Deerfield Beach
Florida

CITY OF DEERFIELD BEACH
BUDGET WORKSHOP MEETING MINUTES
Tuesday, August 9, 2022 at 7:00 PM

The meeting was called to order on the above date by Mayor Bill Ganz at 7:16 p.m. in the City Commission Chambers, City Hall, Deerfield Beach, Florida.

ROLL CALL

Present:	Commissioner Todd Drosky Commissioner Bernie Parness - via Zoom Commissioner Ben Preston Vice Mayor Michael Hudak Mayor Bill Ganz
Also Present:	David Santucci, City Manager Anthony Soroka, City Attorney Samantha Gillyard, CMC, City Clerk
Absent:	None

MOMENT OF SILENCE AND PLEDGE OF ALLEGIANCE

There was a moment of silence, followed by the Pledge of Allegiance.

APPROVAL OF THE AGENDA

August 9, 2022

MOTION was made by Commissioner Preston, seconded by Commissioner Parness, to approve the agenda as submitted. Voice Vote:

Yeas: **5** - Commissioner Drosky, Commissioner Parness, Commissioner Preston, Vice Mayor Hudak and Mayor Ganz

Nays: 0

CITY COMMISSION BUSINESS

1. Presentation of the Fiscal Year 2023 Proposed Budget.

David Santucci, City Manager, advised that the presentation will outline the proposed fiscal year 2023 budget, based on Commission feedback at the June budget workshops.

<u>Public Budget Event Calendar</u> - Mr. Santucci outlined past and upcoming meetings, as well as what can be expected. The elected officials will receive the budget and budget message on August 15th; first reading on September 6th and final public hearing on September 14th.

<u>Budget Message</u> - Mr. Santucci thanked the Commission for driving boldly by bringing the City forward with resources, capital, and infrastructure as it has allowed him and staff to build this budget.

CITY COMMISSION BUSINESS - CONTINUED

Thereafter, he outlined key topics of the budget message and explained how changes will propel the City into the future.

FY23 Millage Rate - Mr. Santucci said this year's millage is proposed as follows: operating millage 6.0018, same as last year; total millage rate of 6.2825 which is a reduction of the overall rate. Additionally, a bar graph was displayed outlining the changes to the millage rate over the last 10 years. Although there have been operational millage rate adjustments, there has been a decrease in debt service millage over time.

Current V. Proposed Operating Millage Rates - Mr. Santucci provided a comparison of how the City is performing amongst other cities; however, each city has different factors contributing to the millage rate, so it is not an apple to apples comparison. Furthermore, the City has remained stable and that stability has allowed the City to plan accordingly for the long term and maintain levels of service. Mr. Santucci said Deerfield Beach's millage rate is in the middle with 15 other cities having higher rates.

Taxable Value V. Operating Millage Rate - Mr. Santucci commented on the correlation of the taxable value of properties in various cities to their millage rate. He reiterated that services provided affect the millage rate.

Residential Property Values - Mr. Santucci displayed a bar graph outlining the average taxable values for homes and condos. He advised that cities with high density will have more parcels and higher values, but Deerfield Beach is lower and has lower condo values; notwithstanding, this is a gauge on where the City is with taxable values and millage rate. Additionally, Deerfield Beach has seen an 11% increase in average assessed value and 10% increase for the County. Furthermore, the City is now the 11th lowest assessed value in the County; previously, 10th lowest.

Ad Valorem (Property Tax Collection) - Mr. Santucci said the total estimated ad valorem tax revenues expected this year is $55.8 million, $2.4 is reserved for the CRA resulting in a projected net total of $53.4 million. Mr. Santucci said one mill represents $8.8 million of ad valorem tax revenue. There has also been a 9.6% increase in taxable values of properties.

Ad Valorem Tax Revenue Projection - Mr. Santucci displayed the increase of ad valorem tax revenue since 2014. From last year, the increase is approximately $4.75 million. He commented on the 9.1% inflationary increase and a general fund increase of $5.9 million.

Broward County Localities Fire Assessment Fees - Mr. Santucci said the City Commission recently approved a rate of $295 per residential dwelling which is a reduction from the $309 staff recommended.

Economic Climate/Cost Drivers - Mr. Santucci briefly commented on the consumer price index (CPI) which has impacted the City operationally with equipment, capital, fuel, and others. Notwithstanding, those costs have been absorbed within the proposed fiscal year 2023 budget.

Proposed Budget Overview by Fund - Stephanie Tinsley, Chief Financial Officer, provided a breakdown of the funds and the changes from the amended fiscal year 2022 budget to the proposed fiscal year 2023 budget. She outlined various funds and associated increases and decreases. The General Fund increased by $5.9 million primarily due to funding public safety and the compensation plan, as well as other operating initiatives. The Road and Bridge Fund increased by $11.2 million due to the carryover of the surtax allocation from fiscal year 2022 and the new allocation for FY23 and loan proceeds to finance additional projects of $6 million. Grant Funds decreased by approximately $7 million due to transfer of $10 million from ARPA funds to General Fund to reimburse public safety operating costs. Additionally, she advised that the Enterprise Funds consist of utility, stormwater, and solid waste which also include their own operating, capital, and debt services, whereas, each has increased as a result of capital needs.

Continuing, Ms. Tinsley said the capital investments for the utility fund will be funded with AMI and ARPA funds, as well as a contribution from their own unassigned fund balance. Furthermore, a loan will be provided from the utility fund to the stormwater fund of approximately $2.3 million to help with funding the 8th Avenue improvements and west Deerfield; ARPA funds will also assist. A repayment will be set up, so the utility fund can recoup funds over the course of several years. The increase to solid waste is due to

CITY COMMISSION BUSINESS - CONTINUED

equipment and will be funded with a capital lease. Ms. Tinsley said the debt service funds has been consolidated from various parts of the general fund and experienced a slight increase only because of the consolidation and includes general governmental capital. The capital improvement plan increased as a result of the general governmental capital project fund and bond fund program. It also represents the investment of the general fund unassigned fund balance as well as APRA funds. Other funds represent smaller funds, such as the public safety impact fees, parks impact fees, and others.

Major Use of Fund Balances - Ms. Tinsley outlined the major uses of the funds: General Fund - capital projects, ARPA indirect projects, and others. The indirect amount sits in the General Fund and will be transferred to the general capital fund and utility. Continuing, with the general fund, Ms. Tinsley recommended a transfer of $1.5 million from unassigned fund balance to plan for future uncertainties. Contingency and fiscal year 2022 carryforwards ($0.6 million) for general funds. The loan to the stormwater for $2.3 million was previously mentioned and the remaining ($5.6 million) is for capital projects and the operating budget which is a result of the rate study; whereby, the use of the fund balance will support operations. Stormwater and Solid Waste Funds are carryforwards for equipment; capital related funds total $17.9 million and will be used for utilities, general capital projects, and road and bridge. Lastly, other funds are restricted and will be used for only restricted services.

Proposed Budget Revenues by Source All Funds - Ms. Tinsley explained that property taxes have a $4.6 million increase due to delinquencies. The sales, public, communication taxes, have a slight increase due to development, increase in population, etc. and revenue for the fire assessment fee has been adjusted to reflect the $295 rate. She stated that the intergovernmental, grants and contribution fund relates to the ARPA funds. Administration fees will be updated once the cost allocation plan is completed; loan proceeds increased to assist with projects in the road and bridge fund. Lastly, other financing sources consist of miscellaneous revenues.

Proposed Budget by Expenditure Category - Ms. Tinsley displayed the expenditures for all funds and advised that the City has heavily invested in capital outlay.

Mr. Santucci advised that the 5% increase in personnel services is due to the reopening of the collective bargaining agreements for consumer price index; whereas, the percentage was negotiated down from 9%.

Budget Initiatives and Recommendations - Mr. Santucci outlined the budget initiatives and recommendations: pay and compensation strategy implementation; property acquisition of beach parcels; $2.3 million utility fund loan to stormwater fund due to cost increases and refining engineering projects; fire assessment fee adjustment; cost allocation study; interactive voice response system for water utility/customer services; election and referendum; continue B-tactical urbanism in smaller zones; NW area improvement plan; enhance Economic Development Counsel participation; implementation of ShotSpotter; implementation of bank charges policy to assist with fees charged to the City by end users credit card company to process transactions which continue to increase yearly; median improvement plan implementation; cemetery improvements to include sod and hedge replacement; increasing the emergency reserves to the $5 million threshold; and reallocation of non-departmental and central services.

Future Considerations - Mr. Santucci outlined the future consideration for the next fiscal year: inflation, bear market scenario, economic uncertainty, which the City is prepared for, as the fund balance remains healthy. Consideration will be given to the solid waste fund due to audit observation of being at a negative net position; whereas, staff is looking to present alternatives to the Commission of maintaining the fund through the long term. The attorney general audit findings should be received in the next 60 days and at the forefront are changes to the operations from the audit. Changes are ongoing, but there is still work to be done. Other considerations include: ARPA project and ERP implementation which are high priority; pay and classification analysis; and public safety master plan, which will include Fire Station 75.

Personnel Summary - Mr. Santucci said the composition of the Office of the City Manager will remain unchanged but he would like to create a pathway and opportunity for current department directors interested in city management to oversee their department and act as the assistant city manager. Further, he would like to change the title of the current assistant city manager to deputy city manager. Financial Services is requesting the addition of a utility billing supervisor to assist with utility billing errors and the implementation

CITY COMMISSION BUSINESS - CONTINUED

of the AMI. Lastly, all other personnel changes, additions and deletions were outlined during the June workshops.

Fiscal Year 2023 Capital Improvement Plan - Mr. Santucci displayed various slides highlighting the fiscal year 2023 capital improvement plan projects and associated costs; whereas, many capital projects will be funded through the designated fund balance. He advised that the City received $750,000 through a HUD grant for the installation of the FEC fence from 10th Street to Sample Road. The Ocean Way bollard replacement project will be completed simultaneously with CRA's portion and staff is allocating additional funds to the lifeguard stations, so they will all be completed within 2-3 years, rather than 4-5 years. Thereafter, he continued outlining the fiscal year 2023 capital projects that were discussed during the June workshops.

Commissioner Drosky said the $5.9 million increase to the ad valorem taxes will cover the public safety increase this year but cautioned staff to be prepared because this ad valorem increase will not happen every year. Further, he asked for clarification on why the $1.5 million that will be added to the emergency reserve.

Mr. Santucci said the emergency reserves are for hurricanes, whereas, the goal is to achieve a $5 million level. Thus, the additional $1.5 million would just provide the City with additional funds in that savings account.

Commissioner Drosky asked for the current and proposed spending for the Right Tree and Shady tree programs and if the text alert communication is included in the budget. Further, he commented on the B-tactical project and asked if it could be tied in with the access properties.

Mr. Santucci replied that staff will specifically be looking at schools and their surrounding corridors.

Commissioner Drosky said if the Coastal Railway is approved, the County advised that cities will be responsible for the construction of the railway stations, which could potentially be an $11 - $12 million cost; therefore, he asked if staff has begun planning for the expense.

Mr. Santucci replied that he is uncertain because the County is currently focused on the south end of the project because if it is not completed, there is no project. Further, he reiterated his uncertainty regarding the cost and timeline; nevertheless, staff continues to stay abreast of the project.

Commissioner Drosky said regardless of the timeline, staff must be financially prepared for the project and suggested it be added as a future consideration. Further, he requested that the residents affected by the West Deerfield Stormwater Project be notified via mailers of the initial meeting; whereby, those in attendance can then provide their e-mail address for future meeting notifications.

Thereafter, Mr. Santucci stated that dollars have been set aside for the text alert communication system.

Commissioner Drosky commended staff on the budget and for lowering the millage rate.

Commissioner Preston commended staff for a job well done but asked that they continue to stay abreast of the dilapidated fire stations. Thereafter, he reiterated the need for a public safety complex and asked for an update on the central city corridor.

Mr. Santucci replied that staff has discovered historical information to assist in uplifting that area and the recruitment of the redevelopment coordinator has been successful. Thereafter, he outlined the position's responsibilities and advised that planning options will be presented to the Commission in the near future. Further, many projects are occurring, i.e. the railway station, FDOT improvements along Dixie Highway, Pioneer Grove, etc. that staff must implement into these planning options; however, community buy-in is essential in developing the area.

Mayor Ganz commented on the reoccurring findings in the Annual Comprehensive Financial Report, ACFR, and asked if positions have been filled to meet the requirements for a clean audit.

CITY COMMISSION BUSINESS - CONTINUED

Mr. Santucci replied that various positions have been filled within finance; however, he outlined various gaps in the department that are coming together. Notwithstanding, those positions as excuses for the findings. Previously, there was not enough emphasis on what individuals' day to day functions and how the City is impacted in the long run, that caused deadlines to be missed; nevertheless, due to the change in supervision, staff understands the big picture. Additionally, positions related to accounting functions are being filled.

Mayor Ganz reiterated his concerns with recurring audit findings in the Report that have been ongoing and it scares him that the recurring findings will be resolved with the same staff because they will do a better job. He said there will be issues if recurring findings are not resolved in the audits.

Mr. Santucci explained that during the most recent audit, which was 2021, the CFO was hired at the end and the assistant director position was vacant; therefore, the 2022 audit will be the first full year under new leadership. Moreover, he reiterated that staff is confident that they have the resources needed to ensure the ongoing finding is corrected.

Mayor Ganz reemphasized his concerns and said an ongoing finding for 4 years, needs to be resolved and if more money is needed for positions, it needs to be requested.

Mr. Santucci thanked Mayor Ganz for the support but believes personnel is in place.

In response to Mayor Ganz's question, Mr. Santucci replied that contractual services under Public Affairs & Marketing is more cost effective than hiring a full-time position.

After a brief discussion regarding contractual services and vacant positions, Mayor Ganz advised that the recommended positions within this budget need to be filled, as well as the difficulty with filling positions previously approved by Commission. Thereafter, he asked about the true undesignated reserves.

Mr. Santucci replied that the undesignated fund balance is $31.5 million.

Ms. Tinsley said in FY 21, the general fund balance was slightly over $40 million total; emergency reserve roughly $3.5 million, carry forward of less than $1 million; the unassigned fund balance $35 million (reserves), does not include the emergency reserves, which is currently $3.5 million. Further, she does not anticipate much change to the unassigned funds at the end of fiscal year 2022, but staff is requesting moving $1.5 million to emergency reserves.

Mayor Ganz provided a brief history of the City's reserves and said at some point the City must stop collecting reserves and start giving back to the taxpayers. Thereafter, he commented on the ad valorem tax increase being used toward the public safety increases and asked why the fire assessment increase is necessary.

After a brief discussion regarding the use of ad valorem taxes, Mr. Santucci stated that the increases in the overall General Fund are not only contributed to public safety; nevertheless, the examples provided are illustrations of how the increase in ad valorem revenues were being absorbed. Thereafter, he advised that operating expenses increased by $7.5 million and personnel services increased by $2.7 million. Currently, there is $6.2 million in ARPA funding, whereby, $10 million was moved and utilized to cover public safety costs, which was discussed at the May 17, 2022 commission meeting.

Mayor Ganz commended staff on the budget but reiterated his concern with continuing to increase the reserves and the need to give back to the taxpayers, i.e. lowering the millage rate. Thereafter, he reiterated his concerns with assuring positions are filled and wants the City to stay with salaries. Mayor Ganz commented on the nationwide issue of hiring lifeguards and increased law enforcement to assist with speeding.

In response to Mayor Ganz's question, Mr. Santucci replied that Assistant City Manager to Deputy City Manager is just a title change, no increase will be given.

CITY COMMISSION BUSINESS - CONTINUED

In response to Vice Mayor Hudak's questions, Mr. Santucci said the software issues also outlined in the ACFR have been resolved.

Ms. Tinsley stated that according to GFOA and others, your reserves should be 16% of the General Fund, as 10% is on the low end and sometimes affects the ratings. Further, reserves are viewed as working capital, whereas, they go up and down throughout the year based on funding and revenue. She also said staff is working on an updated fund balance policy for commission consideration.

Commissioner Preston said the City must have a heathy reserve but agreed that something must be given back to the community, i.e. infrastructure investments, business assistance programs, etc. Thereafter, he reiterated his concerns regarding an increase to the fire assessment fees during the preliminary hearing.

Commissioner Parness commended staff on the reserves as they are needed for emergencies; however, he disagreed with not continuing to save. Thereafter, he commented on the importance of having a hefty reserve, i.e. hurricanes, another pandemic, etc.

In response to Commissioner Drosky's comment, Mr. Santucci clarified that the reserves should be 16% of the General Fund, which also includes capital expenditures, transfers in/out, etc.

Commissioner Drosky agreed with Commissioner Parness, whereas, having a hefty reserve is not a bad thing, as it shows the City is spending and budgeting well, but there must be balance. Furher, various projects have been discussed throughout his tenure, i.e. the central city corridor, fire station upgrades, etc. and although he understands there's a lot that goes into them, nothing has really been done. He urged staff to be bold with their projects and wish lists and if something is needed, to bring it to the Commission's attention. Lastly, he commended staff for a job well done, but more can be done.

Mayor Ganz said he is happy to see where the City's reserves are, as he has fought to increase them throughout his tenure; however, in five years it has gone up $7 - $8 million, and is concerned that the City is saving more than what is needed.

Commissioner Preston said Mayor Ganz never spoke in opposition to having a high reserve but did pose the question as to how much is too much. Further, he said the City must give back to the community and reiterated the need to reinvest in the city.

Mayor Ganz said he does not want their frustration and comments to be taken out of context as the City is thriving and commended staff for a phenomenal job. Further, he commended Mr. Santucci on the budget. Thereafter, he opened the public hearing; however, there were none to speak and the public hearing was closed.

In response to Commissioner Drosky's previous question, Mr. Santucci outlined the funding for the tree programs: Right Tree for the Right Place - $10,000; Shady Tree: $10,000; Treebate - $5,000; community engagements related to trees - $5,000; tree giveaway - $15,000; and flower/tree in park mitigation - $10,000. Further, he has been working with the Director of Planning & Development Services to expand the programs to multi-family homes, HOA's, etc. Lastly, he advised that there will be a workshop to discuss the fund balance in the next fiscal year.

ADJOURNMENT

MOTION was made by Commissioner Preston, seconded by Vice Mayor Hudak, to adjourn the meeting at 9:57 p.m. Voice Vote:

Yeas: **5** - Commissioner Drosky, Commissioner Parness, Commissioner Preston, Vice Mayor Hudak and Mayor Ganz

Nays: 0

BILL GANZ, MAYOR

Samantha Gillyard, CMC, City Clerk