

**SANIBEL CITY COUNCIL MEETING
FINAL BUDGET HEARING
SEPTEMBER 25, 2007**

Mayor Denham called the meeting to order at 5:01 a. m.

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

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

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

City Council Discussion regarding Fiscal Year 2008 Budget

Ms. Zimomra announced this was the final budget hearing and prepared for Council was the prioritization of item requested by directors not included in the budget.

Ms. Lynch stated that the post millage rate of 2.439 mils was set by Council on September 15, 2007. She further stated that a 4/5's vote of Council was required to adopt the budget. She also stated the following:

- Council added \$1,128,328 to reserve for initiatives
- Governmental funds would be at \$32,400,207
- \$5,710,097 Capital Improvements
- Reduction of \$14 million from FY 2006/07 for completion of the Recreation Center Capital project
- Capital Funds for the General Fund would be flat
- Reduction under the amended budget of FY 2008 \$7,014,827 for a total City budget of \$39,415,034

Public Hearing and adoption of RESOLUTION 07-137 ADOPTING THE FINAL OPERATING AND VOTED DEBT SERVICE AD VALOREM MILLAGE RATES FOR TAX YEAR 2007 FOR THE CITY OF SANIBEL, LEE COUNTY, 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 PROVIDING AN EFFECTIVE DATE

Ms. Zimomra read the title of Resolution 07-137.

Public Hearing and adoption of RESOLUTION 07-138 ADOPTING THE FINAL BUDGET FOR FISCAL YEAR 2007-08 FOR THE CITY OF SANIBEL FLORIDA; AND PROVIDING AN EFFECTIVE DATE

Ms. Zimomra read the title of Resolution 07-138.

Discussion ensued regarding staff explaining the supplemental documents.

Ms. Zimomra stated the following:

- Summary of reserves amended at the September 18 Council meeting and increases from \$2 million to \$2.1 million
- Simplified form of showing the calculation of ending fund balance
- Prepared a summary of current utility cost in the context of savings
- Prepared a revised attachment C requested by directors not included in the budget and prioritized
- Capital Improvements

Ms. Lynch noted the changes in the budget

- Reproduced pages 1 through 46
- General Fund changed by adding the \$1.1 reserve for initiatives and \$1.1 in ad Valorem revenue

Ms. Zimomra spoke to:

- Summary roadway projects
- Bids came in at 25% lower than last year

Public Comment:

Karen Storijohann spoke to her concern of the continuation of roadway projects, continuing MIS projects, and the need to replace Council chairs.

Discussion ensued regarding the additional information provided was clear and concise, summary analysis of the general fund and the reserve detail for FY 07 and the reserves include unspent funds, Ms. Lynch stated that if it is estimated actual would be spent by the end of year it would not fall in the fund balance, but if not spent funds would be in the ending balance to be rolled-forward, \$500,000 in the recreation was not estimated to be spent by September 30th, the items in the estimated actual would be part of the actual fund balance booked on the balance sheet, Ms. Lynch answered \$2.4 million dollars was estimated to be spent and included in the fund balance, \$2.4 million would increase the ending fund balance and beginning fund balance if not spent.

Ms. Zimomra stated that the last 3 items would be funded by grants and if cancelled would not reduce the Ad Valorem taxes.

Discussion ensued regarding difference would be \$800,000 and allocate to other things within the rolled-back, money already allocated for certain projects, \$4.6 million could be moved to funded whatever Council wants to fund within the rolled-back, all capital project on initial c not in the budget, and Ms. Zimomra stated that at Council's direction all was put in the reserves, scheduled prepared to clarified what was not funded, the only real reserves would be environmental, insurance, and disasters, only \$3.3/\$3.4 would be rolled forward, increase beginning fund balance by \$2 million if there was no hurricane, Council should manage risks, misleading to say that there would be \$5.7 in reserves, reserves were set aside for certain concerns, no name storms not designated by FEMA could have more of an impact on the City, concern that the \$2 million was a reserve for storms, debt service of un-reimbursed expenses was \$4 million for Hurricane Charley, Ms. Zimomra stated the amount does reflect a \$100,000 increase for disasters and would be increase by 10% each year, cost of Hurricane Charley was \$10 million and \$6 million was recoverable expenses, grants were brought in for reconstructive works from Hurricane Charley, \$1 million in the disaster line item initially, Council decided to put another \$1 million in the disaster line item, should not go beyond the budget initially presented at the 91% rolled-back rate, analyze the budget and see if Council was comfortable to have \$3 million in reserves, if reserves were spent the City would have to borrow, reserves adequate, if Australian Pines had not fallen there would not have been the amount of damage seen after Hurricane Charley, no pines to destroy as was seen in Hurricane Charley, if there was an opportunity to lower taxes with managed risks it must be done, the reason algae was not removed was not because there was no money, but because there was no Council consensus to remove, roof failure was the problem in Hurricane Charley, concern that there would be a greater reluctance in paying insurance claims, caution that projected project cost could increase as Clam Bayou increased, unknowns that the City needs to be responsive for, concern getting MIS project up-to-speed, saving money through energy savings, and Police Department retention ideas, dollar amount to make progress with the 3 aforementioned, Ms. Zimomra stated the projects were prioritized, and it would cost \$125,000 dollars for the projects, efficiencies in the next 12 months and 4 top MIS priorities would cost \$310,000 including the phone system upgrade, energy efficiency cost savings , and Ms. Zimomra stated that alternative lighting could be implemented with a relatively low cost and LCEC would perform a energy audit at their expense of City facilities, but premature to estimate dollars.

Vice Mayor Johnston made a proposal to take the \$2 million dollars set aside in the disaster line item and roll in to the hurricane reserve making the reserve to \$4.1 million, set the millage rate of 2.1966 mils, request staff figure out how to take \$300,000 toward Police retention and MIS improvements, and request the budget come

back to Council in the 3rd quarter of FY 08 and if there were any money left over the funds should be put toward energy savings.

Discussion ensued regarding Councilman Jennings not supporting the proposed millage rate, asked if \$2 million could be put in the disaster line item and then put in another \$2 million.

Mr. Cuyler spoke to the following:

- Adoption of two resolutions; 1) sets the millage rate; and 2) adopt the budget
- Anything dealing with budget was on the table for Council discussion
- 3 votes for 2.1966
- 4 votes for anything above 2.1966 up to the maximum of 2.4139

Discussion ensued regarding the second draft of the budget had \$2.1 million for disasters, and the information provided by staff cites \$2 million for disasters, Ms. Zimomra stated that there was \$2 million in the FY 2007 budget for disasters, but setting the millage rate at 2.1966 it would include an additional \$100,000 into the disaster line item, Council could put another \$2 million into the disaster line item bringing the line item to \$4.1 million, Ms. Zimomra stated this would have an impact on subsequent years ending fund balance, adopted the 2.1966 millage rate the amount of \$2.1 million in the disaster line item, Ms. Lynch spoke to the assumption in the budget was that the \$2 million would be spent this year, she continued that as suggested by Mayor Denham was to assume that the \$2 million would not be spent and roll-forward the funds for beginning fund balance for FY 2008, increase the reserve by the additional \$2 million, and the FY 2008 disaster fund would be \$4.1 million, \$119,000 left over for environmental initiatives and coupled with \$1 million would leave a total of \$1.1 million, Council should look at the "A" list to reallocate expenses, Ms. Zimomra asked if Council would be opposed to staff looking at other items than just the capital plan, Council agreed, if Council adopted the millage rate at 2.1966 could staff bring back initiatives to Council, Council needed to adopt the millage rate and by separate vote decide the initiatives.

Ms. Zimomra stated that if Council directed staff to bring back a budget with \$300,000 for MIS and police officer retention it would be done through a budget amendment at a subsequent meeting.

Discussion ensued regarding to set a millage rate and then allocate reserves, reason that the higher proposed millage rate was adopted was to put \$1.1 million in the disaster line item, at subsequent meetings funds could be allocated, always funds for algae removal, may not be funds for a disaster and good prudent management would be not to raid the disaster line item for other things, hurricane debt was paid off, what was the current debt standing of the City, Ms. Lynch answered the City could borrow funds, she explained that there was a complicated formula to calculate the non-Ad Valorem revenue available to pledge to a revenue bond.

Councilman Pappas made a motion, seconded by Vice Mayor Johnston, to adopt a millage rate at the 91% rolled-back rate at 2.1966 mils.

Discussion ensued regarding the implications of the 2.1966 millage rate for next year, Ms. Lynch stated would be flat because if the higher rate was adopted the additional revenue would be subtracted in order to come up with an approved millage rate for next year.

Mr. Cuyler suggested amending the motion to adopt Resolution 07-137.

Councilman Pappas and Vice Mayor Johnston agreed to amend the motion to include adoption of Resolution 07-137.

Public Comment

Karen Storijsch spoke to the higher millage rate bringing in \$500,000.

Steve Maxwell agreed with the proposed millage rate. He also spoke to the general fund and building page 46 and where were the changes. Ms. Lynch stated it was on page 65. He spoke to his concern that program performance analysis. He also spoke to wanting the final cost of the recreation center and the pool to be closed at 1700 and a 70% increase in cost. He asked for a cumulative process.

Ms. Zimomra stated the following:

- After Hurricane Charley significant amount of revenue came into the Building Department
- Building revenue could only be used as defined by state law
- Independent fund was created for training, new equipment and supplies, GIS system
- Council direction was that Ad Valorem funds should not be used to support those departments that could be supported by user fees
- Capturing all Indirect cost

Ms. Zimomra further stated that part of the budget does establish the Recreation Center as a separate fund and would be accounted for individually.

Discussion ensued regarding the need for a compromise, and the motion needed three votes.

The motion carried with Councilman Jennings voting in opposition.

RESOLUTION 07-138 ADOPTING THE FINAL BUDGET FOR FISCAL YEAR 2007-08 FOR THE CITY OF SANIBEL FLORIDA; AND PROVIDING AN EFFECTIVE DATE
Mr. Cuyler read the title of Resolution 07-138.

Mayor Denham made a motion, seconded by Vice Mayor Johnston, to adopt Resolution 07-138.

Ms. Zimomra filled in the blank with \$40,406,126.

The motion carried

Vice Mayor Johnston made a motion, seconded by Mayor Denham, to direct staff to bring back the information were transfers could be made to provide \$300,000/\$400,000 to fund MIS projects and PD critical projects

Ms. Zimomra stated for clarification her understanding of the motion was for staff to bring back on October 2nd a list of adjustments worth \$300,000/\$400,000 to the adopted budget in the form of a budget amendment that would fund the Police Department retention package and MIS projects in highest priority.

The motion carried.

Vice Mayor Johnston made a motion, seconded by Mayor Denham, to direct staff in the event of no hurricane by September 30, 2007 to prepare and bring back the appropriate budget amendment to allocate the FY 07 \$2 million disaster line item to the FY 08 disaster line item.

Discussion ensued regarding the need to allocate disaster funds in the FY 2008 budget.

Ms. Lynch explained the following:

- Budget as presented was \$39,415,034
- Subtracted \$1.1 million for the reduce millage rate
- Added the \$2 million assuming it would not be spent by September 30, 2007
- Increasing the reserves to \$4 million

Mr. Cuyler stated that the millage adoption was done, but the blank amount filled in previously at \$40, 406,126 would need to be changed because of the proposed motion.

The motion was withdrawn.

There being no further business the meeting was adjourned at 6:49 p. m.

Pamela Smith, CMC
City Clerk