

Date: September 14, 2011

To: Members of Plantation City Council

From: Diane Veltri Bendekovic, Mayor
Dan Keefe, Chief Administrative Officer
Herbert V. Herriman, Finance Director

Subject: **CITY OF PLANTATION BUDGET MESSAGE**



We hereby submit, for your review and consideration, the proposed Operating and Capital Budget for all funds for the fiscal year beginning October 1, 2011.

The Budget represents one of the most important documents presented to City Council. It establishes an operational and financial plan for the delivery of City services. It has been prepared to provide a comprehensive overview of all City funds and services, and to give residents a better understanding of the City's operating and fiscal programs.

As in recent years, this year's budget, too, has been difficult to produce. Plantation continues to struggle under financial pressures created by the state-mandated tax revenue roll-back in 2007. While that approach may have been appropriate for cities whose millage rates are upwards of 6-8 mills, the City of Plantation continues to have one of the lowest millage rates in Broward County, and believes the "one size fits all" mandate is nearly crippling those cities with historically low tax rates such as ours.

According to Broward County Property Appraiser (BCPA) estimates, property values are stable for the City of Plantation when compared to last year. While this is good news, it means the City initially worked to create a budget using approximately the same amount of ad valorem revenue in a time when costs in virtually every industry have risen. With the recommended millage rate of 4.6142, the ad valorem revenue of \$29,677,628 would not even support the Police department requested budget of \$34,737,239, let alone the remainder of the City's department budgets. As a result, the City looks to leadership in City Council to allow a small increase in the millage rate. The result is a 2.2 percent increase in the millage rate, which will provide additional revenue in creating a balanced budget. We understand it is not an easy decision to make, but it is one we feel is absolutely necessary.

Even with an increase in ad valorem revenue, difficult decisions had to be made. A combination of revenue enhancement in certain areas, expenditure reduction in others, and withdrawals from reserves has led to the final balanced budget presented to you herein. The decision to increase fees or decrease service or facility hours has not been easy. But expenditures such as the printing of the *Plantation Quarterly* resident magazine or financial support to some non-profit organizations all cost thousands of dollars. While they are all important, we felt we had to eliminate them and other line items before looking at other budgetary possibilities.

In today's economic climate, each governmental agency (local, state, federal, schools, etc.) functions with a unique set of challenges. Unfortunately, even though no municipality operates like another, the public is inclined to paint all government agencies with the same broad brush regardless of their initiatives, competency in meeting citizen needs and past financial decisions. An in-depth review of Plantation's budget will reveal a well-planned, controlled, fiscally responsible position throughout the years that has historically served the City well, and will see us through the tough times ahead.

Based on conditions found throughout Broward County and around the State of Florida, the City finds itself in an enviable position today. Over the past several years, the Administration and City Council

have directed resources to replace and improve City buildings including the Police Station, headquarters at Fire Station #2, the Helen B. Hoffman Library, the Historical Museum and the Public Works Fleet Maintenance Building. In every municipal building, roofs, air conditioning systems and interior improvements have been completed to create a welcoming, professional workplace and facilities to serve the residents of Plantation. Emergency generators have been installed by Public Works and Utilities to harden the City's infrastructure in case of a tropical event. Roads have been repaved, bridges have been replaced and decorative lighting has been installed on major corridors. Neighborhoods have been enhanced with entryway features, street signs and landscape projects. The park system has seen the completion of many extraordinary projects including Volunteer Park, additions to Central Park and the Veltri Tennis Center, Country Club Park, the Jim Ward Community Center, the Equestrian Center, the development of Plantation Preserve Golf Course and Club, the expansion of Rae Carole Armstrong Liberty Tree Park and, most recently, Plantation Woods and Nature in the Woods at the Kennedy Community Center. The Helen B. Hoffman Library and Plantation Historical Museum have been expanded to form the backbone of Plantation's Cultural Trail, and the Multi Use Recreational Trail (MURT) bicycle/pedestrian pathway links neighborhoods to public facilities. These and other capital projects provide City residents with access to recreation and important services during these difficult times.

It's important to note that insofar as capital improvements for FY2012 are concerned, this year's budget does not include a "wish list." Nor do we have a "want list." Our capital items list is strictly a "needs" list, based on the fact that many capital projects have been deferred or postponed beyond reasonable expectation. For the most part, the FY2012 Budget will not provide resources for capital improvements unless those improvements have been provided for through grant funding, federal funding or bond issuance.

In order to work through these difficult times, it is necessary for employees to understand that the culture of today's workplace is dramatically different than even a few years ago. It is necessary to "think outside the box," to creatively approach the need to generate new revenue and to reduce costs where it is reasonable and responsible to do so. At the same time, it is critically important to recognize that the residents of Plantation have high expectations as to the services they expect the City to deliver.

During my first few weeks as Mayor, I took the opportunity to visit with every department and had the pleasure to personally meet the members of the "TEAM," which I fondly refer to as "TEAM PLANTATION." Plantation's employees are dedicated, hardworking and loyal, and some of the most focused and customer-friendly representatives of the City we could hope for. "TEAM PLANTATION" has taken on more responsibilities and is doing more with less.

Even through the lean years, we are continuing to maintain our infrastructure, meet daily emergency response expectations, protect property values through neighborhood stabilization programs, and provide recreation and leisure programs, all while maintaining a high level of service to our residents. This is all made possible through the experienced, professional, fiscally responsible leadership on all levels within our workplace.

Plantation's future, and its sustainability, will be largely dependent on long and short term planning for its business districts: Plantation Midtown, Plantation Gateway, and Plantation Technology Park. Plantation is committed to marketing both small and corporate businesses, monitoring growth management, and promoting the uniqueness within the business districts. Other initiatives as the Neighborhood Stabilization Program (NSP) and Community Development Block Grant (CDBG) maintain property values in Plantation neighborhoods. These are all key elements to developing and sustaining Plantation's future.

Budget Highlights

- ◆ A recommended millage increase of 2.2 percent, to 4.6142. This represents an increase in ad valorem revenue of \$641,000.
- ◆ Still no extra fee for debt services or a fire assessment fee.
 - A proposed stormwater management fee will be placed on the October agenda.
- ◆ General Operating Expenditures for FY2012 are \$81,141,241.
- ◆ Medical cost increases are limited to between 3 and 4 percent while others experience a 14-16 percent increase.
- ◆ Pension costs increased by \$39,898.
 - The City has implemented Tier II Pension Plans for Police Officers (FOP) and General Employees that will provide more choices and save money in future years.
- ◆ Eight (8) full time positions eliminated or not funded.
 - Total number of FT positions is for the General Operating Fund is 602 FT and 223 PT. This is fewer positions than in each of the past ten years. The number of FT positions for all funds is 765 FT and 239 PT.
 - Changed organizational structure in Design & Construction/Landscape, Fire/Rescue, and Finance.
 - Implemented a new shift schedule in the Police Department.
- ◆ Balanced with the use of reserve funds.
- ◆ Maintains the most critical services and is designed to poise the City for recovery from economic downturn.

Plantation has one of the lowest millage rates in the County. We continue to emphasize cost control, cost avoidance, increased productivity through continuous process improvements, and diversified revenues to protect our financial condition. The City's efforts will continue to protect and advocate growth in Plantation's commercial tax base with a focus on small business development.

New revenue may be garnered if the proposed stormwater utility fee is approved in October. Effective October 2011, significant savings will result from the reduction of solid waste tipping fees, down from \$99 per ton to approximately \$72 per ton.

This year's budget, as with past budgets, emphasizes a professional and responsible fiscal approach. It addresses both current and future issues facing the City in light of the recent state tax reform, and provides justification to support all requested expenditures.

City residents deserve and insist on quality municipal services provided in a productive and efficient manner at the lowest possible costs. We believe the budget contained within does all of this. It is a budget that provides the means to navigate through the rough seas of the economic storm.

Significant Factors Affecting the Budget Preparation

Plantation is one of the few cities in Broward County that shows signs of improvement through increased taxable property values and increased number of building permits and business licenses. FY2012 taxable property value is \$6,677,220,055, which represents a one (1) percent increase over last year, and a \$641,000 increase in ad valorem tax revenue at the recommended millage rate (4.6142). In part, this can be attributed to the concerted effort to continue to nurture neighborhood planning initiatives, encourage economic development and business stability in Plantation Midtown and Plantation Gateway, and provide exceptional police, fire and emergency medical services. We have found through real estate contacts that people and businesses want to live in, and be a part of, the City of Plantation. This reflects well on us today and for our future.

The City of Plantation's government promotes and supports a high quality of life for its citizens, businesses and visitors, and every effort was made to maintain quality municipal services, in particular

public safety services, free tram bus service, park and library availability hours and maintenance of public spaces. However, the stress of revenue reductions is beginning to take its toll on equipment, the City's ability to respond to non-emergency requests and exceptional standards set for our physical environment.

Changes in revenues and expenses

We approached the FY2012 budget with a revenue deficit of \$7.7 million resulting from last year's decreased property values (\$3,330,000) and decreases in other revenue sources driven by the economy. Pension costs decreased by \$38,414 for the General Employee Pension Fund (861 active and retired employees), and increased by \$78,312 for the Police Pension Fund (247 active and retired employees). Other expenses have been controlled by carefully managing daily operational needs, reviewing service contracts and freezing open positions except those critical to delivery of services. Fortunately, fiscal measures implemented over the past years have put the City in a better position than most to weather the revenue reductions and the current economic climate. We have worked our way through previous economic downturns, and I am confident that we will do so again.

Capitalize on the stabilization of property values expansion of new construction

The future looks good for Plantation as a result of major developments and redevelopments in both Plantation Midtown and Plantation Gateway. In 2011, we saw the completion of Dick's Sporting Goods, Kohl's, and Midtown 24 Phase I, plus other retail and eatery additions in The Fountains. New residential projects (Veranda Phase II, One Plantation Place, and Midtown 24 Phase II) and the 42,000 sq. ft. Westside Regional medical office are slated for construction in the coming year in Plantation Midtown.

In addition, there have been a number of other projects throughout our City, including several financial bank buildings, a Social Security Regional Office building, a new Walgreen's at State Road 7 and Peters Road, medical offices, car dealerships, and other smaller projects which are expected to generate revenue for FY2012 and will be catalysts for additional development in business corridors and shopping districts.

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

City revenues and expenses today are less than they were in 2007. Plantation has struggled to absorb decreases through the last five budgets primarily due to our historically low millage rate. It has forced us to consistently work with less while at the same time maintain high standards and quality services for our residents.

In 2011, we realized savings in the areas of water, fuel, paper and electricity thanks to our Climate Change Task Force and the *Save-a-Watt*, *Save-a-Lot* program. We can expect to reap additional benefits this year through the completion of a greenhouse gas emissions inventory and the development of a formal Action Plan that will help identify additional areas where we can make reductions, creating further cost savings.

In October 2010 employees were given the choice to switch from the Choice plan to the Open Access medical insurance plan, or to pay the difference between the two plans. This created a significant savings for the City and for some employees through benefit changes. In March 2011, employees were given the option to switch to a Tier II pension plan, saving additional dollars. Employees, their spouses and dependents (age 12 and older) are taking full advantage of the Employee Health and Wellness Care Center, which opened its doors in April 2010. They are also utilizing the Clinic's health coaching sessions for wellness options and preventive care, resulting in healthier employees overall and fewer sick leave days used. As an alternative to expensive emergency room visits, employees have begun using Urgent Care facilities for serious, but not life threatening, conditions. Thanks to these and other initiatives, the City has stabilized the amount spent on health care premiums, and while municipalities throughout the rest of the country are anticipating a 14-16 percent increase in premiums for the coming year, we are projecting an increase of only 3-4 percent. Cost avoidance equates to dollars saved.

Continued restructuring of departments and personnel tasks

Municipal government is a service business, and over seventy-three percent (73.9%) of our expenses is in salary, wages and employee benefits. General employee wages were frozen two years ago and again this year, but they continue to provide citizens with the best possible service. Each department has had to evaluate open positions created by retirement or resignation to determine if they can be eliminated by rebalancing tasks or reorganizing existing personnel. The total workforce has been reduced due to retirement and voluntary separation, saving the City thousands in payroll and benefits costs. These reductions have been made possible through multi-tasking.

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

The pressure to reinvest and maintain the City's equipment and infrastructure grows more critical with each year. In FY2012, we will need to examine the Five Year Capital plan to provide for the purchase of police vehicles, fire trucks and maintenance equipment for all departments. As bond projects are completed, the City has had less to spend on large scale projects such as parks and facilities. Because of revenue reductions, the list of general required maintenance equipment continues to grow.

Reduced investment income

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

FY2012 Budget Priorities

- ◆ Rebalance and absorb all new costs of the FY2012 budget numbers while maintaining current service levels and programs.
- ◆ Engage Department Directors and staff to understand the challenge faced with respect to eliminating vacant employee positions and redistributing the work to existing staff.
- ◆ Continue to adopt "Green" initiatives in order to save energy, conserve precious natural resources and reduce our impact on climate change and the environment. Over time, these initiatives will also reduce our annual operating cost.
- ◆ Develop strategies to provide resources to maintain parks, meet the increased demands for public safety services and to continue to provide a high quality public works program.
- ◆ Complete projects in progress and those currently funded through the 2003 Bond Capital Improvement Program and those supported by grant funding.
- ◆ Recognize that capital items that are still being deferred will need to be funded in future budgets or a new bond initiative in the near future.

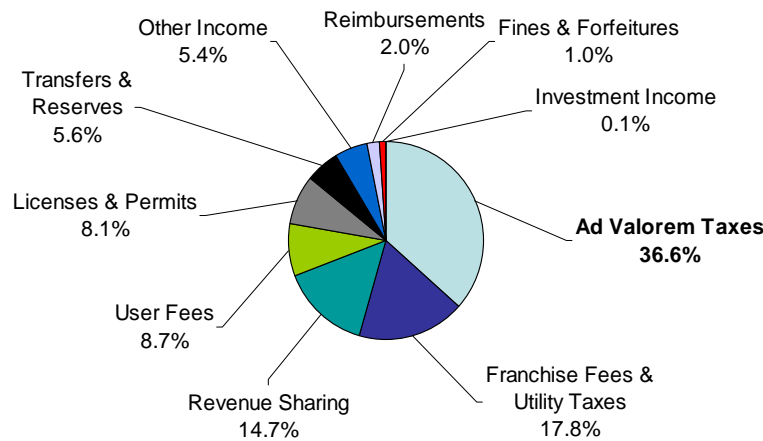
GENERAL FUND

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

Revenues

The City is constantly looking for new revenue opportunities to ease the burden on ad valorem taxes. The revenue required to fund the recommended FY2012 General Fund Budget, including inter-fund transfers, is \$81,141,241, which represents an increase in revenues of \$3.2 million or 4.2 percent.

General Fund Revenue by Category

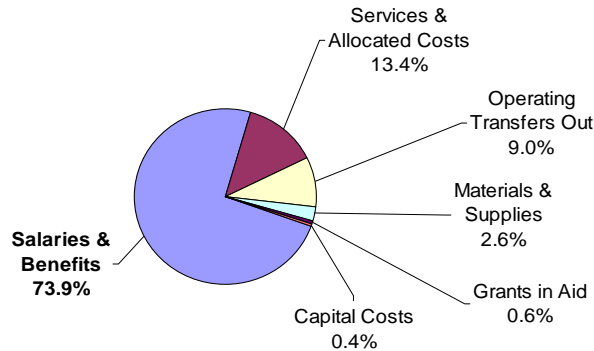


- ◆ **Ad Valorem Taxes** – The City’s assessed value as reported by the Property Appraiser is \$6,677,220,055. This amount is a 1 percent increase over last year. The tentative ad valorem millage levy for FY2012 is recommended to be 4.6142 mills. This translates to ad valorem tax revenue of \$29,677,628.
- ◆ **License & Permit Fees** – The amount of revenue projected is \$6,584,889. This is an increase of \$2,519,789 due to an increase in building permits and other permit fees.
- ◆ **User Fees/Charges for Services** – Revenue related to charges for services from all departments including Parks and Recreation and Special Duty Police Details is projected to be \$7,043,292, an increase of \$3,103,342.
- ◆ **Fines & Forfeitures** – Total revenue projected for FY2012 is \$826,400, an increase of \$131,400.
- ◆ **Investment Income** – Total revenues are projected to be \$105,646, a decrease of 78.8 percent due to market conditions.
- ◆ **Revenue Sharing** – Revenues from various Federal, State and County grants and taxes based on statewide sales and communications tax revenue have only a slight increase as a result of the economy. Total revenues for this category will be \$11,898,924, an increase of \$380,424.
- ◆ **Other Income** – Revenues from cell towers leases, commissions, sale of surplus items and general services account for \$4,405,631, an increase of \$610,931.

Expenditures

The estimated FY2012 General Fund expenditures and debt services contained within this budget total of **\$81,141,241** (including inter-fund transfers for Fire Rescue) and are balanced with the projected revenues based on the recommendation above. Total expenditures are **\$3,239,534** more than the previous years, an increase of 4.2 percent.

	<u>FY2012</u>	<u>FY2011</u>	<u>Variance</u>	<u>Percentage</u>
Salaries and Wages	36,791,045	36,961,554	(170,509)	(0.5%)
Employee Benefits	23,170,985	21,948,802	1,222,183	5.6%
Services	10,866,126	9,808,700	1,057,426	10.8%
Materials & Supplies	2,146,469	1,836,401	310,068	16.9%
Capital	365,133	524,800	(159,667)	(30.4%)
Grants and Aids	474,300	618,800	(144,500)	(23.4%)
Operating Transfers Out	7,327,183	6,202,650	1,124,533	18.1%
	81,141,241	77,901,707	3,239,534	4.2%



Personnel Services – Recognizing that 73.9 percent of the City budget is salary and benefits, each year the administration evaluates the organizational structure, service levels and workforce requirements. Reluctantly, Department Directors have not filled vacancies throughout the years. That process produced a reduction of 16 full-time positions and 15 part-time positions in 2009. In 2010, a reduction of 10 full time positions and 119 part time positions was based on Parks & Recreation outsourcing the summer camp program. Last year, 18 full-time positions and 9 part-time positions were eliminated or not funded, and for FY2012, 8 full time positions were eliminated, bringing the total number of full-time general fund employees to 602 and the total number of part-time employees to 223. This is fewer full time and part time positions than the City had in 2000.

Salary and Wages – Salary and Wages have been increased for FOP members per the collective bargaining agreement with a 3 percent merit and step increases. General Employees will not receive a merit increase this year. The reduction in workforce as outlined above and the merit increases – totals represent a net decrease in General Fund Salaries and Wages of \$170,509.

Employee Benefits – Employees benefits increased 5.6 percent, or \$1,222,183. This is due primarily to the rise in health insurance premiums locally and across the country, and to FOP pension increases.

- ◆ **Medical Insurance Premiums**

Health insurance premiums have increased nationally at a rate of 14-16 percent. Thanks to an increased focus on employee wellness and preventive care, Plantation has realized increases of only 3-4 percent. Since the opening of the Plantation Health and Wellness Center in April 2010, medical claims continue to decrease, and employees are changing the way they see the doctor: utilizing 24-hour health care centers for routine, but after-hours, medical issues, versus costly emergency room visits and contacting their primary care physician prior to a more costly specialist. Employees continue to fully utilize their benefit plan, but in a more efficient way.

- ◆ **Pension Benefits**

Pension plan costs have increased by \$39,898 in FY2012 (general employees decreased \$38,414; FOP increased \$78,312). The City has implemented two-tiered pension plans for the FOP and General employees which will save money in future years.

Services – Cost of services has increased by \$1,057,426. This area includes employment testing, utilities (electric and water), repair/maintenance for structures, grounds, vehicles, maintenance contracts, etc. All contracts have been (and will continue to be) reviewed for cost savings. Bids for services and construction continue to produce savings and reflect the condition of the economy.

Materials & Supplies – Increased by \$310,068 in part due to the general, overall cost of goods, especially fuel.

Capital – Continues to represent the most critical concern going forward. In FY2012, General Fund capital has once again been reduced. FY2012 capital is \$365,133, a reduction of \$159,667 from last year. Capital spending includes the replacement of vehicles and equipment that are past the point of being repaired.

Grants in Aid – These expenditures are for the City’s tax increment payment to the CRA, obligated economic incentives partnered with the State and County through Enterprise Florida and grants to various non-profit organizations such as the Area Agency on Aging. For FY2012, Grants in Aid total \$474,300, a decrease of \$144,500.

Non-Operating – These are expenditures for inter-fund transfers for Fire Rescue \$5,289,046, the 2003 Bond Fund debt payment in the amount of \$1,879,621 and the 2002 Dredging Note debt payment in the amount of \$158,516.

ROAD AND TRAFFIC CONTROL FUND

Revenue for the Road and Traffic Control Fund is generated each year by tax on gasoline. This fund provides for continued maintenance of roads and bridges, street lights and community bus service in the City and is affected by the economy. Over the past ten years, revenues and reserves associated with this program have been transferred into repaving and improvement projects throughout the City as well as for stormwater management improvements. The ongoing program is functioning on an annual basis with the challenge of creating a long range plan for major projects. The Road and Traffic Fund Budget for FY2012 is \$2,665,756.

FIRE/RESCUE SERVICES FUND (Enterprise Fund)

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

The Fire/Rescue Services Fund is supported by a direct transfer from the General Fund in the amount of \$5,289,046 and has a total budget of \$7,604,979.

UTILITY SERVICE FUNDS (Enterprise Fund)

In order to face the challenges of water conservation, new regulatory requirements and an aging municipal infrastructure, the Utilities Department, along with utility and engineering consultants, and City Council, completed a rate study review and implemented a Conservation Rate Structure, which took effect in August 2009. This initiative was critical to positioning the Utilities department to meet both the short term and long term demands on the system. For FY2012, the Utilities Water Services budget is \$18,743,656 including capital of \$7,041,435 and Wastewater Services is \$25,399,821 including \$12,177,923 in capital.

GOLF COURSE FUND (Enterprise Fund)

The Plantation Preserve Golf Course and Club continues to generate revenue to cover all operating expenses before depreciation including debt service. The wetlands and park trail are popular destinations for Plantation residents, golfers and environmentalists from throughout the County.

The Plantation Preserve Golf Course and Club Budget for FY2012 is \$4,597,808, an increase of \$142,708 from last year.

Summary

We are pleased to submit the detailed budget, contained herein, for FY2012. The budget reaffirms City Council's commitment to maintain our quality services in light of the economic downturn and stagnant property tax revenues. Over the years, this City has maintained one of the lowest tax rates in Broward County. Our residents have enjoyed property tax relief during that time without the necessity of state imposed legislation or voter mandates. This budget document and its related policies represent our continued commitment to excellence.

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