



November 22, 2021

Honorable Mayor and Members of the City Council:

It is my pleasure to present to you the balanced Operating and Capital budgets for the City of Palm Bay for fiscal year 2022, beginning October 1, 2021 and ending September 30, 2022. Economic conditions have continued to reflect a positive and stable trend despite challenges faced with the continued COVID-19 pandemic, enabling the City to both maintain and improve levels of quality service to our community and residents. The FY 2022 Approved Budget was established with the goal to maintain resources at sustainable levels to ensure that essential services are provided, while continually assessing the outlook of community needs and amending resource allocations accordingly. The budget maintains current service levels, increases total positions by 11.82 FTEs from the previously adopted budget, and preserves minimum required reserves as outlined by the City's Financial Policy. The Budget reflects the City's continued progress towards its goals of maintaining financial stability, sustaining, and improving our aging infrastructure, and providing excellent customer service. The budget reflects investments in infrastructure and enhanced public safety within the City's financial means.

The City's tax base of \$5,340,892,328 realized a 10.9% increase in real estate values since 2020, and new construction valuations of \$208,130,764 were added to the tax roll. The adopted budget reflects a millage rate of 7.5995 for FY 2022, meeting the three percent limitation rate imposed under a voter approved city charter amendment which may limit growth in the General Fund budget. Under this amendment, the City Council is restricted from setting a millage rate that would result in total ad valorem growth exceeding the prior year ad valorem revenue by more than three percent, unless approved by a supermajority vote to meet emergency or other critical needs. The maximum ad valorem tax increase at the approved three percent limit, excluding new construction values, is \$1,058,214 for FY 2022. New construction values added to the tax roll are exempt from this imposed limit for the first year; therefore, including new construction values the total ad valorem revenue generated for FY 2022 is \$1,581,420.

While the City provides a broad range of services that include public safety, general government, transportation, and recreation, the City's spending is mainly driven by public safety, which accounts for 50.4% of total General Fund expenditures and 24.1% of All Fund expenditures combined. Maintaining balanced operations, while continuing to meet our sizeable infrastructure needs, has continued to be the City's largest challenge. While revenues have shown to be stable prior to the pandemic and the local economy has shown rebounding activity in the recent months, the near future continues to show uncertainty and funding is not sufficient to address all the department funding requests and priorities in FY 2022. With these challenges and the City's needs to address the road infrastructure, in November 2018 voters approved a bond referendum permitting the City to issue up to \$150 million in general obligation bonds to fund road projects to be repaid over terms not exceeding 20 years per issuance. The first tranche to fund roadway improvements occurred in July 2019 when bonds totaling \$50,000,000 were issued. The second tranche, in the same amount, occurred in January 2021.

The adopted budget covers current operations, current debt service obligations, required pension contributions by the City, contractually obligated pay increases for all union employees, and a pay increase of 3.0% to general employees including City Council. The FY 2022 budget increased from the FY 2021 Adopted Budget for General Fund by \$7,944,753.

City Council's goal of improving road conditions remains a top budget priority; however, restrictions of available resources in the General Fund continue to impact the amount budgeted for transfer for future road maintenance in FY 2022. In FY 2021, a one-time transfer of \$750,000 along with \$93,702 in proceeds from the sale of City-owned properties were transferred from General Fund into the Road Maintenance Fund. The FY 2022 Approved Budget has dedicated another one-time transfer of \$750,000 from the General Fund to the Road Maintenance Fund, and any revenues received from the sale of City-owned properties in FY 2022 will continue to be transferred from the General Fund to the Road Maintenance Fund.

The FY 2022 Approved Budget, like previous years' adopted budgets, is balanced without the use of fund balance/reserves.

Fiscal Year 2022 Operational Highlights

The operating budget for all funds totals \$232,710,575 and represents an increase of \$9,245,963, or 4.1%, from the FY 2021's Adopted Budget of \$223,464,612. The fund-type appropriations, based on the total operating budget, are as follows:

- General Fund: \$83,236,049 - increase of 10.6% from FY 2021
- Special Revenue Funds: \$7,034,870 - increase of 263.2% from FY 2021
- Debt Service Funds: \$14,390,991 - increase of 22.4% from FY 2021
- Capital Project Funds: \$27,778,036 - decrease of (39.5)% from FY 2021
- Enterprise Funds: \$69,634,608 - increase of 14.3% from FY 2021
- Internal Service Funds: \$30,636,021 - increase of 11.0% from FY 2021

The City realized a 10.9% increase in real estate values for 2021, resulting in budgeted General Fund Ad Valorem revenues of \$37,913,418 in FY 2022 based on the City Council's adopted tax rate of 7.5995 mills; this reflects an increase of \$4,372,268, or 13.0%, from FY 2020 actual receipts. Ad Valorem is the largest, and most flexible, revenue source for the General Fund. These revenues will support the increased health insurance benefit allocation costs, increased Police and Fire Pension expenditures, contractual obligated pay increases for all union employees, and a 3.0% compensation increase for General employees and City Council effective October 1, 2021.

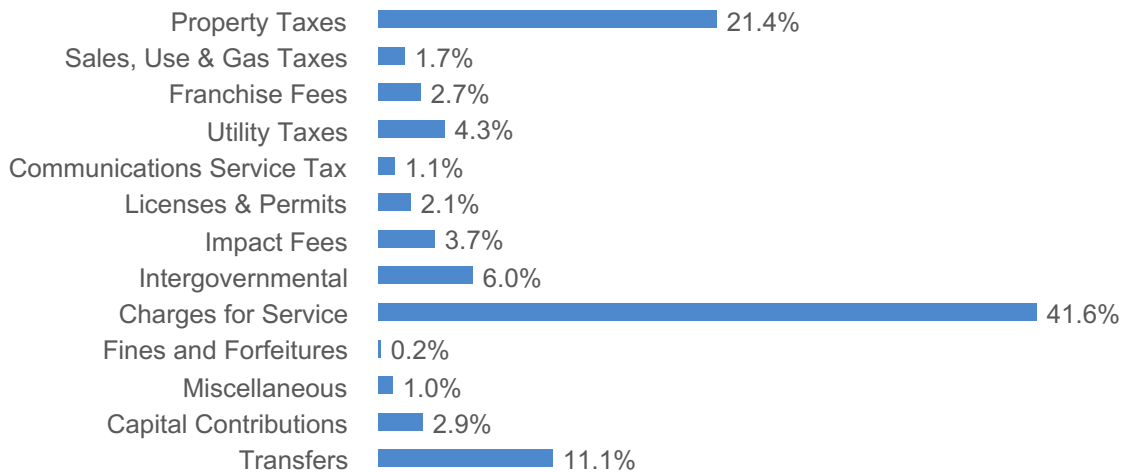
Quantitative & Financial Analysis

The FY 2022 Adopted Budget totals \$232,710,575 across all funds and includes funding for personnel and operating expenditures, in addition to newly added capital improvement projects. Any remaining unexpended budget balances related to ongoing capital improvement projects and encumbrances on existing known expenditures will roll from the previous fiscal year to FY 2022; these funds are not reflected in the original adopted budget. Any unexpended budget balances related to departmental operations are returned to their respective fund balances.

The top three revenue funding sources across all funds include Charges for Services, Property Taxes and Transfers, which combined make up 74.1% of the total estimated revenue to be received in FY 2022. Charges for Services, the largest funding source, includes a range of revenues generated through water/sewer rates and charges associated with general government operations, public safety, physical environment, including transportation, and culture/recreation-type activities. Property Taxes (ad valorem taxation) are the largest single revenue source within the General Fund and are determined by the Brevard County Property Appraiser's Office with applied allowable homestead exemptions. (Interfund) Transfers provide Funds with resources from other City funds for the cost of budgeted activities within citywide departments, but that have a direct impact upon the mission of the other funds' activities.

The chart below reflects all revenue/funding sources by type across all Funds:

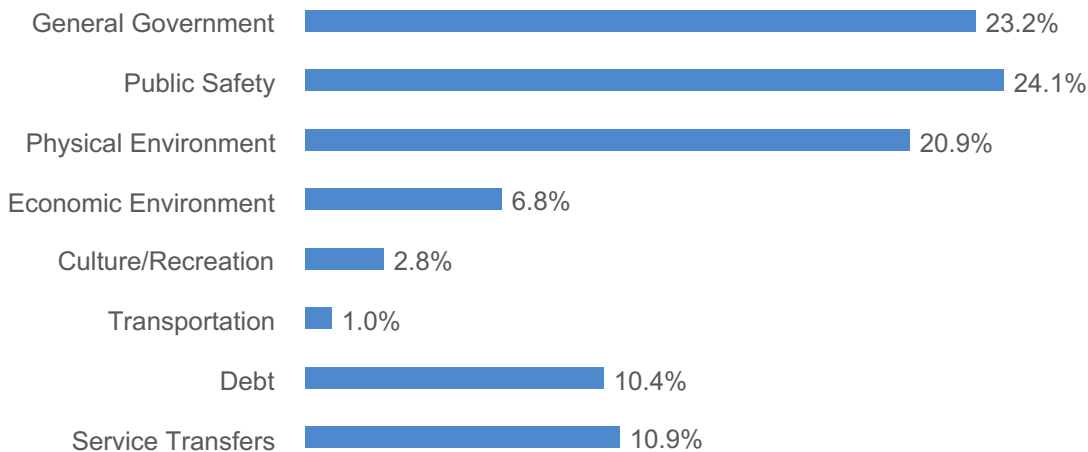
Revenue/Funding Source by Type



Expenditures are categorized into eight major types which are reflected in the chart below.

The top three expenditure types within the FY 2022 Adopted Budget are Public Safety, General Government and Physical Environment. Comparable to the anticipated revenues noted above, these three expenditure types make up 68.2% of all Funds.

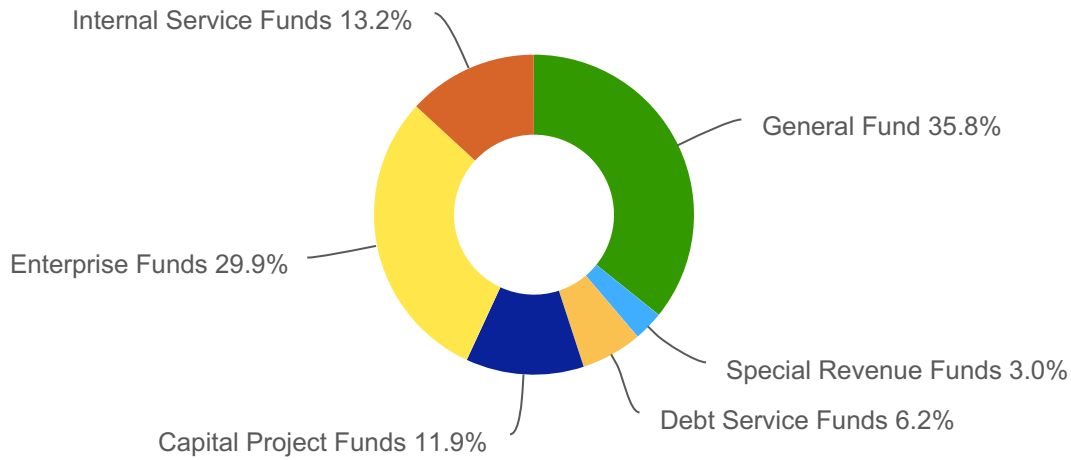
Expenditures by Type



Public Safety expenditures are associated with personnel and operating expenses tied to public safety staff made up of Police, Fire, Code Enforcement and Building. General Government expenditures include personnel and operating expenditures incurred in the General Fund (excluding Public Safety staff); in addition, Internal Service Fund expenses generated through allocations are associated with insurance benefits, risk, and fleet services. Lastly, Physical Environment expenditures are primarily accounted for within the City's Capital Project Funds and Enterprise Funds including Stormwater Utility, Solid Waste, and Utilities.

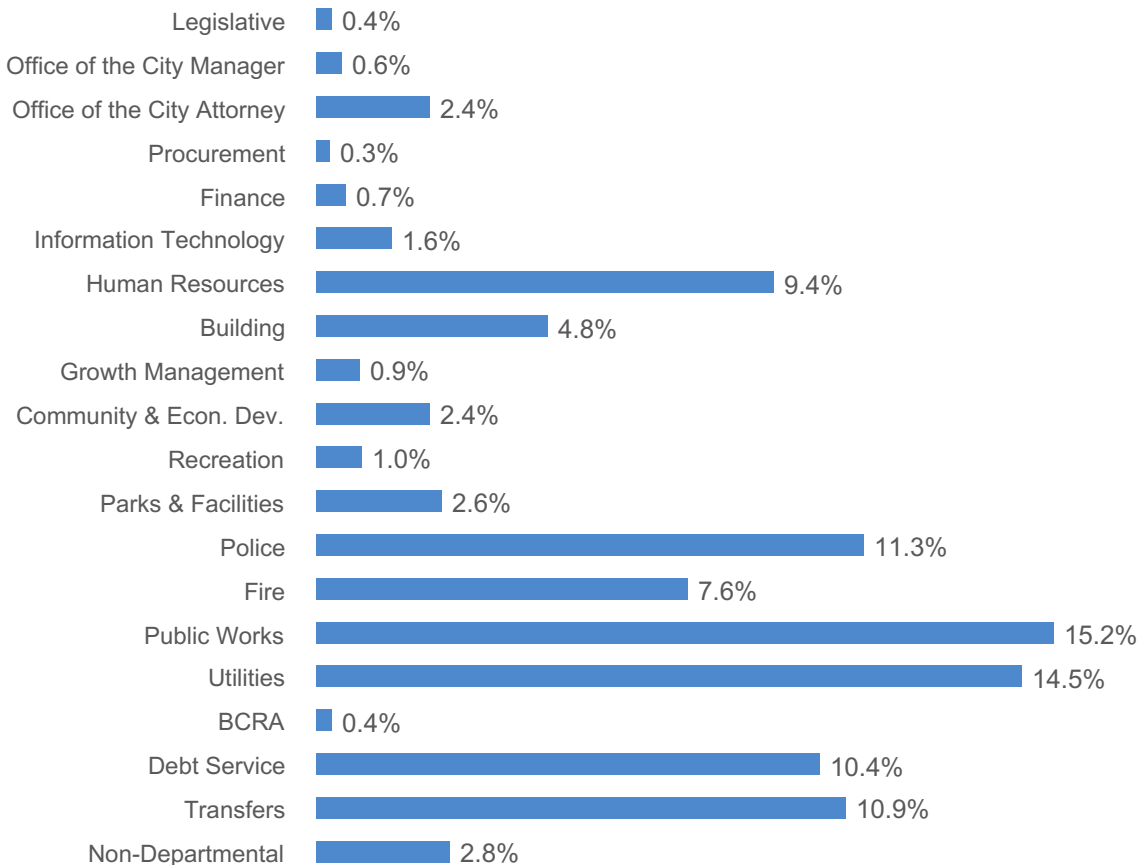
Fund Summary:

The pie chart below reflects the FY 2022 Adopted Budget broken down by fund types. The General Fund, which serves as the City's chief operating fund, accounts for the largest portion with 35.8%, or \$83,236,049, of the total budget.



Operating expenditures, broken down by departments, are detailed in the chart below.

Operating Expenditures by Department



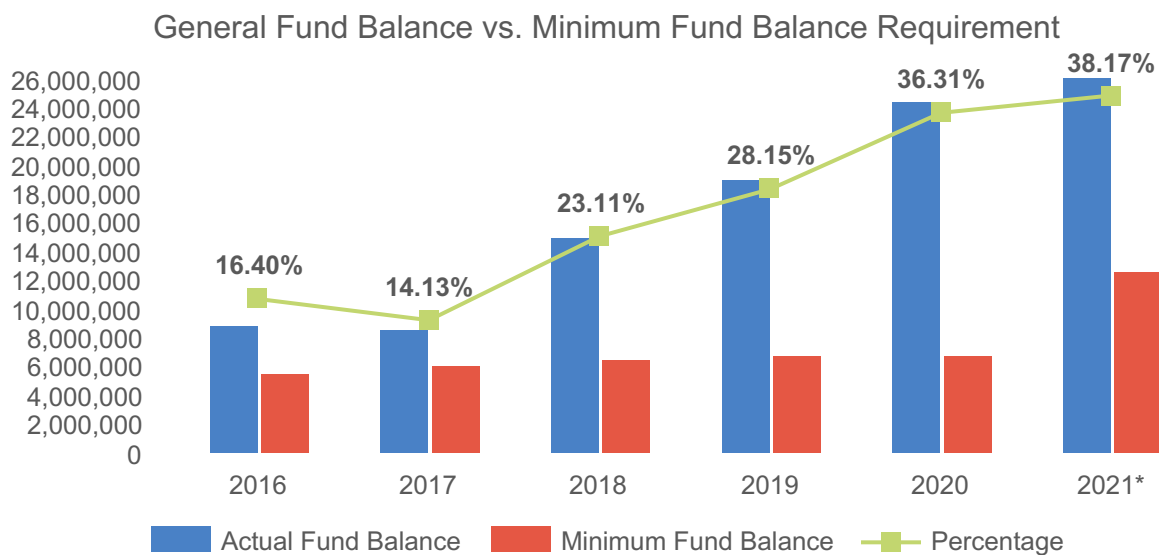
The City's FY 2022 Five-Year Capital Improvement Program (CIP), totaling \$23,727,064, includes information related to funding sources, project names/details and total estimated expenditures. The CIP Summary, which separates Non-Utility Departments from the Utility Department, reflects new projects and new sources of funding for existing and ongoing projects; any remaining unexpended budget balances from the previous fiscal year will roll to FY 2022 (capital expenditures). The detailed analysis can be found in [Appendix B](#) of this document. The table below provides an overview of FY 2022 approved expenditures by funding source and Department:

Funding Source	Department	FY 2022
Building Fund	Building	6,071,085
American Rescue Plan Fund	Community & Economic Development	4,000,000
Stormwater Fund	Public Works	3,194,600
Total Non-Utilities		13,265,685
Operating Fund	Utilities	3,796,984
Connection Fee Fund	Utilities	237,000
Renewal & Replacement Fund	Utilities	6,158,573
Main Line Extension Fee Fund	Utilities	268,822
Total Utilities		10,461,379
TOTAL		23,727,064

General Fund - Fund Balance & Stabilization Funds

In January 2021, the City Council's approved a new fund balance policy for the General Fund via Resolution 2021-03, requiring that the Fund shall establish an Unrestricted Fund Balance equivalent to a minimum of two months of regular budgetary General Fund operating expenditures (excluding capital and transfers). This policy went into effect October 1, 2021 for FY 2022. All prior fiscal years required a balance equivalent to a minimum of ten percent (10.00%) of the subsequent fiscal year's budgeted expenditures less capital outlay and transfers out as originally adopted by ordinance in September.

The minimum required fund balance, based on the new fund balance policy outlined above, for FY 2022 is \$12,589,425. The FY 2021 ending General Fund Balance (unaudited as of November 1, 2021), reflects a total fund balance of \$28,833,490, or 38.17%. A chart reflecting a six-year historical summary of minimum requirements and actual fund balances is located below.



*Unaudited as of publication date

The General Fund's fund balance provides a measure of the financial resources available for future spending or appropriation. While the fund balance itself does not reflect the general health of the government, the increase or decrease in the unassigned fund balance is an important indicator for a viable and stable financial outlook.

Section V within the new fund balance policy, as adopted via Resolution 2021-03, outlines the new process for setting aside revenues for use in the event of unexpected revenue shortfalls or budget deficits. Stabilization Funds, which are excess amounts provided that the unrestricted fund balance requirements established by the Policy have been met, allow the City to offset the costs of natural disasters and other emergencies to cover unplanned budgetary imbalances, and to ensure the maintenance of services to the public during unforeseen situations. The City shall maintain Stabilization Funds with an annual balance of 2.0% to 4.0%. During the second public hearing, held September 22, 2021, City Council voted to maintain a 4.0% annual Stabilization Funds balance. Based on the FY 2020 Certified Annual Financial Report's General Fund Committed, Assigned and Unassigned balances, the total for FY 2022 is \$946,340.

Debt Obligations

In FY 2022, the City will have sixteen bond debt issues, three internal loans, and three capital leases outstanding totaling \$295,175,456 (\$216,694,138 in principal payments and \$78,481,318 in interest payments).

Total Outstanding Debt - By Type	Principal	Interest	Total Due
General Government Debt	189,747,555	62,321,197	252,068,752
BCRA Debt	342,000	7,167	349,167
Utilities Debt	26,604,583	16,152,954	42,757,537
Total City Debt	\$216,694,138	\$78,481,318	\$295,175,456

The City of Palm Bay's underlying bond issue ratings as of September 30, 2021 are as follows:

Palm Bay, Florida

Underlying Bond Issue Rating

As of September 30, 2021

	Moody's	S & P	Fitch
Long-Term Issuer Rating	Aa3	A+	AA
General Obligation Bonds, Series 2019	—	A+	AA
General Obligation Bonds, Series 2021	—	A+	AA
Taxable Special Obligation Refunding Bonds, Series 2019	—	A+	AA
Sales Tax Revenue Refunding Bonds, Series 2015	—	AA-	—
Taxable Special Obligation Refunding Bonds, Series 2013	—	A+	AA
Utility System Improvement Revenue Bonds, Series 2001	Aa3	AA-	—

Local Economy Highlights

The City of Palm Bay is the largest municipality in Brevard County and the second largest in central Florida following the City of Orlando, covering 88 square miles, and including a population of 123,634 residents (Florida Power & Light, November 2021). The City is approximately 40.0% developed with 2,851 business establishments and an estimated 45,707 households. The City continues to experience positive economic growth with a surge of development interest in multi-family and commercial mixed-use development.

The City's population has grown by 4.3% from the previous fiscal year; up by 5,066 residents. Median household income has decreased by 2.9% from \$52,334 to \$50,814, and median home values have continued to rise with an increase of 17.3% from \$165,102 to \$193,658 since the previous fiscal year.

The Services Industry recorded an increase of 0.4% from the previous fiscal year and continues to be the largest make-up of business establishments within the City, comprising 36.1%. Retail Trade makes up 20.1% of the business establishments, reflecting an increase of 0.1%. It is the City's goal to continue its focus on creating employment opportunities for residents by promoting the City to major employers in high-skill and high-wage industries.

FY 2022 will continue the focus on the City's future development framework. Led by the Growth Management Department, the City will continue with the development of the Comprehensive Plan Update and [Visioning Study](#). This endeavor will create a blueprint to help guide the City's future developments over the next 10-20-year timeframe.

The City Administration's strategic plan revision will commence in FY 2022. The FY 2022 Approved Budget includes \$50,000 towards Consulting Services for the formulation of the new plan. At the time of publication of this document, the Request for Proposal (RFP) was still in the working scope phase and it is the City's goal to award the RFP in Spring 2022. Topics to be included in the RFP are a focus on the City's values, vision, mission, goals, and objectives to include priorities adopted by City Council which will drive the budget process and fund allocations.

Goals & Priorities

Despite the COVID-19 pandemic, the City of Palm Bay has experienced steady growth in 2021 in employment and commercial investment. Based on current projections, the City anticipates this growth to continue into the near future. These successes are aligned with the City Council's priorities in relation to enhancing economic development through targeted messaging and seizing on opportunities that diversify the taxable property valuation to augment and balance the landscape of the city with industrial and commercial businesses while enhancing employment opportunities and growth.

The City continues its focus on attracting future commercial development opportunities to increase the City's tax base and expand community amenity offerings for residents. In addition to multiple projects currently under construction, the City is diligently working on future project announcements that will aide commercial growth and provide employment opportunities for residents. Mayor current projects include Phase 2 construction of the Shoppes at Aqua, a 6.1 acre development for five commercial outparcels that include 50,000 square feet of retail and restaurant space; a 20-acre mixed-use development known as Crown Square consisting of 252 apartments and 38,953 square feet of retail/restaurant space; and a 1,710 square foot Medfast Urgent Care Clinic offering patients urgent medical treatment of the same conditions as Emergency Rooms.

Road paving projects, funded through the voter-approved \$150 million bond and part of the City's comprehensive road paving program, are well underway and will continue to move through a series of five (5) phases stretching multiple years. A total of 257 miles of the 791 citywide miles is completed.

Distinguished Budget Presentation Award

The Government Finance Officers Association of the United States and Canada (GFOA), a national organization, each year nationally recognizes budgets that meet certain rigorous standards. GFOA has awarded the City of Palm Bay this recognition for each of the past 31 years. To receive the budget award, a government must publish a budget document that meets program criteria as a policy document, as a financial plan, as an operations guide, and as a communications device.

We believe that this budget document continues to conform to program requirements and will be submitted to the GFOA to determine its eligibility for another award. This award, along with the Certificate of Achievement for Excellence in Financial Reporting received for the City's Comprehensive Annual Financial Report, helps the City of Palm Bay present a quality image to our citizens, bond rating agencies, and any other outside agencies with which the City does business.

Public Process & Involvement

Budget planning and development for the 2022 Fiscal Year included a heightened focus on the involvement of City of Palm Bay citizens and/or residents. With a newly published [Budget-in-Brief](#) document, regular monthly meetings of the City's Citizens' Budget Advisory Board, and increased social media presence, residents were encouraged to attend meetings, public workshops and hearings to participate in discussion sessions regarding the future budget.

The first Budget Workshop in preparation for FY 2022 planning was held June 22, 2021. Attendees included City Council, Citizens' Budget Advisory Board committee members, City of Palm Bay Department Senior Staff members, and residents. With additional guidance derived from this Workshop, City Council set the tentative millage rate of 7.5995 mills at the regularly scheduled Council meeting held on July 15, 2021. Thereafter, the Budget Office published the Proposed Budget on July 27, 2021 for review.

The second Budget Workshop was held on August 3, 2021 serving as a more in-depth session for City Council covering the previously published Proposed Budget. Agenda items discussed during the Budget Workshop include millage rate options, projected revenues and sources of funds, expenditures, and approvals of additional budget requests submitted by each department. A third optional Budget Workshop date was held for August 17, 2021; City Council chose to cancel this meeting. On August 19, 2021, the Budget Office published the Proposed Budget with Changes document. A second publication was necessary based on the August 3, 2021 Budget Workshop discussions. Details of the changes to the Proposed Budget can be found in the [Proposed Budget with Changes](#) section.

The first public hearing on the tentative millage rate, budget, and Utility fee rates was held on September 7, 2021. The second public hearing adopting the final millage rate and budget, position control plan, capital improvement program, and all other fees was held on September 22, 2021. All citizens were encouraged to attend and participate in all previously noted workshops and meetings. The budget was posted to the City's website a minimum of two days prior to the first public hearing and the budget meeting agendas were posted to the City's website approximately one week prior to each public budget hearing.

Summary

The City's budget, as in previous years, remains lean and does not provide a great margin in the event actual revenues and/or expenditures vary from the provided estimates and forecast. While the budget does include some moderate investments in deferred projects and programs, uncertainty continues to place senior management in a position that adds difficulties to the proper long-term planning process. General Fund capital asset maintenance and replacement continue to remain significantly underfunded. The dedicated stormwater funding source and the previously issued general obligation bonds for roads will continue to bring much needed relief to the City in meeting its infrastructure funding needs in FY 2022 and coming fiscal years.

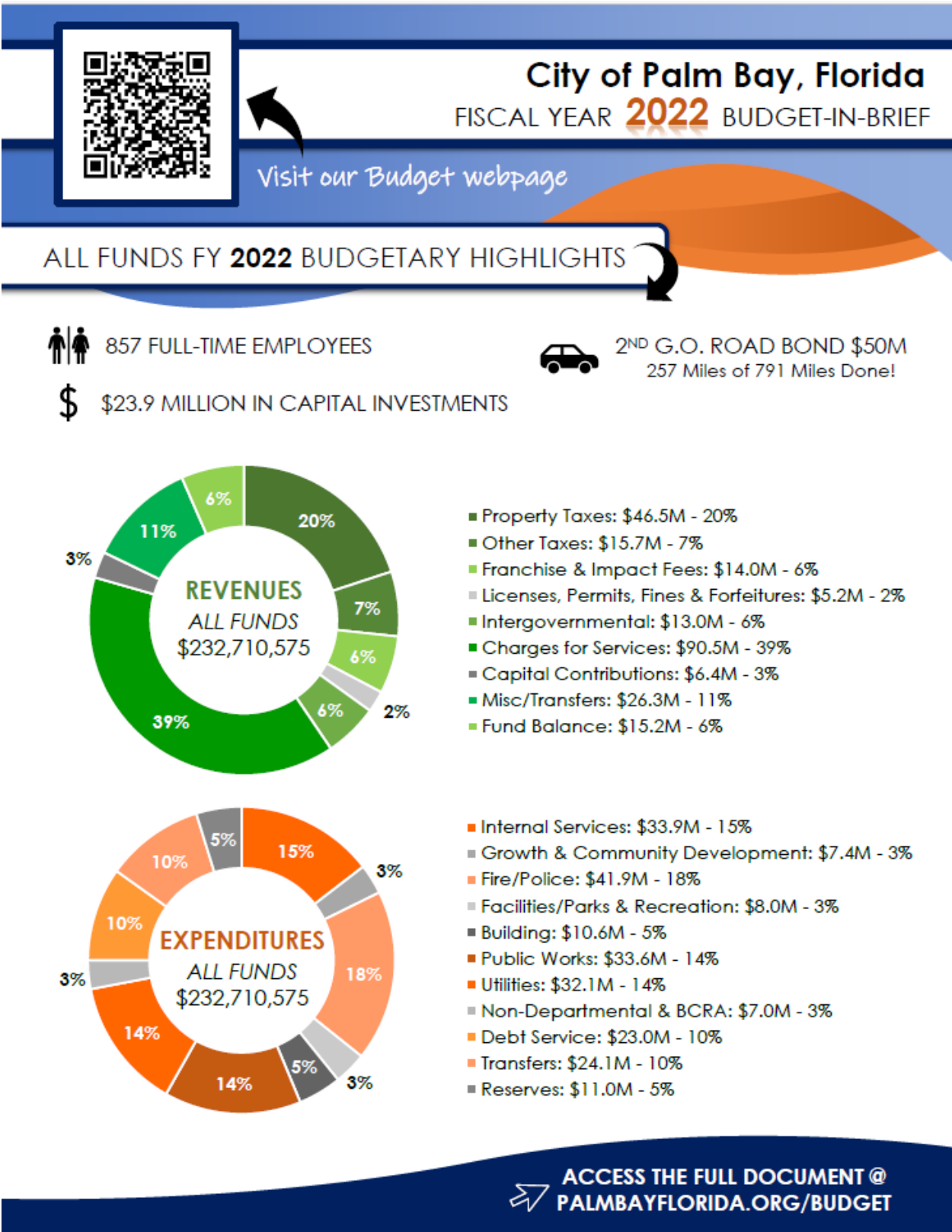
Despite various challenges, the FY 2022 Approved Budget reflects the continuation of the City's Leadership Team to collaborate and develop efficiencies in funding and service delivery to meet the growing needs of the City's constituents. A budget has been presented to City Council that continues to build the foundation for future growth and improved financial stability. Foremost, the budget allows the City to continue its focus of providing and meeting the needs for city services to all constituents.

Thank you for your continued support of the City's team as we work together in servicing our community.

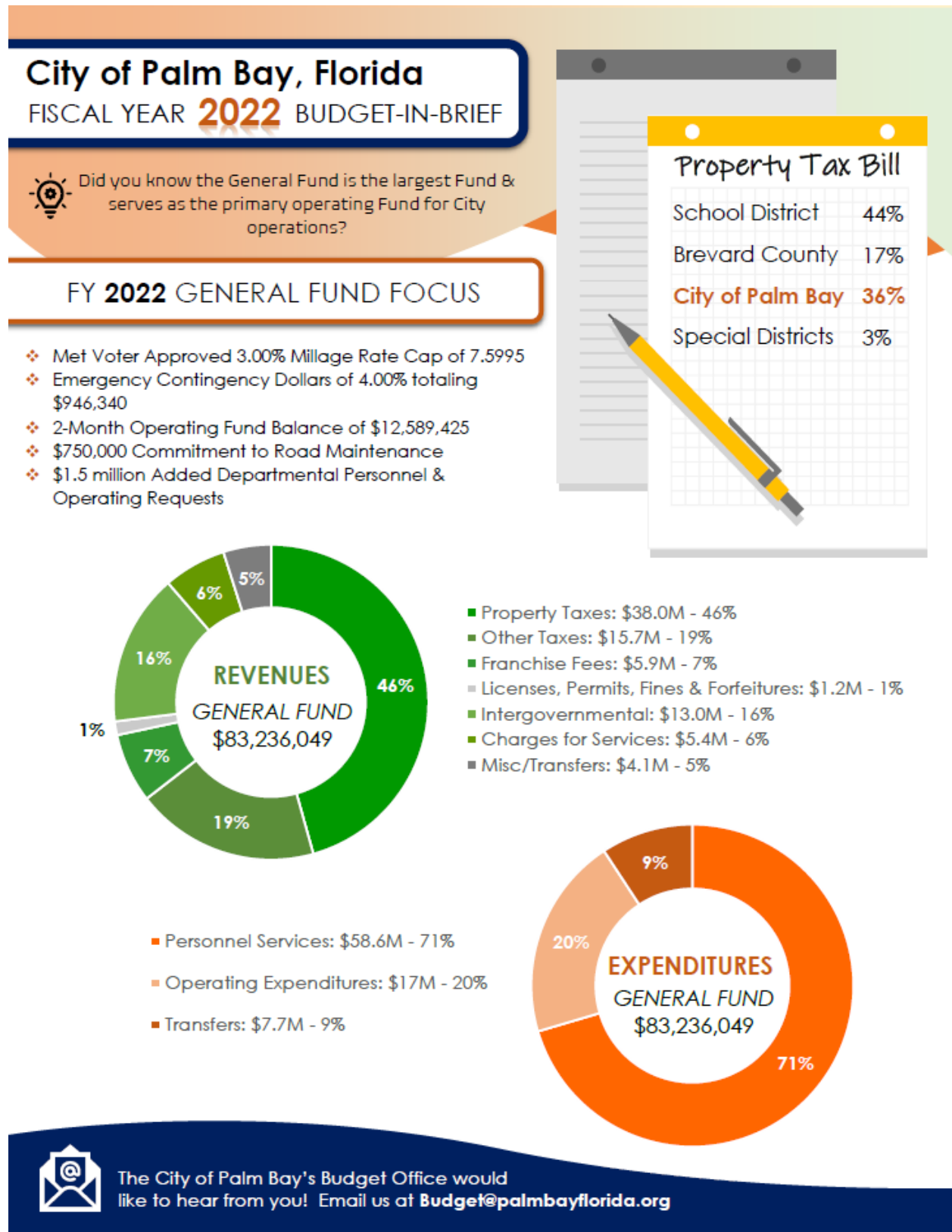


Suzanne Sherman
City Manager

The City of Palm Bay's first Budget-In-Brief issuance to provide citizens with a better understanding of the citywide Budget as a whole. The image below provides an All Funds overview of the FY 2022 Budget.



The image below provides a General Fund overview of the FY 2022 Budget.



PUBLIC INVOLVEMENT & COMMUNITY OUTREACH

Budget planning and development for the 2022 Fiscal Year included a heightened focus on the involvement of City of Palm Bay citizens and/or residents and communicating budget information via various outreach methods. While a full Budget outreach program is currently in development, this section provides details of existing methods to help increase the public's involvement and understanding of the citywide Budget.

Citizens' Budget Advisory Board

The City of Palm Bay's Citizens' Budget Advisory Board (CBAB) reviews and makes recommendations to the City Council regarding the development of the proposed budget for the upcoming fiscal year. Members meet monthly at the City of Palm Bay City Hall Council Chambers to discuss citizens' input and budgetary concerns.

The Board consists of seven members: five appointed by City Council; two at-large citizens; and two ex-officio. Membership requires individuals serving on this Board to be a resident of the City for at least one year or Owner of a business within the City of Palm Bay for at least one year (proof of valid tax receipt is required); a registered voter; and each individual is required to have a background in budgeting, accounting, finance, auditing, business ownership or related experience training. The length of term is four years.

All Citizens' Budget Advisory Board meetings are live-streamed on the City of Palm Bay website. For additional information, select the link below to be directed to the Boards/Committees webpage.

<https://www.palmbayflorida.org/government/city-departments-f-to-z/legislative/boards-committees/citizens-budget-advisory-board>

To support the link above, the information can also be accessed following the steps below:

1. Visit the City of Palm Bay website at <https://www.palmbayflorida.org/home>
2. Select the "Government" tab on the top of your screen
3. Select "Boards/Committees" from the menu
4. Select the "Citizens' Budget Advisory Board" button from the Boards/Committees list.

Budget Workshops

The Budget Office hosts a minimum of three Budget Workshops annually with City Council. One of the workshops, hosted in mid-June, serves as a mid-year review of the current fiscal year budgeted revenues and expenditures, along with an estimated year-end standing. Two additional budget workshops are hosted in the month of August outlining the upcoming proposed budget year.

All budget workshops are advertised, live-streamed via the City of Palm Bay's website and social media platforms, and are open to the public to attend. Citizens and/or residents are encouraged to attend these workshops to gain valuable information related to the City's budgetary finances.

Social Media Platform Budget Outreach

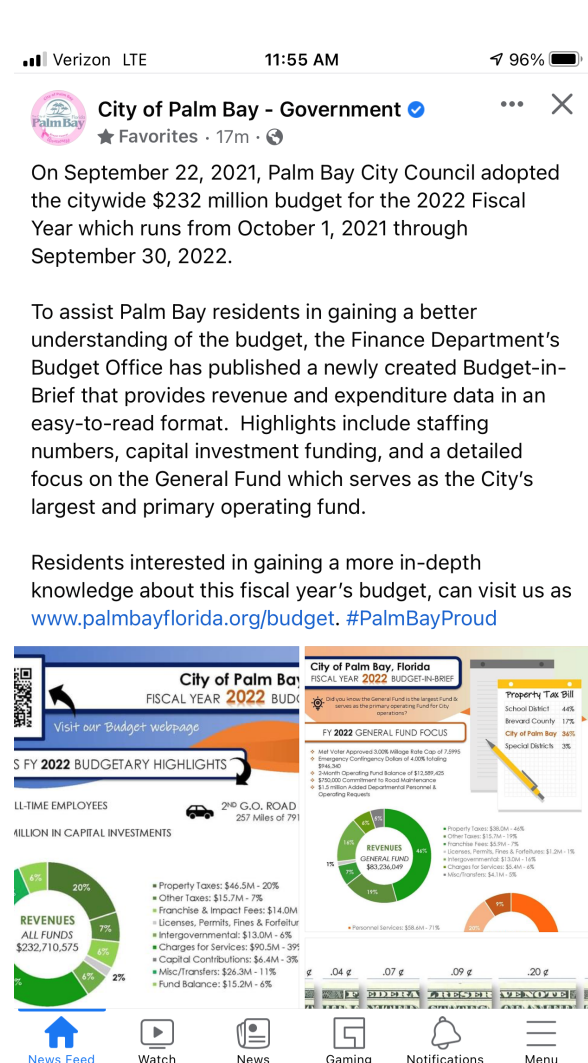
Community outreach is spearheaded by the City of Palm Bay's Communications Division, housed under the City Manager's Office. All aspects of City business and/or news impacting the community is published via various Social Media Platforms including Facebook, Instagram and LinkedIn. With technology being in the forefront of communication, the utilization of these platforms to disseminate budget information to City of Palm Bay citizens is becoming more prevalent.

The following are samples of posts pertaining to the 2022 Fiscal Year budget. Each post can easily be accessed and shared via any device with accessibility to the social media platform.

Budget workshops and meetings are advertised along with links to live-stream meetings via Facebook.



Budget-in-Brief publications are posted electronically to assist residents in gaining a better understanding of the budget.



FY 2022 PROPOSED BUDGET WITH CHANGES DETAILS

On August 3, 2021, the Budget Office published the Proposed Budget with Changes document which lists all modifications made to the Proposed Budget, distributed for review on July 27, 2021. This publication is necessary if any variances will occur between the Proposed Budget and intended Approved Budget for the upcoming fiscal year.

The following are highlights of citywide changes to the FY 2022 Proposed Budget. The FY 2022 Proposed with Changes Budget, which at adoption totaled \$232,710,575, reflected an increase of \$3,847,600, or 1.68%, from the FY 2022 Proposed Budget total of \$228,862,975.

General Fund (001)

Decrease of \$31,000, or 0.04%

Revenues

Description	Amount
Reduction in School Resource Officer (SRO) Positions - From Two (2) FTEs to One (1) FTE	(31,000)
TOTAL ADJUSTMENT	(31,000)

Expenditures

Description	Amount
Information Technology Director Salary Increase	23,873
Police Psychological Testing Adjustments	(300)
Police Academy Sponsorships (11)	35,132
School Resource Officer (SRO) Reduction to One (1) FTE	(76,592)
Police Officer Increase to Three (3) FTEs	58,275
Police Records Supervisor - Upgrade	2,627
Administrative Secretary Supervisor - Upgrade	2,940
Office Manager - Upgrade	3,290
Victims Advocate - Upgrade	5,581
Account Correction - Facilities Part-Time Wages Moved from Administration Division to Parks Division	0
Account Correction - Facilities & Parks Account Code Adjusted from Parks & Recreation Service Code to General Government Service Code	0
Account Correction - Recreation Account Code Adjusted from General Government Service Code to Parks & Recreation Service Code	0
Contingency/Reserves	(85,826)
TOTAL ADJUSTMENT	(31,000)

Palm Bay Municipal Foundation Fund (103)

Net Impact \$0

Expenditures

Description	Amount
Transfer Budgeted Funds from Reserves to Operating Expenditure Accounts for the Mayor's Ball	30,000
Reserves	(30,000)
TOTAL ADJUSTMENT	—

American Rescue Plan Fund (128)

Increase of \$4,000,000 - Utilization of ARPA Funding

Expenditures

Description	Amount
Building E Construction (Project 20BD01)	2,000,000
Financial System Replacement (Project 22IT01)	2,000,000
TOTAL ADJUSTMENT	4,000,000

Utilities Renewal & Replacement Fund (424)

Decrease of \$120,000, or 1.62%

Expenditures

Description	Amount
Removal of the NRWTP, Building L Project (22WS19) - Funded in FY 2021	(120,000)
TOTAL ADJUSTMENT	(120,000)

Risk Management Fund (512)

Decrease of \$199, less than 0.00%

Revenues

Description	Amount
Workers Compensation Revenue Adjustments Due to Staffing Adjustments	(199)
TOTAL ADJUSTMENT	(199)

Other Employee Benefits Fund (513)

Decrease of \$1,201, or 0.02%

Revenues

Description	Amount
Health Insurance Premium Revenue Adjustments Due to Staffing Adjustments	(1,201)
TOTAL ADJUSTMENT	(1,201)

