

THE CITY OF CORAL GABLES



OFFICE OF CITY MANAGER

CITY HALL 405 BILTMORE WAY
CORAL GABLES, FLORIDA 33134

The City Beautiful

July 1, 2011

Honorable Mayor and Members of the City Commission
City of Coral Gables
Coral Gables, Florida

Dear Mayor and Commissioners:

Cities across South Florida, the State, and the country continue to be significantly affected by the dramatic downturn of the economy. These cities, like Coral Gables, are presented with extreme difficulties in providing expected levels of services and maintaining its workforce. We are continuing the process of adapting to a new normal. Over the last couple of years, we have largely been working our way out of a fiscal crisis mode, combating negative external economic forces. While uncertainty remains, we are in a stronger position as the result of having chosen a proactive approach.

As Bob Dylan so eloquently wrote, times are indeed changing. The 2012 budget is the result of much planning and adapting. As has been shared previously, the City's financial condition remains vulnerable to setbacks, primarily the result of declining property values, the overestimating of revenues and underestimating of expenditures in FY 2008-2009, along with generous pension plans and collective bargaining agreements that can no longer be supported. To borrow further from Mr. Dylan, we must swim or sink like a stone. Fortunately, the City has taken proactive steps over the past two years that have not only allowed us to stay afloat, but swim with conviction through a sea of uncertainty and economic shortfalls. From the onset, the City immediately implemented a variety of budgetary reductions and conservation measures. We need to continue to focus on basic, core services. We also need to grow the tax base with strategic investments throughout the City, as provided in the Neighborhood Renaissance Program, that strengthen Coral Gables.

The FY 2011-2012 Budget Estimate beginning October 1, 2011 through September 30, 2012 is submitted in accordance with the requirements of Article V of the City Charter.

The Budget Estimate is a financial plan and management tool that guides the City and each individual department for FY 2011-2012. This document communicates projected financial information and compares that information to budgets of previous years and actual revenues and expenditures to provide trends in the costs of operating the City. The Budget Estimate is scheduled for presentation at the budget workshop on Wednesday, July 20, 2011 and at 2 public hearings in September, before the final budget is adopted.

Expenditures

The total operating, capital and debt service expenditures for FY 2011-2012 are budgeted at \$145,020,275 which represents a 2.9% net increase of \$4,056,020 compared to the FY 2010-2011 annual budget of \$140,964,255. The net increase is the result of capital improvement expenditures increasing \$4,063,690, largely from required improvements to the sanitary sewer system.

A comparison of expenditures for the FY 2010-2011 Budget and the proposed FY 2011-2012 Budget Estimate is shown below:

Budget Year	<u>2010-2011</u>	<u>2011-2012</u>	<u>Increase (Decrease)</u>
Operating Expenses	\$129,589,272	\$129,581,602	\$(7,670)
Capital Expenditures	4,427,172	8,490,862	4,063,690
Debt Service Requirements	<u>6,947,811</u>	<u>6,947,811</u>	<u>-</u>
 Total	 \$140,964,255	 \$145,020,275	 \$ 4,056,020

Operating Expenditures

The total net decrease in operating expenses from the FY 2010-2011 Budget of \$129,589,272 to the FY 2011-2012 proposed budget of \$129,581,602 is \$7,670. The significant items affecting the FY 2010-2011 Budget are shown as follows:

<u>Items</u>	<u>Budget Increase (Decrease)</u>	<u>Total Budget</u>
Salary (Longevity, Merit)	\$ 648,185	\$ 57,064,383
Overtime	274,361	1,662,086
Employee Benefits		
Retirement	1,369,800	23,898,000
FICA	(42,030)	3,572,294
Workers Compensation	(51)	5,816,000
Health Insurance	4,166	5,392,245
Equipment Replacement	(385,630)	1,830,212
Equipment Additions	(1,097,474)	106,000
Other Operating Costs	(630,443)	28,997,382
Motor Equipment Fleet Replacement	<u>(148,554)</u>	<u>1,243,000</u>
 Net Operating Budget Decrease	 \$ (7,670)	
Total Operating Budget		\$ 129,581,602

Capital Improvements

The FY 2011-2012 Budget Estimate includes a capital improvement program totaling \$8,490,862. The General Fund will provide funding of \$1,808,000 to the Capital Improvement Fund, including \$750,000 for public safety building repairs/improvements, \$550,000 for necessary repairs to City Hall, \$250,000 for a residential yard waste pit restoration program, \$155,000 for Venetian Pool repairs/improvements, and \$103,000 for bridge and waterway repairs/improvements. The Roadway Improvement Program is funded with \$767,862 to resurface and rebuild City streets, and related improvements. This program is funded through proceeds of the gasoline sales tax and alternative 4 cent gas tax. Other capital improvements that are budgeted include \$5,715,000 for required sanitary sewer force mains, lift stations and sanitary sewer pipe replacement, and \$200,000 for storm water drainage improvements.

Debt Service

The total outstanding principal debt of the City is \$79,300,000 as of July 1, 2011 and includes approximately \$22,155,000 of new money received on June 30, 2011 for the Neighborhood Renaissance Program. These funds have not been appropriated at this time, but will be included at a later date. The City has no General Obligation Bond debt. The annual budget amount for debt payment on loans from the Sunshine State Governmental Financing Commission is \$6,947,811 and represents 5.1% of the total operating and debt service budget of \$136,529,413, and is below our goal for debt service to be under 8% of total operating and debt service cost.

The Sunshine State Governmental Financing Commission was created in November, 1985 to allow a limited number of qualifying governments to participate in pooled debt financings with pricing and cost structures not normally available to governmental entities acting individually. The loans issued from the Commission are the obligation and debt of the participating city. There are 13 cities and 3 counties in Florida that are members of the Commission.

The City has used the Sunshine State Governmental Financing Commission (Sunshine State) since 1987 as its principle source for financing the acquisition and construction of City facilities such as Fire Station No. 3, the Youth Center, the Miracle Theater, the Merrick Parking Garage and Shops, the City Maintenance and Storage Facility located at S.W. 72nd Avenue, the Museum Parking Garage, the 427 Biltmore Way building, and for a comprehensive Capital Improvement Program including traffic calming circles, sidewalks, alleys, Biltmore and Granada golf course renovations, parks, entrances and plazas, information technology equipment, the Conference Center of the Americas located at the Biltmore Hotel, the Country Club of Coral Gables, the construction of the Coral Gables Museum Building, dredging of the Coral Gables Canal and funding the Neighborhood Renaissance Program.

Revenues

The estimated revenues for FY 2011-2012 are projected to be \$144,915,940, a net decrease of \$279,132 compared to estimated revenues of \$145,195,072 for FY 2010-2011.

The estimated revenue increases include: \$895,008 from commercial waste fees as a result of changes made in the franchise agreement, \$612,150 from building construction fees, \$515,797 from county court fines, code enforcement and traffic violations, \$344,900 from sanitary sewer fees, \$285,594 from rentals and concessions, \$213,000 from annual commercial fire inspection fees, and \$200,000 from storm water utility fees. The Parking fund is projected to generate \$767,000 of additional revenue as a result of changes in parking operations. It includes the addition of multi-space pay stations that will replace meters in areas of the City, an upgrade of the street parking control system and an automated payment system for the parking garages.

Other revenue increases include: \$99,000 from business licenses, \$51,000 from general government fees, \$58,000 from investment earnings, \$115,000 from refuse collection fees, and \$75,000 from emergency medical services (EMS). The EMS fees charged to residents are the Medicare allowable rates. These rates are not changing and are based on the rates charged by Miami-Dade County.

Estimated revenue decreases in the FY 2011-2012 budget include: \$2,019,008 in property tax revenue, \$1,514,259 in intergovernmental revenues from state/county grants received in FY 2010-2011, \$431,480 in franchise fees from electric utility and commercial refuse contractors, \$191,459 from golf fees, \$120,200 from Utility Service Taxes, \$69,000 from recreation programming, \$60,936 from parking facility rentals, \$60,000 from Fire Prevention Bureau Permits, and a decrease of \$55,000 from False Alarm Charges.

Personnel Positions

The total number of full-time employee positions in the FY 2011-2012 budget is 791, the same total number of full-time employees as in the 2010-2011 budget. That's fewer employees than the City has had in at least the past two decades. There is no cost of living adjustment proposed again for employees next fiscal year.

Ad-Valorem Property Tax Millage Rate

The impact of the economic decline on the real estate market has resulted in the decline of the City's property values from 2008 of \$13.4 billion to a decrease in 2009 to \$12.7 billion and a continued decrease in 2010 to \$11.8 billion. For the 2011 tax year, the City's total property value as of June 1, 2011 was \$11,870,832,915 including new construction of \$95.7 million.

I am pleased to report that the FY 2011-2012 Budget Estimate includes a property tax rate of **5.869**, a **reduction** in the property tax millage rate from **6.072** this fiscal year. This results in a **decrease of \$2,019,008 in property tax revenue**. In reviewing property tax revenue, the following shows a **decrease in property tax revenue** over two consecutive years:

<u>Fiscal Year</u>	<u>Property Tax Revenue</u>	<u>(Decrease)</u>
2009-2010	\$ 71,201,646	
2010-2011	68,205,430	\$ (2,996,216)
2011-2012	66,186,422	(2,019,008)

It's been at least 25 years since the City has reduced property tax revenue for two consecutive years.

City Ad-Valorem Tax Rates

<u>Fiscal Year</u>	<u>Adopted Rate</u>
2002-2003	5.841
2003-2004	5.990
2004-2005	5.990
2005-2006	6.150
2006-2007	6.150
2007-2008	5.250
2008-2009	5.250
2009-2010	5.895
2010-2011	6.072
*2011-2012	5.869

*Budgeted property tax rate for FY 2011-2012.

Bargaining Unit Agreements

The City is currently in negotiations with the Fraternal Order of Police, Lodge No. 7. Their Collective Bargaining Agreement expired on September 30, 2009. We have a Collective Bargaining Agreement with the International Association of Firefighters, Local 1210 for the period of October 1, 2008 through September 30, 2011. We have reached an agreement with the Teamsters, Local 769 on all matters which will be subject to ratification by the City Commission in the near future.

Cultural and Community Events

The FY 2011-2012 budget includes grant funding of \$75,000 for cultural events. The Cultural Affairs Advisory Board will review and recommend cultural and community organizations to receive direct or matching grant funds from these budgeted monies.

Restructuring

Coral Gables continues to be at a critical phase in its journey to become a model city government. As an organization in transition, it parallels the change that the 19th century British statesmen Thomas Macaulay expressed appropriately: "There is a change in society," he noted, "and there must be a corresponding change in the government. We are not, we can not, in the nature of things, be what our fathers were." This evolution, whether in business or government, is the secret to the future. Each change, each open door for challenge and opportunity, should build on the best of what went before.

As I've indicated in the past, I have continued my personal analysis of the City's current administrative organization and distribution of responsibilities. The organizational realignment presented in this budget will assist the City as it moves forward with its pursuit of an optimal organizational arrangement. To that end, automotive operations will be brought under the Public Works Department and community related services (Parks and Recreation, Public Service and Parking operations) will be consolidated into a Department of Community Services. This effort seeks to identify and build upon strengths, improve upon weaknesses and increase organizational effectiveness. I believe these realignments will achieve the efficiency, accountability, quality of service and, most of all, the results we all desire.

Conclusion


It has never been more necessary for elected officials, City employees, and citizens to work together to not allow the economy and other circumstances to force us to sacrifice all that we have worked together to achieve. As we look toward tomorrow, we must find ways to focus on creating a future that will be brighter and more prosperous for Coral Gables. Years of investments, both public and private, both monetary and non-monetary, both emotional and unemotional have shaped this community. These investments have made Coral Gables a place we are proud to call home. It should be our commitment that these investments will continue. Whether it is today or 2030, the mission remains the same: never be willing to settle for less, but rather keep working toward the best Coral Gables we can imagine.

This budget takes care of the needs and services of residents and businesses in the here and now, while looking ahead and anticipating how we will meet these requirements in the future. I continue to be enthusiastic about the City's future. You have my personal commitment that we will make the community proud of how our continued dedication to the heritage and tradition of Coral Gables adds value to our citizens; that we are an organization you can trust and believe in and one you can admire for the good that we do and the future direction towards which we steer.

Acknowledgments

The preparation of this annual budget of the City is a joint effort among the management team. The personal efforts of the following individuals are specifically acknowledged for their commitment to the budget process and the preparation of this budget: Don Nelson, Finance Director; Keith Kleiman, Budget Administrator; and Yvette Companioni, Administrative Assistant to the Finance Director.

Respectfully submitted,


Patrick Salerno
City Manager