



City of Pembroke Pines



1 - 1

Frank C. Ortis, Mayor
Jack McCluskey, Vice Mayor
Charles F. Dodge, City Manager

Angelo Castillo, Commissioner
Carl Shechter, Commissioner
Iris A. Siple, Commissioner

September 30, 2010

Honorable Mayor and Commissioners:

Throughout the last two years, cities and local governments have been severely impacted by the economic recession which began in December of 2007. The compounding negative effects of the decline in the economy, the decrease in property values, tax reform amendments, constraints on investment earnings due to the crippling of the financial markets, and the overall decline in revenues have caused governments throughout the country to make reductions and concessions of an unprecedented nature.

The 2010-11 budget reflects a new year of challenges, but to forge ahead with an effective plan that will foster continued growth and sustainability, we must understand where we have been and how far we have come. The economic pressures of the last two years have come at a cost resulting in many sacrifices. We have implemented significant cost reductions and efficiency efforts within many of our operations while continuing to provide the essential services to our residents.

Within the last three years the City has undertaken a multitude of changes to proactively manage and counter the effects of the economic recession. In fiscal year 2008-09, the City's building permit revenues were significantly impacted as a result of the drastic decline in the housing market. The City's response was to privatize the building department. This action, which went into effect on July 1, 2009, resulted in a \$3.8 million reduction in General Fund expenditures, net of revenues for the fiscal year 2009-10 budget. The City also implemented a reorganization of the Community Services Department. This restructure included outsourcing the Adult Day Care/Alzheimer Program, transferring all transportation components of the Center to the vendor Transportation Authority, transferring employees to an outside contractual employment entity, and reducing the number of employees. This effort reduced the 2009-10 budget by an additional \$1.2 million, of which \$0.7 million related to the General Fund and \$0.5 million related to the Road and Bridge Fund.

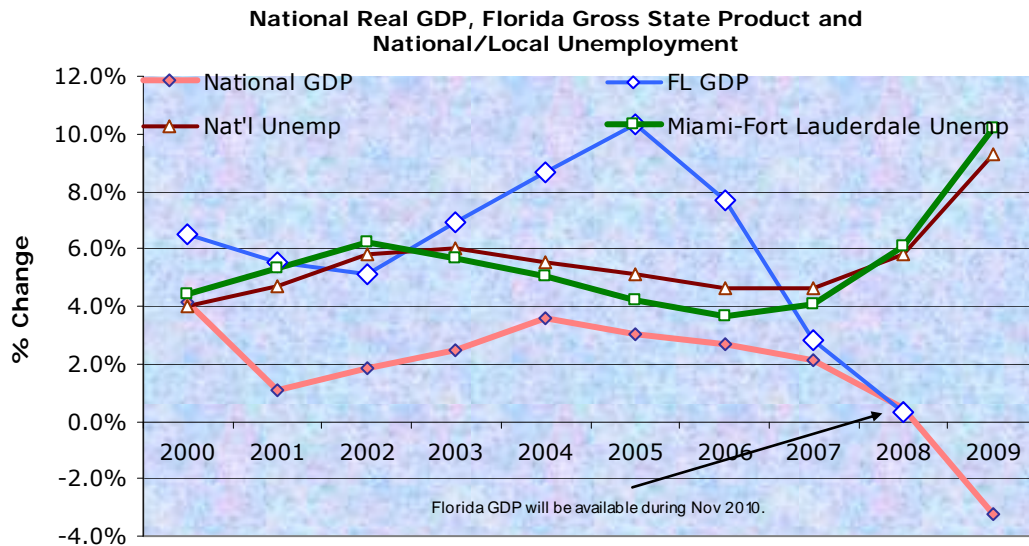
In addition to declining revenues, the City's personnel costs - namely pension and health insurance - have increased drastically. In fiscal year 2009-10 the City opened negotiations with the collective bargaining units to address the \$16.7 million shortfall in the budget. Through negotiations between City Administration and the collective bargaining units, valued employees have made considerable concessions regarding pension and other benefits to help balance the budgets for fiscal year 2009-10 and fiscal year 2010-11. The concessions from the police/fire and general employees unions for the fiscal year 2009-10 amount to \$2.5 million and \$4.1 million, respectively.

The aforementioned changes along with some administrative revisions were incorporated in the 2009-10 budget revision. Based on the revised budget ordinance for fiscal year 2009-10, the General Fund has a budgeted deficit of \$2.0 million while the Road and Bridge Fund has a budgeted deficit of \$1.5 million.

Economic Analysis

The effects of the economic decline of the past several years have begun to temper, and the economy now shows modest signs of improvement in limited areas. A majority of knowledgeable observers agree that any turnaround, if sustained, will be very gradual and will not reach the previous highs of 2005-06 until 2013-14 at the earliest. The City's decision-makers have had to address the challenging economic decline and, at the same time, plan the City's financial affairs in a prudent manner so as to ensure the future financial stability of the City as a whole.

Three major factors contributing to the unfavorable economic environment today are high unemployment rates, declining real estate prices, and tight lending markets, all of which restrain increases to the taxable values of real property. This puts substantial pressure on municipal governments to maintain effective levels of service to constituents, while financial resources remain flat or decline. Pembroke Pines is no exception to this phenomenon. Operating ad valorem tax receipts are budgeted to be \$1.0 million less in 2010-11 than in 2009-10. In addition to this, the City has implemented a major restructuring of its workforce, and applied other fiscal restraints to produce a budget for 2010-11 that is not only balanced, but that estimates a surplus that will be used to restore reserves depleted during the recent recession. The State of Florida expects (as of August, 2010) statewide property taxable values to increase only 0.7% from the 7/1/2010 certified value to that of 7/1/2011.

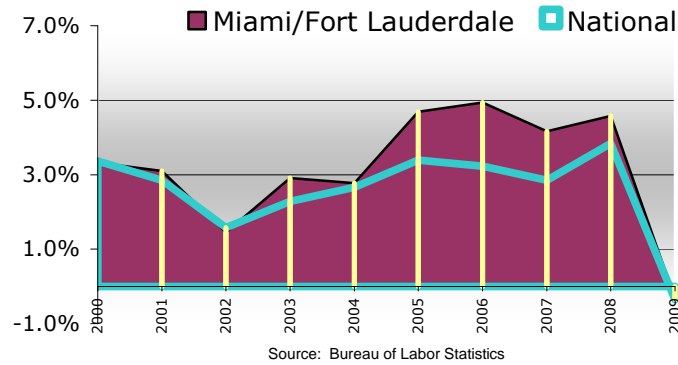


Source: U.S. Bureau of Economic Analysis and Bureau of Labor Statistics

Parallel estimates from the Congressional Budget Office (CBO), and Florida's Office of Economic and Demographic Research (OEDR) note the existence of negative growth in 2008-09 (-2.2%) for both the national and state Gross Domestic Product (GDP), but forecast positive growth for 2009-10 (less than 1.0%), then return to more than +2.0% in 2010-11, and approximately +3.0% by 2012-13. Consumer spending follows a similar pattern to GDP. According to the OEDR report, the negative change in 2008-09 (-1.4%) will be followed by 1.3% growth by the end of 2009-10, and reach more than 2.5% by 2010-11. (Sales tax revenues account for more than 6.0% of the general fund's revenues.) While the national unemployment rate in 2009 was a little over 9.0%, the unemployment rate for the Miami-Fort Lauderdale-Pompano Beach Metropolitan Statistical Area (MSA) exceeded 10.0%. Florida's unemployment rate (seasonally adjusted) reached 12.3% in March, 2010, and was at 11.5% in July, 2010. Florida's very slight increase in non-agricultural employment from June to July of this year was the first increase since mid-2007. The national, state, and local rates of unemployment are expected to decline slowly, but not extend below 9.0% until mid 2011-12, with South Florida's rate still surpassing the nation.

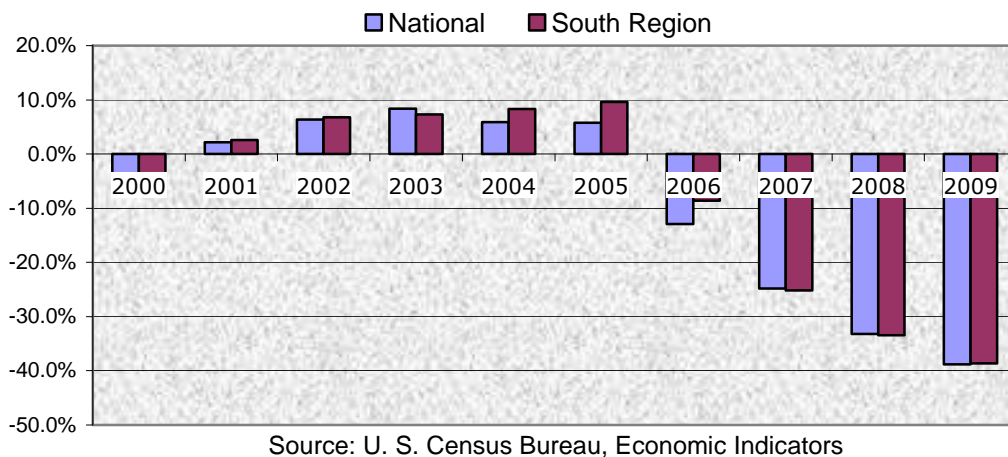
The Consumer Price Indices (CPIs) for both the national and Miami-Fort Lauderdale-Pompano Beach MSA markets, reached negative levels for 2009 (each was less than -0.5%). This change followed a five-year period in which the local rate averaged about 3.0% and consistently exceeded the national rate. Both the CBO and the OEDR anticipate increasing changes in the indices of 1.0% to 1.8% over each of the next three years.

Consumer Price Index



The effects of housing on the economic environment are best seen from two perspectives: (1) the collapse of values/prices, and (2) the devastating effect of the local residential and commercial markets in South Florida on the construction industry. South Florida has been one of the hardest hit areas in the nation, and its unfavorable numbers exceed those of the South Region as a whole. Housing starts started to recover state-wide by the end of the 2009-10 fiscal year, and are expected to improve substantially in 2010-11 at the national level, perhaps reaching an estimated increase of 27.0%. However, Pembroke Pines is well built-out and not expected to be significant. The median sales price of existing single-family homes in Broward County declined 23.0% in 2007-08, 26.0% in 2008-09, and presumably by another negative amount in 2009-10, even though the numbers have not yet been published. Obtaining financing for a residential purchase in mid-2010 has become increasingly difficult. Although interest rates are historically low, the application process has become more burdensome and time-consuming, lenders' requirements are stricter, and banks are finding attractive returns with less risk in other segments of the market. Finally, commercial and industrial real estate continues to lag the residential market.

Total Housing Starts-National & Regional



Recovery from the economic recession will be protracted given the financial and employment environments, and the sharp drop in the values of assets. Taking this into account, City administration has made difficult decisions which will promote long-term fiscal balance. This budget is the result of careful debates and preparations, judicious choices and decisions on how our residents would be affected. It also minimizes the negative impact on services delivered.

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 situated 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.

The preliminary population as of April, 2010, was estimated to be 150,587 by the University of Florida, 0.4% below 2009. During 2009, Pembroke Pines was ranked as the 11th largest city in Florida.

Pembroke Pines is home to four university campuses, two colleges - one of which has two campuses, five high schools, six middle schools, and thirteen 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 City of Pembroke Pines, City of Pembroke Pines Charter School System, R&L Transfer, Cintas Corporation, Linder Industrial Machinery, Memorial Healthcare System, Bergeron Land Development, Broward County School Board, U.S. Postal Service, Power Financial and Nautilus Corporation 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 table below.

| Overall Long-term Municipal Goals |
|---|
| <p>The City of Pembroke Pines has developed the following goals for programs and services to guide the budget development process:</p> <ol style="list-style-type: none"> 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 project. Both are noteworthy, notwithstanding the fact that no direct appropriations for them are in this adopted budget. 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 FY2005 and FY2007 budgets, unspent appropriations will be carried forward to the 2010-11 working budget. The Building Our Future bonds provide funding for the following projects:

- Street Improvements and Traffic Flow at various places throughout the community
- New & Improved Park Facilities as needed
- New Visual Arts Center
- New Community Centers with Programs for Seniors and Youths
- 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 and has completed several phases of various projects. 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, the most notable being the proposed Civic Center budgeted at \$8.0 million.

Many of the General Obligation Bond projects authorized by the March 8, 2005, referendum have been completed and others have commenced. As of June 2010, Commission has approved a total of 139 projects. Of this amount, 80 projects have been completed, 11 are in the construction phase, 6 are in the design/planning phase, 11 have not yet begun, 10 have been re-allocated, and 21 projects have been eliminated. Of the \$90.0 million, 92.3% or \$83.1 million has been spent or encumbered. One of the projects completed during the current fiscal year is a newly renovated 11,000-square-foot facility dubbed "Studio 18 in the Pines." This facility offers 18 indoor rental studios for local artists, classrooms, a gallery, and meeting spaces. This project is the brainchild of the City's Arts and Culture Advisory Board, whose mission is to promote the arts in Pembroke Pines. The City also completed renovations to various park facilities throughout the City. Details of the current status of this planning and implementation are provided in Section 18 of this document.

Other elements of the City's long-range planning are reaching or approaching fruition. On September 16, 2009, City Commission approved entering into a lease agreement with the YMCA of Broward County for an initial period of ten years with the purpose of developing a partnership that will benefit the City and the YMCA, which will provide quality programs and services to the residents of Pembroke Pines. The YMCA took over the management of the recreational programs at two City facilities in November, 2009: the Pembroke Falls Aquatic Center and the Pembroke Shores Park, which has now been renamed the Pembroke Pines YMCA Family Center. The approved partnership requires that the City build a 17,000-square-foot addition to the Pembroke Shores Gym facility and construct a 200-vehicle parking facility. This project will be financed with G.O. bond proceeds.

The City will continue to push ahead with the Neighborhood Stabilization Program (NSP), which assists people to acquire and rehabilitate foreclosed homes, the underlying objective being to stabilize neighborhoods and stem the decline of property values within the City.

Among the City's long-range plans to reduce operating costs and provide maximum efficiencies for its citizens and taxpayers have been its effort in 2009-10 and continuing in 2010-11 to reduce payroll-related benefit costs. This program includes early retirements, lapsing of resulting vacancies, negotiated reductions to benefit packages for both new and existing employees, and the outsourcing of various City positions to an external contractor.

The vision for a mixed-use City Center (on the land adjoining the current site of City Hall) has been delay as a result of market conditions. The project, which began in 2002-03 with the purchase of approximately 115 acres of undeveloped land, is now in its second phase, and currently seeks buyers.

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 and reduce pain and suffering. The budget provides for the purchase of two vehicles for the Crime Suppression Team, which currently has no unmarked vehicles that can be used in daily operations.
2. To maintain business occupancy levels. The Eastern Redevelopment Programs are being implemented.
3. To pursue all avenues to reduce crime and make Pembroke Pines the safest place to live in Broward County. The City entered into a joint appropriation and shared use agreement for an armored rescue vehicle with the City of Miramar Police Department. This vehicle will be utilized when needed by both agencies' Special Response Team (SRT)/Special Weapons And Tactics (SWAT) Teams for the rescue of citizens, personnel, and the delivery of emergency action teams in dangerous situations.
4. 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. The projects to be completed include, but are not limited to, the construction of the YMCA expansion project and a 911 memorial and a veteran's monument.
5. To reconfigure 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 for 2010-11 are: accept online and over-the-counter credit-card payments, replacement of eight network servers, and increases to WIFI security.

Budget in Brief

All Funds

Revenues/Sources:

The 2010-11 adopted revenue budget for all funds totals \$340.2 million, a decrease of \$32.3 million (8.7%) from that of last year. Setting aside the \$19.1 million of estimated budget savings shown among "revenue/sources" in 2009-10, the remaining decline of \$13.2 million reflects a \$14.9 million reduction in City contribution to the General Employees, and Police and Fire Pension Plans as a result of negotiated plan changes, a \$7.7 million reduction in debt proceeds related to the financing of the Alternative Water Supply (AWS) project, a \$6.7 million increase in investment income mainly in the pension funds, and a \$3.3 million increase in water and sewer charges related to a 11.31% increase in rates.

Expenditures/uses:

The 2010-11 adopted expenditure budget for all funds totals \$340.2 million, a decrease of \$16.2 million (5.1%) from last year. This decrease occurred largely in the activities associated with public safety, and sewer/wastewater services, which show decreases of \$11.4 million and \$7.2 million, respectively. The General Fund, which includes the Public Safety divisions, contributed \$19.3 million to the decrease, which came from reductions in personnel, benefit concessions, and the outsourcing of City positions.

Summary of Net Revenue Changes – by Fund

The \$32.3 million reduction in revenues is mainly attributable to the following:

- General Fund - \$18.2 million decline linked to \$17.3 million in estimated budget savings associated with expected labor concessions budgeted in the prior year and a \$1.0 million decline in 2010-11 ad valorem proceeds.
- General Pension Trust Fund - \$7.7 million decrease connected to the decrease in City contribution to the pension plan as a result of the freezing of benefits of bargaining members of the general employee's union.
- Utility Fund - \$7.1 million decrease due mainly to the 2010-11 debt proceeds budget of \$12.3 million for the AWS project compared to \$20.0 million budgeted in 2009-10.

Summary of Net Expenditure Changes – by Fund

The \$16.2 million reduction in expenditures is mainly attributable to the following:

- General Fund - \$19.3 million reduction tied primarily to the \$18.7 million decline in personnel costs especially pension.
- Utility Fund - \$7.1 million reduction related to the \$7.7 million decline in the budget for the AWS project.
- Fire & Police Pension Trust Fund - \$5.5 million increase due to the \$5.7 million increase in retirement benefits.
- General Pension Trust Fund - \$1.8 million increase due to the increase in retirement benefits.
- Public Insurance Fund - \$1.4 million increase is mainly attributable to a \$1.0 million increase in health insurance claims associated with rising health care costs.
- Other Post Employment Benefits - \$1.3 million increase related directly to the rise in health insurance claims associated with the increase in health care costs and the number of retirees.

2010-11 Budget Compared to Prior Year

| | 2009-10 Adopted Budget | 2010-11 Adopted Budget | \$ change from FY 10 | % change from FY 10 |
|--|------------------------------|------------------------------|-------------------------|------------------------|
| REVENUES/SOURCES | | | | |
| General Fund | 168,566,193 | 150,329,925 | (18,236,268) | -10.8% |
| Debt Service | 26,980,882 | 26,807,318 | (173,564) | -0.6% |
| Municipal Construction Fund | 2,314,341 | 2,605,975 | 291,634 | 12.6% |
| Utility Fund | 61,710,388 | 54,649,575 | (7,060,813) | -11.4% |
| Public Insurance | 24,588,049 | 26,030,232 | 1,442,183 | 5.9% |
| General Pension | 20,615,743 | 12,916,335 | (7,699,408) | -37.3% |
| Fire and Police Pension | 49,621,804 | 48,832,382 | (789,422) | -1.6% |
| Other Post Employment Benefits | 10,099,204 | 10,583,580 | 484,376 | 4.8% |
| All Other Funds | 7,968,797 | 7,431,143 | (537,654) | -6.7% |
| Total Revenues | 372,465,401 | 340,186,465 | (32,278,936) | -8.7% |
| EXPENDITURES/USES | | | | |
| General Fund | 168,566,193 | 149,309,909 | (19,256,284) | -11.4% |
| Debt Service | 25,777,252 | 26,443,062 | 665,810 | 2.6% |
| Municipal Construction Fund | 79,300 | 25,060 | (54,240) | -68.4% |
| Utility Fund | 61,710,388 | 54,649,575 | (7,060,813) | -11.4% |
| Public Insurance | 24,588,049 | 26,030,232 | 1,442,183 | 5.9% |
| General Pension | 6,622,000 | 8,419,000 | 1,797,000 | 27.1% |
| Fire and Police Pension | 17,385,000 | 22,870,800 | 5,485,800 | 31.6% |
| Other Post Employment Benefits | 5,026,582 | 6,370,887 | 1,344,305 | 26.7% |
| All Other Funds | 9,578,776 | 8,965,021 | (613,755) | -6.4% |
| Total Expenditures | 319,333,540 | 303,083,546 | (16,249,994) | -5.1% |
| Excess (Deficit) Revenues over Expenditures | 53,131,861 | 37,102,919 | | |

The General Fund

The General Fund is the City's chief operating fund and accounts for 49.3% of the entire City Budget. The budget adopted by the Commission for 2010-11 contains a total of revenue \$18.2 million or 10.8% less than the approved amount for 2009-10, while the total expenditure budget declined by \$19.3 million or 11.4%.

Revenue Highlights

Like the prior year, there are no new revenue sources. Apart from the 10.0% increase in fees at the West Pines Preschool, and 5.0% increase at the other Early Development Centers there were no other increases in fees except for those which are adjusted annually by the change in CPI. Both the operating and debt service millage rates have been increased for 2010-11 due primarily to the 11.4% decrease in taxable values. Ad valorem taxes from the debt service millage are budgeted in the Debt Service Fund.

Revenues and other sources of funds are expected to shrink by \$18.2 million or 10.8%, decreasing from \$168.6 million in FY2010 to \$150.3 million in 2010-11. However, \$17.3 million of the 2009-10 revenue budget was estimated budget savings to accrue from labor negotiations. Setting aside this element, the change between years is a revenue decline of \$0.9 million (0.6%).

Within this decline are numerous countercurrents. Declining revenues included ad valorem taxes (-\$1.0 million), Investment Income (-\$1.6 million), franchise fees on electricity (-\$0.8 million), fire/casualty insurance premium taxes (-\$0.4 million), Early Development Center (EDC) fees (-\$0.3 million) and local business tax (-\$0.2 million). On the other hand, revenue from some sources increased: administrative charges to self-supporting operations of the City (\$0.8 million), revenues passed through to the City by other governmental units (\$0.6 million, of which sales taxes are almost all of the increase), rescue transport fees (\$0.6 million), the City's share of taxes on utilities (\$0.4 million), and fines and forfeitures (\$0.2 million).

The decrease in ad valorem taxes reflects the adoption of the majority-vote operating rate of 5.6880, which is 1.9% less than the rolled-back rate of 5.7976. This rate helped to offset increasing costs while providing a tax relief of \$1.0 million. Ad valorem taxes (operating and debt combined) are budgeted at \$51.2 million and represent 15.1% of the 2010-11 revenue budget, as compared to 14.8% in the FY2010 budget, net of estimated budget savings. The rate change amounted to an increase of \$0.5631 per \$1,000 of taxable value. The impact of the change in millage rate on property owners, is an 11.0% increase, from 5.1249 to 5.6880, which, when applied to the decrease in city-wide taxable value associated with the real estate slump, created the \$1.0 million savings to taxpayers.

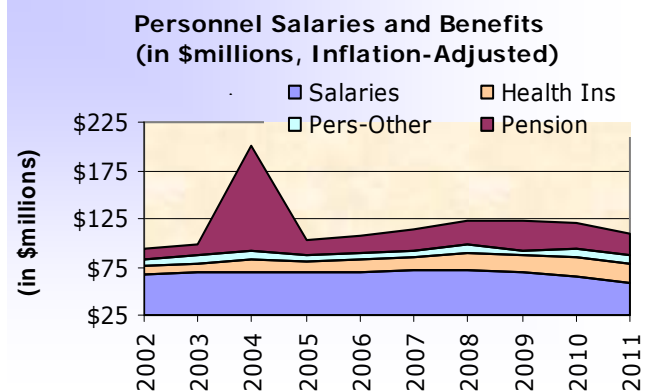
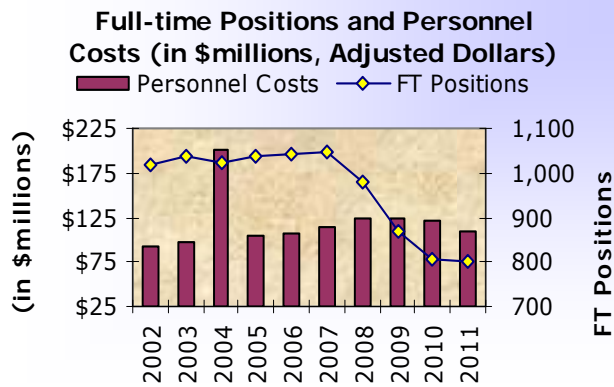
The \$51,784 decrease in fire protection special assessment is linked to the marginal decrease in net assessable fire protection costs which generated slightly lower fire assessment rates. Fire protection costs funded by other, related revenues amount to \$1.5 million.

Fire Assessment Rates

| | <u>2009-10</u> | <u>2010-11</u> | <u>Change</u> |
|---|----------------------|----------------------|--------------------|
| Residential (per unit) | \$ 212.55 | \$ 212.14 | \$ (0.41) |
| Commercial (per sq. ft.) | 0.6394 | 0.6383 | (0.0011) |
| Industrial/Warehouse (per sq. ft.) | 0.1445 | 0.1425 | (0.0020) |
| Institutional (per sq. ft.) | 0.6904 | 0.6886 | (0.0018) |
| Fire Assessment Revenue based on 100% rates | \$ 21,455,850 | \$ 21,575,150 | \$ 119,300 |
| LESS: 5% discount for Early Payment & VAB Adjustments | (1,072,792) | (1,243,876) | (171,084) |
| Fire Assessment Revenue Budgeted | <u>\$ 20,383,058</u> | <u>\$ 20,331,274</u> | <u>\$ (51,784)</u> |
| Assessable Fire Protection Costs (net of earned revenues) | \$ 23,255,802 | \$ 23,633,652 | \$ 377,850 |
| LESS: Exempt Properties | (2,872,887) | (3,299,196) | (426,309) |
| Net Assessable Fire Protection Costs | <u>\$ 20,382,915</u> | <u>\$ 20,334,456</u> | <u>\$ (48,459)</u> |
| | | | |
| % of Net Assessable Fire Protection Costs Funded | 100.0% | 100.0% | |

Expenditure Highlights

The budgeted expenditure decrease of \$19.3 million (11.4%), from \$168.6 million in FY2010 to \$149.3 million in 2010-11, consists mainly of large reductions in personnel costs totaling \$18.7 million. This situation is in stark contrast to the situation one year ago, when the City anticipated an \$8.0 million increase in personnel costs, driven primarily by a \$10.6 million increase in contributions to the General Employees and Police and Fire Pension Plans. At that time, however, salary expenditures had already been reduced by \$3.0 million resulting largely from the privatization of the Building Division and outsourcing of Community Services (\$2.7 million). Over the past year, numerous labor concessions have reduced pension expenditures and salaries, and 80 positions were eliminated or outsourced. Personnel costs account for \$110.4 million or 73.9% of the General Fund 2010-11 budget.



*Impact of \$77.9 million lump sum pension contribution

The decrease in the General Fund expenditures expressed in terms of function reflects a \$11.1 million decrease in appropriations for public safety, \$3.7 million for general government services and \$3.1 million for culture and recreation. The public safety function accounts for 65.0% of the budget while general government services, which comprise the administrative divisions, represent 14.0% of appropriations. The decrease in appropriations is linked primarily to savings in personnel costs. City administration's negotiations with the labor unions during 2009-10 were productive, and it is believed that the terms of the revised collective bargaining agreements (CBA) will result in sustainable personnel costs.

The Utility Fund

The City's Utility (Water and Sewer) Fund represents 18.0% of all funds, the second largest portion of the 2010-11 expenditure budget. Total expenditures for the Utility Fund are \$54.6 million, reflecting a \$7.1 million decline from the 2009-10 budget.

Originally a 26.95% water and sewer rate increase for 2010-11 was recommended to provide \$9.9 million of new funding, \$0.5 million to recover revenue loss due to decreases in consumption, \$1.2 million to cover the 2010-11 portion of debt service on the new debt of \$12.3 million for the Alternative Water Supply project (AWS), \$1.3 million for 2010-11 capital needs, \$1.0 million to cover the increase in payments to Hollywood for its treatment of City wastewater on the east side, and \$6.0 million to fund future capital needs. However, in order to provide relief for the residents given the 25.36% increase in 2008-09 and the prevailing economic conditions, an 11.31% increase was approved by eliminating the \$6.0 million for future capital.

Water and sewer charges are budgeted to total \$40.9 million in the new fiscal year, which is an 8.9% increase (rate and volume) over 2009-10. The revenue budget includes debt proceeds of \$12.3 million for the AWS project, a reduction of \$7.7 million from the \$20.0 million in the 2009-10 budget which was not borrowed. The AWS Project will modify the existing wastewater plant to convert wastewater to highly treated water that will be used to recharge the Biscayne Aquifer as required by the South Florida Water Management District. The total estimated cost of the project for the western portion of the City is \$47.0 million. Construction is estimated to be completed within a 4-year period.

Personnel expenditures in the Utility Fund are budgeted to decline by \$3.9 million in 2010-11. These savings—like those in the General and Road & Bridge funds—result from reductions in benefits to employees, reduction in the number of employees, and lower wages and benefits paid to contract labor.

Accomplishments

In 2010 the City of Pembroke Pines reached a significant milestone, celebrating its 50th anniversary. In recognition of this momentous occasion, the City decided to celebrate in grand style with an 11-day fair that began on April 8th and ended on April 18th. The myriad of events included the Mayor's Annual Golf Tournament, an exciting street parade, a carnival, and concerts. The event culminated with a thrilling fireworks display. The event was an enormous success bringing together residents and businesses throughout the entire City. It demonstrated that, even in challenging times, Pembroke Pines remains a vibrant community that fosters and celebrates cultural diversity: a community proud of its history and willing to embrace its future.

Despite the economic hardships, the City has also managed to push ahead with various expansions, upgrades, and maintenance of its facilities in an effort not only to maintain but also to enhance municipal services provided to its residents. One of the major projects undertaken and completed during fiscal year 2009-10 was the reconfiguration of the Interstate 75 (I-75) interchange at Pines Boulevard. The high speed entrance and exit lanes have now been replaced with new traffic lights, converting this rural interchange to an urban interchange. This project was undertaken as a Joint Participation Agreement with the Florida Department of Transportation (FDOT). The FDOT will reimburse the City approximately \$10.7 million, and all other costs for this project will be paid by the developers that own properties east and west of I-75. This project has been completed with the exception of some required modifications to the bridge deck.

Several street and sidewalk projects have also been completed, namely the construction of the sidewalks on NW 196th Avenue and Pembroke Road, as authorized by the \$0.5 million traffic enhancement stimulus grant. The City also completed the dual northbound left turn lanes at Pines Boulevard and Hiatus Road. Several City roads have been resurfaced, new sidewalks have been constructed, and pedestrian ramps have been built at various locations throughout the City.

Additionally, the City has replaced five lift stations and completed the plans, permits and construction inspection for forcemain replacement on SW 178 Avenue between Pines Boulevard and SW 12th Street. The City's Utility Department has also completed the inflow and infiltration program for lift station 16 and the inspection portions of the inflow and infiltration program for lift stations 23 and 32.

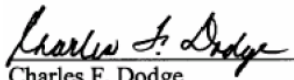
Conclusion

The development of the City's Budget for fiscal year 2010-11 has been difficult despite the changes instituted in the current fiscal year. The City must continue to align expenditures with the revenue stream to eliminate the existing imbalance, weigh the cost versus the benefits of all the services it provides, pursue efficiencies, exercise fiscal restraint and reprioritize its needs as necessary.

This City has faced many obstacles over the last three years with declining property values and the prolonged economic recession. Nevertheless, we remain resilient and confident that the fundamental values and principles that have been established by Pembroke Pines over the last fifty years will provide the basis to weather the storms ahead and will allow us to effectively position the City to move forward when the economic recovery takes place.

Improvements to City facilities will continue and services will be provided in order to attract new businesses and residents to our City. Throughout the fifty years of its existence, Pembroke Pines has a proven track record of being a successful, vibrant City with hardworking employees, a loyal and supportive community of residents, and many thriving businesses. With a concerted and unified effort, we have made this City what is it today. We remain fully committed to providing the highest standards of governmental services to our residents and business partners alike. We are striving to ensure that the next fifty years are better than the first, and that we effectively provide a comprehensive and sustainable path for future generations.

Sincerely,



Charles F. Dodge
City Manager

cfd