



Village of Royal Palm Beach, Florida

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Department of Finance
Stanley G. Hochman, Director

September 07, 2017

**The Honorable Mayor and Village Council
Village of Royal Palm Beach
Royal Palm Beach, Florida 33411**

RE: 2017/2018 Budget Message

Members of the Village Council:

In accordance with Chapter 2, Article I, Section 2.2 of the Village Code of Ordinances of the Village of Royal Palm Beach, I hereby submit the proposed Operating and Capital Budget for all funds for the fiscal year beginning October 1, 2017 for your review and consideration. This budget document represents the single most important report presented to the Village Council. It is primarily intended to establish an action, operation and financial plan for the delivery of Village services. Importantly, it also serves as an aid to the residents in providing a better understanding of the Village's operating and fiscal programs.

Budget Highlights

It should be noted that this budget document has been prepared with the intent of not increasing the tax rate of 1.9200 mils per \$1,000 of taxable property while maintaining the level of service our residents have come to enjoy.

Once again our property values have increased. Our current year gross taxable value of 2.510 billion has been increased to 2.701 billion which is an increase of 7.6% or 191 million dollars that this revenue appears to be stabilizing and should have like increases in future years. Most other major revenues (State Shared revenues and Other Tax related revenues) are also anticipated to increase as well, although at a much slower pace.

This budget document includes two (2) new capital funds. The Sales Surtax Fund which has been created from a 1% increase in the County sales tax that was voted for by the residents of the County; and, the Stormwater Utility Capital Improvement Fund which is partially funded by increasing the Stormwater fee by 50 cents from \$4.00 to \$4.50.

The budget also includes funding for a new transportation program (subsidized taxi services) for seniors who are unable to drive themselves to appointments.

Once again this budget document incorporates several policy and agenda items as outlined in the Village's new Strategic Plan for the 2017/18 fiscal year.

Fred Pinto
Mayor

Richard Valuntas
Vice Mayor

Jeff Hmara
Councilman

Selena Smith
Councilwoman

Jan Rodusky
Councilwoman

Raymond C. Liggins
Village Manager

Budget Format

A single budget document, which includes all Village Funds and service programs, has been prepared to provide a comprehensive overview of all Village services and financial framework for the understanding of the public.

The following sections are contained within this budget document:

1. Summary of all Budgeted Funds
2. General Operating Fund
3. Stormwater Utility Fund
4. Recreation Facilities Fund
5. Beautification Fund
6. Impact Fee Fund
7. Sales Surtax Fund
8. General Capital Improvement Fund
9. Utility Capital Improvement Fund

This budget and its five-year capital plan reflect the continued desire for new services and programs to meet the needs of our existing population. Once again our property values have increased. Our current year gross taxable value of 2.510 billion has been increased to 2.695 billion. The additional increase in taxable value is 185 million of which 8.8 million is represented by new construction. This budget provides the basis for meeting current and future public service requirements.

This past year the Village experienced a dramatic uptick in the number of development applications compared to recent years for both residential and commercial developments. During the past seven (7) fiscal years the Village annexed approximately 528.62 acres of vacant land (Southern Boulevard Properties; Porto Sol; Fox DRI MUPD; Heritage Oaks Commercial; Heritage Oaks Residential and Heron Cove, now known as Weldon Commercial; Sunshine Properties; Corporate Center West). It is projected that this land along with Cypress Key MXD; ALDI Park; the Rubin Property; Pioneer Road Residential; Crestwood Redevelopment Site; and various other smaller vacant and infill properties along Southern Blvd, State Rd. 7 and Okeechobee Blvd., will be the focal point of much of the new development within the Village.

Non-residential development will continue to occur along Okeechobee Boulevard, Southern Boulevard and State Road 7, however, not at the rapid pace experienced in past years. These areas do however offer new development and redevelopment opportunities. Much of the immediate and short term development opportunity will occur within properties that are vacant and have received site plan approval and within properties that have already experienced development of portions of their site plan such as: Corporate Center West 30,000 ft²; ALDI Park 151,172 ft²; Cypress Key MXD 125,000 ft²; Tract 115 7,500 ft²; Sawgrass PID 33,935 ft²; Southern Palms Crossing 7,000 ft²; Village Professional Park 17,600 ft²; Fox Property Parcel 4C 51,231 ft²; and Southstar Self Storage 28,000 ft². When evaluating the Village's build out potential it is important to also assess the vacant nonresidential properties which do not currently have site plan approval. This can be done by applying a floor area ratio of 30%, which is considered an industry standard when estimating a properties build out potential. The Rubin Property 15.75 acres; Regal Industrial 13.08 acres; Weldon Commercial 51.94 acres; and various smaller properties 27.58 acres, have a build out potential of 1,473,400 ft². These

development opportunities will continue along these roadways until the remaining development opportunities have been exhausted or traffic concurrency becomes unavailable. Opportunities for annexations for both developed and vacant parcels remain possible along Southern Boulevard. It is important to note that considering current market conditions it is reasonable to believe that renovations to older non-residential developments will play an increasing role in the non-residential market in the future.

It is anticipated much of the near term residential development will occur within the Crestwood Redevelopment site; Pioneer Residential; Cypress Key; and the Southern Boulevard Properties which have been Planned for 1,147 single-family dwelling and multi-family units. Opportunities still remain at various vacant land locations within the Village that would lend itself to either single family or multifamily development specifically within the recently annexed areas south of Southern Boulevard and east of State Road 7. It is important to note that considering current market conditions it is reasonable to believe that renovations to older single family and multifamily units will play an increasing role in the residential market in the future.

Summary of All Budgetary Funds

Individual budgeted fund expenditure increases or (decreases) are as follows:

<u>FUND</u>	<u>TOTAL</u>	<u>OPERATING</u>	<u>CAPITAL</u>
General Fund	559,694	559,694	
Rec Facilities Fund	82,717		82,717
Beautification Fund	100,000		100,000
Impact Fee Fund	(1,072,453)		(1,072,453)
Sales Surtax CIP Fund	2,535,000		2,535,000
General CIP Fund	159,902		159,902
Stormwater Utility Fund	83,352	83,352	
Utility Fund CIP	65,000		65,000
Total	2,513,212	643,046	1,870,166

ALL FUNDS
Category Summary

<u>CATEGORY</u>	<u>PROPOSED AMOUNT</u>	<u>% OF BUDGET</u>
Personnel Services	\$ 10,317,362	21.13%
Contractual Services	9,308,250	19.06%
Other Charges & Services	3,693,280	7.56%
Commodities	829,432	1.70%
Other Operating Expenses	100,917	0.21%
Departmental Capital Outlay	66,100	0.14%
Grants & Aids	14,000	0.03%
Contingency/Reserves	60,000	0.12%
Capital Outlay	24,338,840	49.85%
Transfers	100,000	0.20%
Total	\$ 48,828,181	100.00%

The following schedule shows a comparison of the operating department budgets for the past two years. Total operating expenses increased by 2.44%. The major portions of the increase can be directly related to the net change in total operating expenditures caused primarily by the increases in personnel services costs.

Departmental Operating Budget Comparison

	<u>2016/17</u>	<u>2017/18</u>	<u>Increase (Decrease)</u>	<u>% Change</u>
Village Council	\$ 261,597	\$ 291,641	\$ 30,044	11.48%
Village Manger	1,663,162	1,678,383	15,221	0.92%
Finance	1,620,860	1,640,963	20,103	1.24%
Legal	304,000	304,000	-	0.00%
Police	7,567,314	7,718,460	151,146	2.00%
Community Development	1,278,798	1,333,043	54,245	4.24%
Engineering	865,800	871,805	6,005	0.69%
Public Works	2,395,499	2,527,073	131,574	5.49%
Parks & Recreation	4,905,784	4,958,968	53,184	1.08%
Utilities	807,516	851,024	43,508	5.39%
Non Departmental	2,137,865	2,247,882	110,017	5.15%
Total	\$ 23,808,195	\$ 24,423,242	\$ 615,047	2.58%

GENERAL FUND

The General Fund which is one of the operating funds of the Village is used to account for resources and expenditures that are available for the general operations of Village government functions for all departments and programs.

Revenues

The revenues available for allocation in the 2018 Fiscal Year (FY) General Fund Budget, including a fund balance carryover, are anticipated to be \$23,492,651. This is an increase of \$514,694 or (2.24%) compared to last year's adopted budget.

Locally Levied Taxes - The amount budgeted for Ad Valorem taxes are based on the taxable property value of \$2,701,558,348. This is an increase from last year which is represented primarily by a 7.6% increase in the value of taxable property coupled with a \$9 million increase in new construction. The Ad Valorem millage levy for fiscal year 2018 is proposed to remain at 1.9200 mils per one thousand dollars of taxable property. The overall category increase of \$258,016 or 2.47% can be directly related to the increase in ad valorem taxes.

Licenses and Permits – The amount budgeted for building permits have increased dramatically this year due to anticipated new projects. Franchise fees however are expected to decrease approximately 10% compared to last year's budget amount. Overall Licenses and Permits revenue is projected to decrease by \$63,362 or 1.88% from last year's adopted budget.

Intergovernmental Revenues - Total Intergovernmental Revenues in FY 2018 are projected to increase by \$62,610 or 1.48% based on the net minor projected increases in State Revenue Sharing and Half Cent Sales taxes.

Charges For Services - Revenues relating to charges for services are expected to show a small increase of \$2,500 or .47% compared to the prior year's budget. This small increase can be directly related to stable recreation related programs.

Fines and Forfeitures - Total revenue projected for fiscal year 2018 is \$353,663 representing an increase of \$74,314 or 26.60% which is directly related to anticipated increases in Code Enforcement Fines.

Miscellaneous Revenues - Revenues in this category are projected to decrease by \$80,511 or 7.61% which is caused primarily from the net effect of the sale of the Fire Stations and the elimination of rent for these facilities as well as an increase in telecommunications rent.

Fund Balance (Carryover) – Revenue in this category is expected to increase by \$306,126 or 10.5%. These revenues are used to fund the Operating and General Capital Improvement program and are represented by prior year revenues in excess of expenditures.

Expenditures

The budgeted FY 2018 General Fund expenditures total \$23,537,651 and are balanced with the projected revenues. Total General Fund expenditures increased by \$559,694 or 2.44% as compared to the FY 2017 total adopted budget.

CATEGORY SUMMARY

<u>Category</u>	<u>2016/17</u>	<u>2017/18</u>	<u>Increase (Decrease)</u>	<u>% Change</u>
Personnel Services	9,556,363	9,855,505	299,142	3.13%
Contractual Services	9,216,622	9,305,750	89,128	0.97%
Other Charges & Services	3,226,908	3,409,818	182,910	5.67%
Commodities	835,767	788,261	(47,506)	-5.68%
Other Operating Expenses	90,197	98,217	8,020	8.89%
Departmental Capital Outlay	38,100	66,100	28,000	73.49%
Grants & Aids	14,000	14,000	0	0.00%
Total Operating Expenditures	\$ 22,977,957	\$ 23,537,651	\$ 559,694	2.44%

Personnel Services

Personnel Services expenditures, for all employees, have been budgeted to reflect the provisions of the Village of Royal Palm Beach Pay Plan. As reflected on the table above this category increased by \$299,142 or 3.13% from last year. A cost of living increase of 1.7% and an average merit increase of 3.5% were utilized in computing wages. An increase in the cost to the Village associated with the cost of health insurance has been incorporated in accordance with historical data.

The number of full time equivalent employees in the General Fund has remained the same as last fiscal year. Total General Fund employees, both full and part time are now 144.5 positions.

Contractual Services

The overall expenditures for contractual services increased by \$89,128 or .97%; the major cause of the increase can be directly related to costs associated with the increase in the PBSO contract.

Other Charges and Services

The overall expenditures for other charges and services increased by \$182,910 or 5.67%; the increase is related to Village utility and insurance costs as well as maintenance contracts.

Commodities

This expenditure category decreased by \$47,506 or 5.68% as compared to last year. This reduction in costs are directly related to fuel expenses and furniture less than \$5,000.

Other Operating Expenses

Total costs associated with other operating expenses increased by \$8,020 or 8.89% which is represented by increases in the training and education line item in several departments.

Departmental Capital Outlay

Total costs are \$66,100 which is represented by various equipment purchases in the Public Works and the Parks Department.

Grants and Aids

Total costs are \$14,000 and remain the same as last years adopted budget.

SUMMARY OF EXPENDITURES BY DEPARTMENT GENERAL FUND

<u>DEPARTMENT</u>	<u>2016/17</u>	<u>2017/18</u>	<u>Increase (Decrease)</u>	<u>% Change</u>
Village Council	\$ 261,597	\$ 291,641	\$ 30,044	11.48%
Village Manager	1,663,162	1,678,383	15,221	0.92%
Finance	1,620,860	1,640,963	20,103	1.24%
Legal	304,000	304,000	-	0.00%
Police	7,567,314	7,718,460	151,146	2.00%
Community Development	1,278,798	1,333,043	54,245	4.24%
Engineering	865,801	871,805	6,004	0.69%
Public Works	2,412,999	2,547,573	134,574	5.58%
Parks & Recreation	4,926,384	5,004,568	78,184	1.59%
Non-Departmental	2,077,043	2,147,215	70,172	3.38%
TOTAL	\$ 22,977,957	\$ 23,537,651	\$ 559,694	2.44%

GENERAL CAPITAL IMPROVEMENT FUNDS

Recreation Facilities Fund

This fund is used to account for revenues and expenditures associated with the acquisition, improvement, expansion or implementation of parks and recreational facilities. A total of \$82,717 is budgeted for fiscal year 2018. The major project that will use these funds is the ADA access to the Kayak facility.

Beautification Fund

This fund was established to enhance the aesthetic landscape and visual perception of the Village. A total of \$100,000 is budgeted for fiscal year 2018. The major project that will use these funds is the Accent Lighting Improvements at Veterans Park.

Impact Fees Fund

This fund was established to collect impact fees on all new construction activity in the Village and pay for the new capital facilities related to new development. These fees are levied for roads, public parks, and public buildings. A total of \$4,195,878 is budgeted for fiscal year 2018. The major projects that will use these funds are: Commons Park Amphitheatre; Commons Park N Access Pathway; Commons Park Restrooms and the Cultural Center Expansion.

Sales Surtax Fund

Utilizing the proceeds from the voted additional 1% sales tax, this fund will be used to provide money for capital outlay associated with the construction, reconstruction, or improvement of public facilities that have a life expectancy of five (5) or more years and any related land acquisition, land improvement, design and engineering costs. A total of \$2,535,000 is budgeted for fiscal year 2018. The major projects that will use these funds are: RV Boat Parking – Phase II; Sporting Center Improvements; Sports Lighting - Bob Marcello Field 2 & 3; Playscape replacement - Penzance

General Capital improvement Fund

This fund was established to account for the Village's General Capital Improvement program. A total of \$8,020,725 is budgeted for fiscal year 2018. The major projects that these funds will be utilized for are: Road Resurfacing; Cultural Center Renovation; Village Wide ADA Improvements; Electronic Plan Review and Traffic Signal Controls.

STORMWATER UTILITY FUND

This fund is used to account for the income and expenses of operating the Village's Stormwater runoff collection, transmission and treatment and disposal system. The proposed Stormwater Fund budget for FY 2018 is \$951,691.

Revenues

The projected revenues for FY 2018 are \$951,691 and will be generated from a Stormwater fee of \$4.50 for each residential unit (ERU) based on a study prepared by CDM Smith Engineers. Current year revenues will generate \$885,000; and carryover revenue from prior years will aggregate \$66,691.

Expenditures

The Operating Expenses by Category for the Stormwater Utility Fund total \$951,691, which balance with the revenues stated above.

EXPENDITURE CATEGORY SUMMARY

<u>Category</u>	<u>2016/17</u>	<u>2017/18</u>	<u>Increase (Decrease)</u>
Personnel Services	\$ 507,420	\$ 461,857	\$ (45,563)
Contractual Services	5,000	2,500	(2,500)
Other Charges & Services	284,787	283,462	(1,325)
Commodities	47,785	41,171	(6,614)
Other Operating Expenses	3,325	2,700	(625)
Contingency/Reserves	20,022	60,000	39,978
Transfers		100,000	100,000
Total Expenditures	<u>\$ 868,339</u>	<u>\$ 951,691</u>	<u>(16,648)</u>

Personnel Services

Expenditures for the proposed budget total \$461,857 and represent a decrease of 8.98% from last year. This category is comprised of 44% of the salaries and fringe benefits of select public works employees currently performing these tasks in the General Fund. This is the equivalent of six and a half (6.50) employees. The decrease can be related to general decreases in personnel related costs.

Contractual Services

Expenditures total \$2,500 or less than 1% of the total fund budget and are a 50% reduction as compared to last year. This expenditure category will be used for professional services for engineering/structural design for various projects.

Other Charges and Services

Expenditures total \$283,462 which is a decrease of .47% from last year and represents 30% of the total fund budget. This expenditure category is primarily comprised of costs associated with repair and maintenance services as well as administrative fees to the General Fund and PBC Water Utilities.

Commodities

Expenditures total \$41,171 or 4.3% of the total fund budget. This amount represents a 13.84% decrease from last year which can be directly related to decreases in fuel costs.

Other Operating Expenses

Expenditures total \$2,700 which is \$625 lower than last year and can be directly related to tuition reimbursement. This expenditure category is primarily comprised of costs associated with training and memberships.

Reserves

This amount is set aside in anticipation of the year end Florida Retirement System pension liability which will be calculated during our annual audit based on data supplied by the State.

Transfers

This amount represents the transfer to the new Capital Improvement Program

UTILITY CAPITAL IMPROVEMENT FUND

This fund was established to account for the Village's Stormwater Utility Capital Improvement program. A total of \$65,000 is budgeted for fiscal year 2018. The project that these funds will be utilized for is Camellia Park Drainage Improvements.

Respectfully submitted,



Raymond C. Liggins P.E.
Village Manager



Stanley G. Hochman, CGFM
Director of Finance

RL: SGH:

LONG TERM OVERALL MUNICIPAL GOALS

As outlined in the budget message our budget, strategic plan and its five-year capital plan reflect the continued desire for services and programs to meet the needs of our existing population while recognizing that we are very near build out, resulting in our focus to slowly change from new construction to maintenance and replacement.

In 2013 the Village embarked on drafting a Strategic Plan, a Plan with a Vision, Mission and Goals, that future decisions no matter what kind or how small can be linked. Is the decision in the best interest of where we want to go? Is the decision connected to the vision of our strategic plan?

Royal Palm Beach 2031 Vision is to be a beautiful, safe, convenient, enjoyable premier residential community with a hometown feeling and the choice for all generations.

The mission of the Village of Royal Palm Beach is to provide caring, municipal services in the most cost effective manner that is responsive to our community.

The Goals to achieve the Vision are:

- To Be a Financially Sound Village.
- Create a Livable Community from Curb Appeal to Convenience.
- Provide an Abundance of Leisure Choices/Options.
- And Have Responsive, Community Based Village Services and Facilities.

Staff has developed the FY 2017-2018 Budget with these goals in mind. The budget goals provide the overall framework for the budget process.

The annual budget document includes two major components. The first are the operating budgets and the second is the capital improvement program. Village departments have reviewed their department goals for the upcoming year to assure that the overall long term Village goals were addressed in their priorities for program, service and facility requests.

Each department will prepare annual objectives and performance indicators, which are reviewed along with the annual expense requests to assure that they are in concert with the Village's long-term goals.

FY 2017-2018 BUDGET GUIDELINES AND GOALS

PROPERTY TAX POLICY

The Village will set property tax rates in such a manner as to capture increases in taxable value (which would include sales, reappraisals of existing property and new construction).

INFLATION

The inflation rate used to project certain expenditure increases contained in the operating budget is 1.63% for the 2017-2018 fiscal year. The inflation rate is based on the Bureau of Labor Statistics, Consumer Price Index for the twelve month average ending March 2016; All urban consumers: U.S. All items 1982-84=100.

STAFFING LEVELS

Requests for new positions will be reviewed carefully and authorized where the needs exist. Changes are included to accommodate adding Royal Palm Beach Commons Park to the Village's Park inventory.

PERSONNEL SERVICES

This category includes costs associated with salaries, wages and fringe benefits. Proposed personnel costs are based on the following assumptions:

Merit increases are budgeted at an average increase of 3.5%. Merit increases can range from 0% to 5%.

- The Village share of health insurance costs will increase in accordance with any approved rate changes accepted by the administration. The total cost of insurance is anticipated to rise in excess of 6% and may require the Village to prepare a new request for proposal.
- As of October 1, 2008 the Village joined the Florida Retirement System (FRS). Hence, all employee's hired after that date must belong to FRS. Employee's on board prior to that date had a one-time irrevocable option to stay in the current defined contribution plan or join the Florida Retirement System. For those employees who chose not to transfer to FRS, the Village still provides a defined contribution retirement plan. The Village provides a base contribution of 5% of gross salaries/wages for each employee in the plan. The Village will match up to an additional 5% employee contribution into the plan.

USER CHARGES

Service fees will be set with the goal of recovering 100% of costs incurred, except in specific instances where the Village Council determines that it is in the public interest to offset some of the costs through other revenue sources, such as general tax support. Departments will

be encouraged to update their fee schedules on an annual basis, preferably during the budget process.

CAPITAL ITEMS

Capital outlay consists of two categories. The first represents items costing (individually) between \$5,000 and \$10,000 with a life expectancy of more than two years. These items are budgeted within the various department budgets. Unexpended balances at year-end will lapse and are closed to fund balance.

The second category represents items/projects costing more than \$10,000. These costs are included in the Village's Capital Improvement Program. Projects not completed at year-end are carried forward to the next fiscal year. Unexpended balances of closed projects at year-end lapse and are closed to fund balance.

FY 2017-2018 BUDGET GOALS

In addition to the goals established within each department budget, the Village as a whole has established the following for the 2017-2018 fiscal year:

Maintain the ad valorem millage rate and the level of service that all of the Village residents have come to enjoy.

Create a balanced General Fund Budget utilizing revenues and funds from local taxes, licenses and permits, Intergovernmental Revenues, charges for service, fines and forfeitures, miscellaneous revenues and reserves.

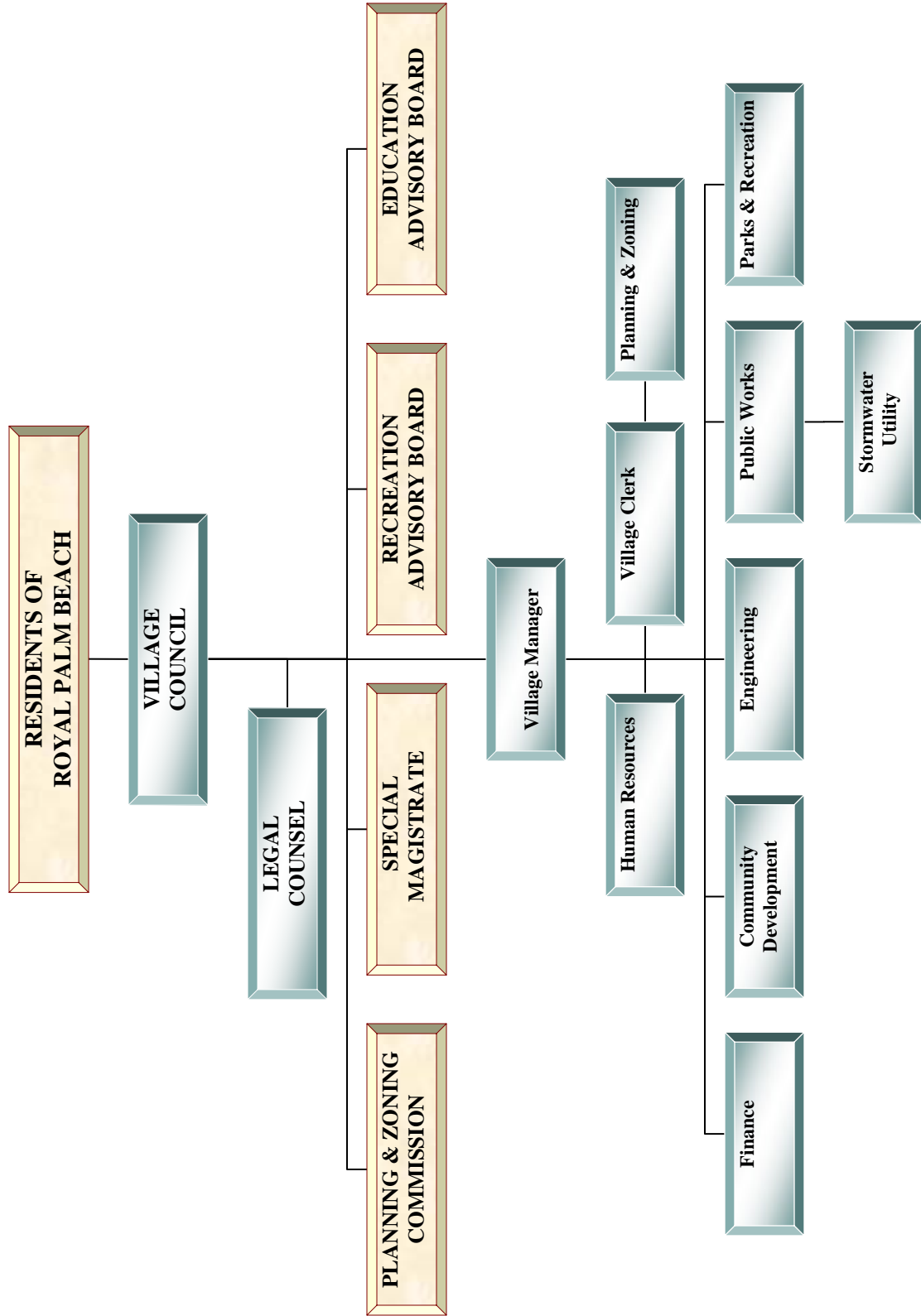
Create a capital budget utilizing revenues from Recreation Facilities Fund, Community Beautification Fund, Impact Fees Fund, Local Discretionary Sales Surtax Fund and Grants and Reserves.

Update all development fees.

Update communication and citizen engagement strategies.

Expand and update Cultural Center.

The Village of Royal Palm Beach Organizational Chart



FY 2017 GFOA Budget Award

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the Village of Royal Palm Beach, Florida for its annual budget for the fiscal year beginning October 1, 2016. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**Village of Royal Palm Beach
Florida**

For the Fiscal Year Beginning

October 1, 2016

A handwritten signature in black ink, appearing to read 'Jeffrey R. Egan'.

Executive Director