



CITY OF CLEARWATER

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CITY MANAGER

October 26, 2011

Honorable Mayor and Members of the City Council
City of Clearwater, Florida

I am pleased to present the annual operating and capital improvement budget for the City of Clearwater for the 2011/12 fiscal year. The adopted budget is \$356,637,710 for citywide services, a decrease of almost \$12 million across all city operations. The General Fund budget reflects expenditures of \$109,111,070, a decrease of 2% from the current budget of \$111,470,350 and a reduction of 23.5 full-time positions in the General Fund. The adopted millage rate of 5.1550 mills remains the same for the third consecutive fiscal year, representing a decrease of 4.31% from the rolled-back rate of 5.3874 mills.

Budget Process

In April, staff and the City Council reviewed a five year financial forecast of the General Fund. At that time, the forecast recognized a 7.5% decrease in property values in the new budget year, and staff reviewed several significant reduction proposals including staffing reductions of Police officers and detectives, the elimination of Fire/Rescue Squad 51, and the closure of at least one branch library. Fortunately, property values fell only 3.2% in this budget and allowed these tough options to be postponed for at least one more year.

The City continues to strategically review service operations for efficiencies and budget savings. In the last two budget processes, efficiency reviews have been performed and recommendations presented to the City Council on the operations of both the Police and Fire operations, and a certain number of these recommendations have been implemented. This fall, the findings of an outside review of the Public Utility operations were presented to Council. Several of the recommendations will be implemented in the coming year.

Staff has also identified operating efficiencies in our small to mid-size operations over this same period, and continues to offer opportunities in this budget. This year, the City's Internal Audit department reviewed operations of the Building and Maintenance Division. Based upon the recommendations of the internal report, the adopted budget provides the elimination of nine FTE positions. The outsourcing of non-routine electrical, plumbing, air conditioning, and other work will provide more than \$400,000 of annual operating savings.

At the April meeting, staff reviewed a change with Council which has already been implemented in the current budget year. The Urban Forestry program, which previously resided in the Public Services department, has been consolidated in the Parks and Recreation Department resulting in the elimination of

four FTE positions. Although we will now be outsourcing a good portion of this work, the resulting net savings from this consolidation is \$160,000 annually.

Expected reductions in State revenues have resulted in the elimination of two positions in the Economic Development Housing program, an accountant and a staff assistant. Additionally, the position of economic development specialist has been eliminated in this budget.

In the Police Department, staffing changes result in the elimination of 2.7 vacant Communication Operator positions. But, the Chief has also been informed that we must provide two additional School Crossing Guards in the 2011/12 school year. Other ancillary changes will result in a net staffing increase of 1.1 FTE positions in the Police Department. In addition, there is service level funding reduction of \$100,000 in the budget due to the closure of the Clearwater Housing Intervention Project.

Clearwater Fire & Rescue provides emergency medical services (EMS) in the Clearwater Fire District on behalf of Pinellas County. Due to the current economic climate of declining property values, the County terminated the existing five-year EMS contract with the city and with each of the other municipalities effective at the end of fiscal year 2009. The City continues to work under a one-year contract with Pinellas County that will expire September 2011 while Pinellas County continues to review options for the future funding of the countywide EMS program. This budget includes the elimination of four FTE positions in Fire including a staff assistant and three Fire Lieutenant positions. In addition, although the position is not recommended to be eliminated, the Deputy Chief position is not funded and will not be filled in the new budget year.

Further changes to the Parks and Recreation Department budget recognizes the elimination of 3.4 FTE positions as the department continues to strategically streamline their operations, but will continue to maintain the current facilities and programs. All special event programs remain funded at current levels and continue to focus on core City events.

Staffing in the Planning and Development Department has been reviewed in detail and several changes have been implemented. Although the position of Assistant Building Official was not eliminated in the 2009/10 budget, the position was not funded in the current year. In the approved budget, this position is now funded allowing the Department to fill this key position. But, two other positions of Urban Designer and Inspection Specialist have been eliminated in this budget. The responsibilities of these positions will be absorbed by current staff.

Other staffing reductions include the elimination of an Engineering Specialist position in the Engineering Department. The responsibilities of this position will now be shared among the remaining engineers. A position of City Clerk Specialist will not be filled in the Official Records and Legislative Services Department. The position of Buyer will be eliminated in the Finance Department due to City-wide purchasing efficiencies, a Public Communications Specialist position will be eliminated in Public Communications, and a Public Services Trainer position will be eliminated in Public Services.

Almost every City department has been impacted by reductions in staffing levels once again, and most operating expenditures have remained status quo or reduced from current levels throughout the organization. As we whittle away at staffing levels, but continue to support all City facilities and most service programs, the impacts are not always easy to measure. All of the above changes are manageable, but all will likely impact response times to some extent in these departments. A complete list of all personnel reductions is included at the conclusion of this letter and executive summary.

As I had outlined last year, budget reductions of the last several years are defining changed policy and financial strategies, but the City Council's vision has not been revised for years. Once we have a new Council seated next year, I suggest that the City Council explore possible changes in our current vision to define a core foundation to guide budget and service level decision making.

National and State Economic News

The economic news at this time in our nation's history is not the most enlightening. The national economy continues to struggle with a U.S. unemployment rate exceeding 9% and a growing alarm about Europe's debt crisis. Along with this gloomy picture, the stock market fell by more than 12% in the quarter ending September 2011.

In the state of Florida, housing remains an anchor to any improvement in the state economy. Foreclosures in the month of July were the second highest in the United States. While home prices have dropped, the huge backlog of homes on the Florida market will take years to clear. The Florida job market will take a long time to recover with more than 845,000 jobs lost since the most recent peak.

Future Planning

For the second consecutive year, the adopted budget provides for a balanced budget with no millage increase, but also plans an allocation of \$291,830 to General Fund reserves. This savings provides a safety net, and the first step toward balancing the 2012/13 budget if values fall any further.

Our budget challenges are many, and will continue into the next budget year. At the local level, we have no assurance that property values have hit bottom, and will most likely be feeling the effect of further reductions next year. Although we have seen some improvement in sales tax and permitting revenues, the local economy continues to stagnate, and no major growth is anticipated in the near future. The recent census data reflects a slight loss in the City's population, which will likely impact some of our revenues receipts in this next decade. And, we will be continuing the process of pension negotiations with our unions and implementing changes to our current pension plan for at least the next few years.

At the State level, I anticipate TABOR legislation at the local level may be a subject of the next legislative session that would cap local budgets impacting all municipal budgets well into the future. In addition, it has recently come to our attention that State Legislature next year may consider a further effort to decrease local government tax rates by restricting city authority to set communications services tax rates. And a bill expected to be introduced at the next legislative session, if passed, could eliminate Clearwater's ability to levy and collect the local Business Tax reducing approximately \$2 million in general fund revenue.

GFOA Budget Award

The Government Finance Officers Association of the United States and Canada (GFOA), a national organization, each year nationally recognizes budgets that meet certain rigorous standards. GFOA has awarded the City of Clearwater this award for each of the past twenty-five years. In order to receive the budget award, a government must publish a budget document that meets program criteria as a policy document, as a financial plan, as an operations guide, and as a communications device.

We believe that this budget document continues to conform to program requirements, and will be submitted to the GFOA to determine its eligibility for another award. This award, along with the Certificate of Achievement for Excellence in Financial Reporting received for the City's annual Comprehensive Annual Financial Report, helps the City of Clearwater present a quality image to bond rating agencies and other outside agencies with which the City does business.

Public Process

The preliminary budget was formally presented to the City Council at the regular work session of July 18, 2011. At the July 21st City Council meeting, the City Council set the preliminary millage rate of 5.1550 mills that was included in the TRIM notice to property owners in August. The first public hearing on the tentative millage rate, operating, and capital budget was held the evening of September 14th at the regularly scheduled City Council meeting. The second and final public hearing to adopt the final millage rate and budget was held at a Special Budget meeting on September 29th at 6:00 p.m. All citizens and property owners were encouraged to attend and participate in all of the above meetings. All public hearings were noticed per TRIM requirements and all of the above meetings were televised. In addition, the budget agenda and all pertinent documents are available to citizens on the City's website approximately a week prior to all public budget meetings.

I would like to sincerely thank the Mayor and City Council for the support, confidence, and guidance given to the leadership team and myself this past year. Special thanks and appreciation are extended to the department directors and their staffs who have worked so diligently through the decisions necessary to make this process a positive one. I look forward to another great year as we strive to deliver the highest quality public services to the citizens.

Respectfully submitted,

A handwritten signature in black ink that reads "William B. Horne II". The signature is written in a cursive style with a large initial 'W' and a distinct 'II' at the end.

William B. Horne, II
City Manager

Executive Summary

The following provides a summary of some of the other major components of the budget, including information on each of the City's enterprise and internal service operations, as well as the Capital Improvement budget.

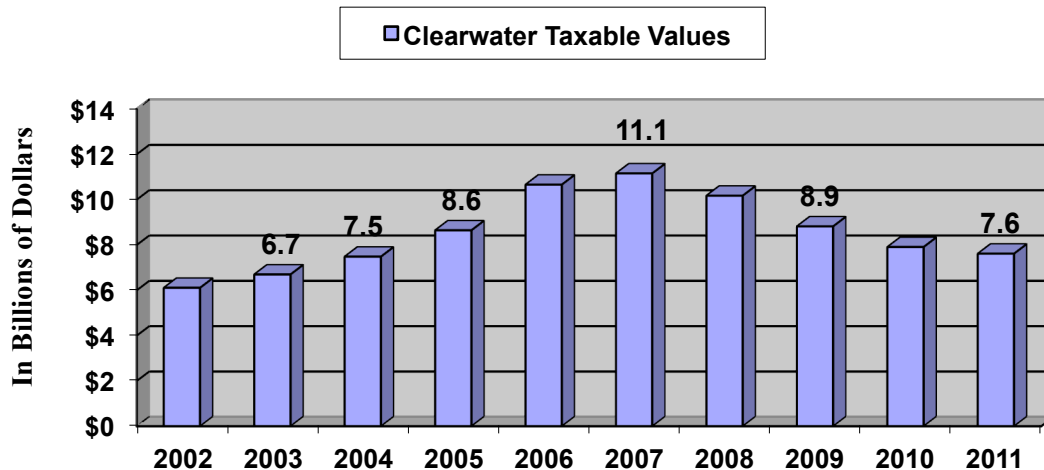
Taxable Values

Taxable property values have fallen again, but not quite as drastically as the past few years. Rather than the double digit decline of our current budget, 2011 taxable values are projected to decrease by 3.2%, from \$7.9 billion to \$7.6 billion, including new construction. The value of new construction totals approximately \$100 million. As seen in the table below, after peaking with the 2007 values, total City taxable values have declined by 32% in a four year period.

City of Clearwater Taxable Values

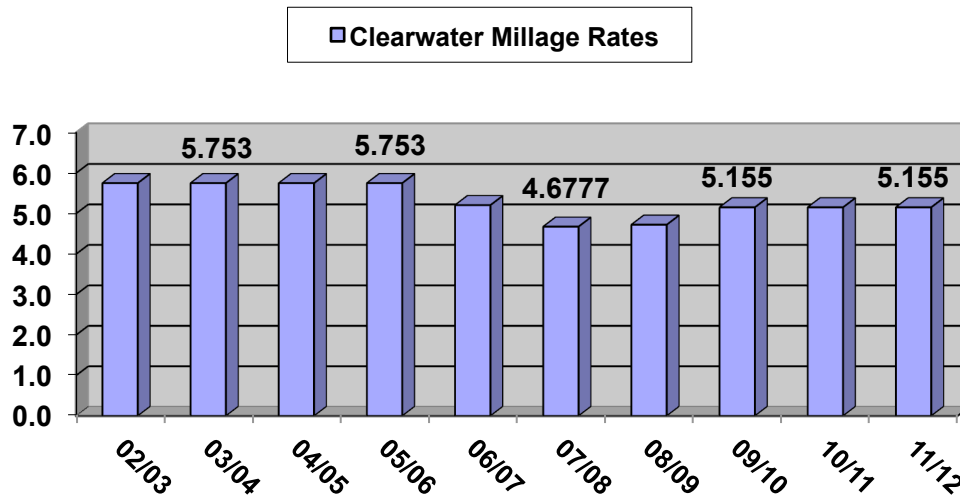
2011 Taxable Value	\$ 7,614,685,194	
2010 Taxable Value	7,866,410,324	
Net Decrease	\$ (251,725,130)	(3.2%)

<u>Analysis of Taxable Value Loss:</u>		
Loss in Current Values	\$ (352,344,326)	
New Construction and Annexations	<u>100,619,196</u>	
Total Decrease in Taxable Value	\$ (251,725,130)	



City Millage Rate

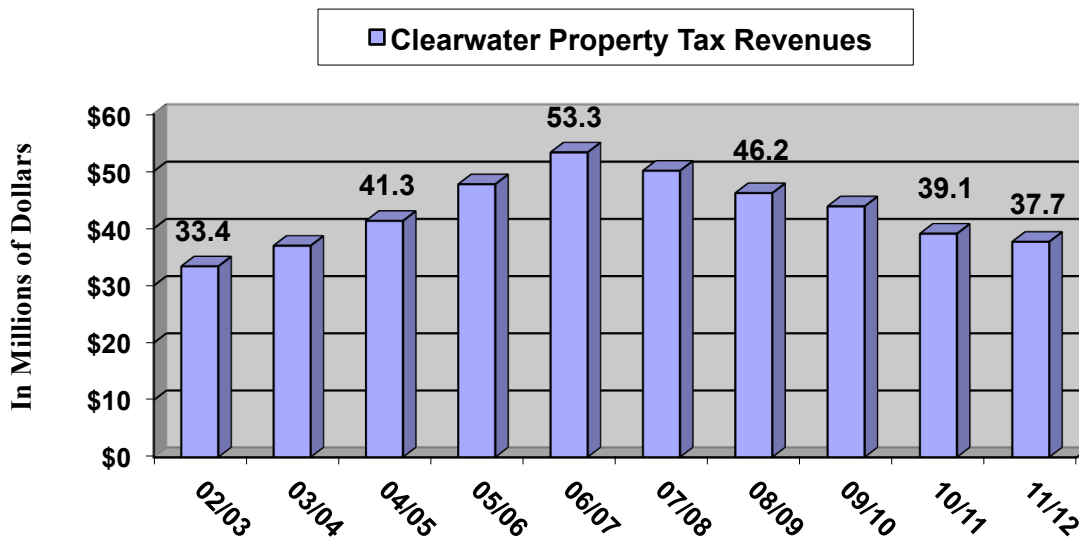
The following table provides a history of the City's millage rate. The rate was at the highest point in fiscal years 2003 through 2006 at 5.753 mills and at the lowest point in fiscal year 2007/08 at 4.6777 mills after the passage of Amendment 1.



The General Fund budget is a balanced budget, with an approved millage rate of 5.1550 mills for 2011/12, the same millage rate as the last two fiscal years. The rate reflects about a 4.31% decrease from the rolled back rate of 5.3874 mills, and therefore generates approximately \$1.4 million less in property tax revenues than the 2010/11 budget, as outlined in the next table.

Property Tax Revenues

The property tax millage rate of 5.155 mills will generate approximately \$35.9 million to support General Fund operations in fiscal year 2011/12, a 4% reduction of \$1.3 million from the 2010/11 budget. In addition, per City Council policy, a portion of the total millage is set aside to provide funding for City road maintenance projects. The road millage has also been reduced from \$1.86 million in 2010/11 to \$1.8 million in 2011/12, a further reduction of \$67,000 from the 2010/11 budget, reflecting a total reduction of \$1.4 million in the City's reliance on property tax revenues.



In total, property tax revenues have dropped from a high of \$53.3 million in fiscal year 2006/07 to an estimated \$37.7 million in fiscal year 2011/12, a reduction of \$15.6 million in five years.

An interesting observation when reviewing the last three graphs presented above is that 2011 taxable values of \$7.6 billion are almost the same as the 2004 values of \$7.5 billion. At that time, the City's millage rate was 5.753 mills compared to the adopted 5.1550 mills for the new fiscal year, and City property tax revenues are 9% less today, at \$37.7 million for 2011/12 as compared to \$41.3 million in 2004/05.

Change in Full-time equivalents

- Total full-time equivalent positions for 2011/12 are reflected at 1,679.7 FTE's, a reduction of 28.7 FTE positions from the amended 2010/11 budget;
- General Fund employees total 1,018.4, a reduction of 23.5 FTE's;
- The City has reduced city-wide full-time equivalent positions by 14% since the peak staffing levels of fiscal year 2006/07, and General Fund full-time equivalent positions by 21% over the same five year period.

A list of changes to FTE positions across all City operations, including the transfer of FTE positions between Departments, is included at the end of this section.

Employee Merit and Step Increases

- The current contracts for the FOP and FOP Supervisors bargaining units will expire on September 30, 2012. The budget in the Police Department reflects bargained step increases only effective October 1, 2011 for all Police union employees. No general wage increases are budgeted.
- The most recent contract for the Fire union expired on September 30, 2008. The budget in the Fire Department reflects bargained step increases only effective October 1, 2011 for all Fire union employees. No general wage increases are budgeted.
- The 2010/11 fiscal year was the third year of a three-year contract for the CWA union, but the contract has a wage re-opener for the current budget year. The budget does not provide for any merit increases for CWA union employees in fiscal year 2011/12.
- The budget does not provide for any merit increases for SAMP level (Supervisory, Administrative, Managerial, and Professional) employees in fiscal year 2011/12.

City Pension Costs

The actuary report for the Employees' Pension Plan as of January 1, 2011, indicates that a required City contribution of \$18,886,567, which is 24.69% of covered payroll, is required for fiscal year 2011/12. The City's fiscal year 2010/11 required contribution was \$19,361,992 or 24.07% of employee salaries and wages. The 2011/12 budget reflects a 3% increase in the pension contribution rate, from 24.07% to 24.69% of covered payroll which, due to reductions in staff levels and limited pay increases, provides approximately \$18.15 million of the required contribution for the 2011/12 budget. Any shortfall in required contributions will be funded from the pension plan credit balance, which has a current balance of approximately \$7.1 million.

Medical Insurance Costs

In fiscal year 2011/12, the cost of medical insurance for employees is budgeted at \$9.7 million across all City operations, a reduction of \$166,000, or 2%, from 2010/11, due to the elimination of full-time positions across the City. The cost to the General Fund is estimated at \$5.9 million, down from \$6 million in 2010/11.

Historically, City medical insurance contributions have been budgeted on an average per employee basis, which has been \$6,200 per employee for the last three budget years. On an average basis, this same amount of \$6,200 per employee remains constant in the 2011/12 proposed budget. This complies with the City Council direction to maintain City costs for employee medical insurance at a constant level.

The City continues in its efforts to control medical insurance costs with the operation of the Employee Health Center, which reached a one year anniversary in July 2011. The clinic provides primary and acute health care and prescription medications free to those enrolled in the City's medical insurance at a lower cost than claims for similar services that would be submitted through our current health care provider, resulting in savings to employees and ultimately the City with reduced claims.

Property and Liability Insurance

The City's budget for property and liability risks for fiscal year 2011/12 is approximately \$3.27 million, as compared to \$3.48 million in fiscal year 2010/11, a decrease of approximately 6%. The cost to the General Fund is estimated at \$1.82 million, down from \$1.86 million in 2010/11, a decrease of approximately 2.5%. In March, the City Council directed staff to increase the level of insurance for property coverage for city-owned assets from \$35 million to \$50 million. The City self-insures for any losses above this amount. The fiscal year 2011/12 budget allows for a rate adjustment at renewal and assumes that the City continues to insure at the \$50 million limit.

Worker's Compensation

The City's cost for worker's compensation is expected to increase by approximately 7% in the new fiscal year. In fiscal year 2011/12, worker's compensation costs across all City operations will increase from \$2.11 million in fiscal year 2010/11 to approximately \$2.26 million in this budget, an increase of almost \$149,000 citywide. These costs affect the various funds in different ways since the costs are allocated based upon the number of employees and the worker's compensation claims experience. The costs to the General Fund increased by approximately \$100,000, mainly in Fire, Planning Construction Services, and Parks and Recreation.

Debt Administration

The City maintains separate accounting records for all debt principal, interest, and reserve requirements for all General Government Debt. Separate budgets are not adopted for these debt service funds, but appropriations are included in the operating expenditures of all related operating funds. There is no general obligation debt outstanding as of September 30, 2011, and no general obligation bonds have been issued during this past year.

Per City Charter, the City's indebtedness, including revenue, refunding and improvement bonds, shall not exceed 20% of the current assessed valuation of all real property located in the City. At fiscal year-end 2010, the City's outstanding debt of approximately \$249 million represents about 3% of the assessed \$8.4 billion valuation of non-exempt real estate, well within the resource capacity of the individual pledged

sources. This computation includes all outstanding revenue bonds as well as all outstanding lease purchase contracts.

General Fund Reserves

The City Council's current policy requires that the City maintain a General Fund reserve equal to 8% of the subsequent year's budgeted expenditures as a contingency fund to meet unanticipated financial needs. In addition, the City Council will maintain an additional General Fund reserve equal to ½% of the subsequent year's budgeted expenditures to fund retirements of General Fund long-term employees during the given fiscal year.

Based upon the proposed General Fund budget, the City will maintain a General Fund reserve of approximately \$19.4 million, or 17.7% of the fiscal year 2011/12 proposed operating budget. This maintains the City's General Fund reserve at a level of approximately \$9.3 million over the required reserve policy.

General Fund Expenditures

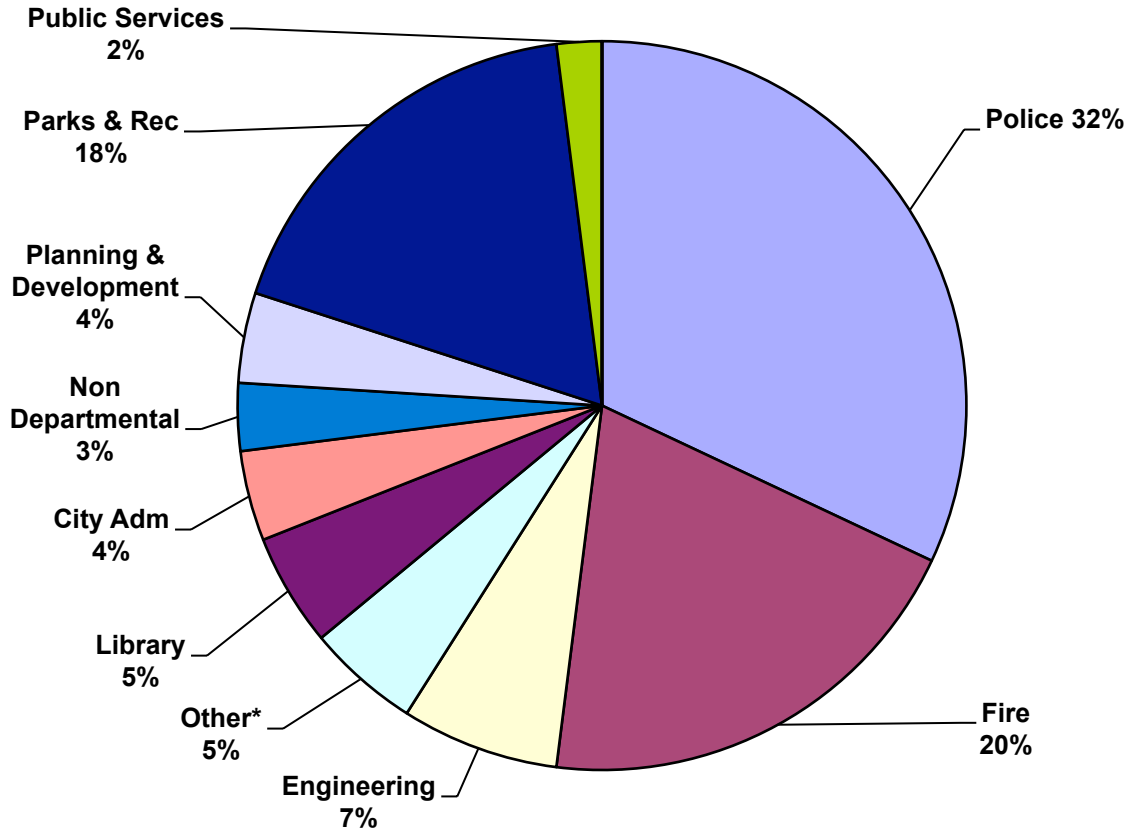
With the program reductions outlined above and reductions in full-time equivalent positions, almost all General Fund Departments, reflect a reduction in comparison to the 2010/11 budget. Total General Fund expenditures for the 2011/12 budget are 2% less than the previous budget. Since fiscal year 2008/09, the City has reduced annual operating expenditures in the General Fund by 8% from \$119 million to \$109 million. And, since Amendment 1 was adopted in June 2007, General Fund annual operating expenditures of the General Fund have been reduced by 10% from peak levels in the 2007/08 budget year.

The tables and graphics provided on the following pages provide some insight as to budget impacts by Department and by major General Fund category.

GENERAL FUND EXPENDITURES BY DEPARTMENT

Fiscal Year 2011/12

\$ 109,111,070



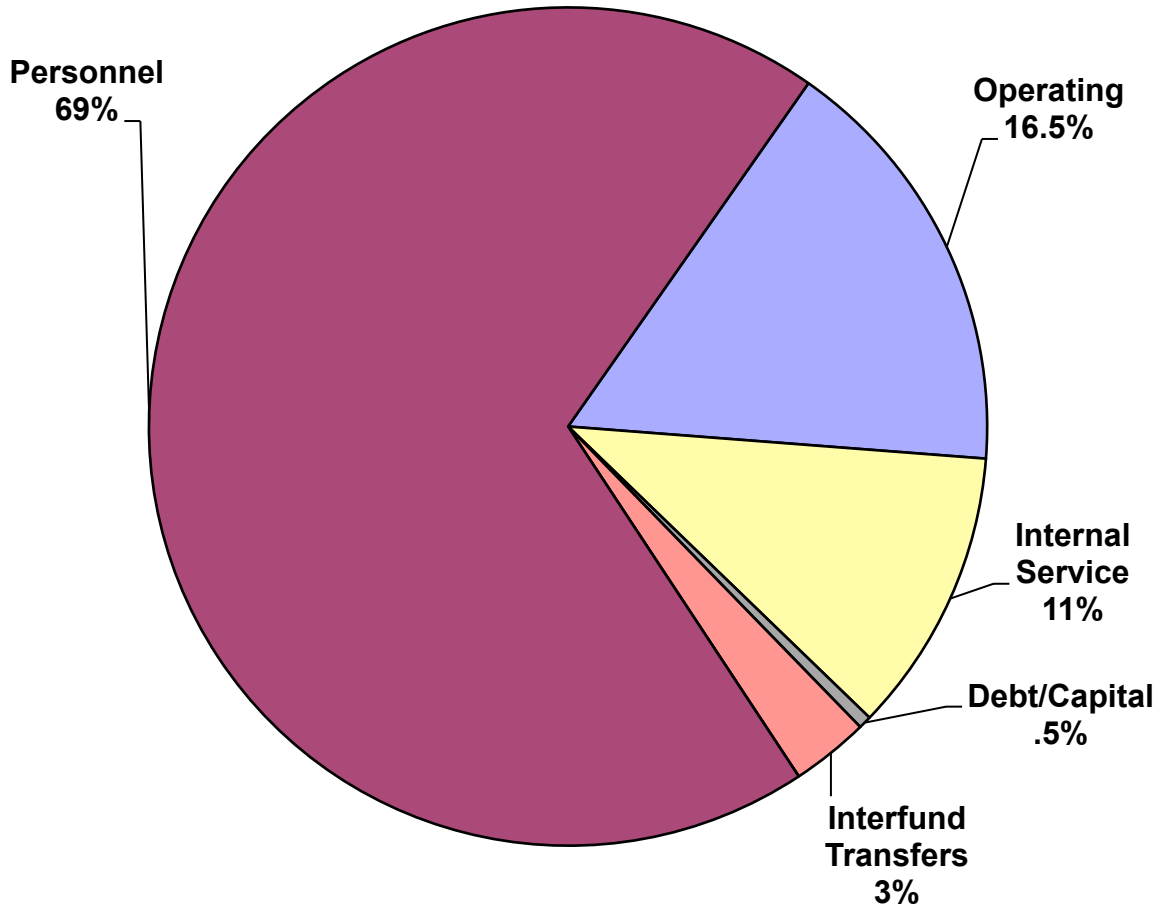
Department	2008/09	2009/10	2010/11	2011/12	% Change
Police	\$ 36,949,610	\$ 37,415,990	\$ 36,371,290	\$ 35,109,050	(3%)
Fire	21,258,430	21,760,100	22,406,590	22,041,120	(2%)
Parks and Recreation	21,123,800	19,739,130	19,006,070	19,408,310	2%
Non-Departmental	4,748,000	4,903,750	3,254,400	3,079,970	(5%)
Engineering	7,283,880	7,441,890	7,283,430	7,136,150	(2%)
Library	6,065,270	5,710,940	5,718,790	5,614,650	(2%)
City Administration (1)	5,081,040	4,750,300	4,461,460	4,469,060	0%
Planning & Development Services	5,539,010	4,679,890	4,461,860	4,517,140	1%
Public Services	3,546,560	2,580,000	2,436,100	1,647,430	(32%)
Finance *	2,265,030	2,195,470	2,180,180	2,130,100	(2%)
Economic Development *	1,389,940	1,374,570	1,347,210	1,199,880	(11%)
Pier 60/Sailing Ctr/Beach Guards *	1,248,600	564,440	540,540	550,530	2%
Human Resources *	1,212,180	1,108,350	1,052,110	1,030,420	(2%)
Public Communications *	1,088,580	1,031,750	950,320	885,430	(7%)
Annual Operating Expenditures	118,799,930	115,256,570	111,470,350	108,819,240	(2%)
General Fund Reserves		196,730		291,830	
Non Departmental –Capital (2)	2,300,000				
Total Operating Budget	\$ 121,099,930	\$ 115,453,300	\$ 111,470,350	\$ 109,111,070	(2%)

- (1) Includes budgets of City Council, City Manager’s Office, City Attorney’s Office, Official Records, Office of Management and Budget, and City Audit.
- (2) In 2008/09, the Non-Departmental program includes the allocation of \$2.3 million of General Fund reserves to fund the Long Center & McMullen Tennis capital improvement projects.
- (3) * These programs are reflected in the category of “Other” on the above graph.

GENERAL FUND EXPENDITURES BY CATEGORY

Fiscal Year 2011/12

\$ 109,111,070



Category	2008/09	2009/10	2010/11	2011/12	% Change
Personnel	\$ 79,444,660	\$ 77,650,700	\$ 77,542,810	\$ 75,122,150	(3%)
Operating	18,956,170	18,826,380	17,677,510	18,033,460	2%
Internal Service	14,140,360	13,247,800	12,148,560	11,551,100	(5%)
Interfund Transfers	6,567,580	3,764,730	3,508,990	3,417,600	(3%)
Debt Service	1,887,980	1,646,060	534,810	656,290	23%
Capital	103,180	120,900	57,670	38,640	(33%)
Allocation to Reserves		196,730		291,830	n/a
Total Operating Budget	\$121,099,930	\$115,453,300	\$111,470,350	\$109,111,070	(2%)

GENERAL FUND REVENUES

Property tax revenues represent 33% of the total General Fund revenues, down from a high of 41% in fiscal year 2006/07. Property tax revenues for General Fund purposes are \$35.9 million, down from \$37.3 million in the 2010/11 budget.

Franchise and Utility tax revenues continue to provide the second largest source of General Fund revenues, and represent the only major revenue source providing any steady annual growth. Franchise and utility taxes collected on power and utility services are anticipated to be \$23.9 million, representing 22% of fiscal year 2011/12 budgeted revenue, reflecting an increase of 2% from the 2010/11 budget.

The General Fund is reimbursed by the various Enterprise Funds for administrative services provided to those operations including a portion of the City Manager, City Attorney, Human Resources, and Finance Departments. The General Fund is also reimbursed for any direct services provided to Enterprise Funds by operational departments such as Parks and Recreation or Public Works. And finally, most of the Enterprise operations pay the General Fund a “payment in lieu of taxes” (PILOT) by City Council policy. This category of revenue is depicted on the following graph and chart as Interfund Charges. The combined receipts provided by interfund charges to the General Fund are approximately \$17 million, representing 15.5% of total General Fund revenues. These revenue sources reflect a small increase primarily due to stable revenue growth in the enterprise operations.

The next largest source of revenue for the General Fund is the Communications Services and Sales Tax category at 11% of total revenues. Sales tax revenue appears to be turning around with an estimated increase of 4% to approximately \$5.35 million in fiscal 2011/12 although collections for the Communications Services Tax are estimated at \$6.2 million, approximately a 7% decrease from the 2010/11 budget. The estimated revenues for the combined Local Communications Services Tax and Sales Tax category of revenues will be approximately \$11.5 million in the new fiscal year, which is approximately 2% less than 2010/11 estimated revenues.

Intergovernmental revenue or revenues received from federal, state, or local governments, accounts for \$11.2 million, or 10% of General Fund revenue. Primary receipts in this category include Fire and EMS revenues received from Pinellas County and the Pinellas County Library Cooperative funds. Projected Fire and EMS revenues are down \$24,780, or 1% from fiscal year 2010/11 levels, and Pinellas Library Cooperative funds are also down slightly with an estimated reduction of 1% from proceeds of the current year.

Business Tax Receipts and Building Permits represent 3% of General Fund revenues. Revenues from this source continue to show slow improvement for the second consecutive year with projections showing a slight increase in 2011/12.

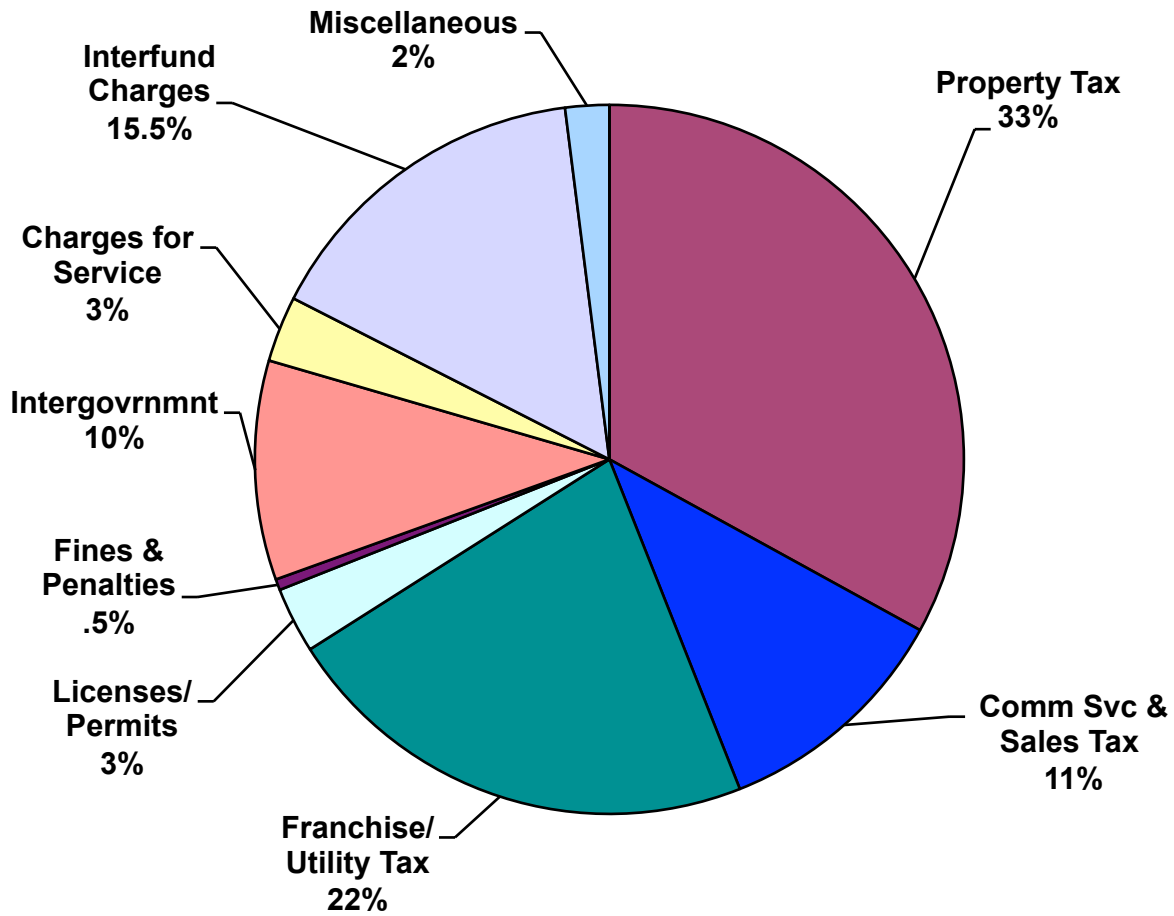
The category of revenue recognizing Charges for City Services accounts for approximately \$3.7 million and also represents 3% of the City’s total General Fund revenues. This category includes revenues for all of the City’s recreation and library programs, as well as some specific planning and public safety fees. This category of revenues is anticipated to decrease by approximately 3% in the recommended budget.

Other smaller General Fund revenue sources include the revenue categories of Fines and Penalties and Miscellaneous revenues. Together, these sources represent approximately 2.5% of General Fund revenues.

GENERAL FUND REVENUES

Fiscal Year 2011/12

\$ 109,111,070



Revenue Source	2008/09	2009/10	2010/11	2011/12	% Change
Property Tax	\$ 43,461,390	\$ 41,786,420	\$ 37,271,490	\$ 35,888,190	(4%)
Franchise/Utility	21,849,620	22,473,860	23,433,380	23,850,250	2%
Interfund Charges	17,445,130	17,516,670	16,926,050	17,013,440	1%
Comm Service/Sales Tax	12,086,500	12,127,600	11,760,160	11,500,000	(2%)
Intergovernmental	12,357,120	11,350,290	11,242,160	11,173,120	(1%)
Licenses/Permits	4,242,500	3,550,000	3,615,000	3,650,000	1%
Charges for Service	4,151,420	3,904,660	3,814,050	3,717,480	(3%)
Miscellaneous	2,303,950	2,066,500	2,049,000	1,724,590	(16%)
Fines & Penalties	902,300	677,300	688,800	594,000	(14%)
General Fund Reserves	2,300,000		670,260		n/a
Total Revenues	\$121,099,930	\$115,453,300	\$111,470,350	\$109,111,070	(2%)

UTILITY FUNDS

Fund	2008/09	2009/10	2010/11	2011/12	% Change
Water & Sewer	\$ 60,609,860	\$ 58,672,340	\$ 63,870,330	\$ 67,769,990	6%
Gas	38,534,500	40,528,040	34,886,010	33,831,830	(3%)
Solid Waste	18,735,750	18,759,080	17,963,990	17,748,050	(1%)
Stormwater	13,800,460	15,579,600	14,496,950	15,778,720	9%
Recycling	3,210,940	2,949,470	2,864,150	2,820,990	(2%)
Total	\$ 134,891,510	\$ 136,488,530	\$ 134,081,430	\$ 137,949,580	3%

Water and Sewer

Water and Sewer Fund revenues and expenditures are budgeted at \$67.8 million in fiscal year 2011/12. The Water and Sewer Fund budget includes the use of \$4.8 million in available reserves to fund capital projects. The staffing level of 167 full-time equivalent positions in the budget reflects an increase of one Utilities Technician position in the Reclaimed Water program.

A water and wastewater revenue sufficiency analysis update was completed by the outside consultant agency, Burton and Associates, in June 2011. This new study concluded that the planned rate increases of 6% for October 1, 2011 and 2012 could be lowered. The rates adopted under this most recent study includes a 4.5% rate increase effective October 1, 2011 with subsequent 4.5% increases to be effective October 1, 2012, October 1, 2013, October 1, 2014, and October 1, 2015. In addition, the monthly reclaimed water availability fee will be reduced from \$19.58 to \$11.18, and the reclaimed water usage fee per 1,000 gallons will be increased from \$.62 to \$.93 effective in fiscal year 2011/12. The adopted changes will provide adequate revenue to meet the utility's cost, debt service coverage, and reserve requirements through fiscal year 2016. This plan is inclusive of Pinellas County planned water rate increases. Based upon the results of this plan, the water and sewer revenues reflect the Council approved rate increase of 4.5% effective October 1, 2011.

Gas

Budgeted revenues for fiscal year 2011/12 are approximately \$35.9 million, which includes the use of \$1.7 million of previous years' retained earnings for the Gas dividend payment to the General Fund. Estimated Gas Fund expenditures are \$33.8 million for fiscal year 2011/12, a decrease of 3% primarily due to a reduction in gas commodity and demand costs.

The Gas Fund reflects a staffing level of seventy-nine full-time equivalent positions in the budget, reflecting an increase of two gas technician positions over the 2010/11 adopted budget. There are no planned rate increases for gas in the 2011/12 fiscal year.

Solid Waste

In June, the City completed a rate study for fiscal years 2012 through 2016, with satisfying results. The City Council was able to eliminate previously scheduled rate increases of 5% for residential and commercial collection, as well as a 4.5% planned increase for roll-off for fiscal year 2012. Instead, the Council has adopted a plan of no rate increases for fiscal years 2012 through 2016. Based upon the approved rate study, residential rates will remain at \$24.86 for the next five years, and there will be no increase in roll-off service rates in fiscal year 2011/12.

The Solid Waste Fund operating budget reflects expenditures of \$17.7 million in fiscal 2011/12 offset by operating revenues of approximately \$19.3 million. Budgeted expenditures actually reflect a 1% decrease from the 2010/11 adopted budget and the staffing level of 112.2 full-time equivalents is basically the same as the 2010/11 adopted budget.

Recycling

As a result of the same June rate study, a planned rate increase for recycling rates of 11% has been reduced to 3.5% effective October 1, 2011. Recycling fund revenues reflect the City Council approved rate increase of 3.5% effective October 1, 2011. The monthly Recycling residential rate will be \$2.27, up from \$2.19. Pinellas County continues to defer any decision on a countywide curbside recycling program. This budget makes no provision for any revenue related to that program.

Recycling expenditures are anticipated to be approximately \$2.8 million in fiscal year 2011/12, a 2% decrease from the 2010/11 adopted budget. Annual revenues are budgeted at \$2.9 million. The Recycling Fund reflects a staffing level of 22.3 full-time equivalent positions in the new fiscal year, the same as the 2010/11 adopted budget.

Stormwater

Stormwater expenditures are budgeted at \$15.8 million in fiscal year 2011/12, an increase of 9% from the 2010/11 budget primarily due to a planned increase in the funding of capital projects. The Stormwater Fund reflects a staffing level of forty-eight full-time equivalents in 2011/12, an increase of one Construction Inspector position transferred from the Engineering Department general fund operations.

A stormwater revenue sufficiency analysis was completed by the outside consultant agency, Burton and Associates, in June 2010. Results of the study concluded that the City should proceed with the approved plan of annual stormwater fee adjustments in fiscal years 2012 and 2013, and consider adopting annual increases of 2.50% beginning in FY 2014. Based upon the results of this plan, the stormwater budget reflects the Council approved rate increase of 4.25%, from \$12.51 per residential unit to \$13.04 per residential unit, effective October 1, 2011.

OTHER ENTERPRISE FUNDS

Fund	2008/09	2009/10	2010/11	2011/12	% Change
Marine Fund	\$ 5,348,430	\$ 4,552,760	\$ 4,414,770	\$ 4,666,240	6%
Airpark Fund	206,310	194,070	188,560	165,730	(12%)
Harbor Marina Fund		464,230	410,760	366,810	(11%)
Parking Fund	3,963,380	5,172,020	4,463,390	4,261,720	(5%)
Harborview	725,170	163,080	59,850	61,390	3%
Total	\$ 10,243,290	\$ 10,546,160	\$ 9,537,330	\$ 9,521,890	0%

Marine Fund

The Marine Fund operating budget is a balanced budget reflecting anticipated revenues and expenditures of \$4.7 million for fiscal 2011/12. The budget reflects an increase of 6% from the adopted 2010/11 budget reflecting that operations at the beach marina have recovered from last year's gulf oil crisis, and improvements are anticipated in the new budget year. A staffing level of 17.1 full-time equivalent positions in the new fiscal year, reestablishes the Tradesworker position that was eliminated in the previous budget. Capital projects for the Marine Fund continue to support the needed infrastructure maintenance of the docks, fuel system, and other marina facilities, keeping them safe and functional for all users.

Airpark Fund

The Airpark operating budget reflects a healthy enterprise operation with a budget of \$165,730 in fiscal year 2011/12, a 12% decrease from the 2010/11 budget. Operating revenues are anticipated at \$239,000. The fund is supported by 1.4 full-time equivalent positions, the same as fiscal year 2010/11.

Clearwater Harbor Marina Fund

The Clearwater Harbor Marina Fund operating budget is \$366,810 in fiscal year 2011/12, with operating revenues anticipated at \$409,200. As a fairly new enterprise operation developing in a slow economy, the Clearwater Harbor Marina is reflecting a positive cash flow for the new budget year. The fund is supported by 5.6 full-time equivalent positions, the same as the 2010/11 budget.

Parking

The Parking Fund operating budget reflects anticipated revenues of \$4.6 million and expenditures of \$4.3 million for fiscal 2011/12. Expenditures are budgeted at 5% less than the 2010/11 adopted budget primarily due to a reduction in the lease of temporary parking lots. The Parking Fund reflects a staffing level of 30.8 full-time equivalents in 2011/12, reflecting a reduction of .8 FTE Police Aide position due to the loss of temporary lots and related staffing needs.

The Parking Fund continues to fund the Jolley Trolley beach service in the amount of \$150,000 annually.

Harborview

The operations of the Harborview Center are estimated at a cost of approximately \$61,390 in 2011/12. Although the center has ceased all conference and banquet functions at this time, there will be ancillary costs remaining in the 2011/12 fiscal year. The second floor of the facility will be leased to the Clearwater Marine Aquarium for at least the next fiscal year to provide an expansion of the Aquarium for tourists and visitors to observe the set of the movie entitled "A Dolphin's Tale". The movie was filmed in 2010 in Clearwater at both the Aquarium and on-set in the Harborview Center. All operating costs of the Harborview Fund will be funded through the reserves of the Harborview Fund. There is no General Fund subsidy needed to support the Harborview Fund in fiscal year 2011/12.

INTERNAL SERVICE FUNDS

Fund	2008/09	2009/10	2010/11	2011/12	% Change
Administrative Services	\$ 9,693,080	\$ 9,224,590	\$ 9,130,020	\$ 8,652,090	(5%)
General Services	5,247,910	4,991,540	4,811,930	4,407,330	(8%)
Garage Fund	13,853,580	12,824,540	12,138,430	12,235,440	1%
Central Insurance Fund	18,714,690	18,208,370	17,483,090	19,116,920	9%
Total	\$ 47,509,260	\$ 45,249,040	\$ 43,563,470	\$ 44,411,780	2%

Internal Service Funds

The budgets for the City's internal service funds reflect a 2% increase across all of these operations, which is a direct reflection of the first time \$1.5 million operating budget of the Clearwater Health Center which is detailed within the Human Resource Department, and included in the above table in the 2011/12 budget for the Central Insurance Fund. The Central Insurance operating budget includes the use of \$507,880 of fund reserves to meet the funding requirements of all programs of the Central Insurance Fund.

The Internal Audit Department's review and the resulting operational changes in the Building and Maintenance Division mentioned earlier in this report, allow for the 8% decrease in the General Services Fund budget outlined in the table above. Debt savings and a reduction in capital project funding provide savings that generate the 5% decrease in the Administrative Service Fund budget. And finally, the Garage Fund reflects only a 1% increase in the 2011/12 budget. Although fuel prices are estimated to increase by 20%, other operating savings and staff reductions allow for the minimum increase in this operating budget.

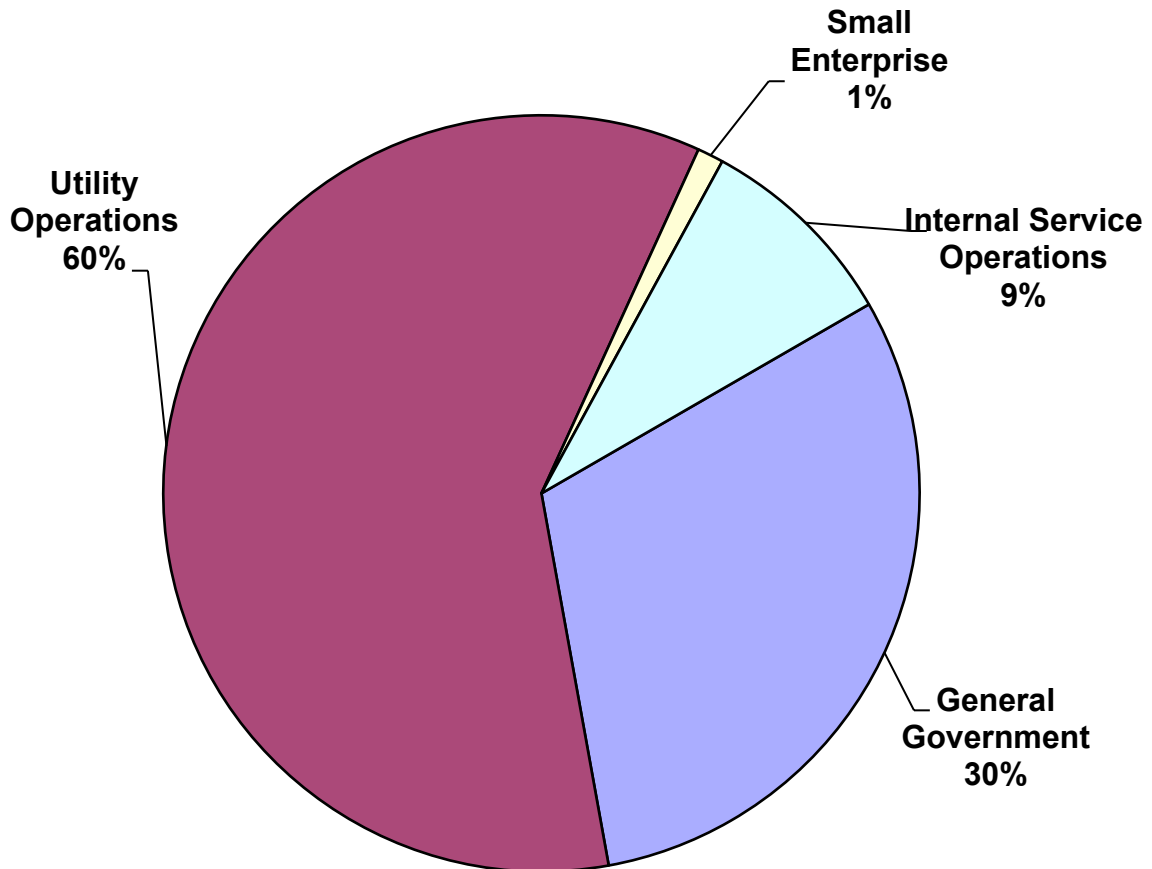
CAPITAL IMPROVEMENT FUND

The capital project budget includes \$44 million of projects for fiscal year 2011/12 and the six-year plan totals \$298 million. Of the total projects for 2011/12, about 60%, or \$26.4 million, are projects supporting one of the City's five utility operations, which consist of Water and Sewer, Stormwater, Solid Waste, Recycling, and Gas. About \$13.5 million of projects are devoted to general government operations. General government type projects include those projects supporting the construction of fire facilities and police and fire equipment, street maintenance and intersection maintenance, park development and maintenance, and the purchase of library materials.

The \$3.9 million allocated to internal service operation projects support the replacement of City vehicles and the maintenance of all telephone, radio, computer, and other information systems. Small enterprise projects are those projects that support the City's parking, airport, and marine operations.

CAPITAL IMPROVEMENT FUND EXPENDITURES

Fiscal Year 2011/12
\$ 44,309,870



CAPITAL IMPROVEMENT PROGRAM

Category	2008/09	2009/10	2010/11	2011/12	% Change
Utility Operations	\$ 29,186,270	\$31,541,070	\$30,175,290	\$26,363,240	(13%)
General Government	12,515,130	17,211,970	18,757,720	13,470,130	(28%)
Internal Service Operations	3,435,820	2,981,700	3,401,600	3,856,500	13%
Small Enterprise	615,000	335,000	415,000	620,000	49%
Total	\$45,752,220	\$52,069,740	52,749,610	44,309,870	(16%)

Many of the projects included in the six-year plan are infrastructure maintenance projects funded annually and planned within currently adopted utility rate studies or enterprise operating plans. New or significant projects that are planned for implementation in the 2011/12 fiscal year are as follows:

- Main (Fire) Station Replacement – Three million dollars of Penny for Pinellas funds have previously been budgeted to replace the City’s Main Fire Station #45, located downtown. With a new approved location on Court Street, an additional \$5.1 million of Penny for Pinellas funds is allocated in fiscal year 2011/12 to provide the necessary funding for the total of \$8.1 million needed to start the construction of a category five rated station at this new site in the new budget year.
- Sand Wall Replacements on Clearwater Beach – The parking fund will fund a new \$220,000 project to replace the existing wooden sand walls on Clearwater Beach at Mandalay Park and Pier 60.
- Pier 60 Park Repairs and Improvements – A new \$355,000 project is funded by the General Fund and grant proceeds to allow for repairs and improvements of the infrastructure in the park area to enhance the experiences for residents and visitors of Sunsets and Pier 60.
- Waterway Maintenance – A new project is funded at \$10,000 annually in the six-year plan to provide for the repair and replacement of deteriorated signage and the removal of vessels or hazard to navigation, and other needs to maintain City-owned waterways in safe conditions.
- Countryside Library Renovation – Design will take place in fiscal 2011/12 for the construction of the planned \$5 million Penny for Pinellas project to update and improve the Countryside Library.