



June 28, 2011

Honorable Mayor and Board of Commissioners  
City of Madeira Beach  
Madeira Beach, Florida

Dear Mayor and Commissioners:

Thank you for the opportunity to present you with the 2011/2012 proposed budget for the City of Madeira Beach. The formation of this year's Proposed Budget has been both challenging and productive. Property Reform legislation began impacting the City's Budget for fiscal year 2007-2008 and continues today, compounded by the present economy. The assessed value of all properties in the City of Madeira Beach has decreased 4.6%. Despite this downturn, we have developed this Proposed Budget to support our continued mission to preserve and improve Madeira Beach's quality of life of Madeira Beach residents.

**We are pleased to present to you a balanced budget maintaining the current millage rate of 1.7954.** In doing so, it extends to our property owners the tax savings that were intended by the January 2007 passage of Amendment 1. However, addressing the approximate \$68,500 loss of property tax revenues, brought on by the reduced property values, has presented a challenge in the preparation of the General Fund budget for Fiscal Year 2011-2012.

The City of Madeira Beach has recently undergone two outside reviews by the Insurance Services Office, ISO. The City's ISO fire rating has improved from a class 4 to a class 3 department. While this does not translate to a savings to the City's budget, it has the potential to decrease fire insurance rates for the residents and local business community. The second review was for the City's Community Class Rating System for flood insurance. The City has received a new community class rating of a 6, which translates to a 20% savings on flood insurance policies for qualified structures.

The City has received a \$10,000 FDOT beautification grant for landscaping, which will most likely be used to improve the appearance of the entrance to the City at 150 Ave. Another grant that we expect to receive this year is a SAFER grant from Homeland Security. It will make funding available for a two-year period. The funds will cover the salaries and associated cost for 2 firefighters for Madeira Beach.

The General Fund, Special Projects Fund, and Enterprise Funds remain in stable condition for the coming fiscal year. A Business Plan for the Municipal Marina was written and approved in 2006 to provide an analysis of rates and guide revenue enhancement; however, we will be updating the plan during fiscal year 2012. The City continues to rely upon the Stormwater Master Plan adopted in 2000 to identify priorities for drainage improvements to be scheduled as funding permits.

Each year, we re-evaluate personnel costs. The Proposed Budget provides for a change of seven positions in the General Fund as follows:

- Integrating the City Manager with the Public Works Director position.
- Reduction on one full-time parks maintenance worker.
- Modifying the Community Development Director to a Manager's position.

- Addition of a Fire Inspector / Code Compliance Officer (80%, 20% shared cost).
- Addition of Two Temporary Firefighter / Paramedic positions (awaiting Federal Grant).
- Addition of a Special Projects Coordinator (Two year transition period).

Consistent with the current City's collective bargaining agreements with the CWA and IAFF, the City budget continues to fund 100% of employee benefits. As has been the practice since FY 2006, the Human Resource Manager continues to directly seek proposals for employee insurance benefits. The Proposed Budget includes funding for health and dental insurance premiums for full-time employees, as well as the Employee Assistance Program, life insurance, and long-term disability. The Proposed Budget provides for a 13.25% increase in the cost of employee health and dental insurance benefits.

The City's Contributions to employee retirement plans have decreased for those on the Florida Retirement System (FRS) and will not increase for non-FRS employees in the coming year. Effective July 1, 2011, employees who are currently enrolled in FRS will begin contributing 3% of their earnings to the State plan. We have seven employees hired prior to January 1, 1996 as well as all firefighters that are included in the Florida Retirement System. The City's contribution will be 4.91% (from 10.77%) for employees in the Regular Class, 14.1% (from 23.25%) for employees in the Special Risk Class, and 4.42% (from 12.25%) for employees in the DROP Plan. General employees hired after January 1, 1996 are included in a defined contribution plan with ICMA-RC. The City contributes 9% of covered payroll for these employees after one year of employment, and vesting occurs after five years of employment. There is no cost to the City during the first year of employment.

A. General Fund:

1. Revenues: Aside from property taxes, the City controls relatively few General Fund revenue sources. Franchise fees are established within long-term agreements. Utility service and communications taxes are limited by state statute and already levied at the maximum rates permitted. State-shared revenues are dependent upon population-based, per capita funding formulas. Fines and Forfeitures distributed to the City are determined as a percentage of the amounts collected.

In addition to the reduction in property taxes, some of the other significant General Fund revenues are expected to decline in the current year. Our revenue projections for the Proposed Budget reflect reductions in Communications Service Taxes, State Shared Revenues, and Shared Revenue-Local from Pinellas County EMS.

2. Expenditures: It is important to note we have not received the final assessed values from the Pinellas County Property Appraiser; we are working on estimates we received this June. Final figures will be available in July.

Operational expenditures within the proposed General Fund departmental budgets have decreased significantly over the current year. Overall, the General Fund expenditures are 12.11% less than the current year. This figure is prior to adding in the city hall renovations and the contingency line to the non-departmental budget. We have reduced discretionary items by going through further evaluation and restructuring. We all know the dramatic fluctuations in fuel costs and we have not been officially notified by Progress Energy or Pinellas County Utilities of any proposed increases in rates.

The Agreement for Law Enforcement Services from the Pinellas County Sheriff's Office reflects a .49% increase in cost for the coming year. Funding is available in the Proposed Budget to continue to secure the services of six deputies for round-the-clock coverage.

Provisions are made within the Proposed Budget for the continuation of replacement programs for computers and vehicles, as well as other improvements and capital outlay items as follows:

- Replacement of air handlers at City Hall - \$10,000 (Non-Departmental)
- Renovations to City Hall \$100,000 (Non-Departmental)
- Network Home Servers (three) - \$3000 (Non-Departmental)
- Floating fuel docks for the marina - \$70,000 (Marina)
- Archibald Park renovations \$200,000 (Special Projects Fund)
- Beach walkover replacement \$100,000 - (Special Projects Fund)
- Resurfacing of four tennis courts \$18,000 (Recreation)
- Beach groin repairs and replacement \$100,000 - (Special Projects Fund)
- Playground improvements \$25,000 – (Recreation)
- Majol Tree wrap & electric \$10,000 – (John’s Pass Village Fund)
- Curb & Gutter \$125,000 - (Special Projects Fund)
- Street resurfacing \$500,000 - (Special Projects Fund)
- Seawall repair \$300,000 - (Special Projects Fund)
- Street & parking lot striping equipment \$3140 - (Parks Department)

We have provided for continuation of replacement programs, such as curb and gutter replacements and street resurfacing, within the Special Projects Fund in the current year. This accounting change continues to provide annual savings to the General Fund, which is one of the reasons that we have been able to maintain the millage rate in the wake of declining taxable values.

Proceeds from the sale of the sewer system to Pinellas County on October 1, 2006 remain set aside in the General Fund and have not been used to balance the Budget for FY 2011.

Improvements to the Archibald Park site are included in the Special Projects Fund. Once an approved budget for this project is set, the committee can begin with design recommendations.

**B. Special Projects Fund:**

1. Revenues: The Special Projects Fund is a Special Revenue Fund primarily funded by the Local Option Sales Tax (Penny for Pinellas). In March 2007, voters approved the Penny for Pinellas Sales Tax initiative for 10 additional years – through 2020. These special purpose revenues must be used for nonrecurring, capital improvements. The ability to fund projects through this source has and will continue to offer relief to the General Fund, which would have been the only available funding source for certain capital projects.

2. Expenditures: Funds are set aside again to accrue for seawall repairs and beautification over the next several years, as well as future street resurfacing and curb and gutter projects, which have been transferred from the General Fund as discussed above.

**C. Enterprise Funds:**

1. Sanitation: The last rate increase for sanitation services was approved in September 2005 for FY 2006, when rates were increased 12% across the board. The Proposed Budget is predicated on the current rate structure. The Cost of Service & Business Plan, which was completed in 2006

recommended that we consider an inflationary annual adjustment to the rate schedule. We have been fortunate to maintain our current rates while still maintaining fund equity at an acceptable level.

2. Stormwater: The Stormwater Fund continues to represent a challenge in terms of generating sufficient revenues for operations and implementation of the Citywide Stormwater Master Plan. Four years ago, the Stormwater Utility Fee was increased from \$2 per Equivalent Dwelling Unit (EDU) to \$5 per EDU per month. That increase generated additional revenue that allowed us to recover from a previous fund deficit. There are no rate increases or capital projects planned for the Stormwater Fund in the Proposed Budget. Instead we propose to add to the reserve for future capital projects as established within the Citywide Stormwater Master Plan. Rather than attempting to fund the large-scale, multi-year projects as outlined in the Stormwater Master Plan of 2000, staff proposes to undertake manageable, one- or two-year projects that can be fully funded with resources accrued within the Stormwater Fund and provide a favorable stormwater management impact.

3. Marina: The new ship store has been completed, turn-key, under its approved construction budget. It is safe to say that the marina generates sufficient revenues to cover the operating expenses. Fund equity has stabilized and the marina is generating sufficient revenues to satisfy debt service associated with this year's construction of the new Ship Store. The Proposed Budget provides for a payback program for the loan from the General Fund for the construction of the Ship Store; the terms can be re-evaluated annually after reviewing the sales and slip rental proceeds. The construction of a new floating fuel dock will make refueling easier and safer for our boating community that visits our marina.

4. John's Pass Village: Revenue is generated from the rental of the former Board of Realtors building (which is leased to Fantasy Planet Beach Company, a retail store). The revenue estimate for rental income from Fantasy Planet is consistent with the existing lease agreement. There is a significant maintenance project proposed for the FY 2011 Budget, repairs to the boardwalk pilings with an estimated cost of \$25,000.

In summary, the Proposed Budget continues our trend of maintaining sufficient staffing levels and adjusting discretionary expenses without sacrificing service levels. We have strived to ensure responsible maintenance and repair of existing facilities, streets and equipment replacements.

We thank all the department heads and staff for their efforts in making voluntary cost reductions and suggesting alternatives for addressing our service delivery needs and expectations. We appreciate the guidance and input of the Mayor and Board of Commissioners in the budget process and your support for this Proposed Budget.

Respectfully Submitted,

*Bill Mallory*

Bill Mallory  
Interim City Manager