



City of Pembroke Pines



Frank C. Ortis, Mayor
 Carl Shechter, Vice Mayor
 Charles F. Dodge, City Manager

Angelo Castillo, Commissioner
 Jay Schwartz, Commissioner
 Iris A. Siple, Commissioner

September 30, 2012

Honorable Mayor and Commissioners:

Over the last three years the City has streamlined departments, changed the mode of delivery of some services, sought labor concessions from the bargaining units, extended the capital replacement schedule where possible, and engaged in mutually beneficial partnerships with other entities in order to achieve cost savings. Implementation of these measures allowed the City to maintain the quality, range, and level of service upon which residents depend without utilizing reserves.

In keeping with these strategies, during the past year the City initiated cost savings in the School Resource Officer (SRO) program. This program utilizes retired police officers to work in the public schools instead of assigning current active Police Officers to this duty. The reduced cost of providing this service is much closer to the reimbursement received from Broward County.

The City will implement two new measures in 2012-13: (a) the restructuring of the Administrative Services Department and (b) the reorganization of transportation services. Regarding the Administrative Services Department, the Information Technology Division was transitioned to the Technology Services Department, which overarches to the Charter School system. The Planning Division will transform into the Community and Economic Development Division and with two additional staff will boost the City's economic development function. The objective is to attract and recruit businesses to diversify the City's economy, as well as provide support to the existing businesses. The primary focus will be the redevelopment of the eastern portion of the City and the development of City Center, the government-planned downtown area.

Effective October 1, 2012 the City will no longer be a provider for Broward County's transportation services under the Americans with Disabilities Act (ADA) Program. However, eligible residents will still be able to access this service via the Broward County Call Center. In addition, the headway on the shuttle bus Green Route has been extended from 60 minutes to 120 minutes. The combined changes reduced the budget deficit by \$0.2 million.

Notwithstanding these changes, the main issue facing the City is the budgetary gap in the operating funds: the General Fund; the Road & Bridge Fund; and the Utility Fund. Overall, the budgetary gap is attributable to appropriations for replacement of capital items. The persistent soft economy characterized by high levels of unemployment, weak gain in wages, tight lending markets, and the depressed real estate market has influenced the City's response to this issue. Both the property tax and fire assessment rates were maintained at the 2011-12 rates to avoid increasing the burden on residents. The budgetary gap in the operating funds has been bridged with reserves. This issue is addressed further in the Budget-In-Brief section of this transmittal letter.

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Economic Analysis

Since last year's analysis, broad measures of economic growth have continued at very slow rates and overall City revenues of \$338.8 million lag most other indicators, showing an expected decrease of 0.8% for the upcoming 2012-13 fiscal year.

The politically driven economic crisis in the Eurozone continues; Congress and the country face unresolved, automatic, mechanical budget cuts and tax increases in the next few months due to legislation passed a year ago when Congress was unable to reach agreement on short-term fiscal matters; the Federal budget deficit for the first eleven months of fiscal 2012, although less than the year before, exceeded \$1.1 trillion; and governance across the country is heavily preoccupied by the upcoming fall electoral season.

The Congressional Budget Office's (CBO) August 2012 update to its *Budget and Economic Outlook: Fiscal Years 2012 to 2022* forecasts for the remainder of 2012 real (inflation-adjusted) Gross Domestic Product (GDP) growing at an annual rate of about 2¼% in the second half of the year, compared to a rate of about 1¾% in the first half, that the unemployment rate (nationally) will stay above 8% for the rest of the year, and the rate of inflation in consumer prices will remain low.

Then, under its base scenario that extant legislation continues in force and that the "fiscal cliff" of automated cuts and removal of previous tax cuts does occur in January, 2013, the CBO sees economic conditions in 2013 that will probably be considered a recession, with real GDP declining by 0.5% between the fourth quarter of 2012 and the fourth quarter of 2013 and the unemployment rate rising to about 9% in the second half of calendar year 2013. And, "because of the large amount of unused resources in the economy and other factors, the rate of inflation (as measured by the personal consumption expenditures (PCE) price index will remain low in 2013. In addition, interest rates on Treasury securities are expected to be very low next year." The latter point was very recently confirmed by an almost unanimous vote of the Federal Reserve Board.

The CBO also looked at an alternate scenario wherein expiring tax-cut provisions are extended (except the payroll tax reduction), that Medicare payment rates to providers are left uncut, and that the automatic spending reductions enacted in 2011 for 2013 are repealed (except for retention of spending caps on discretionary programs). In that case, it forecasts a 2013 deficit of \$1.0 trillion (\$400 billion more than the deficit under current law) and that the economy would be stronger in 2013, where Real GDP would grow by 1.7% between the fourth quarter of 2012 and the fourth quarter of 2013, and the unemployment rate would be about 8% by the end of 2013.

The third quarter of the *2012 Survey of Professional Forecasters* published by the Philadelphia Fed shows significantly weaker conditions for real outputs and labor markets in 2013 than were being forecast early in 2012. Their forecasts of PCE and Consumer Prince Index (CPI) inflations for 2013 are currently at 2.2% and 2.0%, respectively, and the group's estimates of the risk of a negative real GDP quarter in the next four quarters have grown from about 17.5% to about 21.0%.

The September 2012 *U.S. Economic Forecast* from The Conference Board predicts for 2013 modest growth in real consumer spending, slow growth in housing starts, relatively vigorous growth in real capital spending, and a continuing, steady decline in net exports. The Consumer Confidence Index® fell 4.8 points in August, 2012, to its lowest level since November 2011.

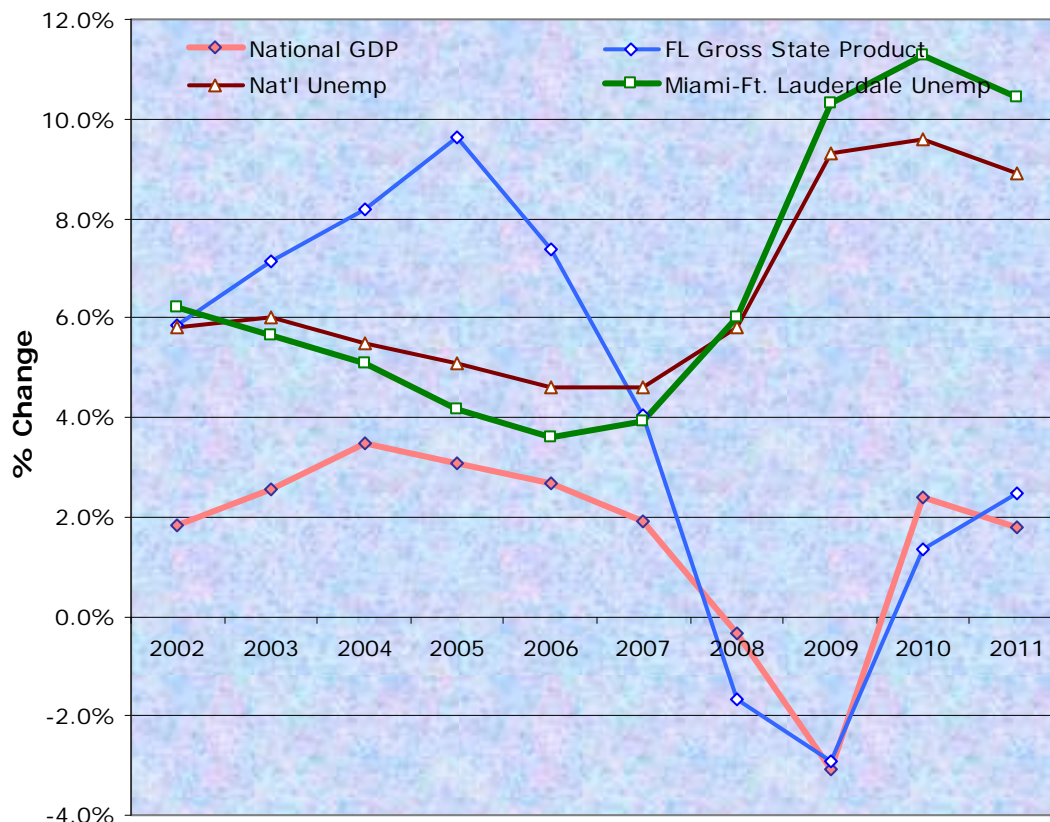
In the same vein, the Dow Jones Industrial Average had lost, by the beginning of June, 2012, all the gain it had accumulated since the beginning of the year, to close at 12,118. By mid-year, the Chief Economist at Moody's Analytics wrote that: "The decline in payroll jobs, the downward revisions to previous months, the increase in unemployment, the weak gain in wages, all point to a much softer economy." In short, the upcoming economic environment for fiscal 2012-13 remains unstable and carries a significant level of risk according to many respected analysts and indicators.

High levels of unemployment continue nationally and in the region. The national rate for August 2012, was 8.1% (seasonally adjusted) and has hovered just above and below 8.2% all year. In fact, the job-growth rate in Florida for 2012 through the end of August was negative (*Miami Herald*, 9/19/12). The state of Florida was holding at 8.8% in July, the Miami-Fort Lauderdale-Pompano Beach MSA at 9.3%, and the Bureau of Labor Studies' preliminary estimate for Pembroke Pines for July, 2012, is 7.6%. The City's trend is downward (as are the others) following annual City rates of 8.7% for 2010 and 8.4% for 2011, though it must be remembered that the rate is affected by two factors: changes in the number of unemployed (numerator) and

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changes in the number of reportable persons in the labor force (denominator), employed and unemployed, from one period to another. Much of the reduction in regional unemployment rates is attributed to large numbers of unemployed persons leaving the reported labor force entirely.

The creation of new jobs continues to be hindered by businesses' continued lack of confidence in the recovery's sustainability, by uncertainty about future directions in tax and fiscal policies, and by limitations on access to credit.



Source: Bureau of Economic Analysis, U.S. Department of Commerce

Parallel statistics from the CBO and Florida's Office of Economic and Demographic Research (OEDR) noted the existence of negative growth in 2008-09 (-2.2%) for both the national GDP and Florida's State GDP and positive growth for 2009-10 (less than 1.0%). Both entities then forecast GDP growth, national and state, ranging from 3.0% to 3.2% in 2011 and 2012. National GDP, in fact, grew 3.8% in 2010 and 4.0% in 2011 according to the U.S. Bureau of Economic Analysis. The Fed's survey of professional forecasters (3rd quarter, 2012) revealed estimates of real national GDP for 2012 at 2.2% and 2.1% in 2013.

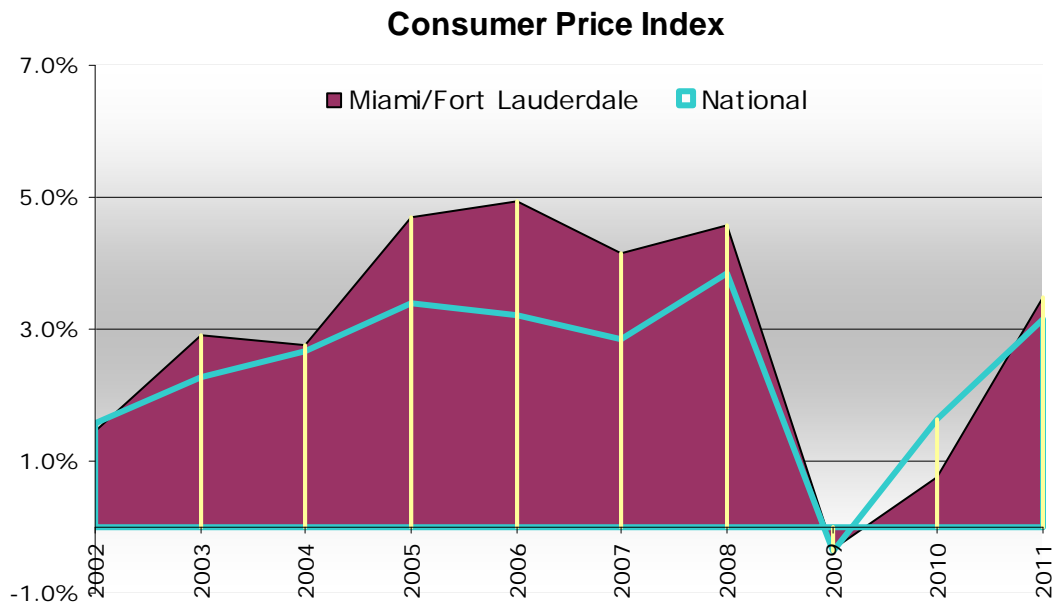
Nationally, businesses continue to show record-high profit margins and low interest costs. Cash on for-profit balance sheets is at the highest level in forty years, and debt—despite the low interest rates—at its lowest level over that period.

Consumer spending as measured by the CPI has followed a pattern similar to GDP, though spending changes were smaller than those of GDP on both the downside in 2009 and the subsequent upsides through mid-year 2012. As shown in the following graph, CPIs for both the national and Miami-Fort Lauderdale-Pompano Beach MSA markets reached negative levels for 2009 (-0.4% and -0.3% respectively). This change followed a five-year period in which the local rate averaged more than 3.0% and consistently exceeded the national rate. The annual CPI for 2011 (Not Seasonally Adjusted) shows a rate of increase of 3.2% for the country compared to 3.5% in the Miami-Fort Lauderdale MSA. Professional forecasts of CPI for 2012 focus around 1.8% or 1.9% and for 2013 range closely around an increase of 2.2%.

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The Fed's survey published in August 2012, estimates corporate profits after tax increasing 2.9% throughout 2012 and a notable 6.7% further in 2013. Economists' feelings that the Fed has about exhausted its mechanisms for stimulus and the ability to attract additional foreign buyers of US debt are reflected in forecasts of both short- and long-term interest rates, expected to show double-digit percentage increases in 2013 over the 2012 rates for both T-bills and T-bonds. Few, however, are mentioning serious inflationary pressures appearing throughout the economy before mid-2014 or later.

Good economic news appears in standard measures of household debt. That debt, which had reached a peak of 124% of disposable income in 2007, declined to 111% by late 2010 and to 107% by late 2011. Note, however, that debt reduction and increasing savings rates produce a drag on municipal and other governmental revenues.



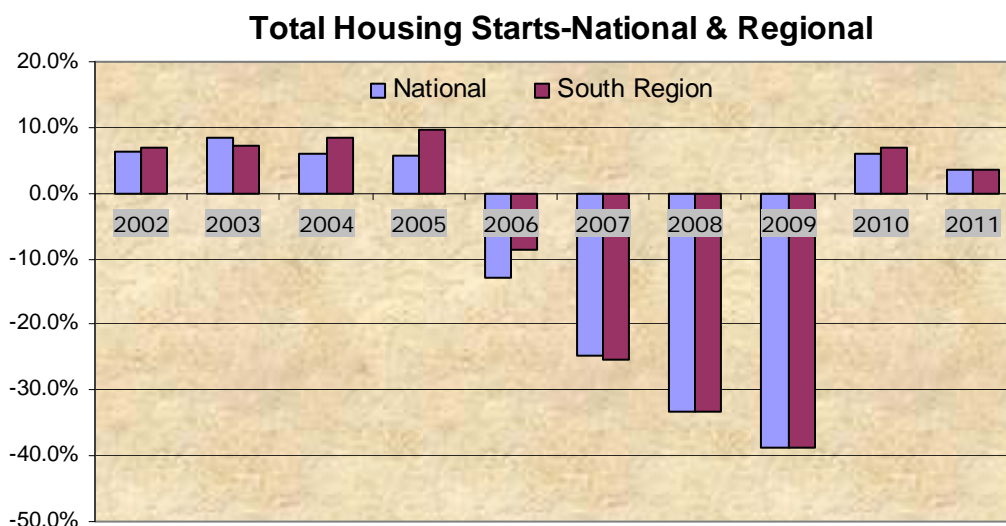
Source: Bureau of Labor Statistics

The effects of housing on the economic environment are best seen from two perspectives: (1) the collapse of values and prices and (2) the devastating effect on South Florida's residential and commercial construction industry. South Florida was one of the hardest hit areas in the nation, and its unfavorable numbers exceeded those of the Southern U.S. Region as a whole. Housing starts began to recover state-wide near the end of 2009. After four years of negative annual rates of change, the measure of privately owned housing starts increased 5.9% nationally and 6.9% regionally in 2010. Yet the number of housing-unit starts in the Southern Region of the country at that time was only one-third the level of 2006 and was only a small fraction of the regional starts for each year going back to 1959.

Average home prices in South Florida began to stabilize in early 2012, and some concentrated areas like coastal Miami have been experiencing sharp rises due to activity from foreign cash buyers in the upscale market. New numbers from the S&P/Case-Shiller Housing Price Index (the leading index for the US housing market) dashed hopes for an official bottom to a historic crash in real estate prices, a downturn that was entering its sixth year and producing a price index that was off 51% from its peak in November, 2006. But the annual Realtors' Report citing prices in December, 2011, showed the median home price in Broward County up 7% (to \$189,600). Forecasts for the remainder of 2012 and for 2013 are mixed. Some cite pent-up demand from temporary renters; others point to thousands of properties remaining in banks' foreclosure inventories. The foreclosure process in Florida, according to the Legislative Office of Economic and Demographic Research in August of 2012, averages 861 days (2.5 years) compared to 378 days nationally. Foreclosure commencements in Florida increased 26% annually, and bank repossessions have been up 12% (Miami Herald, 9/19/12). Yet while prices remain relatively low and lending standards remain high, volumes of sales are clearly increasing.

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New residential construction in the South Region of the country showed steady growth of 3% to 4% from 2009 to 2011. During the first six months of 2012 the volume grew 27% compared to the same period in 2011; however, South Florida and Pembroke Pines in particular did not share in that level of housing starts.



Closer to home, the table that follows shows the ten-year history of building permits and the valuation of construction in Pembroke Pines since 2002. The effect of the 2007-09 recession on gross assessed values and the declines of construction activities in various categories are evident in the data provided.

City of Pembroke Pines, Florida
Property Value and Construction (1)
Last Ten Fiscal Years

Year	Total Permits Issued	Miscellaneous		Residential		Commercial		Total Value of Construction	Gross Assessed Value (3)
		Permits Issued (2)	Valuation	Number of Units	Valuation	Number of Units	Valuation		
2002	10,140	9,117	\$ 45,421,312	1,005	\$ 152,912,991	18	\$ 9,069,036	\$ 207,403,339	\$ 7,579,681,777
2003	9,170	8,792	54,660,725	361	40,571,126	17	14,659,667	109,891,518	8,678,811,181
2004	9,457	8,939	52,063,598	505	26,524,490	13	5,664,939	84,253,027	10,220,280,583
2005	10,991	10,761	73,078,888	214	17,326,438	16	26,553,469	116,958,795	11,606,680,186
2006	16,996	16,853	151,071,862	132	12,850,765	11	19,898,203	183,820,830	13,606,059,092
2007	10,837	10,267	161,924,777	554	50,298,274	16	25,169,009	237,392,060	17,145,457,817
2008	7,411	7,365	95,057,849	27	1,939,720	19	42,172,649	139,170,218	19,252,698,267
2009	6,318	6,289	62,524,850	24	2,106,616	5	4,331,001	68,962,467	17,848,661,534
2010	5,274	5,205	64,069,445	66	6,585,866	3	2,409,185	73,064,496	14,727,213,419
2011	6,939	6,662	37,295,528	202	18,600,807	75	265,336,362	321,232,697	12,597,755,293

(1) Source: City of Pembroke Pines Building Department.

(2) Miscellaneous permits include remodeling, partitioning, and interior completions.

(3) Assessed value certified by Broward County Property Appraiser at 100% of estimated market value ("just value") as required by State Statute.

Deeper analysis of the table above shows that, although the valuation of residential construction continued to recover in Pembroke Pines in 2011 (tripling from its 2010 level), it nevertheless declined at a compounding annual rate of 21% each year over the period from 2002 to 2011. More unexpected was the explosion of commercial activity in numbers and valuation over the last two years shown.

Recovery from the severe economic recession of 2007-09 continues to be protracted and slow, given the financial and employment environments and the sharp drop in the values of major assets that occurred. The future for the local economy in 2013 remains unclear and subject to many external variables, as outlined above.

Demographics

The City of Pembroke Pines was incorporated in 1960. The City consists of 34.25 square miles located in southwest Broward County. It is six miles southwest of Fort Lauderdale/Hollywood International Airport, 16 miles north of Miami, and 35 miles south of Boca Raton. Adjacent to Pembroke Pines are the cities of Miramar, Hollywood, and Cooper City, and the towns of Davie and Southwest Ranches.

As of April 2012 the University of Florida's preliminary population estimate for Pembroke Pines was 155,239 compared to 154,889 in 2011. During 2011, Pembroke Pines was ranked as the 11th largest city in Florida.

Pembroke Pines is home to four university campuses, one college, four high schools, six middle schools, and sixteen elementary schools. These include four Charter Elementary Schools, two Charter Middle Schools, and one Charter High School, all of which are owned and operated by the City of Pembroke Pines.

The Memorial Healthcare System, City of Pembroke Pines, Wal-Mart, City of Pembroke Pines Charter School System, Publix, Target, Macy's, Cintas Corporation, Claire's Corporation, and Winn Dixie are some of the major employers in the City.

Long-Range Economic Planning

Pembroke Pines uses long-range policy and financial planning processes to guide its decision making. This plan establishes objectives that emphasize what we as a community want to achieve during the next few years. Our major priority is to seek out realistic economic opportunities within the City that will provide the fiscal resources needed to keep the City in an economically solvent position. The City continues to work with economic development professionals to search for and capitalize on these opportunities as they arise.

Although growth has slowed significantly, the City of Pembroke Pines will continue to search for appropriate economic development opportunities. In this regard, a two-pronged approach to development has been adopted: (a) the redevelopment of existing properties and (b) the development of new properties within the City. Both of these components of economic development are equally important in achieving the long-term goals and objectives of the City as outlined in the following table.

Overall Long-term Municipal Goals	
The City of Pembroke Pines has developed the following goals for programs and services to guide the budget development process:	
1.	Promote and preserve the health, safety, and welfare of the community.
2.	Promote and pursue a positive economic environment.
3.	Provide and encourage diverse recreational, educational, and cultural opportunities and maintain a full range of municipal services.
4.	Provide a positive work environment that encourages teamwork, initiative, productivity, and individual development.
5.	Pursue and demonstrate a commitment to excellence in leadership and management skills to instill confidence in the integrity of City government.
6.	Preserve and promote the ecological and environmental quality within the City.

In keeping with this approach to development, there are two key initiatives which the City has embarked upon, namely the Building Our Future Program and the City Center real-estate development project. Both are noteworthy notwithstanding the fact that no direct appropriations for them are in this adopted budget.

Building Our Future Program

The Building Our Future Program is being financed with General Obligation Bonds (G.O.) as passed by referendum in March, 2005. These projects were originally appropriated in the 2004-05 and 2006-07 budgets; unspent appropriations will be carried forward to the 2012-13 working budget. The Building Our Future bonds provided funding for the following:

- Street improvements and traffic flow at various locations throughout the community
- Additions and improvements to the parks and recreational facilities
- Acquisition of open space
- Economic development

Since the bond referendum was passed, the City has issued \$90.0 million of the \$100.0 million approved G.O. bonds. On June 27, 2007 as a result of cost overruns, City Commission decided to reduce the number of projects funded by the G.O. bonds.

Many of the General Obligation Bond projects authorized by the March 8, 2005, referendum have been completed and others have commenced. As of June 2012, Commission had approved a total of 146 projects. Of this amount, 95 projects were completed, 4 are in the construction phase, 7 are in the design/planning phase, 5 had not yet begun, 13 were re-allocated, and 22 projects have been eliminated. The major projects that are in progress include the \$5.3 million SW 196th Avenue/Pembroke Road improvement and the \$1.5 million streetscape project. The largest project yet to commence is the \$9.0 million economic development project. The total G.O. bonds project budget of \$96.5 million includes \$6.5 million of interest earned, bond discounts, and miscellaneous receipts. The unspent and unencumbered portion of the budget is \$18.1 million or 18.8 %. Details of the status of the G. O. bond projects are provided in the 5-year capital plan section of this document.

Apart from the redevelopment that will be financed with G.O. bond proceeds, the City is using funds from the U.S. Department of Housing and Urban Development (HUD) Neighborhood Stabilization Program (NSP) grant to purchase foreclosed or abandoned homes and to rehabilitate, resell, or redevelop those homes in order to stabilize neighborhoods and stem the potential decline of property values within the City. At the time of this writing, eight homes were purchased and rehabilitated; of these, three have been resold.

City Center

The completion of the mixed-use City Center (142.89 acres adjoining the current site of City Hall) has been delayed as a result of market conditions. The project is in its second phase with 49.16 acres of land available for sale and further development; 16.7 acres were sold to Mills Creek Residential Trust LLC with an additional 10.5 acres under contract. Mills Creek is scheduled to complete construction of 422 rental garden apartments and rental townhomes on the 16.7-acre parcel by February 2013. The development of City Center is expected to have a net positive impact on future City budgets. The City remains committed to developing a vibrant downtown area and is aggressively marketing this project. The City has received a purchase offer for another 11.5 acres.

The Build Our Future bond-referendum projects and the City Center project are very high profile endeavors. However, apart from these long-term initiatives, there are a number of short-term initiatives that will be implemented over the next year. Clearly, it is important for the residents of Pembroke Pines to know that the positive elements in our City are maintained and enhanced and that negative elements will be appropriately addressed.

Enhancements to City Services

The structure of our City in the future must reflect our commitment to deliver services through a leaner, more efficient workforce and to apply the latest technology in ways that enhance quality and emphasize cost effectiveness. The Mayor and the City Commission provide the vision needed to guide the City through the challenges it will face in the coming year. This strategic vision incorporates all aspects of the City, including its governmental services and community amenities in a plan that focuses on maintaining and improving the quality of life in Pembroke Pines as a premier residential community where people desire to live. The major components of this plan that are currently being addressed are as follows:

1. To protect life and property. The budget provides funding for the modification of the Communications Center to withstand category 5 hurricanes. Funding is also provided for the procurement of P-25 compliant radios and accessories to improve the communication infrastructure and promote interoperable emergency communication in order to collect, process and transmit important information in a timely manner.
2. To maintain business occupancy levels. The Shop-Local Program will be expanded and the hiring of two Economic Development Specialists will augment the support provided to existing businesses.
3. To continue to provide recreation and leisure amenities to meet the needs of all citizens. The City continues the construction/renovation of recreation facilities and parks authorized under the General Obligation Bond referendum.
4. To restructure the ways in which we provide services to the public by modernizing our technology and adopting more flexible policies to improve customer satisfaction. Among the technology improvements planned is the conversion of microfilmed records to electronic format. This conversion will expedite the response to records requests as well reduce the cost of maintaining records. In addition, the SeeClickFix application that encourages residents to become active citizens in taking care of and improving their City by reporting non-emergency issues in their neighborhood will be initialized.

Budget-In-Brief

All Funds

Revenues/Sources:

The 2012-13 adopted revenue budget for all funds (including inter-fund transfers) totals \$338.8 million, a decrease of \$2.6 million or 0.8% below the 2011-12 adopted budget. The synopsis below explains the major components of the change.

Summary of Net Revenue Changes – by Fund

- Public Insurance Fund - \$6.6 million decrease due directly to \$5.0 million, \$1.0 million, and \$0.5 million reductions in required funding for health care, liability insurance, and workers' compensation, respectively.
- Municipal Construction Fund – \$1.5 million decrease is attributable mainly to the reduction in privilege fees- sewer revenue that is recorded in this fund. The privilege fees- sewer revenue budget of \$1.1 million is the source of funding for the final payment on an inter-fund loan from the Utility Fund. After satisfying this interfund loan, this revenue will then be recorded the General Fund. In 2012-13 the General Fund is expected to receive \$1.5 million.
- Other Post Employment Benefits - \$3.2 million increase of which \$2.7 million is due to investment income and \$0.5 million to refunds on adjusted medical claims. The latter was not budgeted in 2011-12.
- Fire & Police Pension Trust Fund - \$2.3 million increase which consists of a \$1.1 million net increase in investment income and a \$1.4 million increase in the City's contribution, partially offset by a \$0.2 million reduction in employee contributions.

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**All Funds Revenue Comparison - Adopted 2011-12 to 2012-13
(in \$'000)**

Revenues/Sources	2011-12	2012-13	Change from	
	Adopted	Adopted	2011-12	
			\$	%
General Fund	\$149,312	\$149,762	\$450	0.3%
Road & Bridge Fund	4,263	4,153	(110)	-2.6%
Utility Fund	43,138	43,463	325	0.8%
Debt Service	26,859	26,714	(145)	-0.5%
Municipal Construction	2,661	1,134	(1,527)	-57.4%
Public Insurance Fund	27,850	21,297	(6,553)	-23.5%
General Pension Trust Fund	19,010	18,995	(15)	-0.1%
Fire & Police Pension Trust Fund	54,309	56,595	2,286	4.2%
Other Post-Employment Benefits	10,643	13,837	3,194	30.0%
All Other Funds	3,377	2,897	(480)	-14.2%
Total Revenue	\$341,422	\$338,847	(\$2,575)	-0.8%

Expenditures/Uses:

The 2012-13 adopted expenditure budget for all funds (including inter-fund transfers) totals \$306.7 million, an increase of \$3.7 million or 1.2% over the 2011-12 adopted budget. The key components of the change are highlighted below:

Summary of Net Expenditure Changes – by Fund

- Utility Fund - \$8.5 million increase of which \$7.5 million is due to the increase in appropriations for replacement of capital items.
- Fire & Police Pension Trust Fund - \$2.7 million increase attributable entirely to the increase in appropriations for retirement benefits.
- General Fund - \$1.8 million increase due primarily to the \$1.0 million increase in appropriations for capital and \$0.4 in transfers to other funds.
- Public Insurance Fund - \$6.6 million decrease directly attributable to the anticipated decrease in health insurance, liability insurance and workers' compensation claims based on recent history.
- Municipal Construction Fund - \$2.5 million decrease is due to a \$1.4 million reduction in principal payments to the Utility Fund and the elimination of a \$1.0 million transfer to the Debt Service Fund. The latter was a one-time transfer of unspent Series 2006 Capital Improvement Revenue Refunding bonds to pay interest on the Charter School bonds.

All Funds Expenditure Comparison - Adopted 2011-12 to 2012-13
(in \$'000)

Expenditures/Uses	2011-12	2012-13	Change from	
	Adopted	Adopted	2011-12	
			\$	%
General Fund	\$151,556	\$153,386	\$1,830	1.2%
Road & Bridge Fund	5,616	5,058	(558)	-9.9%
Utility Fund	43,138	51,651	8,513	19.7%
Debt Service	26,779	26,571	(208)	-0.8%
Municipal Construction	3,586	1,134	(2,452)	-68.4%
Public Insurance Fund	27,850	21,297	(6,553)	-23.5%
General Pension Trust Fund	9,080	9,125	45	0.5%
Fire & Police Pension Trust Fund	24,415	27,134	2,719	11.1%
Other Post-Employment Benefits	7,376	8,070	694	9.4%
All Other Funds	3,536	3,242	(294)	-8.3%
Total Expenditures	\$302,932	\$306,668	\$3,736	1.2%

The General Fund

The General Fund is the City's chief operating fund and accounts for 50.0% of total expenditure appropriations in the adopted 2012-13 budget. The General Fund 2012-13 adopted budget reflects an operating deficit of \$3.6 million, which is a \$1.4 million increase over the 2011-12 adopted budget deficit of \$2.2 million. Overall this is attributable to revenues remaining flat while expenditures are increasing. In particular capital replacement has grown due to the postponement of this category of expenditure over the last few years. City administration is currently in discussion with Broward County regarding payment from them on a per call basis pending the establishment of a Southwest Regional Public Safety Communication Center. The estimated annual payment is \$1.3 million. In addition, the City expects to realize a surplus for the fiscal year ending September 2012 that will cover the 2012-13 deficit.

Revenue Highlights (General Fund)

Compared to the 2011-12 adopted revenue budget, the 2012-13 budget shows a net increase of \$0.5 million. The main increases consist of the following: \$1.5 million in privilege fees assessed on sewer revenues; \$1.0 million in public service taxes and franchise fees on electricity consumption; and \$0.5 million in ½ cent sales tax and sales tax proceeds. The anticipated increases in the foregoing revenues, except the privilege fee, are predicated on improvements in the economy. These increases were partially offset by a \$2.5 million loss in charges for services due to the termination of the contract to provide fire, rescue and prevention services to the Town of Southwest Ranches. Apart from the fees that are adjusted for inflation as stipulated in the City's code of ordinances, there will be \$5 decrease in the youth athletic program fees and a \$19 increase in the athletic fees-non resident for the winter and spring registration seasons. In addition, there will be a \$5.00 per week increase in tuition fees for the Central, West and Bright Beginnings Early Development Center sites.

The largest revenue source, ad valorem (property) tax, is budgeted at \$45.7 million for 2012-13 and represents 30.5% of total revenues. The budget is based on the current (2011-12) millage rate of 5.6368 mills. The anticipated receipts are approximately 1.4%, or \$0.6 million, more than the final estimate for the current year (based on a 95% collection rate) due to the growth in taxable values. Approximately 26.7% of the increase in taxable value is associated with new construction. Only those taxpayers whose taxable value has increased will see a increase in their property taxes. According to the Broward County Property Appraiser's Office, mainly homeowners who either purchased or homesteaded their property before 2001 or newer purchasers who recently moved portability savings to a new property will experience a 3% increase in

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assessed value as a result of the “recapture” rule. This rule is applied to homesteaded property when the “Save Our Homes Value” is less than the market value as of January 1. City property taxes on the median residential taxable value of \$88,850 will be \$496 in 2012-13. In 2012-13 property owners will pay 20.8710 mills in ad valorem taxes of which Pembroke Pines represents 30.2%.

The second largest revenue source in the General Fund is the Fire Protection Assessment Fee, which is 13.4% of total General Fund revenues. The fire assessment revenue budget is \$20.1 million, \$23K below the 2011-12 adopted budget. The residential fire assessment rate remains flat at \$235.44 per unit. This rate equates to a 96.32% levy of total assessable fire costs, which results in the non-residential rates also being 3.68% lower than the rates at 100% levy. As a consequence of levying fire costs at a rate less than 100%, an additional \$0.8 million from other revenues is being used to fund fire costs.

Fire Assessment Synopsis

	2011-12 Adopted	2012-13 Adopted	Change
Residential (per unit)	\$ 235.44	\$ 235.44	\$ -
Commercial (per sq. ft.)	0.5212	0.5205	-0.0007
Industrial/Warehouse (per sq. ft.)	0.1409	0.1144	-0.0265
Institutional (per sq. ft.)	0.6779	0.5940	-0.0839
Assessable Fire Cost	\$ 24,671,274	\$25,637,453	\$ 966,179
Less: Assessable Cost Not Levied	(515)	(942,257)	(941,742)
Less: Exempt Properties	(3,471,915)	(3,520,648)	(48,733)
Less: Statutory Discount	(1,059,942)	(1,058,727)	1,215
Budgeted Fire Assessment Revenue	\$ 20,138,902	\$ 20,115,821	\$ (23,081)

% of Assessable Cost Levied (inc. exempt)	100.0%	96.3%
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Expenditure Highlights (General Fund)

The adopted expenditure budget (including inter-fund transfers) shows an increase of \$1.8 million or 1.2%, from \$151.6 million in 2011-12 to \$153.4 million in 2012-13. This increase consists of a \$1.0 million increase in appropriations for capital, \$0.4 million for operating expenditures (including personnel) and \$0.4 million for transfers to other funds.

The \$1.0 million increase in appropriations for capital includes mainly:

- \$0.4 million for upgrading the current audiovisual configuration in City commission chambers to present all City related meetings in industry standard high definition;
- \$0.3 million associated with the hardening of the Fire Station at Stirling Road for hurricane resistance of up to category 5 rating; and
- \$0.3 million for the replacement of hedges along major arterials that are aging and damaged by the white fly infestation.

The key components of the \$0.4 million increase in the operating (non-capital) budget include:

- a \$4.0 million increase in the City’s contribution to Fire/Police and General employees’ pensions due to the net effect of prior years’ investment losses, which are being recognized in the current year’s actuarial valuations (investment gains and losses are recognized over 4-5 years);
- a \$1.2 million increase in appropriations for contractual employees, which includes the conversion of 22 full-time City vacant positions to contractual and the addition of 2 new contractual positions;
- a \$3.7 million reduction, based on recent history, in appropriations for health insurance and workers compensation; and
- a \$1.0 million decrease in appropriations for City salaries attributable mainly to the net reduction of 26 full-time and 2 part-time positions, all of which were vacant (Of this total, 22 vacant positions were converted to contractual).

The \$0.4 million increase in transfers to other funds is due mainly to the \$0.3 million transfer to the Older American Act Fund (OAA). This item was not appropriated in the 2011-12 adopted budget. The General Fund subsidy covers the funding shortfall of the transportation element of OAA operations. The shortfall resulted mainly from the realignment of cost for senior transportation between the Community Bus Program and the Older American Act Funds.

General Fund Expenditure by Category (in \$'000)

Expenditure Category	2011-12 Adopted	2012-13 Adopted	Change from 2011-12
Personnel	\$113,103	\$112,237	(\$866)
Operating	35,637	36,920	1,283
Total Operating	148,740	149,157	417
Capital	1,892	2,852	960
Grants and Aid	171	178	7
Other (Transfers)	753	1,200	447
	\$151,556	\$153,387	\$1,831

The Utility Fund

The 2012-13 Utility Fund budget shows an \$8.2 million deficit, which is attributable mainly to the increase in appropriations for capital spending. The City plans to bridge this gap by using Utility reserves. In addition, a rate study will be done by February 2013 to determine the appropriate water and sewer rates necessary to finance the 5-year capital improvement plan.

The 2012-13 revenue budget of \$43.5 million is \$0.3 higher than the 2011-12 adopted budget. Revenues from sewer charges account for \$0.2 million of the increase. The budget reflects a 2.3% rate increase adjustment for inflation applied effective October 1, 2012.

The \$51.7 million expenditure budget for 2012-13 is \$8.5 million larger than the 2011-12 adopted budget. This increase is due primarily to a \$7.5 million increase in the budget for capital items, mainly the rehabilitation of the odor control system and treatment units at the sewer plant. Phase 1 of the multi-year plan to rehabilitate the odor control system will cost approximately \$5.0 million of which \$4.0 million, based on the construction schedule, is reflected in the 2012-13 budget. The rehabilitation of treatment units is budgeted at \$2.5 million, which will cover the cost to rehabilitate treatment unit two and begin rehabilitation of unit three. The design for these units was completed in 2011-12. It should be noted that the 2011-12 budget was increased to facilitate emergency repairs needed at treatment unit one. Another item of significant increase (not related to capital expenditures) is \$0.9 million in wastewater treatment payments to the City of Hollywood.

Accomplishments

Despite the economic hardships, the City has managed to move forward with various expansions, upgrades, and maintenance of its facilities and infrastructure in an effort not only to maintain the municipal services provided to its residents but also to enhance them. In this regard a number of road projects were completed. Several roads were resurfaced: NW 78 Avenue – 10 Street to NW 13 Street, NW 11 Street – NW 78 Avenue to NW 78 Terrace, NW 11 Street – NW 78 Avenue to NW 78 Terrace, NW 11 Court – NW 78 Avenue to NW 78 Terrace, NW 12 Street – NW 78 Avenue to NW 78 Terrace, Taft Street – Hiatus Road to Palm Avenue, and Hiatus Road – Johnson Street to Taft Street. New sidewalks and pedestrian ramps were constructed at various locations throughout the City.

Additionally, rehabilitation of wastewater treatment unit number one was completed and the construction work on the rehabilitation of wastewater treatment unit number four is scheduled to be completed in October, 2012. Six lift stations were replaced, and the plans and permits for the replacement of waterlines on NW 4 Street – SW 64 Way to SW 67 Avenue, NW 78 Avenue - NW 11 Street to NW 13 Street, NW 78 Terrace – NW 11 Street to NW 13 Street, NW 11 Court - NW 78 Avenue to NW 78 Terrace, and NW 12 Street - NW 78 Avenue to NW 78 Terrace were completed. The construction and inspection of these waterlines is scheduled to be completed in October 2012.

Further, renovation and maintenance of recreational facilities were also undertaken and consisted mainly of the resurfacing of the pool at Silver Lakes South; renovation of soccer/football fields at Silver Lakes North, Pines Recreation, West Pines Soccer Park, Chapel Trail, Towngate and Walter C. Young; resurfacing of four hard courts at Price Park Tennis Center; and replacement of turf at Maxwell Park field #1, T-ball and Little League fields as well as Fletcher Park fields #1, #2, and #3.

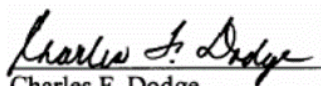
Apart from these improvements to the physical infrastructure, technological enhancements to customer service were also implemented. These included the deployment of an Interactive Voice Response (IVR) system that allows customers to pay their utility bills over the phone using credit cards, debit cards and e-checks; building permit history searches on the City's Website; online lobbyist registration along with searchable records of documents required to be filed by City officials; and online payment of both utility bills and local business tax using credit cards, debit cards and e-checks.

In addition to these improvements, the community also benefited from \$2.5 million in disbursements from the Housing and Urban Development (HUD) grants. These disbursements consisted mainly of \$1.5 million for residential rehabilitation benefiting over 31 households, \$0.3 million for the purchase of foreclosed properties (benefiting six households), and \$0.3 million for waterline replacement along a portion of NW 77 Way. Furthermore, \$0.6 million was disbursed from the State Housing Initiative Program grant to assist with the repairs of 18 homes.

Conclusion

The development of the City's budget for fiscal year 2012-13 has been challenging despite the tough decisions already instituted over the last three years. The hurdles yet to be overcome include the funding of capital improvements and transportation services. Administration will continue to pursue efficiencies through streamlining processes, searching for new revenue sources, and reprioritizing needs as necessary. The priority remains providing services *par excellence* in a financially sustainable manner, and with the support of the community, employees, and business partners this will be achieved.

Sincerely,



Charles F. Dodge
City Manager

CFD/lw