

**SANIBEL CITY COUNCIL MEETING
First Budget Hearing
SEPTEMBER 15, 2007**

Mayor Denham called the meeting to order at 9:00 a. m.

Councilman Jennings gave the Invocation and led the Pledge of Allegiance.

Members present: Mayor Denham, Vice Mayor Johnston, Councilman Jennings, Councilman Pappas and Councilman Ruane.

Council Comments

Councilman Jennings spoke to the progress of the new Recreation Center.

Introduction comments by City Manager and Finance Director’s Presentation of the budget as required by statute

Ms. Zimomra gave the following comments:

- 2nd draft of budget
- Calculated at 2.1966 mils
- Included Schedule C – list of initiatives
- Adopted proposed millage rate of 2.4319 by Council
- Eliminates 7 positions
- Schedule C no positions restored
- Only position for MIS position for Police Department issues
- Includes recreation center as a special fund
- Special fund allows the capture of Indirect-costs
- Sewer Fund increase 1) Council’s direction a disaster reserve fund ; 2) more customers on line; 3) more maintenance; 4) brought in \$100,000 in the fund
- Base budget includes \$1 million initiative to be used at Council’s discretion (possible red drift algae)
- Reserves determined by Council at the level of risks and /or resources
- Reserves used during the current year for the iguana program and H2O Matters newsletters
- 3% increase of property values
- 2 year lag for property values to affect the budget

Ms. Lynch, Finance Director gave the following PowerPoint presentation:

- FY 2007 operating millage rate 2.1966 was 9% less than the rolled-back rate of 2.4139
- Resolution 07-091, if adopted would establish proposed millage rate at rolled-back rate of 2.4139
- 2.4139 millage rate would provide for \$1,128,328 in revenue if adopted by 4/5’s vote of Council
- Operating budget reduction from \$28 million to \$25 million from the amended budget to the proposed budget
- Decrease in capital uses in a reduction of \$15 million due to the completion of the Recreation Center
- Enterprise funds increase from the adopted budget to the amended budget \$38 million in the tentative budget and \$55 million in the current FY 07

FY 2007-08 Tentative Budget

	FY 2006-07		FY 2007-08
	Adopted	Amended	Tentative
Governmental Funds			
Operating Uses	\$25,794,765	\$28,372,057	\$25,561,783
Capital Uses	19,057,869	19,547,760	5,710,097

Total Governmental Funds	44,852,634	47,919,817	31,271,880
Enterprise Funds	5,516,338	7,495,764	7,014,827
TOTAL BUDGET	\$50,368,972	\$55,415,581	\$38,286,707

She stated state statute requires discussion of the millage rate. Therefore, the budget being presented was at a millage rate of 2.1966 and produces revenue of \$11.4 million. She further stated that this was a 9% reduction to the rolled-back rate, which was the required rate that Council could adopt by a majority. She reiterated that the rolled-back rate adopted by Council in July was 2.4139, but if Council wanted to adopt a millage rate above the 9% reduction (2.1966), a 4/5's vote was required.

Ms. Lynch discussed the rolled-back rate as follows:

- Rolled-back rate means the calculated tax (millage) rate which generated the same amount of ad valorem revenue as was received in the previous fiscal year
- If property values increase (excluding new construction) the rolled-back rate decreases
- If property values decreases (excluding new construction) the rolled-back rate increase
- By setting the rolled-back rate the City advertises no tax increase

2006 Property Values	\$4,990,360,370
-Times 2006 Millage Rate	X 2.5000
- FY2007 (current year) Revenue	\$ 12,475,901
Divided by 2007 property values without new construction	\$5,168,412,210
Equals 2007 rolled-back rate	2.4139

Ms. Lynch explained that pursuant to Section 200.185, Florida Statutes the maximum millage rate permitted to be levied was as follows:

- Vote of Council Majority – 91% of rolled-back rate – 2.1966
- 2/3 vote of Council – rolled-back rate – 2.4139
- Any millage rate above 2.1966 mills must be adopted by at least 4/5's vote of Council

She explained the change in gross property values as follows:

- Market value change in property values lag
- Property values for FY08 budget based on January 1, 2007 values established by property sales during calendar 2006
 - Value at 01-01-06 (FY2007) \$4,990,360,370
 - Value at 01-01-07 (FY2008) \$5,192,490,290
- 3.75% increase in property values from FY2007 to FY2008 reflects sales during the calendar year of 2006
- Current year (2007) sales trends affecting property values would impact the bottom line beginning FY2009

Ms. Lynch showed the comparative millage rates as follows:

Tax year	2006	2007	
		Budgeted	Rolled-back
Operating Millage	2.5000	2.1966	2.4139
Voted Debt-Land Acquisition	0.0475	0.0456	0.0456
Voted Debt – Sewer	0.2363	0.2346	0.2346
Voted Debt- Recreation Center	<u>0.1145</u>	<u>0.1011</u>	<u>0.1011</u>
TOTAL	2.8983	2.5779	2.7952

Average Residential taxes paid to the City as follows:

Tax Year	2006		2007	
			Budgeted	Rolled-back
Average residential value	\$619,946		\$645,827	\$645,827
Operating millage	2.5000		2.1966	2.4139
Average funds paid	\$1,549.87		\$1,418.62	\$1558.96
Voted-debt – sewer	0.2363		0.2346	0.2346
Voted-debt – land	0.0475		0.0456	0.0456
Voted debt- Recreation Center	<u>0.1145</u>		<u>0.1011</u>	<u>0.1011</u>
	0.3983		0.3813	0.3813
Average tax dollars paid for voted debt	\$246.92		\$246.25	\$246.25
Total average tax dollars paid to Sanibel	\$1,796.79		\$1,664.88	\$1,805.22

	<u>As Budgeted</u>		<u>Rolled-Back</u>	
	Mills	Amount	Mills	Amount
Operating	2.1966	\$1,418.62	2.4139	\$1,558.96
Voted Debt	0.2346	151.48	0.2139	151.48
Voted Debt-Land	0.0456	29.48	0.0456	29.48
Voted Debt Recreation Center	<u>0.1011</u>	<u>65.30</u>	<u>0.1011</u>	<u>65.30</u>
TOTAL	2.5779	\$1,664.88	2.7952	\$1,805.22

Ms. Lynch explained that the average residential property value was \$645,827. She further spoke to percentages levied by other taxing authorities as follows:

	Percentage	Millage	Amount
School Board	43.7%	6.9600	\$4,494.96
Lee County	26.1%	4.1506	2,680.57
City of Sanibel	17.5%	2.7952	1,805.23
Independent Districts	12.7%	<u>2.0221</u>	<u>1,305.93</u>
TOTAL		15.9279	\$10,286.68

She further spoke regarding governmental fund sources as follows:

Total sources	\$31,271,880	
Ad Valorem Operating	36%	(decreased by 9%)
Intergovernmental Revenue	5.0%	
Miscellaneous	3.4%	
Other Taxes	10.0%	
Estimated Beginning Fund Balance	34.4%	
Charges for Services	5.5%	
Fines and Forfeitures	0.3%	
Ad Valorem – Land Debt	0.7%	
Ad Valorem – Rec Center Debt	1.7%	
License & Permits	3.1%	

2007 value of all Sanibel properties =

Real property \$5,120,033,220

Personal Property	62,457,070
TOTAL	\$5,192,490,290
Times budgeted rate	2.1966 mills
Ad Valorem revenue	11,405,824

Ms. Lynch spoke to the 2001 Pond Apple Park voted debt service and a slight millage rate decrease of 0.0456 to generate the same \$237,000 revenue. She also spoke to the second year of voted debt service for the Recreation Center also slightly decreased to 0.1011 to generate \$525,000 in revenue. She explained other tax revenue as follows:

	FY 2007	FY 2008
Local Option Gas Tax	\$1,660,000	\$1,670,000 (State projection)
Casualty Insurance Premium Tax	47,000	47,000 (Previous year's collections)
Communications Tax	540,000	560,000 (State projections)
Franchise Taxes	<u>550,000</u>	<u>905,000</u> (Increase Solid Waste Fees)
TOTAL	\$2,797,000	\$3,182,739

She explained that the above was estimated to increase by 12.1% or \$385,000 from \$2.8 million to \$3.2 million. She also explained that the casualty insurance premium augment the Police Pension.

Ms. Zimomra advised that the casualty insurance premium by State Statute were used to augment the Police Pension.

	FY2007	FY2008
License & Permits		
Building-type Permits	\$ 757,481	\$ 687,650 (Building slow-down)
Dog and Other License	2,492	4,600 (Per current year collections)
Vehicle Weight Permits	149,000	-0- (County no longer permits use)
Occupational License	<u>280,000</u>	<u>285,000</u> (Bi-annual rate increase)
TOTAL	\$1,188,972	\$ 977,250

Intergovernmental Revenue

FEMA Hurricane Grants	\$ 424,606	\$ -0- (Projects complete)
State Revenue Sharing	200,000	190,000 (State projections)
Alcoholic Beverage Tax	20,000	16,157 (State projections)
Half-cent Sales Tax	660,000	580,000 (State projections)
Other State Shared Revenues	15,000	13,000 (Previous year collection)
Municipal Solid Waste	45,000	45,000 (Previous year collection)
Payments in Lieu of Taxes	57,500	148,353 (Previous year collection)
Contracts and Grants	<u>6,659,377</u>	<u>600,245</u> (Rec Cntr grant complete)
TOTAL	\$8,081,483	\$1,592,755

Discussion ensued regarding payments in lieu of taxes was for J. N. "Ding" Darling Wildlife Refuge due to federal lands not on Sanibel's taxes and the amount was I lieu of those taxes.

Ms. Lynch explained that the large amount in contract and grants was for the Recreation Center construction from the School Board and Lee County and would not be duplicated in FY2008. She stated that the budget was amended during the fiscal year due to grants, such as Tourism Development Council (TDC) grants.

Charges for Services

General Governmental Charges	\$ 292,590	\$ 286,814 (Fewer Development Permits)
Public Safety Charges		
Police Services	25,000	25,000 (Prior year collection)
Building Department Charges	11,575	6,095 (Prior year collection)
Solid Waste Tip Fee	210,000	243,750 (Increased fees 08-21-07)

Historical Committee Sales	6,000	-0- (HMVI Agreement)
Culture/Recreation Charges	100,000	105,475 (Prior year collection)
Indirect Cost Charges to Other Funds	<u>721,144</u>	<u>1,067,000</u> (Estimated cost study)
TOTAL	\$1,366,471	\$1,737,134

Ms. Lynch explained that the Historical Museum and Village 501 3 c took over operation of the village thus keeping all sales. She further explained that the Recreation Department was its on fund and would be directly charged for the overhead generated in transactions.

Discussion ensued regarding applying the in-direct cost to the Recreation Center by a change in accounting practices, and the ability to track revenues and expenditures.

Fines and Forfeitures

Court Fines	\$ 44,743	\$ 48,884 (Current year collection)
Parking Violations	70,000	-0- (Moved to Beach Parking Fund)
Local Ordinance Fines	<u>38,730</u>	<u>32,100</u> (Current year collection)
TOTAL	\$ 153,473	\$ 80,984

Ms. Lynch explained that parking violations had been transferred to the Beach Parking Fund due to that fund paying for contracting of the collections.

Discussion ensued regarding indirect costs applied to the Recreation Center because it is now a separate fund, which was a change in accounting procedures.

Miscellaneous Revenue

Interest	\$ 719,005	\$ 911,400 (Current year collection)
Rents and Royalties	26,661	24,245 (No Lee County Weight Revenue)
CHR Rents	50,000	50,000 (Per contract)
Contributions	411,968	750 (1-time FY07 contribution)
Impact Fees	169,646	37,653 (Current year collection)
Special Assessments	7,000	17,100 (Per terms of Project)
Other Miscellaneous	25,000	25,000 (Current year collection)
TOTAL	\$1,409,280	\$1,066,148

Ms. Lynch explained that the beginning fund was estimated to decrease by \$9.5 million due to the completion of the Recreation Center. She also stated that the capital portion would decrease from \$10.5 million to \$1.9 million. She further explained beginning fund balance as follows:

Beginning Fund Balance is the carry-forward of previous year's planned ending fund balance plus/minus revenue/expenditure variances and due to timing of Capital Project completion. She further explained that per the Fund Balance Policy, 17% of General Fund operating expenditures was used to meet the operation expenditures for the first months of the fiscal year until the Ad Valorem tax revenue is received in early December.

Debt Proceeds FY 2008
Backhoe acquisition of \$105,000

Ms. Lynch spoke to reserve for under collection and explained it recognizes taxpayers that take advantage of the discount for paying ad valorem taxes in months of November through February. She further stated that \$537,711 was reserved in the operating budget.

Ms. Lynch explained that governmental funds uses equal \$31,271,880 and how the percentages of funds were divided among City uses as follows:

Culture/Recreation	8.4%
Physical Environment	1.6%
Human Services	0.0%
Economic Environment	0.8%
Public Safety	14.0%
Capital Projects	17.5%
Operating Reserves	14.4%
Estimated ending Fund balance	16.9%
Long-term Debt Redemption	4.4%
Transportation	6.8%

Ms. Lynch explained that General Government included the following departments:

	FY 2007	FY 2008
Legislative	\$ 429,158	\$366,674 (reduced other contractual & promotional expenses)
Administration	817,101	753,269 (non-recurring salary & equipment in FY 2007)
MIS	526,050	531,231 (1% increase – no change in services)
Finance	808,354	836,007 (increased other contractual OPEB & OL)
Legal	726,740	687,721 (reduced other professional Legal services)
Planning	1,349,493	1,225,517 (reduced p/t salaries & Professional services)
Insurance	<u>344,639</u>	<u>324,069</u> (decreased property/liability Flood/wind renewals)
TOTAL	\$5,001,535	\$4,724,489

Discussion ensued regarding insurance the increase of deductibles, and deductibles was increased in 2006.

Public Safety		
Police	\$3,508,942	\$3,734,680 (add 1 FTE, 2-way phones, Other contractual traffic Aides)
Weigh Station	85,688	-0- (Closing operations)
SEMP	35,240	47,140 (print guide, mobile ID & HAM)
Building	732,488	609,642 (eliminate 2.0 FTE's)
DCA and CLEAN Grants	<u>135,825</u>	<u>-0-</u> (projects completed 2007)
TOTAL	\$4,498,183	\$4,391,462

Ms. Lynch explained that the Police Department increased due to the above-mentioned, Building Department reduced staff and grants completed.

Discussion ensued regarding the increase of \$120,00 due to the striping contract Council would hear on Tuesday, September 18th meeting.

Physical Environmental		
Garbage – Recycling	\$ 141,644	\$ 141,124 (no change)
Natural Resources management	355,763	358,038 (no change)
Environmental Defense	122,889	-0- (to be transferred from reserves)
Hurricane Wilma	<u>381,299</u>	<u>-0-</u> (project completed)
TOTAL	\$1,001,595	\$ 499,162

Transportation		
Public Works	\$1,987,297	\$2,132,364 (thermoplastic stripping, tree trimming, signage & additional maintenance of new plantings; increased repair costs)

Ms. Zimomra explained that the \$120,000 of the above-mentioned was for the thermoplastic stripping that was on the next Council agenda and Council would decide or not to fund the project.

	FY 2007	FY 2008
Economic Environment		
Below Market Rate Housing		
Operating Expenses	\$ 5,500	\$ 5,500 (per CHR contract)
CHR Administrative Expense	<u>240,404</u>	<u>240,404</u> (per CHR contract)
TOTAL	\$245,905	245,904
Culture/Recreation		
Recreation Center Operation	\$896,180	\$1,443,003
Public Facilities	568,262	528,153 (completed MIS A/C & no equipment purchases in 2008)
Seniors	117,641	118,530 (no change)
Performing Arts	11,600	11,400 (no change)
Recreation Center Donations	37,558	-0- (included in recreation center operations above)
Historical Committee	224,629	140,093 (per agreement with Historical Museum & Village, Inc.)
SW Florida Community Funding Grant	9,353	-0- (grant funds expended)
Ball Park Maintenance	240,988	384,274 (higher indirect costs payable to General Fund)
Lee County Skate Park Grant	28,158	-0- (project completed)
Hurricane Charley repairs	<u>18,484</u>	<u>-0-</u> (project completed)
TOTAL	\$2,152,852	\$2,625,453

Ms. Lynch gave an overview of the City's Voted Debt Service as follows:

Debt Service	FY 2007	FY 2008
1997 \$1.24 million Paulsen Property Acquisition	120,260	120,260
2002 \$3,825 million General Obligation Bonds (Pond Apple Park)	237,945	240,735
1979 \$3.19 million Park Acquisition	187,477	187,477
2004 \$10 million Hurricane Charley	1,736,500	-0-
2006 \$8.35 million GO Rec Center Bonds	542,312	506,200
Below Market Rate Housing	<u>326,837</u>	<u>324,422</u>
TOTAL	\$3,151,331	\$1,379,094

Capital Projects

Management Information Systems	476,534	211,000
Police	282,627	317,000
Natural Resources	1,407,302	220,000
Recreation	13,053,918	4,054,740
Public Works	<u>4,327,379</u>	<u>4,054,740</u>
Total Capital Projects Funds	19,547,760	5,488,135

Operating Reserves Overview:

Reserve for Contingencies – General Fund	\$275,000
Reserve for Contingencies – Recreation SRF	250,000

Reserve for Recreation Facility – General Fund	250,000
Reserve for Environmental Initiatives	1,000,000
Reserve for Budget Initiatives	-0-
Reserve for Pay Adjust	249,621
Reserve for Classification Adjustments	48,997
Reserve for Insurance Deductibles	315,000
Reserve for Disasters	2,100,000

Discussion ensued regarding higher than last year by \$ _____

Ms. Lynch spoke to the City’s Fund Balance Policy as follows:

17% cash flow requirements	2,005,306
Reserved FB for 2 nd year	(350,000)
Designated for Special Revenue Funds	856,481
Designated for Debt Service	532,919
Designated for Capital Projects Funds	221,962
Unreserved, Undesignated (available for appropriation)	<u>2,029,531</u>
TOTAL	<u>\$5,296,199</u>

Ms. Lynch spoke to the different Enterprise Funds as follows:

Enterprise FUND

Sewer System	FY 2007	FY 2008
User Fees	\$5,032,177	\$ 5,167,700
Fines & Penalties	25,700	15,000
Sales of treated effluent	50,852	139,600
Miscellaneous (Interest)	411,080	610,000
Capital Contributions	12,304	30,000
Ad Valorem tax-voted debt service	1,177,625	1,218,025
Grant/debt proceeds/assessments	2,320,830	-0-
Beginning Balance & Reserve	<u>(4,079,053)</u>	<u>1,731,953</u>
TOTAL SOURCES	<u>\$4,951,515</u>	<u>\$5,448,372</u>

Ms. Lynch explained that in 1998 a referendum was authorized for the issuance of \$20.4 million in debt, financed by Ad Valorem taxes to reduce assessments charged to benefiting property owners for the sewer expansion project.

FY 2006	0.2523 mills	\$1,067,000
FY 2007	0.2363	\$1,177,625
FY 2008	0.2346	\$1,218,025

Sewer System	FY 2007	FY 2008
Operations	\$2,929,327	\$ 3,016,307
Reuse expenses/grants	50,000	20,000
Expansion Projects	1,327,421	-0-
Vehicles & Equipment	245,495	689,300
Inflow & Infiltration	250,000	250,000
Odor Control	80,000	80,000
Debt Service	4,889,254	4,748,064
2nd Yr Repayment to GF	350,000	350,000
Reserve for Pay Adjustments	-0-	63,494
Disaster Reserve	-0-	120,000
End Bal/Use of Reserve	<u>(5,169,982)</u>	<u>(3,888,793)</u>
TOTAL USES	<u>\$4,951,515</u>	<u>\$ 5,448,372</u>

Ms. Lynch explained that TDC grants in the amount of \$845,000 were expected to cover the negative balance.

SOURCES OF FUNDS

Beginning Balance Forward	\$ 147,163
Beach Parking Permits	74,000
Grants already awarded	354,864
Parking Fees (\$2.00/hour)	915,905
Parking Violations	100,000
Interest Earnings	2,000
Reserve for Undercollection	(27,477)

USES OF FUNDS

Personal Services (14.5 FTE's)	891,517
Operating Expenses (including Indirect Costs)	792,914
Capital Outlay	644,864
Reserve for Pay & Class Implementation	<u>30,189</u>
Estimated Ending Balance	\$ (793,029)

Ms. Lynch summarized the specifics of the budget as follows:

- Budget as presented reduces 7 staff positions (4.05 FTE's) – Net decrease of 6 staff positions
- As presented, the Budget is funded at the rolled-back rate of 2.4139 mills (No Tax Increase)
- \$1,128,328 is available in the Reserve for Initiatives for considering unfunded initiatives detailed in Attachment C
- At the Rolled-back rate, the tax paid by the average taxpayer would be \$1,805.22

She further explained that Council would adopt Resolution 07-118 to schedule the final budget hearing at 5:01 p.m. as required by state statute.

Discussion ensued regarding beach parking and the proposed grant from TDC, Ms. Zimomra stated that TFC funding had been increased and if beach accesses not funded TDC had been advised that there was a potential of closing the accesses, additional pressure to get other monies, Ms. Zimomra stated that 2 years ago the tax was increased by 20% and funded by bed tax and divided into thirds 1) to pay the debt of the baseball stadium, advertising/promotion of Lee County, and 3) beach maintenance, she also stated that TDC stated if there was a need to have higher funds for emergency red drift algae clean-up it would be available, money must be spent first to be reimbursed, Ms. Zimomra stated the in-direct cost was increase and reimbursed by TDC, any reimbursement from TDC would be in addition to what was budgeted, Council complimented staff on the budget document presentation, variable for upcoming year's budget, property evaluation delay and the reflection of property values, what happens when factor in the state per capita personal income would affect the City in another year, concerned leaving the City in a position not to be able to deal with emergencies, in previous budget City risks were taken into account and currently circumstances changed to deal with state issues, tax reform a tax constraint for local communities, revenue issues more uncertain, impact of economy, recession and the January referendum, ceiling of 10 mills and now the millage ceiling decreased by the state, City needs to be ready for any emergency, need a one-page informational budget letter to legislators, dollars linked to services, sometimes there may be a need to spend money to save money next year, concern over ending fund balance, concern that there would be a tax savings, should stay with the rolled-back rate, revenue in the proposed budget seemed more uncertain than ever before, to set the millage rate the infrastructure should be considered, uncertainty of reserves if needed for areas such as i.e., litigation or insurance, internal risk in budget the red drift algae problem, proposed budget supports essential projects and includes \$2 million for road project, and no new projects not recognized.

Public Comment

Karen Storjohann spoke to the need to complete back log of road projects, concern to continue MIS projects aggressively, mistake that departments eliminated continuing education; \$20,000 budgeted for iguana/lizard control and would decrease the population by 1,000.

Ms. Zimomra stated there was a grant from J. N. “Ding” Darling for iguana/lizard eradication.

Steve Maxwell spoke to his concern of not all departments including performance indicators such as planning, and includes single-family permits.

Mayor Denham stated that the Planning Department does issue a report.

Ms. Zimomra stated that a user fee study was performed that helped the department, planning department under state statute for the portion of development could be fee based, but code enforcement could not be fee based. She further stated that the Planning Department fees were being reviewed to make certain that fees were not disproportionate.

She also stated that due to the tax reform counties and cities were reviewing user fees. She also stated that 3 positions eliminated included 2 positions in the building department and 1 in the planning department.

Armand Ball spoke to his concern of the continuation of keeping up with infrastructure, and the importance of MIS issues. He also spoke to flexibility.

Council recessed at 10:42 a. m.

Council reconvened at 10:55 a. m.

Councilman Jennings made a motion, seconded by Vice Mayor Johnston, to set the millage rate at 2.4139

Mr. Cuyler stated that the statute provided the need for a 2/3's of Council vote and the requirement that 4 out of 5 Councilmembers vote in the affirmative.

Presentation of Tentative Budget; including review of City Departments

Natural Resources - Director Loffin

Finance - Director Lynch

Building - Director Law

Police and Emergency Management-Chief Tomlinson

Public Works, Utilities, Solid Waste & Recycling, Transportation, Parks, Facilities & Grounds Maintenance and Beach Parking - Director Castle

MIS - Director Smith

Planning - Director Duffy

Culture, Recreation, Recreation Center Complex, Recreation Programs, Seniors Programs, Performing Arts and Ball Parks – Director Phillips

Legal - Attorney Cuyler

Legislative & Administrative - Director Isom & Clerk Smith

Public Hearing and adoption of RESOLUTION 07-117 ADOPTING THE TENTATIVE OPERATING AND VOTED DEBT SERVICE AD VALOREM MILLAGE RATES FOR TAX YEAR 2007 FOR THE CITY OF SANIBEL, FLORIDA; DETERMINING THAT THE OPERATING AND AGGREGATE MILLAGE RATES DO NOT EXCEED THE MAXIMUM MILLAGE RATES PERMITTED BY S. 200.185, FLORIDA STATUTES, AS CREATED BY CHAPTER 2007-321, LAWS OF FLORIDA, AND ESTABLISHING THE DATE, TIME AND PLACE FOR A FINAL HEARING TO ADOPT THE FINAL OPERATING AND VOTED DEBT SERVICE AD VALOREM MILLAGE RATES FOR TAX YEAR 2007

Ms. Zimomra read the title of Resolution 07-117.

Councilman Jennings made a motion, seconded by Vice Mayor Johnston, to adopt Resolution 07-117 and set the millage rate at 2.4139.

Discussion ensued regarding the ability to fund infrastructure projects and emergencies, staff prepared a budget based on the 2.1966 millage rate (rolled-back rate) and staff prepared a more than adequate budget, the need to pay attention to City infrastructure and not delay infrastructure projects, can not spend funds to obtain reimbursement if the funds were not available, staff obligation to offer a budget at the lower millage and Council's responsibility to debate the millage rate, resident expectations was for a reasonable good quality of life, with 2.1966 no room for funding necessary infrastructure projects and/or emergencies, benefited by using the law firm of Beveridge and Diamond for water quality issues, funding MIS projects and energy savings (implement green policy), rolled-back rate institutes necessary City project funding, if not hurricane \$2 million that could be used, Mr. Cuyler stated that if the 2.4139 mils were set today Council could set the millage rate at 2.1966 at the final budget hearing, need for caution including the \$2 million for hurricane line item to be included as a buffer if the millage rate were set at 2.1966, exotic animal issue, may not be red drift algae on the beach currently, but if no money set aside how would pick-up be funded to get reimbursed by TDC, Mr. Cuyler stated that Council could adopt a lower rate and then adopt a higher rate, but there was public notification of the tentative millage rate adopted by Council between budget hearings, he further advised that Council must adopt the tentative budget and millage rate at today's Council meeting, if 2.4139 was adopted what would be the impact if the super homestead being adopted or not, Ms. Lynch answered the there were 3 variable; 1) market value changed in gross property between 2008/2009, 2) per capita change in Florida state-wide personal income; and 3) assumptions made for new construction, she further explained that 2.4139 would generate \$12,534,152 and the 2.1966 (91%) would generate \$11,405,524.

Ms. Lynch answered rolled-back rate the amount that would produce the same amount of tax dollars, then the new statute requires the \$12.5 million revenue to be adjusted for the per capita change in Florida state-wide personal income, and assuming a 1% decrease. She further stated that the revenue in FY 2009 must be reduced by the increased in revenue received if Council adopted the higher millage rate today. She explained again that if the higher millage rate was adopted today the dollar amount would be reduced from the calculation of the budget and millage rate next year. She continued to explain that staff estimated \$5 million for new construction, which was considerably lower based on the economy and economic conditions of the area and the millage calculation and associated revenue next year was \$11.2 million dollars and the rate and revenue that could be adopted by a majority of Council. She stated the statute does provide a provision for a super majority. She gave the following scenario:

- Super-homestead exemption referendum passing
- Decrease in taxable value of possibly \$140 million dollars
- Calculation of properties staying with Save Our Homes, then those that could go with the super exemption
- Property values reduce market value by the economy and decreased by super exemption and effect on tax base
- \$4.89 billion dollars tax base
- City would receive the same dollars in revenue the tax rate would be higher
- Instead of 2.48 rate it would be 2.56 mills
- Same adjustments for per capita change in state-wide personal income
- Same adjustments for additional revenue received this year by setting the higher millage rate
- Same adjustment for new construction
- If referendum passes the tax burden would be shifted to the non-homesteaded and commercial properties

Discussion ensued regarding how would the City deal with increased cost, difficult to control some costs Ms. Zimomra stated that service levels would be reduced, option for a referendum for certain services, alternative taxes, i.e. utility tax, \$121,000 spent from reserves last year, total amount in reserves if the homestead exemption failed and adopted the rolled-back rate there would be a cash benefit, could put money in reserves, Council prudent in spending reserves, \$2.5 million in to roads, what projects have been deferred, not interested in new programs, put \$1 million in reserves, MIS and energy efficiency issues raised, concern of the algae impact and property values, spending more in general fund this year than last year, in the upcoming year in the amount of approximately \$600,000, the need for reserves for red drift

algae pick-up, Ms. Zimomra stated that staff had an obligation to bring a budget that would fit in services and policy for Council to determine, could operate a safe community with the lower millage rate, does not fund everything committees have asked and the answer was no, money savings if MIS project were completed, Ms. Zimomra spoke to the initial investments at the Recreation Center that would save costs in the long-term and staff believes that over time investing in green project would save money, consider an engineering study for a round-about, Council should review the weigh station issue and reconsider, if rolled-back rate was adopted there would be no increase.

Public Comment

Karen Storijohann spoke to the rolled-back rate and the need to have additional funds to take care of contingencies. She further commented there was a need to put funds aside for a rainy day.

Mr. Cuyler stated that in the final vote in the final hearing it would require 4 out of 5 votes to adopt the millage rate.

Steve Maxwell spoke to the rolled-back rate no new taxes, but there would be more revenue, and Ms. Lynch stated the increase was \$50,000. He further stated there was \$4 million in reserves, and Ms. Zimomra stated that \$742,000 was used from reserves. He also spoke to the 2.1966 millage rate.

Discussion ensued regarding that the City did not receive 100% reimbursement from hurricane spending

Councilman Ruane asked to amend the motion to put all additional monies in reserves.

Councilman Jennings and Vice Mayor Johnston agreed.

Discussion ensued regarding being credible when the City Manager brings a budget to Council at a certain millage rate, then Council increases the millage rate.

The motion carried, with Councilman Pappas voting in opposition.

Ms. Zimomra stated her understanding was that Council wanted staff to follow-up for September 25 as follows:

- Energy conservation
- Efficiency in operations such as MIS and phone system and roads
- Prioritizing current capital improvement plan
- Costs of exotic animals

Discussion ensued regarding reviewing the current capital plan, considering a engineering study for a round-about at Lindgren/Periwinkle Way/Causeway, Mr. Cuyler asked if Council wanted staff to bring back the above-mentioned at the final budget hearing, final budget hearing a focal point in saving monies through energy issue, MIS issues and infrastructure, discuss a round-about and weigh station, Council agreed with the 3 issues as mentioned-above with the whole budget, what projects have been delayed, Ms. Zimomra stated that before Council's next meeting there would be the opening of 4 roadway bids, there would be no mechanical beach clean-up without red drift algae on the beaches, SFWMD declined to support any red drift algae funding, and need information on the exotic animal problem

RESOLUTION ADOPTING THE TENTATIVE OPERATING AND VOTED DEBT SERVICE AD VALOREM MILLAGE RATES FOR TAX YEAR 2007 FOR THE CITY OF SANIBEL, FLORIDA; DETERMINING THAT THE OPERATING AND AGGREGATE MILLAGE RATES DO NOT EXCEED THE MAXIMUM MILLAGE RATES PERMITTED BY SECTION 200.185, FLORIDA STATUTES, AS CREATED BY CHAPTER 2007-321, LAWS OF FLORIDA, AND ESTABLISHING THE DATE, TIME AND PLACE FOR A FINAL HEARING TO

ADOPT THE FINAL OPERATING AND VOTED DEBT SERVICE AD VALOREM MILLAGE RATES FOR TAX YEAR 2007

Ms. Zimomra read the title of Resolution 08-117.

Councilman Jennings made a motion, seconded by Vice Mayor Johnston to set the tentative millage rate at 2.4139 mills.

The motion carried with Councilman Pappas voting in opposition.

Public Hearing and adoption of RESOLUTION 07-118 ADOPTING THE TENTATIVE BUDGET FOR FISCAL YEAR 2007-08 FOR THE CITY OF SANIBEL, FLORIDA AND ESTABLISHING THE DATE, TIME AND PLACE FOR A FINAL HEARING TO ADOPT THE FINAL BUDGET FOR FISCAL YEAR 2007-08

Ms. Zimomra read the title of Resolution 07-118.

Mr. Cuyler stated that Ms. Lynch had the figure to fill in the blank.

Ms. Lynch stated the blank would be filled in as \$39,415,034.

Councilman Ruane made a motion, seconded by Councilman Jennings, to adopt Resolution 07-118.

The motion carried.

Ms. Zimomra stated that Council would be convening a site visit at the Recreation Center and the final budget hearing would be Tuesday, September 25, 2007 at 5:01 p. m.

There being no further business the meeting was adjourned at 12:15 p. m.

Respectfully submitted by,

Pamela Smith, CMC
City Clerk