



ANDREW D. GILLUM
MAYOR

October 2015

Dear Citizens of Tallahassee,

On behalf of the City Commission, it is my responsibility and privilege as Mayor of the City of Tallahassee to present the approved fiscal year 2016 budget. For fiscal year 2016, our operating budget is \$706.8 million, and the capital budget is \$145.7 million, for a total budget of \$852.5 million. Throughout the entire budget process, we were determined to meet the high expectations you have set for your local government, and we welcome the spirited debate that this process brought out. We are confident that this budget reflects our commitment to delivering the best possible services, while remaining fiscally responsible.

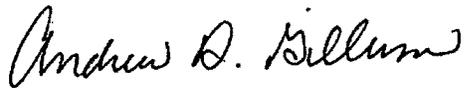
During the national economic downturn of the last five years, the City kept its property millage rate at 3.7 mills. While the City of Tallahassee sought ways to trim costs and reduce expenses, other comparable cities continued raising their rates. However, the City Commission has recognized that in order to continue to provide the excellent level of service that our residents have grown accustomed to and to ensure the safety and well-being of all Tallahasseeans, it was necessary to raise the millage rate to 4.2 mills. This increase in revenues has largely gone towards spending increases for public safety in FY16. It is no secret that we have faced challenges with the level of violent crime in our City; but we remain committed to doing everything in our power to ensure that our City is a safe place for all of our citizens to live and raise their families. Toward that end, the FY 2016 Approved budget includes 31 new additional Police Officers; largely as a result of accepting the COPS Grant from the Department of Justice. These additional officers will focus solely on bridging the gap between law enforcement and our community members, while at the same time allowing TPD to address the growing trend of violence in the city.

We have a lot to be proud of here in Tallahassee. For the second time in our history, we were named an All-America City. This award was bestowed upon us in recognition for many of our successes that have come about by working together, as a community, to overcome our challenges. We have seen concerts held at our award-winning Cascades Park, we have opened up a beautiful thoroughfare in FAMU Way, which will surely revitalize an area that is burgeoning with new energy, and we have had numerous City departments receive regional, state, and national recognition for the excellent services they provide our residents. We have seen community partnerships renewed and strengthened through events like the Longest Table, Tallahassee Forward, and The Mayor's Summit on Children. Additionally, our commitment to the Community Human Service Partnership has been increased, with further resources being oriented towards the City's "Opportunity Zone." Lastly, we remain steadfast in our commitment to economic development, as we are in the process of creating a Talent Portal, a Tallahassee Innovation Partnership, and will be hosting a Google Business Town Hall aimed at helping small businesses understand the power that web technologies hold for improving and enhancing their organizations.

As I alluded to earlier, this budget process has elicited a strong, spirited debate from our citizens around the best interests of our great city. We deeply and sincerely appreciate all the time that folks took to come to Budget Workshops and Commission Meetings, to weigh in on what they believed our priorities should be. Our City Commissioners and City Staff listened to all of you intently in these meetings; and a number of novel, productive solutions were produced. This is just another example of the excellent results our community can achieve when we respect each other's differing perspectives, and work towards a common goal.

I greatly appreciate the hard work and leadership of my colleagues on the Commission, as well as the diligent efforts of the City Manager and her excellent Staff. The future of the City of Tallahassee is bright; and I look forward to seeing us continue to grow and prosper, both culturally and economically, as a true representation of what it means to be a community. The best is yet to come!

Sincerely,

A handwritten signature in cursive script that reads "Andrew D. Gillum". The signature is written in black ink and is positioned above the printed name.

Andrew D. Gillum
Mayor



June 16, 2015

Most Livable City in America

Honorable Mayor and City Commissioners:

It is my pleasure to once again present to you balanced operating and capital budgets for fiscal year 2016. As the City Commission is aware, the last eight years have been financially challenging for the organization. Despite these challenges we have continued to provide the level of quality services that our community expects and for which we are consistently recognized on a state and national level. Over these years, we have reassessed how we deliver services, made adjustments as appropriate, and reduced staffing levels, while still continuing to make significant investments in our community. These actions are now starting to bear fruit. Our investments and partnerships in Cascades Park, Gaines Street, Midtown, Tallahassee Mall, and Market Square are resulting in significant private redevelopment and job creation in the community. Investments in our utilities are increasing the efficiency and helping curtail and reduce rates for our customers. Our partnerships with various entities have resulted in the new Kearney Center (Comprehensive Emergency Services Center) that not only improves service delivery to assist in the rehabilitation of our homeless citizens, but will also allow for redevelopment of an important community corridor.

We have been able to do this through the disciplined financial stewardship of our limited resources, even though our major revenue sources continuously decreased over the last eight years. During the period of 2007 through 2015 general fund expenditures grew by only 0.6% a year on average while inflation for the same period grew by 2.1% a year on average. To maintain these low growth patterns many difficult decisions were approved by the City Commission including the elimination of more than 150 positions, reorganization of programs, reductions and elimination of pay increases, implementation of employee furloughs, and other actions.

Our budget balancing strategies have also incorporated significant one-time revenues to fund recurring expenditures. Although this is a prudent budget balancing strategy to use during economic downturns, it is not a prudent long-term strategy. Throughout the downturn and during the development of the budgets during this time period we were cognizant of the impacts that reductions in services, layoffs, and other budgetary reductions could have on the local economy.

Throughout this period our employees accepted the challenges presented to them and continued to deliver quality services with fewer resources. Year after year, they have done amazing work and exceeded our expectations. This is very apparent from the continuing number of awards and accolades received by the City. Notable recent accomplishments include: Underground Utilities receiving the prestigious 2015 Governor's Sterling Award, Growth Management named a Top 25 Program out of more than 500 entries in the Innovation in American Government Competition by Harvard University for its Residential Money Back Guarantee Program, and the City of Tallahassee's selection as a finalist for the 2015 All-America City Award. These accomplishments would simply not be possible without the dedicated employees who work around the clock to

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ANDREW D. GILLUM
Mayor

ANITA F. THOMPSON
City Manager

SCOTT MADDOX
Commissioner

LEWIS E. SHELLEY
City Attorney

NANCY MILLER
Commissioner

JAMES O. COOKE, IV
City Treasurer-Clerk

CURTIS RICHARDSON
Commissioner

T. BERT FLETCHER
City Auditor

GIL D. ZIFFER
Commissioner

City Commission
Target Issue Committees
Highlights

Short Range Planning

- Review plans and projects associated with the enhancement and expediting of specifically identified areas of priority
- Identify opportunities for commercial development at TLH

Long Range Planning

- Enhance the beauty and walkability of the community
- Improvement on major city corridors
- Way finding system

Quality of Life and Innovation

- Build on the Cultural Plan to meet citizen expectations
- Addressing homelessness
- Enhance the position of women in the workplace and the community

Financial Viability

- Identify a sales tax package that enables the community to meet the needs of the community
- Investigate and implement ways to enhance customer service and convenience for citizens

Economic Development

- Build on the success of Cascades Park as a lynchpin to create contemporary and unique development/ redevelopment spaces
- Take advantage of the technology now available to deliver services more efficiently and effectively.

provide the best services to their customers. In addition, such success is a testament to the leadership and policy direction of the City Commission.

We are at a critical juncture for the organization and the needs of this community are great. Over the last few years we have been limited in our ability to allocate resources for critical needs throughout the organization including general government infrastructure requirements, technology investments, funding for increased needs for social service agencies as part of the Community Human Services Partnership, and public safety needs.

Although all these issues are important, no other issue is more critical to address than the public safety needs of the community. And no other issue can have such detrimental impacts for the future success of this community if we do not take the steps necessary to ensure that everyone in the community feels safe.

As we have indicated to the City Commission in the past, our current revenue structure does not provide us with the flexibility to address anything other than a current service level budget. We have also expressed our concern about our reliance on one-time revenue sources to balance the budget. Because we believe that it is critical for the organization to begin addressing needed public safety resource issues, the proposed budget being presented for your consideration recommends a one mill increase in the millage rate. As discussed further in this message, additional revenues generated from property taxes will allow us to add 16 new police officer positions and equipment, 2 additional investigator positions, continue to fund six police officers approved in the FY15 budget, and also provides needed funding for repairs and improvements at TPD headquarters.

PROPOSED 2016 OPERATING BUDGET

The proposed operating budget totals \$704 million, representing an increase of \$6.7 million with 2/3 of the increase (\$4.8 million) going towards new police personnel and capital equipment and \$1.9 million for other general government operations. This represents a 1% increase from the adopted fiscal year 2015 budget. Of the total operating budget, \$150.5 million is for the general fund and \$541.5 million is related to

the enterprise funds (electric, aviation, fire, etc.). The capital budget totals \$143.5 million, representing an increase of \$30.3 million or a 4.6% increase from the fiscal year 2015 budget.

Ad Valorem is the top revenue for the general fund and under state statute it is also the source for which the City Commission has the most flexibility in changing. Per the most recent information from the Leon County Property Appraiser's Office, property values (which were hit the hardest during the recession and were already declining in Florida due to tax reform, the doubling of the homestead exemption, and changes to the rolled-back rate methodology) are now growing at a normal pace. However, from fiscal year 2010 through fiscal year 2015, Ad Valorem revenues declined by a cumulative rate of \$7.8 million while other costs continued to rise, such as pension, health care and transfers to StarMetro. Although Save Our Homes set the maximum increase allowed for taxable value by the lesser of CPI or 3%, we are now beginning to see some level of growth in property values. In recent years CPI has been well below 3% and for the FY16 budget, it is estimated at 0.8% resulting in a very slow recovery as a result of the low CPI and the fact that a large portion of property in Tallahassee is tax exempt.

Key Assumptions

Increasing the millage rate to address public safety resources including 16 new officers, 2 investigators, 6 officers from FY15 plus equipment and needed capital

Beginning to address modest capital funding needs for general government projects

For comparison, the millage rate in Fort Lauderdale is 4.1193 and each mill generates over \$26 million in property taxes. In Tallahassee each mill generates approximately \$9.2 million. For an average home with a taxable value of \$150,000, under the recommended millage increase, a citizen would pay an additional \$8.00 a month in property taxes. These revenues will support public safety resource needs including 24 positions in FY 16 (16 new officers, 2 new investigators, 6 officers funded from one-time revenue in FY15) and needed capital to support those officers.

As mentioned previously, significant reductions have been made over the last several years throughout the government which included reductions in staffing and funding levels for departments. Should the revenue recommendations not go forward, significant reductions in the general fund would have to be implemented in order to make funding available for public safety resources.

In addition to increasing the investment in public safety and continuing to provide other core city services at existing levels, this budget also addresses, to the extent possible, the City Commission priorities as identified at the City Commission retreat in February 4, 2015 and again at the March 25, 2015 regular meeting.

FY16 BUDGET PROCESS

As the City Commission is aware, we began this year's budget process estimating a general fund shortfall of approximately \$4 million primarily due to the use of \$2.9 million in one-time revenues in FY15. As we progressed through the budget process we received updated information that impacted the projected shortfall. The major new impact for FY 2016 includes a lower than anticipated Consumer Price Index-Urban Consumers (CPI-U) negatively impacts the general fund transfers from the utilities by \$1.1 million from preliminary projections.

PROPOSED 2016 OPERATING AND CAPITAL BUDGETS

The overall proposed budget totals \$847.5 million and is comprised of two components: the operating budget of \$704 million and the capital budget of \$143.5 million. While the operating budget is further divided into individual funds, the capital budget is appropriated on a project basis. The chart below shows the breakdown of the major operating funds.

General & Special Revenue	FY15	FY16	Percent Change	Enterprise Funds	FY15	FY16	Percent Change
General Fund	\$142,797,798	\$150,471,580	5.86%	Electric	\$305,097,846	\$298,043,264	-2.31%
Star Metro	16,957,412	17,302,171	2.03%	Gas	32,192,795	30,817,730	-4.27%
Fire	36,283,770	42,201,468	16.31%	Water	31,513,469	32,453,688	2.98%
Building Inspection	3,257,996	3,264,209	0.19%	Sewer	59,899,674	61,624,750	2.88%
Stormwater	16,777,479	17,170,696	2.34%	Solid Waste	24,780,958	25,827,919	4.22%
Cemetery	467,804	469,803	0.43%	Aviation	10,885,856	10,993,862	0.99%

NOTE: DOES NOT INCLUDE ALL FUNDS

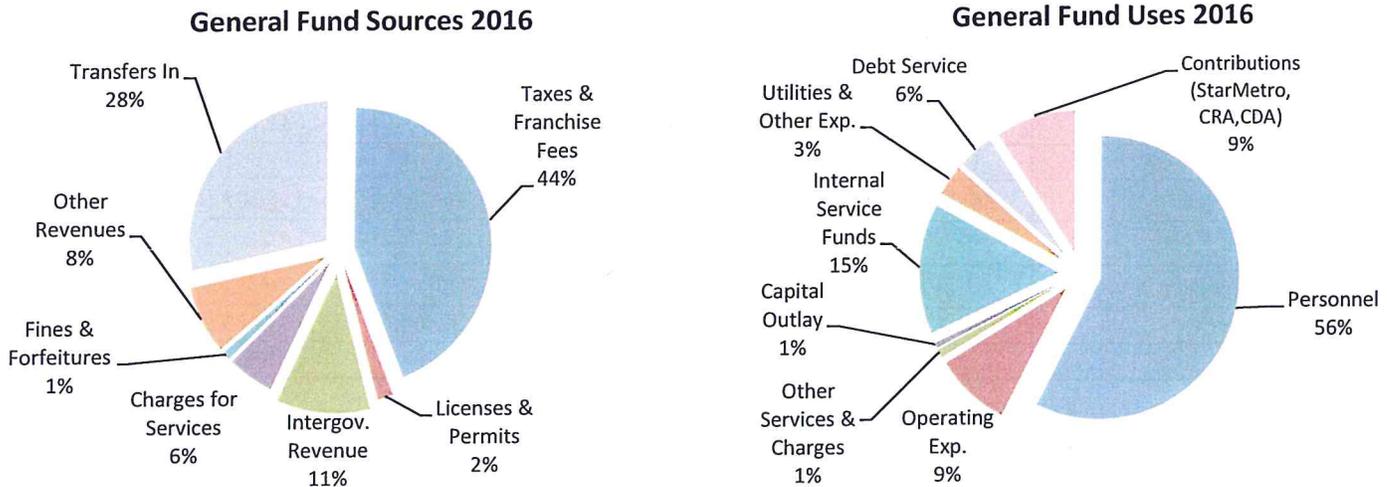
The general fund, (which includes services such as police, parks and recreation, animal shelter, right of way maintenance) represents 21.8% of the total appropriated budget. Electric utility funding comprises approximately 42.3% of the total budget. Although this is a significant portion of the total budget, \$121.9 million or 40.9% of the electric fund is for fuel (including purchased power). When combined with the fuel cost for the gas utility, fuel costs comprise 19.4% of the total budget. Approximately 63.5% of the operating budget is for all of the utilities (Electric, Water, Sewer, Gas, and Stormwater).

The proposed budget for general fund totals \$150,471,580 representing an increase of approximately \$7.6 million, or 5% from the FY15 general fund budget. The main factors driving the change are as follows;

- Personnel expenses increased by \$3 million, from \$82.1 million in FY15 to \$85.1 million in FY16. The major increases come from the addition of 19.75 positions (18FTE's related to Police), salary and benefits increases as a result of the recently approved collective bargaining agreement for police (an across the board increase of 2% and a step of 4.5% for eligible officers), and required pension contribution changes.
- The General Fund's portion of internal service fund costs has a net increase of \$2.5 million, from \$19.5 million in FY15 to \$22 million in FY16. (This includes fuels savings of \$470,128 offset by a net increase of \$714,358 in Risk Management allocation due to an increase in claims, and an increase of \$2.2 million in ISS internal service fund allocation for the purpose of funding a proportionate share of ISS increase in budget Operating expenses increased by \$2.4 million, from \$12 million in FY15 to \$14.4 million in FY16. (This includes equipment related to Police positions and an increase in funding to outside agencies of \$20,000 and donations of \$442,000 per City Commission direction.)
- This budget does not include revenue or expense for the red light camera program. The contract expires in August of 2015 and is not being renewed.

A breakdown of general fund revenue and expenditures is shown in the charts that follow. On the revenue side, all taxes, including ad valorem, communication services and utility taxes make up 44%

of revenue. Ad valorem taxes contribute approximately 29% of revenue necessary to operate the general government with transfers from the utilities contributing a slightly smaller share at approximately 28%. As indicated in the charts, personnel services account for over one half of all expenditures.



KEY ASSUMPTIONS & BALANCING STRATEGIES FOR FY16

Over the last few months, staff has been working on ways to address the projected shortfall for 2016. The items below detail the balancing strategies.

Property Tax Rate

The proposed budget recommends a one mill increase for Public Safety, going from 3.7 mills to 4.7 mills. The millage has remained flat for the past five years. The preliminary estimates of taxable value from the Leon County Property Appraiser’s Office on May 29, 2015 indicate a 3.9% increase over the prior year.

The tax roll for fiscal year 2016 will be finalized this month and the City will receive the certified taxable value report by July 1, 2015. This is the official estimate that must be used for adoption of the tentative maximum millage rate at the City Commission meeting on July 8, 2015.

Ad Valorem is the largest single revenue source for the general fund. In addition, because of the process required per state statutes to set the millage rate annually it also is the most predictable and reliable source of revenue.

Transfers from Utilities

Modifications were made to all of the utility transfers, excluding sewer in FY15. For FY16, all transfers are based on policy. For Electric and Gas, the policy is to increase the transfer by the Consumer Price Index for All Urban Consumers (CPI-U). Due to the drop in oil prices, the CPI-U is projected to be flat. Therefore, Electric and Gas transfers will remain at the FY15 level for FY16. Overall, the projected transfer has a negative effect of (\$1,085,986) to the general fund compared to

earlier projections. The following tables provide a summary of the transfers from each utility and percent comparison of general fund total revenue.

<i>Transfer</i>	<i>FY 2012</i>	<i>FY 2013</i>	<i>FY 2014</i>	<i>FY 2015</i>	<i>FY 2016</i>
Electric	23,844,683	23,900,000	24,258,500	28,801,313	28,801,313
Gas	2,512,094	2,524,732	2,562,602	2,801,441	2,801,441
Water	2,999,663	3,148,743	3,238,663	3,694,369	3,359,576
Sewer	3,667,474	4,075,232	4,320,612	4,560,850	4,633,926
Solid Waste	1,413,471	1,594,428	1,610,924	1,811,976	1,817,851
TOTAL	34,437,385	35,243,135	35,991,315	41,669,949	41,414,107

<i>Transfer % of GF</i>	<i>FY 2012</i>	<i>FY 2013</i>	<i>FY 2014</i>	<i>FY 2015</i>	<i>FY 2016</i>
Electric	17.90%	17.70%	17.50%	20.40%	19.06%
Gas	1.90%	1.90%	1.90%	2.00%	1.85%
Water	2.20%	2.30%	2.30%	2.60%	2.22%
Sewer	2.70%	3.00%	3.10%	3.20%	3.07%
Solid Waste	1.10%	1.20%	1.20%	1.30%	1.20%
TOTAL	26.30%	26.70%	26.60%	29.50%	29.50%

Deficiencies Fund Restoration

No funds are being proposed from the deficiencies fund in fiscal year 2016. In 2004 the City Commission modified policies related to the targeted balance for the deficiencies fund. The deficiencies fund was established to provide a reserve for unforeseen expenditures and emergencies for general government departments. This fund also provides for transfers to support operating deficits for the general government, StarMetro, golf course and fire services funds.

The current policy calls for a minimum reserve level of two months general government operating expenses. This policy is in line with best practices for municipal governments. Based on the policy, the current balance for the deficiencies fund should be equal to \$25,195,263 in FY16. At its lowest level, at year end FY09, the balance in this reserve was \$5,166,989. This low balance was not viewed favorably by the City's credit rating agencies.

During the FY10 budget process, staff, with much involvement with the financial viability of the government target issue committee, presented a plan to restore the fund balance. The plan identified policy parameters and provided for utilizing year end surpluses, one time revenues and increases in various revenue sources above an established amount to replenish the deficiencies fund. The City Commission adopted this plan and indicated that it would like to have the deficiencies fund restored to policy level by no later than 2017.

As a result of various actions approved by the City Commission including the transfer of year-end surpluses, the transfer of 2004 bond series interest earnings, and programmed loan repayments from the building inspection fund, we have been able to build the reserve level. The current balance of \$20,175,918 is at 80% of the required policy level. In addition, the building inspection fund owes

\$628,967 to the deficiency fund. A payment of \$277,865 is planned for this fiscal year with the remaining balance in full in the next two years.

Use of One-Time Revenue

The fiscal year 2016 budget includes \$650,000 from the Special Insurance Reserve fund, which is discussed later in this letter. The practice of using one-time sources has been acceptable, though not ideal, due to the recession and continued to be prudent for the short term due to the slow recovery. However, during the fiscal year 2015 budget process we set a target to minimize the use of one-time revenue for recurring expenses to less than 1% of general fund expenditures (\$1.5 million for FY16) and to achieve this target by FY 2017. This proposed budget has us meeting that goal one year early.

Capital Improvement Fund Balance and Reserves

Every year as part of the budget process staff reviews existing reserves to determine if available balances are within policy levels. Historically, any excess funds in reserve funds have been programmed for budgetary purposes.

As part of the FY16 budget development an excess in the Special Insurance Reserve Fund was identified of \$650,000. The Special Insurance Reserve Fund is established and funded to meet unanticipated losses from catastrophic events, higher than anticipated claims experienced in a given fiscal year, or to meet other claims/resource needs in excess of the Risk Management Fund. The policy requires that 150% of the five year average of claims be kept in reserves. As of March 2015, the fund had an excess of \$1.3 million above policy. FY15 claims expenses have been higher than normal through April; therefore, next year's calculation is likely to have a higher requirement. If so, the Special Insurance Reserve Fund will still have \$650,000 to meet that need. If claims experience moderates during the remainder of FY15, some or all of the \$650,000 will be available for the FY17 budget. We are asking City Commission to allow the use of \$650,000 for FY16.

At the May 20, 2015 workshop, staff had identified \$750,000 to be moved into the general fund for recurring operational expense. At this time, staff is no longer recommending using any of these funds for ongoing operational expenses in FY16. Rather these available funds will be used for capital projects. The City's capital improvement fund is one of the funding sources for general government capital projects. As general government projects are completed, any remaining funds are returned to the capital improvement fund for future use. Current policies call for a 3% contingency reserve to be held in the fund to address unanticipated needs.

Funding for General Government Capital Projects

Due to the focus on public safety, the FY16 budget does not provide for a recurring cash transfer from the general fund into the general government capital projects fund. The last time the general fund contributed was in FY13 in the amount of \$1 million, as can be seen in the chart below.

FY10	FY11	FY12	FY13	FY14	FY15	FY16
\$1,524,000	\$1,170,000	\$0	\$1,000,000	\$0	\$0	\$0

However, staff has identified \$3.4 million for capital projects in FY16. This funding will come from the general government capital improvement fund (GGCIF) and will be utilized for needed maintenance projects for existing facilities and sidewalks. Additionally, any future one-time revenues from the anticipated sale of city properties can be allocated for future general government capital projects.

A listing of projects that are recommended for funding is included in the capital budget section of the document.

Personnel Services

Personnel services make up 27.1% of the total city budget and 56% of the general fund budget. Salaries for general employees assume a 3% merit salary enhancement in FY16. Police recently concluded contract negotiations which provided an increase in FY16 of 2% across the board and a 4.5% step increase. Though not part of the general fund, Fire salary adjustments for FY16 are 3% across the board and a 4% step increase. We have not received the official rates from Capital Health Plan but the City’s portion of the cost of employee health insurance has been budgeted for an increase of 5%. As of the fiscal year 2015 budget, health care costs for vacant positions are now budgeted at the individual plus one coverage level instead of the previous method of family coverage. This brings the budget for health care in line with historical expenditure patterns.

As part of revisions to the FY16 budget assumptions the vacancy factor has been modified to reflect actual historical vacancy factors within individual departments. Vacancy factors ranging from 1.5% to 5% have been factored in the proposed budget. The vacancy factor is to account for routine employee turnover and include savings for salaries and benefits.

Position Changes

The proposed FY16 budget includes funding for 2,858.50 FTEs. This represents an increase of 41.75 positions from the total number of positions in the approved fiscal year 2015 budget. A total of 16 positions have been added to Fire to support the staffing of the 2-bay station to be co-located at the Tallahassee-Leon County Public Safety Complex on Weems Road and the associated operating costs. This budget is based on station operation beginning July 1, 2015. Staffing of this station will be filled with overtime until the new Station #16 positions are filled in October 2015. The budget also includes the addition of 18 positions in Police to address the increased workload for patrol and investigative services at TPD. The following table provides a listing of proposed position additions. Position changes during the budget process and during the course of the fiscal year have been accomplished through planned process changes, reorganizations, and alternative service delivery methods. Departments will continue to seek to make reductions in positions throughout the government when possible. All positions approved for elimination and new positions are on the following position charts.

Fund Type	DEPARTMENT	POSITION	FTE
General Fund	Ethics Office	Administrative Specialist I	0.75
	Police	Police Officer	16.00
		Police Investigator	2.00
	Parks, Recreation and Neighborhood Affairs	Senior Horticultural Technician	1.00
		Sub Total	19.75

Special Revenue Fund	Public Works	Equipment Operator II	2.00
	Fire	Fire Engineer	3.00
		Firefighter	6.00
		Lieutenant	3.00
		Maintenance Repair Worker	1.00
		Training Specialist	1.00
		Fire Inspector Specialist	2.00
		Sub Total	18.00
Enterprise Fund	Electric	Electric System Operator	1.00
	Aviation	Airport Maintenance Technician	1.00
		Airport Operations Agent	1.00
		Sub Total	3.00
Internal Service Fund	Management & Administration	Senior Technical Support Analyst	1.00
		Sub Total	1.00
	Net Change	Grand Total	41.75

State Revenue Sharing

The State of Florida has not released new estimates and it is anticipated that these will be released in late July, one month late due to the special session that will be from June 1, 2015 to June 20, 2015. The FY16 budgeted amount will be updated with the most recent numbers prior to final adoption of the budget in September 2015. The proposed budget anticipates an increase in both the municipal revenue sharing and ½ cent sales tax amounts by 3.0% and 2.5% or \$160,661 and \$250,927 respectively over FY15 estimates. A total of \$5.6 million is anticipated in State Revenue Sharing and \$10.2 million in ½ Cent Sales tax revenues in FY16.

Debt Service

General fund debt service for fiscal years 2016 through 2020 is \$34.5 million. In FY 2016, \$6.2 million is budgeted for debt service, which includes payments for Capital Bonds Series 2008, 2009, 2012 and 2014, as well as minor internal loan payments.

Fire fund debt service for the five year planning period is \$9 million. This reflects a revision in the anticipated timing of new fire stations.

Total Energy (Electric and Gas) and Consolidated Utility Services (CUSB) debt payments over the five year planning period (FY 2016 - FY 2020) have decreased from the prior year's adopted budget by \$1.2 million. The largest reduction was to Gas debt payments, down \$860,800 over five years.

Potential reductions in Energy debt service due to planned refunding in FY 2015, as well as potential increases in CUSB debt service based on anticipated borrowing in the next year, have not been determined or budgeted at this time.

PROPOSED INCREASED SERVICE LEVELS GENERAL FUND

The proposed budget reflects an increase for public safety resources as well an increase for maintenance requirements for Cascades Park. Several other resource needs are also addressed and are presented below for City Commission consideration and approval. A summary of all recommended service level changes can be found in section D, page 14 of the budget book. In

addition, starting on page 19, of the same section, are the requested service level changes which are not proposed to be funded in fiscal year 2016.

Police

The FY16 proposed budget for Police includes the addition of eighteen (18.00) full-time positions. The new positions are sixteen (16.00) police officers and two (2.00) police investigators. The workload for the Tallahassee Police Department continues to increase for patrol and investigative services. This is clearly evident in a review of calls for service (which have increased 27.43% since FY08), the amount of time officers spend responding to calls (estimated to be in excess of 80% of their shift), and increasing violent crimes, sexual batteries, and property crimes. To address this issue, TPD is requesting that over the next three fiscal years the Patrol Division staffing be augmented by 42 sworn members and 10 community service officers and that the Criminal Investigations Division (CID) be provided 4 additional investigators. The fiscal impact for the addition of these positions total \$2,085,477 for FY16.

Parks, Recreation and Neighborhood Affairs

The FY16 proposed budget includes the addition of a senior horticultural technician and additional operating funds for Cascades Park. Cascades Park successfully opened to the public in March, 2014. The park has proven to be extremely popular and well used by all segments of the community. The venue requires a high level of maintenance by design and the amount of use has resulted in increased maintenance needs. Initial estimates were that nine full-time maintenance staff would be needed to maintain the park based on staffing levels at comparable facilities. Five (5.00) positions were requested and four were approved for funding in FY14. Funding is requested for a full-time senior horticultural technician along with funds for additional part time staffing for high use areas and on weekends. Annual flowers have been added in areas of the park to enhance the landscaping, and funds are also requested to continue this beautification effort. The park has hosted a number of special events and concerts and the demand for these activities continues to increase. Additional funds are requested for special event programming including holiday decorations, which were not originally included in the Cascades operating budget. The fiscal impact for this position and the operating expenses is \$162,788 for FY16.

Outside Agencies

During the current fiscal year, the Office of Budget and Policy requested agencies to submit a written request for new or additional funds for fiscal year 2016. The organizations below are proposed to be part of the fiscal year 2016 budget.

Social Services grant program (CHSP)	\$442,651	increase over FY15 (targeted approach to be discussed by City Commission)
Florida Veterans Foundation- Stand Down	\$10,000	new budget request
Honor Flight	\$10,000	new budget request

UNRESOLVED ISSUES FOR FISCAL YEAR 2016

Although the proposed budget has been able to address critical resource needs for the Tallahassee Police Department as well as for some other areas, we have not been able to include a number of

funding requests in the budget. These are listed as unresolved and we discuss these during the City Commission budget workshops.

- St. Francis Wildlife Foundation - \$33,950 request to reinstate prior funding
- Economic Development Council - \$44,500 above FY15 budget of \$130,00
- Council on Culture and Arts - \$40,000 above FY15 budget of \$192,000 (There is the anticipation this will be resolved between COCA, County and City Staff)
- Legal Services of Northeast Florida \$50,000 new budget request
- MOLAB \$10,000 new budget request
- Economic Development Portal \$TBD new budget request
- Governor’s Walk \$TBD new capital request

ALTERNATIVE GENERAL FUND SCENARIOS

As indicated earlier in the message, the community is at a critical juncture and a number of resources are need to ensure that the community continues to move forward and build upon the gains already made. The proposed budget recommends a one mill increase to begin to address critical public safety resource needs.

The following presents alternative general fund scenarios should the City Commission not opt to increase the millage rate by one mill. These options would provide for a balanced budget but would limit additional public safety resources and/or would require reductions in other areas in order to be able to fund some of the requested police positions.

Continuation Budget with Half a Mill Increase

As presented to the City Commission, the FY16 budget shortfall is approximately \$4.5 million as of the latest projections. Raising the millage rate by 0.5 will generate \$4.5 million. This will allow for the closing of the shortfall and continuation of service levels as well as for some funding for outside agencies, such as Honor Flight. As a reminder, \$3 million of the shortfall is attributable to the addition of 6 officers, pension increases and the PBA contract impact in FY15. These 6 positions approved would continue to be funded but this option does not provide funding for any new officers in FY16 as requested by the Tallahassee Police Department.

Continuation Budget with Half a Mill Increase Plus Fund Eight (8) New Police Officers

As stated above, raising the millage rate by 0.5 will cover the shortfall in FY16. Adding eight new police officers and equipment would cost approximately \$976,000 in the first year. In order to fund these, we would need a reduction equal to the value of twenty (20) positions (salary and benefits average \$50,000 per positions) in other departments, such as Public Works, Parks and Recreation and others. This would represent an overall reduction in staffing, excluding police FTE’s, of 3.4%.

Continuation Budget Using One-Time Revenues and Reductions and No Millage Increase

Though not ideal nor is it being recommended, we could use an additional \$2.5 million in one-time revenues and make \$2 million in position reductions. The use of one-time revenues would have to

come from general government capital improvement fund which would reduce the funding available for projects such as roadway resurfacing, body cameras for police and needed improvements at recreational facilities in FY16. It would require 40 positions or a 7% reduction in the workforce to equal \$2 million.

OTHER FUNDS

The following sections provide a summary of the most significant revenue and expenditure assumptions for funds other than the general fund as contained in the proposed budget.

SPECIAL REVENUE FUNDS

Building Inspection

The Building Inspection Division continues working at minimal staffing levels due to the efforts to reduce expenses during the great recession and resulting construction downturn. The Division's workload has increased due to the size of the large mixed use projects underway. If the upward trend continues, it may be necessary to consider increasing staffing levels in order to maintain current levels of service and performance standards.

Permits for 1 & 2 family homes increased slightly from 133 to 136, in the first two quarters of FY15 as compared to FY14, and multi-family dwelling units increased from 303 to 341, when compared to the same period. The number of permits for new commercial buildings increased when comparing the first two quarters of FY14 and FY15, from 14 to 25. The commercial square footage applied for also increased in the same period, from 87,229 square feet to 473,778 square feet. This resulted in more than triple the permit fees for the first two quarters of FY15 as compared to the first two quarters of FY14; commercial permit fees were \$32,078.29 during the first two quarters of FY14 and \$101,776.45 during the first two quarters of FY15. When looking at the overall building permit numbers for the first two quarters of FY15, permits are up slightly in comparison to the first two quarters of FY14, from 1397 to 1477. Staff anticipates that building permit applications for the build-out of retail locations associated with mixed use developments will continue to be submitted during FY16.

- The Building Inspection Fund projected revenues exceed projected expenses in all five years.
- Repayments to the Deficiencies Fund are anticipated in FY 2016 and FY 2017 only. Currently, Building Inspection's outstanding obligation to the Deficiencies Fund is \$628,967. Upon an anticipated transfer of \$277,865 in FY 2015, the Building Inspection Fund will have future budgeted payments of \$163,777 in FY 2016 and \$187,325 in FY 2017.

Fire Services

On March 12, 2013 the Leon Board of County Commissioners voted to enter into negotiations for a new Fire and Emergency Medical Services Inter-local Agreement with the City of Tallahassee by exercising their option to end the current agreement. In September of 2013, the City and County reached an agreement for the unincorporated areas of the County which, among other provisions; (1) extends the current agreement for eleven years, through September 2025, with no change in customer fees through September 2015, (2) provides that City will staff the Weems Road Fire

Station 16 (scheduled to open in July 2015) with existing staff through at least September 2015, (3) that the City and County will jointly commission a new fee study funded through the existing fire fees to establish a cost-based fee to begin in October 2015. The fire fee rate study was completed in April 2015.

The Fire Prevention Division is statutorily mandated to enforce the Florida Fire Prevention Code as adopted by the State Fire Marshal. Currently, two independent and unequal fee schedules exist for these services; one within the City of Tallahassee and one within Leon County, though the services provided are the same. Additionally, the fees for services as adopted by the City of Tallahassee Leon County have not been evaluated for cost versus collection since 2004 and 1998, respectively.

In FY13, the Department hired a consultant to review, evaluate, update and consolidate the fire prevention services fee schedule for both City and County services. This process was completed in summer 2014, however, implementation of the proposed rates was postponed until after the October 2015 implementation of the new fire services rates at which time it will be reconsidered. This is anticipated to occur during the FY16 fiscal year.

Cemetery Fund

The City of Tallahassee owns and maintains five cemeteries totaling 133 acres. The only remaining inventory of grave space is located at the Southside Cemetery, which has 750 spaces available. At the current rate, these spaces will be sold within three years.

The City Commission adopted an ordinance on September 10, 1986 establishing the Cemetery Perpetual Care Trust for the maintenance and operation of the City cemeteries. Currently, a fee of \$93.75 per grave space sold is used to fund the Cemetery Perpetual Care Trust. Proceeds from this trust are transferred annually to fund the Cemetery Division.

In FY14, there was a deficit of \$36,007 in the Cemetery Fund which had to be taken from the Cemetery Perpetual Care Trust. At the end of the second quarter of FY15, the Office of Budget and Policy is estimating a deficit of \$69,785 in the Cemetery Fund which will need to be taken from Cemetery Perpetual Care Trust. This will leave an estimated year-end balance of \$5,191,890 in the Cemetery Perpetual Care Trust and utilization of the fund at these rates will deplete the reserve within 20 years.

At the direction of the City Commission, Property Management is developing a plan for the expansion of the Southside Cemetery onto adjacent airport property as well as an expansion of Oakland Cemetery. Together, these expansions would create approximately 1,800 new grave spaces. These additional spaces will provide enough capacity to last 7-10 years with revenues totaling \$1,687,500 at the current grave space price of \$937.50.

The FY16 budget for this the Cemetery Fund is \$467,804. A transfer of \$316,173 from the Cemetery Perpetual Care Trust is required.

Stormwater

The Stormwater fund is balanced for fiscal years 2016 through 2020. Total revenues for the Stormwater fund for fiscal year 2016 are \$17.2 million. Of this \$4.6 million will be transferred to the Stormwater capital improvement program. The stormwater rate ordinance calls for automatic

annual consumer price index increases and the FY 2016 budget for service charges include a rate increase of 1.28%, based on the impact of CPI estimates and growth expectations.

The City Commission policy number 224.5.A requires a fund balance not exceed 3% of the collective sources of the respective capital. In FY 2015, an exception to this policy was approved which allowed Stormwater RR&I Undesignated appropriations to remain below policy requirements by up to \$14.6 million. In FY 2016 Stormwater project appropriations exceed the 3% reserve limit by \$2.8 million. Once again we are recommending an exception to this policy as part of the FY 2016 budget since \$3.3 million in transfers to RR&I from stormwater fee revenue has not been appropriated for projects, more than covering the reserve requirement. The policy will continue to be reviewed annually to ensure that available funding is efficiently utilized over time while still maintaining a reasonable balance on hand.

StarMetro

The proposed budget for StarMetro in FY16 is \$17,302,171, including a contribution from the general fund of \$7.8 million and from the gas tax fund of \$2.3 million, for a total of 59% of the department's total budget. StarMetro's FY16 budget increased by \$344,759, however there are offsetting grant revenues to cover the projected additional expenses.

A peer review of similarly sized transit systems as well as some of the larger systems in Florida shows StarMetro is 24% more efficient than the average peer transit agency and ranks 3rd out of 17 agencies for low cost per revenue hour. Over the last several years, StarMetro introduced new approaches to meet the growing demands for transit, economic development, and expanded transportation choices during this period of high gas prices. StarMetro will continue to provide excellent service with a sense of focus on existing and potential customers.

ENTERPRISE FUNDS

Enterprise funds include not only the utilities but also the airport operations, solid waste collection and disposal, and Hilaman Golf Course. Enterprise funds are expected to recover all costs, both direct and indirect, from charges for the service provided.

Utility funds use a rate analysis to determine revenue requirements for specified periods of time. A rate study for the electric utility is anticipated to be completed in the fall. Water, Sewer, and Solid Waste assume a CPI adjustment to base rates as included in the rate ordinances previously approved by the City Commission.

Electric Fund

The Electric fund is balanced for fiscal years 2016 through 2020. Operating expenditures of \$298 million are budgeted in fiscal year 2016 reflect a decrease of \$7.1 million or 2.3% from the FY 2015 budget. This decrease reflects the significant decrease in fuel costs and the City's ability to extend the benefit of this decrease through the use of hedging contracts. Revenues are projected based on a rate increase effective in FY 2015 and are balanced with a reduction in transfers from reserves. The electric fund contribution to the general fund for FY 2016 has been held to the same level as the prior year, at \$28.8 million.

Gas Fund

The Gas fund is balanced for fiscal years 2016 through 2020. Based on current estimates for FY 2016, and due to the projected decrease in the cost of Natural Gas, which is then passed through service charges to customers, revenues from service charges are estimated to decrease by 6.2% in FY 2016 to a total of \$29.5 million. Total revenues for FY 2016 are \$30.8 million.

The 2016 fiscal year budget reflects operating expenditures (excluding any excess transfers to RR&I) in the amount of \$30.8 million, representing a decrease of approximately \$1.4 million from the prior year. \$1.1 of this decrease is due to the decreased fuel cost estimate, from \$16 million in FY 2015 to \$14.9 in FY 2016.

The Gas fund contribution to the general fund for FY 2016 has been held to the same level as the prior year, at \$2.8 million.

Water Fund

The Water fund is balanced for fiscal years 2016 through 2020. Revenues for the water utility system include water sales, development fees, various water service fees, and other miscellaneous fees.

- Total revenues for the Water fund for fiscal year 2016 are budgeted to be \$32.5 million versus the fiscal year 2015 budget of \$31.5 million, an increase of \$1 million, or 3%. This modest increase captures recent rate changes and minimal growth estimates.
- The 2016 fiscal year budget reflects operating expenses in the amount of \$32.5 million, an increase of \$1 million over the prior year. This increase captures employee pay increases and other variances in capital outlays, transfers and internal charges.
- A transfer to the general fund of \$3.4 million is budgeted for FY16, a \$334,793 reduction from the prior year.

Sewer Fund

The Sewer fund is balanced for fiscal years 2016 through 2020. Wastewater system revenues also include monthly sewer service charges, which are based on water consumption rates, development fees, the sale of effluent and other miscellaneous fees.

- Total revenues for the Sewer fund for fiscal year 2016 are \$61.6 million versus the fiscal year 2015 budget of \$59.9 million. This increase of \$1.7 million captures anticipated revenue increases, and is a 2.9% increase overall.
- The 2016 fiscal year budget reflects expenditures in the amount of \$61.6 million, representing an increase from FY 2015 of \$1.7 million. The most significant changes include a net reduction in personnel costs due to transfers between water and sewer, as well as increase in transfers to capital of \$1.5 million.

Aviation Fund

The Aviation Fund is balanced for fiscal years 2016 through 2020. Aviation Department staff is pursuing a rebranding in concert with becoming the “Tallahassee International Airport.” Pursuing international designation will help the airport become more competitive for various air service and development opportunities, while also fostering new economic development opportunities for the City of Tallahassee and the surrounding community.

- Overall passenger growth for CY 2014 of 1.2% over CY 2013 was consistent with the average 1.3% growth for the other top U.S. markets and 0.6% nationally.
- Airline seat load factors (percentage of seats occupied) have averaged 75.8% at TLH.
- Delta has continued to up gauge aircraft size to Atlanta (ATL). By April 2015, five of the seven Atlanta flights will be flown by mainline aircraft. This is a seat increase of 21% year over year for April 2014.
- Silver Airways added nonstop service to Fort Lauderdale and an additional flight to Orlando (MCO) on February 12th. Silver also has one-stop service to Tampa (TPA) and connecting service to West Palm Beach (PBI) twice daily.
- American has upgraded aircraft in the market and most of the 50-seat regional jets have been replaced with the newer E175 aircraft that has a seating capacity of 76 seats.

Solid Waste Fund

The Solid Waste fund is balanced for FY16-FY20. Projections of future revenue increases during fiscal years 2016 through 2020 assume continued residential and commercial customer growth. Revenues from customer charges were increased by the CPI as provided by a City Commission resolution in 2010.

- The current contract with Waste Pro will end October 1, 2018.
- A transfer to the general fund of \$1,817,851 is budgeted for FY16.
- The current residential garbage fee is \$17.52/ month.

Golf Course Fund

Hilaman Golf Course Fund revenues and expenditures are balanced in fiscal years 2016 through 2018 with preliminary shortfalls projected in fiscal years 2019 and 2020. The financing policy allows surplus undesignated dollars in the golf course repairs, replacements and improvements fund (RR&I/UB) to be used to cover projected deficits, as needed and available. Staff will work in to adjust revenues and/or transfers as necessary to eliminate future-year deficits in the appropriate years.

Expenditure growth in the fund has been controlled through improved efficiencies and practices such as reductions in the number of full-time positions, utilization of contractual employees for several maintenance functions, and improvements to facilities at the course implemented beginning in fiscal year 2009. In addition, expenditures for internal service fund costs for human resources, accounting, purchasing, information systems services, and risk management have been excluded from the golf course fund in fiscal years 2016 through 2020. However, the fund’s budget includes expenditures for indirect costs as well as vehicle expenses related to garage, fuel and replacement costs.

**FY 2016 CAPITAL BUDGET &
FY 2016–FY 2020 CAPITAL IMPROVEMENT PLAN**

The capital improvement plan provides a schedule of planned improvements over the next five years and identifies revenue sources that will pay for those improvements. The capital budget for fiscal year 2016 totals \$143.5 million and the five-year capital improvement plan totals \$753.5 million. The five-year CIP represents a \$33 million, or 4.6%, increase from the capital improvement plan approved in fiscal year 2015. While all projects requested have been included in the proposed FY 2016 budget for electric and underground utilities, some capital funding issues remain to be resolved. The work will be completed prior to adoption of the final budget.

The five-year plan includes investments in roadways, public safety and recreation facilities, parks, mass transit, utility infrastructure, routine maintenance of existing facilities, and technology enhancements. This includes funding for the construction of several major projects already underway, such as FAMU Way, Street Resurfacing projects, Airport improvements as well as updates to existing facilities and ongoing vehicle replacement. It also includes improvements in the Market Square District around existing stormwater facilities to provide areas to be used as public space and urban parks. The CIP includes numerous ongoing programs and one-time projects to perform regular maintenance on infrastructure and to replace those assets that have reached the end of their useful lives. Examples include our IT network infrastructure projects, applications and database upgrades, as well as repairs, replacements and equipment upgrades in the Parks, Recreation, and Neighborhood Affairs Department.

As in the past few years, capital needs exceed available resources and funding for several projects was deferred to a future year, reduced, or eliminated to balance the capital budget in fiscal year 2016. However, while potential funding sources have been identified for projects in the out years, the CIP is not balanced in all years, and will require a deliberative process to refine requests so that they are in line with projected funding. This pertains to projects supported from pay-as-you-go (GGCPA/GGCIF) funding, gas tax revenues, and projects in the water and sewer utilities. As noted in the past, the City Commission only appropriates funding in the first year, with the latter four years representing a projected plan on how, and which, projects will be funded.

Fiscal year 2016 funding of \$3.4 from the undesignated balance of the capital improvement fund (GGCIF) is available to support the following projects:

• Police – Body Cameras	\$660,000
• Parks, Recreation and Neighborhood Affairs Improvements	600,000
• Road resurfacing	500,000
• Ball field and Tennis Court Lights	278,000
• Police Facilities Renovation, Repair and Improvements	257,000

- City Hall Master Project 250,000
- Work Asset Management System Upgrade 100,000
- Animal Shelter HVAC repairs 156,283
- Smart City Pilot Project 150,000
- Animal Service Center RR&I 75,000
- Police vehicle replacement 57,000
- Police Headquarters Study 50,000
- Senior Center Study 50,000
- Citywide Records Management System 50,000
- Water & Sewer System Charge and Tap Fee Waivers 50,000
- New Wayfinding signage 50,000
- City Hall Heating First Floor 50,000

The undesignated fund balance above is made available when previously budgeted projects are completed under budget.

The Capital Budget Appropriation and Financial Summaries sections of the budget provide funding for all five years of the CIP by source (bonds, RRI, state funds, etc.) and department. The section also identifies individual project titles and descriptions by service area as well as projects that are not funded.

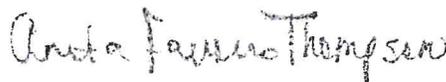
CONCLUSION

Though we managed our way through difficult economic times by reducing staff and other operational expenditures, as it has been said, we cannot cut our way to greatness. Tallahassee has an extraordinary quality of life, one that is unmatched by almost all of our comparable cities. This was not by accident, but by careful design, thoughtful decision making and extremely hard work by both the City Commission and our employees. This budget provides the investment necessary to continue delivering outstanding service as well as needed enhancements to public safety to ensure that the high expectations of our citizens, businesses and visitors are met today and for years to come.

Over the next few months we will refine our projections, incorporate City Commission input, and provide a final budget for consideration and adoption in September.

I look forward to discussing the proposed budget and obtaining your feedback and guidance at the June 17, 2015 City Commission Budget Workshop. Office of Budget and Policy staff and I are available to answer questions or provide any additional information you may require.

Respectfully submitted,



Anita Favors Thompson
City Manager