



MEMORANDUM

TO:	Mayor and City Commission
FROM:	John Stunson, City Manager
BY:	Charles J. Schwabe, Assistant City Manager
SUBJECT:	Preliminary FY 07/08 Annual City Budget
DATE:	June 27, 2007

INTRODUCTION

The purpose of this memo is to transmit to you the Preliminary Annual City Budget for Fiscal Year 2007/2008 (FY 07/08). The Preliminary Budget is being presented at the June 27th City Commission Budget Workshop. As you know, this is the first of several workshops and special meetings that will be conducted in order to adopt an Annual City Budget for next fiscal year.

Normally, City staff releases a Proposed Annual City Budget early in July. However, this has been and continues to be anything but a normal year for budget preparation. The reason—Property Tax Reform. Legislative leaders from both parties agreed on the need to reform the property tax system. A Special Legislative Session concluded last week to provide property tax reform. The Florida Legislature has adopted, and the Florida Governor has approved a two-part tax package. Details of the package are described below.

City staff began taking steps earlier this year in anticipation of the tax reform package. These initial steps will allow the City to absorb the cuts to property tax revenues without having to lay off employees or totally eliminate any City service next fiscal year.

Normally, the City's combined General Fund/Fire-Rescue Fund budget (the funds directly affected by property tax reform) would have increased to an estimated \$45.6 million, based on the staffing and service levels included in the current year budget. Oakland Park's FY 07/08 Annual Budget for these funds will need to be reduced by about \$2.1 million from this estimated figure in order to conform to State-mandated property tax reductions.

Additional reductions will be required in the following year's Annual Budget if Florida voters approve a constitutional amendment to the "Save Our Homes" program and replace it with a super exemption for homesteaded properties. Normally, the combined General Fund/Fire Rescue Fund budget for the FY 08/09 would have increased to a projected \$46.2 million, based on the same, reduced staffing and service levels included in the preliminary budget for next fiscal year. The FY 08/09 Annual Budget for these funds will need to be reduced by an estimated \$5.6 million from the already reduced levels in next fiscal year's budget to conform to State-mandated property tax reductions and cost increases. This results in a combined, two-year reduction of \$7.7 million for these two funds. As can be seen, it is critical that we use next fiscal year's budget to respond to the known revenue reductions and cost increases, and to prepare for the expected reductions and cost increase for the following year. The table on page six illustrates the projected revenues and reduced expenses for the next two fiscal years.

"The pivot point in Good to Great...attain piercing clarity about how to produce the best long term results, and then exercising the relentless discipline to say 'No thank you' to opportunities that fail the hedgehog test." Jim Collins, author¹

The City created its first comprehensive Strategic Plan and its first Annual Business Plan through the Performance Excellence Initiative. Both documents provided key guidance and direction as City staff prepared the FY 07/08 Preliminary Annual Budget. The Strategic Plan describes strategic performance areas and key results that should be accomplished over time. The Annual Business Plan describes the current City services, and new initiatives, that will be provided during the fiscal year to address the strategic performance areas. The Annual City Budget provides the staffing and financial resources to implement the services and new initiatives described in the Annual Business Plan. By remaining disciplined to the current services and new initiatives, and avoiding the temptation to venture into other areas, City staff will be able to address the City Commission's strategic performance areas and achieve the stated key intended results. The alignment between current City services and programs, and new initiatives, and the City Commission's strategic performance areas, is described later in this memo.

The FY 07/08 Preliminary Annual Budget for all funds totals \$96.8 million, including internal transfers. Next year's budget will be a "transitional budget" as the City responds to the tax reform package. The FY 07/08 budget absorbs a total of \$2.1 million of expense reductions in response to property tax revenues reduction, and "built-in" expense increases in the City's General and Fire-Rescue Funds. It also lays the groundwork for addressing future property tax revenue reductions and "built-in" cost increases for the FY 08/09 Annual City Budget. As you will see, the preliminary budget begins to reduce the City's dependency on property tax revenues in order to deliver basic City services.

¹ Jim Collins, *Good to Great* (New York: Harper Collins Publishers, 2001), pp. 95-96. "More precisely, a Hedgehog Concept is a simple, crystalline concept that flows from deep understanding about the intersection of the following three circles: 1) What you can be the best in the world at; 2) What drives your economic engine; and 3) What you are deeply passionate about."

As required by State Statute and City Charter, the Preliminary Budget balances revenues and expenses for all funds. The Preliminary Budget:

- provides a spending plan for next fiscal year to implement the current City services and a selected number of new initiatives described in the City's FY 07/08 Business Plan;
- reflects the City Commission's policy direction to preserve "Brick and Mortar/Core Services" in responding to State-mandated reductions to property tax revenue;
- presents an overall 9.2% reduction in department operating budgets, before consideration of capital and debt service requirements, as compared with the estimated figure for next fiscal year;
- avoids employee layoffs by using position vacancies that have been left vacant in anticipation of reductions to property tax revenues;
- maintains the fire assessment fee program with its current rate structure for residential properties; an increase in the rate structure for commercial and institution/warehouse properties is a result of increased responses to these types of properties; and
- describes a number of specific programs that will be examined during the next fiscal year to shrink the City's workforce and reduce expenses in preparation for additional property tax reductions that may be approved by the voters in January 2008.

A Recommended Annual City Budget for FY 07/08 will be presented at the City Commission Budget Workshop scheduled for July 18, 2007. The Recommended Budget will incorporate policy direction provided by the City Commission, and any additional changes that will be need to be considered in response to the final property tax reform package signed into law by the Florida Governor. The proposed ad valorem millage rate and fire assessment fee schedule will need to be tentatively adopted at the July 25, 2007 Special City Commission Meeting, and approved in final form at the September 19, 2007 Regular City Commission Meeting.

FINANCIAL STRATEGY

Property Tax Reform

Property tax reform dominated the recently completed Florida 2007 Legislative Session. Revisions are intended to provide homeowners and businesses relief from soaring tax bills and to address property tax inequities resulting from the "Save Our Homes" amendment to the Florida Constitution. Unfortunately, legislative leaders could not agree to tax reform legislation during the regular legislative session. A Special Legislative Session was held from June 12-14, 2007 that resulted in a two-part tax reform package which has been approved by the Florida Governor.

Part 1. Cities and counties will be required to cut property tax revenues to current fiscal year levels. Then, revenue levels will be reduced by an additional 3-9%, based on the degree of property tax revenue increases during the past five years. Oakland Park increased property tax revenues nearly 3.0% below the state average during the past five years. As a result, the tax reform package will reduce the City's property tax revenues by a further 5% from the current \$17.0 million budgeted for FY 06/07. For Oakland Park, instead of property tax revenue growing next year by \$1.3 million as would have been anticipated without the tax reform package, it will decline by \$0.7 million. Together, this represents a \$2.0 million loss in property tax revenues for FY 07/08.

The reform package allows the City Commission to exceed the property tax revenue reductions and/or the cap on future revenue growth. A 2/3 vote of the City Commission would be required to restore to next year's property tax revenue any portion of the 5% reduction mandated by the tax reform package. A unanimous vote of the City Commission would be required to increase next year's millage rate above the established roll back rate and up to the FY 06/07 millage rate. A local referendum would be required to raise the millage rate above the current rate.

Part 2. "Save Our Homes" Constitutional Amendment. Florida residents will be asked to vote on a constitutional amendment that would provide homesteaded property owners with an option to replace the "Save Our Homes" annual limit on increases to assessed valuation. Homesteaded properties would be eligible for a super-homestead exemption, based on an exemption of 75% of the first \$200,000 in value of a home and an additional 15% exemption for the next \$300,000 in value. Businesses would receive a \$25,000 tangible personal property tax exemption. It is not clear whether any exemption would be provided for other types of non-homesteaded property. Voters will decide the proposal's fate on January 29, 2008, scheduled to coincide with statewide voting in the Presidential primaries.

FY 07/08 Preliminary Annual City Budget

As stated earlier, the Preliminary Annual Budget for next fiscal year for all funds is \$78.6 million, excluding interfund transfers. The following table shows expenses by fund.

Preliminary Budget-Expense Summary for all Funds
(\$ Millions – Excludes All Interfund Transfers)

Fund	FY 05/06 Actual	FY 06/07 Budget	FY 07/08 Preliminary
General	\$34.1	\$39.7	\$38.0
Fire-Rescue	8.7	9.1	9.7
Other Special Revenue	0.3	2.6	2.5
Capital Improvement Projects	5.1	36.3	21.5
Vehicle Replacement	1.4	0.5	0.5
Water and Sewer	14.6	13.1	11.5
Solid Waste	13.6	9.0	8.7
Stormwater	2.7	3.4	3.2
Debt	1.2	1.2	1.2
Total	\$81.7	\$114.9	\$96.8

The following table depicts projected revenues and expenses for the General and Fire-Rescue Funds for the next two fiscal years. This table reflects proposed actions to reduce operating expenses to account for revenue reductions and normal inflationary cost increases.

Preliminary Budget—Revenues and Expenses for General and Fire-Revenue Funds
(\$ Millions – Excludes Interfund Transfers)

	FY 06/07 Budget	FY 07/08 Preliminary Budget	FY 08/09 Budget Estimate
Revenue			
Ad Valorem	\$17.0	\$16.3	\$14.8
General Fund: Other	14.3	15.3	15.6
Fire Assessment Fee	3.9	4.1	4.1
Fire Other	0.8	0.9	0.9
Other	1.1	1.1	1.2
Enterprise Admin Fees	4.6	4.3	4.0
Fund Balance	0.7	1.5	–
Total	\$42.4	\$43.5	\$40.6
Expenditures			
Operating Expense	41.5	40.8	38.5
Debt	1.2	1.2	1.2
Capital	(0.3)	1.5	0.9
Total	\$42.4	\$43.5	\$40.6
Operating Expense Increase/(Reduction) from FY 06/07 Bgt.	–	(\$0.7)	(\$2.6)

It is important to note that base normal inflationary pressures for wages, energy, insurance, construction, and other operating expenses would normally increase next year's budget by about \$3.2 million. Operating expense increase will be limited to \$1.1 million, resulting in a \$2.1 million reduction as compared to the projected budget for next fiscal year.

To meet the reduction for FY 07/08, department expenses were reduced, following the City Commission's policy direction to preserve "Brick and Mortar/Core Services." To anticipate further property tax reductions and normal inflationary cost increases in FY 08/09, three steps will be taken next fiscal year:

- a "soft freeze" of position vacancies will continue,
- enhancements to non-property tax revenues will be examined, and
- cost containment strategies will be analyzed.

These approaches are described later in this budget memo. Together, these approaches will reduce the dependency on property tax revenues to deliver General and Fire-Rescue Fund services.

Alignment with Strategic and Business Plans

As part of the Performance Excellence Initiative, the City developed this fiscal year its first long-term Strategic Plan and Annual Business Plan. Through the Strategic Plan, the City Commission set seven strategic performance areas and one or more specific key intended results for each strategic area. The Business Plan provided alternative budget scenarios to respond to property tax reductions and increased "built-in" budget costs. The Preliminary Budget provides the funding required to work towards achieving the City Commission's strategic performance areas, and incorporates the policy direction provided by the City Commission in reviewing the draft Business Plan. Attachment 1 to this memo shows the alignment between the City Commission's strategic performance areas and the City services and new initiatives that are funded through the Preliminary Annual Budget.

Brick and Mortar/Core Services Scenario

Three budget scenarios were presented to the City Commission at the May 30, 2007 Business Plan workshop in light of the anticipated reductions to property tax revenues that will result from the tax reform package. The City Commission provided policy direction to use the Brick and Mortar/Core Services scenario for preparing next year's Annual City Budget. Through this approach, reduction in expenditures for core police and fire-rescue services such as police patrol, criminal investigations, responding to police and fire-rescue emergency calls for service, fire prevention, and emergency management will be limited. This approach will preserve basic public safety services that residents, community and neighborhood groups, and business interests have come to expect. Expense reductions for existing City services that are designed to build community and provide information and community outreach will be more extensive, in order to reduce the General and Fire-Rescue Funds in the preliminary budget by the required \$2.1 million. Ongoing efforts to improve effectiveness and efficiency in all City services, including core police and fire-rescue services, will continue.

Department Expense Reductions

The \$2.1 million required reduction in next year's General and Fire-Rescue Funds and the Brick and Mortar/Core Services budget scenario will result in reductions to nearly all departments' operating budgets for next fiscal year. The percentage reduction will vary for each department, based on the City Commission's policy direction regarding the Brick and Mortar/Core Services scenario. Although these cuts in department expenses will result in reductions to service delivery, the good news is that no mandatory employee layoffs will be required to meet the required budget reduction for FY 07/08 Annual City Budget. Three programs were started this fiscal year to prepare for the tax reduction package.

Position Vacancies. Job vacancies occur through the year. Beginning early in 2007, a "soft freeze" of position vacancies was started given the likelihood that a property tax reform package would be adopted. A total of 40 positions have been cut in next year's budget. This program contributed to the fact that no employee layoffs are required to balance next year's budget. The following table shows the proposed staffing level for FY 07/08, in comparison with previous years.

FY 08/09 Preliminary Budget—Staff Levels

Department	FY 07 Budget	FY 07 Budget	FY 2007 TOTAL	Current Vacancy	Current Vacancy	Current Vacancy	FY 2008 Proposed	FY 2008 Proposed	FY2008
	FT	PT		FT	PT	TOTAL	FT	PT	TOTAL
City Commission	0	5		0	0		0	5	5
Fire Rescue	81	0	81	12	0	12	74	0	74
Parks and Leisure Services	62	36	98	10	4	14	46	28	74
Human Resources	5	0	5	0	0	0	5	0	5
Office of City Manager	9	0	9	0	0	0	6	0	6
Engineering and Community Development	35	1	36	2	0	2	32	1	33
Financial Services Department	21	2	23	2	2	4	20	0	20
Information Technology Services	6	1	7	1	0	1	6	0	6
Public Works	75	0	75	5	0	5	75	0	75
City Clerk	4	0	4	1	0	1	4	0	4
CRA	0	0	0	0	0	0	2	0	2
	298	45	343	33	6	39	270	34	304
Total Reduction									

Police (BSO)	96	0	96	1	0	1	95	0	95
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The preliminary budget reduces the staffing level by 40 positions as compared to the current fiscal year.

Adaptive Response. The fire-rescue adaptive response program began on May 29, 2007. This approach occasionally reduces the number of fire-rescue personnel assigned each day to Fire Station 20. Normally, a total of 16-17 personnel are assigned to each of the City's three fire stations each day. The adaptive response program is currently being tested at Station 20. When Station 20 is running in an adaptive response configuration (staffing levels at 14 or 15 personnel vs. 16 personnel), the company officer will determine to

respond to a service call with either the rescue unit or the fire engine. Back-up fire equipment from other City fire stations will be automatically dispatched in accordance with pre-designated dispatch protocols. Through this program, daily staffing levels will fluctuate between 16-14 total firefighters on duty daily. Utilizing adaptive response, seven vacant positions in the Fire-Rescue Department will not be filled next fiscal year. Funding will be provided in the Preliminary Annual Budget for 74 positions for FY 07/08 vs. 81 for the current fiscal year.

The National Fire Protection Standard 1710 provides suggested response criteria and performance objectives for the fire service and emergency medical service. Response criteria and performance objectives vary, depending on the number of firefighters that arrive on scene or the level of medical certification of an Emergency Medical Service (EMS) team. The suggested standard states:

“Fire suppression resources shall be deployed to provide for the arrival of an engine company within a four-minute response time and/or the initial full alarm assignment within an eight-minute response time to 90% of incidents.

“EMS for providing Advanced Life Support (ALS) shall be deployed to provide for the arrival of an ALS company with an eight-minute response time to 90% of incidents.”

It is important to note that Oakland Park Fire-Rescue fire engines and rescue units are licensed Advanced Life Support emergency medical services. If the Florida tax reform legislative initiative passes on January 29, 2008, we will need to continue to exercise this service delivery option to respond to additional revenue reductions and cost increases in FY 08/09.

The Fire-Rescue Department established a minimum performance measure to meet the response criteria for 90% of fire and EMS alarms within eight minutes. Traditionally, department staff has met these established performance measures. Department staff will carefully monitor the effects that the adaptive response program has on these performance measures, and regularly report information on results to date.

Efficiency/Effectiveness Analyses. Through the Performance Excellence Initiative, effectiveness and efficiency analyses resulted in two departmental reorganizations. The Community Development and Engineering and Construction Management departments were merged into one department. Parks and Recreation and the Library were merged into a second department. These actions eliminated the need for two department director positions, and two additional positions. These actions will result in about \$300,000 in wage and benefit saving beginning next fiscal year.

The following tables show the expense reductions by department, and describe the effects of these reductions on service levels. Transfers between funds are excluded.

Preliminary Budget-Expense Reductions by Department
(Excluding Interfund Transfers)

Department	FY 05/06 Actual	FY 06/07 Budget	FY 07/08 Preliminary
City Commission	\$ 170,148	\$ 179,474	\$ 245,734
City Manager	1,190,693	1,220,022	987,192
CRA	327,630	480,171	371,502
City Clerk	372,602	615,921	552,962
Human Resources	656,117	788,321	764,765
Health Programs	12,476	18,400	16,109
Legal	359,379	321,000	272,850
Financial Services	1,563,897	1,781,587	1,762,086
Risk Management	1,171,007	1,491,110	1,633,166
Police	10,062,891	10,704,636	11,054,150
Parks & Leisure Services	5,112,764	5,911,808	5,376,479
Engineering & Community Development	2,627,979	4,033,990	3,310,823
Information Technology Services	1,294,017	1,316,172	1,105,497
PW-Administration	288,488	260,752	263,031
PW-Streets	660,001	1,529,848	1,359,445
PW-Building Maintenance	919,982	1,384,231	1,485,795
PW-Fleet Maintenance	1,156,456	1,265,294	1,181,839
Non-Department	147,423	109,203	108,879
Fire-Rescue	\$ 7,592,804	\$ 7,909,350	\$ 8,065,793

The Preliminary Budget includes a one-page overview for each City department and/or division. These one-page overviews provide additional information as compared to previous budgets, as the City migrates its current line-item budget format to a performance based budget format through the Performance Excellence Initiative. The overviews identify the core services provided by the department or division, and show the alignment between the core services and the City Commission's seven strategic performance areas (especially Financial Stability and Sustainability). In addition, one or more performance measures are listed for each department or division. These performance measures represent targets or goals that staff will work to achieve during FY 07/08. These measures may change as staff becomes more familiar with performance measurement and new data or information becomes available.

Preliminary Budget-Effects of Reductions by Department

Department	Service Level Reduction
City Commission	Limit conference costs to \$2,000/yr/Commissioner; limit memberships to local and state organizations
City Manager	Slow implementation of Performance Excellence Initiative; reduce cost of producing and distributing <i>The Oakleaf</i> ; reduce costs of the annual Appreciation event; reduce costs of the Local Government Academy
CRA	Reduce outside legal and consultant expenses
City Clerk	Increase reliance on contracted services in order to move forward with electronic record retention scanning and storing; increase response time in responding to record requests; reduction in printing and binding; reduce time availability to streamline operations and provide proactive services
Human Resources	Reduce number recruitment advertising and testing; reduce funding for pension consultant costs; reduce employee training
Risk Management	Offset the funding increase for this department by transferring risk to the City in terms of increased deductibles and / or some lesser assets being uninsured
Legal	Reduce attendance at advisory board meetings; limit involvement in labor negotiations
Financial Services	Limit water turn-offs and dumpster pulls for delinquent accounts; commercial stormwater review program reduced; increase response time for title search/property lien requests—this actions can be mitigated by planned ordinance changes and proposed outsourcing
Police	Transition two school resource officers and one code enforcement deputy to three road patrol officers to respond to new residential growth and increased crime in adjacent cities; limit school resource officers to middle and high schools; cut code enforcement efforts, relying on City staff
Parks & Leisure Services	Reduce cuts and landscape maintenance in medians; drop Northeast High School pool lease, cutting swimming lesson program and community pool; reduce irrigation, electrical, and playground repairs and preventative maintenance by 40%; reduce 3 of 7 performing arts shows; reduce operating hours for community bus transportation program from 9 to 5 hours/day; scale back landscaping project at City Hall; cut Friday night activities for Youth Day; cut 50% of Saturday in the Park events; drop bleacher replacements; limit updates to library card catalog; stop accepting donated books and DVDs to library collection; longer wait times at circulation desk; reduce number of new books purchased for collection; cancel subscription for back-issues of Sun Sentinel
Engineering & Community Development	Reduced ability for forward planning and quality of completed projects; increase review time for projects in development review and permitting process

Information Technology Services	Delay implementation of additional on-line services and slow migration to a Microsoft environment (increase vulnerability to system breakdowns because Novell does not support current hardware and software applications)
PW-Administration	Minor reduced budget will not result in service reductions, based on selected budget scenario
PW-Streets	Reduce planned street resurfacing by 32% for streets in the Sleepy River, North Corals, and Central Oakland Park neighborhoods
PW-Building Maintenance	Same staffing with more square footage of maintenance with addition of new municipal building
PW-Fleet Maintenance	Minor reduced budget will not result in service reductions, based on selected budget scenario
Non-Department	Charitable grants funding to be reduced by \$9,000. Emergency management funding to be reduced by a like amount.
Fire-Rescue	Implement adaptive response program; reduce community outreach programs; reduce specialized training and conference attendance

Fire Assessment Fee

The Preliminary Budget continues the fire assessment fee program with a \$149/residential dwelling unit fee. Through this program, a flat fee is assessed to all residential and non-residential property owners. Residents pay a fee based on the number of dwellings that they own. Non-residential property owners pay a fee based on the square footage of their buildings. The fire assessment fee program is used to pay for certain fire-rescue services, such as fire suppression. Emergency medical services are funded through general taxes and medical transport fees.

The City has used the Fire Assessment Fee program since 2001 to help fund fire-rescue services. An independent consulting company regularly conducts a review of the fee structure and makes recommended changes. Through this review, the residential fee is proposed to remain at \$149/unit. Changes are proposed to other categories of properties due to changes in the mix of fire-rescue calls in the past year. The City Commission is required to annually review and establish fire assessment fees for residential and non-residential properties.

Property Category	Assessment Fee: Existing	Assessment Fee: Proposed⁽²⁾
Residential	\$149/dwelling unit	\$149/dwelling unit
Commercial	\$222-\$22,159 ⁽¹⁾	\$446-\$44,582 ⁽¹⁾
Industrial/warehouse	\$27-\$2,685 ⁽¹⁾	\$49-\$4,771 ⁽¹⁾
Institutional ⁽³⁾	\$392-\$39,139 ⁽¹⁾	\$323-\$32,262 ⁽¹⁾

The proposed rate structure will result in about a five percent increase in fire assessment fee revenue for next fiscal year. This revised fee structure will maintain the cost coverage ratio at about 65 percent.

1. Fees based on building square footage

2. Proposed fees based on unapproved draft information provided by the consultants reviewing the City's fire assessment. Preliminary consultant analysis indicates greater activity in the commercial and industrial sectors than has been experienced previously. These are preliminary conclusions only and will require final validation before any decisions can be made.
3. Institutional properties are exempt from the fire assessment fee if exempt from property taxes

Other City Funds

Two other types of funds are included in the FY 07/08 Preliminary City Budget—Special Revenue Funds and Enterprise Funds. Special Revenue Funds focus on very narrow activities, and their revenue, normally received from grants or fees, can only be used to fund those activities for which the revenue was received. Special Revenue Funds include Fire-Rescue (previously discussed), the Community Redevelopment Agency (CRA) Fund, the Transportation (Streets) Fund and twenty-four smaller funds. The first three funds receive some funding from the General Fund and are impacted by property tax reform. The remaining Special Revenue Funds are funded completely independently from the General Fund. The CRA is presented as a separate department in this fund, rather than included in the Office of the City Manager.

The Enterprise Funds provide infrastructure services (water-sewer, solid waste and stormwater) to the City. They are funded primarily on fees charged for these services and are intended to be fiscally independent. These funds provide the operating budgets for these services. The Water-Sewer and Stormwater Funds are also intended to provide a surplus in excess of operating expenses to fund, along with grants, the CIP projects associated with each of these funds. The Enterprise Funds receive no funding from the General Fund and are unaffected by property tax reform.

The following table shows the Preliminary City Budget for the Other City Funds.

Other City Funds – Preliminary Expense Budget
(\$ Millions – Excludes Interfund Transfers)

Fund	FY 05/06 Actual	FY 06/07 Budget	FY 07/08 Preliminary Budget
Special Revenue			
Fire-Rescue	\$7.6	\$7.9	\$7.8
CRA	NA	0.5	0.4
Transportation	NA	1.5	1.4
Other	0.5	0.5	0.5
Total	\$8.1	\$10.4	\$10.1
Enterprise			
Water - Sewer	\$12.1	\$10.7	\$10.7
Solid Waste	12.0	7.5	7.1
Stormwater	2.1	2.6	2.2
Total	\$26.2	\$20.8	\$20.0

Five-Year Capital Improvement Plan

Since FY 02/03, the City has included a Five-Year Capital Improvement Plan (CIP) as part of the recommended and approved City Budget. A goal of this plan has been to identify, to the extent possible, all capital improvement projects for the next five years. While many of the projects in the outlying years have not as yet been funded, costs for each project have been estimated. The total projected cost for the next five years is \$98 million, with Water-Sewer projects accounting for the largest portion (\$31 million), and Stormwater projects following with estimated costs of \$27 million. For FY 07/08, a total of 29 projects are planned for a total cost of about \$21.9 million.

Neighborhood and Citywide (Streets) CIP Fund. The FY 07/08 preliminary budget for this fund is \$10.3 million. CIP projects include:

- Privacy Wall Construction \$ 615,000
- NE 12th Avenue Improvements \$5,832,000
- Dixie Highway Southbound
Downtown Entryway \$2,500,000
- Oakland Park Boulevard & I-95
Interchange Entranceway \$1,140,000
- Turn Lanes: Dixie Hwy/Oakland
Blvd, Planning \$ 5,000
- Sidewalks/curbing \$ 30,000
- Traffic Calming Devices \$ 150,000

Recreation and Cultural CIP Fund. The preliminary budget for this fund is \$2.0 million. CIP projects include:

- South Park Improvements \$ 120,100
- Spiher Recreation Office \$ 30,000
- Downtown Park Phase I \$1,121,212
- Garden Acres Park \$ 352,910
- Woodson Park \$ 400,000

City Facilities CIP Fund. Minor renovation expenses and equipment purchase costs have been removed from this fund to the Public Works—Building Maintenance operating budget. The preliminary budget for this fund is \$315,000. CIP projects include:

- Stevens Electrical Building
Renovations \$ 15,000
- City Hall EOC Generator \$ 50,000
- Contingency \$250,000

Water-Sewer CIP Fund. The preliminary budget includes \$3.0 million for this fund. CIP projects include:

- Infiltration and Inflow (I&I) Rehabilitation \$ 500,000
- NE 12th Ave \$ 167,000
- Pump Station Rehabilitation \$1,250,000
- Miscellaneous Water System Improvements \$ 300,000
- NW 32nd Ct, NW 3rd Ave, and Sleepy River Water Line \$ 100,000
- Rock Island Sewer \$ 133,000
- Rock Island Sewer Project Reserve \$ 250,000
- Garden Acres Sewer Project \$ 250,000
- Reserve

Stormwater CIP Fund. The preliminary budget includes \$5.8 million for this fund. CIP projects include:

- NE 12th Ave Downtown \$ 621,000
- NE 32nd St/NE 11th Ave to NE 10th Ave \$ 150,000
- Floranada Business District Phase II \$ 361,681
- NW 21st Ave (including Rock Island Drainage) \$3,415,150
- Lloyd Estates East of Sleepy River \$1,118,000
- Harlem McBride Drainage \$ 150,000

Vehicle Replacement CIP Fund. The preliminary budget includes \$548,000 for vehicle replacement next year. Funding comes from interfund transfers from the General and the Solid Waste Funds.

Financing Capital Improvement Projects

Currently, the City uses a combination of “pay-as-you-go” or cash, and long-term financing to pay for capital improvement projects. Funding comes from grants, impact fees, the City’s Fund Balance, and the City’s operating funds for projects paid for on a cash basis. Funds from the Florida League of Cities and the Florida State Revolving Fund programs are used for long-term financing. The SunTrust Leasing program has been used to fund a portion of vehicle replacements.

The City’s operating financial strategy is to ensure coverage of operating costs with ongoing operating revenues. To fund the City’s capital improvement projects, the City’s strategy is to internally fund a portion of the costs of selected CIP projects while also seeking outside funding, such as grants and loans. The City is currently reviewing with the City’s financial advisor the

optimal balance between internal funding and financing of the capital projects.

As required under the City's combined adopted fiscal policies, the City must maintain a minimum of 15% reserves within the General and Fire-Rescue Funds. This reserve will assist the City in meeting emergencies, or negative economic impacts, while ensuring the City maintains a sound financial condition. For FY 06/07, we project to maintain a 20% reserved fund balance.

City staff will request approval from the City Commission in this fiscal year to close the real estate transaction for the new municipal building. It will be recommended to close the real estate transactions by using \$5.975 million from the City's unreserved fund balance. City staff will also recommended to reimbursing the fund balance by financing \$4.0 million in short or long-term borrowing of the overall \$5.975 million cost of the municipal building. The \$1.975 million balance will be paid through the City's unreserved fund balance.

The City will continue to use the Florida League of Cities or the Florida State Revolving Fund for its long- or short-term financing needs. The City Commission will approve all requests to secure long- or short-term borrowing before applications are submitted. The use of long- or short-term borrowing will allow the City to conserve its fund balance. This will provide the City Commission with options that could be used in FY 08/09 or future years to respond to further property tax reductions that may be approved by voters statewide or mandated by the State Legislature in the future.

The current fiscal policies for the enterprise funds require a 10% reserve for the three operating funds – Water & Sewer, Solid Waste, and Stormwater. We are currently working with the City's financial advisor to ensure adequate reserves are maintained in each of these funds and to determine the optimal financing structure to pay for the numerous planned capital improvement projects within the Water & Sewer Fund and the Stormwater Fund. It is anticipated that this financing structure will involve a combination of internal financing, outside grant funding, and long- or short-term financing.

The following table shows the financing plan for the 29 projects and the vehicle replacement program being funded for FY 08/09 in the Five Year Capital Improvement Plan.

FY 07/08 Preliminary Budget – Capital Improvement Plan
Funding Sources for FY 07/08 Projects (\$ Millions)

Total FY 07/08 CIP Costs	Grants	FLC	Gen. Fund Transfer	Enterprise Fund Transfer	CRA	CIP Fund Balance	Park Impact Fund	Fire Rescue Transfer	Financing
\$21.9	\$6.3	\$5.1	\$1.4	\$.787	\$2.3	\$3.8	\$.200	\$.028	\$1.9

Rate studies were approved by the City Commission and are currently underway. These rate studies are expected to be completed in August 2007. The rate studies are designed to insure that the current and future rate structures for the Water and Sewer Fund and the Solid Waste Fund are adequate to cover operating expenses and that both funds has sufficient capacity for future project financing. Within the Stormwater Fund, the commercial accounts are under review to ensure a correct consistent allocation formula has been established for each account.

KEY FUTURE ACTIONS

Preparing for Possible Additional Revenue Reductions

As described earlier, the tax reform package provides for a statewide referendum that could result in additional property tax reductions, beginning in FY 08/09. It will be important to begin preparing now for future revenue reductions and for future “built-in” cost increases. These actions fall into two categories: possible additional fee increases and potential efforts to contain costs for wages and benefits.

Fee and/or One-Time Revenue Increases

- Parks and Leisure Services Fees. Many current sports, athletic, and children’s programs provided by the City are subsidized with General Fund revenues. Although fees are charged by the Parks and Leisure Services Department for these programs, the fees collected do not cover all costs required to provide the programs. City staff will analyze the existing fee structure for these programs and propose fee increases for consideration by the City Commission. If approved, the fee increases will be implemented during FY 07/08. This will allow the City to determine whether the programs’ participants will continue to pay for the programs with the higher fees. If so, this may allow the programs to continue to be offered in FY 08/09, when further revenue reductions may require additional cuts in City services.
- False Alarm Fee Ordinance. The City’s current False Alarm Ordinance is not enforceable since it was developed around computer systems that are no longer in use by the City. BSO is experiencing a significant problem with responding to false alarms. In 2006, BSO responded to more than 5,500 service calls that turned out to be false alarms. City staff will analyze the existing ordinance and propose an ordinance that will be designed to reduce the number of false alarms.
- Sale/Lease of Surplus City Buildings or Land. A comprehensive City Facilities Master Plan will be completed next fiscal year. This plan will inventory all current land owned by the City, City buildings, and infrastructure. This inventory, combined with the purchase of the new municipal building on Dixie Highway and department efficiency/effectiveness analyzes, will result in a determination of City assets that can be determined to be surplus and sold. This one time revenue could be used to fund CIP expenses and/or provide a short-term solution to offset the need for deep cuts to operating expenses.
- Motor Vehicle Accident Response Fee. Cities respond to motor vehicle accidents without regard to whether the individuals involved are residents or non-residents. Residents pay for this “service” through local taxes and fees. Non-residents receive the same service, but provide no fees to offset these costs. City staff will analyze this approach to determine whether it could be used within Oakland Park.

Cost Containment

- Department Efficiency and Effectiveness Studies. Through the Performance Excellence Institute, City staff will continue to identify and examine opportunities to improve service

delivery efficiency and effectiveness. These studies may result in realignment of existing department structures or service assignments. Employees may need to be retraining and/or reassigned in order to realign services with further reductions in available revenues. Every effort will be made to avoid employee layoffs in the future. However, an absolute guarantee can not be provided, given the uncertainty of further revenue reductions and cost increases.

- Early Retirement Incentive Program. The City has a limited number of employees who are nearing retirement from the City's pension program. In the event that further reductions to property tax revenues and/or "built-in" cost increases may require position reductions beyond future vacancies, it will be preferable to encourage retirements through an incentive program. It is critical to note that this effort will avoid the mistakes of a previous early retirement program. City staff will complete a comprehensive analysis to insure that the wage and benefit reductions generated through this program will offset the costs of the retirement incentives. The City Commission would have to approve the program and any required ordinance changes before the program would be implemented.
- Modifying City Wage Compensation Program. The City's current compensation philosophy is to peg wages for City employees at the 65th percentile of our employment market. City staff will analyze the effects of lowering this percentile, in order to respond to required future revenue reductions and "built-in" budget cost increases. If reduced, this will affect future wage increases generated by annual job performance evaluations and changes to salary ranges for City employees not represented by labor agreements.
- Reduced Hours of Operation. City staff will examine the potential cost savings that could result if the hours of operation for certain park facilities and/or the library were reduced. This analysis will also look at the effects on the overall community or specific customer groups. The results from this cost/benefit analysis will be provided next fiscal year.
- Existing Labor Agreements. The City has labor agreements in place with two labor groups—the Metro Broward Professional Fire Fighters Local 3080 and the Federation of Public Employees (FOPE). These agreements provide for wage increases for FY 07/08. Negotiations will begin next year on a wage reopener for the fire contract, and on a new FOPE contract. These negotiations will provide the opportunities to address wage costs for FY 08/09 and in the future.

Budget Calendar

The public will have several opportunities to provide input and comments as work continues to prepare next year's Annual City Budget. Two Community Roundtable Meetings have been scheduled—Monday, July 16, 2007 and Monday, August 27, 2007. A Mayor's Alliance of Homeowner's Association Presidents meeting was held on Tuesday, June 26, 2007.

In addition, a series of workshops, regular, and special City Commission meetings have been scheduled as part of the process of adopting next year's Annual City Budget.

- Wed., June 27, 2007: City Commission Preliminary Budget Workshop

- Wed., July 18, 2007: City Commission Final Budget Workshop (as part of a regular City Commission meeting)
- Wed., July 25, 2007: City Commission Special Meeting: Presentation and public hearing to the proposed millage rate and fire assessment rates
- Wed., September 5, 2007: City Commission Regular Meeting: Presentation and public hearing to adopt the tentative millage rate and FY 08/09 Annual City Budget
- Wed., September 12, 2007: City Commission Special Meeting: Public hearing and adoption of the fire assessment fee, solid waste fee, and Kings Park fire hydrant assessment fee
- Wed., September 19, 2007: City Commission Regular Meeting: Public hearing and adoption of the final millage rate and final FY 07/08 Annual City Budget.

ATTACHMENT 1: Preliminary Budget—Strategic Performance Areas and City Services/New Initiatives

Strategic Performance Area	Current City Service	New Initiative
Financial Stability and Sustainability	Financial Control/Reporting	
	Revenue Collection	
	Budgeting Process and Performance Evaluation	
	Risk Management	
Infrastructure Needs	CIP Development and Implementation	
	Transportation System and Rights of Way Maintenance	
	Organizational Infrastructure	
	City Commission Agenda and Support Materials	
	HR Planning	
	HR Policy Management	
	Customer First Initiative	
	Potable Water Distribution System Management	
	Sewer Collection System Management	
	Bulk Waste Collection	
Protecting Neighborhood Safety and Integrity	Police Services	BCPC Proposed Local Road Closing
	Crime Prevention	Short Term Transient Rents Code Amendment
	Community Outreach	Thru Truck Traffic Code Amendment
	Emergency Medical	
	Fire Suppression	
	Fire Prevention	
	Emergency Management	
	Community Volunteer Program	
Smart Growth and Redevelopment	Community Redevelopment Area Plan Implementation	Support for the Historical Society
	Redevelopment Capital Program Agreement Admin.	
	Plan Review, Permitting and Inspection	
	Development Review	
	Long Range Planning	

Expanding Parks, Leisure Facilities, and Activities	Parks and Facility Grounds Maintenance	
	Landscaping and Median Maintenance	
	Sports and Athletic Programs	
	Special Events and Community Programs	
	Child Care Programs	
	Library Materials Circulation	
	Youth Services Programming	
	Information Services	
	Technical Services	
Focus on Oakland Park's Image	City Commission Support and Intergovernmental Relations	
	Public Information and Branding	
	Police Services	
	Crime Prevention	
	Community Outreach	
Customer-Focused Services	City Commission Support and Intergovernmental Relations	Quality of Life Advisory Board
	Organizational Leadership and Management	
	Community Outreach	
	Public Information and Branding	
	Police Services	
	Crime Prevention	
	Community Outreach	
	Public Works Administration	
	Public Works Support Services	
	Sports and Athletic Programs	
	Special Events and Community	
	Child Care Programs	
	Library Materials Circulation	
	Youth Services Programming	
	Information Services	
	Technical Services	
	Facilities Management	
	Plan Review, Permitting and Inspection	
	Code Enforcement	
	Long Range Planning	
	Fleet Maintenance	
	ITS Organizational	

	Infrastructure	
	IT Tool Management	
	Records Retention and Retrieval	
	Municipal Elections Management	
	HR Planning	
	HR Policy Management	
	Customer First Initiative	
	Solid Waste Collection	
	Solid Waste Contract Management	
	Curbside Recycling	
	Bulk Waste Collection	



City of

OAKLAND PARK

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