



Office of the Town Manager

Rafael G. Casals, ICMA-CM, CFM
Town Manager

MEMORANDUM

To: Honorable Mayor and Town Council

From: Rafael G. Casals, ICMA-CM, CFM, Town Manager

Date: September 22, 2020

Re: Fiscal Year 2020-21 Final Operating and Capital Outlay Budget for Adoption (2nd Advertised Budget Hearing)

REQUEST

A RESOLUTION OF THE MAYOR AND TOWN COUNCIL OF THE TOWN OF CUTLER BAY, FLORIDA, ADOPTING THE FINAL OPERATING AND CAPITAL OUTLAY BUDGET FOR THE FISCAL YEAR COMMENCING OCTOBER 1, 2020 THROUGH SEPTEMBER 30, 2021 PURSUANT TO SECTION 200.065, FLORIDA STATUTES; AUTHORIZING THE TOWN MANAGER TO MAKE EXPENDITURES CONSISTENT THEREWITH AND AUTHORIZING THE TOWN MANAGER TO MAKE CERTAIN BUDGET AMENDMENTS WITHIN A DEPARTMENT PROVIDED THAT THE TOTAL OF THE APPROPRIATIONS IS NOT CHANGED; AND PROVIDING FOR AN EFFECTIVE DATE.

BACKGROUND AND ANALYSIS

Please find attached the tentative Fiscal Year 2020-21 budget for adoption, which includes the changes to both revenues, expenditures, and items discussed during the two (2) scheduled Town Council Budget Workshops held August 10, 2020, and August 26, 2020 and at the 1st Budget Hearing held September 8, 2020. The tentative budget was developed using the proposed millage rate of 2.6500 mills adopted through Resolution No. 20-45.

The proposed millage rate was utilized by the Property Appraiser's Office ("PA") for purposes of the Truth in Millage ("TRIM") advertising notice. As per State TRIM Notice Law, the PA mailed out the TRIM advertisement to all property owners clearly illustrating both the proposed millage rate (2.6500 mills) and the lower "rollback" millage rate (2.3073 mills), for comparison purposes. The "rollback" millage rate is defined as the millage rate necessary to raise the same amount of ad valorem tax revenue as the previous Fiscal Year, excluding taxes from new construction. The "rollback" millage rate will not result in an increase of municipal taxes to the Town's property owners.





At the 1st Budget Hearing, the Town Council tentatively adopted this proposed 2.6500 millage rate, which is 14.85% greater than the roll-back rate. However, this does not prevent the Town Council from adopting a lower millage rate during our 2nd Budget Hearing.

As discussed in detail during our 2nd Budget Workshop on August 26, 2020, with the Town's Financial Advisor, a combination of operating deficits in four (4) of the past five (5) Fiscal Years (as well as a unique set of events in the past year) have resulted in a significant utilization of the Town's Fund Balance Reserves in the General Fund.

Since Fiscal Year 2014-15, the Town has experienced Annual Fund Balance deficits in four (4) of the past five (5) Fiscal Years, although the amount of the deficit has been less than the deficit budgeted for those years (i.e. the "planned" dip). The table below shows the operating results of the General Fund for the past five (5) Fiscal Years versus the budget:

GENERAL FUND		
	Budget (originally adopted)	Actual
	<u>Fund Balance Surplus (Deficit)</u>	<u>Fund Balance Surplus (Deficit)</u>
FY 2014-15	(3,445,772)	(865,675)
FY 2015-16	(3,786,628)	(403,166)
FY 2016-17	(3,461,737)	(1,778,740)
FY 2017-18	(4,411,581)	617,680 (Actual Surplus for FY 2018)
FY 2018-19	(2,926,802)	(459,882)

During Fiscal Year 2019-20, the Town Council had a unique opportunity to secure, complete, and fund (through Fund Balance Reserves) three (3) major capital projects (the "Capital Projects"): 1) improvements to Franjo Park; 2) acquisition of vacant land for preservation, conservation and resiliency purposes (approx. 8.45-acres property); and 3) the acquisition of vacant land on Old Cutler Road (approx. 16-acres property).

Town Staff understands the Town Council's desire to set a millage rate with as little impact to the community as possible, however, the rate set these past five (5) Fiscal Years were not sufficient for the Town to operate at a balanced budget. As a result, deficits were incurred, and Fund Balance Reserves were negatively impacted. While the Town ended Fiscal Year 2018-19 with adequate Fund Balance Reserves, the utilization of Fund Balance Reserves to fund operating deficits and capital improvements and acquisitions will quickly deplete the Town's reserves unless measures are undertaken to stabilize the operating budget and replenish the reserves for the amounts planned to be spent on these capital improvements and acquisitions.

Town Staff along with the Town Financial Advisor coordinated two (2) Town Council Workshops to discuss a Fund Balance Replenishment Plan (the "Plan") on February 26, 2020, and July 29, 2020. During these workshops, the Plan was presented to the Town Council to address both the operating budget shortfall and replenishment of the Fund Balance Reserves over a three (3) year period.





This Plan recommended adopting a millage rate of 2.6500 mills for Fiscal Year 2020-21, as well as restructuring certain existing debt and issuing new, open-market debt securities (in an amount not to exceed \$15.25 million). The attached General Fund Budget incorporates the recommendations that resulted from the Fund Balance Replenishment Plan Workshops.

Town Staff has identified several items for the Town Council to consider. The items include, but are not limited to:

- The July 1, 2020, Certified Property Value from the PA indicate an approximate 4.4% increase in property values for 2020.
- Unless directed otherwise by the Town Council, Town Staff currently anticipates no change in full-time Town staffing nor any changes to Police staffing levels.
- Notwithstanding the COVID-19 revenue declines and impacts, Town Staff strived to present to the Town Council a Fiscal Year 2020-21 General Fund budget that maintained levels of service comparable to the recent past. The primary significant initiatives for the upcoming budget year are implementation of the proposed debt restructuring plan, which includes the aforementioned \$15.25 million open-market bond issuance, and completion of the purchase of the approx. 8.45-acre parcel along Old Cutler Road & SW 184 Street. Other significant changes in the General Fund departmental budgets are discussed in the 2nd Budget Hearing Executive Summary, attached hereto as Attachment "A".

In addition to the General Fund budget discussed above, for which a millage rate is set, the Town has proposed budgets for various Special Revenue and Capital Projects Funds and for its Stormwater Utility operations.

Special Revenue Funds are generally used to account for grant and/or other restricted sources of funds. For Fiscal Year 2020-21, Town Staff has budgeted the Special Revenue Fund that accounts for collection and use of the 2nd Local Option Gas Tax monies passed through from the State, as well as for various Impact Fees collected by the Town. Separate Special Revenue Funds have been budgeted to account for park grants, such as from The Children's Trust and the Department of Juvenile Justice, as well as for transportation and transit related projects, such as the Franjo Road Joint Participation Agreement, the SMART Demo grant (Transit Fund) and the Transportation Master Plan Update (Transportation Fund). Additionally, the CITT Fund accounts for the PTP Surtax Funds received from the CITT and used for eligible transportation and transit projects, including roadway resurfacing projects and our circulator bus and bus shelter replacement program.

Town Staff's tentative budget also includes the Capital Projects (Parks) Fund. In this Fund we account for major park improvement projects.





For Fiscal Year 2020-21 we are budgeting for completion of the Franjo Park Restoration Project (\$1,560,000 carried over to the new budget year funded by a \$200,000 FRDAP State grant and \$1,360,000 transferred from the General Fund), as well as completion of the Lakes by the Bay Canoe/Kayak Launch Project (\$237,000 carried over to the new budget year funded by a \$200,000 FDEP Federal grant and \$37,000 of Park Impact Fees).

We have also provided for the Town Council's consideration a tentative budget for the Stormwater Utility Fund, an Enterprise Fund. In addition to its recurring activities, such as stormwater drain cleaning, street sweeping, and community outreach, two (2) major drainage projects are budgeted. First, the Cutler Ridge Sec. 3 Drainage Improvement Project is an approximate \$2 million project. It is funded with a \$200,000 FDEP State grant, \$250,000 of Stormwater Fees, and approx. \$1.54 million of CITT Surtax Funds. Second, the Saga Bay 1.7 Drainage Improvement Project is an approx. \$1,005,000 project being funded with a \$600,000 FDEP State grant and approximately \$405,000 of CITT Surtax Funds. Both projects will provide much needed drainage improvements to their impacted residential neighborhoods.

The attached 2nd Budget Hearing Executive Summary (Attachment "A") and the Tentative Budget Fiscal Year 2020-21 Fund Summaries and Department Expenditures Report (Attachment "B") reflect changes to our projected revenues/expenditures based on items discussed during the Town Council's 1st and 2nd Budget Workshops (August 10, 2020, and August 26, 2020), as well as during the 1st Budget Hearing (September 8, 2020).

The attached Executive Summary provides a concise narrative of the significant changes made to the budget drafts based on Town Council discussions during these meetings, while the Fund Summaries and Department Expenditures Report provides detailed information by revenue source and expenditures by Department.

Additionally, please find attached the Fund Balance Ordinance Certification (Attachment "C") and the Fiscal Year 2020-21 Tentative Millage Cost of Departments for the General Fund (Attachment "D") as stated in Section (A) (11) of the Town Charter's Citizens' Bill of Rights.

ATTACHMENTS

- Attachment "A" – 2nd Budget Hearing Executive Summary
- Attachment "B" – Tentative Budget FY 2020-21 Fund Summaries and Department Expenditures Report
- Attachment "C" – Fund Balance Ordinance Certification
- Attachment "D" – FY 2020-21 Tentative Millage Cost of Departments General Fund

