



## Legislation Text

---

**File #:** 17-0122, **Version:** 1

---

### Summary

**To:** Finance Board

**From:** Staff

**Date:** 6/9/2017

**Subject:**

Preliminary Budget Discussion & MMP Recommendation

---

### Summary:

The budget, of course, is not balanced at this time, for purposes of discussion and examination we have provided a very early draft of some the items subject to our decision making.

At the last Finance Board meeting staff discussed the budget for the fiscal year 17-18 at a very high level and I mentioned that while 17-18 does not have any major hurdles, this year, staff would seek to fix some structural problems with the budget. The primary concern for staff at this time is not what is going to happen in fiscal year 17-18, but what the results of the electoral process are in November of 17. Staff thinks a prudent position to take for budgeting this fiscal year is a budget and hold approach whereby we do not commit to new positions or any additional capital improvement apart from what is already-approved so that we can evaluate the results of the November referendum. As previously mentioned, the potential loss of the “Penny for Pinellas” in 2020 represents at least a \$464,000 loss of revenue to our general governmental funds. Currently “Penny” proceeds are dedicated for infrastructure purposes. Also, the legislature approves a measure that would put approval of a third \$25,000 homestead exemption to the voters. Voter approval could result in a loss of ad valorem proceeds to the town estimated more than \$225,000 annually.

The good news is that within the next year or two years some of the new development occurring around town will begin to add to the tax rolls. Each block of 28 of the new Belleview units represents an addition of close to \$100,000 of ad valorem proceeds. Once the development is completed the total development wide ad valorem proceeds are an estimated \$400,000 annually. As for the golf course redevelopment, once completed staff estimates the total annual ad valorem proceeds from that project to be more than \$85,000 depending on final valuation. As the simple math would have it if the worst case scenario of the Penny for Pinellas failing and the third homestead exemption passing, the town would see a total loss of revenue of \$774,000 only to be offset by \$485,000 of “new” ad valorem proceeds. The result leaves the town with an approximate \$290,000 gap that the town will have to figure out how to cover. In the future, that discussion might include decreasing services, deferring capital projects or increasing fees and taxes. Other options include increasing approved taxes like the communication services tax or adding additional utility taxes. This problem is not just for Belleair to muddle through, the effects of this vote are compounding, as Pinellas County will have to deal with many of the same problems, as will other special districts.

With those threats to future revenue as a backdrop, we begin this year's budget process with a look beyond 17-18. The current budget will take a much of the same approach as last year's budget. However, we are paying a little more attention to some outstanding one-time capital expenditure needs as a matter of playing catch-up and

in some cases getting in front of foreseeable capital needs. That is not to say that are we are targeting utilizing proceeds from the golf course sale make up a bunch of capital project and capital maintenance needs, however. Rather, I suggest we hold The proceeds to evaluate whether those significant revenue losses are going to occur. Because if they do occur, it would be prudent, to continue on our capital project timeline that both the infrastructure finance and commission have approved, that we would necessarily have to utilize those dollars to fund those projects. Otherwise, we would have to set out on another borrowing because on a simple cash flow basis; we would not have enough annual revenue to continue to plan as approved. However, if the Penny is approved, the town finds itself in a much better position to discuss other options for the allocation of those proceeds. In sum, my suggestion is to budget conservatively this year, hold the proceeds from the golf course sale until we know what the will of the voters is. This is, of course, a short-term position, as I would not suggest that we sit on a large reserve, particularly when there's lots of work to be done.

As far as the General Fund is concerned, with the transfer back of the golf course operational funds the General Fund now enjoys an unallocated reserve balance close to 2 million dollars. It should be noted that \$630,000 of this unallocated balance is comprised of an advanced to the Water Fund, and as such, it is not readily liquid. However, the remainder is cash or cash like and would be liquid in the case of emergencies. Also, We still enjoy an unallocated reserve balance in the Capital Projects Fund in excess of a million dollars. While the combination of these two reserve balances might seem like a sizeable amount of money sitting around idle, we have to balance that with the relative risk of emergency outlay. Critics may ask if FEMA will reimburse you and the town is well insured so why are you holding that much money? The answer to this critical question is that FEMA and the State of Florida only reimburse up to 75% of the loss, 85% if the town takes part of some beta programs. Most communities around the state will tell you the process is often arduous and in some cases can take up to a decade to release funds back to the affected community. As for insurance, we have deductibles, and in many situations, we will pay to have any work done immediately and await reimbursement from our insurance carriers. So it is important to have enough reserve available to fund our recovery costs.

### Infrastructure

Aging infrastructure is the story in many cities and towns all across America. In fact, the President spoke about this very problem as recently as last week, and he laid out the idea that America would rebuild its aging infrastructure, but the federal government would not pay for it. Currently, the town does not receive much Federal benefit anyway since there are no federal highways or roads running through town. The President's comments underscore the point that cities and towns, particularly in Florida where home rule is under attack and the state have less and less money to help provide assistance to municipalities, that we are on our own to provide for infrastructure improvements and maintenance. Keeping in mind economies of scale, a town our size continues to look for ways to partner with the state, county, and other agencies to leverage our resources to rehabilitate, restore and renovate our infrastructure. SWFMD cooperative funding has been critical to our success with our recent capital projects.

### Revenues

The General Fund revenue is undergoing a facelift. The positive news for the General Fund is that the total taxable value increased by 6.49%. This equates to a net increase of \$198,889 of ad valorem proceeds. All of the state revenue sharing amounts remain flat, as the state is still estimating the amounts to be collected. The building department expects \$20,000 of increased fees due to the major developments as well as an uptick in building and development related activity. The homes along Indian Rocks Rd. are a good indicator of the types of renovations we see around town. Golf fund revenue is obviously reduced to zero, as that revenue is no longer recurring. The annual grant for recreation personnel is expiring this year and is leaving a funding gap of \$32,000. Staff will be bringing forth a plan to address this issue in July.

Otherwise, there are some large transfer dollars that have been eliminated. We have eliminated these lines because they were, in essence, a spending of reserve dollars. Through various transfers among funds and return of “loan” dollars from one fund to another the general fund has been appropriating the return of loan dollars as revenue, without the offsetting expenditure of placing the excess dollars in reserve. The result of which is essentially spending of reserve dollars for operating expenses, without expressly stating it as such. In practice, if the General Fund realizes a net surplus for the year more than the amounts, no reserve is spent. However, when there is a net deficit or a net surplus is smaller than the reserve amount, then in that case reserve is being expended. This problem is a structural one and should be addressed this year. It is ok to allocate reserve, but staff believes that it should be addressed on its face as reserve expenditure.

The combination of the above changes amount to an \$87,700 reduction in revenue over the previous year, but these numbers are still subject to change as they are subject to considerable change due to the allocations in capital equipment transfers as well as possible increases from the state. Soft as mud as Mr. Olson would say.

### **Expenditures:**

Staff will provide a provide a department, by department overview at the meeting, but a high level review of the unbalanced requests are as follows:

#### **Public Works**

Public Works is requesting funds to renovate the Town Hall’s bathrooms and roof, as well as the Public Works building’s fence and add a camera installation. Also included above is the purchase of an asphalt roller, which by current calculations could save the town \$37,000 over the roller’s lifetime.

#### **Police**

PD is requesting the addition of \$50,000 to Part Time Salaries to cover training of new officers, vacations and sick time. Police are requesting an increase to maintenance and replacement of radios totaling \$28,200. Operating supplies are requested to increase by \$11,000 for new weapons and computers. The department is also requesting an additional \$6,400 for professional services, which includes the use of PCSO Forensic Services and the Police Applicant Screening Service.

#### **Building**

Increases to contractual labor are requested to increase by \$7,400 due to the expected influx of building inspections with the construction of the new golf course and condominiums.

#### **Water**

The Water Department has been working this year with only two operators. They request the addition of another to relieve the strain put on staff. Maintenance of water meters is likely to increase by \$6,300 due to the addition of MIU’s this year. The cost for laboratory testing is expected to rise by \$1,800 along with the cost for chemicals by \$2,200. The Water Department would also like to request an increase of \$22,000 for an additional F-150 for the Water Foreman.

#### **Solid Waste**

The Solid Waste Department wishes to add an additional two part-time workers for the new recycling program. This would cost the town an estimated \$36,000. In addition to that, contractual labor is increasing by \$1,000 for the use of PeopleReady. Due to the age of the pressure washer, maintenance of equipment will increase by \$1,300 as well.

#### **Recreation**

Recreation wishes to add \$2,000 to the maintenance of grounds for a new mower deck.. Recreation is going to experience

a major shortfall of revenue this year with the absence of grant funding. This money funded two part-time positions.

**Support Services**

The biggest increase for Support Services is within the budget for the Town Attorney, requesting an increase of \$55,000. Historically, legal expenses have been substantially over budget. Community development is requesting an increase of \$15,000 to cover any unexpected costs. For the optimization of bank reconciliation, accounting and auditing costs will increase by \$6,000. Insurance general liability is not a set number, but an estimation for increasing by \$30,600.

**Recommendation:** I recommend to the Finance Board that they consider recommending to the Commission the setting the Preliminary Maximum Millage rate at 5.9257.

**Proposed Motion:** I move approval of recommending to the Commission the setting of the Preliminary Maximum Millage rate at 5.9257.