

The Special Meeting/Budget Workshop of the City Council of the City of Panama City Beach, Florida, and when permitted or required by the subject matter, the Panama City Beach Community Redevelopment Agency, held on September 13, 2018.

ROLL

MAYOR MIKE THOMAS

COUNCILORS:

PAUL CASTO

PHIL CHESTER

GEOFF MCCONNELL

HECTOR SOLIS

CITY MANAGER:

MARIO GISBERT

CITY CLERK:

JO SMITH

CITY ATTORNEY:

AMY MYERS

Mayor Thomas called the Special Meeting/ Budget Workshop to order at 4:00 P.M. with all Council Members, City Manager, Finance Director, City Clerk and City Attorney present. Mayor Thomas opened the Public Hearing.

Councilman Chester led the Pledge of Allegiance.

ITEM 1 PUBLIC HEARING FOR THE UTILITY FUND. Mayor Thomas opened the Public Hearing at 4:01 P.M. Ms. White stated she would give a broad overview of the Utility Fund and defer any questions about operations and projects to Mr. Shortt and Ms. Jenkins.

She said the Reserves by the end of FY19 were lower and that was by design to spend those funds on capital projects. She assumed zero customer growth for the Budget to be conservative, and kept water sales flat while sewer increased by the 2% rate increase which she assumed the Council would adopt. She also updated the anticipated Impact Fees for Water and Sewer, using the same level of activity but with the new Impact Fee rates.

For Water, there were three (3) new people in the Utility Fund. For Stormwater, there were no new people but Ms. Jenkins reallocated the mix of personnel between the CRA and Stormwater. For Operations, there were no major changes with the largest line item the water purchase from Bay County, \$11.6 Million Dollars. For the capital projects, Ms. White said they were usually aggressive in budgeting the projects at the beginning of the year, knowing that some projects would roll to the next year. She said pages 10 and 11 were worksheets detailing the projects planned through FY23/24 and the various revenue sources to be used for the projects.

Councilman Casto asked Mr. Shortt about the automated water meter project. Mr. Shortt explained that the new system was viewed almost ten years ago, and he started budgeting for the new system. However, there was a manufacturing defect in the new meters and problems occurred for the cities who had already made the change. He said he had budgeted \$2.75 Million Dollars for FY19 but this was only a deposit as the total cost would be \$6.5 Million Dollars. He said the City was waiting to ensure that the firm had resolved their manufacturing issues and he said they had replaced Four Thousand (4000) meters in our system at no cost to the City but at the firm's cost of approximately Five Hundred Thousand Dollars (\$500,000). Mr. Shortt said Staff would still submit a RFQ with standards and look at the different firms. He continued that the different firms would do a presentation and the Council decide which would be the best fit for the City. He added that changing firms when Twenty-Three Thousand meters were already with another firm would be expensive and painful. He said he was comfortable at this point to move forward and would be able to go to monthly billing and have leak alerts go out to the customer via text messages. He said the systems were expensive to implement but there were many good customer services aspects. Ms. White said the City had received numerous requests over the years to go to monthly billing which would improve the cash flow.

Councilman Casto asked about the towers and the highrises interfering with the signals. Mr. Shortt replied that now mini-towers were being installed, and Gulf Power had approached the City to work together for them to read the meters for us. He said one aspect would be appealing as in the event of a storm or hurricane, Gulf Power would be first to get out there and have their assets repaired and operating. On the other side,

there would be costs associated with a third party getting the data plus it would not be as quick.

Councilman Casto if the Meter Readers would be able to remain and Mr. Shortt said he thought at least one would be brought inhouse to deal with morning reports of leaks and consumer complaints. He reminded that the changeover would take three years so there would be time to see about the employees.

Councilman McConnell asked if the Gulf Power fee would outweigh the infrastructure costs for the City to do our own. Mr. Shortt said in casual conversations, the fee mentioned was in the low six (6) figures.

Mr. Shortt said this technology started in the water/sewer field about ten (10) years ago, and it had matured enough now to instill confidence in the product. Ms. White said the benefits to the residents would be improved cash flow, monthly billing as well as being able to monitor leaks more quickly. Mr. Shortt said there would more direct involvement for the customers than now by being able to monitor their own usage, similar to online banking. Councilman McConnell stated he would like a cost benefit analysis to review when Staff reached that point. Mr. Shortt acknowledged it could cost the City more to operate but would give better service to the customers.

Councilman Casto asked for an update on the utilities for Thomas Drive. Mr. Shortt explained that the manhole replacement project had been let, structures ordered, and he hoped the contractor would be able to begin replacing the manhole covers next week. He elaborated on the construction plans for Thomas and Beach Drives, with Thomas being done first and he hoped to be able to post the bid in six (6) weeks. No expansion on Thomas Drive was planned but there would be improvements on Beach Drive with larger water pipes and larger forcemain. Councilman Solis asked about the survey and delays. Mr. Shortt replied that the survey the County supplied worked for the roadway work but not for utilities. Even though the City was a partner in the survey project, it was not enough information and detail for the underground utilities. He said once Dewberry finished the new surveys, the project would be done in sections with bids out in six (6) weeks, then a month to review the bids, then come to a Council meeting for approval, then the Notice of Award, taking a few months for that part of the process.

Ms. White said the Sewer Department was the heaviest user of electricity for all of the lift stations so a cushion was built into that proposed figure. Staff also planned a lot of lift station rehab, and most of the capital projects such as the Thomas Drive project had already been discussed.

For Stormwater, Ms. White explained the reasons why she planned to carve the Stormwater out of the Utility Fund and let it stand on its own. She said no one would see a difference except the accountants, and no numbers would change. For operations, there were no major changes. For the capital projects, some rolled forward into 2019 and she explained the cash pressure if all the projects occurred at the same time. She said some borrowing internally short term could occur if necessary. There were no questions.

For debt service, there were three (3) outstanding bond issues and 2019 would be the final year for the 2009 Bond. She explained the past refunding and keeping the maturity dates the same and increasing the payments for the remaining two (2) Bonds.

Councilman McConnell asked for a start date and milestone date for all the capital projects, both utilities and stormwater.

ITEM 2 ACTUARIALLY DETERMINED RETIREMENT CONTRIBUTION PERCENTAGES. Ms. White explained the changes to the General Fund Budget due to the actions of the Pension Board because of the State letter. She explained that the State strongly urged a reduced Rate of Return, and letters from the three (3) Pension Boards were included outlining their actions in response. The consultants at the meeting felt these actions would satisfy the State for the next two to three years. Ms. White said this would make the City fund the Plans more quickly. She explained the State Minimum Required Contributions and for the General Employees, no budget changes were needed. For Police and Fire, Sixty Thousand Dollars and Seventy Thousand Dollars respectively were increased since the prior Workshop. Those changes were made.

She also made the personnel changes and reduced COLA as directed from the last Workshop. She also made the Pier and Aquatic Center changes as directed and Revenue was updated to reflect a positive increase.

Mayor Thomas said next year, the Pension Boards needed to meet before the Council had their Budget Workshops. Ms. White explained the Pension Board meeting schedule and the receipt of the Actuarial Reports and agreed that the timing this year was not the best. She said she hoped the Board's actions this year would prevent this issue from occurring again for two to three years.

Councilman Solis said he would like to move forward exploring a new retirement system for new employees, lowering the City contribution and adding a 401K-type contribution. He recommended that Police and Fire remain the same with the attractive multiplier but look at a lower multiplier for the General employees. He spoke of reducing the multiplier for General by 1%, adding a small match. He recommended a study.

Councilman McConnell emphasized this would be for new employees only and he would not support any changes to the current employees. He agreed to a study from all angles. Councilman Casto asked about having the current consultants make presentations to the Council on the Defined Benefits and Defined Contributions. Councilman McConnell recommended an independent presentation for all three (3) options. Councilman Solis said the City would need an actuarial study to show the costs.

Councilman Casto mentioned the story about the City of Palm Beach and its difficulty in hiring Police after making such a change. He said he had been on the General Employees Board for many years and knew making a change would impact other parts of the Plan. He spoke of retention of new employees.

Councilman Chester said the City should make the retirement plan attractive for potential employees and Councilman McConnell said he would like to see data from these other cities who made the changes.

Ms. White said she thought this would need a RFQ with the firms having subconsultants who could present options and their results. Mayor Thomas said he did not want to hurt the current Pension Plan, but he wanted a plan with portability to the employees. He said ten (10) year vesting was tough and elaborated. Ms. White said the consultants had mentioned a Defined Benefit Plan with a smaller multiplier combined with a Defined Contribution Plan and match. This might make both groups happy. Mayor Thomas said the other option would give a bigger pool of money if the employees did not stay the full ten (10) years.

Ms. White said she, Mr. Gisbert and Ms. Myers would craft a RFQ and bring to the Council first to see if it was written for their wants. Councilman Casto wanted to see the whole picture with all options.

With nothing further, the meeting was adjourned at 4:43 P.M.

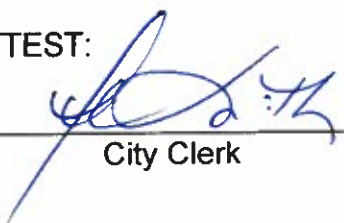
READ AND APPROVED this 27th of September, 2018.

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



Mayor

ATTEST:



City Clerk