Deerfield Beach
Florida

CITY OF DEERFIELD BEACH
BUDGET WORKSHOP MEETING MINUTES
Wednesday, August 16, 2023 at 7:00 PM

The meeting was called to order on the above date by Mayor Bill Ganz at 7:01 p.m. in the City Commission Chambers, City Hall, Deerfield Beach, Florida.

ROLL CALL

Present:	Commissioner Todd Drosky Commissioner Michael Hudak Commissioner Ben Preston Vice Mayor Bernie Parness Mayor Bill Ganz - via Zoom
Also Present:	David Santucci, City Manager Debra Reese, Assistant City Attorney Heather Montemayor, 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

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

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

Nays: 0

CITY COMMISSION BUSINESS

1. Presentation of the Fiscal Year 2024 Proposed Budget.

David Santucci, City Manager, advised that the presentation will outline the proposed fiscal year 2024 budget, based on Commission feedback at and after the June budget workshops. Thereafter, the PowerPoint was displayed.

Public Budget Event Calendar - Mr. Santucci outlined past and upcoming meetings, as well as what can be expected. The budget and budget transmittal letter were provided to the Elected Officials on August 11th; first reading on September 5th and final public hearing on September 13th. Thereafter, he thanked staff for providing the budget to the Elected Officials prior to the August 15th deadline.

Strategic Priorities - Mr. Santucci said the strategic priorities, i.e. customer care, modernization of infrastructure and processes, fiscal accountability and transparency, and sustainable and eco-friendly

CITY COMMISSION BUSINESS - CONTINUED

environment, help guide how service levels are provided to the citizens. These priorities align with the City's core values; service, honesty, accountability, respect, and professionalism (SHARP).

Residential Property Values - Mr. Santucci said the average assessed value in Deerfield Beach in 2022 was $236,448, which increased 11% in 2023. Broward County's average assessed value in 2022 was $322,054, which increased 10%. Further, Deerfield Beach previously had the 11th (s/b 10th) lowest assessed value in Broward County, and we now are the 11th. Thereafter, he provided a brief overview of the number of home parcels, condo parcels, average home taxable value, and average condo taxable value for various cities, whereby, Deerfield has more condo parcels than home, which makes it difficult to raise revenues through ad valorem taxes.

In response to Mayor Ganz's comment, Mr. Santucci clarified that the City previously had the 10th lowest assessed value, and now we have the 11th.

Total Proposed Property Taxes - Mr. Santucci said the City of Deerfield Beach represents 1/3 of the property taxes, as taxes are also paid to the Broward County School Board, Broward County, North Broward Hospital District, South Florida Water Management District, and the Children's Services Council; nonetheless, the total millage is 20.7 mills but the City's taxes make up 6.2538 of the total millage.

In response to Vice Mayor Parness' question, Mr. Santucci replied that ad valorem taxes bring revenue into the General Fund, water and wastewater reside within the Utility Fund. Furthermore, there are residents within the City that are on the County water system.

Millage Rate - Mr. Santucci said staff recommends maintaining the operating millage rate at 6.0018, whereby, voter approved debt from 2000 and 2012 is attached to the millage rate, and as debt continues to be paid, property values increase; nonetheless, the total millage rate decreased from 6.2825 to 6.2538. Thereafter, a bar graph was displayed depicting the steady decrease in the millage rate since 2015.

Commissioner Hudak reiterated that only 30% of taxes go to the City, with the remaining 70% going to other entities. He said when the millage rate is increased by other entities, i.e. the School Board of Broward County, it will increase residents' taxes. Furthermore, as home values increase, taxes will increase.

Continuing, Mr. Santucci displayed a bar graph depicting current and proposed operating millage rates for comparable cities, whereby, most cities remain the same, the County, as well as five cities are increasing their millage rate, and two are lowering. Further, he said the higher the taxable value, the lower the millage rate.

In response to Mayor Ganz's questions, Mr. Santucci replied that most cities have the same fees. Further, he said Pompano Beach has a lower millage rate than Deerfield Beach, but their taxable value is much higher.

Ad Valorem Property Tax Collection - Mr. Santucci said the citywide estimated tax collection is $61.86 million but CRA's allocation is $2.64 million, so the projected net General Fund tax collection is $59.22 million. He explained that one mill generates approximately $9.9 million in ad valorem tax revenue for the City. The net increase in taxable values is approximately 10.8% or $10.4 billion.

In response to Mayor Ganz's question, Mr. Santucci replied that homesteaded properties can only increase by 3% or consumer price index (CPI), whichever is less.

Broward County Municipal Fire Assessment Fees - Mr. Santucci said many cities are significantly increasing their fire assessment fees to keep up with the costs for fire services, which was displayed on a bar graph. He stated that the preliminary fire assessment fee made by the Commission was $324, but the final recommendation will be made on September 13th.

Economic Climate - Mr. Santucci said in June inflation was at 9.9%, which is lower nationally. Further, he said with inflation still being high, the City has had to absorb significant cost increases across the board as it relates to the services we need in order provide services to our residents.

CITY COMMISSION BUSINESS - CONTINUED

Increases to Maintain Service Levels - Mr. Santucci outlined the increases: law enforcement contracted services - $2.3 million and fire rescue contracted services - $2 million, which is higher than originally provided due to the State Legislature passing a law that increased the employer contribution for public safety personnel, i.e. fire. Thereafter, he continued outlining the contractual service increases: pay & classification implementation - $1.6 million; county wastewater bond pass-thru - $1 million; solid waste disposal costs - $1 million; property insurance - $900,000; janitorial services - $577,000; landscape maintenance - $540,000; contribution to employee health insurance - $530,000; FEC grade crossing - $332,000; joint beach renourishment - $220,000; Dixie Highway fence - $210,000; and lobbying services - $84,000; for a total of $11.2 million.

In response to Mayor Ganz's comment, Mr. Santucci said during beach renourishment projects, you cannot make your beach larger than what it was originally at. He said if you go outside the template, the City can be significantly fined.

Commissioner Drosky said law enforcement and fire rescue services account for $4.3 million in increases, which will continue to go up in future years; nonetheless, once property values become flat or turn negative these services will need to be cut or altered.

Mr. Santucci said the contract consideration is heavily scrutinized to ensure it is not absorbent; nevertheless, the contract can increase by 5% for operating expenditures. Further, he said they have met their contractual obligation for the increases made this year, but in order to provide these type services moving forward, he agreed that services will need to be altered or cut.

Commissioner Drosky said in order to decrease the millage rate, services must be cut, so he hopes to hear from the public moving forward to see what services they'd like to see cut in order to decrease the millage rate or vice versa will they support increasing the millage rate if additional services are wanted or expanded.

Vice Mayor Parness said one of the City's biggest expenses is police and fire. Thereafter, he commented on the use of drones and other technologies that will help decrease costs. Vice Mayor Parness said we must find ways to decrease costs without cutting services.

Mr. Santucci said you cannot replace a police officer; nonetheless, the City is using various technologies, i.e. camera systems, ShotSpotter, etc. as they are an added benefit.

Commissioner Hudak said BSO is finding ways to cut their costs, i.e. drones, ShotSpotter, etc. but these technologies are BSO assets, not city; nevertheless, the City must find ways to cut these contract costs without adversely affecting the service levels.

Changes since June Budget Workshops - Mr. Santucci said department level budget requests were made in June; however, since that time changes were made, which he outlined: reduction of intern positions in Finance; reduction of an administrative support specialist which was going to be a shared cost between Ocean Rescue and Public Affairs and Marketing; reduction in summer camp expenses; reduction of a pier attendant.

Commissioner Preston asked that staff re-evaluate that reduction of the pier attendant as there are many things that go on at the pier and additional help is needed.

Mr. Santucci agreed; however, due to the proposed pier closure, the position is not warranted at this time. Thereafter, he continued outlining the changes: reduction of a mechanic trainee; move FAU Research Boulevard Project from FY24 to FY25, which was budgeted at $10 million but will need further evaluation; reduction in Pioneer Grove Corridor Project; reduction in parks and recreation ($855,220); addition of Boys and Girls Club grant contribution; increase in public safety FRS employer contribution; increase in county wastewater debt service; and 15% increase in county wastewater rate, which is a $2 million unanticipated increase in the Utility Fund.

Proposed Budget Overview by Fund - Mr. Santucci said there's a $5 million overall change in the General Fund, and an overall budget increase of $16,459,973. He said the capital improvement plan has a $7.7

CITY COMMISSION BUSINESS - CONTINUED

million increase which is across all funds. Lastly, he said the overall total of $349 million does not include the CRA fund.

Proposed Budget Revenue by Source: All Funds - Mr. Santucci outlined the various revenue sources: property taxes - $60 million; decrease in sales, public communication taxes, and franchise fees, licenses and permits; increase in fire assessment fee based on proposed rate; as well as others. Further, he explained that interfund transfers are non-revenues, but are revenues or expenditures from one fund to another. Mr. Santucci said the use of fund balances is $39 million across all funds, which are mostly carry forwards.

Proposed Budget by Expenditure Category - Mr. Santucci listed the expenditures by category: personnel services, operating expenses, capital outlay, interfund transfers out, grants and contributions, and debt service.

Budget Initiatives - Mr. Santucci listed the budget initiatives: Braithwaite Center and Bezos Academy completion and opening; Tigner Center completion and reopening; West Community Center completion and reopening; Constitution Park Community Center planning; completion of lifeguard stations; fishing pier restoration; ERP implementation; citywide median landscape and irrigation improvements; various court resurfacing; Dixie Highway rezoning; Dixie Highway fence (Phase II); and Historical Society partnership contribution. Stormwater budget initiatives: MLK Avenue; SE 8th Avenue; West Deerfield; Crystal Lake Drive; and NW 45th Street. Road & Bridge budget initiatives: SE 15th Avenue Bridge design; Crystal Lake LAP project design; street resurfacing; Pioneer Grove streetscape improvements; and highway lighting upgrades to LED. Utility budget initiatives: automatic meter project; ammonia & chlorine conversion at treatment plant; Floridian wells rehabilitation; and ion exchange project design. Solid waste budget initiatives: cart replacement program; disposal cost increases; and compost pilot program.

Personnel Changes - Mr. Santucci outlined the personnel changes: relocation of Transportation Division from Parks and Recreation to Community Services; eliminate one transportation manager position; eliminate one vacant grant writer position; addition of one bus driver; addition of one facilities attendant; addition of two housing coordinator positions; eliminate one vacant electrical automation supervisor; eliminate one vacant utility electrician; eliminate one senior maintenance worker; addition of one ERP coordinator; and addition of one facilities technician.

FY24 Proposed Capital Budget Funding - Mr. Santucci displayed the capital projects and the revenue sources that will fund each project, which include various uses of grants, loan proceeds, and the General Fund Unassigned Fund Balance.

Proposed Major Use of Fund Balances - Mr. Santucci said the General Fund total use is $14.8 million, whereby, capital project funding, Historical Society, and contingency make up $4.7 million and the remaining is carryforward from prior year. The Utility Fund is $16.3 million, whereby, $5 million will be transferred to stormwater to help offset the cost for the west Deerfield Beach project, capital infrastructure projects - $8.3 million, and operating - $3 million. The Stormwater Fund is $2.9 million for new and carryforward, the Road & Bridge Fund is $1.5 million for new and carryforward, and other funds is $1.6 million.

General Fund Unassigned Fund Balance/Reserves - Mr. Santucci said the FY22 audited year end fund balance was $39.2 million, but the proposed use of unassigned balance is $14.8 million, so the estimated FY23 year fund balance is $24.4 million, which does not include revenue overages, expenditure reductions or the $5 million emergency reserve fund. Further, he said the City has maintained compliance with the current fund balance policy.

Commissioner Drosky stated that you can never have enough money in the reserves, especially with Deerfield Beach being a coastal city; therefore, he spoke in opposition to moving things around and using the reserves up, as we must remain good stewards by keeping a healthy savings account.

Mayor Ganz agreed, as he has seen the unassigned fund balance at $7 - $8 million; nonetheless, if it gets too high, he believes some of it should go back to the residents, unfortunately, at this time it cannot be done because there is not enough money to use to make reductions elsewhere, i.e. millage rate.

CITY COMMISSION BUSINESS - CONTINUED

Commissioner Hudak spoke in support of the fund balance policy, as he's been questioning the general accepted principals for years. Further, he agreed that it's important to have money in case of an emergency but also agreed that at some point the money must be given back to the residents.

Vice Mayor Parness agreed with Commissioner Drosky, as we do not have enough money in our savings account for a natural disaster, and suggested that the Commission establish a policy, i.e. ordinance outlining the amount of money that should be saved.

Mr. Santucci said once an analysis is conducted those conversations can be made.

Commissioner Preston said establishing a certain amount is difficult. Further, he believes, with $40 million in the unassigned fund balance, that we are currently in a position to give back to the residents.

Mr. Santucci clarified that there will be $24.4 million in the fund balance, whereby, $14.8 million is being allocated to various projects, which he outlined.

Commissioner Drosky asked if staff could investigate exactly how much money would be needed, should a natural disaster occur. Further, he asked the City Manager to provide information as it relates to what decreasing the millage rate would look like, as he does not believe it would offer the relief people anticipate.

Commissioner Hudak temporarily left the meeting at 9:07 p.m. and returned at 9:08 p.m.

FY24 Programmed Debt Issuances - General Government - Stephanie Tinsley, Chief Financial Officer, said $11.8 million is being programmed into general governmental capital projects, which she outlined. These projects will follow a debt service modeling plan, whereby, the type will be covenant (non-voted debt), over 20 years, with a five percent interest rate. Further, she said the debt will be issued in the first half of 2024, so a debt service interest payment will be due, $300,000. In FY25 and thereafter, two interest payments and the principal payment will be due. Ms. Tinsley explained that if the budget is adopted as planned, staff will come forward in October with a reimbursement resolution which will allow these projects to begin. Thereafter, she provided a brief overview of the fund balance policy.

Existing & Proposed Covenant Debt - City's Proposed Capital Improvement Plan - Ms. Tinsley displayed a bar graph outlining the existing and proposed debt, whereby, the debt service model puts the City at 50%, which is good, but we do not want to go any lower. The debt to accessed value is at .54%, which is good as the current policy states 2%. The debt service versus expenditure is less than 6%, meeting the 15% standard, which is high.

FY24 Programmed Debt Issuances - Water & Wastewater - Ms. Tinsley said the debt service for water & wastewater is $12.8 million, which will be taken out at the beginning half of FY24. Thereafter, she outlined the projects. The model is the same, 20 years, with 5% interest, whereby, the payment structure is already in the budget; first interest payment of $300,000 in FY24, and in FY25 will have the full interest payment, annual interest payment, plus the principal payment. Furthermore, the model is covered through the adopted rate plan, but emergency repairs, increases from Broward County, etc. are not covered.

Commissioner Drosky temporarily left the meeting at 9:07 p.m. and returned at 9:08 p.m.

FY24 Capital Improvement Plan - Mr. Santucci displayed the various capital projects within the FY24 capital improvement plan that will be paid through either general obligation revenue bonds; general government; utilities fund; and stormwater fund. Thereafter, the vehicles and equipment were displayed which will come from various funds.

Future Considerations - Mr. Santucci outlined the future considerations: Public Safety Master Plan; replacement of aged facilities, infrastructure, and municipal assets; general obligation bond to potentially fund major capital needs; central city redevelopment; 1045 SW 11th Way; SW 10th Street Project; code compliance contract expiration and service level assessment; fire assessment fees; staffing, as union contracts expire September 2024; and inflationary costs and supply chain issues.

CITY COMMISSION BUSINESS - CONTINUED

Summary Recommendation - Mr. Santucci said staff recommends maintaining the operating millage rate at 6.0018 mills, as well as the required debt millage rate, for a total operating millage rate of 6.2538. Further, staff is recommending a fire assessment fee is $310 per ERU.

Average Tax Obligation - City Ad Valorem - Mr. Santucci provided various examples of how the millage rate and fire assessment fee will affect the taxes for single-family and condo owners.

Mayor Ganz opened the public hearing.

Daniel Shanetzky, 34 Keswick B, Deerfield Beach, commented on the City's fitch ratings and although the City stands strong at an 'AA' rating, an 'AAA' rating can be obtained. Thereafter, he commended the Elected Officials and staff for a job well done.

Vice Mayor Parness temporarily left the meeting at 9:07 p.m. and returned at 9:08 p.m.

Gwyndolen Clark-Reed, 1430 SW 6th Way, Deerfield Beach, asked for clarification on why the CRA does not fully fund one of their positions. Further, she asked if the ERP will change technologies within city departments and what, if any, protections will be put into place to ensure nothing is hacked.

Dan Herz, 330 SE 19th Avenue, Deerfield Beach, asked for clarification on the pre-prom event, as well as the $15,000 reduction in the Juneteenth event. Further, he said money can always be found to spend on projects, but not to help out the taxpayers, which the City Manager was directed to do during his evaluation last year, i.e. given a goal to reduce the operating mileage rate. Thereafter, he commented on how the reduction of the millage rate would benefit many and how there was no mention of the revenue the City will be receiving.

Mayor Ganz closed the public hearing. Thereafter, he said there is a CRA member who works 50% in the CRA and 50% economic development, which goes back several years.

Mr. Santucci said the ERP technology, which has a strong track record for their security features, will affect various departments and improve customer service interaction.

Mayor Ganz clarified that the directives and projects outlined in the budget are provided to the City Manager by the City Commission and the explanations provided, thoroughly explain why decreases in the operating millage cannot be made, i.e. increase in services. He reiterated that there will be a point where reductions can be made, but at what cost. Further, the damage to the pier is not covered by FEMA due to the lack of emergency declaration, so that project must be covered using city funds. Thereafter, he commented on misinformation and the lack of increases in the enterprise funds throughout the years. Lastly, he entertained questions posed by Mr. Herz via e-mail.

Mr. Santucci said the City is not cancelling pre-prom but will work with the school and provide support through in-kind services, i.e. stage.

In response to Mayor Ganz's question, Mr. Santucci replied that because the support for pre-prom will be provided through in-kind services there isn't an associated budget. Further, he said the funding for Juneteenth is proposed at $45,000 but increased sponsorships will be sought. Lastly, Mr. Santucci said the proposed budget includes increases in the MLK festivities and Black Heritage Banquet.

ADJOURNMENT

There being no further business to discuss, the meeting adjourned at 9:32 p.m.

CITY OF DEERFIELD BEACH

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BILL GANZ, MAYOR

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Heather Montemayor, CMC, City Clerk