

CITY OF DELRAY BEACH



100 N.W. 1st AVENUE • DELRAY BEACH, FLORIDA 33444 • 561/243-7000

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February 23, 2011

Honorable Mayor and City Commission
City of Delray Beach, Florida

Dear Mayor and City Commission Members:

In accordance with Article IV, Section 4.05 of the City Charter, I respectfully submit the Operating Budget as well as a summary of the Capital Improvement Budget for the City of Delray Beach for the fiscal year beginning October 1, 2010 and ending September 30, 2011. The entire Capital Improvement Budget is submitted under separate cover.

This budget presents a financial plan to guide the City through fiscal year 2011. This budget follows a function-based budget format whereby the expenditure of funds is evaluated for each program by function. This serves to evaluate the priority of services provided by the City to determine the ideal level of service given the available revenues for the fiscal year.

We have presented the costs of providing services to the residents of Delray Beach for all General Fund and Enterprise operations. As in previous years, the following tenets were incorporated into the development of this budget:

- ◆ The budget provides that current revenues are sufficient to support current expenditures.
- ◆ Funding of renewal and replacement items will be continued so as not to defer the remedial needs of the City into any one year.
- ◆ The budget maintains the Public Safety programs to which the citizens have become accustomed, although some programs have made sacrifices in response to the decrease in anticipated tax revenues.
- ◆ The budget maintains a competitive compensation and benefits package for City employees.

Our operating millage rate was not increased this year remaining at 7.1900 mills, but the total millage including debt service increased from the rate of 7.7216 mills per \$1.00 of assessed value to 7.7902 mills, an increase of 0.89%.

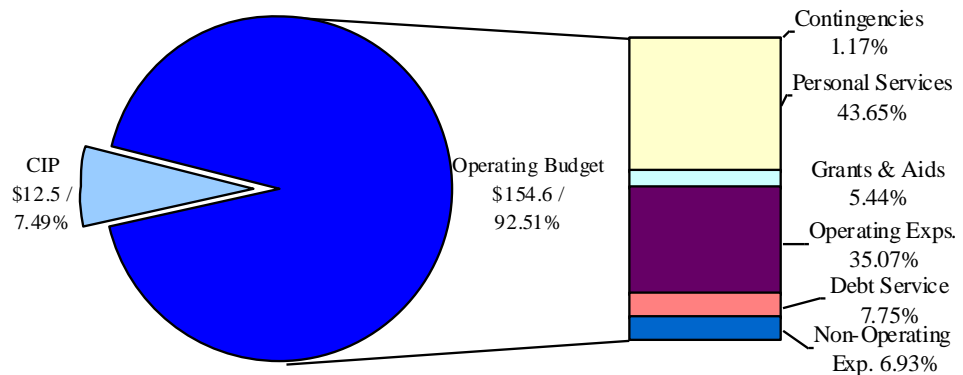
Since 1990 the City has made significant efforts to improve the amenities and public facilities throughout the City. The City will continue to refine its programs and services in order to minimize the financial impact to its Citizens. Our practice of setting fees at levels relative to the cost of producing that service lessens the use of tax dollars.

Budget in Brief

The 2010-11 Annual Operating Budgets total \$154.6 million, supplemented with Capital Improvement Plan monies of \$12.5 million to produce a total financial program of \$167,167,880. This represents a \$8.5 million or 5.21% decrease in the Annual Operating Budget and a \$19.3 million or 60.6% decrease in the Capital Improvement Plan budget compared to the fiscal year 2009-10 revised budget. A major part of the decrease in total operating budget is the decrease in the General

Construction Fund which increased last year as a result of the roll forward of previous year's

project balances. The decrease in the General Fund expenses is due in large part to a decrease in the transfer to the CRA. The CRA transfer is based in the City's taxable valuation and decreased \$1,065,360 or 14.2% from the previous fiscal year. Additional decreases in the general fund include the freezing of an additional four vacant positions (\$296,780), changes made to the General Employee Pension (\$816,690) and anticipated changes to Police and Fire Pension and benefits subject to bargaining agreements (\$2,395,780). The decrease in capital expenditures is due to projects relating to SW 12th Ave/Auburn Ave/14th Ave (\$2.2 million), Police Software Integration Application (\$1.2 million), Cultural Loop/MLK (\$.9 million) and Federal Highway Enhancements (\$1.6 million) in the fiscal year 2009-10 funds and the completion of funding of Miller Park Renovations (\$1.9 million) and Old School Square Park Improvements (\$1.4 million).



Fund	FY 2009-10 Revised Budget	FY 2010-11 Approved Budget	% Change
General	96,677,927	93,354,710	-3.44%
Enterprise			
City Marina	231,896	278,680	20.17%
Sanitation	4,701,340	4,794,060	1.97%
Water and Sewer	30,829,860	30,731,670	-0.32%
Municipal Golf Course	3,272,300	3,297,910	0.78%
Lakeview Golf Course	864,350	853,580	-1.25%
Stormwater Utility	1,510,735	1,634,600	8.20%
Special Revenue			
Community Development Block Grant	6,428,542	2,733,550	-57.48%
Beautification Trust	1,099,660	995,910	-9.43%
Recreation Impact Fee	24,360	4,530	-81.40%
Internal Service			
City Garage	3,356,881	2,957,920	-11.88%
Insurance	14,142,162	13,003,790	-8.05%
Total Operating Budget	163,140,013	154,640,910	-5.21%
Capital Improvements	31,811,130	12,526,970	-60.62%
Total Financial Program	194,951,143	167,167,880	-14.25%

General Fund Revenues

Revenues for the 2011 Budget total approximately \$93 million, which is \$3.3 million below fiscal year 2009-10 revised. The 2009-10 budget includes \$930,072 in prior year surplus and prior year encumbrances. There is a \$1,591,280 appropriation from prior year's un-appropriated fund balances in the 2010-11 proposal for capital improvements to balance the fund.

Ad Valorem Tax Revenue

The 10.53% decrease in the City's taxable assessed valuation is a sign that the local economy has slowed dramatically. The Palm Beach County Property Appraiser's Office has advised that this trend will continue into the 2011-12 fiscal year with the decrease as a result of declining commercial property values. This is the third decrease in the City's taxable assessed value since 1994 and is near the valuation level of 2006. This compares to valuation increases of 30% in 2007 and 20% in 2006 and an average of 11% per year for the prior five year period. The millage with the decreased tax base will generate a decrease in tax revenues compared to actual fiscal year 2009-10 of approximately \$5.6 million, based on a 95% collection rate.

The assessed valuation of property located in the Community Redevelopment Agency's (CRA) district has decreased by \$156 million which accounts for 18.9% of the City's valuation decline. Due to the change in the tax rates for the upcoming fiscal year, the CRA's tax increment distribution has decreased by approximately 14.2%.

Property Tax Millage and Valuations:

Property Tax Millage	2008-09 Actual	2009-10 Actual	2010-11 Approved	% Change FY 10 to 11
Operating Millage	\$6.3900	\$7.1900	\$7.1900	0%
Debt Service Millage	.4604	.5316	.6002	12.9%
<i>Total Millage</i>	\$6.8504	\$7.7216	\$7.7902	0.88%
Assessed Valuation* (000):				
Operating	\$ 8,149,606	\$7,010,118	\$6,271,869	-10.53%
Debt Service	\$ 8,150,962	\$7,011,761	\$6,273,034	-10.54%
Revenues Generated	\$53,745,390	\$52,183,869	\$46,416,830	-11.05%

** The assessed valuation used for operating millage is net of the historic buildings exemptions. Therefore, the operating and debt service valuations must be reflected separately.*

The revenue budget is based on 7.7902 mills per \$1,000 of assessed valuation, an assessed valuation of \$6,273,034,004 for debt service millage, an assessed valuation of \$6,271,869,771 for operating millage and a 95% collection rate. This results in tax revenue of \$46,416,830. The 7.7902 mills consist of \$7.1900 for operating expenditures and \$0.6002 for debt service. This levy amounts to a 11.63% reduction of the rolled-back rate which is the millage rate that would provide the same ad valorem tax revenue as was levied during the prior year, exclusive of new construction, additions to structures, deletions and property added due to geographic boundary changes.

On January 29, 2008, voters approved a change in the Constitution relative to tax reform. Measures included doubling the homestead exemption to \$50,000, letting homeowners carry up to \$500,000 in Save Our Homes benefits to a new home, capping annual assessment increases to non-homesteaded properties at 10% per year and giving business owners a \$25,000 exemption on property such as computers, furniture and other equipment. The change also placed a cap on future property taxes by tying any changes in the tax rate with personal income growth and made provisions that allow local governments to override the cap by super majority vote.

Other Taxes

The Other Taxes category consists of the Local Option Gas Tax, Utility Taxes, Business tax receipts and the Communication Service Tax. The combined increase is \$86,460 or 1% of the fiscal year 2009-10 revised, which is attributable primarily to an increase of \$57,000 in the projection for the Local Option Gas Tax.

Franchise, Licenses and Permit Fees

Revenues derived from licenses and permits are projected to decrease by \$362,390 or 4.3% over fiscal year 2009-10. Many permit fee categories are being decreased such as building permits (\$200,000), electrical permits (\$45,000), a/c permits (\$35,000) and roof permits (\$40,000).

Intergovernmental

The overall intergovernmental revenue reflects a decrease of \$157,488 or 2.6% over fiscal year 2009-10. The main decrease is in grants approved in FY 2010, but not in FY 2010 (\$416,988) and an increase in the projection for the collection of sales tax revenue (\$173,000) and State Revenue Sharing (\$95,000). This category may increase pending approval of new grant applications that have been filed previously.

Charges for Services

Charges for Services are projected to increase by approximately \$1,157,603 or 13.3%. This is primarily due to an increase in EMS transport fees (\$200,000), a new yearly alarm registration fee (\$378,000), an increase in anticipated parking revenues (\$60,000) and sponsorships (\$468,750).

Fines and Forfeitures

Revenues generated from fines and forfeitures are anticipated to increase by \$236,100 or 36.4%. This is due mainly to an increase of \$217,000 in the police parking ticket revenue.

Miscellaneous Revenue

The Miscellaneous Revenue category reflects an increase of \$395,420 overall. The increase in contributions from other funds for Administrative costs is \$125,000 and there is a CRA revenue for lease of retail space at Old School Square garage in the amount of \$150,000.

Interfund Transfers

Interfund Transfers total \$3,659,890, an increase of \$226,040 compared to fiscal year 2009-10.

General Fund Expenditures

The 2010-11 approved General Fund expenditures total \$93,354,710. Of this, 61.2% is budgeted for personal services, 19.4% for operating expenses, 5.5% for debt service, including utility tax transfers, and 13.9% for the combined capital, grant and transfer expenditures.

Personal Services

Personnel changes in the General Fund include the addition of two full-time positions. The Police Operations Bureau is eliminating two Police Officer positions and adding two civilian Community Service Officers. The Fire Administration Division is adding two EMS Billing Specialist positions as the City is ending the outside contract for EMS billing and bringing it back in house. There is an anticipated increase of \$200,000 in revenues due to this change. The Fire Department will also be eliminating an Assistant Fire Chief position after the retirement of the current employee and will be replacing this position with a civilian Support Services Manager. In addition, four vacant positions will be frozen for the entire fiscal year which make a total of forty four frozen positions when added to those from the 2009-10 fiscal year. During the planning for the Fiscal Year 2011-12 budget, these positions will be reevaluated to determine if they will continue to remain vacant, be filled or be eliminated.

Part time positions also increased from 36.65 FTE (full time equivalents) in fiscal year 2009-10 to 38.49 FTE in fiscal year 2010-11 with most of the increases in the Parks and Recreation Divisions.

A detailed summary is provided on page S57 in the Synopsis section indicating the changes in the authorized positions and staffing levels over the past five years. The adjacent graph depicts the changes over the past several years which center on hiring more personnel who directly serve the public while relying less on support staff.

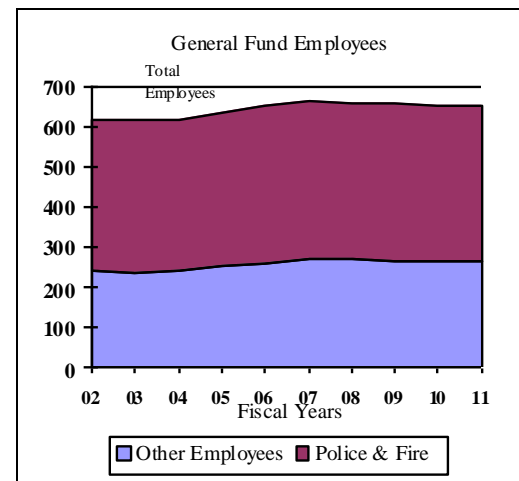
Merit and Step Increases

Merit increases are not included in this budget for Civil Service, Police Union and Service Employees International Union (SEIU) employees. They will not earn increases for Fiscal Year 2010-11 due to revenue shortfalls and the desire not to lay off any current employees. Fire Union employee increases will be given for approximately half the year per the current contract which allowed for increases for only half of the previous year.

Other Personnel Benefits

The employer contributions for the Police and Fire Pension and the General Employee Pension are derived from the Actuarial Valuation Report prepared for each. Changes were made to the General Employees Pension plan after discussions with the SEIU and Civil Service employees who then were able to vote on the changes that were made. The contribution for the General Employee Pension consequently decreased by \$676,050 or 34% in the general fund (\$979,491 or 32.6% in all funds) and to only 9.82% of covered payroll. The contribution for the Police and Fire Pension is no longer a set amount based on previous covered payroll, but will be 44.7% of the fiscal year 2010-11 payroll, an increase of 6% from the previous year. Negotiations are being made with the unions to decrease the City's cost for fiscal year 2010-11 by \$1 million.

As of March 2003, the City switched to a self-insured health plan, administered by Cigna Healthcare. Premium rates for the June 2010-11 policy year decreased 17.6% over the prior policy year. The City opened an



Employee Health Center during the 2009-10 fiscal year and continued savings in health care premiums are expected as a result.

For worker's compensation coverage, the City has a self-insured \$500,000 deductible per claim. Claims over \$500,000 up to the statutory limits are insured. Excess workers' compensation premiums increased \$34,448 or 2.3% for FY 10/11.

Contributions

During the year, the City receives numerous requests for funding from non-profit organizations. The 2011 Contributions were less than the fiscal year 2009-10 funding by \$14,500. In addition, \$46,200 is included in the Tennis Stadium Division for the Chris Evert Tennis Event for total contributions of \$204,100. The maximum total contributions of one percent of the ad valorem tax revenue as is defined in the City's policies and procedures for Charitable and Benevolent Requests would be \$428,400. The review committee met to discuss the requests totaling \$527,370 for this fiscal year. Due to the budget constraints, recommendations were given to the City Commission at the budget hearings for a reduced number of grants. As a condition of funding, these organizations are required to submit two status reports in an effort to determine the specific results received from the donated funds.

The allocation for the Delray Beach Library is funded at \$1,453,500 which is the same as fiscal year 2009-10.

In addition, the City also maintained the contribution to Old School Square with a donation of \$194,750 to supplement their annual operating expenses. Old School Square is the City's cultural and arts complex consisting of three historically restored school buildings originally built between 1913 and 1926. These buildings have not only provided impetus for a growing arts community within the City, but have also encouraged a general revitalization of the downtown area.

Transfers

The transfer to the Beautification Trust Fund of \$900,000 amounts to 10% from the projected collection of telecommunications, electric and other utility tax revenues. The monies are used to maintain the beautified areas. The transfer is the same as the previous year.

The transfer to the General Construction Fund is \$2,000,000. This is an increase of \$833,480 or 71.5% in the transfer (the fiscal year 2009-10 General Fund transfer to the General Construction Fund was supplemented with a \$600,000 transfer from the Insurance Fund). This transfer will primarily fund renewal and replacement programs to maintain the condition of buildings, equipment, and infrastructure as outlined in the Capital Improvement Plan. Specific amounts are set aside for Streets, Traffic & Alleyways, Beautification, and the renewal and replacement of buildings and equipment. \$1,500,000 was taken from reserves to fund this transfer for fiscal year 2010-11.

The General Fund monies transferred to the Community Development Fund go toward exterior improvements to residential units. Funding for this program totals \$149,430 for fiscal year 2010-11 which equates to the UDAG loan payment due this fiscal year. This funding in the neighborhood housing program will be used to address ongoing neighborhood issues.

Other Funds

Water and Sewer Fund

Water sales rates for fiscal year 2010-11 are budgeted to remain the same as fiscal year 2009-10. The rate structure was changed for fiscal year 2009-10 to ensure a more equitable distribution of customer charges predicated on use while overall remaining revenue neutral.

The total Water and Sewer Fund fiscal year 2009-10 budget of \$32,431,670 includes debt service payments of \$6.1 million on Water and Sewer Revenue Bonds.

Beautification Trust Fund

The Beautification Trust Fund is used to account for the maintenance of beautification projects. Revenue is derived from a transfer based on 10% of telecommunications, electric and gas utility tax revenues collected (see note under Transfers). This transfer from the General Fund totals \$900,000, a \$65,000 increase from fiscal year 2009-10. Expenses consist of 95% maintenance and 5% new capital projects. The debt repayment was completed in the year 2007.

City Marina Fund

Expenses at the City Marina are budgeted at \$118,920 for fiscal year 2010-11, a decrease of \$87,490 or 42.4% from the prior year. The City decreased the dockage fees in fiscal year 2009-10 by almost 24% and full occupancy for the fiscal year is expected which will result in approximately the same amount of revenue.

Stormwater Utility Fund

The Stormwater utility assessments generally fund projects outlined in the Capital Improvement Plan on a pay-as-you-go basis. The stormwater assessment fee remained the same for fiscal year 2010-10. The fiscal year 2010-11 budget decreased by \$1,717,535 mainly due to the decrease for capital expenditures. Operating expenses for maintenance of the drainage system and administration of the assessment are budgeted to reflect an increase of \$228,840 from \$417,640 to \$646,480, due mainly to transferring one third of the costs of Engineering from the General Fund to the Stormwater Utility fund. Stormwater capital projects decreased from \$4,281,625 in 2009-10 to \$2,564,280 in 2010-11.

Golf Course Funds

The Municipal Golf Course Fund achieved a net income of \$32,648 (before capital contributions and transfers) in fiscal year 2009-10. Charges for services in fiscal year 2010-11 are estimated at \$3,285,860 or a 0.53% decrease compared to the fiscal year 2009-10 budget.

The Lakeview Course Fund reflected a net operating income for 2009-10 of \$2,926 or \$7,882 under 2008-09 earnings of \$10,808. The fiscal year 2010-11 budget anticipates a \$42,518 net income at the end of the fiscal year.

Sanitation Fund

The Sanitation Fund's budget for fiscal year 2010-11 is \$4,794,060, an increase of \$90,320 over fiscal year 2009-10. Some of the earnings of the Sanitation Fund are used to fund the Beach Cleaning contract for \$79,080. This is reflected in the transfer to the General Fund.

Also in the Sanitation Fund is continued funding of the Anti-Litter Program. This program, which began as a pilot program in fiscal year 1996, has proven to be very successful.

Conclusion

The 2010-11 Budget continues to fund a financially sound City government with the collection of sufficient revenues to maintain City programs and services.

In 1988, before many of us were in Delray Beach, including myself, the City established a Mission Statement. It was later affirmed in 1990 and is still followed in 2010. The statement reads:

The Mission of the City of Delray Beach is to create a renaissance that enhances the unique cultural, historical, and natural resources which make this an attractive community to a diverse and balanced population.

I believe in many parts of the City we have created this and improving upon it will be challenging. Initially the improvements began with the Decade of Excellence Program where efforts focused on the creation of "A South Florida Renaissance City." These improvements led to a revitalized downtown area, improved parks as well as rebuilt infrastructure and newer facilities. The more recent improvements and planned projects include the Miller Park Renovations, Auburn Avenue improvements, Cultural Loop/Martin Luther King Boulevard project, Federal Highway Enhancements and phased construction of the reclaimed water transmission system.

Through these and many other improvements we have created a community to serve all age groups with some of the finest amenities and public facilities available in the county, not to mention the aesthetic improvements in our streetscape design available to all passersby traveling the City's thoroughfares.

As our redevelopment continues, others have been taking note of our progress. Recognition is evident through the prestigious All America City award received in 1993 and again in 2001. Delray Beach is the only Florida city to ever win the designation twice. In addition, numerous publications have featured articles on Delray Beach and its transformation into a quaint, historic village by the sea. At the heart of these honors was the instrumental role of citizens in the City's turnaround. Especially noted was the effort of citizens representing both the public and private sector to identify and solve problem issues.

The budget presented herein in its simplest form provides a means of preserving and expanding the improvements initiated by the community at large. We collectively review the services we provide and evaluate whether we are meeting the needs of the community as it evolves. It is with great pride that the employees of the City take part in achieving the improvements to both the changing physical image of the City and its reputation as well.

Sincerely,



David T. Harden
City Manager