

# Town of Palm Beach Shores

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## Long Range Plan

April 8, 2019



# Long Range Planning Overview

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## Mission Statement

- The mission of the Palm Beach Shores Long-Range Planning Committee (LRP) is to deliver a presentation to the town with estimated revenues and expenses for the years 2020 to 2024 against residents requirements. This report will assist the town government to make informed decisions about the town budgets.

## Committee Members

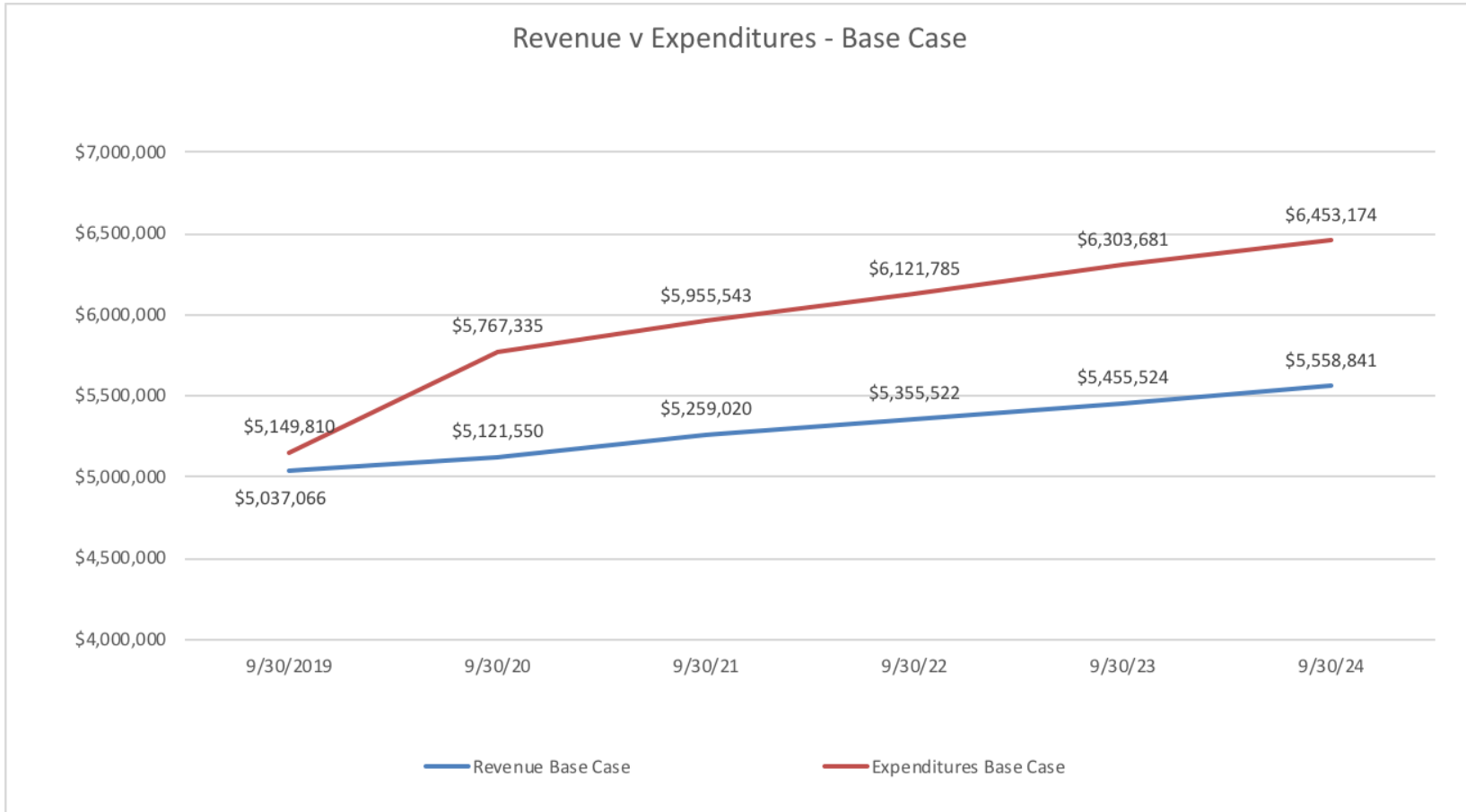
- Gil Gilgallon
- Jim Homburger
- Robert Stanton
- Brian Tyler

## Data Gathering Sessions

- Mayor Myra Koutzen – Operational, Administrative, Strategic
- Chief Trevor Steedman- Fire
- Chief Steve Langevin- Police/Dispatch
- Alan Welch – Director of Public Works
- Evyonne Browning – Administration, Town Clerk
- Josh Nichols – Zoning Official



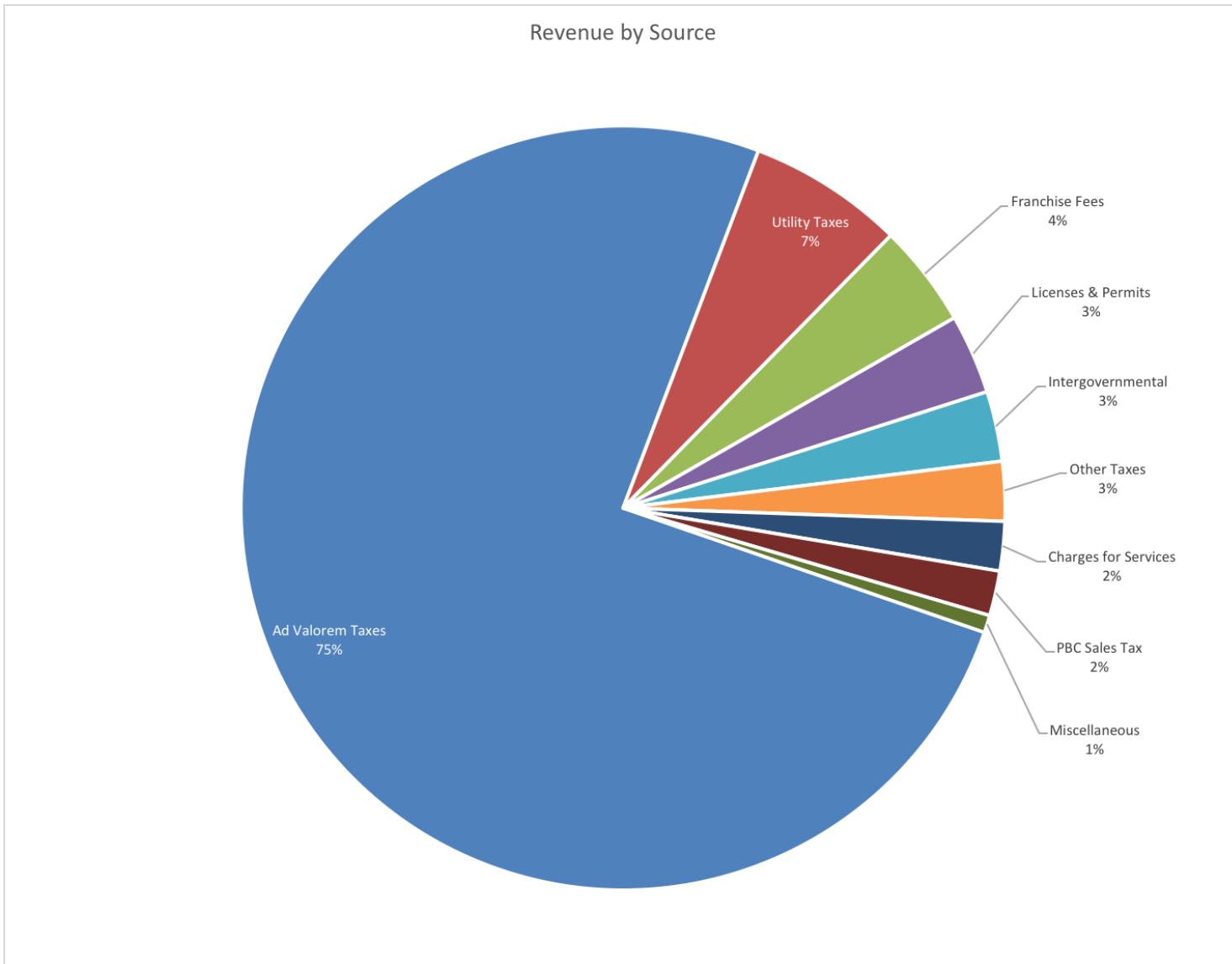
# Baseline Revenue and Expenses



\$3.8M  
Gap



# Key Trends in Town's Revenue Base – Revenue by Source

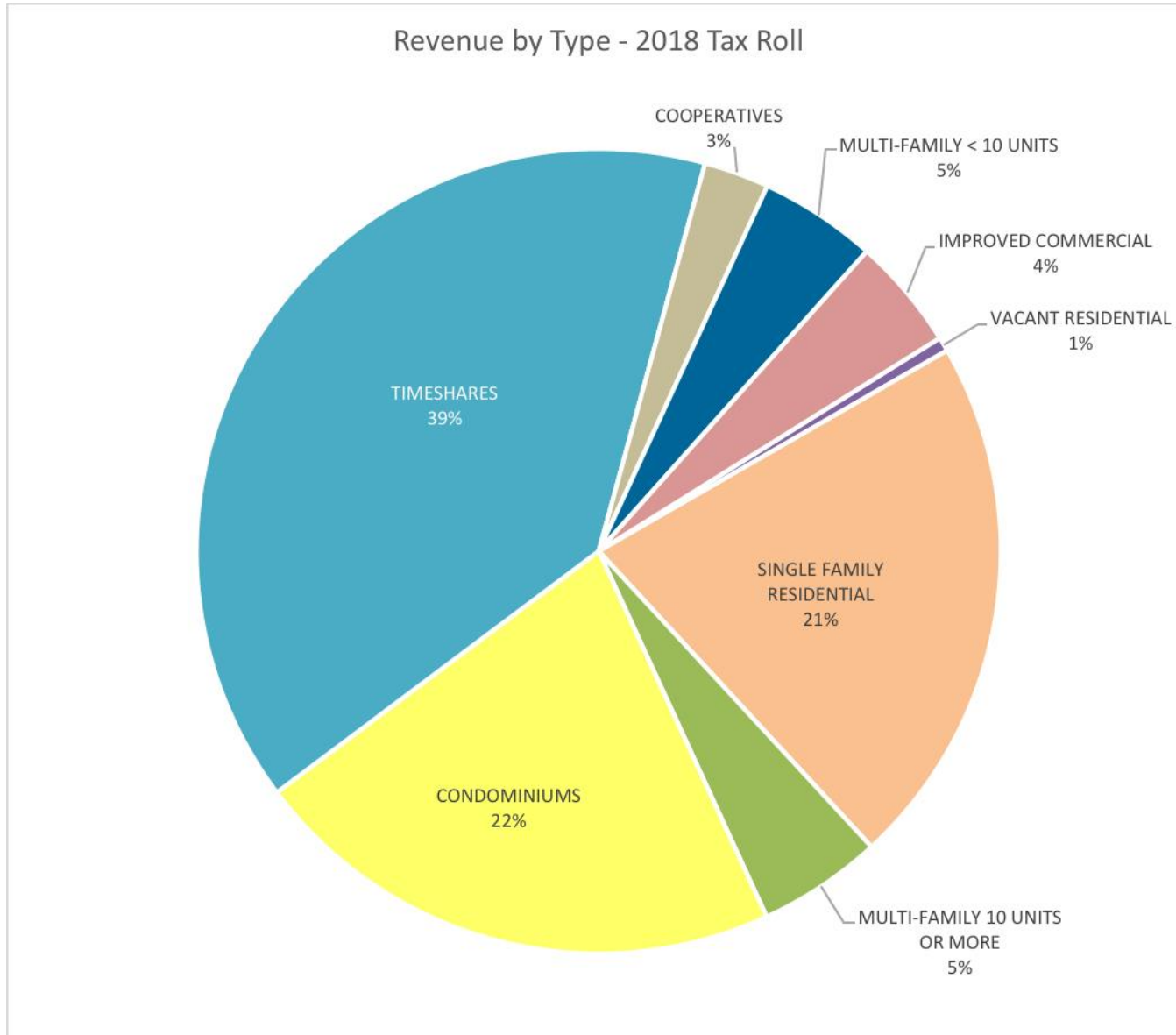


## Key Trends in Town's Revenue Base – Revenue by Source

- Property taxes are the town's largest source of revenue with little ability to change this mix.
- Valuations have increased by an average of 3.627% over the last five years. Growth is based on 3 factors
  - Overall rise in all housing values in Palm Beach County
  - Net new development taking place in PBS
  - Sales of properties releasing homestead valuations
- The Town's total taxable valuation in 2018 was slightly over \$600 million.
- Recent development of new condominiums have added nicely to town's tax base
- Residents effectively pay 100% of the taxes shown in the chart



# Key Trends in Town's Revenue Base – Revenue by Type



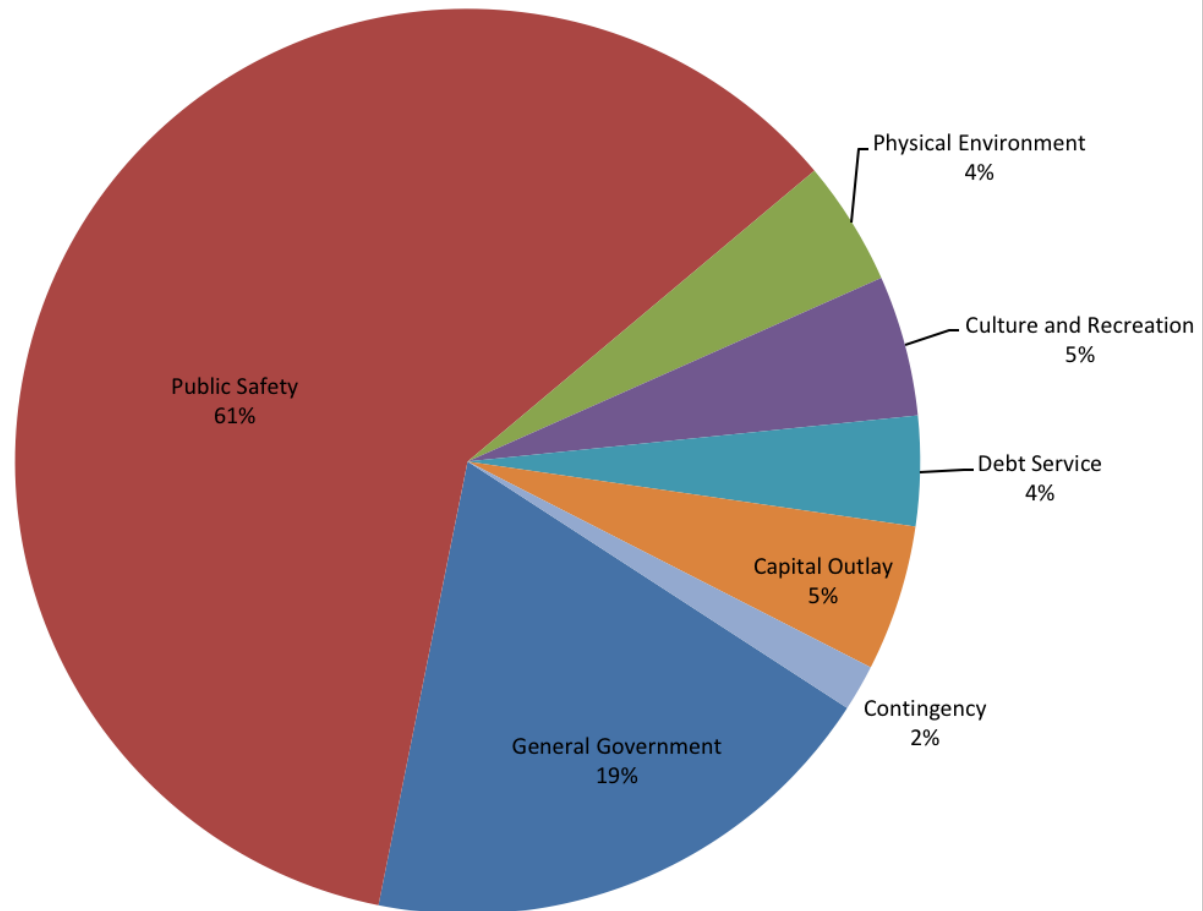
## Key Trends in Town's Revenue Base – Revenue by Type

- Town is limited by its borders and is built out, our only opportunity is redevelopment
- Largest 3 types of property tax base are time shares, condominiums, and single family homes
- Time shares, our largest tax base, are flat and may decline
  - In 2012 this was 46%. In 2018 it has declined to 39.5%
  - Marriott has successfully converted from weekly ownership to points system throughout U.S. reducing its tax base
  - If Marriott valuation had grown at average rate of over last 4 years, the town would have generated another \$225k in revenue
- Tax base for single family homes and condominiums have been increasing due to development and overall rise in property values



# Key Trends in Town's Expense Base – Expenses by Department

2019 Budgeted Expenditures





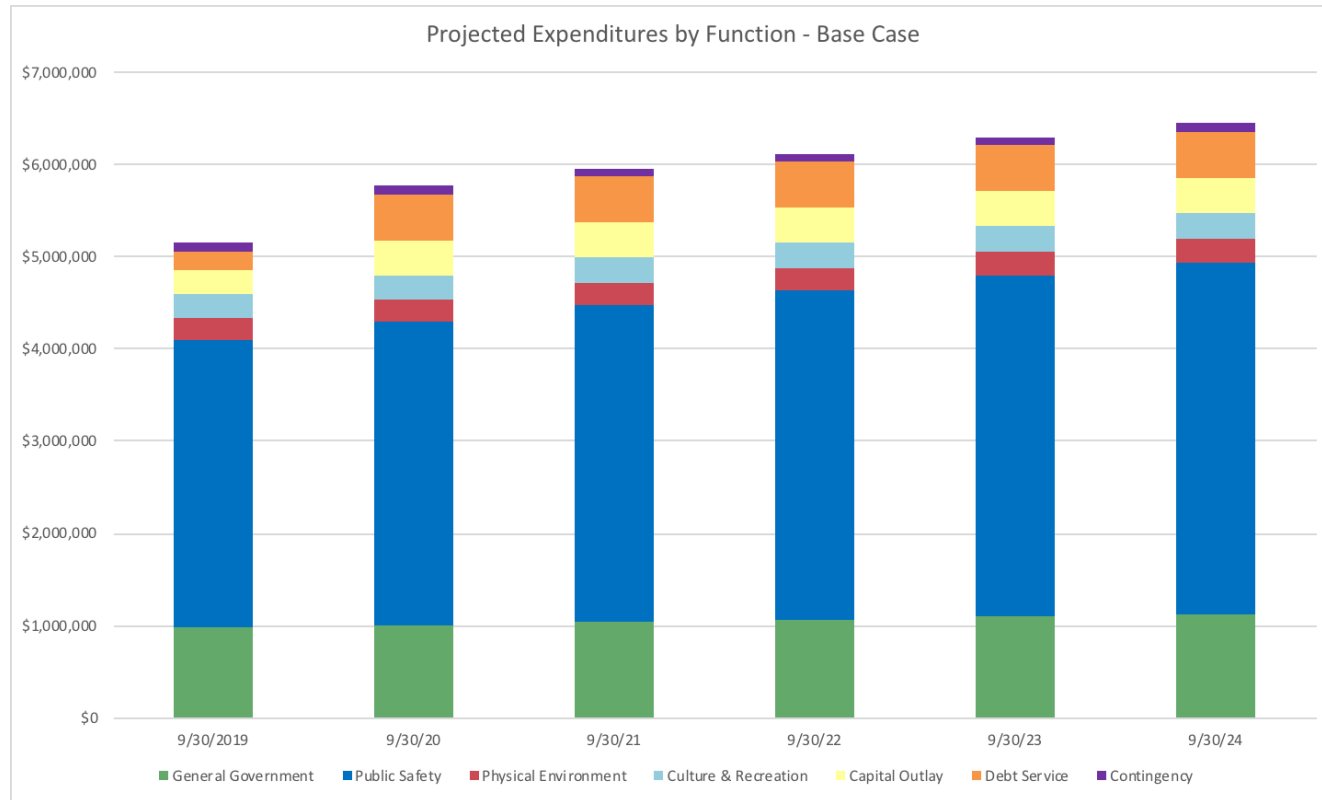
## Key Trends in Town's Expense Base

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- Public safety budget totals \$3.1m in current year and represents 61% of town expense base
- The safety budget increased at twice the rate of revenue in current year and will continue to outpace
- Significant pressure on hiring competent police officers
  - Schools, towns, state all seeking to fill open positions
  - PBS expects average increase of 9% per year between 2019 and 2021
  - Still leaves our police at lowest comparative pay levels
- Fire has moved to paid/volunteer model
  - State requirements have made it impossible to fulfill with local non-certified volunteers
  - Currently have 5 full-time employees with balance of hours filled by certified firefighter/EMT volunteers seeking employment
  - Volunteer hours continue to fall below what is needed to staff all shifts
- Employer share of payroll taxes, retirement plan (FRS), medical, etc. totals over 50% of employees base pay
  - E.g. Every \$1,000 in pay has an additional \$500 of overhead cost



# Key Trends in Town's Expense Base



- Town is reaching its 70<sup>th</sup> birthday!
- Aging town infrastructure will require significant capital projects in the next 5-20 years
- The “best little town in Florida” will come at an increasing price
- What services do taxpayers value the most



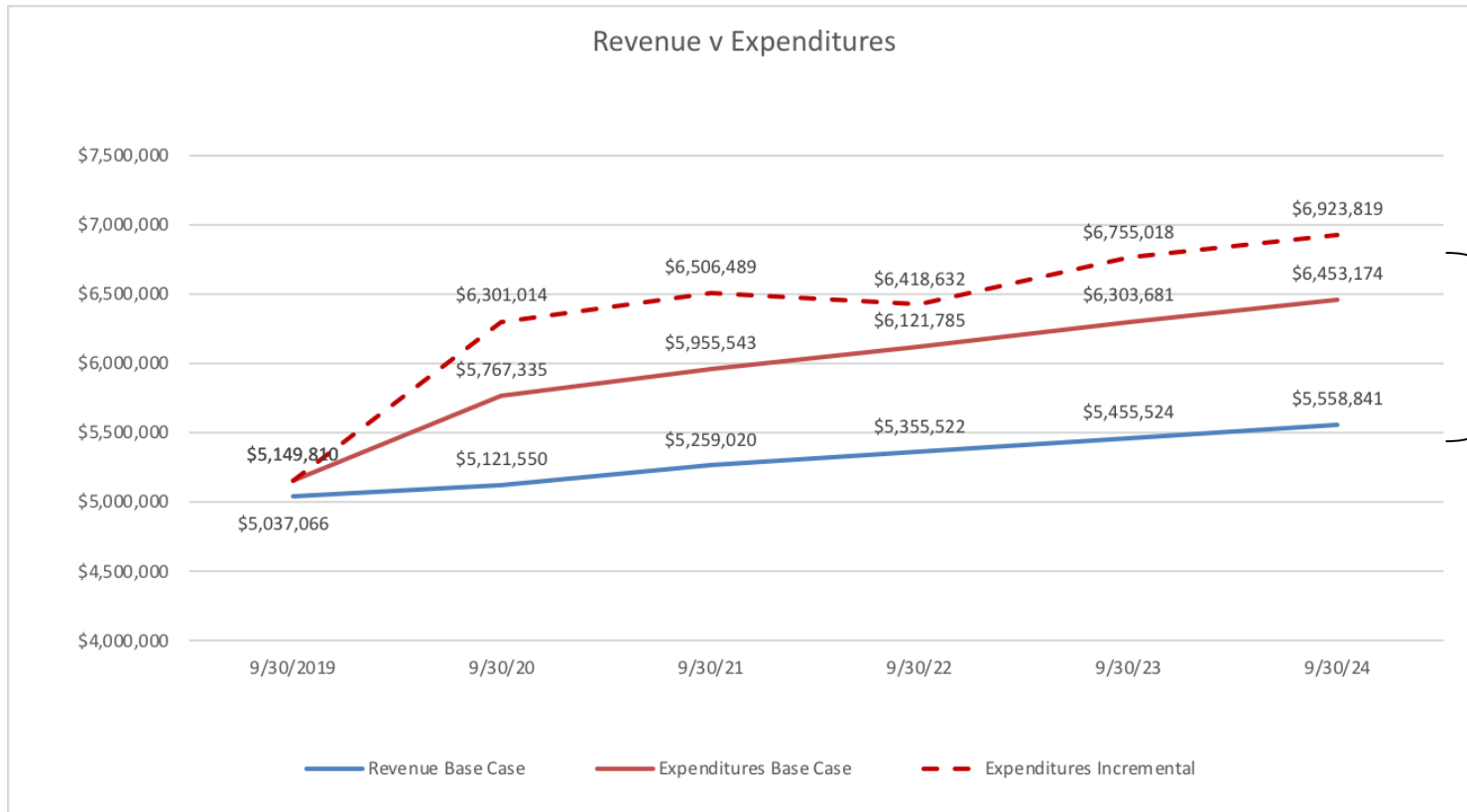
# Capital Spending

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- The town has spent an average of \$384,000 per year over the last 5 years, excluding undergrounding
- Some of this capital spending has been funded through our fund balance which is no longer an option
- Our base expense assumptions continue at a level of \$384k and continue to defer many upgrades
  - Street outflow and drain improvements to alleviate flooding
  - Beach Bathhouse
  - Fire truck
  - Town administrative buildings
  - Increase heights of streets to FEMA flood levels and install drains along roads



# Baseline/Incremental Revenue and Expenses



\$6.2m  
Gap

- Base case expenses exceed revenues by \$3.8 million over the next 5 years due to increases in salaries, benefits, and capital needs
- Incremental case expenses exceed revenues by a total of \$6.2 million over the next 5 years when department managers needs for added headcount and further capital spending is added to the mix



## Options to Close the Revenue and Expense Gap

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- Raise town millage rates
- Use of overlays and/or zoning modifications to increase redevelopment opportunities
- Contract for one or more emergency services
- “Unpack” and/or add fees to fund expenses currently covered by town
  - Waste management, Storm water system, fire use, roads
- Eliminate services
  - Lifeguards, tree maintenance on 10’ strip from roads, maintenance level on parkway
- Contracted management of community center to raise paid use



# Resident Taxation Overview

			5 years out					
CURRENT			BASE			INCREMENTAL		
Property Valuation	Total Tax Bill	PBS Share of Tax Bill	Property Valuation	Total Tax Bill	PBS Share of Tax Bill	Property Valuation	Total Tax Bill	PBS Share of Tax Bill
Millage Rate	20.1021	6.35	21.1271		7.3750	21.7521		8.0000
\$ 250,000	\$ 5,026	\$ 1,588	\$ 298,748	\$ 6,312	\$ 2,203	\$ 298,748	\$ 6,498	\$ 2,390
\$ 300,000	\$ 6,031	\$ 1,905	\$ 358,497	\$ 7,574	\$ 2,644	\$ 358,497	\$ 7,798	\$ 2,868
\$ 400,000	\$ 8,041	\$ 2,540	\$ 477,996	\$ 10,099	\$ 3,525	\$ 477,996	\$ 10,397	\$ 3,824
\$ 500,000	\$ 10,051	\$ 3,175	\$ 597,495	\$ 12,623	\$ 4,407	\$ 597,495	\$ 12,997	\$ 4,780
\$ 750,000	\$ 15,077	\$ 4,763	\$ 896,243	\$ 18,935	\$ 6,610	\$ 896,243	\$ 19,495	\$ 7,170
\$ 1,000,000	\$ 20,102	\$ 6,350	\$ 1,194,991	\$ 25,247	\$ 8,813	\$ 1,194,991	\$ 25,994	\$ 9,560
\$ 3,000,000	\$ 60,306	\$ 19,050	\$ 3,584,973	\$ 75,740	\$ 26,439	\$ 3,584,973	\$ 77,981	\$ 28,680

- Base case for property valuation growth is 3.627% per year
- PBS is currently 30% of your overall property tax tax bill with a millage rate of 6.35
- The effect of using only tax increases to fund the gap in expenses over revenue would increase the current town millage rate from 6.35 to 7.375 on the base case and 8.00 on the incremental case



# Redevelopment Favorably Impacts Tax Base

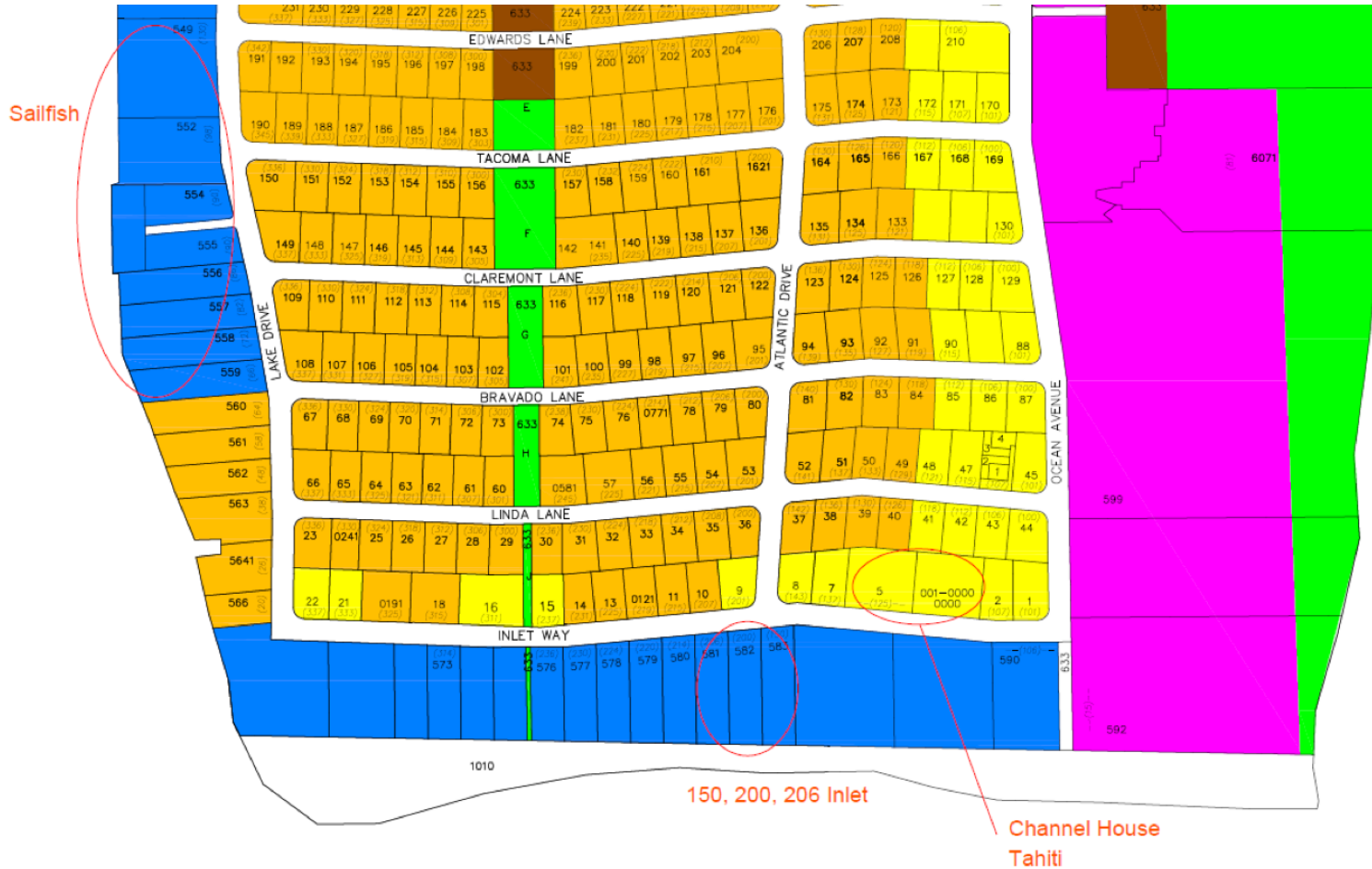
- Recent development has delivered net new tax base

Property	Type	Tax Roll Value	Town Share Property Tax
Dolce Vita	Condos	23,000,000	\$138,000/yr
106 Inlet Way	Condos	12,000,000	\$72,000/yr
224 Inlet Way	Condos	7,500,000	\$45,000/yr
Total		42,500,000	\$255,000/yr

- Every new \$100 million in valuation provides the town with approximately \$600,000 in property taxes
- Any change in the overlay and/or zoning to encourage redevelopment will take multiple years to fully realize the added valuation



# Current Redevelopment Opportunities





# Current Redevelopment Opportunities

Redevelopment opportunities can add significant new valuation to our tax base

Inlet

Floors	Units	Selling Price	Tax Roll Value	Town Property Tax
4	53	\$677 per sq. ft.	\$43 million	\$261,000
5	66	\$677 per sq. ft.	\$55 million	\$336,000
6	79	\$677 per sq. ft.	\$68 million	\$411,000

Sailfish

Floors	Units	Selling Price	Tax Roll Value	Town Property Tax
4	53	\$677 per sq. ft.	\$43 million	\$261,000
5	66	\$677 per sq. ft.	\$55 million	\$336,000



# Current Redevelopment Opportunities

Redevelopment opportunities can add significant new valuation to our tax base

## Inlet

<b>Towns share Ad Valorem Taxes with 224 inlet</b>		\$3,475,900	\$3,664,900	\$3,725,204	\$3,853,638	\$3,941,182	\$4,031,901	\$4,125,910	\$4,223,329
<b>Total Taxes with new values added</b>		\$3,475,900	\$3,664,900	\$3,725,204	\$3,853,638	\$3,899,036	\$4,218,672	\$4,319,455	\$4,423,893
<b>OVERLAY Possibilities</b>						<b>LOST TAXES</b>	<b>2022 TAX ROLL</b>	<b>2023 TAX ROLL</b>	<b>2024 TAX ROLL</b>
Assuming 53 units 1400 Sq Ft ave sales price		<b>4 floors:</b>				\$	<b>50,276,111</b>		
less existing property value		53 units and 74,713 s.f. of building s.f.				<b>-\$6,939,586</b>	<b>-\$7,191,268</b>		
<b>Net addition</b>							<b>\$43,084,843</b>	\$44,647,425	\$46,266,677
<b>Incremental tax revenue</b>						<b>-\$42,146</b>	<b>\$261,666</b>	<b>\$271,156</b>	<b>\$280,990</b>
<b>Towns share Ad Valorem Taxes with 224 inlet</b>		\$3,475,900	\$3,664,900	\$3,725,204	\$3,853,638	\$3,941,182	\$4,031,901	\$4,125,910	\$4,223,329
<b>Total Taxes with new values added</b>		\$3,475,900	\$3,664,900	\$3,725,204	\$3,853,638	\$3,899,036	\$4,293,567	\$4,397,066	\$4,504,319
<b>OVERLAY Possibilities</b>						<b>LOST TAXES</b>	<b>2022 TAX ROLL</b>	<b>2023 TAX ROLL</b>	<b>2024 TAX ROLL</b>
Assuming 66 units 1400 Sq Ft ave sales price		<b>5 Floors:</b>				\$	<b>62,607,987</b>		
less existing property value		66 units total and 93,391 s.f. of building s.f.				<b>-\$6,939,586</b>	<b>-\$7,191,268</b>		
<b>Net addition</b>							<b>\$55,416,720</b>	\$57,426,548	\$59,509,268
<b>Incremental tax revenue</b>						<b>-\$42,146</b>	<b>\$336,561</b>	<b>\$348,767</b>	<b>\$361,416</b>
<b>Towns share Ad Valorem Taxes with 224 inlet</b>		\$3,475,900	\$3,664,900	\$3,725,204	\$3,853,638	\$3,941,182	\$4,031,901	\$4,125,910	\$4,223,329
<b>Total Taxes with new values added</b>		\$3,475,900	\$3,664,900	\$3,725,204	\$3,853,638	\$3,899,036	\$4,368,461	\$4,474,677	\$4,584,744

## Sailfish

						2022 TAX ROLL	2023 TAX ROLL	2024 TAX ROLL
<b>Assumptions per floor for both Inlet Properties and Sailfish</b>						Tax Value based on Expected Rate	Tax Value based on Expected Rate + Growth	Tax Value based on Expected Rate + Growth
Current	3 Floors	Units	Sq FT	price per sq ft	Expected Value	\$1,376,144	\$1,426,054	\$1,477,773
	4 floors	53	1400	\$677.58	\$ 37,944,235	\$1,823,391	\$1,889,521	\$1,958,049
	5 floors	66	1400	\$677.58	\$ 62,607,987	\$2,270,638	\$2,352,988	\$2,438,326
	6 stories	79	1400	\$677.58	\$ 74,939,864	\$2,717,885	\$2,816,456	\$2,918,602



# Cost/Benefit Analysis

Fire Services –Must have fire and EMS as an incorporated town

Options	Costs	Benefits	Risks
Maintain Current Design	<ul style="list-style-type: none"> <li>• \$1.0 million per year and rising</li> <li>• At 400-500 calls per year it is expensive</li> <li>• We pay over \$322k per year to Riviera Beach for EMS and are duplicating effort</li> </ul>	<ul style="list-style-type: none"> <li>• We control our destiny</li> <li>• Better response time for cardiac &amp; Life safety</li> <li>• Gives comfort to residents</li> </ul>	<ul style="list-style-type: none"> <li>• Increasing regulations from the State</li> <li>• Volunteer hours dropping and costs are increasing</li> <li>• Capital expenditure for new equipment</li> </ul>
Long-term contract with another provider	<ul style="list-style-type: none"> <li>• JIC obtains it's fire and EMS for \$400k per year from abutting town</li> <li>• Palm Beach County would be over \$2m/year based on their formula</li> </ul>	<ul style="list-style-type: none"> <li>• Potential savings of \$200k to \$300k per year if we can get long term contract</li> </ul>	<ul style="list-style-type: none"> <li>• PBC and Riviera Beach is only department within 8 minute service area</li> <li>• Longer EMS service times</li> <li>• Reliance on City of Riviera Beach</li> </ul>



# Cost/Benefit Analysis

Dispatch Services –Must have as an incorporated town

Options	Costs	Benefits	Risks
Maintain Current Design	<ul style="list-style-type: none"> <li>• Currently 5 Full-time employees, 1 part-time</li> <li>• Annual cost of \$431k</li> </ul>	<ul style="list-style-type: none"> <li>• Local “feel” at our police station</li> <li>• Person onsite at all times monitoring CCTV and emergency calls</li> </ul>	<ul style="list-style-type: none"> <li>• Ongoing rise in in personnel and benefit expenses</li> <li>• Future equipment needs and State regulations</li> </ul>
Long-term contract with another provider	<ul style="list-style-type: none"> <li>• North County Shared currently provides for JIC, Jupiter, North Palm Beach, charges are based on resident figures</li> <li>• Jupiter Inlet Colony currently pays approximately \$40k per year</li> </ul>	<ul style="list-style-type: none"> <li>• Potential to reduce costs by \$200k to \$250k per year</li> <li>• May reduce some of town’s ongoing information technology needs</li> <li>• Already exists and works for similar sized towns</li> </ul>	<ul style="list-style-type: none"> <li>• No longer have physical person staffing dispatch</li> <li>• Need plan to monitor CCTV</li> <li>• Contract needs to clearly define terms</li> </ul>



# Cost/Benefit Analysis

Police Services –Must have as an incorporated town

Options	Costs	Benefits	Risks
Maintain Current Design	<ul style="list-style-type: none"> <li>• Currently designed for 11 full-time employees</li> <li>• Annual cost of \$1.465 million</li> </ul>	<ul style="list-style-type: none"> <li>• Officers we know serving and protecting our town</li> <li>• Peace of mind</li> <li>• Immediate response</li> </ul>	<ul style="list-style-type: none"> <li>• Loss of current officers due to pay levels</li> <li>• Ongoing escalation of wage and benefits</li> </ul>
Long-term contract with Sheriff	<ul style="list-style-type: none"> <li>• Sheriff's office has made offer to assume</li> <li>• Costs are not known as no figures provided, and no towns to compare to</li> </ul>	<ul style="list-style-type: none"> <li>• Unknown, Sheriff has said costs would go down</li> <li>• Further marine and air support when needed</li> </ul>	<ul style="list-style-type: none"> <li>• Resources not controlled by town</li> <li>• Would we have 24x7 full-time officers within our town borders?</li> <li>• Loss of personal contact with residents</li> </ul>



# Cost/Benefit Analysis

## Other Options

Options	Costs	Benefits	Risks
Raise Millage Rates	<ul style="list-style-type: none"> <li>Based on valuation of each persons property</li> </ul>	<ul style="list-style-type: none"> <li>Fills gap between current millage rate and anticipated expenses</li> <li>Keeps existing services</li> </ul>	<ul style="list-style-type: none"> <li>Become one of the highest millage rates in Palm Beach County</li> <li>Those on limited budgets may need to sell</li> <li>Less desirable for potential purchasers</li> <li>Taxpayer Unhappiness</li> </ul>
Unpack and/or charge Services	<ul style="list-style-type: none"> <li>Taxpayers pay directly or incrementally for services such as storm water maintenance, fire use, roads</li> </ul>	<ul style="list-style-type: none"> <li>Will help close expense over revenue gap</li> <li>Ability to have hotels, resorts, restaurants pay for primary usage of EMS calls</li> </ul>	<ul style="list-style-type: none"> <li>Still just another form of taxing for services provided</li> <li>Garbage rates would increase at individual level</li> </ul>
Eliminate Services	<ul style="list-style-type: none"> <li>Loss of services that residents value such as Lifeguard, tree/parkway maintenance</li> </ul>	<ul style="list-style-type: none"> <li>Will help close expense over revenue gap</li> </ul>	<ul style="list-style-type: none"> <li>Would we eliminate services that residents value</li> </ul>
Community Center	<ul style="list-style-type: none"> <li>Sub-lease management to 3<sup>rd</sup> party</li> <li>Not known, but potential savings if consistently leased</li> </ul>	<ul style="list-style-type: none"> <li>Reduce workload on administration and public works</li> <li>Generate revenue</li> </ul>	<ul style="list-style-type: none"> <li>Dependent on contract terms and service provider</li> <li>Could adversely effect use by POA, Seasideers, and other groups</li> </ul>



# Conclusions

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- **Town Revenue is outpacing Expenses to remedy:**
  - **Continue to “kick” expenses down the road** - The road is not that long
  - **Cut back services** – change the quality of life in The Best Little Town
  - **Outsource services** – lose control of local expertise
  - **Raise taxes** ( increase of Millage rate)– that road might be too short
  - **Raise Town’s revenue** - this is a Now option
    - Use overlays and/or zoning modifications to increase redevelopment
    - Contract out the management of the Community Center to raise paid use
- **Find a Balanced Approach to keep The Best Little Town**
- **Next Steps**
  - **Tonight’s Hour of Q&A** (Weigh In)
  - **On-line Survey**
  - **Commission will review tradeoffs this Summer as part of budget process** (Call in)

