

July 20, 2018

Honorable Mayor and Members of the City Council:

INTRODUCTION AND SUMMARY

This is my eighth and final budget for the City of Green Cove Springs. As you review the proposed budget you will recognize that the budget is focused on Capital Infrastructure, Parks and Recreation, Public Works, and implementation of our Advanced Wastewater Treatment Plant (AWWTP) System.

It reflects three core goals and values that were established for our community by the Council that were used for the first time during budget development in FY 2012: ***to maintain fiscal stability, to improve internal operations and achieve organizational excellence, and to retain and attract business and industry.***

The proposed budget continues our commitment to adhering to standards of excellence in delivering City services and reflects citywide organization changes enacted since my appointment, over seven years ago. Alternative means of service delivery have been explored, as well as alternative means of funding those operations. Illustrations of these changes include right-of-way maintenance, electric distribution services, commercial solid waste collections, information technology, special assessments, user fees, cost allocation plan, debt refinance, and loan issuance for capital improvement. Investments in capital infrastructure build financial wealth.

As you look beyond FY 2019, I strongly urge the Council and community to begin thinking of what *three goals and core values* they would like to establish to set the tone for the next three years. During the current year, we held a community workshop, with an outside facilitator to review Council policy directives. This setting allowed us to revisit our Vision Plan's Mission Statement captured below:

"Tomorrow's Vision." will create a plan that will define our unique identity, assure quality of life, and make Green Cove Springs a premier 21st century city that reflects our traditional values, natural features, and historic characteristics."

During the May 11th Council session, the results of the workshop were reviewed by categories. These categories in alphabetical order include- Appearance/Beautification, Development/Redevelopment, Economic Development, Education, Government Services/Operations, Infrastructure, and Quality of Life. The meeting concluded with a directive to prioritize the needs and to identify the means through which these items can be funded.

Maintaining fiscal stability is of utmost importance and must also continue to be achieved in our City through careful and deliberate allocation of limited financial resources. The adoption of Fiscal Policies on July 5, 2011, which was amended on March 27, 2012, served as a guiding policy document. For the proposed budget, we were able to program in a modest Contribution to Fund Balance in the General Fund of \$69,000; however No Contingency exists at this time within the General Fund. We continue to strive for a balance on the Transfer from the Electric Fund. The level and magnitude of transfers from *all* Utility Funds have a direct correlation to the Millage Rate. The transfer from Electric went from a high of \$1.6M in FY 2011 to \$900K in FY 2013. This transfer was reduced to \$850,000 in FY 2017 and has been maintained in the proposed budget. This equates to just over two mills. This is an amount that is appropriate for that fund to contribute to the General Fund as a Payment in Lieu of Taxes (PILOT). It must also be recognized that as the County seat we have many governmental buildings so Green Cove loses a significant amount of taxable value. This year it is about 36% according to the 2017 Annual Report released by the Clay County Property Appraiser.

In the proposed budget the following changes have been recognized in various insurance lines based on preliminary estimates provided by the Florida Municipal Insurance Trust (FMIT), our carrier. Tentatively, General Liability and Auto Liability are flat. Workers' Compensation is down by 1.6%. Errors & Omissions and Property are both up by 7.5%. Auto Physical Damage is up by 11% due to two major accidents in which both vehicles were a total loss. The City will also receive from FMIT a return on property premium \$9,603 later in the fiscal year. These percent changes are preliminary and final quotes will be released in August for inclusion in the final budget.

The City refunded the outstanding Sales Tax Revenue Note Series 2013 for the annual debt service for the Police Facility/Emergency Operations Center (EOC)

in June 2016. The annual debt service payment for the Police Capital Improvement Project of \$421,000 was reduced to \$160,000 when we issued a Refunding Revenue Note, Series 2016 A in the amount of \$1,470,000. It remains at this level in the proposed budget and will be retired on July 1, 2026. This was made possible by designating another revenue source for the pledge in lieu of the Surtax. *The finality of this transaction is that no loan utilizes Surtax as a pledge for repayment of debt service.*

The 2016 Surtax Referendum was passed by the voters. Therefore, this crucial funding source for capital will continue to become available to us beyond 2019, thru December 31, 2039. Next year, we estimate Surtax will garner \$975,000 for this purpose based on State estimates.

A policy decision needs to be made regarding the *Decade of Progress* initiative. This was highlighted in previous budget messages. This potential funding source can focus on areas such as Parks and Recreation, Stormwater, Downtown Redevelopment, and to a lesser degree Public Works (Streets) which relies more upon Gas Tax. There are several avenues that we will explore to fulfill this need; one can be a voter issued debt millage referendum, the other could be a sales tax initiative. Exploration of business improvement districts is another option. Both will require policy direction by the Council. The needs in these areas has reached a critical stage and the Council needs to provide direction to fulfill these critical unmet needs.

For the eighth consecutive year, the City will realize net revenues from the Red Light Camera Traffic Enforcement Program that is estimated at \$715,000 to offset expenses in law enforcement. Turning to next year, we are forecasting an increase from \$618,239 to \$715,000, or \$96,761. Next year's annual expenditure for this contract is set at \$275,000, with no increase. Deducting the expense from the revenue equals \$440,000 or a mill. Our contract with American Traffic Solutions (ATS) was renewed during February, 2016, for an additional three (3) years. This contract will be up for discussion in early 2019 and have an impact on the last two quarters of FY 2019.

For the seventh fiscal year, we continue to account for activities associated with Building operations in a Special Revenue Fund where it must be fully supported by fees for services. This eliminates the General Fund from any subsidy

to these operations and is a sound fiscal measure that ensures that the Fund will be self-supporting and sensitive to construction industry trends. The fees proposed for FY 2019 are the same as the current year. Full transition of these services from the County to the City occurred during FY 2015.

During FY 2015, we completed the Cost Allocation Study and presented those results to the Council on May 5, 2015. We incorporated the results of that Study in our recommendations for the allocation of Costs and Customer Service Fund Operations between the various Funds. We then tempered those results by maintaining the amount of PILOT transfers that accrue to the General Fund from the various utilities. This methodology of apportioning these costs continues to next year.

Secondary to the General Fund, is our goal to review our Utility System operations. The rates for both the Water and Wastewater Funds have been adjusted. We have proposed a 3% rate increase for Water that is needed for operations, and a 17% rate increase for Wastewater that is attributable to the Advanced Wastewater Treatment Plant (AWWTP) Capital Project. A summary of the rate increases that will be needed to bring the AWWTP project to fruition are shown on the next page and were provided to the Council during the June 7, 2016 Council meeting. Scenario 3 was selected at that time. As you review the chart, the net change from one FY to the next will drive the rate increases. For example, \$32.15 to \$37.82 is an increase of 17% in Year Three; \$37.82 to \$43.83 is an increase of 16% in Year Four and so forth. As pledged, in FY 2017 an account was established to begin accumulating Wastewater Retained Earnings. In FY 2017 \$117,531, and in FY 2018 \$270,650 was set aside for that purpose. The proposed FY 2019 amount is \$326,737 which cumulatively brings the total restricted for this critical capital project to \$714,918. Review of the annual audit will reveal that these funds cannot be expended for anything other than the purpose for which they have been designated in the budget. These amounts will build over the next decade and fund the planned AWWTP Capital Project.

Projected Monthly Sewer Bill for 5,000 gallons per month use

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Funding

Average Rates for 5,000 gallon per month of use

Fiscal Year	Projected Monthly Bill
FY '18 (current)	\$32.15
FY '19	\$37.82
FY '20	\$43.83
FY '21	\$51.37
FY '22	\$58.75
FY '23	\$59.11
FY '24	\$59.26
FY '25	\$59.42

Utility	2018 Sewer Bill (5,000 gal/Month)
JEA	\$50.70
St. Johns County	\$37.55
CCUA	\$39.45



During FY 2015, the Council directed for the first time that a portion of revenues from those utilities be transferred to the General Fund as Payment in Lieu of Taxes (PILOT). In FY 2015, we increased Water rates by 3% and Wastewater rates by 6% with a portion of those revenues utilized for the first time to support PILOT. Prior to FY 2015, the last such time water and wastewater rates were adjusted was for FY 2013 in the amount of 3% for each utility. Prior to FY 2013, rates had not been adjusted since 2010 and 1998 respectively. The history of water and sewer rate increases is captured below in a table.

Fiscal Year	Water	Sewer
1998	25%	3%
1999-2009	0%	0%
2010	6%	8%
2011	0%	0%
2012	0%	0%
2013	3%	3%
2014	0%	0%
2015	3%	6%
2016	0%	0%
2017	3%	11%
2018	3%	16.7%
2019 Proposed	3%	17%

We have also been discussing both Water and Wastewater Impact Fees with our legal team. This action affects not only our current customers, but also future customers. Growth should pay for itself. At present, our impact fees for water and sewer are \$1,000 and \$2,000 respectively. We will present our final recommendations to the Council when the review is complete. Aside from those impact fees, during FY 2017, we enacted an impact fee for Reclaimed Water and it is \$400/eru. A Fund has been established for Reclaimed Water since this utility was created during FY 2017. We still need to adopt a Bulk Rate for customers such as the Golf Course. A rate table for this new utility is captured below:

<u>Meter Size (in)</u>	<u>Monthly Base Charge**</u>	<u>Monthly Consumption Charges (per 1,000 gal.)</u>	
		<u>(0 - 15,000 gal.)</u>	<u>(> 15,000 gal.)</u>
<u>$\frac{3}{4}$</u>	<u>\$15.00</u>		
<u>1</u>	<u>\$23.45</u>		
<u>$1\frac{1}{2}$</u>	<u>\$35.65</u>	<u>\$1.25</u>	<u>\$1.80</u>
<u>2</u>	<u>\$52.50</u>		
<u>3</u>	<u>\$65.65</u>		

The Electric Master Plan Update was completed and its recommendations were implemented for the first time during FY 2013. We provided an update to that Plan during the September 2015 Council meeting. Then in July and November 2016 we engaged an engineer to do an Electric System Load Study. This resulted in additional improvements to the system and planning for growth. Prior to FY 2016, electric rates had not been addressed since 2007. No rate increase has been planned for next year.

The \$10.7M Loan to accelerate the Electric CIP was completed during May, 2018 by the issuance of Electric Utility Revenue Note Series 2018.

In April 2016, the City began its five-year contract with Hooper Corporation to provide Electric Distribution Services through a public private partnership. Emphasis for the first year of the contract was building the team, mapping the system, establishing operating procedures and safety programs, developing plans to complete 4 kV conversion, and prioritizing capital improvements thereby improving system reliability and decreasing system outages. We provided an Annual Report to the Council during FY 2017 and will present another before the closed of FY 2018. We have completed the 4kV conversion and mapping of the system. Hooper Corporation will be present on August 9th to review the budget.

An increase in Solid Waste fees has been programmed for FY 2019 from \$18 to \$19/month. Level of Service will remain the same. In order to consider this rate increase on July 10th, we presented an increase in Solid Waste Special Assessments for Magnolia West, since this notice must occur now to become effective October 1, 2018. The public hearing will be held on September 4.

A portion of the Stormwater Master Plan was completed during FY 2012. We also adopted an Ordinance to assess *base* stormwater charges pursuant to the Council's directive. The intent of the Ordinance was to relieve pressure on the General Fund and establish a dedicated source to support those operations. They became effective during the final quarter of FY 2013. FY 2014 was the first such year in which we adopted a budget for a Stormwater Utility Fund. During FY 2016, an adjustment to the base charge from \$3.00 per parcel to \$3.50 per parcel was adopted. This fee is assessed on every parcel within the corporate limits. During FY 2017, citywide base stormwater fees were collected by way of special assessments on the tax bill. Each parcel will be assessed \$3.50/month for an annual fee of \$42.00 and has been included in the proposed budget.

This billing methodology will allow us to capture Stormwater Fees from customers who reside in our corporate limits, but have *neither electric nor water/sewer services* from us. It has been problematic collecting fees in that instance. The legislative actions necessary to implement this change have been enacted. This same methodology was also utilized with regards to solid waste collections in this same area.

It will be several years before this Fund can accumulate sufficient revenues to fully fund Stormwater capital needs. That funding source will not materialize until such time as the City adopts a methodology for *usage charges*. However, working with a base charge is but one small step towards achieving that goal. Our goal was to implement the user charge during FY 2017; however, we were unable to meet that timeline. However, on June 6, 2017, the Council approved the task order for us to begin those efforts. Analysis continues on this project such that a user charge Ordinance can be presented to the Council. *At present all Stormwater capital projects are paid for by the General Fund. A backlog of capital projects exists for stormwater. It is estimated that \$700,000 a year will be necessary for several years to address this deficiency. To put this in perspective, this is about two mills of taxation.*

An increase in the Solid Waste monthly fee from \$18 to \$19 has been included in the budget which will result in an additional \$37,200 in revenues to offset expenses. This Fund has not a fee increase since FY 2015. Steps are already underway to increase Special Assessment charged to residents of Magnolia West, such that this change can become effective October 1, 2018 after the requisite legislative actions by the Council.

Fees for planning and building related activities in the Development Services Department were adjusted during FY 2013 pursuant to Council directive. December, 2015, is the last time that fees were adjusted for these services. The fees proposed for FY 2019 are the same as the current year. As we enter the final quarters of FY 2018 emphasis will need to begin on our Comprehensive Plan's Evaluation and Appraisal Report (EAR) process.

During FY 2013, we presented to the Council a long-term plan for Annexation and received direction on its execution. Subsequent to that time, the Council has given us additional direction during the January 10, 2017 meeting. Another report on five annexation petitions along the US 17 corridor beginning with the Boat Ramp was presented to Council on April 17, 2018. It is this Plan that the Administration continues to finalize on St. Johns Landing.

During the building of this year's budget, several enhancements have been presented for Council consideration. Some are at the direction of Council, others are at the request of the Administration. These enhancements will be discussed within each applicable section. They involve programs, personnel, and capital projects.

Efforts are underway to have the City deemed a Local Agency Program (LAP) entity, such that we can directly receive federal funds on Transportation. This is needed for projects in the FDOT TIP.

Recommendations for critical capital projects will be expounded within each Fund discussion and may be found within those impacted departments. Priority will be given to those improvements that are tied to safety, level of service standards, Vision Plan quality of life goals, and contractual agreements.

We have not utilized Reserves to fund recurring general government operations, and the proposed budget does not utilize Reserves. Depreciation was recognized to cover capital which is the purpose for which it was designed.

Capital projects are investments in the City's infrastructure, financial health and generate capital wealth. Coupling all these assumptions is the basis upon which we will recommend that the Council consider several alternatives as it sets the proposed millage. The current rate of **3.6000** mills equates to an increase of ten percent (12.18%) or \$169,236 over current budgeted year revenues. Budgeted revenues account for the discount rate of 97% which is the actual revenues realized by the City. A chart detailing our millage history and revenues is included on pages 1-19 and 1-19 that further illustrates that point. Clearly this is a policy decision. However, the proposed millage is tied directly to investing in capital infrastructure from our Capital Improvement Plan (CIP), achieving the updated Vision Plan, striving for organizational excellence, maintaining fiscal stability, and creating the right business climate for industry and local businesses. The City should be responsive to both its tax and ratepayers. A high priority for the Administration is preparation for the 2020 planning horizon when impacts from the First Coast Expressway will begin to materialize.

Improving internal operations and achieving organizational excellence is a key element in any municipal operations.

Currently, in Development Services, we are utilizing the services of private firms to conduct development review and comprehensive planning activities, as well as plan review for building activities. The County is serving as the Interim Building Official according to the new Interlocal Agreement for this service. In the Table of Authorized Positions within next year's budget, the Administration has provided sufficient funding to allow either the recruitment for a Director or a Principal Planner, along with the Building Official and Inspector positions. Administrative support staff for that department remains the same, as well as the Code Enforcement function. This will provide for the greatest flexibility to organize that department to best meet the needs of our customers.

We have made the transition in FY 2014 to only 1.5 meter readers since we electronically read all of our electric meters. As of September 30th of the current fiscal year 100% of our water meters are radio read.

During FY 2014, we eliminated three (3) Groundskeeper positions and one (1) Equipment Operator position by contracting for services to provide right-of-way maintenance. That contractual arrangement continues in FY 2019.

By far, the department with the most personnel changes was the Police Department. Many of these changes were driven by new leadership and a reallocation of resources. Each change has been summarized below.

Recruitment for the two (2) Lieutenants was completed during the current year. This was a key reallocation of resources that resulted in the removal of an Assistant Police Chief position, in exchange for two Lieutenants.

The Community Oriented Policing Grant, known as (COPS) position has now been filled by an internal applicant. The City sponsored this employee to attend the Academy. The grant award of \$89,074 is for a three-year period that ends on August 31, 2019. This position will afford the Police Department the resources required to have an officer assigned to the Augusta Savage Arts and Community Center (ASACC) to work directly with the youth in our community. The revenues from this grant award were programmed into next year's budget for the first time since the additional position has completed in service training. At the conclusion of the three-year COPS grant, the City will then have to fund 100% of this expense and *cannot supplant* that authorization.

In response to the new State Mandate, the City entered into an Interlocal Agreement with the School Board to address school safety. As a result of this partnership, two (2) new School Resources Officer positions have been included in next year's budget, along with the corresponding intergovernmental revenue of \$145,534. These positions will be stationed at Green Cove Springs Jr. High and Charles E. Bennett Elementary Schools. By stationing *local police officers* at these schools, it allows us to continue to build trust and relationships with these students.

An additional full-time Communications Officer (Dispatcher) has been requested for \$43,339 to alleviate overtime and balance work schedules.

During the current year, an additional part-time Senior Police Secretary was approved. Leadership within the department has now requested that this administrative support position be increased to a full-time position. This would provide the department with two full time Senior Secretary positions. The justification for this increase by the Chief stems from the fact that the current full-time Secretary serves as the Records Clerk. In Law Enforcement this is a very labor intensive task. Hence the department's request for an additional \$27,002 to move the part-time to a full-time Senior Secretary which provides two (2) full-time Senior Secretary positions within the department.

During the current year, we included one additional part-time position for a Clerk-Typist within the Human Resources Department to provide support for the Administration. A request to increase the weekly hours by five (5) for this part-time position has been requested by Human Resources for an additional \$3,536.

Recruitment for a new City Manager has begun and sufficient funds exist within that department to maintain the current annual salary and benefits stipulated in the contract. The Assistant City Manager position is now fully funded by all utilities (Electric, Water, Wastewater). In the current year, this senior management position is funded by the General/Water/Wastewater Funds. Given the amount of time spent in support of the utilities, this position is now funded by all three utilities (Electric, Water, Wastewater). This resulted in \$48,636 being shifted from the General Fund and allocated to the Electric Fund.

Within the Council budget, you will realize the impact of the full-time Communications Coordinator. This personal services allocation is higher due to the inclusion of all Council members in the FRS, as well as insurance benefits selected.

During FY 2018, we opted to fulfill the need for a Capital Projects Manager position, with that of an Assistant Public Works Director. This position was filled by an internal promotion and has proved to be the right fit for the organization. With regards to the Engineering Technician that position was also filled by an internal promotion. The inclusion of a Utility Line Locator position was also provided during the current fiscal year and this position has been filled by an outside applicant with excellent utility skills and experience. This position is split funded, a third in each of the utilities. All of these positions were necessary to

alleviate the work load associated with the myriad of capital projects, daily requests for line locates, and to electronically map all of our utilities.

A new position classification for a Water Facilities Mechanic has been requested in the amount of \$52,876. This position will be assigned to the Water & Wastewater Departments and cost shared 50/50 between those Funds. If approved, a new position classification must be approved by the Council prior to recruitment of this position.

A new division was created from the Parks & Recreation department. The two divisions now are Maintenance and Programs. The Recreation Director and all associated pool personnel, along with funds for programming are now in this new division. It does not increase the expense in the General Fund, but simply moves a portion of that allocation from one division to another.

A citywide history on the number of authorized positions by department has been incorporated in the budget document. At this time, there is one scheduled retirement for next fiscal year. The proposed budget maintains the current service level, without any reduction in the workforce, but does include additional personnel requests detailed within each area.

There is neither a Cost of Living Adjustment (COLA) programmed for next year, nor funds earmarked for merit increases based on performance evaluations. The Council directed that the Personnel Manual remove any reference to set percentages such that this decision would be subject to Council review on an annual basis.

Historically, during FY 2011, 2012, and 2017 employees did not receive either a COLA or MERIT increases. In FY 2013 employees received a three percent (3%) COLA. In FY 2014, employees did not receive a COLA, but instead received increases based on the Pay for Performance evaluation system. This system provided employees who attained either an exceptional or exceeds standards rating to be eligible for either a 4% or 5% merit increase. Meeting performance standards did not garner a merit increase. During FY 2015, employees received either 3% or 5% COLA based upon where they ranked with regards to the Wage Study released on May 20, 2014.

So to sum up the last eight (8) fiscal years in tabular form produces these results-

Fiscal Year	COLA	MERIT
2011	-0-	-0-
2012	-0-	-0-
2013	3%	-0-
2014	-0-	4% / 5%
2015 ¹	3% / 5%	-0-
2016 ²	2% / 7%	0
2017	-0-	-0-
2018	1%	-0-
2019	TBD	TBD

With the final implementation of the Wage Study during FY 2016, the Council needs to consider the manner in which it desires to maintain its competitiveness in the market. Clearly salaries are one piece of that parity and fringe benefits should also be considered. The Wage Study was implemented over four (4) fiscal years.

If the Council directs an alternate approach to seek funds for either a COLA or merit to be allocated, they could be apportioned between October 1st and April 1st. This has the effect of reducing the compounding of salaries for an entire year. We have provided you with the costs associated with a one percent (1%) increment, regardless of its designation. For illustration purposes only this equates to about \$30,500 in the General Fund; \$1,100 in the Electric Fund; \$4,500 for both the Water and Sewer Funds; \$3,100 for the Solid Waste Fund; \$2,500 for the Customer Service Fund; \$2,000 for the Building Fund, and \$800 for the Stormwater Fund for a citywide total of approximately \$49,000.

In the proposed budget we experienced a citywide decrease in worker's compensation premiums of about \$3,533 which is incorporated within this budget document. This was due to our experience mod rating which went from 2.22 to 2.04, which equates to a 1.6% decrease. Workers' compensation premiums lag

¹ During FY 2015 all employees received either 3 or 5 % depending on their wages relative to the wage study. All line crews (Electric, Water, and Sewer) wages were increased to match the Wage Study in full on June 2, 2015.

² During FY 2016, the majority of the adjustments occurred in Police, and to a lesser degree with entry level laborer and field positions to match the Wage Study on October 1, 2015.

behind claims. This claim history covers October 1, 2014 through September 30, 2017.

Initial discussions on Health Insurance rates indicated that due to claims experience, prescription coverage, and market conditions, we may be faced with a 13.4% increase with our current carrier, Blue Cross Blue Shield (BCBS). The proposed increase is now at about 4% and may be reduced further if the City contracts to additional product line from BCBS. This will be discussed further at the August 7th budget workshop. The Health Insurance Subsidy remains at \$1,600 for current employees. Any new hires after October 1, 2016, receive \$800. On an annual basis, the City expends over \$786,566 a year on its share for health insurance, an increase of \$51,000 in the proposed budget.

On August 7th, we will have a discussion with our Insurance Agent of Record and they will provide the Council with recommendations for health insurance coverage that have already been included in the proposed budget. We will also discuss the Wellness Program participation. *Participation will be mandatory in order for an employee to receive a reduction on their premium. During the current year, we had participation from all employees, save 11.* We have also continued funding for membership in a local exercise center for the employee only level as part of our Wellness Plan. This is paid solely by the employer at an annual cost of \$4,200. We have approximately 35 employees with gym memberships.

The City continued to offer four products, two are Preferred Provider Organizations (PPO) and two are Health Maintenance Organizations (HMO). Individually, the Platinum PPO plan, the Gold PPO plan, the Silver HMO plan, and the Bronze HMO plan all increased by 4% across the board. Our current census has 62 employees that have chosen our health insurance benefit. Optional insurance plans such as dental, vision, and disability are paid solely by the employee and will continue.

We still recommend continuing cost sharing on all coverage levels that we introduced for the first time during FY 2014, offering four health insurance plan products, and maintaining the Health Insurance Subsidy (HIS) at \$1,600 per year. Presently, we have 14 employees who utilize the HIS, of which 9 receive \$1600/year and 5 receive \$800/year.

Basic Life Insurance which is paid for by the employer did experience a rate increase of fifteen percent (15%) citywide based on claims. This amounts to only about \$3,500. On other insurance plans and benefits (disability, supplemental life, dental and vision) which are paid solely by employees, we experienced a 5% increase on dental vision only. None of those optional plans are paid by the employer. Those costs are borne solely by the employee. An Employee Assistance Plan was added during the current year and recommended for continuation into next year for an annual cost of \$2,880 paid by the employer. Our Health Plan Administrator will be presenting this proposal to the Council during budget deliberations on August 7th.

Overall the City experienced a 3% percent increase in its Florida Retirement System (FRS) contribution rates for the Elected Officials, Regular, and Senior Management classes. DROP contribution rates in the FRS remained the same. The Elected Officials Class went from an employer contribution rate of 48.70% to 51.70%. Senior Management Class went from an employer contribution rate of 24.06% to 27.06%. All law enforcement employees are in the FMPTF Plan. Regular Class went from an employer contribution rate of 8.26% to 11.26%. DROP (Retirees) remained at 14.03%. With the exception of DROP, all FRS plan participants contribute 3%. This will be the eighth year that participants in the FRS will contribute three percent (3%) towards their retirement benefits. A chart that shows the various contribution rates for FRS participants and classes is shown below. Between FY 2018 and FY 2019, FRS employer contributions went from \$287,323 to \$325,055, an increase of \$37,732 for 70 participants.

Elected Official Employee 3% plus Employer 48.70% equals **51.70%**

5 plan participants

Senior Mngt Employee 3% plus Employer 24.06% equals **27.06%**

5 plan participants

Regular Employee 3% plus Employer 8.26% equals **11.26%**

60 plan participants

DROP Employee -0- plus Employer **14.03%** equals **14.03%**

(Retirees) 1 plan participant

The City still contributes 100% towards two other retirement plans with *no* contributions from those employees. Those contribution rates for 7 participants are about \$41,500.

Nationwide Employee -0- plus Employer **10.00%** equals **10.00%**

6 plan participants

ICMA Employee -0- plus Employer **15.00%** equals **15.00%**

1 plan participant

The FMPTF for Police is administered by the Florida League of Cities (FLC). The City's current contribution rate is **20.0%** for next year based upon an actuarial valuation analysis, less deductions for excise tax. Employees in this plan contribute **1%**, for a total contribution rate of **21.0%**. There are 21 participants in this Plan and our contributions went from \$201,589 in FY 2018 to \$219,005 in FY 2019, or an increase of 9% for \$17,416. These contribution rates are based upon an actuarial analysis completed in 2017. The Board of Trustees performs an actuarial valuation analysis every two (2) years. The next valuation analysis is planned to occur September 30, 2019, and then will be used as the basis for future contribution rates.

The Utility Plant Operator III remains the only participant in the FRS DROP. The Utility Plant Operator III, who has a wealth of institutional knowledge and expertise, requires departure no later than September 30, 2019.

Succession planning for the organization has been underway for several fiscal years. The Department that we will focus energies on during the next year is Water and Wastewater. We will be grooming current employees to move forward with career opportunities and encourage participation in our new Internship Program.

Retaining and Attracting Business and Industry are of the utmost importance and as such the development and proposal of a budget which reflects that goal is vital to its success. Comparing the current year's all funds adopted budget of \$33,439,715, a balanced budget, to next year's proposed all funds budget of \$39,390,492 is an overall increase of about \$5,950,777 due in large

measure to fluctuation in capital projects. Capital Projects are funded to a lesser degree by the General Fund, but in greater measure by Infrastructure Surtax, Gas Taxes, Grants, Utility System revenues, and Loans to be secured. Any investment and accumulation in capital wealth which is included in the Capital Improvement Program (CIP) will serve to stabilize the tax base and entice industry to our area. Clearly, a prioritization of capital projects must occur as part of the budget process to ensure that there is a return on that investment.

We also need to recognize the importance of JAX USA and the Clay Economic Development Corporation (EDC) to augment our efforts in site selection and target industries to Green Cove Springs. Completion of an Economic Element in the Comprehensive Plan should also be done.

The City has made the decision to upgrade its wastewater facilities to an Advanced Wastewater Treatment Facility, along with a Reclaimed Water System, for an estimated cost in excess of \$30 Million. Plans are underway to secure grant and other funding sources.

To be responsive to our customers and ratepayers, we evaluated and then enacted on December 9, 2014, to invoke a CROD to the Florida Municipal Power Agency (FMPA). Simply put this will allow us another option for wholesale power that can occur within five years on load levels that exceed peak demands. This decision has proven to be the right one based on FMPA Load forecasts.

Since FY 2013, the Council maintained our Matching Grant Program designed to infuse public dollars with private dollars. This program focuses on alleviating non-conforming signs, improving landscape and streetscape, installing decorative pedestrian and street lighting, improving facades, and enclosing commercial dumpsters. The program is a reimbursable program matching public dollars with private dollars. On an average each dollar of public funds has leveraged four private dollars, increasing the tax base, but more importantly improving the look of the Gateway Corridor and Central Business District Funds. The program has and continues to be well received and \$50,000 has been included for that purpose. Historically, we have not expended the entire allocation each and every year.

We have established an Incentive Program to attract new industry and business and to entice employers to locate in Green Cove Springs by offering incentives to employers who create at least ten (10) full-time jobs. These employers, after meeting certain criteria, will then be eligible for tax abatement commensurate to the level of private capital investment that their industry creates for our community. Green Cove Springs and Clay County are now able to offer the same type of Incentive Program which allows us to work in tandem with the Clay County Economic Development Council and Chamber of Commerce. The City also has the designation as a Brownfields which has tax advantages. To a perspective industry and/or business looking to relocate in Green Cove Springs, the process should be seamless. We are recommending that the Council consider reducing the job creation threshold to receive these incentives from ten (10) jobs to five (5) jobs for those entities that locate within the Gateway Corridor and/or Downtown Business District. We also need to consider the change that Clay County recently enacted that added another location incentive. Our goal is to complement one another.

In both FY 2015 and FY 2016, with the allocation in the budget of \$15,000 for a part time Communications Coordinator, the City was able to prepare collateral packages that were provided to prospective companies looking to locate in Green Cove, as well as marketing and branding opportunities both within and outside of our region that included video productions. During FY 2017, the Council increased that amount to \$25,000; however, we were unable to recruit a part-time professional. Therefore, in FY 2018 the Council programmed \$39,243 to recruit a full-time professional, as well as \$5,000 for collateral materials. A Communications Coordinator came on board April 4, 2018. This position is our representative on the Tourism Task Force.

The City continues to support efforts by local merchants to promote the Green Cove Springs Business League. It has a signature event that is held every third Saturday called "Market in the Park." The *Cala Vida festival started in 2014 was held in the City on Labor Day in 2014 and 2015*. It will continue to occur in the fall and emphasizes arts and culture. A new cultural event called the Augusta Savage Festival was held for the first time in 2018. The City will continue to support these and other measures to bring commerce and visitors to the community.

Maintaining a low tax rate is also important to our community. An historical glance at *operating millage* rates over the last five *fiscal years* for the City of Green Cove Springs in comparison to other incorporated municipalities within the County is presented below, along with announced millage rates for FY 2019 at this writing:

Jurisdiction	2014	2015	2016	2017	2018	Proposed 2019
Clay County Combined	7.8510	8.1010	8.1010	8.1010	8.1010	TBD
Green Cove Springs	2.9821	3.6000	3.6000	3.6000	3.6000	3.6000 <i>Subject to Council</i>
Keystone Heights	2.9002	3.5000	3.5000	3.7000	4.0575	4.0575
Orange Park	6.2712	6.3000	6.1818	6.1818	6.1818	6.1818
Penney Farms	0	0	0	0	0	0

To the average homeowner whose taxable value is \$200,000 less \$50,000 exemption = \$150,000, at 3.6000 mills, the City of Green Cove Springs portion of the total tax bill would amount to \$540 per year relative to our current millage rate. In contrast a homeowner at 3.3676 mills (roll back rate) would pay \$505 per year, whereas, a homeowner at 4.0212 mills would pay \$603 per year. Finally, a homeowner at 2.9821 mills would pay \$447 per year and at 2.5700 would pay \$386.

Residents and Business owners alike in Green Cove Springs also realize the benefit of a countywide Ordinance that was enacted June 5, 2007, that excluded us from the "Law Enforcement MSTU – 4" millage levy. This was negotiated in response to the double taxation argument that recognizes the economic and intrinsic value of operating the Green Cove Springs Police Department. In the current year 2.2503 mills are levied by the County for that purpose. Using the same scenario as above for a \$150,000 home, at 2.2503 mills, results in an additional property tax reduction of (\$338) per year that compares to \$386, \$447, \$505, \$540, and \$603, respectively.

Looking at tax rates covering a decade from a countywide perspective since Tax Year 2008, for all taxing jurisdictions yields these results³

Millage Rates

Taxing Authority	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
County Services	5.2349	5.2349	5.2349	5.2349	4.9849	0.3684	0.3684	0.2034	0.6451	0.9100
City-Law Enforcement						3.4043	3.4043	3.4043	3.0558	2.7500
City-EMS						1.2000	1.2000	1.2000	1.0609	1.0000
Code Control MSTU-8	0.5048	0.5048	0.5048	0.5048	0.5048	0.5048	0.5048	0.4480	0.3752	0.3200
Animal Enforcement MSTU-4	2.2503	2.2503	2.2503	2.2503	2.2503	2.1860	2.1860	2.0060	2.1315	1.8500
Corporation Services MSTU	0.1110	0.1110	0.1110	0.1110	0.1110	0.1875	0.1875	0.1875	0.1807	0.1700
Total Combined	8.1010	8.1010	8.1010	8.1010	7.8510	7.8510	7.8510	7.4492	7.4492	7.0000
Animal Board	6.4380	6.7620	7.1370	7.2220	7.3420	7.8210	7.9770	7.8670	7.7330	7.6590
RWMD	0.2724	0.2885	0.3023	0.3164	0.3283	0.3313	0.3313	0.4158	0.4158	0.4158
Total Unincorporated Area	14.8114	15.1515	15.5403	15.6394	15.5213	16.0033	16.1593	15.7320	15.5980	15.0748
Green Cove Springs	3.6000	3.6000	3.6000	3.6000	2.9821	2.9821	2.5700	2.5700	2.5700	2.5700
Total	16.0501	16.3902	16.7790	16.8781	16.1421	16.6119	16.3558	16.1085	15.8558	15.6248
Orange Park	6.1818	6.1818	6.1818	6.3000	6.2712	6.3000	6.3000	6.3000	5.8000	5.8000
Total	18.1271	18.4672	18.8560	19.0733	18.9264	19.4250	19.5810	19.3905	18.7106	18.5348
Yestown Heights	4.0575	3.5000	3.5000	3.5000	2.9002	2.5302	2.4574	2.3414	2.3075	2.0000
Total	18.7579	18.7405	18.9293	19.0284	18.3105	18.3460	18.4292	17.8859	17.7248	16.9048
City Asbury MSBD	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	1.0000	1.0000
Total	14.8114	15.1515	15.5403	15.6394	15.5213	16.0033	16.1593	15.7320	16.5980	16.0748
Challenger MSTU	3.0000	3.0000								
Total	17.8114	18.1515								
Money Farms	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Total	14.7004	15.0405	15.4293	15.5284	15.4103	15.8158	15.9718	15.545	15.417	14.905

In the Tax Year 2017, Green Cove is only 3.6000 mills out of a total tax bill that is 16.0501 mills.

³ Source Clay County Property Appraiser

However, the Council has previously directed the Administration to determine if there are any city-owned properties that should be declared surplus and the resulting revenues when sold placed in reserves. During the current year, we have made considerable headway to vacating the area that includes the Old Fire Station, such that it can be placed on the market. This was known as the Plant 4kV Substation. It must also be pointed out that the proposed budget does contemplate that the Council may exercise its right to sell surplus property on Roderico Avenue (old fire station). Those funds (\$154,000) have been programmed in the budget as a potential revenue source.

DECISION MAKING PROCESS

This year's budget development process is similar to those followed in previous years. It had an internal, administrative goal-setting and prioritizing process, along with an external public input process at four budget workshops. One workshop will be held on August 7th for an Outside Agency Request, Water, Wastewater, Reclaimed Water and Solid Waste Operating Budgets and Capital Improvement Program (CIP). During that meeting, the Council will also receive a presentation on our Health Insurance Plans to determine the funding level that it will support as an employer share. Another workshop will be held on August 9th to review Electric Utility, Stormwater, Customer Service, Building and Law Enforcement Trust Operating Budgets and CIP. A workshop will be held on August 14th for the General Fund Operating and Capital Budgets, Wages and Benefits, and Debt Service. One additional workshop has been set for August 21st to address any follow up items in *any* Fund and CIP Project.

The internal process started in March, when preliminary target estimates for a continuation of current service levels were provided to department directors. From those estimates, proposed budgets were developed which maintained current service levels along with any enhancements to the extent that funding was available. These proposals were reviewed by the Finance Department, along with the Administration during June. Department Directors were then advised in July as to funding levels that will be proposed for their operations in FY 2019.

Based on this process, the Administration proceeded to formulate a tentative balanced budget which would be released on July 20th for review during a public Council session on July 24th. To recommend a balanced budget at the current service level, along with enhancements, several key factors were applied to affect the desired result, among which were the following assumptions:

- ▶ Millage rate the same as the current year
- ▶ Contribution to Fund Balance \$69,000
- ▶ Interfund transfers and Payment in Lieu of Taxes (PILOT) \$1,589,518
- ▶ Red Light Camera Traffic Enforcement Program net revenues \$400,000
- ▶ Capital contribution from Clay County Board of Commissioners \$300,000
- ▶ Sale of surplus property \$154,000
- ▶ State Lobbyist \$15,000
- ▶ Increase operating hours for part-time Clerk Typist position \$3,536
- ▶ ASACC Recreation staffing along with \$25,000 for gym programming
- ▶ Recreation Director along with \$25,000 for park programming
- ▶ Special Events \$49,920
- ▶ Outside Agency Requests \$6,000
- ▶ Agreement with School Board for two School Resource Officers \$143,534
- ▶ Additional full-time Dispatcher \$43,339
- ▶ Increase part-time to full-time Senior Police Secretary \$27,002
- ▶ Internship Program \$10,000
- ▶ Annual Audit \$47,750
- ▶ Health and life insurance benefits \$670,000
- ▶ Pension and retirement plans \$568,000
- ▶ Property insurance and all insurance lines \$206,900
- ▶ Worker's compensation \$224,100
- ▶ Police Explorer Program \$2,500
- ▶ Matching Gateway Corridor Grant \$50,000
- ▶ Code Enforcement Demolitions \$10,000
- ▶ LED Lights \$38,000

No reserves were used to balance the General Fund. No retained earnings were used to balance any of the Enterprise Funds. No reserves were used to balance any of the Special Revenue Funds.

As outlined herein, the Administration labored since last March, considered various alternatives, and will hold six public meetings to finalize the budget commencing with workshops on August 7th, August 9th, August 14th, and August 21st. There will then be two public hearings in September tentatively planned for September 4th and 18th that will culminate in the adoption of a budget. Public involvement in this process has been solicited to produce a budget which could be supported by the taxpayers and ratepayers in Green Cove Springs and finally adoption by the Council. The process was a fluid one in which the budget was constantly reshaped to respond to department directors, the public, reactions and directives from the Council.

STATUTORY REQUIREMENTS

As required by Florida Statutes, Section 200.065, a balanced budget has been developed and is being presented. Following the procedures outlined in the Truth in Millage (TRIM) legislation, it is recommended that several actions occur at the Council meeting of July 24th. First, the proposed operating millage rate must be set. We have provided you with several options to consider under the **Budget Alternatives** Section of this message. The current year rolled back rate is 3.3676. The proposed budget is predicated on 3.6000 mills that includes all recommended enhancements, personnel changes, and capital projects.

The proposed operating millage rate set by the Council on July 24th will then be transmitted to the Clay County Property Appraiser for inclusion in the Notice of Proposed Property Taxes which will be mailed to every homeowner in Clay County during August, 2018. Second, the date, time, and place of the first of two public hearings required to be held when adopting an operating millage and budget needs to be announced. State law requires that the City's public hearings be held after 5:00 P.M., if held on weekdays and on an alternate date from those public hearings announced for Clay County (September 11 and 25) and the Clay County School Board (July 31 and September 6), to ensure that the public has an opportunity to attend all hearings in which governmental entities consider taxes to be levied against privately held property. September 3rd is Labor Day Holiday, so no meeting can be held on that date. The date of the first public hearing will then also appear on the Notice of Proposed Property Taxes mailed to homeowners in August as a formal notification of the proposed millage and the

first public hearing. There are no other mailing or noticing requirements. The Administration recommends that you set Tuesday, September 4, 2018 at 7:00 PM in the Council Chambers as the first scheduled public hearing and Tuesday, September 18 at 7:00 PM for the second and final public hearing.

Procedurally, and this is key, it should be highlighted that the Council has the *authority to adopt a millage and budget lower than those set today and noticed by the Property Appraiser in August*. However, any millage greater than the proposed millage adopted on July 24th would require that a special notice be mailed to each affected homeowner which is cost prohibitive, so the Administration views the proposed millage set today as a ceiling.

In addition, to the above procedure, since we are considering an increase in the Special Assessment levied for Solid Waste in Magnolia West, *each* property owner within that community will also receive a notice in the mail by August 14th. This notice will announce the public hearing on this rate increase that will be set on September 4th. Whereas, only new property owner within the City will receive a notice in the mail by August 14th regarding the levying of the Stormwater Assessment. Similarly, that public hearing will be held on September 4th.

Furthermore, state legislation now allows a millage rate in excess of the adjusted current year rolled back rate of **3.8312 mills**. This is calculated by taking 3.8312 mills and the per capita adjustment for growth in Florida personal income (1.0147) to be passed on a simple majority vote. For us, this would be a 3/2 vote. This calculation produces **3.8875 mills**. A two-thirds vote is required for a ten percent increase above 3.8875 mills which for us would be a 4/1 vote. This calculation produces 3.8875 mills X 1.10% which equates to **4.2763 mills** which is the maximum millage rate allowed by law. Finally, anything **above 4.2763 mills** requires a unanimous 5/0 vote. We have not recommended for your consideration any millage rate greater than 3.6000 mills.

ANALYSIS OF PROPERTY VALUES IN THE CITY OF GREEN COVE SPRINGS

Because ad-valorem taxes are a consistent revenue stream to our municipality, it is important to analyze property tax values in the development of

the operating budget and the setting of the parameters around which services and programs are funded.

On July 1, 2018, we received the 2018 Certification of Taxable Value from the Clay County Property Appraiser, containing the assessed real and personal property values in our City. The preliminary current-year gross taxable value of both real and personal property for 2018 is \$446,401,768, including \$20,447,964 for new construction. This represents an increase of 12% over the prior year's final gross taxable value of \$398,452,633.

During the five-year period starting in FY 2009 through FY 2013, we began to demonstrate declines in taxable value. We went from \$412,042,547 to \$322,753,032 a decline of \$89,289,515, or 27.66%. Finally, our current taxable values are beginning to show an increase starting in FY 2014 at \$326,309,541, in FY 2015 to \$335,144,554, in FY 2016 to \$344,409,056, in FY 2017 to \$370,129,769, in FY 18 to \$397,937,669 and finally to \$446,401,768 in FY 2019 due in large measure to new construction. This is the first year in which we have actually exceeded the FY 2008 taxable value of \$430,607,760.

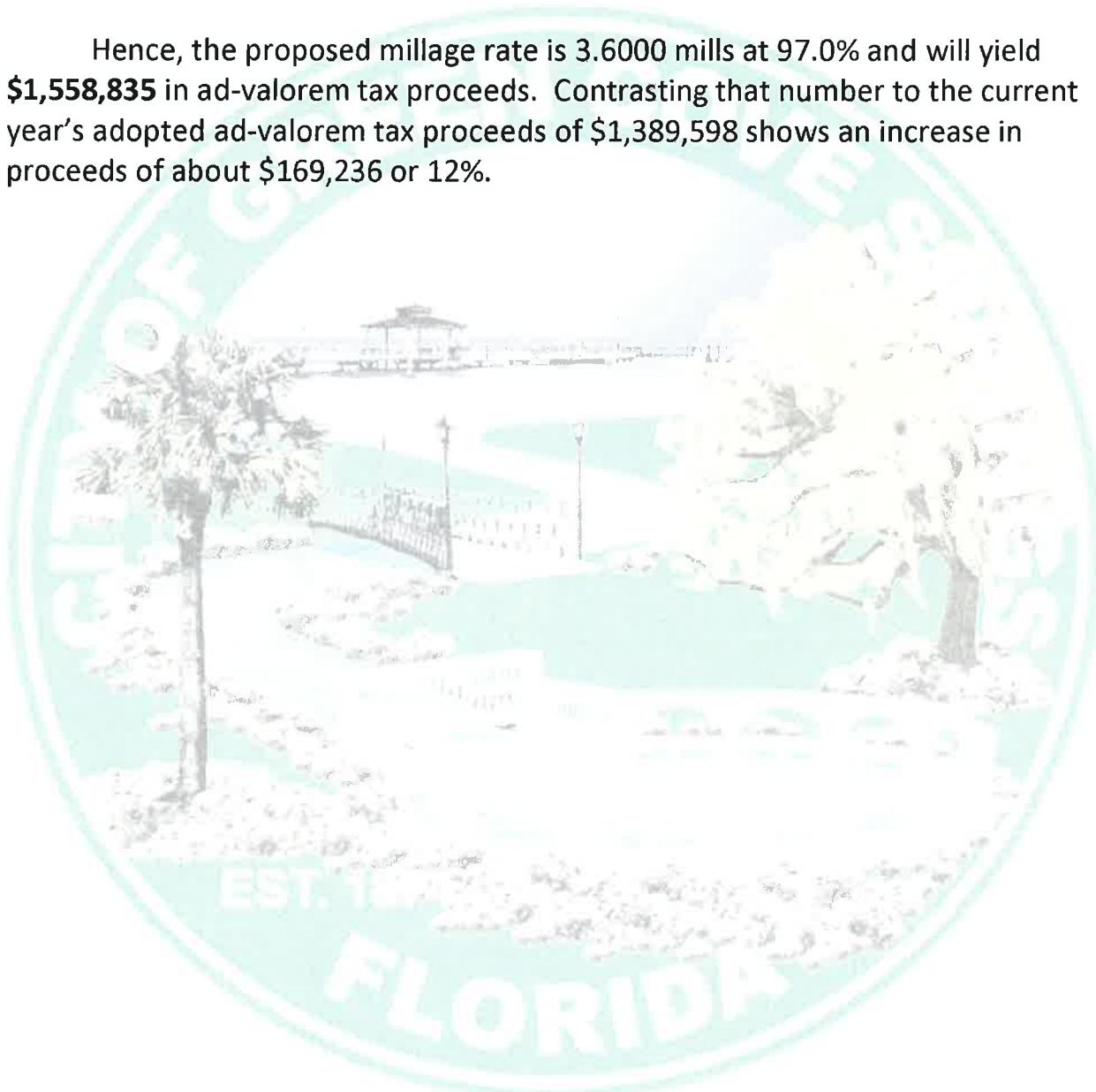
DETERMINING THE OPERATING MILLAGE LEVY

The fundamental building block in developing a municipal budget is the establishment of the value of one mill of taxation. A mill of taxation is defined as \$1.00 of ad valorem tax for each \$1,000 of property value. The present value of one mill in the City of Green Cove Springs is **\$446,402**. In comparison to 2017, the value of a mill was \$397,938. Statutorily, a mill cannot be discounted to any value less than 95%. As permitted by state statute, the value of the mill has been discounted to 97.0% to account for early payment discounts and appeals. Previously it had been discounted to 96%, but actual collections are closer to 97%. Hence the net current value of one mill is \$433,010. **It is this net amount that is included in the budget document and not 100% of any tax levy.** This percentage is unique to every community.

Given the current year's operating budget, the directives from the Council, and input from the public, the proposed expenditure budget provides for maintaining the current service level at **\$6,406,508** for personal services, and

operating expenses, which is *exclusive of capital outlay/projects and non-operating items*, and supported by a millage rate of 3.6000, new revenue sources and expenditure reductions. Service enhancements were included in the development of this budget. A contingency was not included in this budget; however a modest contribution to Fund Balance is included in the budget.

Hence, the proposed millage rate is 3.6000 mills at 97.0% and will yield **\$1,558,835** in ad-valorem tax proceeds. Contrasting that number to the current year's adopted ad-valorem tax proceeds of \$1,389,598 shows an increase in proceeds of about \$169,236 or 12%.



GENERAL FUND REVENUE SOURCES

Having explained one of the most important revenue sources to the General Fund, ad-valorem taxation, reference is now made to other sources and categories of revenues available to the General Fund.

Of the \$6.042 Million in operating revenues proposed to support the current service level, exclusive of capital and loan proceeds, and transfers in for FY 2019, Ad Valorem taxes comprise about \$1.558 Million or about 26%.

This will be the eighth year that Red Light Camera traffic enforcement fines have been included in the General Fund. As was the case in the prior year, those funds are earmarked to support the Police Department and Code Enforcement operations. In next year's budget approximately \$715,000 has been included in the budget to account for this funding source. At this juncture, we have five (5) cameras within the City. This *net* revenue less camera rentals amounts to almost one mill (\$715,000 - \$275,000) equals \$440,000.

Comparing and contrasting all revenue categories in the General Fund reveals that Taxes comprise about \$3.943 Million that include ad-valorem, local option, franchise, communication services, utility taxes, and sales and use taxes; Fines and Forfeitures contribute \$770,000 that include code enforcement, police forfeitures, red light camera traffic enforcement; Intergovernmental Revenue comprises \$685,034 and captures state revenue sharing, mobile home licenses, and interagency agreements; Miscellaneous totals \$295,240 and is composed of pier fees, interest income, rentals, and disposal of surplus items; Licenses and Permits are \$37,000 that include Local Business Tax and other licenses; Charges for Services are \$134,200 that include development review, recreation receipts, and copying fees. Non-Operating Revenue totals \$4.160 Million and includes operating transfers from electric, water, wastewater, solid waste, and customer service enterprise funds, followed by reserves from Gas Tax, Surtax, Grants, Loans, and Depreciation. Conservative and realistic revenue estimates have been used in projecting this budget document.

In summary, total revenues for the General Fund are \$10.2 Million which is more than \$8.4 Million in FY 2018.

GENERAL FUND EXPENDITURES

No reclassifications of existing positions within the General Fund have been requested in this budget. However, additional positions have been requested within the Police Department, and an increase in hours for a part-time Clerk Typist in Human Resources. The total General Fund budget exclusive of capital is \$6.435M.

The largest single *operating* expenditure category within the General Fund is personal services which is \$4,248,323 of the total budget. This is more than the \$4,000,187 in FY 2018.

No funds have been provided for either Merit or a COLA in any Fund. That decision is subject to Council direction. We have provided you with the value of one percent (1%) by Fund on page 13 in this document.

As provided to the Council during contract discussions, the Red Light Camera Traffic Enforcement Program continues to impact operations in the Clerk, Police, and Finance Departments. However, as directed by Council, we have renewed the contract for another three (3) years. The rental costs for the five (5) cameras are \$275,000.

Within Development Services \$50,000 has been earmarked for the Matching Grant Program which is more than the current year.

Code Enforcement continues to have an allocation of \$10,000 for demolitions of unsafe structures.

New Internship Program for \$10,000.

External audit fees totaled \$46,500 in FY 2018 our first year with our new audit firm, James Moore. During FY 2019 \$47,750 has been allocated for that purpose. This audit firm will be with the City through FY 2022.

General Services provides the funds necessary to support our signature Special Event festivals and celebrations. During FY 2012, the Council set a policy to support only six (6) signature events. We have since added a new event *Cala Vida*. In those instances, we serve as either the sponsor or co-sponsor. Those events are- Martin Luther King, Jr., Day; Arbor Day; Railroad and History Festival; Riverfest; Augusta Savage, Cala Vida; Soul Food Festival; and Christmas on Walnut Street/Christmas Parade/Parade of Trees. The funding level for those activities is estimated at \$50,000 next year. Coordination for these special events is done by the Office of the City Manager.

Within the various departments, we account for contractual services spent in support of our Information Technology (IT) Needs. For several years, we have contracted with ALM Network Services, Inc. During the current year, we have recruited our Information Systems professional that provides in-house expertise and augments outside contractual services. Collectively, we have about \$114,000 programmed for that purpose and \$45,000 in capital.

Recreational programs and activities have been maintained at the ASACC in the amount of \$25,000. We envision that the City will partner with other agencies to provide increased programming once the Library facility is complete. We are also cognizant of the Council's direction that volunteers are a critical part of the site operations. We intend to partner with the Jacksonville Public Library to assist us on displaying our Augusta Savage collection.

The cost allocation study completed several years ago, delineates with more precision the amount of interdepartmental charges that should be allocated by the General Fund to other Enterprise Funds for services such as recruitment, customer service, purchasing, accounts receivable/payable, auditing, payroll, budget, general management, and policy board administration, to name a few. These results impact the magnitude of Cost Allocation Transfers to the General Fund. In next year's budget \$592,241 is collected from Electric, Water, Wastewater, and Sanitation Funds for cost allocation purposes. This equates to less than two mills.

HISTORIC SPRING PARK POOL & AMENITIES WITH RELATED IMPROVEMENTS

The debt service for this Capital Improvement Revenue Note Series 2016B issue was realized for the first time in FY 2017 in the amount of \$81,000 which continues in FY 2019. The pledge for that debt is not surtax, but other general fund revenues, such as Communication Services Tax (CST) and Sales Tax. This capital project was completed during FY 2017 and from inception to date expended \$3.2 Million.

AUGUSTA SAVAGE ARTS & COMMUNITY CENTER (ASACC)

During the last quarter of FY 2014, the City assumed responsibility for the Augusta Savage Arts and Community Center. This expenditure has been carried forward to FY 2019 with \$62,000 to provide for necessary supervision and organized program activities at the gym, as well as utilities and maintenance.

Leases with two other tenants at the complex have remained constant. Those tenants are Head Start and Food Pantry. The City has entered into new leases with the Food Pantry and the Head Start program under the auspices of the Episcopal Services.

OUTSIDE AGENCY FUNDING REQUESTS

We have one new outside agency request that awaits Council direction. They have *not* been programmed into the proposed budget as is customary until the Council directs the Administration to do so. These requests will be part of the August 7th budget workshop.

Episcopal Services - \$1,000 for School Readiness (subsidized child care). This is the same request as last year. The Council funded \$1,000 and it is in the proposed budget.

Green Cove Springs Baseball Softball Association - \$5,000 to offset program expenses at Clay County Carl Pugh Park. The Council funded \$5,000 and it is in the proposed budget.

Clay County Economic Development Corporation - \$10,000 for *Choose Clay*. This is a new request for the Council and has not been included in the budget.

GENERAL FUND SERVICE LEVEL ENHANCEMENTS

No increases in service levels have been formulated in this budget. However, we have attempted to address capital projects, personal services, and programs that we believe the Council desires to implement based on our Vision Plan, with the exception of the purchase of an area north on US 17 to serve as a gateway to our community. This needs to be discussed by the Council.

NON OPERATING EXPENDITURES

A Contribution to Fund Balance has been programmed in this budget for \$69,000. There is no Contingency.

CAPITAL PROJECT CONTRIBUTIONS FOR GENERAL GOVERNMENT

Transfers totaling \$3,013,515 from the Infrastructure Surtax and Reserves, Gas Tax and Reserves, Grants, Depreciation Reserves, Federal forfeiture, and Intergovernmental support several General Government Capital Projects that impact quality of life and internal operations that have been included in the proposed Capital Improvement Program. Of notable interest are these items:

Recreation and Parks: Spring Park pier, trail, playground, and gazebo improvements; ASACC Library building; Augusta Savage Friendship Park playground; St. Johns River trail; and vehicle and equipment replacement.

Police: Four Patrol vehicles and equipment replacement.

General Services: Security improvements at City Hall, Replacement of air conditioning units and flooring in City Hall, Upgrade Council Chambers A/V System, and Alcove storage shelving at City Hall.

Public Works: Public Works Compound; pavement markings; street resurfacing; new street paving; sidewalks; signs; rolling stock equipment.

Right-of-Way: Equipment replacement.

Information Technology: Equipment and upgrades.

ENTERPRISE FUNDS

ELECTRIC

Funds for this service are derived primarily from residential and commercial sales. Next year's budget is just over \$16.368 Million. The single largest expense within this Fund is purchased power and it is estimated to be \$7.590 Million, for which revenues must provide support. Second to that expense is the Interfund Transfer (Payment in lieu of Taxes) to the General Fund. We have been evaluating that amount and gradually reducing it from a high of \$1.645 Million in FY 2011, to \$1.186 Million in FY 2012, to \$900K in FY 2013 and 2014. It was increased to \$953K in FY 2015; however we recommend the transfer revert back to \$900K for FY 2016 which is the same as FY 2014. Another gradual reduction was implemented in FY 2017 and FY 2018 down to \$850,000 and has been carried forward in this budget. This Fund could not sustain transfers of that magnitude and the service expenditures within the General Fund must be aligned to available revenues. The current transfer equates to about two (2) mills. This transfer was about five (5) mills in FY 2011 at \$1.6 Million.

Other transfers from this Fund total \$451,620 which support Customer Service (\$195,079) and Cost Recovery (\$256,541) allocations. The Cost Recovery allocation is a Transfer from the Electric Fund to the General Fund and is equal to one mil. Totaling the transfers from this Fund to the General Fund equals \$1.301 Million (\$850,000 + 451,620).

No rate adjustments have been programmed for this Fund. Rates have not been adjusted since FY 2015.

The City elected to invoke CROD and provided notice to FMPA on December 9, 2014 based on a November 18, 2014 Analysis. We also designated former Mayor Bob Page as our FMPA representative and that delegation continues. Based on recent FMPA Load forecasts it supports the direction taken by the Council. During FY 2020, the City needs to pay particular attention to its load factor, since December 2019 will determine the cost for purchased power in January 2020. Furthermore, in advance of the 2019 deadline, the City should also

begin to determine the services that will be needed to purchase power from not only FMPA, but another supplier.

We have continued to cost share the expense for an Engineering Technician with the other water and wastewater utilities. The expense (\$26,275) will be shared with all the utilities. Likewise, a Utility Line Locator has been brought on board to increase productivity (\$17,855). Each Fund will pay 1/3 of the expense. Funds for the Hooper contract totaling \$912,000 have been provided. This will be the second year that they will be eligible for a performance incentive. Continued funds for enhanced tree trimming and professional services have also been earmarked. Hooper operates with six full-time positions (Manager, Superintendent, Four (4) line crew positions.

We have programmed \$3,532,000 in capital projects which is supported by \$10 Loan, depreciation reserves, current year revenues, capital improvement trust, and unrestricted cash on hand. Debt service for this fund is set at \$925,685 and will sunset in 2033 from the issuance of the Electric Utility Revenue Note Series 2018. This Loan was finalized on May 3, 2018 and issued *without any rate increase* to accelerate the Capital Program. These funds must be expended within three (3) years based on the priority listing of capital projects that accompanied this transaction.

WATER

Funds for this service are derived primarily from residential and commercial sales. Next year's budget is \$2.996 Million and has a \$10,000 Contingency. Transfers out from this Fund support Customer Service (\$99,605) and Cost Recovery (\$127,433) allocations total \$227,088. This fund also has an Interfund Transfer (Payment in lieu of Taxes) to the General Fund for \$65,638. Annual debt service is \$172,496 and will sunset on October 1, 2020. Next year will be the final debt service payment. Cost sharing for an Engineering Technician (\$25,516) and a Utility Line Locator (\$17,327) has been planned for this department. A new position entitled Water Facilities Mechanic has been included in this budget for succession planning. Approximately \$1.477M has been planned for capital projects. The Water Master Plan was completed during the current year. A

contribution to build depreciation reserves for future capital needs has been programmed in for \$77,638.

Pursuant to our Rate Ordinance, each year, we should evaluate the need for a three percent (3%) rate increase. The rates for this Fund were increased by three percent (3%) for FY 2015, FY 2017, and FY 2018. No rate adjustments were done during FY 2016. It must also be noted that rate adjustments within this Enterprise Fund are directly proportionate to the need for the Transfer from this Fund to the General Fund. A three (3%) rate increase has been proposed to support operations and maintenance in the proposed budget. During the August 7th budget workshop, we will present a proposal to increase Irrigation Rates to conserve water. We held an information session at Magnolia Point on July 9th. Please refer to table of historical rate increases on page 5.

WASTEWATER

Funds for this service are derived primarily from residential and commercial sales. Next year's budget is \$5.861 Million. Transfers out from this Fund support Customer Service (\$113,295) and Cost Recovery (\$146,041) allocations total \$259,336. This fund also has an Interfund Transfer (Payment in lieu of Taxes) to the General Fund for \$65,639. This Fund has \$24,769 for debt service and will sunset in 2036. Cost sharing for an Engineering Technician (\$25,516) and a Utility Line Locator (\$17,327) has been planned for this department. A new position entitled Water Facilities Mechanic has been included in this budget for succession planning. Capital Projects planned for next year total \$2.571M. A contribution to build depreciation reserves for future capital needs will be programmed in for \$200,000.

Pursuant to our Rate Ordinance, each year, we should evaluate the need for a three percent (3%) rate increase. The rates for this Fund were increased by six percent (6%) for FY 2015. It must also be noted that rate adjustments within this Enterprise Fund are directly proportionate to the need for the Transfer from this Fund to the General Fund. No rate adjustment was enacted during FY 2016. An eleven (11%) rate increase was approved in FY 2017, another sixteen (16.7%) was approved in FY 2018 to support the AWWTP Capital Project. Another seventeen (17%) rate increase has been programmed for FY 2019 to support the

AWWTP Capital Project. Collectively, this will accumulate \$117,000 during FY 2017, \$270,000 during FY 2018, and \$326,000 during FY 2019 that will be restricted for that purpose in retained earnings within that Fund. Please refer to table of historical rate increases on page 5. A transfer out to the Reclaimed Water Fund in the amount of \$1,188,000 has been included within this budget.

RECLAIMED WATER

During FY 2017, a new Utility Fund was created to account for these services. A fee schedule and service area was also adopted. In the proposed budget \$1,188,000 has been programmed for capital improvements only funded by Wastewater. The capital project will be for reclaimed water service system, a component of the AWWTP. There are no positions within this Fund.

SOLID WASTE

Funds for this service are collected primarily from residential sales and franchise fees. Furthermore, during FY 2017, we implemented the collection of Special Assessments from the Magnolia West area only. Next year's budget is \$754,642. Transfers out from this Fund support Customer Service (\$45,469) and Cost Recovery (\$62,226) allocations total \$107,695. This fund also has an Interfund Transfer (Payment in lieu of Taxes) to the General Fund for \$16,000. No additional positions have been included in this budget. There is debt service in the amount of \$80,203. There are no Capital requests. A contribution to build depreciation reserves for future capital needs has been programmed in for \$53,263. We do not provide commercial service. We are planning for the influx of new customers based on new homes. In addition we have an enhanced recycling program which was implemented during FY 2018.

The rates for this Fund were increased for FY 2015. The monthly residential fee for service is \$18.00. A rate increase from \$18 to \$19 per month has been programmed in the proposed budget. The last time we had a rate increase in this Fund was during FY 2015 when we increased from \$17.50 to \$18.00 per month.

STORMWATER

This is a new Utility Fund created at the direction of Council during the last quarter of FY 2013 to account for construction, operation, and maintenance of stormwater collection, retention and detention systems, along with other stormwater programs. Next year's budget is \$950,300. It derives its revenues from a monthly charge (\$3.50) on all parcels within the corporate limits which is estimated to be about \$172,000 in the proposed budget and collected by Special Assessments for the first time during FY 2017. This new source was adopted by Ordinance and is currently a *base* charge only, also known as an availability charge. The current funding level accounts for stormwater maintenance and operations only. It is not a usage charge which the City may opt to enact at some future date based on the amount of stormwater utility capacity that is consumed by a customer. However, prior to doing so, the City would have to develop an equitable and defensible methodology to account for those associated costs which would then be a viable source for funding a myriad of stormwater capital projects. Our engineer was engaged on June 6, 2017 to complete this task order.

In the proposed budget we have allocated \$779,000 for Capital Projects. Funds for this expense are derived from the General Fund and will continue to do so until such time as User Fees are sufficient to fund capital which is likely three or more years from today. Thus far, we have been unable to fulfill this capital request and sufficient funds do not exist within the General Fund to provide the cash outlay. It is shown in the budget for illustration purposes. Of the total capital request, \$29,000 can be fulfilled, the balance of \$750,000 cannot at this time. There are no Transfers out from this Fund for Customer Service and Cost Recovery allocations. There is no Interfund Transfer for PILOT.

CUSTOMER SERVICE

Green Cove Springs has only one fund that while classed as an Enterprise Fund functions like an internal service operation. This fund accounts for Utility Administration, Utility Billing, Meter Readers, and Warehouse Operations. It totals \$453,497. This Fund derives its revenues from contributions from all of the Enterprise Funds (\$453,497). This is shown as an expense line item entitled "Customer Service Allocations" within the Water, Wastewater, Solid Waste, and

Electric Funds. It must also be noted that this Fund has a negative equity (\$148,666) that our external auditors have asked us to address. Therefore for the second fiscal year in the proposed budget an additional \$40,000 was assessed to all of the Utility funds. We plan to have this resolved within four years by assessing \$40,000 each year. In total, \$453,497 has been transferred into this Fund from the other Utilities in the proposed budget. There is no Contingency in this Fund. A contribution to build depreciation reserves for future capital needs has been programmed in for \$28,651. No additional positions have been included within this budget. There are no Capital requests. This Fund does not have any debt service.



SPECIAL REVENUE FUNDS

BUILDING FUND

A new Fund was created in FY 2013 to account for building operations as recommended by the external auditor. The fee schedule remains unchanged from FY 2015 and no change is anticipated in FY 2017. Previously this expense was shown in the General Fund and has been set at \$354,110 for next year and supports the Building Assistant, and Building Official, along with associated operating expenses, and a portion of the Development Services Director and the Development Services Representative in the Development Services Department. In FY 2015, we completed the transition of providing all building inspection services at City Hall vs. the County Administration Building.

This Fund does not have any debt service. A Contingency has not been provided in this Fund. There are no Transfers out from this Fund for Customer Service and Cost Recovery allocations. However, it does provide \$30,000 to the General Fund for space rental. There is a capital request for \$27,000 for a new vehicle for an Inspector. A contribution to build depreciation reserves for future capital needs has been programmed in for \$51,631.

SPECIAL LAW ENFORCEMENT TRUST FUND

This Fund is reserved for Police forfeitures and has a budget next year of \$20,000. No positions are funded from this fund and its use is restricted by Florida Statutes and requires Council approval prior to any expenditure.

DEBT SERVICE FUNDS (Historic Spring Park Pool and Police Facility)

Debt service for the Historic Spring Park Pool totals \$81,535. This is paid by a Transfer In from the General Fund. This debt will be retired in 2031.

Debt service for the Police Facility totals \$160,175. This is paid by a Transfer In from the General Fund. This debt will be retired in 2026.



BUDGET ALTERNATIVES AND ADMINISTRATION RECOMMENDATION

Several alternatives are available for your consideration, some of which can support the current service level. They have been presented for discussion purposes only to give you a range of options. We have also provided you with a millage, taxable values, and revenue history from FY 1992 to present in the proposed budget document as well.

- Maintain the current millage rate of **3.6000** that was levied in Fiscal Years 2015, 2016, 2017, 2018, and will generate \$1,607,046, but when converted to 97% equals \$1,558,835 in revenues which is **\$169,236 or 12.18% greater** than the current year budgeted revenues of \$1,389,599. This requires a simple majority vote (3/2) for passage and has been illustrated in the proposed budget.
- Consider the current year rolled back millage rate of **3.3676** which will generate \$1,503,303 but when converted to 97% equals \$1,458,204 which is **\$68,605 or 4.9% greater** than the current year budgeted revenues of \$1,558,835. This requires a simple majority vote (3/2) for passage.
- Consider the millage rate of **3.2100** which will generate \$1,432,950, but when converted to 97% equals \$1,389,961 which is **nearly the same** as the current year budgeted revenues of \$1,389,599. This requires a simple majority vote (3/2) for passage.
- Consider the current year adjusted rolled back millage rate of **3.8312** which will generate \$1,710,254, but when converted to 97% equals \$1,658,947 which is **\$269,348 or 19% greater** than current year budgeted revenues of \$1,389,599. This requires a simple majority vote (3/2) for passage.
- Consider the millage rate of **3.8875** which is a combination of the current year adjusted rolled back rate (3.8312) and a 1.0147% growth cap allowed by Florida law. This will generate \$1,735,387, but when converted to 97% equals \$1,683,325 which is **\$293,726 or 21% greater** than the current year budgeted revenues of \$1,389,599. This requires a simple majority vote (3/2) for passage.

• Consider the millage rate of **4.0212** which is the net change from June to June valuations by the Property Appraiser which amounts to x.xx%. This will generate \$1,795,071, but when converted to 97% equals \$1,741,219 which is **\$351,620** or **25% greater** than the current year budgeted revenues of \$1,389,599. This requires a simple majority vote (3/2) for passage.

• Consider the millage rate of **4.2763** which is a combination of the 3.8875 millage rate and a ten percent increase. This will generate \$1,908,948, but when converted to 97% equals \$1,851,679 which is **\$462,080** or **33% greater** than the current year budgeted revenues of \$1,389,599. This requires a super majority vote (4/1) for passage and is not recommended.

• Any millage **greater than 4.2763** requires a unanimous vote (5/0) for passage and is not recommended.

• Consider a former millage rate of **2.5700** levied in FY 2008 through FY 2011 which will generate \$1,147,253, but when converted to 97% equals \$1,112,835 which is **(\$276,764)** or **19% less** than current year budgeted revenues of \$1,389,599. It will not support the current service level. This requires a simple majority vote (3/2) for passage and is not recommended.

• Consider a former millage rate of **2.9821** levied in FY 2012 and FY 2013 which will generate \$1,331,215, but when converted to 97% equals \$1,291,278 which is **(\$98,321)** or **7% less** than current year budgeted revenues of \$1,389,599. It will not support the current service level. This requires a simple majority vote (3/2) for passage and is not recommended.

RECOMMENDATION & CONCLUSION

The proposed budget utilized the current millage rate of **3.6000** mills for its calculations. This was done to demonstrate the level of services that can be supported at that rate, along with implementation of various directives.

The Council should also be mindful that in comparison to earlier years with lower millage rates, we did not have any debt for either the Police Facility or

Spring Park. Collectively, these two critical facilities pull \$241,000 from the General Fund which is roughly $\frac{1}{2}$ mil.

The Red Light Camera traffic enforcement program contract will expire in February 2019 and is dependent upon the composition of the Council. During 2019 and 2020, we will be holding Council elections. The net revenue to the City from this program is \$440,000 or one mil.

Furthermore, in Tax Year 2019, we are likely to experience the impact from the Voter Referendum that is likely to pass. The last estimate we had was nearly \$100,000 in lost ad-valorem revenues.

The Stormwater Fund also requires a cash infusion of \$750,000 which thus far we have been unable to fulfill from the General Fund. It is a deferred critical maintenance item. This equates to just under two (2) mills.

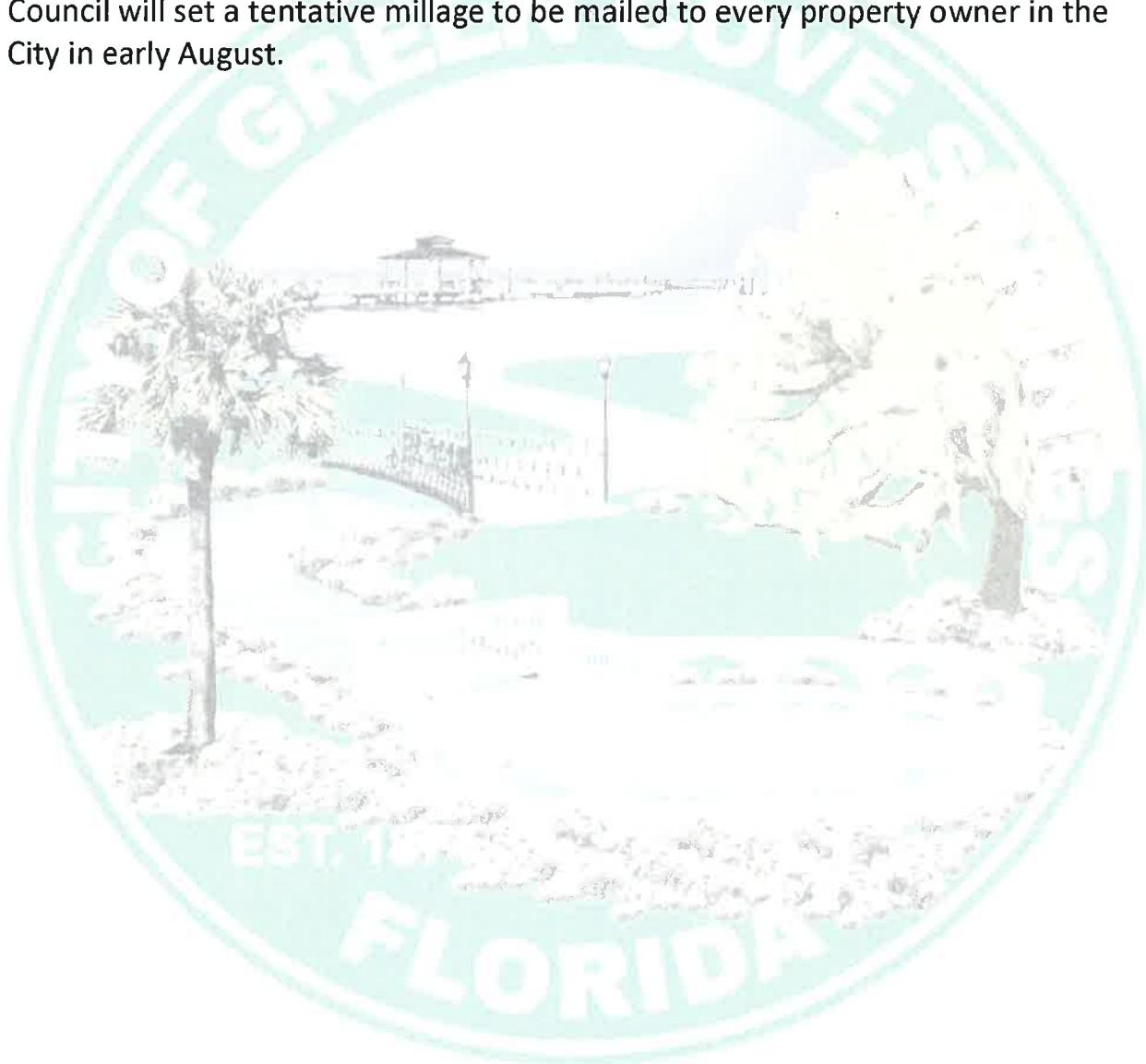
Summing these activities totals \$1.531M which is nearly $3 \frac{1}{2}$ mills.

Historically, Fund balance within the General Fund was at \$4.1M in FY 2013 and is now at \$1.658M in FY 2017. This reduction is due in large measure to our investment in capital infrastructure which is critical and must be done, and to a lesser extent to two named storms, for which we have yet to receive full reimbursement to FEMA. The Administration will discuss this in greater detail during August 14th when we deliberate on the General Fund. We are in compliance with our Fiscal Policy, but we would be remiss if we did not highlight this for the Council. This further demonstrates the point that without either some type of levied mill for capital or other usage fee, we will not be able to undertake the *Decade of Progress initiative*.

We recognize that the millage rate is a policy decision and would ask that careful consideration be given to support a millage rate of *at least 3.2100 mills* which is **less than** the current millage rate of 3.6000 mills and less than the current year rolled back rate of 3.3676 mills. This is the millage rate which will provide nearly the same as the current year revenues, regardless of the service level and has not been recommended in this budget document. Another option is to adopt the adjusted current year roll-back rate of 3.8312.

To summarize in FY 2018 we levied 3.6000 mills and transferred \$1.589 Million to balance the General Fund. This trend continues with the proposed budget for FY 2019. In total, we propose to transfer \$1.589 Million from Cost Allocations and PILOT, which equates to just under 4 mills.

It is further recommended that the first public budget hearing be scheduled for September 4, 2018 at 7:00 PM in the Council Chambers during which the Council will set a tentative millage to be mailed to every property owner in the City in early August.



ACKNOWLEDGEMENTS

I wish to express my appreciation to the Finance Department, with special recognition to Mrs. Marlena Guthrie, CPA, our Finance Director for her commitment to this task and the months spent in preparing this budget document, her fifth for Green Cove Springs and Mrs. Kim Thomas, Executive Assistant, who compiled the document. Members of Senior Management, Assistant Directors and Professionals should also be recognized for their input. Field Supervisors and Crews, Administrative Support, and Customer Service employees deserve recognition for their service to the citizens of our community. The entire team reflects a positive image on the organization. Many choices and decisions face the Mayor and Council as we prepare the pathway for the year 2025 and beyond. *Cove Life* Residents should take pride in their community.

Yours In Service,


Danielle J. Judd
City Manager