

**Special City Commission Meeting
July 25, 2023**

Video of the meeting including Agenda and presentations

Commissioners Jason McGuirk and Lisa Martin, Vice-Mayor Randy Hartman, and Mayor Fred Cleveland were present. Commissioner Valli Perrine was excused.

Presentations:

Pension Funds. Background: In June, the City received copies of letters sent to the Fire and Police Pension Boards from the Florida Department of Management Services, Division of Retirement, concerning our continued shortage regarding our unfunded liability in both the Police and Firefighters' pension funds. Mr. Jim Linn, of Lewis, Longman & Walker was hired to help with this matter. Pension board meetings were held on July 13th, and Mr. Linn attended those meetings on behalf of the city. His presentation was a recap of the impact of the letters, the pension board meetings and Florida law, and his recommendations to the city to help solve this shortage.

Mr. Linn first stated that data from the City's Annual Actuary Valuation Report were used for the budget because it must include accrued cost benefits like future pensions, per the Florida Funding law. The amount is derived from a formula that determines what the city will pay. Even though the city bears the risk of the pension, representative boards from the police and firefighters make the investment decisions using recommendations from professional actuaries and investment managers. Board members are not professionals in economics.

The City pays for current pension costs ("normal cost") plus the amortization of any unfunded liabilities. The valuation is based on the pension's assets and liabilities using the assumptions of rate of return for investment earnings, salary increases, mortality, turnover, and retirement rates. The City's required contribution for each fiscal year is set. The Florida Constitution says that the cost cannot be passed to future generations.

Mr. Linn explained that the actuarial analysis is based on the information taken from the last day of the previous FY, September 30, 2022. Pension cost components are based on normal ongoing costs of benefits and unfunded actuarial accrued liability {UAAL) which is the amortization payment to pay off unfunded liability/debt, which cannot exceed 30 years.

- Police Pension Plan:
 - Assets = \$20.9 Million
 - Liabilities = \$26.1 Million
 - Unfunded Liability = **\$ 5.2 Million**
- Firefighter Pension Plan:
 - Assets = \$27.4 Million
 - Liabilities = \$33 Million
 - Unfunded Liability = **\$ 5.6 Million**

Mr. Linn noted the that Police Pension Plan had actuarial losses in 3 of the last 4 years, while the Firefighter Pension Plan had actuarial losses in 15 of the last 18 years due to departments using a different methodology; however, when either of the unfunded

liability grows, usually due to miscalculating the rate of return, the City contributions must increase which adds to the budget. The actuary recommended to the State that due to the changes made last year to the FF Pension, we reduce the Assumed Rate of Return from 7.8% to 7.5%, over 3 years, which would increase the annual City contribution by \$120,000. He hoped that the State would agree to this incremental change.

Some discussion highlights:

- Only two other cities showed a higher return rate than 7.8%, which made NSB an outlier - hence the June letter.
- The fact that the Boards, not investment managers, make the final decisions regarding where the money the cities give them goes is a cause for concern.
- If the Boards weren't using older information, we could have begun paying the shortage earlier.

City's Funding Options. Mark Galvin, Managing Director of Hilltop Securities, and our Financial Advisor since 2003, gave a presentation regarding the two options of financing loans and the pros/cons of different types of financing depending upon the amount and type of project. He feels that acquisitions with a certain life, like firetrucks, should be funded only through their life span via banks since that span is short. In fact, he feels that all projects under \$10 million should be financed through banks due to them being more competitive, flexible, and faster if we wanted to pay the loan off early. The cost of capital is lower the longer you take it out. For those over \$10 million, a bond is the best way to go. Grants and impact fees can be applied to decrease the loan amount. He also included a "sensitivity analysis" equation stating that, on average, for every \$1 million borrowed at 5% for 10 years, the annual interest rate would be \$130,000, and if for 20 years, \$81,000.

He showed three various projects to be or wish-listed and what their estimated debt service (DS) would be with and without City contributions (CC):

- Three fire trucks - \$3,639,967 (DS \$471,000; \$1 mil CC, DS \$343,000)
- Stormwater Dredging Projects - \$4,988,228 (DS \$402,000; \$1.5 mil CC- DS \$280,000)
- Pole Light Replacement - \$2,229,600 (DS - \$180,000)

Once the Commissioners finalize a project, he will work on its financing, get CC approval for it, issue the RFP (request for proposal) for the loan, get approval from the CC and money will be in hand.

Public Participation:

- Jay Pendergast, Chair of the Parking Task Force, invited the Commissioners to the next meeting on Aug. 1st to hear the author of *Paved Paradise* discuss the science of parking.
- Three residents spoke about the Women's Club with two saying it has had its day, and we cannot afford to restore it at \$3M. We need money for other things, while two others wanted to try and keep it, but if we cannot, to please not let it become a parking lot.
- Donna Athern, Chair of the Turnbull Creek Preservation Committee, told the Commission that grants are available for the dredging which will be in their report. Also, the crawler is really needed since more storms will be coming and we will be

prepared, so please pass that item in the budget. She was also the second one to save the Women's Club and stated there are historic grants available to help us with its preservation and maintenance.

Special Meeting:

This section was to give an overview of the proposed FY 2023-24 City Budget and to vote on the maximum millage rate (required by August 4) for the annual TRIM notice. Finance Director Natalia Eckroth presented a short PowerPoint presentation (pg. 148 in Agenda Packet) of the new FY 2023-2024 NSB Budget which showed a 8% decrease from the amount presented at June 22nd budget meeting:

- City-wide Proposed Budget for All Funds - \$111,269,667
 - \$3,626,582 in Capital Equipment
 - \$21,953,128 in Capital Outlay/Projects
- General Government Budget
 - General Fund \$49,562,287
 - Brannon Center \$745,411
 - Golf Course \$2,185,391

Proposed Millage (NSB is the third lowest in the County)

- Operating Millage of 4.4586
- 2005 Voted Debt Millage of 0.1900 (FY23-24 will be final year)
- 2018 Voted Debt Millage of 0.0990
- Total Proposed Millage 4.7476 (10.91% increase)
- Ms. Eckroth pointed out that in the overall property ad valorem tax bill, NSB gets only 27% of the revenue. The proposed millage rate will increase annual taxes owed on a dwelling valued at \$262,000 by \$122.

Factors why the millage rate needs to be raised are:

- ❖ The need to fulfill employee contracts for the year.
- ❖ Adding positions, especially police
- ❖ Major equipment expenditures
- ❖ providing more service/projects due to growth.

Discussion highlights/concerns/questions/clarifications were:

- Commissioner Martin asked about the Brannon Center and our involvement as we are not event planners, wondering if we could sell it and let a private company take it over. City Manager Khalid Resheidat stated that was something the Commission could decide. The Commissioner also asked about increasing golf and marina fees, to which Mr. Resheidat replied they are working on it. She wanted to know if we really needed an armored vehicle, to which the Pile Chief replied that it is multi-purpose and used for rescue as well
- Vice Mayor Hartman asked about the Convenience Fee Ordinance that was passed but didn't see revenue showing it. Mr. Resheidat replied that projections will be given at the August 17th meeting as well as the Pension Fund adjustments as the budget is still in flux.
- Mayor Cleveland asked the long-standing Commissioners about the millage rate and if it has ever decreased to which they replied, no, but it had stayed the same for three years, with Commissioner McGuirk stating that NSB is no longer the blue-collar town it was. Current residents expect more. We "can't kick this can down

the road” anymore. The mayor also stated that we need to bring in more business to change the ratio of residents paying so much in taxes as that is not sustainable (residential 82% vs commercial 10%).

TRIM Notice Vote:

Resolution No. 31-23: Consider the Adoption of a Resolution, which if adopted, would authorize the New Smyrna I & S 2005 Maximum Milage to be advertised as part of the 2023 TRIM Notice. (The current I & S 2005 millage rate is 0.2176 per \$1,000 assessed taxable value; the current taxable value is \$6,365,979,436. A millage rate of 0.1900 per \$1,000 assessed value is required to meet debt service principal and interest. With the proposed rate, the preliminary ad valorem taxes for the Fiscal Year 2024 would be \$1,173,250.) **The motion to approve Resolution 31-23 passed unanimously.**

Resolution No. 32-23: Consider the Adoption of a Resolution, which if adopted, would authorize the New Smyrna I & S 2005 Maximum Milage to be advertised as part of the 2023 TRIM Notice. (The current operating millage rate is 3.9500 per \$1,000 assessed taxable value; the current taxable value is \$6,365,979,436. Staff is proposing a millage rate increase of 0.5086 to the total of 4.4586. The proposed rate increase will result in \$2.9 million. With the proposed rate, the preliminary ad valorem taxes for the Fiscal Year 2024 would be \$26,260,909.) **The motion to approve Resolution 32-23 passed unanimously.**

Resolution No. 33-23: Consider the Adoption of a Resolution, which if adopted, would authorize the New Smyrna operating maximum millage to be advertised as part of the 2023 TRIM Notice. (The current operating millage rate is 3.9500 per \$1,000 assessed taxable value; the current taxable value is \$6,365,979,436. Staff is proposing a millage rate increase of 0.5086 to the total of 4.4586. The proposed rate increase will result in \$2.9 million. With the proposed rate, the preliminary ad valorem taxes for the Fiscal Year 2024 would be \$26,260,909.) **The motion to approve Resolution 33-23 passed with a 3-1 vote, with Martin, McGuirk, and Hartman voting, YES, and Cleveland voting, NO.**

Resolution No 34-23: Consider the Adoption of a Resolution, which if adopted, would authorize the Stormwater Assessment of \$8.417 per month per equivalent residential unit, or \$101.00 annually, to be advertised as part of the TRIM Notice as a Non-Ad Valorem Special Assessment. **The motion to approve Resolution 34-23 passed unanimously.**

Resolution 35-23: Consider the Adoption of a Resolution, which if adopted, would amend the FY 2022-23 Budget for the addition of a full-time NSBMS SSO (School Safety Officer, formerly SRO) beginning the 2023-2024 school year which be funded in part by Volusia County. By placing a School Safety Officer on the middle school campus from 8:45 AM to 4:45 PM, it is expected that there will be a significant reduction in crime and discipline. The cost of the time the School Safety Officer spends at the school during the school year (181 days, or 1,448 hrs.) The portion of the salary funded by Volusia County is \$24,442.24. The remainder of the salary will be funded by the general fund, \$60,655.59. The officer will go back on Patrol when school is not in session. (Also note this request is not a part of the FY2024 proposed budget). **The motion to approve Resolution 35-23 passed unanimously.**

Women's Club Building:

Chad Gibson, Capital Improvement Projects, gave a status update regarding the June 27th decision to halt renovation of the Women's Club. The City is moving forward to close out the original contracts for renovation. Original Phase 1 cost was \$1,226,424.94 and closing them out will cost \$425,699.10, which includes the walkaway costs of approximately \$142,000. Assistant Manager Ron Neibert stated there will be future considerations that will be proposed as to what the City wants to do with the property.

Some highlights from the discussion with a motion towards the end:

- Nothing really happened between the 2018 study when we knew the building was in dire need of renovation until June 2023 (Covid didn't help) except "drips and drabs". This big-ticket item was taken out of the budget a couple of times as other priorities surfaced. The Commission had to be prudent with the taxpayers' money.
- We must be careful with the term "demolition by neglect". Historic homes can cost more money than budgeted when more problems are revealed, and sometimes owners must cut their losses and demolish. This is a real-world situation and not unique.
- We may need to cut our losses since we don't have the money. We can try to find a private buyer who will take on the challenge of restoring it, using our analysis. If the CC decides to demo, our historic ordinance requires that we offer it for sale first.
- There was some confusion regarding the options following the June 22nd decision to halt construction. First, it was thought there would be a public meeting regarding the options. Second, two commissioners thought there were two options: sell or demolish, three thought there were three options: renovate, sell, or demolish. The Public Meeting never happened, but there was a consensus that there needs to be one. The City Manager will set a meeting as soon as possible once each Commissioner talks to him individually.

A motion to settle this issue regarding the Women's Club was made by Lisa Martin giving two options: One to demolish the building and reuse that property; and two, to sell it in hopes of preservation. **The motion failed with a 1 to 3 vote. Martin voting, YES, and McGuirk, Hartman, and Cleveland voting, NO.** It will be picked up again when Commissioner Perrine returns and after public input.

Capital Improvements Project- Old Fort Wall Change Order. Excavation had to come to a halt as it was discovered there are two walls that vary and not just one as they thought, and they need to know if the two are connected or not before the anchors can be put in. To do this, the testing protocol will need to be changed. Radar as well as more excavation is required. There will be an amended design and possibly even different anchors once all the testing is done. The cost will be an additional \$14,380 but will be covered by the \$900,000 grant. More change orders may be needed.

Motion to Consider the Approval of a Change Order to MFN Contracting, Inc. for the Old Fort Wall at a cost of \$14,380. This additional funding is available in the Capital Projects Fund. **The motion to approve the Change Order passed unanimously.**

Upcoming Important Dates:

August 4th: TRIM Notice sent in

August 17th: All Day Budget Workshop

September 13th 5:00pm: 1st Public Hearing

September 26th 6:30pm: 2nd Public Hearing