

**CITY OF RIVIERA BEACH  
PALM BEACH COUNTY, FLORIDA  
CITY COUNCIL WORKSHOP MINUTES  
MONDAY, JUNE 10, 2013 AT 5:30 P.M.**

(The following may contain inaudible or misunderstood words due to the recording quality.)

**COUNCILPERSON GUYTON:** Unfortunately, the Chair, uh, neither the Vice-Chair were able to make it tonight, was able to make it, and I've been asked to preside, um, for this evening. So we're gonna start off by having the, um, City Clerk call the roll, please?

**CITY CLERK WARD:** Yes, Mr. Chair. Council Chair Cedrick Thomas? Council Pro Tem Dawn Pardo? Councilperson T.D. Davis?

**COUNCILPERSON T. DAVIS:** Here.

**CITY CLERK WARD:** Councilperson Bruce Guyton?

**COUNCILPERSON GUYTON:** Here.

**CITY CLERK WARD:** Presiding. Councilperson Judy Davis?

**COUNCILPERSON J. DAVIS:** Here.

**CITY CLERK WARD:** Mayor Masters? City Manager Ruth Jones?

**CITY MANAGER JONES:** Present.

**CITY CLERK WARD:** City Clerk Carrie Ward is present. City Attorney Pamala Ryan?

**CITY ATTORNEY RYAN:** Present.

**COUNCILPERSON GUYTON:** Okay. Can we all stand for a Moment of Silence and the Pledge Allegiance led by Councilman T. Davis? (Everyone stood for a Moment of Silence with the Pledge of Allegiance being led by Councilperson T. Davis).

**COUNCILPERSON GUYTON:** Okay. The next item that we have on the agenda is discussions by the City Manager. Miss Jones?

**CITY MANAGER JONES:** Thank you, Mr. Chair. Um, we are pleased tonight to have the first of, um, several workshops as it relates to the preparation of the 2014 budget for the City of Riviera Beach for the General Fund, as well as the Enterprise Funds.

Um, and what we wanted to do tonight, and what you have received in, uh, previous correspondence, is to take a look at the revenue that we are projecting. Um, by looking at this revenue and the things that we're going to talk about this evening, we'll be able to then go back and begin the final drill down on the 2014 budget.

We have met with departments. Um, they, um, have given us some needs and some requests. Um, but through this process tonight we will present to you what our revenue projections are going to be and the assumptions on which we are using to develop the 2014 budget. We have a presentation planned, or to present. However, we'll entertain questions at any point, um, because we want to make sure that we're answering all of

your questions about the revenue projections as we move forward.

So what I would like to ask, um, Randy Sherman, the Director of Finance & Administrative Services, to now talk with you about our projections and our budget assumptions and the schedule for the 2014 budget cycle.

**COUNCILPERSON GUYTON:** Uh, thank you, Miss Jones. Mr. Sherman?

**FINANCE DIRECTOR SHERMAN:** Good evening. Randy Sherman, Director of Finance & Administrative Services. Yeah, first we're going to start off by talking and we're gonna start speaking about the General Fund revenues, um, and as you all know, the, uh, the largest part of General Fund revenues is our property taxes. Uh, so, uh, we prepared this graph for you, uh, give you a pictorial view of where we are on our property taxes. The green bars are the actual assessed values. Um, and as you can see, something you haven't heard in a while, if you look all the way over to the right in 2014 your assessed values are actually on their way back up. Uh, not back to where you were in, uh, 2009, but back to the 2011 levels.

Uh, currently we are, uh, being told that our values will be up about 5.75 percent or so. Um, we will get final numbers come July 1<sup>st</sup>. Uh, but that certainly is some good news. Uh, the top -- the line going across the top, that's where the millage rate has been. Uh, currently, uh, we are at 8.998, uh, that's dollars per thousand. Um, and right now the way we've been working the budget is we actually have that number plugged in, um, at this point, uh, but that obviously is subject to change. And then the line down at the bottom that you see going across, that's actually, uh, the variations, um, in percent increase or decrease. And again, as you can see over there on the right, we're at 5.79 percent increase.

Uh, in real numbers, uh, just so you can see the numbers that are behind that slide, uh, again, you can see back in 2007 the assessed value was \$3.7 billion, um, and 2014, which we're all very happy with, uh, we're at \$3.1 billion. Um, so again, it's a -- still a significant drop. Uh, in 2009 we actually, uh, peaked at just over \$4 billion, um, but again, it, uh, it has at least swung back and is moving in a -- in a positive direction.

This chart here, let me kind of explain to this. We track our revenue sources, uh, in categories. I mean, we have, you know, probably over 200 revenue sources, but these are the primary categories when we prepare the CAFREN [phonetic] financial statements. So the revenue source categories are in that left hand column. What we've done here to present tonight -- if you look at the next three columns -- that actually represents 2012. The first column is the full year budget for 2012. The next column is actually, this column right here, is actually the revenues through May 31<sup>st</sup> of 2012, uh, and we did that so when we jump over to the next three columns we can compare it to where we are today. Uh, and then this third column in 2012 is the percentage of the budget has been completed.

So just again, to summarize here, the budget for 2012, way down at the bottom here, was just over \$47 million of revenues. Through May we had collected about 36.3 million, which was 77 percent.

The next three columns are for 2013. Again, this is May, but the first column is the budget column for the full year. So again, if you follow that down, it's \$46.3 million, way

down here at the bottom. Uh, so it was actually anticipated that there would be a slight drop. And again, as your property values are decreasing, you know, that's one of the reasons why your overall revenues decreased. Uh, but if you look at the next column over, um, this column here where we have actual, again, this is through May 31<sup>st</sup>, uh, our actual revenues, again, following all the way down to the bottom, are \$38 million. So we're actually running about \$1.8 million ahead of where we were a year ago, even though the budget actually anticipated that we were going to be seeing a decrease in revenues.

Um, so when we go over to the final column over here, we've actually tried to do our -- our best projection on where we think we're gonna end at the end of the fiscal year. So going line by line here for ad valorem taxes, again, we think we'll be at that \$25.8 million, uh, which is very close, again, to the -- to the budget. Okay? And once you've set your millage rate, you know what your assessed value are, property taxes are not going to change significantly.

Uh, the next category is Other Taxes. Items that are in Other Taxes are the taxes that you would see like on your utility bills. So when you have your -- your FPL bills, and your water bills, uh, those are the types of taxes that we're talking about there. Um, again, the budget was \$8.1 million, and again, we're going to project out that we will be right at that \$8.1 million.

Franchise fees, this is pretty much what you're charging, uh, again, your utilities. You charge the electric utility, uh, you charge the -- the natural gas utility. Uh, again, that number we're figuring we're going to be right at the 2,590,000. We're not expecting that to change.

Uh, where we start to see some changes is when we get down to Other Fees. Originally it was budgeted at 3.1. We think we're actually going to be over 3.4. Uh, the primary reason that we're seeing that increase is in building permits. Again, another good sign that the economy has started to change is that people are coming back in and starting to do capital projects again. Uh, so we have seen it increase in building permits.

Moving down the line, Grants and Other, um, again, this is shared revenues. These are the, you know, some of the monies that we get through the State. We're not projecting really any change there. Uh, Fines. Again, 294,000. Not a lot of change there. Where we see the next change is when we get down to Other Revenues. And I keep losing my cursor here. Um, oops. I'm sorry. I've got to go back here. Okay, sorry. Um, where we have \$767,000 in revenues, that is the line where we have placed the \$550,000 that we recently collected from Ocean Mall. So that's why you're seeing that in there. It's coming in as a revenue. We can appropriate it. We can do what we want to do with it, but just so you -- you know, at the end of May, that \$550,000 is in that line. Uh, and then again --

**COUNCILPERSON GUYTON:** Is that a line item? I'm sorry.

**COUNCILPERSON J. DAVIS:** Other Revenue.

**FINANCE DIRECTOR SHERMAN:** I'm sorry. Sure.

**COUNCILPERSON GUYTON:** Other Revenues is where you've --

**FINANCE DIRECTOR SHERMAN:** In the Other Revenues, correct.

**COUNCILPERSON GUYTON:** Okay.

**FINANCE DIRECTOR SHERMAN:** This -- this line right here, Other Revenues.

**CITY MANAGER JONES:** This total here he's giving you \$767,000 --

**FINANCE DIRECTOR SHERMAN:** 827.

**CITY MANAGER JONES:** (Inaudible) is right there.

**FINANCE DIRECTOR SHERMAN:** Okay? So that's why, you know, you see this budget. It's not very large. You know, this -- this is -- we have miscellaneous income. I mean, there are some small things in there, but this is where we placed that \$550,000 when it came in. And then charges for other services, again, a lot of that is the administrative fees that we charge to, um, the Utility Special District, which has storm water charged to, uh, the trash fund. Uh, and again, those numbers are pretty -- you know, when we put in the budget those are the budgets. Uh, CRA is in there. Um, so we're not projecting much of a change there.

So when you look at the bottom line again, um, for the -- what we're projecting through 2013, through the end of the year, is \$47.3 million, which actually exceeds the budget of \$46.3 million. Thank you. Um, and again, half of that million dollar spread is that \$550,000. The other, again, is, um, primarily it's in -- in the building permits.

Okay. Then what we did on this slide is we tried to then take what we know about 2012 and 20 -- what we've projected for 2013, and project out where we believe our 2014 revenues are going to be. Again, down the left-hand side it's the same categories, um, and again, that's made up of, you know, hundreds of small little miscellaneous items. Um, but what we did is in the right-hand column we have our projected for 2014. So again, three columns from the right is the same column we just had on the prior slide. That's what we had projected for 2013, and then over far -- on the far right, over here, uh, is where we've projected for 2014. So for Property Taxes we've projected \$27.3 million. Uh, again, that's based on the information that we're getting from the property appraiser; and that is based on no change in the millage rate. Okay? But that's where you're gonna see -- that's a million and a half dollar increase that we're seeing in property taxes.

Uh, under Other Taxes, um, we actually are showing a decrease in Other Taxes, um, but let me explain why. And there's really no reason for -- for alarm on this one. In the prior year's numbers, again, this is where you have taxes that you have on your utilities and those types of things. But one of the things that is also in here is the tax that you have on your insurance, that premium tax. Uh, we actually don't collect that tax. That tax actually comes in, it goes to the State, and then the State give us the money back so that we can then turn around and give that to the retirement funds. Um, it's very impossible to budget that number, uh, and because it is just a pass through, we have excluded it from the budget line at this point. Uh, because we're really not quite sure where that number is going to end up. So even though you're seeing a decrease, we are actually projecting an increase overall, uh, in this Other Tax line.

You know, if we were looking at expenses tonight, which we're not, you would actually

notice that Police and Fire typically budget that same premium tax as a pass through, so we budget a revenue here; we budget an expense on their side. So if we don't budget it on either side, it's a wash, and we end up in the -- in the same place at the end of the day.

**COUNCILPERSON GUYTON:** Okay. Uh, Mr. Sherman --

**FINANCE DIRECTOR SHERMAN:** Yes.

**COUNCILPERSON GUYTON:** -- could you be more specific about areas that fall under Other Taxes?

**FINANCE DIRECTOR SHERMAN:** Sure. Items that we have under Other Taxes, there is a utility tax for electricity. That's a -- you'll -- you see that on your FPL bill. Uh, there's also the fuel tax. We have the tax on the water bills, the natural gas bills, sales taxes there, communication service tax, uh, and then the, uh, insurance premium taxes.

**COUNCILPERSON GUYTON:** Okay. That -- that utility tax, that -- that doesn't fall under franchise fees?

**FINANCE DIRECTOR SHERMAN:** No, there's -- there's a franchise fee that they're paid, uh, that they pay to the City, and that gives them the right to, uh, run their lines down your streets and cut your roads and -- and all those types of items. And then there is also a tax on the actual usage that you have. So they're actually two separate things. The franchise --

**COUNCILPERSON GUYTON:** Okay. Well -- well --

**FINANCE DIRECTOR SHERMAN:** -- tax actually shows in the next line.

**COUNCILPERSON GUYTON:** Okay. When you said they -- they -- the utility company doesn't pay that. The residents pay that until the pass through.

**FINANCE DIRECTOR SHERMAN:** Well, yes, it's -- it's a pass through, sure, from the -- from the rate payers. Correct.

**COUNCILPERSON GUYTON:** Yes. So we, the taxpayers, pay, uh, uh, what now, a utility tax on the lines and what else?

**FINANCE DIRECTOR SHERMAN:** They -- the -- the customer of the utility, they -- they pay for their usage of the utility, so they're covering all the costs of the utility. Then they pay a utility tax that is a pass through from the -- the rate payer pays it to the utility. The utility just passes that on to the local, uh, community, just like it's a sales tax is really in essence what it is. And then there is also a franchise fee that the utility pays -- and again I realize they collect it from the rate payers --

**COUNCILPERSON GUYTON:** Yeah.

**FINANCE DIRECTOR SHERMAN:** -- but the utility pays it to the local communities, and what that in essence covers is the access to that local community. It gives them access to all the right-of-ways and -- and the like.

**COUNCILPERSON GUYTON:** Okay. But again, the utility company doesn't pay that. The customer pays that.

**FINANCE DIRECTOR SHERMAN:** Yeah. It's all part of their rate structure.

**COUNCILPERSON GUYTON:** Yeah, yeah.

**FINANCE DIRECTOR SHERMAN:** Yes.

**COUNCILPERSON GUYTON:** You know, we -- we get accustomed to saying that the utility company pays, and I like for the residents to know what they actually paid, and don't be misled as if we're getting something from this utility company that we're not.

**FINANCE DIRECTOR SHERMAN:** Okay.

**COUNCILPERSON GUYTON:** And that's -- that's always irritated me to some degree. Okay. Keep going.

**FINANCE DIRECTOR SHERMAN:** Okay. Um, again, here's the franchise fee, and again, we're seeing a slight tick up in that number, um, but it's -- it's nothing significant. Um, the next line, again, is the Other Fees. Again, a \$100,000 increase for Other Fees. Um, but again, we don't -- we don't -- we're not projecting anything, uh, signature ninety-five can't under the Other Fees. Same thing for grants. Uh, typically, when you get down to shared revenues, and the numbers that come from the State, uh, the State usually or typically publishes what those numbers are going to be for their -- for every community. We have not received those numbers as of this time, which is why we have that flat, so that number could change, um, at future meetings. We're not projecting any real increase in fines at this point. Again, you can see last year it was at 294, or it's projected to be at 294. We have it at 301,000. Rents and leases, again, fairly flat, not that we don't see anything changing, uh, on the rents and leases. Uh, under Other Revenues, again, if you look at the 2013 projected, it's \$767,000, uh, right here. Um, but we're only projecting 144, and again, that 767 includes that 550, which obviously it's a -- it's a one-time revenue.

The big change that we have, uh, other than property taxes, is under Charges for Services. Uh, again, as I mentioned earlier, what is in Charges for Services are some of the significant revenue sources in Charges for Services, are the admin fees that we charge to the utilities and the, uh, the other Enterprise Funds. Uh, these are costs to cover expenses that are not budgeted directly in those funds. For example, Finance, or H.R., or City Administration. Uh, those are all budgeted in their individual department. But yet, the Utility District uses them. Uh, so there are charges in that fund, uh, or in that account, um, that again we have gone back -- we have actually recalculated all of the indirect charges. The last time the City calculated those charges, it was 1997. Uh, the same charge has been charged to all of these funds for at least the last five or six years. Uh, so one of the things that we wanted to look at was actually going back and making sure that what we were assessing to those funds was the proper number, and that they were, you know, fully paying for the costs that they should be incurring.

**COUNCILPERSON J. DAVIS:** Um, Mr. -- Mr. Chair?

**COUNCILPERSON GUYTON:** Yes, Councilwoman Davis?

**COUNCILPERSON J. DAVIS:** Mr. -- Mr. Sherman, this was one of my questions. Um, as it relates to the -- the administrative fees for the Utilities Special District and for Water & Sewer --

**FINANCE DIRECTOR SHERMAN:** Yes.

**COUNCILPERSON J. DAVIS:** -- is it based on, like, the amount of revenues you get or is it, like, for actual cost of processing whatever --

**FINANCE DIRECTOR SHERMAN:** Yeah.

**COUNCILPERSON J. DAVIS:** -- the work?

**FINANCE DIRECTOR SHERMAN:** Each -- each department's costs get allocated on a different basis.

**COUNCILPERSON J. DAVIS:** Hmm.

**FINANCE DIRECTOR SHERMAN:** So for example, when we allocated the costs over at H.R., it's based on number of employees. When we allocated the costs for Purchasing, it's based on the number of purchase orders and, you know, and -- and IRPs --

**COUNCILPERSON J. DAVIS:** Okay. So it's based on --

**FINANCE DIRECTOR SHERMAN:** And those kinda --

**COUNCILPERSON J. DAVIS:** -- the actual --

**FINANCE DIRECTOR SHERMAN:** So everything is very specific.

**COUNCILPERSON J. DAVIS:** Okay.

**FINANCE DIRECTOR SHERMAN:** In 19 -- in '97 the City actually hired an outside consultant to develop all of these cost allocation, you know, and the methodology behind it. We just took the '97 report, duplicated it, except we just updated all of the --

**COUNCILPERSON J. DAVIS:** Okay.

**FINANCE DIRECTOR SHERMAN:** -- numbers.

**COUNCILPERSON J. DAVIS:** Okay. Great.

**COUNCILPERSON GUYTON:** Uh, Mr. Sherman, a follow-up question --

**FINANCE DIRECTOR SHERMAN:** Yes.

**COUNCILPERSON GUYTON:** -- to Councilwoman Davis. Um, you just indicated that we updated the 1997 methodologies?

**FINANCE DIRECTOR SHERMAN:** Correct.

**COUNCILPERSON GUYTON:** And did we change anything, when you said "updated the methodologies?"

**FINANCE DIRECTOR SHERMAN:** No. The only thing we changed were the numbers. So when they developed it in '97, they were probably using the 1995 actuals. So we've now included the 2011 actuals. And what you would do is every year you then drop in the prior year's actual numbers, and then it would -- it's gonna recalculate and say, Okay, this is how much you need to charge each one of these.

**COUNCILPERSON GUYTON:** All right. Now, that's been about 15 years ago. Have -- do you think the methodologies may have changed in over 15 years, or have we done any research to see if our methodologies are reaping the most for our dollar?

**FINANCE DIRECTOR SHERMAN:** Um, I -- I -- I did look at the methodologies. Um, and there was, again, they're -- they're pretty basic in -- in what you're doing. Uh, it's based on volume, um, for example, when we took like, um, office space, it's based on square footage. You know, and H.R. again is based on employees. So there was a, you know, a reasoning behind each one. We did look at that. Um, and a matter of fact, um, we actually had a hard time, uh, trying to figure out about capital costs, uh, and actually allocating part of the capital costs for -- for the building and everything, uh, 'cause you have rental properties, so you have some people -- you know, and so we had to work through all of those numbers. We sat down with the individual departments, or we sat down with, like, um, the building officials and said, Okay, you need to help us. People have moved. You know, for example, you know, the Council's in new space.

**COUNCILPERSON GUYTON:** Uh-huh.

**FINANCE DIRECTOR SHERMAN:** So we actually had to go through and work through all of those numbers.

**COUNCILPERSON GUYTON:** Yeah, uh --

**FINANCE DIRECTOR SHERMAN:** And I -- I am quite confident in -- on what's in there.

**COUNCILPERSON GUYTON:** Okay. And -- and my -- my inquiry lies in the fact that we should look at these methodologies, not just that one. Like, every five to seven years, because numbers do change --

**FINANCE DIRECTOR SHERMAN:** Uh-huh.

**COUNCILPERSON GUYTON:** -- operations change, and for us to be current with the current operations we need to have a periodic standard review period --

**FINANCE DIRECTOR SHERMAN:** Yeah.

**COUNCILPERSON GUYTON:** -- where we just automatically go back and look at these methodologies.

**FINANCE DIRECTOR SHERMAN:** I -- I agree.

**COUNCILPERSON GUYTON:** Okay.

**FINANCE DIRECTOR SHERMAN:** And I (inaudible), too.

**COUNCILPERSON GUYTON:** Okay. Uh, any further questions before Mr. Sherman continues? Okay, Mr. Sherman.

**CITY MANAGER JONES:** Well, wait just yet. We can --

**COUNCILPERSON GUYTON:** Miss Jones?

**CITY MANAGER JONES:** -- um, go on with this section. Um, I think it's important for us to -- to hear from you and please continue to give us, like, the methodologies of these things that we need to look at, because we're constantly tweaking.

**COUNCILPERSON GUYTON:** Okay

**CITY MANAGER JONES:** So it fits right in line with what we need.

**COUNCILPERSON GUYTON:** Okay. And, um, my fellow council members? That is what we -- the request has been, that we give input, so that they can go back and identify areas that we may have a concern, question, or feel that they need to go and review.

**COUNCILPERSON J. DAVIS:** Um --

**COUNCILPERSON GUYTON:** Councilwoman Davis.

**COUNCILPERSON J. DAVIS:** -- I have -- I have some -- some overall general questions --

**FINANCE DIRECTOR SHERMAN:** Okay.

**COUNCILPERSON J. DAVIS:** -- but I'll wait until you finish, um, your presentation.

**FINANCE DIRECTOR SHERMAN:** Okay. Okay. Moving from General Fund, uh, into the Utility Special District Fund, again, there isn't a lot of changes here. The only thing I would point out again, these are the categories that they report their revenues. That's in the -- in the left-hand column. Uh, what I would want to point out, if we go two columns over to the first set of numbers, this is your 2012 actual. You're gonna see some fairly large numbers down at the bottom, \$5.2 million, and \$270,000. Um, those are capital dollars, which is why you don't see them in 2013 or projected in 2014. We're trying to deal just with operating. But when we run the 2012, it's picking up those numbers. Those are transfers from like the impact fees and those types of issues. Um, so the fact, again, that you don't see those in 2013 and 2014, um, there's really no -- you know, shouldn't be a -- a major concern to you. But if you look in the third column, the budget for 2013 was \$16.6 million. Uh, through May we're at \$9.9 million. Uh, and again, we're projecting a slight increase going into 2014. There are some, uh, very small rate increases that very already been approved, um, but we're also, you know, looking at, again, as more buildings come back into service, um, that means more buildings require service for water. So we're actually expecting a little bit of a growth in the actual usage, uh, and that's how we came up with these numbers for the water utility.

Uh, the next fund that we have is dealing with the marina, and again, the same thing, uh, for the marina as I mentioned under the utility district. If you look under 2012, all of these transfers down here, to 422, 24, 25, these numbers down here are all having to do with the grants and the capital projects. Uh, so again, the fact that you don't see those in '13 and '14, again, those are just the operating budgets moving forward.

The other number that I'd want to point out in 2012 is this 1,530,000. That's part of the money that the CRA has provided to the, or is, you know, has offered to provide to the capital projects. Uh, the number is actually 2.530, uh, but through 2012 we had only recorded the first 1,530,000. Uh --

**COUNCILPERSON J. DAVIS:** Um, Mr. Sherman?

**FINANCE DIRECTOR SHERMAN:** Yes.

**COUNCILPERSON J. DAVIS:** What -- um, okay. The rent for buildings, is that where we are? Yeah.

**FINANCE DIRECTOR SHERMAN:** Yes, that is the Tiki Hut, right.

**COUNCILPERSON J. DAVIS:** Oh, okay. Because I was like, what buildings do we -- Okay.

**FINANCE DIRECTOR SHERMAN:** Nope, that's Tiki Hut.

**COUNCILPERSON J. DAVIS:** Great. Thank you.

**FINANCE DIRECTOR SHERMAN:** And that's what I was gonna point out. When you talk, looking at 2013, um, again, we're at -- 1,300,000 is the budget. And you go over to 2014, we actually are projecting, again, a drop in the budget, uh, and that's primarily due to that rent in buildings going down, as it can.

**COUNCILPERSON GUYTON:** Okay. Now you, uh, uh, back up, Mr. Sherman.

**FINANCE DIRECTOR SHERMAN:** Sure.

**COUNCILPERSON GUYTON:** On 2013.

**FINANCE DIRECTOR SHERMAN:** 20 --

**COUNCILPERSON GUYTON:** Okay.

**FINANCE DIRECTOR SHERMAN:** 2013, rental --

**COUNCILPERSON GUYTON:** 1,290,000. That's where you got the 1,300,000. Oh, wait, wait. See, um, you -- you have a budget and an actual.

**COUNCILPERSON J. DAVIS:** Uh-huh.

**FINANCE DIRECTOR SHERMAN:** Yeah. This is -- this is the budget for the full year, and then that column is the actual through May. I -- yeah, through May.

**COUNCILPERSON GUYTON:** The actual is through May.

**FINANCE DIRECTOR SHERMAN:** Through May.

**COUNCILPERSON GUYTON:** Okay.

**FINANCE DIRECTOR SHERMAN:** Correct, correct.

**COUNCILPERSON GUYTON:** Okay. I'm with you.

**FINANCE DIRECTOR SHERMAN:** Now, again, tend to bring in more revenues at the marina during peak season, and as you head into the summer season, so you can't -- you can't take that and extrapolate that on a month by month out through the end of September. Um, that would say that we're going to be bringing in 1,500,000 in revenues, but you know, the summer is a -- is a slower month at the -- or slower months at the marina.

Um, so again, if you -- if you go, you know, item for item, it's primarily the -- the Tiki rent that is dropping this revenue down to -- to \$1.2 million.

**COUNCILPERSON J. DAVIS:** Question?

**FINANCE DIRECTOR SHERMAN:** Yes.

**COUNCILPERSON J. DAVIS:** Okay. So the dockage fees, um, you -- you're showing

me 2012. Um, I'd like to know, I mean, cause it looks like we're holding pretty much steady even though we were down for a while. And, um, so I'd like to have the previous two years ago before '12. Um --

**FINANCE DIRECTOR SHERMAN:** Okay. We can --

**COUNCILPERSON J. DAVIS:** -- just to see.

**FINANCE DIRECTOR SHERMAN:** Yeah, we can provide that.

**COUNCILPERSON J. DAVIS:** Um, and also, um, the parking fees at the marina, where are we getting parking fees from?

**CITY MANAGER JONES:** There are fees if individuals are spending the night and going over to Peanut Island. They actually pay to park.

**COUNCILPERSON J. DAVIS:** That's good news. And I take it we have all of the documentation for that, too. Okay.

**FINANCE DIRECTOR SHERMAN:** All set?

**COUNCILPERSON GUYTON:** Okay. Mr. Sherman?

**FINANCE DIRECTOR SHERMAN:** Yeah.

**COUNCILPERSON T. DAVIS:** I have a question.

**COUNCILPERSON GUYTON:** Okay. Wait. Um, Mr. Sherman, could you go back? Um, Councilman T. Davis.

**COUNCILPERSON T. DAVIS:** And, uh, figuring backing off of Councilwoman Davis, how long have we been charging those fees?

**FINANCE DIRECTOR SHERMAN:** For the parking fees?

**COUNCILPERSON T. DAVIS:** Uh-huh, uh-huh.

**FINANCE DIRECTOR SHERMAN:** Before I got here. Uh, four years? Four years. Okay.

**COUNCILPERSON GUYTON:** Um, and Mr. Sherman, one --

**FINANCE DIRECTOR SHERMAN:** Yes.

**COUNCILPERSON GUYTON:** -- one question before you leave the marina. I -- I see that we're just dealing with, um, revenues here. I would be curious to know what the projects expenses are associated with the marina. When do we, as a Council, get the full picture?

**CITY MANAGER JONES:** That's your July workshop

**COUNCILPERSON GUYTON:** July? Okay. That's the question. Okay.

**FINANCE DIRECTOR SHERMAN:** Okay?

**COUNCILPERSON GUYTON:** Please continue.

**FINANCE DIRECTOR SHERMAN:** Uh, and the final, uh, Enterprise Fund that we have for you for the revenues is the Storm Water Fund. Now, the storm water, this is one of

the easiest ones to project, because the -- the fees are set. They don't fluctuate. Um, a resident pays what a resident fee is, so unless there's either properties coming on or -- or going off, um, as you can see, you know, the revenues are -- are pretty flat going across. Uh, and again, that fund balance at the bottom, that's the balance that you've had that gets re-appropriated from time to time. Um, there's a drop off from 2013 to 2014, um, due to the fact in the 2013 budget you had the funds in there for the new facility, um, that was appropriated, which obviously has been spent at this point, you know, for the acquisition of the -- of the building. Um, so they're projecting that they'll have a million six at the end of the year to carry forward, um, and again, that's all depending on -- on where we end up through the rest of the year. But again, the storm water management fees, which is, you know, the bulk of their revenues you see is -- is flat. Again, so unless you have some new structures coming on, or a large number of structures going off, um, that number is really gonna track, uh, from one year to the next.

**COUNCILPERSON GUYTON:** Um, Mr. Sherman --

**FINANCE DIRECTOR SHERMAN:** Yes.

**COUNCILPERSON GUYTON:** -- a question on this storm water management fees. There was a discussion between this Council and the Port just recently, and one of the things that they identified as what they contributed to the City was storm water fees. Um, do you have a number that the Port actually contributed to that particular line item?

**FINANCE DIRECTOR SHERMAN:** I -- I don't. I don't know if Mr. Johnson has. No? No.

**COUNCILPERSON GUYTON:** Uh, well, if you don't --

**FINANCE DIRECTOR SHERMAN:** Not with -- not with him.

**COUNCILPERSON GUYTON:** -- have it now, I would --

**CITY MANAGER JONES:** We can get that for you.

**COUNCILPERSON GUYTON:** -- like that, please.

**FINANCE DIRECTOR SHERMAN:** We can get that.

**COUNCILPERSON GUYTON:** Um, 'cause I would like to have it this week, too. Okay. Next.

**COUNCILPERSON J. DAVIS:** Question.

**COUNCILPERSON GUYTON:** Uh, Councilwoman Davis?

**COUNCILPERSON J. DAVIS:** I'm sorry. Okay. Um, in looking at the investment earnings, is that just interest or actual investments on these dollars?

**FINANCE DIRECTOR SHERMAN:** It's -- it's interest.

**COUNCILPERSON J. DAVIS:** Okay. Okay. And I -- I know we've got an investment policy coming up. So, okay; thank you.

**FINANCE DIRECTOR SHERMAN:** Okay. Going into, uh, to look at the 2013/2014 budget, it's certainly, um, you know, certain assumptions that have to be made in order

so -- you know, so we can start cranking these numbers out. Um, and as was mentioned last Wednesday, uh, it really, uh, has been the City Manager's top priority to eliminate the furlough days. Um, that has been right from the start, so that's -- that's why that one is at the top of the list. Um, the other issue, uh, clearly, uh, is, as you know, we have a number of union contracts that are open. Um, and again, we're trying to see what we can do to get those closed and -- and move on. Um, they've -- they've been open for -- for quite some time.

Um, the third bullet there, along with the elimination of the furlough days, we also believe that we can eliminate, or not eliminate, unfortunately, um, but reduce the overtime by about 20 percent. If you track overtime from week to week, when we have a furlough day, it almost doubles that week. Um, and again, that's just the number of jobs that still require being done despite the fact that the City was -- was closed on any particular day. Um, and again, that varies from department to department. Um, you know, but when you have departments like the fire department, they have minimum staffing, gentleman takes -- or a firefighter takes a furlough day, you still have to have somebody on the truck. So you're paying somebody overtime and somebody else is taking a furlough day.

Um, again, as we talked about, the fourth bullet there, we talked about the ad valorem taxes and the increase of the 5.79.

**COUNCILPERSON J. DAVIS:** Yeah.

**FINANCE DIRECTOR SHERMAN:** You saw that was built into the revenues. And the --

**COUNCILPERSON J. DAVIS:** Um, sorry.

**FINANCE DIRECTOR SHERMAN:** Yeah. No, that's okay.

**COUNCILPERSON J. DAVIS:** Question. So, um, being that we have an -- we're expecting an increase of a little over 5 percent, um, are we also going to consider rolling back our millage to 8.5? I mean -- well, it -- I know you might not be ready to talk about that right now, but --

**FINANCE DIRECTOR SHERMAN:** Go ahead.

**COUNCILPERSON J. DAVIS:** -- next budget session I'd like to see those numbers.

**CITY MANAGER JONES:** Well, yeah. Um, let us -- and we're getting ready to do some reference with that.

**COUNCILPERSON J. DAVIS:** Uh-huh.

**CITY MANAGER JONES:** I don't know why there's quite that drastic.

**COUNCILPERSON J. DAVIS:** Okay.

**CITY MANAGER JONES:** But, uh --

**COUNCILPERSON J. DAVIS:** Okay. Uh, it's just a question.

**CITY MANAGER JONES:** -- we do have, um, some considerations that we'll talk about as we move through the next slide --

**COUNCILPERSON J. DAVIS:** Okay.

**CITY MANAGER JONES:** -- as to what we might be able to do, uh, in increasing revenue that would allow us to ratchet back --

**COUNCILPERSON J. DAVIS:** Uh-huh.

**CITY MANAGER JONES:** -- the millage rate.

**COUNCILPERSON J. DAVIS:** Okay.

**CITY MANAGER JONES:** How was that choice of words?

**COUNCILPERSON J. DAVIS:** Um, right now we're at, what, eight point something --

**COUNCILPERSON GUYTON:** Nine.

**FINANCE DIRECTOR SHERMAN:** 998

**COUNCILPERSON J. DAVIS:** 8.9, so eight and a half. Okay. Um, um, let's see what else --

**FINANCE DIRECTOR SHERMAN:** That's -- clearly -- clearly you looked ahead, because we were going to talk about that.

**COUNCILPERSON J. DAVIS:** Okay. Okay. Thank you.

**FINANCE DIRECTOR SHERMAN:** Um, matter of fact, even on this slide. Um, okay. As we go down, uh, you know, right now again we do not have final numbers for health and dental, so we're plugging in 10 percent. I know, uh, it was 0 percent last year, and we're gonna try to be as close to that as possible. But, um, you know, we are seeing probably some increase in the health and dental line. Uh, liability insurance again, slight increase, two percent. Uh, our pension contributions are going up 13 percent this year. Uh, that number is \$2,161,000 increase in our pension line. Um, when our property values increase, uh, if those -- some of those properties are within the CRA, the contribution to the CRA increases, uh, so we're seeing an eight percent increase, uh, to the -- out of that million five that we're getting up under the ad valorem taxes, uh, you know, 300,000 of that will be moving over to the CRA.

Uh, the last item that we actually have on here --

**COUNCILPERSON J. DAVIS:** Okay. Wait a minute. The increase payments to the CRA by 8 percent, what does that mean?

**FINANCE DIRECTOR SHERMAN:** That their property values have gone up eight percent. So when their property values go up, then they -- those -- that --

**COUNCILPERSON J. DAVIS:** Oh, so you have to --

**FINANCE DIRECTOR SHERMAN:** -- TIF goes to them. That's their --

**COUNCILPERSON J. DAVIS:** Oh, that's the -- oh.

**FINANCE DIRECTOR SHERMAN:** -- eight percent.

**COUNCILPERSON J. DAVIS:** Oh, okay. I see what you're saying.

**CITY MANAGER JONES:** (Inaudible) go up, too.

**FINANCE DIRECTOR SHERMAN:** Right.

**COUNCILPERSON J. DAVIS:** Okay.

**FINANCE DIRECTOR SHERMAN:** Uh, the last item up here, again, is getting back to the question, uh, that you just had. Uh, one of the things that we've tried to focus on is rebalancing of the funding of services. Right now a lot of the services that the City provides are paid for by property tax. Um, so when we do come in and talk about different revenue opportunities, part of the thought process in the back of our mind is, try to get, um, the individual who should be paying for the service to pay for that service, and then on the flip side, take that burden or at least part of that burden off on the property tax.

Uh, and let me give you a couple of examples as we go to the next slides here. Um, here's our -- here's our breakdown of how our services are funded. Uh, and as you can see, 50 -- 55.69 percent of our budget is funded with property taxes. And what we're talking about is making some of those slices off to the left-hand side a little bit larger, uh, and get them to pay for the services that they're requiring, and then reduce the burden on -- on the taxpayers on the right-hand side.

Here are some of the -- the revenue considerations that -- that we're --

**COUNCILPERSON GUYTON:** Uh, okay --

**FINANCE DIRECTOR SHERMAN:** -- talking about.

**COUNCILPERSON GUYTON:** -- Mr. Sherman, let's go back to that budget assumption, um --

**FINANCE DIRECTOR SHERMAN:** Back two slides?

**COUNCILPERSON GUYTON:** Yeah, two slides, please.

**FINANCE DIRECTOR SHERMAN:** Okay.

**COUNCILPERSON GUYTON:** Uh, I would -- I would like to have some information, um, and as we deal with assumptions, wherever we start, that's gonna impact the final number of whatever we are initially assuming, so the assumptions are -- are -- are very important to the outcome. So what -- what I would like to have for each of those line items, first of all, um -- mine is a little different from what I have on the screen there. But -- but that -- that's okay. Um, I would like to have, as opposed to percentages, I would like to have dollar figures. In addition to the dollar figures, I would like to also be provided with the calculations of, we divided this into that.

**FINANCE DIRECTOR SHERMAN:** Uh-huh.

**COUNCILPERSON GUYTON:** We multiplied this and we got this number.

**FINANCE DIRECTOR SHERMAN:** Yeah. And I'll -- and I'll tell you, but the time July rolls around, we're hoping that these aren't budget assumptions anymore.

**COUNCILPERSON GUYTON:** I understand --

**FINANCE DIRECTOR SHERMAN:** Yeah.

**COUNCILPERSON GUYTON:** -- fully.

**FINANCE DIRECTOR SHERMAN:** I mean, there will be time, but we can clearly provide that.

**COUNCILPERSON GUYTON:** Yeah, yeah. I -- I wanna -- I wanna -- I wanna -- I want the calculations of how you came to your assumptions. And the last thing I would like is the -- if not the full document, but the page from the information that you took to do your calculations. I used this from this document --

**FINANCE DIRECTOR SHERMAN:** Oh, okay.

**COUNCILPERSON GUYTON:** -- to come up with this number.

**FINANCE DIRECTOR SHERMAN:** Okay.

**COUNCILPERSON GUYTON:** So I -- I want to track how you got, for my own edification and understanding, so that I can better understand how we are arriving at the numbers that we arrive.

**FINANCE DIRECTOR SHERMAN:** Yeah. No problem.

**COUNCILPERSON GUYTON:** Okay.

**FINANCE DIRECTOR SHERMAN:** We'll put that together.

**COUNCILPERSON GUYTON:** Okay. For -- for -- for each of those --

**FINANCE DIRECTOR SHERMAN:** Yes.

**COUNCILPERSON GUYTON:** -- of those items.

**FINANCE DIRECTOR SHERMAN:** Yeah.

**COUNCILPERSON GUYTON:** Thank you. Okay. I --

**FINANCE DIRECTOR SHERMAN:** We good?

**COUNCILPERSON GUYTON:** -- now you can continue.

**FINANCE DIRECTOR SHERMAN:** Okay. Um, again, here are some of the -- the revenue considerations that we're -- we're asking the -- the Council to, uh, to take a look at. Um, and again, when we talk about balancing, um, let me just -- I'm gonna take the one on the top, and I don't know how deep we want to go into this tonight, um, but when we talk about EMS transport fees, this is your ambulance service. Um, a couple of years ago the City hired somebody to come in and look at what the cost of fire service was, and what the cost of the EMS service was. Uh, if you look at the cost of the EMS service, and you compare it to the amount of revenues that you actually bring in, um, I'm going to use a -- the financial, I mean, there's a loss. You know, your revenues aren't covering, you know, the cost of service. Now, in all honesty, I think everybody, you know, can agree that, well, the property taxpayer should pay part of the readiness. You know, you wanna staff it. You wanna train them. You know, you want those people to be there when you want them to be there. But the fee should cover the cost of the pick-up and delivery. I mean, you know, that -- that's part of the operation. Um, and when you look at where our EMS fees are today, and you compare them to everybody else around us, um, you know, we're -- we're at the low end. Um, and there's some places where, um, for example, auto insurance, you know, they have caps on how much they can pay. Um, and if we're charging less than what they are willing to pay, we're leaving

that money on the table. Um, so we, you know, we need to -- those are the types of things we're saying, okay, we need to look at these types of items.

Um, now, again, uh, business tax receipts, uh, that's the same type of thing. If we are trying to provide service and we're trying to do community development, the people who are using that service really should be paying for that service. Uh, you're always gonna have years where, um, any department is going to either over collect or under collect, uh, but overall, you should be pretty much balancing. And if you don't come in and look at those types of services, what that -- all that means is not that you're not giving the service. It just means that the property taxpayer is picking it up.

So as we go through these items and, you know, and start talking about them, uh, the idea is to get it in the right bucket and then ultimately hopefully be able to again ratchet back that property tax rate over time.

Uh, the foreclosure registration, you know, we're moving on that. You have the ordinance. Uh, you know, the second reading will be coming up. Uh, that's one of those that in all honesty you hope you collect zero dollars at the end of the day. Um, you know, so over time, you know, you don't do a lot of budgeting based on that, you know, it might be, you know, might be, you know, again, a number that we're plugging in. But over time we're hoping that that number is actually decreasing.

Uh, the CRA cost reimbursement, you know, where we charge CRA for certain services that they use at the City, it's been the same number for a couple of years. And it's time to sit down with the CRA Director and say, Okay. What services do you want? What are the cost of those services? And again, make an adjustment to those numbers.

Uh, payment in lieu of taxes. Um, we actually charge a payment in lieu of taxes to the Utility Special District. Now, what a payment in lieu of taxes is, because the Utility Special District is tax exempt, they don't pay property taxes. Um, but if the water treatment plant caught on fire, guess who'd show up? You know? Or if there was a break-in, guess who would show up? Um, so what is typically allowed -- and I did a little analysis on it and -- and I actually had some rate consultants provide me some documentation -- typically what is charged in this instance in South Florida is six percent of gross revenues, is what represents the payment in lieu of taxes.

**COUNCILPERSON J. DAVIS:** Wow.

**FINANCE DIRECTOR SHERMAN:** Now, we have been charging anywhere from about three percent to over eight percent, because again, we've been using the same number year after year after year after year. Um, so again, not unlike the -- the cost allocation and in the indirect charges that we should, you know, be bringing up to date to the current levels, uh, payment in lieu of taxes, again, another one of those that, um, that needs to be updated. Uh, and when we're also looking at it, the other place that there should be a payment in lieu of tax is at the marina. Now, again, I know the marina, you know, during construction, has been losing money. But the marina should still be charged the right indirect cost, because they're using the service. They should be charged that cost. And they should be paying, again, a payment in lieu of taxes, and when something goes on at the marina, the City responds to it. And just like any other taxpayer, you know, there should be a payment for those services.

Um, now, and we all know, and I know Mr. Lee told you last year during the budget process, there needs to be a rate increase at the marina. You can't go from the marina that you had two years ago to this brand new marina, and not have a rate increase. Um, but again, until we fully cost out the marina services and say this is everything that the marina should be paying for, it, you know, that -- all the information needs to be in place so we can process and come up with the right, uh, the right rate structure.

The last item on here, again, this goes back to the cost allocation plan.

**COUNCILPERSON GUYTON:** Okay. Wait. Oh, Mr. Sherman?

**FINANCE DIRECTOR SHERMAN:** Yep. Sure.

**COUNCILPERSON GUYTON:** Um, now, do you have a list of areas that -- that we currently use our PILOT on?

**FINANCE DIRECTOR SHERMAN:** The only place --

**COUNCILPERSON J. DAVIS:** (Inaudible).

**FINANCE DIRECTOR SHERMAN:** -- that you currently charge a PILOT to is to the Water Utility District.

**COUNCILPERSON GUYTON:** Okay.

**FINANCE DIRECTOR SHERMAN:** Okay? But one of -- one of the issues when you're -- when you're talking about, like, the marina specifically, um, you got a lot of grant money to build that marina. And one of the things that you have to consider when you're getting those types of grant money is it's not intended, um, to give you a benefit over the private sector. So if you go four miles south of here and you go to Palm Harbor Marina, they're paying property taxes. So if you have the ability to keep your rates lower than Palm Harbor, because they're paying property taxes, that's an unfair advantage. Um, and the fact that they dished out \$30 million of cash to build the marina, and Riviera Beach got all grants, again, you can't use that to your advantage to lower your rates and not charge, um, and -- and make it a competitive market. You know, the idea of getting those grants wasn't to steal customers from, you know, from other marinas. It was to give yourselves a -- a nice marina and -- and again, fund the capital that is always hard to -- to raise.

**COUNCILPERSON GUYTON:** So -- so Mr. Sherman, exactly what are you suggesting? What?

**FINANCE DIRECTOR SHERMAN:** Well, it's interesting, because the City, uh, you know, recently did a -- an appraisal on the marina itself, and in that appraisal they said six percent. They came back and said the City should be getting six percent for that marina. Uh, so again, it's six percent of revenues, which, you know, just is the same amount that when I did the analysis on the utility, uh, it was six percent of -- of the revenues.

**COUNCILPERSON GUYTON:** Uh --

**FINANCE DIRECTOR SHERMAN:** So a -- a PILOT payment, a payment in lieu of taxes, should be assessed to the marina equal to six percent of their gross revenues.

**COUNCILPERSON GUYTON:** Okay. For -- for most of its existence, uh, the taxpayers have had to supplement --

**FINANCE DIRECTOR SHERMAN:** Uh-huh.

**COUNCILPERSON GUYTON:** -- the marina.

**FINANCE DIRECTOR SHERMAN:** Yes.

**COUNCILPERSON GUYTON:** So where are you suggesting that, because ultimately the taxpayer is going to be caught up in this mix here? So where are you suggesting these funds come from --

**FINANCE DIRECTOR SHERMAN:** Yeah. Well, again --

**COUNCILPERSON GUYTON:** -- if the taxpayer's already supplementing it?

**FINANCE DIRECTOR SHERMAN:** Well, this gets back to, again, rebalancing how we're funding our services. Anyone with a boat, no matter where you come from, can use that marina. So those boaters should be charged the right fee --

**COUNCILPERSON GUYTON:** Okay.

**FINANCE DIRECTOR SHERMAN:** -- to use that marina.

**CITY MANAGER JONES:** (Inaudible) increase.

**COUNCILPERSON GUYTON:** Okay. I, um -- okay.

**FINANCE DIRECTOR SHERMAN:** Okay?

**COUNCILPERSON GUYTON:** I didn't know if you were talking about the taxpayer should --

**FINANCE DIRECTOR SHERMAN:** No, no.

**COUNCILPERSON GUYTON:** -- kick in with -- Okay.

**FINANCE DIRECTOR SHERMAN:** No, no.

**COUNCILPERSON GUYTON:** All right.

**CITY MANAGER JONES:** (Inaudible) rating --

**FINANCE DIRECTOR SHERMAN:** No. It's -- it's a matter of analyzing that revenue, saying -- saying, Hey, listen, if it costs \$25 a foot, it's \$25 a foot. Why should I charge you 19 and let the taxpayer, in essence, supplement the other six?

**COUNCILPERSON GUYTON:** And --

**FINANCE DIRECTOR SHERMAN:** So it needs to be what it should be to operate.

**COUNCILPERSON GUYTON:** Yeah. And the -- the quality of services should also be comparable, too. We need to be --

**FINANCE DIRECTOR SHERMAN:** absolutely.

**COUNCILPERSON GUYTON:** -- realistic about whether our services are comparable with those that we're competing with to charge that amount.

**FINANCE DIRECTOR SHERMAN:** Correct.

**COUNCILPERSON GUYTON:** So we need to address those issues, as well. Okay. Go ahead.

**COUNCILPERSON T. DAVIS:** Excuse me. Mr. Sherman?

**COUNCILPERSON GUYTON:** Um, Councilman T. Davis.

**COUNCILPERSON T. DAVIS:** Uh, thank you. Um, based on your analysis, a lot of the people who come with boats, where are they coming to our marina from? More so our marina or more so for, uh, Peanut Island?

**FINANCE DIRECTOR SHERMAN:** Mr. Legue, do you want to respond to that?

**MARINA DIRECTOR LEGUE:** Uh, the folks that are come -- uh, Ed Legue, uh, Marina Director. Good evening.

**COUNCILPERSON T. DAVIS:** Thank you. Good evening.

**MARINA DIRECTOR LEGUE:** Um, the folks that are coming in by boat are generally coming in for fuel or they're coming in for transient dockage.

**COUNCILPERSON T. DAVIS:** Uh-huh.

**MARINA DIRECTOR LEGUE:** Uh, or -- or dockage on a long-term basis. Those folks that are going to Peanut Island are generally coming in from -- by vehicle and grabbing the water taxi or being picked up by another person.

**COUNCILPERSON T. DAVIS:** Okay. Thank you.

**MARINA DIRECTOR LEGUE:** You're welcome.

**CITY MANAGER JONES:** Of these, um, other revenue considerations, um, as Mr. Sherman mentioned, these are some of the areas that we've been looking at and exploring, um, ultimately, so we can try to ratchet down the, um, millage rate. Staff is prepared to bring to you at the next meeting a presentation for a proposal for the EMS transport fees, the business tax receipts, and the dockage fees at the marina, um, in order to -- if these increases are passed, we can use them, um, as we anticipate and project the revenues, and if there should be any change in any one of those lines as a result of establishing new rates.

**COUNCILPERSON T. DAVIS:** Okay.

**COUNCILPERSON J. DAVIS:** Question. Okay. As --

**COUNCILPERSON GUYTON:** Council -- Councilwoman Davis.

**COUNCILPERSON J. DAVIS:** Sorry, sir. Um, as it relates to the general fiscal, uh, condition of the City, um, what is it -- what have been our -- our benchmarks so far, and what is -- what should we be focused on right now? I know that, um, these six things here that you talk about is -- is what we're going to be focusing on, I guess, so, um, as it relates to what we used in coming up with this, I mean, you know, how have we -- have we set any benchmarks at all as -- as we go from one year to another as to our fiscal soundness?

**CITY MANAGER JONES:** Benchmarks in fiscal performance or --

**COUNCILPERSON J. DAVIS:** That's basically what I'm saying. In how we -- how we

budget and, um, I guess it might have a lot to do with, you know, the market. But still, what are we using to gauge our self as to where we want to be each year?

**CITY MANAGER JONES:** You want for those services that we have mentioned here --

**COUNCILPERSON J. DAVIS:** Uh-huh.

**CITY MANAGER JONES:** -- where an individual is receiving the service, we want to make sure that whatever we're charging begins to cover the cost of the service and not to the taxpayer.

**COUNCILPERSON J. DAVIS:** Okay. So --

**CITY MANAGER JONES:** So I'm trying --

**COUNCILPERSON J. DAVIS:** So we haven't been doing that.

**CITY MANAGER JONES:** No.

**COUNCILPERSON J. DAVIS:** Really. So it's something that maybe we're gonna start --

**CITY MANAGER JONES:** Start trying --

**COUNCILPERSON J. DAVIS:** -- to look at from this point on.

**CITY MANAGER JONES:** Yes.

**COUNCILPERSON J. DAVIS:** Okay. Um --

**CITY MANAGER JONES:** And moving forward with the preparation of '14.

**COUNCILPERSON J. DAVIS:** Okay. Um -- okay. That's good. Thank you.

**FINANCE DIRECTOR SHERMAN:** I was gonna say, let me just add to that. I -- I mean, one of the red flags that -- that we really have is the fact that the millage rate is 8.998.

**COUNCILPERSON J. DAVIS:** Uh-huh.

**FINANCE DIRECTOR SHERMAN:** You know, um, you know, you can only go up to 10.

**COUNCILPERSON J. DAVIS:** Right, right.

**FINANCE DIRECTOR SHERMAN:** And that extra one doesn't raise a lot of money.

**COUNCILPERSON J. DAVIS:** Right.

**FINANCE DIRECTOR SHERMAN:** Which obviously raises a lot of concerns if you should ever need to raise money.

**COUNCILPERSON J. DAVIS:** Right.

**FINANCE DIRECTOR SHERMAN:** Um, so again, part of it is, okay, if we can get the services, get them paid by who's supposed to, and then ratchet it down, it gives us more capacity should you ever need that capacity.

**COUNCILPERSON J. DAVIS:** Gotcha.

**COUNCILPERSON GUYTON:** Okay. Mr. Sherman, are you moving to the schedule?

**FINANCE DIRECTOR SHERMAN:** We are on the schedule.

**COUNCILPERSON GUYTON:** Okay. Before you move to the schedule --

**FINANCE DIRECTOR SHERMAN:** Okay.

**COUNCILPERSON GUYTON:** -- I see Mr. Tony Brown in the audience, who is the Executive Director of our CRA, and I was curious to know if he had any comments before we move to -- to the dates of our future meetings.

**TONY BROWN:** I -- I do.

**COUNCILPERSON GUYTON:** Okay.

**TONY BROWN:** Finance Director told me to be careful.

**CITY MANAGER JONES:** (Inaudible) stay away from it.

**TONY BROWN:** That's Tony Brown, uh, Executive Director of the Riviera Beach CRA. I -- I'd like to just first thank the City Manager and -- and the Finance Director. We have been working, uh, diligently for the past year to try to integrate, uh, our process, particularly as it relates to the capital plan, uh, and as it relates to the marina.

Uh, as you know, the CRA is making nearly, uh, a \$20 million investment in the marina. Uh, you have provided us the resources to hire a consulting group to look at the marina operations and to present to you a management model. Uh, I would suggest that in the proposed schedule that you would give some direction, uh, to the City, uh, to include a workshop, uh, strictly, uh, for the marina. There are some major issues we need to address, uh, in the capital plan for the marina. Uh, for instance, the budget for Bicentennial Park. Uh, there has to be, uh, an increased elevation, uh, at the marina to address FEMA guidelines. Uh, based on the rough order of magnitude, we are concerned that there are tremendous budget gaps. In -- in light of the significant investment that the CRA is intending to make, we have yet to, uh, receive, uh, any budgetary assurances, uh, if any, from the City as to what will their contribution be to streets, utility, sidewalks, and general, uh, infrastructure.

Uh, um, the notion of increasing dockage fees for the marina, I think that in the process that we have, uh, currently, we are -- we have asked the consultant, uh, to provide rate comparisons, uh, so that you can see, uh, what our marina charge in relation to its competition, and then relative to that, that the marina, uh, is under construction, has been so for the past year, and will likely be for the next two years. And so the question might be not so much of, uh, an increase in dockage fees, but the whole customer service orientation relative to that increase and what is the plan to operate the marina, uh, during the construction, uh, transition.

And then separate from all of that, obviously, uh, is the charter amendment, and what impact might it have in the timing of clarification of the amendment, because, uh, uh, again, clearly, if the legal interpretation of that, uh, impedes, uh, private development, then the next question probably, as you -- where your CRA had is, is it prudent for us, uh, to make investments at the marina if we can't catalyze, uh, private development.

So I think there are some integrated budget issues, and even with the City's five year capital plan, I remind you that we are projecting a major increase in our -- in our CRA

TIF, uh, and thus, the five year capital plan even outside of the marina, uh, should be done, uh, in conjunction with the City and the CRA, so that we can look at, uh, what improvements we can make in streets, uh, infrastructure, uh, whether or not it's prudent to expand the CRA boundaries to provide some budgetary relief, uh, in the City's five year capital plan. So I think there are some strategic issues that require integration, uh, between the City and the CRA as we look long term.

**COUNCILPERSON GUYTON:** And thank you, Mr. Brown. Before you leave, are there any questions for Mr. Brown before he leaves the -- the podium?

**COUNCILPERSON T. DAVIS:** No.

**COUNCILPERSON GUYTON:** Okay. Thank you, Mr. Brown. We really appreciate your comments, and as Mr. Sherman comes back, I would like to poll the councilmembers that are here. There was a request to have a separate workshop for the -- just the marina and all of the related issues associated thereof. Um, I do personally, and I didn't know if he was going to suggest that, think that that is a very good idea. Um, the marina is considered by some -- some may question this -- to be our economic engine, and we need to devote the necessary time to ensure that we maximize the return on our assets. So the question becomes, do we want to have a separate workshop just for the marina?

**COUNCILPERSON J. DAVIS:** Does it -- would it have to be separate or can it be, um, uh, uh -- did I hear you, Mr. Brown, say something about the capital, uh, part of it?

**TONY BROWN:** Uh, looking at the schedule, you have a couple of dates. July 31<sup>st</sup> is the budget workshop. Um, and that could --

**COUNCILPERSON J. DAVIS:** August 21<sup>st</sup>?

**TONY BROWN:** I think it's July 31<sup>st</sup>. July 31<sup>st</sup>.

**COUNCILPERSON J. DAVIS:** Okay.

**TONY BROWN:** Uh, it's a budget workshop, and whether that could be incorporated there to -- to present to you sort of the -- the scenarios that we've looked at, and I may have to confer --

**COUNCILPERSON J. DAVIS:** Is this gonna be a long one?

**TONY BROWN:** -- with the City Manager and our consultant to say if -- if --

**CITY MANAGER JONES:** (Inaudible) --

**TONY BROWN:** -- the -- if the findings of -- of our consultant's report will be timely enough for us to present to you what is the management model. Uh, one aspect -- there's three scenarios of that management model to deal with the marina. One is, what does the budget look like during the construction phase? And in all likelihood, there is the probability, uh, that the City may need to subsidize the cost of operations. So Mr. Guyton, to your -- to your point, uh, to look at the revenues without the expenses, uh, particularly during the construction phase, uh, won't give you a complete picture.

**COUNCILPERSON GUYTON:** Uh-huh.

**TONY BROWN:** Then the aspect of looking forward and thinking positively, uh, you --

you have in excess of \$200 million worth of private development. You have increased activity on the uplands. So what is the management model, uh, between the City, the CRA, uh, for managing the assets of the marina? Uh, those assets in the water as well as the assets on the upland properties and, um, should they be managed by the City? Should they be managed by the CRA? Or should they be managed separately, even with or without third parties? So I think we can present that to you at the budget workshop, and then I believe in August is when you were having your, uh, uh, your five year capital budget, and I think that the, uh, budget presentation in August, August 21<sup>st</sup>, uh, uh, should be a process where I think we could work with the City and talk about, uh, uh, what investments are we making in the CRA that can be part of that five year plan, and you, um, and you see, uh, more of -- of an integrated approach.

**COUNCILPERSON GUYTON:** Okay. Thank you, Mr. Brown. And to answer a question about the purpose of -- of the discussion here with Mr. Brown and the CRA, the -- in my -- in my opinion, the CRA is a quasi-governmental entity, but it falls under the umbrella of the City. And I personally would like to make sure that we're on the same page and we're moving lock step and barrel down the same road.

**COUNCILPERSON J. DAVIS:** Just like we need to (inaudible) --

**COUNCILPERSON GUYTON:** Yeah, with the same ideas. Now, let me just say, too --

**CITY MANAGER JONES:** (Inaudible).

**COUNCILPERSON GUYTON:** -- um, let me just say that -- excuse me. Excuse me, Miss -- Miss Jones. Um, the marina, as we all know, is a hot button issue, and we need to address those issues head on. That -- that charter referendum, the proposed development, um, the expenses associated thereof, and any other issues that we have with the marina, be them political or budgetary, um, we need to deal with those issues head on, and I do think that a workshop just dealing with those issues at the marina -- there have been a lot of questions about why we haven't incorporated the language into our, um, codes, and we haven't codified it. I think we need to have a workshop and -- and deal with these issues, and I would suggest that we do allocate a day just to deal with those hot button issues, um, because we do owe that, in my opinion, to the community, to address those issues.

**COUNCILPERSON J. DAVIS:** Mr. Chair?

**COUNCILPERSON GUYTON:** Yes.

**COUNCILPERSON J. DAVIS:** Yeah, I -- I -- I agree. Um, we -- we always include the Utility Special Districts, um, in our budget, so I -- you know, I think we should do the same for the CRA, also. Um, now, the 31<sup>st</sup>, looking at the calendar here --

**COUNCILPERSON GUYTON:** Well, well, actually, and not to interrupt you, but we're not including the CRA. We're just including what we own, the marina. That's a City-owned facility.

**COUNCILPERSON J. DAVIS:** Um, I mean, not the CRA. I meant the marina. I'm sorry.

**COUNCILPERSON GUYTON:** Yeah, yeah, yeah. We -- we own that so it should --

**COUNCILPERSON J. DAVIS:** Um --

**COUNCILPERSON GUYTON:** -- be on this side of -- of the discussion.

**COUNCILPERSON J. DAVIS:** Yes, sir.

**COUNCILPERSON GUYTON:** Okay.

**COUNCILPERSON J. DAVIS:** Um, I misspoke when I said CRA.

**COUNCILPERSON GUYTON:** No problem.

**COUNCILPERSON J. DAVIS:** Okay. Looking at the 31<sup>st</sup> of July, which is the last Wednesday in the month, um, I'd like to ask Mr. Brown, um, could we do, um, August 5<sup>th</sup>, which is that following Monday? It's not on our budget schedule, but -- 'cause I think July 31<sup>st</sup> is gonna be a long, uh --

**COUNCILPERSON GUYTON:** Yeah, I would rather have a separate meeting --

**COUNCILPERSON J. DAVIS:** Yeah.

**COUNCILPERSON GUYTON:** -- for the marina and deal with those issues associated with the marina.

**COUNCILPERSON J. DAVIS:** Right.

**CITY MANAGER JONES:** (Inaudible) do on the schedules.

**COUNCILPERSON J. DAVIS:** August 5<sup>th</sup>.

**CITY MANAGER JONES:** But flip it --

**TONY BROWN:** If I may defer, maybe we can discuss this Wednesday. I, uh -- uh, my staff was preparing its budget schedule, uh, for the CRA, and -- and now that the City has published its, uh, why don't we try to make sure that there is some consistency in -- in our planning, so that the two parts can come together --

**COUNCILPERSON J. DAVIS:** Uh-huh.

**TONY BROWN:** -- effectively for you. So, um --

**COUNCILPERSON GUYTON:** Okay.

**TONY BROWN:** -- if I can answer you Wednesday.

**COUNCILPERSON GUYTON:** Okay. Thank you. And so on Wednesday at the CRA, Mr. Brown, we need to be prepared to address how to incorporate a discussion about the marina, and all of the related issues associated thereto. Okay. Mr. Sherman.

**FINANCE DIRECTOR SHERMAN:** Okay. What we have here to wrap it up is the -- the calendar. Uh, obviously we are on June 10<sup>th</sup> here, so once you get into July, on July 1<sup>st</sup> we will receive our final tax that will -- tax, as, I guess, not quite final. They're always preliminary. Uh, but we'll receive our, uh, our update on our -- our values.

Um, we do have July 17<sup>th</sup> scheduled for the, uh, tentative maximum millage rate. You do have to vote on what that maximum millage rate will be, uh, and again, keep in mind it can always go down from that point. Um, and again --

**COUNCILPERSON J. DAVIS:** Tell me that I have two meetings.

**CITY MANAGER JONES:** Yes.

**COUNCILPERSON GUYTON:** Okay.

**CITY MANAGER JONES:** Can we --

**COUNCILPERSON GUYTON:** Miss Jones?

**CITY MANAGER JONES:** Can we stop right there, sir?

**COUNCILPERSON GUYTON:** When you say stop, for discussion?

**CITY MANAGER JONES:** For discussion.

**COUNCILPERSON GUYTON:** Certainly.

**FINANCE DIRECTOR SHERMAN:** Sure.

**COUNCILPERSON GUYTON:** Miss Jones.

**CITY MANAGER JONES:** Okay. Um, this is one of the things, you know, we went to one meeting a month, and it's generally been the first Wednesday of the month. For the month of July, the first Wednesday is the 3<sup>rd</sup> of July and we had discussion at the last City Council meeting very briefly about whether to meet on the 3<sup>rd</sup> or to consider another day.

Um, I would like to put forth a suggestion that the meeting for July be on the 17<sup>th</sup>, which is the third Wednesday, which would have been if we did the first and third Wednesday, it would have been a day that we'd have been meeting anyway. And it allows us enough time late enough in that budget in order to be able to set that maximum millage, realizing that's the maximum. We can always go back, but it helps if we could have the meeting in July on the 17<sup>th</sup>, rather than on July the 3<sup>rd</sup>.

**COUNCILPERSON GUYTON:** There has been a suggestion that I have no problem with. Um, the -- our council members that are here, do you have a problem with not having one on the 3<sup>rd</sup>, and having it for the 17<sup>th</sup>? Um, we -- we should also, um, contact the members that are not here to -- to confirm their availability. That would be a very important meeting and, um, we would hope that all can make it. But I have no problem with the 17<sup>th</sup> and I guess no other councilperson here --

**COUNCILPERSON T. DAVIS:** Yeah, I have no problem with the 17<sup>th</sup>.

**COUNCILPERSON GUYTON:** -- today, so tentatively let's give it a -- a -- a go, but out of respect for the other council members' schedules, please check with them as well.

**COUNCILPERSON J. DAVIS:** I have -- oh, go ahead, Mr. --

**FINANCE DIRECTOR SHERMAN:** No, go ahead.

**COUNCILPERSON J. DAVIS:** I just have a question.

**FINANCE DIRECTOR SHERMAN:** Um --

**COUNCILPERSON GUYTON:** What -- aren't --

**FINANCE DIRECTOR SHERMAN:** Yeah.

**COUNCILPERSON GUYTON:** -- or is it dealing with something else, Councilwoman --

**COUNCILPERSON J. DAVIS:** Yes, it's dealing --

**COUNCILPERSON GUYTON:** -- Council --

**COUNCILPERSON J. DAVIS:** -- with something else.

**COUNCILPERSON GUYTON:** Okay. Uh, you can continue.

**FINANCE DIRECTOR SHERMAN:** Thank you.

**COUNCILPERSON GUYTON:** She says it's dealing with something else.

**FINANCE DIRECTOR SHERMAN:** Okay. Uh, and again, just -- we have on here the 19<sup>th</sup> of July. Keep in mind, we need to have the -- the millage rate set, uh, or voted on so we can get it to the County, so they can do the TRIM notices and those type things. So that's -- that's really what that is.

**COUNCILPERSON GUYTON:** By -- by what time?

**FINANCE DIRECTOR SHERMAN:** Uh, it has to go out by, uh, the end of the month.

**COUNCILPERSON GUYTON:** Okay.

**FINANCE DIRECTOR SHERMAN:** But again, once you vote on that millage rate, then we have to do --

**COUNCILPERSON GUYTON:** It takes time to --

**FINANCE DIRECTOR SHERMAN:** -- some more work.

**COUNCILPERSON GUYTON:** -- prepare, but --

**FINANCE DIRECTOR SHERMAN:** Yeah.

**COUNCILPERSON GUYTON:** Okay.

**FINANCE DIRECTOR SHERMAN:** Uh, we have the next, uh, budget workshop on July 31<sup>st</sup>, which again, that's when the Manager will be bringing in, you know, the proposed budget, and on the expense side, uh, and then again --

**COUNCILPERSON GUYTON:** Okay. Let -- let -- let's back up.

**FINANCE DIRECTOR SHERMAN:** Yep.

**COUNCILPERSON GUYTON:** Or -- when you -- on the expense side, will we also have the, um, the budget assumptions that we have here or --

**FINANCE DIRECTOR SHERMAN:** Yes. Oh, yeah, you'll get --

**COUNCILPERSON GUYTON:** -- so that we can --

**FINANCE DIRECTOR SHERMAN:** Yes.

**CITY MANAGER JONES:** We'll have those (inaudible) --

**COUNCILPERSON GUYTON:** -- compare (inaudible) --

**FINANCE DIRECTOR SHERMAN:** We will get you that.

**COUNCILPERSON GUYTON:** Okay. Okay.

**FINANCE DIRECTOR SHERMAN:** We'll get you that far in advance.

**COUNCILPERSON GUYTON:** Okay. All right.

**FINANCE DIRECTOR SHERMAN:** Yep. Uh, again, August, um, and I could have left this to Mr. Brown, he was doing such a good job with our calendar. Um, uh, we do have meetings scheduled again on the 12<sup>th</sup> and 21<sup>st</sup>. There is nothing, uh, you know, those -- those dates are -- they're movable, but those are the dates that -- that we have, you know, put out on the calendar. The 21<sup>st</sup> is the capital budget.

Um, when you get into September, those dates, uh, where you have the two Council meetings on September 4<sup>th</sup> and the 18<sup>th</sup>, again, keep in mind everyone within the County has to balance their dates so there's no overlaps. Uh, so those two dates are set. Um, other than that, um, we have the, uh -- again, that -- that's finance work. It's not necessarily, you know, Council work. But those -- that is when you would vote your -- your final budget and adopt the budget.

**COUNCILPERSON J. DAVIS:** In other words, they can't be changed.

**FINANCE DIRECTOR SHERMAN:** Can't -- you cannot move the two Council meetings, um, no.

**COUNCILPERSON J. DAVIS:** Okay.

**COUNCILPERSON GUYTON:** Okay.

**CITY MANAGER JONES:** Which means we -- unfortunately, we have to have two meetings that much -- month.

**FINANCE DIRECTOR SHERMAN:** Correct.

**COUNCILPERSON GUYTON:** Not -- not a problem. They -- they've been request -- there have been requests for that, anyway.

**FINANCE DIRECTOR SHERMAN:** And --

**COUNCILPERSON GUYTON:** Okay, Mr. Sherman.

**FINANCE DIRECTOR SHERMAN:** -- that's it. Yeah. No, I'm -- I'm through.

**COUNCILPERSON GUYTON:** Okay. Are there any questions for Mr. Sherman regarding our, um, budget discussion --

**COUNCILPERSON J. DAVIS:** Yes, sir.

**COUNCILPERSON GUYTON:** -- because after this we're moving into, uh, policy considerations. Councilwoman Davis.

**COUNCILPERSON J. DAVIS:** Yes, sir. Thank you. Um, just to, um -- out of curiosity, is it possible to show us the ad valorem, uh, tax figures for Districts 1 through 4? I mean, how difficult would that be?

**FINANCE DIRECTOR SHERMAN:** To actually break it out?

**COUNCILPERSON J. DAVIS:** Yeah.

**FINANCE DIRECTOR SHERMAN:** Uh, we would have to -- within your PCN number, your property control number, we can tell where those properties are and we can break

it out that way. We would --

**COUNCILPERSON J. DAVIS:** I would --

**FINANCE DIRECTOR SHERMAN:** -- we would have to --

**COUNCILPERSON J. DAVIS:** I would be --

**FINANCE DIRECTOR SHERMAN:** -- we would have to get a, in a -- in a, um --

**COUNCILPERSON GUYTON:** GIS?

**FINANCE DIRECTOR SHERMAN:** -- a searchable -- no, I'd have to get -- I'd have to get the PCNs and the values and everything in, like, an Excel file so, you know, you can twist it and turn it. Uh, we'd have to talk to the -- the property appraiser, to see if we could get that. If we can get that, then we could -- we could do it.

**COUNCILPERSON J. DAVIS:** Okay. If you can.

**FINANCE DIRECTOR SHERMAN:** Right.

**COUNCILPERSON J. DAVIS:** That would be great.

**COUNCILPERSON GUYTON:** And -- and -- and, uh, not to interrupt you, but, uh, when you talk to them, see if they can break it down into a geographical information system form, which identifies the properties, which include the property numbers. I want this area here without a property number. So --

**FINANCE DIRECTOR SHERMAN:** Yeah.

**COUNCILPERSON GUYTON:** -- if you have to -- and -- and maybe, um, Miss McKinney can assist in the discussion of -- of what the Councilwoman wants.

**FINANCE DIRECTOR SHERMAN:** Yeah.

**COUNCILPERSON GUYTON:** Can you, Miss McKinney?

**DIRECTOR MCKINNEY:** We'll try.

**COUNCILPERSON GUYTON:** Yeah. GIS form, so that we can --

**DIRECTOR MCKINNEY:** We're going to try.

**COUNCILPERSON GUYTON:** Okay.

**FINANCE DIRECTOR SHERMAN:** Yeah, and again, in essence, what your PCN does is it lays it out on a grid. And then you should be able to get that. If -- if we can --

**COUNCILPERSON J. DAVIS:** And I --

**FINANCE DIRECTOR SHERMAN:** -- get that file from the property appraiser.

**COUNCILPERSON J. DAVIS:** That would be great. Um, and I didn't leave you out, Councilman Davis. You just have the At Large, so, okay? Um, and, um, General Fund -- Fund balance and the -- uh, I'd just like to know what those amounts are. Um, if you don't have it right now, you know, if you can provide it for me later, that would be great.

**FINANCE DIRECTOR SHERMAN:** Okay.

**COUNCILPERSON GUYTON:** Okay. Uh, Councilman Davis, do you have any

questions regarding the budget section?

**COUNCILPERSON T. DAVIS:** No, sir.

**COUNCILPERSON GUYTON:** The -- okay. I've got a couple here. Um, in the, um, memo that was attached to our information, um, there was a reference to the, um, increase of the general, and fire, and police funds, and I think I've already requested this. Um, well, no, I didn't. There was no reference to the percentage of increase and/or decrease to the police fund. And I was curious why those two --

**COUNCILPERSON J. DAVIS:** Yeah, it is.

**COUNCILPERSON GUYTON:** -- were, um -- they referenced a dollar amount in there in interest --

**FINANCE DIRECTOR SHERMAN:** Well, I -- I -- I see what you're -- we -- we'll get you those. I see what you're reading. We did general and fire and then left out those percents.

**COUNCILPERSON J. DAVIS:** Right.

**FINANCE DIRECTOR SHERMAN:** We'll -- we'll add those. We'll get --

**COUNCILPERSON GUYTON:** Okay.

**FINANCE DIRECTOR SHERMAN:** -- you that information.

**COUNCILPERSON GUYTON:** Okay. All righty. The other thing that -- that I need, I would like -- I already said this. I asked for documents from which the numbers were pulled.

**FINANCE DIRECTOR SHERMAN:** Yeah.

**COUNCILPERSON GUYTON:** I said that. Um, the actual calculations. As it relate to the pensions, we as a Council requested, um, staff to coordinate with FPPTA for a presentation. There was discussion about defined as opposed to, um, defined -- uh, what's the other one?

**COUNCILPERSON J. DAVIS:** Contributions.

**CITY MANAGER JONES:** Contributions.

**COUNCILPERSON GUYTON:** Yeah, yeah. Uh, yeah. Defined contribution, uh, plans. Uh, so have we made arrangements to --

**CITY MANAGER JONES:** We have had, uh, contact --

**COUNCILPERSON GUYTON:** Oh, wait. Back up, defined benefit and defined contribution. That's -- those were the words.

**CITY MANAGER JONES:** Yeah.

**COUNCILPERSON GUYTON:** Okay. It came back to me. Okay.

**CITY MANAGER JONES:** Uh, we have had conversations with them and several e-mails. Miss Perry has been coordinating that. Um, this was their heavy -- June was their heavy conference and --

**COUNCILPERSON GUYTON:** Yeah, there's a conference in June. Yeah.

**CITY MANAGER JONES:** -- convention month, and so we were looking for July as a date to potentially do that. Um, with the holidays in May, we kept moving up closer, but we have been in conversation with them and they're giving us potential dates for July.

**COUNCILPERSON GUYTON:** Okay. Now, what are you requesting of them? Our discussion was dealing with the defined benefit and defined contribution and I -- some of us knew that that is something that they give presentations on comparing the two. What -- what is being requested of them when they come and give their presentation?

**CITY MANAGER JONES:** There are, um, a couple of areas that we asked them to touch on. We've asked them to touch on, of course, um, defined benefit plans; what's covered; what's in a defined benefit plan; what is in a defined contribution plan; taking a look at examples of our particular defined benefit plans. If there are any potential tier possibilities that can be applied as it relates to that.

**COUNCILPERSON GUYTON:** Okay.

**CITY MANAGER JONES:** Um, so those are the -- it's about five topics we've --

**COUNCILPERSON GUYTON:** Okay.

**CITY MANAGER JONES:** -- asked them to look at as it relates to the actual presentation that we wanted them to facilitate.

**COUNCILPERSON GUYTON:** Okay. And that's all that I have under the budget on discussion, and we'll move --

**COUNCILPERSON J. DAVIS:** Wait a minute.

**COUNCILPERSON GUYTON:** -- did you -- did you have -- uh, Councilwoman Davis?

**COUNCILPERSON J. DAVIS:** (Inaudible) questions? In -- uh, on your cover letter, Mr. Sherman, uh, we got started so fast, I was gonna ask you about this, and -- but I forgot. Um, you talked -- you showed us the, uh, increases, the amount that each fund was going to be increased by, uh, and -- and the pension costs to the City. And, um, which I showed, um, adding up to 2.999850. Okay? And I think that's the same figure that you have. Um, and I'm trying to figure out what I did here. Um, and you said that the -- one of them -- which one -- the General Fund, part of it was going to be paid out of the Enterprise Fund. What Enterprise? Which Enterprise Fund?

**FINANCE DIRECTOR SHERMAN:** In -- any fund that has employees, will pay their share of the --

**COUNCILPERSON J. DAVIS:** Okay.

**FINANCE DIRECTOR SHERMAN:** -- retirement.

**COUNCILPERSON J. DAVIS:** Okay. So some will be coming out of Utility Special District?

**FINANCE DIRECTOR SHERMAN:** Correct.

**COUNCILPERSON J. DAVIS:** Okay. And some --

**FINANCE DIRECTOR SHERMAN:** Correct. Correct.

**COUNCILPERSON J. DAVIS:** -- out of Marina?

**FINANCE DIRECTOR SHERMAN:** Yes.

**COUNCILPERSON J. DAVIS:** Okay. All right. (Inaudible). Okay. Um, so after I, uh, totaled up the amounts that we were going to -- I got -- I got a figure that was totally different from yours. You came up with the impact to the General Fund as being 1.466567, and I came up with 1.824850. But in looking at it right now I can't -- um, I can't remember where I got the numbers from.

**FINANCE DIRECTOR SHERMAN:** The 1.4 is just police. Yeah, the -- the million four that's referred to in the letter is just for the police.

**COUNCILPERSON J. DAVIS:** Okay.

**FINANCE DIRECTOR SHERMAN:** So that's -- that's not all of them.

**COUNCILPERSON J. DAVIS:** Okay. All right. Because I know there was a \$358,000 difference.

**FINANCE DIRECTOR SHERMAN:** Yeah. Yeah. Again, I think the total General Fund impact's about just over 2.1 million.

**COUNCILPERSON J. DAVIS:** Okay. All right. And just, um, in going forward, um, to the both of you, in some of the -- in -- in the details, um, in some of the detail information that you provided us, um, it just seems like a lot of the, um, programs and things like that that we offer just aren't worth even putting, you know, doing. Um, so some of them, I think, just should be eliminated, but that -- that's just my thought on them, because I don't see anything being generated. A lot of them are -- is -- is in the hole. Um, so just keep that in mind as you go forward.

And also, um, surplus sales, I've asked for, uh, the sale of surplus items, I've asked for in prior years that we be provided a report of --

**FINANCE DIRECTOR SHERMAN:** Okay.

**COUNCILPERSON J. DAVIS:** -- those things and I -- I've never received one.

**FINANCE DIRECTOR SHERMAN:** Well, I mean, that -- do you want -- do you want --

**COUNCILPERSON J. DAVIS:** Okay. Right.

**FINANCE DIRECTOR SHERMAN:** -- a listing of what has been sold or what is -- well, before we sell it or after we sell it?

**COUNCILPERSON J. DAVIS:** When -- when you sell it, I want -- I would like to see --

**FINANCE DIRECTOR SHERMAN:** You wanna know what it is.

**COUNCILPERSON J. DAVIS:** Yeah.

**FINANCE DIRECTOR SHERMAN:** Okay. We can do that.

**COUNCILPERSON J. DAVIS:** Absolutely.

**CITY MANAGER JONES:** That's after.

**FINANCE DIRECTOR SHERMAN:** After. Yeah, okay.

**COUNCILPERSON GUYTON:** Okay, Mr. Sherman. Are there any further questions from the Council regarding the budget discussion? If not, we'll move right into the policy discussion, um, policy consideration. First on the list is investment policy.

**FINANCE DIRECTOR SHERMAN:** Yes. Um, you know, for those of you who have -- who -- who know me, I mean, you -- you know that I believe that, you know, everything needs to have a policy written. I mean, even -- even though we may be not necessarily out of whack in what we're doing, uh, it's always nice to have your policies, have them updated and -- and be able to, uh, to pull it out when you need it.

Um, as we talked at the last Council meeting, um, when we were adopting the contract for PFM and going forward and possibly looking at issuing debt for the utility district, um, one of the things I know for certain, that when I get to the rating agencies they're gonna say, Where's your investment policy? Where's your debt manual? And where's your arbitrage policy?

**COUNCILPERSON J. DAVIS:** Right.

**FINANCE DIRECTOR SHERMAN:** Um, so that's why I'm bringing these -- these forward. Again, it's not necessarily anything that is particularly new. Um, you know, the -- the investment policy has to follow State Statute. Um, but again, it's just -- it's in writing and it says this is what the City of Riviera Beach does. Um, and when anybody gets that, uh, they're gonna say, Okay. We can see that this is what they do. We can ask for this report. We know that they're following State Statutes.

Um, again, you know, the letter that -- that I have, um, I can -- I can read each one of these, but I mean, primarily, again, when you're doing an investment policy, you know, the key is not earning a lot of money. That is not your top priority. The top priority is making sure that the money, uh, the -- the capital that you have doesn't get lost, and that the money is available when you need it. Uh, the earnings are really, you know, fall to the -- to the end of -- of that process. Um, and again, that's, you know, what the policy is saying is we're gonna protect those assets going forward.

Uh, when we get to the debt management policy, again, we're --

**COUNCILPERSON GUYTON:** Uh, wait, wait, wait --

**FINANCE DIRECTOR SHERMAN:** Yep.

**COUNCILPERSON GUYTON:** -- wait.

**FINANCE DIRECTOR SHERMAN:** I'm sorry. Go ahead.

**COUNCILPERSON GUYTON:** Are -- are there any questions on the investment policy?

**COUNCILPERSON J. DAVIS:** Um, an overall, um, recommendation or suggestion. Um, well, I'll start it out with a question. Have we considered a finance and investment committee, or is that something that you will be considering going forward?

**FINANCE DIRECTOR SHERMAN:** Um, I -- I didn't consider it as part of this policy. Um, right now, in all honesty, there isn't a lot of places to put your money.

**COUNCILPERSON J. DAVIS:** Uh-huh.

**FINANCE DIRECTOR SHERMAN:** Um, because the interest rates are so low --

**COUNCILPERSON J. DAVIS:** So low.

**FINANCE DIRECTOR SHERMAN:** -- uh, there isn't a lot of variety and a lot of decisions to be made, uh, and you know, staff will tell you, I'm not the one who likes to have a meeting just for the sake of having a meeting.

**COUNCILPERSON J. DAVIS:** Uh-huh.

**FINANCE DIRECTOR SHERMAN:** So if all we're gonna do is get together and look at each other and say, Yep, it's gonna stay right where it is, it's -- it's not fair. So going forward, yes, I would agree, um, once your options are open.

**COUNCILPERSON J. DAVIS:** Uh-huh.

**FINANCE DIRECTOR SHERMAN:** But again, like any policy, you know, as I mentioned here, this policy hasn't been changed for ten years.

**COUNCILPERSON J. DAVIS:** Right.

**FINANCE DIRECTOR SHERMAN:** Uh, and as we discussed before, that's way too long.

**COUNCILPERSON J. DAVIS:** Uh-huh.

**FINANCE DIRECTOR SHERMAN:** Um, it probably should have been changed when the SBA kind of crashed back in 2007.

**COUNCILPERSON J. DAVIS:** Uh-huh.

**FINANCE DIRECTOR SHERMAN:** It should have been changed at that -- so you know, you change as -- as conditions change. Uh, you know, my feeling is that something like this probably should be brought back at least every, you know, three or four years, you know, and -- and keep it fresh.

**COUNCILPERSON J. DAVIS:** Uh-huh.

**FINANCE DIRECTOR SHERMAN:** And again, as the environment changes, then I think that's probably a good time to add a committee, maybe. Again, when there's -- when there's real decisions to be made as far as how those dollars are going to be invested.

**COUNCILPERSON J. DAVIS:** Uh-huh.

**FINANCE DIRECTOR SHERMAN:** Um, right now, again, there's just not a lot of options, so really, where you get your control is in the reporting and -- and just, you know, in seeing that, uh, that again, the policy is being adhered to.

**COUNCILPERSON J. DAVIS:** Okay. Um, so -- so you feel that there are the proper checks and balances as far -- because I read in here that you have, as the Director of Finance & Administrative Services, you report to the City Manager, and the Manager is saying it to us. So -- but you make those decisions. So that's -- that's why I'm asking.

**FINANCE DIRECTOR SHERMAN:** Yeah. And I -- and I make those decisions, but

again, I think the way that I've got this structured is actually the Assistant Finance Director is looking at it and doing --

**COUNCILPERSON J. DAVIS:** Uh-huh.

**FINANCE DIRECTOR SHERMAN:** -- the reporting. So that's really your second set of eyes --

**COUNCILPERSON J. DAVIS:** Okay.

**FINANCE DIRECTOR SHERMAN:** -- in that regard. And then again, I'll tell you, when the auditors come in, they will be then be looking at the policy, and they can audit against an actual document --

**COUNCILPERSON J. DAVIS:** Okay.

**FINANCE DIRECTOR SHERMAN:** -- and make sure, again, that, you know, our internal controls are there and we're following them.

**COUNCILPERSON J. DAVIS:** Gotcha. All right. Thank you.

**COUNCILPERSON GUYTON:** Okay. Mr. Sherman, and you just referred back to a comment I made earlier in the meeting about having a periodic review of the various policies, and that needs to be applied across the board.

**FINANCE DIRECTOR SHERMAN:** Absolutely.

**COUNCILPERSON GUYTON:** Um, and so let's put that on the to-do list that we look at policies that we haven't looked at for a while to update them. Okay.

And I've got, um, just a couple of comments about the investment policy, having served on the Police Pension Fund for four years, and that's actually all we did was deal with the investments. I've got a question first. The different funds that Section, uh, 218.415 allows us to invest in, and you have them listed here. Do we have anything invested now out of any of these funds, General Fund, Special Revenue Fund, Debt Service Funds, Capital Project Funds, Enterprise Funds, Internal Service Funds, and Trust & Agency Funds. Does the City have anything invested in the market out of any of these funds?

**FINANCE DIRECTOR SHERMAN:** Yes. I mean, the -- all of those funds have cash. All of that cash currently sits with the, uh, SBA. I mean, it's all in one place at the SBA.

**COUNCILPERSON GUYTON:** So it's not in the market.

**COUNCILPERSON J. DAVIS:** No.

**FINANCE DIRECTOR SHERMAN:** No.

**COUNCILPERSON GUYTON:** Okay. Okay. Um, now, in your policy that you're recommending to us I read that, um, you do at some point have the authority to select certain instruments.

**FINANCE DIRECTOR SHERMAN:** Correct.

**COUNCILPERSON GUYTON:** That's -- that's common now. Investing, I mean, deciding -- it's just not sitting there.

**FINANCE DIRECTOR SHERMAN:** No, no.

**COUNCILPERSON GUYTON:** And then you start selecting instruments.

**FINANCE DIRECTOR SHERMAN:** Yeah.

**COUNCILPERSON GUYTON:** So it takes it to another level, then?

**FINANCE DIRECTOR SHERMAN:** It takes it to another level.

**COUNCILPERSON GUYTON:** Okay.

**FINANCE DIRECTOR SHERMAN:** Absolutely.

**COUNCILPERSON GUYTON:** And -- and therein lies the -- the premise of my discussion. Um, in your policy I see that you're giving yourself the authority to partake in that selection. I personally -- this is my own preference -- would prefer that we reserve that to investment managers, and you are our contact person. Uh, and the reason I said that, because there is a fiduciary responsibility that investment managers have, that they have to abide by. But when we become part of the selection process, sometimes it get a little murky, saying that I wasn't the only one that selected these. Now, your person selected these. But if we have a contract where they are -- and that's how we do on the pension funds.

**FINANCE DIRECTOR SHERMAN:** Uh-huh.

**COUNCILPERSON GUYTON:** We don't select --

**FINANCE DIRECTOR SHERMAN:** Right.

**COUNCILPERSON GUYTON:** -- the actual stocks.

**FINANCE DIRECTOR SHERMAN:** You're right.

**COUNCILPERSON GUYTON:** And that leaves them accountable. You can't say that we had our hand in it. so if you screw up, we're going after you and you can't say that we were part of the selection process.

**COUNCILPERSON J. DAVIS:** That's right.

**COUNCILPERSON GUYTON:** So I've got a concern with the language. Even if you never select, I would rather it says that we would have investment managers, and what we also have is an investment consultant that watch the manager that gives us an indication if the investments that they are making may not be fruitful or productive for us.

**FINANCE DIRECTOR SHERMAN:** Yeah.

**COUNCILPERSON GUYTON:** So I would hope that we kind of look at a kind of a different model that kind of have you as the contact person and not one of the ones select. No offense to you.

**FINANCE DIRECTOR SHERMAN:** That -- no.

**COUNCILPERSON GUYTON:** That just --

**COUNCILPERSON J. DAVIS:** That's what it said, yeah. That's great.

**FINANCE DIRECTOR SHERMAN:** Yeah. The real issue comes down to how much

money we have to invest.

**COUNCILPERSON GUYTON:** Yeah, yeah, that's it. I -- I know. I know.

**FINANCE DIRECTOR SHERMAN:** You know, when you have \$60 million --

**COUNCILPERSON GUYTON:** Yeah, yeah.

**FINANCE DIRECTOR SHERMAN:** And you don't have to make a payroll every week, and you're not -- you know, you can invest it a lot --

**COUNCILPERSON GUYTON:** You can --

**FINANCE DIRECTOR SHERMAN:** -- different.

**COUNCILPERSON GUYTON:** -- invest it and -- and we can --

**FINANCE DIRECTOR SHERMAN:** You know, 'cause -- 'cause Miss Jones and I actually talked about the fact, you know, should we be getting somebody from the outside to come in. And --

**COUNCILPERSON GUYTON:** Yes, absolutely --

**FINANCE DIRECTOR SHERMAN:** And I'll be honest --

**COUNCILPERSON GUYTON:** -- in my opinion.

**FINANCE DIRECTOR SHERMAN:** -- you know, we could pay somebody \$50, \$60,000. They'd take our money. They would invest it for us and we'd go forward.

**COUNCILPERSON GUYTON:** Or they get a percentage.

**FINANCE DIRECTOR SHERMAN:** And then --

**COUNCILPERSON GUYTON:** Well, yeah, of -- of --

**FINANCE DIRECTOR SHERMAN:** Yeah.

**COUNCILPERSON GUYTON:** Yeah.

**FINANCE DIRECTOR SHERMAN:** And then it -- at the end of the day the question is, did they make, 50, 60,000 to at least pay for themselves? Did they make it better? And at this point, again, there's just -- when you look at what we can invest in, again, trust -- um, pension plans can invest in different things than the City can.

**COUNCILPERSON GUYTON:** Different things.

**FINANCE DIRECTOR SHERMAN:** Um, when you look at what we can invest in, I just don't see that we would make that money back.

**COUNCILPERSON GUYTON:** And what -- well, let me -- let me ask you this. Um, because one mishap could cost us more than what we are saving.

**FINANCE DIRECTOR SHERMAN:** Uh-huh.

**COUNCILPERSON GUYTON:** So up front it may not seem like --

**FINANCE DIRECTOR SHERMAN:** Yep.

**COUNCILPERSON GUYTON:** -- a wise investment because of some -- but if we have a problem, and you were part of the selection process, and we have no recourse, then it

becomes a bigger problem. So this is, to me, more of security, and -- and -- and I don't mind paying for security.

**FINANCE DIRECTOR SHERMAN:** Okay. I mean, I can --

**COUNCILPERSON GUYTON:** Uh, but that --

**FINANCE DIRECTOR SHERMAN:** -- change it. I --

**COUNCILPERSON GUYTON:** -- that -- that's only me.

**FINANCE DIRECTOR SHERMAN:** I hear you.

**COUNCILPERSON GUYTON:** And -- and -- and I guess, my -- my -- my other question would be -- and certainly not putting you on the spot -- have you ever had any investment experience?

A. Yes, yes. I am actually a Certified Treasury Professional, um, which that's what treasury professionals do. So, yes.

**COUNCILPERSON GUYTON:** So not -- not -- not -- no -- so you've had active investment, this is what --

**FINANCE DIRECTOR SHERMAN:** Yes.

**COUNCILPERSON GUYTON:** -- you do.

**FINANCE DIRECTOR SHERMAN:** Yes.

**COUNCILPERSON GUYTON:** Okay. And -- and that is well and fine.

**FINANCE DIRECTOR SHERMAN:** Right.

**COUNCILPERSON GUYTON:** So with you off kind of monitoring, you can better understand. I still don't think that it's wise to have you in there. And this policy would go beyond Mr. Sherman --

**FINANCE DIRECTOR SHERMAN:** Uh-huh.

**COUNCILPERSON GUYTON:** -- because it speaks to the position and not to the person.

**FINANCE DIRECTOR SHERMAN:** That's correct.

**COUNCILPERSON GUYTON:** So as we plan, we need to plan not only for Mr. Sherman, but for your absence, if you're not there with your type of experience and we get somebody else in, and the policy is allowing them --

**FINANCE DIRECTOR SHERMAN:** Uh-huh.

**COUNCILPERSON J. DAVIS:** Right.

**COUNCILPERSON GUYTON:** -- to look at things that they may not have the experience to look it.

**FINANCE DIRECTOR SHERMAN:** Yep. That's a --

**COUNCILPERSON GUYTON:** Okay?

**FINANCE DIRECTOR SHERMAN:** -- an excellent point, yes.

**COUNCILPERSON GUYTON:** So I would hope that Council would allow staff to give us an alternative in this language.

**COUNCILPERSON J. DAVIS:** It's just tweaking this language.

**COUNCILPERSON GUYTON:** Yeah, let's tweak it that excludes staff from making a selection but hiring a professional and you be our contact person to oversee.

**FINANCE DIRECTOR SHERMAN:** Okay.

**COUNCILPERSON GUYTON:** Okay? Uh, is there any objection from any of the Councilmembers?

**COUNCILPERSON T. DAVIS:** I -- I just had a question.

**COUNCILPERSON GUYTON:** Okay. Councilman T. Davis.

**COUNCILPERSON T. DAVIS:** How long have you been part of the selection process?

**FINANCE DIRECTOR SHERMAN:** For --

**COUNCILPERSON T. DAVIS:** So this -- this will be your first time being a part of that selection process based on this policy that he --

**FINANCE DIRECTOR SHERMAN:** Here, yes.

**COUNCILPERSON T. DAVIS:** Here. Okay. So who was doing it before?

**FINANCE DIRECTOR SHERMAN:** Well, again, Miss Hoskins was doing it, but again, it's all sitting up at the -- at the SBA.

**COUNCILPERSON GUYTON:** Yeah, so --

**CITY MANAGER JONES:** It's a (inaudible) --

**FINANCE DIRECTOR SHERMAN:** So -- so right now, yeah, right now is City's in an investment pool. So the people who are running the SBA are making all of those decisions.

**COUNCILPERSON T. DAVIS:** Okay.

**FINANCE DIRECTOR SHERMAN:** Okay. And they're -- they're doing the investing for you.

**COUNCILPERSON GUYTON:** They do.

**FINANCE DIRECTOR SHERMAN:** Okay? The issue is, in essence --

**COUNCILPERSON GUYTON:** The issue is, there's a portion in here that allows that at some point they can select instruments --

**FINANCE DIRECTOR SHERMAN:** That we would select something --

**COUNCILPERSON GUYTON:** -- and make the choices.

**FINANCE DIRECTOR SHERMAN:** -- rather than use the SBA.

**COUNCILPERSON GUYTON:** And I have a real problem --

**FINANCE DIRECTOR SHERMAN:** Yeah.

**COUNCILPERSON GUYTON:** -- with that, not that they can't do it, but with the liability associated with being identified as one of the selectees. And in our policy, from the pension fund, it's absolutely very clear that we're not associated --

**FINANCE DIRECTOR SHERMAN:** Right.

**COUNCILPERSON GUYTON:** -- with it, and if you -- if -- if there's a problem, you gonna be held responsible.

**FINANCE DIRECTOR SHERMAN:** Yeah.

**COUNCILPERSON GUYTON:** So, and that's what I would like to be done --

**FINANCE DIRECTOR SHERMAN:** Okay. We can --

**COUNCILPERSON GUYTON:** -- on the City's side.

**FINANCE DIRECTOR SHERMAN:** -- change the language for that.

**COUNCILPERSON GUYTON:** Okay.

**FINANCE DIRECTOR SHERMAN:** I'm -- I'm --

**COUNCILPERSON GUYTON:** But I -- it -- it -- it can only be done if the rest of the Councilpeople have no problem with it. It's their problem.

**COUNCILPERSON J. DAVIS:** I have no problem.

**COUNCILPERSON GUYTON:** Okay.

**FINANCE DIRECTOR SHERMAN:** No?

**COUNCILPERSON T. DAVIS:** Accountability.

**FINANCE DIRECTOR SHERMAN:** Okay.

**COUNCILPERSON GUYTON:** Okay. Let's keep it moving. Uh, wait. Uh, Mrs. Ryan, our attorney, did you have any comment?

**CITY ATTORNEY RYAN:** Actually, he, um, Mr. Davis asked the question. I thought that our, uh, the group, PFM, the group prior to them, I wondered if they were the ones who did the investments for the City.

**FINANCE DIRECTOR SHERMAN:** No, no.

**COUNCILPERSON GUYTON:** All right.

**FINANCE DIRECTOR SHERMAN:** Not -- not at this time, no.

**COUNCILPERSON GUYTON:** Yes.

**CITY ATTORNEY RYAN:** So he answered yes.

**COUNCILPERSON GUYTON:** Okay. All righty. Let's keep it moving, please.

**FINANCE DIRECTOR SHERMAN:** Okay. The second policy we have, again, is the debt management policy. Again, it's not that -- you know, the City doesn't issue a lot of debt, um, but really, again, what this policy says is, Here's the criteria that we're gonna use if we choose to issue debt. Uh, and it really sets some limits. It sends some -- sets some benchmarks. Um, you know, again, statutorily you have debt caps, but in all

honesty, those caps are really not realistic. Um, so again, this sets some -- some caps, uh, which we are well under all of these caps again, just because the City doesn't issue them. But again, this is something that the auditor can come in and audit against. The rating agencies are going to ask. They're gonna say, Okay. You want to go out and borrow \$30 million for the Utility District. How do we know you're not gonna come back here in six months and borrow another 50 million, or 200? You know, where -- what are all your guidelines on when you issue debt, and when you don't issue debt, and how you issue debt. Uh, so that's really what the -- the debt management policy does. Okay? Again, it just lays out the role is, who -- you know, who does what, um, you know, where the authorities are, and again, how we'll report on debt when we do have it.

**COUNCILPERSON GUYTON:** I -- are there any comments on this policy?

**COUNCILPERSON J. DAVIS:** So it -- so --

**COUNCILPERSON GUYTON:** Councilman Davis.

**COUNCILPERSON J. DAVIS:** I did not, um -- is there a percentage of debt to revenue, on debt to --

**FINANCE DIRECTOR SHERMAN:** Depend -- depending on -- on the type of debt that you're issuing, so again, if it's General Fund debt, or if it's Utility debt, there would be different ratios. Um, what I didn't do to the policy at this point is actually calculate all those ratios, um, because again, if somebody wanted to change something, but there isn't a -- a table in -- in the actual policy that --

**COUNCILPERSON J. DAVIS:** That's what I --

**FINANCE DIRECTOR SHERMAN:** -- lays those out.

**COUNCILPERSON J. DAVIS:** Thank you.

**COUNCILPERSON GUYTON:** I just have one question, um, from page 17. It refers to derivatives. And those who have been involved in any inkling of investment, um, we know that that is a very risky area, um, to pursue. But anyway, it says that the prudent use of derivatives can be an effective tool in meeting capital financing needs. And in structuring a balance sheet while managing risks associated with the move -- movement of interest rates. And derivatives is based, actually, on not any particular stock, but something else; and it gets very dicey. So my question is, how can we manage our debt with, or how -- how would debt be managed with derivatives?

**FINANCE DIRECTOR SHERMAN:** Yeah, well, and again, we don't have a very large debt portfolio, so let me --

**COUNCILPERSON GUYTON:** Okay.

**FINANCE DIRECTOR SHERMAN:** -- let me start there. But if -- if we did, if all of a sudden we had \$300 million of utility debt or -- or something to that extent. Typically, uh, what you like to do is you like to have your portfolio, you want some of that portfolio to have a fixed interest rate, guaranteed. You know it's going to be this interest rate. Then you want a certain portion of your portfolio to have a variable interest rate that'll actually --

**COUNCILPERSON GUYTON:** Uh, it's -- yes. It's a diverse portfolio that would, uh, manage your risk and not have --

**FINANCE DIRECTOR SHERMAN:** It manage -- it manages your risk.

**COUNCILPERSON GUYTON:** -- everything in one --

**FINANCE DIRECTOR SHERMAN:** Absolutely.

**COUNCILPERSON GUYTON:** I fully understand all that.

**FINANCE DIRECTOR SHERMAN:** Okay. And then --

**COUNCILPERSON GUYTON:** But -- but my question is --

**FINANCE DIRECTOR SHERMAN:** Yeah.

**COUNCILPERSON GUYTON:** -- about --

**FINANCE DIRECTOR SHERMAN:** Derivatives.

**COUNCILPERSON GUYTON:** -- derivatives.

**FINANCE DIRECTOR SHERMAN:** Okay.

**COUNCILPERSON GUYTON:** That, yes.

**FINANCE DIRECTOR SHERMAN:** Okay. And then again, a very small portion of your portfolio you really can use derivatives. And what the -- the derivatives typically do in municipal debt is it targets it to a variable index. So again, it would target -- target it to either the treasury rate or it would target it to, um, the LIBOR rate, which is actually, you know, over in -- in Europe. And again --

**COUNCILPERSON GUYTON:** Variable -- and not intending to interrupt you. Variable is the operative word.

**FINANCE DIRECTOR SHERMAN:** Yeah.

**COUNCILPERSON GUYTON:** Which -- which -- which mean it varies.

**FINANCE DIRECTOR SHERMAN:** It varies.

**COUNCILPERSON GUYTON:** And therein the risk varies.

**FINANCE DIRECTOR SHERMAN:** It does.

**COUNCILPERSON GUYTON:** Uh, yes, and that's the point that I'm getting to.

**FINANCE DIRECTOR SHERMAN:** I -- I'll -- and I'll just tell you --

**COUNCILPERSON GUYTON:** Okay.

**FINANCE DIRECTOR SHERMAN:** You know, at -- at one point, um, in my prior employment I had borrowed over \$100 million, and I wanna say it was like \$119 million, and I -- because I was into a derivative, I was paying less than 20 basis points on that \$100 million. And again, it's because of the way it was -- and again, because the rates have stayed so low, and the issue was, is I had it scaled out that when the interest rates hit a certain benchmark, okay, then you flip it over to a fixed rate. So when it's a -- a low interest rate environment, and you can scoop up all those low rates, you take -- you ride

that wave as long as you can possibly ride it, but still be prepared to flip it over to a fixed rate when, you know --

**COUNCILPERSON GUYTON:** Okay.

**FINANCE DIRECTOR SHERMAN:** -- so you can get out of it. And again, when you -- when you're in a derivative, you know, it can go both ways. I -- I fully understand.

**COUNCILPERSON GUYTON:** That's -- that's my point. That's my point.

**FINANCE DIRECTOR SHERMAN:** Fully understand that. Um, but if it's used cautiously and you're with a good third party -- because when you enter into a derivative, you have a partner. Um, so you have a partner like, uh, J.P. Morgan, or a Citibank. Yes. You wanna make sure you have a strong partner, because part of the deal is, is that, um, you typically price a derivative every week. It gets repriced, gets repriced, because again, you're tied to an index. And the issue is, is if no one comes in and buys that, your partner comes in and buys it, which is why you have to have a strong partner. Um, but yeah, I've -- you know, we all know Orange County and what happened in Orange County.

**COUNCILPERSON GUYTON:** Yeah, yeah, yeah.

**FINANCE DIRECTOR SHERMAN:** But that was on the investing side. This is, again, on the borrowing side, and it's tied, again, to the -- typically again either to LIBOR or to the -- the Treasuries.

**COUNCILPERSON GUYTON:** Okay. Is there a -- a maximum percentage of our pool of funds that would be allowed into derivatives? I didn't see that in here.

**FINANCE DIRECTOR SHERMAN:** No, I -- I -- I don't have it in there, um, but again, typically you wouldn't go over, like, five to ten percent. It's -- it's a very small amount --

**COUNCILPERSON GUYTON:** Could we --

**FINANCE DIRECTOR SHERMAN:** -- that you would actually --

**COUNCILPERSON GUYTON:** Could we document --

**FINANCE DIRECTOR SHERMAN:** -- absolutely.

**COUNCILPERSON GUYTON:** -- a -- a limit?

**FINANCE DIRECTOR SHERMAN:** Absolutely.

**CITY MANAGER JONES:** (Inaudible) set one.

**COUNCILPERSON GUYTON:** Yeah.

**FINANCE DIRECTOR SHERMAN:** Absolutely.

**COUNCILPERSON GUYTON:** A limit to derivatives.

**COUNCILPERSON J. DAVIS:** Yeah.

**FINANCE DIRECTOR SHERMAN:** Yep.

**COUNCILPERSON GUYTON:** Okay.

**FINANCE DIRECTOR SHERMAN:** I can do that.

**COUNCILPERSON GUYTON:** All right. Are there any further questions from any of the council members regarding the, um, debt management policy, and if not, I think that we have just --

**FINANCE DIRECTOR SHERMAN:** There's one more.

**COUNCILPERSON GUYTON:** -- one more.

**FINANCE DIRECTOR SHERMAN:** Okay.

**COUNCILPERSON GUYTON:** The arbitrage policy.

**FINANCE DIRECTOR SHERMAN:** Arbitrage policy. Um, first let me explain what arbitrage -- arbitrage is -- is really the -- the difference between two different interest rates. And what the IRS has said is that governments cannot go out and borrow money tax exempt and get very low borrowing rates, and then turn around and invest those dollars at a higher interest rate, which in essence would be a taxable rate. That's all arbitrage is. It's the spread between those two rates. And this goes all the way back to 1984, but again, the rating agencies are gonna say, Where's your policy. Show us that you understand what this is and that you promise us that you will abide by it. Um, because if you don't, what can happen is you could possibly issue tax exempt debt, people could issue, you know, let you borrow \$30 million and the IRS could come in and say, You know what? Those -- the interest on those bonds is now taxable. Um, and if anybody has followed what's been going up at The Villages, that's exactly what the IRS just did. So all those people that have those bonds that think they don't have to pay interest on that, or the taxes on that interest, it's now all taxable. So again, what this policy in essence says is, We know what the IRS is requiring us to do, and we promise we're gonna abide by it.

**COUNCILPERSON GUYTON:** Okay. Are there any questions? I have no public -- or what -- um, we're down to the City Council comments and discussion. I was looking at public comments. Um, is there any discussion from the council members? City Manager?

**CITY MANAGER JONES:** No, sir.

**COUNCILPERSON GUYTON:** City Attorney?

**CITY ATTORNEY RYAN:** No, sir.

**COUNCILPERSON GUYTON:** I have no public comment cards. I will entertain a motion to adjourn.

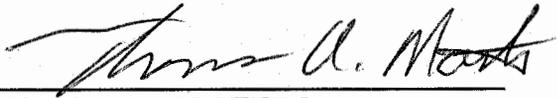
**COUNCILPERSON T. DAVIS:** So move.

**COUNCILPERSON GUYTON:** So adjourned.

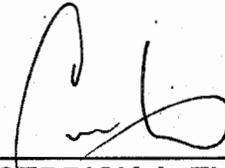
**COUNCILPERSON J. DAVIS:** Okay.

(CONCLUSION OF MEETING)

APPROVED:

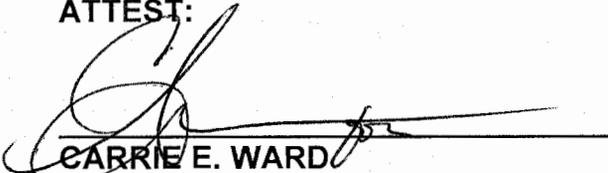


THOMAS A. MASTERS  
MAYOR

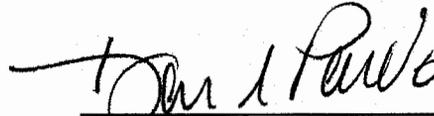


CEDRICK A. THOMAS  
CHAIRPERSON

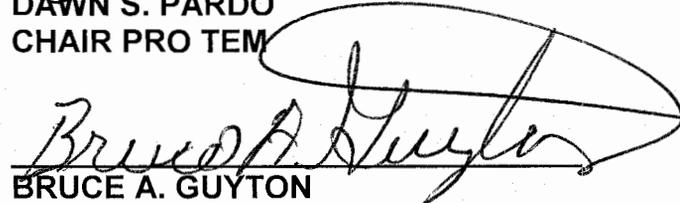
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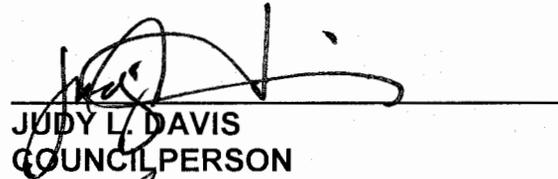
CARRIE E. WARD  
MASTER MUNICIPAL CLERK  
CITY CLERK



DAWN S. PARDO  
CHAIR PRO TEM



BRUCE A. GUYTON  
COUNCILPERSON



JUDY L. DAVIS  
COUNCILPERSON



TERENCE D. DAVIS  
COUNCILPERSON

MOTIONED BY: T. DAVIS

SECONDED BY: J. DAVIS

B. GUYTON AYE

J. DAVIS AYE

C. THOMAS OUT

D. PARDO AYE

T. DAVIS AYE

DATE APPROVED: 10/02/2013