



Date: May 10, 2011

To: Mayor Patricia Flury  
Vice Mayor Bobbie Grace  
Commissioner Anne Castro  
Commissioner Walter B. Duke III  
Commissioner C.K. McElyea

From: Robert Baldwin, City Manager

Re: General Budget Discussion For Fiscal Year 2011/2012

Preparing the budget is a major responsibility and time-consuming undertaking. We are currently working on the budget for FY2011-2012. To assist in our analysis I would appreciate the Commission giving me some very general guidance.

#### REVENUES

Presently, property taxes make up \$21.5 million (55%) of the annual General Fund budget. The City's taxable property values are anticipated to decline slightly in the coming budget year. Initial indications this year from the Property Appraiser Office are that property values may have leveled off county-wide. They do not have official estimates but should have them soon. Though an increase in ad valorem millage may be necessary for next fiscal year to help offset continued losses in property tax revenue resulting from diminished property values, user-based fees are a viable option to property taxes. User fees allow citizens to pay for services rendered to them by the City rather than funding the availability of services they may not use. To continue our current level of City services, establishment of new user fees and adjustment of existing user fees will reduce reliance on property taxes. Likewise, annual incremental increases in user fees avoid large, unpalatable increases in any one year. We are proposing non-residential fees in most categories, and will implement an annual across-the-board 5% increase each year in user fees.

In what revenue categories is the Commission willing to consider increases?

1. Ad Valorem Millage - Ad Valorem millage is the largest, single primary source of revenue for the City. Our operating millage is 5.9998 mills in the current year. The millage cap is currently 10 mills.

2. Fire Assessment - The Commission verbally agreed to plans for increased Fire Assessment rates in the coming year. The fire assessment rate is being reviewed in consideration of the recent contract of fire and rescue services with the Broward Sheriff's Office.

3. User Fees

- a. Parking Fees/Fines
- b. Recreation Program Fees (e.g., pool membership, pool rentals, summer programs, etc.)
- c. Lien Search Fees
- d. Business License Tax – This amount may only be changed every other year. The last increase was in 2008 for FY 2009. A 5% increase in rates is allowed but would need to be approved by the first meeting in June for implementation to meet the July 1<sup>st</sup> required mailing deadline.

4. Utility and Franchise Fees

- a. Water and Sewer Rates: The Commission agreed to a 2½ year program for increases in water and sewer rates in December 2010. The next increase, 8% water and 11% sewer will be in effect October 1, 2011.
- b. Solid Waste ( current residential rate is \$22.45 mo.)
- c. Gas (franchise fee currently 6%; utility tax currently 10%)
- d. Telecommunications (currently 5.22%)
- e. Electric (franchise fee currently 5.9%; utility tax currently 10%)
- f. Storm Water Utility Fee -presently \$3.33 per month for residential homes. The Commission agreed to increase the City's modest stormwater utility rates last year from \$2.08 per month to \$3.33 per month to provide funding for improvements in the stormwater infrastructure system. The current rates and capital project financing is currently being reviewed.

5. Building, Zoning & Planning Fees

- a. Board of Adjustment Fee/Variances
- b. Planning and Zoning Board Fee
- c. Zoning Review Fee
- d. Code Enforcement Board/Special Magistrate Fees.
- e. Zoning Administrative Services Fee
- f. Annual Rental Inspection/Certificate of Use Fees

6. Capital Improvement/ Infrastructure Assessment Policy

7. Debt - The City has significantly increased the use of debt financing over recent years for a combination of public service projects and utility enterprise operations. An examination of the City's use of debt financing by its independent external auditor was

performed at the request of the City Commission. A formal debt policy is currently being drafted to provide guidance to the elected officials.

8. Grants - The major focus of City grant applications is toward non-recurring capital projects of high importance. Grants that require matching City funds or create on-going operational costs are considered with more care and reservation.

EXPENDITURES - In which departments does the Commission contemplate significant changes, cuts or increases?

1. City Commission
2. City Manager
3. City Attorney
4. Community Redevelopment Agency
5. Finance
6. Human Resources
7. Community Development/Code Compliance
8. City Clerk
9. Public Services/Utilities/Engineering
10. Fire Rescue (Contract BSO)
11. Parks and Recreation/Marina
12. Police (Contract BSO)
13. Capital Improvement Program (Project delays, deferral or deletion)
14. Fund Balance/Reserve (Strategic use/draw down of fund balance) - The Administration goal is to maintain no less than 25% of the City's annual General Fund budget in Undesignated Fund Balance. The need to draw from the Undesignated Fund Balance to provide necessary funding for City projects and commitments (Library project, Garage project, US1 Landscaping, Marina Improvements, and Nano-plant bridge loan; etc.) has brought us below this desired goal to a level of 20%. Fund Balance may also be used in response to continued declines in City property taxable values causing reduced tax revenues to the City.
15. Other

## SERVICE CHANGES

1. Furlough Program (Reduced work hours/pay, 4-day workweek @ 9 hours, etc.)
2. Reduced Programs/Hours of Operation (City Hall, Recreation Facilities, etc.)  
Currently Recreation facilities are closed on Mondays.
3. Position Reductions in City staffing
4. Secretarial/Clerical Pool/Interdepartmental Resource Sharing
5. No Cost-of-Living Adjustments (COLA) /Freeze management salaries/Expense account reduction)

## OUTSOURCING

A potentially major source of cost-savings is in outsourcing services. This approach to government services should be evaluated in line with the potential challenges being imposed on us by the State of Florida and the economy. In what areas would you consider outsourcing, either by privatization or governmental contracting/regionalization of municipal services?

1. Cemeteries
2. Public Services and Utilities
3. Community Development/Building
4. Parking Enforcement
5. Administrative Departments
6. Other

Because time is of the essence and staff is minimal, I do not want to spend unnecessary time evaluating revenue and service options the Commission is not willing to entertain. I would appreciate as much feedback from the Commission as possible prior to the submittal of the City Manager's Proposed 2011/2012 Annual Operating Budget. Your counsel is very important to this process. Major, last-minute policy modifications increase the complexity of the budgetary process for both staff and the Commission.

Commission direction is requested.