



October 1, 2009

Honorable Mayor Martin, City Council Members
and Citizens of the City of Venice:

The development of the Fiscal Year 2009-2010 budget was greatly affected by the state of the economy.

City Council approved the budget with no increase in the millage rate, leaving it at 2.779. The total proposed budget for Fiscal Year 2009 – 2010 is \$59.3 million. It is down from the last year's budget of \$67.7 million due to dwindling revenues and fewer capital projects. To accommodate the loss of revenue, the City was able to use \$2.5 million from the Fund Balance. In upcoming years it will be important to reduce dependence on the fund balance.

The largest piece of the total budget is the General Fund. It includes numerous services, such as public safety, streets, and parks. The City experienced about 13 percent, or \$1.3 million, less revenue from ad valorem taxes.

Through staff's involvement, General Fund expenditures were reduced by approximately a half million dollars.

Overall, 13 positions were eliminated, of which four were filled, while a new position of utility director was approved. The City staff continues to look for ways to do more with less to get through the economic downturn and minimize the impact on services provided to the citizens.

With 78 percent of the General Fund going toward salaries and benefits for employees, the options for lowering the General Fund expenditures are limited. Contracts with IAFF and AFSCME expire this year and are being negotiated. Base salary increases, if any, will be minimal. I want to commend our employees for understanding this difficult challenge as the recession continues.

Over the upcoming years, the City must continue to reduce costs, increase revenues and define the core services that are most important to the community.

The Utility Enterprise Fund shows projected revenues exceeding projected expenditures. While it covers minimal operations, it does not allow for making a significant impact on repaying loans from the general fund. Nor does it allow for adequate consideration of capital improvements or renewal and replacement of equipment. Currently, patching with band-aids is all that can be afforded. The Malcom Pirnie utilities rate study comes at a good time. Utility rates may have to be raised to compensate for an aging utility system.

Airport, Solid Waste and Stormwater Enterprise Funds continue to show good financial health.

With those comments, I present you with the FY 2009 - 2010 annual budget.

This document contains the financial plan for the services and capital projects that will be implemented to meet your goals for the community. The annual budget provides the City Council and interested citizens with a one source document that addresses all City operating and capital appropriations and sources of revenue for each fund and program.

BUDGET PREPARATION GUIDELINES

With the Strategic Plan in place, I've tied the budget priorities to your goals and directions:

Envision Venice 2020 Goals

- Goal 1: Sustainable, Controlled Growth
- Goal 2: Keep Venice Beautiful
- Goal 3: A Model for Eco-Friendliness
- Goal 4: Financially Sound City with High Performance Organization
- Goal 5: Upgraded City Infrastructure and Facilities
- Goal 6: A Growing Diverse Economy
- Goal 7: Affordable and Workforce Housing

City Council Direction

- No increase in millage rate
- Funding for the development of land-use regulations
- Continue the annual contribution toward the next beach renourishment
- Funding for the capital reserves

Outcomes:

- The adopted budget includes no change to the millage rate of 2.779.
- Due to the decline of appraised taxable value, the debt service will increase by .02 mills.
- The City has engaged Malcom Pirnie to perform a utility rate study that will help guide choices for utility fees for Fiscal Year 2009-2010.
- The development of land-use regulations was funded with \$150,000.
- Beach renourishment was funded with \$250,000.

BUDGET HIGHLIGHTS

Major Issues:

As a result of the slow economy, mortgage crisis, the near demise of the construction industry, which has a domino effect throughout the local economy, revenues from property values are reduced by \$1.3 million. The impacts to the budget are as follows:

- A required transfer of \$240,000 from the General Fund to the Building Department.
- Elimination of 13 positions.
- Addition of a Utilities Director.
- Lost ability to improve reserve fund balance, at the same time the reserves must be utilized.
- Reduction of operational costs while trying to maintain current levels of service.

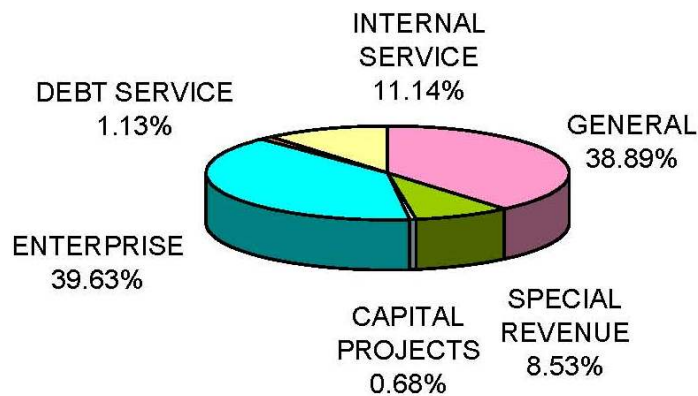
How the millage rate will affect property owners:

- The millage rate remains at 2.779.
- The debt service increases by .02 mills, or 9.8 percent, for a total rate of .225 mills.
- The total combined millage rate is 3.004.
- At that millage rate some property owners will pay \$2 more per \$100,000 of property valuation.

- There are other variables that will affect individual property owner's tax bills, such as whether property is homesteaded and when it was last purchased.

The following chart illustrates the 2010 all funds summary of expenditures and uses:

TOTAL BUDGET \$59,267,325



In tough economic times, this budget represents the first round of restructuring the organization to get better equilibrium and financial security for the City. The next year is likely to be even tougher. In fact, I anticipate the City will experience two to three more challenging years. It will take sacrifices to get through these times, but I am confident we will make difficult, but wise, decisions.

Respectfully submitted,

Isaac D. Turner
City Manager