



October 1, 2009

Honorable Mayor and City Council Members
City of Boca Raton, Florida

Dear Mayor and City Council Members:

In accordance with Section 4.04 of the City Charter, I am pleased to submit the approved Operating Budget for the fiscal year beginning October 1, 2009, and ending September 30, 2010, which is a balanced budget as required by Florida Statutes. A balanced budget is defined as revenues and other sources equaling expenditures/expenses and other uses including reserves. The approved budget reflects a fiscally sound plan that provides the City the ability to address community needs, support essential services and to increase reserves for the retirement system. For FY 2009-10, the citywide combined uses of funds including operations; transfers and fund balance/reserves total \$501,371,900. The approved General Fund portion of the budget is \$168,677,000. The approved citywide total operating budget is \$348,021,700.

The City of Boca Raton is one of the few governments in the state that has submitted a balanced budget without an increase in property taxes. While many local governments are raising taxes and cutting services, the City of Boca Raton's consistent, conservative and responsible planning has made it possible to provide quality services while holding the line on tax rates through fiscally challenging times.

BUDGET DIRECTION

The goals and priorities established by the City Council during the May 2009 Goal Setting Sessions were used as a guide to prioritize funding in the FY 2009-10 budget. The approved budget supports the goals and priorities of the City Council while at the same time maintaining the City's outstanding service levels and AAA bond rating, with expenditures strategically linked to the goals, objectives, core businesses, and existing obligations of the City. The goals and policy agenda priorities include:

GUIDING PRINCIPLES

- Financially Sound City Government
- World Class Municipal Services
- Strong Partnership with the Community
- Sustainable City

POLICY AGENDA PRIORITIES for FY 2009-10

- **Top Priority**
 - Downtown Library: Direction
 - Downtown Spine: City Plan and Working with Property Owners
 - Budget Direction: Revenue and Services
 - Waterways: Desired Outcome, Direction, Actions
- **High Priority**
 - User Fees for Non Residents: Comprehensive Evaluation, Direction
 - Annexation: Evaluation, Direction
 - City Financial Support for Arts and Culture: Direction
 - FAU Strategy and Actions
 - "Transparent" City Government: Definition, Evaluation, Strategy, Actions
 - Rental Housing Strategy: Evaluation, Direction, Actions
 - MMTD: Direction, Actions (including EAR Amendments)

The City has been extremely proactive in preparing for and adjusting for changes in the economy. Staff will continue to monitor revenue and expenditure trends very carefully. In order to balance the approved budget, it has again been necessary to reduce

operating expenditures in many areas to address a slowing economy while continuing to meet ongoing obligations and cost impacts within anticipated revenues. It remains imperative for the City of Boca Raton to continue to look farther ahead than the next fiscal year when making budgetary decisions in order to allocate resources efficiently and effectively and to control the costs of providing services. In addition, it remains critical for the City to pay very close attention to the rising cost of current services particularly when considering any expansion or improvement of services in the future.

GENERAL FUND

The recommended FY 2009-10 total millage rate is 3.3411 mills per \$1,000, which is 1.07% greater than FY 2008-09. A home with a taxable value of \$300,000 in the City of Boca Raton will pay \$1,002.33 in ad valorem taxes.

	FY 2008-09		FY 2009-10		CHANGE		
	Millage	Tax	Millage	Tax	Millage	Tax	Percent
Operating	3.0200	906.00	3.0200	906.00	-	-	-
Debt Service	0.2857	85.71	0.3211	96.33	0.0354	10.62	12.39%
Total Millage Rate	3.3057	\$ 991.71	3.3411	\$ 1,002.33	0.0354	10.62	1.07%

For FY 2009-10 property values **decreased 7.75%** in the City. The net decrease is composed of a 9.17% decrease from reassessments of existing properties and an increase of 1.42% from new construction (net of CRA Downtown values). This is the second year of decline in property values the City has experienced since 1992 and well below the City’s twenty-year average property value growth rate of 7.2%.

Amendment 1 was adopted by the voters of Florida in January of 2008. This amendment provided an additional \$25,000 homestead exemption to permanent residents, provided portability of accumulated Save Our Homes exemptions and established a \$25,000 exemption on tangible personal property tax. The combined effects of Amendment 1, decline in property values and the City not increasing the tax rate will reduce the City’s property tax revenues by \$4.7 million compared to last year. Since 2007 property tax revenues have declined by \$11.6 million or 16.9%.

The General Fund operating budget has increased \$1,703,100 or 1.51% from the previous year. The cost of many of the City’s operations has increased from the previous year due to costs associated with personnel. In order to offset these increased costs and balance the budget without increasing property taxes, the City is not adding any additional positions and has frozen many vacant positions to make an additional \$2,703,600 reduction in operations. Combined with the last two years’ operational reductions of \$9,083,200, the City has reduced operating expenses by \$11,786,800 or 10.4% over three years. The increases and decreases for FY 2009-10 can be primarily attributed to the following areas:

<u>Category of Expense</u>	<u>Increase (Decrease) from Prior Year</u>
Police Salaries and Benefits	\$889,600
Police Pension	928,500
Fire Salaries and Benefits	1,259,700
Fire Pension	(919,400)
General Employees Salaries and Benefits	(296,800)
Health Insurance	281,800
Payment to Community Redevelopment Agency	(284,000)
Motor Pool Maintenance	(125,200)
Property Insurance	208,500
Liability Insurance	148,700
Telecommunications	(101,300)
Training & Education	(40,600)
Special Events	75,000
Cultural Programming	200,000
Beach Monitoring	(160,100)
Other Professional Services	(599,200)
Supplies & Printing	(89,000)
Information Technology Charges	83,800
Other Operating Expenses	(88,000)
New Programs	331,100
Total Increase in Operating Costs	\$1,703,100

All revenues and expenditures were carefully evaluated to identify possible cost reductions to produce a balanced operating budget. The approved budget supports existing programs and maintains the City’s overall levels of service.

For FY 2009-10 the cost of providing sanitation services is \$6,189,800. In January 2010 the fees will increase to \$10 per month for single family residents and \$5.74 per month for multi-family residents. The sanitation fee will provide approximately \$3,805,500 or 61% of the total cost to provide sanitation services to residents. To provide better service to our residents, in January 2009 more frequent bulk collection services were added and bulk trash is now collected on a weekly basis, instead of quarterly. Starting in August 2009 the City launched a pilot program for semi-automated curb side collection in several neighborhoods. The new system will improve efficiency and safety and is more sanitary and aesthetically pleasing.

The fire assessment fee charged by the City will increase \$10 annually (from \$30 to \$40) per residential household for FY 2009-10. The fee for non-residential property varies depending on the size and type of the property.

A slowing real estate market combined with volatile financial markets will continue to have significant impact on the City’s budget for at least the next several years. Current projections indicate that General Fund revenues will grow at an estimated rate of 2-3% annually for the next several years while at the same time operating expenses are projected to increase at 4-5% annually.

WHAT’S NEW FOR 2010?

Due to the increased operating cost impacts mentioned above and property tax revenue constraints, the City is severely limited in its ability to support service expansions, implement new programs, and hire new personnel without increasing taxes or changing existing service levels.

New Programs

➤ Financial Services Department		
○ Metered Parking (Estimated General Fund Revenue \$357,600)		\$304,800
➤ Police Services Department		
○ Red Light Camera Enforcement (Estimated General Fund Revenue \$300,000)		\$0
➤ Recreation Services Department		
○ Maintenance Contract – El Rio Bike Path		<u>26,300</u>
	Total New Programs:	<u>\$331,100</u>

FUND BALANCE PROJECTIONS

Consistent with the General Fund Long Range Financial Plan, the planned fund balance provides revenues to be used in the next year’s budget. The planned fund balance is \$45,707,200, which includes a reserve for emergency preparedness of \$10.6 million and a retirement system reserve of \$7.5 million. The fund balance therefore exceeds 10% of operating expenditures, which is the minimum recommended for coastal communities by Moody’s Investors Services. Should any of these funds be used to provide additional programs or projects within the current year, the Long Range Financial Plan projections will need to be reanalyzed.

OTHER FUNDS

The General Fund is just one component of the City’s overall budget. The category of “other funds” also has significant impact upon the citizens of Boca Raton and overall service delivery. These funds include: Water and Sewer Enterprise Fund, Right-of-Way Beautification Fund, Greater Boca Raton Beach and Park District Fund, Cemetery and Mausoleum Fund, and the Golf Course Enterprise Fund. The City manages and allocates resources from these funds in support of its overall vision, mission, goals, and objectives.

The City’s Right-of-Way Beautification Fund provides the maintenance for the landscaped medians in the City. Due to continued expansion in the median beautification program and increased costs of existing medians, the Beautification Fund may not be able to continue to support the costs of maintaining and beautifying the medians in the future without General Fund support. This would have an adverse affect on the City’s General Fund.

The FY 2009-10 approved budget for Water and Sewer Enterprise Fund is adequately funding the requirements to provide the highest quality of utility service to the residents and customers of the City of Boca Raton. Although many utility systems in South Florida are increasing rates by 15%-40%, the City, through proper planning, continuous operational improvements and implementation of cost effective measures, has made it possible to maintain utility rates and not request an increase for these services. The City continues to have one of the lowest water and sewer rates in the state of Florida.

ANNEXATION

The approved budget provides for preliminary analysis of potential annexation areas and financial and service impacts. A consultant will be employed to determine economic benefits, if any, of potential annexation areas and once completed staff will provide recommendations as to future actions. If the City decides to implement any annexations, the budget may need to be amended to provide services to newly incorporated areas. It is anticipated that reserves will be used to fund these services for the first year, if required.

RISKS INVOLVED IN BUDGET PROJECTIONS

The budget document is based upon the most current financial information available. Since none of us can predict the future with certainty, staff must assume that, in presenting this budget, all amounts used can be reasonably relied upon. **In particular, under-performance in the stock markets and its impact on the City's pension plans, potential declines in overall property values and continued increases in fuel costs, among other factors, could have a significant impact on the City's operating revenues and expenses.**

CONCLUSION

This budget incorporates the recommendations and analysis of your professional staff. These recommended programs and staffing support the Goals and Policy Agenda Priorities established by City Council.

I wish to thank the Mayor and City Council for sharing your priorities and ideas for the City during the Goal Setting Session so that they could be reflected in the approved budget. I extend my appreciation to the Department Heads and their staff for their dedication to the timely and effective completion of the budget, and I especially thank Budget Director Sharon McGuire and the Office of Management and Budget staff, Ella Moore Poitier, Nancy Asher and Leslie Harmon for their dedication in the creation and compilation of this document.

Sincerely,

Leif J. Ahnell, C.P.A., C.G.F.O., C.P.F.O.
City Manager
