



City of Pembroke Pines



Frank C. Ortis, Mayor
Iris A. Siple, Vice Mayor
Charles F. Dodge, City Manager

Angelo Castillo, Commissioner
Jack McCluskey, Commissioner
Carl Shechter, Commissioner

September 30, 2011

Honorable Mayor and Commissioners:

The economic downturn which started in December 2007 has shown modest recovery as evidenced by persistent high unemployment, the collapse of values and prices of housing, tight lending markets, the stagnant construction industry, and weak returns on investments. City, county and state governments alike continue to search earnestly for new and innovative ways to counter the accompanying financial challenges. In most cases it has dictated a new way of doing business. At Pembroke Pines, the budget process started one month earlier than usual in order to determine the magnitude of the budgetary gap and allow adequate time for solutions through negotiations and collaborations.

As in previous years, the priority remains the provision of high quality key services to our residents while maintaining sound finances to ensure a sustainable premier quality of life. The challenge is meeting this priority by reducing cost so as not to unduly increase the tax burden on residents given the current economic climate. The goal is to achieve a delicate balance between reducing costs while maintaining the quality, range, and level of service that our residents expect.

In terms of cost reduction efforts, the City has revamped its School Resource Officer (SRO) Program in order to bring costs down, more in line with revenues. The City has hired retired Police Officers to work in the public schools operated by the Broward County School Board, the City of Pembroke Pines and the Somerset Academy Charter Schools instead of assigning current active City Police Officers to this duty.

In recent years, there have been numerous discussions that collaboration on services between communities could lead to greater efficiencies and reduced costs. To this end, the City entered into an interlocal agreement with the Town of Southwest Ranches to provide emergency medical, fire protection, and fire prevention services effective 9-1-11. This will provide savings to both entities by utilizing excess capacity at the City's Fire Station 101 and by creating greater efficiencies through economies of scale. The 2011-12 fire and rescue operations of the "Southwest Ranches Project" show a budgeted surplus of \$0.1 million. As a result of this project, the city-wide residential fire assessment rate decreased by 3.04% or \$7.38. The contract is for an initial term of five years and provides for 3.0% annual increases.

The pending sale of 16.7 acres of land at City Center, the City's developing government-planned downtown area, for \$11.0 million to Mills Creek Residential Trust LLC has sparked renewed interest in the City Center project despite the current real estate market. The developer plans to break ground by year end with a subdivision of 422 rental garden apartments and rental townhomes. Mills Creek also has an option to purchase an additional 10.5 acres of land at City Center for \$7.2 million to build another 278 rental garden apartments and rental townhomes. The Mills Creek development will create jobs and is expected to act as a catalyst for the sale of other vacant City Center parcels. In terms of expansion of the tax base, it is expected that new construction from this project will be reflected on the 2012 tax roll and impact the 2012-13 property tax and fire assessment revenues. The cost associated with serving an expanded community will be absorbed to a large extent by the fire assessment and property tax revenues generated from that expansion as well as the utilization of existing capacity and the efficiencies of economies of scale.

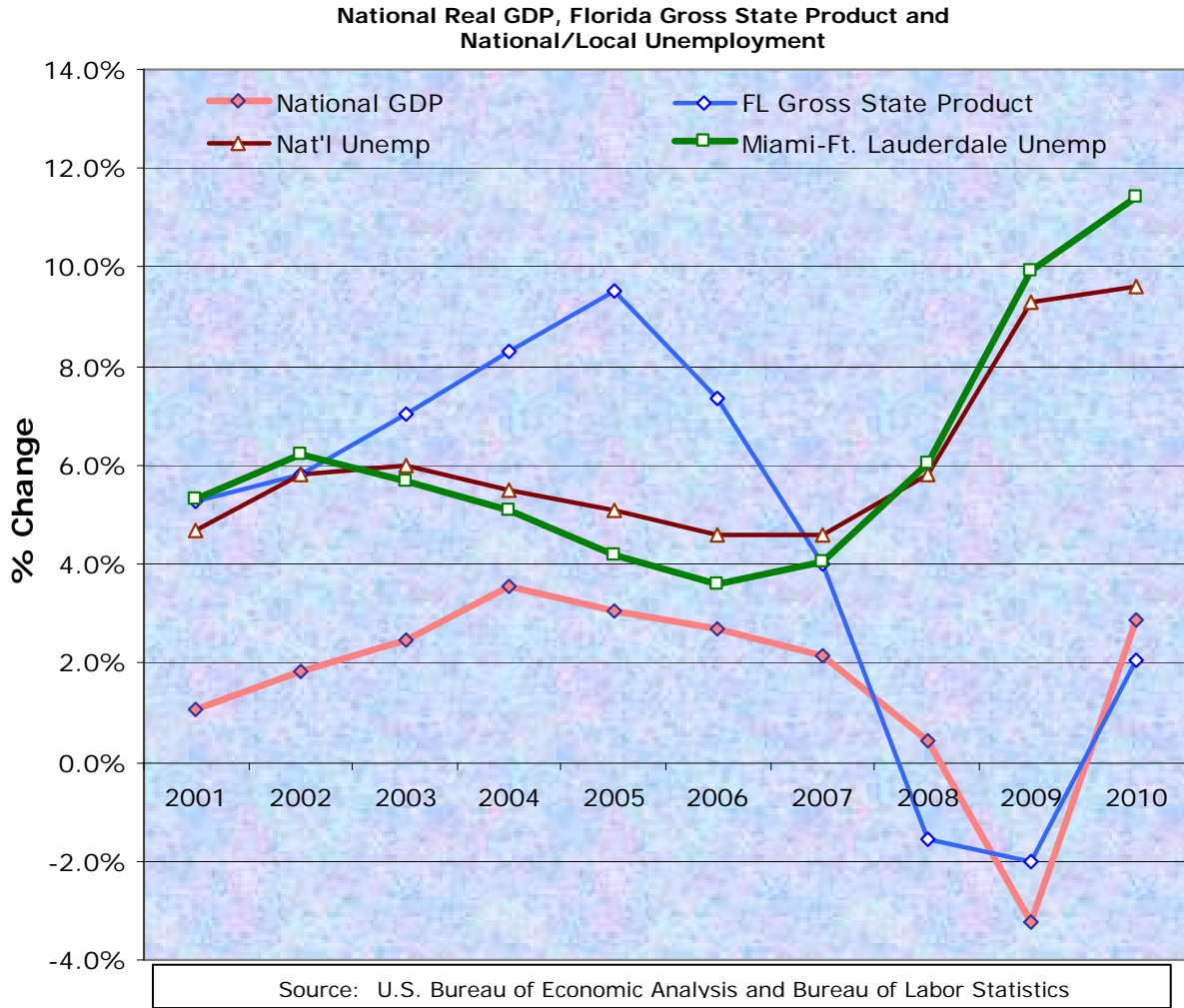
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Economic Analysis

Although economic conditions have improved since the extended recession of 2007 (4th quarter) through 2009 (1st quarter), many leading indicators remain stagnant at levels that predict little if any economic growth in the near term that would enhance municipal revenues.

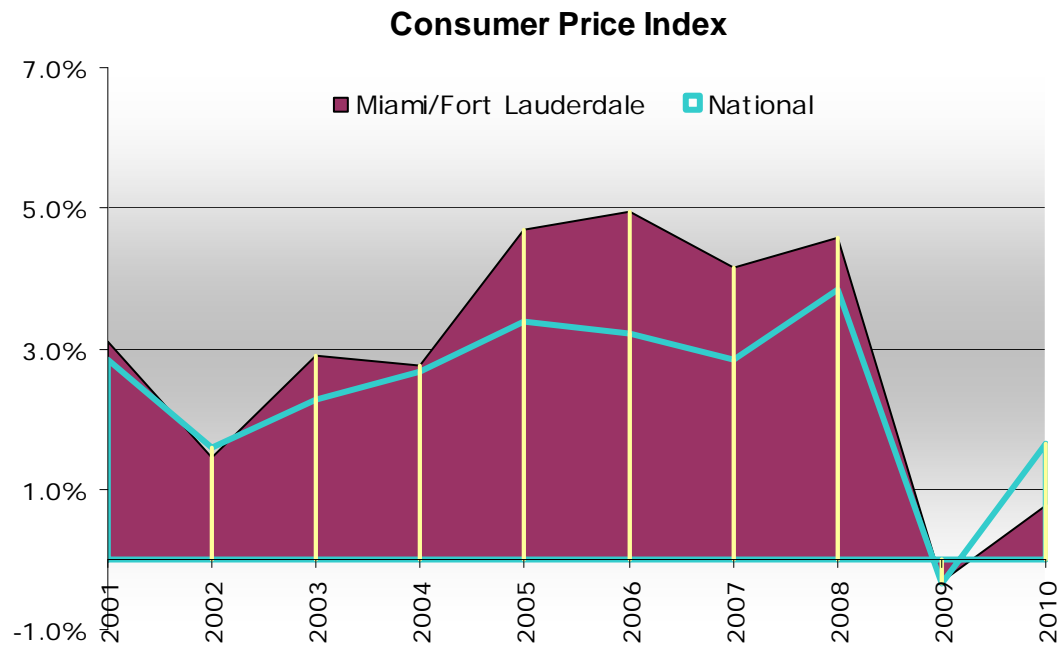
High levels of unemployment continue in the region. In March 2011, the unemployment rate in the Miami-Fort Lauderdale-Pompano Beach MSA (Metropolitan Statistical Area) was 10.9%; the national rate at that time was 9.0%. In 2010, Pembroke Pines enjoyed one of the lowest unemployment rates in the tri-county region at 9.3%, but that rate was increasing during that year faster than those of its neighboring areas. The City's rate was growing at 12.0% while Miami-Fort Lauderdale-Pompano Beach MSA was increasing by 6.0% and the nation's rate at 4.0%. Unemployment in Pembroke Pines averaged 8.9% during the first half of 2011 and was trending upward at the end of that period. It has since leveled off at rates hovering around 9.0%.

The Congressional Budget Office (CBO), working with other federal agencies and the Federal Reserve, is forecasting a national decline in the unemployment rate to 9.2% by the end of 2011, 8.2 percent at the end of 2012, and 7.4% at the end of 2013. All levels being well above what is considered the "natural" rate of unemployment, 4.5% to 5.0%. There is no known reason to expect South Florida's rate to decline faster than the national average. The creation of new jobs has been hindered by businesses' continued lack of confidence in the recovery's sustainability and by limitations on access to credit. Businesses are also unsure and concerned about how they will be affected by the implementation of recently enacted financial and health care legislation, and by possible future changes in tax and related policies.



Parallel statistics 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 Gross Domestic Product (GDP) and Florida's Gross State Product, and positive growth for 2009-10 (less than 1.0%). Both entities then forecast Gross Product growth ranging from 3.0% to 3.2% in 2011 and 2012. Consumer spending followed a similar pattern to GDP, though spending changes were smaller than those of GDP on both the downside in 2009 and the subsequent upsides. The state's early forecast of consumer spending change for 2011-12 is 3.0% (OEDR Estimating Conference, 2/11/11), and related sales tax revenues account for more than 6.0% of the City's General Fund revenues.

As shown in the graph below, the Consumer Price Indices (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 2010 shows a rate of 1.6% increase for the nation which is twice as great as that experienced locally, due to the high local unemployment rate. Both the CBO and Florida's OEDR anticipate their respective CPI rate changes to range over 1.0% to 1.8% in each of the next two years.

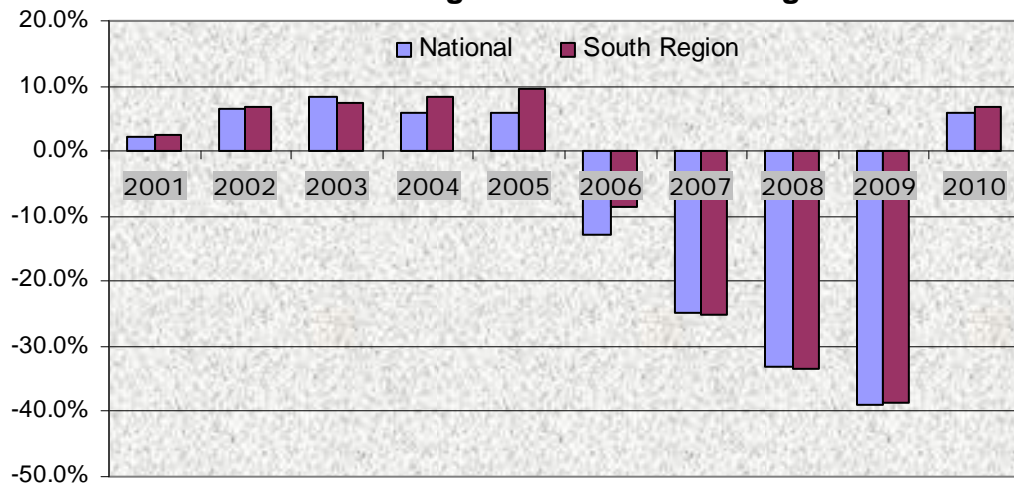


Source: Bureau of Labor Statistics

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 has been one of the hardest hit areas in the nation, and its unfavorable numbers exceed 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 for 2010 (See the graph following). Yet the number of housing-unit starts in the Southern Region of the country 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.

Pembroke Pines is well built-out and not expected to see significant growth. The median sales price of single-family homes in Broward County declined 8.0% in 2008, 21.3% in 2009, and another 18.3% in 2010 (*Sun-Sentinel*, 5/27/11). Obtaining financing for a residential purchase became more difficult for many potential buyers in early 2010 and has remained so. 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. Additionally, commercial and industrial real estate continues to lag the residential market.

Total Housing Starts-National & Regional



Source: U. S. Census Bureau, Economic Indicators

Closer to home, the table that follows shows the ten-year history of building permits and the valuation of construction in Pembroke Pines since 2001. The effect of the recent 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 Permits Issued (2)		Residential		Commercial		Total Value of Construction	Gross Assessed Value (3)
		Issued (2)	Valuation	Number of Units	Valuation	Number of Units	Valuation		
2001	10,368	8,899	\$ 65,639,331	1,446	\$ 186,519,453	23	\$ 12,987,592	\$ 265,146,376	\$ 6,855,447,486
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

(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 the valuations of residential construction declined at a compounding annual rate of 31.0% each year and commercial construction at a 17.1% compounding rate each year, from 2001 through 2010.

Recovery from the economic recession will be protracted and slow, given the financial and employment environments and the sharp drop in the values of major assets. Taking this into account, City administration has made difficult decisions that are expected to promote long-term fiscal balance. This budget for 2011-12 is the result of careful consideration, judicious choices, and decisions on how our residents would be affected. It also places great emphasis on minimizing 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, 2011, was estimated to be 154,889 by the University of Florida, 139 above 2010. During 2010, Pembroke Pines was ranked as the 10th 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, Walmart, Publix, Cheesecake Factory, Brinker International, AutoNation (Maroone), Zinn Automotive Group, Holman Family Enterprise 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 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 2011-12 working budget. The Building Our Future bonds provided funding for the following projects:

- Street Improvements and Traffic Flow at various locations 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. 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 2011, Commission had approved a total of 141 projects. Of this amount, 90 projects had been completed, 7 were in the construction phase, 8 were in the design/planning phase, 8 had not yet begun, 7 had been re-allocated, and 21 projects had been eliminated. The total G.O. bonds project budget of \$95.0 million, includes \$5.0 million of interest earned, bond discounts, and miscellaneous receipts. Of the \$95.0 million, 76.7% or \$72.9 million has been spent or encumbered. One of the projects completed during the current fiscal year is a 17,000-square-foot addition to the Pembroke Shores Gym facility and construction of a 200-vehicle parking facility in keeping with the ten year lease agreement with the YMCA of Broward County.

The City has re-bid the remaining projects and City commission will prioritize these in November 2011. Details of the status of the G. O. bond projects are provided in Section 18 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 decline of property values within the City.

City Center

The completion of the mixed-use City Center, which consists of 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, and 27.20 acres under contract with Mills Creek Residential Trust LLC.

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 a communications alerting system upgrade for use by the Fire/Rescue and Police departments.
2. To maintain business occupancy levels. The Eastern Redevelopment Programs and the Shop-Local Website Program are being implemented. In addition, it is anticipated that the City's procurement code will be revised to include a 5.0% evaluation credit to businesses located within the City. This will allow local vendors who submit a quote that is within 5.0% of the lowest price submitted by any vendor the option to submit another bid which is a least 1.0% lower than the lowest responsive bid. At the time of this writing, the "Local Vendor Preference" Ordinance was pending second hearing by City Commission.
3. To pursue all avenues to reduce crime and make Pembroke Pines the safest place to live in Broward County. The City will purchase a Talon robot for use by the Police Department's Special Response Team. The robot is equipped with: one and two-way communications, night-vision and thermal cameras, breaching capability, sensor emplacement, and a choice of lethal and non-lethal weaponry.
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. Among the special events planned for 2012 are the 14th annual Art Festival, the Florida Gold Coast Open Swimming Invitational, a Junior Sectional Tennis Tournament, and the 3rd annual Mayor's Kids Day.
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 is the expansion of the number of locations where over-the-counter credit-card payments are accepted to include the Charter Schools, Early Development Centers, the housing facilities and the SW Focal Point Senior Center. Also, acceptance of online credit-card payments for local business tax is planned.

Budget in Brief

All Funds

Revenues/Sources:

The 2011-12 adopted revenue budget for all funds totals \$341.4 million, an increase of \$1.2 million or 0.4% over the 2010-11 adopted budget. This increase reflects mainly investment income associated with the pension trust funds and funding for increase health insurance cost; these are partly offset by a reduction in bond proceeds as shown in the following summary.

Summary of Net Revenue Changes – by Fund

The \$1.2 million increase in revenues is mainly attributable to the following:

- General Pension Trust Fund - \$6.1 million increase consisting mainly of a \$5.2 million increase in investment income and a \$0.8 million increase in the City's contribution,
- Fire & Police Pension Trust Fund - \$5.5 million increase which consists of a \$4.5 million net increase in investment income and a \$1.0 million increase in the City's contribution,
- Public Insurance Fund - \$1.8 million increase due directly to funding the increase in health care cost,

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- Utility Fund – \$11.5 million decrease is due mainly to the 2010-11 debt proceeds budget of \$12.3 million for the Alternative Water Supply (AWS) project, which is not budgeted in 2011-12, combined with a \$0.7 million increase in water and sewer revenues, and
- General Fund - \$1.0 million decline reflects the net decrease of several revenue sources the largest being investment income at \$1.5 million. The 2011-12 budget is in line with the actual 2010-11 revenue receipts.

Expenditures/Uses:

The 2011-12 adopted expenditure budget for all funds (including inter-fund transfers) totals \$302.9 million, a decrease of \$0.2 million or 0.1% from the 2010-11 adopted budget. This decrease occurred principally as a result of the Utility Fund's Alternative Water Supply (AWS) Project which has a 2010-11 adopted budget of \$12.3 million but no 2011-12 budget. This decrease was almost entirely off-set by increases in several other funds as shown in the following summary:

Summary of Net Expenditure Changes – by Fund

The \$0.2 million reduction in expenditures is mainly attributable to the following:

- Utility Fund - \$11.5 million reduction relates primarily to the \$12.3 million decline in the budget for the AWS project. This project is on hold pending finalization of Broward County standards.
- Municipal Construction Fund - \$3.6 million increase ties primarily to the \$2.6 million principal repayment to the Utility Fund and the \$1.0 million transfer to the Debt Service Fund of unspent Series 2006 Capital Improvement Revenue Refunding bonds, which will be used to pay interest on the Charter School bonds. Both of these items were not included in the 2010-11 adopted budget. The working budget was adjusted to reflect these transactions; however, the 2011-12 transfer to the Debt Service Fund is \$0.6 million higher than the 2010-11 working budget due to unspent funds related to a different bond issue.
- General Fund - \$2.2 million increase relates primarily to the \$1.8 million increase in the City's contribution to Fire/Police and General employees' pension. This increase is mainly attributable 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.
- Public Insurance Fund - \$1.8 million increase is directly attributable to the increase in health insurance claims associated with rising health care costs.
- Fire & Police Pension Trust Fund - \$1.5 million increase due to the \$1.1 million increase in retirement benefits and \$0.4 million increase in investment management services.
- Other Post Employment Benefits - \$1.0 million increase related directly to the rise in health insurance claims associated with the increase in retiree health care costs and the number of retirees.

Comparison - Adopted 2011-12 to 2010-11

Revenues/Sources	2010-11 Adopted	2011-12 Adopted	Change from 2010-11	
			\$	%
General Fund	\$ 150,329,925	\$ 149,312,444	\$ (1,017,481)	-0.7%
Road & Bridge Fund	4,086,795	4,262,900	176,105	4.3%
Utility Fund	54,649,575	43,137,784	(11,511,791)	-21.1%
Debt Service	26,807,318	26,698,750	(108,568)	-0.4%
Municipal Construction	2,605,975	2,661,081	55,106	2.1%
Public Insurance Fund	26,030,232	27,849,925	1,819,693	7.0%
General Pension Trust Fund	12,916,335	19,009,516	6,093,181	47.2%
Fire & Police Pension Trust Fund	48,832,382	54,308,536	5,476,154	11.2%
Other Post-Employment Benefits	10,583,580	10,642,667	59,087	0.6%
All Other Funds	3,344,348	3,537,060	192,712	5.8%
Total Revenue	340,186,465	341,420,663	1,234,198	0.4%
Expenditures/Uses				
General Fund	149,309,909	151,556,066	2,246,157	1.5%
Road & Bridge Fund	5,412,942	5,616,126	203,184	3.8%
Utility Fund	54,649,575	43,137,784	(11,511,791)	-21.1%
Debt Service	26,443,062	26,778,770	335,708	1.3%
Municipal Construction	25,060	3,585,874	3,560,814	14209.2%
Public Insurance Fund	26,030,232	27,849,925	1,819,693	7.0%
General Pension Trust Fund	8,419,000	9,080,000	661,000	7.9%
Fire & Police Pension Trust Fund	22,870,800	24,415,000	1,544,200	6.8%
Other Post-Employment Benefits	6,370,887	7,376,427	1,005,540	15.8%
All Other Funds	3,552,079	3,536,007	(16,072)	-0.5%
Total Expenditures	\$ 303,083,546	\$ 302,931,979	\$ (151,567)	-0.1%

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 2011-12 budget. Compared to the 2010-11 adopted budget, the 2011-12 adopted revenue budget shows a \$1.0 million decrease while expenditures (including transfers) show a \$2.2 million increase. The adopted 2011-12 appropriated expenditures exceed revenues by \$2.2 million. City administration is currently in discussion with Broward County regarding participation in a Southwest Regional Public Safety Communication Center that has the potential to save the City an estimated \$2.1 million. City programs and services will be reevaluated if an agreement is not reached with the county.

Revenue Highlights (General Fund)

The main components of the \$1.0 million budgeted decline consist of the following reductions: \$1.3 million in interest on investments, \$1.1 million in administrative fee associated with the reduction in the cost of the administrative departments mainly as a result of lower benefit cost due to labor negotiations in fiscal year 2009-10, \$0.7 million in franchise fees electricity, and \$0.6 million in rescue transport fees. These reductions were partially offset by \$2.5 million in new, gross revenue for the provision of fire, rescue and prevention services to the Town of Southwest Ranches, \$0.4 million in ½-cent sales tax, and \$0.4 million in public service tax on electric and water services. Like the 2010-11 adopted budget this budget does not include any rate increases to existing fees, except for a 10.0% increase in the storage lot rental rate and adjustments for inflation to other rates where applicable. The only new source of revenue relates to the charge for the provision of services to the Town of Southwest Ranches, mentioned earlier.

The largest revenue source, Ad Valorem (property) Tax, which is 30.4% of total revenues, is budgeted at the rolled-back millage rate of 5.6368, generating \$45.4 million, which is \$0.3 million below the current year's budget. The adopted operating millage rate is 0.0512 mills below the current millage rate of 5.6880, a decrease of \$0.05 on every \$1,000 of taxable value. The debt service millage reflects a reduction of 0.0067 mills, moving from 0.6780 to 0.6713 mills due to the increase in taxable value. Ad Valorem taxes associated with the debt service millage are recorded in the Debt Service Fund.

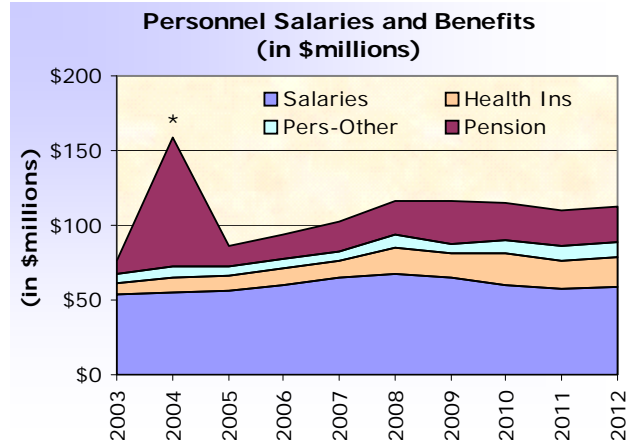
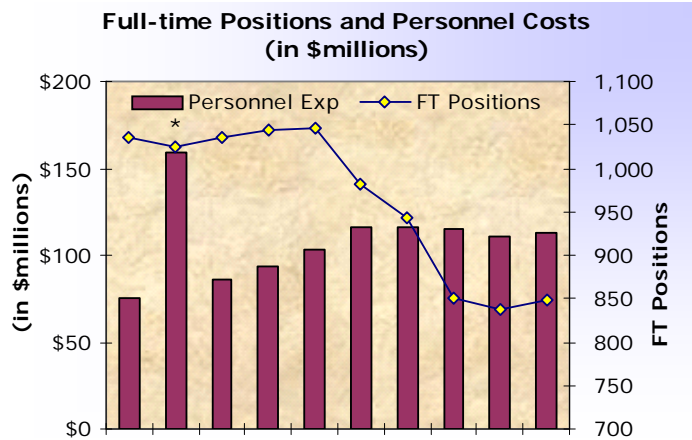
The second largest revenue source in the General Fund, the Fire Protection Assessment Fee, which is 13.5% of total revenues, is budgeted at \$20.1 million and represents 100% of assessable fire protection costs. The contract revenue from the Town of Southwest Ranches reduced the assessable fire protection cost and by extension, the Fire Protection Assessment revenue. The \$23.30 increase over the prior year in the residential rate per unit is driven mainly by the higher residential demand for services as shown in the Government Services Group, Inc. (GSG) Fire Assessment Study of June 2011. The ratio of fire calls from residents increased from 54.6% to 58.2% as shown in the GSG 2008 and 2011 studies, respectively.

Fire Assessment Synopsis

	2010-11 Adopted	2011-12 Adopted	Change
Residential (per unit)	\$ 212.14	\$ 235.44	\$ 23.30
Commercial (per sq. ft.)	0.6383	0.5212	-0.1171
Industrial/Warehouse (per sq. ft.)	0.1425	0.1409	-0.0016
Institutional (per sq. ft.)	0.6886	0.6779	-0.0107
Assessable Fire Cost	\$ 24,877,528	\$ 24,671,274	\$ (206,254)
Rounding Difference	(3,350)	(433)	2,917
Less: Exempt Properties	(3,472,838)	(3,298,242)	174,596
Less: Statutory Discount	(1,070,067)	(1,233,564)	(163,497)
Budgeted Fire Assessment Revenue	\$ 20,331,273	\$ 20,139,035	\$ (192,238)
% of Assessable Cost Levied (including exempt)	100%	100%	

Expenditure Highlights (General Fund)

The adopted expenditure budget (including inter-fund transfers) shows an increase of \$2.2 million or 1.5% from \$149.3 million in 2010-11 to \$151.6 million 2011-12. This increase is attributable mainly to a \$3.2 million increase in appropriations for operating costs of which \$2.7 million relates to personnel costs. The primary components of rising personnel costs include: \$1.0 million increase in annual sick leave expense as a result police and fire union members cashing out their excess hours above the 120-hour cap imposed on May 1, 2010; \$1.0 million in pension costs; and \$0.9 million in health insurance costs. Personnel costs account for \$113.1 million or 74.6% of the General Fund 2011-12 budget. The most significant increase in appropriations for non-personnel operating expenditures relate to \$0.4 million in repairs and maintenance for land and building improvement at Howard C. Forman Human Services Campus. The increase in appropriations for operating cost is partially mitigated by a \$0.9 million reduction in appropriations for capital consisting primarily of \$0.6 million in replacement cars for the Police Department. The following chart shows a ten-year comparison of personnel costs.



* = Impact of \$77.9 million lump sum pension contribution from bond

In total, all but two functional areas of service show a reduction in appropriations compared to prior year. The General Government Services group (which consists of the administrative departments), Public Safety, Physical Environment, and Human Services reflect an average increase of 2.5% over the prior year attributable mainly to the cost of annual sick leave pay-out, health insurance and pension. The largest area of service, Public Safety, accounts for 65.5% of total expenditure appropriations and reflects a \$2.4 million or 2.5% increase over the current. The table below shows the changes in appropriations by function. On the other hand, the areas of decline are Culture and Recreation at 5.3% and Economic Environment at 1.2%. The reduction in Culture and Recreation reflects a net loss of 5 full-time and 4 part-time vacant positions. Additional savings were achieved through the city's expanded partnership with the YMCA as they now provide the summer camps formally operated by the Parks and Recreation Department. The table below shows the changes in appropriations by function.

Comparison of 2011-12 and 2010-11 Expenditure Budget by Function

	2010-11 Adopted	2011-12 Adopted	% of Total	Change from 2010-11 \$	%
General Gov. Services	\$ 21,059,293	\$ 21,651,998	14.3%	\$ 592,705	2.8%
Public Safety	96,915,593	99,302,653	65.5%	2,387,060	2.5%
Physical Environment	2,790,886	2,847,653	1.9%	56,767	2.0%
Human Services	5,663,539	5,776,000	3.8%	112,461	2.0%
Economic Environment	7,586,330	7,491,699	4.9%	(94,631)	-1.2%
Culture/Recreation	15,294,268	14,486,063	9.6%	(808,205)	-5.3%
Total	\$ 149,309,909	\$ 151,556,066	100.0%	\$ 2,246,157	1.5%

The Utility Fund

In accordance with City Ordinance No. 1674 adopted on September 21, 2010, the water and sewer rates are adjusted annually using the Consumer Price Index – All urban Consumers for the 12 months ending April of each year. Accordingly, effective October 1, 2011, there will be a 3.16% increase in water and sewer rates translating approximately to a 1.6% or \$0.7 million increase over the prior year budgeted water and sewer revenues.

The adopted expenditure budget for the Utility Fund shows an \$11.5 million decrease compared to the fiscal year 2010-11 adopted budget. This decrease is attributable primarily to funds not being appropriated to the Alternative Water Supply (AWS) Project in fiscal year 2011-12. The AWS Project will modify the existing wastewater plant to convert more than a million gallons of raw sewage per day to near drinking water standards. This water will then be used to recharge the Biscayne Aquifer as mandated by the South Florida Water Management District. Phase I of the Alternative Water Supply (AWS) Project has been completed. Phase II of the project is on hold pending a future City Commission workshop to discuss the rapidly changing regulatory environment and to determine whether the project could be delayed for 1-2 years without having a negative impact on the City's ability to supply water and sewer services to its customers. City administration is also exploring options with neighboring communities.

Apart from the \$12.3 million decrease associated with the AWS Project there were other reductions in the budget. Appropriations for the Johnson Street water plant expansion decreased from \$1.0 million to zero signaling the completion of this project, repairs and maintenance for land and building was reduced by \$0.7 million and the administrative fee, an interdepartmental charge, reduced by \$0.6 million reflecting the reduction in the overhead cost of the administrative departments brought about mainly by changes in employee benefits. These changes were partially offset by increases of \$2.1 million for capital replacement reserve as required by the bond covenant for the \$12.3 million loan for the AWS Project, \$0.5 million for the replacement of 2,500 linear feet of waterline and \$0.4 million for additional contractual personnel.

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 but also to enhance municipal services provided to its residents. In this regard a number of road work projects were completed. Several roads were resurfaced: Johnson Street – Palm Avenue to University Drive; Taft Street – Flamingo Road to Hiatus Road; NW 77 Way – Johnson Street to NW 13 Street; NW 10 Street – NW 77 Way to NW 76 Terrace; NW 11 Street – NW 78 Avenue to NW 76 Terrace; NW 11 Court – NW 77 Way to NW 76 Terrace; and NW 12 Street – NW 77 Way to NW 76 Terrace. New sidewalks and pedestrian ramps were constructed at various locations throughout the City. Traffic Improvements financed with General Obligation Bond proceeds were also completed: the addition of a northbound left turn lane on Hiatus Road at Pines Boulevard, replacement of a signal mast arm for northbound traffic on Hiatus Road, and installation of the final lift of asphalt and traffic markings on Hiatus Road between Pines Boulevard and Johnson Street.

Additionally, the City has replaced five lift stations and completed the plans, permits and construction inspection for forcemain replacement on Washington Street between Douglas Road and Lift Station 34. The City's Utility Department has also completed plans and permits and begun the rehabilitation of the wastewater treatment plant unit number one, located at the current Public Services compound.

The City continues to receive recognition for the services it provides. It was one of five finalists at the National Tap Water Taste Competition, which highlights the importance of sanitized and clean water. Additionally, three of Pembroke Pines' Police Officers were winners of the three categories of awards: Community Oriented Policing Officer, Officer of the Year, and Valor Award from the ASIS International, Ft. Lauderdale (formerly known as the American Society for Industrial Security). This is the first time in the history of the ASIS Awards (established in 1977) that one agency has won in each category.

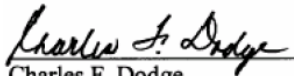
The City hired a Commission Auditor to analyze and evaluate the financial management systems, operational controls and procedures of the City. Based on this review, the Commission Auditor will make recommendations on policies, procedures and cost efficiencies. An Annual Audit Plan has since been finalized. The voters approved the creation of a Commission Auditor position on November 2, 2010.

Conclusion

The development of the City's budget for fiscal year 2011-12 has been difficult despite the tough decisions instituted during the last two years. We have strategically changed the way we do business, implementing measures that continue to keep us on a fiscally sustainable path. Notwithstanding, the imperatives remain the same: the City must continue to align expenditures with revenues to eliminate the existing imbalance, weigh the cost versus the benefits of all the services it provides, pursue efficiencies through streamlining processes, exercise fiscal restraint and reprioritize its needs as necessary. The immediate challenge remains to effectively balance the General Fund budget over the next few months without compromising the quality and level of services to our residents and business partners alike.

Improvements to City facilities will continue and services will be provided in order to attract new businesses and residents to our City. We will forge ahead with the development of a vibrant downtown. Through the support of a loyal community, diligent employees, and thriving businesses we will overcome the challenges and stay on the course of progress. It is my strong belief that the economic viability of Pembroke Pines will prevail and the resilience of our community will be reaffirmed.

Sincerely,


Charles F. Dodge
City Manager

cfD