

# REVENUE AND EXPENSES CITY OF VENICE

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January 16, 2019

STRATEGIC PLANNING CONFERENCE - FINANCE PRESENTATION

Linda and Joe

# Finance Department

## We Move Between These Three Worlds

FY 2018

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WHERE WE WERE

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CAFR  
(Present: 2/26/19)

FY 2019

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WHERE WE ARE

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2019 BUDGET  
QRTLY FINANCIAL RPTS  
QRTLY INVESTMENT RPTS  
PROJ STATUS REPORTS

FY 2020

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WHERE WE'RE GOING

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2020 BUDGET  
(Workshops: June, 2019)  
2020-2024 CIP  
(Workshop: 2/20/19)

# OUTLINE

- ▀ Where We Were - FY 2018
  - ▀ Reserves Coming Forward
  - ▀ Actual Operating Results
  - ▀ The Good and the Bad
- ▀ Where We Are - FY 2019
  - ▀ The Original Budget Plan
  - ▀ 2019 Update
- ▀ Where We're Going - FY 2020
  - ▀ FY2020 Budget Schedule
  - ▀ Challenges Foreseen
  - ▀ Known Unknowns
- ▀ Budget Policies
- ▀ Overview of Municipal Revenue Sources

## WHERE WE WERE – FY2018

# FY 2018 – THE CAFR (ACTUAL RESULTS)

- City's Official Comprehensive Annual Financial Report = CAFR
- It is audited: audit complete, presentation set for Feb 26, 2019 Council meeting
- It is a 200+ page document, posted to our website
- It contains FS's, Audit Reports, MD&A, Notes, RSI (pension), Stat Section, Grant Schedule
- It is as of 9/30/18 and for the year then ended
- Divided into our 28 Funds or "mini companies" (2 new funds-Fire & Police Impact Fees)
- There are Governmental Funds on the modified cash basis (e.g., General Fund) and Enterprise and Internal Service Funds on the accrual basis (i.e., like businesses), plus pensions, in 2 formats (entity-wide and Fund level)
- FS's include Balance Sheets (SONA), P&L's, and sometimes Cash Flows
- And lots and lots of other (mostly financial) information

# GOVERNMENTAL FUNDS – FY2018

# FY 2018 Ending Fund Balances (Governmental Funds)

9/30/18

## Reserves

### *Fund Balances*

General	\$	12.5 M	Unassigned, Incl'g \$1.7M EMF's
Streets Capital		11.3 M	Restricted for Roads and Downtown
Building Capital		13.9 M	Restricted for New Police Building
Building Permits		6.1 M	Restricted for Enforcing Building Code
One Cent Sales		5.4 M	Incl'g \$1M bldg and \$1.7M Carryover
Other		5.6 M	Various Restrictions / Commitments
Total	\$	<u>54.8 M</u>	



# FY 2018 Changes in Fund Balances (Governmental Funds)

	9/30/17 <u>Reserves</u>	9/30/18 <u>Changes</u>	9/30/18 <u>Reserves</u>
<i>Changes in Fund Balances</i>			
General	\$ 12.1 M	\$ 0.4 M	\$ 12.5 M
Streets Capital	19.2 M	(7.9) M	11.3 M
Building Capital	14.0 M	(0.1) M	13.9 M
Building Permits	4.1 M	2.0 M	6.1 M
One Cent Sales	4.9 M	0.5 M	5.4 M
Other	5.0 M	0.6 M	5.6 M
Total	\$ <u>59.3 M</u>	\$ <u>(4.5) M</u>	\$ <u>54.8 M</u>



# PROPRIETARY FUNDS - FY 2018

# FY 2018 Ending Working Capital

(Enterprise and Internal Service Funds)

	9/30/18 <u>Reserves</u>	Reserve Req't	<u>Required</u>	<u>Excess</u>	<u>Carryover</u>
<i>Working Capital</i>					
Utilities	\$ 29.1 M	50% OE	\$ 9.2 M	\$ 19.9 M	\$ 15.5 M
Solid Waste	2.2 M	33% OE	2.0 M	0.2 M	0.0 M
Airport	3.9 M	33% OE	1.2 M	2.7 M	1.0 M
Stormwater	1.9 M	33% OE	0.6 M	1.3 M	(0.1) M
Fleet Replacement	5.7 M	Fully Fund	11.7 M	(6.0) M	0.6 M
Other Internal Svc	5.1 M	33% OE	2.7 M	2.4 M	0.0 M
Total	\$ <u>47.9 M</u>		\$ <u>27.4 M</u>	\$ <u>20.5 M</u>	\$ <u>17.0 M</u>

Note: Excludes Restricted Cash

# FY 2018 Changes in Working Capital

(Enterprise and Internal Service Funds)

	9/30/17 <u>Reserves</u>	9/30/18 <u>Changes</u>	9/30/18 <u>Reserves</u>
<i>Changes in Working Capital</i>			
Utilities	\$ 25.9 M	\$ 3.2 M	\$ 29.1 M
Solid Waste	2.7 M	(0.5) M	2.2 M
Airport	3.9 M	0.0 M	3.9 M
Stormwater	2.0 M	(0.1) M	1.9 M
Fleet Replacement	2.7 M	3.0 M	5.7 M
Other Internal Svc	4.4 M	0.7 M	5.1 M
Total	\$ <u>41.6 M</u>	\$ <u>6.3 M</u>	\$ <u>47.9 M</u>

# EMPLOYEE BENEFIT PROGRAMS - FY 2018

# FY 2018 Ending Balances

## (Employee Benefit Programs)

<i>Plan</i>	9/30/18 <u>Assets</u>	<u>Liabilities</u>	(Under <u>Funded</u> )	<u>Percent</u>	<u>Prior Yr Percent</u>
Fire Pension	\$ 25.6 M	\$ 41.8 M	\$ (16.2) M	61.3%	57.3%
Police Pension	39.0 M	44.3 M	(5.3) M	88.0%	87.4%
OPEB	0.0 M	9.5 M	(9.5) M	0.0%	0.0%
FRS (.0559%)	90.1 M	106.9 M	(16.8) M	84.3%	83.9%
HIS (.0446%)	0.1 M	4.8 M	(4.7) M	2.1%	1.6%
Total	\$ <u>154.8 M</u>	\$ <u>207.4 M</u>	\$ <u>(52.6) M</u>	74.7%	72.7%

# FY 2018 Summarized

## *The Good*

- Healthy or adequate reserves in all Funds (still building up Fleet)
- Added to reserves (or funded large one-time capital expenditures)
- Under-budget in all Funds (stuck to the plan)
- Good pension investment performance (9% & 13%)
- Instituted public safety impact fees (\$75K thru 9/30/18)
- Beach Renourishment Fund Balance up to \$2.8 M

## *The Bad*

- \$52.5M in under-funded employee benefit obligations
- Fleet Replacement and major maintenance funding *in process*

## WHERE WE ARE – FY2019



# FY 2019 – The General Fund Plan (i.e., Budget)

## GENERAL FUND

### *Budget - FY 2019*

	Assigned Fund Balance	Unassigned Fund Balance	Total Fund Balance
Revenues	\$ -	\$30,164,107	\$ 30,164,107
Expenditures	-	(29,886,860)	(29,886,860)
Net Change - Original	-	277,247	277,247
BA #1	-	-	-
BA #2?	-	-	-
Net Change - Amended	-	277,247	277,247
Fund Bal - Beginning (Actual)	1,743,859	10,803,596	12,615,248
Fund Bal - Ending (Projected)	\$ 1,743,859	\$ 11,080,843	\$ 12,892,495
	25% Target----->	7,471,715	

We balanced the FY2019 budget without using EMF's for the first time!

Currently projecting a slight surplus (\$277,247) for FY 2019

Revenues usually come in better than budget...

and Departments are required to be under budget,

But budget amendments will come up during the year.

# FY 2019 – The Enterprise Fund Plans

<i>FY 2019 BUDGET</i>	<i>Utilities</i>	<i>Solid Waste</i>	<i>Airport</i>	<i>Stormwater</i>
<i>Original Budget:</i>				
Operating Revs.	\$ 23,147,420	\$ 6,365,300	\$ 2,067,691	\$ 1,563,400
Operating Exps.	(14,343,848)	(6,686,505)	(1,901,002)	(1,521,043)
Net Revenues	8,803,572	(321,205)	166,689	42,357
BA #1	(475,000)			(111,957)
Debt Service	(2,927,059)			
Transfers to Fleet	(251,007)	-	(30,000)	(108,000)
<i>Capital Program:</i>				
CIP	(21,108,500)	(250,000)	(3,182,500)	(1,060,000)
<i>Funded By:</i>				
Restricted Cash	5,894,488		723,440	
Loans	4,750,000			500,000
Grants	750,000		2,404,000	
Change for FY2019	(4,563,506)	(571,205)	81,629	(737,600)
Beginning WC*	20,009,932	2,192,700	2,876,363	2,050,838
Ending WC	\$ 15,446,426	\$ 1,621,495	\$ 2,957,992	\$ 1,313,238
Target (FY19)----->	10,319,585	2,206,547	1,293,660	695,483
Excess (Deficiency)	5,126,842	(585,052)	1,664,332	617,755

# FY 2019 Budget

## *The Good*

- Still projecting healthy or adequate reserves in most Funds at the end of the year
- Now funding more Capital and Fleet Replacement via General Fund
- A second \$1M is reserved in One Cent Fund for Fire Station #1
  - \$750K was budgeted for Fire Station #1 design
- Now funding more major maintenance projects in One Cent Fund
- FY2019 adds \$1.8M in “Rents” to Fleet Replacement Fund

## *The Bad*

- “Net Revenues” are a little “thin” in some Enterprise Funds
- Big issue with recycling contract – (raising rates was a Band-aid)
- Minimal progress on unfunded employee benefit obligations

# FY 2019 Update

- 2018 Budget variances are now known
- FEMA reimbursements trickling in
- Recycling cost increases and associated rate increase approved
- We presented BA #1 on January 8, 2019
- Estimated cost of PS facility pending
- Estimated cost of Road Phase III pending
- Legal fees still running high
- Watching Fire Department's EMS study, Stormwater rate study, Utility PCF rate study, Hamilton building resolution
- Watching City Hall campus renovations discussions

## WHERE WE ARE GOING – FY2020

# FY 2020 Budget Schedule

- It's still very early
- Initial Capital Improvement Plan meetings - February
- Department budgets due – April
- Revenue estimates – May
- Challenges foreseen:
  - Robust CIP anticipated
  - City/County parks issue
  - Departments requesting/requiring enhancements
  - Raises and inflation
  - Funding Fire engines and major maintenance projects

Q: Will revenues from growth be enough?

Q: Can we increase reserves, pay down pensions?



# FY 2020 Budget and 20-24 CIP

- Known Unknowns:
  - Status of County/City park funding
  - Resolution of EMF litigation
  - Resolution of recycling contract issues
  - Costs of other solid waste program modifications
  - Estimated/final cost of Public Safety facility
  - Estimated/final cost of Fire Station #1 construction, redesign of City Hall campus
  - Estimated cost of Public Works relocation to current police facility
  - Cost of Solid Waste Department relocation
  - Streetlight replacement program
  - Use of Hamilton building
- FY 2024 Possible Sunset of One Cent Sales Tax
- How to Repay Utilities Fund for Ajax Property
- How to Fund Fire Engines



# CITY OF VENICE

## Taxable Value

23

PROPERTY TAX REVENUE CHANGE										
\$ CHANGE DUE										
\$ CHANGE DUE TO										
TOTAL										
FISCAL	TAXABLE	%	TOTAL	\$ CHANGE DUE TO	TO NEW	\$ CHANGE DUE TO	\$ CHANGE DUE	\$ CHANGE DUE	TOTAL \$	OPERATING
YR 9/30	VALUE	INCR	TAXABLE VALUE	PROPERTY VALUE	CONSTRUCTION	PROPERTY VALUE	TO NEW	TO MILLAGE	CHANGE IN	MILLAGE
			\$ CHANGE	INCREASE/	ADDITIONS,	INCREASE/	CONSTRUCTION,	INCREASE/	PROPERTY	
				(DECREASE)	REHAB IMPROV	(DECREASE)	ETC.	(DECREASE)	TAX REVENUE	
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
2019	4,056,212,039	6.3%	239,003,744	163,498,843	75,504,901	559,166	258,227	385,340	1,202,733	3.7000
		4.28%	Increase due to Property Values							
		1.98%	Increase due to new construction							
		6.26%								

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

## *Selected Other General Fund Revenues*

Fiscal Year		Commun. Service Tax		Chg		Utility Service Taxes		Chg		Franchise Fees		Chg		State Shared Revenues		Chg		Misc Revenue		Chg		Total		Chg	
2014	Actual	\$	1,116,328			\$	2,402,438			\$	2,213,124			\$	2,110,363			\$	777,848			\$	8,620,101		
2015	Actual		1,098,069	-1.6%			2,494,179	3.8%			2,337,425	5.6%			2,300,454	9.0%			1,125,399	44.7%			9,355,526	8.5%	
2016	Actual		1,089,305	-0.8%			2,564,309	2.8%			2,305,140	-1.4%			2,414,991	5.0%			1,269,392	12.8%			9,643,137	3.1%	
2017	Actual		1,153,644	5.9%			2,629,333	2.5%			2,393,474	3.8%			2,493,349	3.2%			1,218,397	-4.0%			9,888,197	2.5%	
2018	Actual		1,167,823	1.2%			2,702,317	2.8%			2,414,825	0.9%			2,630,231	5.5%			1,165,781	-4.3%			10,080,977	1.9%	
2019	Budget		1,180,900	1.1%			2,742,600	1.5%			2,447,175	1.3%			2,607,800	-0.9%			1,127,500	-3.3%			10,105,975	0.2%	

# FY 2019-23 CAPITAL IMPROVEMENT PROGRAM

CAPITAL IMPROVEMENT PROGRAM						
EXPENDITURES	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	TOTAL
GENERAL FUND	\$ 359,847	\$ 762,389	\$ 958,585	\$ 430,454	\$ 3,259,851	\$ 5,771,126
BOAT REGISTRATION FEES FUND	128,000	-	-	-	-	128,000
ONE CENT VOTED SALES TAX FUND	3,113,340	8,065,250	4,700,000	2,300,000	1,882,228	20,060,818
BUILDING FUND	100,000	496,750	-	-	-	596,750
CPF - GENERAL	50,000	1,200,000	-	-	-	1,250,000
CPF - STREETS	5,730,000	1,742,000	150,000	150,000	150,000	7,922,000
CPF - FIRE IMPACT FEES	-	-	-	-	-	-
CPF - POLICE IMPACT FEES	-	-	-	-	-	-
AIRPORT FUND	3,182,500	2,025,250	2,312,882	3,769,000	74,740	11,364,372
UTILITIES FUND	21,108,500	14,881,275	13,517,575	6,575,150	1,795,150	57,877,650
SOLID WASTE FUND	250,000	2,500,000	-	-	-	2,750,000
STORMWATER FUND	1,060,000	-	-	-	-	1,060,000
FLEET REPLACEMENT FUND	2,565,762	1,114,000	1,695,000	1,667,640	1,804,084	8,846,486
TOTAL EXPENDITURES	\$ 37,647,949	\$ 32,786,914	\$ 23,334,042	\$ 14,892,244	\$ 8,966,053	\$ 117,627,202

# BUDGET POLICIES

# Budget Policy – General Fund

- Reserves – Minimum of 3 months' operating exps (25%)
- Reserves – Allow Council to assign/designate "other reserves" (e.g., \$2 M for disaster reserve)
- Budget should be balanced or positive before using fund balance, except for one-time expenditures
- Revenue projections should be conservative
- Annually consider new alternative revenue sources
- Review revenue rates periodically
- Cost allocations Citywide should be reasonable
- Benchmark the Departments costs against other Cities
- Migrate toward a system with more PAYGO capital funding
- Generally allocate revenue from growth to enhancements, and from existing citizens to cost inflation/employee raises
- *Utilize Excess Funds to build reserves or pay down unfunded obligations*



## Budget Policy – One Cent Sales Tax Fund

- Reserves – Keep \$2 Million in reserve
- Spending Allocation – smooth out using tiers:
  - 25% - Vehicles (Excluding Engines?) (\$750K)
  - \$1 Million/Year – Building Replacement (FS #1 and PW Relo.)
    - May Require Bridge Financing
  - \$250K – Continue to build Beach Renourishment reserves
  - 20% – Building major maintenance (\$500 - 600 K)
  - \$150K – Engineering Dept. required projects
  - 10% - Council discretion (\$300K)
- Smooth allocations for large dollar items
- Utilize other Funds to assist with funding (e.g., General Fund)

# Budget Policy - Enterprise Funds

- Enterprise Funds Matter!
- Run them like a business
- Reserves – 4 Months operating expenses (Includes Depreciation and GF Admin.), i.e., 33%
- Revenues should drive expenses (not the other way around)
- The Capital Improvement Plan should be *funded*
- Limit borrowing to “growth” capital, if possible
- Smooth out retail rate increases



# THE FLEET REPLACEMENT PROGRAM

# Fleet Replacement Program (Info Only)

- 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 to 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” (i.e., the 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 some have excess cash balances

# Questions?

