

MEMORANDUM

TO: CITY COUNCIL OF PALM BEACH GARDENS

FROM: BUDGET OVERSIGHT REVIEW BOARD

RE: 2017 ANNUAL REPORT

DATE: AUGUST 29, 2017

This 2017 Annual Report (this “**Annual Report**”) is submitted in accordance with Section 7(d) of the Ordinance 2016-032 (the “**County Ordinance**”). Included in this Annual Report are certain recommendations of the Budget Oversight Review Board (the “**BORB**”), as well as the BORB’s review of the following items: (i) review of the expenditure of the one-cent sales surtax (the “**Tax**”) funds; and (ii) review of the proposed operating and capital improvement budget and how it relates to the spending plan for compliance with the City of Palm Beach Gardens’ financial policies.

BACKGROUND

On May 17, 2016, the Board of County Commissioners of Palm Beach County adopted the County Ordinance, which implemented the Tax. A copy of the County Ordinance is attached hereto as **Exhibit A**. The County Ordinance also established certain requirements for citizen oversight of the expenditure of surtax funds; these requirements are set forth in Section 7 of the ordinance.

On November 8, 2016, Palm Beach County voters approved a ballot issue to enact a One-Cent Infrastructure Sales Surtax to pay for acquisition or improvements to public infrastructure. This additional tax, which went into effect on January 1, 2017, will be in place for up to ten (10) years, and is projected to raise approximately \$527.6 million for Palm Beach County’s thirty-nine (39) municipalities, and is to be used for infrastructure investment, repairs, renovations, or improvements.

On February 9, 2017, the City Council of Palm Beach Gardens (the “**Council**”) adopted Ordinance 5, 2017 (the “**City Ordinance**”), which dissolved the Budget Oversight Committee and established the BORB. A copy of the City Ordinance is attached hereto as **Exhibit B**. The Council tasked the BORB to (i) continue the budget oversight function, and (ii) satisfy the requirements set forth in the County Ordinance regarding citizen review of the Tax expenditures.

PURPOSE OF THE BORB

As referenced above, the City Ordinance sets forth the purpose of the BORB, which is to provide citizen input for the budget process, as well as to act as an advisory and reporting body regarding the expenditure of the Tax funds.

POWERS AND DUTIES OF THE BORB

Section 2-127 of the City Ordinance sets forth the powers and duties of the BORB:

1. Review the expenditure of the Tax funds;
2. Review the proposed operating and capital improvement budget as prepared by staff;
3. Request information from staff in order to analyze the proposed operating and capital improvements budget;
4. Review the recommended spending plan for compliance with current adopted financial policies, i.e., fund balance levels, debt service coverage, etc.; and
5. Make a recommendation to Council during the budget adoption process regarding the proposed operating and capital improvements budget, as submitted.

REVIEW OF THE EXPENDITURE OF THE ONE-CENT SALES SURTAX FUNDS

The BORB's responsibility to review the Tax expenditures and the requirements associated therewith are set forth in Section 7 of the County Ordinance. The specific subsections pertinent to this duty are:

1. The Committee shall serve as advisory and reporting bodies to the creating entities. Each creating entity shall establish specific duties and membership requirements governing Committee operating and participation. *See Section 7(b) of the County Ordinance.*
2. Each Committee shall have the responsibility to review the expenditure of surtax proceeds by the entity which created it. *See Section 7(c) of the County Ordinance.*
3. The Committees shall meet monthly, or as otherwise needed to fulfill their duties and responsibilities. Each Committee shall provide an annual report to the governing board of the entity which created it. *See Section 7(d) of the County Ordinance.*

It's important to note that the BORB does not have the authority to recommend inclusion or exclusion of specific projects; these are policy decisions that are determined by the Council. The Board's primary function is to review expenditures to determine if sales surtax funds are being spent appropriately for the approved projects, and to provide an annual report to the Council.

212.055 Discretionary sales surtaxes; legislative intent; authorization and use of proceeds.

Florida Statutes Section 212.055 ("**Fla. Stat. 212.055**") provides that the Tax proceeds must be restricted to finance, plan, and construct infrastructure and to acquire land for public recreation or conservation or protection of natural resources. A copy of Fla. Stat. 212.055 is attached hereto as **Exhibit C**. Section 2(d)(1) of Fla. Stat. 212.055 sets forth the definition of "infrastructure" as "[a]ny fixed capital expenditure or fixed capital outlay associated with the construction, reconstruction, or improvement of public facilities that have a life expectancy of 5 or more years, any related land acquisition, land improvement, design, and engineering costs, and all other professional and related costs required to bring the public facilities into service." Furthermore, the proceeds and any interest may not be used for the operational expenses of infrastructure.

Accordingly, the City of Palm Beach Gardens (the “**City**”) is obligated to use the Tax proceeds in a manner consistent with Fla. Stat. 212.055.

Resolution 12, 2017. On January 5, 2017, the Council passed Resolution 12, 2017 (“**Resolution 12**”), which adopted a formal policy and plan for the expenditure of the One-Cent Infrastructure Sales Surtax. A copy of Resolution 12 is attached hereto as **Exhibit D**. The formal policy and plan included: (i) capital improvement projects to be funded with Tax proceeds; (ii) establishment of the BORB; (iii) approval of the issuance of a Not-to-Exceed \$30 million Capital Improvement Revenue Bond, Series 2017, to facilitate and expedite the construction of the projects (the “**Bond**”); and (iv) amending the Fiscal Year 2017 Budget to reflect anticipated Tax proceeds and the proposed spending and financing plan (collectively, the “**Plan**”).

The City’s estimated annual and ten-year allocations of Tax proceeds are illustrated in the following table:

City of Palm Beach Gardens Distribution Percentage 1.3216% (of \$228 Million)		
1 Year	10 Years (without revenue increases)	10 Years (3% revenue increase)
\$3,012,492	\$30,124,923	\$35,570,894

The Plan was formulated to address current and projected shortages of office, meeting, and storage space; current and future parks and recreation needs; and long-term maintenance needs associated with the expansion of City facilities on land to be dedicated to the City from Avenir.

Resolution 14, 2017. On February 9, 2017, the Council passed Resolution 14, 2017 (“**Resolution 14**”; collectively, with Resolution 12, the “**Authorizing Resolutions**”), which selected a lender based on a request for quotations (“**RFQ**”) in connection with the Bond. A copy of Resolution 14 is attached hereto as **Exhibit E**. The Council selected PNC Bank, National Association to purchase the Bonds, which provided the overall borrowing cost and terms most favorable to Palm Beach Gardens. The parameters of the Bond issuance were as follows: The parameters of the Bond issuance were as follows: (i) the original aggregate principal amount of the Bond shall not exceed \$30,000,000; (ii) the true interest cost rate per annum for the Bond shall not exceed 3.50%, subject to the event of taxability or default; (iii) the maximum annual debt service of the Bond shall not exceed \$3,500,000; (iv) the final maturity date of the Bond shall not be later than December 31, 2026; (v) the purchase price of the Bond shall not be less than 100% of the original aggregate principal amount thereof; (vi) the maturity or redemption schedule for the Bond shall provide for principal payments in such amounts that will result in roughly equal annual debt service payments; (vii) the Bond may be subject to optional redemption or prepayment, if at all, in such manner and at such times as set forth in the offer that produces the overall borrowing costs and terms most favorable to the City.

Ordinance 10, 2017. On March 2, 2017, the Council passed Ordinance 10, 2017 (“**Ordinance 10**”), which amended the Fiscal Year 2017 Budget by establishing the new One-Cent Infrastructure Sales Surtax Capital Improvement Fund (the “**Fund**”); recorded the proceeds and costs of issuance

of the Bond; established the initial capital improvement budget (the “**Capital Improvement Budget**”) for infrastructure projects funded with the Bond; and recorded the estimated revenue generated by the One-Cent Infrastructure Sales Surtax for the period from January 1, 2017, through September 30, 2017. A copy of Ordinance 10 is attached hereto as **Exhibit F**. Ordinance 10 further amended the budget to establish the initial Capital Improvement Budget for the infrastructure projects to be funded with the One-Cent Infrastructure Sales Surtax proceeds in the amount of \$29,935,000, representing the net amount deposited into the Fund after deducting the costs of the Bond issuance.

Ordinance 10 also increased the revenue estimates initially set forth in Resolution 12 as follows:

City of Palm Beach Gardens Distribution Percentage 1.3216% (of \$236 Million)			
1 Year	10 Years (without revenue increases)	Monthly Revenue	Estimated Revenue for Budget Period
\$3,123,250	\$31,232,500	\$260,000	\$2,340,000

Further, the Council amended the revenues and expenditures associated with the One-Cent Infrastructure Sales Surtax:

One-Cent Sales Surtax Capital Improvement Fund		
		Increase (Decrease)
Revenue (Sources)		
Loan Proceeds	312.383.1000	30,000,000
Sales, Use and Fuel Taxes	312.312.6000	2,340,000
Expenditures (Uses)		
Cost of Issuance	312.0900.519.9900	65,000
CIP	312.0900.519.6900	29,935,000
Designated Reserves	312.0900.519.9924	2,340,000

The list of projects to be funded with the proceeds of the One-Cent Infrastructure Sales Surtax proceeds under the Capital Improvement Budget are as follows:

Land Improvement Projects	
Land Acquisition and Soccer Field Development: Acquire land; construct soccer fields and parking being relocated from Gardens Park at City Hall Complex.	\$ 11,200,000
Baseball Complex Expansion: Replace existing soccer fields with baseball fields so that the new park will house all soccer events. This will allow expansion of baseball events at Gardens Park without conflicting with soccer events.	\$ 2,500,000

City Hall Renovations/Expansion: Interior and exterior renovations to address existing and projected shortages of office, meeting and storage space, and to accommodate the relocation of Fire Administration to City Hall.	\$ 7,020,000
PD Renovations: Interior and exterior renovations to allow for expansion of crime scene lab and detective bureau; relocate existing physical training equipment to area of Fire Station 1 that currently houses Fire Administration.	\$ 2,098,305
FSI Renovations: Interior renovation after relocation of Fire Administration to City Hall to allow for movement of physical training equipment from Police Station and City clinic from Fire Station 3, creating a City wellness center for employees.	\$ 100,000
Operations Center: Construct a new facility that would house and consolidate all public facilities, parks, and fleet maintenance functions in one location. This will allow the City to sell the existing fleet maintenance property at Burns Road and Ironwood Road, placing this parcel back onto the tax rolls.	\$ 6,697,230
Tennis Center: Construct a new clubhouse at the existing tennis facility.	\$ 3,500,000
<i>Sub-total</i>	<i>\$ 33,115,535</i>
Less: Proceeds From Sale of Public Works Property at Burns Road and Ironwood Road	\$ (3,500,000)
Total	\$ 29,615,535

BORB Analysis.

In fulfilling our responsibilities under the County Ordinance and the City Ordinance, the BORB requested further detail on the status of revenues generated by the One-Cent Infrastructure Sales Tax. As of July 31, 2017, the City has received the following revenues from the One-Cent Infrastructure Sales Surtax:

<i>Account Number</i>	<i>Adjusted Estimate</i>	<i>Revenues</i>	<i>Year-to-Date Revenues</i>	<i>Balance</i>	<i>Prct Rcvd</i>
312.312.6000 SALES, USE AND FUEL TAXES	0.00	0.00	0.00	0.00	0.00
3/2/2017 budadj BA 506	\$2,340,000.00				
Line Description: EXHIBIT 1- ONE-CENT SALES SURT					
3/27/2017 gl cr CR 30630		\$259,262.69			
Line Description : HALF CENT SALES TAX DISC					

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3/31/2017 geniml GJ 9087		\$267,956.97			
Line Description: ONE CENT DISC					
5/9/2017 gl cr CR 30694		\$59,109.46			
Line Description: HALF CENT SALES TAX DISC					
5/25/2017 gl cr CR 30697		\$297,118.41			
Line Description: HALF CENT SALES TAX DISC					
6/27/2017 gl cr CR 30721		\$262,665.61			
Line Description: HALF CENT SALES TAX DISC					
312.312.6000 SALES, USE AND FUEL TAXES	\$2,340,000.00	\$1,146,113.14	\$1,146,113.14	\$1,193,886.86	48.98%
Total ONE-CENT SALES SURTAX CAPITAL IMPROVEMENT	\$2,340,000.00	\$1,146,113.14	\$1,146,113.14	\$1,193,886.86	48.98%
Grand Total	2,340,000.00	1,146,113.14	1,146,113.14	1,193,886.86	48.98

It's important to note that revenue receipts are likely to exceed the City's expectations set forth in the Authorizing Resolutions.

Additionally, the BORB has been kept apprised of the current Fund expenditures and how such expenditures impact the Capital Improvement Budget. As of June 30, 2017, the current Fund expenditures as it relates to the Capital Improvement Budget are set forth on the following chart:

Project	Project Title	Original Budget	GL Budget	2017 Expenditures	Encumbrances	Balance
rec0214	New Soccer Complex – District Park	\$11,200,000.00	\$11,200,000.00	-	\$176,500.00	\$11,023,500.00
rec0215	Baseball Complex Expansion	\$2,500,000.00	\$2,500,000.00	-	-	\$2,500,000.00
pub0216	City Hall expansion	\$7,020,000.00	\$7,020,000.00	\$4,548.67	\$470,000.00	\$6,545,451.33
pub0217	FS 1 Expansion	\$100,000.00	\$100,000.00	\$3,018.67	\$40,000.00	\$56,981.33
pol0218	PD Expansion	\$2,098,305.00	\$2,098,305.00	\$4,548.66	\$164,000.00	\$1,929,756.34
pub0220	New Operations Center	\$6,697,230.00	\$6,697,230.00	\$54,090.00	\$12,340.00	\$6,630,800.00
	Contingency	\$319,465.00				\$319,465.00
312.0900.519.6900 Total		\$29,935,000	\$29,615,535.00	\$66,206.00	\$862,840.00	\$29,005,954.00

As of even date, a majority of the expenditures relate to the initial phases of the projects, which include surveys, geotechnical analysis testing, and design services. While the City is in the early stages of the projects, expenses are moving in accordance with the Capital Improvement Budget.

REVIEW OF THE FY 2018 PROPOSED OPERATING & CAPITAL IMPROVEMENTS BUDGET

The FY 2018 Operating & Capital Improvements Budget (the “**Budget**”) is balanced, continues high-quality services to the residents of the City, and maintains a strong General Fund Unassigned Reserve (the “**General Fund Reserve**”) balance of \$23.1 million, which is 27% of General Fund operating expenditures, and is in compliance with the City’s policy of at least 17% of operating expenditures. General Fund operating and capital expenditures increased from \$81,731,608 in FY 2017 to \$86,185,061 in FY 2018 (\$4,453,453, or 5.45%). The City anticipates a total expected growth of 6.2%, which represents an increase in projected population by 4.1% (estimated increase in population from 2016 to 2018 is 2,128); *plus* CPI for last year of 2.1%.

Proposed Millage Rate. The proposed FY 2018 millage rate is based upon the Certified Property Valuation received from the Palm Beach County Property Appraiser in the amount of \$10,888,382,605. This valuation number includes new construction of \$248,926,067, and represents an increase of 7.84% from last year’s valuation. This is the sixth consecutive year that the City’s property valuation has increased. Using the final property valuation number, the proposed total millage rate is 5.6678, which is down slightly from last year’s total rate of 5.6781. The proposed operating rate is 5.55, the same as last year, and the proposed debt service millage rate is .1178 mills, which is down from last year’s rate of .1281. The proposed operating rate of 5.55 represents a 5.37% increase over the roll-back rate of 5.2671 mills.

The BORB notes that although FY 2018 new construction (of approximately \$250,000,000) will likely generate \$1,300,000 of new revenue, this increase does not cover the increase in the Fire Pension costs of \$900,000 and Health Claims of \$600,000.

New Development. The City has several significant development projects currently underway or recently approved, including the following:

- **Alton Parcel C:** Town Center Retail consists of 192,778 square feet of retail and commercial uses on 28.23 acres of land. This project was approved via Resolution 65, 2016 on November 16, 2016.
- **Alton Parcel G:** consists of 469 single family dwelling units of the Alton DRI/PCD. This project was approved via Resolution 18, 2017 on February 9, 2017.
- **United Technologies Corporation (“UTC”):** Another major project under construction is the 224,066 square foot Center for Intelligent Buildings for UTC subsidiary Carrier Corporation. This project represents a \$100 million capital investment by UTC, and will create 380 new jobs, while retaining 70 existing jobs in the community

- Avenir: The City recently approved the Avenir mixed-use development project on the western fringes of the City. This project will consist of 3,250 homes, 2 million square feet of office space, 400,000 square feet of retail space, and 300 hotel rooms. What makes this project so unique is that 2,407 of the total 4,763 acres will be set aside to create a conservation area and nature preserve.

Annexations. In addition to the many development projects approved or under construction, there have been three recent annexations - one private parcel and two residential parcels - in the western area of the City adjacent to the Avenir mixed-use development project and the City's municipal golf course. These annexation areas consist of the Balsamo Property, Osprey Isles and Carleton Oaks.

On November 16, 2016, the City passed Ordinance 10, 2016 approving the voluntary annexation of 96.8 acres known as the Balsamo Property. This parcel borders the western edge of the City's Sandhill Crane Municipal Golf Course. On February 9, 2017, the City passed Ordinance 13, 2016 and Resolution 76, 2016 approving the rezoning of the parcel and the PUD Master Plan. The project will consist of 97 single family units, 2.43 acres of recreation area, and 14.3 acres dedicated to the City for golf recreation purposes. The development will be called Ancient Tree. On February 2, 2017 the City passed Ordinance 4, 2017 proposing to annex approximately 284.02 acres of property on the eastern boundary of the City's Sandhill Crane Municipal Golf Course. This parcel includes the existing residential developments known as Osprey Isles and Carleton Oaks. In addition to these single family residences, the annexation area also includes the Star of David Cemetery and West Palm Beach Fire Station #8. Referendum language was sent to the Supervisor of Elections on February 3, 2017, and a majority of voters approved the annexation of this area on March 14, 2017.

The BORB understands that the initial years after the expansion (coupled with the new development) will likely cause an additional financial burden on the City; however, the increased revenues from new development will eventually create a net benefit and hopefully reduce the burden on ad valorem taxes.

Storm Water Repair and Renovation Program. Staff began the process of developing a Storm Water Repair and Renovation Program in FY 2015. Staff identified areas of deterioration in several storm water pipes and anticipated that more deterioration would occur as the system ages. A consultant was hired in FY 2015 to conduct a complete mapping and inspection of the City's storm water system and prepare a report to prioritize and calculate estimated costs of needed renovations and repairs to the system. The report identified approximately \$1,500,000 of renovations that needed immediate attention; accordingly, the FY 2016 budget included this amount in the General Fund Capital Improvement Program (CIP) for the replacement of pipes and structures. In addition, the report recommended a ten 10 year maintenance program to pump down the system, clean, and video all structures for inspection. The estimated cost is approximately \$500,000 annually to complete the 10 year maintenance program, with the first year's allocation beginning in FY 2017. In addition to repairs to the storm water system, staff identified needed maintenance to the City's system of canals, which collect the water runoff from the storm water

system. To prevent the system from requiring similar substantial refurbishment, staff formulated an annual canal dredging and maintenance plan. The first year of this program was implemented in FY 2017.

The proposed FY 2018 Budget continues the second year of this Storm Water Repair and Renovation Program, and includes \$500,000 in the Storm Water Division's Repair & Maintenance expenditure account. Additionally, the FY 2018 Budget contains an allocation of \$250,000 in the Storm Water Division's Repair & Maintenance expenditure account to continue the maintenance of the City's system of canals for collecting the water runoff from the storm water system.

Personnel Cost Factors. Personnel costs comprise the majority (approximately 66%) of the City's General Fund total expenditures, excluding transfers and reserves. Therefore, the factors that influence personnel costs are by far the most significant drivers of the entire budget. The Budget contains 515 full-time positions, which is an increase of 19 from the FY 2017 total of 496. A summary of the requested new positions is as follows:

- Eight (8) police officers to provide coverage for new western growth, including recent annexations;
- Two (2) Fire Code Compliance Officers, due to substantial increases in annual inspections, re-inspections, fire plan reviews and new construction inspections;
- Three (3) Maintenance Tech I positions and one (1) Lead Maintenance Tech IV position due to the new District Park Facility. These positions will be filled in the fourth quarter of FY 2018, in advance of the opening of the facility;
- One (1) Administrative Specialist III to provide support to the Deputy City Manager;
- Reclassification of two (2) existing part-time employees to full-time to keep up with increased workloads: one (1) Fire Administrative Manager and one (1) HR Support Specialist, and;
- One (1) Youth Enrichment Center Superintendent and one (1) Supervisor, both of which will be funded with Special Revenue Fund revenues, not Ad Valorem Taxes.

As noted above, the Budget reflects an increase of \$916,487 for Fire Pension costs from the previous year. The actuarial valuation indicated a contribution equal to 51.88% of covered payroll, up from the previous year's percentage of 40.31%. The increase reflects unfavorable experience and changes to the Plan's actuarial assumptions. Per discussion with the Plan's actuary, who does not prepare a fixed dollar contribution, the payment to the Plan has been estimated by multiplying the City's contribution percentage by the projected covered payroll. Also noted above, was the projected increase in claims costs associated with the Self-Insured Medical Insurance Fund. This fund is used to accumulate resources to pay for claims, premiums and the cost of operating the onsite employee healthcare clinic. Funding for FY 2018 has been increased in line with projections prepared by the City's actuary, considering the increasing claims trend of the Plan. With this change to the funding formula, the projected end of year balance in the Fund is approximately \$5.8 million, which is approximately equal to one year's total claims.

Reserves. The proposed FY 2018 Budget as presented recommends the use of approximately \$567,000 of General Fund Budget Stabilization Reserves, which will be used to augment funding for one-time capital projects. After this one-time expenditure, Unassigned Reserves and Budget Stabilization Reserves are projected at \$23.1 million and \$2 million, respectively. The Unassigned Reserve balance of \$23.1 million represents 27% of total expenditures, and is in compliance with Council's policy of maintaining a minimum reserve balance of 17% of expenditures.

The City's five year financial forecast is based on approval of additional Homestead Exemption of \$25,000 in November of 2018; staff believes that there is a strong likelihood that the additional Homestead Exemption will pass. If the Council approved a millage reduction to 5.50, absent an increase in later years, such reduction would reduce Stabilization Reserve to zero and Unassigned Reserve to \$21 million from \$23 million by 2022. Accordingly, an overall millage *rate reduction* to 5.50 would likely cause the City to face an operating deficit in 2022 of, all other things being equal, approximately \$1,400,000.

BORB REVIEW AND RECOMMENDATIONS

The BORB has held public meetings on a monthly basis (twice in August) in order to fulfill the duties and responsibilities set forth in the City Ordinance, which is to provide citizen input for both the budget process and the expenditure of the Tax proceeds allocated to the City. Furthermore, the BORB has reviewed the following issues in accordance with Section 2-127 of the City Ordinance:

1. Expenditure of Tax Funds: The BORB has reviewed the current expenditures of the Tax funds. The BORB has found that the City is in compliance with the following pieces of legislation: (a) County Ordinance; (b) City Ordinance; (c) Fla. Stat. 212.055; (d) Resolution 12; (e) Resolution 14; and (f) Ordinance 10. The BORB also finds that the City is acting responsibly and in the best interests of the residents with respect to the expenditures of the Tax funds.

2. Proposed Operating and Capital Improvement Budget as Prepared by Staff and Analysis: The BORB has reviewed the Operating and Capital Improvement Budgets and finds that the Staff has done an excellent job of balancing the increased burdens of an expanding population and three annexations and the benefits of a growing tax base. This Annual Report identified key expenditures that shaped the FY 2018 Budget and the Staff has done a tremendous job of ensuring that the residents' needs are met while maintaining sufficient reserves moving forward. Generally, the BORB is pleased that the City is maintaining the Operating Millage Rate of 5.55 and avoiding an overall tax increase.

The BORB would also like to note that the City has done an excellent job of maintaining transparency during the budgeting process. We would like to point out the article "*Budget Blueprint*" in the Summer 2017 edition of *Signature City: City of Palm Beach Gardens*. This Article was very clear and concise, and provided an excellent road-map to the City budgeting process.

3. Spending Plan for Compliance with Current Adopted Financials Policies. The City has taken affirmative steps to avoid a tax increase for the FY 2018 Budget. For example, FY 2018 Budget proposes to transfer \$600,000 from the budget stabilization fund to balance the General Fund balance in order to avoid a tax increase. Moreover, the City's overall property tax rate has been reduced since 2011, and is projected to continue to decline as the general obligation debt is paid off. The projected debt service millage is projected to be eliminated by FY 2020.

The residents have a strong preference for paying for services from Ad Valorem taxes, as opposed to user-based fees. Accordingly, the City continues to not assess or change many taxes and fees that are commonly charged by most other local governments in Palm Beach County and the State of Florida. For example, the City does not charge residents for curbside garbage or trash collection; the City pays the contractual fees for collection and recycling services from ad valorem revenues. Furthermore, as per the Council's standing policy, there are no utility service taxes, storm water assessments or fire assessment fees or charges levied by the City.

Recommendation. The BORB has found that the City has expended Tax funds in accordance with Florida Statutes, the County Ordinance, City Ordinance, and related Resolutions. Furthermore, the Staff has been efficient and thorough with respect to incurring such expenditures. In summary, the BORB's review of the Budget confirms that (i) the City is financially strong and has policies in place to maintain the current financial stability; and (ii) City Staff has been transparently throughout the budgetary process with its residents and citizens. The openness and transparency of the budgetary process is welcomed by the members of this Committee and by the residents of the City.

The BORB recommends an annual/quarterly/monthly review of *actual* Tax revenues versus *projected* Tax revenues to assist the City in the budgeting process. Currently, the actual Tax revenues have exceeded the projected Tax revenues; if this trend continues, the BORB recommends that the City explore opportunities to pay for additional projects out of the Tax funds rather than from the annual Budget (which fit the Tax parameters).

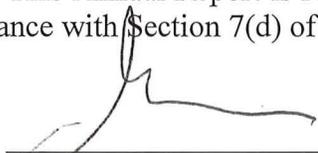
The BORB encourages the City and the Council to continue to explore different opportunities to reduce the residents' tax burden in the future. Reducing the tax burden on City residents has been a major point of discussion during the BORB's monthly meetings and will likely be a topic of discussion for future meetings. In addition to its annual review of the Budget, the BORB suggests reviewing how any potential excess Tax proceeds may allow for flexibility in the capital improvements budget. That being said, the BORB agrees that the City should take substantial action to avoid an operating deficit in the future.

With respect to the expenditure of the Tax funds, the BORB also recognizes that the City is in the initial phase of expending Tax funds for the various projects. The BORB understands the strong likelihood that the amount of expenditures will significantly increase during FY 2018, as

physical construction of the projects will commence. The BORB is committed to overseeing these expenditures on an on-going basis, thereby fulfilling its responsibilities under the County Ordinance and the City Ordinance.

Finally, the BORB would like to thank Finance Administrator Allan Owens, Deputy Finance Administrator Mary Anderson-Pickle and their staff for the assistance throughout this process. The BORB would like to thank these individuals for being extremely generous with their time and promptly responding to our questions.

This Annual Report is respectfully submitted to the Council and Residents of the City in accordance with Section 7(d) of the County Ordinance.



Mark S. Feldmesser, Chair

8/30/17
Date



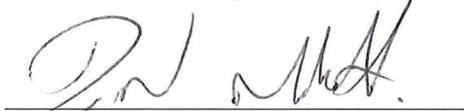
Dennis Beran, Vice-Chair

8/29/17
Date



Mark Schulte, Regular Member

8/29/17
Date



David Middleton, Regular Member

8/29/17
Date



Andrew R. Comiter, Regular Member

8/29/2017
Date