MINUTES
SPECIAL COUNCIL MEETING
CITY OF NICEVILLE, FLORIDA
SEPTEMBER 10, 2020

The Niceville City Council met in special session at 6:00 PM, September 10, 2020 in the Council Chambers, 208 N Partin Drive. All council members were present except for Councilwoman Alley who was out of town and unable to call in by phone, and the Mayor was present. Also present were City Manager Lannie Corbin; City Clerk Dan Doucet; Finance Director Stephen Rausch; Chad Morris Technology Department; Public Works Director Jonathan Laird; Police Department Chief Popwell; Fire Department Chief Mayville, 5 visitors in the audience and a member of the press. Mayor Henkel called the meeting to order at 6:00 PM.

PUBLIC HEARINGS

Consulting Engineer Briefing - Mr Glenn Stephens, Poly-Inc.

Mr Stephens stated that the Water and Sewer fund is an enterprise fund and the system is required to have rates in place to support it. He stated that during previous bond issues the City made certain covenants, and one of those covenants require you to maintain water and sewer rates that are sufficient so that your net water and sewer revenues, which is your gross revenues less your operating expenses, is at least 115% of your debt service payments and pledged revenues is 130%. This is why we come every year to set those rates that will help the City meet those covenants. He stressed the importance of meeting the coverage test every year to prevent the City from defaulting on current bond issues, SRF and other loans that have coverage requirements. Mr Stephens provided statistical data via a power point presentation. He stated over the past 5 years the City’s average revenue was about 4.1 M in Water Revenue and approximately $3.8% M in Sewer Revenue. He stated your average rate increase for the last 2 years for water has been .00% and the Sewer rate increase was 1.00%. He explained other series of calculations to come up with his rate model. He covered those items listed in his Capital Improvements Plan and their funding sources. He referred to a survey of 13 surrounding utilities stating that Niceville’s combined rates are 8.4% less than the average rates for water and sewer. He recommended no increase for water and a 0.5% rate increase for sewer in FY 2021 and if his projections do not change our coverage will be adequate until 2022. At that time a 1.2% increase will be necessary to meet coverage requirements. Discussion followed.

Financial Advisor Briefing - Mr Bill Fray, Fray Municipal Securities

Mr Fray stated that the 2020 Annual Debt Management Report of the City has been completed. He stated that a review of certain outstanding City debt is being performed to
determine if there is net present value savings sufficient to warrant a refunding. The City's outstanding debt is minimal, is being retired on schedule and presents certain favorable circumstances. He stated this may result in improvement of the already strong credit structure of the City. The City’s investable funds are being invested as directed by the City Council by the City Clerk’s office.

**Water and Sewer System**: Continued use of Pay-As-Go funding from many current and foreseeable capital projects opens several fiscal opportunities for overall reduced system cost. Options analysis can be done as these improvements are realized with the current assumptions.

**Current Market Highlights**: He referred to Page 2, Section 2 of his report for brief market status and historical perspective as related to the City.

Mr Fray stated that the City Debt Management Program is serving its intended purpose. The City policies provide a proactive approach to efficient use, preservation and allocation of City resources.

He provided a handout summary of the Annual Debt Management Report.

**Overview and Purpose**

The purpose of this report is to review policies and initiatives to help insure efficient and effective management of the City’s debt. This includes both current and prospective programs. Review of existing programs and managed debt are in Report Highlights and Debt Management sections. He referred to the Debt Statement on Pages 4 and 5 of his report.

The City has a history of conservative policies and proactive management of debt that minimizes debt cost.

The Annual Debt Management Report for the City also includes:

- Monitoring market developments, evolving industry techniques and programs that may be applied to benefit of the City.

**Report Highlights**

1. Debt Management
include:

1. System growth,
2. Relatively short average-life of existing debt,
3. Low existing debt interest cost,
4. Minimal projected capital expenditure for System expansion to be funded from debt, and,
5. Continued Pay-As-Go funding of certain capital cost of the System. We are monitoring these options for proper timing for City consideration.

2. Current and Historical Market Overview

The 20-Bond Index is a barometer of tax-exempt interest rates. It is compiled and calculated each Thursday. On August 26th the Index was 3.03%; Month ago: 3.43%; Year ago: 3.94%.

Explanation for current low rates. The economy is not overheated and interest rates have been declining. One economist said it this way, “While the U.S. economic expansion did not stall as it crossed the finish line to become the longest in our history, it has not been firing on all cylinders either.”

Mr Fray’s Annual Debt Management Report included a 20-Bond Buyer Index compared to 20 Year Treasury Bonds and Debt Statement Recap. He thanked Steven for providing the Debt Statement located at the end of his briefing packet.

Mr Fray concluded his report stating he looked forward to addressing any comments and questions and thanked the Council for the opportunity to be part of this team in serving the City.

Steve Rausch, the City of Niceville Finance Director briefed the Council on the City Investment Program:

Mr Rausch stated that the City of Niceville complies with 218.415(17) F.S which governs investments of municipalities not having their own investment plan. This paragraph basically limits the City’s investments to a) intergovernmental investment pools, b) high-quality SEC registered money market funds, c) CDs or savings accounts in QPDs, and d) US Treasuries.
The “Prudent Person Rule” states “Investments should be made with judgement and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived from the investment.”

In the City of Niceville, safety of principal is the first priority. The liquidity needs of the City are carefully calculated, so all operational and debt service cash requirements are met, and the calculation allows a substantial margin for unforeseen cash requirements. Only as a tertiary consideration is the investment income (interest rate) considered.

So, we only invest the City’s funds as a prudent person would invest their own funds. When choosing investment options, we prioritize safety, liquidity, and return... in that order.

HOW ARE CITY FUNDS PROTECTED?

We use several methods to research the financial institutions that may hold City funds on deposit, or manage City investments. The research includes some or all of the following: a review of the financial institution’s latest financial statement on the Federal Financial Institutions Examination Council (FFIEC) website; whether they are included on the Florida Division of the Treasury’s Qualified Public Depository (QPD) list, and any public information about the financial institution as available in news media.

I stopped using the bankrate.com website as an indicator of bank financial health because they moved away from rating the bank’s financial health, and now only offer a comparison of bank customer service levels that appears to be influenced by their marketing and business interest.

CURRENT INVESTMENTS

The 2-page handout you have received shows Niceville’s current investments, by fund and by bank. Mayor and Council, before I move on to the last part of this investment briefing, do any of you have any questions about the City’s current cash and investments?

I am responsible to provide municipal compliance and investment advice regarding the deposit and investment of City funds. Regardless of the reasons for the economic stress
that has accompanied the pandemic over the past 6 months or so, the City faces a macro-
economic environment that has increasing risks. The Federal Depositor Insurance
Corporation (FDIC) insures coverages up to $250,000 per entity per bank. However, the
rest of City funds are protected by the Florida Qualified Public Depository (QPD) system,
which has only 124 banks; down from over 200 a few years ago.

When a bank fails, the FDIC steps in to facilitate the sale of the bank to another bank.
However, if this is not possible the FDIC insures up to $250,000 per entity per bank.
When a bank is a QPD, if it fails all of the other QPD banks must cover the losses.

There are other options for depositing City funds safely. One option permitted by Florida
Statute is to invest funds in a Local Government Investment Pool (LGIP). As far as I am
aware, the City has not previously placed funds in a Local Government Investment Pool.
I have recommended to Mr Doucet and Mr Corbin, that the City diversify by investing
some Water and Sewer Funds with a Local Government Investment Pool (LGIP). No
City funds are currently invested with any LGIPs, but the paperwork required to open an
account and place money there requires a resolution to be passed by the City Council.
There are seven LGIPs in Florida that I am aware of. I bring this up now so you will have
notice in case it comes before you at a future Council meeting.

In the past we have invested City funds in US Treasury Notes as a way to preserve
principal while earning some interest. Treasuries are currently paying about 12 or 13
basis points, which is about an eighth of a percent of interest, but they are considered by
many to be one of the safest places to deposit funds. Thank you.

Councilman Nodjomian asked if it was possible to lose principal with an investment pool.
Yes, said Mr. Rausch, it is possible but uncommon because the team that manages the
pool is very careful to invest in the least risky investments and they diversify invested
funds in low-risk investments. The Council thanked him for his presentation.

Mr Doucet briefed the following agenda items: He stated based on the recommendation
by our consulting engineer, we recommend our water rate resolution remain unchanged.

Resolution 20-09-03 – A resolution amending Section 1 of the City of Niceville, Florida
Municipal Sewer System Rate Resolution No. 18-09-01 dated September 6, 2018, to
provide for a rate adjustment and providing for an effective date.
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Mr Doucet read Resolution 20-09-03 by title. He stated that an average customer in the City uses 6,000 gallons of water. He stated that the sewer base rate will increase from $22.34 per month to $22.56 and the per 1,000 gallons cost be increased from $3.13 to $3.15 not to exceed 16,000 per unit. The rate of a 6,000-gallon customer would increase $0.40 per month. He stated this rate increase would apply to Multiple family, Apartments, Motels, and Trailer Parks and all Non-Residential customers; Customers on Water Wells connected to Sewer; From 72.26 a month to $72.98 a month. Customers not connected – Sewer Available: from $22.34 a month to $45.00 a month. Outside City Limits a surcharge of 10% shall be added. Councilman Nodjomian moved approval. Councilman Schaetzle seconded. Mayor Henkel asked if anyone in the audience wanted to come forward and speak regarding this item. No one spoke for or against. Council Vote: Schaetzle-yes; Nodjomian-yes; Donahoo-yes; Williams-yes. Motion passed

Resolution 20-09-04 – A resolution amending the Commercial Sanitation Tipping Fee Rate Resolution No. 19-09-01, dated September 5, 2019, to provide for a rate adjustment and providing for an effective date. Effective 1 October, the County is increasing their tipping fees by 2.25%. Mr Doucet stated that this rate increase is passed on to our customers which is a CPI increase for the cost of doing business. The rates differ based on the size of dumpsters and the frequency of pickup. Councilman Nodjomian moved approval. Councilman Schaetzle seconded. Mayor Henkel asked if anyone in the audience wanted to come forward and speak on this item. No one spoke for or against. Council Vote: Schaetzle-yes; Nodjomian-yes; Donahoo-yes; Williams-yes. Motion

Resolution 20-09-05- A resolution amending the Residential Sanitation Tipping Fee Rate Resolution No. 19-09-02, dated September 5, 2019, to provide for a rate adjustment and providing for an effective date.

Mr Doucet read Resolution 20-09-05 by title. He stated that effective 1 October, 2020 the County is increasing their tipping fees by 2.25%. He stated that this increase represents a $0.31 cents increase. Councilman Nodjomian moved approval. Councilman Schaetzle seconded. Mayor Henkel asked if anyone in the audience wanted to speak on this item. No one spoke for or against. Council Vote: Schaetzle-yes; Nodjomian-yes; Donahoo-yes; Williams-yes. Motion passed

Ordinance 20-09-02 - An ordinance of the City of Niceville, Florida levying the Ad Valorem Property Tax millage rate for municipal purposes on all taxable property within the City for the Fiscal year beginning October 1, 2020 and ending September 30, 2021 stating the percentage by which the millage to be levied exceeds the rolled-back rate; and
providing for an effective date. (First Reading)

Mr Doucet read Ordinance 20-09-02 in its entirety. Councilman Nodjomian moved approval on first reading. Councilman Schaetzle seconded. Mr Doucet stated that the percentage by which the millage rate of 3.70 mills exceeded the rolled back rate of 3.6341 Mills (computed pursuant to Florida law) is 1.81%. He stated the projected revenues will be used to defray budgeted general fund expense. Mayor Henkel asked if anyone in the audience wanted to speak on this ordinance. No one spoke for or against. Council Vote: Schaetzle-yes; Nodjomian-yes; Donahoo-yes; Williams-yes. Motion passed

Ordinance 20-09-03 - An ordinance adopting the final budget for the City of Niceville for the fiscal year commencing October 1, 2020 an ordinance adopting and approving the appropriations set forth in said budget for the fiscal year commencing October 1, 2020 and providing for an effective date. (First Reading)

Mr Doucet read Ordinance 20-09-03 by title and provided an overview of estimated revenues and expenditures as follows:

**General Fund**

Total estimated revenues and expenditures: $18,929,390

**Community Redevelopment Agency (CRA)**

Total estimated revenues and expenditures: $1,847,010

**Surtax – Special Revenue Fund**

Total estimated revenues and expenditures: $1,942,000

**Sanitation:**

Total estimated revenues and expenditures: $3,928,430

**Water and Sewer**

Total estimated revenues and expenditures: $10,140,850
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Storm Water Management

Total estimated revenues and expenditures  $ 3,486,570

Total Budget is $ 40,274,250

Councilman Nodjomian moved approval on first reading. Councilman Williams. Seconded. Mayor Henkel asked if anyone in the audience wanted to speak on this ordinance. No one spoke for or against. Council Vote: Schaetzle-yes; Nodjomian-yes; Donahoo-yes; Williams-yes. Motion passed

SENIOR CITIZEN ADDITIONAL EXEMPTION:

Mr Doucet stated that the Niceville City Council adopted an ordinance to allow an additional homestead exemption of up the $50,000 for any person who has the legal or equitable title to real estate and maintains thereon the permanent residence of the owner, who has attained age 65, and whose household income does not exceed the current adjusted income limitation of $30,721 for 2020. As of today, there are 86 Niceville residents who have applied for Senior’s Exemption. The additional senior exemption could potentially save a property owner up to $185.00. Thus, it was a good decision by the City Council to approve this provision for our lower income seniors years ago.

Mr Doucet advised that the final budget hearing is scheduled for September 24, 2020 at 6:00 PM.

The meeting adjourned at 7:00 PM.

ATTEST:

[Signature]
MAYOR

[Signature]
CITY CLERK

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