



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 Recommended Budget Transmittal Letter

Honorable Mayor and City Commissioners:

I am pleased to present 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. The formulation of the City Manager's Recommended Budget is based on ensuring a comprehensive and transparent budget process that is predicated on the following principles:

The City Commission sets **budget policy** by making decisions in six, key policy areas:

1. **Tax rate** – Setting the ad valorem operating and debt service millage rates while treating property taxes as the revenue of last resort;
2. **Fees and Other Revenues** – Determining water, sewer, stormwater, and solid waste rates as well as updating all revenue dependent City operations including building permits, plan review fees and all other miscellaneous charges for services;
3. **Employee benefits and cost sharing contributions** – Determining all cost sharing programmatic fees supporting City operations including building permits, plan review fees and miscellaneous charges for services with tax rate increases used only as the revenue of last resort;
4. **Total Funding Levels** – This is associated with how much we can do and involves approving the total appropriations within each City fund;
5. **Departmental Funding Levels** – This is associated with what you want us to do and involves approving the total appropriations in each City department, which indirectly determines programmatic funding levels; and
6. **Staffing Levels** – This is associated with our ability to process the workload and indirectly determines performance levels and involves approving the total staffing levels for full-time positions within each department as presented in the budget.

I am pleased to be presenting you a budget that is ready for the Commission's review and refinement. Our budget provides opportunities for adjustment during the approval process while taking into account the City Commission's **budget preparation guidance**. The City's team and City Manager prepared the Recommended Budget in consideration of the following guidance:

1. **Fiscal Sustainability** – We have provided the City Commission with several operating millage rate options to ensure policy setting flexibility. The budget is balanced based on the prior stated policy of a .1000 operating millage rate reduction each year for ten years in order to achieve an overall millage rate reduction of one mill over ten years. Given that the operating millage in FY 2018 was adopted at 6.8611, **the Recommended FY 2019 Budget is balanced at an operating millage rate of 6.7611.**
2. **Strategic Policy Priorities** – The City Commission has provided the needed guidance in the form of our vision, mission, and direction set by the Commission's adopted strategic policy priorities.

Our team has worked in a participatory and collaborative environment to present a budget recommendation that is based on translating the Commission's policy guidance into **budget preparation assumptions**. It is the City Manager's responsibility to execute a budget recommendation that captures existing policy guidance while considering the current economic environment. Our budget recommendation followed a process that embodies the best practice of transparency and included the following practices and fiscal assumptions:

1. Keeping senior leadership informed of budget challenges and decisions as the budget was being developed.
2. Setting realistic expectations of what can and cannot be afforded based on budget preparation guidance including maintaining recurring financial support to non-profits at FY 2018 funding levels.
3. To the greatest extent possible, avoiding creation of a structural funding deficit by adding recurring budget expenses solely supported by fund balance.
4. A strong focus on the Commission's strategic policy priorities through a budget that provides, at a minimum, the **continuation of current service levels** with some limited, mission critical staffing enhancements that address the four, strategic policy priority areas.
5. Special consideration to **funding requests that address organizational deficiencies** preventing our ability to achieve excellence, or in some cases, an expected, baseline performance level.
6. An **affordability analysis** of our Utility Enterprise Fund, which revealed a rate structure that supports more than what we are accomplishing/delivering. This resulted in a substantial number of staffing and equipment enhancements within the Water and Sewer Utility Fund to address both the Commission's Infrastructure Improvement and Rebuild the Organization strategic policy priorities.
7. Added emphasis on **requests that help us meet basic service delivery needs** including providing equipment and tools necessary to do our jobs effectively.
8. Improved communication, consultation and **coordination with the Community Redevelopment Agency (CRA)** during the budget process in order to jointly address the high priority needs of both agencies in consideration of the demands upon the City organization associated with the CRA's mission.
9. A balanced budget at several millage rate options while ensuring that **unresolved fiscal matters are taken into consideration** through the establishment of a needed contingency budget.

Budget Highlights

With the increase in the City's tax base, our debt service millage was reduced from .2289 to .2108. If the City Commission ultimately adopts an operating millage rate of 6.7611, the overall millage rate will drop

by 1.7% from a FY 2018 total rate of 7.09 to 6.9719 in FY 2019. The FY 2019 Budget Recommendation includes:

- \$2.1 million of the \$5.9 million (35%) of the all funds, total level of service enhancement requests, including:
 - \$1.1 million of the \$4.7 million (24%) of the General Fund total level of service enhancement requests
 - \$1 million of the \$1.1 million (85%) of the Utilities Fund total level of service enhancement requests
 - A \$100k enhancement request in the Health Insurance Fund was also not funded.
- \$2.9 million in fund balance primarily related to needs of a one-time nature (\$2 million supporting a transfer to the General Construction Fund and \$460,240 in capital outlay).
- \$2,000,000 in a General Fund contingency account that can be transferred by the City Manager to address pending collective bargaining needs for both PBA and SEIU, special events, and future unforeseen budgetary needs.

The following provides the General Fund, Utilities Fund, and Capital Improvement Program (CIP) recommended budget highlights contained in the FY 2019 Recommended Budget summarized by strategic policy priority area.

Improve Infrastructure – Goals related to this strategic policy priority include: make improvements to hardscapes and streetscapes that will spark development and redevelopment; develop a facilities master plan; create a vision for a new City Center; and, improve internet infrastructure.

- Utilities Fund – The focus in the Utilities Fund is addressing a crumbling infrastructure while developing the plans and data that will allow us to program and execute core infrastructure improvements. The budget contains over \$800,000 in improvements that will address utilities infrastructure needs, including but not limited to: equipment, generator repair funding, and four, positions supporting lift station maintenance operations (\$510,000) and three positions supporting water resources, engineering and utilities asset management (\$290,000).
- Capital Improvement Program (CIP - All funds) – City and CRA staff engaged in an extensive CIP budget review to establish our 5-year, CIP needs. Notable, non-CRA funded projects include:
 - Infrastructure Surtax Fund – \$6.25 million for street and public parking lot resurfacing; \$3.5 million for improvements to the City Marina and seawall; \$2.9 million for the renovation of the Historic Train Depot; a potential \$2.8 million for improvements to Marine Way; \$2 million for Category 5 hurricane protection upgrades to Fire Headquarters/Station 111; \$1.6 million for bridge repair/upgrade; and, \$1.5 million for Beach Master Plan Phase II.
 - General Construction Fund – A \$2 million contribution from the General Fund will support the following: \$500,000 for unidentified program and/or project renovation funding (to be determined) at the former American Legion building owned by the City; \$500,000 for information technology infrastructure upgrades; \$500,000 for small project and equipment replacement needs; \$300,000 for roof/HVAC repair needs; and, \$200,000 for community beautification projects.

Implement Development Plans and Initiatives – Goals related to this strategic policy priority include: improve housing accessibility; review the City's Land Design Regulations (LDRs); define and set the

development intensity for specific areas of the City; improve the look and charm of the downtown; implement the SET Transformation Plan; and, revisit and update the Comprehensive Plan.

Improve Transportation and Mobility – Goals related to this strategic policy priority include: improve way-finding signage and communication; assess existing parking garages, rates and locations; assess development opportunities along prime transportation corridors; improve and maintain the City’s transportation infrastructure (including medians, lighting, sidewalks, streets, alleys, street lights, etc.); and, implement the City’s bike-pedestrian master plan.

- Community Redevelopment Agency (CRA) – Much of the City’s CIP is focused on accomplishing the projects found within the CRA Development Plan, including the SET Transformation Plan, and the CRA funds a large portion of the publicly-funded investments supporting downtown development plans and initiatives. Appropriations supporting the infrastructure, development and transportation strategic policy priorities contained in the FY 2019 Recommended Budget include:
 - \$13 million for infrastructure improvements in the Osecola Park neighborhood
 - \$8.7 million in investments supporting the City’s portfolio of road, alley and transportation corridor beautification projects within the CRA
 - \$600,000 for the construction of the Hilltopper Stadium restrooms; \$500,000 for the design of improvements to the intersection of Swinton and Atlantic; and, \$400,000 for downtown wayfinding signage

Rebuild the Organization – Goals related to this strategic policy priority include: create and build a culture of excellence; pursue a comprehensive approach to local sustainability issues; supply the tools needed for jobs; conduct internal audits; and, increase transparency in communications.

- General Fund – The focus in the General Fund is on supplying the tools needed to execute a service plan reflective of a culture of excellence. Related appropriations total \$1 million and include items such as: miscellaneous equipment and software for the Police Department (\$400,000); equipment, part-time staff and program funding in Parks and Recreation (\$300,000); funds to support the Achievement Center and grade-level reading programs in Community Improvement (\$114,000); an accountant in the Finance Department (\$103,000); and software and recruitment funding for Human Resources (\$101,000).
- Community Redevelopment Agency (CRA) – Certain budget enhancements will allow the City organization to better serve the public and CRA by addressing the demands upon the City organization associated with the CRA’s mission. Highlights related to requests from the City for CRA budget appropriations pending Board approval include: \$1.8 million supporting the Delray Beach Open Tennis Tournament (up by \$800k); continued funding support for all existing programs; support for an additional purchasing agent position (\$68,000); and support for a Housing Property Coordinator (\$69,000 previously funded via housing trust funds).

The development of the 2019 Recommended Budget has taken a great deal of time, energy, dedication, and hard work. I want to give specific thanks to our employees who make everything possible no matter what resources are made available to them. Thank you for your time and we 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