

MINUTES
SPECIAL COUNCIL MEETING
CITY OF NICEVILLE, FLORIDA
AUGUST 15, 2023

The Niceville City Council met in special session at 6:00 p.m., August 15, 2023 in the Council Chambers, 208 N. Partin Drive. Mayor Henkel, Councilman Schaetzle, Councilman Williams, and Councilman Donahoo were present. Councilman Nodjomian and Councilwoman Alley attended by conference phone call. Also present were: City Manager, David Deitch; Deputy City Manager, Chad Morris; City Clerk, Dan Doucet; Finance Director and Deputy City Clerk, Steven Rausch; Public Works Director, Johnathan Laird; Police Chief, David Popwell; Fire Chief, Tommy Mayville; Deputy Fire Chief, Matthew Webster; Senior Center Manager, Julie Mooney; Library, Community Center, and Children's Park Director, Sheila Bishop; and Executive Administrative Assistant, Adrienne Larson. Christopher Saul of the Midbay News also attended. Mayor Henkel called the meeting to order at 6:00 p.m.

PUBLIC HEARING - General Fund Budget Workshop

Mayor Henkel called on Mr. Deitch to begin his presentation.

Mr. Deitch thanked Mayor Henkel and greeted everyone. It has been a sporty month and a half here. I think I have worn out my team with questions. Most of them have taken it in good stride.

What I've decided to do tonight, is kind of a break from the tradition of what you are accustomed to. I'm just going to give you the 50,000-foot overview. You have all of the budget documents in front of you, said Mr. Deitch. When I'm done, I'll turn it over to all of you for questions. Obviously, I have the department heads sitting behind me, so if you have specific questions that I cannot answer, I'm going to bring the experts up and let them respond to any questions you may have as we progress through this.

This budget proposal is with a 3.7000 millage rate. Niceville's millage rate has not changed since at least FY17. Of the larger municipalities in Okaloosa County, Niceville has the second lowest millage rate in the County, second only to Destin. If you raise the millage rate to 4.0000, we will continue to have the second lowest millage rate in the County. The revenue difference between a 4.0000 and a 3.7000 millage rate for FY24 is \$479,129.

The proposed budget includes a five-percent pay raise for the Police Department personnel, and a three-percent pay raise for all other City teammates. It does not include unionized members of the Fire Department, with whom we will be negotiating pay raises with starting next month, said Mr. Deitch. There are no pay increases for myself, the City Clerk, the Mayor or any of the City Council members.

All of the remaining ARPA money is budgeted to be spent in FY24. All discretionary sales surtax funds included in this budget are used to purchase assets for the Streets Department, Police Department, or Fire Department, said Mr. Deitch.

This proposed budget converts a part-time Senior Center teammate to a full-time teammate, so the Senior Center can extend its hours into the evening several days per week for those who are 55 and over, and still working. This proposed budget adds one additional part-time teammate to the Children's Park, so we can extend daily park hours and be open seven days per week, said Mr. Deitch.

This proposed budget is balanced, but requires substantial interfund transfers and reserve transfers to meet our proposed obligations. We have healthy reserve balances in some, but not all of our funds to accomplish this task, said Mr. Deitch.

I have budgeted a half million dollars for design and engineering for a much-needed new Police Department building. This proposed budget includes five million dollars for the design and construction of a new City Complex and Council Chambers, said Mr. Deitch.

I have budgeted for several new positions, including a Public Information Officer, a Grant Manager, and a Planning Department Director. The budget includes money to develop a strategic plan. This proposed budget also includes money for a salary study and salary adjustments based on the outcome of that salary study. This proposed budget does not include making any extra or additional payments to the City's current debt obligations, which on October 1, 2023, will be approximately 8.63 million dollars, of which 7.3 million is Water & Sewer debt.

This proposed budget includes training three additional current firefighters to achieve their paramedic certifications. This will bring us up to six certified paramedics within the Fire Department. It also includes monthly paramedic incentive pay for these six firefighter paramedics.

This proposed budget includes \$125,000 to resurface the skate park and \$65,000 to replace one of the ramps. It also includes money to fully fund our beautiful library and senior center. The proposed budget includes money for the Meigs Park rehabilitation and money for the Twin Oaks Mullet Festival master design plan.

The budget does not include new or additional manpower beyond what I have described above. The proposed budget includes a significant number of Water and Sewer and Stormwater projects, but those are not a topic of conversation for tonight's discussion.

That's my overview, said Mr. Deitch. Now I'd like to open the floor to you for any questions any of you may have.

Councilman Nodjomian said thank you for presenting the information in that manner. I have a couple of questions on a couple of the things you mentioned. I will ask them and then go back to you. Is there anything that concerns you that is not going to be funded as a result of bringing forward this balanced budget and not requiring a millage increase? That's question number one. For question number two, you mentioned five million dollars. I think that's actually coming from a loan or bond? So, can you elaborate on that a little bit and explain what that's going to construct. Clearly that's going to be more in a renovation range, said Councilman Nodjomian.

Mr. Deitch replied, the five million dollars is from a loan, and is expected to be spent on the demolition of the current Council Chambers and the building that I currently work out of, as well as the Utility Billing Office. So, the whole City complex will be torn down and replaced with a two-story facility, with double the square footage that we currently have. We're going to go from 4,500 to roughly 9,000 or 10,000 square feet. My hope is that in this new building we can put not only the new City Council Chambers and the departments that are in the buildings that are going to be torn down, but also bring the HR Director, the Building Management team, the Purchasing Department folks and put them all in one building for the ease of employees and the public with a one-stop shop. More discussion followed, between Councilman Nodjomian, Mr. Deitch, and Mr. Morris, concerning the possibility of a new Council Chambers and office building to replace the existing complex and the financing, design, and construction timeline associated with it.

Mr. Deitch said, with regard to your first question about stuff that is not funded, I don't have any major concerns. We have a lot of cuts. The big rocks that I would love to be able to fund are pay raises, beyond the three percent that I've proposed in this budget, and I'd do that across the board. Beyond pay raises, a couple of additional personnel, but most of it is pay raises, said Mr. Deitch. But, there's no way to get there without a millage rate increase. There's not money in the budget, and as you've seen in some of the documents including documents I've sent to you previously, we're doing a significant interfund transfer and reserve transfer to make the budget balance, said Mr. Deitch. So, there's no wiggle room for additional pay increases, but if I had to put my finger on one thing that I wish I could do, it's pay increases. Beyond what you've already programmed, asked Councilman Nodjomian? Yes sir, correct, replied Mr. Deitch.

Councilman Nodjomian said one point of clarification; you said the October 1, 2023 debt would be a little over eight million. That does not include the additional five million that we're going to end up taking on for the reconstruction of the administrative facilities. Mr. Deitch said yes sir. That is correct. More discussion followed about managing the City's debt.

Mayor Henkel asked Mr. Deitch to explain the difference in revenue for the City and cost to homeowners for millage rates of 3.7000 to 4.0000. Mr. Deitch said, if we stay at the

3.7000 millage rate, that will bring in about 5.9 million dollars. If we go to 4.0000, it's 6.38 million dollars. So, again there's a 479 thousand dollar and change difference between those two millage levels in revenue for FY24, said Mr. Deitch. As property values increase and Deer Moss Creek (DMC) builds out, it's 479 thousand dollars this year and over 500,000 next year, and so forth in years to come, if we stay at the 4.0000 millage rate, said Mr. Deitch.

Mayor Henkel, said I understand. I don't like taxes and I know you and everybody in this room doesn't like them too, but they know they're necessary. I know you're working hard to cut fat from this budget and will be throughout further budgeting efforts. Let's continue to look for where we can cut things, and let's make sure that what we're proposing for the citizens of this great City, is doing the best we can so we can keep it under control, said Mayor Henkel. Yes sir, replied Mr. Deitch. I've eliminated a significant amount of daily expenses and there's more to come.

I do not have a recommendation for the Council as far as the millage rate for two reasons. Number one, our enterprise funds, both operating costs and reserves, are woefully underfunded, particularly in the Sanitation and Stormwater funds. More discussion followed about the need to raise revenue and the timeline for any fund balance increases in the City's proprietary funds and General Fund.

Mr. Deitch said, the other piece of that is, again, I'm hard-pressed to say, hey taxpayer, give me more money, when we are not efficiently using the tax dollars they are giving us. I am actively working on that. We have some fiscal challenges for FY24 and looking into the future, said Mr. Deitch. We have some major capital expenditures coming up with a re-use line out to DMC, the Police Department, the Fire Department, and a water tower out in DMC. In three to five years, we're going to have some significant budgeting cost that we're probably going to need to start budgeting for now, said Mr. Deitch.

Councilman Schaetzle asked, as we look at cutting expenses, are we also looking at where we might be charging that we're not? Yes sir, replied Mr. Deitch. Right away there's that re-use water from Fort Walton Beach. Mr. Deitch said my team and I are building a proposal for the Council. It's going to be a multi-tiered system based on the property size and a flat fee for those who are getting re-use water. It will probably be three tiers for residential and one tier for commercial. Mr. Deitch spoke more about details of the plan. Councilman Schaetzle asked if the City is looking beyond re-use water? Mr. Deitch said yes sir. We're looking at impact fees, sanitation fees, stormwater fees in addition to the re-use water. I took a look at a contract for speed cameras. While that is not a revenue-generating tool. That is not the purpose. Nevertheless, it would likely generate some revenue for the City as well, said Mr. Deitch. At the same time, I'm also working diligently to reduce expenses. If the Council approves this budget with funds for a grant manager, I'm going to go out and get a grant manager to get as much free cash as he or she can get

their hands on, said Mr. Deitch. More discussion followed about methods to obtain grants and State funding for City projects through networking and lobbying efforts.

Councilman Nodjomian said I have one question and one request. The request is, for the one-page summary, entitled FY24 Draft Budget Summary, can you produce that same document, with an additional column next to it with the FY23 numbers were, so we can compare that quickly with what's being requested by major line-item for FY24? Mr. Rausch asked, do you want the FY23 Budget or FY23 "Actual-Year-to-Date"? Councilman Nodjomian replied, budget. Yes sir, replied Mr. Rausch. More discussion followed about the requested revision to the document.

Councilman Nodjomian said, Mr. Deitch, I heard you say, in order to balance this budget, we had to dig deep into our equipment reserve account. How much are we diving in there for, and what's left in our reserves after this budget? Mr. Deitch, said these are rough numbers for you. They've changed. But they're in the ballpark. All of these numbers are the reserve funds used in the FY24 Draft Budget from each fund. In the General Fund (GF), we are transferring \$3.7 million; Surtax Fund - \$2 million; Water and Sewer Fund - \$2.3 million; Sanitation Fund - \$541,000; and in the Stormwater Fund, just a little over \$1 million. Again, those are ballpark figures, said Mr. Deitch.

After we do that, in the GF we'll have over \$3.9 million. In the Surtax fund, it's \$2.3 million. In the Water and Sewer Fund, it will be \$6.4 million. In the Sanitation Fund, it will be \$174,000. And, in the Stormwater Fund, it will be \$844,000. The Surtax fund and the Water and Sewer fund are over my comfort level with regards to reserves. I would like to have at least 25 percent of operating cost in reserves, in all of our respective funds, said Mr. Deitch. More discussion followed about the very low reserve levels in several funds after FY24. In particular, the Sanitation Fund's low reserve levels and plans for improving its financial health were discussed in some detail.

Mayor Henkel asked Councilman Nodjomian, do you have anything else? Councilman Nodjomian replied, our new City Manager did a fantastic job answering all of my questions. Thank you. That's all I have for you tonight, said Mr. Deitch. We'll meet again on Thursday at 6 p.m. and discuss Sanitation, Stormwater, and the Niceville Community Redevelopment Agency's FY24 Draft Budget, said Mr. Deitch. Mayor Henkel said we have an opportunity to take these binders home with us and look at these numbers in a little bit more depth until we come back Thursday evening. Can you answer questions from us between now and then? Mr. Deitch replied, yes sir. I'm always available for all of you. I appreciate that, said Mayor Henkel.

Councilwoman Alley said I will not be able to call in on Thursday. Councilman Nodjomian said I will still be on the road, so I will dial in with the direct number if I am the only one dialing in. No discussion followed.

The meeting adjourned at 6:37 p.m.

MAYOR

ATTEST

CITY CLERK

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