

City of Orlando, Florida

City Council Workshop / Fiscal Year 2011 Budget

April 26, 2010



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Part 1: Results for Fiscal Year 2009

April 26, 2010



- Comprehensive Annual Financial Report is on City Council agenda for today
- Theme: Strengthen Orlando
- Consolidated financial report
 - Information previously contained in separate pension plan financial reports are included in this document
- “Clean” audit opinion (Ernst & Young)



- General Fund “Excess of Resources Over Charges to Appropriations”
 - Positive \$6.9 million
 - \$1.7 million in revenue over estimates
 - \$5.2 million in under-expenditure (unspent contingency)
 - Fully accounts for all costs of the voluntary separation program
 - Anticipated during the development of the FY2010 budget



- Other Post-Employment Fund
 - \$21 Million in assets
 - Annual required contribution was funded (and budgeted in 2010)
 - Would have to be shown as a loss if not funded

- Disaster Recovery Fund (Hurricane Fund)
 - Ending fund balance of \$10.3 million
 - General Fund transfers have been recovered



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Part 2: Revenue Projections for Fiscal Year 2011

April 26, 2010



Forecasted Changes in General Fund Revenue

Ad-Valorem	(12,026,970)
Sales Tax	-
Municipal Revenue Sharing	-
Utility Services Tax	976,489
Revenue from OUC	2,206,000
Other Revenue	(1,723,675)
Use of Reserves	<u>(24,867,920)</u>
Total Change	<u><u>(35,436,076)</u></u>



Ad-Valorem Revenue

- Current City projection for fiscal year 2011 is a 10% reduction in total taxable assessment
 - FY2010 taxable value reduction was 11.8%
 - Each 1% change = \$1.2 million
- First “peek” at actual values – Best Estimate Letter at end of May
- Projection assumes a millage rate of 5.65

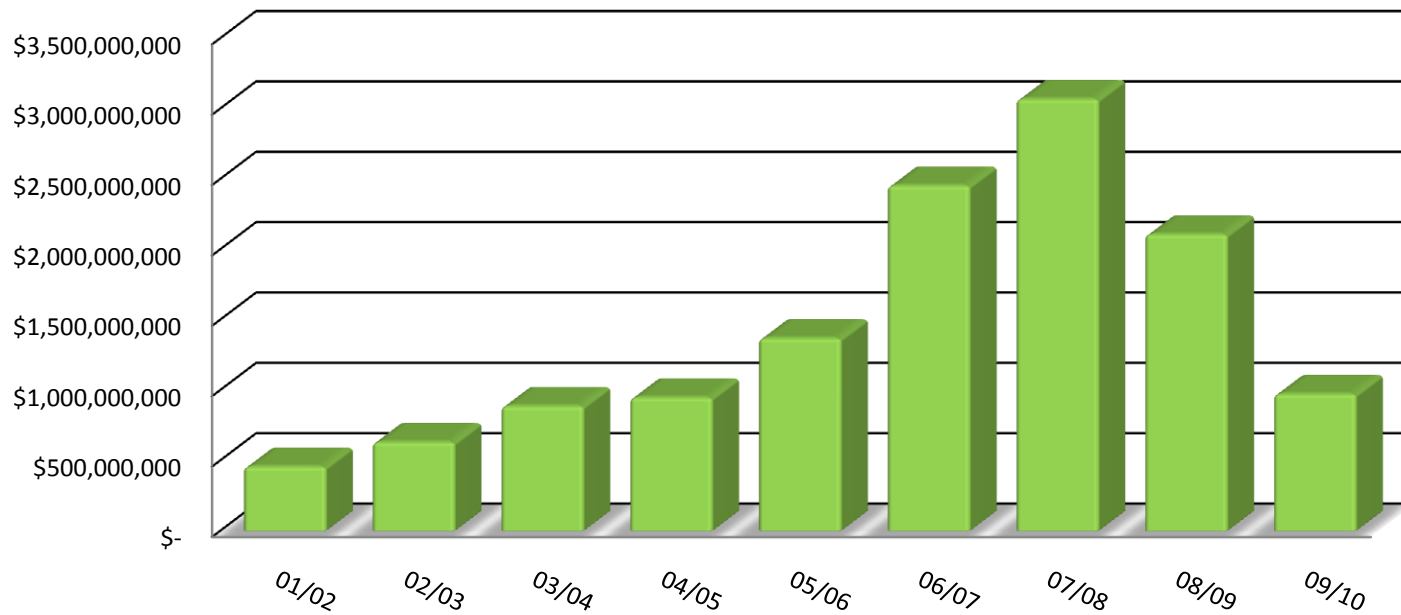


Homestead Property

- Growth in taxable value of homestead property is limited by the greater of 3% or the change in CPI
 - For fiscal year 2011 the change in CPI is 2.7%
- If a property does not have accumulated “Save our Homes” valuation, a decrease in taxable value will result in a decrease in the tax bill if the millage rate remains constant



“Save Our Homes”



Non-Homestead Property

- Growth in taxable value of non-homestead property is limited to 10%
- Every indicator is pointing towards a downturn in non-homestead property valuation
- Decreased taxable value has an immediate impact on ad-valorem revenue
- As non-homestead property values decline the “floor” is lowered when a recovery does occur

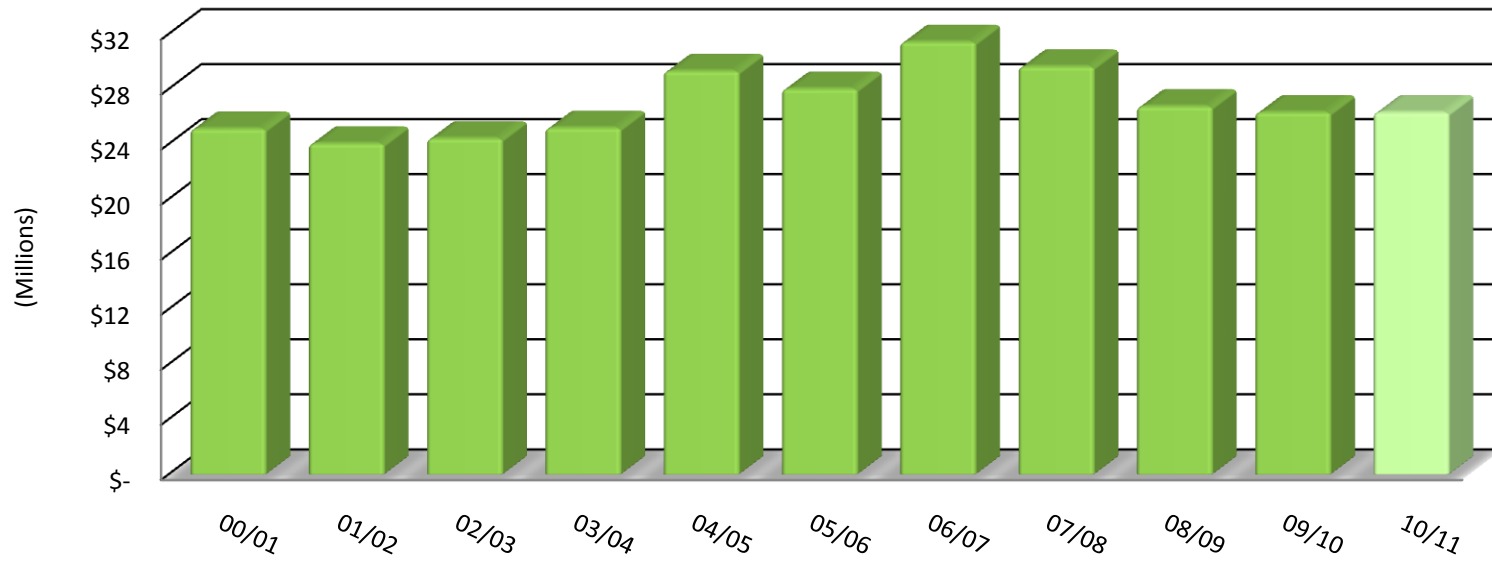


Sales Tax Revenue

- At this point last year we had to make 2 downward adjustments to the FY2010 sales tax estimate (\$2.1 million total reduction)
- Current year sales tax revenue is tracking very close to the current year estimate (\$26.3 million)
 - No significant increase is currently forecasted for fiscal year 2011



Sales Tax Revenue



Municipal Revenue Sharing

- At this point last year we had to make 2 downward adjustments to the FY2010 sales tax estimate (\$.5 million total reduction)
- Current year municipal revenue sharing is tracking very close to the current year estimate (\$8.0 million)
 - No significant increase is currently forecasted for fiscal year 2011



Utility Services Tax

- Increase in revenue forecasted based on historical growth patterns and rate increases (\$976,419 or 2%)

OUC Revenue

- FY2011 is the final year of the fixed annual payment agreement
- Total revenue to be received is \$76.8 million, an increase of \$2.2 million or 3%



Revenue Projections for FY2011

	FY2010	FY2011	Change
	<u>Approved</u>	<u>Projected</u>	
Ad-Valorem	122,011,970	109,985,000	(12,026,970)
Sales Tax	26,314,995	26,314,995	-
Municipal Revenue Sharing	8,017,904	8,017,904	-
Utility Services Tax	47,663,011	48,639,500	976,489
Revenue from OUC	74,579,000	76,785,000	2,206,000
Other Revenue	<u>67,596,276</u>	<u>65,872,601</u>	<u>(1,723,675)</u>
Total Operating Revenue	346,183,156	335,615,000	(10,568,156)
Use of Reserves	<u>24,867,920</u>	<u>-</u>	<u>(24,867,920)</u>
Total Revenue	<u><u>371,051,076</u></u>	<u><u>335,615,000</u></u>	<u><u>(35,436,076)</u></u>



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Part 3: Cost Increases for Fiscal Year 2011

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Projected Cost Increases (in millions)

Pay Plan Increases	\$6.7
Pension Contributions	3.9
Health Insurance Increases	2.0
Other Expenditure Increases	1.7
Total Cost Increase	\$14.3



Pay Plan Increases (in millions)

3% Cost of Living Increase	\$4.0
Steps (Public Safety)	2.7
Total Pay Plan Increase	\$6.7



Pension Contributions (in millions)

	<u>FY2010 Approved</u>	<u>FY2011 Projected</u>	<u>Change</u>
Police	\$12.4	\$13.5	\$1.1
Fire	11.3	12.8	1.5
General	<u>8.8</u>	<u>10.1</u>	<u>1.3</u>
Total	<u><u>\$32.5</u></u>	<u><u>\$36.4</u></u>	<u><u>\$3.9</u></u>

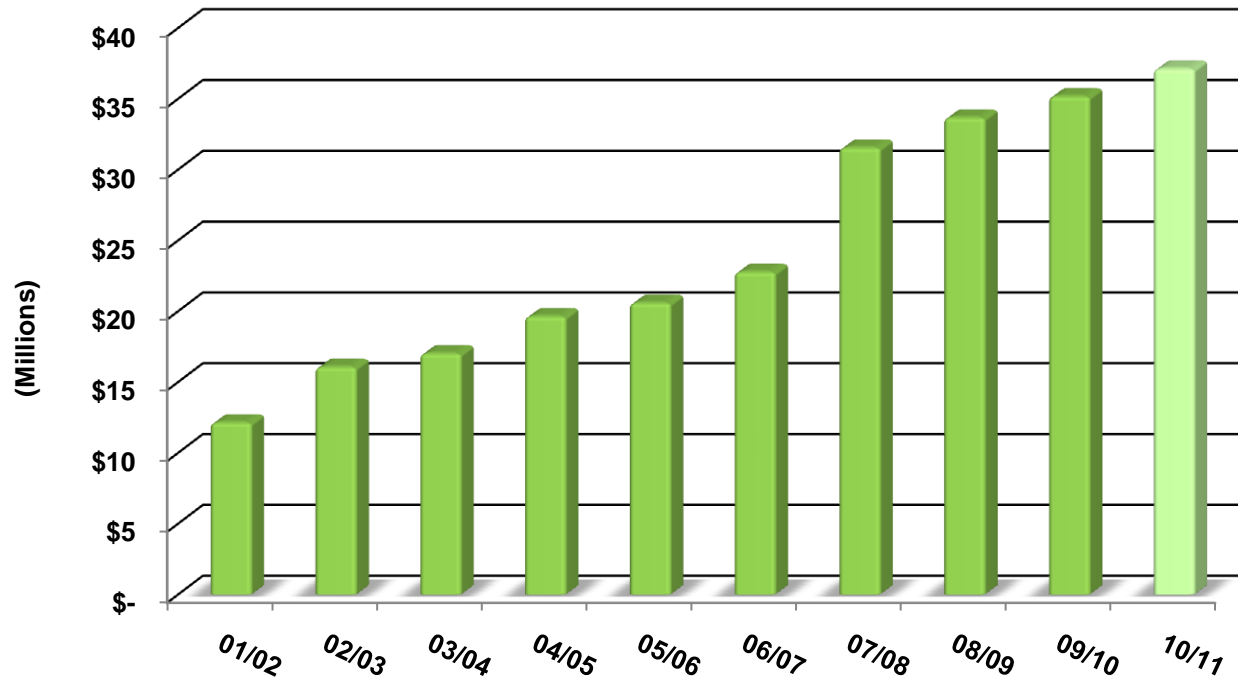


Health Insurance Costs (including OPEB)

FY2010 Budget	\$35,163,989
FY2011 Estimate	37,120,973
Total Increase	\$1,956,984 5.6%



Health Insurance Costs (including OPEB)



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Part 4: Forecast for Fiscal Year 2011

April 26, 2010



Forecast as of April 26, 2010

Forecasted Revenue Decline \$35,436,076

Projected Expenditure Increase 14,320,915

Total Budget Gap \$49,756,991



Forecast Presented to City Council June 22, 2009

	<u>FY09/10</u>	<u>FY 10/11</u>	<u>FY 11/12</u>	<u>FY 12/13</u>	<u>FY 13/14</u>	<u>FY 14/15</u>
Total Sources	(340,353,844)	(348,688,682)	(357,047,021)	(363,501,092)	(370,401,190)	(377,184,977)
Total Uses	381,931,725	423,021,956	444,951,147	464,197,747	487,963,123	512,579,381
(Surplus) / Deficit	41,577,881	74,333,274	87,904,126	100,696,655	117,561,934	135,394,403

Any deficit not resolved in one fiscal year will carry forward to the next



Forecast Presented to City Council June 22, 2009

	<u>FY 10/11</u>
Total Sources	(348,688,682)
Total Uses	<u>423,021,956</u>
(Surplus) / Deficit	74,333,274
FY2010 Recurring Expense Reductions	<u>(23,000,000)</u>
Revised (Surplus) / Deficit with 2010 Budget Actions	51,333,274



Current Year Forecast vs. Prior Year's Forecast

- \$23 Million of recurring costs were eliminated in the FY2010 budget process (balance came from reserves)
- Order of magnitude of the budget gap is only slightly greater today than it was at this point in the development of the FY2010 budget



The City of Orlando Is Not Alone



L.A. mayor urges 10 percent cut in city work force

Downsizing would be largest for Los Angeles in decades

Mon, Apr 19 2010



Layoffs? Tax hikes? City Hall deep in red

Budget » SLC mayor warns pain is coming as council works to plug \$20 million hole.



The City of Orlando Is Not Alone



City of Boston to layoff more than 200 people under next year's budget



Budget Proposal Includes 600 City Layoffs

Baltimore Officials Trying To Close \$121M Deficit



The City of Orlando Is Not Alone

The Miami Herald 

Posted on Tue, Apr. 13, 2010

Budget woes may create layoffs in North Miami

The Palm Beach Post

Palm Beach Gardens among those trying buyouts before layoffs

By THE PALM BEACH POST

Posted: 5:40 p.m. Tuesday, April 13, 2010



The City of Orlando Is Not Alone

St. Petersburg
Times

St. Petersburg budget cuts could lead to longer wait times, fewer services

THE TAMPA TRIBUNE
LIFE. PRINTED DAILY.

lorio: Projected 2011 city budget shortfall exceeds \$27 million



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Part 5: Reserve Status

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Reserve Status

Reserves at September 30, 2009:

General Fund	\$68,154,772
Utility Services Tax	27,528,315
Interlocal Reserve	8,259,904
Hurricane Fund	<u>10,143,770</u>
Total Reserves	\$114,086,761
Reserves in FY2010 Budget	<u>(24,867,920)</u>
Unrestricted Reserves	\$89,218,841
FY2010 Initial Approved Budget	\$360,372,404
Reserves as Percentage of Approved Budget	25%



Notes on Reserves

- Of the \$24.8 million of reserves used in FY2010, only \$15 million funded actual expenditures
 - \$9.8 Million was appropriated to contingency and was programmed to be used in FY2011 if not spent
- FY2011 budget is expected to be less than FY2010; 25% of that difference will become undesignated reserves
- Expenditure reductions implemented in FY2010 will fall to fund balance and will be available for use in a future year



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Part 6: Budget Development Process

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Budget Mechanics

- Step 1
 - Departments will submit “continuance of service” budgets by program
 - Programs will be presented at full cost
 - Programs will be prioritized by department



Budget Mechanics

- Step 2
 - As revenue estimates become clearer, programmatic reductions will be made to balance the budget
 - Objective is to present a balanced budget to the City Council on July 26th when the preliminary millage rate is set



Voluntary Separation Program (VSP)

- Five options will be offered to employees
- Employees must apply for the VSP by May 14th
- Employees will be notified by May 28th if their application is accepted
- Open window for those employees who apply and accept a VSP is June 1st through July 15th
- Employees must separate from the City on July 31st



Voluntary Separation Program (VSP) Options

1. Two years credit towards retiree health insurance
2. Sixteen weeks severance and one year health insurance
3. Defined Contribution Plan: 50% of current salary if vested
4. Defined Benefit Plan: No age penalty if otherwise retirement eligible
5. Defined Benefit Plan: Employee may purchase up to 3 years of service at 4.88%



Voluntary Separation Program (VSP)

- Employees may only select 1 option
- Pension plan changes are on today's agenda
 - DB plan changes were approved by a vote of the participants
- VSP applications will only be accepted if it results in the deletion of a position and a comparable recurring cost



Programmatic Studies

- Consultant has been engaged for program evaluations to
 1. Substantiate cost-effectiveness of current delivery method, or
 2. Provide expert advice on more cost-effective methods
- Studies currently underway:
 - Warehousing and supply operations
 - Fleet operations



Other Budget Processes

- Review of previously approved capital projects to determine if there is funding available for reprogramming
- Review of capital project requests for FY2011 to evaluate need and impact of delayed funding
- Evaluating extension of replacement cycles (i.e. IT, fleet, etc.)



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Part 7: Budget Calendar / Key Dates

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