

City of Delray Beach

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Minutes - Draft

Tuesday, August 11, 2020

10:00 AM

Workshop Meeting at 10:00 AM

Virtual Meeting

City Commission

Mayor Shelly Petrolia
Vice Mayor Ryan Boylston
Deputy Vice Mayor Shirley Ervin Johnson
Commissioner Adam Frankel
Commissioner Juli Casale

Pursuant to Executive Order 20-69, during the COVID-19 State of Emergency, City Commission meetings may be held virtually. Members of the public wishing to view City Commission meetings should log into the City's website, <https://www.delraybeachfl.gov/i-want-to/watch/city-meetings>, where the meeting will be live-streamed for the public.

Pursuant to Section 3.12 of the Charter of the City of Delray Beach the Mayor has instructed me to announce a Workshop Meeting of the City Commission to be held for the following purposes:

WS.1. FISCAL YEAR 2020-2021 PROPOSED BUDGET AND CAPITAL IMPROVEMENT PLAN (CIP) WORKSHOP

Body: Background:

Each year the City of Delray Beach's City Manager and their Budget Team meet with all City departments and divisions to gather information in preparation of the next fiscal year's budget and Capital Improvement Plan (CIP). Attached is the proposed Preliminary Budget and CIP for Fiscal Year 2020-2021. This is a Workshop for discussion of the proposed budget and CIP. First reading of the budget has been scheduled for September 10, 2020 and second reading and adoption for September 22, 2020.

Sponsors: Finance Department

Attachments: [Agenda Cover Report](#)
[FY 2021 Preliminary Budget Agenda](#)

The Workshop Meeting was called to order at 10:00 a.m.

The roll call was taken by Katerri Johnson City Clerk. The following were present:

Present: 5 - Mayor Shelly Petrolia, Deputy Vice Mayor Shirley Ervin Johnson, Commissioner Adam Frankel, Vice Mayor Ryan Boylston, and Commissioner Juli Casale

Others present were:
Jennifer Alvarez, Interim City Manager
Lynn Gelin, City Attorney
Katerri Johnson, City Clerk

WS.1. FISCAL YEAR 2020 2021 PROPOSED BUDGET AND CAPITAL

IMPROVEMENT PLAN (CIP) WORKSHOP

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September 22, 2020.

Sponsors: Finance Department

Attachments: Agenda Cover Report

FY 2021 Preliminary Budget Agenda

Missie Barletto Director of Public Works delivered a presentation on the Capital Improvement Plan (CIP). She detailed the following:

The requested CIP for the 2021 budget is \$76,305,554. She presented charts showing the projected budget distribution for each department. The Public Works Department and Utilities Department will receive the most funding because of its infrastructure improvement projects. She explained different ways the City generates revenue.

Ms. Barletto highlighted the top eight projects for next year: Top Street Pump Station, Mobility Infrastructure Improvements, Fire Station 113, Water Sewer Improvements, Pompey Park, Tropical Isles Roadway, Golf Course Renovations, and Osceola Park Improvements.

Interim City Manager Jennifer Alvarez requested direction regarding Fire Station No. 113. The last direction staff had received was to negotiate with Gulf Building LLC on the building's design. Mayor Petrolia was not interested in having an EOC as part of the building. She would prefer building a two-story firehouse instead.

The Commissioners then discussed it. City Attorney Gelin recommended following the original directive to attempt negotiating with Gulf Building LLC for a two-story building. If an agreement cannot be reached, the City may terminate negotiations. Then the City could start fresh and initiate a new solicitation. Vice Mayor Boylston is in favor of staff recommendations.

Further discussion ensued. Deputy Vice Mayor Johnson requested clarification about the negotiation process and building structure. Interim City Manager Alvarez and Mayor Petrolia provided clarification about the bidding process. City Attorney Gelin felt that the City was too far into the negotiation process to start over. Ms. Barletto added that if she had permission to negotiate with the top-ranked firm, the Commission would still have further opportunities to review and approve the project.

The Commissioners then discussed government bonds and obligations related to the project. The Commissioners decided to allow negotiations between Gulf Building LLC and staff for a two-story building without an EOC.

Ms. Barletto continued her presentation, highlighting "The Priority Projects." She discussed the Roadway Restoration and Preservation Projects, highlighting which plans are presently being worked on and which tasks are yet to be completed. She informed the Commissioners that the City would be trying a new environmentally friendly chemical for paving the roads and said that when this chemical is applied it starts pink and then turns clear. Mayor Petrolia requested that staff keep residents informed about the new pavement material.

Ms. Barletto presented the list of the City's 50 Ongoing Projects. She said that the staff would not ask for new money this year but next year would ask for additional funding for some of these projects.

Ms. Barletto introduced this year's Capital Improvement Plan (CIP) to the Commissioners. That follows:

- New software system for the Development Services Department
- Restoration of fire polls at Fire Station 112
- Police Department is receiving an air-conditioning system and fire-suppression rehabilitation
- New generator for the IT Department
- Funding for the Bicycle and Pedestrian Master Plan
- Stormwater Utility Rate Study

Ms. Barletto reported on unfunded requests and informed the Commission that several departments requested projects that will not be funded by this year's CIP. She concluded her presentation by highlighting projects that the City hopes to include in the future.

- Beach Renourishment
- Transportation Planning Agency projects

- City Hall
- Police Station

Marie Kalka Finance Director provided a detailed overview on the proposed budget and analyzed each category.

Current Outstanding Debt:

- Capital Improvement Bond from 2017 regarding the surtax
- Water and Sewer Bond
- Utility Tax Revenue Bond
- Two GO Bonds
- Capital Infrastructure Funding
- Beach Restoration Fund
- Surtax
- Stormwater
- Water and Sewer for Capital Construction Fund

Capital Infrastructure Funding Options:

- GO Bonds
- Covenant to Budget and Appropriate Available Non-Ad Valorem Revenues
- Revenue Bonds
- Impact or User Fees
- Grants
- State Revolving Funds Loan Program
- Sunshine State Financing Commission
- Public/Private Partnerships
- Pay as you go

Finance Director Marie Kalka concluded the presentation. Mayor Petrolia asked questions regarding the Osceola Park and the Thomas Pump Street projects. Director of Public Works Missie Barletto confirmed the Osceola Park improvement project is 100% funded by the Community Redevelopment Agency (CRA) but is designed and managed by the City. As for Thomas Street Pump Station, Ms. Barletto is looking to identify available grant opportunities.

Mayor Petrolia complimented the City staff on their progress on the Dover Street project and for implementing online permitting. She believes that the Sea Wall Project and the Liners in the Pipes Project should be high-priority items. Ms. Barletto provided clarification on the status of the stormwater fund budget.

Mayor Petrolia and Deputy Vice Mayor Johnson made suggestions on the prioritization of items, upcoming projects, opportunity zones,

and sources of funding through bond financing. Interim City Manager Jennifer Alvarez thanked the Commissioners for their time and input.

Interim City Manager Ms. Alvarez presented the 2020-2021 Recommended Budget General Fund Overview for Operating Budget. The staff worked to develop a proposed operating budget in accordance with the new millage rate set by the Commissioners. The City started with \$9 million less in the operating budget than the amounts the departments requested for their baseline services. All departments were asked to reduce their budget by 7.25%. They provided savings plans without having to fire or furlough staff. Line items such as travel and training were cut, reducing the gap to \$4.6 million. Ms. Alvarez explained the proposed City's proposed millage rate for the 2021 fiscal year.

Finance Director, Maria Kalka, presented the Total City Operating Budget Fiscal Year 2020-2021. She showed charts documenting the comparison between the 2020 adopted budget and the proposed budget for 2021. Ms. Kalka said that there was an increase of \$12 million in the General Fund due to the following:

- Wages - increased by \$700,000
- Overtime - increased by \$1 million
- Retirement for Police/Fire - increased by \$1.9 million
- Health Insurance - increased by \$1.3 million
- CRA - increased by \$1.6 million due to a property value increase
- CIP - increased by \$4.3 million because the City is in the process of transferring of \$4.4 million into the general construction fund
- The Enterprise Fund - will help supplement the Water & Sewer Fund in 2021
- The Special Revenue Fund - increased by \$1.9 million, which consists of Parking and Lieu funds collected by Development Service
- The State Ship Fund - the State of Florida will grant \$600,000, providing nothing changes with COVID-19

General Fund Revenues consist of the following:

- Taxes, including ad valorem, and other taxes - decreased 58%.
- Tax Revenue - decreased due to COVID-19
- Fund Balance - increased from 1% to 6%
- Permit Licenses and Franchises - increased 10%

Larger Revenue Sources:

- Ad valorem taxes - increased to a flat rate of \$5.25 million
- Local Option Gas Tax, Electric Utility Tax, and Electricity - have

decreased due to COVID-19

- Safer Grant Funding - increased by \$644,000
- Relief from FEMA
- PEMT Reimbursement - this is a new revenue source that began in 2020, the City will receive \$750,000
- State Revenue Sharing and Sales Tax - impacted by COVID-19 budgeting by State recommendations
- Fire Safety Plan Review - increasing by \$900,000
- EMS Transport - Would increase revenue by \$200,000 as a result of raising the fees for transport services
- Parking Fees and Fines - will be reduced next year by \$1 million because the City is not presently charging, possibly dropping in future usage
- Interest on Earning - reduction of \$750,000
- Community Redevelopment Agency/Clean and Safe - increasing by \$250,000
- Indirect Cost Charge Backs - increase of \$639,000

Commissioner Frankel suggested that the City is ready to turn the parking meters back on to generate revenue. There was a consensus to discuss the idea further at the Regular Commission meeting at 4:00 p.m.

General Fund Expenditures As a Percentage of the Budget:

- Police, Fire, Community Service, Neighborhood Development Services (Public Safety) makes up over 56% of the budget
- Transfers Out - 16%, includes the CRA
- General Government - 10%
- Parks & Recreation - 9%
- Public Works - 7%
- Grants & Miscellaneous / Debt Services - very small amount.

General Fund by Departments:

- City Manager's Office - increased by 31.5%, including the Disparity Study, Marketing, the relocation of the Sustainability, and the Education position to the City Manager's Office.
- Finance Department - decreased by 16.74%
- Fire Department - increased by 12.8% due to overtime, additional inspections, and COVID-19 - Chief Tomey requested additional personnel to accommodate the amount of inspection requests
- Public Works and Parks and Recreation - Public Works went down while Parks and Recreation increased due to positions moved within departments.
- Transfers - \$4.4 million is requested to be transferred into the

General Construction Fund, and the CRA additional funding that goes to them is considered a transfer.

A discussion ensued among the Commissioners about special events and sponsorships. Marie Kalka, Finance Director, will send a breakdown of the event expenses for this year. Ms. Kalka added that the annual holiday tree is an item included in the event budget.

Before Ms. Kalka resumed her presentation, City Attorney Gelin requested permission to transfer Public Records Requests employee to the City Attorney's Office. The Commission and Interim City Manager approved the request.

Ms. Kalka continued highlighting aspects of the budget:

- The City has unfunded 5 Firefighter positions without any FEMA impact, a savings of \$305,000.
- PEMT Reimbursement from Medicaid will generate an increase in revenue of \$646,000
- EMS - Increase of \$215,000
- Increase in Fire Inspections - Increase revenue of \$936,000
- Building Permits - Have rebounded considering the pandemic
- Alternative Funding Sources (Parking in Lieu, Rec Impact Fees, Cemetery)

General Fund Cost Savings Ideas Submitted by Departments:

- Reduction in travel and training
- Parks Restructuring Plan
- Four additional Police Positions eliminated
- Economic Development Manager Position eliminated
- Four Finance Positions eliminated
- One IT position eliminated
- Two Parks positions eliminated
- One Purchasing position eliminated
- One Public Works position eliminated
- Reduced Contractual Liens
- Eliminating the Spirit Barbeque (Vice Mayor Boylston hopes to revisit this mid-year)
- Reduced Special Events
- Back to 2020 Adopted Budget
- Minimal Vehicle Purchases
- Professional Services (Studies)

Commissioner Frankel commented that he was excited about seeing the implementation of online permits to generate revenue.

General Fund Highlights:

- Unfunded 5 firefighter positions without FEMA impact (\$305,000 savings)
- PEMT reimbursement (Revenue Increase of \$100,000, net \$646,000)
- EMS Transport Fee increase (\$215,000)
- Increased Fire Inspections (revenue increase \$936,000), expense increased Impact Fees \$447,000, \$489 net)
- Building Permits
- Alternative Funding Sources (Parking in Lieu, Impact Fees, Cemetery)
- Parking Tickets (Deputy Vice Mayor Johnson wants to ensure we are collecting and no writing off people who owe money to the City).

Mayor Petrolia would like to see funding for affordable housing in the future. There was further discussion regarding the City's reserve funds.

General Fund Dept. Discussion Items:

- Transportation Services \$500,000
- Health Insurance (\$1.35 million)
- Pension costs (\$2.03 million)
- COVID 19 Expenses \$242,000
- Economic Development Restricted Fund Balance (\$1 million)
- Special Events
- Infrastructure Needs

Interim City Manager provided clarification on the background of the economic development restricted fund balance. The Commission discussed the use of the funds. Deputy Vice Mayor Johnson suggested having a Workshop on this item.

General Fund Level of Service Request:

- 33 requests totaling \$3.4 Million
- Five requests totaling \$472,000 were approved
- Finance - EMS billing division contracted out
- Parks - July 4th Special Events
- Public Works - Vehicle Purchase for Engineering Inspector, half funded by the CRA
- Car allowance for Project Manager I
- Public Works - Delray Connect and Freebee transportation services
- 28 Unapproved requests totaling \$2.928 million
- New positions

- Upgrades to positions
- Equipment purchases
- Enhanced building maintenance program

General Fund Balance History:

Ms. Kalka compared the previous year's Revenue Stream to today. A discussion ensued about the significant impact COVID-19 had on the City's budget. Mayor Petrolia reminded her colleagues that the City needs to prepare for hurricane season. Due to previous experiences with delayed FEMA relief, the City needs to be self-reliant. Mayor Petrolia mentioned how former Mayor Cary Glickstein handled storm relief without using money from reserves. She would not be in favor of using the City's reserve funds.

Commissioner Casale questioned the amount of reserve funds the City should use in future uncertainty. She believes that staff should reevaluate the Fire Department budget set at \$38 million. City Attorney Gelin explained the proper procedure to bring back an item for reconsideration. Deputy Vice Mayor Johnson requested to have a workshop explaining past decisions to the current Commission.

The Commission discussed measures the City could take financially during the pandemic. Commissioner Frankel commented that it is not a time to raise City expenditures. He believes that the City needs to plan accordingly to deal with COVID-19. Commissioner Frankel recommended that the staff continue to eliminate unnecessary expenses and search for ways to increase revenue. Mayor Petrolia compared the City's 2013 operating costs to current events and agreed that additional cuts were possible. She requested all departments reevaluate expenses to make up for the deficit.

Ms. Kalka provided recommendations and explained what recurring costs are available to be cut.

Enterprise Fund: (Out of the General Fund)

- City Marina
- Sanitation Fund
- Water & Sewer
- Delray Beach Municipal Golf Course
- Lakeview Golf Course
- Stormwater
- Cemetery

Special Revenue Funds:

- Law Enforcement Trust
- Special Projects
- Rec Impact Fee
- Neighborhood Services
- Beautification Trust

Internal Service Funds:(Supported by either the Enterprise Funds or General Funds)

Garage Fund / Fleet Fund Insurance

Ms. Kalka concluded the presentation of the Overview of the Proposed Budget 2020/2021.

Questions and Answers / Direction for Interim City Manager Alvarez and Finance Director Ms. Kalka to take:

Vice Mayor Boylston believes that the City should utilize reserve funds within the 20-25% threshold for one-time costs.

Mayor Petrolia expressed the importance of keeping safety projects in place. She asked for clarification regarding the parking and lieu funds. Ms. Kalka clarified the funds would be used towards pedestrian projects. Mayor Petrolia and Commissioner Frankel requested to investigate the costs/necessity of employee vehicles. Additionally, they both would like to consider looking at golf courses as a partnership project.

A discussion followed about marketing costs. Vice Mayor Boylston suggested using the Economic Development Fund to promote businesses on Congress Avenue.

Interim City Manager requested a recap on the directives of the Commission.

Create a list that would bring expenditures down by at least \$3.5 million

Keep the CIP at \$4.4 million

Interim City Manager said in full transparency that if the Commission wants to lower the shortage by \$ 3.5 million, it may reduce staff, which is not what management had initially planned. Ms. Kalka clarified concerns about the garage funds and insurance funds.

There being no further business to discuss, the Workshop was adjourned at 1:50 p.m.

