

Budget Message



City of Fernandina Beach
OFFICE OF THE CITY MANAGER

TO: Mayor/Commissioner Malcolm and City Commissioners
FROM: Michael J. Czymbor, City Manager
DATE: January 8, 2009
RE: Budget Message for Fiscal Year 2008/2009

I am pleased to present to the City Commission of Fernandina Beach the Budget for Fiscal Year 2008/2009. The budget is a product of a series of meetings, workshops, and public hearings at which priorities were identified and departmental requests thoroughly reviewed and debated. The adopted budget set expenditure levels at amounts needed to continue to provide a high level of municipal services demanded by our residents and preserves the existing quality of life.

A cornerstone in the budget preparation process is to fully evaluate all of the proposed revenue sources and proposed expenditures in order to calculate a proposed millage rate. Our goal was to establish a rate that brings in an adequate amount of revenue to maintain the existing service level, fund the necessary capital improvements and to maintain a satisfactory fund balance or reserve level. Upon analyzing all of the various components, it was possible to set the proposed millage rate at the rollback millage rate and still maintain the current public service level. The City has been a good fiscal steward and has reduced the overall millage rate seven times in the last eleven years and has maintained the rate in three other years. The Fiscal Year 2008/2009 marks the first year in modern times that the City has experienced a decline in total taxable value. This is due to the impact of property tax reform in Florida which increased the homestead exemption and lowered the assessed property values in general. The lower taxable value yielded a rollback millage rate which is higher than the Fiscal Year 2007/2008 rate. The adopted rollback rate is 3.9873 mills for operations and .2336 for debt service yielding a combined rate of 4.2209. We hope that the City's efforts in maintaining the rollback millage rate will provide some financial relief to our residents, businesses and industry.

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.

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General Fund

The General Fund is one of the largest funds in the City and supports all services not assigned to other funds. These include Public Safety, Recreation, Streets and City Administration. The City's budget sets a combined ad valorem property tax rate of 4.2209 mils. That reflects an operating ad valorem tax rate of 3.9873 mils, and voter approved debt rate of .2336 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 implementing a capital plan that will provide for ongoing maintenance and upkeep of the City's streets, beaches, buildings, and other fixed properties.

The General Fund continues to maintain a strong cash balance or reserve which is equal to approximately thirty percent (30%) of the General Fund Operating Expenses.

Capital Improvement Funds

The City has developed a five (5) year Capital Improvement Plan (CIP) that lists all capital improvement projects and equipment needs in excess of twenty-five thousand dollars (\$25,000). The CIP must be established and updated 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 fourteen point zero one eight million dollars (\$14.018) with an additional six hundred thirty one thousand five hundred dollars (\$631,500) for replacement vehicles and equipment. The City implemented a Vehicle Rotation Plan which generally replaces a vehicle after seven years or seventy five thousand miles and allows for each vehicle to be fully utilized and depreciated by all the appropriate departments prior to disposal.

Proposed capital improvements include the expansion of the waste water treatment plant; significant improvements at the Airport; new and improved docks, decking, buildings at the Marina; recreational and greenway improvements; an extensive street resurfacing and sidewalk program; waterfront parking lot improvements; and the renovation of the Utility building and Peck Center.

The Capital Expansion Fund accounts for revenues and expenditures funded by impact fees.

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, law enforcement, CDBG, the CRA, and other special revenues for designated purposes. The City has been fortunate in the past to receive grants and revenues that have assisted the City in many projects.

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) provided. The Storm Water Management Fund was created in Fiscal Year 207/2008 to study, evaluate, and develop a master plan to deal with the City's inadequate, obsolete, or in some parts nonexistent, storm drainage system. The fund will be financed by a combination of transfers from the General Fund, impact fees, user fees, and grants.

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. Revenues are budgeted through transfers that are made from each of these funds to the Internal Service Funds and the expenditures are then expensed as needed. The Central Garage provides immediate service for public safety vehicles, which the City would not be able to secure from outside sources as well as cost effective service to other City vehicles. Utilities Administration performs administrative services such as budgeting, purchasing and inventory control for the Water and Wastewater divisions. Utility Billing is responsible for billing and customer service to City residents for their water, sewer and garbage accounts.

Trust Funds

The City has two Trust funds for the City's Pension Plans, one for the General Employees and a second fund for the Police and Fire. These provide pension and disability compensation for the employees of the City. Each Plan has a Board of Trustees that directs the investment and expenditures of these monies.

Debt Service Fund

There are three Debt Service Funds in the City's budget. The Wastewater Interest & Sinking Fund accounts for the payment of debt service on the City's sewer bonds. The annual principal payment for the Fiscal Year 2008/2009 is three hundred fifty five thousand dollars (\$355,000) and one hundred sixty one thousand six hundred thirty dollars (\$161,630) for interest. This piece of debt is scheduled to be paid off in December, 2016. 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 the next fiscal year is four hundred seventy three thousand, nine hundred fifty dollars (\$473,950). A new debt service fund, Utility Acquisition Debt Service Fund, was created in the fiscal year ended September 30, 2008 due to the degrading of the bond insurer's rating. The Wastewater and Water Funds will make transfers to the new debt service fund for principal and interest payments totaling one million eight hundred ninety nine thousand five hundred sixty one dollars (\$1,899,561).

Conclusion

The City continues to make great strides in preparing for and facing the challenges ahead. All municipalities in Florida are currently being challenged by the economic down turn and need to become more efficient and effective as the movement to reduce the burden of property taxes on all landowners progresses. The expected far reaching and long term implications of ill conceived legislative actions severely restricting and limiting local government's ability to raise revenue to fund vital services will continue to provide enormous challenges to local government. The opportunities to enhance the quality of life for our residents will continue to be explored. The City will always strive to provide the highest level of service at the lowest possible cost to the citizens of Fernandina Beach.