BUDGET MESSAGE

The following budget message presents an overview of all revenues and expenditures approved by the City Commission in the FY 2008 Budget.

Budget Structure

The General Fund has been reorganized to provide for a Designated Operating Reserve section which would include the 90-day, 25% operating reserve for recurring expenditures and a Designated Special Projects Reserve section for approved non-recurring expenditures.

The purpose of these two designations is to provide an accurate and undistorted presentation of the public purpose of general fund reserves. As opposed to the characterization of fund reserves portrayed by the governor and some legislators as the unnecessary hoarding of taxpayer money, these designations will establish the public purpose of these fund reserves.

All reserves other than those required to satisfy the 90-day, 25% operating reserve would be automatically transferred to the Designated Special Project Reserve. As proposed, the Commission would have the final authority and discretion to utilize these funds for the following non-recurring project priorities:

1. Emergencies such as hurricane clean-up.
2. To leverage projects with other sources of funds such as governmental grants, impact fees or bond proceeds.

Budgetary Items Eliminated from Consideration

The following budgetary items were eliminated from consideration:

Loan Payment - Transportation Improvements	$ 80,000
Loan Payment - City Hall Expansion	75,000
Eight (8) Firemen to fully man Station 28	480,000
Repaving Funds	1,200,000
Risk Management Coordinator	65,000
Budget Analyst	70,000
Televise Commission Meetings	150,000
Workforce Housing	2,000,000
Total	$ 4,120,000

OVERALL BUDGET REVENUES

As shown below, based upon a millage assumption of 3.3518 mills, total revenues and *transfers in* for the FY 2008 budget will increase by 9.4% from the revised fiscal year 2007 budget. Total revenues, exclusive of $12,448,672 in *transfers in*, are $43,245,603. In addition, $5,022,428 is the budgeted appropriation from fund balances. Total revenues, *transfers in*, and appropriations from fund balances will decrease from the 2007 revised budget by 1.7% as follows:

	FY 07 Revised	FY 08 Final

	Budget	Budget	Change
General Fund	$21,356,541	$21,982,901	2.9%
Other Governmental Funds	$18,721,563	$21,853,542	16.7%
Enterprise Funds	$10,853,155	$11,857,832	9.3%
Sub-Total (inclusive of transfers)	$50,931,259	$55,694,275	9.4%
Appropriation from Fund Balances	$10,852,867	$5,022,428	(53.7%)
Total Revenues (inclusive of transfers)	$61,784,126	$60,716,703	(1.7%)

OVERALL BUDGET EXPENDITURES

As shown below, total expenditures and *transfers out* for the FY 2008 Budget will decrease from the revised fiscal year 2007 budget by 3.6%. Total expenditures, exclusive of $12,448,672 in *transfers out*, are $46,091,406. In addition, $2,176,625 is recommended for appropriation to fund balances. Total expenditures, *transfers out* and appropriations to fund balances will decrease by 1.7% as follows:

	FY 07 Revised Budget	FY 08 Final Budget	Change
General Fund	$22,044,198	$21,652,406	(1.8%)
Other Governmental Funds	$25,028,694	$23,388,703	(6.6%)
Enterprise Funds	$13,657,044	$13,498,969	(1.2%)
Sub-Total (inclusive of transfers)	$60,729,936	$58,540,078	(3.6%)
Appropriation to Fund Balances	$1,054,190	$2,176,625	106.5%
Total Expenditures (inclusive of transfers)	$61,784,126	$60,716,703	(1.7%)

OVERALL CHANGE IN FINANCIAL POSITION

When compared to the FY 2007 **projected** year-end fund balance/fund equity, the 2008 projected year-end fund balance in the General Fund is anticipated to increase, while fund balance/fund equity in the Other Governmental Funds and Enterprise Funds is anticipated to decrease.

	FY 07 Projected Year-Ending Fund Balance	FY 08 Projected Year-Ending Fund Balance	Change
General Fund	$8,170,448	$8,500,943	$330,495
Other Governmental Funds	$9,670,760	$8,135,599	($1,535,161)
Enterprise Funds (fund equity)	$10,354,558	$8,713,421	($1,641,137)
Total	$28,195,766	$25,349,963	($2,845,803)

Decreases in the fund balances of the Other Governmental Funds and fund equity of the Enterprise Funds relates to large expenditures in capital improvements and does not represent issues with the financial viability of the funds.

REVENUE HIGHLIGHTS

Total budgeted revenues exclusive of *transfers in* will increase by $3,036,872 as shown below:

Revised FY 07	FY 08	Change	
$40,208,731	$43,245,603	$3,036,872	7.6%

The following sets forth a summary discussion of the above-referenced net increase.

Ad Valorem

The total millage required to fund the budget is 3.3518 mills which represents a decrease of 1.0501 mills from fiscal year 2007. This reduction will be partially offset by revenue from a new fire assessment fee. It was the intent of the Commission to reduce the ad valorem levy by an amount approximately equal to the estimated revenue from the newly-generated fire assessment fee.

The gross taxable value of $2,221,298,940 served as the basis for the 2008 ad valorem projections. This figure as well as the ones below was provided by the Seminole County Property Appraiser via the DR-420.

Prior Existing Property	$2,185,142,698	98.37%
Annexations & New Construction	$36,156,242	1.63%
Total	$2,221,298,940	100%

The break-down of total millage rates compared to last year's budget is as follows:

	FY 07	FY 08	Change
Non-Voted	4.2919	3.2496	(1.0423)
Voted	0.1100	0.1022	(0.0078)
Total	4.4019	3.3518	(1.0501)

The adopted operating millage rate of 3.2496 mills is 17.32% less than the rolled-back rate of 3.9303 mills based on the preliminary taxable values reflected in the DR-420. The decrease in anticipated ad valorem revenue from FY 07 is $1,334,435 which represents a 15.7% reduction. Historically, the City's final taxable value has increased an average of 8.5% in the last 14 years. This decrease is primarily due to the reduction in millage in anticipation of the new fire assessment fee.

Revised FY 07	FY 08	Change	
$8,481,971	$7,147,536	($1,334,435)	(15.7%)

Fire Assessment

In FY 2008, it is the Commission's intent to implement a new fire assessment fee to fund a portion of the Fire Department budget, based on a legally-assessable cost methodology. The new fire assessment fee is anticipated to generate approximately $2,375,000 in revenue in FY 2008, which will fund approximately 50% of the total Fire Department's General Fund budget.

Of the $2,375,000 in fire assessment fee revenue all of it will be transferred to the General Fund to fund the following expenditures - $1,973,000 for fire operations, $208,000 for the purchase of a fire truck and $194,000 for first-year administrative and start-up costs.

Revised FY 07	FY 08	Change	
-	$2,375,000	$2,375,000	100%

Charges for Service

These revenues are expected to increase $496,201 or 4% as follows:

Revised FY 07	FY 08	Change	
$12,259,678	$12,755,879	$496,201	4.0%

Budgeted revenues in the Medical Transport, Water and Sewer, and Stormwater Funds are anticipated to increase by $120,000, $244,000 and $150,000, respectively. In large part, this is due to conservative revenue budgets in 2007. No change in fees and charges are indicated at this time for FY 2008; however, a rate study is budgeted this fiscal year for the Water and Sewer Utility.

State Revenues

Ninety nine percent (99%) of the projected State revenues for FY 2008 are comprised of Municipal Revenue Sharing and Local Government Half-cent Sales Tax and are provided by the Legislative Committee on Intergovernmental Relations (LCIR). Total recurring revenues from the State (exclusive of grants) are expected to decrease $210,838 or 5.3% as follows:

Revised FY 07	FY 08	Change	
$3,965,000	$3,754,162	($210,838)	(5.3%)

Other Inter-Governmental

Other intergovernmental revenues are increasing by $1,071,897. This is due to the timing of the one-cent sales tax as provided by the Local Government Infrastructure Surtax. The 2007 budgeted revenues for eligible expenditures were $2 million versus $4.1 million in 2008. Conversely, a CDBG grant was received in 2007 for $855,000 which will not be duplicated in 2008.

Revised FY 07	FY 08	Change	
$4,184,610	$5,256,507	$1,071,897	29.8%

Utility Taxes and Franchise Fees

These revenues are expected to increase slightly by $73,245 or 1.2% as follows:

Revised FY 07	FY 08	Change	
$5,886,469	$5,959,714	$73,245	1.2%

Impact Fees

These revenues have been budgeted to increase by $851,000 or 82.2% as follows:

Revised FY 07	FY 08	Change	
$1,035,000	$1,886,000	$851,000	82.2%

Due to the down-turn in 2007 construction, it was anticipated that 2008 would see a resurgence in construction of 300 residential units. In light of the current housing industry, expenditure budgets were very conservative with only two impact fee funds budgeting expenditures greater than beginning fund balances. The Transportation Impact Fee Fund has budgeted expenditures of $615,000 and an actual beginning fund balance of $430,562. The Park Impact Fee Fund has budgeted expenditures of $232,700 and an actual beginning fund balance of $111,051. Capital projects in funds 140 and 315 will require reevaluation if these revenue sources do not materialize.

Licenses and Permits

These revenues are expected to increase $572,000 or 47% as follows:

Revised FY 07	FY 08	Change	
$1,199,700	$1,771,700	$572,000	47.7%

This is largely due to anticipated increases in plans review fees ($200,000) and building permits ($350,000) in the Development Services Fund.

Other Sources

Funds from other sources (interest, loan proceeds, miscellaneous, fines and forfeitures) are budgeted to have a 26.8% decrease. Although the interest rate assumption was increased to 4%, the decline of budgeted loan proceeds from $1,091,000 in 2007 to zero in 2008 accounts for the budget decline.

Revised FY 07	FY 08	Change	
$3,196,303	$2,339,105	($857,198)	(26.8%)

EXPENDITURE HIGHLIGHTS

Total budgeted expenditures exclusive of *transfers out* will decrease by $3,916,002 as shown below:

Revised FY 07	FY 08	Change	
$50,007,408	$46,091,406	($3,916,002)	(7.8%)

The following sets forth a summary discussion of the above-referenced net decrease.

Personnel

In FY 2008, $18,492,922 is budgeted for personnel costs and represents a 4.7% increase over the revised 2007 budget. Personnel costs include salaries, FICA, health and life insurance, worker's compensation, and pension.

	FY 07 Revised Budget	FY 08 Budget	Change
General Fund	$14,374,848	$14,926,998	3.8%
Other Governmental Funds	$82,286	$86,864	5.6%
Enterprise Funds	$3,204,440	$3,479,060	8.6%
Total	$17,661,574	$18,492,922	4.7%

New Request – Salaries

The FY 2008 Budget provides for a 4% increase for merit. In light of the current budgetary environment, I am not recommending any increases beyond the retention of the 4% merit increase.

Little change is indicated for the overall-staffing levels of the City. Although a number of positions were eliminated from consideration, in the final analysis, three full-time and two part-time employees were requested. From those requests, two full-time and two part-time employees are being funded as follows:

	Department	Request	Approved
General Fund:			
Park Ranger (part-time)	Recreation	2	2
Planner	Comm. Dev	1	-
Water Sewer Fund:			
Water Treatment Plant Operator	Water	1	1
Mechanic (Field personnel)	Water	1	1

The part-time Park Rangers will oversee Trotwood and Torcaso Parks. The Parks and Recreation department has also moved the Concession Manager position from a full-time employee to a part-time contracted employee. This will translate into significant cost savings which will, in part, be utilized for increased hours for the part-time concession attendants. Unfortunately, revenue constraints made it impossible to fund the badly needed additional planner position requested by Community Development. To help mitigate the effects of the loss of the position the Commission was able to fund $15,000 in additional consulting resources to help address the formidable work load in the department. The Water and Sewer Utility operations have undergone some job position revisions, the net effect of which will be to add one water treatment operator and one mechanic. These positions come as a result of an expanding system as well as expanding agency requirements.

The resulting number of FTE's for FY 2008 are as follows:

Full Time	293.0
Part Time	16.91

New Request - Pension

The budget provides for an increase of 0.5% of payroll to cover the 30-year-with-disability retirement benefit which was implemented in FY 2007 as well as the scheduled increase of 0.5% of payroll to fund the FY 2008 incremental increase in the retirement benefit multiplier. Based upon the funding schedule approved by the Commission, the FY 2008 allocation would be as follows:

	City	Employee	Total
FY 05	9.5%	3.0%	12.5%
FY 06	11.0%	3.0%	14.0%
FY 07	13.0%	3.0%	16.0%
FY 08	13.5%	3.0%	16.5%

Health Insurance

Sky-rocketing premiums and high experience ratings required a change of health insurance providers for fiscal year 2008. The comparatively lower premiums resulting from the change in providers will allow us to continue City subsidies for dependent coverage.

Operating

In FY 2008, budgeted operating costs exclusive of *transfers out* is $16,158,560 representing an overall 0.4% decrease in operating expenses when compared to the FY 2007 revised budget.

	FY 07 Revised Budget	FY 08 Budget	Change
General Fund	$6,494,036	$5,880,655	(9.5%)
Other Government Funds	$4,777,045	$5,402,466	13.1%
Enterprise Funds	$4,820,908	$4,875,439	1.1%
Total	$16,091,989	$16,158,560	0.4%

Some of the larger increases in this category of budgeted expenditures between fiscal year 2007 and 2008 result from the following:

General Fund – general insurance premiums; right-of-way tree-trimming; billing services costs related to first-year administrative costs for the fire assessment
Additionally, more detail related to *new* expenditure requests as well as comparison to last fiscal year can be found on pages A57-A60, 86-91.

Other Governmental Funds – contractor costs for solid waste; potential payments to Federal State and/or contractor for previous hurricane assistance/services; billing services costs correlated to increased revenue budget
Additionally, more detail related to *new* expenditure requests can be found on page A61.

Enterprise Funds – utility services for new Utility/Public Works Facility, Total Maximum Daily Load Master Plan
Additionally, more detail related to *new* expenditure requests can be found on page A62.

Some of the larger decreases in this category of budgeted expenditures between fiscal year 2007 and 2008 result from the following:

General Fund – larger consulting budget in 2007 related to wireless, Kiva, Accella; larger legal budget in 2007 for Highlands' HOA litigation and pension; street lighting for Town Center over-budgeted in 2007; 2007 summer youth program extended due to legislative action regarding public school calendar; 2007 supplemental appropriation for University of Florida Business Incubator Additionally, more comparative detail can be found on pages 86-91.

Interim Debt

Current Line of Credit Loans - Existing line of credit loans for expansion of the Police Station and Central Winds Park improvements were paid off in FY 2007 utilizing Police and Park Impact Fees, respectively. The FY 2008 budget includes a $60,000 debt service payment on a $750,000 draw on the line of credit for the Senior Center Expansion. This debt was approved by the Commission in FY 2007; however, the actual draw has not taken place as construction payment requests to date have been funded via CDBG funds, paid directly by Seminole County, and Park Impact Fees. At such time as CDBG and impact fee funds are fully expended, the draw will be required.

City Hall Expansion - No funds are appropriated in the FY 2008 Preliminary Budget for this project. However, the Commission could chose to utilize the newly-created Designated Special Projects Fund Balance Reserve to leverage other revenue sources for this purpose. Public facilities impact fees are not expected to grow sufficiently over the next five years to fund the project. Additionally, due to the unprecedented increase in cost they may never be sufficient to pay the project off in full. The latest estimate for this project is $1,900,000. The longer we wait the more costly this project will become.

Capital

Capital outlay includes land and improvements to land, building, machinery, and equipment in excess of $1,000.

FY 2008 recommended capital outlay requests are 29.6% less than last year's original budget. Fiscal year 2007 included significant capital project budgets for the Utility/PW Facility, City Hall expansion, Senior Center expansion. Substantial completion of these projects in FY 2007 has reduced the need for similar levels of spending in FY 2008. The Designated Special Project Reserves of $3,271,605 exist for any capital projects that would receive Commission approval in fiscal year 2008. Most of the FY 2008 capital budget occurs in the Road Improvements Fund and Utility/PW Facility Capital Project Fund.

	FY 07 Revised Budget	FY 08 Budget	Change
General Fund	$926,861	$735,055	(20.7%)
Other Government Funds	$13,210,866	$8,572,162	(35.1%)
Enterprise Funds	$2,116,118	$2,132,707	0.8%
Total	$16,253,845	$11,439,924	(29.6%)

Budgeted capital outlays for FY 2008 are summarized below. A detailed list can be found on pages A63-A65 which also indicates those capital projects considered to be significant and non-routine. It should be noted that these capital projects will not adversely affect the City's current or future operating budgets nor the line of services funded in current and future operating budgets. As mentioned previously, in excess of three million dollars has been established in the General Fund budget for capital projects which have yet to be designated.

General Fund

Buildings	$4,000
Improvements	$40,000
Equipment	$121,100
Vehicles	$399,000
Data Processing Equipment	$21,960
Furniture/Office Equipment	$23,995
Construction in Progress	$125,000
Total	$735,055

Governmental Funds

Improvements	$258,000
Equipment	$49,400
Vehicles	$38,000
Data Processing Equipment	$27,600
Furniture/Office Equipment	$25,000
Construction in Progress	$8,174,162
Total	$8,572,162

Enterprise Funds

Plants and Main	$754,707
Equipment	$27,600
Vehicles	$191,000
Data Processing Equipment	$7,400
Furniture/Office Equipment	$3,000
Machinery	$29,000
Construction in Progress	$1,120,000
Total	$2,132,707

GENERAL FUND FISCAL POLICY TEST

Each year the General Fund is tested to determine if the fund is in compliance with three fiscal policies as follows:

1. That sufficient recurring revenues exist to pay for all recurring costs, thus avoiding the use of non-recurring revenues and fund balances to fund recurring costs.

2. That sufficient recurring and non-recurring revenues are available to fund non-recurring costs.

3. That the 25% fund balance policy is being maintained (fund balance equal to or exceeding 25% of personnel and operating costs).

As shown on Page 1, all three policies are being satisfied for FY 2008.