

Budget Overview

Special Project Carry-Overs – Carry forward into the new year through the budget resolution with the corresponding revenue source of the prior year. These are projects and/or purchases that are incomplete as of September 30 of any fiscal year that will be continued and made part of the appropriations for the ensuing year. These are budget funds for large items (usually capital purchases, projects, or studies) that were authorized and appropriated by City Council in a prior fiscal year but were spent due to time constraints.

Encumbrance Carry-Overs – Carry forward into the new year through the budget resolution with the corresponding revenue source of the prior year. In general, purchase orders close out at the end of the fiscal year unless they are identified for carry-over as part of the budget process of the ensuing year. These encumbrances were authorized, budgeted, and appropriated by City Council in a prior fiscal year but were not fully receipted in due to the ongoing nature of the expense.

Interfund Transfers

The City's interfund transfers are comprised of two components.

Cost Allocation Plan (amounts updated annually to reflect inflation) – Perform monthly transfers to provide reasonable and proportionate reimbursement to the General Fund for services identified in the City's Cost Allocation Plan (last updated in 2003):

- Accounting – payroll, accounts payable and receivable, general accounting
- Human Resources – recruitment & retention, benefits administration, insurance & risk management
- Information Technology – hardware & software management, network support
- Public Works – engineering, service maintenance, fleet maintenance, drainage, general labor
- Purchasing – competitive bidding, purchase of general goods and supplies

Due to the organizational restructuring that has occurred since the last Cost Allocation Plan was prepared, staff anticipates completing a new allocation plan during FY 2008-09.

Other Shared Expenses (amounts updated annually as needed) – Allocate costs that are not directly related to services provided by other funds, though nonetheless partly attributable to those funds, as well as new programs and services not in place at the time of the Cost Allocation Plan update. Examples include property and casualty insurance, attorneys, employee morale, and CRA police officers.

Reserves

There are three types of General Fund reserves, which are identified annually in the City's Comprehensive Annual Financial Report (i.e. audit):

- ♦ Reserved – funds committed for identified purposes or legally required to be segregated; not available to liquidate liabilities of the current period
Examples: encumbrances, Harvey Trust
- ♦ Unreserved/Designated – funds not required to be identified as a reserve fund balance, but a tentative use has already been identified
Examples: disaster relief, retirement contributions
- ♦ Unreserved/Undesignated – funds not required to be on hand and have not been identified for a particular purpose; available for capital projects or to balance the budget; a crucial indicator of a government's financial flexibility to deal with funding emergencies

Update General Fund unreserved/designated fund balances on an annual basis in conjunction with the annual audit, as endorsed by City Council at the May 2008 Budget Policy Meeting.

Health Insurance – Any budget funds remaining at year-end will revert to designated fund balance to cushion against increases in future years.

Pension – Budget based on the actuarial annual required contribution. Any budget funds remaining at year-end will revert to designated fund balance to cushion against increases in future years.

Workers Compensation – Any budget funds in excess of the carrier's annual audit amount will revert to designated fund balance to cushion against increases in future years.

Budget Overview

Maintain a minimum General Fund unreserved/undesignated fund balance of 30% of total annual expenditures as endorsed by City Council at the May 2008 Budget Policy Meeting. The City is fiscally sound as reported by our independent auditors and compared to various benchmarks. No appropriation from unreserved/undesignated fund balance is budgeted to balance the General Fund budget in FY 2008-09. However, \$178K is budgeted to be used as part of a two-year program to eliminate the Golf Fund's negative equity in pooled cash (i.e. the Golf Fund's negative share of the City's commingled funds).

General Fund Reserve Analysis

Benchmark Reserve Levels:	Actual				Estimate	Estimate
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
GFOA - 15% of operating revenues min.; should be higher if coastal community	33.8%	28.9%	47.6%	35.4%	47.2%	41.8%
GFOA - 17% operating expenses min.; should be higher if coastal community	31.5%	28.4%	37.5%	35.4%	36.8%	35.5%
FLOC revenue expert - 25%-30% of total expenses for coastal community	31.2%	27.6%	36.5%	34.1%	35.9%	34.4%
Auditors - 33% of operating expenses	31.5%	28.4%	37.5%	35.4%	36.8%	35.5%
Unreserved/Undesignated Fund Balance	\$5,279,922	\$5,415,597	\$8,105,314	\$6,740,055	\$7,000,091	\$6,612,968

Maintain positive net assets in the Enterprise Funds. Enterprise funds have restricted (e.g. debt service, impact fees) and unrestricted (purpose unidentified; available for use) net assets. The measure of financial health for the enterprise funds is net assets. So long as net assets are not negative, these funds are self-supporting.

Total Net Assets Analysis

	FY 2004	FY 2005	FY 2006	FY 2007	Estimate	Estimate
					FY 2008	FY 2009
Utilities Fund	\$24,431,403	\$24,950,477	\$25,554,593	\$27,019,016	\$26,498,742	\$26,604,680
Sanitation Fund	\$3,373,149	\$3,246,304	\$2,989,626	\$2,999,695	\$2,792,813	\$2,700,197
Golf Fund	\$401,970	\$141,679	\$606,553	\$407,199	\$173,380	\$296,596
Stormwater Fund	n/a	n/a	n/a	n/a	n/a	\$89,407

The Utilities and Sanitation Funds remain healthy with comfortable net assets. The net assets of the Golf Fund have been decreasing over the past several years for a variety of reasons including low rates, course renovations, clubhouse construction, the recessionary economy, and hurricane damage. Total net assets of the Golf Fund have declined each year since FY 2003 with the exception of FY 2006, during which the fund incurred a net profit due to the trade-in for new golf carts and City Council's forgiveness of \$273K of debt to the General and Sanitation Funds. Total net assets are projected to be depleted without assistance from the General Fund. To this end, a \$178K is budgeted as a transfer from the General Fund as part of a two-year plan to erase the Golf Fund's negative equity in pooled cash and rebuild net assets. The Stormwater Fund is new for FY 2008-09.

Identify changes in reserves that are greater than 10%.

Law Enforcement Trust Fund – a \$28,943 or 13.8% decrease. The City does not budget forfeiture proceeds, so an appropriation from undesignated fund balance is required each year to balance the budget although often no appropriation is actually need at year-end. Forfeitures are classified as state or federal depending on the origination of the funds. It is anticipated the federal portion of reserves will be depleted by end of FY 2009; consequently, it is likely that future uniform and ammunition expenses will need to be absorbed by General Fund.

Law Enforcement Training Fund – a \$32,282 or 96.7% decrease. As traffic fine revenues dwindle due to a change in the state-mandated distribution formula, fund balance has been increasingly relied upon to balance the budget. It is anticipated reserves will be depleted by end of FY 2009; consequently, it is likely

Budget Overview

that future school crossing guards and police department training expenses will need to be absorbed by General Fund.

Golf Fund – a \$123,216 or 71.1% increase due to a \$178K transfer from General Fund.

Stormwater Fund – a \$89,407 or 100% increase due to revenues exceeding expenses for this new fund.

<u>Total Fund Balance/Net Assets (reserves)</u>	<u>Actual 09/30/07</u>	<u>Estimate 09/30/08</u>	<u>Estimate 09/30/09</u>
General Fund	\$12,863,374	\$9,609,596	\$9,339,115
Law Enforcement Trust Fund	\$241,313	\$209,748	\$180,805
Law Enforcement Training Fund	\$66,670	\$33,371	\$1,089
Community Development Block Grant Fund	n/a	n/a	n/a
Community Redevelopment Agency Fund	\$2,895,824	\$2,895,824	\$2,895,824
Debt Service Fund	\$92,730	\$92,730	\$92,730
Capital Projects Fund	\$56,550	\$0	\$0
Beal Memorial Cemetery Fund	\$1,787,789	\$1,857,164	\$1,927,327
Utilities Fund	\$27,019,016	\$26,498,742	\$26,604,680
Sanitation Fund	\$2,999,695	\$2,792,813	\$2,700,197
Golf Fund	\$407,199	\$173,380	\$296,596
Stormwater Fund	n/a	n/a	\$89,407

