

Budget Oversight Committee
Report to the City Council
For the Fiscal Year Beginning
October 1, 2016

The Budget Oversight Committee is pleased to present a summary of comments and suggestions for Council's consideration for the fiscal year 2017 Budget. The Committee continues to have a good working relationship with the Staff and Council Liaison, Councilman Premuroso. They have been very responsive to any questions or suggestions posed by the Committee. The City is fortunate to have a staff that is very knowledgeable and has the experience to make hard decisions that are in the best interest of the residents of our City.

The City remains in a positive position in regards to its financial outlook as defined by Standard and Poor's, Fitch and Moody's ratings, maintaining a AAA bond rating since 2013. The City's strong financial management, expanding economy, affluent tax base along with moderate and reducing debt burden, allows the City financial leeway for future endeavors. This committee would also like to congratulate the finance department for receiving the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for the 21st consecutive year and the Distinguished Budget Presentation Award this year for the 19th consecutive year.

The Committee is pleased to note that real estate values in the City of Palm Beach Gardens have increased for a fifth consecutive year. The Certified Property Valuation of \$10.1 billion reflects an increase in property values of 7.4% from 2015. With the improving economy, and continual increase in new construction, this trend should continue.

The Committee commends Council action taken to adopt a more detailed policy for the level of and use of the monies in the general reserve fund. It is the goal of the City to achieve and maintain an unassigned fund balance for only the general fund of not less than 17% of operating expenditures. In the current budget, the Committee recommends that the City maintain an unassigned reserve balance of approximately \$23.1 million, which equates to 28.2% of budgeted operating expenditures. The Committee recommends that the City continue as much above the minimum threshold of 17% as practical in order to be prepared for emergency needs.

Although our City and Northern Palm Beach County has shown economic growth, we must be good stewards of the monies that have been entrusted to us. The Committee supports the announcement by the City Council that the maximum operating millage rate should remain at 5.55 mills. The operating millage of 5.55 is 5.99% higher than the roll back rate of 5.2361 mills. In addition, there is a slight reduction of the debt service from the current 0.1371 to 0.1281. The City has experienced new residential and commercial development, which will result in increased revenues in future years. Among the new developments are several rental properties along Central Boulevard and the Alton project between Donald Ross Road and Hood Road.

This Committee reviewed all sources of revenues, including waste collection, utility tax, and the communications service taxes. In comparing these values to other municipalities, we find the rates are appropriate and do not recommend any increase in such service fees or taxes at this time.

Given that GASB pronouncements require inclusion of unfunded pension liabilities on the City's financial statements, the Committee feels that it is important for the fund ratios to continue to improve.

(This requirement does not affect the budget but does affect audited statements that have an effect on borrowing capability and interest rates). While there is no additional funding in the current budget like that paid into the pension plans for both Police and Fire employees in the 2016 budget the budgeted contributions to these pension plans are the amounts calculated by independent actuaries for each plan. The budgeted contribution will continue to bring the funded ratio of the total pension liability toward the benchmark of 85% for the police plan. The fire department plan is presently at that benchmark. A funding ratio of 85% is appropriate for such plans. In future years, should such funds become available and needed, the committee supports supplemental funding to these plans to attain/maintain this benchmark.

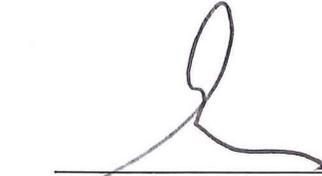
It should be noted that the City has extended the contracts with both the Police and Fire unions. While these extensions will result in greater salaries over the life of the contract, costs are known and the Council and City financial personnel will be able to work within known parameters when formulating future budgets. There is presently a study being conducted to ascertain if the level of staffing at all fire houses is adequate so that no area will have the possibility of delayed response. The proposed budget includes full funding for all stations whether or not the study suggests that additional personnel are needed.

The City has budgeted funds for the next five (5) years in order to address infrastructure and drainage issues on roads owned and maintained by the City. These repairs will benefit the entire City and its residents and will encompass all drainage infrastructure to the point where the drainage systems connect to those under the jurisdiction of the Northern Improvement District. This Committee supports setting aside \$500,000 per year over the next five years to complete these vital projects. This Committee applauds the city for its efforts to reduce areas of unanticipated expenses such as maintenance costs for infrastructure. These investments in the City's infrastructure are in the best interest of the residents, both as a safety concern and a budgetary concern. This should enhance the City's ability to stabilize budgets in future years.

A continuation of the current operating millage rather than a reduction is prudent to properly service our residents while maintaining reserves at a proper level. This Committee firmly believes that avoiding a yo-yo effect on millage rates and maintaining fiscal responsibility must be paramount. Although there may be a temptation to further lower the millage rate for the current fiscal year, we must be cautious given the real possibility of a catastrophic event affecting our area that may significantly hamper the City's abilities to respond to such events and avoid future millage increases. Future millage rate reductions may be a possibility should the City enjoy continued growth and increased property values. This Committee recommends that Council maintain an operating millage rate of 5.55 with a total millage of 5.678 (including debt service) for fiscal year 2017. In addition, the proposed millage rate will return the Budget Stabilization fund to an estimated \$2.9 million. This reserve is in addition to the general reserve. This is a reasonable target for this fund in order to help offset any future budgetary shortfalls should they occur.

In summary, the City is in prime position to expand tax revenues by the addition of new businesses in the city, which should aid in reducing the burden on ad valorem taxes. With increasing property values and reductions and stabilizations in the City's budget, we feel the City has done a tremendous job weathering the recession and is now enjoying additional growth, which will give the City additional leverage in future years. Although we are seeing improvement in the economy, we must continue to reach out to the residents for their input. Continuation of the Budget Oversight Committee is one way the residents can be intimately involved with the budget process and in turn, how the city should best use the monies entrusted to the City Council and its staff.

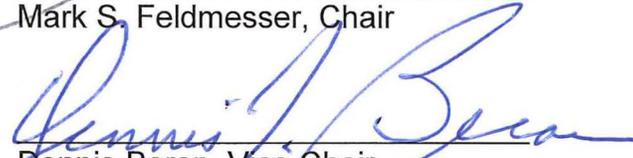
In speaking for myself and the other members of this Committee, it has been a pleasure to serve on the Committee. We are very fortunate to work with Councilman Bert Premuroso, the Finance Administrator Allan Owens, Deputy Finance Administrator Mary Anderson-Pickle and Staff. The openness and transparency of the budgetary process is welcomed by the members of this Committee and by the residents of the City of Palm Beach Gardens.



Mark S. Feldmesser, Chair

8/29/16

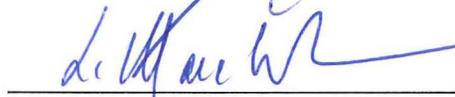
Date



Dennis Beran, Vice-Chair

8/30/16

Date



L. Marc Cohn, Regular Member

8/30/2016

Date



Dr. Mark Marciano, Regular Member

09/01/2016

Date



Mark Schulte, Regular Member

9/2/2016

Date