



# RIVIERA BEACH COMMUNITY REDEVELOPMENT AGENCY

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## MEMORANDUM

**TO:** Honorable Chair and Members, CRA Board of Commissioners  
City of Riviera Beach, Florida

**FROM:** Tony T. Brown, Executive Director, Riviera Beach CRA

**DATE:** May 20, 2016

**SUBJECT:** Follow up to Resolution Authorizing the Program Sponsorship Interlocal Agreement Between the City of Riviera Beach and the Riviera Beach Community Redevelopment Agency for the Funding of Certain Agency Programs Estimated at Approximately \$1.3 million Per Year; and Providing an Effective Date

During the City Council meeting on May 18, 2016 as discussion occurred on the above subject-matter, there were several questions posed concerning the CRA's budget pertaining to staff levels and other possible cuts. We are grateful for the time Chair Pro Tem Davis took yesterday to review the budget. Respectfully using Mr. Davis' query, we are providing a copy of the FY 2016 Budget for your review and I am highlighting key information as additional background to bring clarity to this request.

### History Pertaining to the Interlocal Agreement Requests

The request for funding is not sought from the City to bailout the CRA for uncontrollable budgetary expenditures. The single decision in 2014 to transfer the Marina Upland responsibility to the CRA shifted the financial burden of the Marina Enterprise from the City to the CRA. At the time of this transaction, CRA and City officials believed the CRA would be in better financial shape to absorb the Marina responsibilities pending private development.

As early as 2008 before the tenure of the current CRA executive director, the Agency and the City began structuring agreements for improving the Ocean Mall and later the Marina by assigning the CRA as the responsible party to fund or repay infrastructure improvements designed to improve city-owned property, eliminate blight and expand the tax base. The analyses justifying the interlocal agreements assumed that the Agency's financial capacity would increase as the primary beneficiary of new developments, including the billion dollar improvements made by Florida Power & Light to its Riviera Beach Energy Center. The revenue that was expected to inure to the sole benefit of the CRA from FPL was instead received by the City and County governments.

In consultation with City staff, we resolved the application of tax income receipts between the City and CRA through the proposed budget strategy outlined in this memo. The series of interlocal agreements proposed, including the current request, were viewed as the least disruptive option to



the City's financial capacity given the Board's decision to transfer the Marina upland responsibilities to the CRA. A reversal of the Marina Uplands Lease between the City and CRA would reduce non ad-valorem revenues, and the coverage required to service debt. The City used the value of the CRA-marina lease to borrow \$22 million for infrastructure improvements in 2014. Further, in 2015, the City issued an additional \$57 million in taxable bonds to reduce the Employee Pension Fund liability, also backed by non ad-valorem revenues. The additional \$6.8 million in tax revenues anticipated for the CRA, went to the City instead. The Agency is required to present a balanced budget thus reversing the Marina Upland Lease would prove detrimental to the bond covenants for the level of non ad-valorem revenues required to service debt.

### **Explanation of Budget**

Beginning on page 7, the CRA delivered a balanced budget that included \$3 million of funding support for the City. This funding support from the City approved by the Board is summarized as follows:

1. The Marina Enterprise is projected to lose \$1.47 million, even with the City contributing \$970,664 to cut the grass and pay utilities (water & electric), i.e. common area maintenance expenses (CAM). The Marina Enterprise will continue to lose money until private businesses are secured as tenants. The CRA is paying the City \$1.2 million per year to lease the uplands Marina property. **(See Exhibit A, page 14)**
2. The approved CRA Budget included \$1.46 million in Program Support from the City. **(See pp. 7 & 10)**
3. Debt service of \$3.9 million represents 48% of total operating expenses. This requires 55% of the total tax increment (TIF) revenues to be applied to debt service. The City Council deferred repayment of the Ocean Mall loan pending the payoff of the Wachovia note and agreed to provide the CRA \$500,000 annually for consideration of the investment the CRA made to improve the City's marina property (over \$20 million). In FY 2016, the CRA will pay the City nearly \$1.1 million for debt the CRA incurred in 2006 and to pay a share of the \$22 million infrastructure loan the City borrowed in 2014. Debt service on the BB&T loan is \$2.8 million and is secured by senior lien of the CRA revenues only. The CRA is in good standing with BB&T as TIF revenues are 2.5 times higher than the loan payment. These payments are illustrated in the budget. **(See p. 7)**
4. Personnel Expenses of \$1.6 million account for 53% of Administration & Operations Expenses. A schedule of Personnel costs is provided. Staff personnel in support of Neighborhood Services, Marina Enterprise and the Clean & Safe (Ambassador) program account for 48% of Personnel Costs. **(See attachment).**

The information above illustrates that a significant degree of consideration was given to the CRA budget before funding was requested from the City. The transfer of the Marina Enterprise to the CRA is a daunting responsibility with operating losses expected to reach \$4 million by 2018. To reverse the Marina Upland Lease after the City has incurred nearly \$80 million in new debt could be adverse to the City's credit rating. The City and CRA staff have negotiated a series of interlocal agreements that once again demonstrate cooperative efforts in balancing resources aimed towards operating municipal government, with resources allocated for capital improvements and economic development.