JOHN R. MARKS, III, MAYOR

CITY OF TALLAHASSEE

October 2010

As the Mayor of the City of Tallahassee and on behalf of the City Commission, it is my responsibility and privilege to present the approved fiscal year 2011 annual operating and capital budgets and the FY11-15 Capital Improvement Plan for the City of Tallahassee. The budget process began with our annual commitment to meet our citizen's high expectations and delivering the best possible services, while remaining fiscally responsible. As in previous years, the combined effect of a troubled economy/real estate market and property tax reforms imposed by state government significantly influenced the level of funding available to provide local services. This resulted in a challenging budget process, but we continue to be committed to the high level of customer service our citizens expect and deserve.

As in prior years, budget preparation included many hours of public workshops. The City Commission and the public listened, learned, and commented on the proposed budget priorities. This process improved public awareness and helped the commission align financial resources with community priorities. The following highlights the results of that process:

> The City Commission approved an operating budget of $726.9 million, as well as a capital budget of $207.6 million. Additionally, the five-year Capital Improvement Plan totaling $823.4 million will provide a plan for new and enhanced facilities and infrastructure.
>
> The City's approved millage rate for fiscal year 2011 is 3.7000, the same rate as in FY 2004, and remains one of the lowest of the ten largest cities in Florida.
>
> Federal stimulus dollars assisted the City to retain and fund five Tallahassee Police officer positions to ensure the safety of the public.

This has been another challenging budget process, and the final budget represents our collective best efforts at addressing the current economic climate while attempting to maintain excellent service to our citizens.

I am grateful the commissioners for their leadership and commitment throughout this budget process. I also would like to express my appreciation for the diligence, hard work, and dedication of City staff, especially the budget staff, and the involvement of our citizens. We continue to be optimistic that the economic climate will improve and that next year's process will be more satisfying for the community as a whole. My goal is to continue to provide the best possible service to our citizens at the most affordable cost.

Sincerely,

John R. Marks, III

CITY OF TALLAHASSEE

CITY OF TALLAHASSEE

June 14, 2010

Honorable Mayor and City Commissioners:

It is my pleasure to present to you the operating and capital budgets for fiscal year 2011. As you are aware, the last few years have been difficult ones for municipal governments across the state. The lingering impact of property tax reform and the slowing down of the economy has resulted in municipalities having to reassess how resources are allocated. The City of Tallahassee has not been immune to this and we too have been required to make difficult decisions on how the city's resources are allocated. Since 2007 the city has eliminated 172.6 positions, representing a 5.7% reduction in our workforce. We have also eliminated a number of programs, reorganized how we deliver services, implemented employee furloughs, provided incentives for employees for early separation from the organization, and privatized functions previously done in-house. We are a leaner organization and one that is adjusting to our limited resources efficiently and effectively. Maintaining our high quality service levels, however, is becoming more and more of a challenge. We will discuss those challenges in more detail throughout this letter.

As part of this year's budget process I have directed departments to continue looking at innovative ideas within each of their areas in order to find new ways to serve our citizenry. As an incentive for creativity, departments were allowed to retain fifty percent of any savings generated from any new or enhanced concepts that were approved for inclusion into the proposed budget. As we move into next year's process I believe it is important to continue to reward innovation and creativity. Those two things combined with strong management policies and appropriate operational controls will be key to maintaining our well- earned reputation for great service and good stewardship.

As we discussed with the City Commission in our recent budget updates, the city's financial position is better than at this time last year. Over the last couple of months we have seen indicators that have provided us some positive news. The reduction in property values as originally provided by the Leon County Property Appraiser's Office is slightly better than initial projections. Although we had estimated a 3% reduction in the value of properties within the city, preliminary numbers indicate a 2.65% reduction. The tax roll for fiscal year 2011 will be finalized this month and we will be receiving the certified taxable value report by July 1, 2010. The building inspection fund is also showing promising signs and over the last few months we have seen a slight improvement in the level of activity. Although permit revenues are showing only a slight change, the total number of permits issued as of May 2010 exceeded the number of permits issued for the same time period in 2009 by 27%, from 132 permits to 168 permits. Changes implemented at Hilaman Golf Park over the last year are also resulting in additional revenues at the golf course, with an increase of \$60,339 as of March 31st over the same period in the prior year, and as a result there is no general fund transfer projected for the golf course fund in FY2011.

The proposed budget also addresses a number of City Commission priorities identified throughout the year. As the City Commission directed at this year's retreat, the proposed budget is balanced within revenues generated from the existing property tax rate. The proposed millage rate is recommended to be retained at 3.7 mills. This rate is still one of the lowest millage rates

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Commissioner

ANITA F. THOMPSON
City Manager

JAMES R. ENGLISH
City Attorney

GARY HERNDON
City Treasurer-Clerk

SAM M. McCALL
City Auditor

among municipalities in the State of Florida. Funding is also included in the budget to begin to address City Commission priority areas as identified in the retreat, including creating a sense of place and interconnectivity and mobility issues.

The proposed budget also addresses continued restoration of funding in the deficiencies fund. Earlier this year the City Commission approved a number of policy parameters related to how the deficiencies fund is to be restored within a five to seven year timeframe. The proposed budget abides by these parameters. As you will recall, the rating agencies had expressed concern over the deficiencies fund balance as part of a routine review last year. The actions taken by the Commission to begin to replenish the reserve will reflect positively on the financial leadership of the City.

Although we are cautiously optimistic about the city’s financial condition, we are still aware that there are areas we will have to continue to monitor over the next couple of years. There are significant issues with the water and sewer funds that will need to be addressed in FY12. Policy parameters related to the general fund transfers from the utilities will need to be revisited in FY2012 as a result of the impact of decreased utility consumption on both the utility and general fund proformas. Later in this budget message we will outline the condition and any issues related to each fund.

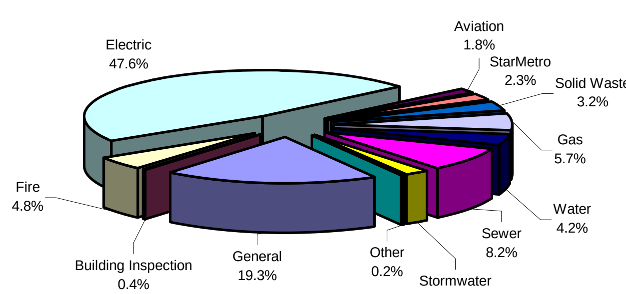
This budget message provides the City Commission with an outline of recommendations included in the proposed budget and details how we are recommending that the proposed budget be balanced. Additionally a discussion of the capital improvement plan is included. As with every year’s budget process, there are a number of outstanding issues that were identified for discussion with the City Commission during the upcoming budget workshops. Some of these issues could result in additional savings that could be incorporated into the final budget that will be approved by the City Commission in September.

PROPOSED BUDGET

The proposed appropriated budget presented for your review totals $714.2 million and represents a decrease of $4.5 million over the approved fiscal year 2010 budget. This reduction is partly the result of a reduction in fuel costs for the utilities, although vehicle fuel costs are expected to increase. The reduction in utility fuel costs are related to our profitable decisions in hedging contracts. We will actually expect to pay less in utility fuel than current per gallon costs that are anticipated for the 2011 fiscal year. The General Fund portion of the budget totals $133.7 million for fiscal year 2011 and represents a decrease of $122,468 or .1% over the approved General Fund budget for fiscal year 2010.

The adjacent chart illustrates how the appropriated budget is allocated between the various funds. It should be noted that approximately 68% of the total appropriated budget is allocated to the utilities.

FY11 APPROPRIATION BY FUND



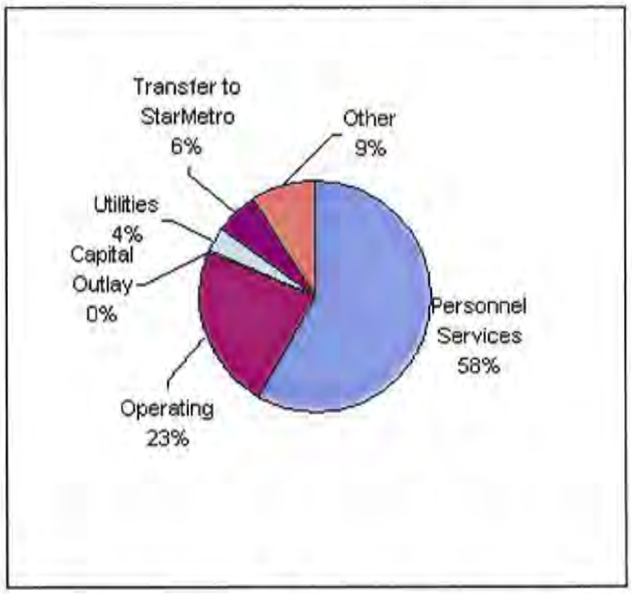
Consumption is down in most of the utilities due to a combination of demand side programs and economic conditions.

Utility funds use a rate analysis to determine need for specified periods of time. The last rate study was completed over five years ago and did not adequately anticipate the decline in growth currently being experienced nor the impact of demand side management programs on over-all consumption. Thus, although all utility funds are balanced, usage of reserves and/or reductions in RR&I transfers are required to accomplish this. With the current fee structure for solid waste services, a transfer from reserves is required in each year beginning in FY13 and a transfer from rate stabilization is programmed for the Electric Fund in FY11. A rate increase for Electric is not planned at this time although may be required in future years.

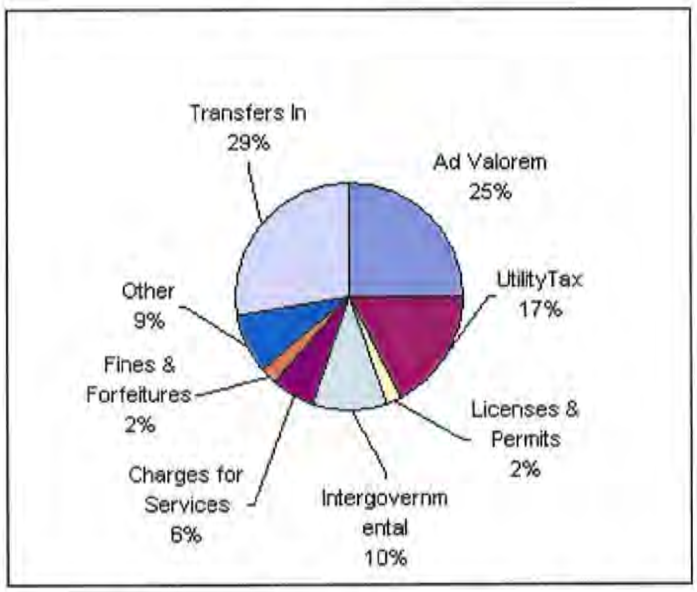
All other funds, including the Building Inspection Fund, are balanced as well. StarMetro's operating fund is balanced for all five years utilizing transfers from the general fund. Although the transfer is expected to be higher than required for FY10, this is due only to the projected increase in fuel.

General Fund revenue and expenditures are shown in the following charts:

GENERAL FUND EXPENDITURES



GENERAL FUND REVENUE



As indicated in the previous charts, personnel services account for well over one half of all expenditures. On the revenue side, ad valorem taxes contribute only twenty five percent of revenue necessary to operate the government with transfers from the utilities contributing approximately the same proportion of revenue.

BUDGET ASSUMPTIONS

As you are aware, we took a number of actions in the FY10 budget that will carry forward into the FY11 budget to reduce the on-going effect of the economic impacts including; a net decrease of 81.6 positions, reducing on-going salary and benefit costs by implementing the "Voluntary Separation Program", various re-organizations, contracting out certain services, and increasing the millage rate to cover debt service. Because of these actions we were better positioned than in the past two years going into this budget cycle. Other challenges not related to economic impact include issues such as declining consumption in our utilities and continuing high costs for fuel, health insurance, overtime, etc. When we started the budget process, we were initially looking at a shortfall of up to $3.1 million in the General Fund.

To address this, a number of actions are being proposed this year including a combination of revenue opportunities and expenditure reductions. On the expenditure side, reductions were considered not only at the program or department level but also at the organization level. A number of overall reductions in the area of pension, health insurance, and retiree benefits are still being reviewed with the goal of addressing the long-term sustainability of these programs and benefits. These expenditure and revenue proposals are addressed in more detail later in this document.

The following key assumptions were used in developing the budget.

- No increase in the current millage rate of 3.7 mills.
- Maintain StarMetro transfer at FY10 level (adjusted only for fuel).
- Provide for a 2% salary enhancement for employees.
- Incorporate cost containment measures for employee benefits.
- Maintain jobs to the extent practical.
- Address funding needs for maintenance of existing infrastructure.
- Provide adequate funding to address increased fuel cost.
- Stabilize and maintain utility transfers to/from General Fund/Utilities.
- Funding for vehicle replacement increased to start to accumulate additional funding required over the next five- year period. Allocation of costs between funds has been adjusted to reflect changes in the fleet composition.
- A soft hiring freeze will remain in place in all funds.
- Health insurance costs are projected to increase by 5%.
- Deficiency Fund will be increased whenever possible and appropriate.

The following sections provide more detail on the some of the above assumptions as well as other assumptions used to develop the proposed budget.

GENERAL FUND EXPENDITURE ASSUMPTIONS

Vehicle Fuel
City-wide fuel was budgeted at $4.7 million in the FY10 budget. Although fuel costs for the utilities has decreased due to existing hedging contracts for this commodity, the FY11 requirement for vehicle fuel has been increased to $5.5 million, approximately $750,000, due to expected cost increases. The City was able to contain the costs of vehicle fuel for FY10 by hedging contracts obtained in FY09. These contracts end in September 2010. To date, advantageous hedging contracts have not been available to assure lower costs for FY11.

Transfer to StarMetro
The transfer requirement for StarMetro is estimated at $7,925,134 for FY10. The FY11 transfer has been set at that level and adjusted for the additional cost of fuel expected for FY11, $8,190,444.

Transfer to GGCPA
The FY10 budget included funding of $1.524 million for the General Government Capital Projects Account. Of this, $824,000 was from a one-time revenue source. For FY11, a total of $1.2 million is included. Of this, $700,000 is projected revenue from the new red light camera program. Given that this is a new source of revenue and actual amounts to be received, in the first year as well on a continuing basis, are unknown, it would not be reasonable to depend on this source for on-going expenses at this time. The balance of the $1.5 million red light camera estimated revenue is used for operating purposes.

Debt Service
Approximately $9.0 million in general government debt service is budgeted in fiscal year 2011. This includes funding for existing obligations such as the 2004 capital bond series and various internal pool loans. Additional debt service for parks facilities and other projects totals $780,967 in fiscal year 2012 and increases to $2.6 million in fiscal year 2015. These are amounts from the approved FY10 budget and will be updated for the approved FY11 budget.

GENERAL FUND CONTINGENCY AND RESERVES

Contingency
One of the main purposes of the contingency account is to provide a cushion for unexpected declines in revenues or increases in expenditures. An adequate contingency can mitigate somewhat any mid year budget corrections that may be required. The FY10 contingency is budgeted at $200,000. For FY11, the proposed budget is $50,000 in contingency.

Transfer to Deficiency Fund
The Deficiencies Fund is a reserve or fund balance for General Fund operations. The current balance is less than the policy target balance of two months operating requirements for the General Fund. To address this serious issue, the FY10 budget includes a transfer of $1.9 million to the Deficiencies Fund. The FY11 budget includes an additional transfer of $280,990.

GENERAL FUND REVENUE ASSUMPTIONS

Utility Taxes (Electric, Water, and Gas)
This is the public service tax imposed upon the sale of electricity, water, and gas within the corporate limits. The City imposes the maximum tax rate of 10% of gross sales. And, although utility rate increases have been implemented over the last year, utility tax revenues have been fairly consistent as a result of the city's demand side programs, customer conservation initiatives, and impacts related to the economic downturn. Due to reduced consumption estimates, projected revenues for all utility taxes (electric, water, and gas) which total $13.4 million are estimated at approximately the same amount as fiscal year 2010.

Communications Services Tax
In order to pay back an over payment arising from a pre-FY09 audit of the Communications Services Tax, the Communications Services Tax rate was increased effective February 2009. The additional revenue collected from this increase is used to cover the annual debt service payment to the State of Florida of $487,967 for a period of three years. In FY09, the rate increase not only generated the required payment, but also allowed for a set-aside for one additional year. This set-aside was recommended by the State in order to allow for coverage of additional audit requirements that could arise in FY09, FY10, or FY11. The FY11 budget

assumes an increase to the General Fund of $167,772, the same amount as the FY09 amount. Although this reduces the extra set-aside that will be available for future audit issues, a cushion of one year is already available if needed.

State Revenue Sharing & Florida ½ Cent Sales Tax
Both of these sources are estimated to bring in approximately $12.7 million in FY11. There has been a slight decrease in these revenues since FY09. Official estimates from the State of Florida will be received in July and estimates will be updated at that time. By Commission policy, any increase will be used to increase the transfer to replenish the Deficiency Fund.

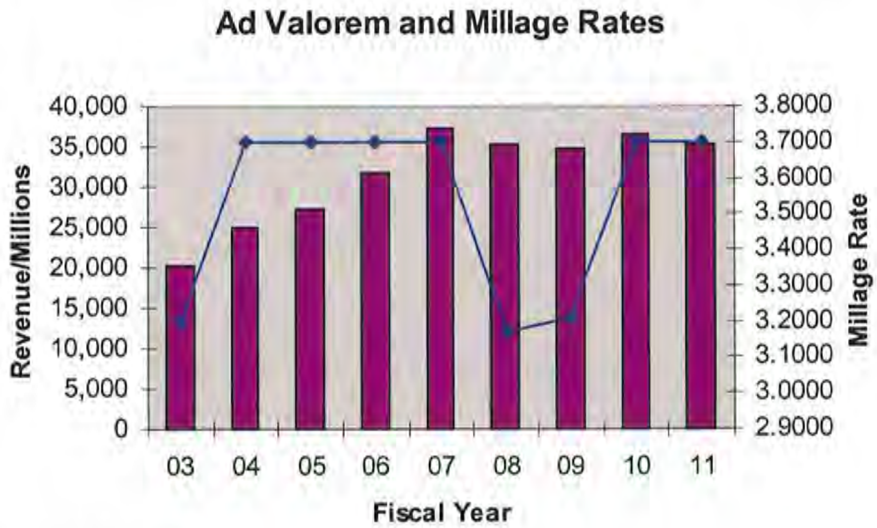
Transfers from Utilities
With the exception of the Electric Fund transfer that is estimated at approximately the same level as FY10, the General Fund transfers from the utilities have been calculated per the methodology approved in the finance policy. The transfers totaled $34.5 million in FY10. For FY11, the transfers total $34.6 million. Transfers as proposed are shown in the following chart.

Transfer	FY2010	FY2011
Electric	23,361,081	22,366,058
Gas	2,323,000	2,323,000
Water	6,678,846	6,484,450
Sewer	2,981,251	3,284,609
Solid Waste	164,674	161,914
TOTAL	34,508,852	34,620,031

The Commission target issue committee, Financial Viability of the Government, plans to review all utility transfer policies during the coming year to determine if changes should be made. In the interim period until all transfers are reviewed, the Financial Viability of the Government Committee is recommending a change to modify the methodology which is consistent with the Water and Sewer transfer calculations. Rather than use 8.3 mills per prior year actual kwh sales, this was modified to use 8.3 mills per the average of the prior three years kwh sales. This will help to level out the decreasing trend in kwh sales and results in substantially the same amount of transfer as budgeted for FY10. The change has an insignificant impact on rates given the small dollar amount applied over the total kwh sales amount. In addition, the General Fund transfer has remained fairly flat even though other costs have increased at a higher rate. This amount has been included in the proposed budget for Commission approval.

Ad Valorem Taxes
The preliminary taxable value provided by the Leon County Property Appraiser, is $9.7 billion. This is a reduction of $263.2 million from the FY10 assessment. This is compounded by a previous reduction in FY10 of $871 million or 8.1% from the FY09 assessment. According to State of Florida economic estimates, values for FY11 are also expected to be less than the FY10 taxable value by approximately 1%. No millage rate increase has been proposed for FY11.

Property taxes and transfers from the utilities represent approximately one half of general fund revenues. The chart that follows shows historical growth of ad valorem taxes as compared to the millage rate. The millage rate was increased from 3.2 mills to 3.7 mills in FY04 to recover the cost of debt service for newly issued debt for neighborhood projects. As indicated in the chart the millage rate was reduced in FY07 as a result of state legislative requirements. The debt service for which the millage was increased, however, continues for many more years and the rate was brought back up to a level to cover this in FY10. By maintaining the current 3.7 mill rate for FY11, the amount of ad valorem tax revenue will decreased by $790,876 from the FY10 budget amount.



Red Light Camera Revenue

On May 27, 2009, the City Commission adopted ordinance No. 09-O-22, implementing a red light camera safety program effective immediately. Subsequent to this, various legal issues regarding the program surfaced in other Florida cities and the program was temporarily suspended. The Florida Legislature passed legislation clarifying how the program can be implemented and the City Commission amended the ordinance to reflect these changes in May 2010. Regardless of the revenue generated, this type of program has seen significant improvement in traffic safety in other areas. Based on preliminary test data, estimated revenue for the program is $1.5 million for FY11. However, given that the program has yet to be implemented, the $700,000 of this amount has been dedicated to the capital program rather than on-going operating costs.

Under the provisions of the new State Statute regulating this program, a portion of the revenue generated from violations will go to trauma centers. At ten dollars per ticket, as specified in the statute, the estimated violations would generate $200,000. This provides a new source of dollars to continue the $200,000 previously provided to the Trauma Center, however those funds will not come directly from the City.

Transfer from Gas Tax Fund

In both FY09 and FY10 an additional transfer of $500,000 above the normal transfer of $204,260 from the Gas Tax Fund has been budgeted to offset costs associated with traffic/transportation programs. As there is sufficient undesignated fund balance in the Gas Tax Fund, this has budgeted again for FY11.

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.

OTHER FUNDS EXPENDITURE ASSUMPTIONS

Debt Service

In the Fire Fund, existing debt service payments support the fund's share of 2004 capital bonds, a 2001 Sunshine State loan, and self-contained breathing apparatus that was approved in fiscal year 2009. Fire's $8 million share of the joint dispatch facility and debt financing of a potential 1-bay station that would be co-located at the facility are programmed to begin in fiscal year 2012. Total debt service in the Fire Fund is budgeted at approximately $781,010 in fiscal year 2011. Beginning in FY12, debt service is budgeted at $2.1 million but does not include the addition of the stations a Lake Bradford Road and Southwood.

The Advanced Wastewater Treatment plant project is financed primarily from debt, the total of which is $222,481,600. Debt will be issued later in this fiscal year or early in FY11. Debt service for this project is still being refined by the Treasurer Clerk's office and bond counsel. However, preliminary plans are to capitalize the interest for three years, with a payment of $3.5 million programmed beginning in FY14. It is likely that an additional rate increase will be required to support this debt.

All debt issues are in compliance with the City's debt policy.

Transfer to RR&I

City policy provides that the utilities transfer an amount equivalent to annual depreciation to an RR&I account each year. All transfers, with the exception of the Water Fund, are in compliance with the policy.

PERSONNEL ISSUES

Personnel services make up 23% of the total city budget and 58% of the General Fund budget. Control of these costs is crucial in maintaining or reducing overall expenditures.

Salary Issues and Other Personnel Issues

Salary increases of 2% have been included for general employees for FY11. General employees did not receive any increase in FY10. However, there was a 2.5% across the board increase and 4.5% step increase for police union employees as provided in the union agreement. Funding for a 2.35% increase for FY11 has been included for fire union employees as provided in the current contract. A 2.3% increase was provided for fire union employees for FY10 as well. And in addition, 1.3% was also provided for educational benefits.

The city's cost of employee health insurance is expected to increase by 5%. In addition, pension costs have increased. These costs have continued to escalate over a period of years. With decreases or little growth in revenues, it is difficult to continue to sustain the increased costs of these employee benefits without sharing some of the increase with employees. As discussed below, the Commission Financial Viability Committee has been exploring various options for containing these costs.

Pension Changes

Due to declining earnings in the pension portfolio, pension costs have increased significantly in FY11. To mitigate the city's share of this increase, it is likely that general employees will need to increase their contribution in the future although no changes to employee contribution have been included in the FY11 budget.

OPEB

The City of Tallahassee provides retired employees a health insurance subsidy that is considered a post-employment benefit (OPEB). The City, beginning in FY09, is required to disclose the estimated total cost to provide the health insurance subsidy to current retirees and active employees (actuarial accrued liability, AAL) in the notes to the City's financial statements along with a description of efforts and progress being made to fund the AAL. The city's policy is to fund only the *explicit* portion of this liability, as actuarially determined. A portion of the cost (.25%) is paid by General, Police and Firefighter employees beginning in FY10. The contribution from all three groups generates approximately $300,000 per year in the General Fund. The General Fund requirement was phased in over a three-year period using a transfer from the Deficiency Fund in decreasing proportions to offset the cost. For FY11, which is the last year for this supplement, the transfer is $200,000. The estimated General Fund contribution used for preparation of the FY10 budget was $900,000. The actual requirement as determined from the actuarial report received in fiscal year 2010 is $1,591,018.

Position Changes

The proposed budget includes funding for 2,839.17 FTEs in fiscal year 2011. This represents a net change of –10.3 positions from the total number of positions in the approved fiscal year 2010 budget. The following is a listing of position additions and deletions included as part of the FY11 budget proposal.

Public Works	Engineering Tech	-2
Solid Waste	Collection Driver	-1
Management & Administration	Purchasing Agent*	-1
Utility Business Services	Meter Reader	-3
	Utility Diversion Specialist	-1
	Water Utility Services Specialist	-1
	Smart Grid Analyst	3.0
Energy Services	Energy Auditor**	-5
Growth Management- Building Inspection	Mechanical Inspector**	1
	Plans Examiner**	1
Fire	Firefighter (County Stations)	8
Parks and Recreation	Supervisor Service Center***	1
	Community Coordinator***	1
	Custodial Worker***	1
Net Change		2

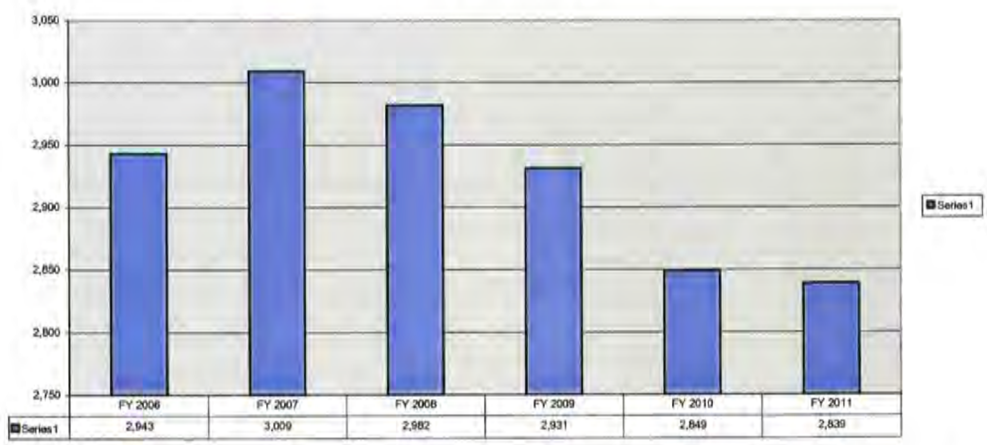
*Mid-year.
**Two of these positions are being transferred back to Growth Management (with different classifications).
***These positions are for the Palmer Monroe Youth Center and are time limited for one year.
The Supervisor position was added mid-year FY10.

In addition, ten positions were eliminated this fiscal year after approval of the FY11 budget as a part of a review of the VSI program positions implemented in FY09 and other vacant positions. These positions are shown below.

ISS	Technical Support	-1
	Project Manager	-1
Parks and Recreation	Custodial Worker	-1
	Audio Communications System Technician	-1
Solid Waste	Executive Secretary	-1
Underground Utilities	Equipment Operator	-1
	Construction Inspector	-1
	Irrigation Technician	-1
	Secretary IV	-1
Public Works	Equipment Operator II	-1
	Engineering Tech	-1
Fleet	Senior Inventory Specialist	-1
Total Change		-12

The chart that follows shows the growth in the number of FTE's for a prior five-year period. As indicated, the total number of positions peaked in FY07 declined each year through FY10. With the position eliminations in FY11, the General Fund has 9% fewer positions compared to the FY06 staffing level and 3.5% fewer for all funds.

Total Positions



Hiring Freeze

A soft hiring freeze has been in place for most of FY09 and FY10. It is proposed that this be continued for FY11. With this in place, it is expected that 1% to 2% salary savings will result or approximately $500,000 to $1.0 million in the General Fund.

Financial Viability Recommendations

Over the last six months, the Financial Viability of the Government Target Issue Committee has been looking at how we fund our health care benefits for both active employees and retirees. A number of recommendations have been made and are included in the proposed budget for City Commission consideration.

Active Employees

Over the last few years the City has seen annual increases in health care costs. Historically, the city has determined whether or not increases are passed on the employee contingent on the level of pay raise that was included in the budget. Some years the City absorbed the entire increase, in lieu of providing employees with a salary increase. Over the years the city's contribution towards health care as a percent of the total cost has increased and the employees cost has decreased. Currently the aggregate cost sharing between the city and the employee is 75% city and 25% employee. Although based on information provided by our health care consultant indicates that this is the norm for governmental agencies, these are higher than what they were in 2000. A recommendation by the Financial Viability Committee has been made to adjust the aggregate cost sharing to 70% city and 30% employee. This change would be phased in over a two-year period in order to minimize the impact on employees. Total savings of implementing this change totals $519,000 across all funds, with the general fund portion totaling $192,500. It should be noted that under this proposal, all employees would still experience some level of salary increase in 2011.

Retirees

In addition to reviewing how health care costs are shared between the City and active employees, the Financial Viability of the Government Target Issue Committee also looked at how the city funds retiree health care. As the City Commission is aware, the city's retiree health care benefits are considered an Other Post Employment Benefit (OPEB), and in order to comply with Governmental Accounting Standards Boards rules, the city's financial statements have to report the future liability of these benefits. The current revised Other Post Employment Benefits liability as calculated by Buck Consultant's, the city's actuary, totals $4.5 million across all funds.

The Financial Viability of the Government Target Issue Committee reviewed various options on how to reduce this liability as well as modify how retiree health care is funded. The OPEB liability can be significantly reduced if the cost of the city's portion of retiree health care is capped. The Committee is recommending that the city freeze the city's contribution to retiree health care at the FY10 levels for current and future retirees. Freezing the current subsidy rates would shift the burden of any rate increases to retirees while keeping the City's costs constant.

Staff asked our actuarial consultant to recalculate the OPEB liability based on capping the subsidy levels. Based on revised actuarial estimates implementing this change for retiree health care would result in an OPEB liability of $2,155,000, or a reduction in the liability of almost $2.4 million across all funds. Although savings will be realized in all funds, the general fund portion would equal approximately $350,000 to $500,000.

Based on discussions at the Financial Viability of the Government Target Issue Committee, it is recommended that staff undertake a comprehensive review of the city's pension and health care benefits. A committee comprised of the Treasurer-Clerk, the Assistant City Manager for Utilities, the director of the Department of Management and Administration, the manager of Human Resources, and the Retirement Administrator, be convened to conduct a comprehensive review of the pension and health care plans. In addition, assistance from a consultant will be engaged to assist the committee in looking at the pension plan. It is recommended that this review begin immediately and that a report be provided to the Financial Viability of the Government Target Issue Committee by no later than March 1, 2011. Any changes would be brought back to the City Commission as part of the FY12 budget.

Other Pension Adjustments

The City Commission has already approved changes to three pension benefits. These changes were recommended by the Financial Viability of the Government and will result in financial savings in FY2011. These changes include:

- Pre-Retirement Death Benefit: Changed to require five-year pension vesting prior to being eligible for this benefit.
- Not-In-Line-of Duty Disability: Changed to require five-year pension vesting prior to being eligible for the benefit.
- Pre-Retirement COLA: For employees with less than 10 years of service, this benefit will be eliminated.

Savings from these changes were estimated at $222,600 in the General Fund and $600,000 citywide.

Take-Home Vehicle Fee for TPD

Over the last few months, staff has held informal negotiations with the Police Benevolent Association (PBA) regarding a fee for take-home vehicles. As part of last years budget process the City Commission directed staff to look at the potential of implementing a fee to recover some of the costs related to commute miles as well as to assist in funding four positions that were retained but not funded in the FY10 budget. Various proposals and counter proposals have been presented to the Financial Viability of the Government Target Issue Committee as discussions with the PBA proceeded. At the June 9, 2010 Financial Viability Target Issue Committee meeting, a final proposal from the PBA was presented that recommends implementation of a tiered-surcharge of $0 per month for officers residing inside the corporate city limits, $35 per month for officers residing within Leon County, and $55 per month for those officers living outside Leon County. Revenue generated from this fee is estimated at approximately $100,000.

As previously indicated, the FY10 budget retained four patrol positions, which had been slated for elimination last year, but did not include funding for the positions. The revenue generated from the proposed vehicle fee would allow the city to add one of the positions back in the budget. The Financial Viability of the Government Target Issue Committee is forwarding the PBA's proposal for consideration by the full City Commission.

BUDGET PROCESS

The primary goals for the FY 2011 budget process have been to develop a balanced budget that not only continues to provide core city services but also addresses to the extent possible the four City Commission priorities:

1. Take concrete steps to expand job creation and retention to reduce the city unemployment rate.
2. Work to achieve a five year balanced budget without an increase in millage rate or deferral of costs and fully restore the deficiency fund within five to seven years.
3. Work with private and public interests and cultural organizations to create a sense of place in distinct sectors of the community.
4. Foster an environment of connectivity and safe multi modal transportation.

The process used to do this involved a completely new approach to developing the FY11 budget. Departments were asked to identify and justify the types and levels of services or programs that are being provided with their current funding. In order to afford department directors the opportunity to exercise more flexibility in addressing issues and in administering the programs and services in more efficient and effective ways, departments were given broad discretion in determining how to best allocate resources and provide services including the flexibility of moving dollars around among various line items in order to achieve the desired outcome. Departments were further given the opportunity to use a portion of any savings identified through innovative approaches to service delivery to effectuate changes needed to implement these new programs.

This type of system attempts to evaluate resources as related to program results or outcomes relative to other programs being provided vs. the traditional line item review. Subsequent to review by the executive team, departments were given an opportunity at budget hearings with the executive team and budget office to present their proposals and discuss the impact of reductions on service delivery to the community. Many of the reductions and changes are included in the proposed budget.

A lot of up-front work is required to develop this but once the format is set up, it provides an opportunity to take a fresh look at all of the programs and activities that are funded. Although some changes came out of the process in the form of innovations resulting in cost reductions, to receive the full benefit of the process, further analysis and review will be required.

To assist departments in doing this on an on-going basis, a self-audit tool was incorporated into the FY11 budget process. This reporting tool will be used to monitor the financial and performance results of the programs developed as part of the budget process. It will provide a matrix of cost, cost recovery and performance data for each program that can be used for comparative purposes by the Department and others. This information will assist departments in identifying budget priorities and opportunities for efficiencies. After review and analysis, this will allow for choices and trade-offs between various programs and levels of service at the level of funding available.

The proposals will be discussed with the Commission at both budget workshops and public comment will be taken at three public hearings scheduled for June 23rd, September 15th, and September 29th.

DEPARTMENTAL CHANGES

Innovative/Creative Changes

Resulting from the above process, departments came up with a number of alternative and creative ideas on how to provide city services. I would like to outline some of these changes.

Maintenance of 800 MHz Radios

Historically maintenance of the 800 MHz radios was outsourced to a private vendor. Staff in the Radio Communications Division of ISS researched the issue of bringing this in-house and developed a plan that was presented to the ISS Director. This plan included looking at training and equipment that would be required to bring this function in-house. The analysis and plan resulted in significant savings totaling $268,000 and elimination of one temporary position. This plan was implemented in FY2010 and as a result, we have been able to cancel the maintenance agreement with the vendor. An additional benefit to this change is that the Radio Communications Division can now generate some revenue from external users of the system as the radios will be fixed and maintained in house.

Attraction of Tournaments and Events

The Parks, Recreation and Neighborhood Affairs (PRNA) Department has been actively pursuing bringing tournaments and events to the City of Tallahassee and using the PRNA as an economic engine for the community. There is potential of bringing in over 40 tournament and events, which would have an economic impact of over $15 million for the community through hotel nights, restaurant visits, etc. Additionally, the City could generate some revenue through field rentals and concession stand revenues.

Training for Outside Agencies/Companies

Last year the city's training program was certified to offer continuing education credits. This has benefited the city as employees with certification requirements can now take classes through the Freshen Your Intellect (FYI) program at a much cheaper cost. Recognizing that there was a need for quality and effective training in the community, Equity and Workforce Development began to market the FYI program to state agencies and private companies in Tallahassee. This has been successful and has resulted in approximately $12,800 in revenues being generated by this program. We have received many compliments from organizations taking advantage of this training. Additionally, a number of organizations have asked that we hold sessions for their employees only. To date this fiscal year a total of 217 participants from outside agencies have taken advantage of our training courses.

Special Events Traffic Assistants

As the City Commission is aware, the issue of overtime needs for special events has been an issue that we've been tackling for a number of years. This past year the Tallahassee Police Department (TPD) developed an innovative approach to dealing with overtime requirements at special events. The creation of a Special Event Traffic Assistants (SETA) program has resulted in savings of approximately $50,509. The goal of this program is for trained, non-sworn individuals to provide traffic related assistance during special events thereby reducing the number of sworn officers needed per event. Overtime costs are also reduced, as the hourly rate for a SETA position is $11 versus patrol officers in overtime status earning on average $40 per hour. Under this program a new part-time job classification has been created. It is anticipated that a pool of 40 SETA's will be available for use at any time, with the goal of using 20 SETA's per event including the upcoming football season.

Electronic Procurement

Currently over 65% of the staff in the procurement division is eligible for retirement. It can be reasonably expected that at a minimum 50% of the staff will be retiring in the next 2-3 years. With this upcoming staffing challenge at hand, procurement services has been exploring automation of the procurement process through PeopleSoft. Currently we own licenses to the E-Settlement PeopleSoft module, although due to resource limitations have not been able to implement it. Under this module the procurement process can be automated with vendors having the capability of invoicing electronically and procurement settling the invoices electronically as well. Over the next eighteen months, procurement staff will begin the process of implementation of this module with the goal of having it in place at the time retirements begin to occur. It is anticipated that vacated positions will not be filled.

Loan Administration Fee for Energy Loans

The city's residential loan programs have been extremely successful over the last few years. In FY2010 a total of $4.2 million will be expended on loans through this program. This is up $500,000 from FY09. Currently the city does not charge any administrative loan fee to cover the cost of processing the loan applications. Staff in Energy Services is recommending that a 1% loan fee be included in all loan applications for the cost of administration and handling of the loans. Funding expected to be generated from this fee, approximately $42,000, will be utilized to fund the temporary assistance required for processing all the loan paperwork.

Shift Treatment from Lake Bradford Road to TPS Treatment Facility

As work is completed on the improvements at TPS Treatment Facility, staff in Underground Utilities is looking at shifting treatment from the Lake Bradford Road Treatment Facility to the expanded plant at TPS. Savings of approximately $200,000 could be generated from this shift.

Airport Police Officer Classification

Over the last couple of years, airport staff has been looking at how other airports across the country provide law enforcement services at airport facilities. It appears that many airports do not utilize patrol officers but instead utilized a special airport officer classification, which results in cost savings to the airports. Over the next year, airport and human resources staff will be looking at implementation of an airport classification position. It is estimated that savings of approximately $450,000 could be realized through a separate classification. These savings are in personnel and vehicle costs as in many airports surveyed the officers are not provided with a vehicle. It should be noted that reclassified positions would still have to be certified law enforcement officers to comply with FAA regulations.

CDL Testing

In an effort to look at other revenue opportunities StarMetro has proposed utilizing existing staff to provide Commercial Driver's License (CDL) testing in-house. Currently there are two Training and Safety Specialist positions at StarMetro that are certified as CDL testers. Providing this service in-house would result in savings of approximately $4,000. In the future, this program could be expanded and offered to other city departments or entities in the community.

PeopleSoft Maintenance Contracts

Approximately 11 years ago, the City selected PeopleSoft as the vendor for the city's Enterprise Resource Planning (ERP) systems. Currently the city's HR, financials and utility accounts systems are PeopleSoft systems. As the City Commission is aware, Oracle Corporation purchased PeopleSoft Corporation in 2005. The annual maintenance agreements for these systems have become tremendously expensive and we are currently paying $1.2 million for these agreements. Over the last couple of years, a number of third party vendors have begun providing maintenance services for PeopleSoft systems at a very competitive price. Staff has had discussions with a number of vendors and information provided indicates that going to a third party vendor could result in annual savings of approximately $340,000. There are benefits and disadvantages of going to a third party vendor and ISS staff is analyzing these. Although we are not recommending changing the maintenance agreements at this time, this issue will continued to be researched over the next year.

A schedule showing all of the changes is provided in Section D, "Operating Budget Appropriation and Financial Summary", section of the document as well as in each of the departmental sections.

ENTERPRISE FUNDS- FY11 UPDATE

Aviation Fund
The Aviation Fund is balanced in all five years.

Electric Fund
Electric revenues are projected to generate approximately 2.7% less revenue than budgeted in fiscal year 2010. Average kwh consumption in all retail customer classes through April 2010 is 1,492,537,253 kwh which is a reduction of approximately 3.4% when compared to April 2009. Revenue and consumption projections for fiscal years 2011 through 2015 are projected to decline resulting in less transfer to support operations of the General Fund than had been projected at the beginning of 2009 for 2010 and beyond.

- For FY11, the General Fund transfer has been maintained at approximately the same level as for FY10.

Due to declining demand, additional rate revenues will be required in future years. However, for FY11, a transfer of $7,374,210 from the rate stabilization fund will be used in lieu of a rate increase and a new rate study will be prepared for future years.

- No rate increase is planned for FY11, however, rate increases will be required in FY12 and beyond.
- A transfer from Rate Stabilization of $7.4 million is planned for FY11 and a transfer of $2.3 million is expected for FY10.
- The transfer to RR&I will be reduced from $21.9 million in FY10 to $17.2 million in FY11 reflecting the availability of funding for the capital program from other sources.

Additional debt to support the current capital program is expected to be issued later this fiscal year. In total, transfers to support debt service payments and cash for capital projects increase from $57.3 million to $59.9 million or 4.5%.

- This category of expenditures is projected to increase to $80.5 million by fiscal year 2015.

Gas Fund

The Gas fund is balanced for fiscal years 2011 through 2015.

- No rate increases are planned for FY11.
- Revenues are estimated at approximately the same level as actual receipts in FY09.
- Customer growth is estimated at 1%.
- Consumption has increased from FY09 to FY10 due to an abnormally cold winter, but is not expected to increase in FY11.

The 2011 fiscal year budget reflects operating expenditures (excluding any excess transfers to RR&I) in the amount of $34.7 million, representing a decrease of approximately $400,000 from the 2010 approved budget. This is primarily due to a reduction in the cost of natural gas.

- The fiscal year 2011 fuel forecast is budgeted at $21.3 million versus the fiscal year 2010 fuel forecast of $23.3 million and $26.7 million in FY09.

Water Fund

The Water fund is balanced for fiscal years 2011 through 2014. 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 2011 are budgeted to be $28.7 million versus the fiscal year 2010 budget of $29.8 million. The decrease is due mainly to the lower than expected growth in customers and service points and a decrease in average consumption.
- From FY07 to FY09, average consumption has decreased by 15%.
- Although no rate increase is used for preparation of the budget, a rate study will be done in the first quarter of FY11 to determine and timing and amount of rate increase needed.

The 2011 fiscal year budget reflects operating expenditures (excluding any excess transfers to R&I) in the amount of $28.7 million, representing a decrease of approximately $400,000 from the 2010 approved budget. This is primarily due to a reduction in RR&I that is possible as a result of available reserves to fund some projects.

- In order to balance the fund, the transfer to the RR&I fund has been reduced from $3.2 million to $2.5 million. This is below policy parameters which calls for a transfer equal to the average depreciation over the past three years.
- The transfer to the General Fund is $6,484,450.

Sewer Fund

The Sewer fund is balanced for fiscal years 2011 through 2015. 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 2011 are budgeted to be $56.5 million versus the fiscal year 2010 budget of $56.8 million.
- Budgeted revenues for FY10 were based on the latest rate study which over-estimated customer growth. No customer growth is currently projected.
- Although no rate increase is used for preparation of the budget, a rate study will be done in the first quarter of FY11 to determine and timing and amount of rate increase needed.

The 2011 fiscal year budget reflects expenditures in the amount of $53.9 million, representing an increase of $1.1 million from the 2010 approved budget. This is primarily due to cash funding of projects through the use of RR&I.

- For preparation of the budget, debt service requirements are increased in FY14 by $3.5 million primarily as a result of debt needed for the AWT project. The timing and actual amounts needed are yet to be determined.
- The transfer to the RR&I fund $10.0 million.

Solid Waste Fund

The Solid Waste fund is balanced in FY 2011-2015. Revenues are projected to increase slightly in fiscal year 2011. Revenue projections for fiscal years 2012 through 2015 assume little customer growth and include only modest increases.

- For the fiscal years 2011 through 2014, an annual consumer price index (CPI) adjustment is included to offset increases in landfill tipping fees and contractual fees paid to Waste Pro.
- One driver position will be eliminated due to service changes previously implemented.
- Fuel and maintenance savings are expected due to acquisition of new vehicles under a lease program that started in FY10.
- The current contract with Waste Pro will end in FY11.
- A planned transfer to the Solid Waste reserve of $415,588 will be made in FY11. Beginning in FY13, transfers from the reserve will be required to balance the budget.
- The current residential garbage fee is $15.91/ month.

Stormwater Fund

The Stormwater fund is balanced in FY 2011-2015. Total revenues for the Stormwater fund for fiscal year 2011 are budgeted to be $16.0 million. Of this, $6.0 million will be transferred to the Stormwater capital improvement program. Projections do not include any fee increases for FY11.

Golf Course Fund

The proposed budget recommends no subsidies for Hilaman Golf Course in any of the five- year proforma period. A number of changes have been implemented at the Golf Course including elimination of full-time positions, utilization of contractual employees for the majority of maintenance functions, bolstering of sales at the pro shop, and minor improvements to facilities at the course that have resulted in improved financial performance.

Building Inspection

The Building Inspection Fund was created as a requirement of Florida Statutes. A number of changes were implemented in FY09 and FY10 in response to the downturn of the construction industry. A fee increase was also approved and implemented in FY10. As a result, the fund is expected to end fiscal year 2010 in a positive position. The first 6 months of FY10 shows an increase in permitting of 27 percent over the same period last year (from 132 to 168). While this in no way is a solid indicator of future trends, it is the first upward movement in several years.

- The Building Inspection Fund is balanced in all five years.
- A transfer from the Deficiency Fund is not expected.
- In FY11, two of the positions that were transferred to Energy Services in FY09 will be transferred back (Mechanical Inspector & Plans Examiner).

- In FY11, the Deputy Building Inspector position that has been funded on a 60%/40% split with the Facilities Maintenance unit in the General Fund will be fully funded from the Building Inspection Fund.
- It is expected that the Building Official position will be vacant for nine months due to retirement.
- The travel and training budget has been increased to reflect the addition of surcharge revenue that is required by State Statute for this purpose.

Fire Services
A countywide fire services fee and the new inter-local agreement with Leon County was effective on October 1, 2009 that was designed to fully fund fire services for a five year period by utilizing any excess revenue collected in the early years to offset shortfalls in salaries and educational benefits in out-years.

- In FY10, the Commission approved a 5.95% salary and benefit increase over a two- year period.
- The final eight, of 18, new firefighter positions for county stations will be added in FY11 as provided by contract. This is expected to improve response and safety in these stations.
- Additional funding of $482,479 has been budgeted for costs associated with volunteer fire stations as provided in the County contract.
- Funding for capital outlay for FY11 includes $110,400 for replacement equipment.
- The current monthly fee for zone 1 (includes residences within the city) single family structures is $14.91.

Cemetery Fund
The FY11 budget for this fund is $479,632. A transfer of $311,112 from the Cemetery Perpetual Care Fund is required.

Future Operating Issues

Although not addressed in the FY11 budget, there are other significant issues that must be addressed in development of future year budgets. The following are areas of concern.

- Due to decreased revenues, General Fund dollars have been reduced for capital improvements. It is important to maintain this funding in order to assure that facilities are properly maintained.

  - A facilities study prepared by the facilities improvement team, "FIT report", was recently completed that identified numerous facility maintenance issues in all areas of the government that will need to be addressed. Timing and dollar amounts needed have not been completed at this time.

- New projects, such as Cascades Park and the Joint Dispatch Center, which will be operational in FY12, will require additional operating expenditures.

  - Operating Costs for the Cascades Park are estimated at $562,322 and includes additional staffing of 5 full time and 3 part time employees. In addition, one-time capital costs of $174,000 for equipment and vehicles associated with maintenance of the facility is required.

  - An inter-local agreement has not been finalized to address funding for operations of Joint Dispatch Center and many decisions are needed prior to finalizing a budget for the facility. However, preliminary estimates indicate that additional funding of approximately $3.0 million over the current city and county combined cost may be needed.

- The General Fund contingency is currently budgeted at $200,000. This has been reduced to $50,000 for FY11. Given the continuing economic uncertainties, it is important to continue to provide an adequate cushion to offset changes in revenue projections so that other mid-year reductions may be avoided.

- Demand side management programs as well as current economic constraints on residents and businesses have resulted in decreasing consumption in utilities. Although this is occurring as planned, there are both rate and transfer impacts that will need to be addressed as a result of the decline.

  - In funds other than the General Fund, such as Electric and Underground Utilities, rate increases are not being proposed for FY11 but will have to be addressed in order to balance budgets in FY12.

  - Because transfers from the utilities are based on either consumption or a combination of consumption and rates, the transfer amounts to the General Fund are decreasing over time. Alternative funding sources will need to be identified.

- Although speculative at this time, it is important to consider the possible consequences of the recent catastrophic oil leak in the Gulf of Mexico and the potential financial impact on the State of Florida and possibly state shared revenues received by the City.

- The current agreement with the Police union expires on September 30, 2010 and is being re-negotiated for the three- year period beginning October 1, 2010. Potential financial requirements from this negotiation are not included in the current budget estimates.

- Grant funding used to support City departments and programs from various agencies has been or may be reduced in the coming years.

  - During FY10, FTA allowed a portion of grant funding normally reserved for capital funding only to be used for operating purposes. At this time, this provision has not been extended to FY11.

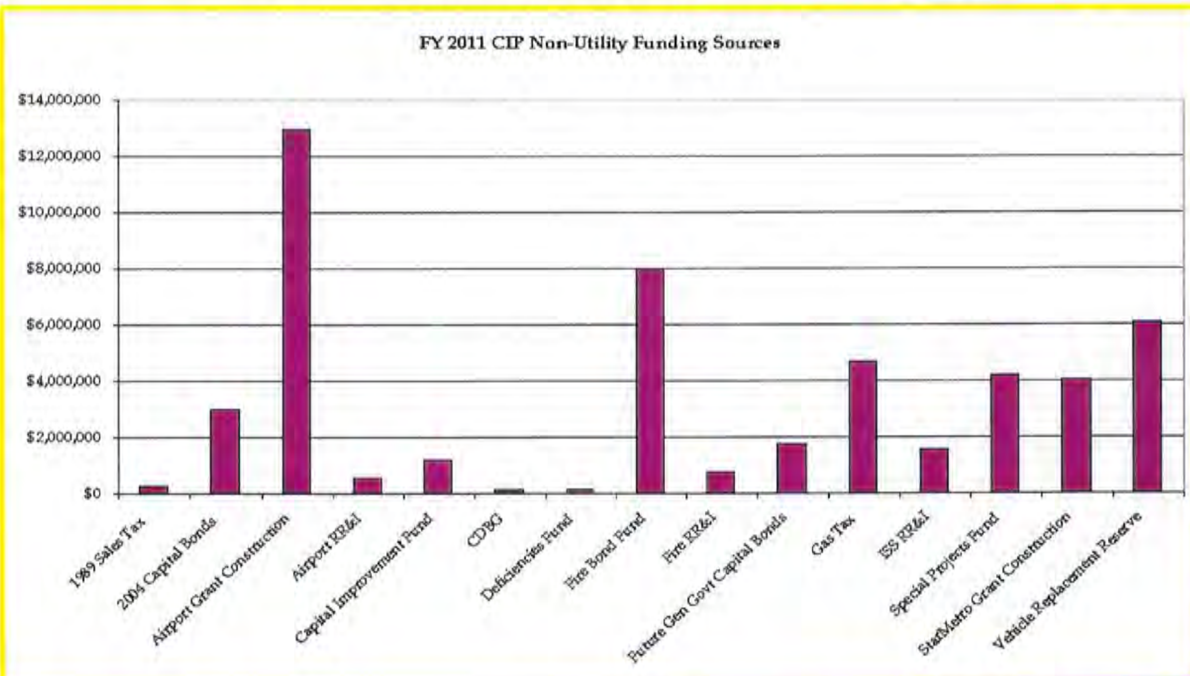
  - During the FY10 legislative session, certain transportation trust funds were swept to help balance the FY11 State of Florida budget. This could have an impact on the amount of dollars that will be available to support the Airport.

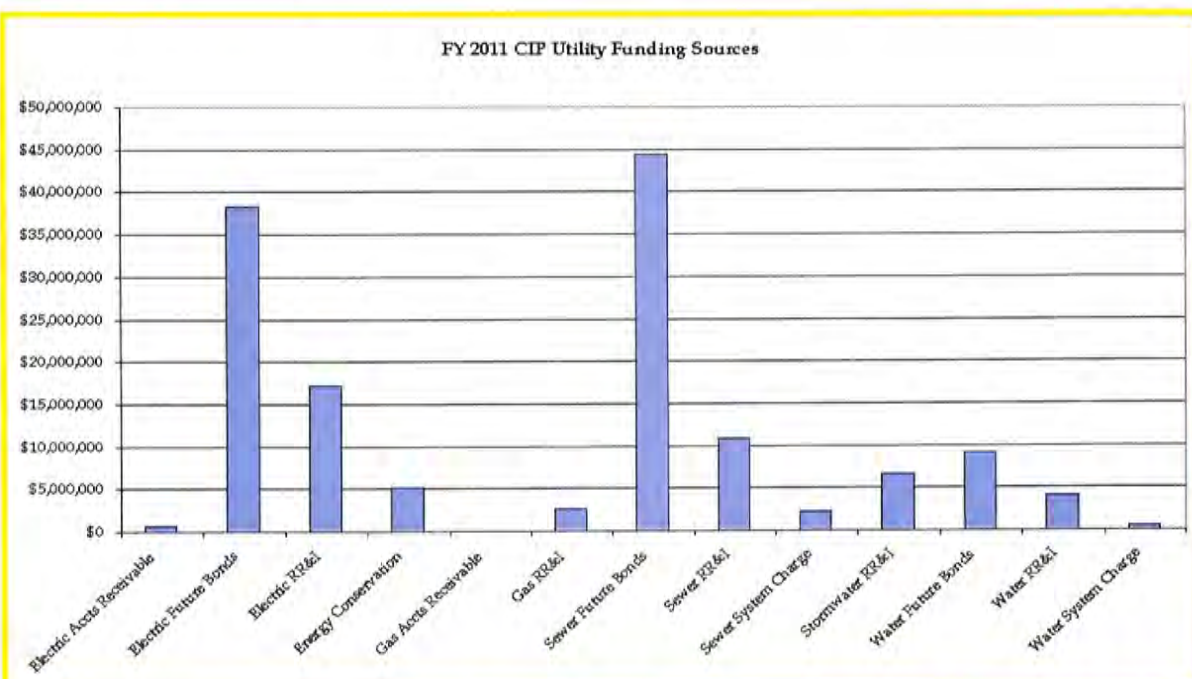
  - SHIP funding was not appropriated by the State for FY11. This funding has in the past supported approximately 1/3 of our affordable housing program.

Although the Department of Economic and Community Development currently has fund balance available to support this program through most of FY11, the program could be affected in FY12 if other funding sources are not identified.

FY11 CAPITAL BUDGET AND FY11 – FY15 CAPITAL IMPROVEMENT PLAN

The fiscal year 2011 capital budget totals approximately $191.4 million and the total five-year capital improvement plan of $811.2 million. Of this, projects that support general government activities total $21.2 million and $75.9 million respectively. The following charts show a breakdown of funding sources for all non- utility projects and for utility projects.

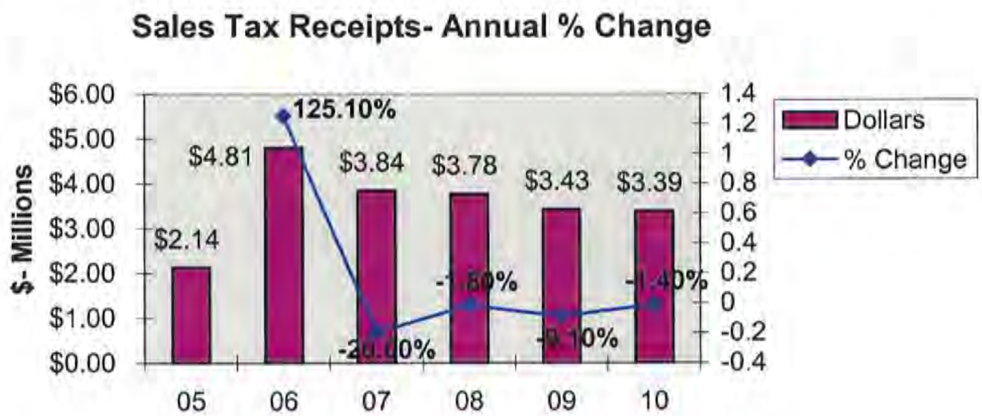




The preceeding chart shows the funding breakdown for all utility projects. As indicated, bond funding is the primary source of funding for utility projects and is over $90 million in FY11.

Sales Tax

Subsequent to approval by the voters of the Sales Tax extension in 2004, the Commission authorized advanced funding from the Sales Tax Fund for purchase of properties needed for the Gaines Street Redevelopment project. The Sales Tax Fund was to be repaid from sale proceeds of those properties. Five properties were acquired at a cost of $17.4 million. To date, two properties have been sold for a total of $6,135,225, of which three annual payments of approximately $1.0 each are not yet due and not yet received. More than $10.0 million (at cost) in property remains to be sold although it is unlikely that the full amount will be recovered. And, due to economic conditions, it is unknown when these properties may be sold. In addition, annual sales tax receipts have been less than originally expected and have decreased in every year (full year) since inception. The following chart shows the history of collections and % change since 2005.



The combination of these factors has resulted in a negative position in this fund that must be corrected. A combination of actions are proposed including substitution of available fund balance from '89 Sales Tax proceeds and internal loan fund proceeds for a portion of amount needed and closing out or delaying some projects for the remainder of the funding needed. This will result in several projects being funded from multiple sources. The expected sources and amounts are itemized below:

'89 Sales Tax Fund Balance	$3,600,000
Internal Loan Pool	7,000,000
Project Close-Outs/ Amendments	5,000,000

Specific projects, and the revised funding sources to be used for each will be brought back as part of the approved budget.

General Government Capital Project Account (GGCPA)

The city's general government capital account (GGCPA) and general government capital improvement fund (GGCIF) also have been negatively impacted by the reduction in property taxes and other revenues that make up the General Fund base. Collectively, these fund general government capital activities such as operating and maintenance of the city hall, police, neighborhood and parks facilities. The sources also have supported tennis facility renovations, historic property preservation and waivers for water/sewer system charge and tap fee waivers. Of the nearly $4.5 million requested in fiscal year 2011 for these activities, $1,185,000 has been programmed to support them.

Funding recommended in FY11supports (at reduced levels):

- Repairs, Replacement and Improvements for City Hall $150,000
- City Hall Window Sealant/Waterproofing $250,000
- Repairs, Replacements and Improvements for Police Facilities $ 75,000
- Park Facility Maintenance $415,000
- Neighborhood Center Facility Building Repairs $ 80,000
- Downtown Pedestrian and Vehicular Enhancements $ 35,000

FY11 funding of $100,000 for the Environmental Compliance and Remediation Program will again be funded from the fleet reserve fund. This is the second year of this change. The Water and Sewer System Charge and Tap Fee Waivers projects have unspent FY10 dollars and the proposed budget recommends that this funding be carried over to FY11 to continue to fund these projects.

Aviation

The Aviation Department's fiscal year 2011 capital budget includes projects for terminal building rehabilitation, runway reconstruction, airfield preservation and miscellaneous major/minor repairs, replacements and improvements, among others. The department's five-year CIP is comprised of continued funding for several of the previously mentioned projects, as well as projects that support apron expansion, airfield signage improvements, taxiway rehabilitation, ongoing support for air service improvement and marketing and promotional study, and hangar development, building bridge replacement, and terminal loading bridge installation. The FY11 capital budget is $13.5 million and the five-year CIP totals $45.5 million.

StarMetro

StarMetro's $4 million FY11 capital budget and $20 million five-year CIP supports bus acquisition and the Job Access Reverse Commute program "JARC" and purchase of mobile data terminals and software.

Utilities

As has occurred historically, the Electric and Underground Utilities departments comprise the majority of the budget and five-year plan. Electric's five-year CIP totals $322.8 million. The department's fiscal year 2011 budget is approximately $56.2 million.

Underground Utilities' fiscal year 2011 budget totals $80.2 million while the five-year CIP totals $254.8 million. The 56 projects in the department's CIP address infrastructure needs in gas, water, sewer and stormwater, and range from small stormwater initiative projects to larger ones such as Frenchtown Stormwater Improvements and Upper Lake Lafayette Nutrient Removal Facility.

Gas projects run the gamut from recurring funding for system relocations/adjustments to system expansion. Water and sewer projects are predominated by master plan improvements, advanced water treatment, recurring funding for water and sewer system rehabilitation and replacement, and improvements to the Lake Bradford Road and T. P. Smith facilities. The largest of the department's projects supports advanced wastewater treatment. Funding for the project totals $227 million for design, planning and construction. The project is necessary to meet state permitting requirements particularly for the reduction of nitrogen in the ground water.

Future Capital Issues

As discussed in the operating section previously, there are also several capital issues that will need to addressed in the future. Some of these are discussed below:

- The NOVA 2010 plan for StarMetro was approved by the Commission. In order to maximize the benefits of this plan, a number of sidewalk and right of way changes are needed. It is estimated that these improvements could cost between $8 million and $32 million, depending on our ability to obtain needed ROW to complete the improvements.

- Several new fire stations are needed. Funding has been added beginning in FY12 and continues through FY15 for stations located at Weems Road, Lake Bradford Road, and Southwood. Additional funding of $2.4 million will be required for the two later stations in FY16 to complete construction. With the exception of the station to be located in Southwood that may be eligible for funding from the Southwood DRI concurrency, the other stations will need to be debt funded. Also, additional funding will be required to cover the operating costs associated with these stations. The Weems Road station includes FY15 operating costs of nearly $750,000 for 12 positions to operate the facility.

- Air cards for mobile data units in police and animal shelter vehicles are currently funded in the capital budget using ISS RR&I funds. In the future, these would more appropriately be funded in the operating budget.

CONCLUSION

Although we have had to face significant challenges in past few years we have been able to overcome these by making some very difficult funding decisions and by developing new and creative ways to accomplish our priorities. In closing, I would like to assure the residents of our community and the City Commission that we will continue to move forward in addressing new challenges in the same way and emerge as a stronger and more viable community in future years as well.

I look forward to discussing the proposed budget and our recommendations with you at our upcoming operating and capital workshop scheduled for June 17, 2010. Staff from the Office of Budget and Policy and I are available to answer any questions or provide any additional information you may require.

Respectfully submitted,

Anita Favors Thompson

Anita Favors Thompson
City Manager