

## THE FISCAL YEAR 2003/04 BUDGET

### TAX RATES

The approved General Fund budget is a balanced budget, **with no increase in the property tax millage rate of 5.753 mills.**

Taxable values of property within the City of Clearwater increased by \$589 million to a total of almost \$6.7 billion in the new fiscal year, an increase of 9.6% over the values used for budget purposes last year. Included in this increase is the taxable value of new construction totaling almost \$142 million representing 2.3% of the total increase. The total ad valorem rate of 5.753 mills will generate a total of \$34,773,010 to support General Fund operations representing an additional \$3,387,650 for General Fund purposes; and \$2,219,690 for road maintenance projects, an increase of \$216,240 over the 2002/03 budget.

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<u>Taxable Values</u>			
2004 Gross Taxable Value	\$6,698,081,424		
2003 Gross Taxable Value	<u>6,109,179,397</u>		
Net Increase	588,902,027	9.6%	
New Taxable Value	141,779,600	2.3%	
Net Increase in Value of Existing Property	<u>447,122,427</u>	<u>7.3%</u>	
Total Increase in Taxable Value	588,902,027	9.6%	

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### GENERAL FUND REVENUES

With our strong redevelopment and housing market, property tax revenues continue to provide the largest and fastest growing source of General Fund revenue. With the approved millage rate of 5.753 mills, anticipated revenues of almost \$35 million from property taxes represents 35% of the total anticipated General Fund revenues, up from 33.5% in the 2002/03, and 32% just two years ago.

Franchise and utility tax revenues still provide the second largest source of General Fund revenues. Franchise and utility taxes collected on power and utility services are anticipated to be \$17.8 million, representing only 18% of fiscal year 2003/04 budgeted revenue, the same as 2002/03.

Revenues from local option sales tax continues to remain slow with the lingering economy, but still remain steady with anticipated revenues of approximately \$6.1 million, up slightly over the 2002/03 budget. Telecommunications tax revenues are fairly sporadic and difficult to trend at this time. This revenue stream is expected to remain fairly flat in comparison with the 2002/03 budget. The Telecommunications/Sales tax category of revenues will be approximately \$14.2 million in the new fiscal year, representing 14.3% of General Fund Revenues.

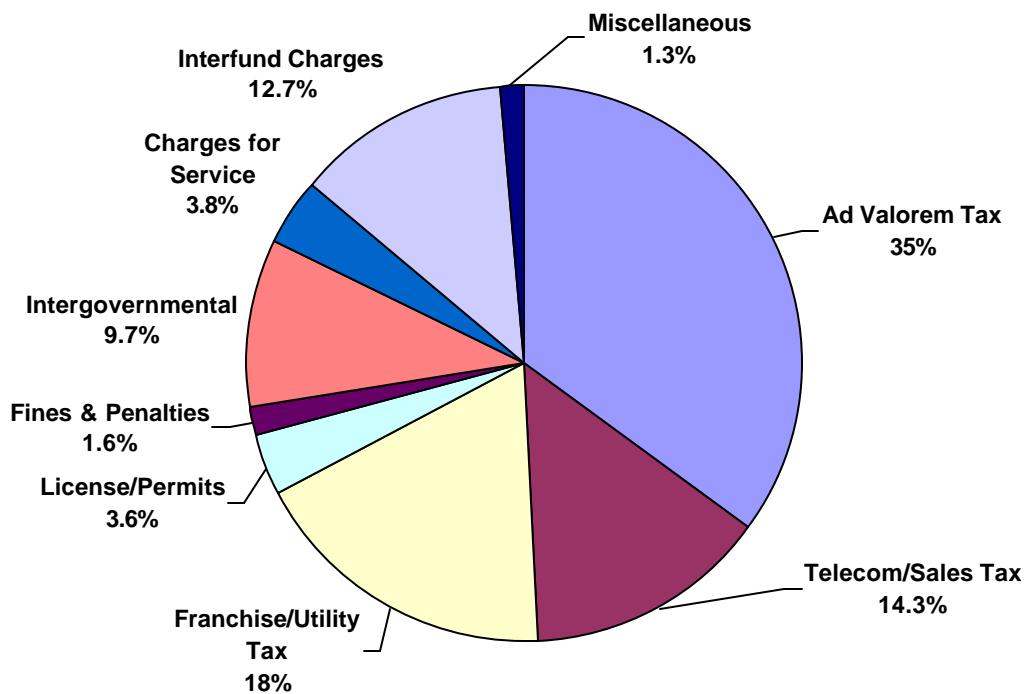
The next largest source of revenue for the General Fund is interfund charges. The General Fund is reimbursed by the various Enterprise Funds for administrative services provided to those operations including a portion of the City Manager, City Attorney, Human Resources, and Finance Departments. The General Fund is also reimbursed for any direct services provided to Enterprise Funds by operational departments such as the Parks and Recreation or Public Works Administration Departments. And finally, most of the Enterprise operations pay the General Fund a "payment in lieu of taxes" by City Commission policy. The combined receipts provided by interfund charges to the General Fund are approximately \$12.6 million, representing 12.7% of General Fund revenues.

Intergovernmental revenue, or revenues received from federal, state, or local governments, accounts for \$9.7 million, or 9.7% of General Fund revenue, the same level of funding as the 2002/03 budget. Primary receipts in this category include Fire and EMS revenues received from Pinellas County and the Pinellas County Library Cooperative funds.

One category of revenues that has grown significantly in the new year, is the category recognizing charges for services. This category of revenues has grown from \$2.5 million in the 2002/03 budget to almost \$3.8 million in the 2003/04 budget. The most significant changes in this category include program revenues recognizing an agreement to operate the Long Center as a City recreational center and revenues associated with the Community Sports Complex and related events.

Other smaller General Fund revenue sources include revenues from occupational licenses and building permits at 3.6%, court fines and other penalties at 1.6%, and miscellaneous revenues represent 1.3% of General Fund revenues.

**Fiscal Year 2003/04 Budget  
General Fund Revenues \$99,207,930**



Ad Valorem Taxes	\$34,773,010	35.0%
Franchise/Utility	17,761,090	18.0%
Telecommunications/Sales	14,230,580	14.3%
Interfund Charges	12,573,500	12.7%
Intergovernmental	9,689,670	9.7%
Charges for Services	3,764,430	3.8%
Licenses/Permits	3,601,650	3.6%
Fines & Penalties	1,541,820	1.6%
Miscellaneous	<u>1,272,180</u>	<u>1.3%</u>
Total	\$99,207,930	100%

## GENERAL FUND EXPENDITURES

The City's General Fund budget expenditures total \$99,207,930, an increase of 6.4% over the 2002/03 approved budget.

**Personnel costs** include salaries and benefits totaling \$68 million in fiscal 2003/04, representing 68.6% of the total General Fund operating budget, which is slightly higher than the 2002/03 budget. The cost of our employees has increased by 6.7% in this new budget from the previous budget of \$63.7 million.

Only the CWA union has a current contract for the 2003/04 fiscal year. The Police union contracts expired at the end of September 2003, and the Fire union contract expired at the end of last fiscal year. Both are currently under negotiation. Therefore, a number of assumptions were made in developing this budget, only for the purpose of developing a meaningful product, but by no means attempting to influence the union negotiation process:

- Fire union contracts are in the process of negotiation. This budget assumes an average 4% increase for salary adjustments for Fire union employees.
- Police union contracts are in the process of negotiation. This budget reflects the cost of step increases under the current contracts and an average 3% increase for cost of living adjustment (COLA) increases for Police union employees.
- The adopted budget includes a 4% COLA increase CWA union employees as agreed under the current contract.
- The adopted budget assumes that a COLA will be provided for SAMP (Supervisor, Administrative, Managerial, and Professional) employees at the rate of approximately 4% in the same manner as currently administered.

*The budgeted impact of all contracted and assumed wage increases on the General Fund is approximately \$1.5 million in fiscal year 2003/04.*

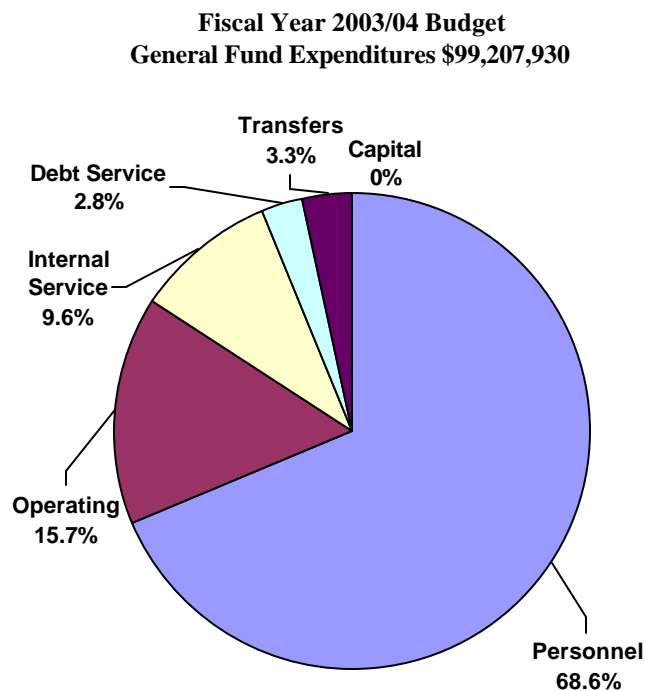
## New General Fund Positions

The General Fund employs a total of 1,231.7 full-time equivalent (FTE) employees. The net change in General Fund full-time equivalent (FTE) positions in the approved budget is an increase of 36.6 FTE's. The significant changes are as follows:

- New Main Library – The opening of the new Main Library requires the hiring of 10 additional full-time equivalent positions. The estimated cost for these positions as well as increased operating costs of the new library reflects an increase of \$467,000 in the General Fund.
- North Greenwood Library – The budget reflects the addition of a one full time librarian and one full time library assistant position, as well as one part-time custodian for the North Greenwood Library at an estimated cost of \$144,170.
- Fire Life Safety Hazard Inspectors – The Fire Department budget reflects the addition of two life hazard safety inspectors at an estimated cost of \$94,500. These positions are needed to inspect building and facilities on a regular basis to enforce compliance with fire safety codes and ordinances. A new fire safety fee offsets the cost of these positions.
- Plans Examiners – The Development Services Department includes the addition of two plans examiner positions at an estimated cost of \$102,000. These positions will provide needed review of proposed construction plans for compliance with fire, building, and related codes and regulations for the increasing level of construction plans that are reviewed by the Building and Permitting operation each year.

- Long Center Contribution – The City will assume operating and maintenance responsibilities for the Long Center. This results in the staffing of the center and the hiring of 7.9 additional full-time equivalent positions. The reorganization change when taking into account enhanced program revenues, will result in a net savings of approximately \$150,000 to the City.
- Cultural Affairs Office – This program includes the addition of one position and the estimated cost for this program is \$111,000.
- Community Sports Complex & related Special Events – This program includes the addition of three positions and the estimated cost for these programs is \$396,000. New program revenues offset all program costs.
- Recreation Programs – The Parks and Recreation Department budget reflects the 5.4 FTE positions to support programs at EC Moore, Jack Russell Stadium and summer camp programs. All costs for these positions are expected to be offset by new program revenues supporting these operations.
- The “School Choice Plan” is impacting the General Fund budget. The Police Department has added 4.3 FTE Crossing Guards in the budget at a cost of \$85,900 based upon early estimates by the School Board.
- The position supporting the Annexation Program that was added in the 2002/03 budget was eliminated.
- Other reorganization changes in the City Attorney’s Office and the Official Records and Legislative Services Office result in a net decrease of .5 FTE.

A list of approved additional positions across all operations is included at the end of this letter.



**By Category**

Personnel	\$67,998,080	68.6%
Operating	15,617,770	15.7%
Internal Service	9,483,220	9.6%
Interfund Transfers	3,206,010	3.3%
Debt Service	2,717,580	2.8%
Capital	<u>185,270</u>	<u>0%</u>
Total	\$99,207,930	100%

**Operating Expenditures** represent the second largest category of expenditures in the General Fund. Operating costs which include utility costs for our traffic signal system and general public buildings, operating supplies, contractual services, as well as contributions to outside agencies, total approximately \$15.6 million, or 15.7% of the City's General Fund budget.

The operating category of expenditures has increased by \$1.2 million, or almost 9% in the 2003/04 fiscal year. Of this total increase, \$397,050 is a direct increase for property/liability insurance costs and \$528,250 is a direct increase in anticipated utility costs for several new and expanded facilities that will be fully operational in the new year. Excluding these two issues, all other operational costs across all general operations have only increased by 2%.

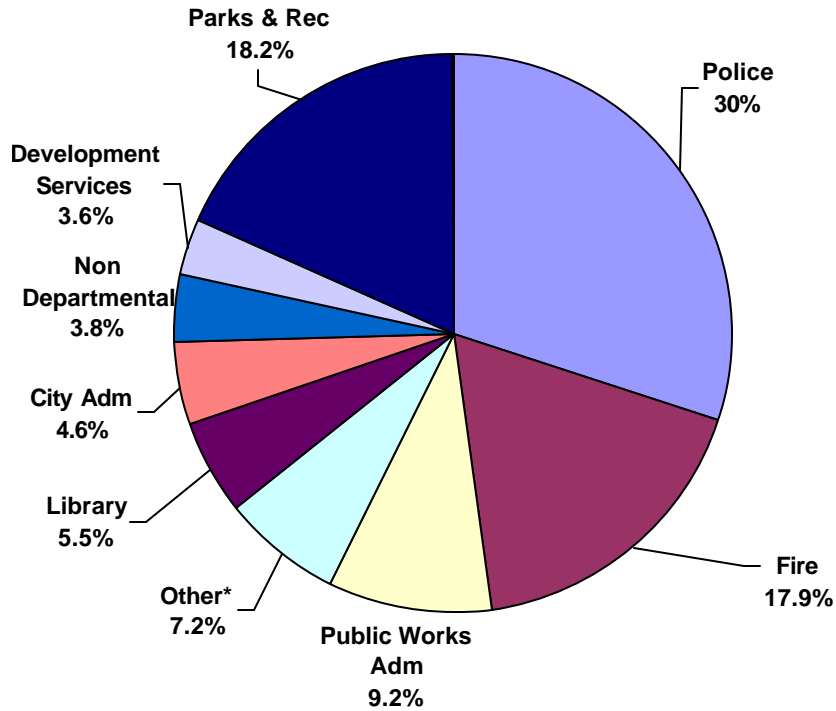
**Internal Service** costs representing the labor and operating costs of maintaining the City's infrastructure and internal networks are \$9.5 million, or 9.6% of the General Fund budget. This category of expenditures has increased by a little more than \$500,000, or 5.8% over the 2002/03 budget. Approximately \$290,000 reflects increased maintenance and custodial costs generated with the addition of new and larger facilities, such as the new Main Library and the North Greenwood Recreation Center.

**Debt Service** costs of \$2.7 million, or 2.8% of the General Fund budget, provide funding for general-purpose debt including the debt on the City's Police Complex. This category of expenditures has actually decreased by a little more than \$100,000 in the budget, dropping from \$2.8 million last year to \$2.7 million in 2003/04.

**Interfund Transfers and Small Capital** purchases represent the balance of \$3.2 million and reflect General Fund transfers to support Capital Improvement Fund and Special Program Fund projects, and the purchases of small equipment. These costs represent 3.3% of the total budget, and are only \$32,470, or 1% higher than the 2002/03 budget. Most of this increase is a result of new projects that will provide the infrastructure maintenance needed at new or existing facilities.

A detailed schedule of capital projects funded with General Fund revenues is included on page 270 of this document and transfers to the Special Program Fund are detailed in that budget on page 261.

**Fiscal Year 2003/04 Budget  
General Fund Expenditures \$99,207,930**



**By Department**

Police	\$29,772,010	30.0%
Parks and Recreation	18,037,250	18.2%
Fire	17,716,880	17.9%
Public Works Administration	9,094,570	9.2%
Library	5,422,400	5.5%
City Administration (1)	4,605,270	4.6%
Non-Departmental	3,805,450	3.8%
Development Services	3,524,080	3.6%
Finance *	1,987,480	2.0%
Economic Development *	1,546,940	1.6%
Human Resources *	1,161,610	1.1%
Planning *	1,167,890	1.1%
Public Communications *	929,530	1.0%
Pier 60/Sailing Center *	436,570	.4%
<b>Total</b>	<b>\$99,207,930</b>	<b>100%</b>

(1) Includes budgets of City Commission, City Manager's Office, City Attorney's Office, Official Records, Equity Services, Office of Management and Budget, and City Audit.

\* These programs are reflected in the category of "Other" on the above graph.

### **CITY PENSION**

Based on actuarial analysis, the approved budget includes a city contribution of 7% of employee salaries and wages to the Employee's Pension Fund totaling \$4.9 million, which reflects the total required actuarial contribution across all funds for the 2003/04 fiscal year. This is an increase of a little over 4.5% over the 2002/03 budget.

*With the negotiated and assumed wage adjustments, the General Fund portion of this contribution is \$3,313,800. The budgeted impact of the City share of the increased employee pension cost on the General Fund is approximately \$141,520 in fiscal year 2003/04. In addition, the Old Fire Pension requires an actuarial increase of 5%, or an additional \$60,760. The total increase of \$202,280 represents 3% of the total increase to General Fund expenditures.*

### **MEDICAL INSURANCE**

Anticipated medical insurance costs are estimated to once again increase by as much as 19.5% in fiscal year 2003/04. This information is based upon estimates obtained from the City's medical insurance consultants. The cost of medical care for our employees is a major financial issue that we will be scrutinizing carefully, in that industry analysts expect double-digit increases to be the norm for the next several years.

In the new fiscal year, City contributions are budgeted to increase from \$4,400 per employee to \$5,400 per employee, an increase of 23% over the 2002/03 budget. In addition, it is planned to use as much as \$407,000 of the "Premium Stabilization Fund" for any increase in cost above the budgeted increase.

*The budgeted impact of the medical insurance cost increase on the General Fund is approximately \$1,262,450 in fiscal year 2003/04, representing 21% of the total increase to General Fund expenditures.*

### **PROPERTY & LIABILITY INSURANCE**

Property and & Liability costs continue to escalate for a second year in a row. In this fiscal year, property and liability insurance costs across the City are estimated to increase by almost \$1.1 million, or approximately 27%.

*The budgeted impact of the property and liability insurance cost increase on the General Fund is approximately \$397,000 in fiscal year 2003/04, representing 7% of the total increase to General Fund expenditures*

### **WORKER'S COMPENSATION**

Although the City's costs for worker's compensation have remained relatively stable for the last few years, we are now seeing the impact of several accidents that have attributed to a citywide increase, including the Dolphin Cove fire in which several firefighters were injured.

*In 2003/04 workers compensation costs will increase by 10%, from \$2 million in fiscal year 2002/03 to \$2.2 million in the adopted budget, and the General Fund impact is more than \$254,000.*

### **GENERAL FUND RESERVE**

The City Commission'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 Commission will maintain an additional General Fund reserve equal to ½% of the subsequent year's budgeted expenditures to fund unanticipated retirements of General Fund long-term employees during the given fiscal year.

The 2003/04 Annual Operating Budget reflects a very comfortable budget reserve of approximately \$10.5 million, or 10.6% of the fiscal year 2003/04 budgeted expenditures. This maintains the City's General Fund reserve at a level of \$2.1 million over the required reserve policy.

## **UTILITY FUNDS**

### **Water and Sewer**

Water and Sewer utility revenues reflect the approved rate increase of 7%, beginning October 1, 2003, the third of five scheduled increases. Budgeted fund revenues are estimated at \$49.2 million and expenditures are anticipated at approximately \$46.1 million for the 2003/04 fiscal year and remain in line with the current business plan for this operation.

The Water & Sewer Fund reflects the same staffing level of 175 full-time equivalent positions in the new fiscal year as in the 2002/03 adopted budget.

### **Gas**

Anticipated revenues for fiscal year 2003/04 are approximately \$30 million, which is composed of \$29 million of operating revenues and the use of \$1 million of previous years' retained earnings for the Gas dividend payment to the General Fund. Anticipated Gas Fund revenues exceed anticipated expenditures by approximately \$1.1 million in fiscal year 2003/04.

The Gas Fund reflects the same staffing level of 90 full-time equivalent positions in the new fiscal year as in the 2002/03 adopted budget.

The Gas Fund does not include any planned rate increase for fiscal year 2003/04.

### **Solid Waste**

Budgeted fund revenues are estimated at \$16.4 million and Solid Waste expenditures are anticipated at approximately \$16.2 million for the 2003/04 fiscal year and remain in line with the current business plan for this operation.

The Solid Waste Fund actually reflects the addition of one Solid Waste equipment operator to support the expanding roll-off business experienced by this operation, and .5 FTE custodian, which is replacing contract custodial support that was not effective. This increases the full-time equivalent positions from 106 to the approved 107.5 positions.

The Solid Waste Fund does not include any planned rate increase in the 2003/04 fiscal year.

### **Recycling**

The Recycling Fund generates most revenues from the collection and sale of recyclable material. Revenues and expenditures for the fiscal year are estimated at \$2.4 million.

The Recycling Fund reflects the same staffing level of 23.5 full-time equivalent positions in the new fiscal year as in the 2002/03 adopted budget.

The Fund does not include any planned rate increase in fiscal year 2003/04.

### Stormwater

Stormwater utility revenues reflect the approved rate increase of 12% from \$7.16 to \$8.01 per residential unit, beginning October 1, 2003, the third of five scheduled annual increases. Stormwater expenditures are anticipated to be approximately \$7.8 million in the 2003/04 fiscal year, and revenues are estimated at \$9.7 million.

Stormwater capital projects that are expected to be implemented this year include the “Stevenson Creek Estuary Restoration” project that will develop a passive recreation park and restoration dredge with the estuary portion of Stevenson Creek; and storm drainage improvements in the Alligator and Allen’s Creek areas, as well as general storm system expansion projects.

## ENTERPRISE FUNDS

### Marine and Aviation

Anticipated revenues for the new fiscal year are approximately \$3.3 million. Anticipated Marine and Aviation Fund revenues exceed anticipated expenditures by approximately \$75,000 in fiscal year 2003/04.

No major changes are reflected in this operation. Capital projects for the Marine and Aviation Fund continue to support the needed infrastructure maintenance of these facilities, keeping them safe and functional for all users.

### Parking

The Parking Fund operation funds not only the Parking operation, but also the Beach Guard operations. The Parking Fund is a healthy operation with operating revenues estimated at almost \$4.5 million and expenditures of \$3.9 million for the new fiscal year.

The final budget differs from the Preliminary budget in that the Parking Enforcement program was endorsed by the Commission during the summer, and this program is now reflected in the approved budget. This program is estimated to cost approximately \$284,000 annually and will be supported by four new full-time positions, one Parking Enforcement Supervisor and three Parking Enforcement Specialists.

### Harborview

The operations of the Harborview Center are estimated at a cost of approximately \$1.8 million in the new fiscal year, while operating revenues are anticipated to be the same as expenditures. The General Fund subsidy to the Harborview Fund will be \$150,000 to close the anticipated deficit.

## CAPITAL IMPROVEMENT PROGRAM

The capital project budget includes \$49.5 million of projects for fiscal year 2003/04 and the six-year plan totals more than \$314 million.

Three major **new projects have been adopted to bring continuity to our downtown area and an enhanced entrance to the beach** when the movement of the existing traffic on Cleveland moves to Court Street with the opening of the new Memorial Causeway Bridge.

- The “Downtown Streetscape” project provides for the allocation of \$1.9 million of Penny for Pinellas funds and a total of \$3.7 million over the next three years to implement a major downtown streetscape renovation project from Cleveland Street to Myrtle, and on Osceola Avenue to revitalize the downtown streets.
- A major intersection improvement project was approved at the Gulf to Bay and Highland Avenue Gateway in 2004/05 in the amount of \$1.5 million. This project is also a new Penny for Pinellas funded project. This project is vital in routing motorists toward the Downtown and the Beach, once the new bridge is open.

- The “Memorial Causeway Landscape/Beautification” project is allocates \$500,000 from the Special Development Fund for each of the next three years, totaling \$1.5 million. The project will provide for the landscape, irrigation and beautification of the entire Memorial Causeway starting from the County parking lots at Oak Avenue and running west to the small bridge leading to Clearwater Beach.

In addition, several **new projects will provide the infrastructure maintenance needed at new or existing facilities.** These projects include:

- A project in the amount of \$30,000/year of General Fund revenues will provide an ongoing repair and improvement project for Carpenter Field to provide the necessary funding needed for ongoing renovations, repairs, fence replacement, and other needed maintenance issues at the facility.
- A project in the amount of \$50,000/year of General Fund revenues will provide funding for phased repairs and improvements at the Community Sports Complex to maintain that facility up to professional standards.
- The “Crest Lake Park Improvement” project planned for the new fiscal year is estimated to cost approximately \$150,000 and will provide needed parking lots in the park and improved roads accessing the park. This project is expected to be paid with grant dollars.
- The “IT Disaster Recovery” project approved in fiscal year 2004 will establish an off site business operations center for critical network systems. The anticipated cost of this project is only \$50,000 and will be funded by the Administrative Services Fund.

Projects that have been part of the six-year plan, that have now moved forward and are scheduled for funding in the 2003/04 fiscal year include:

- The “Coronado Gulfview/Streetscape” project that provides funding for the construction of the South Gulfview Beach Walk realignment.
- The construction of the “McMullen Booth Road Overpass” pedestrian overpass just north of Drew Street which will connect the existing East-West trail and Del Oro Park and the Eddie C. Moore complex. This is expected to be funded by the FDOT.
- More than \$3.9 million is planned for bicycle trails through the city for walking and jogging. Assuming that state grant funds are available to fund most of this construction, the City hopes to construct new paths to connect Cliff Stephens East West trail to the park at the Kapok Mobil Home area, along the Memorial Causeway Bridge, along Turner Street to the bridge, and Landmark trail.

A **new section** in this budget entitled “Long Term Capital Project Opportunities” is devoted to capital project opportunities that are not funded at this time. These projects have been identified in city plans such as the Downtown Master Plan, the Parks and Recreation Master Plan, and other strategic Departmental plans that recognize needs within our community. All of these projects support the City Commission goals and most of these projects support either major redevelopment efforts or renovations of City facilities.

### **DEBT ADMINISTRATION**

The City maintains separate accounting records for all debt principal, interest, and reserve requirements for all General Long Term Debt. Separate budgets are not adopted for these debt service funds, but appropriations are included in the operating expenditures of all related operating funds.

Statistical Table VII outlines the ratio of net general bonded debt to taxable assessed value and bonded debt per capita over a ten-year period. There is no general obligation debt outstanding as of September 30, 2002, and no general obligation bonds have been issued during this past fiscal year.

The computation of the legal debt margin imposed by the City Charter is included in Statistical Table VIII, and as of September 30, 2002, the City’s outstanding debt represents 5% of the assessed value of non-exempt real estate, well within the 20% limitation set by the City Charter, and well within the resource capacity of the individual pledged revenue sources. This computation includes all outstanding revenue bonds as well as all outstanding lease purchase contracts.

### **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 seventeen 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, helps the City of Clearwater present a quality image to bond rating agencies and other outside agencies in which the City does business.

### **PUBLIC HEARINGS**

The City Commission discussed the Preliminary Operating and Capital Improvement Budget on July 14, 2003 at the City Commission work session, and set the preliminary millage rate on July 17, 2003 at a City Commission meeting attended by the public. The City Commission held a workshop on August 19<sup>th</sup> to review the budget in detail with the City Manager and staff. These meetings were noticed in the local newspaper and on the City's C-View channel.

Public hearings to adopt the budget were held on September 4<sup>th</sup> and 18<sup>th</sup>, 2003. In addition, the City Commission held a public hearing to review the planned expenditures for Penny for Pinellas infrastructure projects at the meeting of September 4, 2003. All public meetings and workshops on the budget were televised for Clearwater residents.