

# Budget Message

City of Sanibel, Florida



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# MEMORANDUM

**DATE:** September 15, 2009  
**TO:** Sanibel City Council  
**FROM:** Judie Zimomra, City Manager  
**SUBJECT:** Fiscal Year 2009-10 Proposed Annual Budget

Presented herein is the Proposed Annual Budget for Fiscal Year 2009-2010. The \$44,672,137 Proposed Annual Budget includes \$1,805,137 in modifications to the \$42,867,000 Adopted Tentative Annual Budget. These modifications, which include the roll forward of capital improvement projects, grant awards and operating projects scheduled to span fiscal years, are detailed on Attachment 1.

The proposed annual budget was prepared based on the following assumptions:

- The current economic climate has not reached bottom; that no recovery or turnaround is imminent and thus none is included in our budget calculations;
- That we will continue to re-configure our operations to work within reduced resources; including evaluating opportunities for additional contract services, downsizing the work-force through attrition, reducing benefit expenses by shifting our work force from full-time to part-time employees;
- We will continue to adhere to strict fiscal discipline throughout the organization;
- Our long-term economic viability and property values are tied to our core quality of life services.

The highlights of the proposed budget are:

- Property tax revenues for operating expenditures have been reduced by 2.5%;
- Full-time employees have been reduced from 141 in FY07 to 125 in FY10 through attrition;
- City salaries remain flat for the second consecutive year;
- Total debt will be reduced by approximately \$9 million dollars;
- City staff has renegotiated 28 existing contracts for services to lower rates;
- The Public Works Department will be downsized with the implementation of contract mowing of right-of-way berms;

- Classes included with membership at the Recreation Center will be expanded from 18 to 44 and recreation center membership will be all-inclusive other than tennis, swim, yoga and karate lessons;
- All City fees are held flat with the exception of a 2.9% reduction in residential refuse collection rates, an increase in the Recreation Center's weekly visitor membership rates, the scheduled 3% sewer rate indexing and the 18% reclaimed water rate increase;
- With no environmental or natural disaster in the final quarter of FY09 total designated reserves will be approximately \$6.3 million;
- An additional \$50,000 will be allocated to the sewer fund's reserve for disasters;
- \$2.1 million will be invested in General Government capital improvements. This includes \$520,500 of capital projects that are rolled over from the previous year.

## **INTRODUCTION**

The fiscal year 2010 proposed budget totals \$44,672,137 and is broken down as follows:

<b><u>USES OF FUNDS</u></b>	<b><u>FY 2010</u></b>	<b><u>FY 2009</u></b>	
		<b><u>as Adopted</u></b>	<b><u>as Amended</u></b>
Governmental Funds			
Operating	\$30,268,983	\$28,671,684	\$33,454,072
Capital	<u>3,476,884</u>	<u>5,263,955</u>	<u>5,883,112</u>
Total Governmental	33,745,867	33,935,639	39,337,184
Enterprise Funds	<u>10,926,270*</u>	<u>5,710,422</u>	<u>13,013,761</u>
Total Proposed Budget	<u>\$44,672,137</u>	<u>\$39,646,061</u>	<u>\$52,350,945</u>

\* Required by generally accepted accounting principles

The FY10 proposed budget is greater than the FY09 adopted budget due to projected greater beginning fund balances in FY10 (\$17,678,472) than in FY09 (\$13,163,614). The amended FY09 budget is greater than the FY09 adopted budget due to FY08 audited ending fund balances being \$9.1 million greater than budgeted and are reflected in the amended total.

FY 2009 budget amendments through September 5, 2009 total \$12,704,884. These amendments include the roll forward of \$3.3 million of fund balance in the general fund and a \$5.3 million increase to beginning fund balance in the sewer fund. The sewer fund increase is due to the reclassification from previously restricted net assets to unrestricted net assets in accordance with generally accepted accounting principles. Additionally, the City received \$879,249 of unbudgeted FEMA reimbursements, new grant funds of \$1 million in the beach parking fund and the acceptance of funding, after the beginning of the fiscal year, for recurring expenses such as the \$979,210 received from the Lee County Tourist Development Council (TDC).

The proposed budget is funded by a millage rate of 2.2808 which is .0599 (-2.56%) mills less than the rolled-back rate. The rolled-back rate is the rate that will result in the same amount of tax being collected as in the prior year, adjusted for new construction. The

section directly below discusses millage rates and laws enacted during Florida's 2007 and 2008 legislative sessions.

Placement of divisions, program and funds within the budget changes substantially in FY10 due to Government Accounting Standards Board mandated accounting and reporting requirements, issued in February 2009. A detailed description of these mandated accounting changes is detailed further in this memorandum in the section entitled Statement No. 54 of the Governmental Accounting Standards Board (GASB).

### **TRUTH IN MILLAGE (T.R.I.M.)**

The annual budget is prepared by City staff and presented to City Council for deliberation at two public hearings held in accordance with the state-defined Truth In Millage (T.R.I.M.) calendar, which each Florida local government follows. The budget calendar is as follows:

#### **BUDGET CALENDAR** FISCAL YEAR 2010 BUDGET ADOPTION CITY OF SANIBEL, FLORIDA

Tuesday	July 21, 2009	Regular Council Meeting – Draft budget is distributed to Council. Adoption of Resolution to <b>Set Proposed Tax (millage) Rate for 2009 and date, time and place of first Public Hearing.</b>
Saturday	September 5, 2009	9:00 a. m. <b>First Budget Public Hearing</b> – Discussion and adoption of tentative millage and tentative FY 2010 budget
Tuesday	September 15, 2009	5:01 p.m. <b>Second and Final Budget Public Hearing</b> Discussion and adoption of final 2009 millage rate and FY 2010 budget

On September 5, 2009 City Council adopted Resolution 09-104 to establish the tentative operating tax (millage) rate for tax (calendar) year 2009, which generates ad-valorem (property) taxes for the proposed FY10 budget. The resolution also establishes the three (3) voted debt service millage rates. and establishes the date, time and place of the final budget hearing pursuant to Truth in Millage (T.R.I.M.) legislation.

With the changes to Florida law enacted during the 2007 and 2008 legislative sessions the City is required to calculate four millage rates: the rolled-back rate (as in prior years), the adjusted rolled-back rate (new), the majority vote maximum millage rate allowed, and the two-thirds vote maximum millage rate allowed.

The FY10 proposed operating millage rate of 2.2808 is .0599 (-2.56%) mills less than the rolled-back rate of 2.3407. It is below the adjusted rolled-back rate of 2.5982 and the majority vote maximum millage rate of 2.6632. A rate of 2.2808 will bring in \$10,315,334 of tax revenue versus \$10,586,242 with the rolled-back rate of 2.3407, a difference of \$270,908.

The rolled-back rate is defined as the millage rate that will bring in the same amount of dollars as the current year millage after adjusting for new construction. In FY10 this rate is 2.3407.

The adjusted rolled-back rate is calculated by using the prior year's majority vote maximum millage rate and dollars the Council could have levied, not the rate it did levy. In FY10 this rate is 2.5982.

The majority vote maximum millage rate allowed is the adjusted rolled-back rate plus the adjustment for growth in Florida's per capita personal income. For FY10 the growth rate percentage is 2.5% and the majority vote millage rate is 2.6632.

The two-thirds vote maximum millage rate allowed is the majority vote rate increased by ten (10%) percent. In FY10 this rate is 2.9295.

The following table identifies the minimum vote of Council required to levy a proposed tax (millage) rate for tax year 2009:

<u>Minimum Vote Required to Levy Proposed Millage</u>	<u>Maximum Millage Rate</u>
Majority vote of Council (3/5)	2.6632
Two-thirds vote of Council (4/5)	2.9295
Unanimous vote of Council (5/5)	10.0000
Referendum of Voters	10.0000

2.6632 is the maximum millage rate which may be levied by a majority vote of Council. If City Council establishes a proposed tax rate greater than 2.3407 mills the City will be required to advertise a notice of tax increase. The proposed budget, however, is funded with the millage rate of 2.2808 mills or a tax decrease.

In addition to the operating millage rate discussed above, the three (3) previously voter approved debt service millage rates required to meet debt FY10 debt service obligations are:

<u>Debt Service Description</u>	<u>Millage Rate</u>
Sewer Voted Debt Service	0.2856
Land Acquisition Voted Debt Service	0.0561
Recreation Center Voted Debt Service	0.1172

### **Statement No. 54 of the Governmental Accounting Standards Board (GASB)**

In February 2009, the Governmental Accounting Standards Board (GASB) issued Statement No. 54. One of the objectives of this Statement is to clarify existing governmental fund type definitions to improve the comparability of governmental fund financial statements and help financial statement users to better understand the purposes for which governments have chosen to use particular funds for financial reporting.

All of the City's funds have been reviewed for GASB Statement No. 54 compliance. The process also included identifying specific revenue sources that are restricted or committed

for specific purposes.

Governmental fund types include the general fund, special revenue funds, capital project funds, debt service funds and permanent funds. Currently the City does not report any permanent funds. *Permanent funds* are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs—that is, for the benefit of the government or its citizenry.

*Debt service funds* are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The City has six debt service funds.

*Capital project funds* are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Five of the City's sixteen capital project funds were reclassified as special revenue funds. Repair and maintenance expenditures budgeted in the transportation capital project fund (Fund 301) are now budgeted in the transportation special revenue fund (new Fund 101). The changes are recapped in the following table:

Previous Fund #	Fund Name	New Fund #	Reason for Reclassification
316	Brazilian Pepper Control Program	116	Expenditures are not capital outlays
317	Environmentally Sensitive Land Restoration	117	Expenditures are not capital outlays
329	Shell Harbor Canal Dredging Special Project fund	129	Expenditures are not capital outlays
341	Sanibel Estates Canal Trimming Special Assessment Project Fund	141	Expenditures are not capital outlays
342	Sanibel Isles/Water Shadows Dredging Special Assessment Project Fund	142	Expenditures are not capital outlays
301	Transportation Capital Projects	301/101	Capital asset expenditures budgeted in Fund 301; Repair and maintenance expenditures budgeted in Fund 101.

*Special revenue funds* are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The terms *proceeds of specific revenue sources* establishes that one or more specific restricted or committed revenues should be the foundation for a special revenue fund.

The restricted or committed proceeds of specific revenue sources should be expected to continue to comprise a substantial portion of the inflows reported in the fund. Governments should discontinue reporting a special revenue fund, and instead report the fund's remaining resources in the general fund, if the government no longer expects that a substantial portion of the inflows will derive from restricted or committed revenue sources.

Including the six new special revenue funds previously mentioned the FY10 budget contains twenty-two (22) special revenue funds. One of the twenty-two will discontinue being reported as a special revenue fund and will be reported in the general fund. Specific restricted or committed revenue sources/or discontinuance of specific restricted or committed revenue sources were identified in instituting the special revenue funds' financial reporting changes.

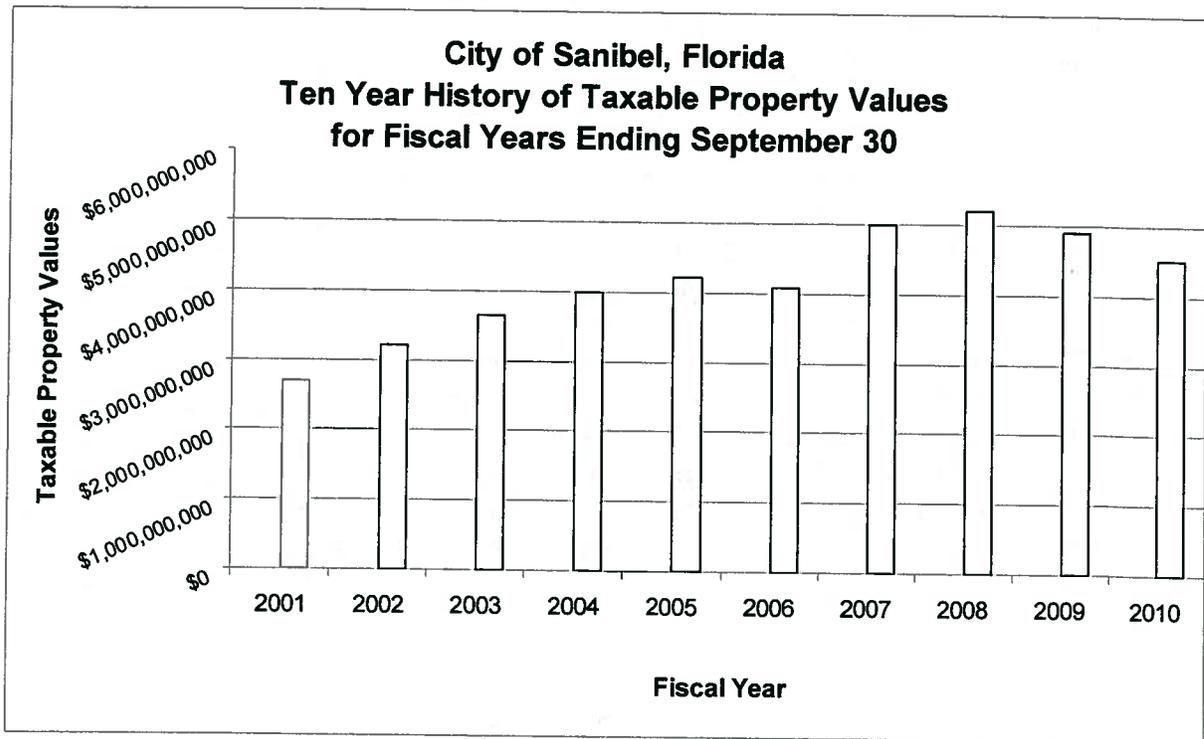
Fund	Fund Name	Revenue Source	Expenditure transfers
*101	Transportation Fund	Local option gas tax and \$0.05 local option gas tax	From general fund Public Works Department's Streets Division and capital project fund repairs and maintenance
116	Brazilian Pepper Control Program	Grants/City	From capital project fund
117	Environmentally Sensitive Land Restoration	Grants, donations, City	From capital project fund
129	Shell Harbor Canal Dredging Special Project fund	Homeowners Associations	From capital project fund
141	Sanibel Estates Canal Trimming Special Assessment Project Fund	Homeowners special assessments	From capital project fund
142	Sanibel Isles/Water Shadows Dredging Special Assessment Project Fund	Homeowners special assessments and City	From capital project fund
**170	Recreation Center Fund	Membership and user fees	From general fund Seniors Recreation Program
***180	Below Market Rate Housing	No specific revenue source	Financial reporting transferred to the general fund

\*The local option gas tax and the \$0.05 local option gas tax revenue sources in Fund 101, Transportation, are restricted to expenditures by Florida Statute 336.025.  
 \*\*Many of the Seniors Programs are included in the membership fee program or individual program fees are collected and reported in Fund 170. Beginning with FY10 the Seniors' Program expenditures will be budgeted in special revenue Fund 170 in order to match expenditures to revenue source  
 \*\*\*Fund 180 does not have a specific revenue source. Discontinue reporting as special revenue fund and report in general fund.

Pursuant to GASB Statement No. 54, the *general fund* should be used to account for and report all financial resources not accounted for and reported in another fund.

**Proposed Budget Overview**

The City's number one source of revenue is property tax. There are two values used to calculate property tax revenue, the tax (millage) rate, previously discussed, and the value of real and personal property within the City of Sanibel as determined by the Lee County property appraiser. The total taxable assessed value in the City of Sanibel decreased by 7.88% compared to the previous year, from \$4,898,244,150 to \$4,511,855,600. Over the past two years total taxable assessed values have decreased 13.2%, from \$5,196,712,970 to \$4,511,855,600. With the addition of new construction of \$10,826,620, the gross taxable property value for tax (calendar) year 2009 is \$4,522,682,220, a decrease of 7.67% from tax (calendar) year 2008.



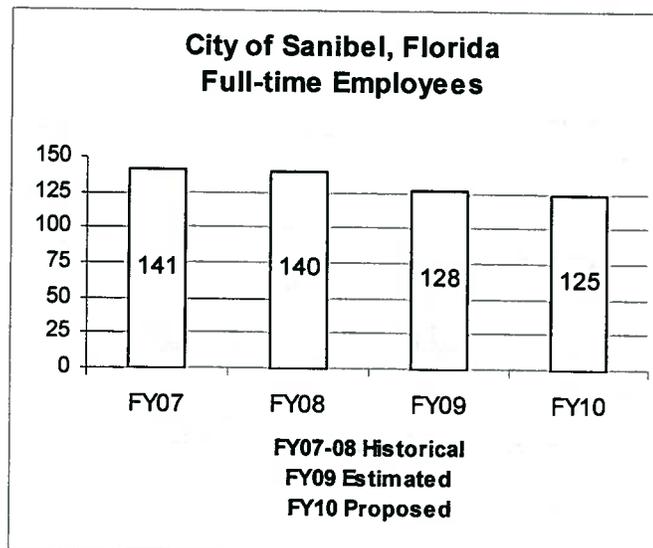
A table showing all governmental funds revenue sources (general, special revenue, debt service and capital project fund) is below:

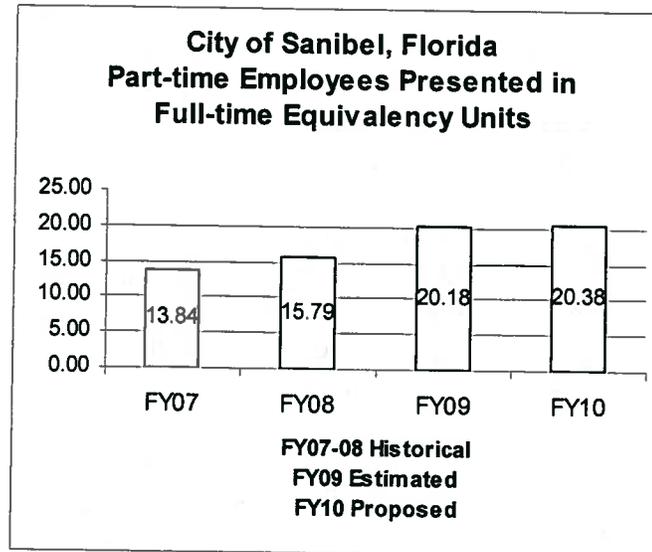
Revenue Source	FY2010*	FY2009*	FY2008**	FY2007**	FY2006**
Taxes	\$13,201,698	\$13,432,610	\$14,207,175	\$15,646,513	\$12,800,270
Licenses & Permits	\$ 1,369,385	\$1,420,941	\$1,766,263	\$1,223,080	\$1,586,168
Intergovernmental	\$1,574,022	\$1,650,431	\$1,947,650	\$6,949,347	\$6,165,314
Charges for Service	\$1,844,124	\$1,662,795	\$ 2,378,285	\$2,024,869	\$2,148,659

Fines & Forfeitures	\$ 69,100	\$ 67,800	\$ 80,831	\$ 265,828	\$ 176,406
Miscellaneous	\$ 197,055	\$ 478,341	\$ 827,817	\$1,668,933	\$1,456,089
Total	\$18,255,385	\$18,712,918	\$21,208,021	\$27,778,570	\$24,332,906
*Budgeted ** Audited					

In recognition of current economic conditions, the FY 2010 proposed budget has been prepared anticipating decreasing revenues. Revenue accruing to the general fund through the recapture of indirect cost charges from two special revenue funds and two enterprise funds is \$1,078,783, decreased from the FY09 amended budget of \$1,223,562, reflecting the findings in the mid-year cost report. Development permit fees show a slight decline based on the expectation of less development activity. FY10 revenue generated from the recreation fund's charges for services is estimated at \$277,000. Interest earnings are budgeted to be \$75,000 in FY10, lower than the FY09 amended budget of \$176,771 and actual receipts in FY08 of \$226,496 and FY07 receipts of \$838,663.

The City's FY10 operating expenditures (\$25,738,043) have been reduced by \$1,953,740 (-7.1%) from the FY09 adopted budget of \$27,691,783 and by \$2,562,924 (-9.1%) from the FY09 amended budget of \$28,300,967. In FY10 three full-time positions and one and one third (1.3) full-time equivalent positions are being eliminated. This is in addition to the 8.5% reduction in the City's full-time work force in FY09 to date. Since October 1, 2008, the City has reduced the full-time work force by nine employees through attrition including separations and retirements. The positions that have been vacated include: the police aide supervisor, an engineering technician, a police aide, a dispatcher, and three full-time police officers. The full-time police officers were replaced with part-time sworn officers. The part-time employees do not receive benefits including retirement. Since October 1, 2006 to date the City of Sanibel's full-time work-force, including the enterprise funds, has been reduced from 141 to 128 full-time employees. The FY10 budget includes 125 full-time employees.





As proposed, the budget holds wages flat for a second year. This wage containment also applies to all staff members not covered by a union agreement. Additionally, department heads have reduced operating expenditures and Council has deferred capital projects. These reductions are intended to allow for the continuation of the provision of basic municipal services that impact Sanibel property values.

At the request of the Florida Division of Retirement, pension plans across the state, including the City's General Employees Pension Trust and Municipal Police Officers' Pension Trust have changed the funding method and amortization periods for funding the Unfunded Actuarial Accrued Liability (UAAL). Previously, funding requirements for pension plan valuations disclosed a specific dollar amount. As of FY10 the City must fund the percentage of payroll (projection funding method) rather than a specific dollar amount. Pursuant to the Florida Division of Retirement all governmental entities must use this method. Beginning in FY10 the City will contribute 23.5% of base payroll to the General Employees Pension Trust and 29.7% of pensionable compensation to the Municipal Police Officers' Pension Trust. The UAAL amortization periods for gains and losses experienced by the plan and for method or assumption changes by the plan have been accelerated. Additions and/or reductions to the UAAL will be amortized as follows:

	Existing Liability	Liability increases/decreases on and after 10/1/2008
Gains and losses experienced by the plan	From 30 yrs to 20 yrs	10 yrs
Methods/Assumptions changes made by the plan	Remains at 30 yrs	20 yrs
Amendments to plan benefits	Remains at 30 yrs	30 yrs

Experience during the last 12 months of both plans' fiscal year has been less favorable than the Plan's actuarial assumptions including investment returns falling short of each

plan's respective assumption and lower turnover. Due to the actuarial experience and accelerated UAAL amortization schedule the City's pension plans contribution is budgeted to increase by \$358,151 for the General Employees Pension Trust and \$124,514 for the Municipal Police Officer's Pension Trust in FY10. Currently City Council, in conjunction with the pension boards, is evaluating long-term options and alternatives for each plan.

Also in FY10 the City will reduce the budget for legal services. The budget was increased substantially in FY06 in recognition of potential legal issues related to water quality impacting Sanibel's beaches. To date Sanibel has not had to expend large funds for this purpose and the budget is being reduced. If legal expense becomes necessary Council may transfer funds to this department from its contingencies or ending fund balance.

Finally, in accordance with GASB Statement 54, the Public Works Department's Street's Division and the Recreation Department's Seniors Program will be moved from the general fund and placed within special revenue funds, and the Below Market Rate Housing Program will be moved into the general fund. These moves will align dedicated revenues with expenditures. There will be no additional cost to the City's general fund resulting from these moves as special revenue sources and expenditures previously reported in the general fund or capital project funds will now be reported in special revenue funds.

Historically, the City of Sanibel has been financially well served by the fiscal discipline to create and protect reserves. Reserves may be either designated or undesignated by Council. If undesignated they are also known as funds available for appropriation in subsequent fiscal years. As proposed, the total FY10 budget for designated reserves is \$640,000; while funds available for appropriation in subsequent fiscal years in the general fund are budgeted to be \$6,877,692. Funds available for appropriation in subsequent fiscal years may be designated for a specific purpose by City Council at any time. Fund balances in special revenue funds, capital project funds and debt service funds are, by fund type, classified as designated reserves.

### **Budget Funds**

The FY2010 proposed budget includes revised projections for each of the two (2) fund groups, governmental and enterprise. Within the governmental group, there are four (4) types of funds. These four fund types are the general fund, special revenue funds, debt service funds and capital project funds.

### **Governmental Funds**

- **General Fund** - The general fund is the principal fund of the City and is used to account for resources traditionally associated with government, which are not required legally or by sound financial management to be accounted for in another fund. General fund activities are funded principally by property taxes, intergovernmental revenues, licenses and permits, charges for services and miscellaneous revenues, which include public contributions and interest earnings.

As mentioned above, in FY10 the Public Works Department's Street's Division and the Seniors Program will be moved from the general fund and placed within special revenue funds and the Below Market Rate Housing Program will be moved into the general fund. These moves will align dedicated sources of funds with their uses. Additionally, city-wide services that were previously charged to individual departments will be combined with city-wide insurance expense in what was the Insurance Department but will become the Insurance/Other General Government Department. This will allow city-wide services that may not have been consistent year to year to appear in one place and reduce distortion to individual department budgets.

Four major changes will reduce general fund FY10 revenues by \$2.4 million from the FY09 amended budget. First, \$1,250,000 in gas taxes will move to the new special revenue fund; second, \$879,246 in FEMA reimbursements were received in FY09 while no reimbursements are budgeted for FY10; third, the City received \$199,896 in grants in the general fund in FY09; one grant for \$39,450 has been received for FY10 and finally, interest earnings are budgeted to be \$75,000 in FY10, lower than the FY09 amended budget of \$176,771 and actual receipts in FY08 of \$226,496 and \$838,663 in FY07.

The general fund's FY10 proposed budget is \$24.6 million, a \$3.7 million decrease (-13%) from the FY 2009 amended budget of \$28.3 million. Operating expenditures account for \$1.5 million of this reduction; \$1.2 million coming from the transfer of the Public Works Department's Streets Division and \$129,962 due to combining the Seniors Program and the Recreation Department in Fund 170. These decreases are offset by the \$259,544 addition to the general fund of the Below Market Rate Housing Program. The remaining \$418,092 reduction is in operating expenses for other general fund departments. As part of this reduction the Planning Department is eliminating one full-time position, including benefits and reclassifying another full-time position to part-time, without benefits.

In recognition of fiscal prudence, FY10 governmental reserves are budgeted to be \$590,000. If FY09 budgeted reserves of \$6.3 million are not expended the unexpended reserves will be incorporated into FY09 ending fund balance, FY10 beginning fund balance and FY10 ending fund balance. Council may choose to add the additional available funds to FY10 reserves at any time.

Council may choose to budget more than \$590,000 in reserves in FY10. While this will reduce the FY10 available for appropriation in subsequent years, as proposed, of \$6,877,692 by the amount of the additional reserves, if the FY09 reserves are not expended the funds will be incorporated into FY09 ending fund balance, FY10 beginning fund balance and FY10 ending fund balance. Council may choose to add the additional available funds to FY10 reserves at any time.

Transfers to other funds are increasing by \$1,696,447, from \$2,269,234 to

\$3,965,681. Actual transfers in FY08 were \$5,593,669 and \$4,551,214 in FY07. \$1.1 million of the increase is due to the transfer of the Public Works Department's Streets Division to a special revenue fund, \$579,246 new transfer from the general fund (formerly from business tax receipts fund) to the capital outlay and acquisition fund and \$134,017 to the ballpark maintenance fund.

- **Special Revenue** - Special revenue funds are legally restricted to the use for which the revenue is granted or contributed to the City. Total special revenue funds are budgeted at \$9 million. This is \$1.9 greater than the amended FY 2009 budget. The increase is attributable to moving \$1.25 million of local option gas taxes from the general fund for transportation purposes as well as the transfer of the streets division into the transportation fund.

The Building and Recreation Departments, the Public Works Department's Streets Division, and the Senior Program's operating budgets are included in special revenue funds. Local option gas taxes are required to be used exclusively for transportation activities; accounting for these revenues in a special revenue fund segregates both the revenues and expenditures. Likewise, Building Department permit fees are used exclusively for permitting and inspection activities so accounting for these revenues in a special revenue fund keeps revenue and expenditures from being commingled in the general fund. The Recreation Center was moved to a special revenue fund from the general fund in FY08 when it began collecting membership fees.

Expenditures in the Public Works Department's Streets Division are budgeted to be \$2.6 million. One full-time position, with benefits, will be eliminated in FY10 and mowing work will be outsourced. Estimated savings are \$17,781. Beginning in FY10, to conform to Government Accounting Standards Board (GASB) Statement 54, repair and maintenance, operating supply and road materials supplies that were previously charged to capital projects Fund 301 will be reclassified and charged to the transportation fund. The new transportation fund will show an increase for these operating items equal to the amount of the decrease in capital outlays. General fund costs will not increase as a result of this change as funds previously transferred to a capital project fund will now be transferred to the special revenue fund.

Building Department expenditures will increase by \$9,153, from \$578,575 to \$587,728. Recreation Department expenditures are budgeted to increase by \$91,877 (5.32%) from \$1,725,603 to \$1,817,480 and Senior's Program expenditures will increase by \$5,196 (4.0%) from \$129,962 to \$135,158.

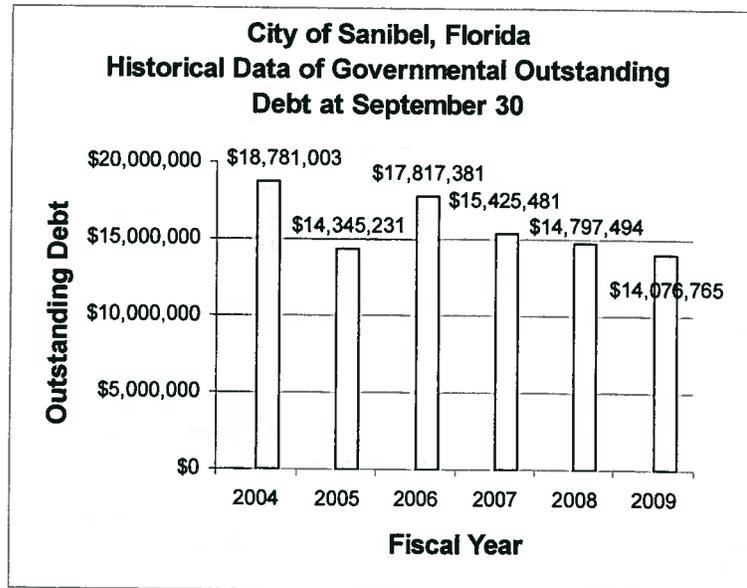
- **Debt Service Funds** - Debt service funds are used to account for the accumulation of resources for and the payment of principal and interest on long-term debt. As of September 30, 2009, the outstanding debt of the City's governmental funds is projected to be \$14,076,765 and \$39,522,476 in the enterprise (sewer system) fund with Council's approval on July 21, 2009 of the pay

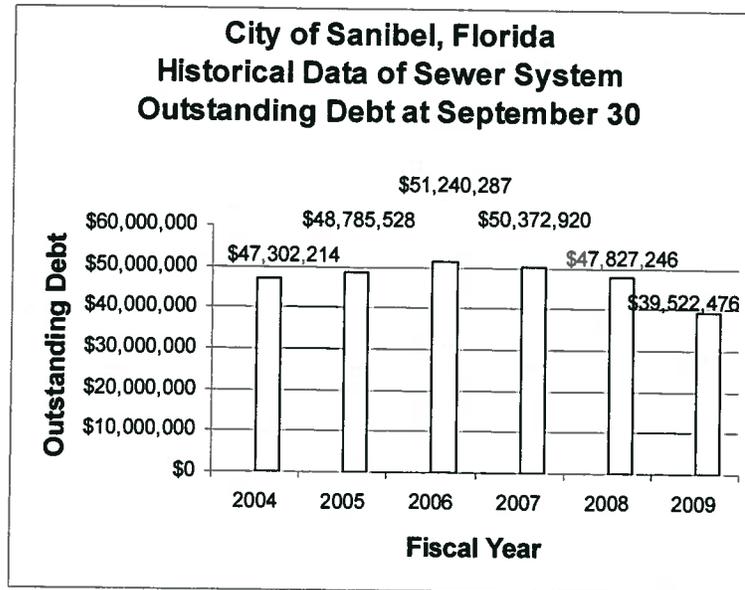
off of SRF loan #835060. A schedule of the City's total debt, including the purpose of the debt, the interest rate, maturity date and the pledged revenue follows:

**CITY OF SANIBEL, FLORIDA**  
**SCHEDULE OF PROJECTED OUTSTANDING DEBT at September 30, 2009**

Original Amount	Purpose	Interest Rate	Year of Final Maturity	Estimated Principal Balance at 9/30/09	Average Annual P & I Debt Service	Pledged Revenue Source
<b>Operating Budget</b>						
\$ 3,190,000	Land Acquisition (Gulfside/Boat Ramp)	5.00%	2020	1,555,188	187,477	Franchise & Occupational
\$ 1,250,000	Land Acquisition (Paulsen)	4.98%	2012	327,656	120,260	Any non-ad valorem revenue
\$ 3,825,000	Land Acquisition (Pond Apple Park) Voted Debt	2.0% to 4.75%	2031	3,260,000	237,945	GO-Voted Debt Service Ad Valorem Taxes
\$ 8,350,000	Recreation Facility Voted Debt	4.0% to 4.35%	2036	7,875,000	542,311	GO-Voted Debt Service Ad Valorem Taxes
\$ 1,082,000	Suntrust Note #59-BMRH-Woodhaven	3.35%	2019	721,335	91,145	Any non-ad valorem revenue
\$ 650,000	Suntrust Note #42-BMRH-Casa Mariposa	4.21%	2014	257,417	59,033	Any non-ad valorem revenue
\$ 88,817	Capital lease (backhoe)	4.75%	2018	80,169	11,365	Any non-ad valorem revenue
<b>Operating Total:</b>				<b>\$ 14,076,765</b>	<b>\$ 1,249,536</b>	

<b>Sewer System Enterprise Fund</b>						
\$ 5,620,000	Series 3000B Sewer Refunding Bonds	2.0% to 3.9%	2021	\$ 4,030,000	\$ 415,839	User Fees
\$ 5,722,696	State Revolving Loan-Phase I SRF # 504P	3.18%	2020	3,548,334	400,292	Special Assessments, Ad valorem taxes and User Fees
\$ 5,136,352	State Revolving Loan-Phase 3A WWG # 511	2.68%	2023	4,750,346	358,134	Special Assessments, Ad valorem taxes and User Fees
\$ 7,040,440	State Revolving Loan-Phase 3B WWG # 512	3.40%	2026	6,322,151	492,730	Special Assessments, Ad valorem taxes and User Fees
\$ 16,593,392	State Revolving Loan-Plant SRF # 5080	3.08%	2022	10,798,739	1,040,098	User Fees & Connection Fees
\$ 6,180,728	State Revolving Loan-Phase 2B SRF # 5090	3.06%	2022	3,778,884	354,955	Special Assessments, Ad valorem taxes and User Fees
\$ 8,501,591	State Revolving Loan-Phase 2C WWG # 510	3.12%	2023	6,294,022	594,367	Special Assessments, Ad valorem taxes and User Fees
<b>Sewer Total:</b>				<b>\$ 39,522,476</b>	<b>\$ 3,656,415</b>	





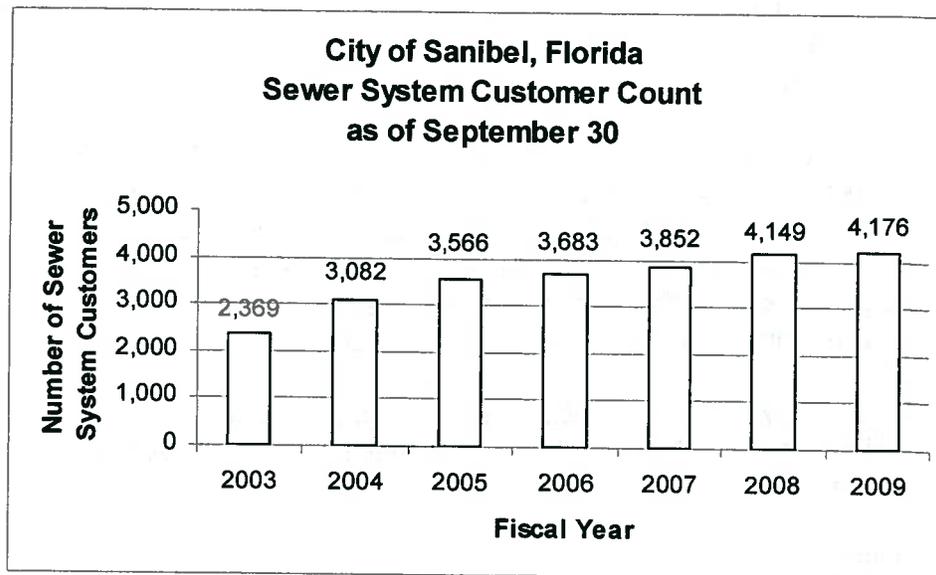
**Capital Project Funds** – Capital project funds account for all resources used for the acquisition and/or construction of major capital facilities. Capital project expenditures are budgeted at \$2.1 million, a \$1.7 million decrease from the amended FY 2009 budget. The single largest reason for this decrease is the \$1,350,000 transfer of items previously classified as capital outlay to repair and maintenance, operating supply and road materials supplies in the transportation fund as discussed in the special revenue portion of this message. Additional transfers of \$425,000 have been budgeted to other new special revenue funds, and \$255,000 of one-time projects was completed in FY09. The proposed budget includes a detailed 5-year capital improvement plan (CIP), the first year of which is included in the annual budget.

**City of Sanibel  
Schedule of Capital Outlays  
(Does Not Include Enterprise Funds)**

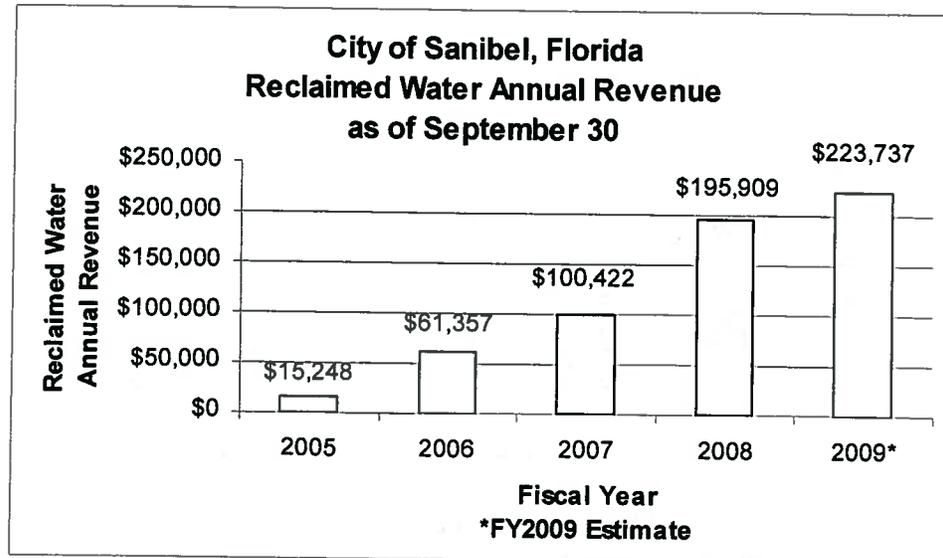
	Audited FY06	Audited FY07	Audited FY08	Estimated FY09	Proposed FY10
<b>Total Capital Outlays</b>	<b>\$ 3,833,700</b>	<b>\$ 13,529,139</b>	<b>\$ 2,824,732</b>	<b>\$ 3,838,252</b>	<b>\$ 1,606,609</b>
<b>One-time Projects:</b>					
Recreation Center	\$ 1,135,855	\$ 10,720,543	\$ 1,738,638	\$ -	\$ -
CHR Land Purchase					
Community Park Land					
Leisure Acres Land					
Periwinkle Road & Bikepath		\$ 557,463	\$ 279,010	\$ -	\$ -
<b>Total One-time Projects</b>	<b>\$ 1,135,855</b>	<b>\$ 11,278,006</b>	<b>\$ 2,017,648</b>	<b>\$ -</b>	<b>\$ -</b>
GASB 54 mandated reclass from capital project funds to operating funds	\$ -	\$ -	\$ -	\$ 1,678,563	\$ -
<b>Total one-time &amp; reclass projects</b>	<b>\$ 1,135,855</b>	<b>\$ 11,278,006</b>	<b>\$ 2,017,648</b>	<b>\$ 1,678,563</b>	<b>\$ -</b>
<b>Roll forwards from FY09 to FY10</b>				<b>\$ (540,000)</b>	<b>\$ 540,000</b>
<b>Capital Outlays w/out One-time Projects and Reclassed Projects</b>	<b>\$ 2,697,845</b>	<b>\$ 2,251,133</b>	<b>\$ 807,084</b>	<b>\$ 1,619,689</b>	<b>\$ 2,146,609</b>

## Enterprise Funds

- **Sanibel Sewer System Funds** – The Sanibel Sewer System’s budget is decreasing from \$9.7 million to \$9.4 million. The \$319,767 decrease includes a \$148,240 (6.7%) decrease in operating expenses, a \$417,400 (-27.8%) decrease in capital outlays due to delays and rescheduling, a \$80,144 increase in personal services and a \$535,574 reduction in debt service payments.
  - The disaster reserve is budgeted to increase from \$200,000 to \$250,000;
  - The negative unrestricted FY 2009 ending fund balance of \$149,534 is budgeted to become a positive \$701,768 in FY10;
  - User fees at the 3% indexing rate have been determined to be sufficient to fund operations and meet bond coverage requirements per the annual update to the financial feasibility study performed by GAI Consultants in May 2009;



- Reclaimed water proposed revenue for FY10 is \$208,320 compared to FY06 revenue of \$61,357. The increase in reclaimed water revenue is attributable to an increase in customers and an increase in the reclaimed water rate. User fees include an 18% increase.



- Beach Parking Fund** – The budgeted operating expense of the beach parking fund is decreasing from \$3.2 million to \$2.2 million in FY 2010 with the completion of capital projects which included \$510,000 for boat ramp restrooms, \$134,500 dune walkover replacement, \$110,000 for various beach maintenance equipment and the substantial completion of the \$210,000 marine patrol dock. In addition one part-time position is budgeted to be eliminated in FY10. The beach parking fund's detailed 5-year capital improvement plan (CIP) is included at the back of the budget document.

A \$925,300 grant from the Lee County Tourist Development Council (TDC) has been applied for and tentatively approved. As proposed, the budget does not include the \$925,300. When the grant award is received in fiscal year 2010, the FY10 negative ending net assets amount of \$725,140 will revert to a positive balance. At the time the grant award is received in early FY 2010, a budget amendment will be presented to City Council.

On July 10, 2009, TDC voted to change its methodology for reimbursing direct labor expenditures. The beach parking budget has been modified to reflect the change.

**Fund Balances**

The general fund beginning fund balance is projected to be \$10,932,606 on October 1, 2009. This is a \$1,524,475 increase from the FY09 adopted beginning fund balance and a \$1,727,439 decrease from the FY09 amended beginning fund balance. Fund balances fluctuate when reserves estimated to be expended in a given year are not. The FY09 reserves of \$6.3 million that are estimated to be expended will increase FY10 beginning fund balance to the extent the funds are not expended. The FY10 beginning fund balance would thus be \$6.3 million greater than the budgeted \$10.9 million. To be fiscally prudent this proposed budget assumes the FY09 reserves will be fully expended. However, if

a disaster does not occur prior to the final public meeting in September, Council may elect to move these reserves from FY09 to FY10 as has been past practice. Estimated designated reserves for FY09 and FY10 are:

DESIGNATED RESERVES	FY2008-09			FY2009-10	
	ADOPTED BUDGET	AMENDED BUDGET	ESTIMATED ACTUAL	*PROPOSED IF SPENT	OPTION IF NOT SPENT
Reserve for Contingencies	275,000	507,119	275,000	275,000	275,000
Reserve for Environmental Initiatives	1,200,000	1,200,000	1,200,000	-	1,200,000
Reserve for Classification Adj's	6,997	6,997	6,997	-	-
Reserve for Insurance Deductibles	315,000	308,649	308,649	315,000	315,000
Reserve for Disasters	4,500,000	4,500,000	4,500,000	-	4,500,000
<b>Total Designated Reserves</b>	<b>6,296,997</b>	<b>6,522,765</b>	<b>6,290,646</b>	<b>590,000</b>	<b>6,290,000</b>

\*Budgeted in FY10 Proposed Budget

Projected beginning fund balances for fiscal years 2011-2014, assuming \$6.29 million of reserves are expended in FY09, are below:

Fiscal Year	Projected Beginning Fund Balance
2011	\$9,636,054
2012	\$7,028,044
2013	\$3,534,486
2014	\$2,820,169

The fund balances in the special revenue, debt service and capital project funds are restricted for use in the project for which the funding sources were provided. Therefore, there is not a relevant pattern, or comparison to previous years to be discussed.

### Next steps

The City of Sanibel encourages public participation in the decision making process, including the discussions related to the municipal budget and City operations. In addition to the public hearing held at 9:00 a.m. on Saturday, September 5, 2009, there will be a **final public hearing on the annual budget at 5:01 p.m. on Tuesday, September 15, 2009.** Citizens who cannot attend the meetings are encouraged to provide their comments and input to City Council via email addressed to [sancouncil@mysanibel.com](mailto:sancouncil@mysanibel.com) or via US Mail to Sanibel City Council, 800 Dunlop Road, Sanibel, FL 33957. City Council gives serious consideration to all comments received from the public.

### Conclusion

Staff has proposed this budget as a framework to guide us as we operate in a challenging economic climate. We recognize that we must remain disciplined and continue to quickly pivot as required to operate within existing resources. We anticipate additional joint sacrifice may be required before the sun sets on fiscal year 2010. We, City Council, the citizenry and city staff, will best meet the challenge of the current economy by working together towards our common goal of maintaining Sanibel as a quality community to live, work and visit.

**ATTACHMENT # 1  
CITY OF SANIBEL  
CHANGES TO FY10 TENTATIVE BUDGET ADOPTED SEPTEMBER 5, 2009**

	Sources of Funds				Uses of Funds				
	Beginning Fund Balance	Revenues	Undercollection Reserve	Total	Appropriations	Reserves	Redemption of Long-term Debt	Ending Fund Balance/Retained Earnings	Total
<b>Tentative Budget as Adopted on 9/5/09</b>	<b>\$ 16,463,372</b>	<b>\$ 27,066,050</b>	<b>\$ (662,422)</b>	<b>\$ 42,867,000</b>	<b>\$ 23,872,637</b>	<b>\$ 640,000</b>	<b>\$ 5,305,000</b>	<b>\$ 13,049,363</b>	<b>\$ 42,867,000</b>
<b>CHANGES</b>									
<b>Adjustment for FY09 Projects that came in under budget</b>									
Resurfacing City Hall drives	50,000			50,000				50,000	50,000
Paving public works driveway	12,000			12,000				12,000	12,000
Drainage maintenance	40,000			40,000				40,000	40,000
Bridge repairs	19,000			19,000				19,000	19,000
<b>Capital Outlays Rolled Forward</b>									
Police Server Room	165,000			165,000	165,000				165,000
Police radios	30,000			30,000	30,000				30,000
Police laptops	4,500			4,500	4,500				4,500
Police security for server room	5,000			5,000	5,000				5,000
Software - HTE Navaline	66,000			66,000	66,000				66,000
Software - HTE Click2Gov	70,000			70,000	70,000				70,000
Parking Machines	110,000			110,000	110,000				110,000
Marine Patrol dock	13,000			13,000	13,000				13,000
Hybrid van	45,000			45,000	45,000				45,000
Police wing A/C work	35,000			35,000	35,000				35,000
Tarpon Bay Road work	50,000			50,000	50,000				50,000
Periwinkle Way engineering work	50,000			50,000	50,000				50,000
Lift Stations emergency generators	35,000			35,000	35,000				35,000
<b>Operating Grants and Projects Rolled Forward</b>									
Planning Dept. professional services	35,600			35,600	35,600				35,600
Algae research grant		382,941		382,941	382,941				382,941
WCIND grant-boat ramp repairs		10,000		10,000	10,000				10,000
TDC Grant-fishing pier & Bowman bridge repairs		35,000		35,000	35,000				35,000
Public Facilities professional services	5,000			5,000	5,000				5,000
Sanibel Bayou sludge removal	50,000			50,000	50,000				50,000
Infiltration/inflow corrections	130,000			130,000	130,000				130,000
Donax facility painting	15,000			15,000	15,000				15,000
Drainage maintenance	20,000			20,000	20,000				20,000
Resurfacing work	80,000			80,000	80,000				80,000
Shared use path maintenance work	80,000			80,000	80,000				80,000
<b>New Grant</b>									
D.A.R.E. grant (School Resource Officer)		39,450		39,450				39,450	39,450
<b>Ball Field Recreation Facilities</b>									
Interlocal agreement with County & School Board		122,646		122,646					
Budget operating expenditures					165,655			(43,009)	122,646
<b>Other Changes (that do not affect total budget)</b>									
Increase City subsidy for employee health insurance (netted by reduction of benefits for change in planning position from full time to part time)					69,210			(69,210)	-
Professional services for pension plan					32,500			(32,500)	-
Upgrade City networking services with Comcast									
Network Services:									
One time installation cost					39,000			(39,000)	-
Monthly service and maintenance costs					37,000			(37,000)	-
<b>TOTAL CHANGES</b>	<b>1,215,100</b>	<b>590,037</b>	<b>-</b>	<b>1,805,137</b>	<b>1,865,406</b>	<b>-</b>	<b>-</b>	<b>(60,269)</b>	<b>1,805,137</b>
<b>Proposed Annual Budget on 9/15/2009</b>	<b>\$ 17,678,472</b>	<b>\$ 27,656,087</b>	<b>\$ (662,422)</b>	<b>\$ 44,672,137</b>	<b>\$ 25,738,043</b>	<b>\$ 640,000</b>	<b>\$ 5,305,000</b>	<b>\$ 12,989,094</b>	<b>\$ 44,672,137</b>

4. **Public Hearing and adoption of RESOLUTION 09-108 ADOPTING THE FINAL OPERATING AND VOTED DEBT SERVICE AD VALOREM MILLAGE RATES FOR TAX YEAR 2009 FOR THE CITY OF SANIBEL, LEE COUNTY, FLORIDA**

**CITY OF SANIBEL, FLORIDA**

**RESOLUTION 09-108**

**A RESOLUTION ADOPTING THE FINAL OPERATING AND VOTED DEBT SERVICE AD VALOREM MILLAGE RATES FOR TAX YEAR 2009 FOR THE CITY OF SANIBEL, LEE COUNTY, FLORIDA.**

**WHEREAS**, Section 200.065, Florida Statutes, establishes the method for determining and levying an ad valorem millage rate and adopting a budget for taxing authorities in the State of Florida; and

**WHEREAS**, the City of Sanibel has duly advertised and held public hearings as required by Florida Statute 200.065; and

**WHEREAS**, the gross taxable value for operating purposes not exempt from taxation within the City of Sanibel, Lee County, Florida has been certified by the Lee County Property Appraiser to the City of Sanibel as \$4,522,682,220.

**NOW, THEREFORE, BE IT RESOLVED** by the City Council of the City of Sanibel, Florida:

Section 1. Operating Millage

The Final Ad Valorem Operating Millage Rate for Tax (Calendar) Year 2009 is hereby adopted at \_\_\_\_\_ mills and the levy of an annual tax for said year is made. The final operating millage rate does not exceed the rolled-back rate of 2.3407 mills.

Section 2. Voted Debt Service Millage Rates

- A. The Final Sewer Voted Debt Service Millage Rate for Tax (Calendar) Year 2009 is hereby adopted at 0.2856 mills and the levy of an annual tax for said year is made.
- B. The Final Land Acquisition Voted Debt Service Millage Rate for Tax (Calendar) Year 2009 is hereby adopted at 0.0561 mills and the levy of an annual tax for said year is made.
- C. The Final Recreation Center Voted Debt Service Millage Rate for Tax (Calendar) Year 2009 is hereby adopted at 0.1172 mills and the levy of an annual tax for said year is made.

Section 3. Effective Date.

This resolution shall take effect immediately upon adoption.

**DULY PASSED AND ENACTED** by the Council of the City of Sanibel, Florida, this 15<sup>th</sup> day of September, 2009 at \_\_\_\_\_ P.M.

AUTHENTICATION:

\_\_\_\_\_  
Mick Denham, Mayor

\_\_\_\_\_  
Pamela Smith, City Clerk

Approved as to Form:

*Kenneth B. Cuyler*  
Kenneth B. Cuyler, City Attorney

9/9/09  
Date

Vote of Council Members:

Denham \_\_\_\_\_  
Ruane \_\_\_\_\_  
Harrity \_\_\_\_\_  
Jennings \_\_\_\_\_  
Pappas \_\_\_\_\_

Date filed with City Clerk: \_\_\_\_\_

5. **Public Hearing and adoption of RESOLUTION 09-109  
ADOPTING THE FINAL BUDGET FOR FISCAL YEAR 2009-  
2010 FOR THE CITY OF SANIBEL FLORIDA; AND PROVIDING  
AN EFFECTIVE DATE**

CITY OF SANIBEL, FLORIDA

RESOLUTION 09-109

A RESOLUTION ADOPTING THE FINAL BUDGET FOR FISCAL YEAR 2009-2010 FOR THE CITY OF SANIBEL FLORIDA; AND PROVIDING AN EFFECTIVE DATE

WHEREAS, Section 200.065, Florida Statutes, establishes the method for determining and levying an ad valorem millage rate and adopting a budget for all taxing authorities in the State of Florida; and

WHEREAS, the City of Sanibel of Lee County, Florida has duly advertised and held public hearings as required by Florida Statute 200.065; and

WHEREAS, after receiving public comments and questions, the City Council has adopted the Final Operating and Voted Debt Service Ad Valorem Millage Rates for Tax (Calendar) Year 2009; and

WHEREAS, the City of Sanibel, Lee County, Florida, set forth the appropriations and revenue estimates in the amount of \$\_\_\_\_\_ for the Fiscal Year 2009-2010 Budget, as amended.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Sanibel, Florida:

Section 1. Budget Adoption

The Final Fiscal Year 2009-2010 Budget is hereby adopted as amended.

Section 2. Effective Date.

This resolution shall take effect immediately upon adoption.

DULY PASSED AND ENACTED by the Council of the City of Sanibel, Lee County, Florida, this 15<sup>th</sup> day of September, 2009 at \_\_\_\_\_ P.M.

AUTHENTICATION:

\_\_\_\_\_  
Mick Denham, Mayor

\_\_\_\_\_  
Pamela Smith, City Clerk

Approved as to Form: *Kenneth B. Cuyler*  
Kenneth B. Cuyler, City Attorney

9/9/09  
Date

Vote of Council Members:  
Denham \_\_\_\_\_  
Ruane \_\_\_\_\_  
Harrity \_\_\_\_\_  
Jennings \_\_\_\_\_  
Pappas \_\_\_\_\_

Date filed with City Clerk: \_\_\_\_\_