

**CITY OF BOCA RATON
LONG-RANGE
FINANCIAL PLAN**



Updated: April 25, 2011

**PREPARED BY
FINANCIAL SERVICES DEPARTMENT**

**CITY OF BOCA RATON, FLORIDA
LONG-RANGE FINANCIAL PLAN**

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CITY OF BOCA RATON, FLORIDA LONG-RANGE FINANCIAL PLAN

PREFACE

The City of Boca Raton is a full service City and provides a full range of municipal services. The Public Safety Program includes police, fire protection and rescue services. Recreation Services include beaches, a pool, golf courses, 2 libraries, tennis courts, neighborhood parks, and a community center to provide a well-rounded, active Recreation Program. The Municipal Services Department provides essential traffic, street maintenance, sanitation, stormwater system maintenance and other technical assistance to the City. The Utility Services Department provides water and sewer services. The City's Development Services Department administers the City's Community Development Block Grants. Additional services provided include building inspection, code enforcement, planning, zoning, engineering, surveying, cemetery, as well as general administrative services; finance, city clerk, accounting, purchasing, risk management, human resources and information technology.

The City utilizes the Council-Manager form of government. The City Council, which consists of four Council Members and a Mayor are elected at large on a non-partisan basis for three-year terms. The City Council appoints the City Manager who is the Chief Administrative Officer of the City and directs the business of the City and its various departments. The City Council determines policy, adopts legislation, approves the City's budget, sets taxes and fees, and appoints the City Attorney and members of various boards and committees.

Boca Raton has been able to provide its residents with a high quality of life while providing one of the lowest property tax rates of any full service city in Florida. Boca Raton continues to revitalize its downtown and increase its industrial and commercial base. Boca Raton is home to two universities, Florida Atlantic University (FAU), Lynn University and Palm Beach State College. The City is the second largest city in the West Palm Beach - Boca Raton SMSA (Standard Metropolitan Statistical Area). The City of Boca Raton's population is estimated to be 84,892. Per the 2010 United States Census, the City is nearly 88 percent white; 5 percent black; and 5 percent other; and persons of two or more races makeup 2 percent. The under-age-population from the 2010 Census has not yet been released.

MISSION STATEMENT

The mission of the City of Boca Raton is to provide the highest quality of service to the community through responsible use of public resources to enhance our unique quality of life.

BOCA RATON VISION 2020

The City of Boca Raton will be known as a premier community in which to live, work and play. The City is a world-class local government by its commitment to performance and leadership.

Policy Agenda 2010-11

TOP PRIORITY

Budget Direction: Services, Investments and Tax Rate/Fees

Economic Development Strategy and Funding

Annexation: Decisions

Hospital – Medical School Strategy and Team

HIGH PRIORITY

Comprehensive Plan: Update

Amphitheater: Direction

Downtown Pattern Book: Completion, Adoption

Funding Strategy for CRA, Downtown Events and Projects

Charter Schools Feasibility and Direction

APOC Overlay District and Regulations

This Long Range Financial Plan (The Plan) focuses on the City's General Fund. The General Fund is supported in large part by property taxes, public service (utility) taxes, utility franchise fees, and various user fees. The General Fund supports all operations including public safety, recreation, municipal services, development services, and administration.

This year's update includes, in addition to the General Fund, the following operating funds:

- Water and Sewer Fund
- Sanitation Fund
- Transportation Fund
- Right-of-Way Beautification Fund
- Golf Course Fund
- Cemetery/Mausoleum Operating Fund and Perpetual Care Funds
- Stormwater Fund

EXECUTIVE SUMMARY

LONG-RANGE FINANCIAL PLAN RESULTS AND CONCLUSIONS

The Plan, Table I, predicts that our current revenue base will not support the City's existing quality and mix of municipal services through the year 2015. The Plan model is a "baseline" projection; that is, future revenues and expenditures are estimated based on the City's current sources of revenue and level of service. The operating impacts of a new downtown library in FY 2013 have been included in this Plan.

This Plan provides us with an opportunity to evaluate current policies and practices in order to implement proactive strategies before critical fiscal strains impact the budget. The best informed, fiscally sensitive decisions will be those deliberated with their longer-term implications in mind. To that end, we annually update the Plan for the City Council.

Despite the continued economic downturn Boca Raton has maintained its strong financial position through prudent long-term financial planning and fiscal actions to reduce or contain fixed costs. The City has been very proactive in preparing for and adjusting for changes in the economy over the last four years general fund expenses were reduced by \$19.5 million or 16%. Building permit revenues have decreased significantly from a high of \$11 million in 2007 to a projected \$6 million in 2011. A slowing real estate market combined with uncertain financial markets will continue to have a significant impact on the City's budget for at least the next several years. Current projects indicate that General Fund revenues will grow at an estimated rate of 0-1.5% annually for the next several years while at the same time operating expenses are projected to increase at 3-4% annually.

In FY 2010, the Boca Raton Community Redevelopment Agency (BRCRA) started paying back the City's General Fund for expenses related to the Mizner Park debt and maintenance, outstanding obligation as of September 30, 2010 is \$25 million. The reimbursement will be approximately \$2 million annually until the debt is fully paid.

Boca Raton became the first city or county in Florida to receive the highest credit rating from all three credit rating agencies. All three rating agencies recently reaffirmed the AAA rating for the General Obligation Bonds of the City. All three of the rating agencies have rated the water and sewer revenue bonds an "AAA" as well.

Moody's Investor Service reaffirmed Boca Raton's "Aaa" rating in June/July 2010 based on the following factors:

- Continued sound financial condition
- Low direct debt levels
- Weakened but still viable and diverse economy

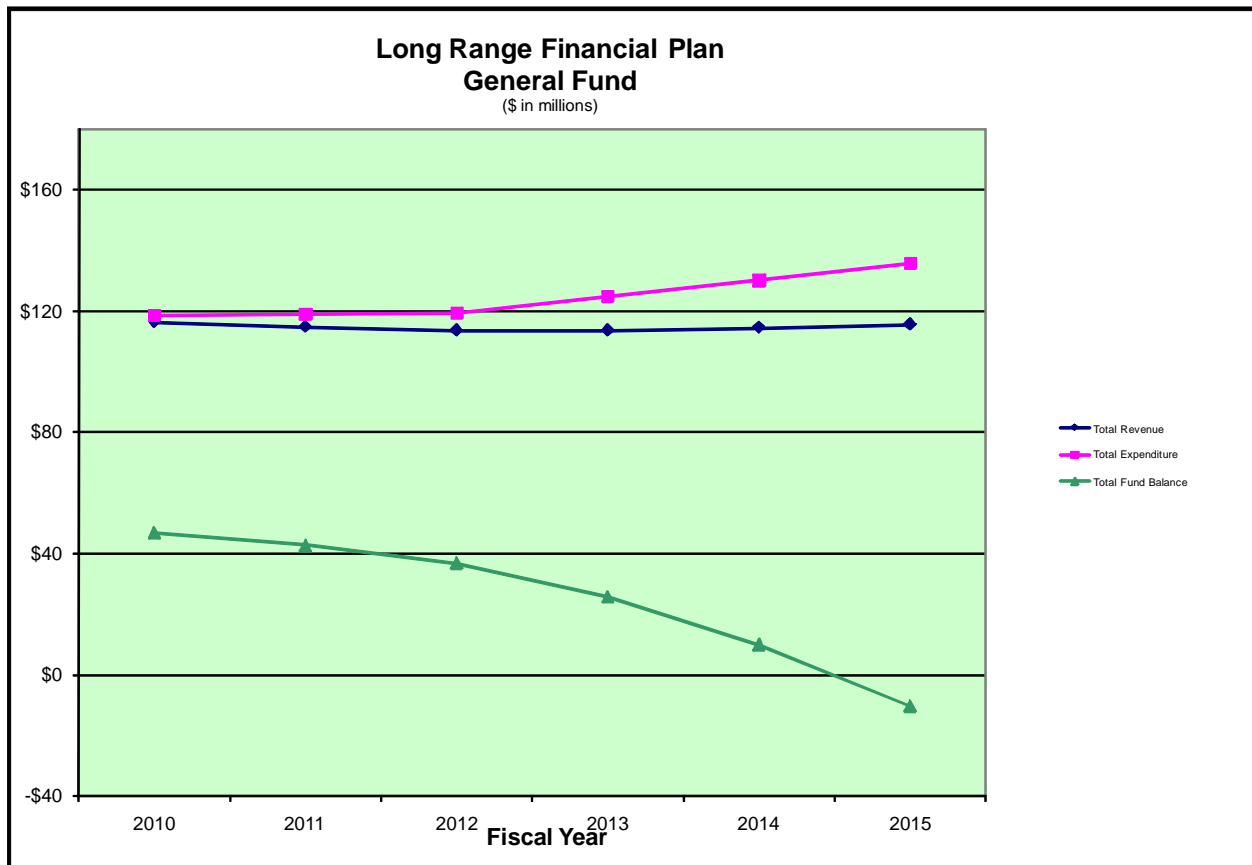
Fitch Ratings reaffirmed Boca Raton's "AAA" rating in June/July of 2010 based on the following factors:

- Conservative fiscal management
- Historically sound finance performance
- Strong reserve levels

All three credit rating agencies have recognized the City of Boca Raton's commitment to provide a superior quality of life and services to the residents of the City while at the same time maintaining a strong financial position with a very low property tax rate. This accomplishment is something that all residents of the City should be very proud of.

Table I

Long Range Financial Plan							
General Fund							
(in thousands)							
	Actual 2010	Budget-Revised 2011	2012	Projected		2015	rate
				2013	2014		
Revenues (Sources)							
Property Taxes	\$ 46,048	\$ 42,968	\$ 40,605	\$ 40,280	\$ 40,280	\$ 40,280	-6,-1,-0, 0%
Utility taxes	17,178	17,148	17,491	17,841	18,198	18,562	2.0%
Franchise Fees	12,406	12,175	12,297	12,420	12,544	12,669	1.0%
Licenses and Permits	9,014	8,352	8,477	8,604	8,733	8,864	1.5%
Intergovernmental	12,721	10,030	10,030	10,030	10,030	10,030	0.0%
Fees, Charges, other	14,685	17,393	17,637	17,887	18,141	18,401	2.0%
Fines	913	1,432	1,460	1,489	1,519	1,550	2.0%
CRA reimbursements	2,500	2,500	2,000	1,500	1,500	1,500	0.0%
Interest	886	1,600	1,624	1,648	1,673	1,698	1.5%
Transfers in	20	1,020					
Resources Forward			1,735	1,728	1,786	1,844	
Total annual revenues	116,371	114,617	113,356	113,427	114,404	115,397	
Expenditures (Uses)							
Personal services General	41,761	38,597	39,755	40,947	42,176	43,441	3.0%
Personal services Public Safety	43,873	46,300	49,541	53,009	56,719	60,689	7.0%
Other	24,670	27,843	25,040	25,416	25,797	26,184	1.5%
Supplies	2,722	3,392	3,443	3,495	3,547	3,583	1.0%
Capital	495	607	250	250	250	250	0.0%
Major new cip projects w ith op im pact		-	-	360	360	360	
Transfers to other funds net	4,960	2,092	1,200	1,212	1,224	1,236	
Total Expenditures/Transfers	118,481	118,830	119,228	124,688	130,073	135,743	
Annual increase (decrease) in funds	(2,110)	(4,214)	(5,873)	(11,261)	(15,669)	(20,346)	
Beginning Reserves	49,034	46,924	42,711	36,838	25,577	9,908	
Total available	46,924	42,711	36,838	25,577	9,908	(10,438)	
Fund Balances							
Resticted	170	170	170	170	170	170	
Committed	20,733	20,733	20,733	20,733	20,733	20,733	
Assigned	1,286	5,873	11,261	15,669	20,346	-	
Non Spendable	19	-	-	-	-	-	
Available (shortfall) for future years	\$ 24,717	\$ 15,935	\$ 4,674	\$ (10,995)	\$ (31,341)	\$ (31,341)	



Maintenance of Current Mix and Level of Services

We anticipate the decline in residential, commercial, and industrial property values will continue to decline for the next fiscal year. Therefore, we are expecting a decrease in property tax revenue of \$2.4 million in FY 2012 and \$487 thousand in FY 2013 and flat for 2014 & 2015. Demand-driven revenue such as Sales Tax, and State Shared Revenues are also expected to decrease in the current fiscal year and we anticipate no growth until the economy improves. Interest revenue has also declined in recent years. These declines will continue until FY 2013 and the Plan reflects this.

Compared to the 2010 fiscal year, the City will collect \$3.9 million or 7.6% less in property taxes due to declines in property values and the City not raising the operating tax rate. The City expects the trend to continue for the next several years. The City maintained the same operating tax rate of \$3.02 per \$1,000 for the fourth year. The City’s debt service tax rate increased slightly over the 2010 rate to \$.3859 based upon voter approved bond issue for the downtown library.

While the City’s revenues continue to decrease, the cost of providing basic services continues to increase. The City is facing significant increases in costs related to fuel, personnel, health care and pension costs.

The City has been able to maintain reserves over the last several years by reducing and realigning costs. The Plan reserves \$10.6 million for disaster emergency fund, the Mizner Park debt service of \$1.6 million and a 10% reserve of the total General Fund budget as recommended by the bond rating agencies. The current FY 2011 budget anticipates using \$4.2 million of the reserves to balance the operating budget.

The City has also recognized the long-term financial cost implications of its pension benefits and in fiscal year 2008 adjusted benefits prospectively for new general employee hires and in fiscal year 2010 adjusted benefits prospectively for executive employees. The City also committed \$8.5 million for all retirement system reserve. The City continues to monitor all of its pension costs for sustainability and to provide cost containment so as not to shift the costs to future taxpayers. The City is closely monitoring the 2011 State Legislative Session as it relates to public pension reform. The City is moving proactively to maintain and grow its commercial tax base by attracting new businesses and retaining existing ones. The City offers expedited permitting for new businesses and continues to partner with Enterprise Florida and the Palm Beach County Business Development Board by providing local matches for State and County economic development incentives through the Qualified Target Industry Program.

The future use of reserves as a one-time source to balance the operating budget is unsustainable as shown in the later years of the Plan. Without new or expanded revenue sources, expenditures for programs will have to be cut significantly. Drawing down reserves to meet future shortfalls in operating budgets without new or expanded revenues will have severe financial consequences for the City and dramatically reduce services to residents.

Revenue and Expenditure Growth

The Plan projected expenditure growth rate will outpace revenue growth. Projected revenues and expenditures for the forecast period are expected to grow at lower overall levels than have been experienced recently. It is this conclusion which leads to the expectation that during the Plan years, revenue growth will not cover a moderate growth in operating expenditures.

Adjustments to Property Tax Millage

The City's FY 2011 ad valorem millage rate was increased 1.94% from FY 2010 due to the debt service rate increasing based upon voter approved bonds for the downtown library. FY 2011 property values decreased 6.81% in the City. The net decrease is composed of a 8.39% decrease from reassessments of existing properties and an increase of 1.58% from new construction (net of CRA Downtown values).

For FY 2010, the County Property Appraiser certified the City's taxable assessed value for operations in the amount of \$16 billion. The tax base increased from new construction by \$281 million while reassessments declined by \$1.492 billion resulting in a decrease of \$1.211 billion over last year's tax base. This is down from FY 2008 peak of \$20.3 billion. The City has the highest assessed valuation of any municipality in Palm Beach County and the lowest property tax rate for a full service City.

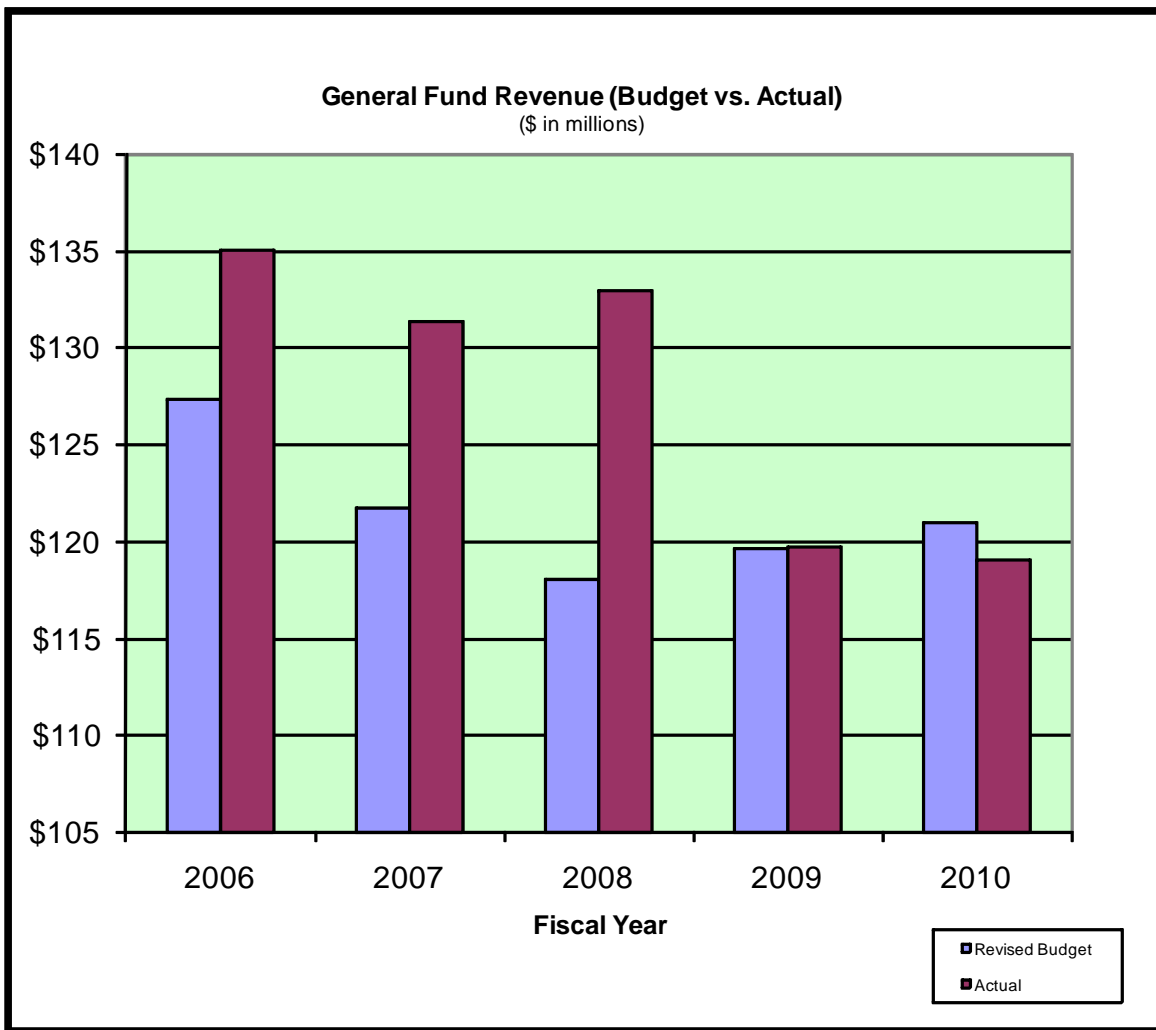
How have we prospered?

Over the majority of the last ten years, which includes the annexations in 2004 & 2005, the City has experienced growth in property taxes, public service (utility) taxes, licenses and permits, sales tax and Enterprise Fund contributions. We do not expect these revenues to continue at the same level.

During the budget process, a very realistic approach is used to forecast revenues. Economic conditions vary from year-to-year, which impacts the ability of the City to raise necessary funds

to meet budget obligations. The result has been that actual revenues have exceeded budget forecasts in the past years. For FY 2009, conservative revenue estimates matched the actual, however, for FY 2010 the economic downturn was worse than expected and the revenues estimated were not attained.

During this period, several one-time revenues are included in the history. These include FEMA reimbursements of \$19.4 million in FY 2006, annexation revenue growth in FY 2006 and several large building permits (Office Depot / Boca Raton Resort & Club) in FY 2008.



In projecting expenditures, we budget 100% of personal service costs, supplies, other operating expenses, and capital items. During the budget process, department estimates for the current operating year are revised based on the six-month actual history. After this process, current year expenditures may be revised by a budget transfer as long as the total department budget does not change. Any increases in the total department’s budget require a budget amendment (by ordinance and public hearing) approved by City Council.

Historically, a variance has occurred where department budgets are not 100% expended. These “savings” become available resources as a future funding source. The savings over the last five years have traditionally been *resources forward* for meeting future obligations and have allowed the City to “roll back” or maintain its property tax. It is important to point out the use of these “savings” is a normal government financing method.

The Plan uses the adopted revenue budget for FY 2011 at a rate of 100.5% of budgeted revenues when forecasting various revenue sources. The Plan uses the adopted expenditure budget for FY 2011 at a rate of 99% of budgeted expenditures when forecasting personal service costs, supplies, other operating expenses, and capital items. The variance between revenues and expenditures becomes a revenue source for the next budget year (*resources forward*).

City's Strong Financial Position

Boca Raton has maintained a triple "AAA" rating from the three bond credit rating agencies. ***Boca Raton became the first and only city or county in Florida to receive the highest bond credit rating from all three credit rating agencies.*** A recent review affirmed the "AAA" rating by Moody's Investors Service, Standards and Poor's, and Fitch Ratings. To the taxpayer, this means the City borrows funds for capital projects at interest rates substantially lower than the average municipality and normally without additional expense for credit enhancements such as bond insurance. The net result to the taxpayer is a lower debt service property tax millage rate.

Strong financial position indicators of the City:

- ◆ ***Fund Balance of at least 10% of the budget.*** Rating agencies recommend a fund balance of at least 5% of the budget, but being a coastal community in Florida, they informally tell us they are looking at a balance in the 10% vicinity. Our current rating is based on a history of strong unassigned fund balances. The General Fund Plan anticipates a 10% fund balance in the budget commencing in the current and all future years. The City, as part of the budget adoption for Fiscal Year 2009 – 2010, adopted a fund balance policy for the General Fund and early implemented Governmental Accounting Standards Board (GASB) Statement No. 54 "*Fund Balance Reporting and Governmental Fund Type Definitions*" for its governmental fund types. GASB Statement No. 54 establishes various classifications of fund balance based on a certain hierarchy. Fund balances classified as restricted are balances with constraints placed on the use of resources by creditors, grantors, contributors or laws or regulations of other governments. Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by the City Council through an ordinance or a resolution. Assigned fund balances are constrained by intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by City management based on City Council direction. Unassigned fund balance can be viewed as the net resources available at the end of the fiscal year.

The City established a fund balance policy for the General Fund and also set a minimum level of unassigned fund balance at 10% of the following year's projected budgeted expenditures.

The City Council, by its actions, adopted the following for the General Fund:

Restricted

- Reserved for Army Corps of Engineering pursuant to an interlocal agreement.

Committed Fund Balance

- Emergency Operating Reserve – to ensure the maintenance of services to the public during emergency situations
- Pension Plans and Preservation of Benefits Plan Reserve – to stabilize the fiscal impact of the City's required annual contributions to the pension plans as determined

actuarially, to fund future pension deficits, if any, and to fund future liabilities, if any, for supplemental retirement benefits

- Mizner Park Debt Service Reserve – to provide funds for the repayment of the Boca Raton Community Redevelopment Agency tax increment revenue bonds if the primary and secondary pledged revenues are insufficient to fund the required debt service payments on the outstanding bonds

Assigned Fund Balance

- Designated Carry Forward – to provide funds for differences, if any, between budgeted revenues and expenditures as set forth in the annual budget

Non-Spendable Fund Balance

- Inventory Reserve – to indicate those amounts relating to inventories that are not in a spendable form.

- ◆ ***Ability to raise revenue.*** The City has the option of raising significant revenue with only a minor increase in ad valorem millage rates while still being substantially below the State of Florida ten mill cap. This provides our City with significant revenue potential for the future. With the recent State Legislature mandated property tax reform the City's ability to increase taxes may be curtailed in future.
- ◆ ***Additional user fee revenues available.*** The City has the opportunity to charge additional user fees to cover the cost of services. City staff will review and make recommendations during the FY 2012 budget process to include additional or revisions to user fees. Staff will also examine current fees to determine that they are adequately recovering costs. Proposed State Legislation may limit the City's ability to adopt or increase fees in the future.
- ◆ ***Assessed valuations.*** Our assessed valuations are \$16 billion for FY 2011. The City experienced a decrease in values due to a downward trend in reassessment of property. With a current real estate market downfall, the City anticipates a continuing decline in property values. The plan anticipates a 6% decline in property values for the FY 2012 budget and the decline continuing in the FY 2013 at the 1% level.
- ◆ ***Sound financial management.*** Due to increased operating costs and the projections of revenues not increasing in the same manner along with property tax revenue constraints, the City is limited in its ability to support planned service expansions, implement new programs, and hire new personnel without increasing taxes or changing existing service levels. In the adoption of the FY 2011 budget, the following were made:
 - There were two new programs approved for the current fiscal year (which included 4 new positions): Downtown Events and the Mizner Park Amphitheater.
 - In addition to closing its Youth Center program, several other programs were scaled back.
 - The City eliminated 35 full-time positions (17 filled and 18 vacant positions); and 14 part-time positions.
 - New user fees were implemented for FY 2011 for paid parking systems at Mizner Park and city beach parks, and additional administrative reimbursements from the Greater Boca Raton Beach and Park District.
 - An increase to the sanitation and the fire assessment user fees.
 - No salary increases for General or Executive employees, and a 1% increase in employees' pension contribution (thus reducing the City's funding requirement).

- ◆ ***Solid local economy.*** Boca Raton has been able to attract top Fortune 500 companies and new jobs due to the high quality of life. Specific news related to Boca Raton's current market includes the continuing presence of national and international firms. In 2009, Office Depot relocated its global corporate headquarters to Boca Raton. The three story headquarters (624,320 square feet) houses 2,000 employees with a maximum capacity of 2,500 employees. Although the City has been impacted by the national recession, Boca Raton's diverse property mix and upscale quality of commercial space and residential communities have provided for a fairly stable economy. The City adopted a policy to provide economic development incentives to attract and retain companies.

What does our future hold?

The City recognizes that a successful downtown is a critical for Boca Raton. To be successful, downtown Boca Raton must develop a sense of place, the public and private sector must work together with a common goal, public funds need to be wisely invested and new development should provide pedestrian connections to the overall downtown. The City invested over \$5 million in the downtown area of the City through the renovation of NE 1st St., Palmetto Park Road, and Boca Raton Rd (Visions 90 Capital Improvement Program). The project creates the north-south pedestrian connection between Mizner Park and Royal Palm Place, and greatly enhances the walkability of the downtown area by widening sidewalks, creating raised intersections, and the installation of new landscaping, lighting, and signage.

A new downtown marketing program, a merchants association, a revised downtown website and numerous special events have been initiated. The Centre for the Arts at Mizner Park, Inc. terminated its ground lease with the Boca Raton Community Redevelopment Agency and the City agreed to operate and maintain the Mizner Park Amphitheatre effective October 1, 2010. Capital improvements including the stage floor, dressing rooms and facilities along with the painting of the facility are underway.

The City continues to evaluate and implement user fees as part of its efforts for long term sustainability. In the FY 2011, budget the sanitation fee was increased from \$10 to \$15 monthly for single family residents and from \$5.74 to \$8.61 monthly for multi-family residential units to cover approximately 91% of the projected cost of the \$6 million to provide sanitation services. This the third year of the phase-in plan for sanitation fees. Over the next few budget years the City will increase the user fee to have the users of the service pay 100% of the costs. The provision of solid waste services is accounted for as an enterprise fund.

The City is in the process of implementing a paid parking system program for certain enforcement areas in the downtown and beach parking areas. The City anticipates this program will generate additional revenue of over \$600 thousand. Also, in the FY 2011 operating budget, the City increased the fire assessment fee from \$40 to \$60 per household to recover a portion of the operational costs of the City's fire services.

The red light camera program is progressing; a primary and 2 secondary intersections have been identified. The City is monitoring the pending bills in the State Legislative sessions.

In the 2011 Session, the Florida Legislature is considering revenue and expenditure limitations including property tax reform, expenditure caps and public pension plan reform. The City is closely monitoring these proposals and their potential impacts and limitations to Florida

municipalities. The consequences of a combination of several of the proposals being considered could have a significant impact on the City's ability to maintain and/or improve services to residents.

RECOMMENDATIONS

Maintain Recommended Fund Balance

The rating agencies have recognized the City's history of having strong fund balances. It is essential that fund balance be maintained and not be used as a revenue source when new programs are added without an offsetting revenue source. At the end of the prior fiscal year, the City had accumulated a strong fund balance.

The landfall of six hurricanes in Florida in FY 2004 & 2005 provided a tough lesson to most communities on the potential effects of our environment. Having a strong fund balance enabled the City to quickly react to emergencies and to fund the significant costs related to debris removal.

Explore Additional Annexations

Future annexations of high-end assessed property requiring few additional services will significantly increase the revenue stream necessary to maintain a stable financial future. The City needs to examine areas that would benefit future City finances without diminishing future resources. The two most recent annexations have added substantial revenue without significant costs to operations.

In October 2010, annexation options, consisting of communities that are north and west of the City, were prepared by a consultant. The report includes analysis of City revenues and expenses, the impact on annexed property owners in terms of service and cost, and the long-term implications of annexation area service requirements on the City's budget and operations. The fiscal impact of the proposed annexed area in the analysis results in a net annual revenue to the City of approximately \$2.7 million.

Explore Other Fees for Services

With a substantial decrease in property taxes forecast over the next several years of the Plan and the reality of drawing down our existing unassigned fund balance, the City needs to recover all costs related to providing services. The City should continue the gradual increase in sanitation fees to fund 100% of the costs of providing this service. This is a normal fee in almost all cities and a charge in the unincorporated areas of Palm Beach County.

Be Very Selective About Service Additions

The addition of new on-going programs should be matched with a new or alternative source of revenue or should be "traded off" with an existing program of equal size and growth parameters. It is essential that City Council consider service expansion cautiously, especially outside of the formal annual budget development process.

Continue Emphasis on Efficient use of Existing Resources

Performance measurements, management studies, and other budgetary control measures are among the ways that the City has placed new emphasis on the efficient use of existing resources. Staff recommends continued emphasis on priorities and trade-offs when making budget decisions.

Continue Emphasis on Finding Effective Cost Containment Measures

Staff should continue to bring forward cost containment measures aimed at mitigating the trend lines of some of the more escalating expenditure items. Recent union negotiations with general employees have reduced pension costs in the future by adding a defined contribution option plan for all new hires. Over the long term this should reduce pension costs for general employees.

Continue Evaluations of Long-Term Effects of Decisions

It is essential that the City Council place a continuing emphasis on evaluating the long-term fiscal impacts of their decisions and, where possible, match future significant long-term service costs with an appropriate and reliable funding source. The cost of Public Safety \$70.4 million or 58.9% of overall General Fund Budget has placed a heavy burden on future City finances with pension and pay issues for the City to remain competitive. The City must be very cautious over these Public Safety union negotiations, but balance their costs with the need to attract and retain quality employees.

Continue Evaluation of Comprehensive Cost Recovery Objectives

Good progress has been made in several fee-supported programs. Revenue and expenditure match-ups are improving where re-thinking and re-negotiating have taken place. Staff recommends continued development and monitoring of cost recovery approaches already in place, and suggests that changes in cost recovery goals and objectives be conscious decisions with the relevant revenue and expenditure information at hand, and that the City continue to examine new areas for cost recovery via service fees.

Economic Development Effort

The City recognizes the importance of supporting and facilitating economic development programs within the City, and in 2009, the City enacted an expedited permitting process to encourage economic development, and partnered with Enterprise Florida and the Palm Beach County Business Development Board to provide local matches for economic development incentive programs that attract and retain businesses. In FY 2011, electronic process was implemented to improve the submission of permits.

The severity and length of the economic downturn has had a negative impact on the City's corporate tax base and jobs. In addition, the City of Boca Raton is facing tremendous competition to retain its existing corporations. As a result, the City Council identified Economic Development strategy and funding as one of the top priorities for FY 2011 in order to create and retain jobs in the City. To achieve this goal, the City has developed and adopted an aggressive Economic Development Incentive Program to create and retain jobs in the City.

In FY 2010, the City formalized its economic development efforts by creating the City's Economic Development Incentive Policy to provide economic development incentives for companies seeking to relocate to the City or to expand their existing business within the City. Based on the criteria listed in the policy, including job creation and/or retention, capital investment and job salaries, the City can provide incentives through a number of different methods including providing the local match for state economic development programs, making grants and/or loans, and subsidizing rents and leases. The City continues to work with its economic development partners, Enterprise Florida and the Palm Beach County Business Development Board. Through its Economic Development Incentive Policy, the City has committed \$414 thousand, which has resulted in the creation of 336 new jobs and retention 944 other jobs in the City.

The City will continue to work with county and state economic development entities, including the Palm Beach County Business Development Board (BDB), the Palm Beach County Economic Development Office and Enterprise Florida, to forward the efforts of economic development in the City, the County and the State.

Explore Increasing Revenues

The City will evaluate existing revenue sources for potential growth. After several years of large reductions in expenses while maintaining services, the future projection shows that the City will need to manage priorities to remain fiscally sound.

CONCLUSION

There are numerous external factors outside of the control of the City Council, which may significantly affect the City's ability, even with a prudent and extremely conservative financial plan, to continue to provide the highest quality of service within our available resources.

The City of Boca Raton must develop and employ strategies that will yield the anticipated results despite external conditions that provide swings in revenues and costs over which we have little or no control. These strategies should include revenue enhancements, the expanded use of grants, service prioritization, reduction of operating costs, containment of long-term fixed costs and the consolidation of services. Developing long range financial plans which respond to an uncertain economy is a critical component to sustainability. The City of Boca Raton has to adopt resilient actions to contain or control costs otherwise we will not have the ability to plan and react accordingly.

This is the fifteenth update of the City's Long-Range Financial Plan. Our objective is to provide the City Council, management, and the citizens of Boca Raton with prudent financial planning to enable future leaders to make sound financial decisions, which will benefit future residents while maintaining the high quality of life that our citizens expect. It is our mission to *provide the highest quality of service to the community through responsible use of public resources to enhance our unique quality of life.*

**GENERAL FUND
REVENUE AND EXPENDITURE ASSUMPTIONS**

This section covers the revenue and expenditure assumptions for the General Fund from 2012 through 2015. It begins with a summary of overall revenue and expenditure assumptions. It is followed by detailed discussions with in-depth explanations of the changes expected to occur in future years for selected revenue categories compared to historical performance and expenditure classifications. Graphs and tables are included to better illustrate and explain results.

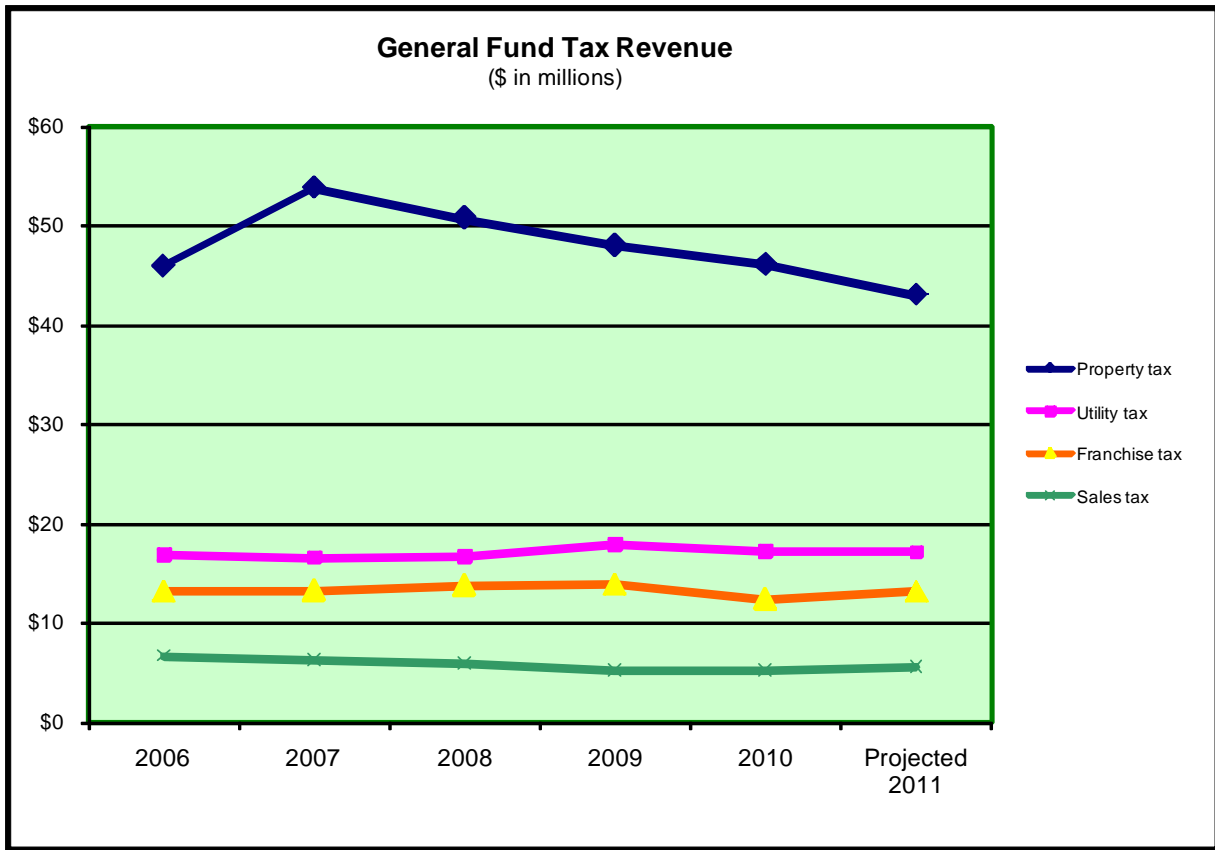
OVERALL RESULTS

Table II provides the history of General Operating Fund from FY 2006-2010 and the five-year average growth rates for the major revenue classifications.

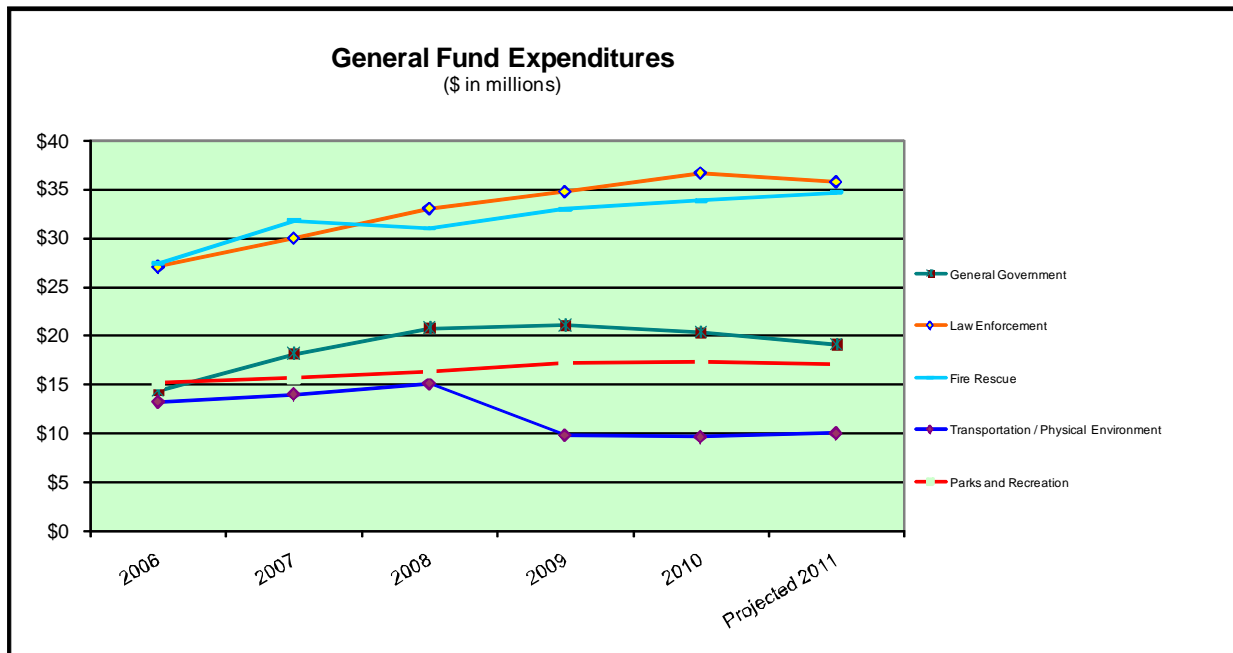
**Table II
General Operating Fund History**
(\$ in thousands)

	2006	2007	2008	2009	2010
Revenues					
Property taxes	\$ 45,877	\$ 53,791	\$ 50,689	\$ 47,974	\$ 46,048
Utility taxes	20,504	20,247	20,360	21,724	17,178
Franchise fees	13,897	13,295	13,804	13,881	12,406
Licenses and Permits	10,873	14,159	12,656	9,331	9,014
Intergovernmental	31,269	11,076	15,552	9,763	12,721
Fees, charges, other	10,442	11,502	12,341	13,995	14,685
Fines	1,550	1,090	1,241	1,378	913
CRA Reimbursements					2,500
Interest	2,102	3,037	2,725	1,703	886
Transfers in	-	-	-	7,191	20
Total Revenues	\$ 136,514	\$ 128,197	\$ 129,368	\$ 126,940	\$ 116,371
Expenditures					
Personal Services	72,749	76,351	80,780	83,500	85,634
Supplies/Other	47,384	33,039	30,760	30,555	27,392
Capital	1,194	692	675	483	495
Transfers	4,999	6,134	17,129	14,032	4,960
Total Expenditures	\$ 126,326	\$ 116,216	\$ 129,344	\$ 128,569	\$ 118,481
Annual Balance	\$ 10,188	\$ 11,981	\$ 24	\$ (1,629)	\$ (2,110)
Cummulative Balance	\$ 38,658	\$ 50,639	\$ 50,663	\$ 49,033	\$ 46,924

FEMA reimbursements are reflected in FY 2006 totaling \$19.4 million.



Excludes Sanitation in FY 2009 – 2011



For FY 2010, Actual revenues ended the year with a \$1.8 negative variance to budgeted revenues. This was due to a shortage in franchise tax revenues which ended the year \$1.5 million under budget.

Actual expenditures during the year were less than final budgeted expenditures by \$5.8 million. This positive variance is due primarily to reductions in operating costs related to general government of \$2 million, parks and recreation of \$1.6 million, physical environment of \$775 thousand and transportation of \$811 thousand. Although far less than budgeted, it was necessary to draw upon existing fund balance by \$2.1 million to fund operations.

Over the forecast range, General Fund revenues (Table III) are projected to increase at an average annual rate of 0% to 1.5%. The Plan is a “baseline” model; thus, the Plan does not include the addition of any new revenues during the forecast period.

Table III

Four-Year Forecast Growth Rates			
<u>REVENUES</u>		<u>EXPENDITURES</u>	
Major Revenue Classifications and Categories	Forecast 4 Year Average	Major Expenditure Classifications	Forecast 4 Year Average
<u>Taxes</u>		Personal Services (Wages & Benefits)	
Property Taxes	-6% to 0%	General	3.0%
Public Service (Utility) Taxes	2.0%	Public Safety	7.0%
Franchise Fees	1.0%	Supplies/other	1.5%
		Capital Outlay	1.5%
<u>Licenses & Permits</u>	1.5%	Other Funding	
<u>State Shared (Intergovernmental)</u>	0%	Grants	Per Grant
		Designations	Current
<u>Charges for Services/Contributions/Other</u>	2.0%		
<u>Fines</u>	2.0%		
<u>Interest</u>	1.5%		

DISCUSSION OF REVENUES

PROPERTY TAXES

FY 2011 property values decreased 6.81% in the City. The net decrease is composed of a 8.39% decrease from reassessments of existing properties and an increase of 1.58% 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 5%.

On January 29, 2008, voters approved Amendment 1, a change to Florida's Constitution. The amendment allows residents with a Save Our Homes assessment cap to transfer all, or a significant portion, of their tax savings to a new property anywhere in the state. The amendment also doubles the homestead exemption for properties valued at \$75,000 or more for all tax levies except school districts. It exempts the first \$25,000 in value of equipment used by businesses, and creates a 10% annual assessment cap similar to Save Our Homes, for non-homestead properties.

This Plan assumes no additional amendments or legislature in the property tax laws. They are anticipated to remain as currently structured over the five-year period. A portion of the property taxes will continue to be allocated to the payment of the voter approved general obligation debt service costs, which are collected and accounted for in the Debt Service Fund. A portion (currently 10%) of the ad valorem millage will continue to be used for the Capital Improvement Program (CIP).

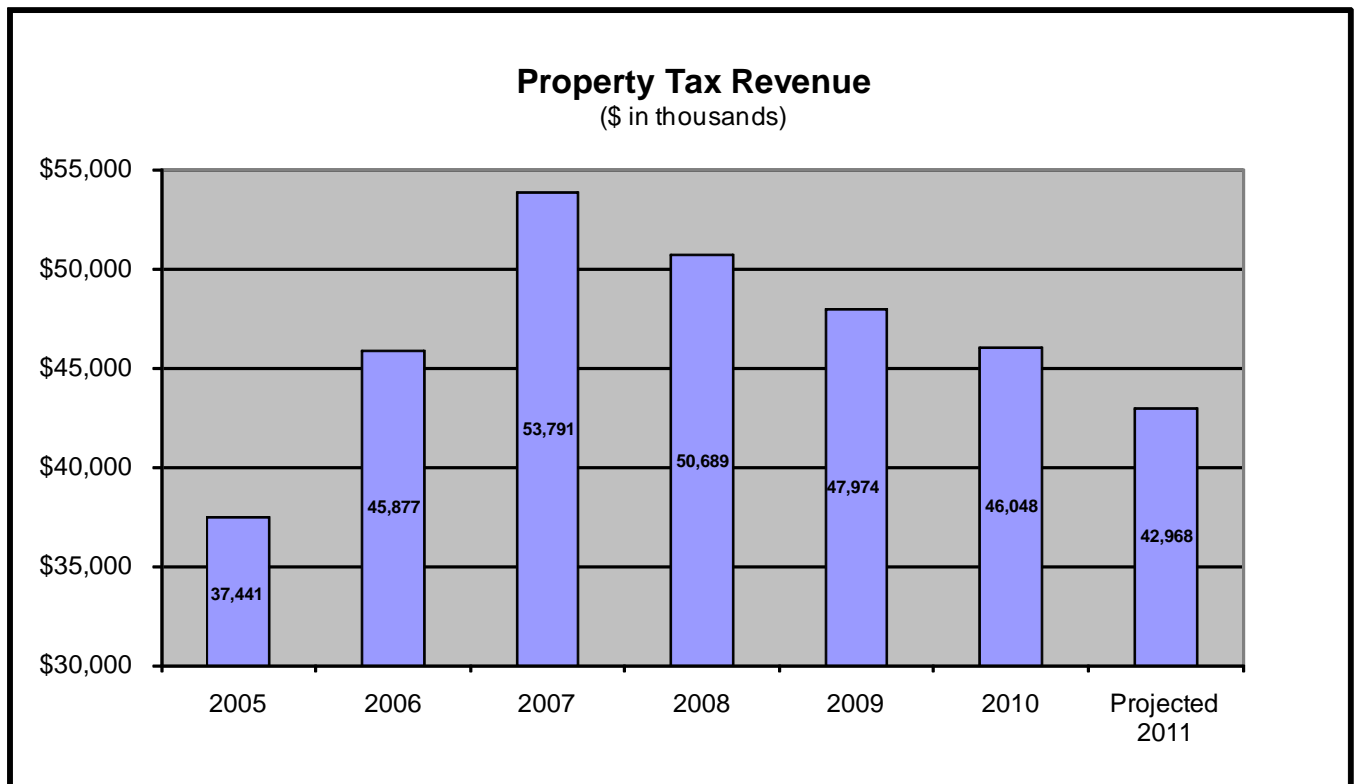
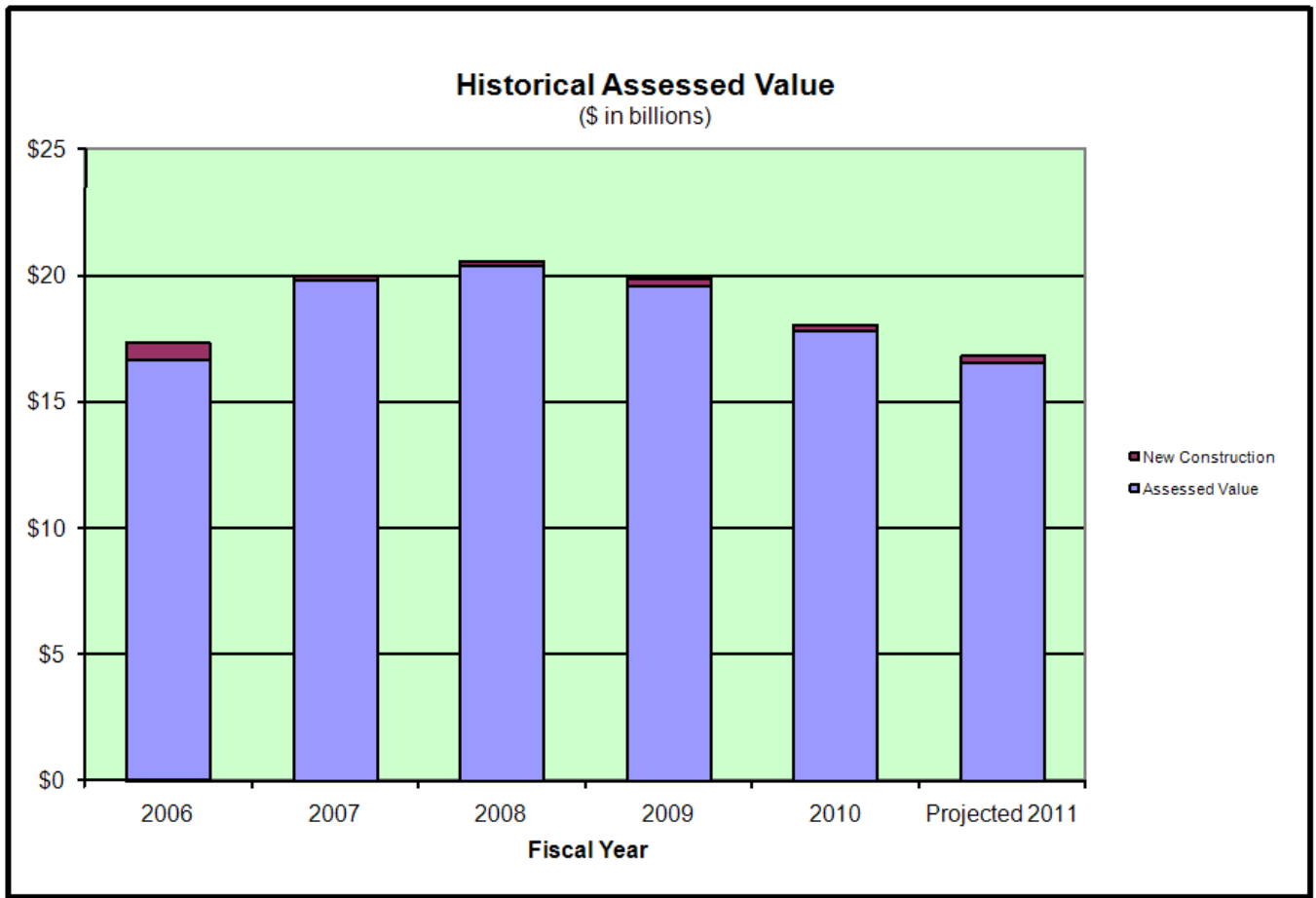
It is important to understand the structure of property taxes and the effect of certain policies on this revenue source. Taxable assessed values in the City continue to be the highest among municipalities in Palm Beach County. As stated earlier, this trend may not continue as market conditions slow or legislation is enacted.

For FY 2011, the City anticipates property assessments will continue to decrease. The following chart projects the continued decline from 2011 to 2012.

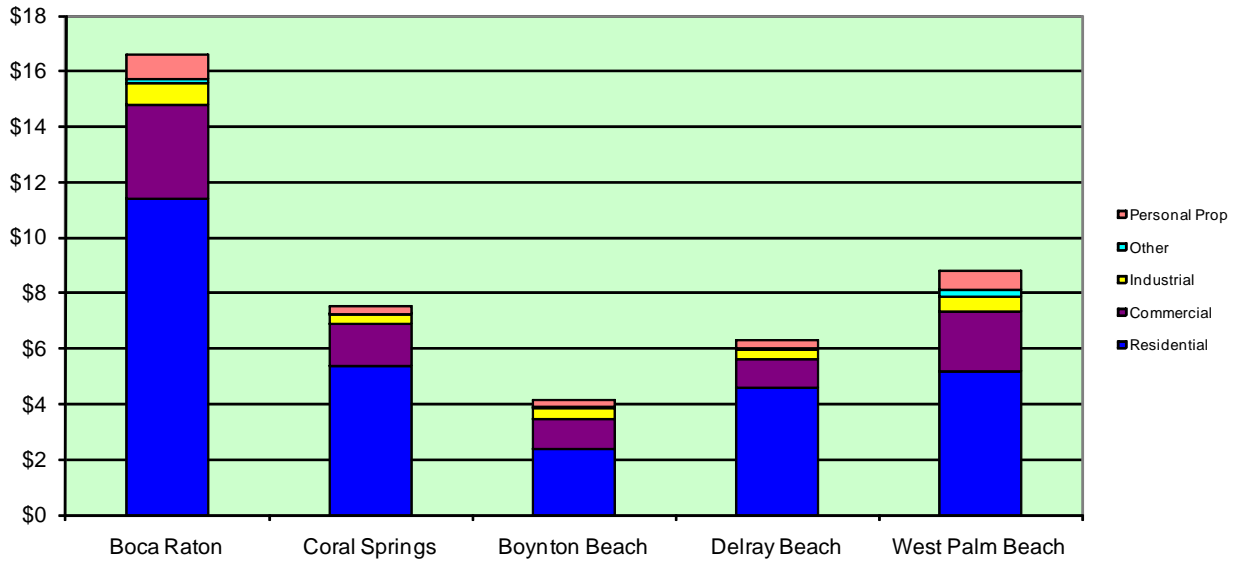
Table IV

<u>Assessed Values</u>	<u>% Distributed by Property Type</u>	<u>Actual FY 2011</u>	<u>Projected FY 2012</u>	<u>Projected Decrease</u>
Residential	69%	\$ 11,395,561,753	\$ 10,882,761,474	-4.5%
Commerical	25%	4,189,350,905	3,665,682,042	-12.5%
Personal Property	6%	1,024,211,438	1,003,727,209	-2%
Total Taxable Values		<u>\$ 16,609,124,096</u>	<u>\$ 15,552,170,725</u>	<u>-6%</u>
Projected Property tax revenue				
100% total		50,159,555	46,967,556	
95% collection rate		47,651,577	44,619,178	
90% general fund		<u>\$ 42,886,419</u>	<u>\$ 40,157,260</u>	\$ 2,729,159

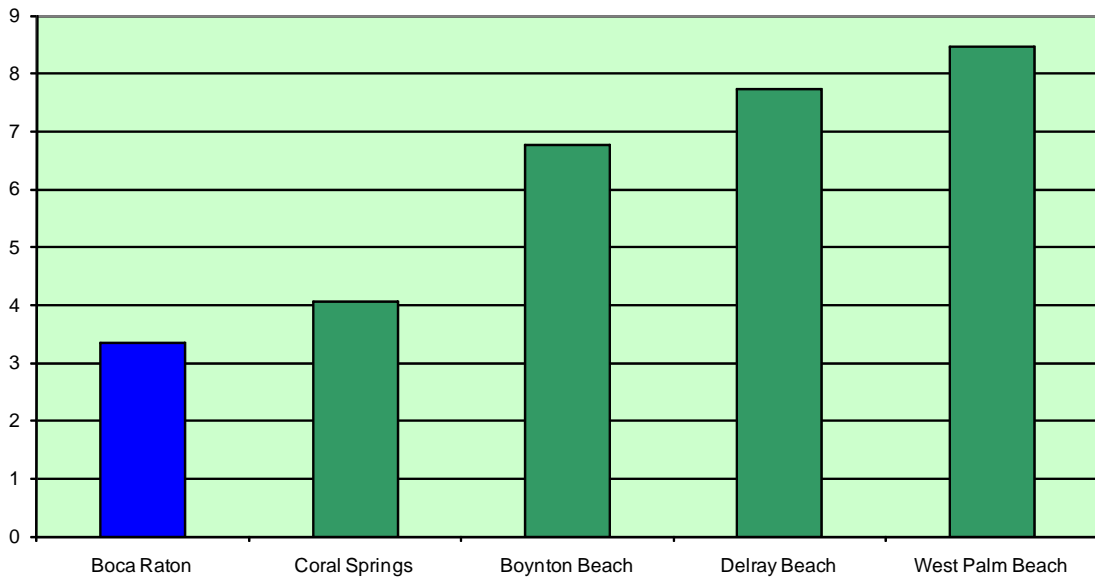
The graph below shows the historical assessed value of the City.



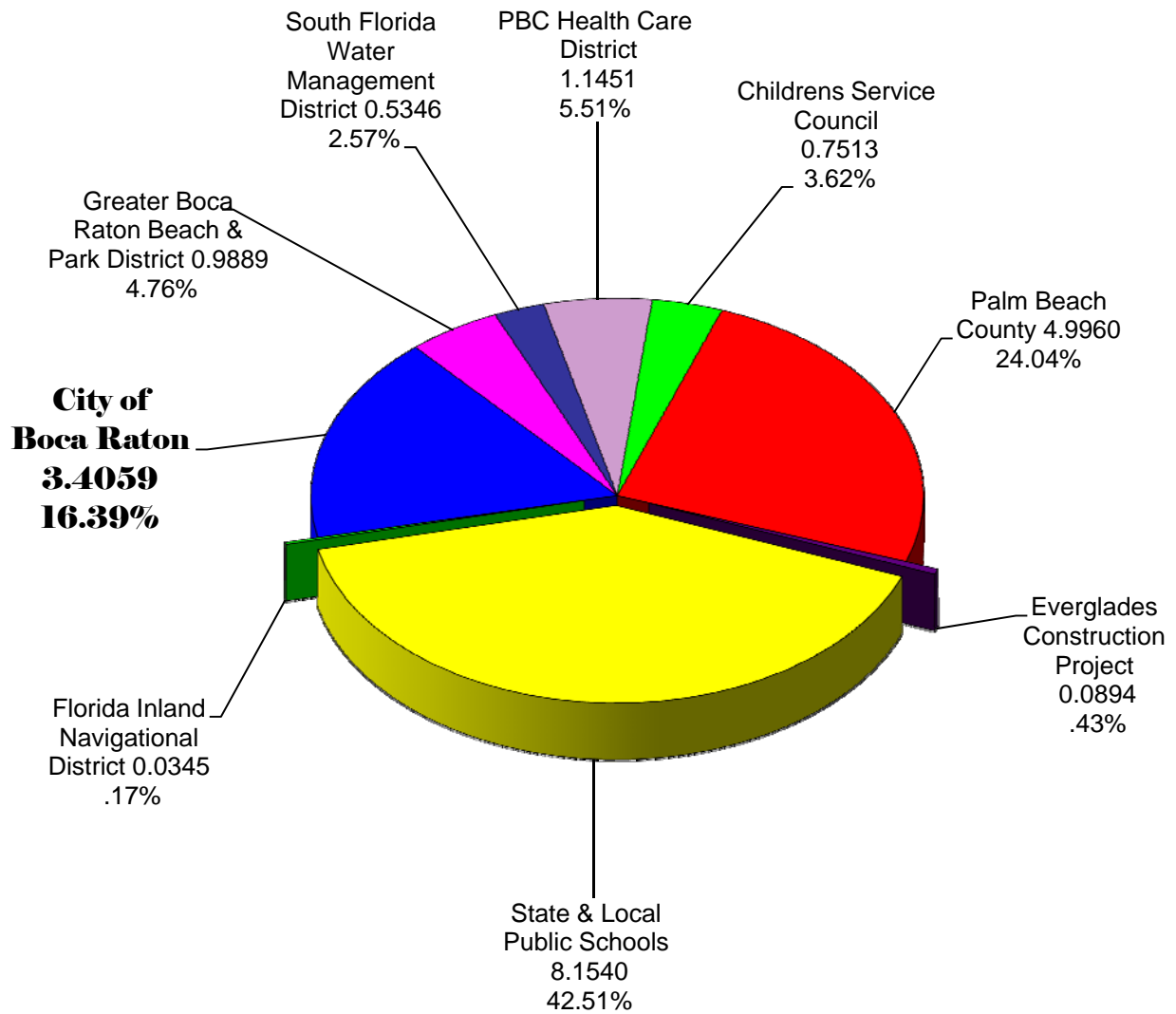
**FY 2011 City Comparisons
Assessed Value**
(\$ in billions)



**FY 2011 Comparison of Ad Valorem Tax Rates
Total Millage Rates**
(per \$1,000 of Assessed Valuation)

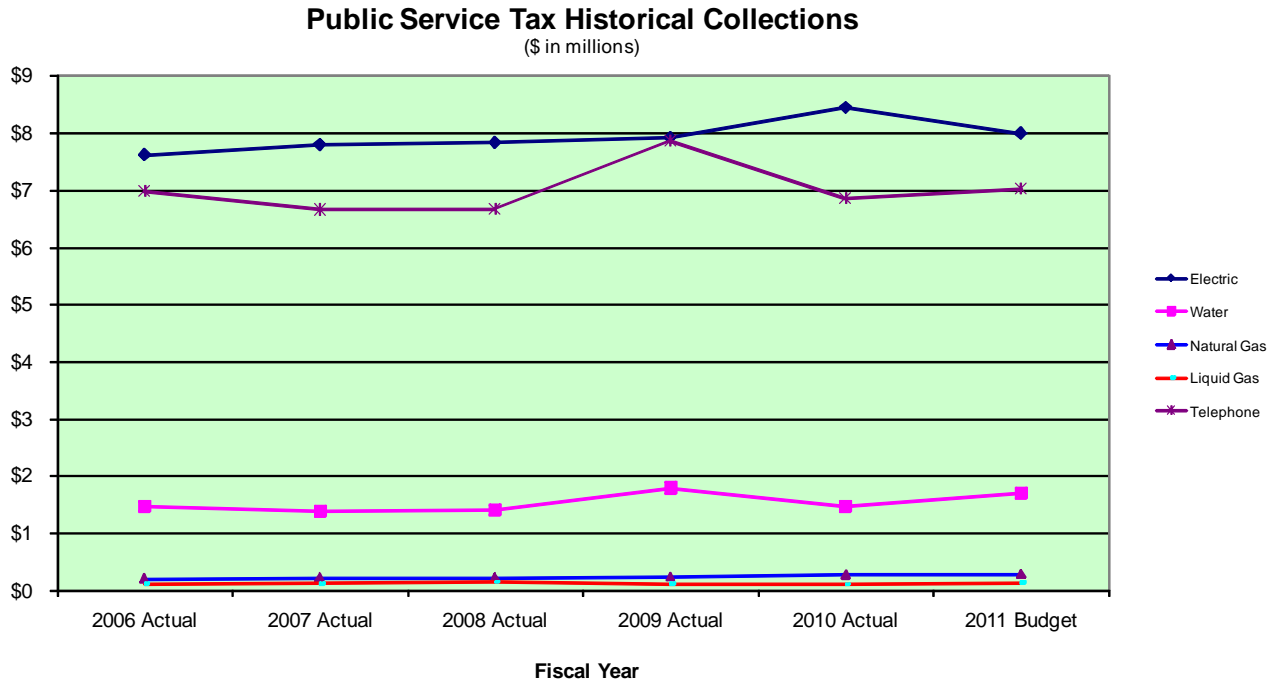


City taxes for 2011 represent approximately 16.39% of the total tax bill for a typical single-family homeowner. Major taxing bodies include:



PUBLIC SERVICE (UTILITY) TAXES

The City has the right, by Florida State Statute, to tax utility services provided to the residents and businesses within its corporate limits. The City is currently levying 10%, which is the maximum tax allowed, on electricity, water, natural gas, and liquid petroleum. Of this amount, 1% is dedicated to the Right-of-Way Beautification Program, 1% is for the Six-Year Capital Improvements Program, and the balance, 8%, is used for general City operations.

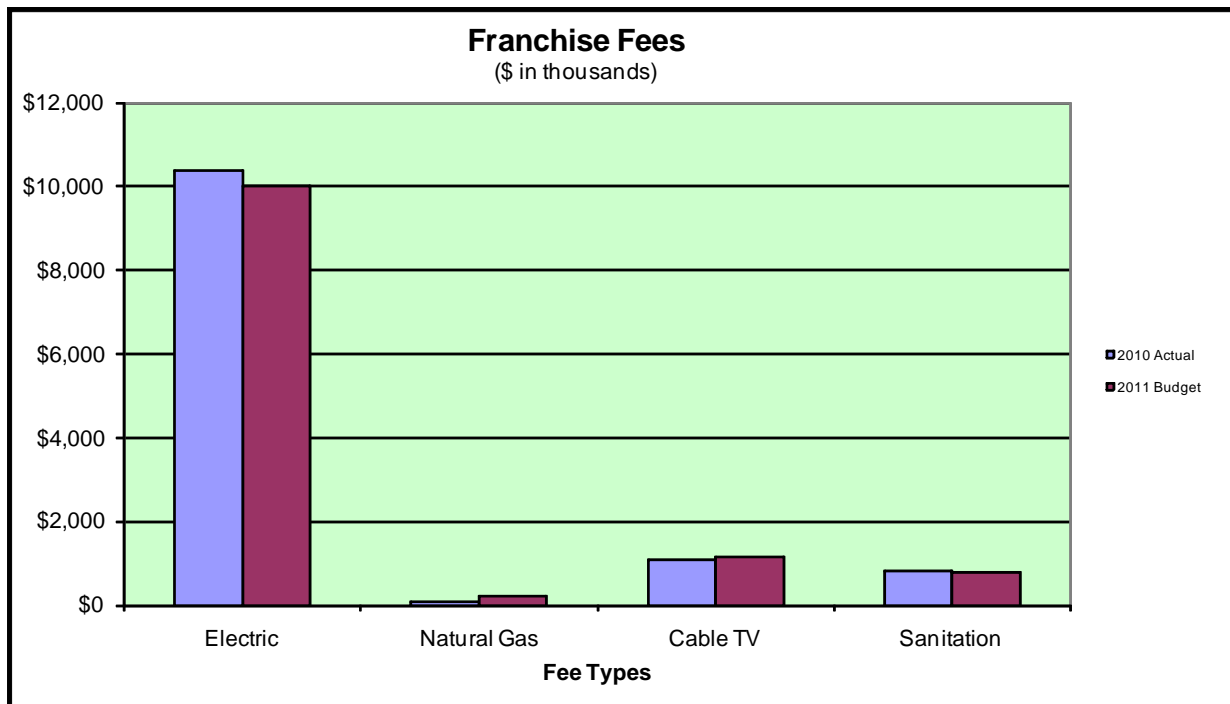


Public Service (Utility) Taxes		
	<u>2010 Actual</u>	<u>2011 Budget</u>
Electric	\$ 8,453,749	\$ 8,000,000
Water	1,478,665	1,700,000
Natural Gas	269,504	280,000
Liquid Gas	109,905	140,000
Telephone	6,865,906	7,028,000
Total Public Service Taxes	<u>\$ 17,177,729</u>	<u>\$ 17,148,000</u>
*one time adjustment totaling \$1.1 million in FY 2009		

The City has multi-year franchise agreements with electric, cable TV, and natural gas providers. In 2008, the City instituted non exclusive franchise fees for construction and demolition (C&D) debris and haulers of commercial solid waste. Collections for the year were \$560,750 for commercial solid waste collections and \$268,936 for C&D for the full year for a total of \$829,686.

Table V

Franchise Fees				
	Rate Levied	2010 Actual	2011 Budget	Franchise Expiration Date
Electric	5.9%	\$ 10,394,821	\$ 10,000,000	2036
Natural Gas	5%	83,929	225,000	2024
Cable TV	6%	1,097,150	1,150,000	n/a
Sanitation	8% - 15%	829,686	800,000	n/a
Total Franchise Fees		\$ 12,405,586	\$ 12,175,000	

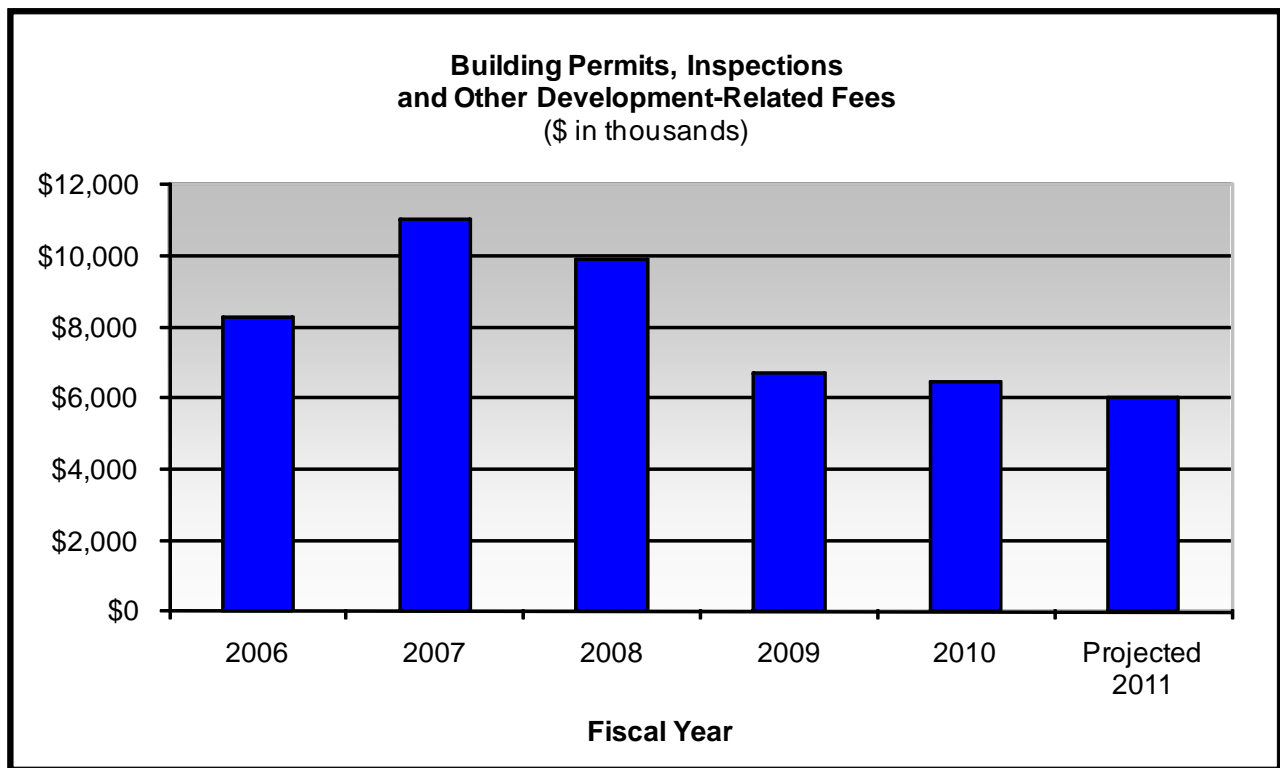


PERMITS

Permits make up 5.9% of the total FY 2011 budget. This category includes building permits, and inspection fees.

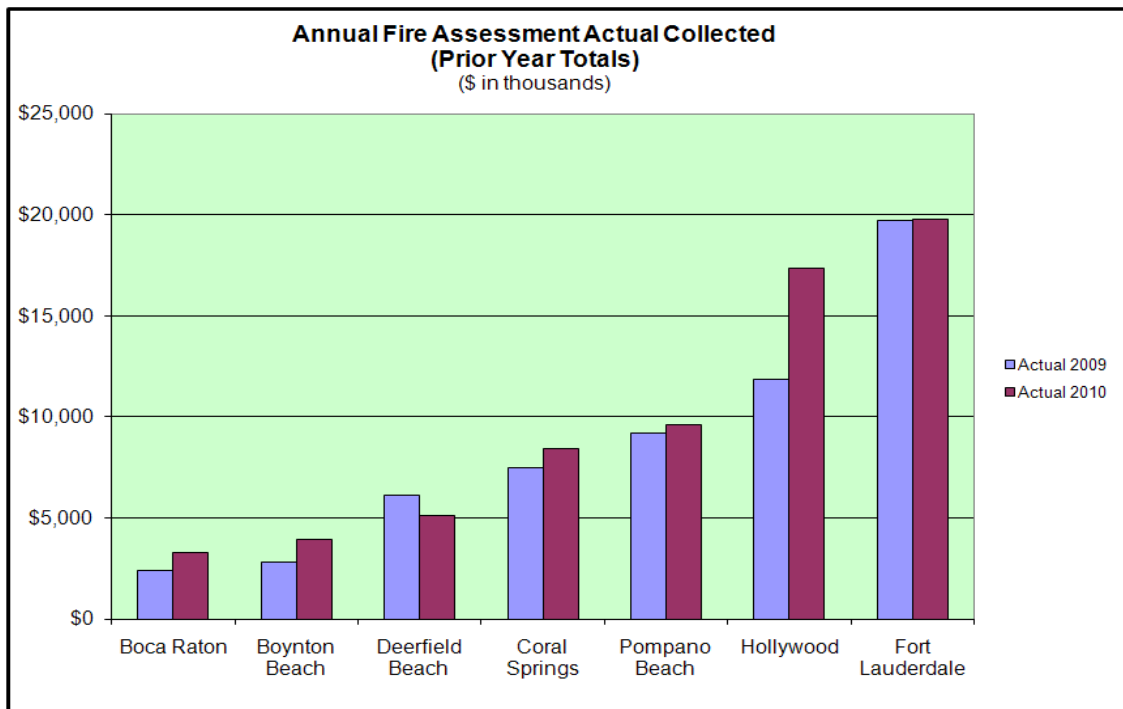
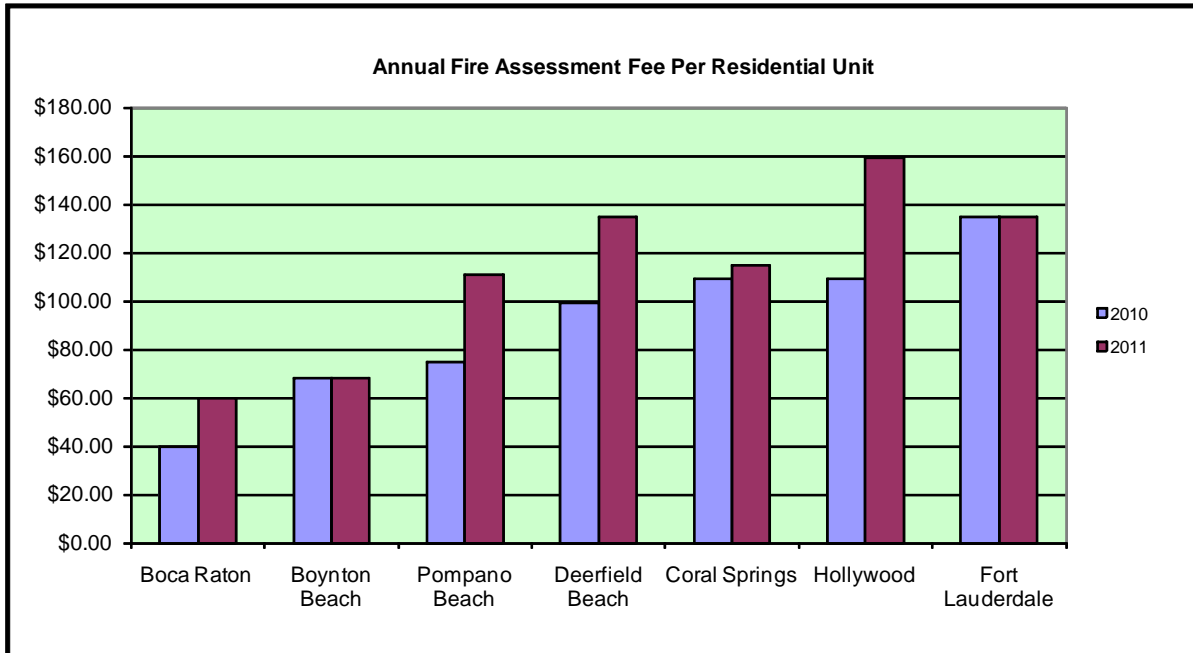
Building Permits, Inspections, and Other Development-Related Fees

The City continues to be consistent in collecting user fees related to inspections, development-related fees, and permit fees. These user fees are intended to cover the cost of the service provided. The revenue generated by the various types of building permits is calculated by determining the amount of undeveloped land, anticipating new development and redevelopment, as well as the historical trend for improving existing buildings. The FY 2011 budget estimates assume no additional new construction and or redevelopment.



FIRE ASSESSMENT FEE

In September 2006, the City Council established the annual Fire Services Assessment Fee. The Fire Services Assessment Fee uses the uniform method of collection to recover a portion of the operational costs of the City's fire protection services, including employee benefits. Medical and rescue service costs are not included in the fire assessment. The annual assessment for a residential charge is currently \$60 per household with an equivalent charge for commercial/industrial properties based on square feet. The current assessment generates \$4.9 million in revenue. This fee is currently only generating 34% of the cost of providing fire services in the City. Our fee is very low in comparison to other communities in our area.



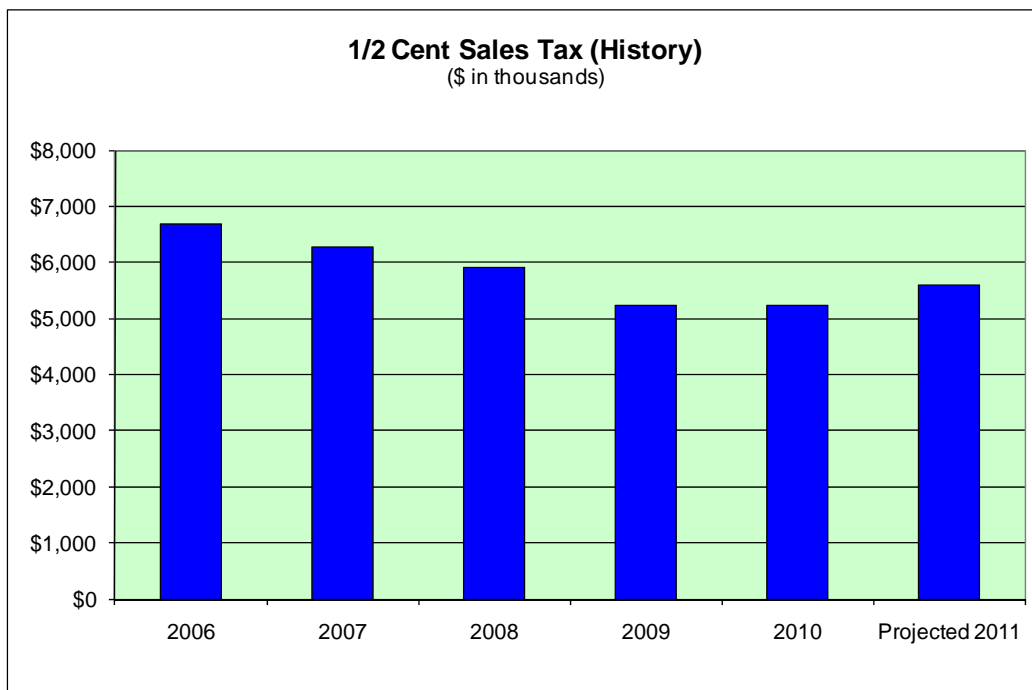
INTERGOVERNMENTAL REVENUE

State Shared

State shared revenues are anticipated to continue at declining levels. The City receives revenues from the State for the following services: sales tax, gas tax, beverage license and other state shared revenue services. With the current state economy, the City anticipates receiving less sales tax dollars and staying even on revenue sharing proceeds. Due to the current state economy there have been significant declines in the State Shared Revenues.

Sales Tax

The City receives the major source of State Shared Revenues from the half-cent sales tax. This tax is directly related to the economy. Recent trends in sales tax revenue have shown a slight increase. Forecast has been prepared without a growth factor. Our revenue stream has been reduced over the last fiscal year due to the declines in the economy and retail conditions.



The apportionment is composed of three equally weighted portions: population, sales tax collected in the municipality, and local ability to raise revenue.

The following are the distributions of sales tax for FY 2011:

Total Half-Cent Sales Tax		
Palm Beach County	\$116,444,215	100%
Shared with Municipalities	42,258,632	36%
Unincorporated County	68,597,369	59%
City of Boca Raton's Share	5,588,214	5%

Source: State of Florida website: <http://edr.state.fl.us>

Revenue Sharing/Trust Fund

The 2000 Florida Legislature repealed the sharing of cigarette tax revenues with municipalities via the Municipal Revenue Sharing Program and the Municipal Financial Assistant Trust Fund. It replaced the repealed revenue source with a new source by providing that 1.075% of sales and use tax collections be transferred to the Revenue Sharing Trust Fund for cities and towns. It repealed the Municipal Financial Assistance Trust Fund since it was funded solely by cigarette taxes. These changes were effective as of July 1, 2000. These revenues are distributed based on population. No growth is projected for Revenue Sharing.

Other State Shared Revenue

Beverage licenses, Mobile Home licenses, State grants, Firefighter Supplements and Fuel taxes make up the remainder of the State shared revenues.

Shared Revenues from Other Local Units

These revenues include charges to the Greater Boca Raton Beach and Park District for administrative services provided by the Recreation Services Department and City's general administration (Human Resources, Purchasing, Accounting and Payroll, etc.). Other small revenues include revenues from Palm Beach County for the E-911 System, and a processing fee for collecting Palm Beach County Impact fees.

CHARGES FOR SERVICES, OTHER FEES

Charges for Services

Charges for services include a combination of planning and zoning fees, recreation and cultural fees, emergency medical services (EMS) transport fees, and a large group of small miscellaneous and sporadic charges for services. The charging of these fees ensures that the user of the service pays for the service and not the broad base taxpayer. The City established several new user fees in FY 2011 which are discussed in detail under the New Revenues section.

Planning and Zoning Fees

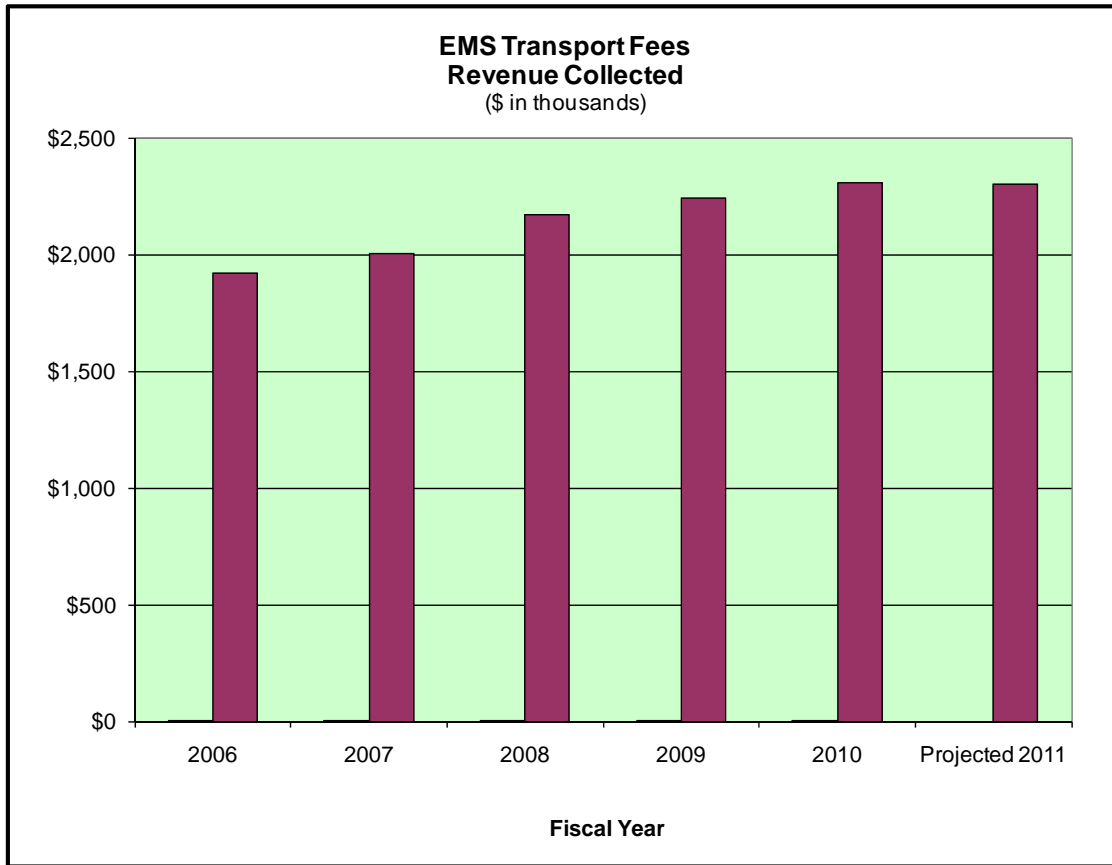
This category includes a combination of filing fees for planning and zoning including fees for advertising.

Recreation and Cultural Fees

The Recreation Services Department continues to emphasize services and programs for all ages. Fees are designed to provide participants a reasonable cost but with the desire to cover a minimal percentage of costs. Fees for the camp program, beach parks, library, tennis, aquatics, and facility rental make up the greater portion of these fees. The fees related to the camp programs were increased in the current fiscal year.

Emergency Medical Services (EMS) Transport Fees

A recent history of the fee established in 1995, EMS Transport revenues collected is presented below: The City has recently stepped up efforts to collect all past due accounts. Growth is forecast at 0.35%. The City has increased its efforts to collect past due accounts and anticipates additional revenue growth.



Other Charges for Services

Other charges for services include charges for police, garbage fees for non-residential areas, and fees charged to other non-General Fund departments.

Contributions from Enterprise Funds

The City's General Fund provides administrative support services for the Enterprise Funds (water/sewer, sanitation, stormwater, cemetery, and golf courses). The cost for these services is charged to each Enterprise Fund in the form of an "Administrative Services" fee. The Water and Sewer Enterprise Fund is charged annually for the municipal services (police, fire and sanitation) that it receives while being tax exempt. These revenue sources make up 5.6% of the total FY 2011 budget.

Other Revenues

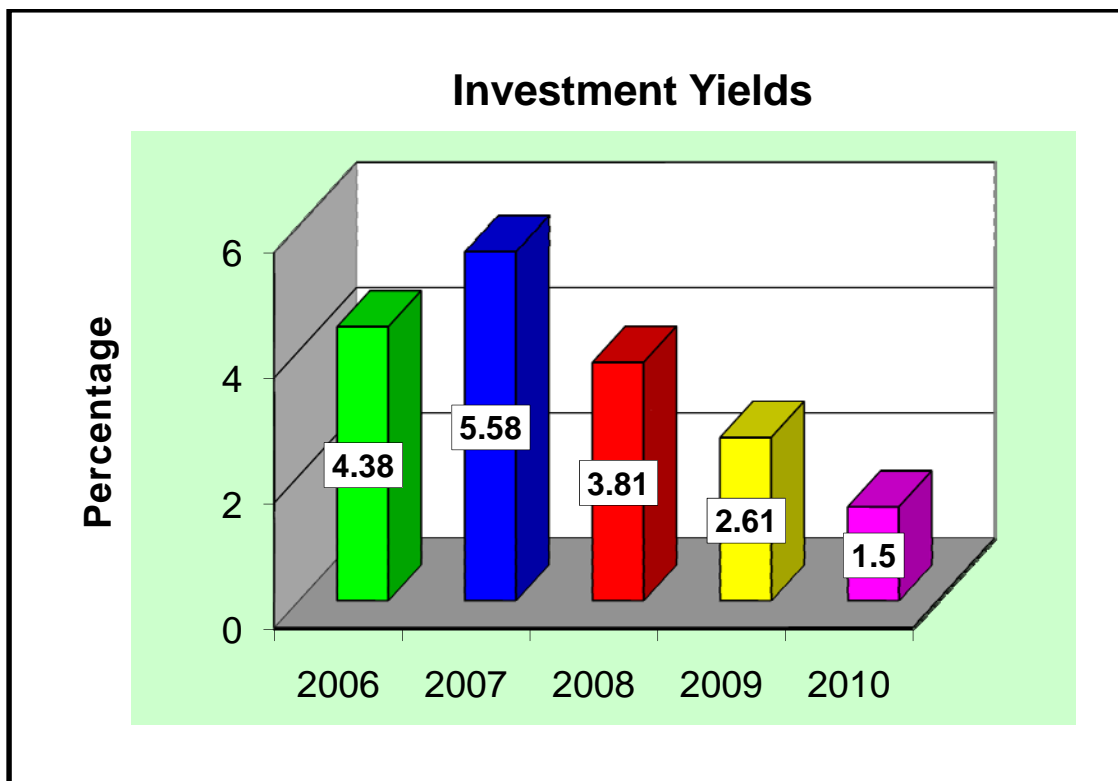
Other revenues include Shared Revenues from other local units, Federal grants, and small miscellaneous revenues (including surplus equipment, sales, and donations).

FINES AND FORFEITURES

These revenues are collected for traffic offenses and misdemeanors, police and fire false alarms, and confiscated merchandise (State/Federal). Revenue growth has fluctuated. False alarm fees are considered to be a user fee and accordingly revenue should match City costs to provide these services. Fines and forfeitures make up less than 1% of the 2011 budget.

INTEREST ON INVESTMENTS

The General Fund receives investment interest on temporarily idle funds and fund balances. The City's portfolio is actively managed under guidelines established under the City's conservative Investment Policy. The forecast is dependent upon interest rates indicators. Interest rates increased over the last fiscal year, but current economic conditions will result in reduced interest earnings for the City. Interest rates have been volatile and have decreased over the last fiscal year. The current economic conditions and financial markets will result in reduced interest earnings for the City for the next fiscal year.



NEW REVENUE SERVICES (already implemented)

Reimbursement of advances made for the BRCRA

The City has advanced substantial funds to the Boca Raton Community Redevelopment Agency (BRCRA) based upon interlocal agreements for unforeseen events which have occurred with respect to the redevelopment program. In the past there have not been sufficient revenues from the tax increment and Mizner Park leases to pay all of the Mizner Park debt service to maintain Mizner Park or for the BRCRA operations. To address these issues BRCRA and the City entered into two (2) interlocal agreements. Under the first of these interlocal agreements, the City funds the debt service deficiency. Under the second agreement the City provides the resources necessary to continue the BRCRA operation through a combination of operating transfers to the BRCRA, the provision of services (accounting, legal, engineering, etc.) and the maintenance of Mizner Park. As of September 30, 2010 the estimated amount of these transfers, deficiency payments and services was:

Transfers for BRCRA Operations	\$ 712,200
Services Provided	6,200,973
Mizner Park Maintenance	7,877,284
Interest related to the above	4,970,719
Mizner Park Bond deficiency payments and debt service transfers	<u>5,299,500</u>
Total	<u>\$24,990,676</u>

Under the terms of the interlocal agreements the BRCRA must repay the above amounts when future revenues become available. The BRCRA repaid \$2.5 million of debt service interest in FY 2010. The Plan anticipates the BRCRA will continue repayment through FY 2015 with a payment of approximately \$2.0 million annually.

NEW REVENUE SERVICES (in process of being implemented)

Paid Parking

The City is in the process of implementing a paid parking program, using the newest multi-space meter technology, in Mizner Park, NE 1st Avenue parking lot, and selected beach areas, including East Spanish River Blvd., East Palmetto Park Road (including the pavilion), and Red Reef Park West. The main benefits of a paid parking program to the City, its residents, and its merchants include increased parking turnover and additional revenue used for transportation improvements or other essential government services.

In FY 2010, the City adopted a new parking ordinance and negotiated contracts to deliver, install, and maintain the parking meters. In FY 2011 the City hired a full time Parking Supervisor, a full time Parking Customer Service Representative, and anticipates hiring five part time parking Enforcement Officers.

Operations are expected to commence in May 2011. Annual projected net revenue to be generated from the parking program amounts to \$600 thousand, with approximately 55% of this amount being generated in Mizner Park and being designated as BRCRA revenue.

Red Light Cameras

The City continues to explore a red light camera program in which cameras will be installed at selected intersections within the City. Based on historical experiences in other municipalities in Florida and around the country, red light cameras have resulted in dramatically reduced fatalities,

crashes, and violations due to the cameras proving to be an effective deterrent to red light running. In addition, the cameras allow more effective use of police resources.

RESOURCES FORWARD

Table VI

Calculation of Resources Forward							
(\$ in thousands)							
2011				2012			
<u>Revenues</u>	<u>forecast</u>	<u>at 100.5%</u>	<u>variance</u>	<u>Revenues</u>	<u>forecast</u>	<u>at 100.5%</u>	<u>variance</u>
Property taxes	\$42,968	\$43,183	\$215	Property taxes	\$40,605	\$40,808	\$203
Utility taxes	\$17,148	17,234	86	Utility taxes	\$17,491	17,578	87
Franchise fees	\$12,175	12,236	61	Franchise fees	\$12,297	12,358	61
Licenses and permits	\$8,352	8,394	42	Licenses and permits	\$8,477	8,519	42
Intergovernmental	\$10,030	10,080	50	Intergovernmental	\$10,030	10,080	50
Fees, charges, other	\$19,893	19,992	99	Fees, charges, other	\$17,637	17,725	88
Fines	\$1,432	1,439	7	Fines	\$1,460	1,468	7
Interest	\$1,600	1,608	8	Interest	\$1,624	1,632	8
	<u>\$113,597</u>	<u>\$114,164</u>	<u>\$568</u>		<u>\$109,621</u>	<u>\$110,169</u>	<u>\$548</u>
Expenditures				Expenditures			
Personal services	84,896	84,047	849	Personal services	89,295	88,402	893
Supplies and other	31,235	30,923	312	Supplies and other	28,483	28,198	285
New projects				New projects	-	-	-
Capital	607	601	6	Capital	250	248	3
	<u>\$116,738</u>	<u>\$115,571</u>	<u>\$1,167</u>		<u>\$118,028</u>	<u>\$116,848</u>	<u>\$1,180</u>
Resources forward FY11 to FY 12			<u>\$1,735</u>	Resources forward FY12 to FY13			<u>\$1,728</u>
2013				2014			
<u>Revenues</u>	<u>forecast</u>	<u>at 100.5%</u>	<u>variance</u>	<u>Revenues</u>	<u>forecast</u>	<u>at 100.5%</u>	<u>variance</u>
Property taxes	40,280	\$40,481	201	Property taxes	40,280	\$40,481	201
Utility taxes	17,841	17,930	89	Utility taxes	18,198	\$18,289	91
Franchise fees	12,420	12,482	62	Franchise fees	12,544	\$12,607	63
Licenses and permits	8,604	8,647	43	Licenses and permits	8,733	\$8,777	44
Intergovernmental	10,030	10,080	50	Intergovernmental	10,030	\$10,080	50
Fees, charges, other	17,887	17,976	89	Fees, charges, other	18,141	\$18,232	91
Fines	1,489	1,497	7	Fines	1,519	\$1,527	8
Interest	1,648	1,657	8	Interest	1,673	1,681	8
	<u>\$110,199</u>	<u>\$110,750</u>	<u>\$551</u>		<u>\$111,118</u>	<u>\$111,673</u>	<u>\$556</u>
Expenditures				Expenditures			
Personal services	93,956	93,016	940	Personal services	98,895	97,906	989
Supplies and other	28,911	28,621	289	Supplies and other	29,344	29,051	293
New projects	360	356	4	New projects	360	356	4
Capital	250	248	3	Capital	250	248	3
	<u>\$123,476</u>	<u>\$122,241</u>	<u>\$1,235</u>		<u>\$128,849</u>	<u>\$127,560</u>	<u>\$1,288</u>
Resources forward FY13 to FY 14			<u>\$1,786</u>	Resources forward FY14 to FY15			<u>\$1,844</u>

The FY 2011 *Resources Forward* forecast includes a .5% revenue over-collection component and a 1% under-expenditure component. This is primarily the result of projected revenues coming in slightly higher than projections in some of the more economically sensitive revenues. The direction by City management to departments is to continue to monitor their department expenditures for cost savings, which would result in the under-expenditure of their budgets. Under-expenditure projections are below historical average rates reflecting that recent budget cuts have diminished the ability to turn back budgeted appropriations in the future.

DISCUSSION OF EXPENDITURE RESULTS

This section presents forecast expenditure results and identifies significant cost changes expected to occur in the General Fund over the FY 2012 to FY 2015 forecasted period. An overall

“bottom line” summary is presented first, followed by supplemental information for major expenditure categories.

For FY 2011, a balanced revenue and expenditure budget has been adopted by the City Council as required by Florida Statute. For the projected four-year period from 2012 through 2015, however, we continue to provide a baseline forecast, which illustrates our expectations for continuing existing service programs, which will be in place in 2011. In many cases, continuing costs will increase over time by an inflation factor even though the service level stays constant.

Expenditure Classifications

Expenditures have been broken down into three major classifications: personal services, supplies/other operating costs, and capital outlay. Additional discussion of selected expenditure category projections and changes expected to occur over the forecast period are provided in this section.

a. Personal Services

Personnel costs are by far the largest expenditure classification within the General Fund budget, representing 72% of the entire FY 2011 budget. Most of these costs are for full-time personnel, with the remainder being temporary help costs. All employee benefits, including social security, Medicare, pension, health, vision and dental insurance, workers compensation, etc., are included in Personal Services.

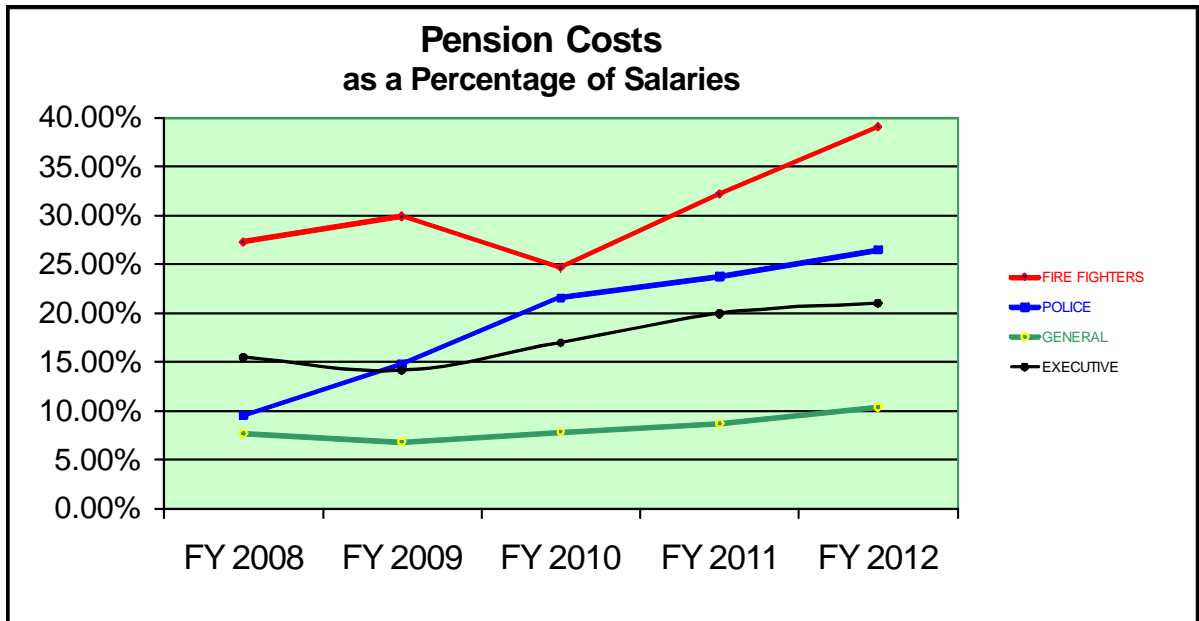
The City provides a fully insured medical plan for all employees. City medical plan costs continue to escalate, but have been under national percentage increases. In the current fiscal year, the City’s total cost is \$9.0 million. Employee contributions were increased in FY 2011.

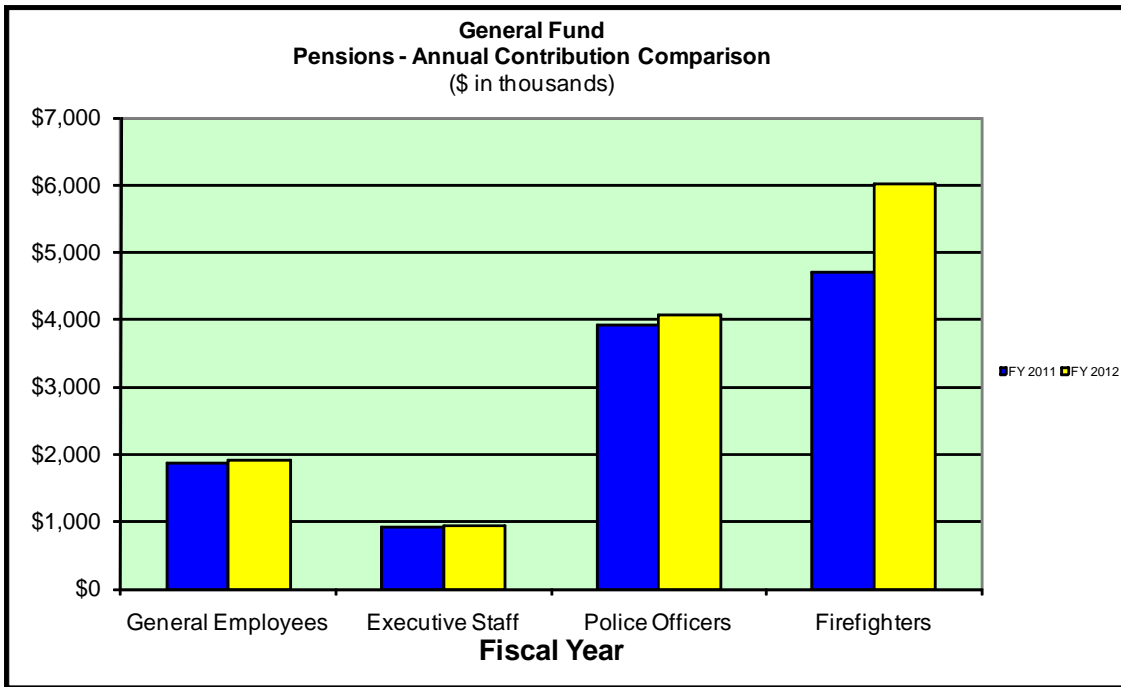
Recent revisions to the labor contract between the City and IAFF required adjustments to base wages. The adjustment to wages was required to keep our salaries competitive with surrounding agencies.

General Employee new hires have a choice of entering into a reduced defined benefit or a defined contribution pension plan. The City anticipates in the long run this will stabilize the City’s pension contributions. Pension costs are sensitive to negative market conditions in addition to other accrual assumptions. Pension costs will increase \$1.6 million in FY 2011.

Table VII

Pension Contributions			
	<u>FY 2011</u>	<u>FY 2012</u>	<u>Increase (Decrease)</u>
General Employees:			
General Fund	\$1,867,009	\$1,919,350	52,340
Other Funds	1,466,936	1,508,060	41,125
City contribution cost total	3,333,945	3,427,410	93,465
Percentage of salaries	8.64%	10.35%	
Executive Employees:			
General Fund	921,398	935,242	13,844
Other Funds	107,624	127,533	19,909
City contribution cost total	1,029,022	1,062,775	33,753
Percentage of salaries	18.89%	20.97%	
Police Officers:			
City contribution cost total	3,917,124	4,075,115	157,991
Percentage of salaries	23.74%	26.46%	
Firefighters:			
City contribution cost total	4,697,384	6,017,516	1,320,132
Percentage of salaries	32.16%	39.01%	
Increased funding for FY12			\$1,605,341





Full-time personal service cost projections are based on the following assumptions:

- ii. Full-time personal services expenditures reflect only the percentage increase necessary to maintain current service levels. Future new programs will be handled through the annual new programs and are not part of this “baseline” plan. Projections after FY 2011 are forecast at 7% for public safety employees and 3% for general employees.

b. Other Operating Costs/Supplies

Included in this category are operating supplies, and the non-personnel, non-capital support costs associated with General Fund operations. This category is the second largest classification of General Fund expenditures and includes utilities, insurance, information services, motor pool charges, maintenance, and contract services associated with General Fund operations. Growth is anticipated at 1.5%. Also included in this category are the operating supplies for general government. These include office supplies, fuel, uniforms, janitorial supplies, street and traffic signs, chemical, medical, and other supplies.

c. Capital Outlay

Included in this category are small capital purchases (over \$5,000 and less than \$35,000) which do not qualify for inclusion in the 6-year Capital Improvement Program Fund (CIP). Capital items are submitted annually in the departmental budget requests. These items vary from year-to-year, but total budget dollars have remained constant over the years.

The gross water and sewer sales slightly decreased from \$45.2 million in 2009, to \$44.7 million in 2010. The Water and Sewer Fund had a positive change in net assets of \$10.6 million for FY 2010. The operating income for the Water and Sewer Fund increased from \$5.5 million in 2009 to \$6.3 million in 2010.

The following section highlights selected information from recent audited financial reports:

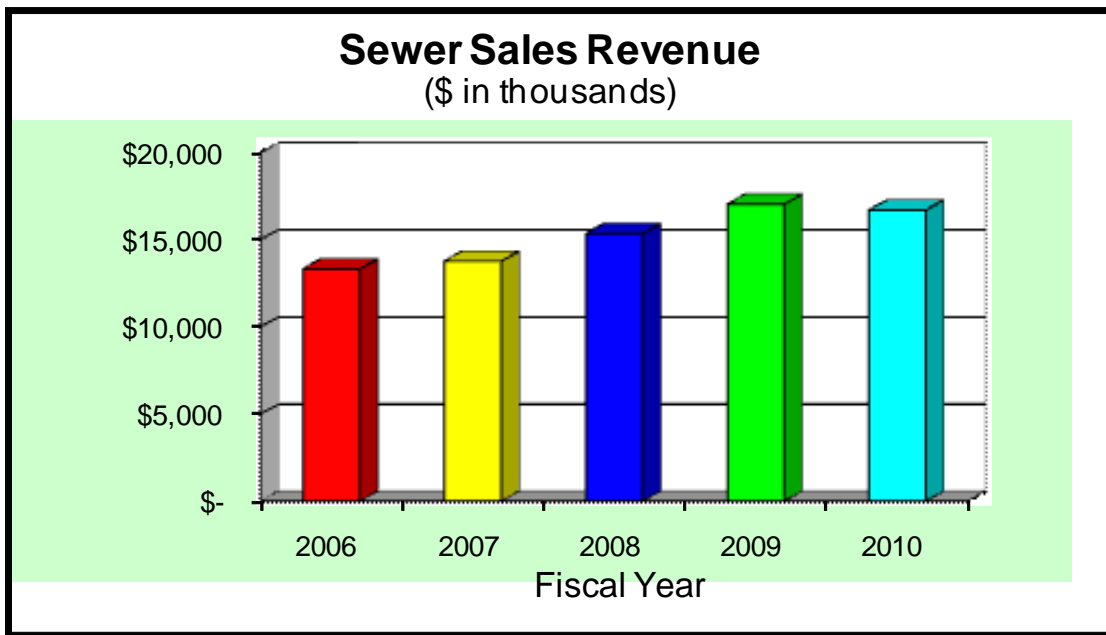
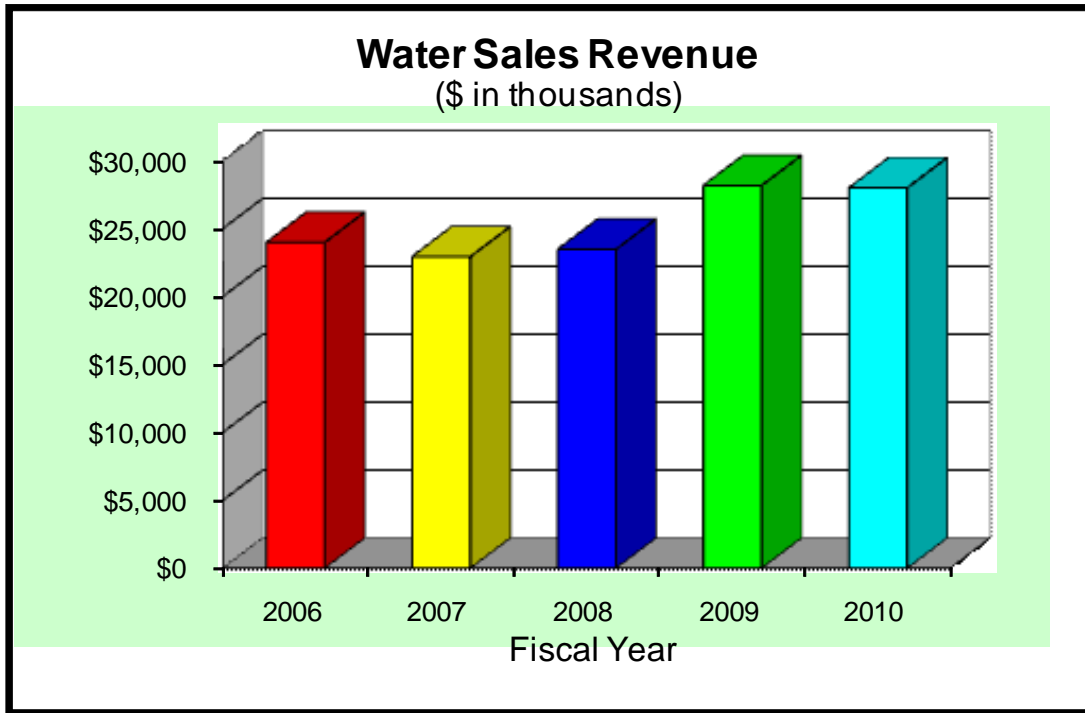


Table VIII

Water and Sewer Segment Information	FY 2007	FY 2008	FY 2009	FY 2010
Operating revenue	\$ 39,061,933	\$ 41,098,538	\$ 49,967,320	\$ 47,277,709
Net operating income	(2,820,125)	(2,421,428)	5,489,347	6,256,502
Net income (change in net assets)	3,863,658	1,339,007	8,170,923	10,674,715
Net working capital	12,031,304	14,710,775	23,543,815	32,914,434
Bonds and other long-term liab payable from operating revenue, net	33,710,427	55,862,232	52,338,229	49,026,175
Total equity	297,933,720	321,407,159	329,056,692	334,745,902

Source: City of Boca Raton Comprehensive Annual Financial Report

In March 2009, the City issued Water and Sewer Revenue Refunding Bonds, Series 2009 to refund a portion of the 1999 Water and Sewer Revenue Improvement Bonds. With this recent bond issue, all three rating agencies reviewed the City's financial and other information. The City received an AAA rating from Fitch Ratings and Standard & Poor's on the issue. The other credit rating agency, Moody's Investor Services maintained aa1. The City pledged to maintain debt coverage ratios of 1.1 by net revenue and 1.20 by total revenue (where operating revenue exceeds operating expense). As demonstrated by Table IX below, the coverage has exceeded the minimum requirements of 1.20 total revenue coverage.

Table IX

Water and Sewer Fund (Historical)					
(in thousands)					
	2006	2007	2008	2009	2010
Revenue					
Water sales	\$ 23,982	\$ 22,922	\$ 23,466	\$ 28,165	\$ 27,993
Sewer service charges	13,232	13,764	15,344	17,027	16,692
Other operating revenues	2,632	2,376	2,288	4,775	2,592
Interest income	1,754	2,972	2,506	2,183	1,489
Gross revenues	\$ 41,600	\$ 42,034	\$ 43,604	\$ 52,150	\$ 48,767
Operating Expenses					
Administration expenses	\$ 9,744	\$ 10,131	\$ 10,172	\$ 9,219	\$ 9,062
Water system	15,030	16,230	15,333	17,709	15,327
Sewer system	5,801	6,558	8,101	6,659	3,675
Total operating expenses	\$ 30,575	\$ 32,919	\$ 33,606	\$ 33,587	\$ 28,064
Net revenues available for debt service	\$ 11,025	\$ 9,115	\$ 9,998	\$ 18,563	\$ 20,702
Allowable system development charges	\$ 1,398	\$ 1,557	\$ 1,557	\$ 965	\$ 427
Total revenue available for debt service	\$ 12,423	\$ 10,672	\$ 11,555	\$ 19,528	\$ 21,129
Debt Service	\$ 3,562	\$ 3,564	\$ 3,972	\$ 4,182	\$ 5,093
Net revenue coverage	3.10	2.56	2.52	4.44	4.06
Total revenue coverage	3.49	2.99	2.91	4.67	4.15

It is assumed that water and sewer revenues will not be affected by growth, and that an across-the-board increase equal to the Consumer Price Index (CPI) for the year ended the previous June 1, will be applied to the rate each October 1. A history of CPI rate increases is itemized below:

<u>Rate change effective October</u>	
2010	0.4%
2009	0.0%
2008	5.8%
2007	2.7%
2006	4.3%

The increased costs of chemicals and electricity continue to have a significant impact on this fund. An additional 2% electric surcharge was instituted on October 1, 2008 to cover a recent rate increase from FPL. The fund should be financially stable over the life of the Plan

Largest Customers

The City bills an average of approximately 1.1 billion gallons per month, which is distributed across all customer classes and users. Customer billing records for 2010 (January 1 to December 31) indicate the top ten water users, their consumption for this period, and relative percent of total consumption were as follows:

<u>CUSTOMER</u>	<u>USAGE (gallons) *</u>	<u>Percent of Total</u>
City of Boca Raton	499,444	4.41%
Florida Atlantic University	162,310	1.31%
Boca Raton Resort and Club	145,224	1.26%
Investments Limited	137,882	1.30%
Boca Teeca Condo	53,168	0.46%
Boca Raton Regional Hospital	48,107	0.42%
Sea Ranch Club of Boca	40,877	0.36%
School Board Palm Beach	36,502	0.26%
T R San Marco Corporation	32,888	0.33%
Spanish Oaks Condo Association	30,827	0.32%

* Excludes Reclaimed Usage

Recommendation

Building reserves and minimizing the future impact on rate increases will lessen the need for long-term financing. Annual CPI adjustments will need to be continued. The City should consider the long-term aspect of permanent restrictions relating to drought conditions and restrictions on water usage. The City may need to consider a drought surcharge during mandatory drought restrictions that limit water usage.

Sanitation Fund

Effective in FY 2009, the City established a Sanitation Enterprise Fund to account for the collection and disposal of solid waste, vegetation, and recyclable material for City residents including quarterly bulk trash collection. During the current fiscal year, the City anticipates collecting approximately 130 million lbs. of garbage, 24 million lbs. of recyclables, and 25 million lbs. of vegetation. January 1, 2009, a user fee for sanitation services was instituted where the single family resident and the multi-family resident paid approximately one third of the costs of providing this service.

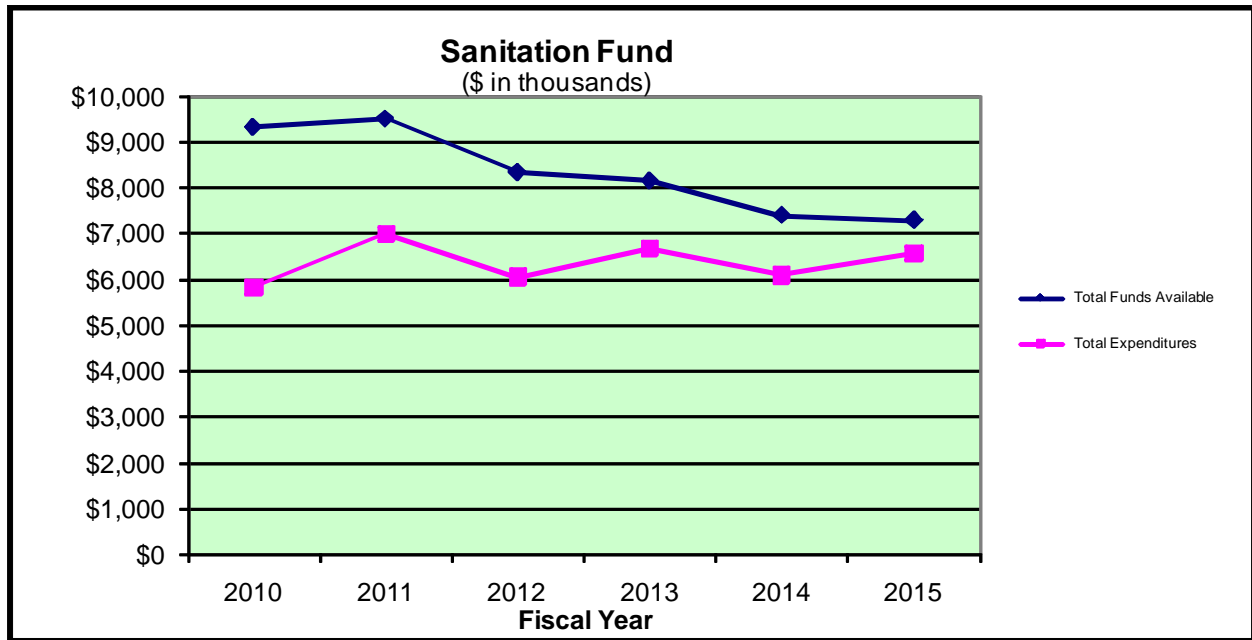


Table X

**Sanitation Fund
Long-Range Financial Plan
(\$ in thousands)**

	<u>Actual</u> 2010	<u>Budget</u> 2011	<u>2012</u>	<u>Projected</u>		<u>2015</u>
				<u>2013</u>	<u>2014</u>	
Revenues (Sources)						
Sanitation fees	\$ 3,932	\$ 5,704	\$ 5,762	\$ 5,820	\$ 5,879	\$ 5,938
Other	-	60				
Transfer in from General Fund	2,611	200	-	-	-	-
Interest	51	50	50	50	50	50
sub total	6,593	6,014	5,812	5,870	5,929	5,988
Beginning Unrestricted	2,734	3,505	2,528	2,285	1,466	1,294
Total Funds Available	\$ 9,327	\$ 9,519	\$ 8,339	\$ 8,155	\$ 7,394	\$ 7,282
Expenditures (Uses)						
Operating	5,778	5,151	5,203	5,256	5,309	5,362
Capital projects	44	1,840	851	1,434	791	1,222
Total Expenditures	\$ 5,822	\$ 6,991	\$ 6,054	\$ 6,690	\$ 6,100	\$ 6,584
Ending Unrestricted	\$ 3,505	\$ 2,528	\$ 2,285	\$ 1,466	\$ 1,294	\$ 698

Recommendation

The City will set the user fee to have the users of the service pay 100% of the costs.

Transportation Fund

The Transportation Fund is a special revenue fund established to account for the local option gas tax. Gas tax is restricted for roadway program expenditures. The funds are used to fund capital road projects and repay debt service on transportation bonds issued for major capital programs.

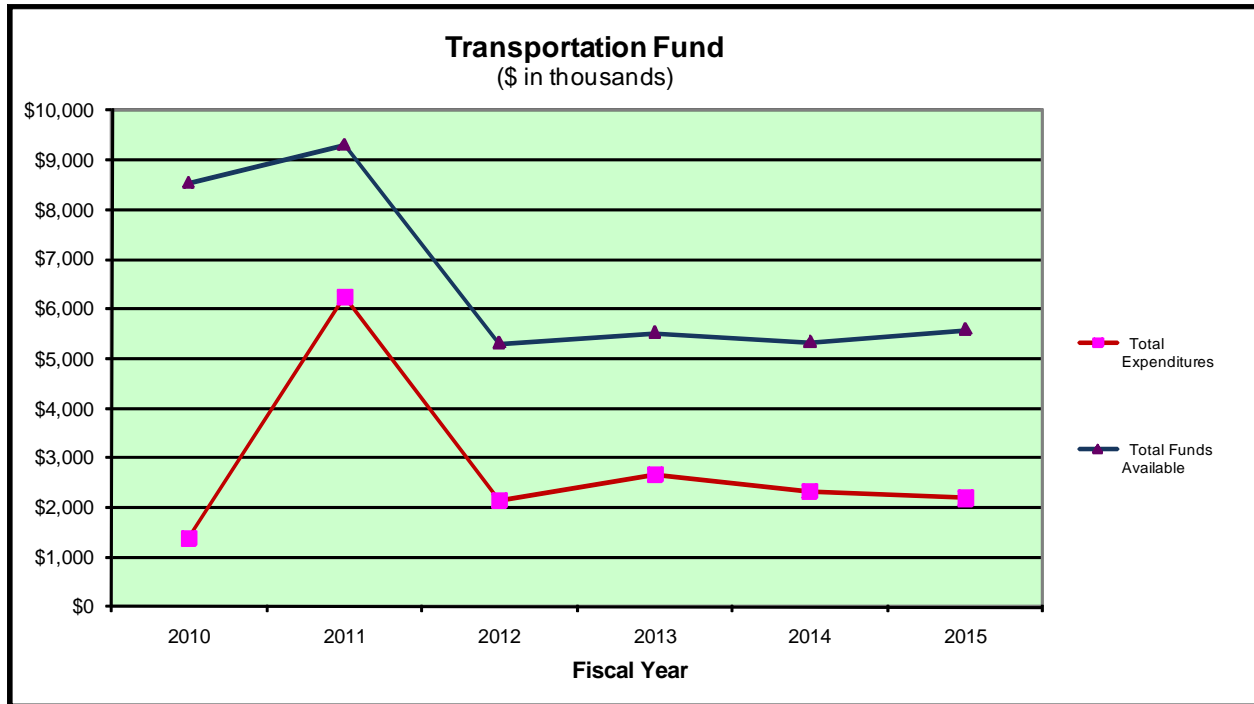


Table XI

Transportation Fund Long-Range Financial Plan (\$ in thousands)						
	Actual 2010	Budget 2011	2012	Projected		
				2013	2014	2015
Revenues (Sources)						
Local Option Gas Tax	\$1,958	\$2,044	\$2,146	\$2,254	\$2,366	\$2,484
Interest	114	100	100	100	100	100
Total Revenues	2,072	2,144	2,246	2,354	2,466	2,584
Beginning Reserves	6,458	7,152	3,057	3,155	2,855	2,991
Total Funds Available	8,530	9,296	5,303	5,508	5,321	5,576
Expenditures (Uses)						
Capital projects	945	6,239	2,149	2,653	2,330	2,190
debt service	433	-	-	-	-	-
Total Expenditures	1,378	6,239	2,149	2,653	2,330	2,190
Total Fund Balance Available for future years	\$7,152	\$3,057	\$3,155	\$2,855	\$2,991	\$3,386

Revenues

Palm Beach County, under Florida Statute 326.025, levies a six (6) cent and a five (5) cent Local Option Gas Tax. Eligible municipalities in the County, by Interlocal Agreements, receive a distribution based on the following:

	<u>County %</u>	<u>Municipalities %</u>
Six (6) cent tax	66-2/3	33-1/3
Five (5) cent tax	79	21

The following formula is used to distribute to the eligible municipalities:

$$\text{Local Distribution} = 30\% \times \frac{(\text{City Population})}{(\text{Sum of Population})} + 70\% \times \frac{(\text{City Lane Miles})}{(\text{Sum of Lane Miles})}$$

<u>Fiscal Year</u>	<u>Amount</u>
2010	\$1,957,960
2009	1,976,752
2008	2,074,282
2007	2,181,083
2006	2,215,516

The Transportation Fund will fund significant traffic projects, Transportation Demand Management Implementation, bike paths, sidewalk links to public schools, and on-going program of improvements to the public street system over the next several years. The current bond issue will be paid off July 1, 2010.

Recommendation

Due to economic conditions relating to highway construction materials, project costs have significantly increased. Existing funds may no longer be sufficient to complete capital projects as scheduled. Since funds are limited, careful consideration must be given toward additional capital projects.

ROW Beautification Fund

The Right-of-Way Beautification Fund is a special revenue fund established to account for a public service (utility) tax levied specifically for the Comprehensive Median Beautification Program established in 1984. Revenues include a 1% utility tax, interest earnings on fund balances, and private donations.

Expenditures include personnel services, operating expenses, supplies, and operating capital outlays associated with maintaining the City's medians. Currently, there are 18 employees responsible for maintaining the City's 190.20 miles or 211.62 acres of medians.

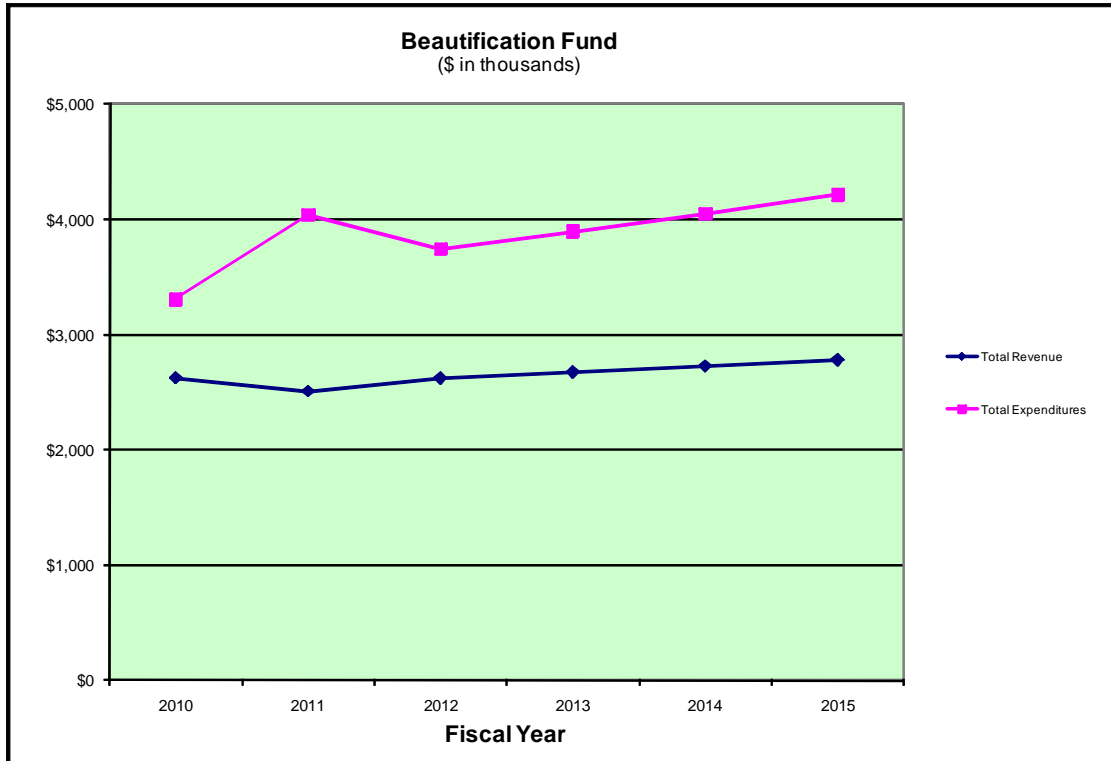


Table XII

Right-of-Way Beautification Funds						
Long Range Financial Plan						
(\$ in thousands)						
	Actual 2010	Budget 2011	2012	Projected 2013	2014	2015
Revenue (Sources)						
One percent utility tax	\$ 2,472	\$ 2,436	\$ 2,572	\$ 2,623	\$ 2,676	\$ 2,729
Interest	47	46	25	25	25	25
Other (includes donations)	105	25	26	27	28	29
Sub Total	<u>2,624</u>	<u>2,507</u>	<u>2,623</u>	<u>2,675</u>	<u>2,729</u>	<u>2,784</u>
Beginning Reserves	3,137	2,456	924	(198)	(1,417)	(2,739)
Total Funds Available	<u>\$ 5,761</u>	<u>\$ 4,963</u>	<u>\$ 3,547</u>	<u>\$ 2,478</u>	<u>\$ 1,312</u>	<u>\$ 45</u>
Expenditures (Uses)						
Operating	3,305	4,038	3,745	3,895	4,051	4,213
Total Expenditures	<u>\$ 3,305</u>	<u>\$ 4,038</u>	<u>\$ 3,745</u>	<u>\$ 3,895</u>	<u>\$ 4,051</u>	<u>\$ 4,213</u>
Total Fund Balance Available for future years	<u>\$ 2,456</u>	<u>\$ 924</u>	<u>\$ (198)</u>	<u>\$ (1,417)</u>	<u>\$ (2,739)</u>	<u>\$ (4,168)</u>

Revenues

One (1) percent of the utility tax is levied for right-of-way purposes. In keeping with our forecast, a 3% growth rate is used. Interest earnings are forecast using the available reserve balance. The fund receives donations from developers to be used for beautification funding in the City. This has averaged over \$100 thousand annually over the last few years.

Expenditures

Operating expenditures have been forecast using the same projections stated previously in the plan for the General Fund.

Recommendation

The Right-of-Way Beautification Fund is an area where **careful consideration** has to be given toward additional projects. Funds are limited and new projects have a direct impact upon capital and operational expenses. Funds will not be available in the next year Plan. An additional funding source will need to be identified. The fund is projected to spend more funds by a 1/3 to 2/3 ratio than receipts from the (1) percent utility tax levied for the fund.

Stormwater Utility Fund

In June 1994, the City instituted a Stormwater Utility Fee to fund the design, construction, inspection, and maintenance of the City's separate stormwater system in accordance with the Environmental Protection Agency National Pollutant Discharge Elimination System (NPDES) permit. Forty-five percent (45%) of these fees will be used for maintaining existing drainage systems while the remaining 55 percent (55%) will be used for drainage improvement projects.

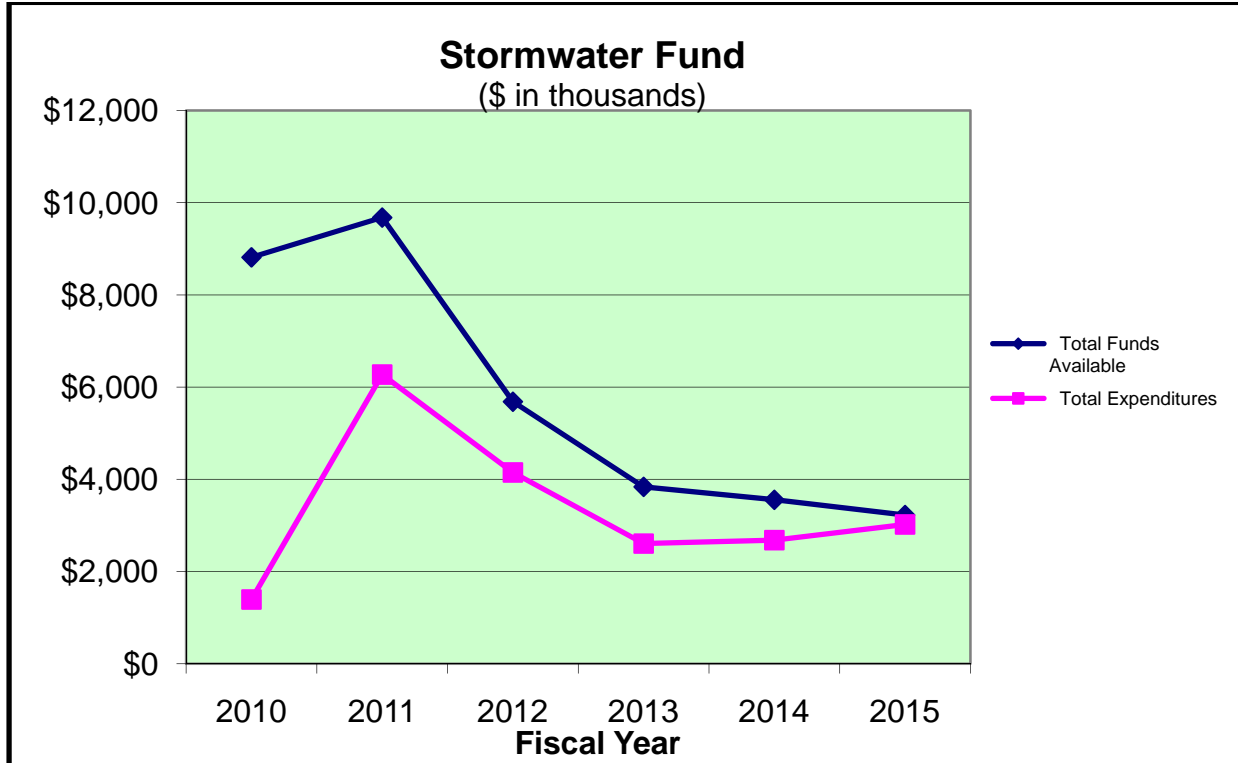


Table XIII

Stormwater Fund						
Long-Range Financial Plan						
(\$ in thousands)						
	<u>Actual</u> 2010	<u>Budget</u> 2011	<u>2012</u>	<u>Projected</u>		
				2013	2014	2015
Revenues (Sources)						
Stormwater fees	\$ 2,155	\$ 2,080	\$ 2,101	\$ 2,122	\$ 2,144	\$ 2,165
Other	-	-	-	-	-	-
Interest	125	177	179	181	182	184
sub total	2,280	2,257	2,280	2,303	2,326	2,350
Beginning Unrestricted	6,536	7,422	3,406	1,536	1,231	877
Total Funds Available	\$ 8,816	\$ 9,679	\$ 5,685	\$ 3,838	\$ 3,558	\$ 3,227
Expenditures (Uses)						
Operating	1,078	1,475	1,490	1,505	1,520	1,535
Capital projects	316	4,798	2,660	1,102	1,160	1,485
Total Expenditures	\$ 1,394	\$ 6,273	\$ 4,150	\$ 2,607	\$ 2,680	\$ 3,020
Ending Unrestricted	\$ 7,422	\$ 3,406	\$ 1,536	\$ 1,231	\$ 877	\$ 206

Revenue

The Stormwater Utility Fee is collected through a separate line item on City water bills. The fee schedule is as follows:

Residential Properties \$2.912 per unit
Non-Residential Properties:
 (Square Feet of Impervious Area) / 2,837 = Number of ERU's
 (Number of ERU's) x \$2.912 = Monthly Fee

<u>Stormwater Utility Fee</u>	
<u>Fiscal Year</u>	<u>Collections (In thousands)</u>
2010	\$2,155
2009	2,137
2008	2,118
2007	2,070

Revenue for the forecast period is projected at one percent (1%) growth rate.

Expenses

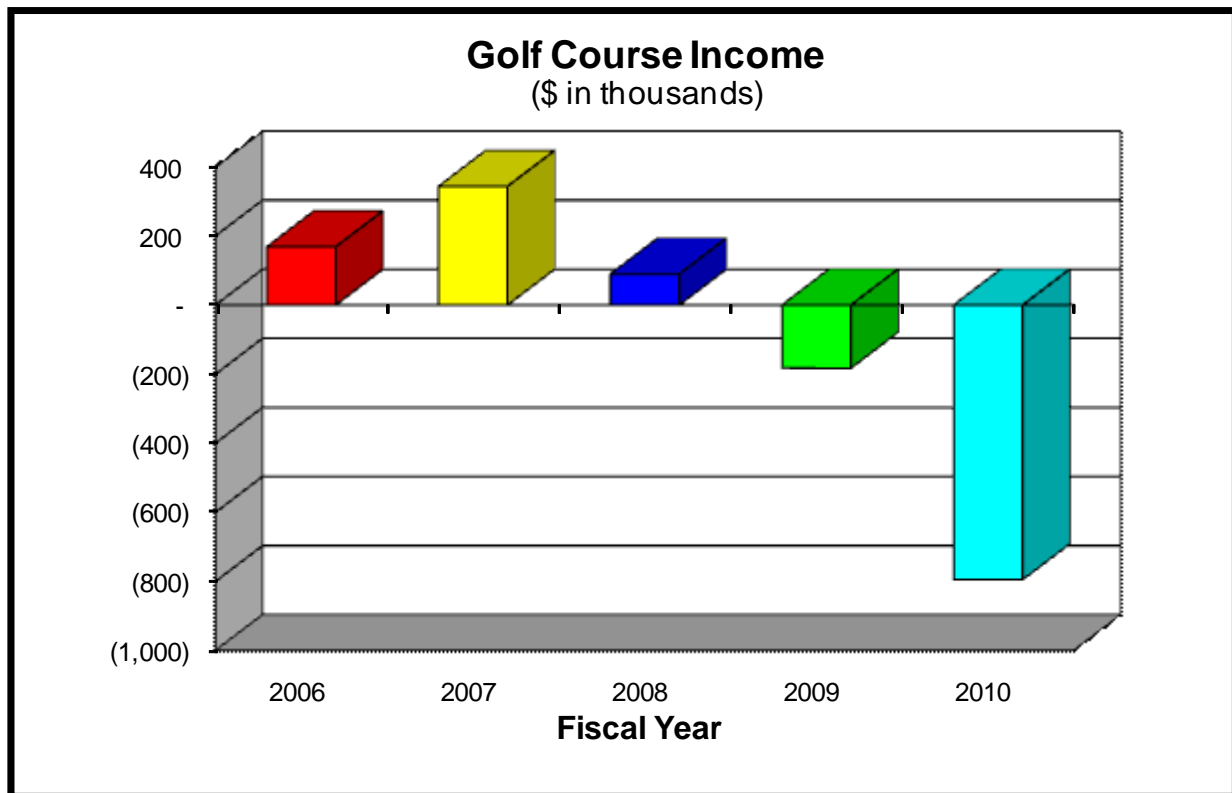
Capital expenses are detailed by projects in the CIP and funded from this fund. Maintenance expenses have been projected using the current budget with projections using forecasts established in this Plan.

Recommendation

The Stormwater Fund will continue to provide funding for stormwater projects in the future.

Golf Course Fund

The City operates three golf courses, Municipal, Executive, and the Red Reef Course as one enterprise fund. Golf Course operating revenues decreased 21.08% over the prior year. The Golf Course Fund reported an operating loss before transfers of \$795 thousand in FY 2010. The graph below illustrates the turn-around of the golf operation after the hurricanes.



The Renewal and Replacement Fund was established in 1996. The \$2.00 user fee for each round of golf played brought in \$167 thousand in the last fiscal year. Expenditures are forecast using the same growth as previously stated in this Plan.

Capital projects are forecast using the Capital Improvements Program. Renovation of the tees, greens and bunkers on the Municipal Course were completed in FY 2010. A major club house renovation is scheduled in FY 2015. This project is anticipated to be financed with revenue bonds which will be repaid through the Golf Course fees.

Due to increased competition and the economic conditions, the planned CIP projects have been deferred or put on hold. Consideration will be given as to when to move forward with these projects once the local economy improves.

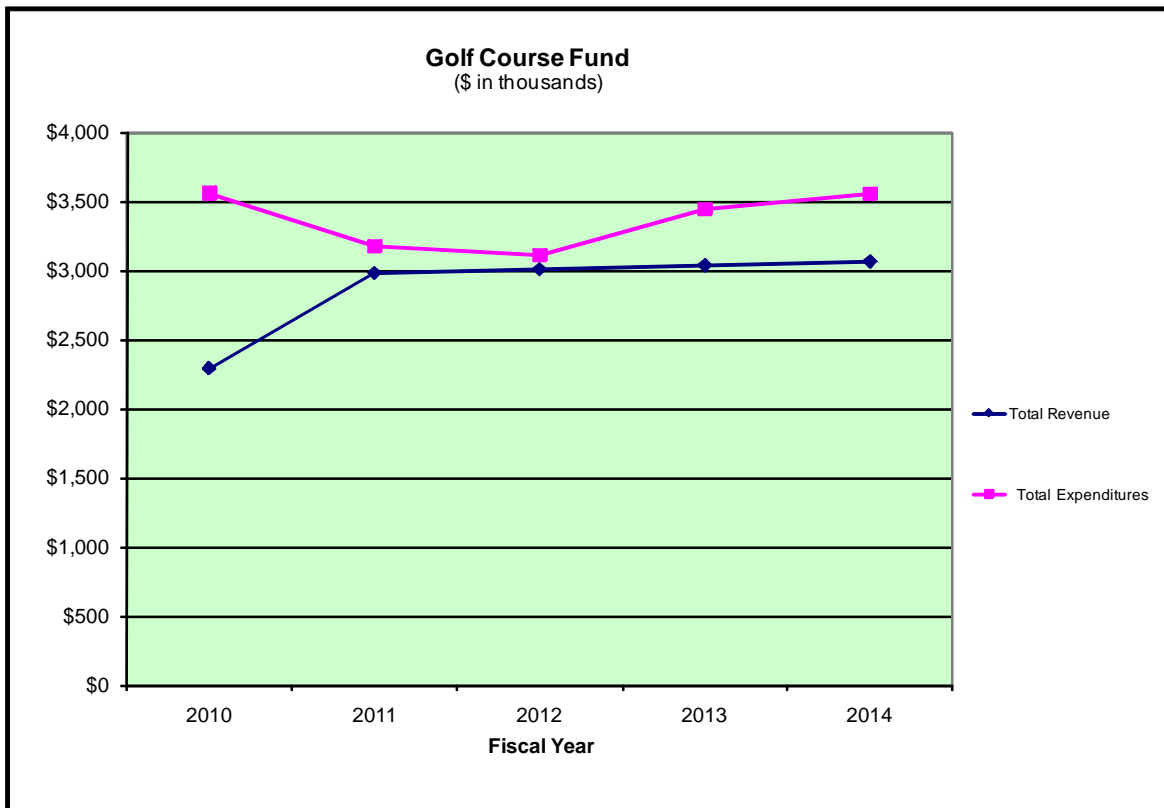


Table XIV

Golf Course Fund
Long-Range Financial Plan
(\$ in thousands)

	<u>Actual</u>		<u>Budget</u>		<u>Projected</u>	
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	
Revenues (Sources)						
Glades Courses	\$ 1,427	\$ 1,962	\$ 1,982	\$ 2,002	\$ 2,022	
Red Reef Course	355	401	405	409	413	
Interest	27	25	25	25	25	
Other	65	176	178	180	181	
Revenue Bond Issue	-	-	-	-	-	
Renewal and Replacement Fee	167	214	216	218	220	
Beach & Park District	245	200	200	200	200	
sub total	2,285	2,978	3,006	3,033	3,062	
Unrestricted Net Assets	1,600	325	129	24	-	
Total Funds Available	\$ 3,885	\$ 3,303	\$ 3,135	\$ 3,058	\$ 3,062	
Expenditures (Uses)						
Personal Services	1,723	1,713	1,781	1,852	1,927	
Supplies and other	1,172	1,193	1,200	1,230	1,261	
Renewal and Replacement	664	269	129	362	365	
Capital projects	-	-	-	-	-	
Transfers/Debt Service	-	-	-	-	-	
Total Expenditures	\$ 3,560	\$ 3,174	\$ 3,111	\$ 3,445	\$ 3,553	
Unrestricted Net Assets	\$ 325	\$ 129	\$ 24	\$ (387)	\$ (491)	

Cemetery/Mausoleum Operating Fund and Perpetual Care Funds

In 1994, City staff prepared a detailed report on cemetery/mausoleum operations and perpetual care. From this report, several recommendations on cemetery operations were implemented:

- Cost of a cemetery plot was increased to \$1,440.
- A perpetual care fee of \$870 per cemetery plot was established to accumulate enough revenue to allow interest on these revenues to fund future operations of the cemetery.
- Other sales and service fee increases were made.
- All fees including the perpetual care fee, plot fees, and other fees will be increased annually using an inflation index.

	Actual 2010			Budget 2011		
	<i>Mausoleum</i>	<i>Cemetery</i>	<i>Combined</i>	<i>Mausoleum</i>	<i>Cemetery</i>	<i>Combined</i>
Operating Revenue	\$ 121,778	\$ 71,555	\$ 193,333	\$ 124,500	\$ 94,700	\$ 219,200
Operating Expense	363,301	210,556	573,857	377,600	300,200	677,800
Depreciation/Capital Expenditure	57,219	3,992	61,211	85,300	10,500	95,800
	420,520	214,548	635,068	462,900	310,700	773,600
(Loss) before Transfer	(298,742)	(142,993)	(441,735)	(338,400)	(216,000)	(554,400)
Transfer from Perpetual Care	144,800	157,500	302,300	224,800	234,600	459,400
Gain/(Loss) for year	\$ (153,942)	\$ 14,507	\$ (139,435)	\$ (113,600)	\$ 18,600	\$ (95,000)

On mausoleum operations, the following changes were made:

- The current contract with the Boca Raton Mausoleum was amended to increase the mausoleum commissions received by the City from 15% to 16.5% of gross revenues. The mausoleum also took over the sale of cemetery plots and implemented a marketing program similar to the one used to promote mausoleum sales.

Even with an increase in the price of cemetery plots, the fund continued to experience a net loss in the operating fund of \$441,735 before a transfer in of \$302,300 (cemetery \$157,500 / mausoleum \$144,800) from the perpetual trust fund in FY 2010. In FY 2010, 55 lots were sold; an increase of 4 lots from the prior year. The City has a policy of only selling lots to City residents. Mausoleum sales do not have this restriction but still failed to meet the projection. Also, the Mausoleum Corporation is no longer the only company offering services in our area. These variables, as well as the cost of mausoleum building maintenance, may cause perpetual care reserves to be depleted earlier than anticipated. This may have an impact on the General Fund in the future.

The cemetery and mausoleum continue to face new competition in the City and surrounding areas. With the nationwide trend of reduced burials and more cremations, lot sales are not seen increasing in the future.

The reserve balances need to be sufficient to produce interest revenue to fund operations and capital improvements when revenues decrease because of sellout of the cemetery and mausoleum.

At September 30, 2010 the balances in the Perpetual Care Funds were:

Cemetery	\$2,123,486
Mausoleum	<u>3,613,658</u>
Total	<u>\$5,737,144</u>

Recommendation

As Plans have stated in the past, the City needs to develop new revenues and expense projections and look at ways to reduce annual operating costs at the Cemetery. The City also needs to review possible modifications to existing cemetery policy to allow purchases by non-City residents at a premium cost. Other new revenues should also be considered.