

LAKE WORTH
COMMUNITY REDEVELOPMENT AGENCY
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MEMORANDUM

TO: Chair, Vice Chair and Members of the CRA Board

FROM: Joan C. Oliva, Executive Director

DATE: July 8, 2014

SUBJECT: Draft of CRA 2014/2015 Budget

Attached is a draft of the Lake Worth CRA proposed 2014/2015 Budget for use in the CRA's upcoming budget discussion. I have attached the following for your consideration.

1. Proposed 2014/2015 Budget
2. Memo on Real Estate Tax Values, dated June 24, 2015
3. Last year's CRA adopted Budget

The following is a general overview of the proposed budget. Substantial changes from FY 13/14 to 14/15 are described in detail as well as lines that contain multiple expenditures.

REVENUES

The calculation of ad valorem property tax revenue is dependent on two components, the assessed value of property in the district, and the millage rate. As they did last year, the values in the District increased. In FY 13/14 they increased 12% and this year, 19% for a total of 31%. If the City and County both keep the same millage as last year, our TIF revenues will increase approximately \$221K.

As a reminder, four years ago the City approved a contract with Palm Beach Fire Rescue and exempted the County MSTU from paying into the redevelopment fund. This coupled with the subsequent reduction of City millage rate, significantly reduced the amount of revenue the CRA receives from the City. The estimates for the County and City share of TIF revenues are based on preliminary rates. Once a final millage rate is determined these numbers may change but only slightly.

The proposed sources of funding for fiscal year 2014/15 budget are comprised of TIF funds, grant funding, interest earnings and a portion of the unreserved fund balance needed for budget stabilization.

EXPENSES

ADMINISTRATION

Personnel

Personnel costs are projected to decrease from \$248K to \$225K. Last year \$20K was budgeted for the hiring of a part-time administrative person, because the office lacked someone who could fulfill those duties. We have taken that out of the budget this year due to budget constraints. Staff all felt the \$20k would be better spent on a project or program. Staff will continue to do administrative duties in addition to their regular duties. CRA Staff currently, and will continue to work on projects related to the NSP-2 program. A portion of Staff salaries will continue to be paid by the NSP program as projects arise.

Operating

Total operating costs increase slightly from last year's budget.

Rents and Leases include the office rent, the copier, and costs associated with downtown lots (L St.). This line item remains the same. Professional services increases slightly from \$25K to \$30K. Promotional activities include design costs and marketing materials and increases \$2K from \$10k to \$12K.

PROGRAMS

Operating

Professional Services increases slightly to \$7.5K to cover small scale professional costs that could include consulting services or studies.

The CRA/City Way-finding Plan may begin sometime before the end of this fiscal year. If however, a substantial portion of the plan is not completed, \$32K in funds is needed to complete the program in the beginning of the 14/15 fiscal year.

The Economic Development line item of \$20k was included to partially pay for a parking study of the downtown area that the City is interested in partnering with the CRA to produce or for a portion of a much-needed study to help improve the Dixie Highway corridor. \$20K is not enough money to commission a complete study but it can be leveraged with other funds from other agencies or groups.

Neighborhood Enhancement decreases from \$5K to \$1K for materials for clean-ups.

Banners and Decorations remain the same as in the previous year. Banners for 6th, 10th and downtown have been purchased these past three years so the cost of replacing damaged or missing banners is an expected cost. This line item also covers the installation of lighting and decoration of the Cultural Plaza in December.

PROJECTS/GRANTS

Funding for the Cultural Facilities Grant is budgeted at \$150K. These funds, listed under revenues, will be provided by the State and will exclusively be used to renovate the old Shuffle Board Court building into an Arts Annex.

The Parks/Greenspace line item contains \$120K. These funds are needed to provide the design and planning work needed before construction drawings can be developed for the 5th Avenue South Greenway project. The Metropolitan Planning Organization (MPO) grant was awarded to the CRA/ City last year and totals just over \$760K. 5th Avenue South from "A" Street to "F" Street and will contain both bicycle and pedestrian amenities making it a linear park. Recent discussions with FDOT have revealed that in addition to design, engineering and planning drawings, the City is responsible to provide a Cultural Resource Assessment Survey of the surrounding area and a recreational determination study of the immediate ROW. It is recommended that the City/CRA hire an FDOT pre-qualified firm to produce both of these studies. These additional studies are expected to cost no more than \$10K, however they are needed to satisfy FDOT's release of construction grant funds in 2016/17. It is our desire to have all study's and preliminary plans/designs completed by September 2015.

Commercial/ Retail attraction is funded at \$10K. Although similar to commercial grant programs in the past improvements will be made to the program parameters to attract new investment in a concentrated area.

BUILDING/ 1000 LAKE

The CRA was able to complete the purchase for the 20,000+ square foot building at 1000 Lake Worth in FY 13/14. Although the site has attracted significant interest, the cost to redevelop the property is high due to its historic designation and its condition. However, Staff believes that interior demolition is needed to remove deteriorating walls and floors. The building, once an empty shell, can then be put out to RFP for possible development proposals. Demolition and regular maintenance costs are budgeted at \$35K. The insurance and utilities for the building change only slightly. The Utility line item includes costs related to 1000 Lake, the 812 Dixie parking lot and the downtown parking lots.

LULA PROGRAM

This year, the budget for LULA is more detailed. This is in response to the many different activities LULA now undertakes or participates in within the City. Overall, LULA funding increases from \$15K to \$25K. The \$25K includes funding for events, the mural program, the website, and walkers map including other smaller programs. Approximately \$15K is available from TIF funds while the remainder (\$10K) must be received from fundraising efforts.

DEBT SERVICE

A loan was issued to the CRA in 2005 for \$8M. According to the loan agreement, loan funds were to be used for capital projects including specific improvements to take place along the Gateways. This project was planned in 2005 and completed in late 2009. The annual debt payment totals approximately \$960K.

Amortization of bond funds, the cost to issue the bonds paid over the life of the bonds, plus estimated bank costs total \$6K.

Last year, the CRA, with assistance from the City, was able to refinance the remainder of the debt, \$3.5M. Our payments for the next three years were reduced. However in 2016, when the final debt payment is due, a balloon payment of \$1.7M must be paid to retire the debt. In the event that the CRA cannot pay the full amount, the City will make the final payment and the CRA will then make yearly payments to the City until the entire debt is paid in full.

It is the intention of the CRA to pay the 2016 balloon payment to the bank. To do this, the CRA must set-aside money in its reserves so the City will not be obligated to make the final loan payment. This can be done if the CRA continues to keep costs low, budget conservatively and attract outside funding. Spending more money than what is currently budgeted will lead to spending money we simply do not have available.

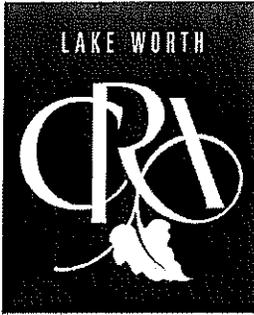
RECOMMENDATION

Staff has taken substantial steps to keep discretionary costs low and budget the limited funds we do have on projects that we can do by partnering with the City or with the help of grant funds. NSP funds will continue to go towards improvements in the residential target area although at a much slower rate. The Government Finance Officers Association recommends a 5-15% reserve of operating expenses in fund balance. Staff has estimated, with allocations as shown in this draft budget, a 5% reserve. This reserve should remain to account for any short-fall in revenues next year and to protect the CRA from having to borrow money from the City to pay off our debt.

The positive news is that the CRA had a substantial increase this year of 19% in TIF revenue. There were 4 NSP2 home sales that occurred after the Property Appraiser's cut-off date, as well as the completion of La Joya Villages which will be placed on the tax roll next year. Currently five homes are under construction or will soon be under construction. This would indicate that more units will be placed on the tax roll this year and values in the district have a good chance of increasing again next year.

**LAKE WORTH COMMUNITY REDEVELOPMENT AGENCY
PROPOSED BUDGET FY 2014/2015**

	FINAL	PROPOSED	
	FY 2013/2014	FY 2014/2015	VARIANCE
REVENUES			
AD VALOREM TAXES	541,538	641,770	100,232
INTEREST EARNINGS-MISC	5,000	3,500	(1,500)
MISCELLANEOUS - DONATIONS	10,000	10,000	-
RENTAL INCOME	9,600	-	(9,600)
CITY TIF SHARE (TRANSFER FROM CITY)	622,290	743,192	120,902
TRANS FR GENERAL FD (FACILITIES GRANT)	37,500	-	(37,500)
GRANT - FACILITIES	150,000	150,000	-
GRANT REVENUE	50,000	-	(50,000)
FUND BALANCE	278,783	130,437	(148,346)
FUND BALANCE-DESIGNATED FOR LEASE PAYMENTS	104,167	-	(104,167)
TOTAL REVENUES	1,808,878	1,678,899	(129,979)
EXPENSES			
ADMINISTRATION			
REGULAR SALARY/WAGES	208,080	185,003	(23,077)
FICA	15,918	14,153	(1,765)
DEFERRED COMPENSATION	9,404	9,250	(154)
LIFE & HEALTH INS	12,463	13,738	1,275
UNEMPLOYMENT COMP	3,000	3,000	-
SUBTOTAL PERSONNEL	248,865	225,144	(23,721)
PROFESSIONAL SERVICES - LEGAL	25,000	30,000	5,000
CITY ADMIN CHARGES	20,000	20,000	-
TRAVEL & TRAINING	4,000	4,000	-
TELEPHONE	2,500	2,500	-
UTILITY SERVICE-ELECTRIC	5,000	5,000	-
POSTAGE & FREIGHT	500	500	-
RENTS & LEASES	54,000	54,300	300
PROMOTIONAL ACTIVITY	10,000	12,000	2,000
INSURANCE-PROPERTY/LIABILITY	7,000	7,000	-
PRINTING & BINDING	4,500	5,000	500
OFFICE SUPPLIES	2,500	3,000	500
IT/ MEDIA -	5,000	5,000	-
COMPUTER SOFTWARE	1,000	1,000	-
SMALL TOOLS & OTHERS	1,000	1,000	-
BOOKS-MEMBERSHIP-DUES	2,000	2,500	500
OPERATING SUPPLIES	6,500	6,500	-
MISC EXPENSES	1,500	1,500	-
MACHINERY & EQUIPMENT	1,000	1,000	-
SUBTOTAL OPERATING	153,000	161,800	8,800
SUBTOTAL ADMINISTRATION	401,865	385,944	(14,921)
PROGRAMS - OPERATING			
PROFESSIONAL SERVICES	5,000	7,500	2,500
WAY-FINDING SIGNAGE	75,000	32,000	(43,000)
ECONOMIC DEVELOPMENT / PARKING STUDY	35,000	20,000	(15,000)
PROPERTY MANAGEMENT	11,000	1,000	(10,000)
COMMERCIAL/RETAIL ATTRACTION PROGRAM	10,000	10,000	-
NEIGHBORHOOD ENHANCEMENT	5,000	1,500	(3,500)
TAX INCREMENT REBATE	100,000	100,000	-
BEAUTIFICATION - BANNERS AND DECORATIONS	17,500	17,500	-
SUBTOTAL PROGRAM-OPERATING	258,500	189,500	(69,000)
PROJECTS / GRANTS			
CULTURAL FACILITIES GRANT	225,000	150,000	(75,000)
PARKS/GREENSPACE - 5th AVE. SOUTH	35,000	120,000	85,000
SUBTOTAL PROGRAM-GRANTS	260,000	270,000	10,000
BUILDING - 1000 LAKE AVE			
LAND ACQUISITION-YEARS 2-4	104,167	-	(104,167)
INSURANCE	20,000	15,000	(5,000)
MAINTENANCE/ INTERIOR DEMO.	10,000	35,000	25,000
UTILITIES	25,000	25,000	-
SUBTOTAL-BUILDING	159,167	75,000	(84,167)
SUBTOTAL PROJECTS / PROGRAMS	677,667	534,500	(143,167)
LULA - PROGRAM			
MISCELLANEOUS	-	3,450	3,450
EVENTS	-	8,000	8,000
PROGRAMS	-	8,000	8,000
MARKETING	15,000	5,600	(9,400)
SUBTOTAL LULA PROGRAM	15,000	25,050	10,050
DEBT SERVICE			
AMORTIZATION OF BOND FUNDS/ BANK FEES	6,000	6,000	-
INT-CRA LOAN	92,116	80,498	(11,618)
PRINCIPAL-CRA LOAN	616,230	645,907	29,677
SUBTOTAL DEBT SERVICE	714,346	732,405	18,059
TOTAL EXPENSES	1,808,878	1,678,899	(129,979)
EXCESS OF REVENUE OVER EXPENSES	-	-	0



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MEMORANDUM

TO: Chair, Vice Chair and Members of the CRA Board

FROM: Mona Feigenbaum Accounting Manager

DATE: June 10, 2014

SUBJECT: Real Estate Tax Values

OVERVIEW

The CRA's ad valorem property tax revenue is based on two components, the net assessed value (assessed value – homestead exemption) of property in the district (as of January 1st) and the millage rate established by the City. The CRA gets paid on the net assessed value amount that exceeds the base year value (TIF). The source of this funding comes from both, the City and the County.

The TIF revenue for the CRA has increased by double digits in the past two years after seeing a significant drop from Fiscal Year (FY) 2010 through FY 2013. Besides property values falling, the CRA was impacted significantly by changes that went into effect in FY 2010. These include an amendment voted in by Florida voters raising the Homestead Exemption from \$25,000 to \$50,000; an agreement by the City with Palm Beach Fire Rescue exempting the County MSTU from paying into the redevelopment fund and; the City (in response) significantly reducing the millage rate. Property values have risen over the past few years due to market stabilization and the \$23 million grant that the CRA used to put foreclosed, abandoned and vacant property back on the tax roll. See Exhibit "A" for the revenue trend from FY 2009 through FY 2015.

Other changes occurring include:

- In comparing the Residential values to Commercial values we are seeing Residential values slowly increasing in its percentage share. It is now at 27.39% compared to its low point of 26.13% in FY2010. See Exhibit "B"
- With market values going up, homestead exemptions are going up as well. This will continue until property values exceed the \$50K homestead allowance. The number of residential properties with an assessed value of \$50K or below is 1,518. That is 42% of the total properties in the CRA district. See Exhibit "C"
- There is a slight decrease in the following:
 - Number of properties exempt from taxes
 - Number of properties with no tax value

- There were numerous NSP2 homes completed and sold, as well as homes still in the developmental stage, that did not make it onto the tax roll this year because they were completed or started after January 1st. The majority of these properties should be on next year's tax roll.

Based on the estimated tax values received from the Palm Beach County Property Appraiser's Office, the CRA's ad valorem tax revenue for FY 2015 is projected to go up **18.51%**. If the millage rate for both the City and County stays the same, TIF revenue will increase by \$215K, approximately \$100K from the County and \$115K from the City.

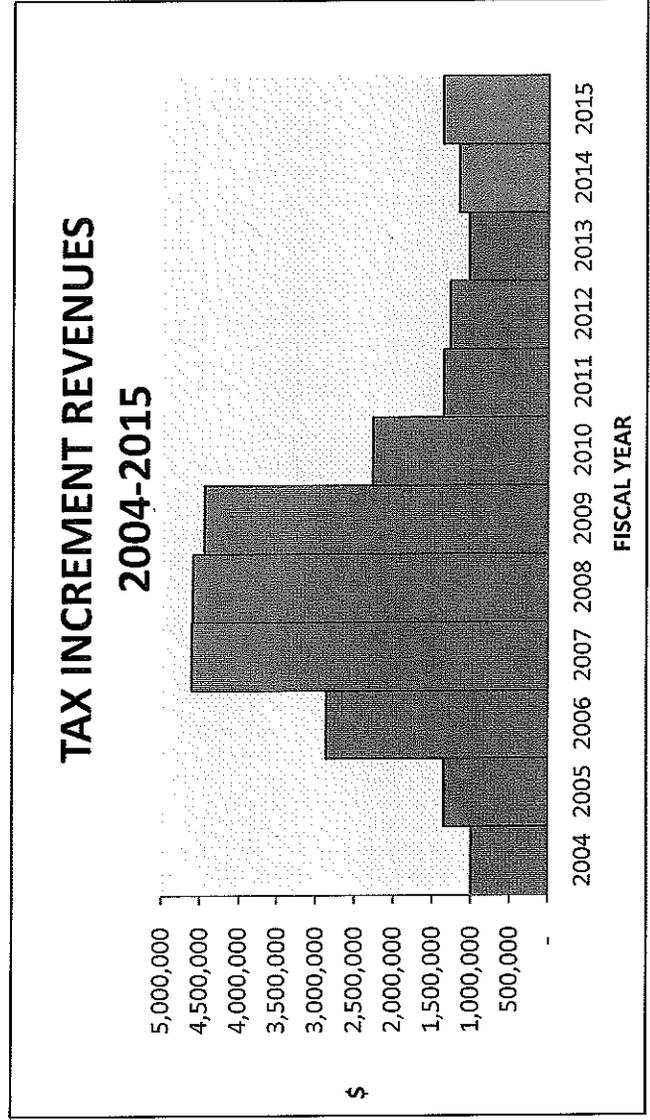
Although there will be an increase in revenue this fiscal year, our spending must remain conservative. The CRA has two major debt obligations that still need to be satisfied. The final loan payment on the 2004 bond issue of \$1,734,712 is due in FY 2016 and our contractual obligation to the Lucerne (TIF rebate) has a balance owed of \$550K.

Tax Incremental Revenues 2004 – 2015

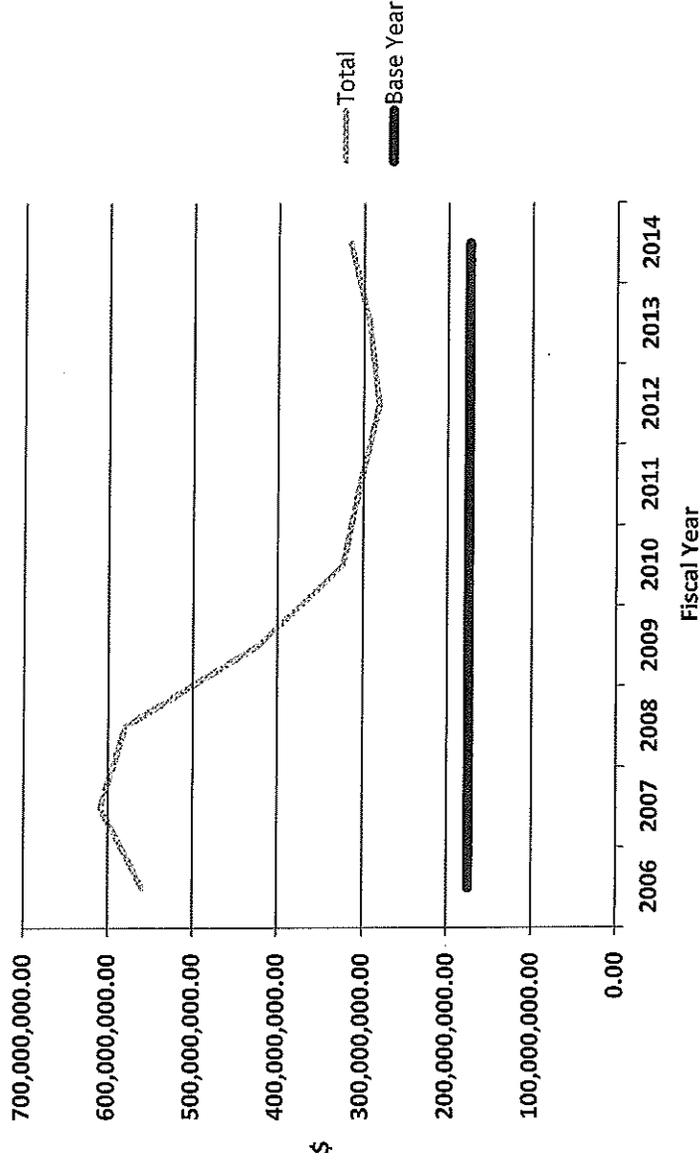
Exhibit A

	FY 2009	FY 2010*	% Change	FY 2011	% Change	FY 2012	% Change	FY 2013	% Change	FY 2014	% Change	FY 2015	% Change
City	2,989,290	1,216,299	-59.31%	644,928	-40.81%	592,470	-17.71%	481,184	-18.78%	541,538	12.50%	641,770	18.51%
County TIFF	1,459,101	1,058,068	-27.48%	719,981	-38.21%	686,778	-4.61%	557,778	-18.78%	622,290	11.60%	737,468	18.51%
Total	4,448,391	2,274,367	-48.87%	1,364,909	-39.60%	1,279,248	-11.42%	1,038,962	-18.78%	1,163,828	12.00%	1,379,238	18.51%

*In fiscal year 2010, revenues were affected by an amendment to raise Homestead Exemption from \$25k to \$50k, the City's agreement with the Palm Beach Fire Rescue exempted the County MSTU from paying into redevelopment fund and drop in millage rate.



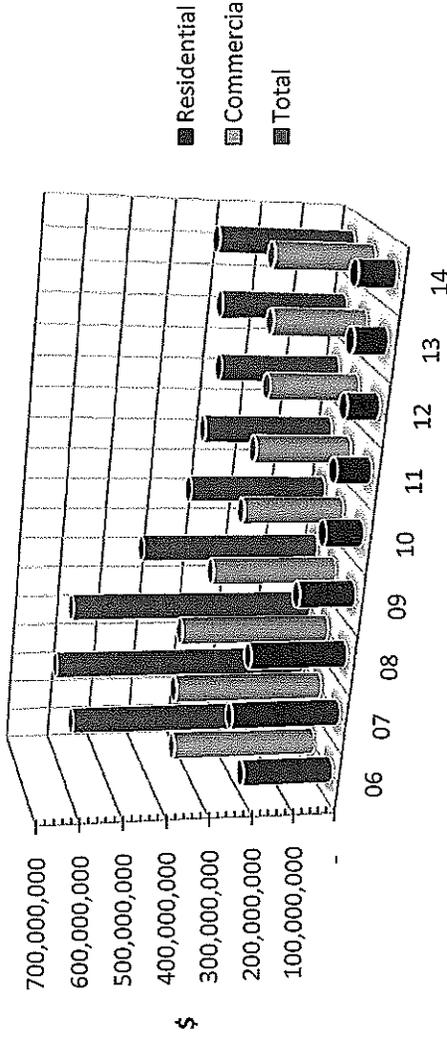
Total Market Value over Base Year Value



Base Year Tax Value - \$174,564,277

	Total
2006	559,898,496.00
2007	609,251,045.00
2008	580,767,756.00
2009	424,114,080.00
2010	323,756,638.00
2011	304,164,148.00
2012	281,422,859.00
2013	293,248,854.00
2014	315,847,795.00

Property Taxable Values 2006 - 2014 Residential vs Commercial



Year	Total Value			% of Total Value	
	Residential	Commercial	Total Value	Residential	Commercial
06	215,700,444	344,198,052	559,898,496	38.52%	61.48%
07	256,182,263	353,068,782	609,251,045	42.05%	57.95%
08	228,643,321	352,124,435	580,767,756	39.37%	60.63%
09	130,951,181	293,162,899	424,114,080	30.88%	69.12%
10	86,833,011	236,923,627	323,756,638	26.82%	73.18%
11	79,480,064	224,684,084	304,164,148	26.13%	73.87%
12	73,402,361	208,020,498	281,422,859	26.08%	73.92%
13	77,115,415	216,133,439	293,248,854	26.30%	73.70%
14	86,519,880	229,327,915	315,847,795	27.39%	72.61%

Tax Exempt Breakdown Summary

Year	Residential	Commercial	Market Value Exempt	Total Market Value	% of Market Value
2008	44,440,236	43,176,758	87,616,994	668,384,750	13.11%
2009	39,582,144	36,171,606	75,753,750	499,867,830	15.15%
2010	31,312,416	32,188,879	63,501,295	387,257,933	16.40%
2011	30,778,541	32,057,948	62,836,489	367,000,637	17.12%
2012	30,839,001	32,528,562	63,367,563	344,790,422	18.38%
2013	30,967,727	32,894,959	63,862,686	293,248,854	21.78%
2014	33,391,108	33,935,625	67,326,733	315,847,795	21.32%

Market Value Exempt includes the following:

Homestead Exemption – up to \$50,000 (residential property)

Other additional exemptions include:

Civilian Disability (wheelchair bound, quadriplegic) - Full Exemption

Permanent Disability - additional \$500

Disabled Veterans – from \$500 to full exemption

Legally Blind - additional \$500 exemption

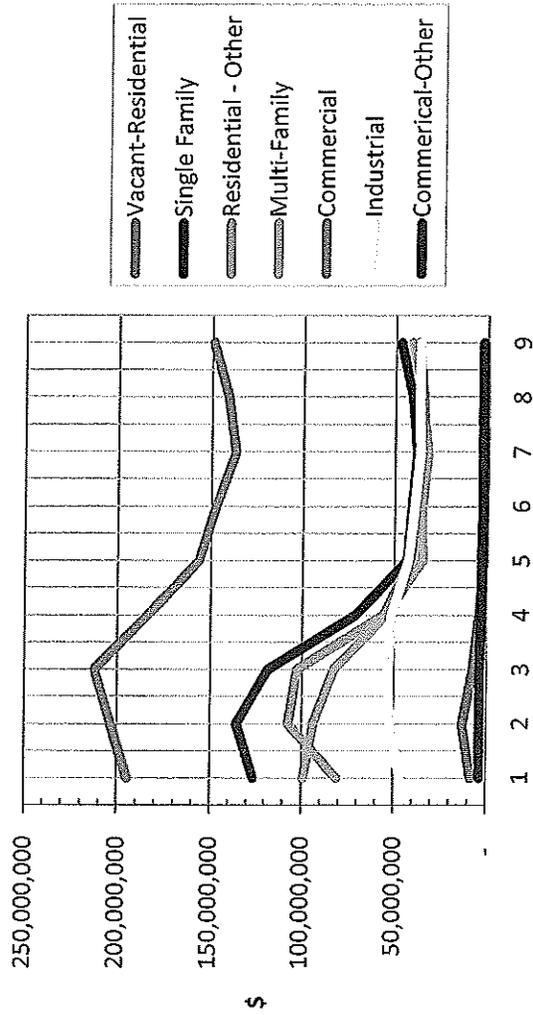
Senior Citizen Exemption – based on age and income

Widow – additional \$500

Non-Profit Corporation; House of Worship; Government Entities



Property Taxable Values 2006 - 2014



Year	Residential				Commercial			
	Vacant	Single	Other	Multi	Commercial	Industrial	Other	
06	8,326,538	126,322,126	81,051,780	99,275,632	194,774,932	46,574,007	3,573,481	
07	13,018,713	135,778,302	107,385,248	93,967,231	203,478,770	52,039,491	3,583,290	
08	7,489,618	118,334,579	102,819,124	82,763,723	212,512,197	53,111,344	3,737,171	
09	4,121,103	71,050,367	55,779,711	54,689,601	183,802,704	51,506,468	3,164,126	
10	1,900,330	43,176,545	41,756,136	35,017,242	156,524,272	42,662,768	2,719,345	
11	1,843,817	40,881,857	36,754,390	35,290,523	147,530,049	39,437,532	2,425,980	
12	1,377,273	38,078,357	33,946,731	32,427,228	136,772,923	36,545,991	2,274,356	
13	1,664,752	40,575,694	34,874,969	35,860,247	140,947,951	36,961,306	2,363,935	
14	1,830,413	47,183,015	37,506,452	41,257,214	149,152,294	36,465,078	2,453,329	

LAKE WORTH COMMUNITY REDEVELOPMENT AGENCY
AMENDED FINAL BUDGET FY 2013/2014

	FINAL FY 2012/2013	FINAL FY 2013/2014	VARIANCE
REVENUES			
AD VALOREM TAXES	481,184	541,538	60,354
INTEREST EARNINGS-MISC	5,000	5,000	-
MISCELLANEOUS - DONATIONS	10,000	10,000	-
RENTAL INCOME		9,600	9,600
LOAN PROCEEDS			-
CITY TIF SHARE (TRANSFER FROM CITY)	557,778	622,290	64,512
TRANS FR GENERAL FD (FACILITIES GRANT)		37,500	37,500
GRANT - FACILITIES		150,000	150,000
GRANT REVENUE		50,000	50,000
NON-CASH OTHER FINANCING SOURCES			-
FUND BALANCE	486,978	278,783	(208,195)
FUND BALANCE-LOAN PROCEEDS			-
FUND BALANCE-DESIGNATED FOR LEASE PAYMENTS	250,000	104,167	(145,833)
TOTAL REVENUES	1,790,940	1,808,878	17,937
EXPENSES			
ADMINISTRATION			
REGULAR SALARY/WAGES	117,279	208,080	90,802
FICA	8,972	15,918	6,946
DEFERRED COMPENSATION	4,380	9,404	5,024
LIFE & HEALTH INS	12,188	12,463	275
UNEMPLOYMENT COMP	3,000	3,000	-
SUBTOTAL PERSONNEL	145,818	248,865	103,047
PROFESSIONAL SERVICES - LEGAL	25,000	25,000	-
CITY ADMIN CHARGES	20,000	20,000	-
TRAVEL & TRAINING	3,000	4,000	1,000
TELEPHONE	2,500	2,500	-
UTILITY SERVICE-ELECTRIC	5,000	5,000	-
POSTAGE & FREIGHT	500	500	-
RENTS & LEASES	51,075	54,000	2,925
PROMOTIONAL ACTIVITY	10,000	10,000	-
INSURANCE-PROPERTY/LIABILITY	7,000	7,000	-
PRINTING & BINDING	4,500	4,500	-
OFFICE SUPPLIES	2,500	2,500	-
INTERNAL IT SUPPORT	5,000	5,000	-
COMPUTER SOFTWARE	1,000	1,000	-
SMALL TOOLS & OTHERS	1,000	1,000	-
BOOKS-MEMBERSHIP-DUES	2,200	2,000	(200)
OPERATING SUPPLIES	6,500	6,500	-
MISC EXPENSES	1,500	1,500	-
MACHINERY & EQUIPMENT	1,000	1,000	-
SUBTOTAL OPERATING	149,275	153,000	3,725
SUBTOTAL ADMINISTRATION	295,093	401,865	106,772
PROGRAMS			
PROFESSIONAL SERVICES	5,000	5,000	-
STREETSCAPE (5th) & SIGNAGE	65,000	75,000	10,000
ECONOMIC DEVELOPMENT / MARKET STUDY	-	35,000	35,000
PROPERTY MANAGEMENT	11,000	11,000	-
UTILITIES	25,000	25,000	-
NEIGHBORHOOD ENHANCEMENT		5,000	5,000
TAX INCREMENT REBATE	125,000	100,000	(25,000)
BEAUTIFICATION - BANNERS AND DECORATIONS	15,500	17,500	2,000
SUBTOTAL PROGRAM-OPERATING	246,500	273,500	27,000
COMMERCIAL/RETAIL ATTRACTION PROGRAM	-	10,000	10,000
RESIDENTIAL REDEVELOPMENT	-	-	-
CULTURAL FACILITIES GRANT	-	225,000	225,000
LAND/PARKS	-	35,000	35,000
SUBTOTAL PROGRAM-GRANTS	-	270,000	270,000
SUBTOTAL PROGRAMS	246,500	543,500	297,000
CULTURAL REDEVELOPMENT			
LAND ACQUISITION-YEARS 2-4	250,000	104,167	(145,833)
LAND ACQUISITION-INSURANCE	20,000	20,000	-
MAINTENANCE	-	10,000	10,000
MARKETING	15,000	15,000	-
INCENTIVES	-	-	-
SUBTOTAL CULTURAL REDEVELOPMENT	285,000	149,167	(135,833)
DEBT SERVICE			
AMORTIZATION OF BOND FUNDS/ BANK FEES	6,000	6,000	-
INT-CRA LOAN	148,554	92,116	(56,438)
PRINCIPAL-CRA LOAN	809,793	616,230	(193,563)
SUBTOTAL DEBT SERVICE	964,347	714,346	(250,001)
TOTAL EXPENSES	1,790,940	1,808,878	17,937
EXCESS OF REVENUE OVER EXPENSES	-	-	0