

MINUTES
SPECIAL COUNCIL MEETING
CITY OF NICEVILLE, FLORIDA
JULY 20, 2023

The Niceville City Council met in special session at 5:00 p.m., July 20, 2023 in the Council Chambers, 208 N. Partin Drive. Mayor Henkel and all Council members were present except Councilman Nodjomian. Councilman Nodjomian attended by phone with audio only. Also present were: City Manager, David Deitch; City Clerk, Dan Doucet; Deputy City Manager, Chad Morris; Wendy Farmer, Deputy City Clerk, Steven Rausch, Finance Director and Deputy City Clerk and one other attendee. Mayor Henkel called the meeting to order at 5:00 p.m.

PUBLIC HEARING

Mayor Henkel said this meeting was to set the proposed millage rate. Mr. Doucet read the following from a letter, dated July 17, 2023, which had been delivered to Mayor Henkel and all City Council members.

The City has received the Certification of Taxable Values from the Property Appraiser which is used to establish our Proposed Millage Rate.

We are in the process of meeting with department heads to determine their needs; therefore, it is too early for us to know what our bottom-line needs are for **FY24**.

The following personnel costs have increased or may increase this year as compared to last year. The General Fund (GF) budget for the Florida Retirement System (FRS) contributions will increase, due to an increase in the required FY24 City contribution rates, by approximately **\$311,360**, from \$1,775,480 to \$2,086,840. The City does not yet have a FY24 Liability, Worker's Compensation, and Property insurance quote, but our point of contact has advised the property insurance premium expense will increase by **approximately 75%** and the other portions of the insurance premium are expected to increase by **approximately 10%**. These FY24 City-paid insurance premium increases for the City's total liability, auto, property, and worker's compensation insurance expense are estimated to increase by approximately \$162,773, or 26.2%, in FY24 compared to FY23.

The City's FY24 Draft GF Budget includes: personnel-related expenses of \$14.6 million; operating expenses, excluding personnel-related expenses, of \$4.42 million; capital outlay expenses of \$5.18 million; debt service expenses of \$486 thousand; and non-operating expenses of \$1.3 million. The largest increase in the Niceville FY24 Draft GF Budget is the capital outlay increase. In the prior year budget, which is current FY23, the City had no capital outlay budgeted in the General Fund, because all capital outlay benefiting the GF was budgeted in the Discretionary Surtax Special Revenue Fund.

The United States Bureau of Labor Statistics reported on July 12, 2023 that the Consumer Price Index increased by 3.0% for the United States, and 7.3% in Florida, for the period June 2022 to June 2023.

We recommend the proposed millage rate be set at **3.7734**, which is higher than the rolled back rate of **3.6692**, and higher than the current rate of **3.7000**. A millage rate of 3.7734 will produce **\$6,026,490** in ad valorem revenue after the budgeted amount is reduced by 5% as required. This rate will provide **\$674,640** additional ad valorem revenue in FY24 as compared to our current millage rate of 3.7000 in FY23. (See enclosed tax table.) Of the additional **\$674,640**, \$117,230 results from the increase in the millage rate, and \$557,410 of the increase is a result of an increase in average property taxable value assessments and new construction occurring in 2023. In the FY24 Niceville Draft Budget, with a 3.7734 millage rate, ad valorem revenue represents about **23.2%** of the total General Fund projected revenues, compared to comprising 26.6% in FY23.

In FY24, the Office of Economic and Demographic Research (EDR) projects Niceville's half-cent sales tax revenue will increase from \$1,939,130, by **\$145,730**, to \$2,084,670. The EDR also estimates the State Revenue Sharing will increase by **\$22,390**, from \$806,330 to \$828,720 in FY24. Within the General Fund, a combined total amount of **\$842,760**, of additional revenue, from ad valorem, Half-Cent Sales tax, and State Revenue Sharing, will offset the additional expenses, outlined above, which total **\$803,430**.

Once the proposed rate is set, we cannot increase it unless a first-class mailing, to each property owner, is made advising them of the increase, which would be very expensive.

We request your approval to set the proposed millage rate at **3.7734** for the tentative budget hearing to be held on **September 7, 2023 at 6:00 PM** here at the City Council Chambers.

We must report this information on the required forms to the Department of Revenue no later than 4 p.m. CST, **August 4, 2023** to meet TRIM requirements.

After finishing reading the letter, Mr. Doucet said the reason for the September 7 tentative millage rate public budget hearing is that we cannot set our tentative hearing when the County or the School Board set their hearings. They have already set their tentative budget hearing dates. So, our date does not interfere with their budget hearing dates. So, once it is set we cannot change it, said Mr. Doucet. So that's an overview of it. If there are any questions, Mr. Rausch put this document together, and our new City Manager can answer your questions.

Mayor Henkel asked, do we have a motion to approve a millage rate of 3.7734?

Councilwoman Alley motioned approval, for discussion. Councilman Nodjomian seconded, for discussion. Mayor Henkel asked the Council for any questions or discussion of the motion.

Councilman Donahoo asked Mr. Doucet, have we ever had to roll the millage rate back from the proposed rate we set? Mr. Doucet said, yes in fact last year it was set to 4.0000 and then rolled back to the adopted 3.7000 millage rate. Councilman Donahoo asked, have we ever had to increase the millage rate after we set the proposed rate? Mr. Doucet replied, no we have never had to do that. Once you set it, we don't increase it. It would probably cost about \$8,000 for the required mailings.

Councilman Nodjomian asked can someone explain why the property insurance premiums are going to increase by 75 percent? That is a monster increase in premiums, said Councilman Nodjomian. Mr. Rausch replied, yes sir. That isn't the entire premium. That's the property insurance premium. Many of you may be familiar with property insurance increasing on your personally-owned property. The insurance industry took a look at all of the weather disasters and decided it makes sense to raise premiums. They claim they do not have enough money in their reserves. I'm sure they had actuaries doing those studies. Our current insurer, Florida Municipal Insurance Trust (FMIT) works through the Florida League of Cities. They had a conference and invited representatives from every city they insure. We did not send anyone, but the property insurance increase was one of the things they discussed at the conference. I was not there, but I did talk to Mr. Tom Conley after that conference. He's our point of contact with FMIT. He said the rest of the City's FMIT insurance premiums will likely increase about 10 percent, but the property insurance will go up about 75 percent, and some cities will see larger property insurance rate increases.

Councilman Nodjomian asked, have we done the analysis of simply self-insuring? Mr. Rausch replied, we have not. Or, at least I have not, since being hired in January 2019, done a risk analysis or hired someone else to do a risk analysis, to see if it would make sense to just put the amount that we are spending in premiums into a savings account or high-yield investment, such as a U.S. Treasury notes at this time, and see if we have enough if a disaster does affect Niceville. More discussion followed. When you are looking at an increase of 75 percent, I think it is prudent to explore self-insurance, said Councilman Nodjomian.

Councilman Schaetzle said, of all of the insurance policies, referencing liability, workers' compensation, and property, we also have health insurance and automobile insurance. Councilman Schaetzle asked, what amount is it statistically, as a percentage? Mr. Rausch said, the letter Mr. Doucet read lists liability, property, auto, and workers' compensation insurance. Those are the four types of insurance captured in the FMIT policy. We do have health insurance, where the City pays the employee premium and a portion for families. That is up in the personnel expenses section of the budget. It is with a different insurance

company and is not included in this amount. There are about four or five other insurances the City purchases separately for a much smaller amount.

Councilwoman Alley asked, do we shop other insurance companies to try and get a better rate? Mr. Rausch said, yes ma'am. It was two or three years ago that we switched from PGIT to FMIT after we obtained quotes and did a comparison. I recommended to Mr. Doucet, when we spoke about it earlier this year, that we don't do that every year, because when you request quotes, there are really, from my experience of doing municipal accounting in Florida, there's only two major players. Once in a while you get a third company but they really can't compete. There's PGIT and FMIT. You might get a teaser rate for one year, but it becomes a hassle going back and forth. The open claims on one policy are still covered under that policy, and then if you keep switching back and forth it can complicate things. More discussion followed.

Mayor Henkel asked, a large portion of this is for property insurance, but you had indicated there were some other insurances, such as employee health insurance that is not in any of these figures yet, right? Mr. Rausch replied, it's included in the overall FY24 Draft Budget, but we did not list, and we have not in previous years listed everything at this late July briefing, in the letter. What we've done is taken a few of the major revenues and expenses and compared them to give you an idea of how things have changed from year to year. When we meet in August, we should be much closer to having an idea of what is needed. That's why in past years, we've asked for a 4.0000 millage rate in July and then lowered it at the first budget hearing in September said Mr. Rausch. More discussion followed.

Councilman Nodjomian said, we are proposing a millage rate that is effectively the same as we have. It's 3.7734 versus 3.7000. The delta is about \$117 thousand. It's such a low number in the grand scheme of our overall budget. More discussion followed. Councilman Nodjomian said a second point is if we are absolutely sure we are not going to be able to live within our budget, then let's raise the millage rate enough that we are not at risk at having to come back and do a mail-out to request an upward adjustment in our millage rate. More discussion followed about the amount to set the proposed millage rate.

Mr. Deitch said right now we're still plowing through the numbers. My intent, as I discussed with you earlier this week, is to have you a balanced budget based on 3.7000. That said, we have a lot of capital projects coming up in the near future over the next few years, whether it's a new police station, a joint police station and fire station out in Deer Moss Creek, a DMC re-use line, and even a new council chambers building here. While I concede your point on how the public views tax increases, and as a taxpayer, I despise paying taxes at whatever rate, I would much rather raise it less than one-tenth of a mill every year for the next five years as opposed to raising it to 4.5000 in one year, if you follow me, to cover these increases, said Mr. Deitch. More discussion followed.

Mayor Henkel asked what would you recommend if we had to go to a higher millage rate right now? Let me pull a spreadsheet up for discussion purposes. After a short discussion with Mr. Deitch, Councilman Nodjomian suggested 3.9000 for discussion.

Councilwoman Alley asked is there capital outlay expenditures budgeted in the FY24 Draft Budget, and if so, how much is there? Mr. Rausch replied, yes ma'am; as I walk back to the desk, I'd like to remind you, even if the millage rate stays at 3.7000 it will need to be advertised as a tax increase because property taxable values increased. Mayor Henkel said yes, we are aware of that. Mr. Doucet said, you should keep in mind this is for the General Fund only. Mayor Henkel said yes.

Councilman Williams said, I just wanted to say in these times of financial uncertainty, it would definitely be a problem, raising the millage rate.

Mr. Rausch said, I have a response to Councilwoman Alley's question. I have prepared a summary of the capital outlay included in the current FY24 Draft Budget, which is not yet balanced. We have a total of \$26,000,980 in the General Fund as expenditures, and out of that amount capital outlay is \$5,181,680. That's only the General Fund though, said Mr. Rausch. Mr. Rausch provided the capital outlay amount by General Fund department.

Councilwoman Alley said I just wanted to know if there was any money in capital outlay towards building? Mr. Deitch said there is \$500,000 in there for design of the Police Building to do everything up to breaking ground. We're also looking at options for this building, whether we remodel it or build a completely new facility and the two office facilities in the back. So that is a potential add to the budget, but we have to get going on the police department, said Mr. Deitch.

Councilman Schaetzle said, last year, we sat here at the same time and started with 4.0000 and later rolled it back to 3.7000. So, I'm in agreement with Councilman Nodjomian. This 3.7734 is such an odd number. I would rather see us start a little bit higher and give our staff an opportunity to do the work they need to do and bring it back to us and see where it can be trimmed.

Mayor Henkel said, I want to point out, Mr. Nodjomian's words were very accurate when he said, let's get the right number, and I'm not talking about the millage rate. What is the right number we need in this budget. As we look at this, we understand the economy and inflation are very hurtful for a lot of folks. But, by the same token, if we are going to continue to provide the services, we can't continue to operate in the red. So, I would just as soon see the Council raise the proposed millage rate and then let the staff work and see where they really need to bring it to, as far as the correct dollar amount.

Councilwoman Alley said this is why it is so critical we need a strategic plan so we can gear this budget toward what our goals are in the City of Niceville. We need to know, in

three years are we breaking ground on a police station, and if we are, what that is going to cost. In five years, if we're breaking ground on a new council chambers, what does that cost? So, we really need a strategic plan, so we can gear this budget toward what our goals are in the City of Niceville. Mayor Henkel said I'm pretty sure our new City Manager has heard those words, 5-year plan and longer, several times from members of this City Council. I know for a fact that the Mayor has talked to him about it. I want to have it on the record. That's why I said it, said Councilwoman Alley.

Mr. Deitch said, Council members, please understand. I don't know if I said this during my interview. I am a fiscal conservative. I absolutely detest paying taxes to any government entity, mostly because I detest the way government entities spend my money. I feel like it is morally appalling in a lot of ways. My commitment to you is, I am going to cut out any unnecessary expenditures from this budget that may have been in there for years. So, when you see it for the first time, it is going to be getting the job done for sure, but at the lowest possible cost for residents.

Mayor Henkel asked, are there any other comments referencing the 3.7734 millage rate? Councilwoman Alley said I would like to withdraw my motion. Mayor Henkel asked Councilman Nodjomian are you willing to withdraw your second? I am. Thank you, said Councilman Nodjomian.

Councilman Donahoo asked, for the taxpayer, how much of an increase will they see? Mr. Deitch said the millage, solely from an increase is \$117 thousand and change, spread across the entire City. So, if we have 8,000 owners paying taxes, it is not a significant sum, but it will be noticeable, said Mr. Deitch. It will be an increase said Mayor Henkel.

Councilwoman Alley asked if we do not raise the millage rate, will their property tax still go up. Yes, replied Mayor Henkel. Mr. Deitch stated that.

Councilwoman Alley motioned to set the proposed millage rate at 4.0000. Councilman Schaetzle seconded the motion. Mayor Henkel opened the floor to the Council for discussion and comments.

Councilman Schaetzle said, I think this is the best approach we can take to give staff and our City Manager the ability to do what's right for the City. Don't tie your hands at 3.7734.

Councilman Nodjomian said I will echo what Councilman Schaetzle said. What I'll add to that, is that this is our new City Manager's first go at this. I think we need to give him the freedom to work a true budget, not an artificial number. However, the goal is to work back to 3.7000, while still ensuring we are investing in the systems, the infrastructure, and the personnel that we need to effectively run our City, said Councilman Nodjomian.

Council Vote: Nodjomian-yes; Williams-yes; Donahoo-yes; Alley-yes; Schaetzle-yes. Motion passed. (5-0)

Mayor Henkel asked Mr. Doucet for the next item on the agenda.

Mr. Doucet said we need to make a motion to set the Tentative Millage Rate and Budget Hearing on the September 7, 2023 at 6:00 p.m., at the Niceville City Council Chambers.

Councilman Donahoo motion approval. Councilman Williams seconded. Mayor Henkel asked if there was any discussion.

Councilman Schaetzle said, as the Council knows, I am actively involved in the legislative policy committees for the Florida League of Cities. We have our first meeting in Orlando on September 8. I will be traveling on September 7, but I will be available to dial in. What is it that you want us to hear asked Mayor Henkel. I will dial in, replied Councilman Schaetzle. Mayor Henkel asked, Mr. Doucet you will make sure Councilman Schaetzle has the correct dial-in number? Yes sir, replied Mr. Doucet.

Council Vote: Schaetzle-yes; Alley-yes; Donahoo-yes; Williams-yes; Nodjomian-yes. Motion passed. (5-0)

Mr. Doucet said the purpose of setting the meeting date, time, and place was so the tax notice could notify people who want to attend.

The meeting adjourned at 5:39 p.m.

MAYOR

ATTEST

CITY CLERK

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