



CITY OF CLEARWATER

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CITY MANAGER

October 13, 2015

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

I am pleased to present the approved annual operating and capital improvement budget for the City of Clearwater for fiscal year 2015/16. The 2015/16 budget is \$440,864,700 for citywide services, an increase of \$49.2 million across all city operations. The General Fund budget reflects expenditures of \$124,479,870, an increase of 6% from the 2014/15 budget of \$117,008,550. The City's approved millage rate of 5.1550 mills remains the same for the seventh consecutive fiscal year.

The budget reflects continued attention to financial responsibility so that benefits from the previous pension reform as well as property value growth are allocated responsibly. Balancing revenue gains is further necessary to ensure we manage increased costs for health care and wages along with declining general revenues (Communications Services Tax) or flat growth (Utility Taxes). Therefore, we are working to allocate limited resources selectively for the benefit of the overall community.

In developing the budget, staff has strategically reviewed service operations to carefully balance adjustments in staffing and resources with financial stability in the future. Our approach is not to restore pre-recession levels, but rather to consider resources needed for new initiatives, including the Urban Land Institute (ULI) priorities, among others, that were not previously reflected in the budget. As the City looks toward the future, we need to do so strategically, carefully weighing citizen expectations as well as financial impacts, both positive and negative, on City operations. This budget seeks to establish a responsible expenditure plan that supports City Council's strategic priorities which includes a number of increases in several funds and programs. Others increases included in this budget are due to bringing new facilities on line, such as RO #2 and Countryside Library; demands related to a recovering economy, such as Clearwater Gas System; and finally, responding to our successes, such as the Downtown Boat Slips and Beachwalk.



"EQUAL EMPLOYMENT AND AFFIRMATIVE ACTION EMPLOYER"

Strategic Vision

The City Council adopted a new Strategic Vision for the City of Clearwater in July 2013. Beginning in fiscal year 2014/15, we began using the various icons shown below throughout the budget to recognize programs and projects that support the City Council’s Strategic Direction.

Facilitate Development of the Economy:



Diversify the Economic Base



Increase Economic Opportunity



Develop and Promote our Brand



Foster Community Engagement

Provide Cost Effective Municipal Services and Infrastructure:



Efficiency



Quality



Financial Responsibility



Safety

For purposes of the fiscal year 2015/16 budget, we have added an icon for the Urban Land Institute (ULI) to identify the projects and initiative related to the many priorities the ULI Work Program involves across a variety of the strategic objectives and multiple departments.



Urban Land Institute

National and State Economic News

The national economy continues to show slow, incremental improvement, but with a presidential election in 2016, there is little expectation for federal funding or policy support of local government priorities. The U.S. Supreme Court is expected to hear a number of cases that may directly impact local governments, including public sector collective bargaining “fair share” and opt-out provisions, local law enforcement asset forfeitures and redistricting. Congressional priorities to protect municipal bonds, ensure continued transportation funding and close sales tax loop holes remain important to local governments throughout the country. The National League of Cities released its *City Fiscal Conditions 2015* Report on October 1, 2015, noting that cities continue to be challenged with rising costs for employee wages, public safety, infrastructure, and health and pension benefits.

According to the Florida League of Cities' newest *State of the Cities* report (2014), Florida cities showed incremental growth in 2014 with modest increases in population and revenues as the post-recession recovery continued to improve property values and job opportunities. As with the national level, employee benefits such as wages and benefits, in particular pensions, remain challenges for Florida cities. Fortunately, Clearwater's pension reform several years ago has positioned us better than many communities elsewhere in Florida. Sales tax revenues have seen moderate growth that has provided the State with opportunities to restore funding, but other than transportation, local governments in general and Clearwater, in particular, have not experienced significant benefit.

Future Plans and Priorities

As Clearwater enters its second century, the city is preparing for a number of future initiatives and challenges. As discussed within the Strategic Direction section of the budget, the City will soon be undertaking evaluation of priorities for a fourth renewal of the Penny for Pinellas local option sales tax. Based upon a schedule provided by Pinellas County, the extension is planned for referendum in November 2017. Clearwater was selected as a pilot community for a Florida Department of Economic Opportunity evaluation for resiliency planning that will define actions the City may take to mitigate sea level rise and manage the rising costs of coastal development in Florida. That work will be integral to balancing on-going insurance and regulatory changes expected from FEMA. Additionally, City Council will determine priority(ies) for allocation of the BP Settlement Funds in the coming year. We expect to continue to be challenged by an aging housing stock and business development as well as socio-economic issues within our community. In light of these, sustaining our quality of life facilities and programming will remain a priority. Enterprise funds have excellent 5-year projections and staff is working to secure a revenue analysis for the General Fund that will provide us with alternative projections for funding future priorities.

Award for Distinguished Budget

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 recognition for each of the past 29 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 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 City Council work session of July 13, 2015. At the July 16th City Council meeting, the City Council set the tentative millage rate of 5.1550 mills. In order to fully discuss the budget and the increased levels of staffing and new programs proposed, Council also held a special meeting on the budget on August 17, 2015.

The first public hearing on the tentative millage rate, operating and capital budgets was held September 3, 2015 at 6:00 p.m. The final millage rate and budget was adopted at the second and final public hearing on the evening of September 17, 2015 at 6:00 p.m. All citizens and property owners were encouraged to attend and participate in all of the above meetings. The budget agenda and all pertinent documents are available to citizens on the City's website approximately one week prior to all public budget meetings.

Again, this budget seeks to establish a sustainable level of expenditures in relationship to our revenue resources. This becomes increasingly difficult as our work plan continues to expand and costs for health care and insurance, wages and benefits continues to rise. In the past year, staff has sought to fulfill many of City Council's strategic priorities within existing resources, during a time of increased activity and rising expectations. The adopted budget offers several ways in which we can respond to new conditions and priorities with a measured, but proactive approach. In that regard, I look forward to a productive year in 2015-2016.

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'.

William B. Horne, II
City Manager