

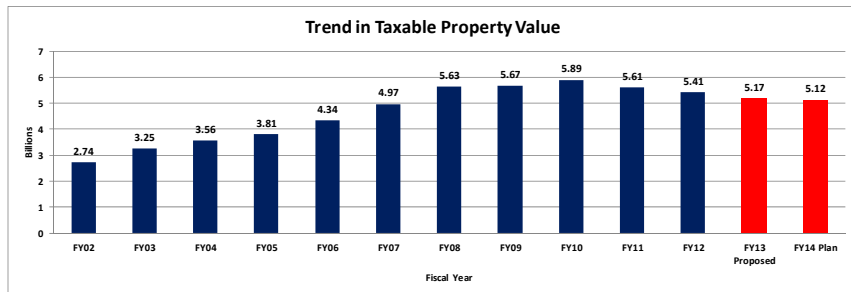
BUDGET HIGHLIGHTS: CITY OF GAINESVILLE FY13 PROPOSED BUDGET & FY14 OPERATING PLAN

The total General Government budgets for FY13 and FY14 are \$277,634,029 and \$296,793,960. The total General Fund budgets for FY13 & FY14 are \$105,139,498 and \$108,225,239, respectively. Following are key elements of the upcoming General Fund budgets.

Over the past five years the General Fund has experienced a period of dramatically reduced revenue growth, as summarized in the adjacent table.

Average Annual General Fund Revenue Growth	
FY02 - FY06	6.04%
FY07 - FY11	2.82%

One of the primary components of this decline in growth has been the erosion of the City’s taxable property base. Based on the July 1 preliminary estimates received from the Property Appraiser, our taxable base will decline for the third straight year, falling to a level 13% below the peak value registered in FY10.



To counter this revenue trend, a number of measures were implemented to re-shape the City’s expenditure profile. These measures included position and operating expense decrements, a hiring freeze, a travel freeze, and early separation incentive programs. These efforts resulted in:

- \$9.5 million in departmental decrements since FY07
- \$5.6 million in City-wide cuts and organizational efficiencies
- 81 full-time equivalent position reductions

These measures contributed to controlling personal services expense to the extent that General Fund direct salaries wages in FY11 were at their lowest level since FY07.

Staff forecasts that the flattening revenue growth will extend through FY13 and FY14. In addition, rising expenditure pressure continues to come on several fronts. One of the principal areas of concern is projected increasing pension costs. As the table demonstrates, total City contributions to our defined benefit pension plans have more than tripled between FY06 and FY12, and in the absence of pension reform are estimated to rise by almost \$9 million by the end of our current planning horizon in FY17.

CITY CONTRIBUTIONS TO DEFINED BENEFIT PLANS @8.5% INVESTMENT RETURN ASSUMPTION						
		General Plan		Consolidated Plan		Total \$
		Rate	\$	Rate	\$	
Actual	FY06	3.51%	2,489,336	7.00%	1,555,941	4,045,277
	FY07	3.51%	2,648,008	6.13%	1,401,953	4,049,961
	FY08	4.00%	3,173,929	5.85%	1,415,225	4,589,154
	FY09	3.97%	3,279,364	5.15%	1,322,191	4,601,555
	FY10	5.48%	4,431,480	6.10%	1,606,360	6,037,840
Projected	FY11	11.14%	8,827,651	9.10%	2,299,444	11,127,095
	FY12	10.82%	10,034,605	11.77%	2,865,000	12,899,605
	FY13	13.39%	10,985,027	14.19%	3,709,168	14,694,195
	FY14	15.10%	12,945,350	15.90%	4,322,396	17,267,746
	FY15	15.98%	14,316,271	16.30%	4,608,381	18,924,652
	FY16	16.29%	15,250,726	17.00%	4,998,539	20,249,265
	FY17	16.70%	16,338,125	17.60%	5,381,956	21,720,081

Additionally, staff is estimating increases in our utility and fuel expense over the course of the next two years. Finally, grants which currently fund 20 public safety positions will expire prior to the end of the two-year budget period, adding almost \$1.3 million to General Fund public safety personal services expense.

Grant Funded Positions Covered by General Fund				
	FY13		FY14	
	FTEs	\$	FTEs	\$
2010 COPS Hiring Grant (1)	0.56	35,446	7.00	440,790
SAFER Grant (firefighters) (2)	6.50	397,410	13.00	823,497
Total	7.00	432,856	20.00	1,264,287
(1) In FY13 represents 7 positions covered for one month				
(2) In FY13 represents 13 position covered for six months				

These factors combine to produce baseline deficits of \$1,034,139 in FY13 and \$2,988,436 in FY14. Furthermore, certain aspects of the cuts made over the past five years have proven to reduce service delivery to less than acceptable levels, therefore I am recommending that the following previously eliminated positions be re-instituted:

- Economic Development Director, to increase the City’s focus on developing jobs for Gainesville residents
- Two Police Service Technicians to handle issues that would otherwise require patrol officers
- Traffic Signs & Marking Technician, along with operating expense increases, to meet federal mandates
- Paralegal in the Law Department

CITY MANAGER RECOMMENDATION

After adding back these positions, the projected deficits increase to \$1,876,821 in FY13 and \$3,379,921 in FY14. In order to present a balanced budget, I am recommending the following:

- Adjusting the millage rate upwards to a point below the rolled back rate, from 4.2544 to 4.4946. As this proposed millage rate is below the rolled back rate of 4.5296, this constitutes a tax decrease
- Suspending in FY14 the \$425,000 deposit to the Greenspace Acquisition Fund for sensitive land acquisition.
- Freezing operating expenses by eliminating CPI adjustments.
- Increasing the General Government vacancy rate.
- Reducing labor costs by reforming the City’s pension plans.

The last several years has marked a period of rigorous fiscal stewardship and effective management of City expenses. This financial oversight has provided the foundation whereby, with the implementation of a small increase in the millage rate to a level lower than the rolled back rate, I can recommend to the City Commission a balanced budget for FY13 & FY14. This recommended budget will require no layoffs and will preserve acceptable delivery levels for basic City services.