



October 1, 2008

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, 2008, and ending September 30, 2009, 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 emergency reserves. For FY 2008-09, the Citywide combined uses of funds including operations, transfers and fund balance/reserves total \$539,547,500. The approved General Fund portion of the budget is \$168,363,400. The approved citywide total operating budget is \$402,911,100.

BUDGET DIRECTION

The goals and priorities established by the City Council during the May 2008 Goal Setting Sessions were used as a guide to prioritize funding in the FY 2008-09 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 our Stakeholders

POLICY AGENDA PRIORITIES for FY 2008-09

- **Top Priority**
 - Operate With a Balanced Budget
 - Maintain Essential Services (Police, Fire, Utilities & Municipal Services)
 - Retirement/Pension Cost Containment
 - Downtown Vision and Plan
 - FAU Strategy/Hospital Project/I95 Interchange Project
- **High Priority**
 - Develop Partnerships to Promote Economic Development & Advance the City’s Goals
 - North Federal Highway Development Project and Beautification
 - Multimodal Transportation District (Continued Implementation) and Mobility

GOALS

- Employee Recruitment, Retention & Career Planning
- Comprehensive Environmental Initiative
- Annexation (Analysis and Review)
- Integrated Technology Strategy
- Branding
- Wildflower Property Direction and Actions

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 State mandated property tax reform and 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 approved FY 2008-09 total millage rate is 3.3057 mills per \$1,000, which is unchanged from FY 2007-08. A home with a taxable value of \$350,000 in the City of Boca Raton will pay \$1,157 in total ad valorem taxes.

	FY 2007-08		FY 2008-09		CHANGE		
	Millage	Tax	Millage	Tax	Millage	Tax	Percent
Total Millage Rate	3.3057	\$ 1,157.00	3.3057	\$ 1,157.00	-	-	-

FY 2008-09 property values **decreased 3.63%** in the City. The net decrease is composed of a 5.0% decrease from reassessments of existing properties and an increase of 1.37% from new construction (net of CRA Downtown values). This is the first 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. Compared to last year, the City of Boca Raton will collect \$2,027,500 or 3.3% less in property taxes due to Amendment 1. In addition to Amendment 1, due to declining property values the City will collect \$1,039,400 or 1.7% less in property tax collections compared to last year.

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 \$3,066,900 compared to last year, but the average homeowner with a \$350,000 taxable value will benefit by paying \$82.65 or 7.1% less in property taxes to the City.

The General Fund operating budget (including Sanitation expenses) has increased \$6,565,100 or 5.11% from the previous year. The cost of many of the City’s operations, due to continued inflation pressure and personnel costs, has increased from the previous year. In order to offset these increased costs and comply with the State mandates while maintaining a balanced budget without increasing property taxes, the City is not adding any additional positions and has had to make an additional \$1,320,000 reduction in operations. Combined with last year’s operational reductions of \$7,763,000, the City has reduced operating expenses by \$9,083,200 or 8% over the last two years. The increases and decreases can be primarily attributed to the following areas:

<u>Category of Expense</u>	<u>Increase (Decrease) from Prior Year</u>
Police Salaries and Benefits	\$2,443,500
Police Pension	956,700
Fire Salaries and Benefits	669,900
Fire Pension	835,600
General Employees Salaries and Benefits	686,900
Fuel	1,318,300
Payment to Community Redevelopment Agency	(129,600)
Motor Pool Maintenance	(598,600)
Property Insurance	(40,800)
Telecommunications	(155,500)
Training & Education	(76,500)
Disposal Fees	186,500
Facility Maintenance	(117,400)
Supplies & Printing	(201,800)
Software Maintenance	74,000
Other Operating Expenses	316,700
New Programs	<u>397,200</u>
Total Increase in Operating Costs	\$6,565,100

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

During FY 2008-09 the cost of providing sanitation services is approved to be \$6,020,400. Costs of providing sanitation services have increased \$2,239,579 or 59% since FY2003, primarily due to the escalating costs of fuel, personnel, disposal fee and vehicles. In order to enable the City to continue to fund these services, the approved budget includes a new fee of \$5 per month for single family residents and \$2.87 per month for multi-family residents beginning January 1, 2009. The sanitation fee will provide approximately \$1,497,500 or 25% of the total cost to provide sanitation services to residents. In order to provide better service to our residents, the approved budget also includes more frequent bulk collection services. Beginning January 2009, bulk trash will be collected on a weekly basis, instead of quarterly.

The fire assessment fee charged by the City is approved to increase \$10 annually (from \$20 to \$30) per residential household for FY 2008-09. The fee for non-residential property varies depending on the size and type of property.

There are several large-scale Capital Improvement Projects (CIP) scheduled for FY 2008-09 including: the widening of N.W. 12th Avenue, construction of a new downtown library, and the continued development of a Transportation Demand Management System. Due to the significant increases in construction costs and the State limits on property tax revenues, the FY 2008–09 approved budget includes a one time transfer from General Fund reserves of \$6,095,300 to complete these projects in a timely manner.

Due to the overall economic uncertainty, the City is delaying the construction of the new Downtown Library until economic conditions improve. In order to proceed with a new Downtown Library, the City will need to increase taxes for debt service (approximately \$800,000 annually) and provide additional funds for operations (approximately \$350,000 annually).

The State mandated property tax law combined with a slowing real estate market will have a 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 3-4% annually for the next several years while at the same time operating expenses are projected to increase at 5-6% annually.

WHAT’S NEW FOR 2009?

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

➤ City Manager Department	
○ Election Administration Cost Increase	\$ 46,900
○ Codification of Land Development Code	12,000
➤ Municipal Services Department	
○ Purchase of 1,500 - 35, 65 or 95 Gallon Garbage Containers	60,000
○ Multi-Modal Transportation (MMTD) Administration	250,000
➤ Recreation Services Department	
○ Maintenance Contract - El Rio Bike Path	<u>28,300</u>
Total New Programs:	<u>\$397,200</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 \$37,733,800, which includes a reserve for emergency preparedness of \$10,600,000. 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 Funds, Right-of-Way Beautification Fund, Greater Boca Raton Beach and Park District Fund, Cemetery and Mausoleum Fund, and the Golf Course Funds. The City manages and allocates resources from these funds in support of its overall vision, mission, goals, and objectives.

Cost of services provided to the Beach and Park District for FY 2008-09 is approved to increase by \$610,800.

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, 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 Water and Sewer Enterprise Fund and related portions of the budget will include a Consumer Price Index (CPI) increase of 5.8% in rates. The increased cost of electricity and chemicals continue to have a significant impact on the Water and Sewer Enterprise Funds. FPL (Florida Power & Light) has been approved for an additional 16% increase in electric rates effective August 4, 2008. This FPL rate increase will increase the electric cost of the Water and Sewer Fund by \$800,000 annually. In order to ensure that the Water and Sewer Funds have sufficient funds to continue to operate in a sound fiscal manner, the approved budget includes an additional electric surcharge of 2% for FY 2008-09 to cover the FPL rate increase.

ANNEXATION

The approved budget does not include any funds to provide services to areas that may be annexed to the City. 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 approved 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 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