



City Council Chamber
735 Eighth Street South
Naples, Florida 34102

City Council Budget Workshop Meeting – June 16, 1997 – 5:04 p.m..

Mayor Barnett called the meeting to order and presided.

ROLL CALL ITEM 1

Present: Bill Barnett, Mayor
Marjorie Prolman, Vice Mayor

Council Members:
Bonnie R. MacKenzie
John R. Nocera (Arrived at 5:08 p.m.)
Fred L. Sullivan
Fred Tarrant
Peter H. Van Arsdale

Also Present:

Dr. Richard Woodruff, City Manager
William Harrison, Assistant City Manager
Tara Norman, City Clerk
Anne Middleton, Budget/Investment Mgr.
Richard Gatti, Development Services Dir.
Dr. Jon Staiger, Natural Resources Mgr.
Steve Weeks, Network Coordinator
Dan Mercer, Utilities Director
Buddy Bennett, Equipment Service Supt.
Robert Middleton, Utilities Operations
Supt.

David Graff, Utility Maintenance Supt.
Susan Overstreet, Civil Engineer
Molly Reed, Recording Secretary
Keith Kipp, Utilities/Solid Waste Coord.
Robin Williams, Executive Secretary
Other interested citizens and visitors

Media:

Tara Beer, Naples Daily News

ITEMS TO BE ADDEDITEM 2

None.

BUDGET INTRODUCTION.....ITEM 3

City Manager Richard Woodruff introduced the book, “Fiscal Year 1998 Operating Budget” which covered all the topics to be discussed. (A copy of this document is contained in the file for this meeting in the City Clerk’s Office.) He itemized the main issues to be discussed:

- New wastewater plant and the rising cost of chemicals, electricity and debt;
- Maintaining reserves;
- Stormwater management;
- Vehicle replacement; and
- The City’s financial reputation.

Dr. Woodruff explained that rate increases would be requested in the areas of water, wastewater, sanitation, and stormwater in order to continue first-class service to the City. He noted, however, that Council could instead choose to spend down reserves rather than institute a rate increase although staff would not recommend such action. Dr. Woodruff then described the rate increases the staff recommended and pointed out that, even with an increase, the monthly bill per customer continued to be \$10.00 less than County utility rates. An illustrated monthly increase for one household would be approximately \$6.70 per month or \$80.00 per year. He stressed, however, that an increase of the ad valorem tax rate was not being projected. Council Member Nocera inquired about the total customers served by the City, and Dr. Woodruff responded that there are 20,000 permanent residents and 33-35,000 people during the winter season. He added, however, that the water and sewer systems serve a much larger area totaling nearly 60,000 people.

PRELIMINARY PRESENTATION.....ITEM 4

(5:27 P.M.)

Budget/Investment Manager Anne Middleton reviewed the budget process schedule, pointing out that the general fund would be presented in July, the millage certified in August, and public hearings would be held in September.

REVENUE SOURCE PRESENTATION.....ITEM 5

(5:28 p.m.)

Assistant City Manager William Harrison reported that the renovation of the wastewater treatment plant had required a two-step rate increase due to a \$2 million cost per year for chemicals, electricity, and debt service, however, the increase complies with all required bond covenants. In response to Vice Mayor Prolman, he related Council policy requires that the reserves in the general fund must never fall below 10% of the adopted budget and, further, that debt service cannot exceed 45% of the gross expenditures of the fund. Mr. Harrison then clarified that the water fund had not experienced a rate increase since 1992 and solid waste since 1989. He said that the increases in solid waste were primarily due to increased costs of vehicle replacement creating a negative cash flow and thus reducing the reserve fund.

Streets Fund Development Services Director Richard Gatti delivered an in-depth presentation on the Streets and Traffic Fund, explaining the revenue sources, maintenance costs and capital improvements. Council Member MacKenzie asked if the local gasoline taxes were scheduled to eventually sunset, and learned that, although they were scheduled to cease some years in the future, they could be renewed. Mr. Gatti's presentation covered the costs of maintenance for streets, traffic signals, streetlights, and street and waterway signage. Council Member Van Arsdale requested that the budgets include more detail rather than following the recommendation of the auditors to combine categories.

Break: 6:19 p.m. to 6:27 p.m. It is noted for the record that all Council Members were present when the meeting reconvened.

Stormwater Fund Council Member MacKenzie inquired about the possibility of reducing or eliminating the suggested 12% stormwater fee increase. Dr. Woodruff informed Council that Naples lacked a complete stormwater drainage program and the City, therefore, needed to spend all funds allocated to it in order to prevent standing water in the streets. He continued that the increase would provide \$1 million per year, based on a 10-year option that focused on properly filtering water before it was discarded into Naples Bay. Mr. Gatti urged Council to prioritize environmental quality of runoff over the quantity of water to be removed from the streets.

It was the consensus of Council to endorse a 10-year option for the duration of the stormwater rate increase.

Information Services Fund Network Coordinator Steve Weeks reviewed the City's computer hardware and software maintenance needs and the necessity for additional equipment. City Manager Richard Woodruff noted that it would be necessary for the City to connect to the Internet primarily because a number of State programs required Internet access.

Solid Waste Fund Assistant City Manager William Harrison reported that the Solid Waste Fund had used nearly \$400,000 of reserves during the past year, and required a 10% rate increase so that the fund did not fall below 10% of the adopted budget. City Manager Richard Woodruff pointed out that in order for the department to avoid a deficit, a 13% increase would be required, but staff recommended that the 13% rate increase should be delayed until absolutely necessary. In the meantime, the fund would continue to fund any differences through reserves. He remarked that it would not be sensible to privatize the department since residents viewed it very favorably. Mr. Harrison however noted that the 10% reserve in each operating department was important in the event of a hurricane or other emergency even though the Federal government would eventually reimburse the City.

Equipment Services Fund Utilities Director Dan Mercer, informed Council that fuel cost was an item over which the department had no control. He also explained that the City endeavored to repaint and repair equipment and rolling stock so that it remained functional and attractive.

Break: 7:37 p.m. to 7:45 p.m. It is noted for the record that all Council Members were present when the meeting reconvened.

Water and Sewer Fund City Manager Richard Woodruff began substantiating a requested rate increase by noting that Council had established a policy to fund depreciation. He cited several examples where some equipment had not been replaced in as much as 17 years and therefore urged Council to continue funding depreciation to cover these costs. It was also explained that reserves remained strong, and although a negative number would remain following a 5% water and 12% sewer fee increase, the fund would have no recurring costs. Further, water treatment chemicals have increased in cost by 60% as has the scheduled replacement of old water meters. Dr. Woodruff said that, in anticipation of an Environmental Protection Agency regulation requiring specific sludge treatment, the City had designated disposal locations exclusively for its use to avoid having to share a dumping site with another city.

Utility Maintenance: City Manager Richard Woodruff and Utilities Director Dan Mercer explained the projected costs for maintenance of the water and sewer services.

Council Member Tarrant commented that he felt City facilities were bearing an excessive burden to serve tourists whereas the County received tourist taxes. Dr. Woodruff, however, pointed out that because the City applies a user-fee-based system, seasonal residents pay a fair share of service costs. He conceded, however, that the City pays 25% of taxes the County receives whereas the City is 12.6% of County population and generates 52% of the tourist tax.

Mayor Barnett commended the staff for the budget presentations and noted that the next budget review will begin on Monday, July 21st.

CORRESPONDENCE AND COMMUNICATIONS.....
None

OPEN PUBLIC INPUT.....
None

ADJOURN.....
9:02 p.m.

Bill Barnett, Mayor

Tara A. Norman,
City Clerk

Prepared by:

Molly Reed, Recording Secretary

Minutes approved: August 6, 1997