Financial Update

March 3rd & 4th 2016

City Council Winter Retreat

Office of Management & Budget

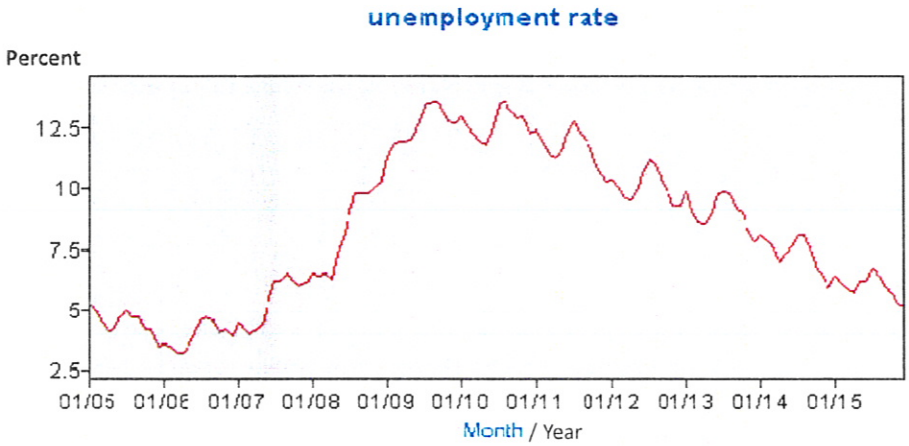
Link to the Strategic Plan

- Goal #1
  - Financially Sound City, High Performance City Organization
- Management in Progress
  - Long Term Financial Plan – Annual Update and Financial Policies

Topics

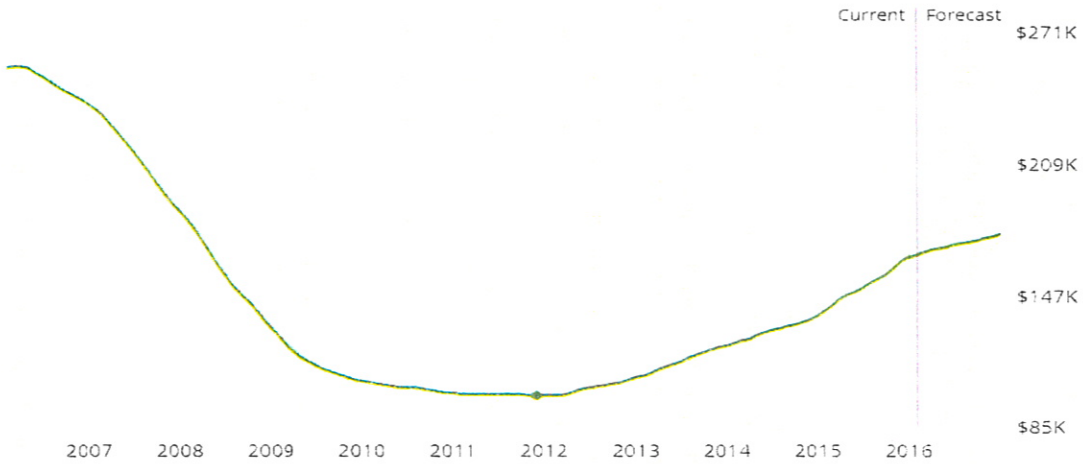
- Economic Conditions
- Revenue Projections
- Financial Challenges
- Major Operating Funds
- Millage Rate and Other Fees
- Budgetary Policy
- Financial Polices
- Discussion / Direction
- Staff begins FY 2016-17 Budget Preparation

Port St. Lucie Unemployment Rate



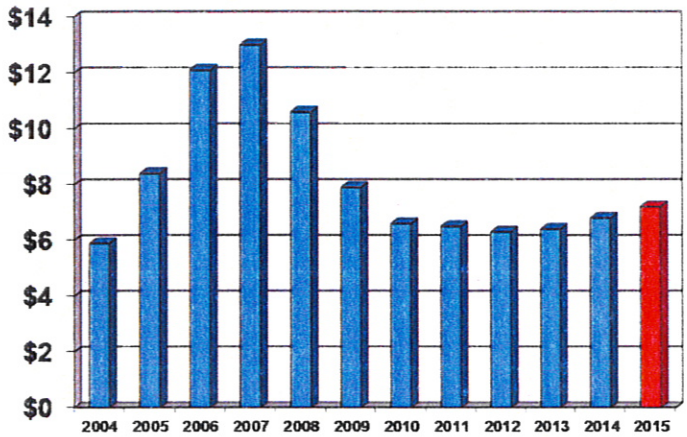
Source: US Department of Labor

Port St. Lucie – Median Sale Price (all homes)



Source: Zillow.com (2016 forecast is 6.6% gain, past year showed 19.8% gain)

Total Taxable Value Trend (Billions)

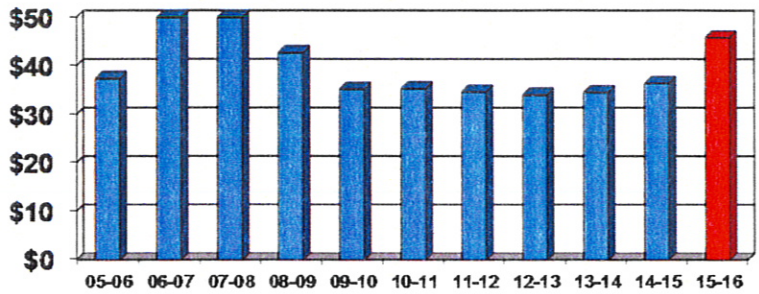


6.91 % increase

2015 value is 55.6% of the 2007 peak value

Major Revenue Projections

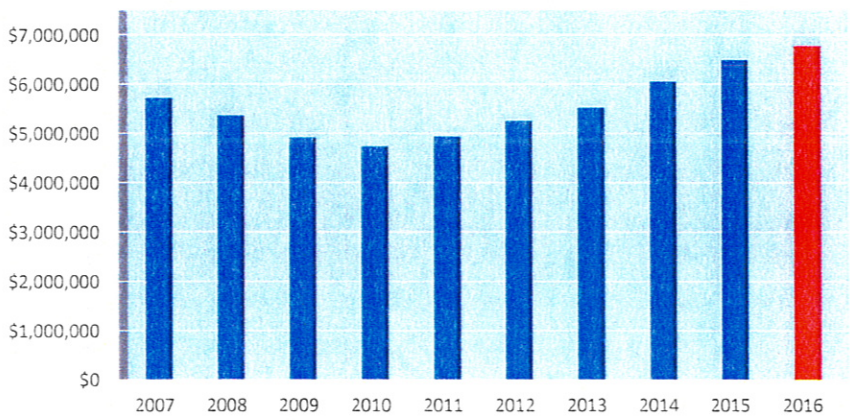
PSL Property Tax Revenue (millions)



2015-16 – 6.91% gain in Value & Millage Rate increase of 1.0000

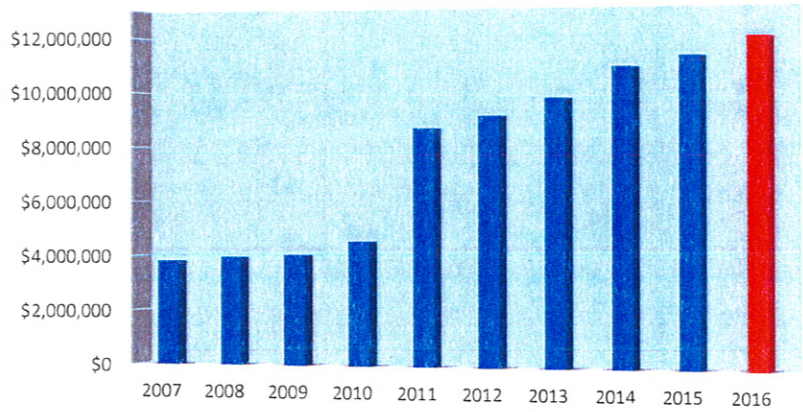
2015-16 revenue is $6.7 million less than the peak of 2007-08

Sales Tax Revenue



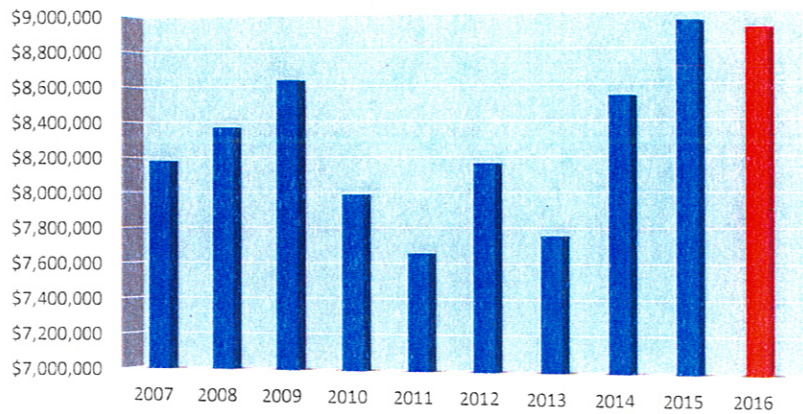
4.5% Projected Growth

Utility Tax (Electric) Revenue



6.2% Projected Growth

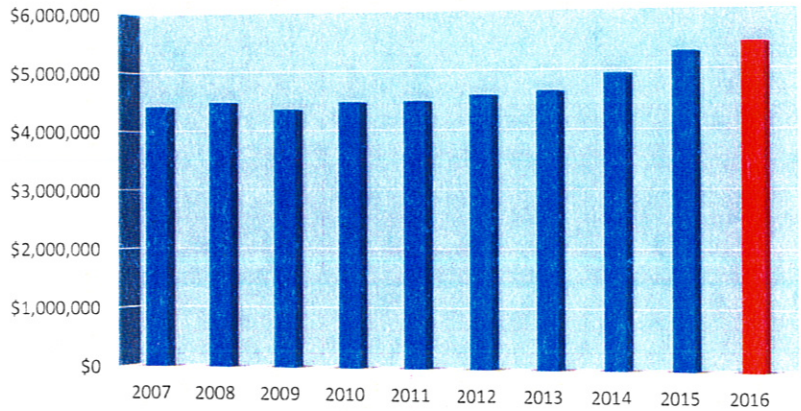
Electric Franchise Fee Revenue



No Growth ??

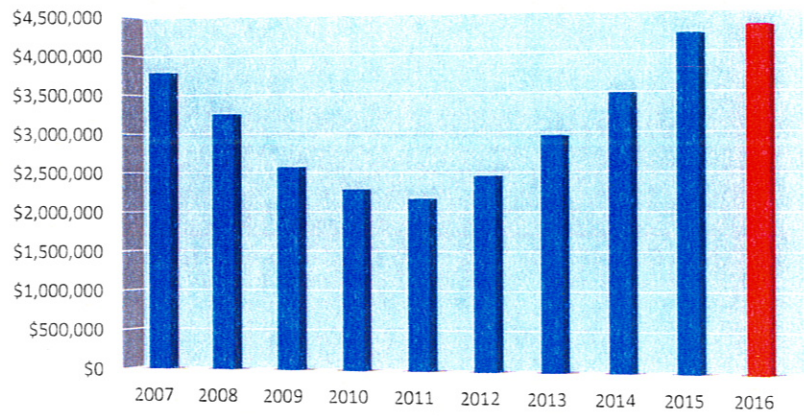
(Includes impact of fuel adjustment)

Gas Tax (6 cents) Revenue



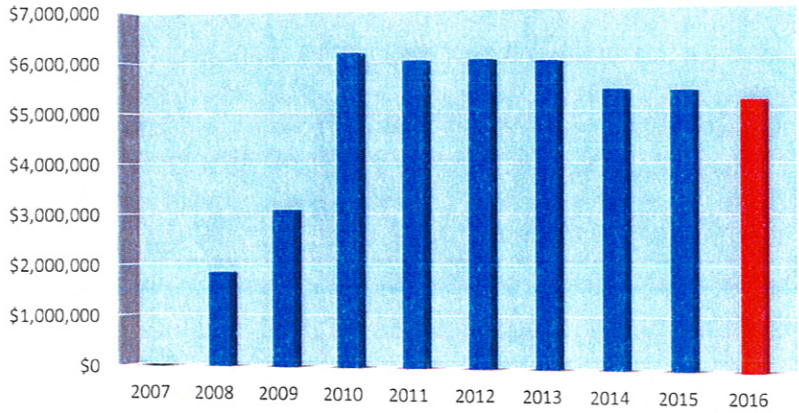
Road Operating Fund – 3% growth

Building Permit Fee Revenue



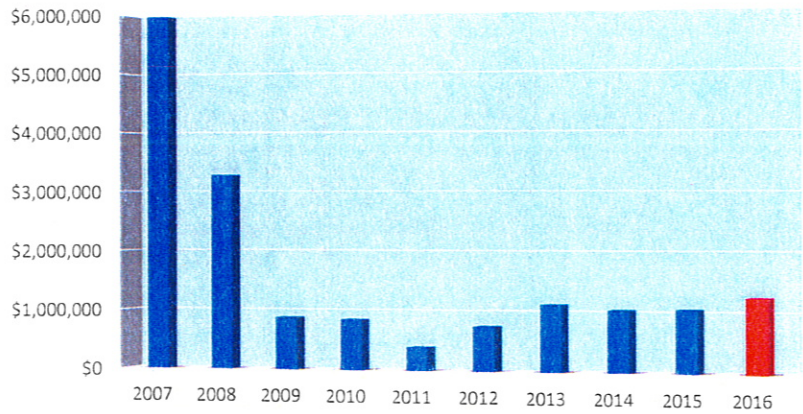
Further Growth??

Communication Service Tax Revenue



Declining Revenue

Road Impact Fee Revenue



Steady (normal) Growth

Financial Challenges – FY 2015-16

- VGTI (General Fund)
  - Debt Payments as expected - (after replenishing debt service reserve account)
  - Cost of Receiver and ongoing building costs (remaining 8 mo's)
    - $3 million greater than budgeted
- Employee Health Plan – Climbing claims costs (Health Plan Fund)
  - Deficit Spending, additional one-time city contribution, higher future contributions (city and employees)

General Fund – Financial Results FY 2014-15

- FY 2014-15 – Projected deficit spending of $3.6 million, Unaudited results of $2.9 million surplus, $6.5 million better than expected
  - Revenue exceeded projection by $1.7 million
    - State Revenue Sharing - $358,176 over projection
    - $228,819 sale of Right of Way – not projected
  - Additional Cost Savings generated $4.9 million above projection
    - Smaller Transfer for Torrey Pines Debt - $600,000
    - Delay in VGTI Debt Pmts. - $2,618,106 (must be re-budgeted)
    - Police Dept. add'l savings - $1,075,320
    - MIS Dept. add'l savings - $338,635
    - Parks & Rec. dept. add'l savings - $215,985 (re-budget two vehicles)

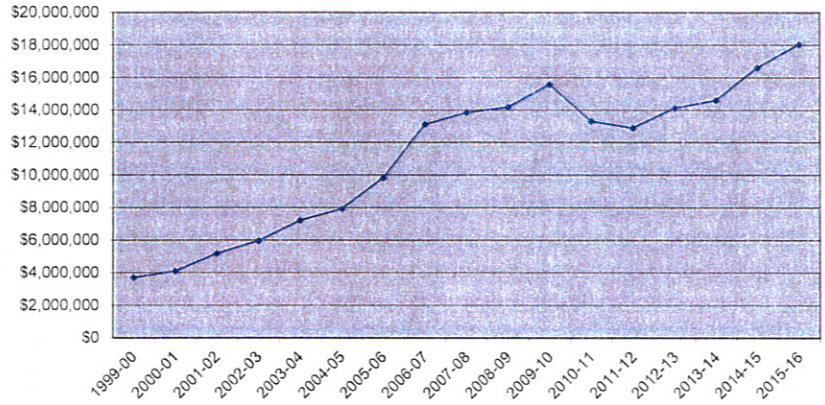
General Fund – Financial Projection FY 2015-16

- FY 2015 -16 – Add'l $6.5 million in Oct 1st Fund Balance, $5.9 million needed in budget amendment #1
- Original 2015-16 projection - $4.7 million operating surplus
- Updated 2015-16 projection - ±$1.5 million deficit
  - VGTI costs are high in FY 2015-16, will drop in future years
  - Projected 9-30-16 balance should be well above Reserve Policy (2 months)
- FY 2016-17 and beyond
  - Forecasts show annual surplus of ±$2 million
    - Model uses conservative revenue estimates and only inflation for expenses

Health Plan Fund – Financial Projection

- FY 2014-15 –
  - Claims exceeded budget by $1.1 million
  - Operating deficit of $1.3 million
- FY 2015-16 –
  - Claims trending higher (projected at $1.3 million over budget)
  - Stop Loss Insurance Premium $160,000 greater than budgeted
  - Employee contributions are set by union contract
  - Budget amendment to add $1 million from city and $500,000 from OPEB Fund
  - Operating Deficit of $1.2 million projected
  - Minimum Reserve projected at 9-30-16
- FY 2016-17-
  - Deficit Spending and Inflation must be overcome
  - Higher Contributions – City and Employees
  - Family/Spouse/Children Plans ratio goes to 16% employee (FY 2017-18 ratio = 17%)

Employee Health Plan – Total Annual Costs



Total Program: Claims, Insurances, Clinic, Admin. (city and employee portion)

Health Plan Contributions (monthly)

(Rates negotiated with Police Sworn Unions)

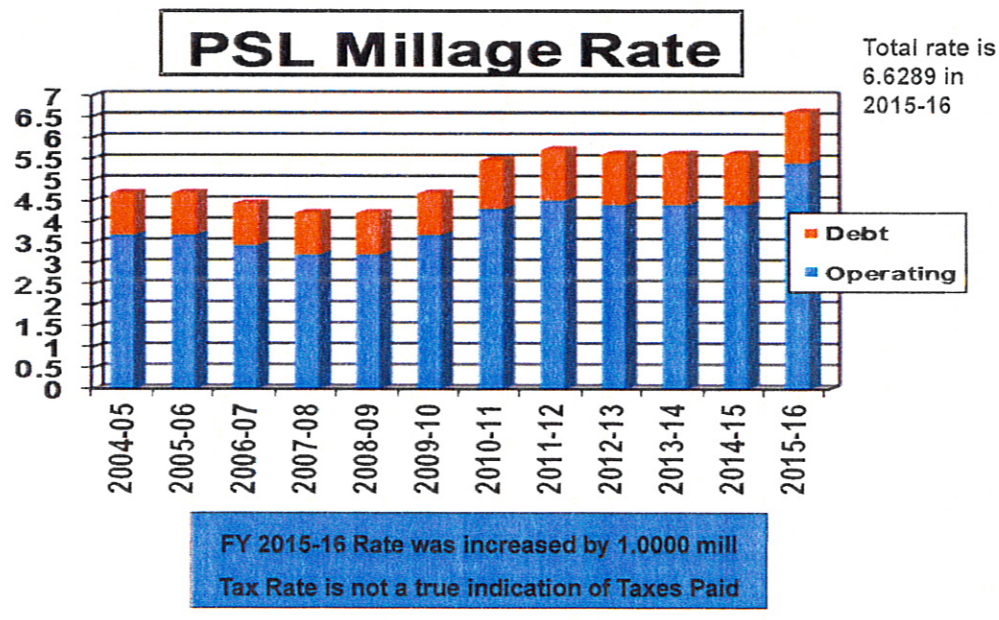
	FY 2015-16		FY 2016-17		FY 2017-18	
	City	Employee	City	Employee	City	Employee
Single	$537	$47	$545	$47	$582	$51
Spouse	$1,441	$254	$1,935	$369	$2,042	$418
Children	$976	$172	$1,095	$209	$1,156	$237
Family	$1,705	$301	$1,951	$372	$2,059	$422

Millage Rate and other Fees

Millage Rate – 6.6289 – to be reviewed

Current Fees – early projections

- Stormwater Rate - $153 annually – no change anticipated
- Street lighting Fee - $26 annually – no change anticipated
- Water & Sewer Rates – Increase under review
- Solid Waste Rate - $268.36 annually – no change



Budgetary Policy

- Salary & Benefits –
  - Pay Increases per union contracts & Budget
  - Health Ins. – Employee Contributions % increase & City Contributions % drop.
- Operating Expenses – hold to inflationary factor of no more than 3%
- General Fund Millage Rate – 5.0480 (no change)
- Crosstown Parkway Millage – 1.2193 (no change)
- Road Operating Fund Millage – 0.3616 (no change)

Budgetary Policy cont.

- Road CIP Program Millage Rate – no allocation of property tax to this fund
  - Prior Years – 0.5583 tax rate ($3.9 million)
- Annual Stormwater Fee – No change to the annual fee ($153)
- Budgeted Financial Contingency – 15%
  - Exceptions
    - General Fund – 17% (2 months)
    - Building Department fund – 50%
    - Health Insurance fund – 17%

Financial Policies

- Port St. Lucie Strategic Plan – FY 2015-16
- Requirement - Annual Update to:
  - Reserve Policy
  - Debt Policy
  - Overall City Financial Policies
- Previously presented and adopted
- No recommended changes at this time

Discussion and Direction for FY 2016-17 Budget

001 - Increase of 1.0000 mills Revised

CITY OF PORT ST. LUCIE
GENERAL FUND
LONG RANGE PLAN - FY 2015-16 (updated for BA #1- Feb 2016)

Assumptions:

This model assumes 6.91% growth in Taxable Value for 15-16 and slight steady growth for future years. An increase in the Millage by 1.000, shifting the Millage from 304 CIP, increases the GF Millage to 5.04800.
The Budgeted Financial Contingency is set by Policy at 16.67%.
Personal Services includes 3% increase in year 2015-16, 2016-17 and 17-18. The 3% growth is based on Union Contracts with potential raises beyond fiscal year 15-16 plus limited staffing increases.
Debt Service and SAD Payments: Public Buildings Fund #108 - $52,163., ECM LOAN to Utility Connection Fee Fund #440 - $421,640. SAD Payment of $1,747,000 for City Center SAD.
Digital Domain Debt Service - $3,484,324.82. Municipal Complex - $1,500,000 and $50,000 for the TIF (CRA)Debt. In 16-17 the General Fund will start contributing $1,750,000 towards TIF (CRA) debt.
REVISED: The Millage rate dedicated toward the Road CIP is shifted to the General Fund, 0.5583 mill.
REVISED: Future Debt pmts and Operating Costs for the VGTI Facility is added.
REVISED: Added one Sgt. and four Police Officers to create a traffic unit.

	AUDITED 2011-12	AUDITED 2012-13	AUDITED 2013-14	UNAUDITED 2014-15	ESTIMATED 2015-16	GROWTH %	PROJECTED 2016-17	PROJECTED 2017-18	PROJECTED 2018-19	PROJECTED 2019-20
REVENUES & SOURCES: Millage Rate, Operations	3.5688	3.4897	3.4897	3.4897	4.4897		4.4897	4.4897	4.4897	4.4897
Millage Rate, Shift for FEI's	0.0000	0.0000	0.0000	0.0000	0.5583		0.5583	0.5583	0.5583	0.5583
Taxes	$ 21,951,703	$ 21,370,773	$ 21,653,438	$ 22,815,878	$ 34,988,799	5.00%	$ 36,733,238	$ 38,569,900	$ 40,498,395	$ 42,523,315
Other Taxes (CST + Bus. Tax)	7,502,375	7,490,677	6,978,893	7,045,352	6,800,000	-3.00%	6,635,000	6,435,950	6,242,872	6,055,585
Utility Tax - Electricity	9,075,684	9,708,491	10,811,224	11,193,318	11,355,750	5.00%	11,923,538	12,519,714	13,145,700	13,802,985
Franchise Fees	9,345,054	9,027,644	9,860,913	10,322,772	10,508,000	2.00%	10,905,120	11,123,222	11,345,687	11,572,601
Licenses and Permits	755,680	838,060	967,926	1,026,004	953,104	1.00%	1,075,000	1,085,750	1,096,608	1,107,574
Intergovernmental (Sales Tax)	8,080,210	8,945,270	9,733,793	10,608,440	11,186,424	4.00%	11,738,135	12,207,660	12,695,967	13,203,805
Other (including int. inc.)	7,238,870	13,056,210	6,844,121	7,112,921	6,495,008	3.00%	6,689,858	6,890,554	7,097,271	7,310,189
Budgeted Cash Carryforward - Operating Funds	0	0	0	22,609,851	25,467,848		23,891,890	25,674,883	28,007,611	30,136,248
Transfers In	10,000	10,000	10,000	303,849	149,750		70,000	20,000	20,000	20,000
TOTAL	63,959,576	70,447,125	66,860,308	93,038,385	107,904,683		109,661,779	114,527,635	120,150,110	125,732,302
EXPENDITURES:										
Personal Services	45,871,826	46,292,517	48,447,554	50,212,498	54,041,524	5.00%	56,127,232	58,933,594	61,880,274	64,974,287
Operating Expenses	13,355,484	14,316,506	12,484,872	13,288,090	18,780,310	3.00%	17,587,979	18,115,618	18,659,087	19,218,859
Capital Outlay	765,014	2,526,204	2,602,624	2,735,028	2,833,398	5.00%	2,788,406	2,927,827	3,074,218	3,227,929
Debt Services	868,238	890,975	915,909	939,225	970,825	0.00%	990,440	0	0	0
Debt Services - Early Retirement	0	0	0	0	0	0.00%	0	0	0	0
Administrative Credit	(4,010,637)	(4,162,635)	(4,399,538)	(5,156,162)	(5,521,996)	1.50%	(5,605,174)	(5,689,252)	(5,774,590)	(5,861,209)
Administrative Charge	75,000	75,000	147,996	147,996	148,000	0.00%	148,000	148,000	148,000	148,000
City Center SAD Payment	0	490,000	1,300,000	1,747,000	1,747,000	0.00%	1,747,000	1,747,000	1,747,000	1,747,000
Transfer of CRA Assets (purchase of Civic Ctr.)	0	0	0	0	50,000		1,750,000	1,850,000	1,750,000	2,278,300
Debt - VGTI Building	0			218,147	6,105,940		4,146,113	4,141,613	4,144,363	4,143,863
Fund Transfers	546,431	2,772,794	1,613,582	944,744	2,196,727	0.00%	1,290,833	1,329,558	1,369,445	1,410,528
Fund Transfer (Torrey Pines)	2,100,000	1,900,000	1,700,000	1,100,000	1,500,000		1,500,000	1,500,000	1,500,000	1,500,000
Fund Transfer to Digital Domain (Debt Service)		538,732	3,490,484	1,393,971	1,161,065		1,516,065	1,516,065	1,516,065	1,516,065
Restricted - K-9 Training Facility	0	0	0	0	0		0	0	0	0
Budgeted Contingency - Future Years					0		0	0	0	0
Budgeted Contingency - Large Claims	0	0	0	0	0		900,000	900,000	900,000	900,000
Budgeted Contingency-Financial Policy -16.67%	0	0	0	0	0	16.67%	12,288,326	12,844,104	13,425,911	14,034,998
TOTAL	59,571,356	65,640,093	68,303,482	67,570,537	84,012,793		97,175,221	100,264,127	104,339,772	109,238,620
SURPLUS <DEFICIT> BALANCE	$ 4,388,220	$4,807,032	($1,443,174)	$25,467,848	$23,891,890		$ 12,486,558	$ 14,263,507	$ 15,810,337	$ 16,493,682

Projected Fund Balance	Beginning		$ 22,609,851	$ 25,467,848	35%	$ 23,891,890	32%	$ 25,674,883	33%	$ 28,007,611	35%	$ 30,136,248	36%
	Ending		$ 25,467,848	$ 23,891,890	33%	$ 25,674,883	35%	$ 28,007,611	36%	$ 30,136,248	37%	$ 31,428,679	37%
Operating Surplus / (Deficit)		Difference	$ 2,857,997	$ (1,575,958)		$ 1,782,994		$ 2,332,728		$ 2,128,637		$ 1,292,431	

Note: Fund Balance Target per City Financial Policy is 17%.