



## Town of Pembroke Park Office of the Town Manager

Memo To: Honorable Mayor Ashira Mohammed, Vice Mayor Howard P. Clark, Jr,  
And Town Clerk/ Commissioner Georgina Cohen

From: Bogdan "Bob" Vitas, Interim Town Manager

Cc: Christopher Ryan, Town Attorney  
Natasha Joseph, Deputy Town Clerk/Director of Administrative Services  
Todd Larson, Director of Public Services

Date: September 16, 2018

Subject: Fiscal Year 2018 – 2019 Annual Budget Message

It is my pleasure to submit the final proposed Fiscal Year 2019 Annual Budget to the Town Commission for your adoption at the final public budget hearing on today's date. Unlike any past annual budget documents, the Fiscal Year 2019 Annual Budget now provides a fully transparent and comprehensive presentation of the Town's annual financials and operations. I prepared the new budget format in accordance with local government professional standards that will provide the general public with greater clarity and understanding of the Town's fiscal operations, and with future accountability in mind given past problems encountered during the previous administration. My sincere belief is that Fiscal Year 2019 will result in a marked change in direction and establish a new course to secure the financial sustainability of the Town.

### **General Fund Revenues and Expenditures**

The adopted ad valorem millage rate for Fiscal Year 2019 remains unchanged from prior years at a rate of 8.50 per \$1,000. The ad valorem millage rate has remained constant since FY 2001. Based upon the Town's reported 2018 gross taxable value of \$706,218,431, this results in total taxes to be levied of \$6,002,857. This represents an increase in gross taxable value of 4.45% over the 2017 final gross taxable value of \$676,143,079 and an increase in ad valorem taxes of \$255,641. For purposes of the budget, 95% of the total taxes to be levied is proposed for adoption or \$5,702,714 (\$300,143 less than the total taxes levied) versus \$5,736,468 as

budgeted in 2018. Unlike prior years, greater than 95% was proposed/adopted including budgeting for projected ad valorem tax delinquencies; a practice which should not have occurred. The FY 2018 figures were \$40,657 or .7% less than the total taxes to be levied as reported on the DR420 as required by the Florida Department of Revenue in accordance with Florida Administrative Code.

Total General Fund Revenues for FY 2019 equal \$11,236,239 which represents a decrease of \$475,598 or 4% under the FY 2018 budget of \$11,711,837. This reduction is reflective of revenue adjustments/reductions related to several key revenue sources including ad valorem taxes, franchise fees, licenses and permits, intergovernmental sources and other revenues. Most importantly, there is no use of the General Fund Unassigned Fund Balance proposed or adopted in FY 2019 in order to begin the process of growing back this critical reserve. The Unassigned Fund Balance as of October 1, 2017 was \$2,682,999, which represents approximately 24% in relationship to the FY 2019 budget, or 3 months of operating capital. Based on the FY 2019 budget a targeted 6 month Unassigned Fund Balance reserve would be approximately \$5,618,120 requiring growth in the reserve of \$2,935,121. It is strongly suggested that the Town Commission establish a fiscal policy that any remaining unexpended fund balances starting with FY2018 be placed into the Unassigned Fund Balance once the final amounts are determined in order to re-establish a minimum 6 month operating reserve.

Total General Fund Expenditures for FY 2019 equal \$11,236,239 which represents a decrease of \$346,155 or 3% under the FY 2018 budget of \$11,582,394. This reduction is predominantly related to a restructuring of the organization based on a March 2018 Organizational Analysis, elimination of key positions, addition of new positions, and implementation of a July 2018 Classification and Compensation Plan for all municipal employees. Total salaries for FY 2019 equal \$2,168,000 which represents a decrease of \$545,253 or 20% under the FY 2018 budget of \$2,713,253. Overall salary savings, after a total reduction of \$922,004 or 34%, are \$586,493 or 22% based on fully funding all authorized positions in accordance with the new Compensation Plan. As a further result, there are corresponding savings related to employee benefits including reductions in FICA and Florida Retirement System contributions, group insurance plan premiums for Life and Accidental Death & Dismemberment, and individual Short and Long Term Disability. Premiums costs for all lines of insurance, with the exception of the Group Health and Group Dental Plans remained at the FY 2018 rates. The Group Health insurance plan increased by 15.8% while the Dental insurance plan increased by 3%.

### **General Fund Capital Outlay**

Within the General Fund for this fiscal year \$271,000 has been appropriated for capital outlay expenditures across all departments. Specifically, \$46,000 has been allocated for the purchase of two vehicles through the State of Florida Joint Purchasing Program, one vehicle for the Building Department and one vehicle for the Code Enforcement Department. The vehicle planned for the Building Department is a replacement vehicle, while the Code Enforcement Department would be an additional vehicle based on the addition of a new code enforcement

officer. In addition to the two vehicles, \$10,000 is budgeted for the purchase of a new lawn mower, new shed and related electrical service installation to service the Community Garden, and \$100,000 is slated for computer hardware/software replacements/upgrades. Aside from machinery and equipment, funds have been budgeted to complete several studies: Fire and EMS Services (\$40,000); and Municipal Complex Design Project (\$50,000). The remaining balance of \$25,000 is spread across several departments for replacement of incidental items.

### **General Fund Capital Projects**

Two park improvement projects are slated for commencement and completion this fiscal year totaling \$411,482. Project number 9048 includes the replacement and conversion of existing light fixtures to LED and installation of additional light poles at a cost of \$250,000 for the Preserve. Project number 9067 is the 43<sup>rd</sup> year use of Community Development Block Grant funds for the outdoor lighting project in the Preserve in the amount of \$161,482.

### **Sewer Fund Revenues and Expenditures**

Total Sewer Fund Revenues for FY 2019 equal \$3,187,450 which represents an increase of \$92,742 or 3% over the FY 2018 budget of \$3,094,708. The FY 2018 Sewer budget included a minimal use of Fund Balance in the amount of \$13,625. There is no use of Fund Balance Reserve required in FY 2019 in order to balance the Sewer budget. Total Sewer Fund Expenditures for FY 2019 are balanced and equal \$3,187,450 which represents an increase of \$106,367 or slightly above 3% over the FY 2018 budget of \$3,081,083. The beginning unreserved fund balance was \$3,881,217 which is more than adequate at this time. The Town Commission should establish a fiscal policy that governs the level and use of fund balance in the Sewer Fund.

### **Sewer Fund Capital Outlay & Projects**

Within the Sewer Fund \$357,218 is budgeted for projects in Fiscal Year 2019. Specifically, \$90,000 is scheduled to address sewer line I & I problems and necessary lift station improvements. There are currently 28 lift stations serving the sanitary sewer system. I would encourage the Town Commission in future years to fund the costs associated with purchasing and installing an electronic monitoring system, such as SCADA, to streamline maintenance operations, improve lift station reliability, reduce the risks associated with failed pumps, and reduce all costs associated with daily monitoring which could be done remotely. The purchase of one replacement truck is planned for \$60,000. \$207,218 is budgeted in grant funds.

### **Storm Water Fund Revenues and Expenditures**

Total Storm Water Fund Revenues for FY 2019 equal \$1,614,882 which represents a decrease of \$284,304 or 15% under the FY 2018 budget of \$1,899,186. The FY 2018 budget included the use of \$358,494 in Fund Balance Reserve. It appears that the adopted use of Fund Balance

reserve was likely related to the large number of planned capital projects. There is no use of Fund Balance Reserve required in FY 2019 in order to balance the Storm Water budget. Total Storm Water Fund Expenditures for FY 2019 are balanced and equal \$1,614,882 which represents a decrease of \$284,304 or 15% under FY 2018 budget of \$1,899,186. In FY 2018 the Town paid off the remaining debt service balance on \$5,265,000 loan that originated on November 26, 2002 with Wachovia Bank, later Wells Fargo Bank. The beginning unreserved fund balance was \$1,171,951 which is adequate at this time. The Town Commission should establish a fiscal policy that governs the level and use of fund balance in the Storm Water Fund.

### **Storm Water Fund Capital Outlay and Projects**

Within the Storm Water Fund \$595,911 is budgeted for projects in Fiscal Year 2019. Of this amount, \$150,000 is budgeted for project number 3353 which is for engineering and design of a project to improve the sidewalks and storm water drainage along County Line Road. Another \$100,000 is budgeted for project number 3354 which is for phase 2 engineering and design related to improvements at John P. Lyons. The remaining balance of \$30,000 is to replace one truck. \$315,911 is budgeted in grant funds.

### **Commission Pension Trust Fund**

The Commission Pension Trust Fund is no longer reported in the annual budget. The Town Auditors have advised that it is not necessary to report the pension as part of the annual budget as it is reported separately by the Pension Plan Administrators for the Pension Board. It is only required that the Town annually fund the pension based on an actuarial amount as determined by the Pension Plan Administrator Actuary. This fund is reported for in the Town's accounting system and included as part of the annual audit/CAFR.

### **Conclusion**

Fiscal Year 2019 marks the beginning of a new direction for the Town of Pembroke Park. The introduction of new administrative leadership, creation of a new organizational structure, job classification and compensation plan, purchasing manual, finance and accounting manual, personnel manual, records management manual, Commission procedural manual, and expanded annual budget document, all of these efforts will lead to vastly improved transparency and financial accountability of the local government's full operations.

I would like to extend my gratitude to the Town Commission for their full support and the opportunity to prepare the Town's Fiscal Year 2019 Annual Budget. The Town staff was very cooperative and I would like to thank each of them for their assistance in preparation of the budget. Lastly, I want to give special mention to Ms. Leah Casagrande who prepared all of the charts and graphs, and for assembling both the proposed and final adopted budget documents.

With adoption of the Fiscal Year 2019 Annual Budget I am hopeful that this document will serve the Town Commission, Town staff, citizens, and the commercial and industrial business community well in the next and future fiscal years. The new budget presentation will greatly improve everyone's understanding of the Town's financial operations and fiscal condition.

Respectfully submitted,  
Bogdan "Bob" Vitas  
Interim Town Manager