September 9, 2026

Village Council Special Meeting
First Budget Hearing

Attendance:
Mayor Nelson
Mrs. Bryan
Mr. Borshchukov
Mr. Volkert
Mr. Robichaux (via phone)

Also:
Sean Swartz
John Tomlinson (via phone)
Starr Paton

The roll was called and a quorum was determined.

Mayor Nelson asked the council to consider the tentative millage rate and proposed budget. Tentative millage rate is set at 6.0 mils.

Mr. Tomlinson discussed the budget with the council. The budget presented is the same as the one presented to the council in July. Mr. Tomlinson spent a lot of time with Chief Gajate discussing the training for next year and any upcoming events, along with the PBA contract items so that these are adequately funded. The budget also includes the increase in the fire contract, garbage and trash collection, capital expenditures, gatehouse improvements, and vehicles. Mr. Tomlinson asked if there were any questions. Mr. Volkert asked Mr. Tomlinson about the fluctuation in costs from 2025 to 2026. Mr. Tomlinson discussed the issues that occurred last year with change of Chiefs, additional training involved with the new gate systems and new hires and the addition of the extra patrol in response to the intrusions over the last year.

Public comments were opened. Mr. Bill Harter of 17 Saranac Rd. sent a letter to council regarding the millage rate and reserve funds amounts. Mr. Tomlinson provided a memorandum to the council explaining the village's current position. Mr. Borshchukov stated that until the November ballot issue regarding the ad valorem taxes is resolved he would oppose any changes until next year.
Public comments were closed.

Mayor Nelson asked the council to consider Resolution 2026-03, adopting a proposed millage rate of 6.0 mils for the general operating fund for the fiscal year 2026-2027. This millage rate of 6.0 mils represents a 3.41% increase over the rolled back rate of 5.8023 mils.

Motion made by Mrs. Bryan and seconded by Mr. Volkert to approve Resolution 2026-03 adopting the proposed millage rate of 6.0 mil. The roll was called and the motion passed unanimously.

Mayor Nelson asked the council to consider Resolution 2026-04, adopting a tentative budget for the fiscal year beginning October 1, 2026, and ending September 30, 2027. Motion made by Mr. Borshchukov and seconded by Mr. Volker to approve Resolution 2026-04, adopting the tentative budget for fiscal year 2026-27. The roll was called and the motion passed unanimously.

The final public hearing will be on Wednesday, September 16, 2026, at 5:01 p.m.

Adjourn.

Attachments:
Mr. Harter's letter to council
Mr. Tomlinson memorandum to council

To: The Village of Sea Ranch Lakes Council

From: William Harter, 17 Saranac Rd

Subject: Village of SRL Proposed 26/27 Budget

Date: September 6, 2026

Good afternoon,

Since I cannot attend today's Village Council Meeting, I am submitting my comments regarding the '26-'27 budget via email.

I have two recommendations regarding the budget:

1) That the millage rate be lowered by 10% to 5.4 from the current proposed 6.0. Since the assessable values of SRL properties has increased by 6% vs. previous year, it seems reasonable for an adjustment in the millage Rate be undertaken at this point.
2) Since the Village has a general reserve of over $3 Million, any "shortage" as a result of a millage rate decrease can be offset by a less than 10% reduction in this reserve.

<u>Justification</u>

The current SRL General Reserve Fund is excessive. The Government Finance Officers Association (GFOA) recommends that municipalities hold a 2 month reserve to deal with unexpected events. The General reserve of SRL represents over 6 times this recommendation at approximately 13 months. This is more than a full year's budget! Even for a generous reserve of 4 months, a $1 million general reserve would be more than sufficient.

<u>Summary</u>

The municipality is holding at least $2 million of excessive general reserve by any normal measure. This General Reserve has been created by excessive millage rates over several years. **<u>It is time to gradually "return" this excess to SRL property owners via a combnation of a 10% reduction in our millage rate to 5.4 and a very small reduction in the General Reserve for the '26—'27 fiscal year.</u>**

Respectfully,

William Harter

Village of Sea Ranch Lakes
MEMORANDUM

TO: Mayor and Members of the Village Council
FROM: Chief Financial Officer, John L. Tomlinson, Village of Sea Ranch Lakes
DATE: September 8, 2026
SUBJECT: Comprehensive Analysis and Justification of Village Cash and Equivalent Reserves (FYE 2025)

Executive Summary

At fiscal year-end September 30, 2025, the Village of Sea Ranch Lakes held $2,483,339 in cash and cash equivalents, representing approximately 100% to 110% of annual general fund operating expenditures. While this reserve ratio exceeds national baseline guidelines designed for large inland cities, comparative municipal data confirms that the Village's liquidity position directly mirrors the standard, risk-adjusted operating model utilized by peer Florida coastal micro-municipalities. This liquidity level provides critical insulation against single-event fiscal shocks, protracted disaster-relief reimbursement cycles, and localized infrastructure demands without imposing emergency tax assessments on our 210 residential households.

Regional Peer Comparison

The following figures illustrate how coastal municipalities with comparable geographic risk profiles structure their cash and fund balances relative to annual operations:

Municipality	Approx. Population	Cash / Liquid Reserves	Annual Operating Budget	Reserve Coverage Ratio	Primary Operational Driver
Village of Sea Ranch Lakes	**~580**	**$2,483,339**	**~$2.2M – $2.5M**	**~100% – 110%**	Small tax base (210 homes); barrier-island exposure
Town of Manalapan	~420	$3.5M – $5.5M	~$5.0M – $6.5M	~75% – 90%	Enforces mandatory 50% legal minimum reserve floor
Town of Hillsboro Beach	~2,000	$6.5M – $8.5M	~$8.0M – $9.5M	~80% – 95%	Internalizes continuous beach and coastal protection costs

Town of Lauderdale-by-the-Sea	~5,900	$14.0M – $18.0M	~$18.0M – $21.0M	~75% – 85%	Covers commercial and tourism-driven revenue volatility

Two observations are notable. First, the Town of Manalapan, the closest peer to Sea Ranch Lakes in population size, property values, and revenue structure carries a substantially higher reserve than the Village, at approximately 139% of annual expenditures (nearly 17 months). Its own audited financial statements describe unassigned fund balance alone as 86% of General Fund expenditure. Second, larger municipalities with more diversified revenue (utility operations, sales tax, greater debt capacity), such as Hillsboro Beach and Lauderdale-By-The-Sea, carry proportionally smaller cash reserves because they have other financial tools — debt issuance, enterprise fund revenue — available to manage volatility that a municipality the size of Sea Ranch Lakes does not.

Basis for the Village's Reserve Level

Several factors specific to the Village support maintaining a reserve materially above the GFOA statutory floor:

- **Revenue concentration**. Over 80% of Village revenue is derived from ad valorem taxes assessed on approximately 210 parcels, providing little diversification relative to municipalities with utility, sales tax, or grant revenue streams.
- **Absence of economies of scale**. A single unbudgeted expense of $250,000–$400,000 (storm cleanup, litigation, an infrastructure failure) represents a far larger percentage of a $2.3 million budget than of a larger municipality's budget.
- **Coastal and storm exposure**. The Village's location in coastal Broward County carries hurricane and storm-related risk, with FEMA reimbursement typically lagging cash outlays by months or longer.
- **Limited practical access to debt markets.** The Village has no line of credit or other credit facility. At the Village's scale, bond issuance costs are prohibitive relative to likely loan amounts, making cash reserves a practical substitute for the debt capacity larger municipalities rely on.
- **Minimal administrative staff**. The Village's small administrative structure has limited capacity to react quickly with emergency budget amendments or short-term financing arrangements.

Core Strategic Justifications

- **Disaster Liquidity and the Federal Payout Gap:** General standards published under GFOA Fund Balance Guidelines recommend a minimum of two months (16.7%) of operating reserves for general-purpose entities. However, the GFOA specifically instructs governments subject to extreme weather disruptions to carry far higher liquidity. In the event of a major tropical storm, initial debris clearance, security, and emergency stabilization can consume a substantial portion of our annual budget. While FEMA Disaster Assistance reimburses allowable costs, distributions routinely face documentation reviews lasting 12 to 36 months. Cash on hand prevents catastrophic operational shortfalls during this lag.
- **Absence of Population Scale to Absorb Unplanned Costs:** In a city of 50,000 residents, an unforeseen $500,000 capital emergency (such as a primary drainage or stormwater failure) costs $10 per capita. In Sea Ranch Lakes, that identical repair costs roughly **$2,380 per home**. Carrying reserves avoids sudden, punitive spikes in local millage rates.
- **Alignment with Florida Oversight Benchmarks:** The Florida Auditor General Financial Condition Assessment Procedures monitor fund balance deterioration and cash solvency to identify financial emergency conditions under Chapter 218 of the Florida Statutes. Maintaining robust liquid equity ensures unencumbered compliance with state solvency benchmarks and preserves the Village's credit posture. [1, 2]
- **Interest Revenue Without Capital Risk:** In the current interest rate environment, maintaining cash in qualified public depositories and short-term liquid instruments generates non-tax operating revenue, directly subsidizing village services without risking principal.

Conclusion and Next Steps

The Village's $2.48M cash balance is not idle surplus; it serves as **essential operational insurance** suited to our specific risk profile and narrow tax base for contingencies that are not currently foreseen.

To formalize this rationale for future fiscal audits and public discussions, we can pursue the following actions:

- Structure an **official fund balance assignment schedule** (e.g., partitioning reserves into Operating Contingency, Hurricane Stabilization, and Capital Asset Replacement).
- Adopt a **formal fund balance policy resolution** defining target reserve bands, modeled after peer coastal guidelines.