Amendment. Councilman Solis said this meant not approving a new full-time beach lifeguard at this time. The other Council members concurred.

**ITEM 3 AQUATIC CENTER FUND, PUBLIC HEARING.** Ms. White said for the Aquatic Center, there was slight improvement in the revenue and no new full-time employees requested at this time. The expenses were basically flat and controlled as much as possible, with a cash carry forward of Eighty-Nine Thousand Dollars (\$89,000) which showed Staff was successful in controlling some of the costs. She continued that in the past, Five Hundred Thousand Dollars (\$500,000) was moved into the Aquatic Center Fund, and next year, she proposed only Four Hundred Fifty Thousand Dollars (\$450,000). One big project planned for next year was Eighty Thousand Dollars (\$80,000) to replace the liner in the Kiddie pool and she suggested over the next few years to set aside funds for the big pool liner replacement. She also explained the graph showing the revenue/expenses/and transfers since the pool's inception in 2006, ultimately transferring \$5 Million Dollars into the Aquatic Center, half from the General Fund and half from the Pier Fund.

Councilman Solis asked Mr. Ponek what other increases were planned for the outside sources such as the swim teams. Mr. Ponek explained this was the 6<sup>th</sup> year of the 6-year contract and prices had risen in baby steps over the years. He said as of October, the fee would be Five Dollars (\$5) per hour per lane whereas six years ago, it was only Two Dollars (\$2) per hour per lane. Mr. Ponek said the normal rate was Eight to Twelve Dollars (\$8-\$12) per hour per lane at other pools. The Mayor asked Mr. Ponek why the fees could not be increased to the Eight to Twelve Dollars (\$8-\$12) per hour per lane as in the other facilities. Mr. Ponek replied those changes could be made in the new contract at Council's direction. Mayor Thomas said many things could have been done at the Pier if those funds were not transferred to the Aquatic Center, and the School Board promised many things when the pool was originally planned and none had been done. He continued that the school system should pay more and the swim clubs should pay more. Councilman Casto asked if the softball fields paid for themselves. Mayor Thomas explained how the softball teams benefitted the City.

Councilman McConnell asked who actually used the pool and for user data by zip code. Ms. Joyner stated it was difficult to track the daily users but swim lessons and memberships were approximately 80% non-residents. Councilman Casto said that was the same for the entire Park. Discussion ensued concerning money brought to the beach by the softball teams as opposed to swim teams. Ms. White said the softball fields and recreation facilities were never meant to be user-fee driven and were supported by tax revenue and shared funds. However, when originally presented to the City Council for approval, the pool was proposed as user-fee driven and self-sustaining. Councilman Casto said it was also not built with an indoor pool to bring in six more months of revenue during the winter. He supported increased rates for the pool if the ball fields were also increased. Mayor Thomas said the rates for the City's ball fields should be the same as the rates for the new Sports Park when completed. Both he and Councilman Chester said so during the TDC meetings. The Mayor stated that he had asked for the last two years for the rates to be increased. Councilman McConnell suggested being more creative in generating additional revenue such as more advertisements. Comments were made that people from Chipley and Santa Rosa were coming to the pool. Councilman Solis agreed staff should be more aggressive in raising the rates.

Councilman Casto said he felt the daily rates were too low and he asked Mr. Ponek for his plans. Mr. Ponek replied that during open swim, it was Five Dollars (\$5) per person. He spoke of the increased use of the big pool now and concerns with raising the rates. Councilman Solis said he thought Five Dollars (\$5) was a reasonable fee for open swim. Mr. Ponek continued that after open swim, the rates increased to Eight Dollars (\$8) and sponsorships increased. Councilman Casto said possibly that would be an issue for the Parks & Recreation Board to address.

**ITEM 7 COMMUNITY REQUESTS.** Ms. White said two funding requests were included from outside agencies, the Library and the TPO. Regarding the Library, the City provided the building, utilities, and landscaping, and their budget had basically been flat for the past nine years. The Library asked for a Twenty-Nine Thousand Three Hundred Seventy-Two Dollar (\$29,372) increase, almost 18%. Councilman Casto said he would support the increase and Councilman Solis concurred. Ms. White said she would add this amount to the revision that would be presented at the next Budget Workshop.

Regarding the TPO for the Trolley, they asked for an additional Forty-Five Thousand Five Hundred Dollars (\$45,500), a 10% increase. Discussion ensued concerning the increase, with Councilman Solis emphasizing that the trolleys should be using the Segment 2 trolley lanes once completed. He also suggested a future discussion about possible incentives for hotels to purchase passes. Councilman Chester questioned the City funding a private business (Bay Town Trolley) and Councilman Solis said it was public transportation and government subsidized. Mayor Thomas opposed the funding due to the trolleys stopping in the middle of the road rather than pulling out of traffic to pick up passengers. Ms. White said she understood the consensus was to add the additional TPO funding and there were no objections.

Ms. White said the City had not received any requests from the Boys & Girls Club or the Senior Center for additional funding. At this point, she said she had the funding at the same level as last year, Sixty-Four Thousand Dollars (\$64,000) for the Boys & Girls Club and Forty-Five Thousand Dollars (\$45,000) for the Senior Center.

**ITEM 4 GENERAL FUND REVENUE.** Ms. White said she had highlighted the restricted sources of revenue and those funds could only be spent on a particular item or items. The proposed figures were conservative as in the past. She explained without an Ad Valorem Tax, the City had no control of the biggest revenue items, such as the 1%.

Ms. White explained how she amended the Budget based on the anticipated revenue for the next two months and the lag receiving the funds from one month to two months. She reported the State Share funds were not up significantly with many of the taxes flat. Grant monies were not budgeted until the Grants were awarded. In the Proposed Budget, the big difference was the Fire Assessment Revenue and she explained the applicable fees and discounts. Councilman Solis asked if the amount was what had been anticipated and Ms. Myers said the rolls had been adjusted due to the increased property value. Mayor Thomas said it was good and reported that five hotels would be under construction this year. Regarding the 1% Business Registration Tax, she estimated a 2%-3% increase. She kept other items flat with no major changes.

**ITEM 5 ADDITIONAL PERSONNEL** Ms. White said this year, Staff made the greatest number of personnel requests and she felt it important for the Council to decide whether to fill the positions first before amending the budgets. She said these positions were City-wide, and in the General Fund, the first position was an IT person. Mr. Gisbert said it would be beneficial to have another IT person. Ms. White said last year, the City spent about One Hundred Thousand Dollars (\$100,000) for the contract work while Mr. Pickle was working part-time. This year, with Mr. Pickle full-time only a small amount of work was being out-sourced to Mr. Law. Councilman Casto asked if the new position could be part-time and Mr. Gisbert said the City had been unable to find anyone who wanted to work part-time. The Police Department had their own full-time IT employee but Mr. Pickle still supported the other full-time and seasonal employees. Ms. White said the City had no one when Mr. Pickle was out. Councilman McConnell commented about his personal business with another technical-minded employee filling in when their IT person was out, and he did not see the need for two full-time IT employees. He suggested looking internally for an existing employee. Ms. White said the bulk of the IT salary was paid by the Utility Fund although his salary was allotted over the different Funds. She said it was a reasonable split and the new IT person would have their salary handled in the same manner. Councilman McConnell supported the new IT person if funded from Utilities.

Mr. Gisbert said the next positions requested were four (4) Patrol Officers, one (1) Communications Officer and one (1) Beach & Surf Specialist. He said he would delay the Beach & Surf addition until the Fire Department discussion. Councilman McConnell said he would like two (2) more Patrol Officers added for more presence in the neighborhoods. Councilman Solis said he liked the idea of four Patrol and one Communications, and believed the numbers could be increased progressively. Councilman McConnell said the extra Patrol Officers could be in the Budget now. Mayor Thomas said he felt additional Officers were not needed in the off-season and now only needed two (2) days per week. He said the Chief could request additional Officers from nearby counties for assistance under Mutual Aid. Chief Whitman said he was basically adding one additional officer per shift but his manpower was low because he had lost some trained Officers. Councilman Solis said he would prefer eight (8) new Patrol Officers, four (4) this year. Chief Whitman explained that the Mutual Aid Officers could only be used for crowd control or writing citations, not help with the calls, go to homes, write reports, or work felonies. Chief Whitman said he posted two Officers in Pier Park on Fridays and Saturdays. He said he would prefer four (4) new Patrol Officers to have one (1) per shift. Councilman McConnell said he would prefer six (6). Councilman Chester and Councilman Solis said they would support four (4) new Patrol Officers.

Councilman Solis said one of his concerns was the retirement plan. If the City planned to hire additional employees, the Council should consider a moratorium on this current retirement plan and consider a plan that would not have such a liability on the City in the future. He suggested going forward to mirror the County Retirement System or other municipalities. He continued that Lynn Haven and Bay County belonged to the Florida Retirement System (FRS) and he was concerned on the long-term costs to the City for the existing retirement plan. Mayor Thomas said he agreed with Councilman Solis, and the existing Defined Benefit Pension Plan was dangerous. He spoke of a new employee having to wait ten (10) years before being vested and the advantages to the City of a Defined Contribution Plan. The Mayor said he felt this would allow the City to attract more qualified applicants.

Ms. White explained a Defined Benefit Plan where the benefit was fixed, the employee contributed a certain percentage and the City made up any shortfall. For a Defined Contribution, the employee and City contributed an amount and at retirement, it was the employee's to keep. She said virtually no one in the private sector had Defined Benefit plans any longer because they were unaffordable and expensive to administer but more common in the government sector. Ms. White explained the Actuary's letter concerned the State's focus on the assumed rate of return. She said the City's three Plans assumed an 8% rate of return, and the State asked the Plans to lower the rate or prove why 8% should remain. By lowering the rate, the City would contribute more and make the Plans better funded. The Actuary sent Ms. White an example of the City's increased contributions if the rate was lowered from 8% to 7.5%, (the State would prefer 6%). The City's contributions for the Firefighters would increase 6.2%, Police 4.5%, and General Employees 3.99%, a significant increase in a bull market. However, if the market dropped, the numbers would be higher on the City's part. Ms. White said she only saw this growing more expensive for the City going forward. Councilman McConnell asked for an estimated cost and Ms. White said that would be easily calculated once all salaries were entered.

Mayor Thomas said the City currently had eighty-eight (88) people on retirement. Ms. White replied affirmatively and another discussion should occur about the management of the retirees because she and Ms. Jagers spent a significant amount of their time handling and monitoring the benefits. She added that there were another twenty-five to thirty (25-30) employees in the DROP program. She said at some point in the future, the City would need a dedicated person to handle the retirees.

Councilman Casto said the Defined Contribution Plans for new employees would impact the Defined Benefit Plans, and Ms. White explained that impact. She said the City would still have the fiduciary responsibility to fund the Defined Benefit Plans. Lengthy discussion ensued. Ms. White said she would get the pros and cons for the other types of plans, including the 457 and those from other cities.

Regarding the Patrol Officers, Councilmen Solis, Chester and McConnell supported four (4) Patrol Officers, and Mayor Thomas and Councilman Casto preferred only two (2) new Patrol Officers. Regarding the new Communications Officer, Chief Whitman explained why he needed another employee to add to his current ten (10) Officers for the three (3) shifts. Councilman Solis asked if he had used part-time Officers and Chief Whitman replied that it was difficult to get someone to work that job part-time. Mayor Thomas said one (1) new Communications Officer would be added and there were no objections from the other Council members.

For Fire, Chief Couch proposed nine (9) Firefighters for the new Fire Station, hired in January for training so they would be ready when the new Station was completed. Councilman Casto asked Chief Couch if he planned to hire as many Open Water certified Officers as possible; Chief Couch said that was not part of the job description. He said most of the Firefighters lifeguard-qualified would be the paramedics, and if they went into the water to rescue someone, they would have to transition into paramedic duties once they reach the sandy beach. Chief Couch added that since the list was prepared, he removed that request for the new Inspector.

For Building, Mr. Gisbert said he had spoken with Mr. Leonard who stated he could manage without the new employees.

For Parks & Recreation, ten (10) part-time positions were being eliminated to allow for three (3) full-time people. Ms. White said Mr. Ponek had given her a memo after the Agenda Packet was prepared, and the cost today would be Twenty to Thirty Thousand Dollars (\$20,000-\$30,000). Councilman McConnell asked if there were sufficient tasks to do in January, Mr. Gisbert replied that repairs were done in the offseason in preparation for the upcoming season. Councilmen Casto, Chester and Solis said they would support two (2) new employees, not three (3).

Regarding Utilities, Ms. Cohen was retiring and no one internally was qualified for that position so the City would have to look outside for her replacement. Mr. Gisbert explained extensive training was required for her duties. Regarding Instrument Control, the City must have two (2) on duty at all time and currently only two (2) were on staff. The Water Plant Operator required an A license and the City must have one on duty at all time, so another employee would be very beneficial. By general consent, all Council members approved the three (3) new positions in the Utility Fund. Mr. Gisbert reported the approved new positions would be one (1) IT, four (4) Patrol Officers, one (1) Communications Officer, nine (9) Firefighters, two (2) Parks & Recreation, three (3) Utilities, and one (1) CRA.

**ITEM 6 COLA.** Mr. Gisbert said this year's COLA was 2.37% so Staff proposed a 2.5% COLA with no merit component. Ms. White explained the chart which projected future costs of the 2.5% COLA and the current \$13.3 Million Dollars payroll today. In ten years, without adding any new personnel, that would increase to \$19 Million Dollars. She also projected the revenue out ten years to \$31.7 Million Dollars and normal operating expenses for ten years at \$11 Million Dollars, without any capital projects. Ms. White said she would anticipate personnel and expenses to grow at a higher rate than her estimate. Mayor Thomas said the City had traditionally given COLAs

Councilman Casto said he would like a full pay study and discussion ensued whether there was sufficient change in job descriptions to warrant a new study. Councilman McConnell said he did not like making salary decisions in the middle of the year. Mayor Thomas said the consultant had not seen sufficient changes in the job descriptions to warrant a new study. Councilman Casto said almost all of the Police and Fire received raises yet only a small number of Public Works employees received a raise. Discussion ensued. Councilman McConnell mentioned fair market value and wanted decisions made during the budget process. Mayor Thomas said he was comfortable with no COLA.

Ms. White said she had built in the 2.5% COLA. Councilman McConnell suggested 2.25% instead. Mayor Thomas asked the other members about a 2% COLA. Councilman McConnell said 2% and Councilman Casto said 2.5%. After further discussion, the Council directed 2% without a merit component.

The meeting was adjourned at 1:35 P.M.

READ AND APPROVED this 23rd of August, 2018.

**IN THE EVENT OF A CONFLICT BETWEEN THE FOREGOING MINUTES AND A VERBATIM TRANSCRIPT OF THESE MINUTES, THE FOREGOING MINUTES SHALL CONTROL.**

  
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Mayor

ATTEST:

  
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City Clerk