

**MINUTES FOR THE JOINT CITY COUNCIL AND BUDGET REVIEW COMMITTEE
BUDGET WORKSHOP**

Tuesday, August 20, 2019

Council Chambers

1:00 p.m.

Meeting called to order by Mayor Coviello at 1:06 p.m.

Invocation/Moment of Silence

Pledge of Allegiance

Roll Call: Mayor Coviello, Council Members Carioscia, Cosden, Gunter, Nelson, Stokes, and Williams were present. Councilmember Stout was excused.

Roll Call: Chair Starner, Members Botkin, Eidson, Gruber, and Jacquet-Castor were present. Members Hayden and Osborn were absent.

BUSINESS

CITIZENS INPUT TIME

No speakers.

DISCUSSION

Wrap up Budget Discussions – City Manager Szerlag

City Manager Szerlag reviewed the discussions from the August 6, 2019 and August 13, 2019 Joint Budget Workshops with the following slide:

- FY 2020 -2022 City Manager Recap from August 6, 2019 Workshop

Finance Director Bateman explained the following slide:

- General Fund

Director Bateman stated that by taking \$2M out for the sidewalks, the new reserve in the third year is 2.28 months (FY 2022 proposed with changes). In FY 2020 it is 2.81 (proposed with changes), FY 2021 - 2.58 (proposed), and FY 2021 - 2.70 (proposed with changes).

Discussion held regarding the General Fund slide provided by Finance.

Discussion held regarding taking out the sidewalks and streetlights from the Gas Tax Fund, it will increase the General Fund.

Councilmember Cosden questioned if the money was already budgeted for sidewalks without dipping into the Gas Tax.

City Manager Szerlag explained he was confident that we will be receiving more funding in the Gas Tax Revenues because of the new formula, but he could not guarantee it at this time because all of the cities have to approve of that formula. If it is approved, we will add about 10% more to our Gas Tax Revenues that will be unaccounted for, about \$850K per year. That amount could cover a sidewalk crew including concrete without using the General Fund. Initially, the impact was almost \$5M annually and is now \$2M less in the General Fund.

Councilmember Stokes requested lights for life safety should be the priority over medians.

City Manager Szerlag explained the first slide is a calibration of the City Manager's budget. There is no preference given to any item. The City cannot use Gas Tax for median enhancements. The City can use it for sidewalk construction and streetlights.

Councilmember Stokes explained the importance of the street lighting.

Councilmember Carioscia inquired when is the vote by all the other cities for the formula.

PW Permitting and Planning Manager Zambrano explained what the County wants is to have all jurisdictions that end with the same time with a uniform formula for everyone. The new formula benefits the City with a high allocation. The agreement will start September 1, 2019. We will see the money on January 1, 2019, that is when they get the money from the State. Minor adjustments are being made to the agreement with the Legal Departments.

Councilmember Carioscia explained his desire as well as Councilmember's Stokes is to hold the median money until we have a finding on the Gas Tax money. Don't spend any of the median money because he would like to guarantee the street lights and sidewalks over medians.

Councilmember Stokes agreed.

Mayor Coviello questioned:

- 1) \$850K from the Gas Tax, already budgeted \$100K for streetlights, does that mean we are up to \$950K in streetlights and sidewalks if we so choose?
- 2) Regarding our streetlights, if we have \$950K, we need to figure out how much will go towards street lights and how much will go towards sidewalks?
- 3) Are there streetlights at all of the bus stops now? What is planned this upcoming year? How many more do we need? How much more can go towards sidewalks?
- 4) With two sidewalk crews who have grant money taking us out to 2023, would we be able to pull existing crews from grant jobs and put them on other jobs if we allocate money?

Director Bateman addressed the question from Councilmember Stokes. She stated the additional revenue cannot be used for medians and new landscapes. The additional revenue can only be used for the streetlights and the sidewalks.

Councilmember Stokes stated he understood that if the Gas Tax Revenue does not come through, then the streetlights don't happen.

Director Bateman suggested not budgeting for the medians until the Gas Tax money comes in.

Public Works Director Clinghan offered to reprioritize the \$850K, a portion is 5 cent and 6 cent Gas Taxes that could go toward sidewalks and streetlights.

Mayor Coviello questioned if it would benefit our City to hire a private contractor to do sidewalks.

Manager Zambrano explained the level of excellence with the existing sidewalk crews. She was confident that a new crew could be hired. If you hire an outside vendor, you would have to design it and then put it up for construction. Hiring out sidewalk construction has been reviewed, staying inside is the best approach. She mentioned the grants are fixed. If we get a grant for a particular project, we cannot change that location.

Director Clinghan explained the \$750K for a crew is per year; the upfront cost would be about \$1.1M for vehicles and equipment. It is less expensive than subbing it out to contractors.

Councilmember Gunter suggested reviewing the use of the reserves and listed the following areas:

- 1) 5 Cent Gas Tax Reserves
- 2) Police Department Reserve
- 3) Salary Savings for Unfilled Funded Positions
- 4) Privatization of Golf Course
- 5) Building Fund Reserves
- 6) 6 Cent Gas Tax Reserves

Councilmember Gunter requested a look at these reserves for the things we have asked for and explained he was interested in keeping the Fire Service Assessment at 62%.

City Manager Szerlag explained his approach to budgeting. Economically, there are peaks and valleys with revenue streaming. The hardest thing for a governing body to do is raise the millage rate. Cape Coral has gone through ups and downs and then up again. He budgets conservatively so that he does not have to come back and ask for more money. He budgets personnel costs at 100%, this avoids having to come back and ask for more. In the future there will be a dip in the revenue. He requested being able to finish the presentation and have Council express what you would like to add as a governing body.

Mayor Coviello explained the diversification model allows for adjustments. When they see the \$220M in reserves, there are some funds available to be used during good economic times. He explained the appetite is for the \$850K Gas Tax money to be used for sidewalks and streetlights.

Councilmember Cosden asked about the large balance in the 5 Cent and 6 Cent Gas Tax.

City Manager Szerlag explained the next slides:

- Stantec Full Cost Allocation Model (This will bring in an additional \$1,097,005, recommends leaving that in the General Fund for reallocation in the future.)
- Impact of proposed budget on \$150K taxable home (\$200K valued) (The Proposed Millage rate of 6.550 vs Roll back of 6.4903 is a difference of approximately \$9.00.)
- Questions by Council for the August 20, 2019 Budget Workshop (10 slides)

Director Bateman explained what the impact fees can be used for and referenced the meeting back up titled "Attachments." After meeting with the City Attorney's Office, an agreement could not be reached, so she did not agree to use impact fees for new capital equipment. She continued by explaining other impact fees and annual debt obligation. You have available at your discretion the \$73M slice in projects, but cautions staying above 2 Month operating expenditures. She explained that Special Revenue Funds cannot be used with the General Fund. She also explained the Enterprise Funds are not available with the General Fund. The Internal Service Funds are also not available with the General Fund unless it is for capital growth.

Director Clinghan explained the displayed slide on the 5 and 6 Cent Funds. The 5 Cent projects must be used with a 5 Year Capital Plan.

Director Bateman explained applicable Fire Impact Fee.

City Manager Szerlag offered that Council can always increase the Fire Assessment Fee to cover costs in the Fire Department.

City Manager Szerlag continued with the following slide:

- FY 2020 Future Budget Discussions
 1. In October, address Charter School possible solutions – Loan, Debt Service sharing, lease restructuring; currently utilizing Charter School fund balance to balance budget until about 2022.
 2. Allocation of FEMA reimbursements once received, anticipated maximum recovery is \$16.2M (75% to 90% maximum allowed recovery of costs).

Disbursements to Capital Projects/Disaster Relief Fund/Seawall Hardship Special Assessment is recommended

3. Fleet Facility project currently estimated to be \$18M
4. Law Enforcement Training Facility project currently estimated to be \$8M
5. Athletic fields
6. Additional Gas Tax Revenue

City Manager Szerlag noted one topic that was not listed on the slide concerned eliminating the use of Glyphosate - extra cost will be approximately \$500K if we discontinue and added manual labor instead.

Councilmember Cosden inquired as to the impact of raising the FSA from 62% to 64%.

Mgt/Budget Administrator Phillips explained it is about a \$13.00 increase for a \$150K home. If we are just trying to reduce the FSA by \$2M or going back to 62%, it equates to the \$2M taken out from sidewalks and streetlights. Fire Operations would be more reliant on the ad valorem going back to 62%.

Councilmember Cosden was not in favor of raising the FSA. Regarding the Gas Tax Funds, please explain page 7-3 in the Budget Book. Why don't the transfers out match the projects shown?

Director Bateman stated the budget books shows the use of the funds, not the balances.

Discussion held regarding the transfers out should equal what we are planning on spending.

Director Bateman explained that 5 Cent Tax has to be used for new roads. In 2020 Mr. Clinghan plans on using \$4M towards paving from 5 Cent Tax and he will not use \$16.7M that is in his reserves. The Budget Book does not show how he is going to use that reserve, that is his list.

Councilmember Cosden repeated that the transfer out should equal what we are planning on spending. The transfer out is half of what was shown.

Director Bateman stated Council has not taken any action to do anything more in this fund other than the transfer for the paving.

Manager Zambrano stated this document does not acknowledge an expenditure until we actually have the contract in place. What Mr. Clinghan has displayed is what we have in the plan and how we plan to spend the money.

Director Clinghan explained the process of saving for future growth with bridges. We balance what we have in reserves with potential Gas Tax coming in.

Director Bateman stated she will get back to Council with Councilmember Cosden's request concerning Page 7-3 and Page 7-4. She stated the question may be why isn't Mr. Clinghan's projects for 2020 shown here that it is planned to be spent.

Councilmember Cosden agreed that was her question.

Director Bateman stated we should move the \$16.7M, reduce it by what Mr. Clinghan will do in 2020 and move it up to Proposed Operating or Capital or Debt Service.

Councilmember Cosden stated there is about \$800K instead of \$16M to spend in 2020 on sidewalks and streetlights.

Director Clinghan responded in the affirmative. The 5 Cent and 6 Cent Taxes are accounted for in the CIP with money being put aside for bridges.

Councilmember Williams inquired what the cost will be to refurbish a bridge.

Director Clinghan explained there is money in the Operating Budget for maintenance of the bridges. Every two years the bridges are inspected for ratings and safety. A consultant will prioritize for future planning, then, rehabilitation which is the lesser expense, about \$1M, to allow a bridge to last ten more years. Eventually, some of these bridges will have to be replaced, raised, and widened. The goal is to do the maintenance and the rehabilitation to have them last as long as possible.

Councilmember Williams inquired as to the cost for the entryway signs.

City Manager Szerlag explained this topic can be added as a discussion item to accommodate the CTAC.

Councilmember Williams inquired about the General Fund.

Director Bateman explained the Fund balance is Assets, Minus Liability and Debt Services. Funding is available for appropriation for whatever public purpose they choose, with a policy of keeping 2 to 3 months available.

Councilmember Williams inquired about a future budget discussion about the Charter Schools.

City Manager Szerlag explained the status, we have time to look at this issue as a solo matter as opposed to looking at it as part of our budget discussions. He suggested looking at a long-term sustainability model to incorporate a loan to the Charter School. It will cost the City in the short term, but there will be a payback. He stated they were looking to discuss this in October.

City Manager Szerlag explained we are not subsidizing the operation with cash, but we do provide services.

Mayor Coviello explained why he asked for athletic fields and was interested in grants available with the NFL with matching funds.

Discussion held about utilizing reserves for grant opportunities that present themselves before the FEMA reimbursement.

Mayor Coviello expressed a need to take over the maintenance with the Charter School building that could help extend the 2023 date for future discussion.

Councilmember Gunter pointed out the budget reserves for the Charter School. He requested an update to the budget – specific to their proposed budget; the adopted budget is using \$1.6M as their fund balance. He inquired lowering the FSA from 64% to 62%, we are losing \$824K. He requested clarification.

Mgt/Budget Administrator Philips responded in the affirmative.

Councilmember Nelson discussed the proposed Glyphosate ban and what other cities use.

Senior Public Works Manager Ilczyszyn provided some information on Glyphosate usage of 219 gallons yearly in the City. Lee County Hyacinth Control District had a bid in 2019 for 720 gallons, 60% of that is used in Cape Coral. He noted they have contacted other cities who have banned this regarding their maintenance cost.

Councilmember Nelson also discussed the Charter School's needs.

City Manager Szerlag noted that he has requested that the Superintendent to not budget artificially.

Mgt/Budget Administrator Philips provided input as to the FSA changes and the Budget books issuance in mid-July.

Charter School Business Manager Moniz clarified that the Charter School's Fiscal Year is different than that of the City's. They present their proposed budget to the Governing Board in June.

Councilmember Nelson mentioned that the Governing Board is strategically thinking about what type of Board Members' expertise is needed on that Board.

City Attorney Menendez provided the history of the building leases for the Charter Schools.

BRC Member Eidson commented on the in-kind contributions by the City to the Charter School. He also expressed concern for the Lot Mowing Program and described the job as not sufficient.

1. If we sell the City to bring in new business, it has to look pretty for new people moving in.
2. If we are not charging enough, charge more, and request a higher quality job.

Discussion held regarding the efficiency and quality of the Lot Mowing Program.

Director Clinghan stated at the July Council meeting, Council locked in the maximum rate and added \$7 to \$8 per district, mainly for Pepper Trees. That amount is for Lot Mowing, the Burrowing Owl trimming, and some Pepper Tree removal. Next year we can look at the level of service and Council can decide if there should be more cuts per year.

Mayor Coviello asked for input from the Councilmembers regarding where they stand with regard to the millage rate, the FSA, and the PST.

Councilmember Stokes asked about the Park Rangers, Grounds Keepers, and Recreation Specialist's Positions. Can we utilize our increased Police Force and Police Volunteers to handle the Park Ranger duties to save money?

Chief of Police Newlan responded that this would create additional staffing needs to the Police Department. Volunteers can do checks on Parks based on available cars.

Discussion held regarding using Police and Police Volunteers for the duties of the Park Rangers which would not be a priority.

Parks and Recreation Director Runyon stated there were no open Park Ranger positions at this time. There are two full timers and four part-time. With the GO Bond two more boat ramps are being opened which will need monitoring, as well as the addition of neighborhood parks and two other facilities.

Councilmember Stokes explained he wants to save money, but he was not ready to give his selections.

Councilmember Cosden noted the difference in the FSA between 62% and 64% is \$823K, not \$2.1 M. That amount is almost the same as the amount between the 6.49 rollback rate and 6.55 proposed millage rate. She stated her selections are as follows:

- **Keep FSA at 62%**
- **Go with the 6.55 millage rate**
- Not doing the Code Officers
- Not doing the additional medians
- Funding the sidewalks and streetlights from the Gas Tax
- Backburning the entryway signs, \$1M is off base, too early to budget for that
- Funding of sidewalks and Funding of streetlights from the Gas Tax
- **Keep the PST at 7%.**

Councilmember Williams questioned why the Park Rangers can't be taken out of the \$60M GO Bond.

City Manager Szerlag stated they billed the Bond for Capital Projects. In all of the meetings, the residents were told that once you have the Capital Projects in place (Neighborhood Parks and Community Parks), about three years from the approval, that the budgets would have to increase about \$3M per year for O&M costs. By the time we hire the people to maintain the parks, the Bond money will be spent.

Councilmember Williams responded his choices were the following:

- **6.55 millage rate**
- **Keep FSA at 64%**
- **Totally against the PST – would like it at 6%**

Councilmember Nelson responded as follows:

- Taking a strategic risk in terms of labor fees, cut back labor to 98% versus 100% to give us a couple of extra million dollars
- Increase the boat slip fees to make us more comparable with Ft. Myers
- Gas Tax – wait and use that money to pay for streetlights and sidewalks which are a priority
- Hold off on the medians, not a priority, may change with proposed Fertilizer Ordinance
- **Preferred to go to the rollback rate 6.4903**
- **FSA at 64%**
- Focus on our priorities – streetlights and sidewalks and right siding some of our labor
- **PST at 7%**

Councilmember Nelson left the dais at 3:08 p.m.

Mayor Coviello announced that Good Wheels may be coming to ask to double their request. Last year, the amount they asked for was \$40K.

City Manager Szerlag stated Good Wheels has not been brought to his attention during the budget deliberations.

Mgt/Budget Administrator Phillips stated during the last three years it has come up at the last minute. They have not received any requests at this time.

City Manager Szerlag questioned the amount of \$40K.

Mayor Coviello stated he anticipated that they would be asking for more since they lost some of their funding. Good Wheels had a pending grant. He stated he would provide the City Manager with some numbers on what they would be looking at. He added that

the Youth Council was looking for \$5K. He questioned if that would be sufficient. He stated he would like to budget more for the Youth Council since they should attend the FLC Conference on two days rather than going for only one day. He stated we were actually increasing our revenue stream on the rollback rate \$3.4M more dollars this year than last year. He noted that the money (\$4.5M) has already been allocated to the Disaster Relief Fund from the amendment to the Homestead Exemption. There is now \$6M in our Disaster Relief Fund. FEMA money expected in 2020.

Director Bateman stated she expected it to be about \$10M to \$11M.

Mayor Coviello stated that 109 properties that will go on MLS are not included in the budget. Some of that money has to go back into reserve funds where it came from. Some of that can potentially be allocated to the General Fund as we go through the year. He supported the following:

- **Roll Back Rate of 6.49**
- **FSA at 62%**
- **PST at 7%**

Councilmember Stokes stated his selections were the following:

- No for spending \$1M on entryway signs
- No for additional medians
- One Code Enforcement Officer, not three
- FEMA reimbursement
- Homestead not passing will give us more money
- **Good with the roll back rate – 6.49**
- **PST at 7%**
- **FSA at 64%**

Councilmember Williams left the dais 3:15 p.m.

Councilmember Carioscia asked about training Code volunteers.

Director Cautero responded Code Volunteers can be explored. It is a high level of training. It could be done after working out with HR and Risk.

Councilmember Carioscia inquired about the amount of subsidy paid for the Lot Mowing Program.

Director Clinghan responded that the Low Mowing Program is a Special Assessment based on a fee. Pepper Trees are handled with reserves from the Lot Mowing Program.

Councilmember Carioscia stated his selections were the following:

- **Roll back rate at 6.49**
- **FSA at 62%**
- **PST at 7%**

Councilmember Gunter responded as follows:

- **Millage rate at the Roll Back Rate of 6.49, that would still leave us with \$3.5M in additional revenue**
- **FSA at 62%**
- **PST at 7%**
- Level of expectation – are we where we want to be as far as the value of our community?
- Need for Code Enforcement Officers, if not this year, definitely the following year
- In favor of Code Volunteers
- Streetlights and Sidewalks – wanted clarity on the dollar amounts
- Medians are a Quality of Life issue - If you get the money with the Gas Tax in a few weeks, we will know the answer.
- 98% versus 100% budgeting on salaries – unfunded versus funded positions, unfilled positions

Councilmember Williams returned at 3:21 p.m.

BRC Chair Starner shared the recommendation of the Budget Review Committee:

- **Rollback rate of 6.49**
- **PST 7%**
- **FSA at 64%**

Mayor Coviello stated the tally was the following:

- **Five Councilmembers for the Roll back rate of 6.49, as well as the BRC**
- **Six Councilmembers for the PST at 7%, one councilmember at 6%**
- **Two Councilmembers at the proposed millage rate of 6.55**
- **Three Councilmembers for the 64% FSA**
- **Four Councilmembers for the 62% FSA**
- **One Councilmember – unknown for millage rate, FSA, and PST**
- **BRC – rollback rate, PST 7% and FSA 64%**

Mayor Coviello asked if this was enough information to reconfigure the budget.

City Manager Szerlag stated it was, but he wanted to get a firmer direction on the Code Officers. They would go back and modify the budget for Council's consideration. The consensus for the medians was not at this time. They would take a look at the sidewalks and streetlights to be determined when the extra funding comes in with the Gas Tax. He stated it was a no for the new entry signs.

Mayor Coviello agreed to take out the new entry signs since there is a potential down the road for other revenue.

City Manager Szerlag stated he noted that Council wanted to increase the \$5K cost for the Youth Council. He asked if Council wanted to make it \$7K.

Councilmember Williams stated he did not know if they needed to increase the budget. He mentioned trying to figure out a way to have the Youth Council attend the FLC Conference for two days. He stated he could come back later in the year if there was a need to increase it a couple of thousand. He stated at this point they were okay at \$5K.

City Manager Szerlag asked if the Mayor would be speaking to the Good Wheels people and provide a number.

Mayor Coviello responded in the affirmative.

City Manager Szerlag stated he has given an assignment to staff to program out all of our properties that are surplus and indicate when they will be placed on the market. Also, if it was more cost efficient and effective to hire an outside firm and take bids on that as opposed to going in-house. He understood that in about a month or so the Property Broker would be working by herself. They would also be looking at the source of funds that need to be repaid from the sale of each parcel. He stated he would look at the use of volunteers within Code Enforcement with the DCD Director. He asked for more direction on the Code issue.

Councilmember Carioscia stated he wanted the hiring of three more Code Officers.

Councilmember Gunter agreed.

Councilmember Cosden disagreed on three but agreed on one.

Councilmember Carioscia stated we are going to be looking at more money coming in, we have already looked at this, and we don't know how short we are, or how much more money we will have. Why don't we go with the three Code Officers until we get an update?

Councilmember Stokes supported three.

Councilmember Carioscia stated there were five Councilmembers in favor of three Code Officers (Carioscia, Coviello, Gunter, Stokes, and Williams).

City Manager Szerlag asked Council if they needed another budget workshop to discuss funding.

Consensus was to put these decisions in the budget, no need for another meeting.

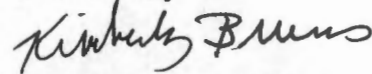
TIME AND PLACE OF FUTURE MEETINGS

A regular meeting of the Cape Coral City Council was scheduled for Monday, August 26, 2019 at 4:30 p.m. in Council Chambers.

MOTION TO ADJOURN

There being no further business, the meeting adjourned at 3:31 p.m.

Submitted by

Handwritten signature of Kimberly Bruns in cursive script.

Kimberly Bruns, CMC
City Clerk