



MEMORANDUM

Office of the City Clerk & Treasurer

To: Mayor, City Council and Department Heads
From: Carl Callahan, City Clerk & Treasurer / Chief of Staff
Date: September 12, 2011
Re: 2011-12 Budget Considerations

For the fifth consecutive year the City of Bradenton has faced declines in nearly all sources of revenues. What started out several years ago as "tax relief" in a very prosperous economy has now become a reduction in revenues as our economic downturn continues. The current proposed budget reflects a continuation of what has become a trend with severely reduced revenues, reduced expenditures and, in some circumstances, service level reductions.

Since the 2006-2007 budget we have witnessed a \$5 million (17%) reduction in major revenues available for general governmental operations. We have reviewed all areas of the budget for potential savings and efficiencies. It is my opinion, and that of most budget/economic specialists in the state that this trend, even with more encouraging economic forecasts, will continue for several more budget cycles. There continues to be immense pressure on local governments to continue to cut taxes while maintaining expected levels of service, public safety, and quality of life.

The City of Bradenton has recognized for several years that maintaining the status quo would not be an effective policy. To the general public the city has maintained operations without a significant change in service. Behind the scenes things are much different. The work force has been cut, benefits to the employees reduced, and all expenditures reviewed for cost effectiveness. It is with this in mind that the tentative budget has been proposed for 2011-2012. Below are the general budget parameters that have passed along to the various departments when considering this year's budget.

General conditions / use of reserves

Reserves and cash carryforwards have always been used as a budget balancing tool. The most frequent use is to cover one-time expenses or the purchase of capital items that have a long, useful life. It has *not* been the city's practice to use reserves to fund day-to-day operations. *Our daily operations must be funded by recurring revenues in order to maintain financial stability.* We have to be in this for the 'long haul' and short-term fixes lead to a false sense of security.

Revenues

We are projecting a decrease in revenues with the most significant changes noted below:

- Property taxes: Based upon preliminary numbers from the Property Appraiser we incurred a decrease of approximately 4.2% (equating to an \$675,000 reduction in revenues)
- It is anticipated that the other large sources of revenues (sales taxes, gas taxes, franchise fees, etc.) will be, at best, at the same levels as the prior year (any increase or decrease of 1% equates to \$125,000)

Fee changes under consideration

- Utility rates (based on Consumer Price Index)
- Fire service assessment for operations (discussion purposes only)
- Ad valorem tax rate – proposed at the rollback rate of 5.2002

Expenditure assumptions

- Department costs for operations cannot increase (including any pension changes)
- No wage increases will be projected in the initial budget
- Capital requests should reflect needs with emphasis on items that may have been deferred in previous years
- Current and future benefit packages will need to be reviewed for long-term viability and sustainability

It will be a tough budget year with many difficult decisions ahead. I would be more than willing to discuss these issues with you or your staff at any time during this budget process. The above items only reflect a general review of our projected revenue situation and some general thoughts concerning expenditures. Every department has different needs or special situations and all will be considered during the budget process.