

**SANIBEL CITY COUNCIL MEETING
FIRST BUDGET HEARING
SATURDAY, SEPTEMBER 10, 2011
9:00 A. M.**

Mayor Ruane called the meeting to order at 9:03 a.m.

Members present: Mayor Ruane, Vice Mayor Denham, Councilman Congress, Councilman Harrity and Councilman Jennings.

Councilman Congress gave the Invocation and led the Pledge of Allegiance.

Finalization of Council's goals for FY2011/2012 Budget

Discussion ensued regarding future goals, financial stability and add a specific statement regarding debt reductions, Vice Mayor Denham asked to work with staff for water quality goals in making them more specific, control and contribute to water quality, add greening of buildings to redevelopment goals, local water goals good, but rework the regional water goals, interested in the redevelopment of Sanibel Community Association (SCA) and Councilman Harrity offered to spearhead a discussion, would like to have a discussion, sometimes government needs to get involved, why can't BIG Arts and SCA get together for a program, previous discussion regarding town center and need to work together, email received regarding a \$3.5 million SCA project, Councilman Harrity spearheading SCA conversation, opportunity to work together, Council agreed by consensus for Councilman Harrity to speak with SCA, correct amount of reserves and debt, working to pay-down debt, big unfunded liability number for pensions and should continue to pay-down, important to bring in 5-year trend and Councils job was to manage City finances, look at entire financial side and lay out a plan, best approach to tighten financial goals, address reserves, pension, and debt pay-off, City Council interact with staff, want to encourage green technology, need a hand full of goals that were obtainable, Ms. Zimomra noted that new financial goals would go out to Council, and make goals measurable.

City Manager and Finance Director's Memorandum and Update of changes in the Draft Budget

Ms. Zimomra spoke to the following:

- Gates Castle, Public Works Director 20th year
- 10 years since offered the City Manager's position

Presentation of Tentative Budget

Ms. Sylvia Edwards, Finance Director gave the following PowerPoint presentation:

- Council directions for debt reduction plan
- Gave a brief PowerPoint presentation
 - General Government 2 general obligation bonds totaling \$10.5 million with annual debt payments of approximately \$750,000
 - Since 2006 general government debt was paid down by \$7 million; from \$17.8 million in 2006 to \$10.5
 - Sewer System debt paid down by \$20 million since 2006; due to pre-payment of assessments and accumulative of ad valorem tax begin before debt service began
 - Recreation bonds could not be retired until 2016 and Council's desire for a \$3 million pay down by 2016
 - Could establish a sinking fund by making \$600,000 payments annually
 - Included in the tentative budget establish the recreation center sinking fund
 - Could retire the recreation center debt by 2020 and save tax payers approximately \$18.63 per \$100,000 per taxable value

- After retirement of recreation center and early retire the 2002 general obligation bonds by 2023
- Total savings over the entire plan if initiated this year would save taxpayers \$3.1 million
- Decrease tax revenue from taxpayers by \$753,000 annually

Budget PowerPoint presentation as follows:

- Establish the tentative tax rate and budget for 2012
- 2.1561 millage less than the rolled-back rate of 2.1630 and same as FY2011 millage rate of 2.1561
- Ad Valorem tax revenue decrease by \$3,990 due to decrease in taxable property values being more than new construction value added
- Net decrease in property value was less than one percent
- July 19, 2011 Council approved the tentative millage rate of 2.561 the same as the tentative millage rate proposed
- Council could lower the millage rate, but no increase determined by Florida Statute
- Tentative budget of \$47.8 million was more than FY11 adopted of \$44 million and less than the FY2011 amended budget of \$56.4 million
- \$3 million in reserves released to pay down the pension liabilities and the reason for the increase shown in the FY2011 adopted and amended budgets
- Rolled-back calculated tax rate that brings in the same amount of operating and ad valorem revenue as in the previous fiscal year
- If taxable value increase the rolled-back rate decreases and if table value decrease the rolled-back rate increases, which happened this year
- Rolled-back calculated by taking last year's tax revenue provided by 2010 property values times the set millage rate which was \$9,079,597 and dividing by 2011 taxable property value excluding new construction was \$4,197,734,541 to establish the rolled-back rate of 2.1630
- Pursuant to F.S. must adjust additional adjust rolled-back rate; calculation begins with prior year's rolled-back rate permitted to be leveled by a majority vote, but not adopted
- Rolled-back rate applied as above and then adjusted for growth per capita income and this year just over one-half of one per cent
- Maximum millage rate permitted to be levied by majority vote of Council was 2.8364
- Taxable property value for FY 2012 based on 2011 property values established by property sales in 2010
- Decrease in taxable property values in FY 2011 to FY 2012 reflect sales in 2010
- 2011 sales would be reflected in 2012 and impact 2013 budget
- Voted debt millage rate requires according to debt requirements
- Based last years millage and this year's proposed millage the tax rate would drop about \$7
- Staff recommended millage rate. 2.1561 the same as last year and slightly less than the rolled-back rate

Total allocation of taxes paid by Sanibel property owners:

47.2%	School	\$4,251.26
24.9%	Lee County	2,246.71
13.0%	Sanibel	1,167.09
2.5%	Voted debt (sewer, land and recreation)	228.54
12.4%	Independent Districts	1,117.84
TOTAL		\$9,011.54

Governmental Fund Sources:

54.7%	Beginning Fund Balance
24.4%	Ad Valorem (Operating)
6.4%	Communication Service, gas and half cent tax

5.2%	Charges for Service
4 %	Licenses and Permits
2.3%	Governmental Sharing (i.e. grants/ Interlocal agreements)

Ad Valorem operating taxes based on 2.1561 millage rate proposed would be \$3,990 less than the previous year, which was less than one-half percent decrease.

Voted debt millage rate for Pond Apple Park FY2011/12:

0.0599 \$252,114 debt requirement

Voted debt millage rate for the Recreation Center FY 2011/12:

0.1263 \$531,158 debt requirement

Other Taxes Increase 6.2% \$ 132,646

Local Option Gas Tax	\$1,400,000 (prior 3-year trend)
Casualty Insurance Premium	58,725
Communications	540,000
Business Tax Receipts	289,332
TOTAL	\$2,288,057

License and Permits Increase 0.2% \$3,200

Building-type Permits	\$ 507,602
Dog and other	11,000
Franchise Permits	975,000
TOTAL	\$1,493,602

Intergovernmental Revenue Decrease 24.1% due to not budgeting until received \$266,411

State Revenue Sharing	\$ 143,023
Alcoholic Beverage	15,000
Half-cent Sales Tax	390,000
Other governmental shared revenue	6,000
Municipal Solid Waste	46,000
Payments in Lieu of taxes	23,585
Contracts and Grant	215,305
TOTAL	\$ 838,912

Charges for Services Increase 2.2% or \$41,721

General governmental charges	\$ 227,000
Public Safety	
Police Services	30,000
Building department fees	5,000
Solid Waste Tip fee	185,000
Culture/Recreation Charges	475,000
Indirect cost	1,000,000
TOTAL	\$1,922,000

Fines and Forfeitures Increase 8.4% or \$4,000

Court fines	\$ 28,000
Local ordinance fines	23,850

TOTAL \$ 51,850

Miscellaneous Revenue Increase 9.7% or \$36,190 – anticipating an insurance rebate of \$22,000 from the Florida Municipal Insurance Trust (FMIT) and \$19,000 from Other Post Employee Benefits Trust Fund to reimburse the health insurance subsidy provided to retirees. Sanibel retirees pay 100% of health insurance, but per Florida Statute retirees could participate in health insurance thus a subsidy was provided.

Interest	\$ 181,475
Rents and Royalties	12,671
CHR rents	50,000
Contributions	25,774
Impact fees	54,000
Special assessments	34,160
Other miscellaneous	50,116
TOTAL	\$ 408,196

Beginning Fund Balance Decrease of 13.8% or \$3,268,355

General Fund	\$1,000,000
Special Revenue Fund	500,000
Capital Projects	1,500,000

Reserve for under collection changed from 5% as allowed by Florida Statute to 4% and still collecting 90% of taxes = \$403,352.

Governmental Fund uses = \$36,829,365

Estimated Ending Fund balance	20.5%
Operating Reserves	17.4%
General Government	20.3% (one-time pension payment)
Public Safety	11.7%
Transportation	8.7%
Culture and Recreation	8.0%
Capital Projects	8.9%

General Government Revenue increase by \$3 million to pay for the lump sum pension liability payment.

Public Safety Budget would decrease 2.7% or \$117,000.

Physical Environment Budget would increase by 13.3% and \$100,000 decrease was due to the Red Drift Algae Study completed in FY 2011. The \$220,000 special revenue fund, reduced to \$190,000 was reclassified in to the Natural Resources Department due to Governmental Accounting Standard Board Statement 54 establishes that there could not be a special revenue fund if there was not a major revenue source and grants for pepper removal/control had significantly decreased.

Public Works and Transportation Department Budget decreased by \$110,000 or 3.3% and approximately \$95,000 budgeted for the San-Cap extension and would be completed in FY2011. Non-streets the increase was pension cost, and special revenue funds (i.e. Sanibel Estates canal trimming, Water Shows canal dredging and Shell Harbor canal dredging were all special districts and budgeted in the year work would be done.

Economic Environment increase by .9% due to 3% contract increase to CHR.

Cultural/Recreation budget would decrease by 1.1% or \$32,917.

Public Facilities a decrease of \$85,000 in capital rehab expenditures.

Capital Projects/Acquisitions includes the amended FY2011 budget that includes \$1.1 million roll-forward and \$3.6 million completed.

Operating Reserves in the tentative FY2012 budget were the same as in the adopted FY2011 budget of \$6,390,000.

Ending Fund balance would show a decrease of 43.5% or \$5,802,056 million. \$3.2 million roll-forward less and \$3 million lump sum pension payment to decrease the liability. Also, in some cases revenues were more than operating expenses with a net decrease of \$5.8 million instead of \$6.4 million.

Enterprise Funds were Sanibel Sewer System and Beach Parking:

Sanibel Sewer System

User fees	\$5,686,365
Fines and Penalties	20,000
Sale of Treated Effluent	252,972
Miscellaneous	99,909
Capital Contributions	-0-
Ad Val Tax-Voted Debt Service	992,866
Special Assessments Payments	929,179
Loan	-0-
Reserve for Under Collection	(49,643)
Beginning Balance & Reserves	559,826
TOTAL	\$8,491,474

Voted Debt Service

1998 voter approved referendum authorized issuance of up to \$20.4 million of debt, financed by ad valorem taxes, to reduce the assessments charged to benefiting property owners in the sewer expansion phases. FY2012 would be 0.2360 mills for a debt payment of \$992,866

Uses of Funds:

Operations	\$3,898,425
Expansion Projects	-0-
Vehicles & Equipment	440,000
System Improvements	155,000
Debt Service	3,202,296
Repayment to General Fund	275,000
Disaster Reserve	100,000
Ending Balance/Reserve Use	420,753
TOTAL	\$8,491,474

Beach Parking:

Sources of Funds	
Beginning Fund Balance	\$ 636,859
Beach Parking Permits	70,000
Intergovernmental Revenue	741,622
Parking Fees	1,000,000
Parking Violations	75,000
Sales Tax Collected due state	(60,000)
TOTAL	\$2,463,481

Uses of Funds:

Personal Services	\$ 971,606
Operating Expenses	1,026,596
Capital Outlay	1,037,000
TOTAL	\$3,035,202
Estimated Ending Fund Balance (571,721)	

Discussion ensued regarding understanding \$1.1 million removed from sewer fund CIP, Mr. Castle answered that if Phase 4 were to go forward the residents would pay more and staff recommendation was to put on hold until State Revolving Loans were available, he also stated that the sewer debt had meet it's maximum limit, rather than carrying out project could think about a management program for assessment of septic tanks, Ms. Zimomra stated that Council may want to do both, Council complimented the Finance Director, how much was the reduction to taxpayers, staff answered the average taxable value would be approximately \$7 per \$100,000 for general governmental, proposed general sinking fund to reduce debt and continue to pay-down debt and pension funds, \$300,000 interest savings alone to pay-down pension funds, saving \$400,000 by paying-down sewer debt and saving \$75,000 in cash flow, as unfunded liability decreases the principle part would be reduced and interest was \$300,000 per year, good time to review permitting fees charged to taxpayers, attending the Chamber Governmental Affairs Committee happy with the adoption of the redevelopment ordinance and a request for education of same, any prediction of grants, Ms. Edwards stated that there was an award of \$898,000 to maintain beach facilities, Ms. Zimomra noted the State did not add historical funds for the lighthouse and not anticipating grants due to the economic climate, project operating expenses budgeted, but not capital funds, staff always extremely prepare when going before the TDC Council for grants and Ms. Zimomra noted that TDC grants was a reimbursement program.

Public Comment

Karen Storjohann spoke to a missing page of including all City volunteers. She stated that a priority of greening standards of resort redevelopment should be a priority.

Katie Reed, President of Island Seniors, Inc. Board spoke to the need for the Center4Life expansion.

Dr. John Harries spoke to pay down the sewer debt and canvass resident to pay down their assessments. Ms. Zimomra noted that assessment must be paid when a home was sold.

Discussion ensued regarding pay down debt and relieving pressure.

Steve Maxwell asked how many units remain in Phase of the sewer and expected revenue if phase completed. He also spoke to encouraging fee mitigation and the need to review programming costs. He also spoke to operating expense and the need to look at 3 years ration and would like to see that ratio.

Ms. Zimomra responded that 43 units and construction would be over \$1 million and would generate \$28,122 in revenue.

Discussion ensued regarding including the enhancement of the budgetary process through historical trend analysis and forecasting for 5 years, waiting until 0920 to further discuss the sewer increase and measure the financial implications.

Public Hearing and adoption of RESOLUTION 11-078 ADOPTING THE TENTATIVE OPERATING AND VOTED DEBT SERVICE AD VALOREM MILLAGE RATES FOR TAX YEAR 2011 FOR THE CITY OF SANIBEL, FLORIDA; DETERMINING THAT THE OPERATING AND AGGREGATE MILLAGE RATES DO NOT EXCEED THE MAXIMUM MILLAGE RATES PERMITTED BY CHAPTER 200, FLORIDA STATUTES, AND ESTABLISHING THE DATE, TIME AND PLACE FOR A FINAL HEARING TO ADOPT THE

FINAL OPERATING AND VOTED DEBT SERVICE AD VALOREM MILLAGE RATES FOR TAX YEAR 2011

Public Hearing and adoption of RESOLUTION 11-079 ADOPTING THE TENTATIVE BUDGET FOR FISCAL YEAR 2011-12 FOR THE CITY OF SANIBEL, FLORIDA AND ESTABLISHING THE DATE, TIME AND PLACE FOR A FINAL HEARING TO ADOPT THE FINAL BUDGET FOR FISCAL YEAR 2011-12

Ms. Zimomra read the title of Resolutions 11-078 and 11-079.

Vice Mayor Denham moved, seconded by Councilman Congress, to adopt Resolution 11-078 filling the blanks of 2.1561 millage rate and adopted at 10:44 a.m.

Public Comment
None

The motion carried

Mayor Ruane moved, seconded by Councilman Harrity, to adopt Resolution 11-079 and fill in the blanks as \$47,784,320 and adopted at 10:45 a.m.

The motion carried

Mayor Ruane spoke to attending the Lee County Board of Commissioners first budget hearing on Wednesday, September 07, 2011.

There being no further business the meeting was adjourned at 10:48 a.m.

Respectfully submitted by,

Pamela
Sanibel City Clerk

Smith,

MMC