



August 21, 2009

TO: Members of Plantation City Council

BUDGET WORKSHOP MEMO

We hereby submit, for your review and consideration, the proposed Operating and Capital Budget for all funds for the fiscal year beginning October 1, 2009.

This budget document includes all City Funds and service programs, and represents one of the most important reports presented to City Council. It establishes an action, operational and financial plan for the delivery of City services. It has been prepared to provide a comprehensive overview of all City services and financial framework, and to give residents a better understanding of the City's operating and fiscal programs.

The City and its residents are in the process of weathering one of the worst economic storms in history. While signs of improvement are visible, and citizens seem to be optimistic about the country's direction, it will take some time before we see the prosperity that we have enjoyed in previous years. Fortunately, fiscal measures implemented over the past years have put the City in a better position than most to weather the revenue reductions and the current economic climate. However, our residents, city employees and the nation as a whole are feeling the pain caused by the economic decline and will continue to do so over the next few years. We have survived and prevailed over previous economic downturns and devastating hurricanes and I am confident that working together in support of each other and the community as a whole, this perfect storm will subside and we will be stronger, more focused, disciplined and keenly aware of the value of resources and sharing with each other.

This budget document emphasizes a professional and conservative fiscal approach. It addresses both current and future issues facing the City in light of recent tax reform and economic conditions, and demonstrates the City's commitment to providing adequate service levels in this challenging environment. Department Directors have been tasked to provide justification to support all expenditures requested.

The City residents deserve quality municipal services provided in a productive and efficient manner at the lowest possible costs. They also deserve property justification when a budget is proposed. We believe the budget contain within does all of this. Even in light of the economic downturn, this budget continues important services and programs designed to preserve the community's quality of life.

In order to understand the full impact of legislative reform and the economy on municipal budgets, the following is noted:

Property Tax Reform and Devaluation

In Y2007 the Legislature passed tax reform measures that required the City to roll back tax revenues to Y2006 levels with an additional 7% reduction. This resulted in a revenues reduction for the Y2008 budget of \$2.54 million. To some this might not seem significant. However to Plantation's management team that has always operated in a very conservative manner this impact was difficult to sustain.

On January 29, 2008, Florida voters passed Amendment One which provides additional tax relief benefits to property owners through the State. The following benefits are effective for the Y2008/09 and future fiscal years:

- An additional \$25,000 Homestead Exemption.
- A \$25,000 Tangible Personal Property Exemption.
- Portability, which allows homeowners to transfer all or part of their "Save Our Homes" assessment difference to a new home.

The fourth benefit is a 10 percent cap on increases in the annual assessment of non-homesteaded properties takes effect this year Y2009/10.

The net effect on the City's taxable value from Amendment One in Y2009 was a reduction in taxable values of \$470 million or 5.4 percent.

In Y2010, the factors above and the further reduction in taxable property values due to foreclosures, reduced property appraisals and market conditions produced a taxable value of \$7,425,930,716 which is 8.4% less than last year. These numbers, while significant, are substantially less than decreases experienced throughout Broward County. In part, this can be attributed to the concerted effort to continue to nurture neighborhood planning initiatives, encourage economic development and business stability in Plantation Midtown and Plantation Gateway and provide exceptional police, fire and emergency medical services. We have found through real estate contacts made as part of Plantation's Neighborhood Stabilization Program initiatives that people and businesses want to live in and be a part of the City of Plantation. This reflects well on us today and for our future.

Significant Factors Affecting the Budget Preparation

The City of Plantation's government promotes and supports a high quality of life for its citizens, businesses and visitors, and every effort was made to maintain quality municipal services, in particular public safety services, free tram bus service, park and library availability hours and maintenance of public spaces. However, the stress of revenue reductions is beginning to take its toll on equipment, the City's ability to respond to non-emergency requests and exceptional standards set for our physical environment.

Significant changes in revenues and expenses

We approached the Y2010 budget with a revenue deficit of \$7,718,700 resulting from decreased property values (\$2,814,450) and decreases in other revenues (\$4,904,250). At the same time, pension costs increased by \$1,487,332 (\$262,249 General Employee Pension Fund; \$1,225,083 Police Pension Fund). This represented a total deficit of \$9,206,032.

Recognizing the economic downturn in property values and new construction

Whereas new construction has always been the engine to drive revenues to offset the effects of inflation, this force has stopped with the economy. Y2010 saw only \$53,017,494 in new construction as compared to \$147 million the previous year. While the future looks good for Plantation as a result of plans that are in place for Plantation Midtown and Plantation Gateway, there is no way to predict exactly when these projects might start construction. The completion of Kohl's, the Residences at the Fountains, renovations to the 321 Office Building and converting Albertson's to a new Publix will provide some positive revenue for Y2011.

Cutting expenses further in light of significant budget cuts in previous years

The City revenues/expenses today are less than they were in Y2006. Plantation has struggled to absorb decreases through the last four budgets primarily due to the fact that our historical position at the lowest end of the millage rate scale has forced us to consistently maintain and work with less while at the same time establish a high standards and quality services for our city residents.

Last year the line items for salary and wages were reduced and this year necessitated further reductions

Municipal government is a service business; therefore nearly eighty-three percent (82.7%) of our expenses are in salary, wages and employee benefits.

To date, no employees have had to be laid off. The total workforce has been reduced due to retirement and voluntary separation, saving the City thousands in payroll and benefits dollars. These reductions have been made possible through cross training and placing more tasks on each employee.

This year a collective decision with Directors and employees was made to recommend freezing wages rather than further reducing the workforce. Therefore, wages have been frozen at the Y2009 level for all employees and we have produced a balanced budget without any layoffs.

Identifying new revenues to support quality of service delivery in all departments

The City is constantly looking for new revenue opportunities to ease the burden on ad valorem taxes and generate fair and reasonable fees directed to the end user. This budget includes a recommendation to implement a Red Light Camera program and Stormwater Utility in Y2010.

Positioning to deal with necessary capital requirements to maintain aging infrastructure and general required maintenance

The pressure to reinvest and maintain the city's equipment and infrastructure grows more critical with each year. In Y2010, we will need to examine the Five Year Capital plan to provide for the purchase of police vehicles, fire trucks and maintenance equipment for Public Works.

Reduced investment income

Other areas of concern include the poor market performance and workforce reduction. Just as the deflated stock market has taken its toll on our personal money market and retirement funds, so, too, has it affected the City's accounts, by increasing pension costs and decreasing interest income.

The necessity to prepare this budget keeping in mind the uncertainty of conditions that will impact the budget for Y2011

Proposals for a tiered system for future medical and pension benefits will form the basis for additional savings to offset revenue reductions anticipated with the Y2011 budget.

Y2009/10 Budget Priorities

The following represents the pre-established priorities and goals that provided a framework for the preparation of the Y2009/10 Budget Plan. In many areas, the budget contains resources to address and accomplish the pre-established priorities and goals.

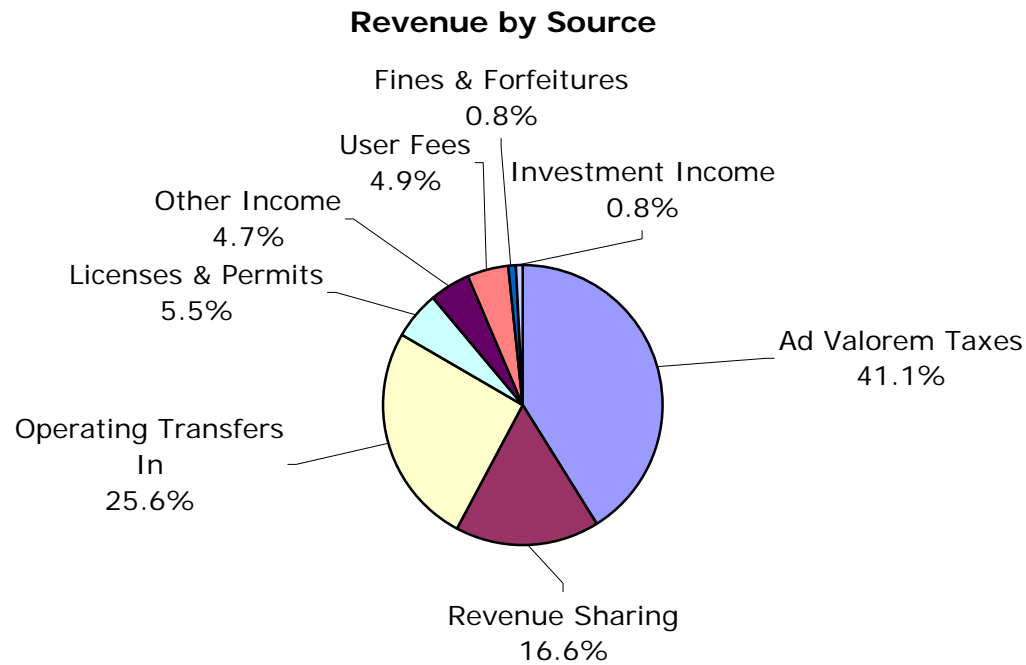
- ◆ In response to decreased property tax revenues, limit overall budget increase in departments to 0 percent while maintaining current service levels and programs.
- ◆ Engage Department Directors and staff to understand the challenge faced with respect to freezing wages or laying off employees.
- ◆ Continue to adopt "Green" initiatives in order to save energy, conserve precious natural resources and reduce our impact on climate change and the environment. Over time, these initiatives will also reduce our annual operating cost.
- ◆ Develop strategies to provide resources to maintain parks, meet the increased demands for public safety services and to continue to provide a high quality public works program.
- ◆ Complete projects in progress and those currently funded through Y2002 and Y2003 Bond Capital Improvement Program and those supported by grant funding.
- ◆ Recognize that capital items that are still being deferred will need to be funded in future budgets or a new bond initiative in the near future.
- ◆ Continue to cross train employees so that they can fill in and absorb tasks from positions that have been vacated or eliminated

GENERAL FUND

The General Fund is used to account for resources and expenditures that are available for general operations of City government functions.

Revenues

The revenue required to fund the proposed Y2009/10 General Fund Budget, including inter-fund transfers, is \$78,513,650, which represents a decrease in revenues and expenditures of (\$2,041,200) or (2.53%).



- **Ad Valorem Taxes** - The City's assessed value as reported by the Property Appraiser is \$7,425,930,716. This amount is an 8.4 percent decrease on top of 5.4 percent decrease last year. The tentative ad valorem millage levy for fiscal year 2009/10 was set by Council to be 4.5142, which is the roll back rate. While the millage rate is greater than last year by 0.4217 mills, it does not generate additional revenue. The slight increase in the budgeted ad valorem revenue (\$232,000) is a result of using a higher multiplier to reflect the favorable collection rate experience which Plantation has enjoyed in the past.
- **License & Permit Fees** – The amount of revenue projected is \$4,350,100. This is a decrease of \$610,150 due to a decrease in building permits in the amount of \$373,250 and business licenses in the amount of \$145,000.
- **User Fees/Charges for Services** – Revenue related to charges for services from all departments including Parks and Recreation and Special Duty Police Details is projected to be \$3,816,350 a reduction of \$329,200.
- **Fines & Forfeitures** - Total revenue projected for Y2009/10 is \$635,000, a decrease of \$230,500. Revenues from county court fines represent the largest changes in this category with a decrease projection of \$209,000.
- **Investment Income** – Total revenues are projected to be \$600,000, a decrease of (\$160,000) based on current market conditions.
- **Revenue Sharing** – Revenues from various Federal, State and County grants and taxes based on statewide sales and communications tax revenue have been significantly reduced as a result of the economy. The State is still unsure as to whether these numbers will be further reduced next year. Total revenues for this category will be \$13,021,600, a decrease of \$1,664,950.
- **Other Income** – Revenues from cell towers leases, commissions, sale of surplus items and general services account for \$3,664,700 an increase of \$821,700. This number is based on the implementation of a Red Light Camera Program and Storm Water Utility, which will generate \$528,000 in new revenue. Also included in this category is \$232,200 of new revenue based on cost allocations to special funds including \$100,000 to administer the Neighborhood Stabilization Program (NSP).
- **Allocated Costs** – Insurance payments and reimbursements for maintenance of non-enterprise funds. Total revenues remain at \$1,129,350.
- **Fund Balance** – A transfer from the Designated Capital and Reserve Fund in the amount of \$2,256,150 will be required to balance the Y2009/10 budget. Funds in the amount of \$2,465,900 were transferred last year from the Medical Reserve Fund to balance the Y2009 budget. The funds designated this year are a result of reimbursements received in full from FEMA for storm related expenses.

Expenses

Personnel Services - Recognizing that 82.7% of the City budget is personnel, each year the administration evaluates the organizational structure, service levels and workforce requirements. Reluctantly, Department Directors have not filled vacancies throughout the years. That process produced a reduction of 18 full-time positions and 27 part-time positions in Y2009. In Y2010, a reduction of 10 full time positions and 119 part time positions was based on an expectation that Parks & Recreation will outsource the summer camp program.

The total number of full-time general fund employees is 627 compared to 637 in Y2009. The total number of part-time employees is 176 compared to 295 in 2008/09. This is fewer full time positions than the City had in Y2001.

To date, no employees have had to be laid off. The total workforce has been reduced due to retirement and voluntary separation, saving the City thousands in payroll and benefits. Ten (10) full time positions and 119 part time positions have been eliminated in Y2010.

Finance	Customer Service Clerk	PT	
Police	Deputy Chief or Captain	FT	
	Lieutenant	FT	
	Sergeant	FT	
	Police Officers (2)	FT	
	Records Clerk	PT	
	Vehicle Service Aide	PT	
	School Crossing Guards (2)	PT	
	Building	Building Inspector I (2)	FT
		Permit Analyst	FT
		Customer Service Clerk	FT
Library	Library Page	PT	
Parks & Recreation	Secretary I	FT	
	Various Positions (102)	PT	

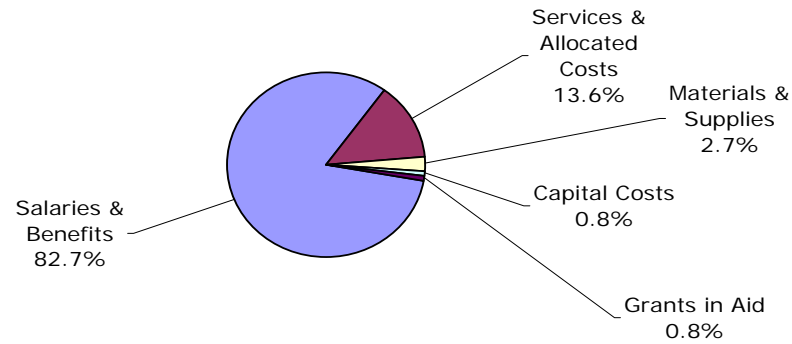
Expenditures by Category

The estimated Y2009/10 General Fund expenditures contained within this budget total of \$78,513,650 (including inter-fund transfers) and are balanced with the projected revenues based on the recommendation above. Total expenditures are (\$2,041,050) less than the previous years. A reduction of (\$2.5%).

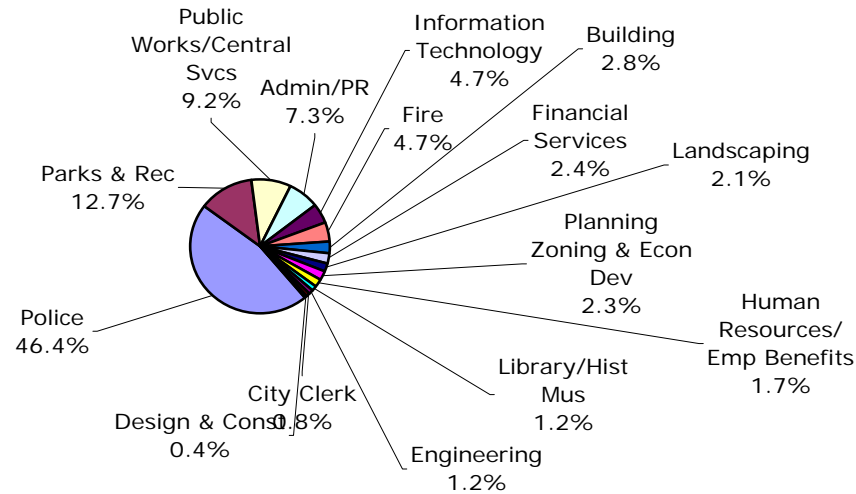
EXPENDITURES BY CATEGORY

	<u>Y2009</u>	<u>Y2010</u>	<u>Variance</u>	<u>Percentage</u>
	\$39,100,78	\$37,246,54		
Salaries and Wages	4	1	\$-1,854,243	-4.7%
Employee Benefits	19,591,466	22,348,859	2,757,393	14.1%
Services	12,446,450	9,770,150	-2,676,300	-21.5%
Materials & Supplies	2,226,900	1,946,800	-280,100	-12.6%
Capital	795,900	565,100	-230,800	-29.0%
Grants	559,600	605,000	45,400	8.1%
Allocated Costs	-440,450	-440,450	0	0%
	\$74,280,65	\$72,042,00		
	0	7	\$-2,238,650	-3.0%
Transfers - Fire Rescue/Debt	6,274,050	6,471,650	197,600	3.1%
	\$80,554,70	\$78,513,65		
Reduction in Expenses	0	0	\$-2,041,050	-2.5%

Expenditures by Category



Expenditures by Department



Salary and Wages – Salary and Wages have been frozen for Y2010. This represents a cost avoidance of approximately \$1.5 million. The reduction in workforce as outlined above represents a decrease in General Fund Wages and Salaries of \$2,294,687.

Employee Benefits – Significant changes have been made internally that will benefit employees and help cut costs.

Medical Insurance Premiums

One of our most sizeable cost centers is the area of health insurance premiums. In order to lower health care costs, City staff and elected officials have been focusing on wellness through employee behavior modification, with the belief that healthier employees are more productive, and less likely to need ongoing medical care, thus reducing claims costs. We are working to teach employees the right way to use their benefits. For example, we are educating them on the availability of 24-hour health care centers for routine, but after-hours, medical issues, versus costly emergency room visits. We are also providing information on the out of pocket savings that can be generated through mail-order prescriptions, versus retail. Administration and Human Resources are moving forward with plans to introduce an on-site health center to provide acute medical care and an integrated wellness program for employees. This initiative will provide cost savings to the plan and to employees. A spring 2010 implementation date is anticipated. Finally, with the guidance of our health care and claim management consultant, we are implementing sweeping changes to employee health plans that will continue to encourage employees to use their benefit plan, but in a more efficient way.

Throughout the year the City will continue to examine the benefit plan to generate cost savings for the Y2011 and future years.

Pension Benefits

Pension plan costs have increased by \$1.5 million in Y2010. The City is moving in a direction to form a two-tiered program that will provide more choices and save money for future years.

Services – Cost of services has been reduced by \$2,676,400. This area includes employment testing, utilities (electric and water), repair/maintenance for structures, grounds, vehicles, maintenance contracts, etc. All contracts have been (and will continue to be) reviewed for cost savings. Bids for services and construction continue to produce savings and reflect the condition of the economy.

Materials & Supplies – Decreased by \$280,000 in part due to a “green” focus on saving paper, eliminating Styrofoam products and doing more with less.

Capital – Represents the most critical concern going forward. Capital has been reduced from an annual level of over \$2 million (includes replacement of EMS and Fire vehicles) to \$565,100. In Y2010, capital has again been reduced by (\$230,800) and includes only the most critical replacement items to maintain the City’s information technology infrastructure. The City’s fleet of vehicles is being maintained by servicing aging and high mileage vehicles and equipment.

Grants in Aid – These expenditures are for the City’s tax increment payment to the CRA, obligated economic incentives partnered with the State and County through Enterprise Florida and grants to various non-profit organizations such as the Area Agency on Aging and the Plantation Chamber of Commerce.

Non-Operating – These are expenditures for inter-fund transfers for Fire Rescue \$4,606,400 and the Y2003 Bond Fund debt payment in the amount of \$1,865,250.

ROAD AND TRAFFIC CONTROL FUND

Revenue for the Road and Traffic Control Fund is generated each year by tax on gasoline. These funds provide for continued maintenance of roads and bridges in the City and are affected by the economy. Over the past ten years, revenues and reserves associated with this program have been transferred into repaving and improvement projects throughout the City. The ongoing program is functioning on an annual basis with the challenge of creating a long range plan for major projects. The Road and Traffic Fund Budget for Y2010 is \$2,884,450

FIRE/RESCUE SERVICES FUND (Enterprise Fund)

The City continues to provide extraordinary response times and quality of service through our Fire/Rescue Division through employees who are compassionate and dedicated to their profession.

The Fire/Rescue Services Fund is supported by a direct transfer from the General Fund in the Amount of \$4,606,400 and has a total budget of \$7,438,950.

UTILITY SERVICE FUNDS (Enterprise Fund)

The Utility Fund is facing the challenges of water conservation, new regulatory requirements and an aging municipal infrastructure. The Utility along with our utility and engineering consultants, and City Council recently completed a rate study review, implement a Conservation Rate Structure, which took effect in August 2009 and comprehensively examined the utility's future needs. This initiative was critical to positioning the Utility to meet both the short term and long term demands on the system. The total Utility Budget for Y2010 is: Water Services \$16,085,000 and Wastewater Services \$19,934,400.

GOLF COURSE FUND (Enterprise Fund)

The Plantation Preserve Golf Course and Club continues to generate sufficient revenue to cover all operating expenses including debt service and to build a reserve to cover major capital expenditures that will be required as the property ages. The wetlands and park trail are popular destinations for Plantation residents, golfers and environmentalists from throughout the County. The Florida Community Trust representatives recently visited the site for an inspection which resulted in extraordinary positive review.

The Plantation Preserve Golf Course and Club Budget for Y2010 is \$4,477,247 a decrease of \$60,953 from last year.

Summary

We are pleased to submit the detailed budget, contained herein, for fiscal year 2009/10. The budget reaffirms City Council's commitment to maintain our quality services in light of the economic downturn and reduced property tax revenues. Over the years, this City has maintained one of the lowest tax rates in Broward County. Our residents have enjoyed property tax relief during that time without the necessity of state imposed legislation or voter mandates. This budget document and its related policies represent our continued commitment to excellence.

The preparation and formulation of this document could not have been accomplished without the assistance and dedicated efforts of all Department Directors and their staff. All questions relating to the budget should be referred to the Assistant to the Mayor or to my attention.

A Budget Workshop meeting will be held on August 27, 2009 to review in detail the proposed budget document.

Respectfully submitted,

Rae Carole Armstrong
Mayor

Dan Keefe
Assistant to the Mayor

Herbert V. Herriman
Finance Director