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City of Lake Mary

Incorporated in 1973

July 23, 2009

BUDGET MESSAGE

Mayor and City Commission:

In accordance with Section 13.02 of the City Charter, I present to you this evening my proposed Budget for FY 2010 together with a Five-Year Plan, the latter being more important than ever during these tough economic times. You will also note that we have again added information for each program showing personnel service costs compared to operating in a pie chart format. This budget process continued to be a moving target right up until the end as not only were we assessing the long-term impacts of tax law changes to include Amendment 1, but also declining revenue projections from the state. Lake Mary is extremely fortunate today when compared to most other cities but that will be short lived if we do not continue taking a hard look, be it visionary or otherwise, at our priorities as well as the economic commitments that we are willing to pledge to such things as Downtown development, regardless of what happens with SunRail.

We are again showing the City's payment to the 17-92 CRA of \$62,196 which is down from last year's number of \$66,191 as a result of property value decline. This number should soon start to grow as our small portion of the CRA develops. We are currently committed to the CRA through the Fall of 2017, at which time it can be extended by Seminole County for a third and final ten-year increment.

We are proposing to spend \$549,869 of General Fund balance to basically maintain the same level of services we now provide our citizens, which we also did in FY 2009 to the tune of approximately \$893,300. We are able to do this because we have always maintained a very conservative spending policy even during the good times, but I project those opportunities are pretty much over after this year unless there is a quick and marked turnaround in the economy.

Our rolled-back rate as defined by Florida Statutes for FY 2010, and calculated by the Seminole County Property Appraiser's Office, is 4.0031 mills with a mill in the City of Lake Mary projected to represent \$1,980,815 in FY 2010 at the 95% collection rate. Even with tax law changes, this is the first time that figure has decreased in my 20 plus years as City Manager and is certainly a telling sign of the challenges which we are all facing. I am proposing no increase in rates for fees or services next year, however, there is a CPI provision in our contract with Waste Management and/or potentially an approximate \$1 increase in the base charge should you decide that you want to go back to twice per week garbage pickup as some residents have suggested. And speaking of that service, we also need to mention recycling with our new single source program having so far been a huge success with the volumes close to double when compared to the old system.

We are not recommending the addition of any new personnel this year and through the budget document have memorialized the changes you approved in the March 2009 Pay Plan update. For FY 2010, we propose to replace one sworn Police Officer with a Community Service Officer (CSO). That person will also have additional responsibilities including administering the Police Department's Accreditation Program. Also, the following positions which were previously funded in years past have now been deleted from the FY 2010 budget: Engineering Technician and Planning and Zoning Technician in Community Development; two Code Compliance Inspectors and a Plans Examiner in the Building Department; a Maintenance Specialist in Public Works; a part-time Professional Standards Coordinator in Police; and in Parks & Recreation, three part-time Recreation Assistants and both a full and part-time Maintenance Specialist. With the exception of the Professional Standards Coordinator who is leaving October 1st to finish her pharmaceutical studies, all of the other jobs mentioned are currently unfilled and in reality are directly related to building and other growth related activities which, when needed, generate a corresponding revenue.

Assuming the proposed millage rate is adopted, total General Fund Revenues are estimated to go down an overall \$1,164,002 from FY 2009, with General Fund balance at the end of FY 2010 projected to be \$10,127,226. This compares to FY 2009 at \$10,677,095, and \$11,570,395 in FY 2008. A lot of thought and effort went into these revenue projections in an effort to ensure that they are truly reflective of the way we see the economy for the next year while being careful not to either substantially over or understate the numbers. However, to some degree it is still a roll of the dice. We also did not consider any possible revenue increases from franchise fees or utility taxes as a result of pending upward rate applications with the Public Service Commission by both Progress Energy and Florida Power & Light.

General Fund Debt Service for FY 2010 is \$1,836,554 with all other funds, including Water & Sewer, being debt-free. Our Unreserved Fund Balance as a percent of General Fund expenditures at the close of 2010 will be approximately 56%. I have also removed the \$300,000 donation commitment for the Lake Mary High School swimming pool as that allocation has been on the books for more than two years with

no plans, to my knowledge, forthcoming for construction. Should the Commission want to keep that appropriation in the FY 2010 budget, then we would either need to reduce the proposed fund balance accordingly or further cut expenditures. I just do not feel comfortable letting the fund balance number purposely go below \$10,000,000 when we live in a state that is subject to multiple major storm events such as occurred in 2004. We must always have enough to front the necessary costs, including payroll, while we await reimbursement that, even if all goes well, takes months.

My budget recommendation calls for a levy of 3.6355 mills for FY 2010 which is 9.18% less than the rolled-back rate of 4.0031 mills and requires but a simple majority of the City Commission for approval. To balance without using any reserves requires a levy of 3.914 mills and a 2/3 vote of the Commission as would going to 4.5135 which is the rolled-back rate without the impacts of Amendment 1. Any levy between that number and the 10-mill maximum requires unanimous approval.

Keeping our good employees competitive with salaries, benefits, and technology is just as important as ever while we truly do more with less. Our turnover rate continues to be minimal and those who do leave are doing so for the right reasons. However, due to current economic challenges, I have not provided any monies for Pay Plan adjustments or merit increases in FY 2010. I have also suspended the funding for the City's contribution to the YMCA as well as any tuition reimbursement payments for FY 2010. I use the word "suspended" because I truly hope that there can be a return of both programs in the future. I have also reduced, but not eliminated, the City's contribution to other employee recognition programs for FY 2010 but again, am hopeful that at some point in time we will be able to restore them in total. However, our focus was on making sure that our existing workforce continued to have jobs and benefits during these difficult times. I also am not recommending any changes to the sick leave buy-back or safety incentive programs, longevity, or the Take-Home Vehicle Policy which is certainly as liberal as most for both general and public safety employees, but does not come without a significant cost. Overall, FY 2010 estimated cost in fuel for fleet operations is almost \$269,000 citywide.

I also think it is important to note that while we may not have a lot of good news, our property and casualty insurance premiums to include workers compensation and vehicle liability have continued to drop significantly but, once again, it takes but one major event to send premiums skyrocketing. In fact, our costs came down some \$200,000 this year thanks not only to a softer market, but also an excellent year from a claims perspective. At the annual PRM Conference held in June, Lake Mary received two prestigious awards while competing with 48 other entities for having the best overall workplace safety performance and an accident-free safety record. It reflects both a more focused approach to self insurance as well as the fact that our employees are dedicated, diligent, and safety conscious, which directly benefits the taxpayers of Lake Mary.

On the revenue side of the General Fund, we expect a decrease of slightly more than \$1,164,002, which includes ad valorem taxes, licenses, permits, franchise and utility fees among others. We have also limited new money for General Fund capital, instead using previously allocated but unspent dollars such as the study for WiFi which was never done but the funding continued to carry forward. We also moved many of the previous costs shown as capital into operating which is where they belong. Everything else is relatively routine and consists primarily of replacement items.

In General Fund Capital Projects, we estimate \$1,896,656 in carry-forward monies of which \$4,814,200 is for the Sand Pond/Skyline Drive road improvements that will be reimbursed to the City by Seminole County as part of the Second Generation One-Cent Sales Tax. Despite many challenges, staff has continued to work toward acquiring the necessary property to complete the punch-through of that roadway based on your previous direction. Should you want to delay this item, I would again recommend that we at least complete the land acquisition which makes good sense for the future. We are proposing no new major projects. Additional carry-forward monies consist of \$8,000 for computer network upgrade and development with \$13,500 in new money; \$19,669 for e-mail software/server upgrade; \$17,093 for in-car cameras in the Police Department; \$5,000 each for the Federal FIRE Act grant match and State EMS grant match; \$5,000 for miscellaneous unscheduled replacements such as small gasoline and electric powered equipment and hand tools; \$153,286 for sidewalk replacement/installation; and \$46,627 for streetlight additions in Public Works: In the Downtown, \$7,500 for the overpass sign which former Mayor Greene has yet to deliver permission to install; \$55,589 for land acquisition; \$44,682 for beautification and stair-step park improvements including sidewalks, streetlighting, signage, etc., with an additional \$30,000 in new money; and \$69,879 from the federal grant for the Downtown T-21 Reauthorization Fund Project for the Bypass Corridor Analysis, with an additional \$80,000 in new grant money. Additional funding includes \$15,000 for computer replacements; \$46,185 for equipment replacements in the Police Department including laptop computers, portable and mobile radios, and \$5,200 for ticket writers. In Public Works, I am asking for \$300,000 for annual street resurfacing. In Parks & Recreation those previous items carried as capital, such as Liberty Park and Frank Evans improvements, have been moved into operating as previously discussed. In Facilities Maintenance, \$15,000 is budgeted for a KVAR Capacitor System which is an energy savings program that will hopefully be on all our buildings in the not-so-distant future. I also want to mention an amendment that we will have to make to this document prior to final adoption, and that is the three resurfacing projects totaling \$1,366,500 which were approved as part of the economic stimulus package. The LAP Agreements have now been approved by the state meaning our projects should be some of the first out on the street.

From the Police Second Dollar Education and Training Fund, we project to spend some \$16,800 on training which will leave a fund balance of \$110,475. In Recreation Impact Fees, we are carrying forward \$7,500 for the Heritage Park study leaving a fund balance of \$113,547. There are no other expenditures in impact fee funds leaving fund

balances of \$185,182 in Fire; \$51,866 in Public Works; and \$361,663 in Police. From the Law Enforcement Trust Fund, we will designate our annual donations during the year to eligible organizations from a balance of \$183,650. In the Streetlighting Fund, we project a FY 2010 ending balance of \$14,208.

In the Water and Sewer Fund, we estimate total revenues of \$3,865,783, of which \$2,055,085 is water sales. There are no new personnel budgeted in this fund and new capital project monies requested are \$988,000, which includes \$25,000 for consumptive use permit monitoring requirements; \$50,000 for commercial meter testing and repair; \$15,000 for HVAC replacement at Public Works Complex; \$80,000 for security fencing at the water plant; and \$18,000 to upgrade skid steer to track loader. We also estimate \$1,171,498 in carry-forward monies in the Water & Sewer Fund to include such items as the Mill Creek reclaimed water storage and pumping project; relocate existing water service lines and meters; and \$800,000 of new money along with \$700,000 of carry-forward for sewer and reuse implementation.

In the Stormwater Utility Fund, we anticipate revenues of \$268,000 from the stormwater fees and operating expenses of \$207,761. At the end of the year we estimate an unrestricted net asset of \$440,056. Our focus with the capital dollars is to maintain existing cold mix streets by applying fog seal or overlays on those which are listed in the program summary and for the Total Maximum Daily Load (TMDL) Reduction Project.

Also in your budget book is the fleet maintenance program which includes the projected vehicle replacement list not only for FY 2010 but through the year 2014. Of course, the replacement schedule for any vehicle or piece of equipment is subject to change but regardless, when it happens, the costs are significant. While the 135 pieces of rolling stock are actually owned by vehicle maintenance, each program pays rent based upon the particular life cycle costs. Estimated vehicle/equipment replacement costs for FY 2010 are \$231,566, but jumps substantially over the next four years based on the replacement schedule shown in your book.

As always, we will review each of the various operating programs during our work sessions but other than what has already been mentioned, they are pretty much flat. There are some things in the General Government section that we may want to look at this year including memberships, contributions, etc. because with tax reform, public support of outside organizations will be an obvious target. We will also be looking at travel and other outside electives to ensure a return on investment.

I do want to compliment Jackie Sova for her diligence during these difficult times in being on top of not only our overall finances, but specifically our investments. We made some decisions that although complied with our policy, they were nonetheless things we had never done before. I also want to thank Commissioner Duryea for his advice in that area. As a result, I am proud to say we have a diversified portfolio that

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has enjoyed an excellent return on investment given today's economy and with little risk to our citizens.

In last Sunday's Orlando Sentinel there was a little blurb that basically said Lake Mary had been "demoted" by Money Magazine from a previous ranking of #4 to #96 as the best City in the United States with a population of 50,000 or less in which to live. While that may be technically true, we are still #1 in Florida and the so-called demotion was for factors outside our control including a real estate market that has been in a free-fall for the last two plus years. I am proud of this city, the progressive reputation and respect it enjoys throughout the state, the many volunteers who give of their time and expertise to help out where needed, our dedicated professional staff who are always trying to do the best they can, and a Commission that always puts the citizens first.

We have scheduled our first work session for August 6th beginning at 5:00 PM to go over the proposed budget in detail. We can also change or have other meetings should that be necessary to accommodate schedules.

In accordance with Florida Statutes, the action required by you tonight is to establish a proposed millage rate, set the rolled-back rate, and schedule the first public hearing.

Sincerely,

John C. Litton

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City Manager