



MINUTES

**SPECIAL CITY COMMISSION BUDGET MEETING
MONDAY, SEPTEMBER 14, 2020, AT 5:01 P.M.
CITY OF ST. AUGUSTINE BEACH, 2200 A1A South, St. Augustine Beach, FL 32080**

I. CALL TO ORDER

Mayor George called the meeting to order at 5:01 p.m.

II. PLEDGE OF ALLEGIANCE

Mayor England lead the Pledge of Allegiance.

III. ROLL CALL

Present: Mayor England, Vice Mayor Kostka, Commissioner George and Commissioner Rumrell and Commissioner Samora.

Also present: City Manager Royle, City Attorney Douglas, Assistant City Attorney Taylor, Police Chief Hardwick, Finance Director Douylliez, City Clerk Raddatz, Building Official Law, and Public Works Director Tredik.

IV. PROPOSED BUDGET FOR FISCAL YEAR 2021

A. Discussion of Proposed Budget, Millage and First Reading of Ordinance 20-XX, to Adopt Operating and Debt Millage (Presenters: Max Royle, City Manager; Patricia Douylliez, Finance Director)

Mayor England introduced Item IV.A. and asked City Manager Royle for a staff report.

City Manager Royle advised that St. Johns County preempted the date the Commission schedule on September 21st, so a new date must be scheduled. The main purpose of this meeting is to look at the budget with the public and discuss the millage rate. He explained that the residents received a notice of the proposed millage rate of 2.60 or \$2.60 for \$1,000 of property evaluation. He commented that the reason the millage rate was set at 2.60 was in case the revenues were worse than expected. He recommended 2.45 millage rate because the reserves need to be increased. He asked Finance Director Douylliez to give her presentation.

Finance Director Douylliez showed her PowerPoint presentation (Exhibit 1).

Mayor England thanked Ms. Douylliez for her excellent presentation and advised that the reserves need to increase due to the City policy and the auditors within two years. She explained that the reserves had a shortfall for much more than two years.

Finance Director Douylliez advised that there was a decrease in reserves in 2016 and 2017 and the auditors already made comments to correct the reserves within two years and they could escalate to a finding if the reserves are not increased. If the City does not increase the reserves in two years, the Auditor General is alerted, and they would be watching to see why the City is in the shape it is in. She suggested to increase the reserves as quickly as possible. She explained that the City could use the COVID-19 as an excuse this year, but there were shortfalls. She said that the record shows that this has been going on for years prior to COVID-19 and it needs to be addressed.

Mayor England advised that this would affect the City when needed to borrow money.

Finance Director Douylliez advised that the City needs a \$2.9 million loan for the weir, and it could affect the City from borrowing money. She advised that there are two grants that will pay the loan back; however, they may take a long time to repay the money. She explained that one of the grantors just sent the money for the work that was done on the weir a year ago.

Commissioners Samora had no questions.

Commissioner George thanked Ms. Douylliez for her presentation. She explained that she wanted the public who are watching the meeting to know that for \$200,000 of assessed value the proposed millage would equate to \$32.96 as an increase. The median property value in the City is \$390,000 and that would equate to an increase of \$45.00 for any homeowner who occupies their home in the City.

Mayor England thanked Commissioner George and advised that it is an excellent point.

Commissioner Rumrell advised that he had no comments.

Mayor England thanked Ms. Douylliez for putting in the demographics and the reserve history slides. She then opened the Public Comment section. The following addressed the Commission:

Nicolas Binder, 232 Big Magnolia Court, St. Augustine Beach, FL, advised that he has attended budget hearings for the last 15 years and this overall budget presentation has been the best he has seen in years. He explained that the City's residents will have a lesser increase than the non-ad valorem tax and asked to keep in mind the exemptions. The Maratea property had a grant of \$1.5 million and asked if that went into the reserves or the budget. He suggested that the Beach Blast Off should be cancelled due to health and safety reasons and it would save money.

Mayor England closed the Public Comments section and advised Mr. Binder that the grant for the Maratea property was part of the purchase price and there were no reimbursements.

City Manager Royle advised that the property was 4.5 acres for \$4.5 million. He explained that he and then Mayor O'Brien went to Tallahassee and they received a grant for \$1.5 million, which went towards the purchase of the Maratea property. He

also commented that the money for Beach Blast Off is not in the budget except for the \$25,000, which was given to the City by the Tourist Development Council.

Mayor England asked that if the Commissioners wanted to reduce an expense, she would like the Commissioners to consider having the savings go towards reserves. She advised that the reserves are critical and need to be addressed.

Commissioner George advised that building the reserves is critical to the financial stability of the City and explained that the Commission has been frugal every step of the way. She advised that the City is facing a perfect storm with revenues being reduced due to the pandemic; the numerous years of hurricane damage; cutting infrastructure improvements; and delays in federal reimbursements, which have dramatically reduced the City's reserves. The City is a coastal community and maintaining the reserves are essential and more than a policy can dictate. She advised that it would be fiscally irresponsible for the Commission to ignore investing in the City's reserves. She explained that the increase for the median property owner would be \$45.00 and commented that the only opposition has been for the non-ad valorem assessment. She remarked that it is a small investment in the future of the City, and she held the millage rate the same over the last nine years, but agrees with the 2.45 millage rate this year. She advised that when the reimbursements for the weir are received and when the pandemic passes, the City may be able to roll the millage rate back next year. She agreed that if there are any small projects that could be cancelled, then the money should be directed to reserves so future emergencies could be dealt with.

Commissioner Rumrell advised he has the same concerns as Commissioner George has. He commented that reserves have been decreased due to the pandemic, the purchase of park land, and hurricanes. He advised that it is important to maintain the infrastructure. He explained that the weir costs have gone up exponentially and is something the City must do. He explained that the weir helps everyone on the island and asked if St. Johns County could pay the loan for the weir until the City is reimbursed. He advised that residents do not want to defund the Police Department and do not want to lose police staff. He complimented Ms. Douylliez on doing an excellent job on the budget. He remarked that in the future the City needs to keep increasing the reserves in case of an emergency like a hurricane. He explained that the City is in a financial hardship and the Commission needs to start today on increasing the reserves this year and in the future. He said that the minimal increase of \$45.00, even though he does not like increases, should be done now and in the future. He remarked that the Commission has no decision because the decision has already been made for them. He supports the 2.45 millage rate but would like to roll it back at some point in the future. He advised that the future affects the employees and he did not want a mass exit of employees if the City cuts the employees' salaries and they go elsewhere. He advised that it might save money, but it does not save the knowledge and the training that the employees have presently.

Commissioner Samora advised that Commissioner George and Rumrell covered a lot of the same topics he was going to say. He said that staff has done a better job on the budget that he has ever looked at and thanked the staff for their efforts. He said staff nailed it on where the City needs to go in a responsible manner. He advised that he supports the budget as presented. He asked where the money was for the O & P Funds and whether they could be used for reserves.

Finance Director Douylliez advised the unassigned reserves could be used for any cataphoric event or a budget shortfall. She advised Commissioner Samora that the funds he is talking about are restricted funds and she would get the information to Commissioner Samora after the meeting.

Commissioner Samora advised that there is an amendment on the ballot that goes into effect on January 1st if approved by the voters regarding minimum salary wages and asked if it would affect the budget. He asked if staff has done any analysis on this topic and whether it would affect the budget.

Financial Director Douylliez advised no.

City Clerk Raddatz advised that no City employees make less than \$10 an hour; however, if it goes to \$15 an hour, the budget may be affected.

Public Works Director Tredik advised that some of his employees are under \$15 an hour and it would have to be accounted for.

Commissioner Samora advised that this is an unknown that may affect the budget and said that the reserves are critical to the City. He advised if 2020 has taught the City anything is that you cannot plan for everything and the reserves are critical and need to be rebuilt. He advised that he would support the proposed budget.

Finance Director Douylliez advised that staff is looking to schedule a meeting in February to discuss issues that need to be addressed, such as the pay analysis, the minimum wages in Florida, and other important topics to see where the City is going ten years down the road.

Vice Mayor Kostka did comparative research and found that the City is in the lower 25% regarding the millage rate. She advised that property values are in the middle in the State of Florida. She explained how COVID-19 affected all the budgets due to sales tax revenues decreasing because people were not spending money. She explained that she is not a proponent for increasing taxes, but as Commissioner George pointed out the proposed budget increase for a \$300,000 home would be \$48.76. She explained that 76% of the businesses reduced pay for four to twelve weeks to prevent job loss and Chief Executive Officers in other businesses have given their salary up to keep the businesses going. It is a difficult decision because COVID-19 is not the only reason why the reserves have been decreased. She remarked that the cities, counties, and states across the nation need to think of creative ideas that can be turned into solutions. She agreed with all the Commission that the City cannot afford to put off the capital projects and that the infrastructure is critical to the City's success. She

advised that the Commission has agreed to keep waste collection in-house, but the Public Works Department has no garage to put valuable equipment out of the weather. She advised that it would be irresponsible to not replenish the reserves in case of an emergency event. She commended staff and its departments on running the day to day business of the City and could not ask for any better staff. She agreed to the proposed millage of 2.45 percent. She advised that she hopes that the City could have a very good year and then roll the millage back. She asked about refinancing the City's debt on the bonds because the interest rate is lower than many years. She asked about the old city hall being demolished because of the desperate need of repairs and replacing it with a parking garage or selling the property after the lease is up in 2026. She remarked that last year the Commission agreed to have the performance evaluations done in July 2020 so decisions could be made regarding increases for the City Manager and Police Chief. She asked to delay any increase to the City Manager until the evaluations could be done. She also advised that the Commission discussed scheduling a meeting to discuss the City Manager's position.

Financial Director Douylliez advised that the bonds have penalties if they are paid off early. She explained that there is a ten-year lockout period for redemption of the bonds and advised that the Florida League of Cities does not suggest refinancing the bonds until 2025 or 2026. Investments for the City are very limited, and they need to be secure.

Vice Mayor Kostka asked about the park land purchase half-cent millage would expire before the debt is paid off.

Finance Director Douylliez advised that the half-cent millage will expire before the Debt Service Fund is paid in full. She explained that the General Fund gives money to the Debt Service Fund and it is held in an escrow account which builds up over time to pay for the rest of the bonds.

Vice Mayor Kostka found federal sites for low cost loans for projects.

Finance Director Douylliez advised that much of the revenue sources are pledged to pay down the debts that the City already has and being that there needs to be a loan for the weir, other projects are on the back burner. She commented that when the time comes, she would shop to find the best rates available.

Vice Mayor Kostka advised Public Works Director Tredik that there are some funds available under the CARES Act and would give the information after the meeting.

Mayor England remarked that the City has a difficult cash-flow problem, which needs to be worked on in order to prorate the revenues to last all year instead of running out of funds after three quarters of the year. She thanked the staff on reducing the overall budget by cutting salary increases in half. She pointed out regular salary increases in the Police Department and the Building Department.

Building Official Law advised that the salary increase was due to having a full-time code enforcement officer instead of a part-time code enforcement officer and

explained that he will have to change the budget next year to have the City pay half of the salary next year for transient rentals.

Police Chief advised that under the Fair Labor Standards Act the officers work 84 hours instead of 80 hours in two-week period. He advised that the Commission would see an increase in overtime, but a decrease in overall expenses.

Mayor England advised that in every department in the City the expenses were stable or went down, so there is no fluff in the budget and there is a need to increase the reserves. She advised that the City's credit rating is the most important thing to have and there is a need to borrow money for the weir upfront. She advised that last year she requested the Commission to go to 2.5 millage rate and is requesting it again this year.

The Commissioners did not agree with 2.5 millage rate this budget year.

City Manager Royle advised that the Commission needs to approve the millage rate at 2.45 for first reading, then approve the budget ordinance for first reading and then schedule the final budget meeting.

City Attorney Douglas read Ordinance 20-10 in its entirety.

Mayor England asked for a motion.

Motion: to approve Ordinance 20-10 at 2.45% millage rate. **Moved by** Mayor England, **Seconded by** Commissioner Samora.

Mayor England asked for rollcall:

Vice Mayor Kostka Yes

Commissioner Samora Yes

Commissioner Rumrell Yes

Commissioner George Yes

Mayor England Yes

Motion passes unanimously.

Mayor England moved on to IV.B.

Ordinance 20-10, First Reading, to Adopt FY 2021 Budget (Presenter: Patty Douylliez, Finance Director)

Mayor England introduced Item IV.B. and asked if the Commission would like to discuss the salaries for the Police Chief and City Manager. She advised that there is an increase for the Commission in the budget as well and wanted to bring that to everyone's attention. She advised that last year the City Manager did not receive an increase because the City Manager is at the top of his salary range. She proposed a one percent increase for the City Manager. She advised that Police Chief's increase is three percent and asked for further discussion.

Commissioner George advised that if the City Manager is at the top of his range, he should not receive an increase. She advised that giving a minimal increase to the

Commission would not impact the budget and has been under paid for too long. She remarked that people do not want to serve for the amount the Commission gets paid and they do not get any health insurance either for serving.

Commissioner Rumrell advised that the City Manager should get a cost-of-living increase of one percent.

Commissioner Samora advised that he would support the COLA increase for the position even though it is at the top of the range. He suggested one percent or 1.6 percent.

Vice Mayor Kostka advised that most of cities and counties have frozen wages. She advised because of the decrease in the costs of medical insurance for the employees, she would be willing to give an increase to the employees. She advised that she would support the one percent increase for the City Manager.

Mayor England advised that it has been years since the last salary ranges were done and salary ranges need to be researched. She advised that the three percent increase for salaries is reasonable. She advised that City Clerk Raddatz commented that the proposed budgets for the City of St. Augustine Beach and St. Johns County was three percent.

City Clerk Raddatz explained that the State of Florida employees received a three percent increase. St. Johns County proposal has not been finalized yet, but they proposing a 2.5% for their employees, which is a COLA, not a merit increase.

Mayor England agreed that the proposed salary increases are reasonable.

City Attorney Douglas read Ordinance 20-11 in its entirety.

Motion: to approve budget be approved with the exception that the salary of the City Manager be limited to one percent over his current salary range. **Moved by** Mayor England, **Seconded by** Commissioner Samora.

Mayor England asked for rollcall:

Vice Mayor Kostka	No
Commissioner Samora	Yes
Commissioner Rumrell	Yes
Commissioner George	Yes
Mayor England	Yes

Motion Passes 4 To 1.

Mayor England moved on to Item IV.C.

- B. Confirmation of Date and Time for Second Public Hearing and Final Reading of the Millage and Budget Ordinances for FY 21 on Monday, September 21, 2020, 5:01 p.m.
(Presenter: Max Royle, City Manager)

Mayor England introduced Item IV.C. and asked City Manager Royle for a staff report.

City Manager Royle advised that due to St. Johns County changing their final budget meeting to September 21, 2020, the City needs to change their scheduled meeting and asked when the Commission is available the week of September 21st.

After discussion from the Commission, Mayor England made a motion.

Mayor England asked for a motion.

Motion: that the next budget meeting will be Tuesday, September 22, 2020 at 5:01 p.m. **Moved by** Mayor England, **Seconded by** Commissioner George.

Mayor England called for a rollcall vote:

Commissioner Rumrell	Yes
Commissioner George	Yes
Vice Mayor Kostka	Yes
Commissioner Samora	Yes
Mayor England	Yes
Motion passed unanimously.	

V. ADJOURNMENT

Mayor England asked for a motion to adjourn.

Motion: to adjourn. **Moved by** Mayor England, **Seconded by** Commissioner Samora. Motion passed unanimously.

Mayor England adjourned the meeting at 6:19 p.m. and then recessed the meeting for five minutes before starting the Regular Commission meeting.


Margaret England, Mayor

ATTEST:


Beverly Raddatz, City Clerk