



**DATE:** July 10, 2018

**TO:** Honorable Mayor and City Commissioners

**CC:** Executive Leadership Team

**FROM:** Mark R. Lauzier, City Manager

**SUBJECT:** Fiscal Year 2018 - 2019 Millage Setting Options

Honorable Mayor and City Commissioners:

I am pleased to be presenting to you the City of Delray Beach City Manager's Recommended Budget for Fiscal Year 2019 for the period beginning October 1, 2018 and ending September 30, 2019. The presentation of the budget is the starting point for an extensive budget review process. I have reviewed the process conducted during the budget and millage setting process last year and this coming year will be nothing like it. We intend to be well-prepared, clear, informative and completely transparent. Specifically, our team will be providing you the following deliverables:

1. A flexible budget process with several millage setting options at the commencement of the process beginning with millage setting options on July 10<sup>th</sup>.
2. A balanced budget at whatever millage rate cap that the City Commission chooses. You will know what you have left to spend, or conversely, what you need to cut at each millage rate level.
3. A budget that provides, at a minimum, the continuation of current service levels with some limited, mission critical enhancements to deliver on the Commission's priority of creating a culture of excellence.
4. A transparent community engagement process that will include the following improvements:
  - a. **July 10<sup>th</sup>** - Publishing of a 2019 Recommended Budget Book to be provided on July 10<sup>th</sup> so that during your summer recess you have time to personally review it and discuss it with our residents over the coming month.
  - b. **Early August** – The provision of three, Town Hall Budget Meetings conducted by the City Manager and our Budget-Strategy-Innovation and Performance Management Team to help get the word out and identify community-based budget priorities and needs.
  - c. **August 14<sup>th</sup>** – Commencement of City Commission Budget Workshops where you will: review the budget in detail, identify variances from year-to-year in each department, review a list of unfunded departmental budget enhancement requests, and make the final policy decisions and/or adjustments.

### **Basis of Budget Policy Development = Our Strategic Policy Priorities**

Beginning with the April goal setting retreat and June 12th goal setting workshop follow-up, you have identified the most important strategic policy priority goals and objectives to focus on related to a citywide business strategy. The FY 2019 Recommended Budget contains a number of budget allocations necessary

to move forward the City Commission's identified strategic policy priorities. There are a number of options and opportunities for setting the maximum millage rate. Our budget was prepared with the possibility that the City Commission may desire to: 1) Continue the methodical tax rate reduction budget policy direction set by the prior City Commission, and, 2) Recognize the need to focus on the priorities set through the Strategic Goal Setting process, which could include additional resources. During the August budget workshop we will provide a slideshow that focuses on budget recommendations that address the following Strategic Policy Priorities:

### ***Improve Infrastructure***

1. Make improvements to hardscapes and streetscapes that will spark development and redevelopment.
2. Develop a Facilities Master Plan.
3. Create a vision for a new City Center.
4. Improve internet infrastructure.

### ***Implement Development Plans and Initiatives***

1. Improve housing accessibility.
2. Review the City's Land Design Regulations (LDRs).
3. Define and set the development intensity for specific areas of the City.
4. Improve the look and charm of the downtown
5. Implement the SET Transformation Plan.
6. Revisit and update the Comprehensive Plan.

### ***Improve Transportation and Mobility***

1. Improve way-finding signage and communication.
2. Assess existing parking garages, rates and locations.
3. Assess development opportunities along prime transportation corridors.
4. Improve and maintain the City's transportation infrastructure (including medians, lighting, sidewalks, streets, alleys, street lights, etc.).
5. Implement the City's bike-pedestrian master plan (supported by Human Powered Delray).

### ***Rebuild the Organization***

1. Create and build a culture of excellence.
2. Pursue a comprehensive approach to local sustainability issues.
3. Supply the tools needed for jobs.
4. Conduct internal audits
5. Increase transparency in communications.

### **Remaining Options and Opportunities**

Through the City's partnership with the Community Redevelopment Agency, the Downtown Development Authority, the Chamber of Commerce and other stakeholders, our SPIRIT drives a force of teamwork, collaboration, coordination and results. The City is fast-becoming a desired locale for businesses and residents drawing from around the entire South Florida region and economic activity has resulted in an increase in the total taxable assessed value of 8.62% this year. **The budget we are submitting is balanced with a decrease in the operating millage rate from \$6.8611 to \$6.7611.** Although we are using some prior year fund balance in order to balance the budget, approximately \$900,000 in fund balance is supporting mainly capital outlay needs of a one-time nature with an additional \$2 million supporting the General

Construction Fund in order to address strategic policy priorities. With the increase in the tax base, our debt service millage will drop from .2289 to .2108. If the City Commission were to ultimately adopt the operating millage rate of 6.7611, the overall millage rate would drop by 1.7% from a FY 2018 total rate of 7.09 to 6.9719 in FY 2019. Although we are balanced at a total millage rate reduction of .1181 mills, the City Commission can consider a number of millage setting options as summarized in the table below:

Millage Setting Scenarios	Operating Millage Rate Options	Gen. Fund Prop. Tax Revenues	Increase/ (Decrease) from 6.7611	Net Change after CRA	Debt Service Millage	Total Millage
Very Safe with max. flexibility	6.9611	69,033,762	1,983,415	1,596,880	0.2108	7.1719
Safe with some flexibility	6.8611	68,042,054	991,708	798,440	0.2108	7.0719
<b>Low risk but little flexibility</b>	<b>6.7611</b>	<b>67,050,347</b>	<b>0</b>	<b>0</b>	<b>0.2108</b>	<b>6.9719</b>
High risk - Cutback mode	6.5180	64,639,505	(2,410,842)	(1,941,008)	0.2108	6.7288

Some important observations about the budget and the millage setting options in the table above are as follows:

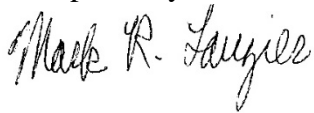
- The higher the millage cap that the Commission directs, the greater the available flexibility in the upcoming budget review process. Specifically:
  - 6.9611 would provide the greatest flexibility and would represent a policy that considers the likelihood that Amendment 1 will pass the November ballot, which will result in a **property tax reduction of approximately \$1.3 million** due to the additional homestead exemption.
  - 6.8611 would provide the Commission the flexibility of providing about \$800,000 to address budget enhancement requests that were not funded by the City Manager with total requests exceeding \$5.9 million (all funds).
  - 6.7611 is the current millage rate assumption and the FY 2019 Budget is balanced at that property tax rate level. There are a number of recommended funding enhancements that total \$2.1 million (all funds) of which \$1.1 million are in the General Fund. The General Fund recommendation includes a reassignment of a position from the City Clerk's Office to the City Manager's Office and there is one, additional accountant in the Finance Department that is mission critical.
  - The 6.7611 operating millage level does **not** allow for the continuation of a 3-year public safety staffing and services enhancement that was begun three years ago (2019 would be the final year).
  - 6.5180 (5% millage rate reduction) would require the Commission to cut \$2 million from the current budget. Due to service level impacts, **this option is not recommended.**
- Each 1/10<sup>th</sup> of a mill provides gross revenues of about \$992,000 with a **net increase of approximately \$800,000** due to the increase in the required Community Redevelopment Agency (CRA) payment.
- Our use of fund balance is minimal; however, the City Manager would not recommend creating a structural funding deficit by adding recurring budget expenses that are solely supported by fund balance. Fiscal sustainability best practices require that budget additions/enhancements of a recurring nature need to be supported by recurring revenues.

The development of the 2019 Recommended Budget has taken a great deal of time, energy, dedication, and hard work. I would like to express my sincere appreciation for the collaboration between the City

Commission to set the vision, our Team of Teams, our key stakeholder agencies, our department heads, our employees, our residents and businesses. I want to give specific thanks to our employees who make everything possible no matter what resources are made available to them. I know you share my deep gratitude for their dedication, commitment and ability to deliver quality services to our community.

The City of Delray Beach is now a city with a defined vision, mission, strategic policy priorities, a commitment to excellence and employees who deliver **Performance Excellence in All We Do**, in a manner that is **Responsible to Our Community**, and with a great sense of pride in delivering. We will continue to improve every day. As we convene with you as part of our Excellence Team to review the budget, we look forward to answering your questions and being responsive to your budget policy decisions. Thank you for your time and I look forward to working with you through the upcoming budget review process as we seek to create an organization of excellence.

Respectfully Submitted,



Mark Lauzier  
City Manager

Attachment: Palm Beach County Property Appraiser 2018 Preliminary Taxable Value 7/1/2018

**Palm Beach County**  
**PROPERTY APPRAISER**  
**2018 Preliminary Taxable Value**  
**07/01/18**



Code	Taxing Authorities	2017 Final Taxable Value	2018 Preliminary Taxable Value Before Net New Value*	Percent Change	Net New Value*	2018 Preliminary Taxable Value	Percent Change
02	Atlantis	491,778,407	507,057,280	3.11	2,787,673	509,844,953	3.67
04	Belle Glade	323,751,562	338,368,559	4.51	1,381,717	339,750,276	4.94
06	Boca Raton	22,469,190,817	23,453,688,745	4.38	434,938,348	23,888,627,093	6.32
08	Boynton Beach	5,403,945,138	5,714,349,619	5.74	74,409,910	5,788,759,529	7.12
09	Briny Breezes	44,890,135	49,424,395	10.10	73,526	49,497,921	10.26
10	Cloud Lake	5,715,762	6,370,662	11.46	285,287	6,655,949	16.45
12	Delray Beach	9,610,320,394	10,210,651,995	6.25	228,375,993	10,439,027,988	8.62
12	Delray Beach Debt	9,613,960,862	10,214,421,035	6.25	228,375,993	10,442,797,028	8.62
14	Glenridge	16,041,681	17,168,312	7.02	0	17,168,312	7.02
18	Greenacres	1,680,577,032	1,803,113,638	7.29	35,148,341	1,838,261,979	9.38
20	Gulf Stream	1,055,648,517	1,133,683,178	7.39	6,594,056	1,140,277,234	8.02
22	Haverhill	86,337,573	91,839,053	6.37	5,385,838	97,224,891	12.61
24	Highland Beach	2,400,571,081	2,480,964,364	3.35	6,692,525	2,487,656,889	3.63
26	Hypoluxo	329,955,023	346,259,366	4.94	49,674	346,309,040	4.96
28	Juno Beach	1,368,671,674	1,430,595,598	4.52	6,589,777	1,437,185,375	5.01
30	Jupiter	10,317,291,791	10,738,167,585	4.08	138,885,631	10,877,053,216	5.43
32	Jupiter Inlet Colony	319,211,195	340,687,428	6.73	3,056,875	343,744,303	7.69
34	Lake Clark Shores	241,768,134	256,702,991	6.18	812,077	257,515,068	6.51
36	Lake Park	626,038,321	662,589,038	5.84	3,628,683	666,217,721	6.42
38	Lake Worth	1,632,588,089	1,792,873,014	9.82	21,661,850	1,814,534,864	11.14
38	Lake Worth Debt Service	1,632,651,985	1,792,974,113	9.82	21,661,850	1,814,635,963	11.15
40	Lantana	951,370,301	1,011,393,728	6.31	16,031,869	1,027,425,597	7.99
41	Loxahatchee Groves	291,834,929	313,173,967	7.31	5,323,436	318,497,403	9.14
42	Manalapan	1,233,555,095	1,333,944,407	8.14	29,284,934	1,363,229,341	10.51
44	Mangonia Park	177,685,189	195,808,025	10.20	410,633	196,218,658	10.43
46	Ocean Ridge	939,518,777	976,211,058	3.91	19,173,405	995,384,463	5.95
48	Pahokee	81,547,539	85,669,502	5.05	636,372	86,305,874	5.84
50	Palm Beach	16,892,928,014	18,126,608,283	7.30	75,679,415	18,202,287,698	7.75
52	Palm Beach Gardens	10,874,570,628	11,354,466,301	4.41	186,109,218	11,540,575,519	6.12
54	Palm Beach Shores	574,622,296	598,953,623	4.23	7,652,335	606,605,958	5.57
56	Riviera Beach	5,092,242,159	5,263,883,715	3.37	17,122,000	5,281,005,715	3.71
58	South Bay	64,018,550	67,296,761	5.12	977,348	68,274,109	6.65
60	Tequesta	1,057,958,594	1,115,260,380	5.42	8,273,674	1,123,534,054	6.20
62	South Palm Beach	325,642,864	343,040,151	5.34	57,325	343,097,476	5.36
66	Village of Golf	160,963,661	164,563,745	2.24	698,648	165,262,393	2.67
68	North Palm Beach	2,119,683,064	2,228,855,686	5.15	8,484,755	2,237,340,441	5.55
70	Palm Springs	1,105,001,834	1,205,135,240	9.06	16,243,884	1,221,379,124	10.53
72	Royal Palm Beach	2,693,221,566	2,851,030,095	5.86	18,347,992	2,869,378,087	6.54
73	Wellington	7,923,821,791	8,257,459,960	4.21	81,617,692	8,339,077,652	5.24
74	West Palm Beach	11,833,683,709	12,559,739,070	6.14	146,822,693	12,706,561,763	7.38
74	West Palm Beach Debt	11,846,514,932	12,571,515,587	6.12	146,822,693	12,718,338,280	7.36
77	WestLake	24,613,164	46,608,274	89.36	1,956,343	48,564,617	97.31
	<b>All Cities</b>	<b>122,842,776,050</b>	<b>129,473,656,791</b>	<b>5.40</b>	<b>1,611,661,752</b>	<b>131,085,318,543</b>	<b>6.71</b>
	WPB DDA	1,933,403,651	2,045,210,838	5.78	48,350,081	2,093,560,919	8.28
	Delray Beach DDA	980,063,645	1,055,490,157	7.70	38,550,726	1,094,040,883	11.63
	<b>Palm Beach County</b>	<b>176,291,451,690</b>	<b>185,422,150,234</b>	<b>5.18</b>	<b>2,376,960,930</b>	<b>187,799,111,164</b>	<b>6.53</b>
	Palm Beach County Debt	176,466,520,067	185,596,491,647	5.17	2,376,960,930	187,973,452,577	6.52
	Library	93,849,472,993	98,220,582,148	4.66	1,290,795,995	99,511,378,143	6.03
	Library Debt	93,849,472,993	98,220,582,148	4.66	1,290,795,995	99,511,378,143	6.03
	Fire/Rescue	71,375,414,566	74,883,689,893	4.92	941,822,410	75,825,512,303	6.23
	Jupiter Fire/Rescue	10,309,155,896	10,738,164,624	4.16	138,888,592	10,877,053,216	5.51
	School Board	189,612,542,534	198,088,366,585	4.47	2,409,751,675	200,498,118,260	5.74
	SFWMMD	176,747,882,642	185,878,401,713	5.17	2,377,202,616	188,255,604,329	6.51
	F.I.N.D.	176,747,882,642	185,878,401,713	5.17	2,377,202,616	188,255,604,329	6.51
	Children's Services	176,747,882,642	185,878,401,713	5.17	2,377,202,616	188,255,604,329	6.51
	Health Care District	176,747,882,642	185,878,401,713	5.17	2,377,202,616	188,255,604,329	6.51
	Port of Palm Beach	65,011,754,745	68,550,431,096	5.44	530,782,282	69,081,213,378	6.26
	Jupiter Inlet District	21,064,032,865	22,011,219,246	4.50	280,146,298	22,291,365,544	5.83
	Boca Beach & Park	26,049,379,430	27,133,598,393	4.16	479,904,621	27,613,503,014	6.00

\* Net New Value includes new construction, additions, annexations, and deletions (DR489P)

2017 Final Taxable Value : Certified May 20, 2018(DR403)