

FISCAL YEAR 2008-2009 CITY MANAGER'S MESSAGE



Martin P. Black,
City Manager

Members of the community, Mayor and City Council:

Completing my final budget as city manager and building upon the extraordinary success of city employee efforts to anticipate and respond to state mandated property tax reform and a significant downturn in the local, regional and state economy, it is with pleasure that we present the city's operating budget for fiscal year 2008-2009 as well as the five-year capital improvement program. Consistent with Mayor and City Council direction from the strategic planning sessions, the budget is balanced with a proposed 2009 property tax millage rate that maintains the existing rate of 2.779 mills.

As discussed in prior budget messages and meetings, continuing to meet City Council's policy to accept reduced tax revenues, particularly in the face of increasing service level demands and increasing costs of electricity and fuel, has challenged our departments to provide innovative solutions with lower real resource allocations and a declining tax revenue stream. Increases in the cost of doing business are adversely impacting departmental budgets and their ability to meet service expectations. A closer review and evaluation of priorities and expenditures desired by Mayor and City Council is needed to maintain the city's long-term fiscal health.

FY2008-2009 Proposed Budget

The proposed fiscal year appropriated budget totals approximately \$67 million, representing a decrease of approximately \$1 million, or 1.5% below the fiscal year 2007-2008 budget of \$68 million.

Allowed increases for costs of services and leases as provided in all contracts, existing city policy and regulations are recommended for full assessment. These include increases to rents and charges associated with airport operations, fees for inspection and development services, and charges for utility and other public services.

An independent cost allocation study was again completed in compliance with generally accepted accounting and audit standards to establish appropriate internal cost allocation and capture rates from enterprise funds and services for FY08/09.

Most significantly for the community and our employees, no additional lay-offs or service level changes were necessary to balance the budget. All provisions of existing bargaining unit contracts with Police and Fire continue to be funded, together with funding of the wage and compensation policies and practices previously approved by Mayor and City Council through consideration of the Evergreen Study and an update this year to reflect changing employment conditions across the state.

FISCAL YEAR 2008-2009 CITY MANAGER'S MESSAGE



Funding of the updated Evergreen Study recommendations provides an opportunity for Mayor and City Council to authorize negotiations with the American Federation of State County and Municipal Employees (AFSCME) to maintain competitive, market-based compensation. While the Evergreen Study Update recommends a deferral of non-bargaining adjustments in light of a declining competitive market, Mayor and City Council will need to consider wage compression impacts as part of final budget decisions that are dependent upon policy direction and authorizations for the pending AFSCME negotiations. With this in mind, funding for a modest cost of living adjustment for non-bargaining employees is available to ensure internal salary equity levels.

Pending legal costs associated with on-going litigation remain of concern because these expenses are drawn from operating reserves. A financial/risk analysis that includes a full accounting of litigation costs and potential exposure is recommended to determine appropriate policy positions in light of limits on general fund revenue and increased operating expenses. Mayor and City Council consideration to establish a litigation reserve may be needed to address potential future impacts to the general fund.

Capital Reserves and Project Highlights

Two capital reserve funds were established beginning in FY05-06 to meet long term needs for beach renourishment and capital replacement. An additional \$250,000 is included in the proposed budget for beach renourishment and \$60,000 to replace and upgrade the City Hall fire alarm system. Reserve fund balances are maintained at all required levels for all other funds.

As a result of deferral of some capital projects in prior years necessitated by declining sales tax revenues, several proposed projects remain unfunded. Based upon the ranking by Mayor and City Council during the strategic planning process, however, approximately \$3.7 million is allocated toward the acquisition of the property commonly known as the 'CEMEX Site' adjoining the Venice Train Station to add to the community's park system. An additional \$200,000 is allocated toward the completion of Venice Myakka River Park. The balance of \$175,000 in the penny sales tax revenues is allocated toward Mayor and City Council desired landscape improvements adjoining US41 Bypass at US41 Business.

FISCAL YEAR 2008-2009 CITY MANAGER'S MESSAGE



Enterprise Funds

The utilities fund continues to recover from historical expense decisions primarily related to costs of building the Eastside Wastewater Treatment Plant and decommissioning of the Island Beach Wastewater Plant. Continued fiscal constraint is necessary to restore fund balances to preferred levels that will ensure a three to four month operating reserve for each fund. Resolution of these financial conditions is provided through a formal repayment program to the general fund. Consideration of impacts from rising utility costs necessitates that Mayor and City Council undertake a review of rates and charges heading into FY09/10.

Careful consideration of airport fund expenditures is needed, reflecting anticipated costs associated with revisions to the Airport Master Plan and Airport Layout Plan. Declining federal and state resource allocations, combined with local conditions, have resulted in an apparent decision on the part of federal and state funding partners to shift resources to other general aviation assets in the region. This shift is anticipated to have adverse impacts upon the city's ability to secure external funding for needed maintenance.

Performance Management Program

With this year's estimated city population of 22,149, our four-year trend to reduce the number of employees per thousand residents and the per capita costs of general government operations continues. Even though our geographic and population numbers have continued to grow, we have been deliberate in minimizing staffing increases except where there is a demonstrable benefit toward meeting the strategic goals for 2020.

At 14.1 employees per thousand population, as compared to 14.7 last year, we have successfully implemented a consistent trend down from historic highs of 18.5 employees per thousand population established in the 2002-2003 budget year. Additional employee reductions are expected to have significant adverse impacts to service levels and suggest that Mayor and City Council consider adopting a 'roll-back' millage rate that can act to preserve future options to address increased costs of service.

While the budget has been balanced at the existing rate of 2.779 mills, state tax reform provides the option for Mayor and City Council to consider imposing a higher 'roll-back' rate between 2.779 and 3.3588 that will preserve your future ability to collect likely needed general tax revenues to support current service levels.

FISCAL YEAR 2008-2009 CITY MANAGER'S MESSAGE



In the event that the lower rate is imposed, the Finance Director has advised that it may create future fiscal year constraints and deficits unless there is significant improvement in local economic conditions. Should this occur with additional constitutional limits on local taxing authority pending, continuation of these trends would necessitate additional dramatic changes to city services. The Finance Director and I strongly advise Mayor and City Council to consider both the short and long term consequences of continuing this policy direction.

Conclusion

The city's core values to ensure we remain PRODUCTIVE, RESPONSIBLE, INNOVATIVE, DEDICATED, and ETHICAL (PRIDE) have allowed city employees to meet and exceed expectations in service to the community.

Each component of the budget is designed to achieve our mission to provide exceptional services through a financially sustainable city with engaged citizens.

With my announced retirement from the city, this is my final budget message. Thank you again to the employees who made my experience in Venice productive and enjoyable, God speed.

Respectfully submitted by:

/s/

**Martin P. Black, AICP, ICMA-CM
July 13, 2008**