

# *Budget Message*



# City of Fernandina Beach

OFFICE OF THE CITY MANAGER

TO: Commissioner/Mayor Pelican and City Commissioners  
FROM: Joe Gerrity, City Manager  
DATE: December 20, 2012  
RE: Budget Message for Fiscal Year 2012/2013

I am pleased to present the City of Fernandina Beach's Fiscal Year 2012/2013 Budget. This budget was developed through a series of staff meetings, six public workshops with the City Commission, where priorities were identified and departmental requests were thoroughly reviewed and debated. The final budget was approved and adopted by Resolution after two Public Hearings. The approved budget and expenditure levels were set at amounts necessary to continue to provide a high level of municipal services demanded by our residents and the preservation of the existing quality of life, while taking into consideration the continuing decline in property values.

In Fiscal Year (FY) 2008/2009, the City began raising the millage rate to accommodate the decline in property values, and this trend has continued into this year as well. The operating millage rate for this fiscal year is 6.0277 mils, and 0.2724 mils for voter approved debt. In response to the continued difficult economic times, the City funded a total of eleven fewer positions between our enterprise funds and the general fund. This year's budget allows us to maintain the level of services expected by our citizens and also allow the City to maintain a healthy reserve balance. The City Commission, along with staff, is keenly aware of the economic and fiscal challenges facing our residents and businesses, and is diligently working to provide the best and most efficient public services to our customers and citizens.

All of the City departments are continuously reviewing their operations in order to increase their effectiveness and efficiency, including the documentation of time and manpower demands to sustain their present levels of service. Additionally, staff is continuing to develop and implement performance measurement criteria to evaluate the current service delivery systems and to develop and implement the appropriate processes.

## General Fund

The General Fund is the largest fund in the City comprised of many departments and supports all services not assigned to the Enterprise or Internal Service funds. These General Fund departments include Public Safety, Recreation, Streets and City Administration. The City's budget sets a combined ad valorem property tax rate of 6.3001 mils. This reflects an operating ad valorem tax rate of 6.0277 mils, and voter approved debt rate of 0.2724 mils for debt service associated with the general obligation bond. Our budgeting goal is to maintain a minimum property tax rate to the taxpayers while providing

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for ongoing maintenance and upkeep of the City's streets, beaches, buildings, and allow for other capital improvements. Also included in this year's budget is \$250,000 set aside for the beach re-nourishment project scheduled for FY 2013/2014. The City's projected match is \$637,500. Moving forward, the City will consider budgeting \$100,000 annually for future re-nourishment projects.

The General Fund continues to maintain a strong cash balance, or reserve, which is equal to approximately 20 percent of the General Fund Operating Expenses. This is a decrease from the percentage held in reserve in previous years' budgets. This is due to increased pension costs and set asides for beach maintenance and other capital projects.

### Capital Improvement Funds

The City has developed a five year Capital Improvement Plan (CIP) that lists all capital improvement projects and equipment needs in excess of \$25,000. The CIP must be established and updated to be consistent with the City's adopted Comprehensive Plan. Very few capital purchases are funded in the operating departments.

Capital projects will be financed by a combination of Federal and State grants, Nassau County matching funds, General Obligation Bond funds, and existing City resources. The total projected Capital Improvement Plan is approximately \$9,800,000. Proposed capital improvements include: significant improvements at the Airport; a \$250,000 match toward a new Animal Rescue Center; \$103,000 to replace the boardwalk at Main Beach; street resurfacing and sidewalk program; and a \$1,200,000 City/County initiative to renovate and expand the City's library building.

### Special Funds

There are ten Special Funds. Such funds are designed for special purposes and may only be used for those projects. They include the Cemetery, three Law Enforcement related funds, the CDBG, the CRA, and other special revenues for designated purposes. The City has been fortunate in the past to receive grants and revenues for many City projects which are accounted for in these special funds. In this budget, staff is administering a \$700,000 federal grant to provide grants to our qualifying low and moderate income residents to make critical and needed home repairs and improvements. This will in turn improve their neighborhoods and the value of their properties.

### Enterprise Funds

The City has seven Enterprise Funds that operate from user charges for services provided by the enterprise. These funds are intended to be self-supporting and may include payments to the General Fund for administrative services (such as accounting, legal, purchasing, and administration). The Storm Water Management Fund was created in FY 2007/2008 to study, evaluate, and develop a master plan to deal with the City's inadequate, obsolete, or in some areas nonexistent, storm drainage system. Until this year, the fund had been financed by transfers from the General Fund. This year, the City Commission adopted a Storm Water fee to fund the improvements.

### Internal Service Fund

The City has three Internal Service Funds: the Central Garage, Utilities Administration and Utility Billing. These Funds are supported by transfers from operating funds throughout the City based upon

usage. Revenues are budgeted through transfers from the various City departments/funds to the Internal Service Funds and the Internal Service Funds budget expenditures as needed to operate. The most crucial function of the Central Garage is to provide immediate service for public safety vehicles. The City would not be able to secure this service from outside sources. The Garage also provides cost-effective services to all other City vehicles. Utilities Administration performs administrative services such as budgeting, purchasing and inventory control for the Water and Wastewater divisions. Utility Billing prepares water, sewer, sanitation, and storm water billing, as well as billing services for the Airport leases. These services are provided to City residents and commercial establishments as well as some County customers. Utility Billing is responsible for customer service for these accounts.

#### Trust Funds

The City has two Trust funds for the City's Pension Plans, one for the General Employees plan and a second fund for the Police and Fire plan. These provide pension and disability compensation to the employees of the City. Each Plan has a Board of Trustees that directs the investment and expenditures of these monies. Included in the budget are the funds to conduct a review of the pension plans to determine what (if any) adjustments need to occur to keep the plans healthy and viable.

#### Debt Service Funds

There are four Debt Service Funds in the City's budget. The Wastewater Interest & Sinking Fund accounts for the payment of debt service on the City's two sewer obligations. The annual principal payment for FY 2012/2013 is \$586,660 and \$544,960 for interest. One piece of debt is scheduled to be paid off in December, 2016 and the second piece, a portion of the Utility Acquisition Bond, is scheduled to be paid off in 2033. The Bond Debt Service Fund accounts for the payment of debt service on the City's General Obligation Bond. The annual principal and interest payment for FY 2012/2013 is \$425,484. The Utility Acquisition Debt Service Fund accounts for the Water division's share of the 2003 debt issue and new debt issued in FY 2009/2010 for the Water "Futures". The annual principal and interest payment for the next fiscal year is \$1,702,896. The Wastewater Fund, Wastewater Impact Fees Fund and Water Funds will make transfers to the two utility debt service funds for principal and interest payments. The Marina Debt Service Fund services one of two pieces of debt attributable to the Marina. The annual principal and interest payment for FY 2012/2013 is \$119,576 for the Marina debt. An additional \$1,525,000 is included in the FY 2012/2013 Wastewater and Water debt service budgets for the retirement of a small portion of the Utility Acquisition Bond. However, the City is currently working with our financial advisor with the intention of re-financing all of the utility debt to take full advantage of the low interest rate environment

#### Conclusion

Like any other City in Florida, Fernandina Beach still has many challenges to face due to the difficult economic conditions. The City Commission and City staff are committed to providing a high level of service through the best allocation of resources and constantly looking for ways to better manage the City.