

TOWN OF PALM BEACH

Information for Town Council Meeting on: August 10, 2021

To: Mayor and Town Council

Via: Kirk Blouin, Town Manager

From: Jane Le Clainche, Director of Finance

Re: Proposed FY22 Budget Follow-up
Resolution No. 092-2021

Date: July 30, 2021

STAFF RECOMMENDATION

Staff requests that the Town Council approve the Reserve Policy Resolution No 092-2021. In addition, staff would like guidance on the funding for the North Fire-Rescue Station discussed below.

GENERAL INFORMATION

At the July 15, 2021 Town Council meeting the Town Council approved the following actions regarding the FY22 budget.

- Add \$1.5 million to partially fund the reconstruction of the North Fire-Rescue Station.
- Add funding for an additional 1% COLA for Town employees.

In addition, the following changes have been made to the proposed budget that was presented at the July 15th meeting.

- Addition of \$5.5 million into the FY22 CIP budget for the North Fire Rescue Station and offsetting funding proposed to be from the above mentioned \$1.5 million and \$4 million from General Fund Unassigned Reserves. Another option the Town Council may wish to consider would be to finance the \$4 million with a 20 year bank loan. Current rates provided by Jay Glover, our financial advisor with PFM were between 2.25% - 2.5%.
- The addition of \$250,000 to the Fire-Rescue budget for the rental of trailers to house the firefighters.
- Additional revenue of \$364,290 due to the proposed parking meter and placard rate increases.

- The addition of \$150,000 to the Building Enterprise Fund for additional part time no benefits personnel for monitoring and enforcement on construction sites.
- Revenue has been increased in the Building Enterprise Fund due to the continuation of the increase in building permit revenues expected through FY22. The allocation of costs to the General Fund has also been increased based on the final proposed budget numbers.
- **The updated millage rate after the above mentioned changes is 2.8966 which results in a \$54 decrease per million of value for homestead property owners.**

The resulting General Fund budget is shown on the attached budget summary. With the addition of the General Fund related items described above the budget summary shows a 10.16% increase over FY21. If you back out the one time expenditures of \$5.5 million for the Fire Rescue Station, and the associated \$250,000 for the trailer rental, the year over year increase would be 3.1%,

The Town Council approved the following Reserve Policies to be adopted with Resolution No. 092-2021.

1. **Marina Enterprise Fund Unrestricted Net Position** – This reserve is being established to fund an appropriate level of unrestricted net position to provide for unanticipated financial impacts. The policy would maintain a minimum unrestricted net position equal to one year of operating expenses plus one year of debt service.

Amounts in excess of the minimum unrestricted net position will be used to initially fund the project cost deficits in the Townwide Underground Utility Project Fund at an annual appropriation of \$2,600,000 for fiscal years FY22 through FY26. The amount may be adjusted as the project continues to ensure the deficit is eliminated.

The policy is written so that any additional excess unrestricted funds can be used for one-time expenditures after review and approval by the Town Council. This review will occur each year during the budget process in order for appropriations to be made in the upcoming fiscal year. If during the course of the year, an expenditure from fund balance is deemed necessary and approved by the Town Council a budget amendment will be prepared to appropriate funds from this reserve. The excess balance could also be used to prepay the marina construction loan in part or in full upon approval by the Town Council.

2. **Marina Depreciation Replacement Reserve** – This reserve will partially fund the replacement cost for the Town's marina when it reaches the end of its useful life and reduce the amount needed for financing a future reconstruction.

The reserve is to be maintained at a rate of 100% of accumulated depreciation based upon the cost of construction plus accrued interest. Funds may be drawn from this reserve for reconstruction or for significant repairs upon Town Council approval. If

funds are used, the reserve should be replenished to the minimum level as soon as practical.

Depreciation is calculated using the straight-line method with an estimated useful life of 30 years as has been recommended by the engineers.

3. **Marina Maintenance and Improvement Reserve** – This reserve will fund the costs of non-routine maintenance and improvement projects of \$50,000 or more to the infrastructure and major equipment at each of the docks.

The reserve will be funded at a rate of 1% of annual revenues calculated at fiscal year-end plus any interest earned on the reserve. An estimate for the annual reserve amount will be appropriated annually. Proposed expenditures from this reserve must be approved by the Town Council.

4. **Building Enterprise Fund Unrestricted Net Position** - Staff is proposing an additional Reserve Policy for the Building Enterprise Fund. This policy is proposed to define the appropriate level of unrestricted net position to provide for unanticipated financial impacts. Town maintain minimum unrestricted net position levels equal to or less than a four year average of the Fund's operating budget. These costs include the costs that were used in the cost allocation model prepared by the consultant. Any excess balance will be used to reduce fees as part of an update to the cost allocation and fee determination study in compliance with Florida Statutes section 553.80.

Resolutions adopting the proposed FY22 budget and the millage rate will be presented at the September 13, 2021, public hearing along with the Non Ad Valorem Assessment Resolutions, and the final budget and millage rate Resolutions will be presented at the September 23, 2021 public hearing.

SPECIAL CONSIDERATIONS

Public Hearing Dates:

- The first public hearing will be held on **Monday, September 13, 2021 at 5:01pm.**
- The second public hearing will be held on **Thursday, September 23, 2021 at 5:01pm.**

FUNDING/FISCAL IMPACT

The financial impacts on the FY22 budget are outlined above and included in the proposed FY22 budget.

Attachments

jl

cc: Jay Boodheshwar, Deputy Town Manager
Carolyn Stone, Assistant Town Manager
Department Directors