



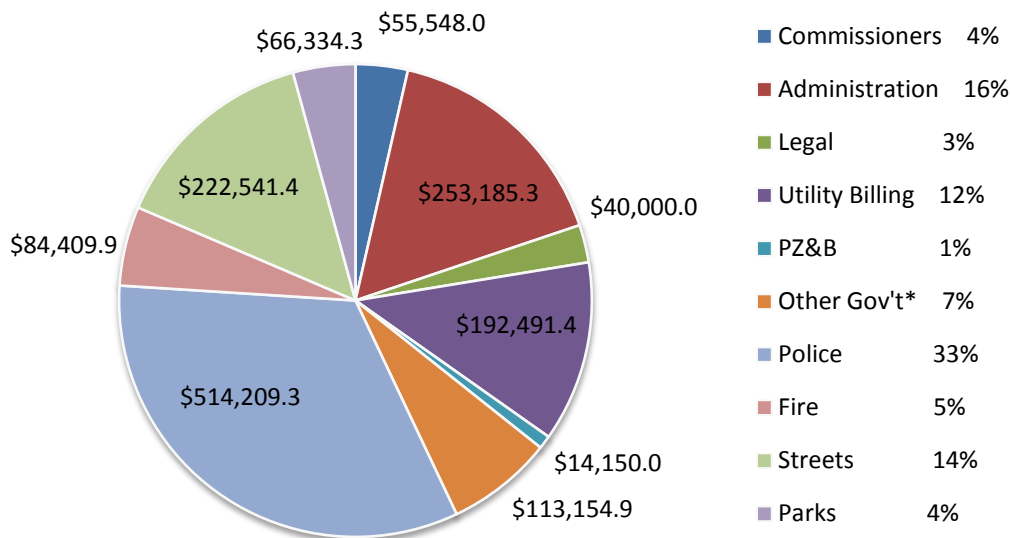
REVISED BUDGET MEMORANDUM

To: Mayor/City Commission
 From: Patrick Kennedy, City Manager
 Date: September 14, 2017
 RE: FY 2017/2018 Proposed Budget

A. The General Fund

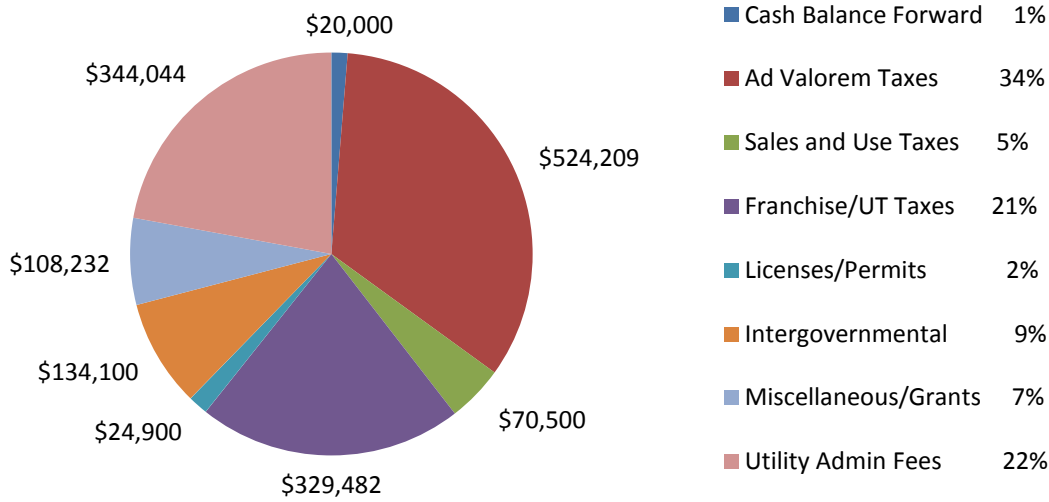
Please find attached a draft FY2018 budget for your consideration. The proposed budget is approximately \$42,000 higher than the current year budget and was developed by maintaining the millage rate of 8.5914. The additional revenue needed to cover this proposed increase comes primarily from an anticipated increase in property tax revenue and an increase in the administrative fee from the water and sewer utilities. The increases on the expense side come from anticipating 5% increase in the cost health insurance (\$10,650.00) and some wage adjustments to various positions to bring those more in line with a more competitive job market and the expectations of the job.

General Fund Budget By Department



The pie chart below provides a breakdown of the General Fund revenue sources that are used to pay for the services outlined in the chart above. It is not uncommon for people to believe that property taxes pay all of the bills at city hall. However, as the pie chart below demonstrates, there are a variety of revenue sources necessary to provide even the most basic public services in Crescent City.

General Fund Revenue Sources



1. Ad Valorem Tax Revenue

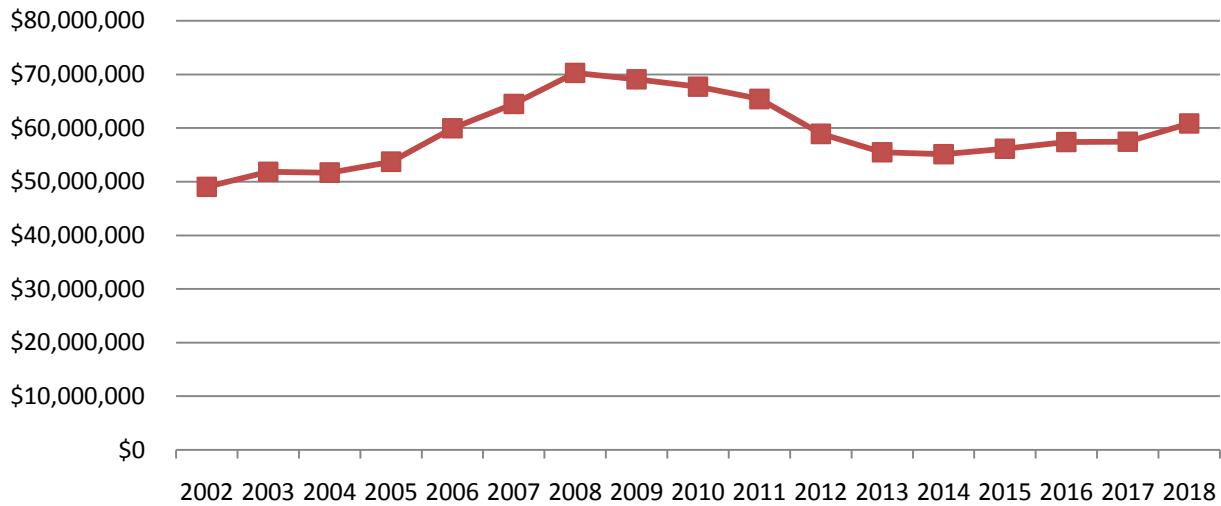
Ad Valorem revenue is effected by two variables: property values^a and the millage rate. The table below and the line chart that follows demonstrate the property value and millage rate trends since 2002, as well as the resulting tax revenue budgeted for each year.

Fiscal Year	Taxable Value	Millage Rate	Budgeted Property Tax Revenue*	Percent Change From Prior Year
2002	\$49,053,294	8.2500	\$407,189	0%
2003	\$51,850,333	8.2500	\$431,359	6%
2004	\$51,692,135	9.0000	\$467,729	8%
2005	\$53,717,618	9.0000	\$486,459	4%
2006	\$59,964,665	8.9000	\$536,686	10%
2007	\$64,468,614	8.8000	\$567,324	6%
2008	\$70,249,844	8.1723	\$574,103	1%
2009	\$69,083,859	8.1723	\$564,574	-2%
2010	\$67,683,855	8.1723	\$556,133	-1%
2011	\$65,409,356	8.1723	\$536,545	-4%
2012	\$58,911,467	8.1723	\$483,442	-10%
2013	\$55,474,125	8.1723	\$453,258	-6%
2014	\$55,116,492	8.5914	\$473,528	4%
2015	\$56,127,963	8.5914	\$482,218	2%
2016	\$57,378,606	8.5914	\$492,963	2%
2017	\$57,451,606	8.5914	\$493,590	0%
2018	\$60,829,285	8.5914	\$522,608	6%

*This analysis is based on projected revenue in the DR-420. Actual revenue is typically 3%-5% less each year.

^a It is worth pointing out that taxable property values are a combination of real property value and tangible property values. Tangible property values are the value of equipment and fixtures in the commercial businesses inside the city limits.

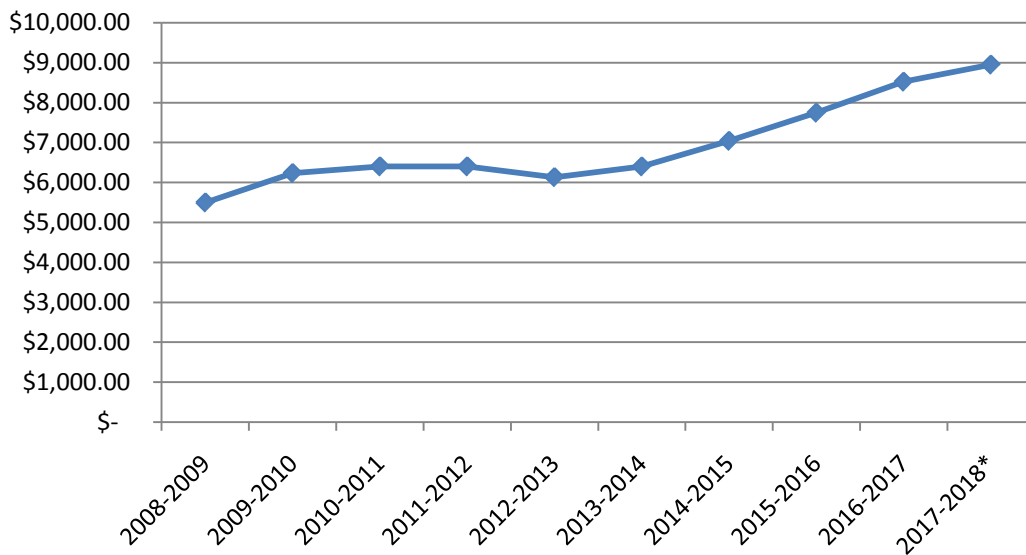
Taxable Value Trends Since 2002



We are seeing positive movement in the property tax revenue, which is good news. However, please remember that there will be an additional homestead exemption on the ballot in 2018. The current estimates from the Property Appraiser indicate that this additional exemption could cost the city approximately \$13,650 in tax revenue.

2. Health Insurance Expenses

Our health insurance costs for FY2017 are still largely unknown, because we will not have renewal quotes until the middle of September. The draft budget accounts for a 5% increase in the health insurance benefits, which increases the City’s contribution for the employees from \$8,520 per employee per year to \$8,946. The total cost of this proposed increase is approximately \$10,650. If the insurance premiums increase by more than 5%, absent a different direction from the City Commission, the proposed budget will stay in place and the additional expense passed on to the staff. Health insurance cost trends are shown below.



3. Items of Note in Proposed Budget

Other than the health insurance costs, I am proposing some wage adjustments in the FY2018 budget. The adjustments to the Police Department Budget have been a part of an ongoing discussion, and includes the wage increase for patrol officers and a mileage reimbursement for patrol officers that live more than 10 miles from the City. It also includes an increase to the City share of the pension in order to improve this benefit for all officers. The dollar amount used is based off the actuarial estimate for increasing the multiplier to 3% and reducing the vesting period from 10 years to 8 years.

The remainder of the wage adjustments in the attached budget focuses on the Public Works Department, but includes some minor upward adjustments in the Utility Billing and Natural Gas operations as well. This is to bring these much underappreciated jobs more in line with the functions they serve. The larger increases come with higher expectations and greater responsibilities, some of which are already being met but not properly compensated and some of which will be expected going forward. Total Impact of Wage Increases: \$26,083 (Wages, FICA and Retirement). The bulk of these impacts are absorbed by projected increases in property tax revenue and an increased contribution from the utilities as part of their administrative fee to the general fund. It is also covered by some cuts in other expenses, including an offer by the City Attorney to revise his contract and forgo the payment in lieu of health insurance he was receiving under his current contract.

4. City Commission Budget

During the August 21st budget workshop, it was also asked to take another look at the budget related to the costs for our City Commissioners to attend certain League of Cities functions, trainings and other networking/learning opportunities. We typically use the "Travel & Per Diem" and "Membership Training" lines to cover the costs associated with attending such functions, which total \$3,500.

Using the most recent expenditures submitted by the commissioners that attended the conference earlier this month, the average cost per attendee to the annual conference is between \$400 and \$600. Typically, we have only seen one or two commissioners attend the League of Cities Annual Conference, but this year we had three, and the total cost was around \$2,200. There are additional networking and training opportunities beyond just the annual conference. However, other than the training offered for newly elected officials, there is no consistent history of billing the city for attending any other functions. Therefore, based on historical expenditures and with some adjustments that do not affect the bottom line, the current budget appears to be sufficient. If there is a desire to become more involved in the League of Cities or related organizations/events, then more funds may be required.

One possible approach might be to budget a certain amount for conferences/memberships for each commission seat (similar to the City of Palatka). If we budgeted \$1,000 for each commissioner for travel/training, the total cost would be \$5,000. We could use the \$3,500 already budgeted for this purpose, eliminate miscellaneous operating supplies and take the \$1,352 needed to balance the budget from the newly proposed Equipment Reserve line. Please note that if we went this route, each commissioner would necessarily be limited to the \$1,000 budget for the year. The individual allocation would not be used to for any other expense unless

approved as a budget amendment by the City Commission. This will not impact the bottom line of the budget and will only result in a reduction to the budgeted equipment reserve. Should we choose to adopt this change, the City Commission budget would appear as follows:

City Commissioners		
Account	FY 2017	FY2018 Proposed
<u>Personnel Services</u>		
Salaries*	\$ 25,200.00	\$ 45,000.00
FICA Taxes	\$ 3,500.00	\$ 3,500.00
Payment in Lieu of Health & Life Insurance	\$ 19,800.00	\$ 0.00
<u>Operating</u>		
Mayor-Commissioner Conference/Training		\$1,000.00
Group 1 Commissioner Conference/Training		\$1,000.00
Group 2 Commissioner Conference/Training		\$1,000.00
Group 3 Commissioner Conference/Training		\$1,000.00
Group 4 Commissioner Conference/Training		\$1,000.00
Travel & Per Diem	\$ 1,500.00	\$ 0.00
Other Charges	\$ 1,000.00	\$ 1,000.00
Misc Oper. Supplies	\$ 148.00	\$ 0.00
Membership Training	\$ 2,000.00	\$ 0.00
Retirement/Commissioner ¹	\$ 2,400.00	\$ 2,400.00
Total Commission Expenditures	\$ 55,548.00	\$56,900.00
1. Joey Froehlich retirement		

*Note: This also shows a consolidation of the payment in lieu of health insurance into the salary line, which is cost neutral and a more accurate representation of the compensation received.

B. Fire Service Tax

We once again need to make a deliberate decision whether to participate in the County’s Fire Service MSTU. Two years ago the Fire Service MSTU millage was raised from 0.7425 to 1.100. We agreed to continue participating provided we remain happy with the Fire Service offered by the County and provided two key items were addressed: permanent 24/7 fire fighters in the South Putnam District and the County would pursue an MSBU funding approach that would lower the impact on those currently footing the bill under the MSTU. The 24/7 fire fighter service out of the Satsuma station went active at the end of June. The MSBU discussion was schedule for this summer/fall, but has been tabled.

Fire Tax Impact to Crescent City Property Owners			
	Fire Service MSTU Millage	Estimated Revenue Generated FY2017	Estimated Revenue Generated FY2018
Pre-2016	0.7425	\$ 42,603.61	\$ 45,369.39
Current	1.1000	\$ 63,116.47	\$ 67,213.91
Annual Impact of Pre-2015 Rate per \$100,000 in Value			\$ 74.25
Annual Impact of current rate per \$100,000 in Value			\$ 110.00
Difference			\$ 35.75

Because we supplement the fire service for Crescent City and the surrounding area with some equipment and paid personnel, our residents actually commit their additional city ad valorem tax to assist the County inside the Fire MSTU. At this juncture I think we need to consider renegotiating an Interlocal Agreement to consider a lower MSTU rate for Crescent City

property owners. Given the County’s lack of an administrator and the possibility that the MSBU will be taken up once the administrator is hired, we can renew our participation for FY2018 with the caveat that we start formal negotiations with the County on the future of our participation in the first quarter of FY2018.

C. Better Place Plan

This City Commission has achieved and continues to achieve much needed improvements to our small city with judicious use of the Better Place Plan Fund (aka the \$0.01 Discretionary Sales Tax Fund). In the last five years we have been able to leverage this fund for millions of dollars in capital improvements and capital equipment upgrades that including paving Rocket Lane, paving Randolph Street, drainage improvements on Lake Stella and Randolph Street, purchasing a street sweeper, purchasing a fire engine, purchasing two new police vehicles, stormwater improvements along Crescent Lake, improvements to Eva Lyon Park and improvements to Harry Banks Community Park. These projects are summarized in the table below.

As of June 30, 2017, there was \$198,815.35 in the Better Place Plan account. Some of the projects listed in the table above are ongoing, and the dollar amount contributed from the Better Place Plan has not been fully expensed. Additionally, we have committed \$17,500 in funds to purchasing two additional police vehicles and \$166,000 for a new roof and HVAC at City Hall. Factoring in the unexpended commitments and the reimbursements expected from the County and the State for the Eva Lyon Park and Harry Banks Park projects (\$125,000.00), we have approximately \$105,000 in the Better Place Plan funds not including additional tax revenue that continues to be collected.

Better Place Plan Projects Since FY 2012			
Projects	Better Place Plan Dollars	Other Sources	Total Value
Fire Engine	\$ 150,000.00	\$ 163,000.00	\$ 313,000.00
Lake Stella/Randolph St Stormwater (incl. design costs)	\$ 202,000.00	\$ 650,000.00	\$ 852,000.00
Street Sweeper	\$ 75,000.00	\$ 75,000.00	\$ 150,000.00
Rocket Lane	\$ 85,000.00	\$ 0.00	\$ 85,000.00
Eva Lyon Park	\$ 115,000.00	\$ 85,000.00	\$ 200,000.00
Crescent Lake Stormwater	\$ 70,000.00	\$ 500,000.00	\$ 570,000.00
Harry Banks Park Bathroom	\$ 45,000.00	\$ 0.00	\$ 45,000.00
2 New Police Vehicles	\$ 16,250.00	\$ 48,750.00	\$ 65,000.00
Harry Banks Park Playground and Ball Fields	\$ 35,000.00	\$ 50,000.00	\$ 85,000.00
Totals	\$793,250.00	\$1,571,750.00	\$2,365,000.00

Please note that I have added the Crescent Lake Stormwater Project (SJRWMD Cost Share) and the Walnut Street Paving Project back into the budget for FY2018 – both grant funded projects. We are just getting started with both of these projects, and the bulk of the construction costs will occur in next year’s budget.

D. Tax Increment (CRA)

Based on the Property Appraiser’s preliminary estimate of the CRA TIF, we are budgeting for an estimated total increase of nearly \$8,000 in CRA revenue.

CRA TIF Estimate w/ 8.5914 Mills FY2018				
Taxable Increment Per Property Appraiser	95% of Tax Increment Value	Estimate of County Contribution*	Estimate of City Contribution	Estimated Total CRA Revenue from TIF
\$ 2,446,505.00	\$ 2,324,179.75	\$ 21,087.28	\$ 19,967.96	\$ 41,055.24
*This is based on County’s current millage of 9.073. They are proposing an increase to their millage which could push this a little higher.				

The budget is roughly broken down along the approved appropriation of 50% to physical improvements, 20% administrative, 15% promotion and 15% festival and events. However, we have been awarded a \$40,000 technical assistance grant to, among other things, update our CRA Plan and consider expanding the boundaries. Please note that this grant has been included in the CRA budget presented for the September hearings.

E. Utilities (aka Proprietary Funds)

There is nothing remarkable to discuss related to the budgets for the water, sewer and natural gas funds, with the possible exception that work has begun on second phase of our natural gas line relocation project under Dunn’s Creek. The estimated cost of this project is a little over \$1.5 Million and is fully funded by the Florida Department of Transportation. The only exception to FDOT funding is that the city will pay the difference in the cost of the pipe for upgrading the size of the pipe under Dunn’s Creek from 4 inches to 6 inches. We anticipate this to be a nominal expense in the \$10,000 to \$15,000 range; which is a small price to pay to get a 6 inch line across the creek to be ready for potential expansion of the customer base now. The Natural Gas Renew and Replacement Reserve will be used to pay this expense, if necessary.

Recommendation:

Move forward with the budget as proposed, including setting the millage rate at 8.5914.