

REVENUE AND EXPENSES CITY OF VENICE

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March 16, 2018

STRATEGIC PLANNING CONFERENCE - FINANCE PRESENTATION

Linda and Joe

Finance Department

We Move Between These Three Worlds

FY 2017

WHERE WE WERE

CAFR

and beyond----->

FY 2018

WHERE WE ARE

QUARTERLY
REPORTS

Five Year CIP

FY 2019

WHERE WE'RE GOING

BUDGET

OUTLINE

- FY 2017
 - Reserves Coming Forward
 - Actual Operating Results
 - The Good, the Bad, the Ugly
- FY 2018
 - The Original Budget Plan
 - What Has Changed or May Change
 - Where We'll Land
- FY 2019
 - Preliminary CIP
 - Challenges We Know About
- Five Year CIP
- Overview of Municipal Revenue Sources
- Budget Policies Throughout

FY 2017 – ACTUAL RESULTS

- Actual = CAFR
- Audit Complete, Presentation Set for 3/27/18 Council Meeting
- 200+ Page Document
- FS's, Audit Reports, MD&A, Notes, RSI (pension), Stat Section, Grant Schedule
- As of 9/30/17 and For the Year Then Ended
- 27 Funds – “Mini Companies”
- Enterprise and Internal Service Funds are Accrual Basis (i.e., Like Businesses), Governmental Funds are Modified Cash Basis (e.g., General Fund)
- FS's Include Entity-wide and Fund Level
- They Include Balance Sheets (SONA), P&L, and sometimes Cash Flows
- Lots and Lots of Other (Mostly Financial) Information

FY 2017 Ending Fund Balances (Governmental Funds)

9/30/17

Reserves

Fund Balance

General	\$ 12.1 M	Unassigned, Incl'g \$1.5M EMF's
Streets CPF	\$ 19.2 M	Restricted for Roads and Downtown
Building CPF	\$ 14.0 M	Restricted for New Police Building
One Cent Sales	\$ 4.9 M	Incl'g \$1M bldg and \$1.9M Carryover

FY 2017 Ending Working Capital

(Enterprise and Internal Service Funds)

	9/30/17 Reserves	Reserve Req't	Required	Excess
<i>Working Capital</i>				
Utilities	\$ 25.9 M	33% OE	\$ 5.4 M	\$ 20.5 M*
Solid Waste	\$ 2.7 M	33% OE	\$ 1.9 M	\$ 800 K
Airport	\$ 3.9 M	33% OE	\$ 909 K	\$ 3.0 M
Stormwater	\$ 2.0 M	33% OE	\$ 547 K	\$ 1.5 M
Group Health SIF	\$ 3.1 M	33% OE	\$ 1.9 M	\$ 1.2 M
Fleet Replacement	\$ 2.7 M	Pending	Est \$ 10 M	

* But \$6.4 M is Reserved for Encumbrance Carryovers

FY 2017 Summarized

The Good

- Healthy or Adequate Reserves in All Funds
- Added to Reserves in All Major Funds
- Under-budget in All Funds (Even with Irma)
- Good Pension Investment Performance (11% – 14%)
- Beach Renourishment Fund Balance at \$2.6 M

The Bad

- Not Much Bad to Note

The Ugly

- Unfunded Liabilities of \$48.3 M (Next Slide)

Governmental Funds vs. Governmental Activities (i.e., Entity-wide)

	Unrestricted FB/NP
General Fund	<u>\$ 12.1 M</u>
<i>Unfunded Liabilities (Gov. Only)</i>	
Fire Pension	\$ 17.2 M
Police Pension	\$ 5.4 M
FRS	\$ 16.7 M
OPEB	<u>\$ 9.0 M</u>
<i>Total</i>	<u>\$ (48.3 M)</u>
Governmental Activities	<u><u>\$ (20.9 M)</u></u>

Note: It doesn't add up

FY 2018 – The General Fund Plan (i.e., Budget)

GENERAL FUND

Budget - FY 2018

	Fund Balance		
	Assigned (EMFs)	Unassigned	Total
Revenues	\$ 396,383	\$ 27,593,466	\$27,989,849
Expenditures	-	(28,237,711)	(28,237,711)
Net Change - Original	396,383	(644,245)	(247,862)
BA #1	-	(78,655)	(78,655)
BA #?, e.g., SRO	-	-	-
Net Change - Amended	396,383	(722,900)	(326,517)
Fund Bal - Beg (Unrestricted)	1,482,243	10,636,201	12,118,444
Fund Bal - End (Unrestricted)	\$ 1,878,626	\$ 9,913,301	\$11,791,927
25% Target----->		7,059,428	

FY 2018 – The Enterprise Fund Plans

<i>FY 2018 BUDGET</i>	<u>Utilities</u>	<u>Solid Waste</u>	<u>Airport</u>	<u>Stormwater</u>
<i>Working Capital</i>				
Beginning	\$ 25,937,503	\$ 2,699,597	\$3,905,799	\$1,981,864
PY Encumbrances	(6,406,879)	(189,375)	(1,391,094)	(7,861)
Net	19,530,624	2,510,222	2,514,705	1,974,003
Net Revenues	10,101,037	(31,662)	145,292	250,203
Debt Service	(2,715,502)			
Transfers to Fleet	(1,265,010)	(607,374)	(21,000)	(32,440)
<i>Capital Program:</i>				
CIP	(17,873,500)	(17,000)	(3,305,000)	(895,000)
BA #1	(1,333,749)			(338,427)
Less: Restricted	2,853,952		400,000	
Less: Loans	6,958,663			
Less: Grants	500,000		2,613,000	
Ending	\$ 16,756,515	\$ 1,854,186	\$2,346,997	\$ 958,339
Target (FY17)----->	\$ 5.4 M	\$ 1.9 M	\$ 909 K	\$ 547 K

FY 2018 Summarized

The Good

- Still Healthy or Adequate Reserves in All Funds
- Added Funds to Fleet Replacement
- Claims Expenses are Down

The Bad

- Reserves in All Major Funds Dropping
- Budget Amendment #1 and Maybe More
- Some Revenues are Lagging Estimates

The Ugly

- Unfunded Liabilities Still There

FY 2019 Budget

- Held Initial Capital Improvement Plan Meetings
- Operating Budgets Still Being Drafted by Departments
- Challenges Foreseen:
 - Robust CIP was Submitted by Departments
 - Fill “Hole” in General Fund
 - City/County Parks Issue
 - Departments Requesting/Requiring Enhancements
 - Increase Reserves

Q: Will revenues from growth be enough?

CITY OF VENICE

Taxable Value

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						PROPERTY TAX REVENUE CHANGE				
				\$ CHANGE DUE TO	TO NEW	\$ CHANGE DUE TO	\$ CHANGE DUE	\$ CHANGE DUE	TOTAL \$	
			TOTAL	PROPERTY VALUE	CONSTRUCTION	PROPERTY VALUE	TO NEW	TO MILLAGE	CHANGE IN	
FISCAL	TAXABLE	%	TAXABLE VALUE	INCREASE/	ADDITIONS,	INCREASE/	CONSTRUCTION,	INCREASE/	PROPERTY	OPERATING
YR 9/30	VALUE	INCR	\$ CHANGE	(DECREASE)	REHAB IMPROV	(DECREASE)	ETC.	(DECREASE)	TAX REVENUE	MILLAGE
2009	3,653,215,613	-16.4%	(715,387,131)	(791,333,500)	75,946,369	(2,089,160)	200,502	-	(1,888,658)	2.7790
2010	3,172,976,298	-13.1%	(480,239,315)	(506,129,715)	25,890,400	(1,336,208)	68,352	-	(1,267,856)	2.7790
2011	2,860,628,192	-9.8%	(312,348,106)	(323,678,261)	11,330,155	(854,527)	29,912	-	(824,615)	2.7790
2012	2,707,597,559	-5.3%	(153,030,633)	(162,228,743)	9,198,110	(428,292)	24,283	401,266	(2,743)	2.9350
2013	2,701,271,123	-0.2%	(6,326,436)	(27,299,463)	20,973,027	(76,118)	58,478	77,756	60,116	2.9653
2014	2,803,751,805	3.8%	102,480,682	70,166,335	32,314,347	197,661	91,031	358,782	647,474	3.1000
2015	3,020,689,268	7.7%	216,937,463	165,754,271	51,183,192	488,146	150,735	-	638,881	3.1000
2016	3,233,289,634	7.0%	212,600,366	162,006,489	50,593,877	477,109	148,999	-	626,108	3.1000
2017	3,527,614,748	9.1%	294,325,114	234,436,517	59,888,597	690,416	176,372	1,675,617	2,542,404	3.6000
2018	3,817,208,295	8.2%	289,593,547	189,140,250	100,453,297	646,860	343,550	-	990,410	3.6000

Growth in Other (Non ad-Valorem) General Fund Revenues

Selected Other General Fund Revenues

Fiscal Year		Commun. Service Tax	Utility Service Taxes	Franchise Fees	State Shared Revenues	Misc Revenue	Total	Change
2014	Actual	\$1,116,328	\$2,402,438	\$2,213,124	\$2,110,363	\$ 777,848	\$ 8,620,101	
2015	Actual	1,098,069	2,494,179	2,337,425	2,300,454	1,125,399	9,355,526	8.5%
2016	Actual	1,089,305	2,564,309	2,305,140	2,414,991	1,269,392	9,643,137	3.1%
2017	Actual	1,097,314	2,529,762	2,328,716	2,392,180	1,135,424	9,483,396	-1.7%
2018	Budget	1,099,316	2,574,762	2,381,134	2,417,972	991,528	9,464,712	-0.2%

With this background, we are considering Budget Policies for FY 2019

Budget Policy – One Cent Sales Tax Fund

- Reserves – Keep \$2 Million in Reserve
- Spending Allocation – Smooth Out Using Tiers:
 - 25% - Vehicles (Including Engines?) (\$750K)
 - \$1 Million/Year – Building Replacement (FS #1 and PW Relo.)
 - May Require Bridge Financing
 - \$250K - Beach Renourishment Reserves
 - 20% – PW Facilities Major Maintenance (\$500 - 600 K)
 - \$150K – Engineering Required Projects
 - 10% - Council Discretion (\$300K)
- Smooth Allocations for Large Dollar Items
- Utilize Other Funds to Assist with Funding

FY 2019 - One Cent Sales Tax – 2nd Run

ONE CENT SALES TAX								
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	TOTAL	Policy	Average
VPD - Police Vehicle Replacements	303,100	357,895	362,905	376,099	250,105	1,650,104	750,000	563,202
PW - Skid Steer Loader/Pick Up Truck	88,000	-	-	-	-	88,000		
PW - Maintenance Replacement Vehicles	213,000	82,200	90,000	60,000	84,000	529,200		
PW - Parks Replacement Vehicles	56,000	155,000	70,000	48,000	60,000	389,000		
Fire - Vehicles	80,000	-	41,569	38,136	-	159,705		
Fire - Fire Engine	-	593,844	614,628	-	1,519,101	2,727,573	-	545,515
BUILDING RESERVE	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	5,000,000	1,000,000	1,000,000
Eng - Beach Renourishment	250,000	250,000	250,000	250,000	250,000	1,250,000	250,000	250,000
PW - Fire Station 52 Repairs/Upgrades	185,746	98,222	246,003	175,750	74,489	780,210		
PW - City Hall Maintenance	244,195	114,809	-	433,461	1,118,828	1,911,293	550,000	1,159,401
PW/Eng - City Hall Parking Lot Resurfacing	75,000	-	-	-	-	75,000		
PW - Venice Community Center	131,394	363,590	222,625	533,750	-	1,251,359		
PW - City Hall Space Study Results Implementation	-	-	-	200,000	500,000	700,000		
PW - Cultural Campus Lighting	-	50,000	-	-	-	50,000		
PW - First Station 53 Repairs/Upgrades	-	-	-	45,595	58,650	104,245		
PW - Hamilton Building	-	-	125,000	50,000	25,000	200,000		
PW - Triangle Inn Maintenance	-	75,513	22,589	-	34,501	132,603		
PW - VABI Building Maintenance	25,000	-	25,000	50,000	-	100,000		
PW - Police Firing Range	-	312,792	-	129,839	49,662	492,293		
PW - Downtown Streetlights						-		-
Eng - ADA Improvements	40,000	150,000	150,000	150,000	150,000	640,000	150,000	128,000
IT Fiber Optic Network Expansion VPD Security Cameras	390,000	-	-	-	-	390,000	*	
Library Reading Garden Fountain	100,000	-	-	-	-	100,000	*	98,000
						-		
ONE CENT SALES TAX EXPENDITURES	\$ 3,181,435	\$ 3,603,865	\$ 3,220,319	\$ 3,540,630	\$ 5,174,336	\$ 18,720,585	3,000,000	3,744,117

Odd Men (Persons) Out

- What There Wasn't Room For:
 - Parks Maintenance in the FCA
 - Engineering Infrastructure Projects
 - Fire Equipment
 - Fire Engines and Aerial Truck
 - Streetlights (cost not determined)
 - New Vehicles (for New FTE's)

Also:

- Some Areas are Over and Need to be Re-worked
- Parking Lot Discussed/Approved 3/13 Not Added Yet

FY 2019 – General Fund CIP – 2nd Run

GENERAL FUND	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	TOTAL		Policy	Average
Ajax Property	-	-	-	-	750,000	\$ 750,000		100,000	150,000
PW Fleet - Fuel & Fleet Management	140,000	-	-	-	-	140,000			
PW Parks - ATV	10,000	-	-	-	-	10,000		50,000	30,000
Fire - Replace Ice Machines	-	-	-	15,000	-	15,000			
Fire - Replace Marine Fire Pump	17,000	-	-	-	-	17,000			
Fire - Replace Cascade System	-	54,000	-	-	-	54,000	*	100,000	92,200
Fire - Replace Emer. Response Equip in Command Veh	-	-	9,000	-	-	9,000	*		
Fire - Replace Marine Electronic Equipment	-	25,000	-	-	-	25,000	*		
Fire - Replace SCBA Equipment	-	257,000	-	-	-	257,000	*		
Fire - Replace Fire Station 3 AC Units	-	42,000	-	-	-	42,000	*		
Fire - Replace Thermal Imaging Cameras	-	42,000	-	-	-	42,000	*		
IT - Server and Network Equipment Replacement	45,000	45,000	45,000	45,000	45,000	225,000		50,000	45,000
Eng - Marina Park Maintenance - Dock	25,000	-	-	-	-	25,000			
Eng - Marina Park Maintenance - Paving/Sidewalks	75,000	-	-	-	-	75,000			
Eng - Bike Facilities Improvement	25,000	-	-	-	-	25,000	*	200,000	70,000
Eng - Lord-Higel House Parking Lot	50,000	-	-	-	-	50,000	*		
Eng - Tarpon Center Drive Bike Lanes	50,000	-	-	-	-	50,000	*		
Eng - Gateway Improvements	125,000	-	-	-	-	125,000	*		
PW - South Jetty (Humphris Park) Maintenance	5,000	-	-	-	-	5,000	*		
PW - South Brohard Paw Park	52,670	-	-	-	24,500	77,170	*		
PW - Hecksher Park Maintenance	31,298	-	6,709	21,549	-	59,556	*	350,000	347,710
PW - Wellfield Park Maintenance	60,036	90,000	22,773	32,291	436,250	641,350	*		
	↓					↓			
Scroll down in Handout to View All									
GENERAL FUND EXPENDITURES	\$ 784,389	\$ 575,000	\$ 193,957	\$ 405,454	\$ 1,715,750	\$ 3,674,550		\$ 850,000	\$ 734,910

Budget Policy – General Fund

- Reserves – Minimum of 3 Months' Operating Exps (25%)
- Reserves – Allow Council to Assign/Designate "Other Reserves"
- Budget Should be Balanced Except for One-Time Expenditures
- Revenue Projections Should be Conservative
- Consider Annually Alternative Revenue Sources
- Review Revenue Rates Periodically
- Cost Allocations Citywide Should be Reasonable
- Benchmark the Department Costs Against Other Cities
- Migrate Toward a System with Some PAYGO Capital Funding
- Generally Allocate Revenue From Growth to Enhancements, and from Existing Citizens to Cost Inflation/Employee Raises
- *Utilize Excess Funds to Pay Down Unfunded Liabilities*

FY 2019 Challenges – General Fund

- Fill \$326/\$722K “Hole” in FY 2018 Budget
- Fund Capital that One Cent Fund Couldn't (Parks, Engineering, etc.)
- City/County Parks Issue
- Silo EMF's
- Increased “Depreciation” Funding (Fleet Replacement)
- Raises and Inflation
- Department Enhancements
- Increase Funding of Pension Liabilities?

FY 2019 Enterprise Funds – Budget Policy

- Enterprise Funds Matter
- Run Them Like a Business
- Reserves – 4 Months Operating Expenses + Administrative Charges (Includes Depreciation), i.e., 33%
- Revenues Should Drive Expenses (Don't Let Expenses Drive Revenues)
- The Capital Improvement Plan Should Be *Funded*
- Limit Borrowing, Even for Capital, if Possible
- Smooth Retail Rate Increases

Out Years – Governmental Funds

- Resolution of EMF Issue
- Costs of Operations – Local Parks
- Costs of Operations - Hamilton Building and Archive Storage
- Costs of Operations – New Public Safety Building
- Costs of Operations – Relocated PW Facilities
- FY 2020 Possible 3rd \$25K Homestead Exemption
- FY 2024 Possible Sunset of One Cent Sales Tax
- Repay Utilities Fund for Ajax Property

Out Years – Utilities Fund

UTILITIES FUND	Net Revenue	(Debt Service)	(Capital)	Balance
<i>Beginning WC</i>				\$ 16,756,515
FY 2019	\$ 10,101,037	\$ (2,688,065)	\$ (21,108,500)	(13,695,528)
FY 2020	10,101,037	(2,690,140)	(14,881,275)	(7,470,378)
FY 2021	10,101,037	(2,684,908)	(13,517,575)	(6,101,446)
FY 2022	10,101,037	(2,665,085)	(6,575,150)	860,802
FY 2023	10,101,037	(2,688,330)	(1,795,150)	5,617,557
<i>Ending WC</i>				<u>\$ (4,032,478)</u>

The Utilities Fund Cannot Fund the CIP Without Borrowing and/or Rate Increases

Out Years – Other Enterprise Funds

<i>FY 2018</i>	<u>Budgeted Revenue</u>	<u>Budgeted (Expenditures)</u>	<u>Net Revenues</u>
Solid Waste	\$ 6,126,300	\$(6,157,962)	\$ (31,662)
Airport	1,915,860	(1,770,568)	145,292
Stormwater	1,528,500	(1,278,297)	250,203

There is no outstanding debt in these funds. Net revenues are available for capital or grant matches, but is it sufficient (without borrowing)?

Proposed Fire Fee - Status

Stakeholder Group Recommendation

- There is a Need for Additional Revenues, and a Desire for a Dedicated Funding Source
- Condos/MH's/Replacement Cost Issues rule out Availability Method
- Remaining Calls for Service Approach must be Tweaked for Assisted Living Facilities (remove EMS costs and calls) but There Will Be a Limited (Reduced) Sample Size
- Within Categories, use Sq. Footage (like County) instead of Flat Fee
- The Tweaking of the CFS Approach Has Not Been in Court, so Could Be Challenged
- To Avoid Future Legal Challenge, Use a Bond Validation in Advance to Validate the Fee Methodology
- We Will Need to Finance an Asset to Do a Bond Validation (Engine or Station)
- Requires a New Study – Stantec Most Effective
- Cost Recovery Percentage – Not Determined Yet
- Revenue Needed – Not Determined Yet
- Effect on Millage – Not Determined Yet

Proposed Fire Fee

Finance Department Concerns. We Need Revenue But:

- TIMING – Recommend Fee Adoption Prior to Millage Adoption (Therefore FY 2020 Earliest)
- VETTING – Still Will Require Thorough Community Vetting
- METHODOLOGY LIMITATIONS – Limited to One Rigid Methodology (will it fit?)
- COSTS – New study and periodic updates, SCTC and SCPA fees, Costs of Mailouts and Bond Validation. It May Not Be Worth the Revenue Level
- PROVEN NEED – The Dollars Needed/Specific Costs to Be Funded Have Not Been Determined
- POTENTIAL LITIGATION – Has Been Threatened
- TAX EFFECT – The Calls for Service Method is Probably Not Deductible
- BOND VALIDATION – Time Consuming and Costly, and Council Has Not Yet Determined to Finance
- SILOING FUNDS – For a Separate Fund, the Restricted Revenues Must be Significant
- PUBLIC RESPONSE – Leaned Toward Millage

Fleet Replacement Program

- Purpose – Accumulate Reserves for Future Cost of Fleet Replacement
- Fleet = Vehicles and Heavy Equipment (generally over \$10,000 cost)
- Only Replacement Vehicles – New Vehicles Require Department Funding
- Does Not Fund Salaries, Operating, or Other Vehicle Costs (e.g., repairs, fuel, insurance)

Accounting:

- Department Transfers (Gives) the Vehicle into the Program (to the Fleet Replacement Fund)
 - Transfer Cash for Purchase
 - Transfer New Vehicle
 - Transfer Used Vehicle + Catch-up Contribution
 - Transfer Used Vehicle + Arrangement to Pay Catch-up Contribution
- The FRF “Rents” it Back to the User Fund for the Annual Cost Needed to Replace the Vehicle at the End of its Useful Life (Operating Expense)
- The FRF Buys the Replacement Vehicle With Fleet Manager Approval and Sufficient Funds Accumulated

Fleet Replacement Program - Status

- The Fleet Replacement Program (FRP) Started in FY 2014
- All Vehicles Acquired Since FY 2014 are “in the Program” (Replacement Vehicle Currently Being Funded by Rent)
- All Utilities Fund and Building Department Vehicles are Now in the FRP (as of FY 2018)
- Other Funds/Departments are Not Fully Transferred, but Have Excess Cash Balances
- There is Some Initial Seed Money Still Unallocated From FY 2014

Questions?

