

Memorandum

TO: Mayor and City Council

FROM: Bill Horne, City Manager

COPIES: Jill Silverboard, Assistant City Manager
Rod Irwin, Assistant City Manager
Department Directors

SUBJECT: Third Quarter Budget Review - Amended City Manager's Annual Budget Report

DATE: September 5, 2014

Attached is the Third Quarter Budget Review in accordance with the City Code of Ordinances.

The report is based on nine months of activity (October, 2013 through June, 2014) in this fiscal year. The report comments on major variances, as well as documents all proposed amendments.

Significant Fund amendments are outlined below:

General Fund

General Fund revenues and expenditure amendments reflect a net increase of \$3,300,019.

The major reason for the overall General Fund expenditure increase at third quarter is the budget increase of \$2,168,265 in Police and Fire for the supplemental pension plans which is offset by plan revenue. Historically, these revenues and expenditures were reflected in a separate fund, but the Government Finance Officers Association (GFOA) requires that the supplemental plans be reflected in the General Fund. Amendments include appropriations of General Fund retained earnings at third quarter which include \$545,000 to fund the buyback of prior service credit for certain hazardous duty contract employees, \$237,870 to reimburse the Stormwater Fund for surplus land, \$40,000 in funding for the Countryside Library Renovation project, and \$28,200 to fund the HDR Engineering contract; all of which were previously approved by the council. Also included is an appropriation of \$50,000 from General Fund retained earnings to fund an EEOC settlement which is on the Council agenda for September 18, 2014. An allocation of \$186,130 in General Fund retained earnings is also recognized at third quarter to fund the retirement payouts of long term employees in the City Attorney's Office, Office of Management and Budget and Parks and Recreation. Other expenditure increases include \$34,048 for professional services in the City Attorney's Office which is offset by a reimbursement from the Clearwater Marine Aquarium; and \$17,046 to overtime in the Police Department which is offset by reimbursements received from various agencies.

General Fund Reserves – In order to ensure adequate reserves, the City Council's policy reflects that General Fund unappropriated retained earnings of 8.5% of the City's budgeted General Fund expenditures must be maintained as a reserve to guard against future emergencies.

With the closing of the year-end 2013 books, and the allocation of reserves noted above, **estimated General Fund reserves at first quarter are approximately \$19.3 million, or 16.8% of the current year's General Fund budget, exceeding our minimum reserve policy by \$9.5 million.**

Significant amendments to other City Operating Funds are noted as follows.

Water and Sewer Fund

Third quarter amendments to the Water and Sewer Fund reflect a net increase of \$1,200,000. This increase is the result of increased water purchases from Pinellas County due to production interruptions related to the RO#1 Expansion and RO#2 construction projects. Fiscal year revenues of the Water and Sewer Fund more than offset this proposed budget increase. Also reflected is an amendment recognizing costs associated with the transfer of five electricians from Building and Maintenance which was approved by City management in February. This amendment is offset by a decrease to building and maintenance fixed charges leaving a zero net effect on Water and Sewer fund expenditures.

Gas Fund

Budget amendments to the Gas Fund expenditures reflect a net increase of \$337,670. This is primarily the result of increases to various operating expenditures including; resale purchases, fuel, operating supplies, machinery and equipment purchases, promotional activity, an increase in internal costs for building and maintenance variable charges, and small capital purchases. All Gas Fund expenditure increases are offset by enhanced revenue amendments which more than offset the balance of the proposed budget increases.

Solid Waste Fund

Budget amendments to the Solid Waste Fund expenditures reflect a net decrease of \$95,480. Amendments include an increase of \$48,000 to garage services due to higher than expected repair costs which is offset by a decrease of \$60,800 to dump fees and a savings of \$85,850 in personal services.

Recycling Fund

Budget amendments to the Recycling Fund expenditures reflect a net decrease of \$139,800 which represent reductions to personal services, advertising, contractual services, operating supplies and inventory purchases. Revenue amendments represent a decrease of \$16,400 in the sale of recyclables due to the lower priced sales of single stream commodity, and increases of \$7,000 to recycling fees and \$48,000 to other general revenue. An amendment recognizing a reduction of \$178,400 to the estimated use of Recycling Fund retained earnings is reflected to bring the Recycling Fund in balance at third quarter.

Parking Fund

Third quarter amendments to the Parking Fund reflect an increase of \$16,316 to expenditures in the Beach Guard program. This includes an increase of \$12,000 in garage service charges to fund higher than expected repair costs as well as under budgeted debt costs; and an increase of \$4,316 to fund the upgraded cost of replacing a club car with a vehicle better able to handle the extreme beach conditions.

General Services Fund

Third quarter amendments to the General Services Fund reflect a decrease of \$175,015 representing costs associated with the transfer of five electricians to the Public Utilities Department which was approved by City management in February. An offsetting decrease to Building and Maintenance Charge revenues is also recognized to bring the General Services fund in balance at third quarter.

Garage Fund

Third quarter amendments to the Garage Fund reflect an allocation of \$13,860 in Garage Fund retained earnings to fund the retirement payout of a long term employee.

Capital Improvement Fund

Third quarter amendments to the Capital Improvement Fund reflect an increase of \$2,095,802. This increase is primarily a result of the following amendments: an increase of \$1,000,000 to the Magnolia Drive Outfall project and \$750,000 to the Reclaimed Water Distribution System representing other governmental revenue from SWFWMD, and an increase of \$812,668 in Sales Tax Infrastructure revenue and \$40,000 in General Fund revenue for the Countryside Library Renovation project. All major project budget increases listed above have been previously approved by Council and are also summarized on page 20.

Project activity not previously approved by the Council, includes: a decrease of \$578,504 of other governmental revenue from SWFWMD in the Tropic Hills Phase III project due to completion of the project under budget; an increase of \$47,554 in Property Owners Share for the Expanded Energy Conservation project; an increase of \$13,180 of other governmental revenue representing reimbursement from SWFWMD for the Reclaimed Water Distribution System project, and an increase of \$9,297 in grant revenue from the Florida Department of Environmental Protection for the Utilities Services Replacement project.

Special Program Fund

The Special Program Fund reflects a net budget increase of \$642,329 at third quarter. Significant amendments include the recognition of over \$110,000 in grant proceeds supporting programs for the Report Review Team, Investigative Recovery Costs, and Federal Forfeiture Sharing; over \$207,000 for the special events and sponsorships programs in the last three months; over \$137,000 in fines and court proceeds to support public safety programs; and over \$365,000 in revenues for police outside duty contractual services.