

**CITY OF BOCA RATON
LONG-RANGE
FINANCIAL PLAN**



Updated: April 27, 2015

**PREPARED BY
FINANCIAL SERVICES DEPARTMENT**

CITY OF BOCA RATON, FLORIDA
LONG-RANGE FINANCIAL PLAN

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CITY OF BOCA RATON, FLORIDA LONG-RANGE FINANCIAL PLAN

CITY OF BOCA RATON MISSION STATEMENT

The mission of the City of Boca Raton is to provide the highest quality of service to the community through responsible use of public resources to enhance our unique quality of life.

CITY OF BOCA RATON VISION STATEMENT

The vision of the City of Boca Raton is to be known as the premier community in which to live, work and play. The City of Boca Raton will be recognized as a world-class local government by its commitment to performance and leadership.

PREFACE

The City of Boca Raton is a full service city providing a full range of high quality municipal services to the City's residents, businesses and visitors. The City's public safety services include police, fire protection and rescue services. Recreation Services includes beaches, swimming pools, golf courses, libraries, tennis courts, neighborhood parks, athletic facilities, and community centers to provide a well-rounded, active recreation program. The Municipal Services Department provides traffic, streets, and stormwater system maintenance as well as sanitation and other services. The Utility Services Department provides water, sewer, and reclaimed services. The City's Development Services Department provides planning, zoning, code enforcement and building permit services, as well as administering the City's Community Development Block Grants. General administration services in the City include financial services, city clerk, and risk management, parking enforcement, human resources and information technology.

The City utilizes the Council-Manager form of government. The City Council, which consists of the Mayor and four Council Members who are all elected at large on a non-partisan basis for three-year terms. The City Council appoints the City Manager who is the Chief Administrative Officer of the City and directs the business of the City and its various departments. The City Council determines policy, adopts legislation, approves the City's budget, sets taxes and fees, and appoints the City Attorney and members of various boards and committees.

The City of Boca Raton has been able to provide a high quality of life while providing one of the lowest property tax rates and water and sewer rates of any full service city in Florida. Boca Raton continues to revitalize its downtown and to support economic development and its industrial and commercial bases. The City is home to three institutions of higher learning: Florida Atlantic University (FAU), Lynn University, and Palm Beach State College. Boca Raton is the second largest city in the West Palm Beach - Boca Raton Standard Metropolitan Statistical Area (SMSA). The City of Boca Raton's population is estimated to be 86,647. According to the 2010 U.S. Census, the City's population is about 88% white; 5% African-American; 5% other; and persons of two or more races 2%.

POLICY AGENDA

Each year, the City Council holds a multiple-day Goal Setting Session, in which the priorities of the previous year are reviewed and the priorities of the next year are set. The current Policy Agenda shows the City Council's Top and High Priorities.

Policy Agenda 2014-15

TOP PRIORITY

Public Safety Costs/Pension Sustainability Action
Development Process Improvement Plan
Wildflower Development
City Economic Development: Structure, Position and Process
20th Street Development and Overlay District
Beach and Park District Strategy and Agreement

HIGH PRIORITY

City Service Level and Staffing
Florida Atlantic University Strategy
Annexation Policy and Actions
Downtown Parking: Immediate and Long Term
Hospital and Medical Community Strategy
Citizen Engagement Strategy and Action Plan

OVERVIEW AND SUMMARY

A long-term financial forecast provides the information necessary for City Council to determine and provide a basis for financial and policy decisions and resource allocation. The City reviews and updates its Long-Range Financial Plan on an annual basis. This Long-Range Financial Plan provides a current assessment of the financial condition of the City, as well as a projection of the future revenues and expenses. It also identifies trends and critical issues.

This Long-Range Financial Plan provides City Council and staff with the opportunity to evaluate current policies and practices in order to implement proactive strategies before critical fiscal strains impact the budget. The best informed, fiscally sensitive decisions will be those deliberated with their longer-term implications in mind. This forecast can be used to create a strategic context for evaluating the annual budget, and to establish a baseline projection of revenues, expenditures, and fund balances. In addition, the Long-Range Financial Plan provides the opportunity for City residents to review the financial condition of the City.

This Long-Range Financial Plan primarily focuses on the City's General Fund. The General Fund is supported by property taxes, public service (utility) taxes, utility franchise fees, and various user fees. The General Fund is the source of funding for the majority of City operations including public safety (police, fire and rescue), recreation, municipal/public works, development, and administration services.

In addition to the General Fund, the following operating funds are also included in the Long-Range Financial Plan:

- Right-of-Way Beautification Fund
- Transportation Fund
- Water and Sewer Funds
- Cemetery/Mausoleum Operating Fund and Perpetual Care Funds
- Golf Course Fund
- Sanitation Fund
- Stormwater Fund

After several years of economic decline, the state and local economies are continuing to show improvement. During the economic downturn, Boca Raton was able to maintain its strong financial position through prudent long-term Financial Planning and fiscal actions to reduce or contain fixed costs; the City has been very proactive in preparing for and adjusting to changes in the economy, and that is reflected in the City's bond ratings. In fact, the City's General Obligation Bonds were rated AAA by all three credit rating agencies. Boca Raton was the first municipality in Florida to have been granted this credit rating by all three rating agencies. The Water and Sewer Utility Fund bonds are also rated AAA by Fitch Rating Services, Standard and Poor's and Moody's Investor Service.

The City's General Fund revenues are recovering from the economic downturn. It is estimated that the assessed property value in the City will increase slightly in the next year and continue to increase for the next four years. Utility Taxes and Franchise Fees are projected to have slight increases as well. The value of the building permit applications have shown an increase from \$9.5 million in 2013 to \$10.8 in 2014.

This Long-Range Financial Plan includes a comparison of assessed value and selected rates and fees of the City to several comparable municipalities in South Florida. The comparisons demonstrate that Boca Raton has a higher assessed value, and lower property taxes, rates, and fees than these other municipalities.

This Long-Range Financial Plan also includes information regarding the City's bond ratings. Due to the benefits to the community associated with preserving the current excellent rating, this information should be considered when future financial decisions are made as they may impact the future costs of providing the necessary public infrastructure through tax-exempt bond financing.

The Long-Range Financial Plan utilizes a "baseline" projection model. Under that model, future revenues and expenditures are estimated based on the City's current sources of revenue and level of service. The Financial Forecast shows that despite the reductions made to the City's General Fund expenses and the slight upward trend of the City's General Fund revenues, the current revenue base will not support the expenses of the City's existing municipal services. That is, the financial forecast shows that without action to reduce expenses or increase revenues, the General Fund expenses will grow more rapidly than the General Fund revenues, creating a "financial gap" that will increase each year throughout the forecast period. This increasing gap would require the use of the City's reserves to balance the annual budget, leading to the depletion of the reserves in a short term framework.

FORECAST OVERVIEW

The Boca Raton economy is continuing to show signs of improvement with noticeable activity for new commercial and residential development. It is anticipated that residential, commercial, and industrial property values will slowly increase for the next several years. Demand-driven revenue such as Sales Tax and State Shared Revenues are also expected to slowly increase over the next few fiscal years. Interest revenue has declined in recent years due to the uncertainty in the financial markets and low rates on governmental securities.

The City has been able to maintain and improve its General Fund reserves over the last several years by reducing and realigning costs and implementing new fees. The forecast reserves \$10.6 million for a disaster emergency fund, the Mizner Park debt service of \$1.6 million, and a 10% minimum fund balance reserve of the total General Fund budget as recommended by the bond rating agencies.

The City recognized the long-term financial cost implications of its pension benefits and in fiscal year 2008 adjusted benefits prospectively for new general employee hires, and in fiscal year 2010, adjusted benefits prospectively for executive employees. In 2014, the City created a Retirement Sustainability Fund. New collective bargaining agreements in 2015 incorporated changes to the Police Officers and Firefighters' Retirement System which will result in savings and long-term sustainability, as projected by the pension plan's actuary. The City continues to monitor all of its pension costs for sustainability and to provide cost containment so as not to shift the costs to future taxpayers.

The City continues its strong economic development program. In FY 2014, an Economic Development Fund was created, and was funded in the amount of \$5.6 million, along with an allocation of \$1 million annually from Ad Valorem taxes. One of the primary uses of the Economic Development Fund is to provide economic development incentives for companies seeking to relocate to the City or to expand their existing business within the City. Based on the criteria listed in the Economic Development Incentive Policy, including the number of jobs created and/or retained, the average job salaries and the capital investment in the community, the City can provide financial incentives. These financial incentives include local matches for state economic development programs, grants and/or loans, and subsidized leases. Under the Economic Development Incentive Policy, the City can also provide non-financial incentives such as expedited permitting.

Through its Economic Development Incentive Policy, the City has created 3,856 new jobs and retained an additional 4,286 existing jobs since April 2010 as a result of committing \$3.774 million in economic development incentives. The incentives provided by the City also leveraged \$10.85 million of State of Florida incentives and \$1.9 million of Palm Beach County incentives. The City continues to partner with the State of Florida Department of Economic Opportunity, Palm Beach County, and the Palm Beach County Business Development Board.

The City included an Economic Development Manager in the FY 2015 budget. This new position will oversee and coordinate the City's economic development program and activities.

FORECAST METHODOLOGY

The initial step in creating the baseline forecast is a review of the historical data for revenues and expenditure to create a trend analysis. While historical trends are not necessarily predictive, they establish a base for future predictions. When combined with current information and known and anticipated future conditions, the historical data is the foundation of the financial forecast. The baseline forecast is based on existing and

General Fund - Forecast

recurring revenues and expenditures with projected trending and includes known commitments and future events.

In this Long-Range Financial Plan, an overall forecast of revenues and expenditure (and resulting fund balance) is examined, and then details on the revenues and expenses that support the overall forecast are presented.

GENERAL FUND HISTORICAL INFORMATION – REVENUES AND EXPENDITURES

The following table summarizes the historical revenues and expenditures of the General Fund. (\$thousands)

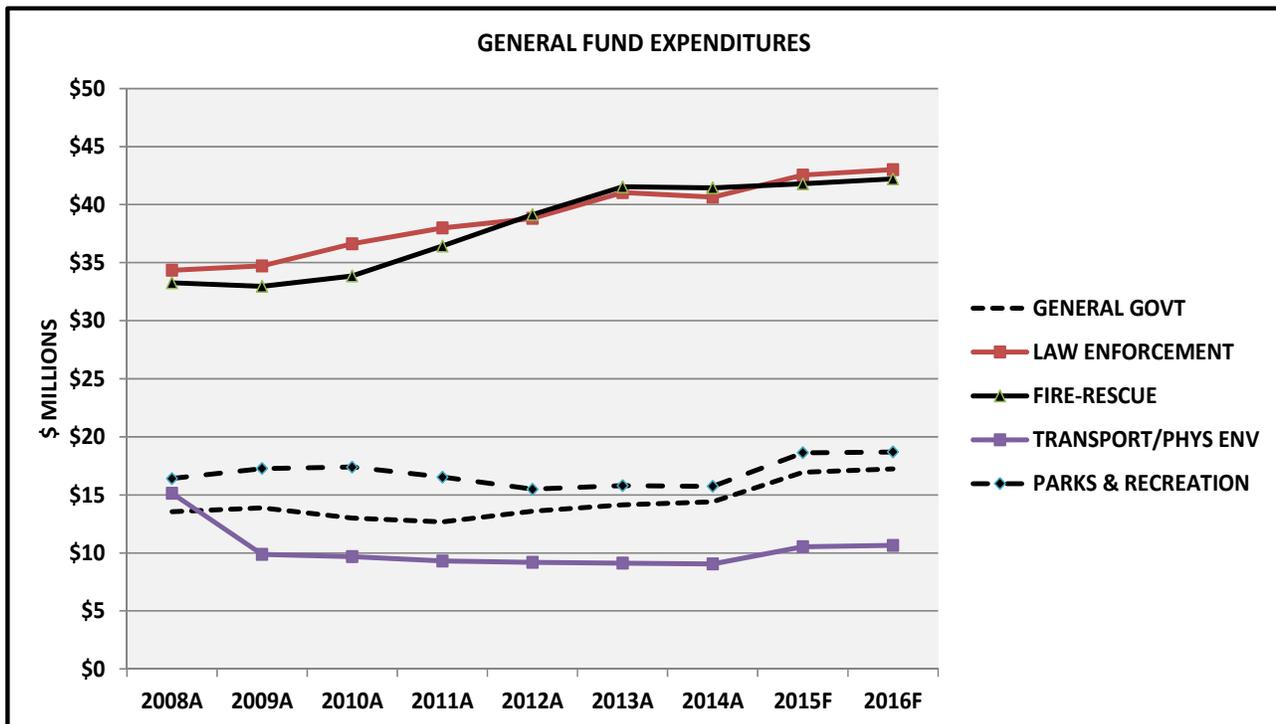
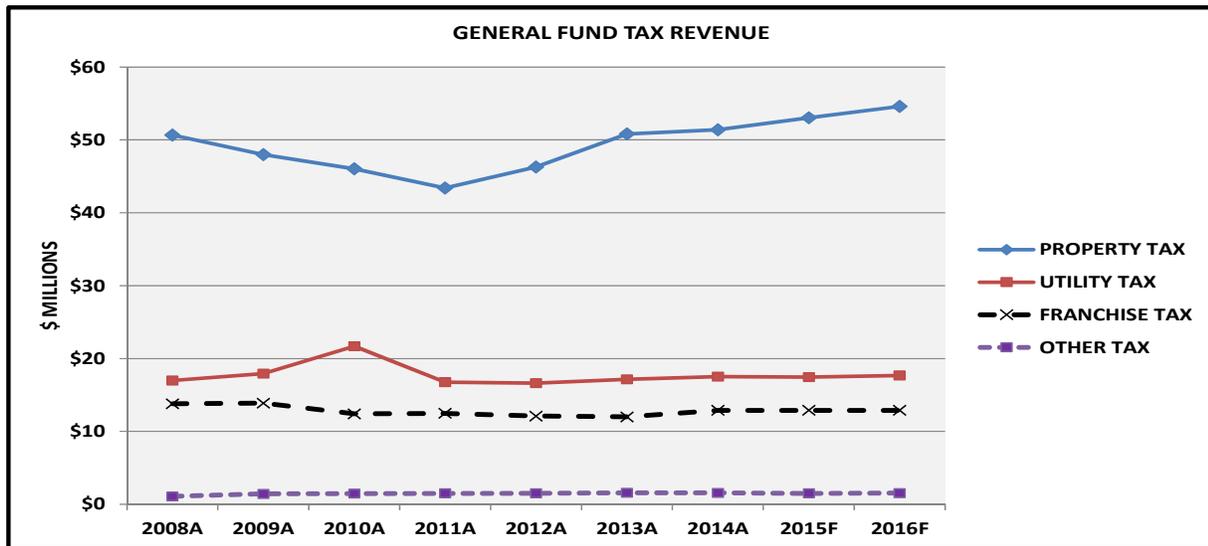
	2007A	2008A	2009A	2010A	2011A	2012A	2013A	2014A
REVENUES & SOURCES								
01-PROPERTY TAXES	\$ 53,791	\$ 50,689	\$ 47,974	\$ 46,048	\$ 43,402	\$ 46,291	\$ 50,822	\$ 51,398
02-UTILITY TAXES	16,674	16,810	17,936	17,178	16,776	16,617	17,146	17,531
04-FRANCHISE FEES	13,295	13,803	13,881	12,406	12,482	12,137	11,977	12,867
05-LICENSES AND PERMITS	14,048	12,543	9,209	8,890	8,578	11,062	12,532	13,590
06-INTERGOVERNMENTAL	11,198	15,665	10,130	12,790	10,228	10,188	10,918	11,004
07-FEES, CHARGES & OTHER FINES	12,316	13,374	15,099	15,185	18,611	22,511	24,658	24,788
08-CRA REIMBURSEMENT	-	-	-	2,500	2,500	2,000	1,500	1,500
09-INTEREST	3,037	2,782	1,808	886	463	543	(92)	515
10-OTHER SOURCES	256	237	327	468	337	1,204	1,580	1,164
11-TRANSFERS IN	20	20	7,191	20	1,020	20	20	21
TOTAL REVENUES AND SOURCES	124,636	125,924	123,554	116,371	114,397	122,574	131,060	134,378
EXPENDITURES & USES								
01-PERSONNEL SERVICES-GENERAL	28,256	28,988	27,802	27,511	26,181	26,096	34,760	37,862
02-PERSONNEL SERVICES-PUBLIC SAFETY	44,559	48,303	55,609	58,123	58,143	61,265	56,405	57,716
03-OPERATING EXPENDITURES-OTHER	27,122	28,662	21,735	22,125	23,693	23,568	24,461	22,166
04-SUPPLIES	2,746	2,848	2,751	2,722	2,938	2,859	2,697	2,676
05-CAPITAL	692	673	483	495	219	125	244	211
06-GRANTS AND AIDS	612	418	405	405	405	404	1,005	998
07-OTHER USES	2,559	2,429	2,367	2,141	2,104	2,102	2,269	2,310
08-TRANSFERS OUT	6,110	13,579	14,032	4,960	1,068	885	2,414	23,757
TOTAL EXPENDITURES AND USES	112,656	125,900	125,182	118,482	114,750	117,305	124,255	147,696
ANNUAL INCREASE/(DECREASE) IN FUNDS	11,980	24	(1,628)	(2,111)	(353)	5,268	6,806	(13,318)
BEGINNING RESERVES	38,658	50,638	50,662	49,034	46,923	46,571	51,840	58,646
TOTAL AVAILABLE	\$ 50,638	\$ 50,662	\$ 49,034	\$ 46,923	\$ 46,571	\$ 51,839	\$ 58,646	\$ 45,328

For FY 2014, the General Fund generated a positive variance of approximately \$12.8 million than final budgeted revenues by \$5.2 million due to the collection of additional property and franchise taxes, increased building permit activity, increased fire assessment fees, and metered parking programs. Actual expenditures during the year were less than final budgeted expenditures by \$7.54 million. This positive variance is due primarily to actual operating costs being less than anticipated; general government of \$4.0 million, public safety of \$621 thousand, physical environment of \$748 thousand, transportation of \$573 thousand and parks and recreation of \$1.6 million. During the year, expenditures in many areas were below the budgetary estimates due to timing of projects in facilities and traffic, employee vacancies and the timing to refill positions due to retirements. Lower energy prices led to a favorable budget to actual variance in motor pool costs and electricity. Also, the deferral of budgeted land acquisition contributed to the positive budget variance. The City continues to appeal a request to repay \$4.2 million in prior hurricane reimbursements to FEMA. The City in 2009 adopted a fund balance policy which set a minimum fund balance level in the General Fund of 10% of budgeted expenditures.

The FY 2015 Budget includes a \$1.5 million transfer to the Beautification Fund. As predicted in the prior Long-Range Financial Plan, beautification fund revenues are not sufficient to meet the on-going expenses of the median beautification program and a transfer is required from the General Fund to cover costs.

General Fund - Forecast

The two charts below graphically represent the historical information on City General Fund Tax Revenue and General Fund Expenditures by departmental function.



General Fund - Forecast

FINANCIAL FORECAST – REVENUES, EXPENDITURES, AND FUND BALANCE

Over the forecast range, General Fund revenues are projected to increase at an average annual rate between 2% to 3%, based on the type of revenue and the current knowledge of future conditions. The General Fund expenditures are projected to increase at an average annual rate between 3% and 4%.

The forecast is a “baseline” model; it does not include the addition of any new revenues during the forecast period.

The following table summarizes the growth rates of the major revenue and expenditure classifications during the four-year forecast period.

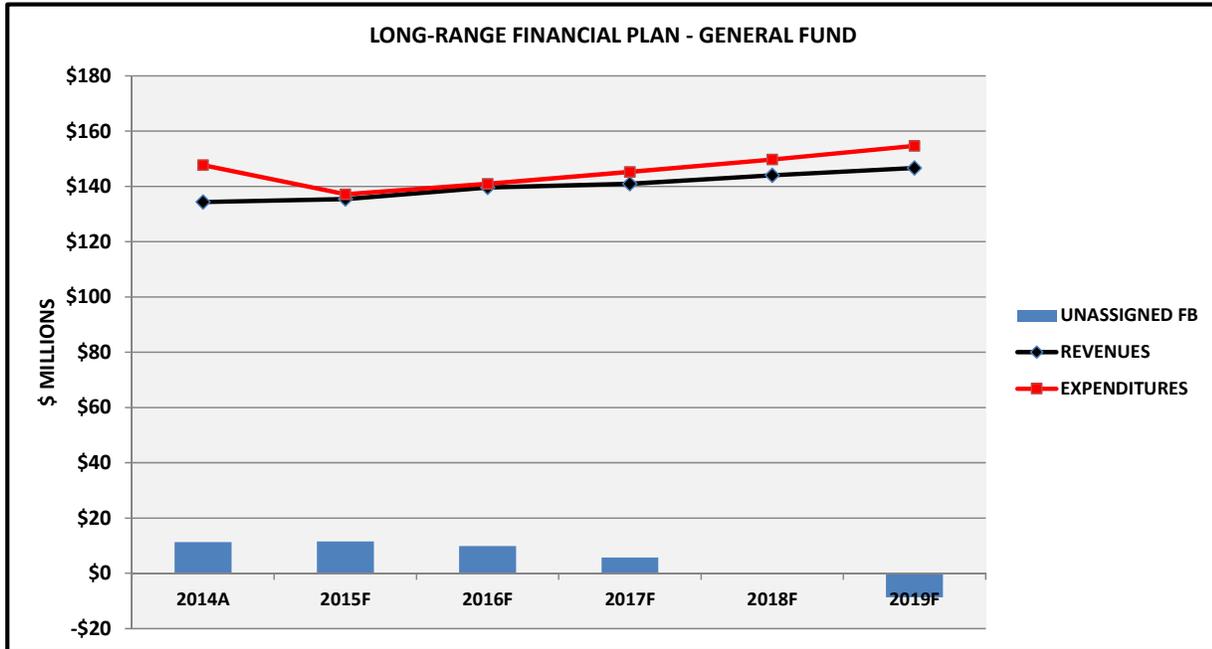
Four-Year Forecast Growth Rates			
<u>REVENUES</u>		<u>EXPENDITURES</u>	
Major Revenue Classifications and Categories	Forecast <u>4 Year Average</u>	Major Expenditure Classifications	Forecast <u>4 Year Average</u>
<u>Taxes</u>		Personal Services (Wages & Benefits)	
Property Taxes	3%	General	1.0-3.0%
Public Service (Utility) Taxes	1.5%	Public Safety	3.0 - 5.0%
Franchise Fees	1.0%	Supplies/other	1.5%
<u>Licenses & Permits</u>		Capital Outlay	2.0%
<u>State Shared (Intergovernmental)</u>	0%-1.0%		
<u>Charges for Services/Contributions/Other</u>			
<u>Fines</u>	2.0%		
<u>Interest</u>	0%-1.5%		

General Fund - Forecast

Based on the historical trend analysis, current conditions, and projected annual growth of the General Fund revenues and expenditures, the financial forecast information can be developed. The following table presents the four-year General Fund financial forecast information, and this information is presented graphically in the following chart.

Long-Range Financial Plan General Fund (\$ in Thousands)

	2014A	2015F	2016F	2017F	2018F	2019F
REVENUES & SOURCES						
01-PROPERTY TAXES	\$ 51,398	\$ 53,050	\$ 54,588	\$ 56,171	\$ 57,800	\$ 59,245
02-UTILITY TAXES	17,531	17,460	17,696	17,934	18,239	18,604
04-FRANCHISE FEES	12,867	12,815	12,943	13,073	13,203	13,335
05-LICENSES AND PERMITS	13,590	12,420	11,517	10,711	10,770	10,832
06-INTERGOVERNMENTAL	11,004	11,565	11,729	11,729	11,729	11,729
07-FEES, CHARGES & OTHER FINES	24,788	24,705	25,199	25,703	26,217	26,742
08-CRA REIMBURSEMENT	1,500	2,000	2,000	2,000	2,000	2,000
09-INTEREST	515	500	508	515	523	531
10-OTHER SOURCES	1,164	888	903	918	934	950
11-TRANSFERS IN	21	21	22	24	25	27
RESOURCES FORWARD			2,665	2,680	2,737	2,806
TOTAL REVENUES AND SOURCES	134,378	135,424	139,770	141,458	144,178	146,800
EXPENDITURES & USES						
01-PERSONNEL SERVICES-GENERAL	37,862	41,366	42,503	43,967	45,489	47,792
02-PERSONNEL SERVICES-PUBLIC SAFETY	57,716	57,885	59,649	61,828	64,088	66,601
03-OPERATING EXPENDITURES-OTHER	22,166	27,559	27,972	28,392	28,818	29,250
04-SUPPLIES	2,676	3,433	3,484	3,537	3,590	3,644
05-CAPITAL	211	329	170	175	181	186
06-GRANTS AND AIDS	998	1,036	1,036	1,036	1,036	1,036
07-OTHER USES	2,310	2,442	2,479	2,516	2,554	2,592
08-TRANSFERS OUT	23,757	3,086	3,549	3,620	3,693	3,766
TOTAL EXPENDITURES AND USES	147,696	137,136	140,843	145,070	149,448	154,867
ANNUAL INCREASE/(DECREASE) IN FUNDS	(13,318)	(1,711)	(1,073)	(3,612)	(5,270)	(8,067)
BEGINNING RESERVES	58,646	45,328	43,617	42,544	38,931	33,662
TOTAL AVAILABLE	45,328	43,617	42,544	38,931	33,662	25,595
FUND BALANCES						
FEMA/ OTHER APPEALS	4,200	5,700	5,700	5,700	5,700	5,700
ASSIGNED AND UNSPENDABLE	3,761	-	-	-	-	-
COMMITTED	12,233	12,233	12,233	12,233	12,233	12,233
RESTRICTED	170	170	170	170	170	170
10 % FUND BALANCE POLICY	13,714	14,084	14,507	14,945	15,487	16,092
AVAILABLE/(SHORTFALL) FOR FUTURE YEARS	\$ 11,251	\$ 11,429	\$ 9,934	\$ 5,884	\$ 72	\$ (8,600)



GENERAL FUND FINANCIAL POSITION – CITY STRONG FINANCIAL POSITION

Boca Raton became the first city or county in Florida to receive the highest credit rating from all three credit rating agencies: Moody’s Investors Service, Standards and Poor’s, and Fitch Ratings. All three credit rating agencies have recognized the City of Boca Raton’s commitment to provide a superior quality of life and services to the residents of the City while at the same time maintaining a strong financial position with a very low property tax rate. As a result, all three reaffirmed the AAA rating for the General Obligation Bonds of the City. (All three also rated the water and sewer revenue bonds an “AAA” as well.) To the taxpayer, this means the City borrows funds for capital projects at interest rates substantially lower than the average municipality and normally without additional expense for credit enhancements such as bond insurance. The net result to the taxpayer is a lower debt service property tax millage rate.

The following are the strong financial position indicators of the City that were noted by the rating agencies:

- ◆ **Fund Balance of at least 10% of the budget.** Rating agencies recommend a fund balance of at least 5% of the budget, but being a coastal community in Florida, they informally tell us they are looking at a balance in the 10% vicinity. The City’s current rating is based on a history of strong unassigned fund balances. The General Fund Plan anticipates a 10% fund balance in the budget commencing in the current and all future years. The City adopted a fund balance policy for the General Fund and early implemented Governmental Accounting Standards Board (GASB) Statement No. 54 “Fund Balance Reporting and Governmental Fund Type Definitions” for its governmental fund types. GASB Statement No. 54 establishes various classifications of fund balance based on a certain hierarchy. Fund balances classified as restricted are balances with constraints placed on the use of resources by creditors, grantors, contributors or laws or regulations of other governments. Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by the City Council through an ordinance or a resolution. Assigned fund balances are constrained by intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by City management based on City Council direction. Unassigned fund balance can be viewed as the net resources available at the end of the fiscal year.

The City established a fund balance policy for the General Fund and also set a minimum level of unassigned fund balance at 10% of the following year's projected budgeted expenditures.

The City Council, by its actions, adopted the following for the General Fund with the Fiscal Year 2015 amounts:

Restricted

- \$170,000 is reserved for Army Corps of Engineering pursuant to an interlocal agreement.

Committed Fund Balance

- Emergency Operating Reserve \$10,600,000 – to ensure the maintenance of services to the public during emergency situations.
- Mizner Park Debt Service Reserve \$1,633,000 – to provide funds for the repayment of the Boca Raton Community Redevelopment Agency tax increment revenue bonds if the primary and secondary pledged revenues are insufficient to fund the required debt service payments on the outstanding bonds

Assigned Fund Balance

- Designated Carry Forward \$3,761,500 – to provide funds for differences, if any, between budgeted revenues and expenditures as set forth in the annual budget

Non-Spendable Fund Balance

- Inventory Reserve \$24,862 – to indicate those amounts relating to inventories that are not in a spendable form.

- ◆ **Ability to raise revenue.** The City has the option of raising significant revenue with only a minor increase in ad valorem millage rates while still being significantly below the State of Florida ten mill cap. This provides the City with significant revenue potential for the future. With the recent State Legislature mandated property tax reform, the City's ability to increase taxes may be curtailed in the future.
- ◆ **Additional user fee revenues available.** The City has the opportunity to charge additional user fees to cover the cost of services. City staff will review and make recommendations during the FY 2016 budget process to include additional or revisions to user fees. Staff will also examine current fees to determine that they are adequately recovering costs. For FY 2015, the City elected to not make major changes to its user fees.
- ◆ **Assessed valuations.** The City's assessed valuations are \$18.2 billion for FY 2015. The City experienced an increase in values due to an upward trend in the reassessment of property. With the current real estate market showing favorable conditions, the City anticipates steady increases in values. The financial forecast anticipates property values increases of 3% for the FY 2016 budget through FY 2019. There are several large scale projects under construction, primarily in the downtown, which will not be reflected in the assessed value for at least 3 years.
- ◆ **Sound financial management.** The City has successfully navigated complex fiscal challenges resulting from a long and deep national recession through strategic allocation of limited resources and making difficult choices with minimal impact to the residents. As a result of the City's ongoing commitment to fiscal responsibility and effective management through diligence, teamwork and resourcefulness, the City has emerged from these challenges in a strong position. It remains critical for the City to continue to pay very close attention to the rising cost of current services particularly when considering any expansion or improvement of services in the future.

Solid local economy. Boca Raton is a regional educational, retail, and business center. The City's population can swell to almost 250,000 people during the day due to students, tourists, visitors, and employees of the businesses located in the City. This daily influx of people, along with the businesses, restaurants, shops, hotels, and facilities in the City that attract and support this increased population help to create a strong and diverse local economy. The City's diverse property mix and upscale quality of commercial space and residential communities also contribute to the City's solid and stable economy.

With over 12 million square feet of office space, Boca Raton has about half of all of the large office space in Palm Beach County. Nearly 3,000 businesses are located in Boca Raton, employing over 38,000 people. The Arvida Park of Commerce (APOC), an 850-acre office park with dozens of office buildings, remains one of the largest and well-known office parks in Florida, and the Research Park at Florida Atlantic University is the home to a number of successful start-up companies, as well as the premier Technology Business Incubator (TBI) in the region. A number of regional, national and international corporations have located their headquarters in the City including Office Depot, Tyco, SBA Communications, Jarden Consumer Solutions, Campus Management, and ADT. The City is also home to a number of successful technical and innovative corporations such as 3CInteractive, Modernizing Medicine, MobileHelp, and Biotest.

Education continues to play an important role in the Boca Raton area. The City is the location of Florida Atlantic University (FAU), Lynn University, and the southern campus of Palm Beach State College. The combined enrollment of these institutions is over 25,000 students, and having these educational institutions in the City adds to the stability of the City's economic base.

Each educational institution continues to expand their educational and related facilities. For example, FAU received a \$3.5 million grant for computer science and engineering facilities, and the nursing and business colleges enhanced their facilities, as did the recently created medical school. In addition, FAU completed construction on its new dormitory facilities.

On December 23, 2014, the City of Boca Raton hosted ESPN's inaugural Boca Raton Bowl at FAU stadium between Northern Illinois University and Marshall University. By almost all measures, the event was a huge success; even the weather was perfect.

It is estimated that the bowl game added \$2.5 million dollars to the local economy, including up to 5,000 room nights in area lodging and thousands of people patronizing local businesses. There were over 18,000 attendees at the Bowl Game, and more importantly, over 2 million viewers of the live broadcast of the bowl game on ESPN.

Lynn University is continuing its development and expansion. Their enrollment is over 2,000 students from 90 countries and 45 states and territories. Lynn University has also created a new master plan for its campus and has completed construction of a new International Business Center and Central Energy Plant. Palm Beach State College has expanded its programs to include courses in alternative energy and environmental sustainability.

Additionally, all of the public schools in the Boca Raton have received an "A" rating, the highest rating possible, by the State of Florida, and there are a number of nationally known private schools operating within the City.

Boca Raton is a major cultural location in southeast Florida, anchored by the Mizner Park Amphitheater, the Boca Raton Museum of Art, and the Mizner Park Cultural Arts Center. The City has a large number of quality hotel accommodations, including the iconic Boca Raton Resort & Club.

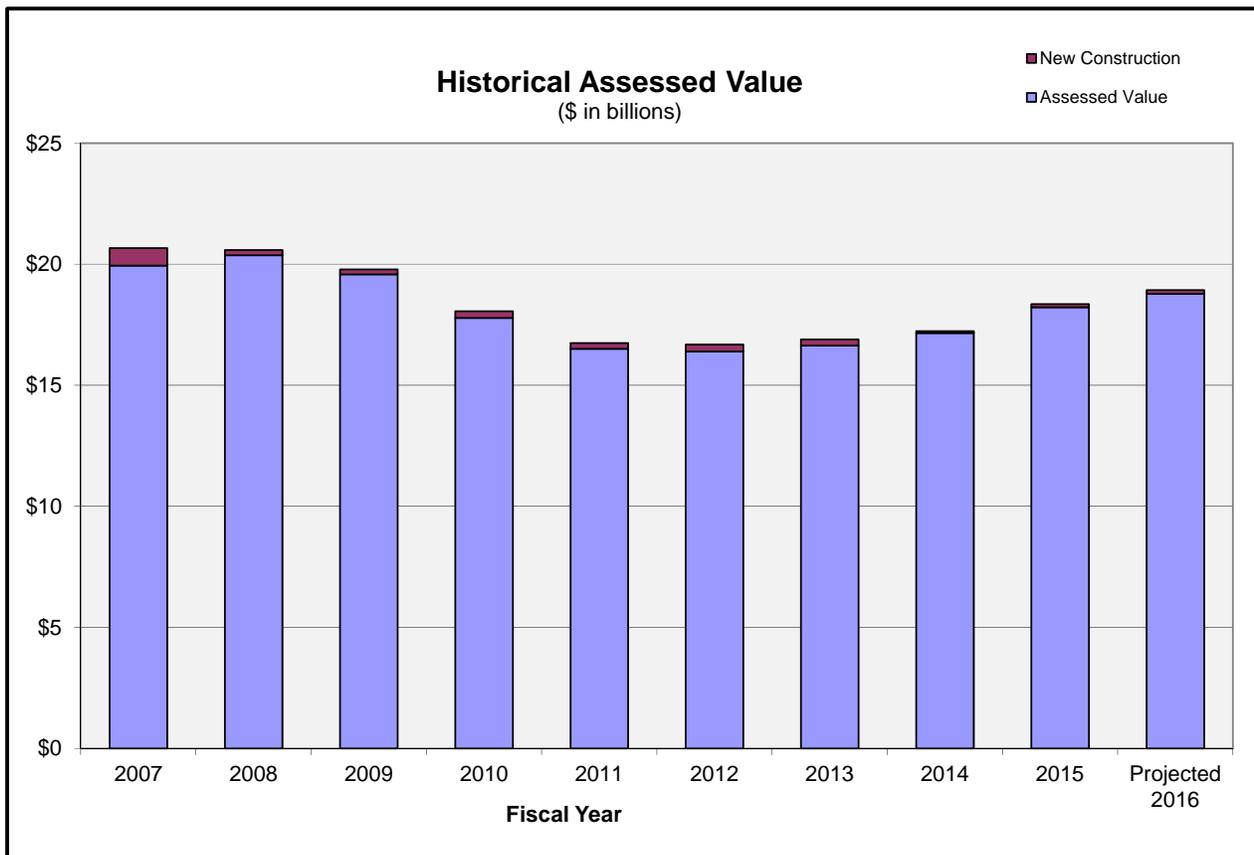
Boca Raton also remains a regional shopping and dining location. The Town Center at Boca Raton has continued to expand and is considered the premier regional mall in South Florida. Other high-quality destination shopping and dining areas in the City include Boca Center, and the downtown areas of Mizner Park and Royal Palm Place.

GENERAL FUND REVENUES

During the budget process, a very realistic approach is used to forecast revenues. Economic conditions vary from year-to-year, which impacts the ability of the City to raise necessary funds to meet budget obligations. The result has been that actual revenues have exceeded budget forecasts in the past years. The Financial Forecast uses the projected revenue budget for FY 2015 at a rate of 101% of budgeted revenues when forecasting various revenue sources.

PROPERTY TAXES

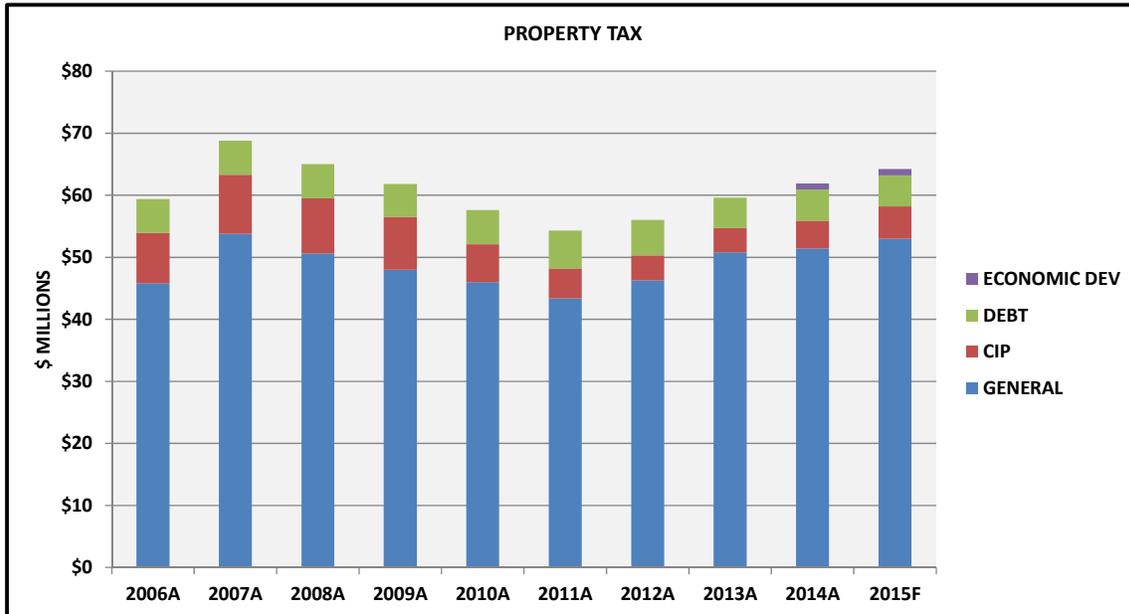
For FY 2015, the County Property Appraiser certified the City’s taxable assessed value for operations in the amount of \$18.2 billion. The tax base increased for new construction by \$159 million (an increase of .92%) while reassessments increased by \$832 million resulting in an increase of \$991 million (5.75%) over last year’s tax base. This is down from FY 2008 peak of \$20.3 billion dollars. This loss of value from \$20.3 billion to \$18.2 billion equates to approximately \$7 million in lost revenue. The graph below shows the historical assessed value of the City.



General Fund – Revenues

Funding of the City's Capital Improvement Program

Funding of the Capital Improvement Program (CIP) comes primarily from an allocation of property taxes collected. Currently this allocation is 9% of property taxes and produces 74% of the revenue in the CIP Fund. In FY 2014 an Economic Development Fund was established with a \$5.6 million reserve and an ongoing allocation of Ad Valorem taxes of \$1 million be year. In FY 2015 budget year, the CIP Fund will receive \$5.2 million of property tax revenue. In the future, the property tax allocation to CIP fund may need to be increased to fund additional necessary future projects.



Funding of the City's General Obligation Bonds

General obligation bonds are voter-approved and are backed by the full faith and credit of the City. An ad valorem tax is levied each year to equal the principal and interest due on the bonds.

The City anticipates property assessments will increase at approximately 3% for 4 years of the financial forecast.

<u>Assessed Values</u>	<u>% Distributed by Property Type</u>	<u>Actual FY 2015</u>	<u>Projected FY 2016</u>	<u>Projected Change</u>
Residential	72%	\$ 13,067,316,122	\$ 13,446,268,290	3%
Commercial	23%	4,231,493,976	4,362,670,289	3%
Personal Property	5%	923,966,900	943,370,205	2%
Total Taxable Values		\$ 18,222,776,998	\$ 18,752,308,784	3%
Projected Property tax revenue				
100% total		62,351,100	64,162,900	
95% collection rate		59,233,600	60,954,800	
Economic Development Fund		1,000,000	1,000,000	
9% Capital Improvement Fund		5,234,000	5,395,900	
91% General Fund		\$ 52,999,600	\$ 54,558,900	\$ 1,559,300

General Fund – Revenues

On January 29, 2008, voters approved Amendment 1, a change to Florida's Constitution. The amendment allows residents with a Save Our Homes assessment cap to transfer all, or a significant portion, of their tax savings to a new property anywhere in the state. The amendment also doubles the homestead exemption for properties valued at \$75,000 or more for all tax levies except school districts. It exempts the first \$25,000 in value of equipment used by businesses, and creates a 10% annual assessment cap similar to Save Our Homes, for non-homestead properties.

In 2014, the City refunded 2004 GO Refunding Bonds to save \$800,000 over remaining life of 6 years – 2020.

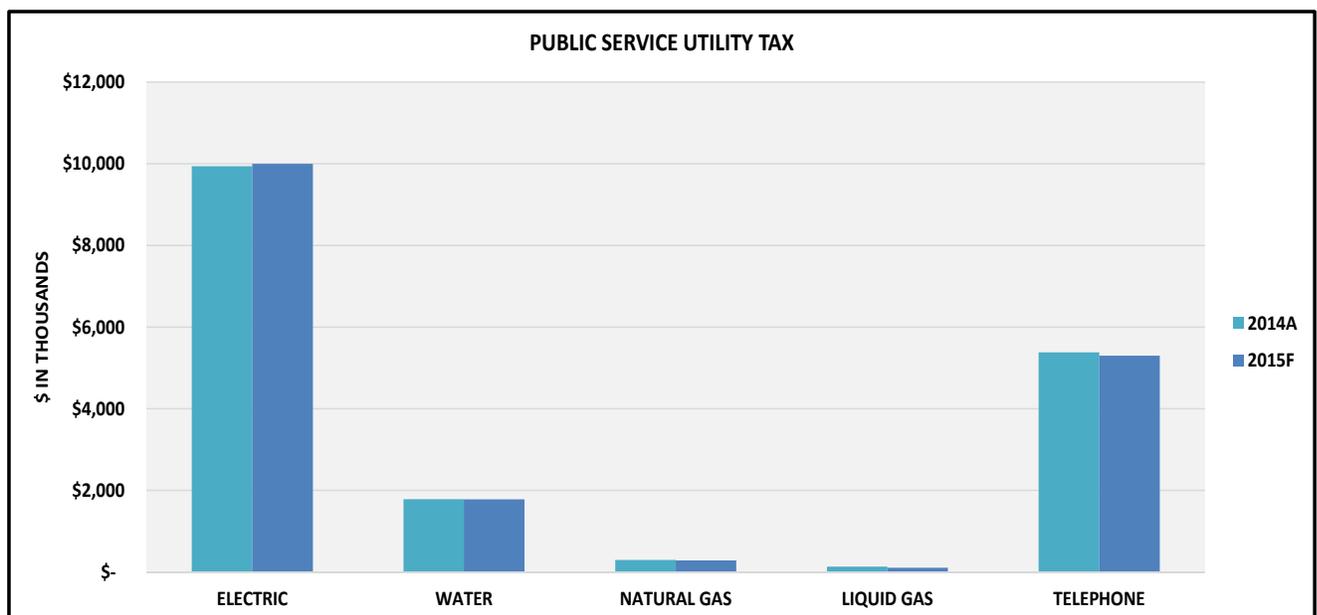
The Financial Forecast assumes no additional amendments or legislature in the property tax laws. They are anticipated to remain as currently structured over the four-year period. A portion of the property taxes will continue to be allocated to the Economic Development Fund and the payment of the voter approved general obligation debt service costs, which are collected and accounted for in the Debt Service Fund. A portion (currently 9%) of the ad valorem millage will continue to be used for the Capital Improvement Program (CIP).

PUBLIC SERVICE (UTILITY) TAXES

The City has the right, by Florida State Statute, to tax utility services provided to the residents and businesses within its corporate limits. The City is currently levying 10%, which is the maximum tax allowed, on electricity, water, natural gas, and liquid petroleum. Of this amount, 1% is dedicated to the Right-of-Way Beautification Program, 1% is for the Six-Year Capital Improvements Program, and the balance, 8%, is used for general City operations.

Public Service (Utility) Taxes

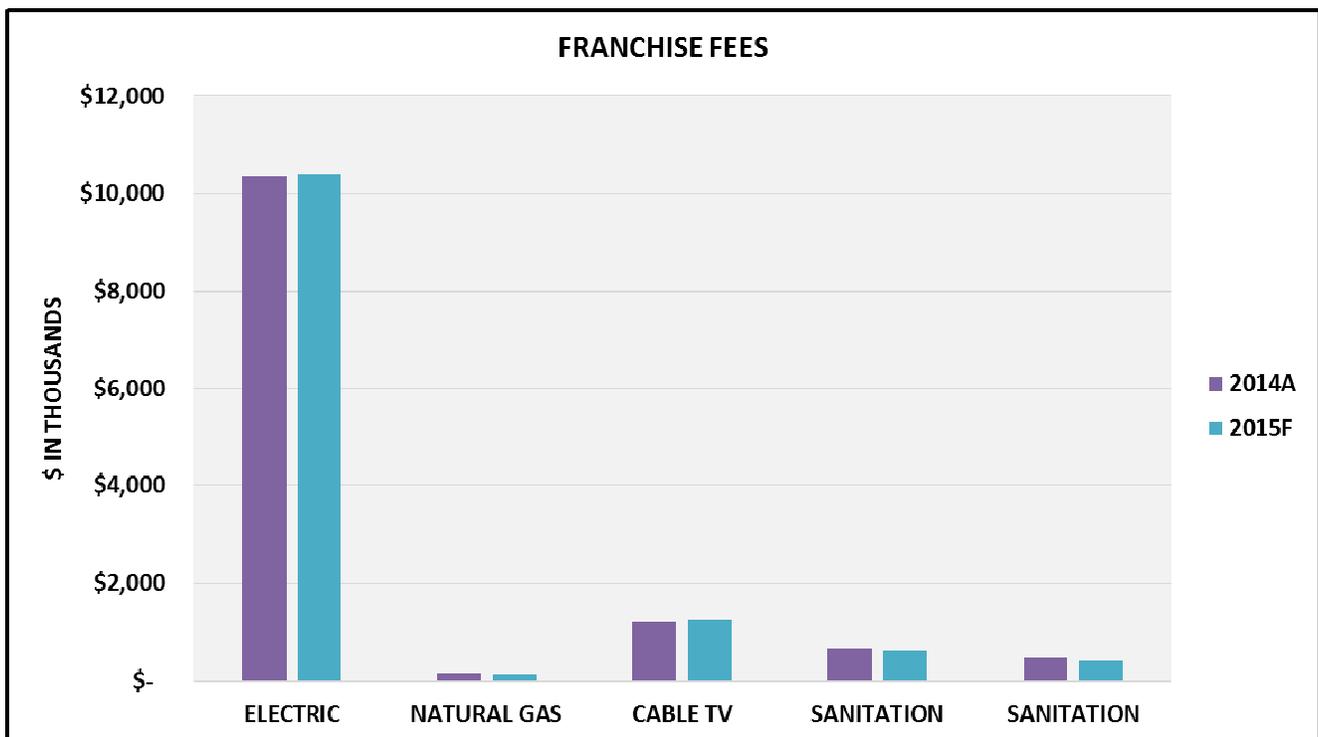
	<u>2014 Actual</u>	<u>2015 Forecast</u>
Electric	\$ 9,940,739	\$ 10,000,000
Water	1,785,409	1,780,400
Natural Gas	291,599	280,000
Liquid Gas	128,646	100,000
Telephone	5,384,162	5,300,000
Total Public Service Taxes	\$ 17,530,555	\$ 17,460,400



FRANCHISE FEES

The City has multi-year franchise agreements with electric, cable TV, and natural gas providers.

	Rate Levied	2014 Actual	2015 Budget	Franchise Expiration Date
Electric	5.9%	\$ 10,361,852	\$ 10,200,000	2036
Natural Gas	5%	164,596	140,000	2024
Cable TV	6%	1,210,465	1,250,000	n/a
Sanitation	8% - 15%	1,130,136	1,025,000	n/a
Total Franchise Fees		\$ 12,867,049	\$ 12,615,000	

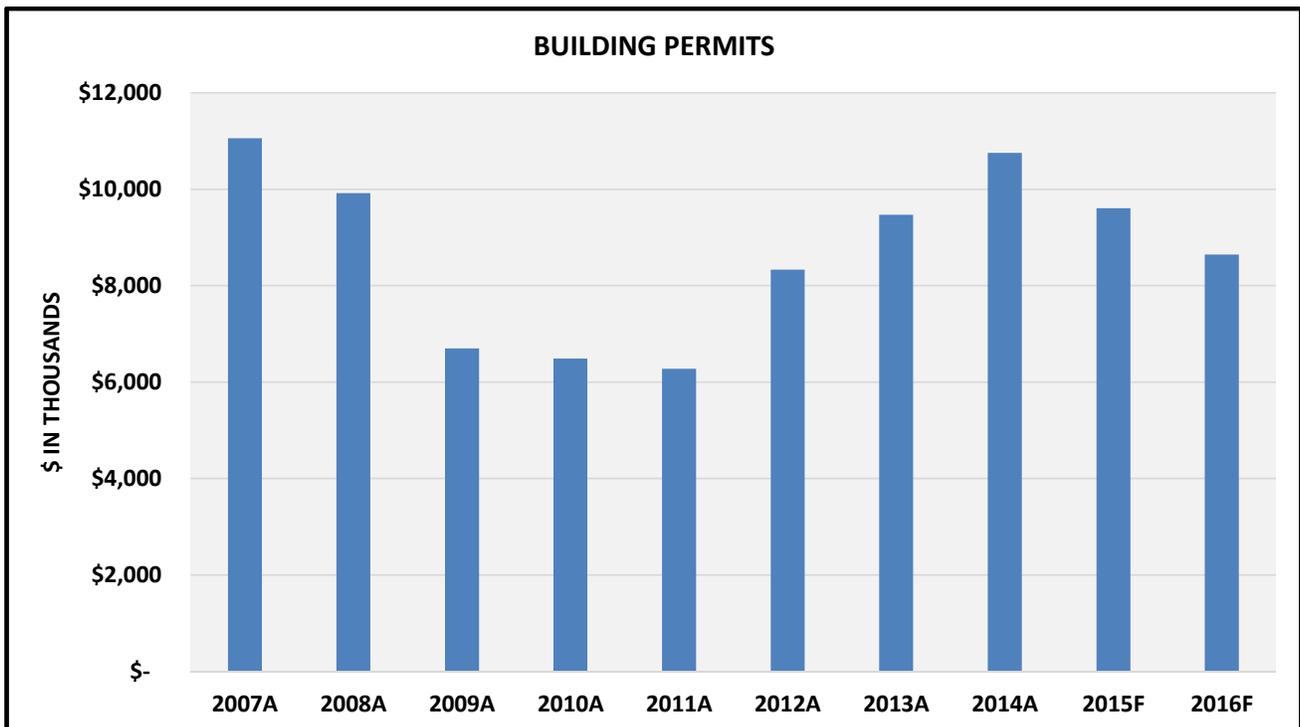


PERMITS

Permits make up 6% of the total FY 2015 budget. This category includes building permits, and inspection fees.

Building Permits, Inspections, and Other Development-Related Fees

The City continues to be consistent in collecting user fees related to inspections, development-related fees, and permit fees. These user fees are intended to cover the cost of the service provided. The revenue generated by the various types of building permits is calculated by determining the amount of undeveloped land, anticipating new development and redevelopment, as well as the historical trend for improving existing buildings.



FIRE ASSESSMENT FEE

In September 2006, the City Council established the annual Fire Services Assessment Fee. The Fire Services Assessment Fee uses the uniform method of collection to recover a portion of the operational costs of the City's fire protection services, including employee benefits. Medical and rescue service costs are not included in the fire assessment. The annual assessment for a residential charge is \$85 per household with an equivalent charge for commercial/industrial properties based on square feet. The current assessment generates \$7 million in revenue. This fee is currently only generating 42% of the cost of providing fire services in the City. The City's fee is very low in comparison to other communities in the area.

INTERGOVERNMENTAL REVENUE

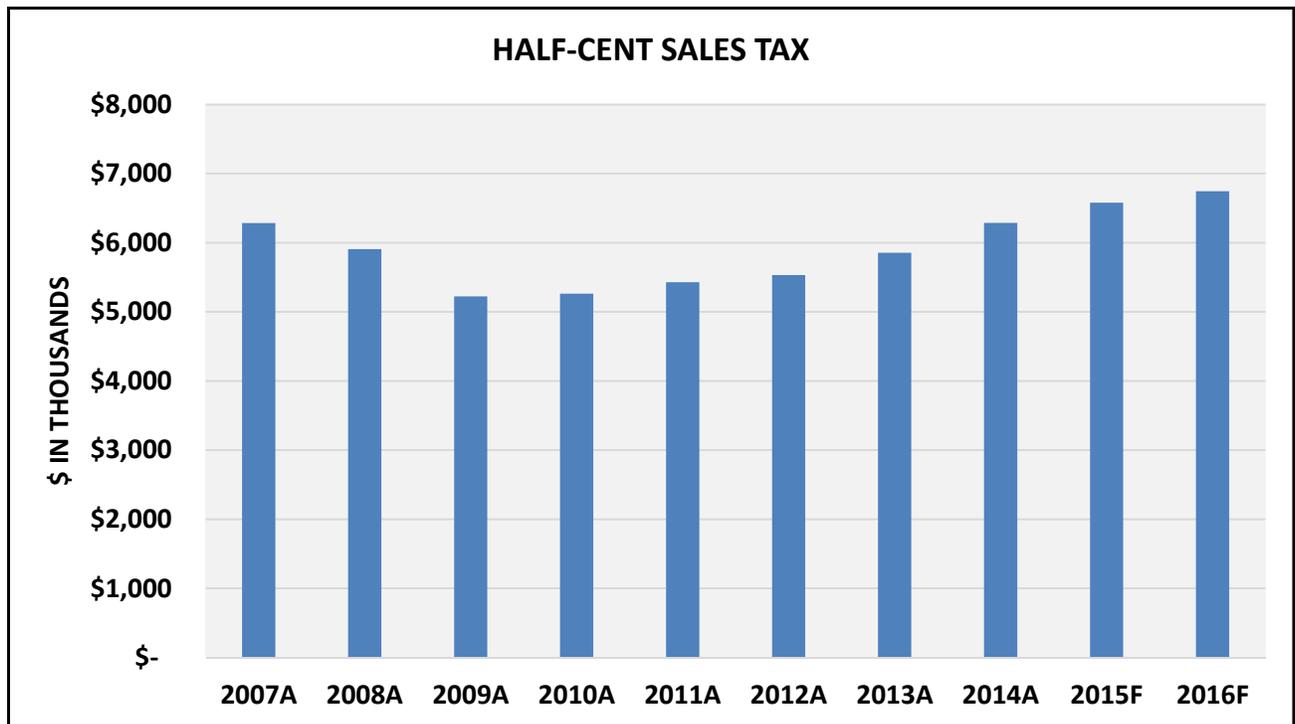
State Shared

The City receives revenues from the State for the following services: sales tax, gas tax, beverage license and other state shared revenue services. With the current state economy, the City anticipates receiving small increases in revenue sharing proceeds.

Sales Tax

The City receives the major source of State Shared Revenues from the half-cent sales tax. This tax is directly related to the economy. Recent trends in sales tax revenue have shown a slight increase. Forecast has been prepared without a small steady growth factor. The City's revenue stream has been increasing over the last 6 years after a large decline in 2009 due to the economy and retail conditions.

The apportionment is composed of three equally weighted portions: population, sales tax collected in the municipality, and local ability to raise revenue.



General Fund – Revenues

The following are the forecasted distributions of sales tax for FY 2015:

Total Half-Cent Sales Tax -Palm Beach County	140,633,364	100%
Shared with Municipalities	50,500,897	36%
Unincorporated County	83,557,826	59%
City of Boca Raton's Share	6,574,641	5%

Revenue Sharing/Trust Fund

The 2000 Florida Legislature repealed the sharing of cigarette tax revenues with municipalities via the Municipal Revenue Sharing Program and the Municipal Financial Assistant Trust Fund. It replaced the repealed revenue source with a new source by providing that 1.075% of sales and use tax collections be transferred to the Revenue Sharing Trust Fund for cities and towns. It repealed the Municipal Financial Assistance Trust Fund since it was funded solely by cigarette taxes. These changes were effective as of July 1, 2000. These revenues are distributed based on population. A small amount of growth is projected for Revenue Sharing.

Other State Shared Revenue

Beverage licenses, mobile home licenses, state grants, firefighter supplements and fuel taxes make up the remainder of the State shared revenues.

Shared Revenues from Other Local Units

These revenues include charges to the Greater Boca Raton Beach and Park District for administrative services provided by the Recreation Services Department and City's general administration (Human Resources, Purchasing, Accounting and Payroll, etc.). Other small revenues include revenues from Palm Beach County for the E-911 System, and a processing fee for collecting Palm Beach County Impact fees.

CHARGES FOR SERVICES, OTHER FEES

Charges for Services

Charges for services include a combination of planning and zoning fees, recreation and cultural fees, emergency medical services (EMS) transport fees, and a large group of small miscellaneous and sporadic charges for services. The charging of these fees ensures that the user of the service pays for the service and not the broad base taxpayer. The City established, over the last few years, several new user fees.

Planning and Zoning Fees

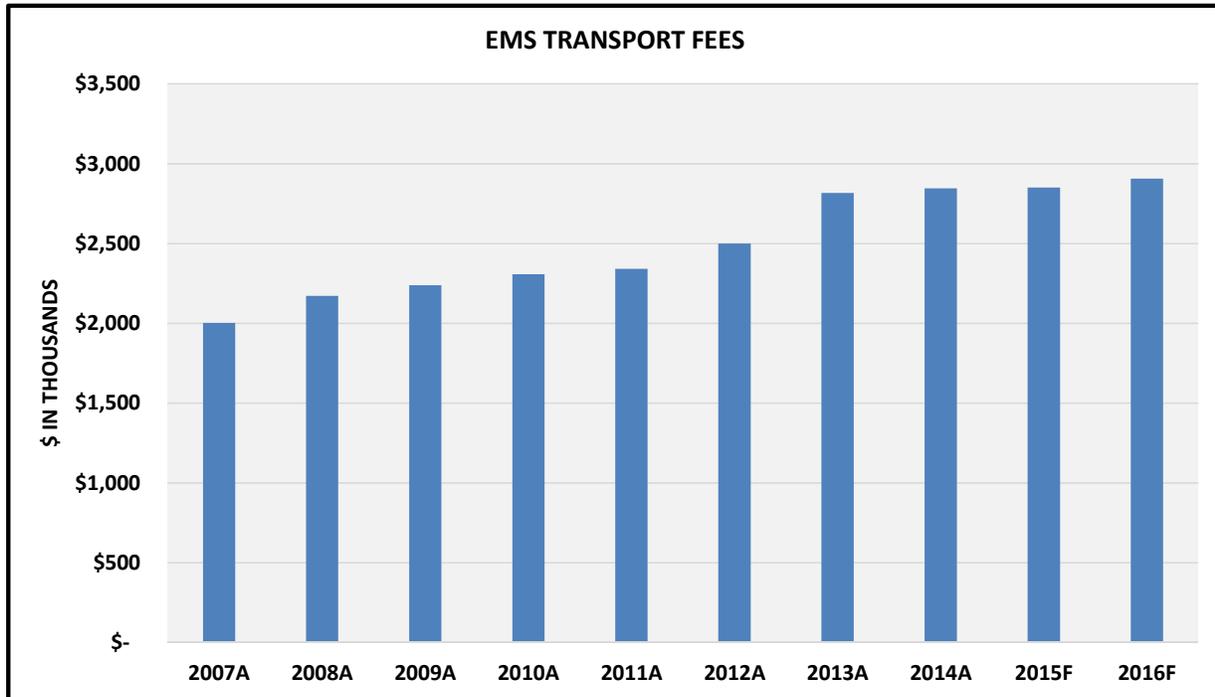
This category includes a combination of filing fees for planning and zoning including fees for advertising.

Recreation and Cultural Fees

The Recreation Services Department continues to emphasize services and programs for all ages. Fees are designed to provide participants a reasonable cost but with the desire to cover a minimal percentage of costs. Fees for the camp program, beach parks, library, tennis, aquatics, and facility rental make up the greatest portion of these fees.

EMERGENCY MEDICAL SERVICES (EMS) TRANSPORT FEES

A recent history of the fee established in 1995, EMS Transport revenues collected is presented below: The City established a fee for EMS transport fees in FY 1995. The table below shows historical, current year and projected revenues for EMS transportation fees.



Other Charges for Services

Other charges for services include charges for police, garbage fees for non-residential areas, and fees charged to other non-General Fund departments.

Contributions from Enterprise Funds

The City's General Fund provides administrative support services for the Enterprise Funds (water/sewer, sanitation, stormwater, cemetery, and golf courses). The cost for these services is charged to each Enterprise Fund in the form of an "Administrative Services" fee. The Water and Sewer Enterprise Fund is charged annually for the municipal services (police, fire and sanitation) that it receives while being tax exempt. These revenue sources make up 6% of the total FY 2015 budget.

Other Revenues

Other revenues include Shared Revenues from other local units, federal grants, and small miscellaneous revenues (including surplus equipment, sales, and donations).

FINES AND FORFEITURES

These revenues are collected for traffic offenses and misdemeanors, police and fire false alarms, and confiscated merchandise (State/Federal). Revenue growth has fluctuated. False alarm fees are considered to be a user fee and accordingly revenue should match City costs to provide these services.

Paid Parking

The City implemented a paid parking program in May 2011, using the newest multi-space meter technology, in Mizner Park; NE 1st Avenue parking lot; South Beach pavilion, and Red Reef Park West. In FY 2013, the program was expanded to include Spanish River Boulevard, spots located just west of the beach. The main benefits of a paid parking program to the City, its residents, and its merchants include increased parking turnover and additional revenue used for transportation improvements or other essential government services. Based on requests from merchants within the BRCRA, the City and BRCRA have begun timed enforcement for the Sanborn Square area and the streets around Royal Palm Place and Trader Joe's. Timed enforcement requires manual tracking of parked vehicles and increased man power. Parking in these spots is not metered so the impact to revenue will be minimal.

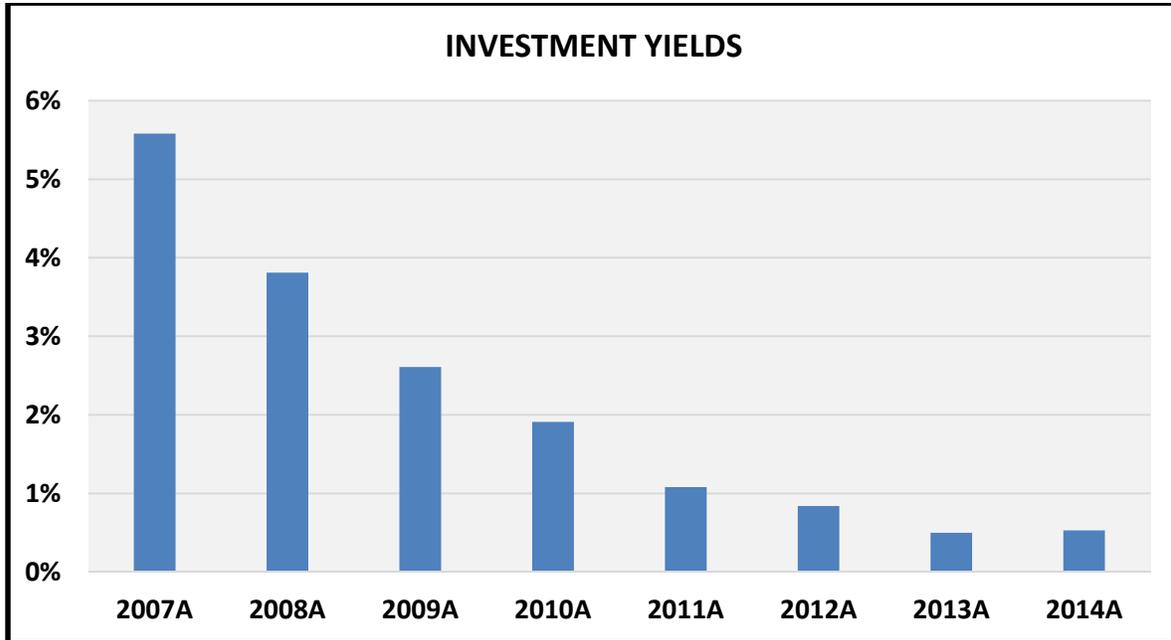
For FY 2014, net revenue generated from the parking program amounted to \$1.17 million, with approximately 62% of this amount being generated in Mizner Park and being designated as BRCRA revenue. The General Fund received net revenues of 38%.

Red Light Cameras

The City implemented a red light camera program in March 2012 in which cameras were installed at selected intersections within the City. Based on historical experiences in other municipalities in Florida and around the country, red light cameras have resulted in dramatically reduced fatalities, crashes, and violations due to the cameras proving to be an effective deterrent to red light running. In addition, the cameras allow a more effective use of police resources. In 2014, the Fourth District Court of Appeal ruled that the red light camera program improperly delegated police authority to private vendors. The City of Boca Raton has cancelled its red light camera program.

INTEREST ON INVESTMENTS

The General Fund receives investment interest on Reserves and fund balances. The City's portfolio is passively managed under guidelines established under the City's conservative Investment Policy. Interest earnings for the City remain reduced due to continued volatile financial market conditions and interest rates remaining historically low.



Reimbursement of advances made for the BRCRA

The City has advanced substantial funds to the Boca Raton Community Redevelopment Agency (BRCRA) based upon interlocal agreements for unforeseen events which have occurred with respect to the redevelopment program. There have not been sufficient revenues from the tax increment and Mizner Park leases to pay all of the Mizner Park debt service to maintain Mizner Park or for the BRCRA operations. To address these issues BRCRA and the City entered into two (2) interlocal agreements. Under the first of these interlocal agreements, the City funds the debt service deficiency. Under the second agreement the City provides the resources necessary to continue the BRCRA operation through a combination of operating transfers to the BRCRA, the provision of services (accounting, legal, engineering, etc.) and the maintenance of Mizner Park. As of September 30, 2014 the estimated outstanding amount of these transfers, deficiency payments and services was:

Transfers for BRCRA Operations	\$ 712,200
Services Provided	8,279,966
Mizner Park Maintenance	10,186,350
Interest related to the above	5,394,738
Mizner Park Bond deficiency payments and debt service transfers	7,498,300
Total Repayments	<u>(10,000,000)</u>
Total	\$22,071,554

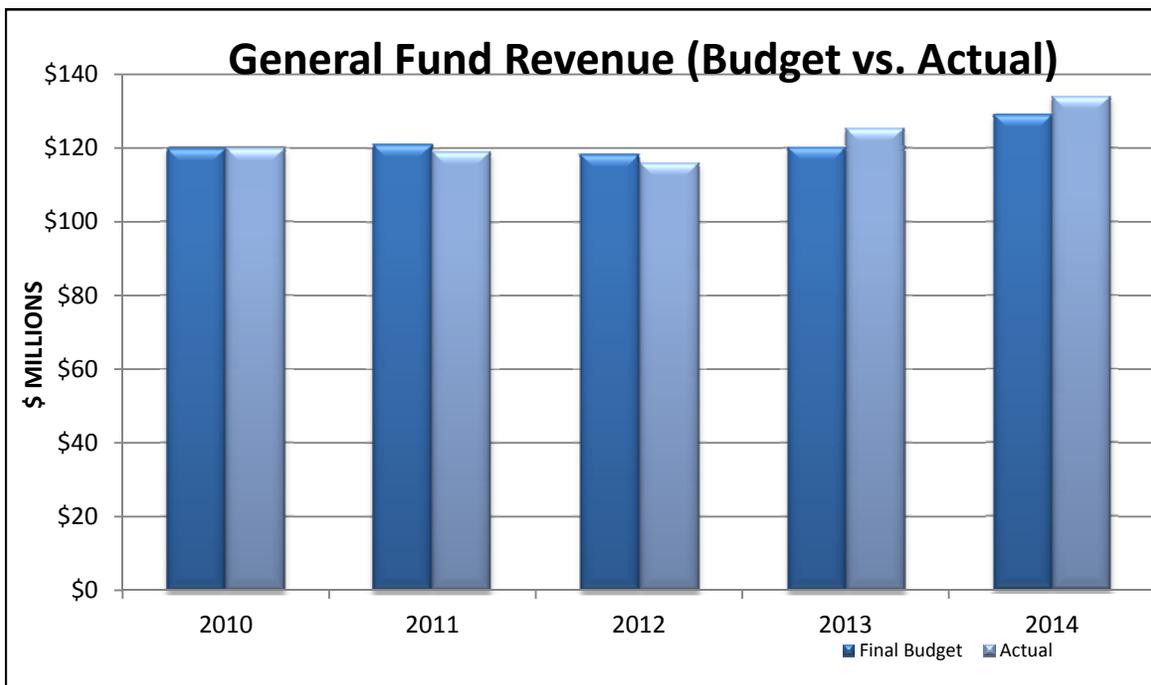
Under the terms of the interlocal agreements, the BRCRA must repay the above amounts when future revenues become available. For FY 2010 through FY 2014 the CRA repaid the City \$10 million in total for Mizner Park deficiency payments and debt service transfers, including a payment of \$1.5M in 2014, and an additional \$2.0M is budgeted for repayment in FY 2015.

General Fund – Resources Forward

RESOURCES FORWARD

Historically, a variance has occurred where department budgets are not 100% expended. These “savings” become available resources as a future funding source. The savings over the last five years have traditionally been resources forward for meeting future obligations and have allowed the City to “roll back” or maintain its property tax. It is important to point out the use of these “savings” is a normal government financing method.

The financial forecast uses the adopted revenue budget for FY 2015 at a rate of 101% of budgeted revenues when forecasting various revenue sources. The financial forecast uses the adopted expenditure budget for FY 2015 at a rate of 99% of budgeted expenditures when forecasting personal service costs, supplies, other operating expenses, and capital items. The variance between revenues and expenditures becomes a revenue source for the next budget year (*resources forward*).



General Fund – Resources Forward

The FY 2015 **Resources Forward** forecast includes a 1% revenue over-collection component and a 1% under-expenditure component. This is primarily the result of projected revenues coming in slightly higher than projections in some of the more economically sensitive revenues. The direction by City management to departments is to continue to monitor their department expenditures for cost savings, which would result in the under-expending of their budgets. Historically, the city has realized under expenditure savings greater than the 1% above. However, the 2014 budget has actualized under expenditures into the budget so achieving a rate greater than 1% is unlikely.

Calculation of Resources Forward

(\$ in thousands)

<u>2015</u>				<u>2016</u>			
<u>Revenues</u>	<u>forecast</u>	<u>at 101%</u>	<u>variance</u>	<u>Revenues</u>	<u>forecast</u>	<u>at 101%</u>	<u>variance</u>
Property taxes	\$53,050	\$53,581	\$531	Property taxes	\$54,588	\$55,134	\$546
Utility taxes	\$17,460	\$17,635	175	Utility taxes	\$17,696	\$17,873	177
Franchise fees	\$12,815	\$12,943	128	Franchise fees	\$12,943	\$13,073	129
Licenses and permits	\$12,420	\$12,544	124	Licenses and permits	\$11,517	\$11,632	115
Intergovernmental	\$11,565	\$11,680	116	Intergovernmental	\$11,729	\$11,846	117
Fees, charges, other	\$24,705	\$24,952	247	Fees, charges, other	\$25,199	\$25,451	252
Interest	\$500	\$505	5	Interest	\$508	\$513	5
	<u>\$132,515</u>	<u>\$133,840</u>	<u>\$1,325</u>		<u>\$134,180</u>	<u>\$135,522</u>	<u>\$1,342</u>
Expenditures				Expenditures			
Personal services	99,251	98,258	993	Personal services	102,153	101,131	1022
Supplies and other	34,425	34,080	344	Supplies and other	31,456	31,142	315
Capital	329	326	3	Capital	170	168	2
	<u>\$134,004</u>	<u>\$132,664</u>	<u>\$1,340</u>		<u>\$133,779</u>	<u>\$132,441</u>	<u>\$1,338</u>
Resources forward FY15 to FY 16			<u><u>\$2,665</u></u>	Resources forward FY16 to FY17			<u><u>\$2,680</u></u>
<u>2017</u>				<u>2018</u>			
<u>Revenues</u>	<u>forecast</u>	<u>at 101%</u>	<u>variance</u>	<u>Revenues</u>	<u>forecast</u>	<u>at 101%</u>	<u>variance</u>
Property taxes	56,171	\$56,733	562	Property taxes	57,800	\$58,378	578
Utility taxes	17,934	\$18,114	179	Utility taxes	18,239	\$18,421	182
Franchise fees	13,073	\$13,203	131	Franchise fees	13,203	\$13,335	132
Licenses and permits	10,711	\$10,818	107	Licenses and permits	10,770	\$10,878	108
Intergovernmental	11,729	\$11,846	117	Intergovernmental	11,729	\$11,846	117
Fees, charges, other	25,703	\$25,960	257	Fees, charges, other	26,217	\$26,480	262
Interest	515	\$520	5	Interest	523	\$528	5
	<u>\$135,836</u>	<u>\$137,195</u>	<u>\$1,358</u>		<u>\$138,482</u>	<u>\$139,867</u>	<u>\$1,385</u>
Expenditures				Expenditures			
Personal services	105,795	104,737	1,058	Personal services	109,578	108,482	1,096
Supplies and other	31,928	31,609	319	Supplies and other	32,407	32,083	324
Capital	175	173	2	Capital	181	179	2
	<u>\$137,898</u>	<u>\$136,519</u>	<u>\$1,379</u>		<u>\$142,166</u>	<u>\$140,744</u>	<u>\$1,422</u>
Resources forward FY17 to FY 18			<u><u>\$2,737</u></u>	Resources forward FY18 to FY19			<u><u>\$2,806</u></u>

GENERAL FUND EXPENDITURES

In projecting expenditures, the City budgeted 100% of personal service costs, supplies, other operating expenses, and capital items. During the budget process, department estimates for the current operating year are revised based on the six-month actual history. After this process, current year expenditures may be revised by a budget transfer as long as the total department budget does not change. Any increases in the total department's budget require a budget amendment (by ordinance and public hearing) approved by City Council after a public hearing. All amendments are posted to the City's website.

For FY 2015, a balanced revenue and expenditure budget has been adopted by the City Council as required by Florida Statute. For the projected four-year period from 2016 through 2019, however, the City continues to provide a baseline forecast, which illustrates the expectations for continuing existing service programs, which will be in place in FY 2015. In many cases, continuing costs will increase over time by an inflation factor even though the service level stays constant.

Expenditure Classifications

Expenditures have been broken down into three major classifications: personal services, supplies/other operating costs, and capital outlay. Additional discussion of selected expenditure category projections and changes expected to occur over the forecast period are provided in this section.

a. Personal Services

Personnel costs are by far the largest expenditure classification within the General Fund budget, representing 72% of the entire FY 2015 budget. Most of these costs are for full-time personnel, with the remainder being part-time and seasonal personnel costs. All employee benefits, including social security, Medicare, pension, health, vision and dental insurance, workers compensation, etc., are included in Personal Services.

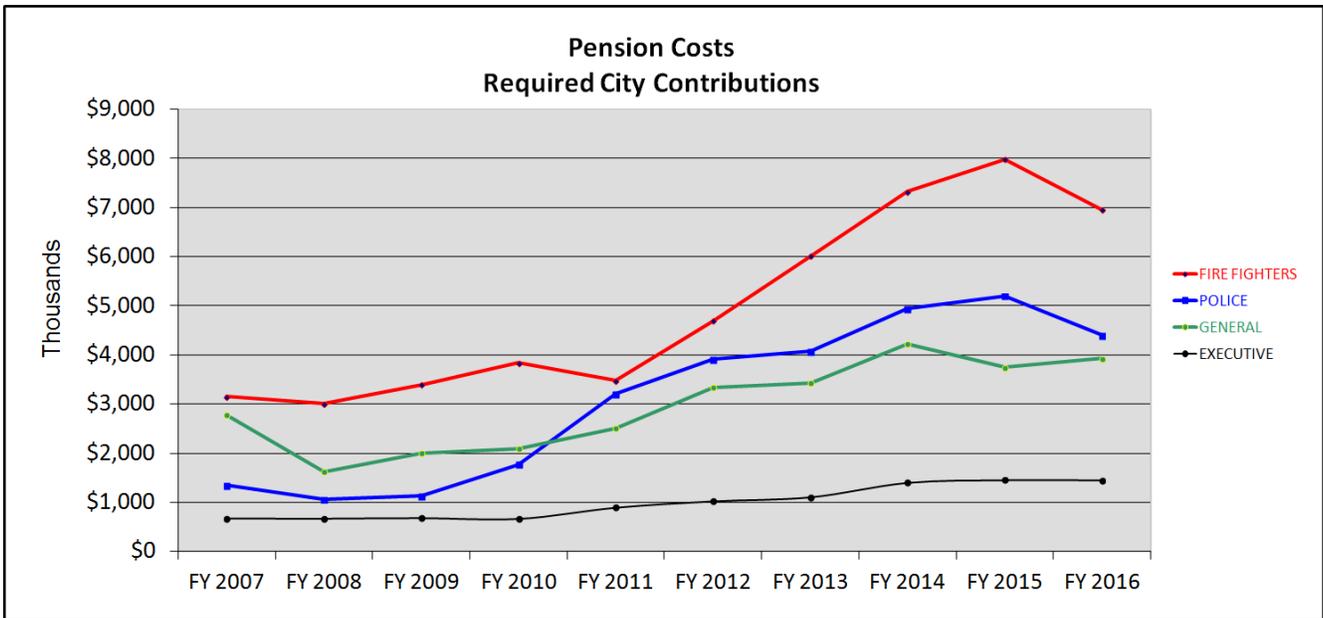
The City provides a self-insured medical plan for all employees. City medical plan costs continue to escalate, but have been under national percentage increases. In the current fiscal year, the City's total cost is projected to be \$12 million. For FY 2015, the City continued offering a Health Reimbursement Plan option and employee premiums were not increased.

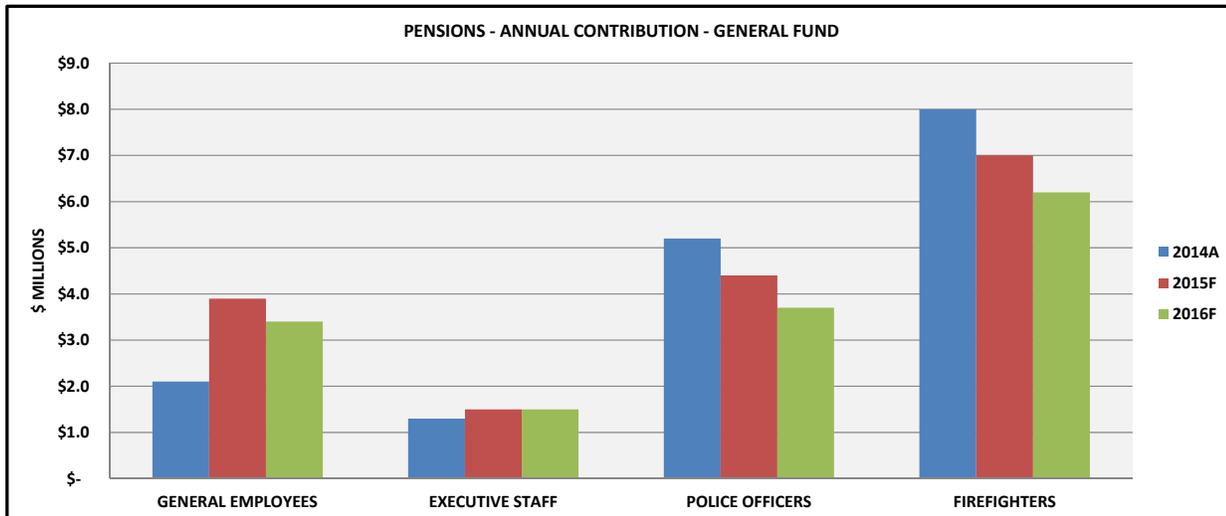
Newly hired General and Executive employees have a choice of entering into a reduced defined benefit or a defined contribution pension plan. The City anticipates in the long run this will stabilize the City's pension contributions. Pension costs are sensitive to negative market conditions in addition to other actuarial assumptions. Based on actuarial analysis from negotiated changes, pension costs for Police and Fire are expected to decrease by \$1.4 million for FY 2016. For 2016, the general employees' and executives' pension costs are decreasing 1% due to positive investment results.

Recently approved labor contracts for IAFF and FOP required adjustments to wages and benefits and are included in this forecast.

Pension Contributions			
	<u>FY 2015</u>	<u>FY 2016</u>	<u>Increase (Decrease)</u>
General Employees:			
General Fund	\$2,080,552	\$1,882,459	(198,093)
Other Funds	1,845,017	1,479,075	(365,942)
City Contribution cost total	3,925,569	3,361,534	(564,035)
Percentage of Payroll	12.72%	13.81%	
Executive Employees:			
General Fund	1,282,378	1,304,261	21,883
Other Funds	174,870	177,854	2,984
City Contribution cost total	1,457,248	1,482,115	24,867
Percentage of Payroll	30.44%	32.84%	
Police Officers:			
City Contribution cost total	4,395,356	3,730,000 *	(665,356)
Percentage of Payroll	29.79%	24.62%	
Firefighters:			
City Contribution cost total	6,957,373	6,175,000 *	(782,373)
Percentage of Payroll	43.64%	38.39%	
Decreased funding for FY16			(1,986,897)

* FY2016 Based on Foster 7 Foster March 23, 2015 Special Actuarial Analysis, Actuarial Valuation Report has not been completed.





Full-time personal service cost projections are based on the following assumptions:

- During the forecast period, it is anticipated that 40 new positions will be added to the City’s workforce to maintain current service levels, and these new positions are reflected in the personnel service cost projections.
- The anticipated new positions include positions in police, fire, engineering, code enforcement, building inspection, recreation, and internal services.
- Full-time personal services expenditures include annual increases of costs of existing positions.
- After FY 2015, annual personnel cost projections are forecast at 3-5% for public safety employees and 2-3% for general employees.
- Future new programs will be handled through the annual new programs and are not part of this “baseline” plan.

b. Other Operating Costs/Supplies

Included in this category are operating supplies, and the non-personnel, non-capital support costs associated with General Fund operations. This category is the second largest classification of General Fund expenditures and includes utilities, insurance, information services, motor pool charges, maintenance, and contract services associated with General Fund operations. Growth is anticipated at 1.5%. Also included in this category are the operating supplies for general government. These include office supplies, fuel, and uniforms, janitorial supplies, and street and traffic signs, chemical, medial, and other supplies.

c. Capital Outlay

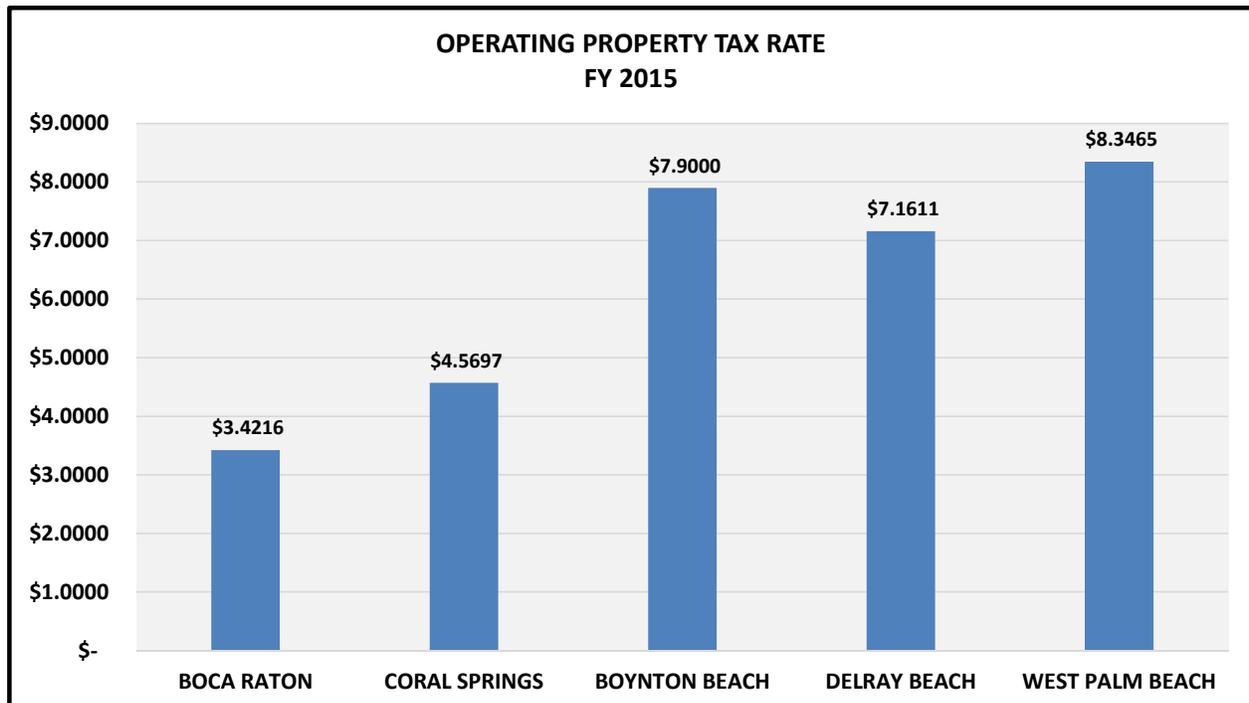
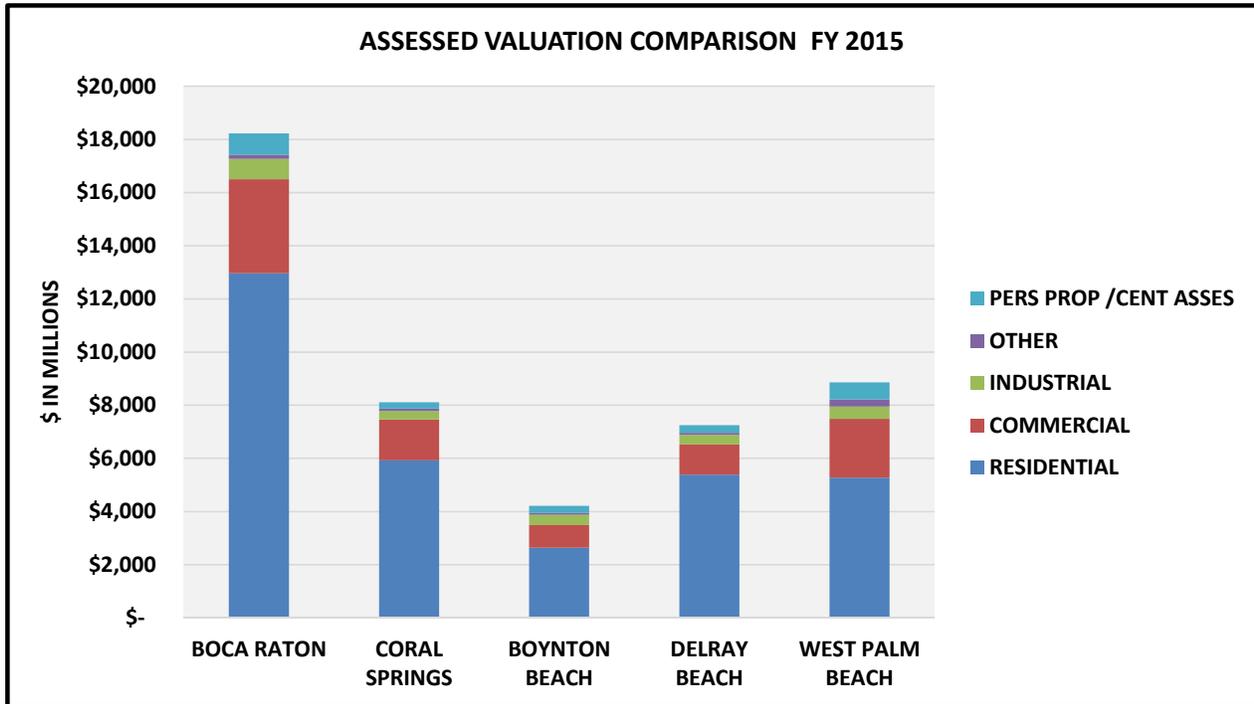
Included in this category are small capital purchases (over \$5,000 and less than \$35,000) which do not qualify for inclusion in the 6-year Capital Improvement Program Fund (CIP). Capital items are submitted annually in the departmental budget requests. These items vary from year-to-year, but total budget dollars have remained constant over the years.

d. Transfer to Right of Way Beautification Fund

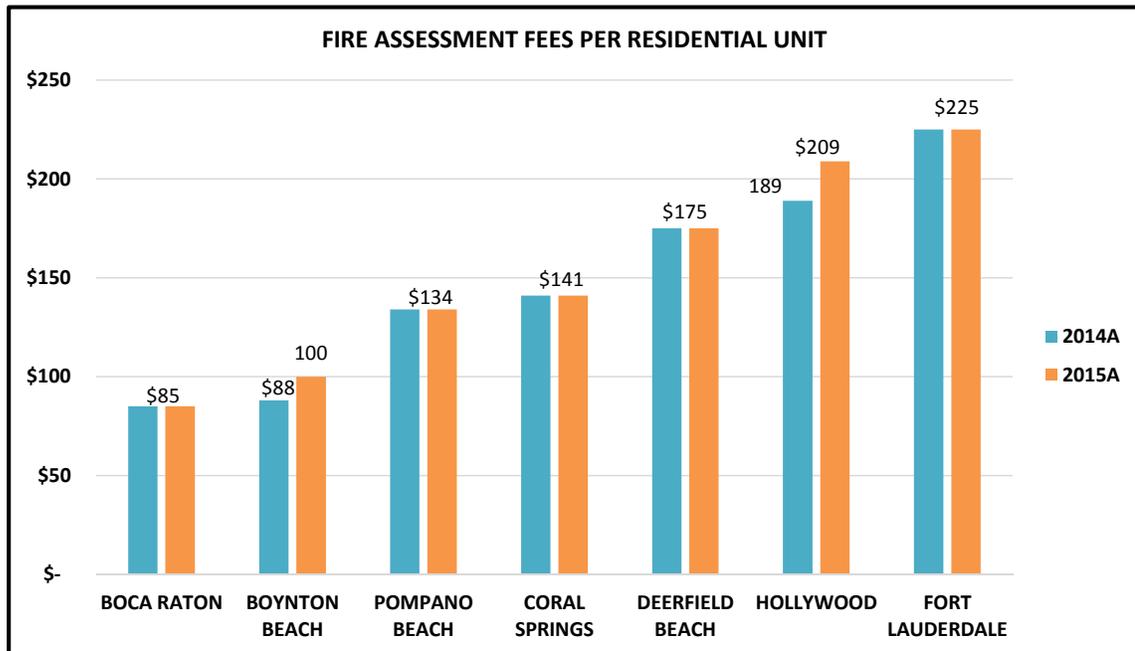
Due to continued expansion of the median beautification program and increased costs of existing median combined with declining funding, the Beautification Fund requires a \$1.5 million transfer from the General Fund. This forecast anticipates continued funding from the General Fund in the forecasted years.

GENERAL FUND COMPARISON WITH OTHER MUNICIPALITIES

Assessed Valuation and Property Taxes

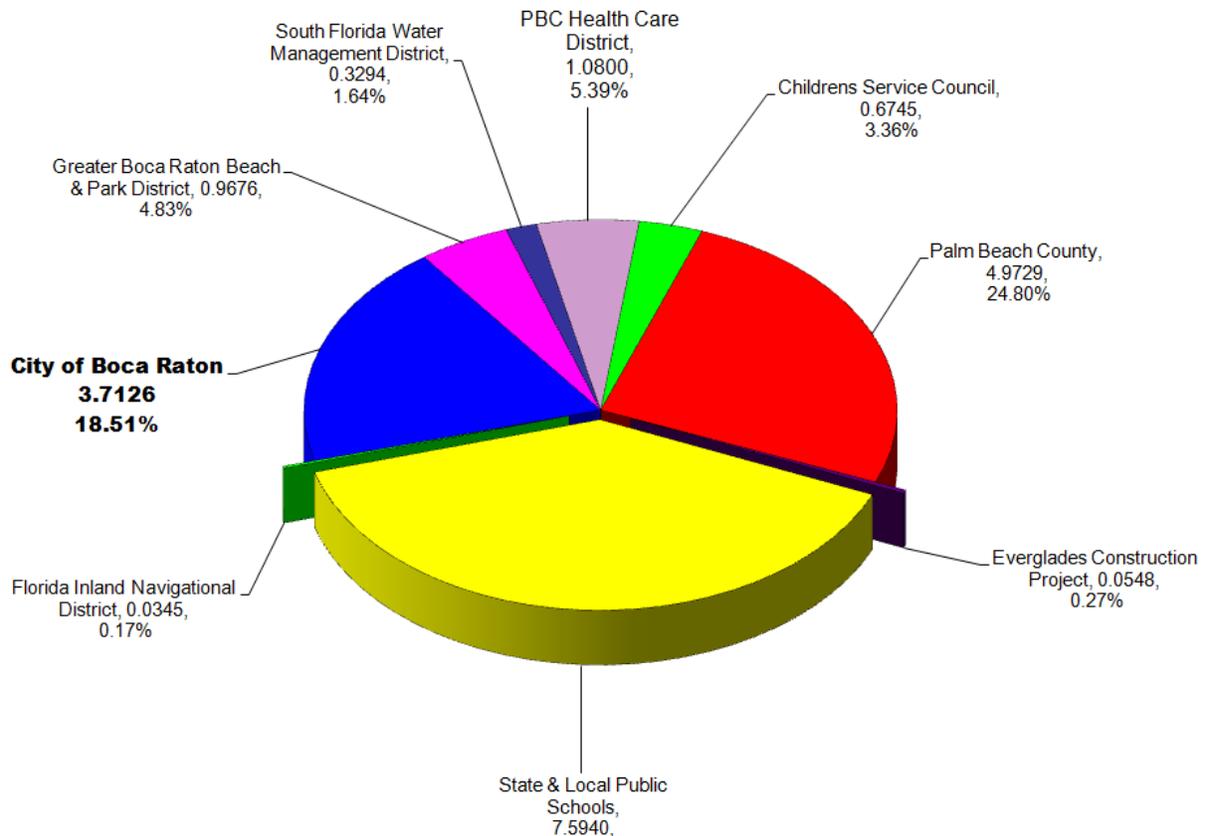


Fire Assessment Fee



TAX BILL

The property taxes for FY2015 represent approximately 18.51% of the total tax bill for a typical single-family homeowner.



CONCLUSION AND DISCUSSION

In the 2014 fiscal year assessed values increased greater than previously forecasted, also, utility excise taxes and building permits increase at better than expected rate. Operating costs were less than anticipated, resulting in improved financial stability of the City as this plan indicates compared to last year's Plan. Although projected revenues and expenditures for the forecast period are expected to grow at lower overall levels than have been experienced recently, the financial forecast clearly shows that the projected expenditure growth rate will outpace revenue growth. It is this conclusion which leads to the expectation that during the forecast period, revenue growth will not cover the moderate growth in operating expenditures, and as a result, will decrease City reserves.

The Florida Legislature is again considering various proposals relating to the elimination of local government revenues, pension reform and limits to business taxes. Potential legislation could have a significant impact on a local government's ability to maintain and improve services to residents. The City is carefully monitoring these initiatives and their future impact on the City's ability to function at its' present level.

The City is exploring options related to the sale and or lease of City property to generate additional revenue. Any sale of city property should be considered a one-time revenue. One-time revenues should be matched to one-time outlays and should not be used to fund on-going obligations.

The future use of reserves as a one-time source to balance the operating budget is unsustainable as shown in the later years of the financial forecast. Without new or expanded revenue sources, expenditures for programs will have to be cut significantly. Drawing down reserves to meet future shortfalls in operating budgets without new or expanded revenues will have severe financial consequences for the City and dramatically reduce services to residents.

There are numerous external factors outside of the control of the City Council, which may significantly affect the City's ability, even with a prudent and extremely conservative Financial Forecast, to continue to provide the highest quality of service within the available resources.

The City of Boca Raton must develop and employ strategies that will yield the anticipated results despite external conditions that provide swings in revenues and costs over which the City has little or no control. These strategies should include revenue enhancements, the expanded use of grants, service prioritization, and reduction of operating costs, containment of long-term fixed costs and the consolidation of services. Developing Long-Range Financial Plans which respond to an uncertain economy is a critical component to sustainability. The City of Boca Raton has to adopt resilient actions to contain or control costs to be able to plan and react accordingly.

This is the twentieth update of the City's Long-Range Financial Plan. The objective is to provide the City Council, management, and the citizens of Boca Raton with prudent Financial Planning to enable future leaders to make sound financial decisions, which will benefit future residents while maintaining the high quality of life that the residents expect. It is the City's mission to *provide the highest quality of service to the community through responsible use of public resources to enhance our unique quality of life.*

RECOMMENDATIONS

Maintain Recommended Fund Balances

The rating agencies have recognized the City's history of having strong fund balances. It is essential that fund balance be maintained and not be used as a revenue source when new programs are added without an offsetting revenue source. At the end of the FY 2013 the City had accumulated a strong fund balance and was able to provide funding for an Economic Development Fund and a Retirement Sustainability Fund.

The landfall of six hurricanes in Florida in FY 2004 and 2005 provided a tough lesson to most communities on the potential effects of the South Florida environment. Having a strong fund balance enabled the City to quickly react to emergencies and to fund the significant costs related to debris removal.

Explore Additional Annexations

Future annexations of high-end assessed property requiring few additional services will significantly increase the revenue stream necessary to maintain a stable financial future. The City needs to examine areas that would benefit future City finances without diminishing future resources. The two most recent annexations have added substantial revenue without significant costs to operations.

In October 2010, annexation options, consisting of communities that are north and west of the City, were prepared by a consultant. The report includes analysis of City revenues and expenses and the impact on annexed property owners in terms of service and cost. The fiscal impact from the study results in a net annual revenue to the City. The City continues to update the study annually based on revised property values. Individual, in depth analysis of single community annexation occurs as requested by the City.

Explore Other Fees for Services

With the forecast demonstrating the reality of drawing down the City's existing unassigned fund balance, the City needs to recover all costs related to providing services. The City should evaluate program costs and should attempt to set fees to recover costs if the market supports it.

Be Very Selective About Service Additions

The addition of new on-going programs should be matched with a new or alternative source of revenue or should be "traded off" with an existing program of equal size and growth parameters. It is essential that City Council consider service expansion cautiously, especially outside of the formal annual budget development process.

Continue Emphasis on Efficient use of Existing Resources

Performance measurements, management studies, and other budgetary control measures are among the ways that the City has placed new emphasis on the efficient use of existing resources. There should be continued emphasis on priorities and trade-offs when making budget decisions.

Continue Emphasis on Finding Effective Cost Containment Measures

Staff should continue to bring forward cost containment measures aimed at mitigating the trend lines of some of the more escalating expenditure items. Union negotiations with general employees have reduced pension costs in the future by adding a defined contribution option plan for all new hires. Over the long term this should reduce pension costs for general employees.

Continue Evaluations of Long-Term Effects of Decisions

It is essential that the City Council place a continuing emphasis on evaluating the long-term fiscal impacts of their decisions and, where possible, match future significant long-term service costs with an appropriate and reliable funding source. The cost of Public Safety, \$84 million or 62% of overall General Fund Budget, has placed a heavy burden on future City finances with potential pension and compensation pay issues. However, the City must remain competitive to attract and retain the highest quality employees. The City must be very cautious over these Public Safety union negotiations, but balance their costs with the need to attract and retain quality employees.

Continue Evaluation of Comprehensive Cost Recovery Objectives

Good progress has been made in several fee-supported programs. Revenue and expenditure match-ups are improving where re-thinking and re-negotiating have taken place. It is recommended that continued development and monitoring of cost recovery approaches already in place, and suggests that changes in cost recovery goals and objectives be conscious decisions with the relevant revenue and expenditure information at hand, and that the City continue to examine new areas for cost recovery via service fees. The City should continue to partner with the Greater Boca Raton Beach and Park District for cost sharing related to beach renourishment projects and other joint projects.

Continue Economic Development Efforts

The City recognizes the importance of supporting the business community and facilitating economic development programs within the City to create and maintain economic sustainability. To attract and retain businesses in Boca Raton, the City has established partnerships with the State of Florida Department of Economic Opportunity, Palm Beach County, the Palm Beach County Business Development Board, and others. In 2010, the City enacted an Economic Development Incentive Policy to encourage economic development and the creation of jobs in the City. The Policy includes non-monetary incentives such as expedited permitting process, and monetary incentives such as lease subsidies, grants, and local matches of State of Florida economic development incentive programs.

The City continues to recover from the economic downturn which had negative impacts on the City's corporate tax base and jobs. The City's employment rate and tax base are continuing to show improvements, and the number of businesses and employees in the City is increasing. However, the City of Boca Raton is still facing competition for new and existing businesses, and to create and retain jobs in the City, the City should continue to working with its economic development partners, and to continue and expand its economic development programs and activities.

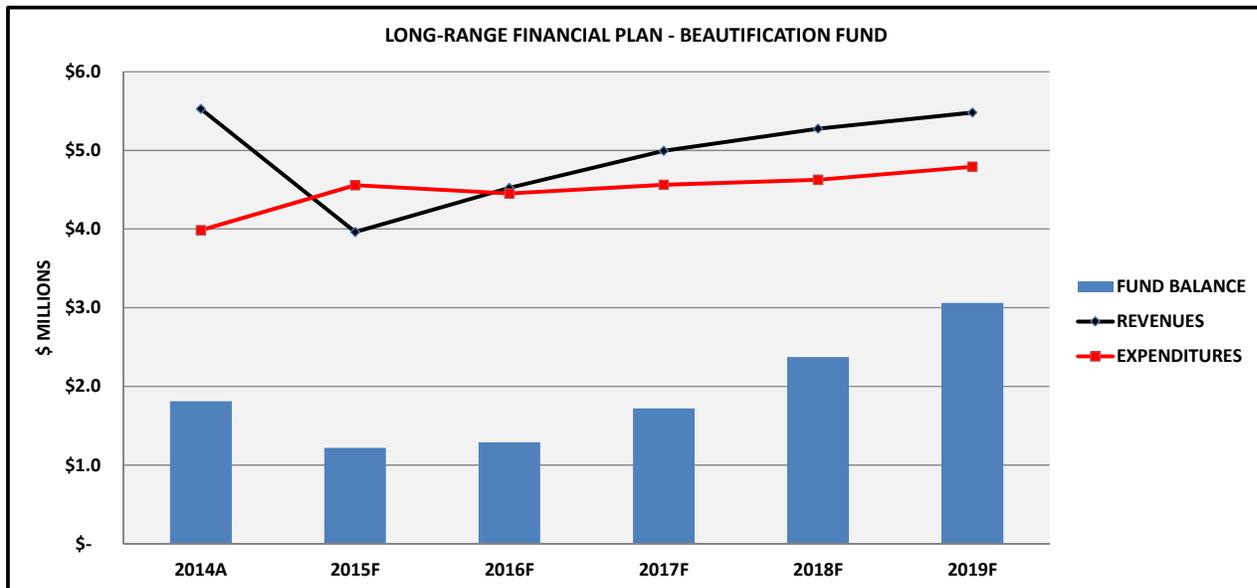
Explore Increasing Revenues

The City will evaluate existing revenue sources for potential growth. After several years of large reductions in expenses while maintaining services, the future projection shows that the City will need to manage priorities and provide additional resources to remain fiscally sound and financially sustainable.

R.O.W. BEAUTIFICATION FUND

The Right-of-Way Beautification Fund is a special revenue fund established to account for a public service (utility) tax levied specifically for the Comprehensive Median Beautification Program established in 1984. Revenues include a 1% utility tax, interest earnings on fund balances, and private donations.

Expenditures include personnel services, operating expenses, supplies, and operating capital outlays associated with maintaining the City’s medians. Currently, there are 35 employees responsible for maintaining the City’s 196.36 miles or 220.2 acres of medians.



BEAUTIFICATION FUND
Long-Range Financial Forecast
(\$ in thousands)

	2014A	2015F	2016F	2017F	2018F	2019F
REVENUES & SOURCES						
02-UTILITY TAXES	\$ 2,405	\$ 2,354	\$ 2,384	\$ 2,415	\$ 2,447	\$ 2,496
08-INTEREST	15	9	9	9	9	9
09-OTHER SOURCES	204	100	100	100	100	100
10-TRANSFERS IN	2,902	1,500	2,030	2,471	2,720	2,874
TOTAL REVENUES AND SOURCES	5,527	3,962	4,523	4,994	5,276	5,480
EXPENDITURES & USES						
01-PERSONNEL SERVICES-GENERAL	1,884	2,020	2,063	2,131	2,205	2,287
03-OPERATING EXPENDITURES-OTHER	1,767	1,897	1,925	1,954	1,983	2,013
04-SUPPLIES	243	346	356	367	378	385
05-CAPITAL	84	284	98	101	49	95
07-TRANSFERS OUT	6	10	10	10	10	10
TOTAL EXPENDITURES AND USES	3,983	4,557	4,452	4,563	4,625	4,791
ANNUAL INCREASE/(DECREASE) IN FUNDS	1,543	(594)	71	431	651	689
BEGINNING RESERVES	271	1,814	1,220	1,291	1,722	2,373
TOTAL AVAILABLE	\$ 1,814	\$ 1,220	\$ 1,291	\$ 1,722	\$ 2,373	\$ 3,062

Revenues

One (1) percent of the utility tax is levied for right-of-way purposes. In keeping with the City's forecast, a 2% growth rate is used. Interest earnings are forecast using the available reserve balance. The fund receives donations from developers to be used for beautification funding in the City. Starting in FY 2013 a transfer from the General Fund is necessary to fund the cost of providing the operating and maintenance of the beautification program and this transfer continues to increase.

Expenditures

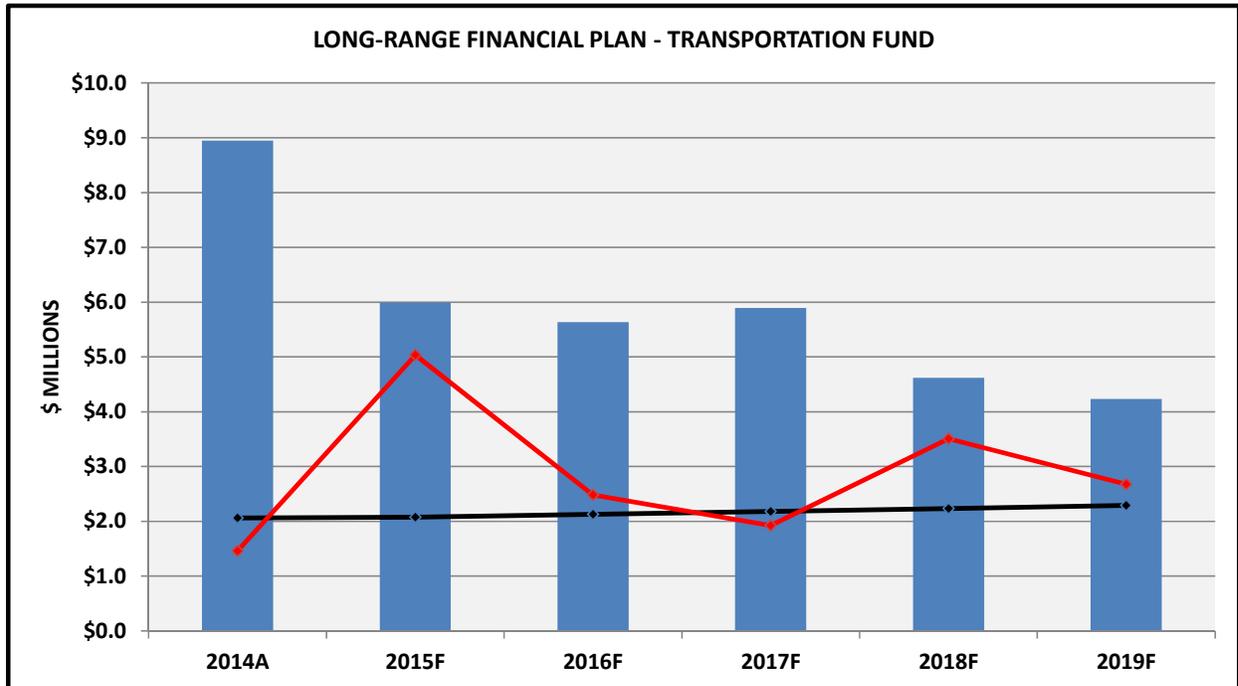
Operating expenditures have been forecast using the same projections stated previously in the report for the General Fund. In FY 2013 the City changed a portion of the maintenance from outside contract services to using City employees. This necessitated the hiring of 15 additional groundskeepers.

Recommendation

The Right-of-Way Beautification Fund is not able to sustain the expenditures with current revenue sources and requires substantial funding from the General Fund. Careful consideration has to be given toward additional projects. Funds are limited and new projects will have a direct impact upon capital and operational expenditures.

TRANSPORTATION FUND

The Transportation Fund is a special revenue fund established to account for the local option gas tax. Gas tax is restricted for roadway program expenditures. The funds are used to fund capital road projects for major capital programs, as reflected in the Approved 5 Year CIP.



**Transportation Fund
Long-Range Financial Forecast**
(\$ in thousands)

	2014A	2015F	2016F	2017F	2018F	2019F
REVENUES & SOURCES						
04-LOCAL OPTION FUEL TAX	\$ 1,999	\$ 2,025	\$ 2,076	\$ 2,128	\$ 2,181	\$ 2,235
08-INTEREST	62	50	51	52	52	53
TOTAL REVENUES AND SOURCES	2,061	2,075	2,127	2,179	2,233	2,289
EXPENDITURES & USES						
05-CAPITAL	1,461	5,032	2,482	1,922	3,507	2,677
TOTAL EXPENDITURES AND USES	1,461	5,032	2,482	1,922	3,507	2,677
ANNUAL INCREASE/(DECREASE) IN FUNDS	600	(2,957)	(355)	258	(1,273)	(388)
BEGINNING RESERVES	8,347	8,947	5,991	5,636	5,893	4,620
TOTAL AVAILABLE	\$ 8,947	\$ 5,991	\$ 5,636	\$ 5,893	\$ 4,620	\$ 4,232

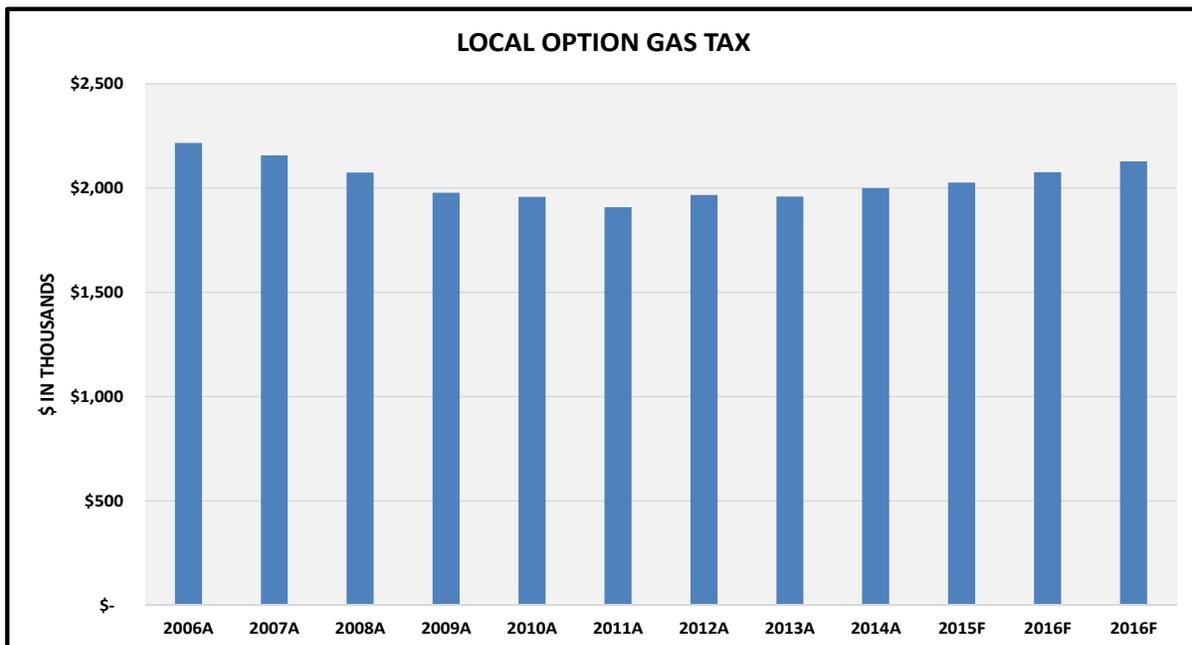
Revenues

Palm Beach County, under Florida Statute 326.025, levies a six (6) cent and a five (5) cent Local Option Gas Tax. Eligible municipalities in the County, by Interlocal Agreements, receive a distribution based on the following:

	<u>County %</u>	<u>Municipalities %</u>
Six (6) cent tax	66-2/3	33-1/3
Five (5) cent tax	79	21

The following formula is used to distribute to the eligible municipalities:

$$\text{Local Distribution} = 30\% \times \frac{(\text{City Population})}{(\text{Sum of Population})} + 70\% \times \frac{(\text{City Lane Miles})}{(\text{Sum of Lane Miles})}$$



The Transportation Fund will fund significant traffic projects, Transportation Demand Management Implementation, bike paths, sidewalk links to public schools, and on-going program of improvements to the public street system over the next several years.

Recommendation

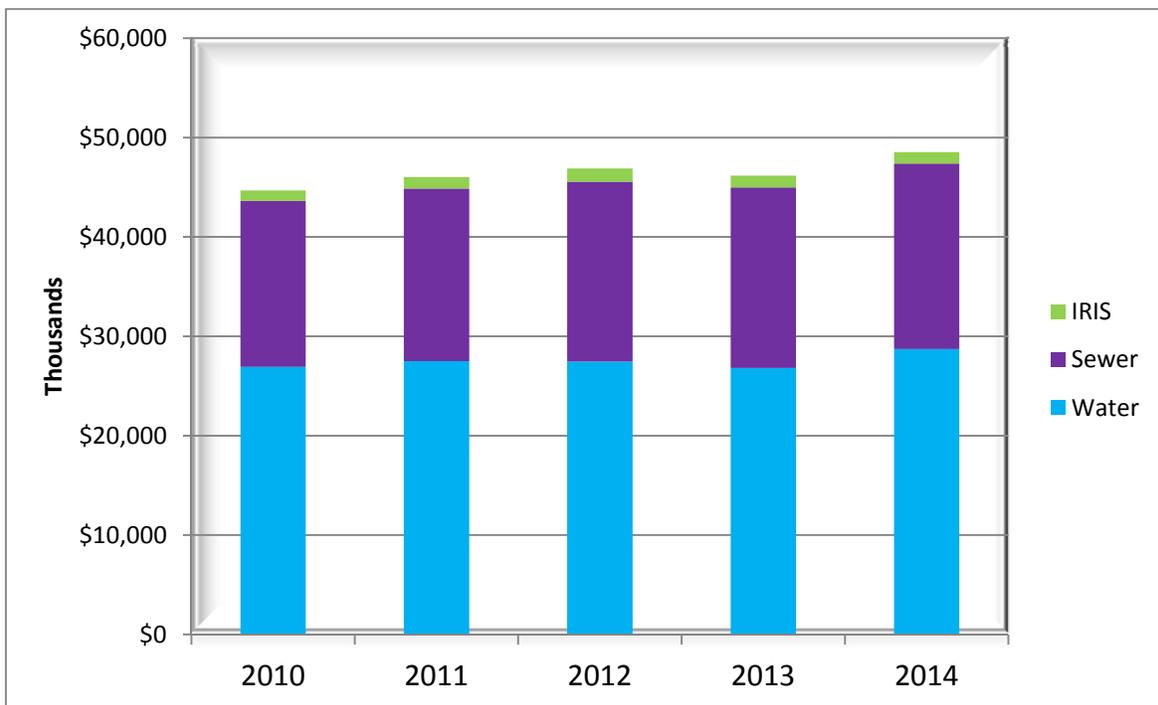
Based on the current projected capital projects, funds should be sufficient in the Transportation Fund to complete the projects.

WATER AND SEWER FUNDS

The City operates its Water and Sewer System as an Enterprise Fund and funds the operations, debt service and infrastructure needs through user fees and available reserves. The City has issued bonds to pay for a portion of its capital projects and the debt service is repaid through the system’s revenues. The City’s service area encompasses approximately 35 square miles and extends beyond the corporate City limits. There are approximately 34,600 accounts including both residential and commercial. Those customers outside the corporate City limits pay a surcharge of 25%. Effective each October, the water and sewer rates and charges will automatically increase, by the percentage increase, if any, of the Consumer Price Index for All Urban Consumers (CPI U); region Miami/Ft. Lauderdale.

The gross water and sewer sales increased from \$46.2 million in 2013 to \$48.5 million in 2014. The Water and Sewer Fund had a positive change in net position of \$7.1 million for FY 2014. The operating income for the Water and Sewer Fund increased from \$4.5 million in 2013 to \$7.2 million in 2014. Allowable system development fees are also collected to offset the impact of growth of serving new customers and commercial development.

The following chart compares Operating Revenues for Water and Sewer:



In March 2009, the City issued Water and Sewer Revenue Refunding Bonds, Series 2009 to refund a portion of the 1999 Water and Sewer Revenue Improvement Bonds. The City received an AAA rating from Fitch Ratings, Standard & Poor's and Moody's Investor Services on the issue. The City pledged to maintain debt coverage ratios of 1.1 by net revenue and 1.20 by total revenue (where operating revenue exceeds operating expense). As demonstrated by the Table below, the coverage has exceeded the minimum requirements of 1.20 total revenue coverage.

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<u>REVENUE</u>					
Water Sales	\$ 27,993	\$ 28,648	\$ 28,736	\$ 27,999	\$ 29,878
Sewer Service Charges	16,692	17,378	18,085	18,170	18,660
Other Operating Revenues	2,592	2,262	2,419	2,283	2,534
Interest Income	1,489	531	687	(259)	804
Gross Revenues	\$ 48,766	\$ 48,819	\$ 49,927	\$ 48,193	\$ 51,876
<u>OPERATING EXPENSES</u>					
Administration Expenses	\$ 9,429	\$ 10,169	\$ 10,302	\$ 10,891	\$ 11,027
Water System	15,314	15,183	14,986	16,313	16,126
Sewer System	6,025	6,272	6,389	6,200	6,291
Total Operating Expenses	\$ 30,768	\$ 31,624	\$ 31,677	\$ 33,404	\$ 33,444
Net Revenues Available for Debt Service	\$ 17,998	\$ 17,195	\$ 18,250	\$ 14,789	\$ 18,432
Allowable system development charges	\$ 427	\$ 457	\$ 1,310	\$ 999	\$ 1,053
Total Revenue Available for Debt Service	\$ 18,425	\$ 17,652	\$ 19,560	\$ 15,788	\$ 19,485
Debt Service	\$ 4,603	\$ 5,029	\$ 5,027	\$ 5,040	\$ 5,039
By net revenues	3.91	3.42	3.63	2.93	3.66
By total revenues	4.00	3.51	3.89	3.13	3.87

Source: City of Boca Raton Utility Service Department and City of Boca Raton Financial Services Department

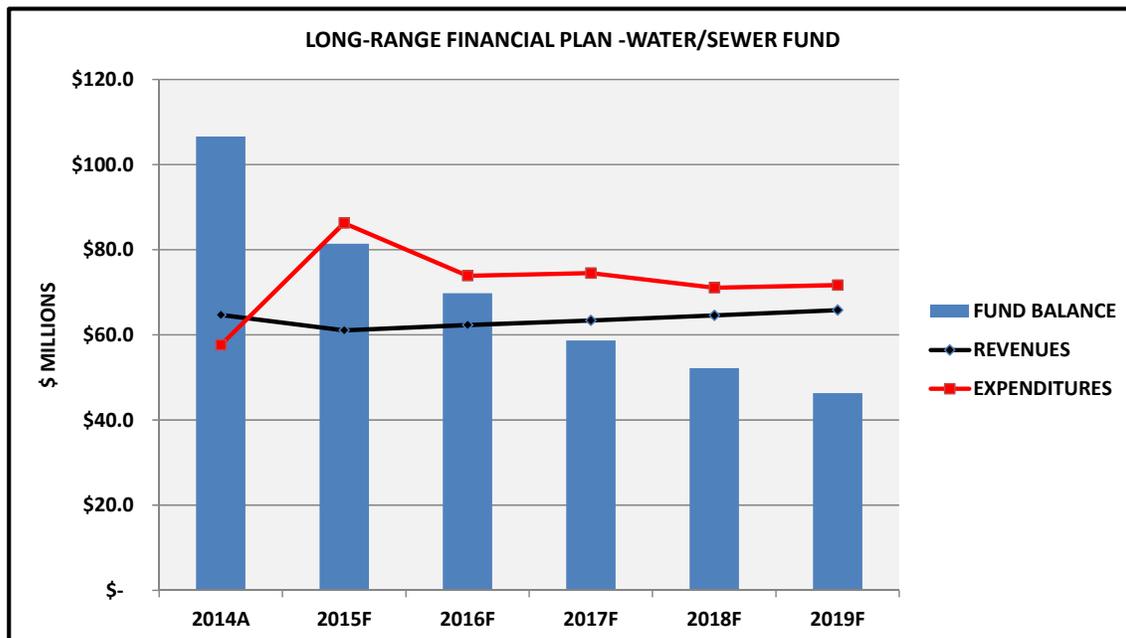
It is assumed that water and sewer revenues will not be significantly affected by growth, and that an across-the-board increase equal to the Consumer Price Index (CPI) for the year ended the previous June 1, will be applied to the rate each October 1. A history of CPI rate increases is itemized below:

<u>Rate change effective October</u>	
2014	2.4%
2013	1.9%
2012	1.2%
2011	4.0%
2010	0.4%

Largest Customers

The City bills an average of approximately 1.1 billion gallons per month, which is distributed across all customer classes and users. Customer billing records for 2014 (January 1 to December 31) indicate the top ten potable water users, their consumption for this period, and relative percent of total consumption were as follow

<u>CUSTOMER</u>	<u>USAGE (MG)*</u>	<u>Percent of Total</u>
Florida Atlantic University	295.630	29.76%
Boca Raton Resort & Club	89.710	9.03%
Biotest	48.581	4.89%
Boca Raton Regional Hospital	42.332	4.26%
BRE/Boca Corp. Center	29.772	3.00%
Lynn University	29.513	2.97%
Investments Limited	27.380	2.76%
City of Boca Raton	26.010	2.62%
School Board of Palm Beach County	21.916	2.21%
Mizner Tower	21.288	2.14%
* Excludes IRIS Usage / million gallons	993	100%



Water and Sewer Funds
Long-Range Financial Forecast
(\$ in thousands)

	2014A	2015F	2016F	2017F	2018F	2019F
REVENUES & SOURCES						
IMPACT FEES	\$ 470	\$ 4,534	\$ 4,534	\$ 4,534	\$ 4,534	\$ 4,534
GRANTS	250	-	-	-	-	-
WATER SALES & SEWER CHARGES	50,799	49,920	50,919	51,937	52,976	54,035
09-INTEREST	804	354	359	365	370	376
10-OTHER SOURCES	225	3	3	3	3	3
	64,678	61,133	62,263	63,415	64,591	65,790
EXPENDITURES & USES						
01-PERSONNEL SERVICES-GENERAL	11,409	12,563	12,519	12,727	12,962	13,903
03-OPERATING EXPENDITURES-OTHER	17,670	19,847	20,145	20,447	20,754	21,065
04-SUPPLIES	4,331	4,649	4,718	4,789	4,861	4,934
05-CAPITAL	-	37,692	20,730	20,810	16,770	16,070
07-OTHER USES	11,940	4,981	9,136	8,961	8,832	8,755
08-TRANSFERS OUT	12,235	6,480	6,610	6,742	6,877	7,015
	57,586	86,312	73,859	74,477	71,056	71,741
	7,092	(25,179)	(11,596)	(11,062)	(6,465)	(5,950)
BEGINNING RESERVES	99,500	106,592	81,413	69,817	58,755	52,290
TOTAL AVAILABLE	\$ 106,592	\$ 81,413	\$ 69,817	\$ 58,755	\$ 52,290	\$ 46,340

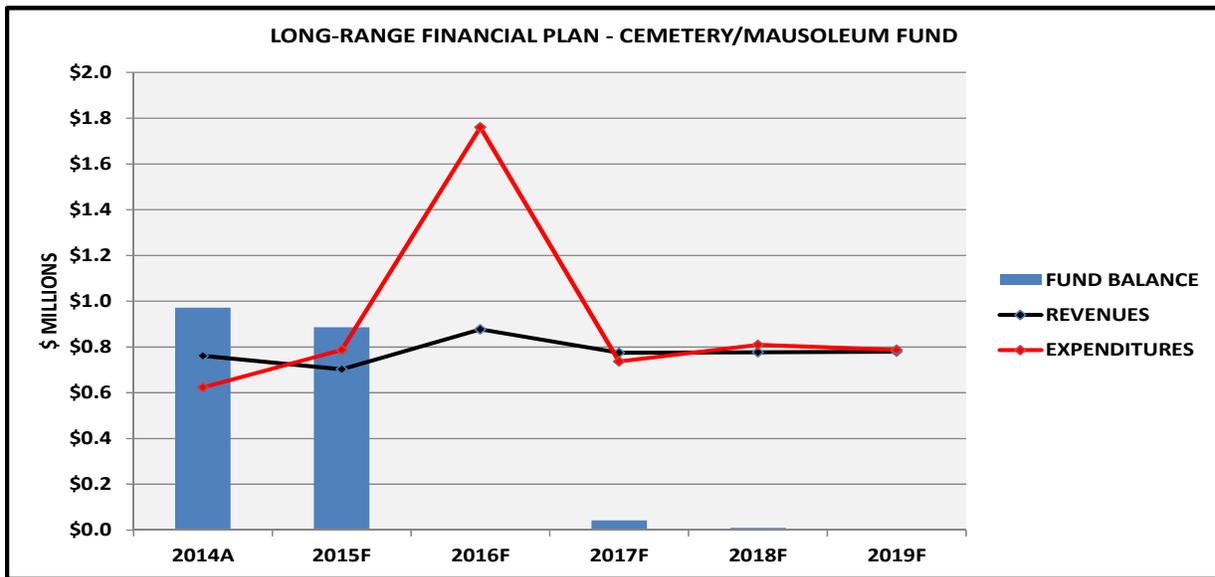
Recommendation

The Water and Sewer System has a significant capital needs forecast over the next several years due to federal and state mandates and the age of the infrastructure. Building reserves and minimizing the future impact on rate increases will fund projected capital needs and lessen the need for long-term financing. Annual CPI adjustments should be continued.

CEMETERY/MAUSOLEUM OPERATING FUND AND PERPETUAL CARE FUNDS

In 1994, City staff prepared a detailed report on cemetery/mausoleum operations and perpetual care. From this report, several recommendations on cemetery operations were implemented:

- Cost of a cemetery plot was increased to \$1,590.
- A perpetual care fee of \$955 per cemetery plot was established to accumulate enough revenue to allow interest on these revenues to fund future operations of the cemetery.
- Other sales and service fee increases were made.
- All fees including the perpetual care fee, plot fees, and other fees will be increased annually using an inflation index.



	2014A	2015F	2016F	2017F	2018F	2019F
REVENUES & SOURCES						
07-FEES, CHARGES & OTHER FINES	\$ 139	\$ 109	\$ 111	\$ 113	\$ 116	\$ 118
09-INTEREST	6	2	2	2	2	2
10-OTHER SOURCES	106	70	70	70	70	70
11-TRANSFERS IN	511	522	694	590	590	590
TOTAL REVENUES AND SOURCES	761	702	877	775	777	779
EXPENDITURES & USES						
01-PERSONNEL SERVICES-GENERAL	322	365	377	391	405	421
03-OPERATING EXPENDITURES-OTHER	211	286	290	295	299	304
04-SUPPLIES	24	23	23	23	24	24
05-CAPITAL	-	113	1,069	28	82	39
07-OTHER USES	65	-	-	-	-	-
TOTAL EXPENDITURES AND USES	623	787	1,760	736	809	787
ANNUAL INCREASE/(DECREASE) IN FUNDS	138	(85)	(883)	38	(32)	(8)
BEGINNING RESERVES	834	972	887	4	43	10
TOTAL AVAILABLE	\$ 972	\$ 887	\$ 4	\$ 43	\$ 10	\$ 2

The fund experienced a net loss in the operating fund of \$372,519 before a transfer of \$510,600 (cemetery \$199,700 / mausoleum \$310,900) from the perpetual trust fund in FY 2014. In FY 2014, 73 lots were sold for the entire year. The City has a policy of only selling lots to City residents. Mausoleum sales do not have this restriction but still failed to meet the projection. Also, the Mausoleum Corporation is no longer the only company offering services in our area. These variables, as well as the cost of mausoleum building maintenance, may cause perpetual care reserves to be depleted earlier than anticipated. This may have an impact on the General Fund in the future.

The cemetery and mausoleum continue to face new competition in the City and surrounding areas. With the nationwide trend of reduced burials and more cremations, lot sales are not seen increasing in the future.

The reserve balances need to be sufficient to produce interest revenue to fund operations and capital improvements when revenues decrease because of sellout of the cemetery and mausoleum.

At September 30, 2014 the fund balances in the Perpetual Care Funds were:

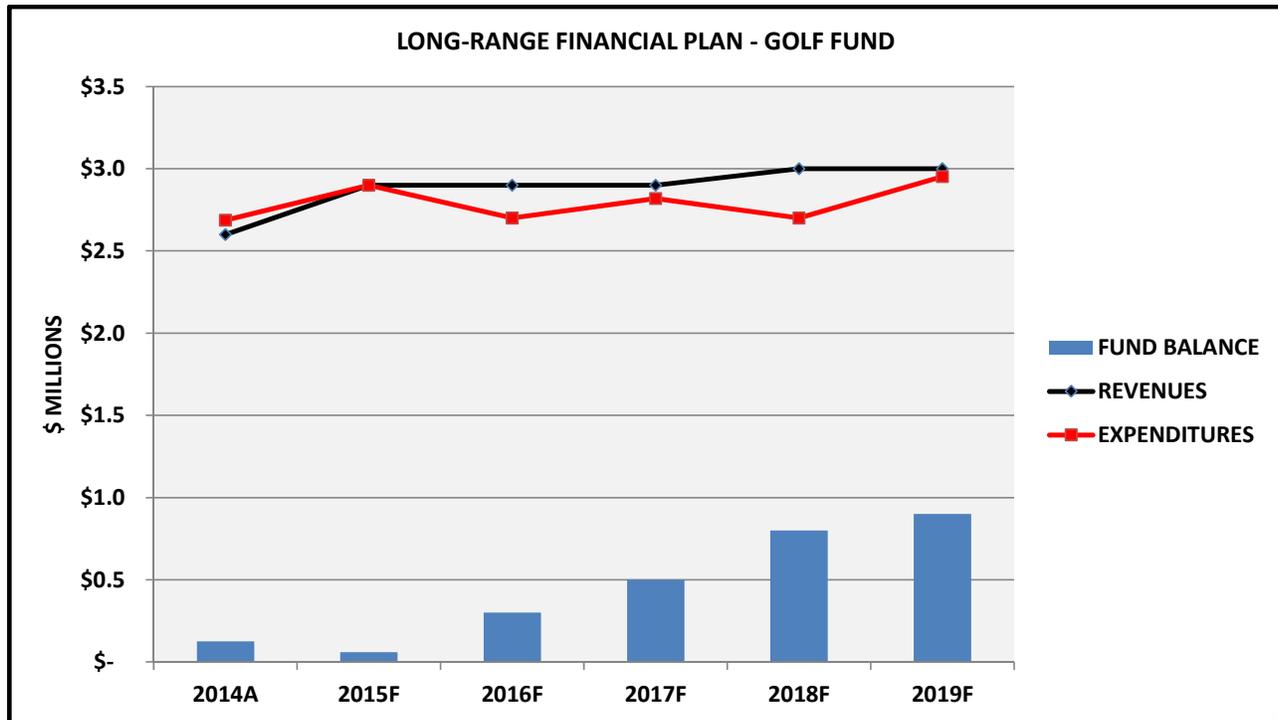
Cemetery	\$1,504,544
Mausoleum	<u>2,775,785</u>
Total	<u>\$4,280,329</u>

Recommendation

As previous reports have shown, the City should develop new revenues and expense projections and look at ways to reduce annual operating costs at the Cemetery. The City should review possible modifications to existing cemetery policy to allow purchases by non-City residents at a premium cost. Other new revenues should also be considered.

GOLF COURSE FUND

The City operates three golf courses, Municipal, Executive, and the Red Reef Course as one enterprise fund. Golf Course operating revenues in FY 2014 remained consistent with FY 2013. The Golf Course Funds reported an operating loss of \$137 thousand in FY 2014.



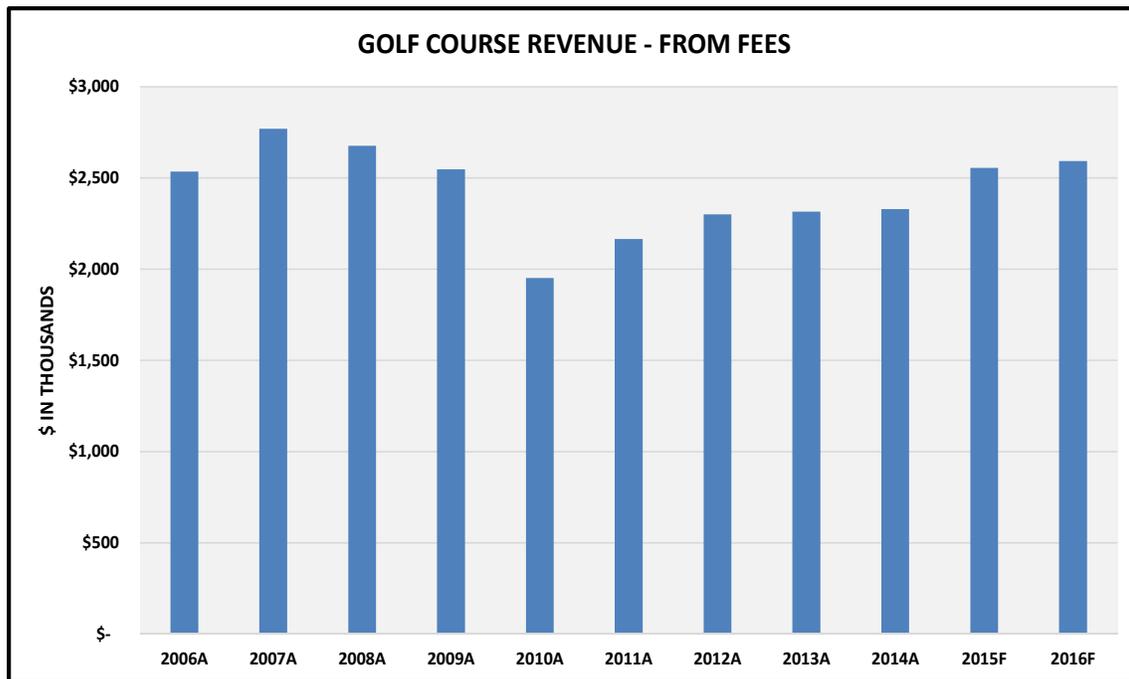
The Renewal and Replacement Fund was established in 1996. The \$2.00 user fee for each round of golf played brought in \$206 thousand in FY 2014. Expenses are forecast using the same growth as previously stated in this forecast.

Capital projects are forecast using the Capital Improvements Program.

Due to increased competition and the economic conditions, the planned CIP projects have been deferred or put on hold. Consideration will be given as to when to move forward with these projects once the local economy improves.

GOLF COURSE FUND
 Long-Range Financial Forecast
 (\$ in thousands)

	2014A	2015F	2016F	2017F	2018F	2019F
REVENUES & SOURCES						
06-INTERGOVERNMENTAL	\$ 186	\$ 220	\$ 220	\$ 220	\$ 220	\$ 220
07-FEES, CHARGES & OTHER FINES	2,364	2,594	2,633	2,672	2,712	2,752
09-INTEREST	5	1	1	1	1	1
10-OTHER SOURCES	96	94	94	94	94	94
TOTAL REVENUES AND SOURCES	2,651	2,909	2,948	2,987	3,027	3,068
EXPENDITURES & USES						
01-PERSONNEL SERVICES-GENERAL	1,660	1,563	1,383	1,324	1,268	1,826
03-OPERATING EXPENDITURES-OTHER	691	738	749	760	772	783
04-SUPPLIES	315	343	348	353	359	364
05-CAPITAL	-	199	207	337	245	38
07-OTHER USES	122	-	-	-	-	-
08-TRANSFERS OUT	1	15	16	16	16	17
TOTAL EXPENDITURES AND USES	2,788	2,958	2,703	2,791	2,660	3,028
ANNUAL INCREASE/(DECREASE) IN FUNDS	(137)	(49)	245	197	367	40
BEGINNING RESERVES	262	125	76	320	517	884
TOTAL AVAILABLE	\$ 125	\$ 76	\$ 320	\$ 517	\$ 884	\$ 924



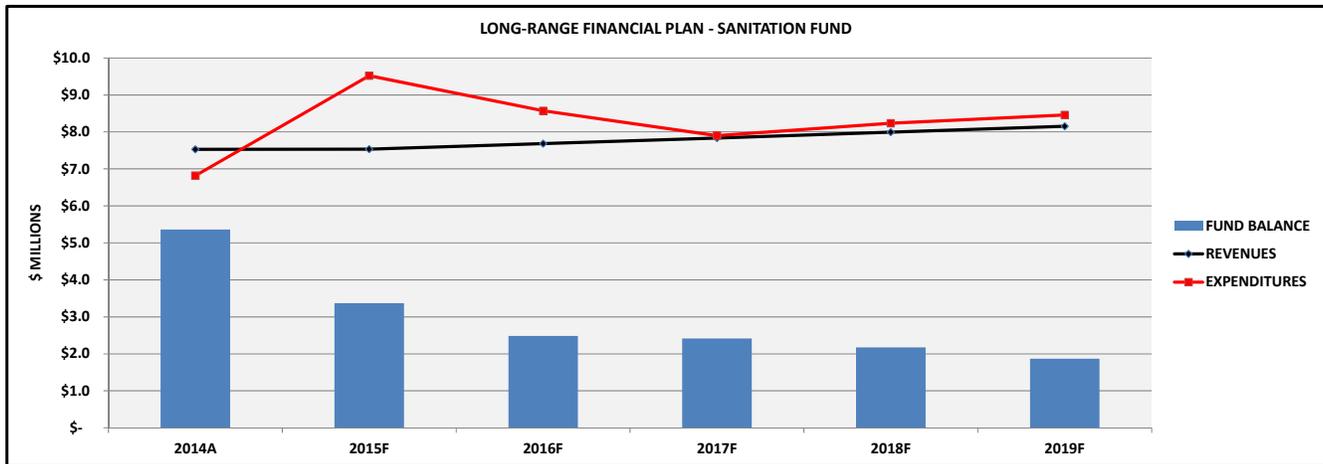
Recommendation

The City should continue to set Golf Course user fees to sufficiently fund cost of services, including future capital expenses.

SANITATION FUND

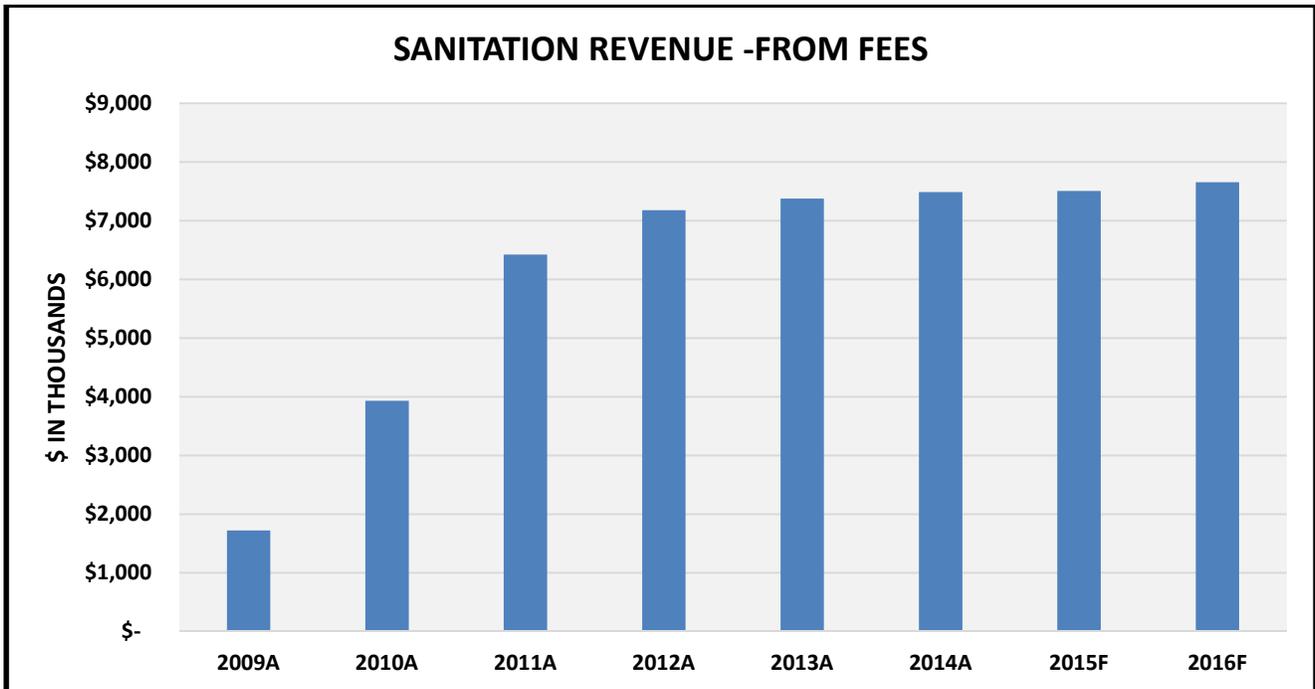
Effective in FY 2009, the City established a Sanitation Enterprise Fund to account for the collection and disposal of solid waste, vegetation, and recyclable material for City residents including weekly bulk trash collection. During the current fiscal year, the City anticipates collecting approximately 60 million pounds of garbage, 14 million pounds of recyclables, and 4 million pounds of vegetation.

In FY 2014, the sanitation fee was remained at \$16.50 per month for single family residents and from \$9.89 per month for multi-family residential units.



SANITATION FUND
Long-Range Financial Plan
 (\$ in Thousands)

	2014A	2015F	2016F	2017F	2018F	2019F
REVENUES & SOURCES						
07-FEES, CHARGES & OTHER FINES	\$ 7,487	\$ 7,507	\$ 7,657	\$ 7,810	\$ 7,966	\$ 8,125
09-INTEREST	32	25	25	26	26	27
10-OTHER SOURCES	8	-	-	-	-	-
TOTAL REVENUES AND SOURCES	7,527	7,532	7,682	7,836	7,992	8,152
EXPENDITURES & USES						
01-PERSONNEL SERVICES-GENERAL	2,484	2,888	2,981	3,090	3,203	3,329
03-OPERATING EXPENDITURES-OTHER	3,301	3,965	4,025	4,085	4,147	4,209
04-SUPPLIES	324	32	33	33	34	34
05-CAPITAL	-	2,626	1,521	680	838	875
07-OTHER USES	702	-	-	-	-	-
08-TRANSFERS OUT	7	10	11	11	11	12
TOTAL EXPENDITURES AND USES	6,818	9,522	8,571	7,900	8,233	8,458
ANNUAL INCREASE/(DECREASE) IN FUNDS	709	(1,990)	(889)	(64)	(241)	(307)
BEGINNING RESERVES	4,676	5,385	3,395	2,506	2,442	2,201
TOTAL AVAILABLE	\$ 5,385	\$ 3,395	\$ 2,506	\$ 2,442	\$ 2,201	\$ 1,895

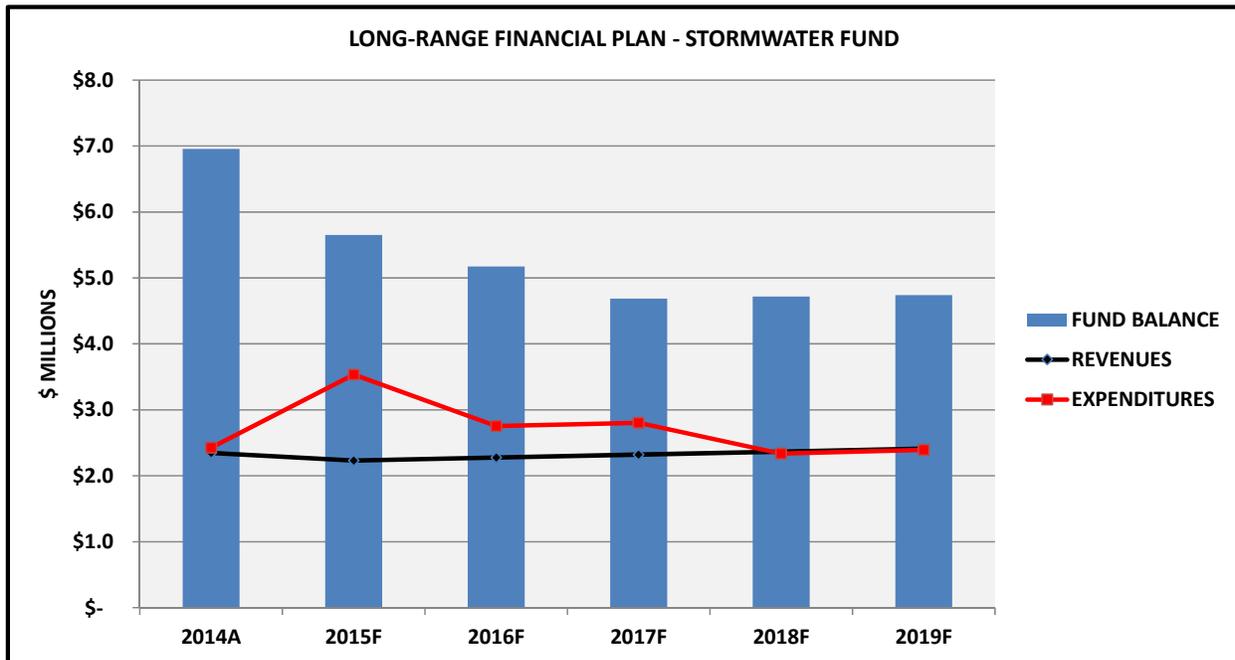


Recommendation

The City should continue to set Sanitation user fees to sufficiently fund cost of services, including future capital expenses.

STORMWATER UTILITY FUND

In June 1994, the City instituted a Stormwater Utility Fee to fund the design, construction, inspection, and maintenance of the City’s separate stormwater system in accordance with the Environmental Protection Agency National Pollutant Discharge Elimination System (NPDES) permit. Forty-five percent (45%) of these fees will be used for maintaining existing drainage systems while the remaining 55 percent (55%) will be used for drainage improvement projects.



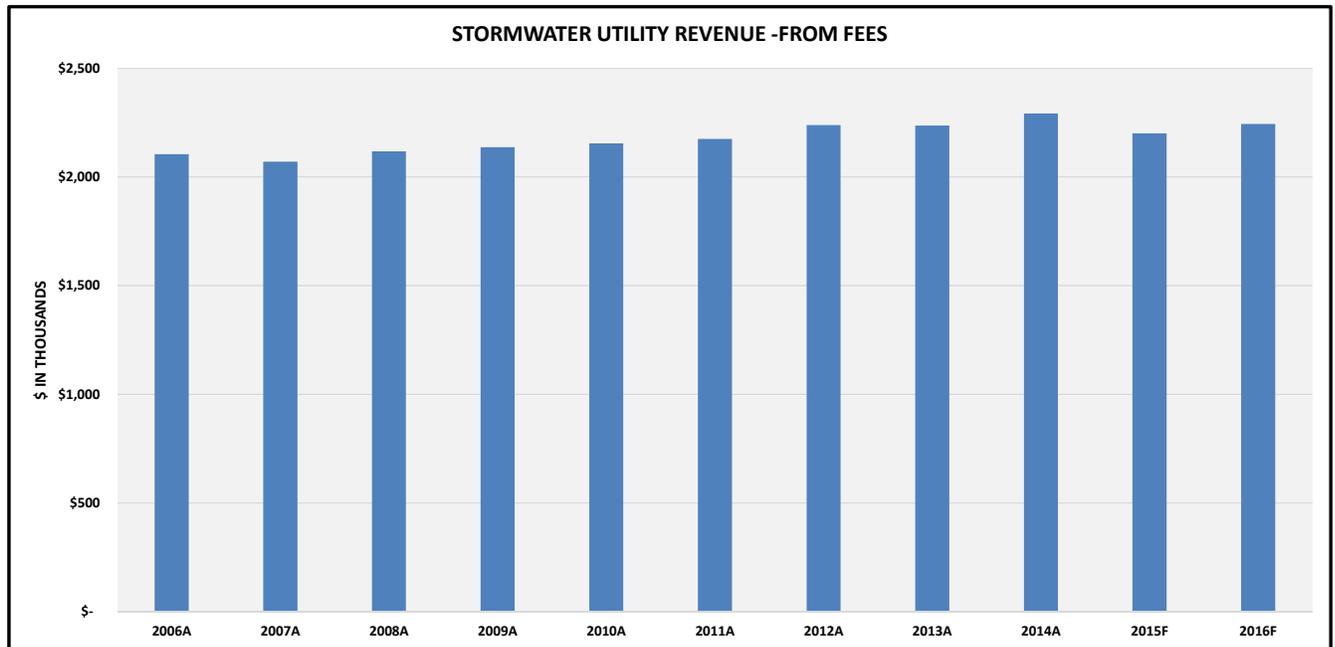
STORMWATER FUND
Long-Range Financial Forecast
(\$ in thousands)

	2014A	2015F	2016F	2017F	2018F	2019F
REVENUES & SOURCES						
07-FEES, CHARGES & OTHER FINES	\$ 2,292	\$ 2,200	\$ 2,244	\$ 2,289	\$ 2,335	\$ 2,381
09-INTEREST	55	30	30	31	31	32
10-OTHER SOURCES	1	-	-	-	-	-
TOTAL REVENUES AND SOURCES	2,347	2,230	2,274	2,320	2,366	2,413
EXPENDITURES & USES						
01-PERSONNEL SERVICES-GENERAL	782	913	942	977	1,012	1,052
03-OPERATING EXPENDITURES-OTHER	1,038	1,069	1,085	1,101	1,118	1,134
04-SUPPLIES	2	6	6	6	6	6
05-CAPITAL	-	1,547	720	720	200	200
07-OTHER USES	606	-	-	-	-	-
TOTAL EXPENDITURES AND USES	2,428	3,535	2,753	2,804	2,336	2,393
ANNUAL INCREASE/(DECREASE) IN FUNDS	(80)	(1,305)	(479)	(484)	30	20
BEGINNING RESERVES	7,036	6,956	5,651	5,172	4,688	4,718
TOTAL AVAILABLE	\$ 6,956	\$ 5,651	\$ 5,172	\$ 4,688	\$ 4,718	\$ 4,739

Revenues

The Stormwater Utility Fee is collected through a separate line item on City water bills. The fee schedule is as follows:

Residential Properties \$3.006 per unit
 Non-Residential Properties:
 (Square Feet of Impervious Area) / 2,837 = Number of ERU's
 (Number of ERU's) x \$3.006 = Monthly Fee



Revenue for the forecast period is projected at one percent (2%) growth rate.

Expenses

Capital expenses are detailed by projects in the CIP and funded from this fund. Maintenance expenses have been projected using the current budget with projections using forecasts established in this forecast and report.

Recommendation

The Stormwater Fund will continue to provide funding for stormwater projects in the future. Based on projected capital projects the fund is providing sufficient resources to cover expenses.