



155 F Road Loxahatchee Groves, FL 33470

**Agenda Item #**

**TO: Town Council of Town of Loxahatchee Groves**

**FROM: Francine Ramaglia, Town Manager**

**DATE: July 2, 2024**

**SUBJECT: Budget background and setting of TRIM rates**

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**Background:**

**PROPOSED BUDGET SCHEDULE**

There are three preliminary TRIM resolutions before the Council for approval on their July 2, 2024 agenda. The purpose of these resolutions is to set the maximum rate that can be assessed. The actual adoption of the rates will come after your September public hearings on the budget and after the Council has had a thorough review of the budget. The proposed schedule for your budget meetings is as follows:

July 16, 2024 – initial presentation and review of the budget of the detailed budget

August 13, 2024 – budget workshop

August 20, 2024 – budget workshop

August 22, 2024 – budget workshop ( if needed)

If Council so directs, a budget workshop will also be held in mid-August with the FAAC, so that Council can get their input in the process.

September 3, 2024 – Public hearing and adoption of budget and final assessment rates for Water Control District and Solid Waste Funds, first hearing on adoption of general fund budget and millage rate.

September 18, 2024 – Public hearing and adoption of budget and final millage rate for Town general fund.

As a part of those discussions the Council will be considering and formulating the 5 year Capital Improvement Plan (CIP) with first reading of the adopting ordinance being scheduled for the September 3<sup>rd</sup> meeting and public hearing being scheduled for September 18<sup>th</sup>.



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## **OVERVIEW OF THE BUDGET**

### **Fund Balances**

Attached is a projection of the fund balances for the Town's various funds on September 30, 2024. Fund balances in the General Fund and Road and Drainage Fund have been reduced as anticipated because of the use of reserves in the FY24 budget. The staff is not recommending the use of either general fund reserves or road and drainage reserves in the upcoming budget. Those reserves are anticipated to be at or above the 25% of operating budget, but in the staff's opinion there should not be a further draw on those reserves. The FAAC at their June 25<sup>th</sup> meeting concurred in the recommendation not to rely on the reserves in either of those funds, unless an emergency necessitates those reserves being utilized.

The Transportation Fund and Local Option Surtax Fund (L.O.S.T.) funds typically do not maintain reserves and are utilized to contribute to the funding of the Capital and Road and Drainage Funds. It is recommended those funds be utilized in their entirety, again for next year for those purposes.

The current and expected Solid Waste fund balance was maintained above the 25% level to be used for rate stabilization, in anticipation of upcoming increases in the contract for January of 2025 and January of 2026. As discussed below the Council may want to consider usage of a portion of those reserves to provide rate stabilization.

### **General Fund**

In FY24 the General Fund had a budget of approximately \$4.23 million, with the source of funds including \$506,000 from fund reserves. In FY24 the general fund transferred 1.2 million to the Capital Fund for ongoing capital projects and \$118,000 to the Solid Waste fund to allow the rates to remain at previous levels. For FY25 the current working draft of the budget anticipates revenues of 4.05 million without the use of any reserves. At this time the budget includes a transfer of \$750,000 to the FY25 Capital Fund using only FY25 revenues. The millage rate is proposed to remain at 3 mills. Attached is a memo from Chris Wallace, describing the required number of votes to adopt the millage rate at various levels. To set the preliminary TRIM rate, at any level, a simple majority vote of the Council is all that is required. Maintenance of the millage rate was supported by the FAAC. The staff will be recommending the supplement to the Solid Waste fund cease and that fund support its expenses relying on existing reserves to provide some rate stabilization.



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### **Road and Drainage Fund**

Revenues in the Road and Drainage fund are approximately 1.82 million dollars. The bulk of that revenue comes from the assessment of lands within the district at a rate of \$200 per acre, which produces approximately 1.5 million. In addition, gas tax funds of approximately \$275,000 per year are transferred into the Road and Drainage fund. In FY24 approximately \$945,000 was taken from previous years' fund balance to support expenditures of 2.76 million, which included a transfer to the Capital fund of approximately \$485,000.

The working draft of the FY25 budget for the Road and Drainage fund has anticipated expenses, without any transfer to the Capital fund, of \$2.4 million. The funding gap is approximately \$600,000 and there are no reserves to draw from.

\$ 20 of assessment produces approximately \$150,000 in revenue. To cover the gap in funding, staff is recommending an increase in the assessment rate to \$280 per acre. At the FAAC meeting two members of the committee supported increasing the assessment rate and 3 members did not. Remembering, that preliminary TRIM rates set the maximum possible rate, staff encourages the Council to adopt a preliminary rate of \$280 to potentially cover the revenue gap. Alternative means to cover the revenue gap would be to divert general fund revenues scheduled to be transferred to the Capital fund, to the Road and Drainage fund.

### **Capital Fund**

The draft of the tentative FY25 Capital Program is attached and calls for approximately \$2.25 million in spending. Council will note that the long term plan suggests deferring roads included in the FY24 paving plan to future years. Those roads are West C, West D, Global Trail, and Kerry Lane. It is the public works director's recommendation those roads be deferred until the adjacent roads are able to be paved at the same time. His reasoning is that the grader will still have to be sent to those areas until such time as all the adjacent roads are paved and therefore, he does not see significant savings by programming those 4 roads for paving in FY24. The cost of the road improvement plan for those 4 roads is approximately \$420,000 (includes contracted pricing for paving and road rock). If Council concurs in the postponement of those 4 roads until future years when each complete neighborhood could be paved, the \$420,000 would be redirected to cover any potential overages in the remainder of the FY24 CIP and fund the gap approximate \$300,000 gap in the FY25 CIP. Full funding of the FY25 CIP would still be contingent on the transfer of funds from the General Fund.



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### **Solid Waste Fund**

Residential garbage collection is primarily funded by solid waste assessments. The current assessment rate is \$400 per unit. This assessment rate generates net revenue of about \$580,000. In FY24 the Town Council supplemented the assessment collection with \$118,000 from the general fund to cover the actual expenses of the garbage collection which is approximately \$700,000. In FY25, in accordance with the current garbage contract, the collection costs will increase to approximately \$720,000. Although the FAAC did not recommend any increases in assessment rates, given the potential funding deficit in the Road and Drainage fund and therefore the potential need to have the General Fund contribute to the Road and Drainage fund, it is recommended the solid waste assessment be returned to \$450, which will close the gap on the assessment covering the actual costs of the service, with the remaining deficiency being covered by the projected fund balance. If reserves, were used in that manner the resultant fund balance would still be above the 25% level.

### **Recommendation:**

Council consideration and direction with respect to the Preliminary TRIM rates for road and drainage assessment, solid waste assessment and millage rate.