

City of Orlando, Florida

City Council Workshop / Fiscal Year 2012 Budget

July 25, 2011



Agenda

- City of Orlando Financial Position
- Fiscal Year 2012 Expenditure Overview
- Fiscal Year 2012 Proposed Budget (Status)
- Key Dates



City Council Workshop / Fiscal Year 2012 Budget

Part 1: City of Orlando Financial Position

July 25, 2011



Budget Fact # 1

- The City of Orlando has the lowest tax rate of any major city in Florida



Comparable Millage Rates

- Orlando has lowest millage rate amongst Florida cities with populations over 200,000

	<u>Population</u>	<u>2011 Millage Rate</u>
Miami	399,457	7.6740
Tampa	335,709	5.7326
St. Petersburg	244,769	5.9125
Orlando	238,300	5.6500
Hialeah	224,669	6.5400

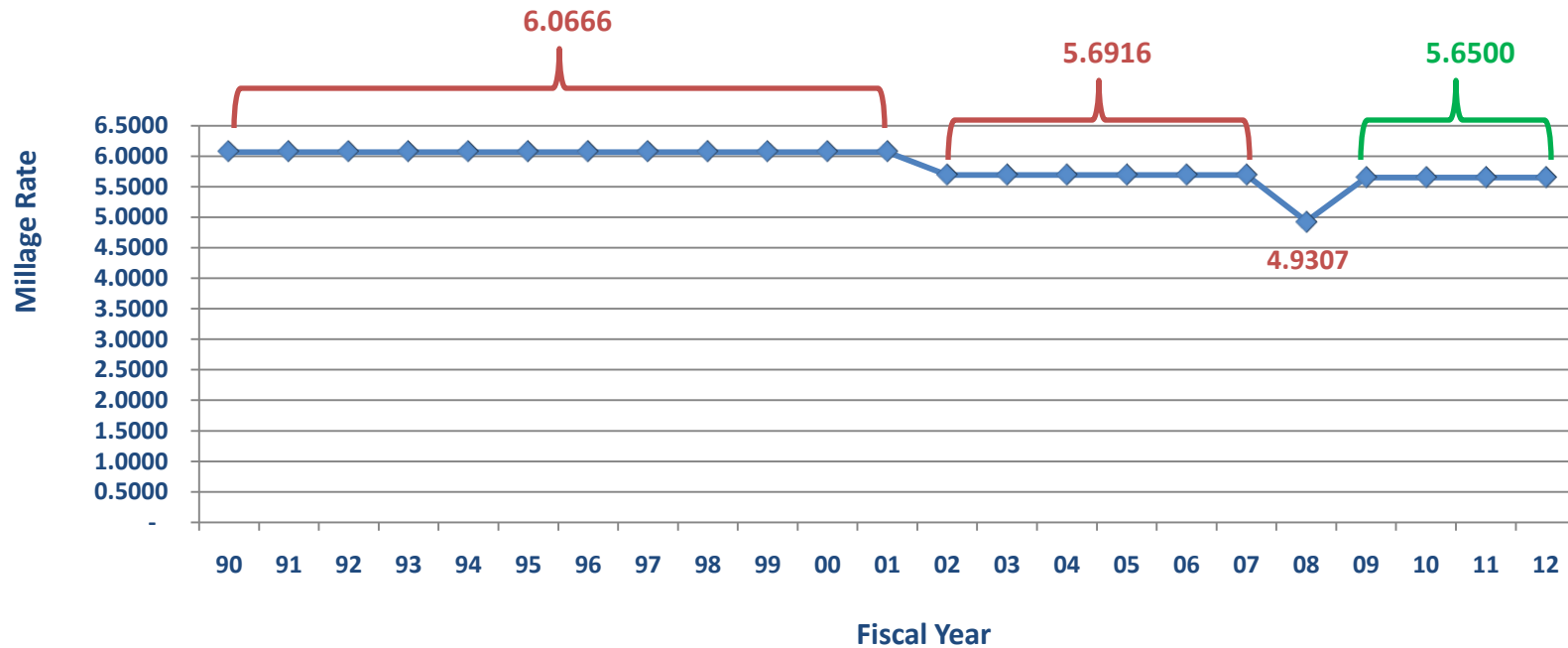


Budget Fact # 2

- Orlando has a lower tax rate than it did 20 years ago



Millage Rate History



- Millage rate of 6.0666 would generate an additional \$7.3 million in revenue for FY2012
- From 2000-2012 a millage rate of 6.0666 would have generated \$95 million more than the actual amount collected



Budget Fact # 3

- The City has fought tax increases while other Florida cities have raised their tax rates in response to the negative effects of the recession.



20 Largest Cities in Florida (>95k population)

- Cities that raised millage rates over last two fiscal years

**2009-2010
(14 Cities / 70%)**

Lakeland
West Palm Beach
Pompano Beach
Palm Bay
Miami Gardens
Clearwater
Coral Springs
Miramar
Gainesville
Hollywood
Pembroke Pines
Cape Coral
Port St. Lucie
Tallahassee

**2010-2011
(8 Cities / 40%)**

Lakeland
Pompano Beach
Palm Bay
Miami Gardens
Coral Springs
Hollywood
Pembroke Pines
Port St. Lucie

- 13 of the 20 largest cities in Florida had higher millage rates in 2011 than they did in 2009



Municipalities in Orange County

- Municipalities that raised millage rates over last two fiscal years

2009-2010
(5 Municipalities / 39%)

Bay Lake
Belle Isle
Lake Buena Vista
Ocoee
Winter Garden

2010-2011
(6 Municipalities / 46%)

Bay Lake
Belle Isle
Lake Buena Vista
Oakland
Ocoee
Winter Garden

- 6 municipalities in Orange County had higher millage rates in 2011 than they did in 2009



Recent News on 2012 Millage Rates

- Hollywood
 - Property tax increase of 11%
- Belleair Bluffs
 - Property tax increase of 23%
- St. Lucie County
 - Property tax increase of 8.2%
- Palm Beach County
 - Property tax increase of 2.7%



Budget Fact # 4

- Orlando has balanced its budget without the need to drain its reserves. In fact, since 2005, Orlando has added to its savings by 30% while other governments around Florida have drained their strategic reserves.



Operating Results

- Of Florida cities with populations over 200,000, only Orlando added to its General Fund reserves in FY2010

	Fiscal Year 2010 Budget to Actual Results			
	<u>Population</u>	<u>Adopted Budget</u>	<u>Actual Results</u>	<u>Difference</u>
Miami	339,457	-	(26,530,217)	(26,530,217)
Tampa	335,709	(26,207,000)	(2,179,000)	24,028,000
St. Petersburg	244,769	(1,146,000)	(5,416,000)	(4,270,000)
Orlando	238,300	(14,692,614)	7,987,582	22,680,196
Hialeah	224,669	-	(2,090,411)	(2,090,411)

Source: FY2010 Comprehensive Annual Financial Reports



Reserves

- General Fund reserves as of 9/30/2010 (Source: FY2010 Comprehensive Annual Financial Reports)

	<u>Unreserved Fund Balance as of 9/30/2010</u>	<u>Fund Balance Appropriated for Use In FY2011</u>	<u>Adjusted Unreserved Fund Balance as of 9/30/2010</u>	<u>FY2010 Expenditures and Transfers Out</u>	<u>Fund Balance as % of Expend/Transf. Out</u>
Hialeah	19,058,565	(6,188,378)	12,870,187	133,065,334	10%
Orlando	85,711,447	*	85,711,447	353,685,908	24%
St. Petersburg	49,326,579	*	49,326,579	222,102,457	22%
Tampa	87,777,000	(12,305,794)	75,471,206	268,057,000	28%
Miami	3,998,971	-	3,998,971	532,065,924	1%
Orange County	142,410,820	(49,110,820)	93,300,000	700,352,532	13%

* Use of fund balance is already accounted for in the reported Unreserved Fund Balance



Total Reserves

	City of Orlando			<u>Orange County</u>
	<u>Appropriable Reserves</u>	<u>General Fund Budget</u>	<u>Reserve Percentage</u>	
2005	62,023,572	291,447,567	21.3%	15.3%
2006	72,501,723	303,262,875	23.9%	18.0%
2007	83,447,478	329,137,694	25.4%	20.0%
2008	92,631,739	329,987,706	28.1%	24.0%
2009	95,728,670	369,886,891	25.9%	22.0%
2010	105,517,036	359,746,733	29.3%	19.0%
2011	115,643,286	364,914,352	31.7%	21.0%
2012P			25.0%	13.0%

Source: City of Orlando Bond Disclosure Supplements / **Orange County Comprehensive Annual Financial Report**

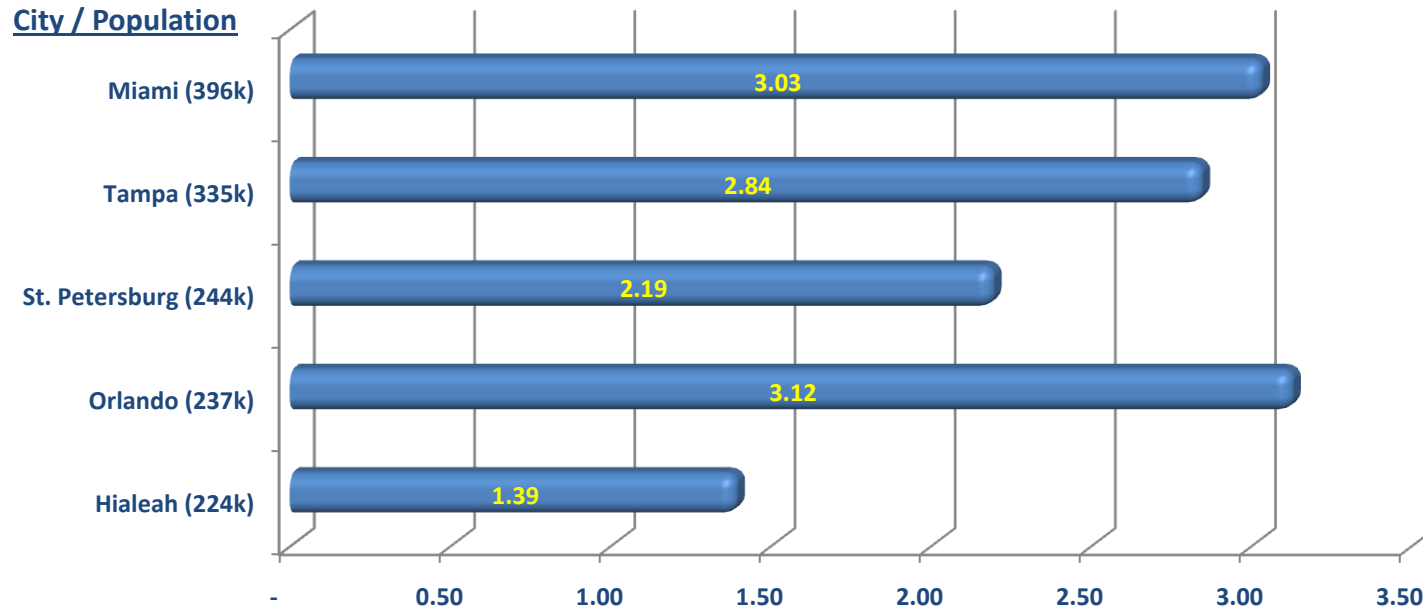


Budget Fact # 5

- Orlando has more police officers per thousand residents than any other major city in Florida. At the same time, Orlando has steadily reduced its number of overall employees.

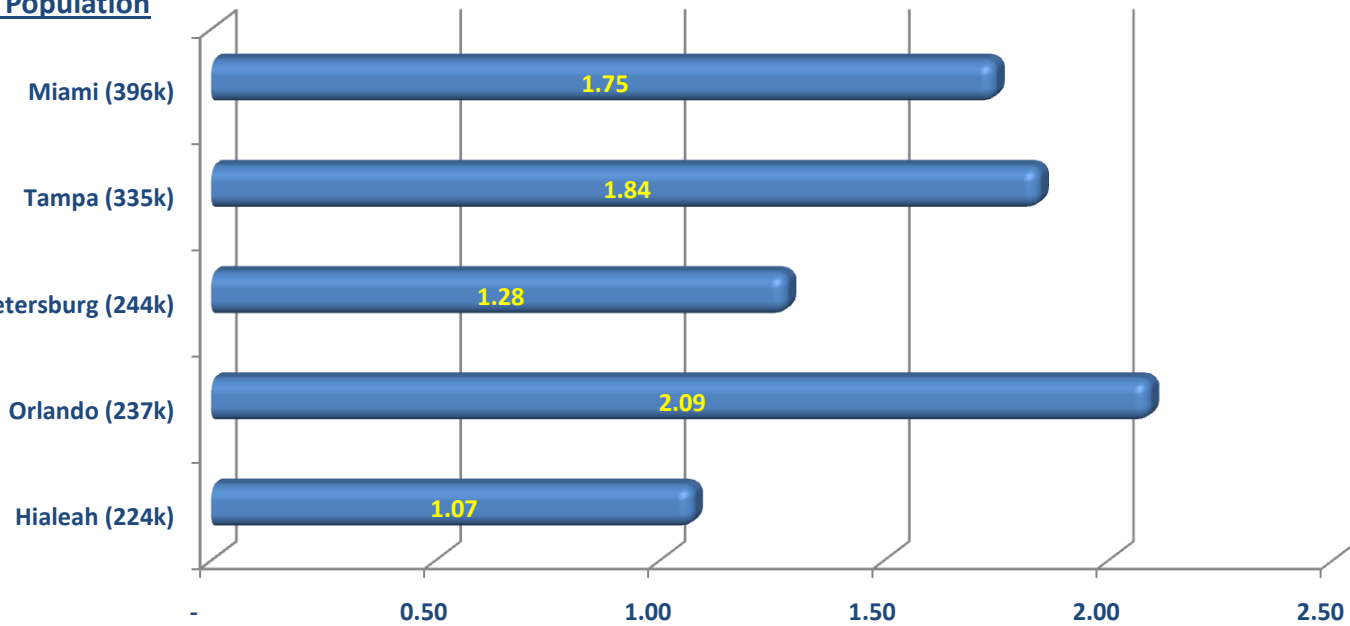


Police Officers per 1,000 Residents



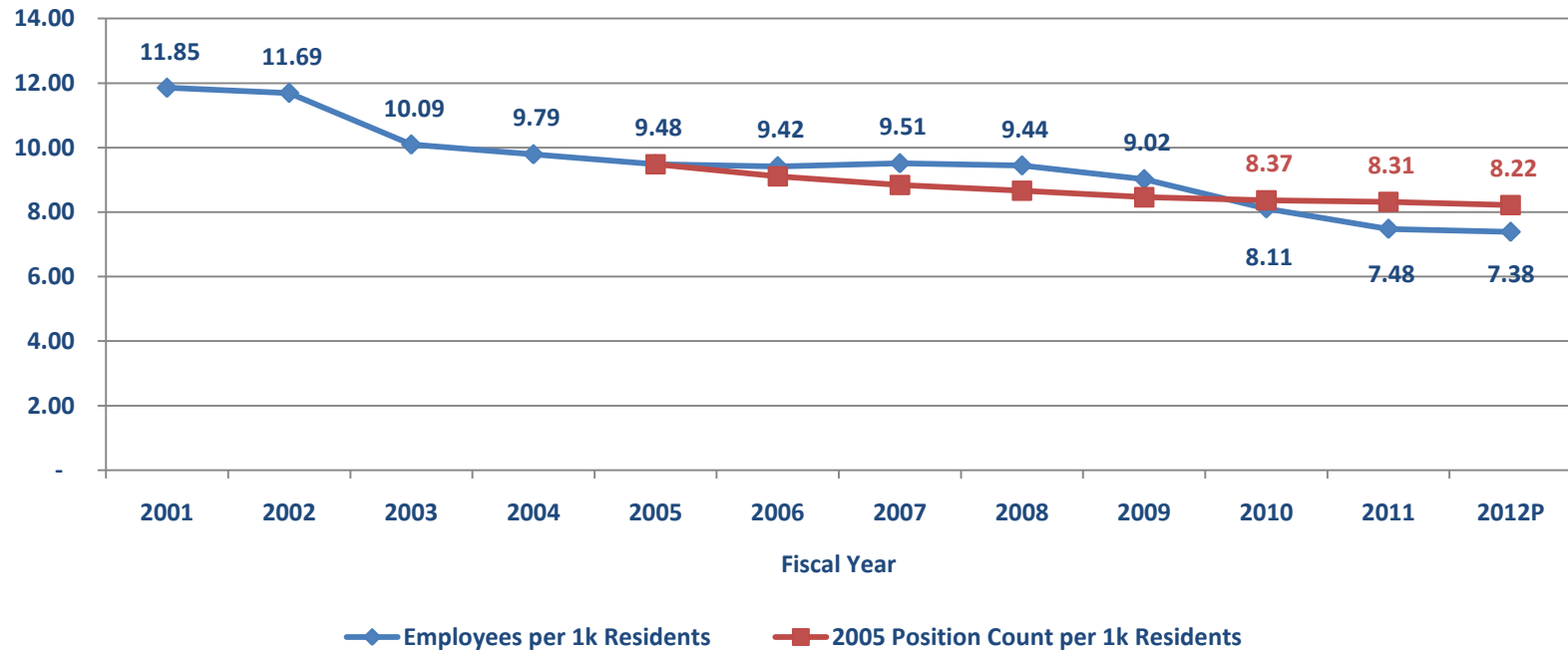
Firefighters per 1,000 Residents

City / Population



Non- Sworn Employees per 1,000 Residents

City of Orlando



Budget Fact # 6

- Orlando is the only major city government in Florida that has funded all of its committed retirement benefits.



Pension Plan Assets (in Millions)

	<u>January 31, 2011</u>
General Employees	\$178
Police	257
Fire	<u>390</u>
Total	\$825



Pension Plans

- Actuarial Studies
 - Actuarial Valuation Reports every year
 - Determines the Annual Required Contribution (“ARC”)
 - Calculates the Funded Status (see next slide)
 - Actuarial Impact Statements
 - Estimate the cost of proposed benefit changes
 - Experience Studies every 5 years
- Funded Status = Assets / Liabilities
 - Most common method for measuring a pension plan’s financial health
 - Actuaries consider any pension plan with a funded ratio greater than 80% to be “well funded”.



Pension Plans

- Funded Status as of 9/30/2010:

General Employees	79%
Police	88%
Fire	82%

<u>City</u>	<u>Type</u>	<u>Funded</u>
Coral Springs	P	78%
Coral Springs	F	80%
Ft. Lauderdale	G	71%
Jacksonville	G	77%
Jacksonville	P&F	49%
Miami	P&F	67%
Ocala	G	45%
Ocala	P	68%
St. Petersburg	F	84%
St. Petersburg	G	82%
St. Petersburg	P	91%
Tampa	P&F	83%

- Actuaries consider plans funded above 80% to be “well funded”



Other Post-Employment Benefits

- Other Post-Employment Benefits (OPEB) are most often associated with retiree health care, but actually covers almost any benefit not provided by a pension plan (life insurance for example)
- The Governmental Accounting Standards Board (GASB) determined that an OPEB plan was similar to a pension plan in that benefits are earned during an active employee's working lifetime, but paid out at a future date
- In GASB's view, accounting for OPEB should follow the same basic principle as accounting for a pension plan; that is, OPEB is compensation for an employee's service and should be accounted for during the time period that service is performed



Other Post-Employment Benefits

- An actuary will determine an employer's Annual Required Contribution (ARC) for their OPEB plan
 - ARC consists of the cost of benefits accruing in a year plus an amount calculated to amortize any unfunded actuarial accrued liability over a period not to exceed 30 years
 - Simply put the ARC is:
 - The anticipated future cost of benefits to be earned during the ensuing fiscal year, plus
 - An allocation of the cost for previous years' benefits that have been earned but not "funded"



Other Post-Employment Benefits

Orlando is the only Florida city with a population over 200,000 that has fully funded its OPEB obligation

	<u>Population</u>	Fiscal Year 2010 OPEB Contributions		Cumulative OPEB Status	
		Required	Actual	Plan Assets	Obligations
Hialeah	224,669	18,314,205	6,877,997	-	35,065,830
Orlando	237,852	20,165,106	20,165,106	33,643,613	-
St. Petersburg	244,344	12,455,000	6,187,000	-	25,726,000
Tampa	335,145	5,189,000	2,554,000	-	14,551,000
Miami	396,992	43,811,866	12,896,007	-	84,760,173



Budget Fact # 7

- Fitch Ratings gave Orlando a Triple-A bond rating in 2011, the highest “credit score” possible.



Bond Ratings

	<u>Moody's</u>	<u>S&P</u>	<u>Fitch</u>
General Obligation (Implied)	Aa1	AA	AAA
Covenant Program	Aa2	AA-	AA+
Wastewater	Aa2	AA	AAA
Parking System	Aa3	A	A+
Downtown CRA	A1	A	A+



Selected Rating Agency Comments - Fitch

- “Strong financial management is evidenced by stringent reserve policies, consistent operating surpluses and robust reserves”
- “The city has a well-established history of strong financial management, which has enabled it to grow sizeable fund balances”
- “The city fully funds its ARC (Annual Required Contribution) for all plans as well as OPEB annually and the costs are manageable within the context of the city’s operating profile”



Selected Rating Agency Comments – Moody's

- “The city’s non ad valorem and Aa1 Issuer credit ratings are also based on the extensive economic base with a dominant tourism component, conservative and well-managed finances with strong liquid fund balances and strong management.”
- “The city’s solid cash and fund balance position are strong supporting factors for the assigned rating.”
- “A structurally-balanced budget with maintenance of adequate reserve levels are important credit factors.”



Selected Rating Agency Comments – Standard & Poor’s

- “Maintenance of very strong reserve levels, with the unreserved general fund balance at 23% of general fund expenditures for audited fiscal 2009”
- “Strong historical financial performance with a willingness to make reductions as key revenue streams weakened”
- “Orlando’s financial management practices are considered “strong” under Standard & Poor’s Financial Management Assessment methodology, indicating that we believe practices are strong, well embedded, and likely sustainable.”



Budget Fact # 8

- In the midst of this effort to reduce costs, Orlando has been able to maintain its strategic investment in police and fire protection, critical infrastructure projects such as streets and sidewalks, new fire stations and police substations, critical upgrades to our storm and waste water systems, as well as efforts to continue the revitalization of Downtown Orlando



Use of Tax Revenue (FY2005 to FY2012)

	<u>2005 Actual</u>	<u>2012 Proposed</u>	<u>Change</u>
Public Safety Budget			
Police Department (Net of OPD Revenue)	\$82,508,415	\$110,878,541	
Fire Department (Net of OFD Revenue)	55,282,232	80,372,012	
Public Safety Debt Service	-	5,543,723	
Total Public Safety Cost	<u>\$137,790,647</u>	<u>\$196,794,276</u>	42.8%
Tax Revenue			
Ad Valorem Revenue	\$82,800,643	\$98,723,306	
Business Tax	5,974,718	7,747,000	
Sales Tax	29,312,751	30,668,147	
Municipal Revenue Sharing	9,408,292	9,451,620	
Utility Services Tax	36,954,707	45,513,838	
Communication Services Tax	3,499,979	3,017,326	
Total Tax Revenue	<u>\$167,951,090</u>	<u>\$195,121,237</u>	16.2%
Public Safety Costs Greater (Less) than Tax Revenue	(\$30,160,443)	\$1,673,039	



City Council Workshop / Fiscal Year 2012 Budget

Part 2: Fiscal Year 2012 Expenditure Overview

July 25, 2011



Fiscal Year 2012 Expenditure Overview

General Fund Expenditures

	<u>2011 Revised</u>	<u>2012 Proposed</u>	<u>Change</u>
Executive Offices	\$19,820,443	\$19,613,925	(\$206,518)
Business and Finan. Svcs.	27,673,681	26,689,395	(984,286)
Economic Development	14,457,301	13,920,900	(536,401)
Families, Parks and Rec.	26,319,868	25,013,545	(1,306,323)
Fire	78,535,469	79,745,746	1,210,277
Housing and Comm. Dev.	278,221	271,273	(6,948)
Police	116,355,248	114,292,366	(2,062,882)
Public Works	18,762,874	18,635,363	(127,511)
Debt Service	15,650,123	16,283,267	633,144
Nondepartmental	<u>38,528,171</u>	<u>32,776,087</u>	<u>(5,752,084)</u>
Total Current Service Level	<u><u>\$356,381,399</u></u>	<u><u>\$347,241,867</u></u>	<u><u>(\$9,139,532)</u></u>



Fiscal Year 2012 Expenditure Overview

Major Components of the Budget Reduction

	Total Budget Reduction	Reduction Components		Total
		Risk Management Premium	Health Insurance Reduction	
Executive Offices	(\$206,518)	(\$16,399)	(\$285,684)	(\$302,083)
Business and Finan. Svcs.	(984,286)	(62,841)	(352,536)	(415,377)
Economic Development	(536,401)	(29,351)	(152,849)	(182,200)
Families, Parks and Rec.	(1,306,323)	(196,807)	(334,627)	(531,434)
Fire	1,210,277	(1,292,436)	(1,245,662)	(2,538,098)
Housing and Comm. Dev.	(6,948)	(470)	(4,796)	(5,266)
Police	(2,062,882)	(1,270,131)	(1,908,262)	(3,178,393)
Public Works	(127,511)	(131,565)	(215,584)	(347,149)
Total	(\$4,020,592)	(\$3,000,000)	(\$4,500,000)	(\$7,500,000)



Fiscal Year 2012 Expenditure Overview

Risk Management Rebate

- Since 2005 excess premiums paid to the Risk Management Fund have been rebated to the funds that participate in that pool
- Starting in FY2012 this item will be accounted for as a premium reduction rather than an operating revenue, and fund expenditures for risk management premiums will be reduced instead

Risk Management Fund Status

Cash	53,590,639
Accounts Payable	(215,962)
Current Claims	(10,037,000)
Claims Incurred But Not Reported	<u>(23,412,000)</u>
Cash Reserves on 9/30/2010	19,925,677
FY2011 General Fund Rebate	(3,000,000)
FY2011 Other Fund Rebates	(875,000)
FY2012 General Fund Premium Holiday	(3,000,000)
FY2012 Other Fund Holiday	<u>(875,000)</u>
Available Cash	<u>12,175,677</u>



Health Insurance

- Self-funded health insurance will start on January 1, 2012
- 4.5% Rate increase built into the budget
- \$6.2 Million proposed to be transferred to the Health Insurance Fund from the Risk Management Fund in FY2011 to establish reserves in that fund
 - City contribution reduced by similar amount in FY2012 budget
 - General Fund equivalent is \$4.5 million
- Self-funded health insurance plans are required to have 60 days of estimated claims in reserve at plan year end



Fiscal Year 2012 Expenditure Overview

Pension Contributions

- All required contributions are funded

	General Fund			2012 All Funds
	2011	2012	Difference	
Police	\$13,760,629	\$15,993,336	\$2,232,707	\$17,101,951
Fire	11,930,686	13,291,666	1,360,980	14,308,291
General Employees	10,770,059	10,621,876	(148,183)	16,214,995
Total	\$36,461,374	\$39,906,878	\$3,445,504	\$47,625,237

	General Fund			2012 All Funds
	2011	2012	Difference	
Other Post Employment Benefits	\$15,528,508	\$15,683,061	\$154,553	\$21,769,688



Capital Improvements

- Funded at one-half of FY2010 level but consistent with FY2011

	<u>FY2011</u>	<u>FY2012</u>
Community Capital	\$420,000	\$420,000
Fire Equipment Replacement	1,000,000	1,000,000
Sidewalk Program	700,000	700,000
Pavement Rehabilitation	1,000,000	1,000,000
Technology Enhancements	1,500,000	1,500,000
Unallocated	<u>100,000</u>	<u>100,000</u>
Total	<u><u>\$4,720,000</u></u>	<u><u>\$4,720,000</u></u>



Fire Equipment Replacement (\$1M)

- FY2011:
 - Bunker Gear Replacement (\$300k)
 - Life Pak Replacement (\$125k)
 - Station Exhaust System Repairs (\$150k)
 - Generators (\$75k)
 - Thermal Imaging Cameras (\$18k)
 - Wireless Interface with Radio System (\$36k)

- FY2012:
 - Continuation of Bunker Gear and Life Pak replacements
 - Extrication equipment
 - Hose replacement



Sidewalk Program (\$.7M)

- FY2011:
 - Purchase of concrete
 - Kaley/Summerlin Improvements
 - Fleet Peoples Park trail

- FY2012:
 - Hazardous sidewalk repair (\$300k)
 - School safety sidewalk program (\$400k)



Pavement Rehabilitation (\$1 M)

- FY2011:
 - Commander Dr/Westmoreland/Lakeview Repaving (\$180k)
 - Reclamite (\$235k)
 - Various repaving/restriping/millwork (\$510k)
- FY2012:
 - \$1M General Fund allocation
 - \$.6M Gas Tax allocation



Technology Enhancements (\$1.5 M)

- **FY2011:**
 - Information Security and Infrastructure enhancement - Phase I
 - Expansion of eGovernment services to citizens - outward facing GIS
 - Upgrade/Expansion of enterprise and critical systems
 - Active monitoring tools

- **FY2012:**
 - Information Security and Infrastructure enhancement - Phase II
 - Upgrade/Expansion of enterprise and critical systems
 - Tools to enable business process optimization and automation
 - Leverage virtual desktop technology to improve accessibility to City systems at reduced cost.
 - Upgrade the City VoIP system to current technology



Channel Migration Project

- 1994: City purchased a 22 channel, 800 Mhz system
- 1996: City converted 10 analog channels to the new system
- System life for the remaining 12 analog channels will end in 2012
- Proposed budget contains \$1M to initiate migration (debt/lease)
 - Total project cost estimate is \$6M



Fleet Replacement Program

- The City “pre-funds” replacement vehicles in monthly amounts spread over the useful life of each piece of equipment
 - Advantage: High dollar vehicles do not put stress on the operating budget when they need to be replaced
- Starting in FY2011 and planned for FY2012, only one-half of the annual vehicle replacement contributions are funded
- Critical equipment (police and fire) have been and will be replaced when needed

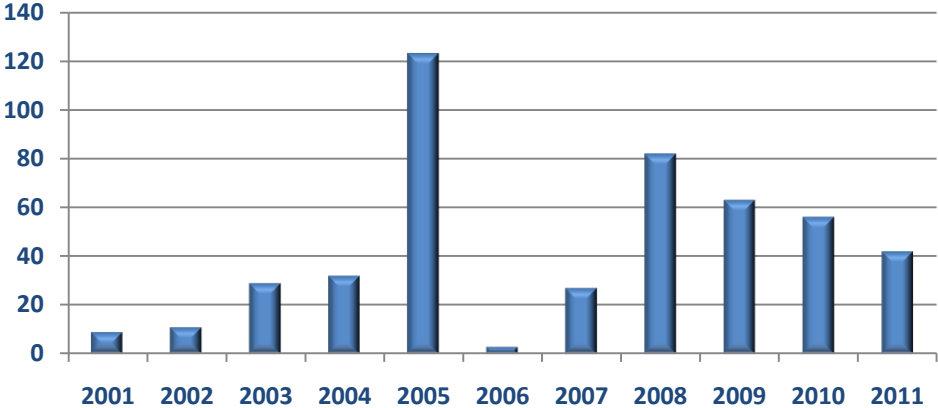


Vehicle Average Age – Police Vehicles

Useful Life	<u>Years</u>
Frontline	7



Vehicles by Year of Acquisition



Current Fleet Status

Average Age:	<u>Years</u>
July 1, 2010	3.80
July 1, 2011	3.96

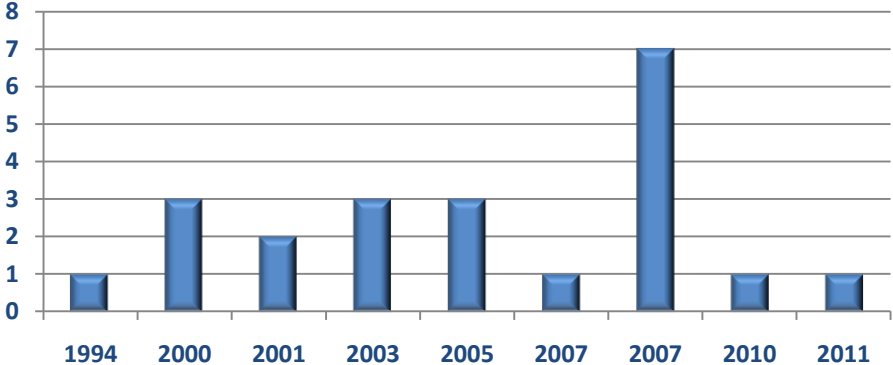


Vehicle Average Age – Fire Engines

Useful Life	<u>Years</u>
Frontline	12
Reserve	3



Vehicles by Year of Acquisition



Current Fleet Status

Average Age:	<u>Years</u>
July 1, 2010	6.39
July 1, 2011	6.64

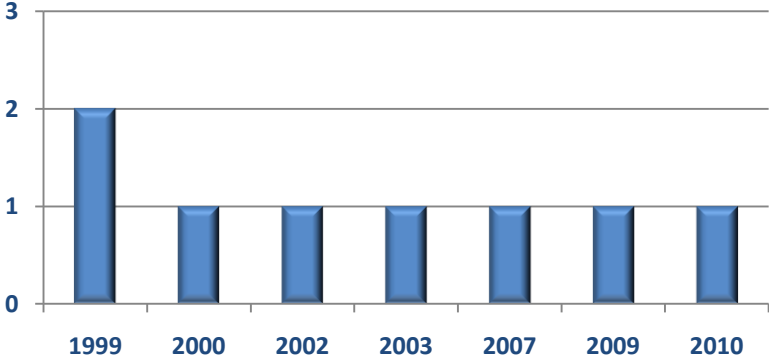


Vehicle Average Age – Towers

Useful Life	Years
Frontline	15



Vehicles by Year of Acquisition



Current Fleet Status

Average Age:	Years
July 1, 2010	6.40
July 1, 2011	7.40



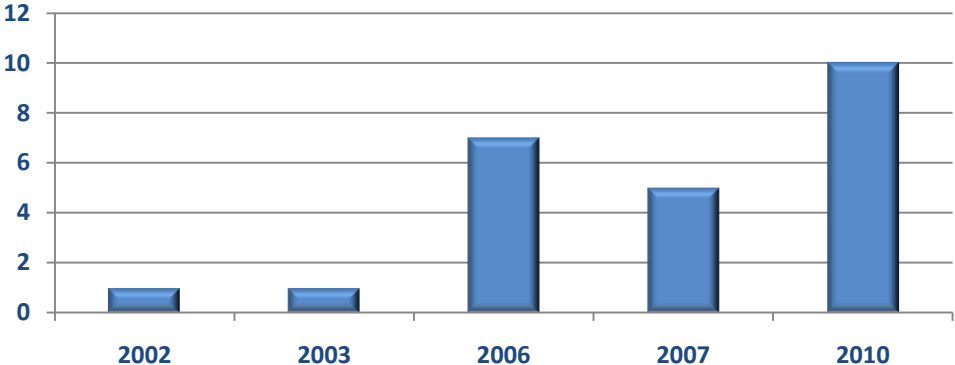
Vehicle Average Age – Rescues

Useful Life	Years
Frontline	6

*Replacements are fully funded in the EMS Transport Fund



Vehicles by Year of Acquisition



Current Fleet Status

Average Age:	Years
July 1, 2010	4.5
July 1, 2011	3.5

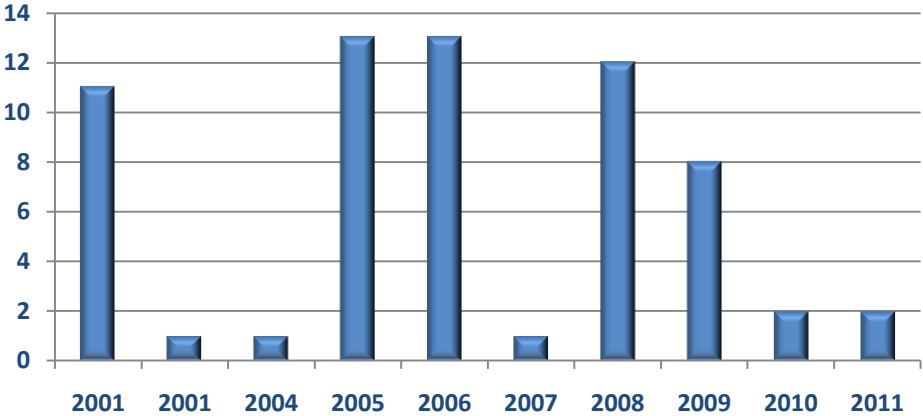


Vehicle Average Age –Collection Vehicles

Useful Life	<u>Years</u>
Frontline	7



Vehicles by Year of Acquisition



Current Fleet Status

Average Age:	<u>Years</u>
July 1, 2010	4.13
July 1, 2011	4.98



Fleet Management Fund

September 30, 2010

	Fleet Internal Service Fund		Unrestricted Net Assets (Replacement)	Maintenance Reserves (2012 Budget)
	Maintenance	Replacement		
Miami				
Tampa	●			
St. Petersburg	●	●	24,051,885	
Orlando	●	●	50,518,949	20.2%
Hialeah				
Orange County	●			8.0%



City Council Workshop / Fiscal Year 2012 Budget

Part 3: Fiscal Year 2012 Proposed Budget (Status)

July 25, 2011



Fiscal Year 2012 Proposed Budget (Status)

General Fund Revenue (No Change from June 11th Workshop)

	<u>2011 Revised</u>	<u>2012 Proposed</u>	<u>Change</u>
Ad Valorem Revenue	\$102,582,159	\$99,073,307	(\$3,508,852)
Sales Tax	29,128,457	30,668,147	1,539,690
Municipal Revenue Sharing	8,720,879	9,451,620	730,741
Franchise Fee / Dividend	76,784,000	76,784,000	-
Local Business Tax	7,747,000	7,747,000	-
Risk Management Rebate	3,000,000	-	(3,000,000)
Other Miscellaneous Revenue	107,918,904	103,017,793	(4,901,111)
Fund Balance Allocation	<u>20,500,000</u>	<u>20,500,000</u>	<u>-</u>
Total Projected Revenue	<u>\$356,381,399</u>	<u>\$347,241,867</u>	<u>(\$9,139,532)</u>



Fiscal Year 2012 Proposed Budget (Status)

General Fund Expenses (No Change from June 11th Workshop)

	<u>2011 Revised</u>	<u>2012 Proposed</u>	<u>Change</u>
Executive Offices	\$19,820,443	\$19,613,925	(\$206,518)
Business and Finan. Svcs.	27,673,681	26,689,395	(984,286)
Economic Development	14,457,301	13,920,900	(536,401)
Families, Parks and Rec.	26,319,868	25,013,545	(1,306,323)
Fire	78,535,469	79,745,746	1,210,277
Housing and Comm. Dev.	278,221	271,273	(6,948)
Police	116,355,248	114,292,366	(2,062,882)
Public Works	18,762,874	18,635,363	(127,511)
Debt Service	15,650,123	16,283,267	633,144
Nondepartmental	<u>38,528,171</u>	<u>32,776,087</u>	<u>(5,752,084)</u>
Total Current Service Level	<u><u>\$356,381,399</u></u>	<u><u>\$347,241,867</u></u>	<u><u>(\$9,139,532)</u></u>



Fiscal Year 2012 Proposed Budget (Status)

General Fund

Projected Revenue \$347,241,867

Current Service Level Budget 347,241,867

Budget Surplus / (Gap) \$ -



Fiscal Year 2012 Proposed Budget (Status)

Total Budget

	<u>2011 Adopted</u>	<u>2012 Proposed</u>	<u>Change</u>
General Fund	\$356,434,871	\$347,241,867	(\$9,193,004)
Special Revenue Funds	170,460,400	153,181,890	(17,278,510)
Debt Service Funds	86,823,820	85,305,304	(1,518,516)
Enterprise Funds	176,737,140	181,912,785	5,175,645
Internal Service Funds	113,889,345	123,022,787	9,133,442
Component Units	6,485,710	7,333,297	847,587
Trust Funds	<u>21,896,905</u>	<u>25,293,917</u>	<u>3,397,012</u>
Total Current Service Level	<u>\$932,728,191</u>	<u>\$923,291,847</u>	<u>(\$9,436,344)</u>

Note: Fund level detail is on pages 4-5 of the Budget in Brief



Other Funds

- 900 Total positions
 - No new positions
 - 2 Vacant positions eliminated in the Parking System Fund
- Funds are balanced to their revenue sources
- No new fee or rate increases
 - Automatic rate increases in Solid Waste and Wastewater based on rate studies



Grant Fund

- COPS Grant
 - 15 Police Officer Positions
 - Grant ends in June of 2012
 - Application will be made to extend the grant time period based on the adjusted starting date of the original agreement
 - Transfer to General Fund in January of 2013

- SAFER Grant
 - 46 Firefighter Positions
 - Funded by the grant through April of 2012
 - Positions will be transferred to the EMS Transport Fund in May of 2012



City Council Workshop / Fiscal Year 2012 Budget

Part 4: Key Dates

July 25, 2011



July 25, 2011 (Workshop)

- Mayor's Budget Address
- Expenditure Overview

July 25, 2011 (City Council Meeting)

- Adopt Proposed Millage Rate for FY12



September 12, 2011 (City Council Meeting)

- Public Hearing on the Proposed Budget

September 19, 2011 (City Council Meeting)

- Public Hearing on the Proposed Budget
- Adoption of the Proposed Budget
- Adoption of the Millage Rate





City of Orlando

Office of Business and Financial Services
Orlando City Hall – Fourth Floor
400 S. Orange Avenue
P.O. Box 4990
Orlando, Florida 32802-4990
407-246-2358