

City of Orlando, Florida

City Council Workshop #4 / Fiscal Year 2011 Budget

August 16, 2010



- Part 1 Budget Introduction

- Part 2 City Budget Overview

- Part 3 General Fund Revenue

- Part 4 General Fund Expenditures

- Part 5 Next Steps / Key Dates



City Council Workshop #4 / Fiscal Year 2011 Budget

Part 1: Budget Introduction

August 16, 2010



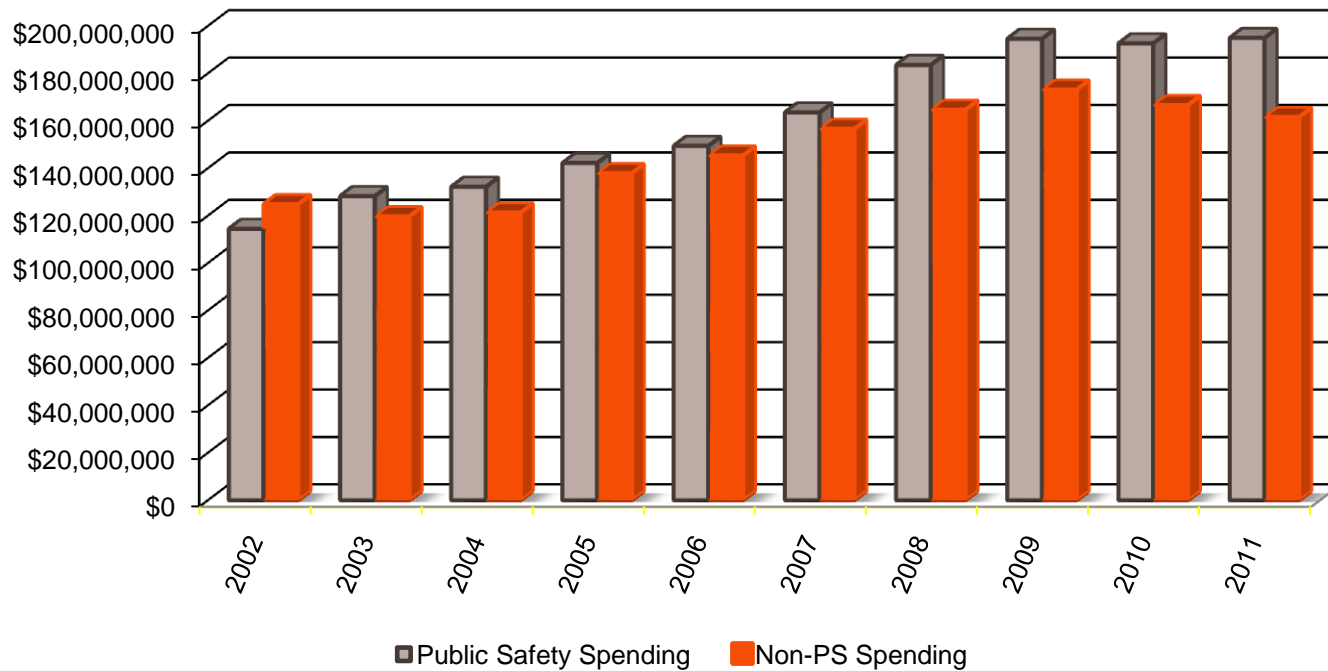
FY2011 Proposed Budget

- Continues City's demonstrated practices of efficient and effective:
 - Resource Allocation
 - Responsiveness to Economic Conditions
 - Financial Management
 - Workforce Management
 - Allocation of One-Time Revenue to One-Time Expenses
 - Management of Reserves



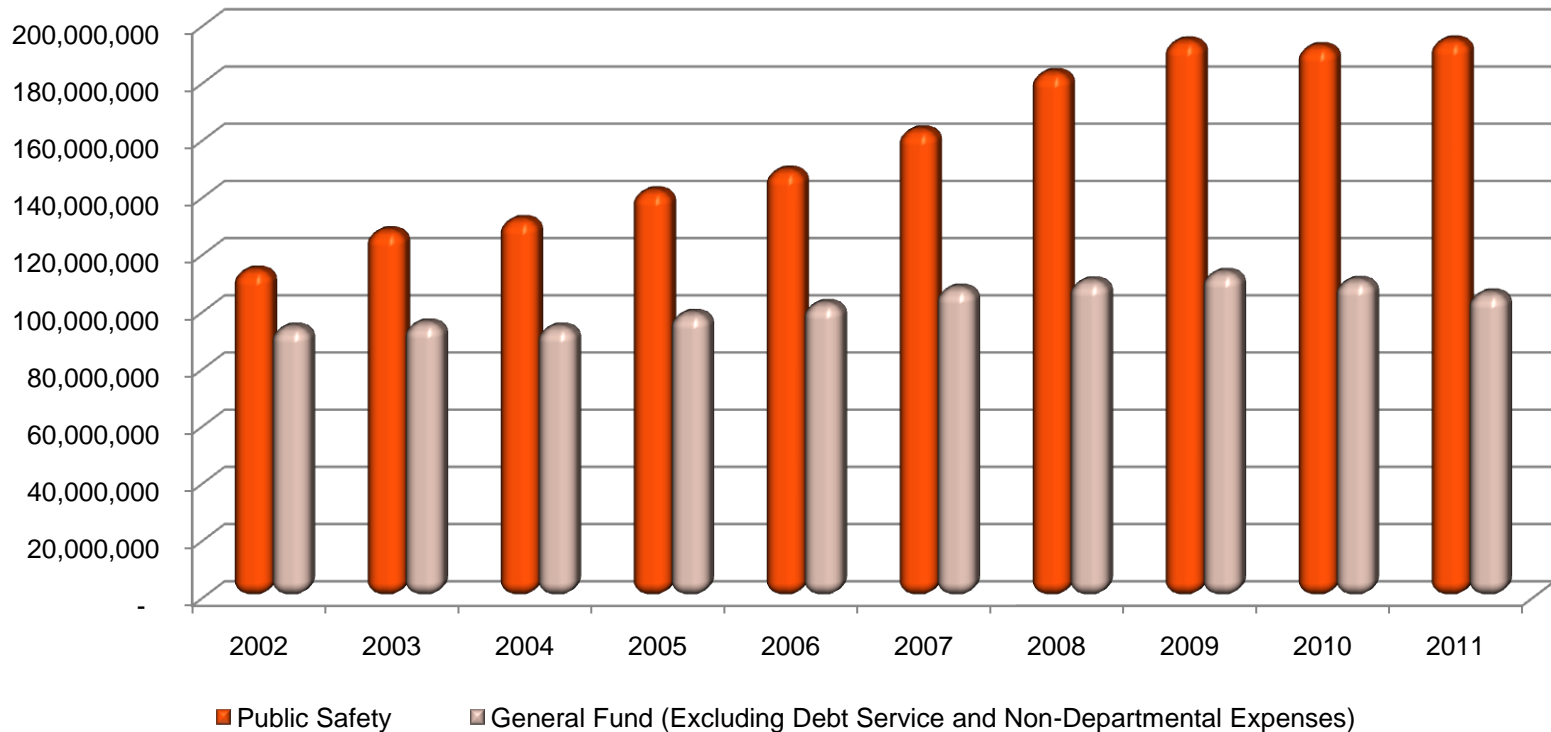
Resource Allocation

General Fund Spending on Public Safety / Non-Public Safety



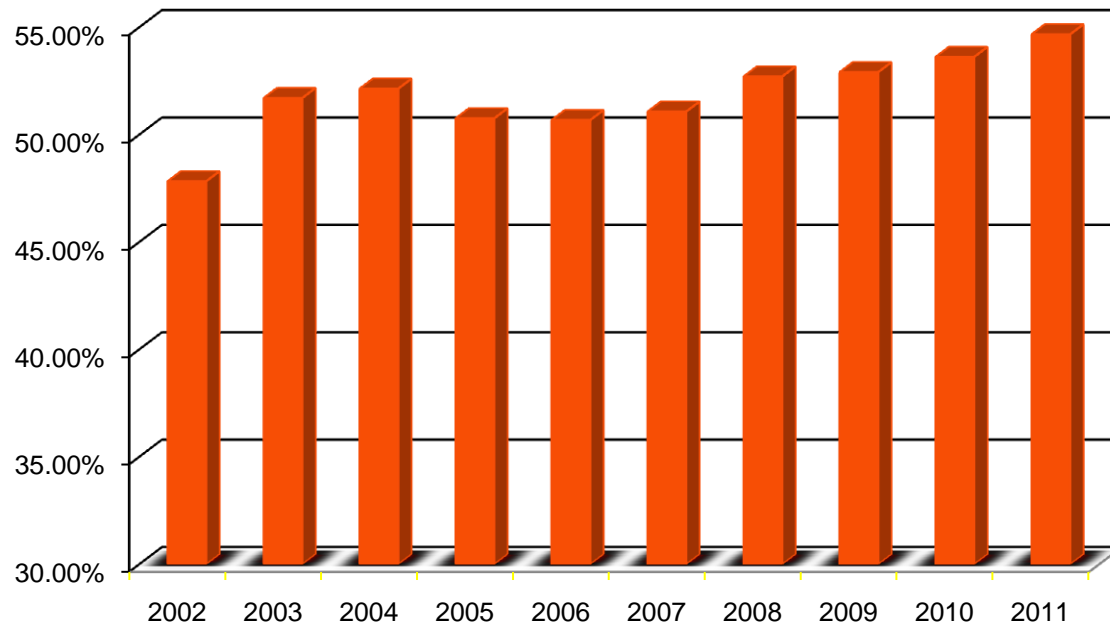
Resource Allocation

General Fund Spending on Public Safety / Discretionary Non-Public Safety



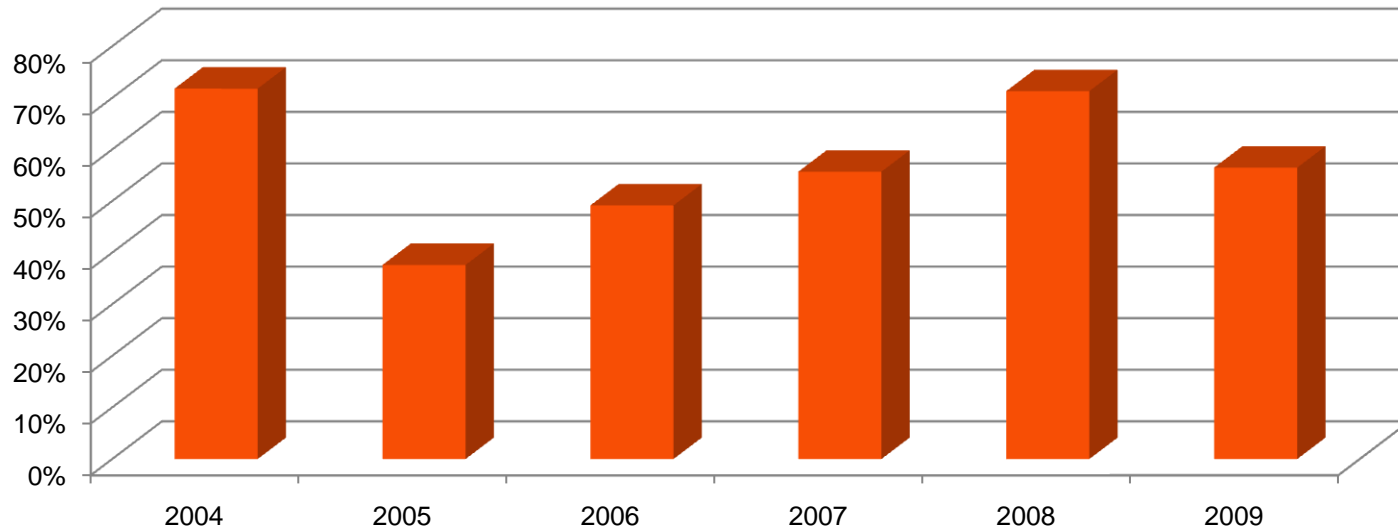
Resource Allocation

Public Safety Budget as a Percentage of the General Fund



Resource Allocation

Percentage of New General Fund Dollars Allocated to Public Safety



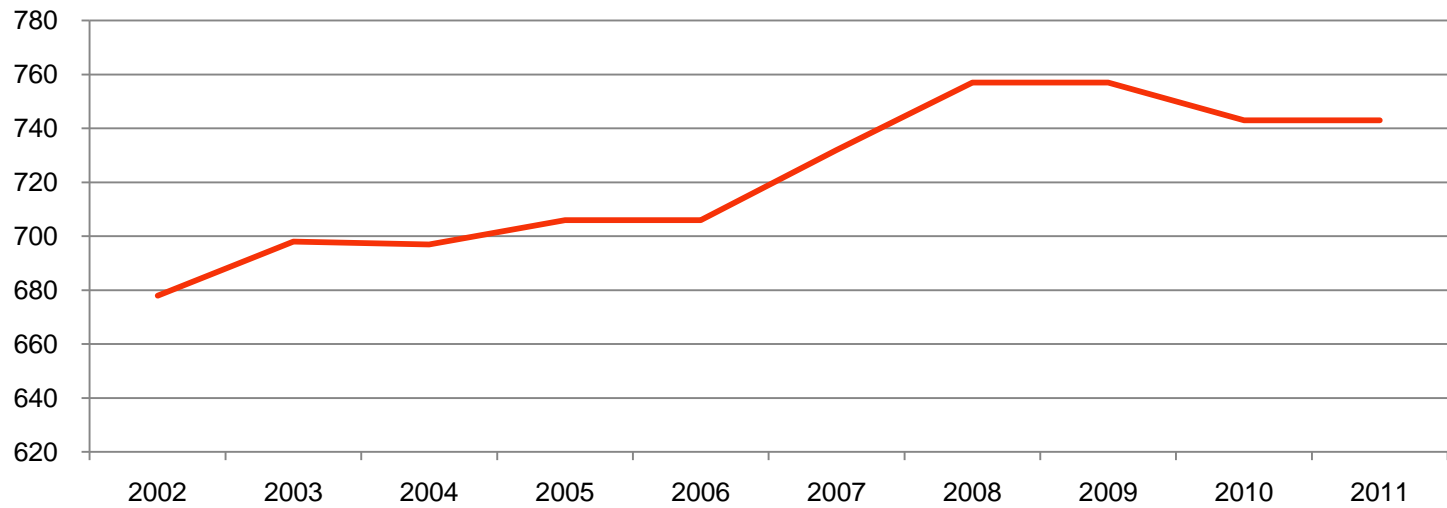
* FY2010 General Fund Budget declined by \$8.5 million, only \$1.9 million from Public Safety (22%)

* FY2011 General Fund budget declined by \$2.7 million, while the Public Safety budget grew by \$2.3 million



Resource Allocation

Sworn Police Officers



Resource Allocation

- OPD Crime Statistics

Crime Type	2007	2008	2009	2 Year Change	Percent Change
Homicides	38	43	28	-10	-26%
Sex Offenses	249	184	172	-77	-31%
Robbery	1,536	1,311	768	-768	-50%
Aggravated Assault	2,446	2,259	1,837	-609	-25%
Motor Vehicle Theft	2,233	1,721	1,256	-977	-44%
Simple Assault	5,054	5,026	4,737	-317	-6%

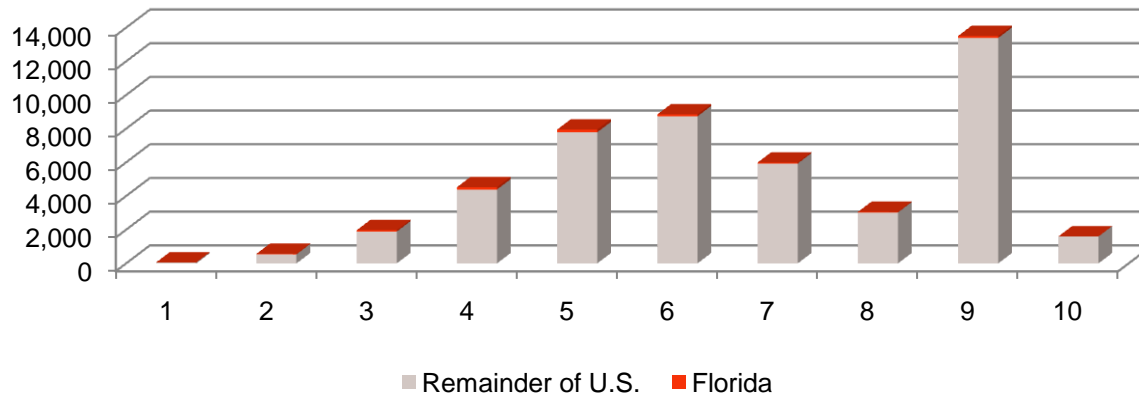


Resource Allocation

OFD ISO Rating of 1

- At a time when insurance premiums were increasing, City investment in the OFD led to an ISO Rating of 1, which lowers insurance costs for businesses and homeowners
- Less than 60 fire departments in the nation have achieved ISO rating (48,000 total)

Nationwide ISO Ratings



Responsiveness to Economic Conditions

“Property Tax Reform Era” (FY07 to Date)

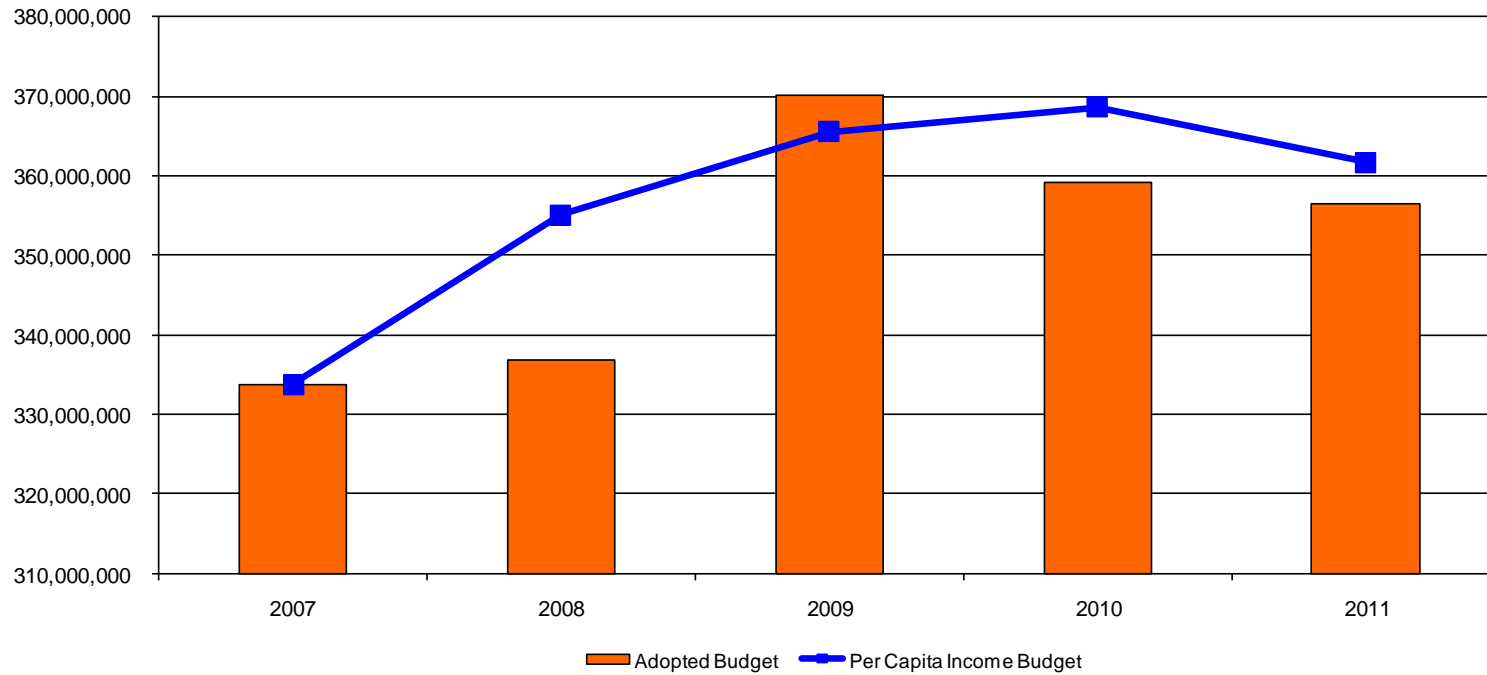
- **Budgets Compared to Changes in Personal Income**
 - FY11 budget would be \$361.7 million (\$5.3 million more than proposed budget)
 - Cumulative City budgets would have been \$28.4 million less than budgets adjusted by the change in personal income
 - City income (and thereby spending) has grown less than the measure of similar personal spending for Florida residents

- **Budgets Compared to Changes in CPI**
 - FY11 budget would be \$368.6 million (\$12.2 million more than proposed budget)
 - Cumulative City budgets would have been \$13.0 million less than budgets adjusted by the change in CPI



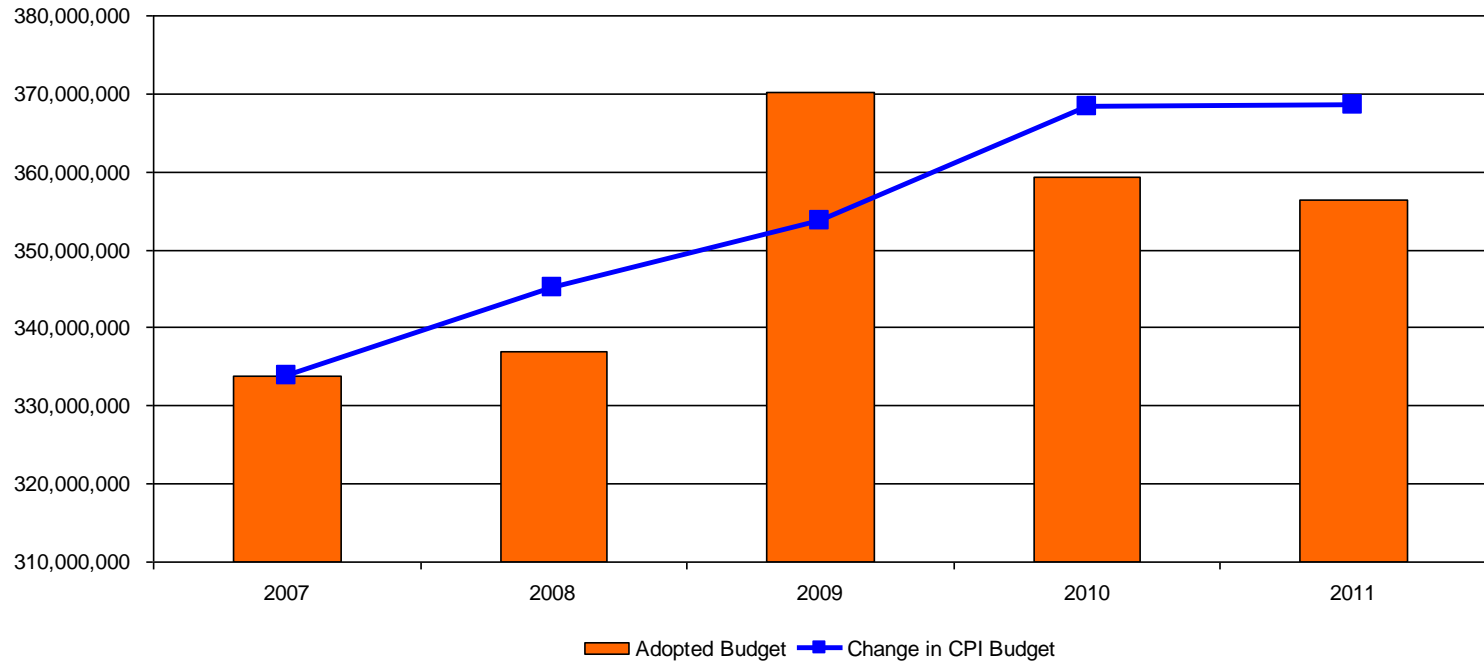
Responsiveness to Economic Conditions

Approved Budget vs. Budget Adjusted by Change in Personal Income



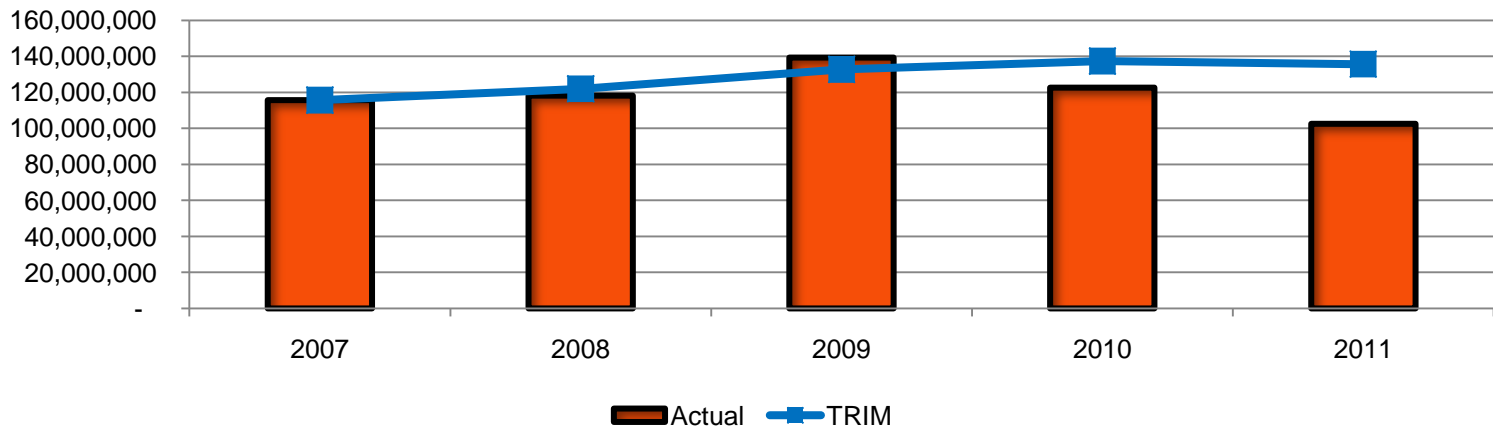
Responsiveness to Economic Conditions

Approved Budget vs. Budget Adjusted by Change in CPI



Responsiveness to Economic Conditions

- City millage rates have saved taxpayers a cumulative \$45 million since 2007 when compared to the Truth in Millage calculated rate
- Had the City enacted TRIM rates in 2008-2011, the proposed millage rate would be 7.4795 (vs. 5.65) and ad-valorem revenue for FY11 would be \$135.7 million (vs. \$102.5 million)



Financial Management

- S&P (February 2010): “Orlando’s financial management practices are considered ‘strong’ under Standard and Poor’s Financial Management Assessment methodology, indicating that we believe practices are strong, well embedded, and likely sustainable.”
- Transparency
 - Government Finance Officers Association peer review and critique of our budget document and comprehensive financial report
 - Published monthly budget to actual financial statements
- Debt Management
 - Moody’s (March 2010): “Variable rate exposure, represented by Sunshine State loans, is about 19.9% of gross city debt and is balanced against a reported minimum of over \$300 million in liquid short-term investments as well as favorable bank credit facility agreements and strong management policies.”



Financial Management

- Continuous budgeting and payment of the Annual Required Contribution for all three defined benefit pension plans
- Establishment of an Other Post-Employment Benefits (OPEB) trust fund and contributing the Annual Required Contribution since inception (\$20 million per year)
 - Orlando is one of very few governments in the nation that have established this trust and made all annual required contributions



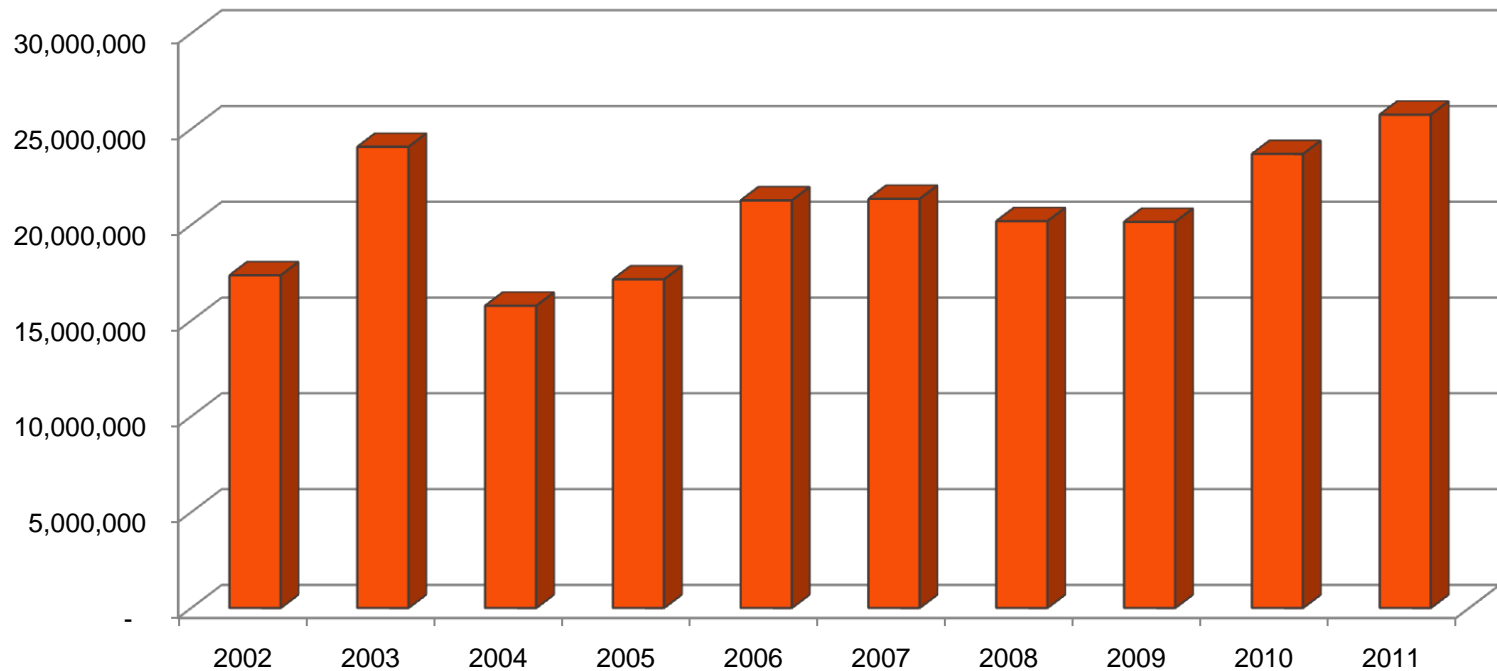
Financial Management

- S&P (February 2010): “We believe the city has maintained strong fund balances in recent years due in part to management’s willingness to make cuts in light of decreasing revenue streams such as property and sales tax.”
- General Fund recurring cost reductions:
 - FY2009
 - Personnel reductions (\$3.7 million)
 - Other service reductions (\$2.3 million)
 - FY2010
 - Personnel reductions (\$13.2 million)
 - Other service reductions (\$5.4 million)
 - FY2011
 - Personal service reductions (\$5.2 million)
 - Other service reductions (\$5.6 million)
- Reductions include the elimination of 2 departments (General Administration and Transportation)



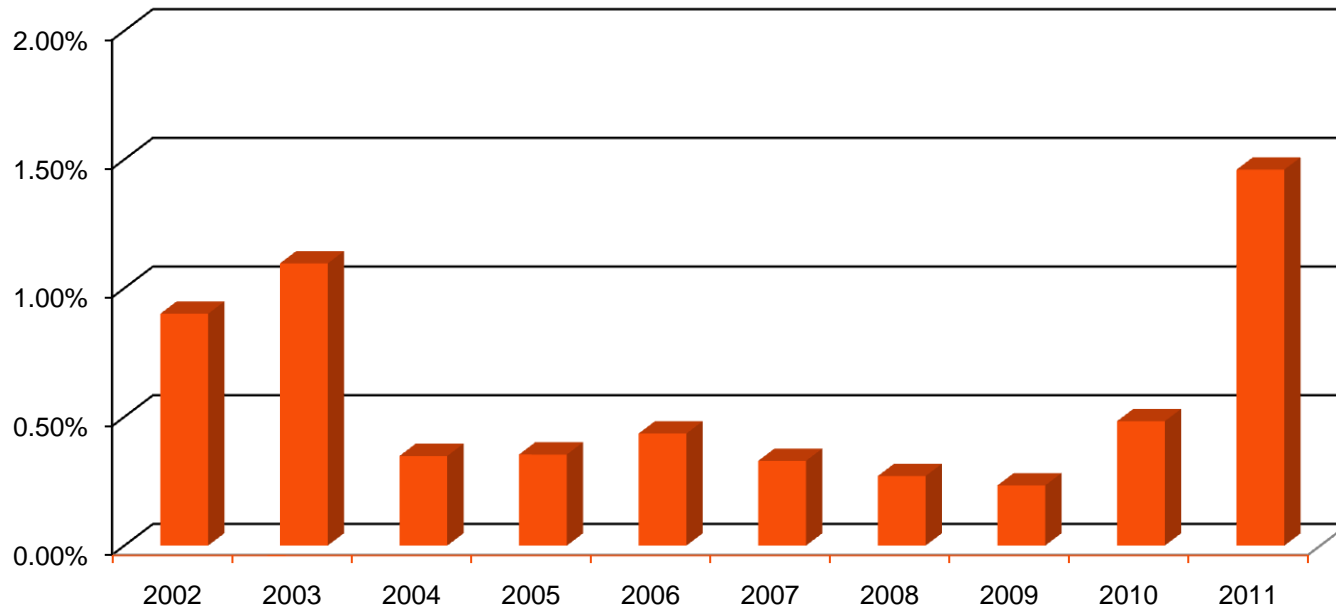
Financial Management

General Government Grants
(Excludes Enterprise Funds)



Financial Management

Public Safety Grants as a Percentage of the General Fund



Workforce Management

- 262 Fewer total positions proposed for FY10/11 than approved for FY01/02
 - Added 157 sworn positions over that same time period
 - Non-sworn reduction of 419 positions (19% of the workforce)
- Sworn Positions as a percentage of General Fund workforce:
 - FY01/02 46%
 - FY10/11 58%



One-Time Expenses

- Year end unanticipated surpluses have been used to support job creation initiatives, public safety upgrades and service enhancements, efficiency initiatives, and backlogged maintenance
 - Job Creation Initiatives
 - Burnham Institute for Medical Research (\$15.5 million FY06; \$16.5 million FY07)
 - UCF School of Medicine (\$2.5 million)
 - Public Safety Service Enhancements
 - Tower 6 (\$1 million)
 - Emergency Operations Center (\$3 million)
 - OPD Headquarters Maintenance (\$1.5 million)
 - Efficiency Initiatives
 - Median Replacement (\$200k)
 - Southport Demolition (\$1 million)
 - Energy Efficiency / Modernization (\$1.5 million)



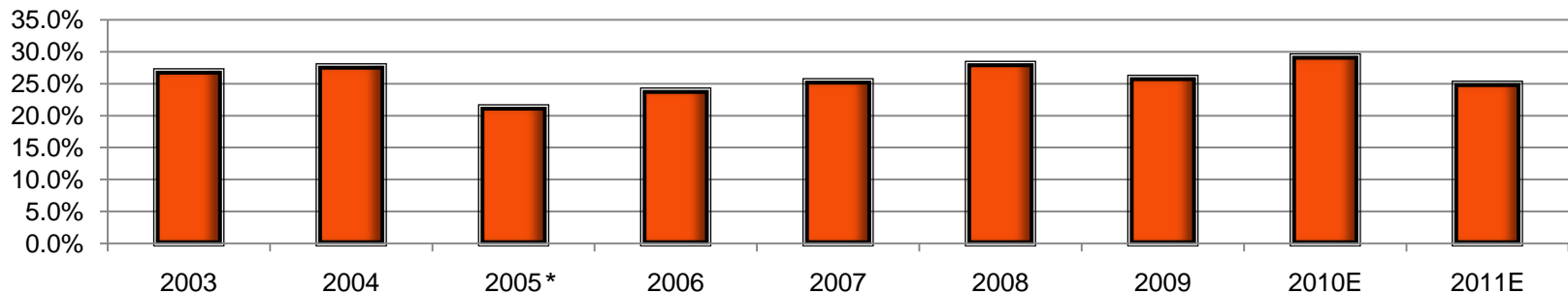
One-Time Expenses

- Year end unanticipated surpluses have been used to support job creation initiatives, public safety upgrades and service enhancements, efficiency initiatives, and backlogged maintenance
 - Backlogged Maintenance
 - Park Facilities (\$500k)
 - Facility Repair (\$2 million)
 - Science Center HVAC (\$1.2 million)
 - Hurricane Reserves (\$10 million)



Reserve Management

- While reserve levels dropped in FY05, the City was able to replenish those reserves back to the policy recommended level of 25% of budgeted expenditures
- S&P, Moody's and Fitch recognized the City's "maintenance of very strong reserve levels"
- FY10 Approved Budget anticipated carrying-forward \$9.8 million of reserves to fund the FY11 budget
- Proposed FY11 budget programs \$20.5 million in reserves while still maintaining the policy target of 25% of expenditures



* City Council approval of Reserve Policy



City Council Workshop #4 / Fiscal Year 2011 Budget

Part 2: Budget Overview

August 16, 2010



Total City Budget

	Approved FY2010	Proposed FY2011	Change
General Fund	359,247,138	356,434,871	(2,812,267)
Special Revenue Funds	164,393,297	170,460,400	6,067,103
Debt Service Funds	77,960,117	86,823,820	8,863,703
Enterprise Funds	148,971,078	176,737,140	27,766,062
Internal Service Funds	84,899,493	113,889,345	28,989,852
Component Units	7,678,436	6,485,710	(1,192,726)
Pension Trust Funds	20,880,120	21,896,905	1,016,785
Total	864,029,679	932,728,191	68,698,512

Detail listing by fund is provided in the Budget in Brief (pages 4-5)



Personnel Highlights

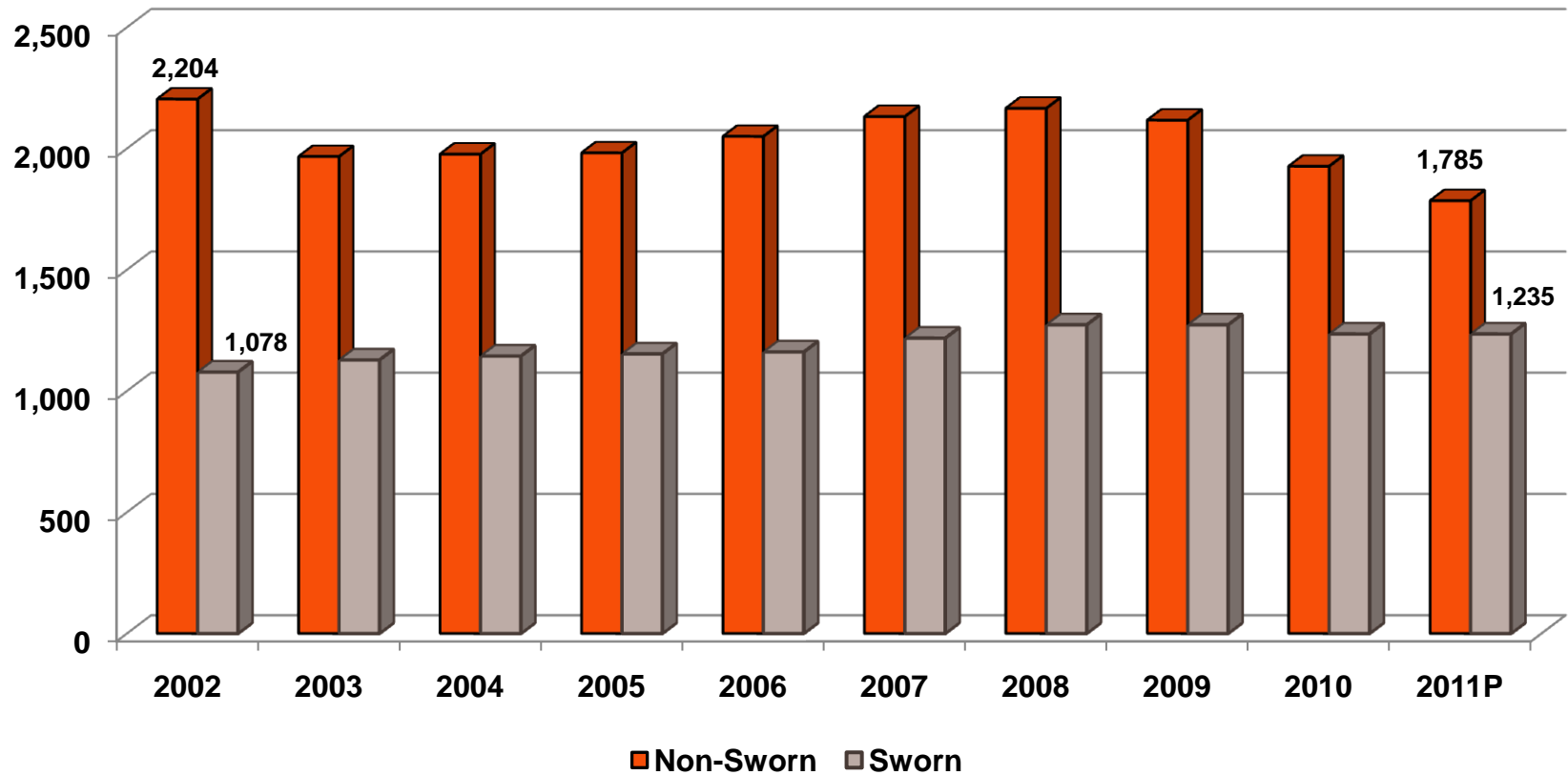
- Total of 147 positions proposed for deletion at a salary savings of \$6.6 million
 - 117 General Fund positions deleted (\$5.2 million in savings)

- Only 5 new positions funded
 - 2 Parking Enterprise Fund (Crew Leader / Maintenance Worker)
 - 3 EMS Transport Fund
 - No new positions in the General Fund

- Additional position changes (reductions) may be necessary pending the outcome of the City's discussions with SEIU and LIUNA



Personnel Highlights



Citywide 3% Cost of Living Increase (by Bargaining Unit)

Appointed	309,042
Non Bargaining	541,585
Emergency Communications	26,874
Fire Management	33,621
Fire District Chiefs	52,306
Fire Bargaining	930,550
LIUNA	559,239
Police Management	52,212
Police Lieutenant	76,265
Police Bargaining	1,264,853
SEIU	1,308,820
Total	5,155,368



3% Cost of Living Increase

Position Equivalency for Bargaining Groups with COLA's

	<u>Total</u>	<u>General Fund</u>	<u>Other Fund</u>
SEIU	\$1,308,820	\$854,069	\$454,751
Average Salary	\$44,893	\$44,893	\$44,893
Position Equivalent	29	19	10
 LIUNA	 \$559,239	 \$224,245	 \$334,994
Average Salary	\$32,099	\$32,099	\$32,099
Position Equivalent	17	7	10



Voluntary Separation Program (VSP)

- Five options were offered to employees
- Employees had to apply to enter the VSP by May 14th
- Employees were notified on May 28th of application acceptance
- Open window for those employees were accepted for a VSP is June 1st through July 15th
- Employees must separate from the City on July 31st



Voluntary Separation Program Options

1. Two years credit towards retiree health insurance
2. Sixteen weeks severance and one year health insurance
3. Defined Contribution Plan: 50% of current salary if vested
4. Defined Benefit Plan: Employee may purchase up to 3 years of service at 4.88%
5. Defined Benefit Plan: No age penalty if otherwise retirement eligible



Conditions for Accepting a VSP Application

1. A position had to be deleted, and
 2. Budgetary savings had to equal the total cost of the employee who received an approved VSP application
- Department Directors had the flexibility to substitute positions and other operating cost reductions to support a VSP
 - VSP applications were reviewed by the CAO, CFO, City Attorney, and HR Division to ensure consistent implementation across the City



VSP Option	Applications	City Accepted	Actually Taken
1	7	7	5
2	124	48	37
3	93	41	33
4	43	28	28
5	2	2	2
Total	270	126	105



Recurring Cost Savings From VSP

General Fund	3,820,000
Venues Fund	645,000
Wastewater Fund	173,000
Solid Waste Fund	175,000
Building Code Fund	295,000
Fleet Fund	185,000
Leu Gardens Fund	140,000
Risk Management Fund	105,000
All Other Funds	<u>155,000</u>
Total Annual Operating Savings	5,693,000



Cost of the VSP

	<u>Lump Sum</u>
Option 2	500,000
Option 3	840,000
Option 4	2,760,000
Option 5	145,000
Total	4,245,000

* At \$5.7 million in annual savings, VSP cost has a payback of less than 9 months



Financing Plan for VSP

Defined Contribution Forfeitures	1,600,000
VSP Position Savings (August / September)	1,000,000
Defined Contribution Pension Savings	600,000
Fund Contributions for Their Employees	<u>1,045,000</u>
Total	4,245,000

*Total potential cost for the VSP will be absorbed in the FY2010 Budget so that 100% of the savings will be realized in FY2011



City Council Workshop #4 / Fiscal Year 2011 Budget

Part 3: General Fund Revenue

August 16, 2010



General Fund Revenue

Total General Fund Revenue

	Approved FY2010	Proposed FY2011	Change
Ad Valorem Revenue	122,700,144	102,786,748	(19,913,396)
Utilities Services Tax	47,663,011	47,159,241	(503,770)
Charges for Services	14,566,009	12,759,369	(1,806,640)
Business Tax	8,284,500	7,747,000	(537,500)
Franchise Fees	34,555,000	34,668,224	113,224
Federal / State Revenue	41,030,109	44,239,953	3,209,844
OUC Dividend	45,900,000	47,976,000	2,076,000
Other Revenue	44,548,365	59,098,336	14,549,971
Total	359,247,138	356,434,871	(2,812,267)



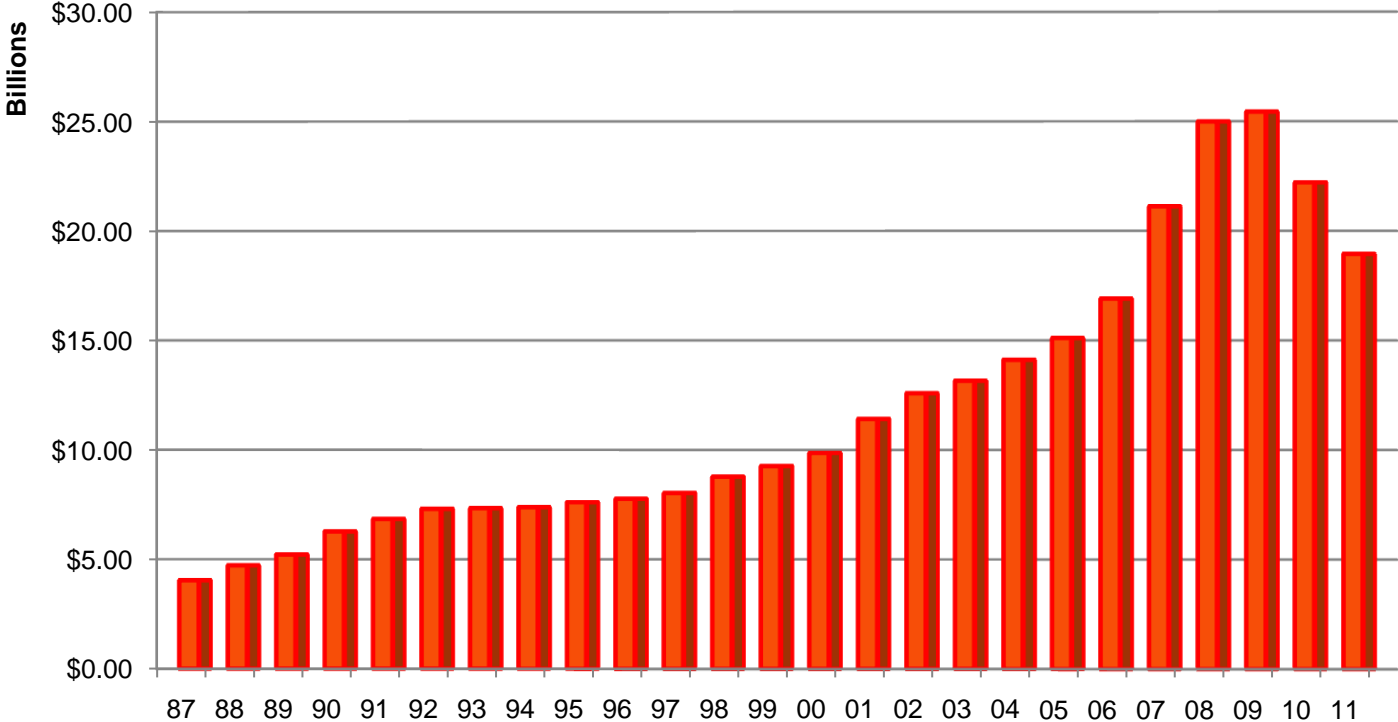
Ad-Valorem Revenue

- Proposed budget based on Certified Roll provided by the Property Appraiser and a millage rate of 5.65 as approved by City Council on July 26th
- Decline in taxable value of 14.9%
- Approximately \$200 million in new construction added to the roll for FY2011



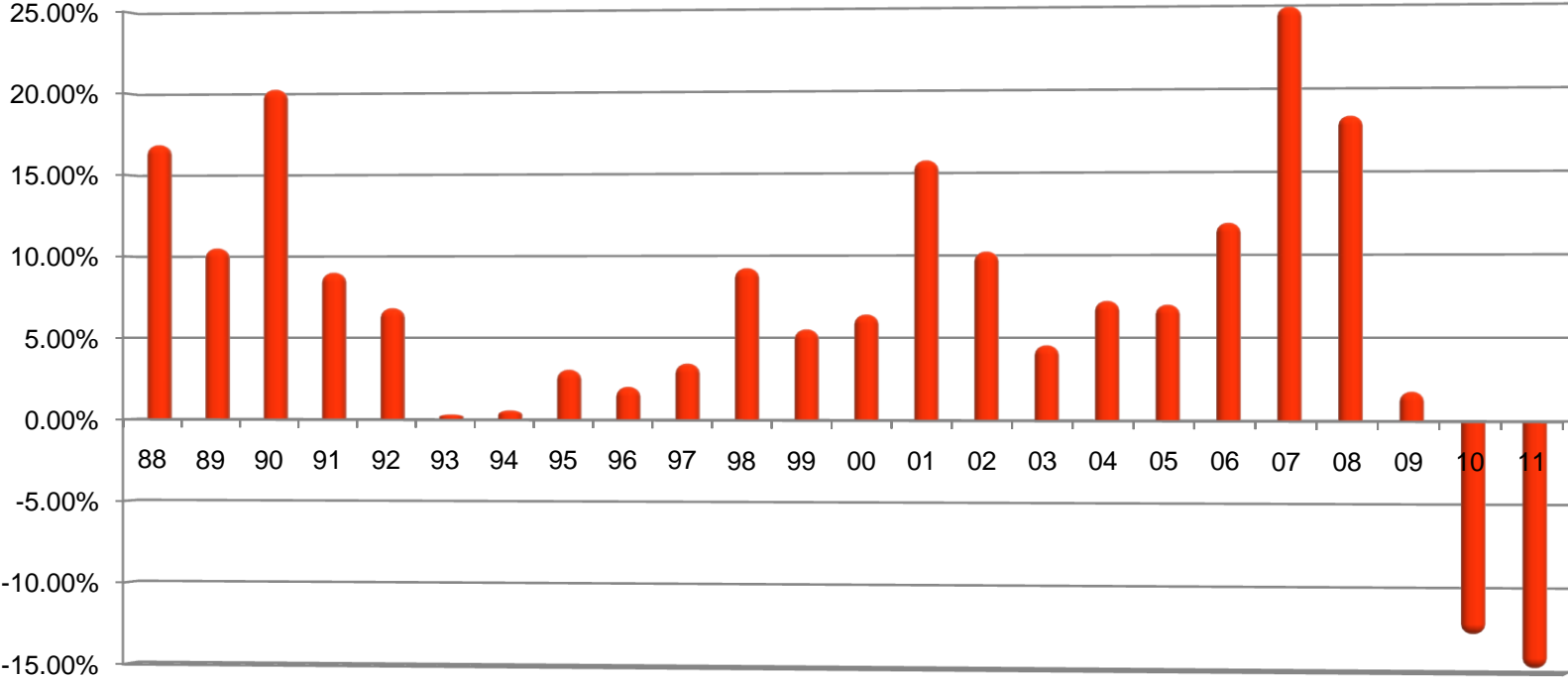
Ad Valorem Revenue

Taxable Value by Fiscal Year



Ad Valorem Revenue

Change in Taxable Value



Ad Valorem Revenue (Homestead Property)

- Taxable value of homestead property can grow by 3% or the change in CPI, whichever is lower
 - Change in CPI for FY2011 is 2.7%

<u>Budget Year</u>	<u>Average Taxable Value</u>	<u>City Tax (5.65)</u>
2009	\$120,110	\$679
2011	\$ 94,250	\$533
Change	(\$ 25,860)	(\$146)



Ad Valorem Revenue (Non-Homestead Property)

- Growth in taxable value for non-homestead property is capped at 10%
 - FY2011 is the first year of implementation of this cap
- Constitutional amendment on the ballot in November
 - Lowers the cap from 10% to 5%
- Certified Roll reflects \$90 million in “untaxed” non-homestead property value as a result of the 10% cap

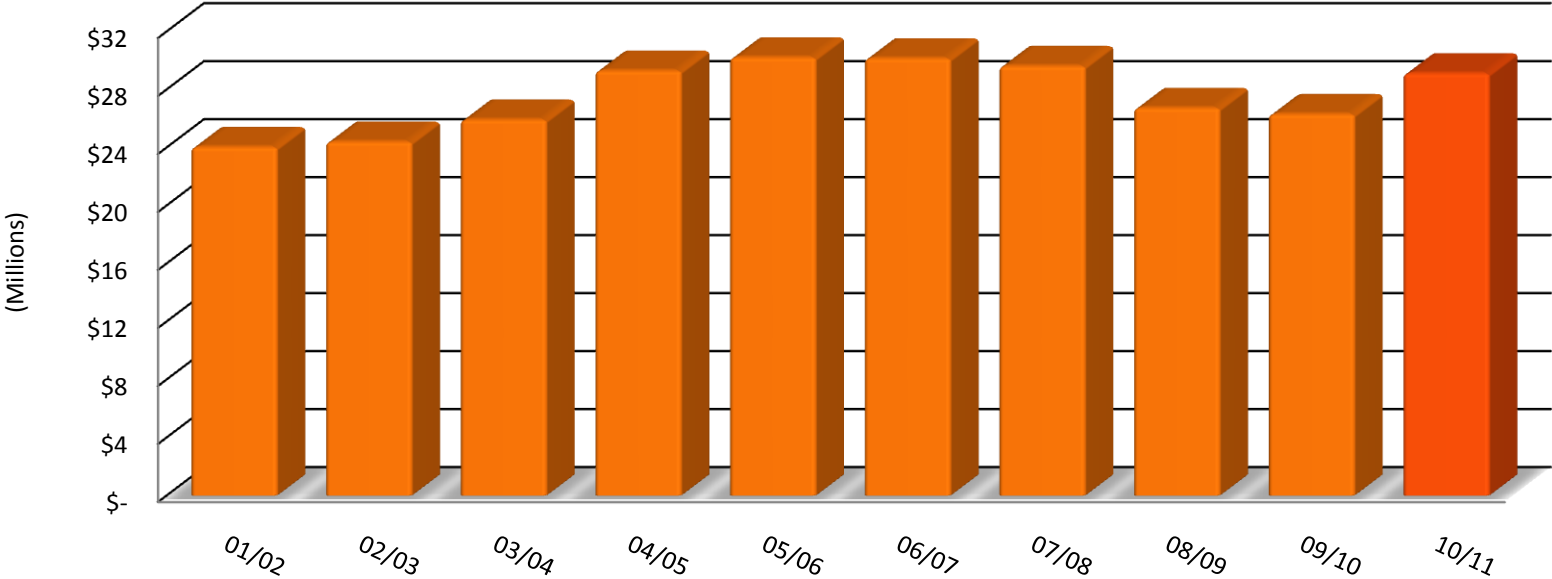


Sales Tax

- At this point last year the City made 2 downward budget adjustments to the FY2009 sales tax estimate (\$2.1 million reduction)
- Current year sales tax revenue is tracking very close to the budget estimate for fiscal year 2010 (\$26.3 million)
- State Revenue Estimating Conference (March 3, 2010)
 - Forecast is indicative of an economy that is stabilizing
 - Modest growth projected, with recovery beginning in the spring of 2011
- The State estimate for sales tax revenue for FY2011 is \$29.1 million, an increase of \$2.8 million from the current FY2010 budget estimate



Sales Tax

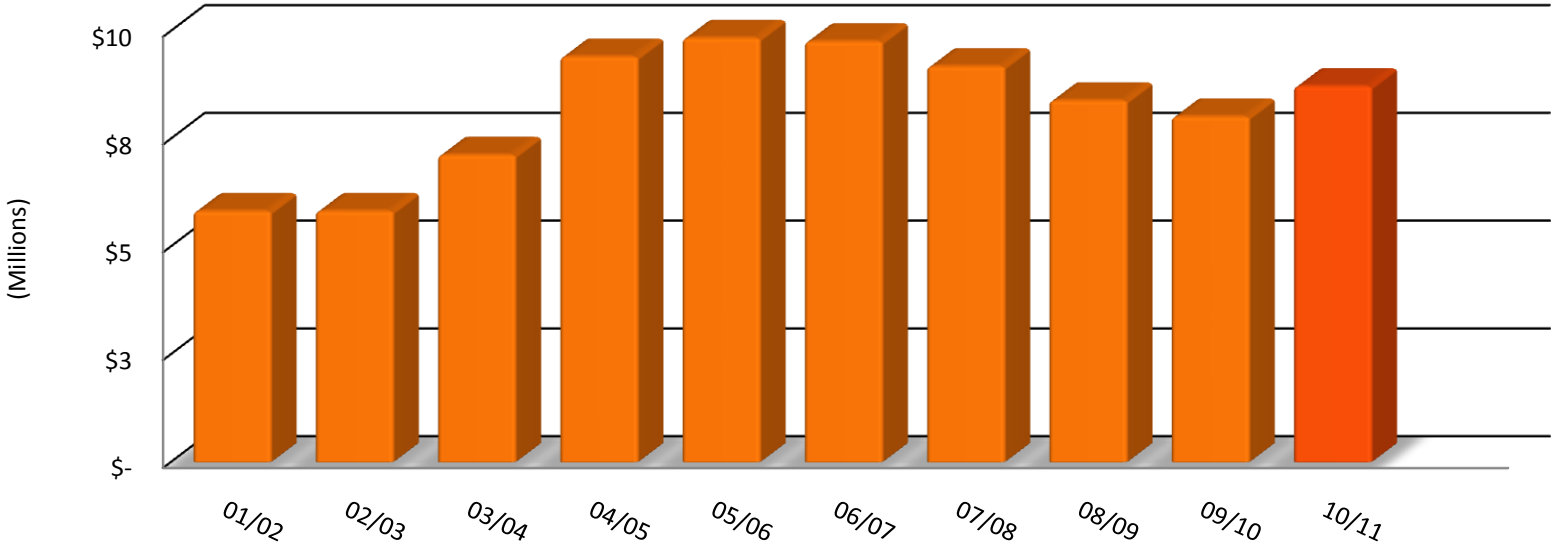


Municipal Revenue Sharing

- At this point last year the City made 2 downward budget adjustments to the FY2009 municipal revenue sharing estimate (\$.5 million reduction)
- Current year municipal revenue sharing is tracking very close to the budget estimate for fiscal year 2010 (\$8.0 million)
- State Revenue Estimating Conference (March 3, 2010)
 - Forecast is indicative of an economy that is stabilizing
 - Modest growth projected, with recovery beginning in the spring of 2011
- The State estimate for municipal revenue sharing for FY2011 is \$8.7 million, an increase of \$.8 million from the current FY2010 budget estimate



Municipal Revenue Sharing

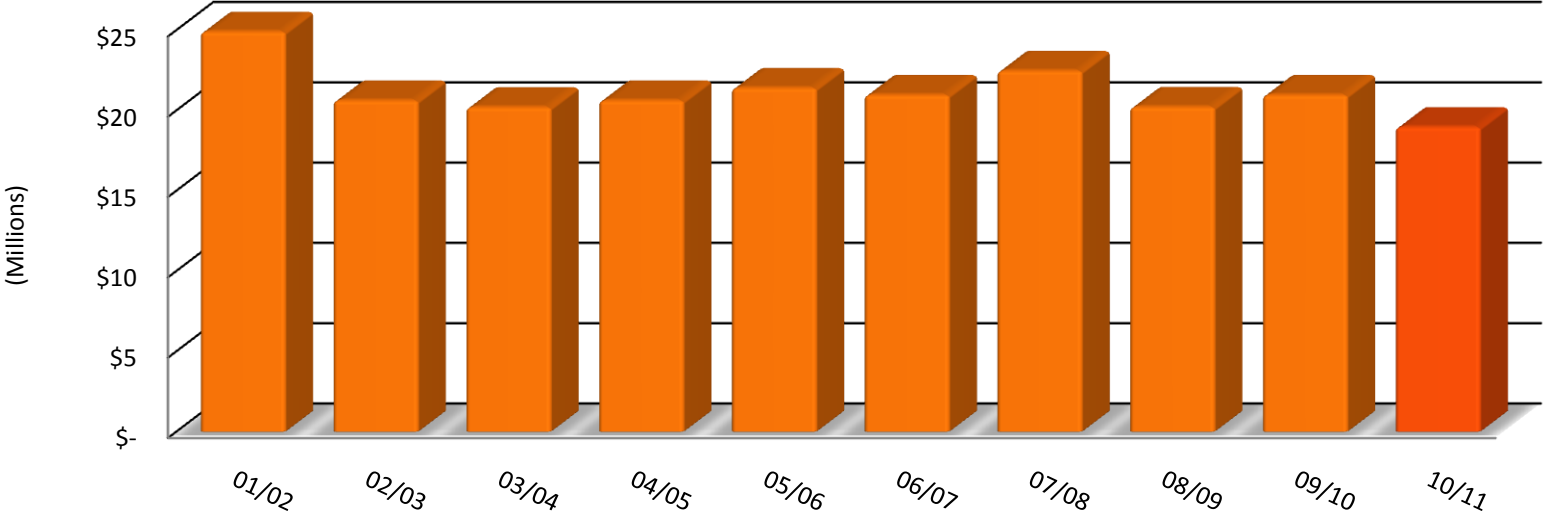


Communications Services Tax

- Stagnant revenue source
- FY2009 revenue was \$20.2 million
- Current year communications services tax is lagging behind the budget estimate (\$21.0 million)
- The State estimate for communications services tax for FY2011 is \$19.0 million, an decrease of \$2.0 million from the current FY2010 budget estimate



Communications Services Tax



Programmed Reserves

	<u>FY2010</u>	<u>FY2011</u>
Fund Balance used to Balance the Budget	14,761,862	
Fund Balance above 25% Reserves Carried forward from 2009 to 2011	9,800,000	9,800,000
Projected Fund Balance Not Needed in FY2010		6,500,000
Interest Earned and/or Revenues Exceeding Estimates in UST, Hurricane, and Inter-Local Reserve Funds		3,500,000
Reserves in Excess of 25% - From Budget Reduction (\$359M to \$356M)		<u>700,000</u>
Reserves Available for FY2011		20,500,000



Other Revenue Adjustments

- Rebate from the Risk Management Fund (\$3 million)

- Revenue enhancements (user fees)
 - Options presented during July 12th City Council presentation

 - General Fund total of \$1.7 million available for implementation
 - Planning and transportation development fees, FPR fees, false alarm and inspection fees, and assorted police fees

 - Proposed budget contains \$500k for new / revised user fees



City Council Workshop #4 / Fiscal Year 2011 Budget

Part 4: General Fund Expenditures

August 16, 2010



General Reductions

- Elimination of the Transportation Department generated \$250k in direct savings
- Increased vehicle replacement schedules (\$3 million in savings)
 - Useful life estimates will be revised to recognize the City's preventative maintenance program and manufacturer improvements
 - Vehicles scheduled for routine replacement under the points system will be evaluated to determine if their useful life can be extended
 - Vehicles turned in for replacement will be compared to vehicles in the fleet and swaps will be made if appropriate
 - Critical vehicle replacements will continue as needed



General Reductions

- Capital Improvement Contribution (\$4.5 million reduction)
 - Funding is allocated to:
 - Mission critical projects (Fire Equipment Replacement and Technology)
 - Core infrastructure projects (Sidewalks and Pavement Rehabilitation)
 - Departments will be utilizing prior approved projects to address critical maintenance and repair items
 - Small contingency exists to address emergencies during the fiscal year



General Reductions

- Community Service Organizations
 - \$1.6 million allocation
 - 15% reduction from the revised 2010 funding level

- Other external agency support
 - \$2.7 million General Fund allocation (\$2.9 million total)
 - 8% reduction from the revised 2010 funding level

- Organizations are listed on page 18 of the Budget in Brief



Executive Offices

	<u>Current Service</u>	<u>FY2011 Proposed</u>	<u>Difference</u>
Budget	20,746,014	19,700,444	(1,045,570)
Personnel	141	139	(2)

- Highlights
 - 2 Positions eliminated in Human Resources (Comp Analyst / Health & Wellness Manager)
 - Reduction in funding to outside organizations (\$490,000)
 - Reducing 2 positions in Internal Audit to part-time
 - Vacant position frozen in Communications



Business and Financial Services

	Current Service	FY2011 Proposed	Difference
Budget	28,295,742	27,335,511	(960,231)
Personnel	190	173	(17)

- Highlights
 - Continued phase-out of non-essential warehouse and supply operations
 - Technology Management focus on maintenance of existing core systems
 - Consolidation of Fleet and Facilities business operations
 - Implement automated solutions to reduce manual processes in financial reporting and accounting operations
 - Adjusted fleet staffing schedules and implement strategic outsourcing of non-specialized maintenance services



Economic Development

	Current Service	FY2011 Proposed	Difference
Budget	15,776,757	14,382,302	(1,394,455)
Personnel	96	82	(14)

- Highlights
 - Reduction in support for outside agencies (\$140k)
 - Freeze Façade Grant program
 - Freeze Impact Fee Assistance program
 - Position reductions to reflect the downturn in actual activity



Families, Parks and Recreation

	<u>Current Service</u>	<u>FY2011 Proposed</u>	<u>Difference</u>
Budget	27,985,132	26,319,868	(1,665,264)
Personnel	247	191	(56)

- Highlights
 - Strategic outsourcing of maintenance functions
 - Implementation of more effective and efficient deployment of supervisory and management employees
 - Reduction in facility operating hours to reflect actual usage patterns



Fire Department

	<u>Current Service</u>	<u>FY2011 Proposed</u>	<u>Difference</u>
Budget	80,609,692	78,535,470	(2,074,222)
Personnel	516	516	-

- Highlights
 - Extension of the frontline useful life of fire apparatus from 10 years to 12 years
 - SAFER Grant fully funded in Fiscal Year 2011 (Grant Fund)
 - Continued evaluation of medical transport options



Housing and Community Development

	Current Service	FY2011 Proposed	Difference
Budget	279,546	278,221	(1,325)
Personnel	3	3	-

- Highlights
 - Continued oversight and administration of housing and other related grants



Police Department

	Current Service	FY2011 Proposed	Difference
Budget	121,899,741	116,355,249	(5,544,492)
Personnel	906	887	(19)

- Highlights
 - Reductions in administrative (non-sworn) positions made possible by automation opportunities
 - KRONOS timekeeping
 - Adjustments to replacement vehicle funding
 - Motorcycles moving from a 2-year to a 4-year replacement schedule



Public Works

	Current Service	FY2011 Proposed	Difference
Budget	23,181,469	19,069,923	(4,111,546)
Personnel	154	128	(26)

- Highlights
 - Transfer of the Right of Way maintenance function to the Stormwater Fund (15 positions)
 - Transfer of 2 positions to project management funding
 - Continued use of correctional maintenance crews



City Council Workshop #4 / Fiscal Year 2011 Budget

Part 5: Next Steps / Key Dates

August 16, 2010



Next Steps

- Commissioners will be provided budget books with updated information
- City staff will be available to brief Commissioners about specific items in the Proposed Budget





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