

October 1, 2011

Honorable Mayor and City Commissioners  
City of Sunrise  
10770 West Oakland Park Boulevard  
Sunrise, Florida 33351

Dear Mayor and Members of the City Commission:

Attached please find the adopted Annual Budget for the City of Sunrise, Florida, for the fiscal year beginning October 1, 2011 and ending September 30, 2012, as well as the Capital Improvements Program. The budget is being presented in accordance with Section 4.04 (g) of the City Charter.

This document is the product of considerable staff effort, guided by clear direction from the City Commission to not raise taxes or fees while maintaining current levels of service. The City has improved a number of processes and programs during this past year, while simultaneously addressing the impacts from the fourth year of economic stress. It is this tension – improving services while utilizing fewer resources – that frames our efforts heading into next year. Accordingly, this document represents a continuation of the systematic and substantive changes we have made, in the manner which city government provides services to our residents and businesses. Due to the combined impacts of state mandated tax reforms and ongoing financial stress, we continue to focus on making our government work more efficiently and effectively. Our efforts have been successful. Examining trends over the past four years demonstrates the significant progress we have made - yet we do not rest on these laurels.

This budget includes a significant, yet restrained use of fund balance in the General Fund to preserve services. **To balance the City's General Fund Budget, a little over \$5.4 million in reserves is being used for operations.** About \$2.5 million in operational savings, achieved from sound management practices in FY 2010 is also being used, as well as \$1.5 million to fund non-recurring capital. The breakdown is summarized in Table 1.

Category	Amount
Operational Savings - FY 2010	\$ 2,471,544
One-time capital appropriations in departmental budgets	\$ 739,149
Transfer to Capital Improvements Fund (325) to fund capital projects	\$ 750,000
Use of reserves for operations	\$ 5,451,654
	<b>\$ 9,412,347</b>

Table 1: FY 2012 Fund balance utilization & categories

### FY2012 General Fund Budget Highlights

Since FY 2007, property tax revenues have been reduced significantly in the City – down 4.43% from last year and a cumulative reduction of 20.29%. Based on state initiatives, economic conditions and City Commission actions, a significant number of property owners in the community have seen the City portion of their property tax bill decline, and substantial numbers of property owners now pay little or no ad valorem taxes to the City. **For the average homesteaded property owner in the City, this has provided substantial tax relief.** Table 2 shows the cumulative savings to a single-family homeowner during this time.

Single-Family Homeowner	FY 2007 Taxes	Proposed FY 2012 Taxes	Total Savings
Non-Senior Citizen	\$ 715	\$ 645	9.8%
Senior Citizen	\$ 563	\$ 342	39.3%

Table 2: Average homesteaded single-family property tax burden

***This budget utilizes a property tax rate of 6.0543 mills—the same rate for the third consecutive fiscal year. In addition, this budget proposes no new taxes or fee increases. One of our major revenue sources, the residential fire assessment fee, remains the same for the fourth consecutive fiscal year.***

In addition to declining property tax revenues of \$1.3 million, a number of other revenue factors have also impacted the City. Budgeted interest revenues in the General Fund alone have decreased by \$2.6 million from FY 2007. As construction activity has declined, so have Community Development permit fees, projected to be approximately the same as last year, but down significantly from the levels seen just a few years ago. The same holds true for revenues received from the state—they have finally stabilized, though far below the levels seen before the recession. Over the last five years, our revenues have not kept pace with the annual rate of our expenditure growth.

While revenues are declining, numerous operating costs are increasing at a rate not typically seen over the past several years. Typical of all local governments, the City has seen cost increases to our pension plans, requiring additional funding in the General Fund of almost \$2 million. We anticipate health care costs to rise 10% consistent with reported trends in the industry. However, with a tentative agreement reached with our fire union, we anticipate full implementation of the revised cost-sharing for health insurance beginning in January, with the concurrent savings of approximately \$400,000 in future years. The increase in operating expenses are primarily driven by vehicle replacement funding, increased costs of gasoline and diesel fuel, and an increase in anticipated non-departmental leave payout based on the number of employees anticipated to retire during the upcoming year.

To address these costs, we have adopted a more traditional posture in the development of the operating budgets. No cost-of-living adjustment (COLA) is contemplated in this budget for general employees or management. In addition, the tentative agreement with the fire union stipulates no COLA for FY 2012. Moreover, a significant portion of the operational savings achieved each year is

because of normal attrition that occurs within each of the departments. For next year's budget, a 2% attrition factor is included for most of our larger operating departments. We have also adjusted slightly our net position summary for next year, adding two part-time positions and two full-time positions. Moving forward we will continue to evaluate and work on additional cost savings in our daily operations, that when implemented, will further benefit our control of the overall budget.

### **FY2012 Other Funds Highlights**

Two years ago the Commission decided to contract day-to-day operations of the golf course to an outside contractor. Coupled with our capital project to renovate Springtree, the newly redesigned course opened last October. The rebranded course – *Seven Bridges at Springtree Golf Club* – is in marvelous shape, and has received positive feedback from golfers and visitors since opening. The FY12 budget reflects these positive changes, most notably the stabilization of the General Fund subsidy, which is projected to be the lowest in seven years.

The Utilities Department had a number of recommended position changes contemplated for next year. The net impact is to add one position, but overall changes are generally intended to flatten the organization and provide more resources in the field to accomplish the department's core mission. This flattening includes reducing the number of senior level and specialized plant operation positions, and replacing them with utility operator positions. The budget also creates a more maintenance-centric focus and provides resources necessary to manage the significant capital improvement program (CIP). And while the initial study done in FY 2010, as part of the Utilities bond program contemplated an additional rate adjustment for the upcoming fiscal year, our recent work with the utility rate consultant indicates only the automatic CPI adjustment is necessary. Accordingly, we will not be recommending an additional utilities rate adjustment, as originally anticipated.

### **Designated Reserves**

According to Resolutions 86-155-10-A and 10-125, the City's budget submission each year must include a recommendation for a General Fund contribution to the contingency reserve and revenue stabilization account. Currently, our revenue stabilization account is \$4,309,176. This was based on our audited General Fund actual operating expenditures, in Fiscal Year 2009. More recent information is available in our Fiscal Year 2010 Comprehensive Annual Financial Report (CAFR). General Fund operating expenditures were \$91,381,783, which would target our revenue stabilization account at \$4,569,089. As conditions have remained relatively stable, and being guided by prudent financial practices, our recommendation is to maintain funding for this account at 5% of the most recent audited general fund actual operating expenditures, thereby increasing the account by \$259,913.

Likewise, our contingency reserve account should be at least 15% of our audited General Fund actual operating expenditures. Based on the most recent financial information, our contingency reserve would change from \$12,927,528 to \$13,707,267, an increase of \$779,739. We recommend maintaining our reserve at 15%.

### **In Conclusion**

The City continues to make significant strides in providing savings to taxpayers, increasing interaction with our community, and providing quality services and recreational opportunities. We have continued to achieve this with strong leadership from the City Commission, and a tireless work ethic from our staff. Ongoing efforts related to improving performance, such as application of technological improvements and new organizational processes, are yielding results. These efforts have allowed for efficiencies to be achieved, while simultaneously improving effectiveness in our operations. We look forward to continuing these initiatives throughout the next year.

We remain committed to being an open and responsive government for our residents and businesses. The recent and ongoing guidance from the City Commission related to our strategic vision remains an important component of these continued efforts. It is because of this hard work that we continue to be recognized within and beyond our community, as a city government of excellence.

Respectfully submitted,



Bruce J. Moeller, Ph.D.  
City Manager