



City of Pembroke Pines



Frank C. Ortis, Mayor
 Angelo Castillo, Vice Mayor
 Charles F. Dodge, City Manager

Jay Schwartz, Commissioner
 Carl Shechter, Commissioner
 Iris A. Siple, Commissioner

August 1, 2013

Honorable Mayor and Commissioners:

Since the end of the recession in mid-2009 the national economy has expanded modestly according to the Congressional Budget Office. Although unemployment remains high there has been steady improvement in the job market. Consumer confidence has improved leading to increased consumer spending. However this has been tempered by the slow growth in personal income resulting from the high unemployment rate. The latter along with soft commodity prices has kept inflation relatively low. Closer to home, evidence of the improving economy is seen in the year over year growth in revenue from sales taxes and taxable value of real property. Kiplinger and other experts expect the economy, driven primarily by the housing and auto sectors, will continue to expand in 2014.

Effective October 1, 2013, the City's 911 communication system is scheduled to transition to Broward County's regional system. The Pembroke Pines facility has been recommended as one of the three regional dispatch centers. The new integrated regional system will reduce response time by eliminating time loss due to the multiple rerouting of 911 calls emanating from cell phones. The regional system will benefit from economies of scale. Removal of the 911 project from the 2013-14 General Fund budget resulted in a \$1.8 million net reduction in the budget deficit.

The improvements in the economy and the impending transition to a regional 911 communication system have a positive impact on the budget. Notwithstanding, similar to the current year funding of capital improvements that were delayed over the past few years remain a challenge. The postponement of capital replacement while it enabled us to maintain the same level of services without drawing down on reserves is not a sustainable strategy. The General Fund is unbalanced at this point in large part due to appropriations for capital. All other City funds are balanced. However it should be noted that both the Community Bus Service Fund and the Older Americans Act Fund are balanced with subsidies from the General Fund and the Road and Bridge Fund, respectively.

General Fund

The General Fund 2013-14 proposed budget shows a deficit of \$1.6 million, which is \$2.0 million less than the 2012-13 adopted budget deficit of \$3.6 million.

Revenues

The \$7.1 million or 4.8 % increase in the revenue budget is due primarily to increases in property taxes, fire assessment fees, sales taxes, and sanitation franchise including associated administration fees. The increase in property tax is tied to the 4.7% percent appreciation in taxable value. The operating millage rate remains flat at 5.6368 while the debt service millage rate is 0.6408, 0.0308 mills below the current rate. Pembroke Pines property tax on the median residential property is \$587 for the 2013 assessment; of that amount \$527 will be recorded in the General Fund and the remainder in the Debt Service Fund.

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The \$1.6 million increase in fire assessment revenue is attributable to a \$1.0 million increase in assessable fire cost and the decision to levy 100% of the cost that can be assessed. These factors result in an increase in fire assessment rates and a \$0.7 million reduction in revenue needed from other sources to cover fire cost. The table below is a synopsis of the changes to the fire assessment.

Fire Assessment Synopsis

| | 2012-13 Adopted | 2013-14 Proposed | Change |
|---|----------------------|----------------------|---------------------|
| Residential (per unit) | \$ 235.44 | \$ 253.71 | \$ 18.27 |
| Commercial (per sq. ft.) | 0.5205 | 0.5570 | 0.0365 |
| Industrial/Warehouse (per sq. ft.) | 0.1144 | 0.1172 | 0.0028 |
| Institutional (per sq. ft.) | 0.5940 | 0.5745 | (0.0195) |
| Assessable Fire Cost | \$ 25,637,453 | \$ 26,648,362 | \$ 1,010,909 |
| Less: Assessable Cost Not Levied | (942,257) | (313) | 941,944 |
| Less: Exempt Properties | (3,520,648) | (3,791,091) | (270,443) |
| Less: Statutory Discount | (1,058,727) | (1,142,848) | (84,121) |
| Budgeted Fire Assessment Revenue | <u>\$ 20,115,821</u> | <u>\$ 21,714,110</u> | <u>\$ 1,598,289</u> |
| | | | |
| % of Assessable Cost Levied (inc. exempt) | 96.3% | 100.0% | |

Expenditures

The 2013-14 proposed expenditure budget (including inter-fund transfers) stands at \$158.5 million with appropriations for public safety accounting for 64.2% of that amount followed by general government, which encompasses the administrative departments, at 14.9%. The \$7.3 million increase in appropriations for physical environment and the \$6.5 million decrease for culture-recreation as shown in the table below is mainly the result of the transfer of parks maintenance to the Public Services Department in November 2012. This transition enhanced flexibility in the utilization of maintenance personnel and allowed for better utilization of equipment.

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

| Expenditure Function | 2012-13 Adopted | 2013-14 Proposed | Change |
|-----------------------------|--------------------|---------------------|----------------|
| General Government Services | \$22,298 | \$23,571 | \$1,274 |
| Public Safety | 98,459 | 101,777 | 3,318 |
| Physical Environment | 2,953 | 10,257 | 7,304 |
| Economic Environment | 7,602 | 7,695 | 93 |
| Human Services | 6,631 | 6,555 | (76) |
| Culture-Recreation | 15,077 | 8,595 | (6,482) |
| | <u>\$153,020</u> | <u>\$158,450</u> | <u>\$5,430</u> |

The 2013-14 proposed expenditure budget is \$5.4 million greater than the 2012-13 adopted budget of \$153.0 million. The largest component of this increase is capital expenditures of \$3.6 million associated with the postponement of capital purchases during the recession. The main components of the \$6.2 million budget for capital items are shown in the table below. The \$1.1 million budget for landscaping provides funding for the replacement of hedges along major arterials that are aging and damaged by the white fly. The budget for computer programs includes mainly replacement of the City Clerk's agenda and minutes management software (Legistar) and deployment of NetMotion Mobility Suite to boost wireless computing.

Compared to the 2012-13 adopted budget the proposed operating budget for 2013-14 reflects a \$1.1 million or 0.8% increase, which is below the rate of inflation. Appropriations for grants and aid show a \$0.6 million or 316.5% increase. The latter is attributable to the \$0.6 million repayment to the Federal Emergency Management Agency (FEMA) in connection with Hurricane Wilma.

**Synopsis of General Fund Capital Budget
(in \$'000)**

| Description | 2012-13 Adopted Budget | 2013-14 Proposed Budget | Change |
|--|------------------------------|-------------------------------|----------|
| Motor Vehicles (mainly squad cars for the Police Department) | \$ 1,009 | \$ 2,317 | \$ 1,309 |
| Landscaping | 250 | 1,085 | 835 |
| Fire Engine & Ambulance | - | 870 | 870 |
| Computer Programs | 55 | 431 | 377 |
| Micro Computers, Laptops, and Computer Equipment | 137 | 637 | 500 |

Utility Fund

The proposed revenue budget for 2013-14 is \$5.2 million or 12.0% greater than the adopted 2012-13 budget. This increase is mainly attributable to water and sewer revenues, which are predicated on a 14.0% rate increase. The rate increase is recommended from January 1, 2014 to fund capital improvements from 2013-14 to 2018-19. The rate increase is applicable to all customer categories and is based on the rate study conducted this year. It is imperative that the rate increase be implemented to ensure high quality reliable water and sewer services to the community. The impact of the rate increase on residential consumers is shown in the table below.

Monthly Impact of Rate Increase on Residential

| Based on 3,000 Gallons Consumption | | Based on 6,000 Gallons Consumption | |
|------------------------------------|----------|------------------------------------|----------|
| Total Proposed Bill | \$ 34.17 | Total Proposed Bill | \$ 69.36 |
| Total Current Bill | 29.97 | Total Current Bill | 60.84 |
| Change | \$ 4.20 | Change | \$ 8.52 |

Budgeted expenses for 2013-14 are \$4.8 million or 9.3% above the 2012-13 adopted budget. This increase is due primarily to a \$5.5 million increase in the budget for capital items and is partially offset by a \$0.7 million reduction in the budget for operating expenses. The reduction in the operating budget is tied mainly to the \$1.3 million reduction in water treatment charges from the City of Hollywood. The main components of the \$13.6 million budget for capital items are delineated in the table below. The \$6.0 million budget for the Odor Control System represents Phase II of this project, which will address the processing of biosolids. The increase is attributable to the new State laws for the transportation and land application of biosolids that went into effect January 1, 2013. The new state law greatly increased disposal costs for biosolids. Phase II of the Odor Control System treats the biosolids to a higher degree and allows for the biosolids to be applied as fertilizer or directly into the local landfill. The 2012-13 budget for Phase I of this project that provides for replacement of the existing control odor scrubbers and existing biological odor filters, as well as the addition of redundant odor control scrubbers and advance odor control equipment to the sewer treatment plant will be carried forward to 2013-14 since it was decided to combine these phases and advertise as a design-build project.

The budget provides \$1.3 million for equipment including the rehabilitation of two sludge presses and associated equipment as well as \$0.5 million for instillation of a new 30" forcemain on Johnson Street. Sewer treatment rehabilitation which has a budget of \$3.4 million includes funding for completion of treatment units two and five as well as commencement of rehabilitation of the east and west surge tanks. An amount of \$1.1 million is for replacement of ten lift stations and upgrade of other existing ones. The replacement of 2,500 linear feet of 12" asbestos waterline located immediately north of the water plant and relocation of the utilities administrative offices each have appropriations of \$0.5 million.

Synopsis of Utility Fund Capital Budget (in \$'000)

| Description | 2012-13 Adopted Budget | 2013-14 Proposed Budget | Change |
|--|------------------------------|-------------------------------|----------|
| Odor control system | \$ 4,000 | \$ 6,000 | \$ 2,000 |
| Equipment | 513 | 1,272 | 760 |
| Sewer treatment rehabilitation | 2,550 | 3,400 | 850 |
| Lift station | 273 | 1,100 | 827 |
| Relocation of Utilities Administration Offices | - | 500 | 500 |
| Waterline | 500 | 500 | - |
| Pump | - | 204 | 204 |

Accomplishments

During the course of the year the City implemented various expansions and upgrades to its facilities and infrastructure in an effort not only to maintain but also to enhance the municipal services provided to its residents. In this regard a number of road work projects were completed. Several roads were resurfaced: NW 79 Way – Johnson Street to NW 13 Street, NW 10 Street – NW 78 Terrace to NW 79 Way, NW 11 Street – NW 78 Terrace to NW 79 Way, NW 13 Street - NW 76 Avenue to University Drive, Hiatus Road from Taft Street to Sheridan Street, and the roads at Children's Harbor. A new sidewalk, on Taft Street from the entrance to Cedarwoods to Ben Fiorendino Park, and pedestrian ramps at various locations throughout the City were constructed.

Additionally, rehabilitation of wastewater treatment unit three and four were completed and the construction work on the rehabilitation of wastewater treatment unit number two is scheduled to be completed in December, 2013. Eight lift stations were replaced and the plans and permits for the replacement of waterlines on: NW 79 Way - Johnson Street to NW 13 Street, NW 10 Street - NW 78 Terrace to NW 79 Way, NW 11 Street - NW 78 Terrace to NW 79 Way, and NW 13 Street - NW 76 Avenue to University Drive were completed. The construction and inspection of these waterlines is scheduled to be completed in November 2013. Further, renovation and maintenance of recreational facilities were also undertaken and consisted of the resurfacing of six hard tennis courts at Silver Lakes Park - South and the planting of trees at the City's parks.

Apart from these improvements to the physical infrastructure technological enhancements to customer service were also implemented. These included the deployment of: 22 point of sale (POS) terminals throughout the City that allow customers to pay their bills using credit and debit cards, the See, Click, Fix with automated resident service request workflows and City-branded applications in iTunes and Google play store, and a redesigned webpage that will improve access to government resources through better navigation and functionality is slated for a September 2013, release. Plans for future technology advancement include unification of the city-wide communication system and implementation of a data center to provide redundancy in the event of a disaster. Both provide efficiencies which will generate cost savings.

In addition to these improvements, the community also benefited from \$0.7 million in disbursements from the Housing and Urban Development (HUD) grants. These disbursements comprised mainly of: \$0.3 million for residential rehabilitation benefiting 13 households and \$0.2 million for the purchase of foreclosed properties (benefiting four households). Funding from a Broward County grant facilitated the increase of the participant age to 22 for the Special Population Summer Camp. All households benefited directly from lower sanitation rates as a result of the implementation of the new contract in June 2013.

On 7-2-13, the City sold an additional 10.5 acres of land at City Center to Mill Creek development for \$7.2 million. The developer will build 278 rental garden apartments and rental townhomes for a combined total of 700 units for both phases. The City is also under contract for the sale of a +-11 acres City Center parcel to the Related Group, a national renowned developer. The sale is expected to close in January 2014 and 365 luxury rental units will be constructed.

Conclusion

City administration is committed to finding solutions to the General Fund budgetary gap. It will continue to reconfigure the mode of service delivery to achieve efficiencies, readjust priorities as needed, and search for ways to enhance revenues in order to fund capital replacements without compromising the quality and level of service the City provides. The prospect of achieving this goal is encouraging. The development of City Center is gaining momentum and other residential and commercial developments are underway. Although this is in large part due to the improvements in the real estate market it also bears testament to the fact that City is a premier community with excellent services. These new developments will expand the tax base and is expected to have a net positive impact on future budgets as the cost of providing services to them will be absorbed to a large extent by the additional revenues generated from the expansion. The utilization of existing capacity and the efficiencies of economies of scale will also contribute to the positive financial impact.

Sincerely,


Charles F. Dodge
City Manager

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