City Commission Work Session Minutes

March 30, 2022 at 10:30 a.m.

City Hall, Commission Chambers
401 S. Park Avenue | Winter Park, Florida

Present

Mayor Phil Anderson; Commissioners Marty Sullivan, Sheila DeCiccio, Kris Cruzada and Todd Weaver; City Manager Randy Knight; City Attorney Kurt Ardaman; Division Director of OMB Peter Moore; and Deputy City Clerk Kim Breland.

1) Call to Order

Mayor Anderson called the meeting to order at 10:33 a.m.

2) Discussion Item(s)

a. Early Budget Discussion – FY 2023

Mr. Knight stated that the primary purpose of this work session is to set the tone for this budget cycle and receive feedback from the commission on what they would like accomplished. He noted that at 11:30 a.m. the commission would adjourn the work session and reconvene for a special meeting to discuss the Winter Pines Golf Course purchase contract.

Mr. Moore reviewed the budget process and noted that this Friday, April 1st, all of the department heads would be submitting their operational requests. He gave a presentation on national and global economic impacts including the emergence from the pandemic, inflation pressures, supply chain debacles, COVID problems in China, federal reserve rate increases, mid-term elections, wage pressures, and employee capacity. He added that there is a lot of uncertainty at this time.

Mr. Moore reviewed issues related to transitory inflation, changes in construction services and commodities such as steel costs and diesel fuel and noted that costs for different types of work are above ten percent. He provided data that predicts there will not be any major drop in prices in the near future and outlined the impacts that cost increases are having on the city. In particular, the cost of transformers and lead times are affecting the electric utility undergrounding program. Discussion followed on supply chain forecasts.

Mr. Moore reviewed real estate market concerns and issues related to inflation and mortgage rates and median home prices. He stated that 78% of the city's tax base is residential and that anything that either slows or affects the residential mortgage and real estate market is concerning for long-term revenue growth prospects.

Discussion followed on minimum wage pressures, wage declines due to inflation rates, employee capacity, and how these elements are impacting the city.

Mr. Moore stated that from 2006 to 2021 the city's annualized rate of revenue growth in the general fund is 2.5% and 4.1% from 2011 to 2021. He stated that property taxes account for 40% of the general fund revenue and the city's general fund revenue and the current year budget is supported by $2,000,000 in ARPA funds. He anticipates a strong revenue year based on sales tax figures, but it will also be a strong expenditure year and discussed issues related to personnel & benefits, operating costs, and capital costs.

In response to questions regarding the Infrastructure Jobs Act, Mr. Moore explained that staff has reviewed the 398 grants that are part of the Build America bill and stated that the city is potentially eligible for about 25% of those grants. He stated that staff is preparing a summary list to identify eligible grants by category of interest and timeline for submittals.

Mr. Moore reviewed known cost increases which total $3.4 million, or more than 5% above the current year budget, and gave suggestions for ways to manage and balance the increase. In response to questions, Mr. Moore stated that of the 77% of the city's residential tax base, 62% is homesteaded. Discussion followed home valuation and market value. Mr. Moore reviewed the capital planning documents distributed in the agenda packet.

Mr. Knight stated that a balanced budget will be available by July 1st and that staff is in the process of submitting their requests for review and emphasized the importance of understanding the commission's priorities as a group to determine how projects will be accomplished.

Commissioner DeCiccio raised the question of staffing for the city. Mr. Knight stated that Human Resources Director Pam Russell is currently looking at what the market is dictating on positions. Positions are being filled and other employees are moving on to other employment just as quickly. Ms. Russell added that the city currently has 34 positions open and within the last six months, the city has hired 95 employees and has lost 69 employees. Discussion followed on how staffing will impact the budget.

Mayor Anderson discussed flexing the budget in 2022/2023 and inflation concerns related to revenue risk on sales tax and real estate tax. He noted that the CRA will be sunsetting in 2027 and inflationary concerns could impact extending the program. An in-depth discussion followed on the impact sunsetting or extending the CRA will have on the budget.

Mayor Anderson noted that some of the city's largest tax revenue increases have come from properties that were annexed into the city and as the city looks at the Fairbanks corridor, the area may be an opportunity for annexation. He noted that another item to consider is the 60-day window on what the city should do about utility rates and fuel cost adjustments.

Mayor Anderson noted that the Commission Priorities work session is on April 14^{th} at 1 p.m. and suggested starting the discussion with the March 2021 summary and the 5/25-year strategic investment plan.

Discussion followed on the allocated budget for open staffing positions, general fund budget, and SunRail as it relates to the Orange County transportation surtax on the November ballot.

Mayor Anderson asked Mr. Moore if there were any instances he predicted where the commission would have to make serious budget decisions. Mr. Moore feels there will be items in the capital budget the commission will have to defer such as the Lake Baldwin improvements, equipment replacement fund, and road repaving expansions. He stated that deferring those items some needs that have to be weighed against what is proposed by the departments. Discussion followed on ARPA fund allocations, potential impacts on the utility enterprise funds, and the business recruitment gap study. Further discussion was held on financial impact studies for annexations and process for identifying future annexation areas.

3) Adjournment

The meeting adjourned at 11:28 am

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Mayor Phillip M. Anderson

ATTEST:

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City Clerk Rene Cranis,