



CITY OF DELRAY BEACH

OFFICE OF THE CITY MANAGER

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City Commission Information Letter

April 5, 2024

Updated Delray Beach Municipal Bond Ratings

As reported via last week's information letter, both the Office of the City Manager and that of Chief Financial Officer Hugh Dunkley had been working diligently to engage with representatives of both Moody's Investors Service and S&P Global Ratings to offer financial analysis and other information necessary to advance bond rating considerations. We are pleased to report that both agencies have determined that the City of Delray Beach's overall credit profile remains exceedingly strong.

As referenced in the attached official ratings reports, outcomes to this effect involve Moody's upgrading City's issuer rating to Aa1 from Aa2, while S&P has assigned the continuation of its AAA long-term rating.

Both outcomes will ultimately enable the City to realize extremely favorable interest rates relative to those of other municipalities, beginning with the pending implementation of capital projects associated with the March 2023 voter-approved general obligation bonds.

With these achievements, staff will now prepare for applicable sale transactions, including municipal bond purchase opportunities for the investment community.

Reorganization to Support Utility Billing Operations

With progress currently imminent relative to encoder replacements for recently identified malfunctioning Badger water meter infrastructure, an analysis was also concluded to determine the most effective and efficient organizational structure for utility billing operations.

Guidance is now underway to reorganize the Utility Billing Division of the Department of Finance into a unit of the Department of Utilities. Direction to this effect will not only align similarly situated roles and responsibilities into a

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cohesive organizational structure. This arrangement will also streamline applicable data review and analysis functions that coincide with water production inventory measures and accountability.

As referenced in the attached electronic mail message from Director of Utilities Hassan Hadjimiry, this reorganization, to formally be initiated beginning Monday, April 8th, will be executed over the coming weeks. He will have an opportunity to reassign staff functions, as well as to clearly define expectations relative to performance by all involved during this transition period.

Meanwhile, I was able to meet with staff members of the Utility Billing Division this past Wednesday afternoon to share direction as outlined, as well as to communicate expectations moving forward. Both the Office of the City Manager and of Director Hadjimiry look forward to optimal professional outcomes and achievement as a result.

Harvey Kimmel Grant Allocation for Service Population Officer

As the Delray Beach Police Department has enjoyed relationships with the Community Foundation for Palm Beach and Martin Counties, affiliated Virginia and Harvey Kimmel Family Fund that has resulted in funding for a staff position to help support ancillary community outreach-related roles and functions, please be advised that an additional similar opportunity is now being extended.

As referenced in the attached electronic mail message from Chief Mager, as well as an accompanying award letter from the Kimmel Family Fund, considerations to this effect involve funding for an additional police officer position for the Community Outreach Unit of the Delray Beach Police Department. Financial commitments as outlined would involve an annual commitment of \$150,000 for three consecutive years, enough to cover costs for salary, benefits, equipment, and other ancillary expenses to support professional services accordingly.

Response from the Office of the City Manager regarding this opportunity is to now include a follow-up review and evaluation as a function of the pending Fiscal Year 2024-2025 Proposed Budget process. Resulting recommendations for City Commission review and consideration will be offered via this exercise.

Sustainability Award Recognition Outcomes

In response to the City's recent progress made relative to the Green Building Ordinance, as well as other sustainability-related initiatives directed by our organization during the past few years, please be advised that Delray Beach was recently recognized by the Florida Green Building Coalition (FGBC) with two awards. One involves the Green Achievement Award, recognizing leadership by encouraging green building development and construction. The other is in recognition of Delray Beach having been rated as the highest-scoring green local government in 2021 (an award previously delayed due to challenges and inconveniences associated with the COVID-19 pandemic).

During an award presentation event that took place here in Delray Beach two weeks ago, FGBC Executive Director CJ Davila specifically referenced how other Florida local governments have followed the lead of the City of Delray Beach to develop similar policies in their communities, emphasizing our organization's leadership standing accordingly.

A presentation of recognition as outlined will be offered next month, via an upcoming regular City Commission meeting. Meanwhile, a much-deserved congratulations to the Office of Sustainability and Resiliency for this work and enthusiasm as outlined.

Calendar of Meetings, Activities and Functions

As the Delray Beach City Manager role includes chairmanship of the Block 60 Parking Condominium Association (Block 60), the first of two board meetings for the 2024 calendar year was hosted yesterday afternoon, at the Delray Beach Community Redevelopment Agency (CRA) offices, at 22 North Swinton Avenue.

A primary function of Block 60 is to provide common area maintenance, budgeting, and management for a total of 92 parking spaces, located between Swinton Avenue and 1st Avenue, just north of Atlantic Avenue. The respective

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space plan recognizes such owned by the City of Delray Beach, CRA, and several individual private property owners.

Although Block 60 involves a micro-sized annual operating budget of approximately \$20,000, opportunities to guide and direct collaborative engagement and ancillary project implementation with both the City and CRA are perhaps a hallmark capacity for this organization.

Enclosures:

S&P Global Ratings Report – 'AAA' Long-Term Rating to the City of Delray Beach
Moody's Investment Services Ratings Report – Upgrades Delray Beach Issuer Rating to Aa1
Electronic Mail Message from Hassan Hadjimiry – Reorganization to Support Utility Billing Operations
Electronic Mail Message from Russ Mager – Harvey Kimmel Officer Grant
Letter to Chief Russ Mager from Sara Kimmel – Virginia & Harvey Kimmel Family Fund
Calendar for Business Week of April 1, 2024

CM/Documents/City Commission Information Letter 102

RatingsDirect®

Summary:

Delray Beach, Florida; General Obligation

Primary Credit Analyst:

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Related Research

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Delray Beach, Florida; General Obligation

Credit Profile

US\$18.07 mil GO bnds (Parks Project) ser 2024 due 07/01/2054

Long Term Rating

AAA/Stable

New

Credit Highlights

- S&P Global Ratings assigned its 'AAA' long-term rating to the City of Delray Beach, Fla.'s \$18.1 million series 2024 general obligation (GO) bonds (park projects).
- The outlook is stable.

Security

The GO bonds are secured by Delray Beach's full faith and credit, including the city's ability to levy ad valorem property taxes without limitations as to rate or amount. The 2024 GO bonds will support a variety of park projects.

Credit overview

The rating reflects Delray Beach's strong, built-out residential and resort community located in southeastern Florida about 18 miles south of West Palm Beach in Palm Beach County. In addition to maintaining a sizable retiree population, which accounts for about one-quarter of the population, the city is a resort area with beaches and other related activities serving as attractions for residents and tourists. Delray Beach's assessed valuations continue to grow at what we consider a strong pace, supporting strong revenue growth. In addition to growing revenues, the city's financial position is supported by a comprehensive range of formalized financial policies and practices in addition to the maintenance of very strong reserves, which have averaged more than 30% of expenses over the past three years.

In addition to positive financial results throughout the pandemic largely due to conservative budgeting and increased ad valorem tax revenues, management indicates the city had another strong year in fiscal 2023. Based on current fiscal 2023 estimates, we understand general fund revenues came in nearly \$4.0 million above budget while expenses came in slightly under budget. As a result, Delray Beach anticipates adding approximately \$6.0 million to reserves, increasing general fund reserves to more than \$57 million, or above 35% of expenses, well above management's target of maintaining available reserves above 20% of expenses.

Following this issuance, the city will maintain a low overall net debt burden. Delray Beach passed two voter-approved referendums in 2023, with this issuance exhausting the park projects approval and the other passed for public safety projects not to exceed \$100 million. Management indicates it will likely issue about \$80 million of debt over the next two years for public safety purposes. The city's other main capital needs consist primarily of \$130 million in planned revenue debt for construction of a new water treatment plant and related improvements. In addition, we understand the city will use about \$956,000 of its \$10.9 million in American Rescue Plan Act funds, to help fund stormwater capital needs. We do not expect the city's current capital plans to materially affect its overall debt position, which we expect

will remain very low.

Although annual expenses for the city's pension and other postemployment benefits (OPEB) is elevated in our view at 12% of expenses, total fixed costs remain manageable at less than 18% given low debt service expenses. Delray Beach participates in three pension plans, one for general employees, one for firefighters, and one for police officers. The total liability of the three plans stands at \$148.2 million. The city's OPEB liabilities total \$22.4 million.

The rating reflects our opinion of Delray Beach's:

- Residential and resort nature to the tax base that participates in the West Palm Beach-Boca Raton metropolitan statistical area, with above-average income metrics and extremely strong wealth values;
- Sound historical financial operations that continue to remain strong at the end of fiscal 2023 according to year-end estimates, including the maintenance of available general fund reserves above 30% of expenses, a level we consider very strong and a credit strength;
- Very strong management conditions, with a full array of formalized financial policies and practices including conservative budgeting, monthly budget monitoring, formalized long-term financial and capital planning updated annually, formal debt and investment policies, and an informal reserve target, as well as a strong institutional framework score; and
- Strong debt and liability profile despite elevated retirement costs given annual debt service costs are low, such that overall fixed costs remain highly affordable.

Environmental, social, and governance

We view Delray Beach's physical risks as elevated in our credit analysis, given the city's coastal exposure. However, we believe the city has demonstrated significant efforts to mitigate risks and costs associated with physical risks, including maintaining an Office of Sustainability and Resiliency and completing a climate change vulnerability assessment in 2021, which requires usage of certain sea-level rise projections in land use planning.

We view Delray Beach's social and governance factors as neutral in our credit analysis.

Rating above the sovereign

The bonds outstanding are eligible to be rated above the sovereign because we believe Delray Beach can maintain better credit characteristics than the U.S. in a stress scenario. The city derives nearly 90% of its operating revenue from local sources and maintains independent taxing power and independent treasury management from the federal government.

Outlook

We do not anticipate changing the rating within the outlook period, as we expect the city to maintain at least balanced operations over the next several years as well as a very strong general fund reserve position.

Downside scenario

We could consider a negative rating action if Delray Beach's budgetary flexibility or liquidity levels materially decrease due to imbalanced operations or discretionary use of funds.

Delray Beach, Florida--Key credit metrics

	Most recent	Historical information		
		2022	2021	2020
Very strong economy				
Projected per capita EBI % of U.S.	136			
Market value per capita (\$)		240,251	227,375	216,338
Population (no.)		68,342	68,749	68,686
County unemployment rate(%)		2.9	4.4	8.0
Market value (\$000)		16,419,240	15,631,831	14,859,415
Ten largest taxpayers % of taxable value	6.9			
Strong budgetary performance				
Operating fund result % of expenditures		1.4	3.4	(0.4)
Total governmental fund result % of expenditures		9.3	4.7	3.3
Very strong budgetary flexibility				
Available reserves % of operating expenditures		33.0	33.5	32.0
Total available reserves (\$000)		51,273	48,946	43,869
Very strong liquidity				
Total government cash % of governmental fund expenditures		58	56	75
Total government cash % of governmental fund debt service		1001	926	1224
Very strong management				
Financial Management Assessment	Strong			
Strong debt & long-term liabilities				
Debt service % of governmental fund expenditures		5.8	6.1	6.1
Net direct debt % of governmental fund revenue	24			
Overall net debt % of market value	0.3			
Direct debt 10-year amortization (%)	73			
Required pension contribution % of governmental fund expenditures		11.1		
OPEB actual contribution % of governmental fund expenditures		0.9		
Strong institutional framework				

EBI--Effective buying income. OPEB--Other postemployment benefits. Data points and ratios may reflect analytical adjustments.

Related Research

- 2023 Update Of Institutional Framework For U.S. Local Governments, Nov. 28, 2023
- Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022
- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Alternative Financing: Disclosure Is Critical To Credit Analysis In Public Finance, Feb. 18, 2014
- Criteria Guidance: Assessing U.S. Public Finance Pension And Other Postemployment Obligations For GO Debt,

Local Government GO Ratings, And State Ratings, Oct. 7, 2019

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MOODY'S

RATINGS

Rating Action: Moody's upgrades Delray Beach, FL's issuer rating to Aa1, assigns Aa1 to GO bonds

01 Apr 2024

New York, April 01, 2024 -- Moody's Ratings ("Moody's") has upgraded Delray Beach, Florida's issuer rating to Aa1 from Aa2 and has assigned a Aa1 rating to the city's \$20 million General Obligation Bonds, Series 2024 (Parks Projects). Post issuance the city will have approximately \$76.3 million in debt outstanding.

RATINGS RATIONALE

The upgrade to Aa1 for Delray Beach's issuer rating is primarily driven by the strong revenue growth which has resulted in robust reserves. The city's revenues will continue to grow through increasing taxable property valuations and water and sewer rate increases. The city's leverage is lower than similarly-rated neighbors and will continue to compare favorably as the city pursues over \$210 million in capital projects over the medium term. Resident incomes are below average which is in part a reflection of the higher proportion of retirement age residents.

The GOULT bonds are rated on parity with the issuer rating given the city's unlimited ad valorem taxing ability and its full faith and credit pledge.

RATING OUTLOOK

Moody's does not assign outlooks to local governments with this amount of debt outstanding.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Sustained improvement in resident incomes to levels commensurate with higher rated cities nationwide
- Moderation of pension burden

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Operational imbalances resulting in material depletion of reserves
- Increase in leverage in excess of current capital plans

LEGAL SECURITY

The general obligation bonds are backed by the city's full faith, credit and taxing power. A direct annual tax without limit shall be levied by the city upon all taxable property to make annual debt service payments.

USE OF PROCEEDS

The bonds will provide financing for various public parks improvements.

PROFILE

The City of Delray Beach is located in Palm Beach County on south Florida's Atlantic coast, approximately 50 miles north of Miami. The city provides general government, water, sewer, stormwater and sanitation services to approximately 66,650 residents.

METHODOLOGY

The principal methodology used in these ratings was US Cities and Counties Methodology published in November 2022 and available at <https://ratings.moody.com/rmc-documents/386953>. Alternatively, please see the Rating Methodologies page on <https://ratings.moody.com> for a copy of this methodology.

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MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.

Terrence R. Moore

From: Hadjimiry, Hassan
Sent: Tuesday, April 2, 2024 1:06 PM
To: Terrence R. Moore
Cc: D'Andrea, Duane; Gelin, Lynn
Subject: Reorganization to Support Utility Billing Operation

Mr. Moore,

Per our discussion this morning regarding the Department of Finance Utilities Billing Division (UTB) incorporation into the Water Utilities Department (Department), effective Monday, April 8, 2024, we will commence the process of this transition.

I will personally undertake the task of interviewing each individual employee of the UTB. My aim is to gain a comprehensive understanding of their current responsibilities and to establish clear expectations moving forward. Meanwhile, I believe that by doing so, we can effectively manage operations and ensure a more efficient workflow within the Department.

I anticipate that this transition process may take a few months to complete, as we strive to integrate the UTB into the Department. However, I am confident that this consolidation will ultimately prove beneficial to the City of Delray Beach (City). By uniting the UTB with the Water Utilities Department, we are not only streamlining our operations but also fostering a sense of unity and collaboration within our team.

Also, as part of this reorganization, I have decided to reclassify the existing vacant position of Utilities Financial Manager to Utilities Customer Service Manager. This position will require extensive knowledge and understanding of utilities' billing including regulations, rules, ordinances, and customer service that are very essential components of the Department's operations. By filling this role, we can ensure that the newly integrated UTB division receives the necessary support and guidance to thrive within the Department.

As we embark on this transitional phase aimed at enhancing billing and customer service within the City, I kindly request your patience, as well as elected officials and customers. This period of reorganization is critical for us to improve our processes and elevate the level of service we provide to our community members. We understand that changes may sometimes cause inconvenience, but rest assured, my goal is to better serve the needs of our residents. I am committed to transparent communication and will keep you updated on our progress as we work towards achieving our shared objectives.

I am enthusiastic about welcoming our new family of UTB into the Department. This consolidation presents an exciting opportunity for collaboration and synergy among team members, and I am confident that it will ultimately contribute to the success of our Department and the City of Delray Beach as a whole.

Respectfully,



Hassan Hadjimiry, P.E.

Utilities Director

City of Delray Beach

Terrence R. Moore

From: Mager, Russ
Sent: Wednesday, April 3, 2024 12:21 PM
To: Terrence R. Moore
Cc: Screciu, Beatrice
Subject: Harvey Kimmel Officer Grant
Attachments: Letter Police Chief Russ Mager.docx

Mr. Moore,

As you are aware, the Virginia and Harvey Kimmel Foundation has been funding a three-year grant (expiring September 30, 2024) for the position of Service Population Advocate, who is part of the Community Outreach Unit. Upon completion of this grant, we will be absorbing this position into the police departments 2024-2025 budget. The Kimmel's have agreed to fund a new position in the Community Outreach Unit, a police officer, who will be addressing various quality of life issues, primarily during the evening hours. Currently we only have two police officers assigned to this unit. The grant will add an additional third officer which will cover the salary and benefits for three years at \$150,000 per year. The Kimmel's are requesting a correspondence indicating that we are interested in receiving this grant funding as soon as possible.

The community Outreach Unit currently addresses various quality of life issues to include and not limited to: homelessness, behavioral issues, drug / alcohol issues, Baker Acts, and basic human needs, i.e. – food, shower truck, clothing, and bedding. I absolutely support this opportunity and look forward to the continued success of the Community Outreach Unit.

(Please see attachment regarding the grant funding.)

Chief Russ E. Mager
Delray Beach Police Department
Ph: 561-243-7846
Web: www.mydelraybeach.com



Serving with H.E.A.R.T

PUBLIC RECORDS NOTE: Florida has a very broad public records law. Most written communications to or from local officials, employees, or the general public regarding city business are public records available to the public and media upon request. Your e-mail communications may therefore be subject to public disclosure.

Virginia & Harvey Kimmel
FAMILY FUND

March 12, 2024

Dear Police Chief Mager,

I am writing to follow up on your conversation with my father, Harvey Kimmel, on February 28, 2024. The Virginia and Harvey Kimmel Family Foundation is interested in supporting the Delray Beach Police Department's Community Outreach Team by funding an additional Police Officer position.

We are prepared to support this initiative under the condition that the second Service Population Advocate position, which has been funded by our foundation for the past three years, will now be funded through the Police Department's budget.

Upon confirmation in writing of the city's funding for the second Service Population Advocate position, The Virginia and Harvey Kimmel Family Foundation is committed to providing a grant of \$150,000 per year for up to 3 years. This grant will specifically cover the salary and benefits of the additional Delray Beach Police Department's Community Outreach Team Police Officer. The grant funds will be restricted solely for this purpose.

The grant will be issued upon receipt of a confirmation of the funding for the Service Population Advocate position and a formal grant request from your office, outlining the need for the position and the associated budget. Mr. Ezra Krieg will represent our foundation and work closely with the Delray Beach Task Force to End Homelessness on their goals and ongoing strategic planning. Moving forward, we anticipate receiving grant reports detailing how the funding was utilized throughout the year.

If you are interested in pursuing this funding opportunity, please send the formal grant request to me, Sara Kimmel, the Director of The Virginia and Harvey Kimmel Family Foundation, at Sarabkimmel@gmail.com. Kindly CC Mr. Harvey Kimmel at HarveyKimmel@gmail.com on all correspondence related to this grant.

Thank you for considering this proposal. We are excited about the potential impact of this additional Police Officer position on the Delray Beach Police Department's Community Outreach Team and look forward to working together on this initiative.

Sincerely,
Sara Kimmel
Director, Virginia and Harvey Kimmel Family Foundation

April 1, 2024 - April 7, 2024

April 2024							May 2024							
Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa	
		1	2	3	4	5	6				1	2	3	4
7	8	9	10	11	12	13	5	6	7	8	9	10	11	
14	15	16	17	18	19	20	12	13	14	15	16	17	18	
21	22	23	24	25	26	27	19	20	21	22	23	24	25	
28	29	30					26	27	28	29	30	31		

Monday, April 1

- 12:00am L. Gelin - Out →
- 7:30am - 8:30am Begin CIL (CM Office) ↻
- 8:30am - 8:40am New employee orientation (First Floor Conference Room) - Bast, Dot ↻
- 9:00am - 9:30am Missie Barletto Bi-Weekly Meeting (Office of the City Manager) - Vega, Brenda ↻
- 10:00am - 11:00am Mayor Meeting w/CM Moore Re: Agenda & Updates (CM Office) - Terrence R. Moore ↻
- 2:00pm - 3:00pm Introduction to Hanley Foundation (CM Office) - Terrence R. Moore
- 2:00pm - 2:30pm Duane D'Andrea Bi-Weekly Meeting (CM's Office) ↻

Tuesday, April 2

- ← L. Gelin - Out →
- 9:00am - 9:30am Hassan Hadjimiry Bi-Weekly Meeting (CM's Office) - Vega, Brenda ↻
- 9:00am - 9:30am Hassan Hadjimiry Bi-Weekly Meeting (CM Office) ↻
- 9:30am - 9:45am Follow-Up Meeting Regarding Goal Setting/Strategic Planning (CM Office) - Terrence R. Moore
- 10:00am - 11:00am Utility Billing Operations and Organizational Structure (CM Office) - Terrence R. Moore
- 10:30am - 11:30am Compile Information Letter Report - Reorganization to Support Utility Billing Operations (CM Office) - Terrence R. Moore
- 2:00pm - 3:00pm Hugh Dunkley Annual Performance Review (CM Office) - Terrence R. Moore
- 3:00pm - 4:00pm Follow-Up Discussion Concerning Development Inquiry (CM Office) - Terrence R. Moore

Wednesday, April 3

- ← L. Gelin - Out →
- 7:30am - 8:30am Kiwanis Club of Delray (Delray Beach Golf Club (2200 Highland Ave, Delray Beach, FL 33445)) ↻
- 9:00am - 10:00am Agenda Review Meeting (April 16th CC Meeting) - Conference Room - City Hall 1st Floor
- 10:00am - 10:30am Discussion Regarding Pride Intersection Damage (CM office) - Terrence R. Moore
- 11:00am - 11:30am Kent Edwards Bi-Weekly Meeting (CM's Office) - Vega, Brenda ↻
- 11:00am - 11:30am Sustainability Plan for Education and
- 11:30am - 12:30pm Compile Information Letter Report -
- 2:00pm - 3:00pm Compile Information Letter Report
- 3:00pm - 3:30pm Hugh Dunkley Bi-Weekly Meeting (CM's Office) -
- 3:30pm - 4:00pm Follow-Up Regarding Utility Billing Operations
- 4:00pm - 5:00pm Commissioner Markert Meeting w/CM Moore

Thursday, April 4

- ← L. Gelin - Out →
- 9:00am - 10:00am Compile Information Letter Report - Harvey Kimmel Grant Allocation for Service Population Officer (CM Office)
- 10:00am - 10:30am News Release Collaboration to Support Municipal Bonds Rating Outcome (CM Office) - Terrence R. Moore
- 1:00pm - 2:00pm Block 60 COA Annual Meeting (20 N Swinton Ave, Delray Beach, Florida 33444, United States)
- 2:00pm - 3:00pm Commissioner Long mtg w/CM Moore Re: Agenda and Updates (CM Office) - Terrence R. Moore ↻
- 3:00pm - 4:30pm Various (Various) ↻

Friday, April 5

- ← 12:00am L. Gelin - Out →
- 7:30am - 9:00am Finalize CIL (CM Office) ↻
- 9:00am - 9:30am Anthea Gianniotis Bi-Weekly Meeting (City Manager's Office) - Vega, Brenda ↻
- 10:00am - 11:00am Palm Beach County Code of Ethics Training
- 3:00pm - 4:30pm Begin Kent Edwards Annual Performance Evaluation (CM Office)

Saturday, April 6

- 10:00am - 11:00am Delray Beach Tennis Center (Hard Court #1) ↻
- 11:30am - 1:30pm Various, CIL Notes, etc. (CM Office) ↻

Sunday, April 7