



CITY

OF

GAINESVILLE

CITY

MANAGER'S

RECOMMENDED

BUDGET

IN

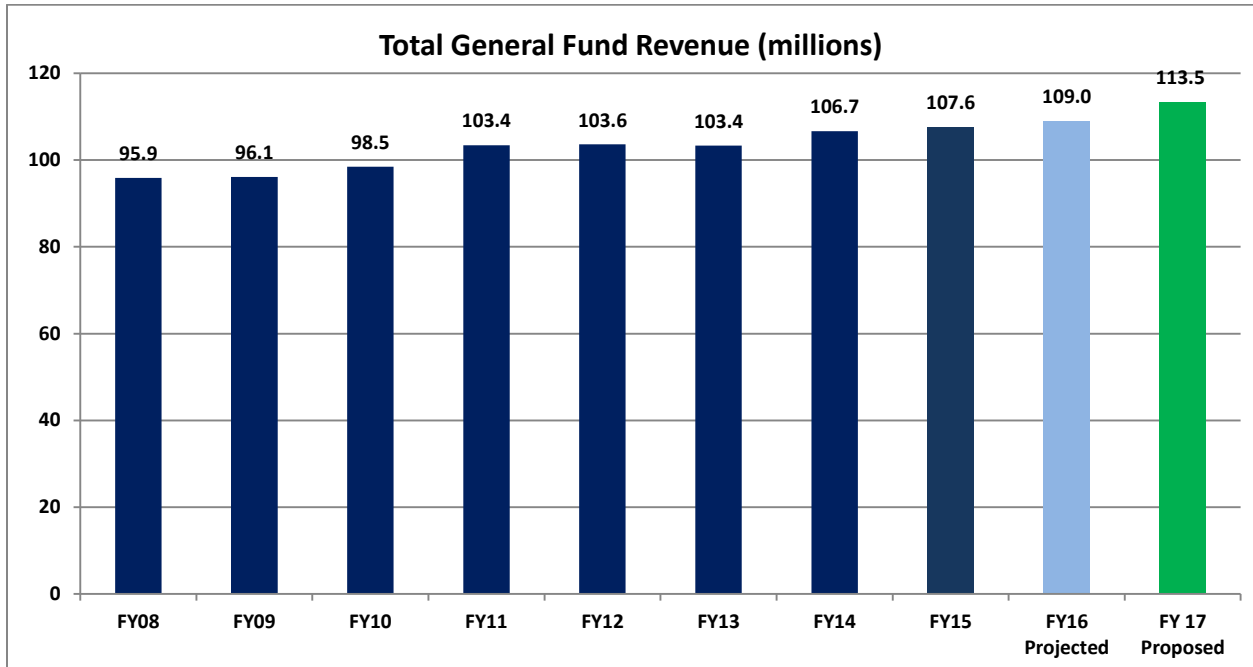
BRIEF

JULY 5, 2016

## General Fund

### Revenues

Total General Fund revenue growth flattened considerably over the years between FY08 and FY13, before beginning a slow recovery starting in FY14 and projected to continue for FY17.



Controlling for the Fire Assessment which was implemented at the \$5M level in FY11, the average growth in total General Fund revenues over the last decade was approximately 1.3% per year. Including the Fire Assessment, the average growth was about 1.8% per year over the last ten years.

The primary General Fund revenue sources and their average annual growth over the last decade consist of:

- Utility transfer – 1.4%
- Property tax – 1.2%
- Utility tax – 1.6%
- Half cent sales tax – 0.9%
- State revenue sharing – 2.3%
- Fire assessment – 0.9%
- Communication services tax – (3.7%)
- Indirect cost revenue – 4.5%

## Utility Transfer

The Utility Transfer (also referred to as the GRU Transfer, General Fund Transfer, or “the transfer”) is the largest single General Fund revenue source, accounting for more than a third of General Fund revenue.

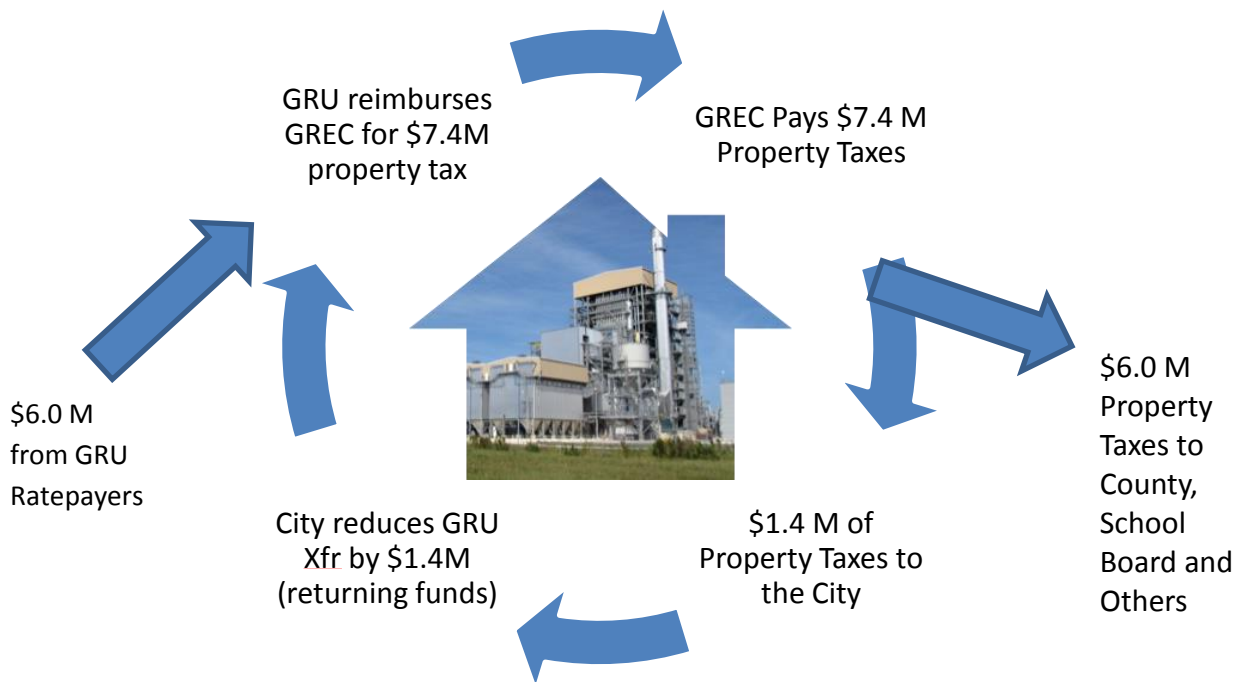
The transfer is intended to represent what GRU would pay the City if they were an investor-owned utility, which includes the following elements:

- Property tax
- Franchise fee
- Return on investment to shareholders/owners

In FY15, an amended transfer formula was approved by the City Commission which:

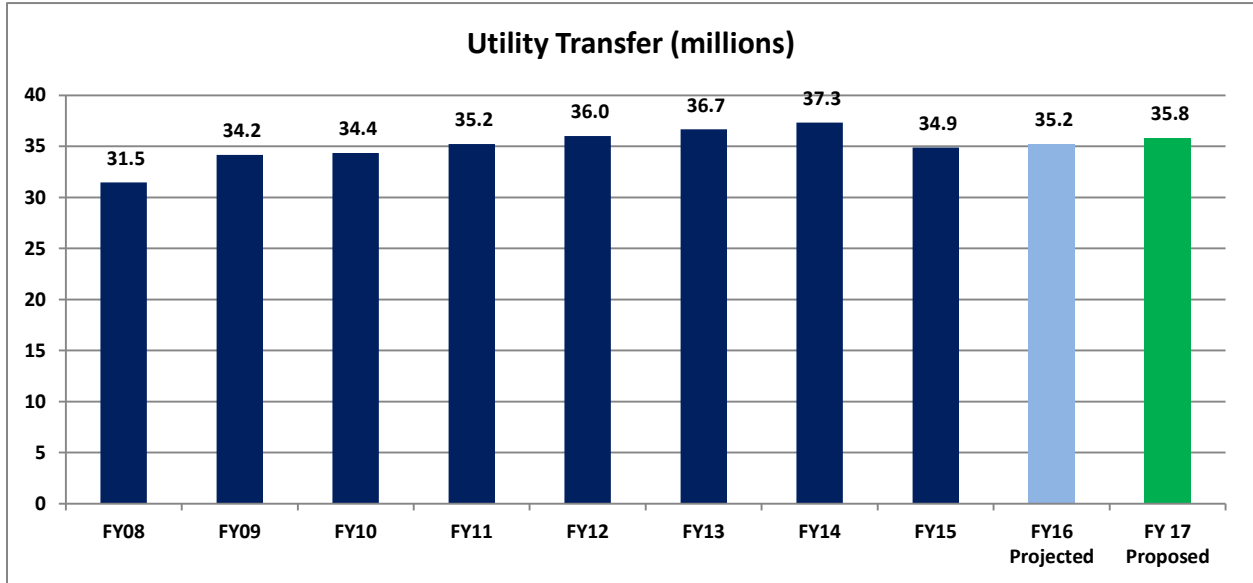
- Set a new base equal to the FY14 transfer under the previous formula methodology (which included reductions due to the decline in average retail kilowatt hours delivered by the electric system).
- Grew the adjusted base by 1.5% per year.
- Reduced that amount by the amount of City of Gainesville property tax revenue received for the biomass plant.

### Impact of GREC Property Tax on Property Tax and the GRU Transfer



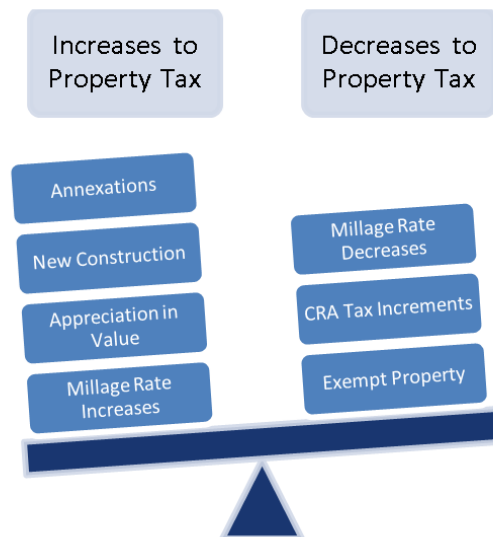
The table below illustrates the change in the utility transfer generated by the new formula, which results in a FY17 transfer that is \$1.5 million below the peak in FY14. Average annual growth in the transfer over the last decade was 1.4% per year.

This transfer level represents approximately 8.5% of GRU’s revenues which is in line with their peers.

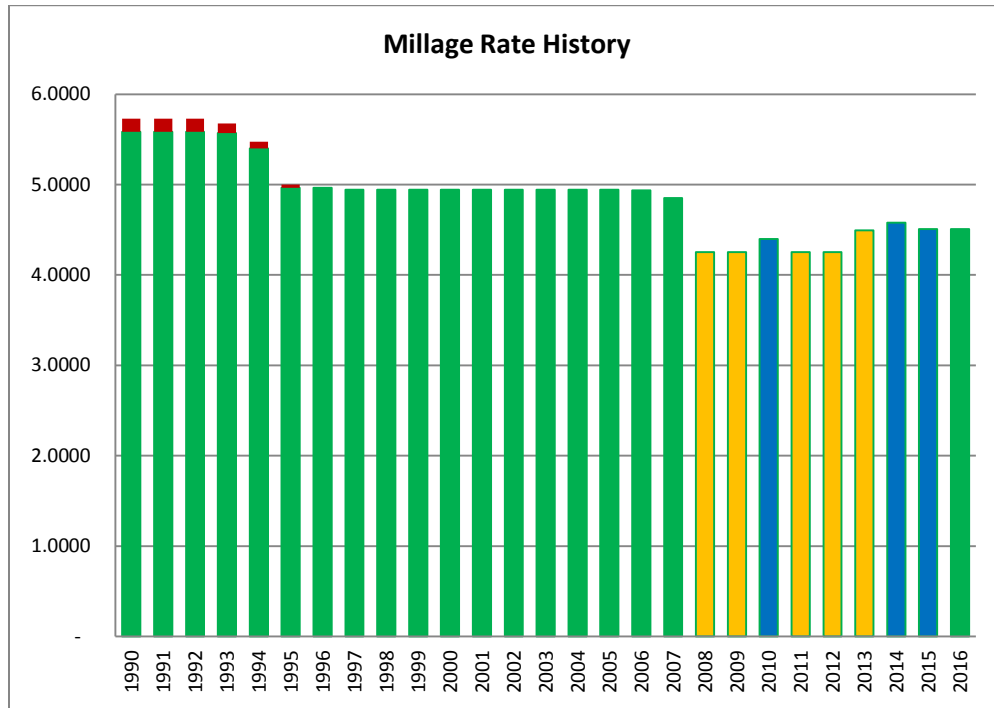


### Property Tax

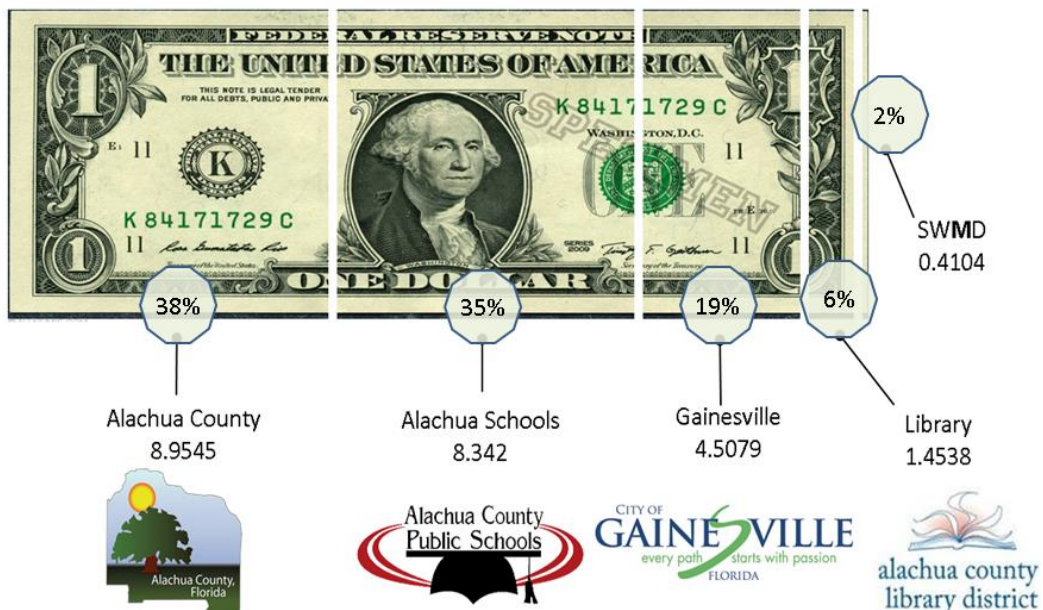
Ad valorem tax, more commonly referred to as property tax, is the second largest General Fund revenue source. Property tax revenue is impacted by the following factors:



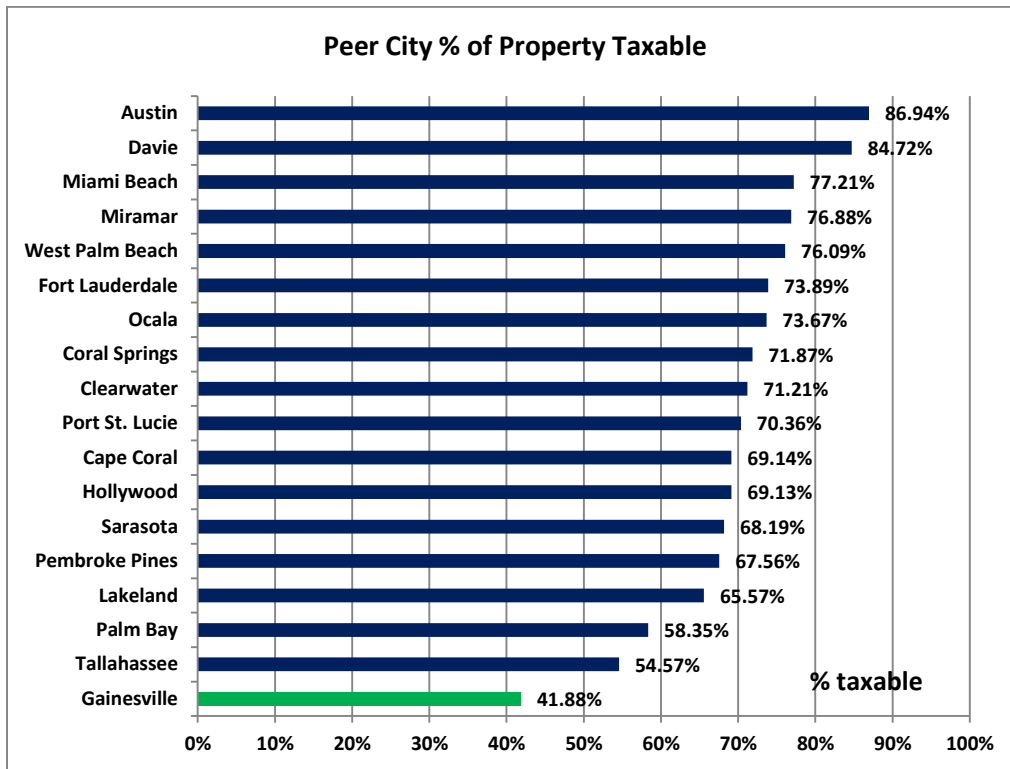
The proposed budget includes keeping the millage rate for FY17 the same as in FY16 at 4.5079. The chart below shows the City's millage rate history. The blue bars represent years in which the City adopted the rolled back rate and the yellow bars represent years in below the rolled back rate.



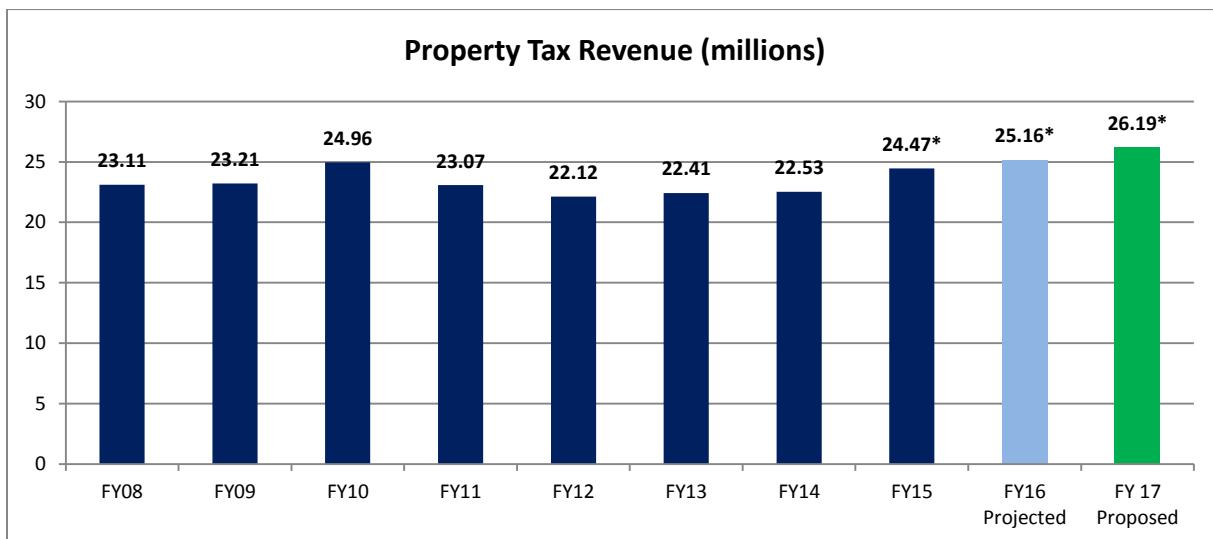
The City's millage rate accounts for 19% of the total tax bill for City residents. The total tax bill is allocated among taxing authorities as shown below:



Of note is the fact that less than 42% of the City's property value is taxable.



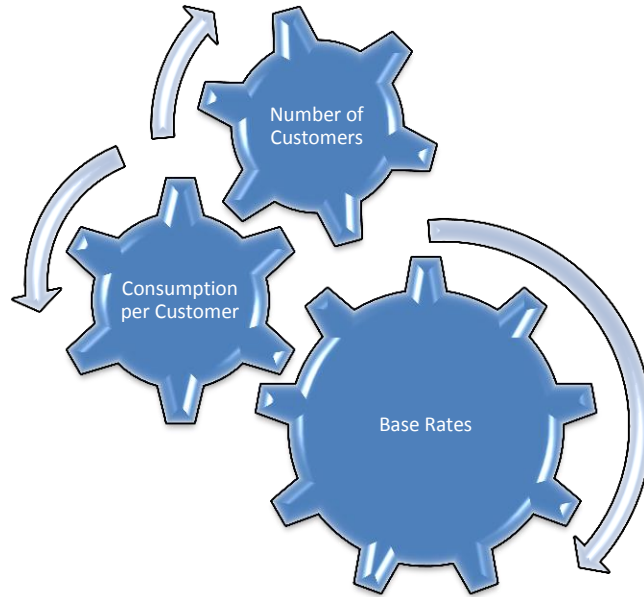
Preliminary taxable value numbers for FY17 indicate that our tax base is continuing its slow recovery, with an annual growth of about 4%. The growth is primarily composed of appreciation in value of existing properties, with \$51 million in new construction and \$200 million in valuation growth.



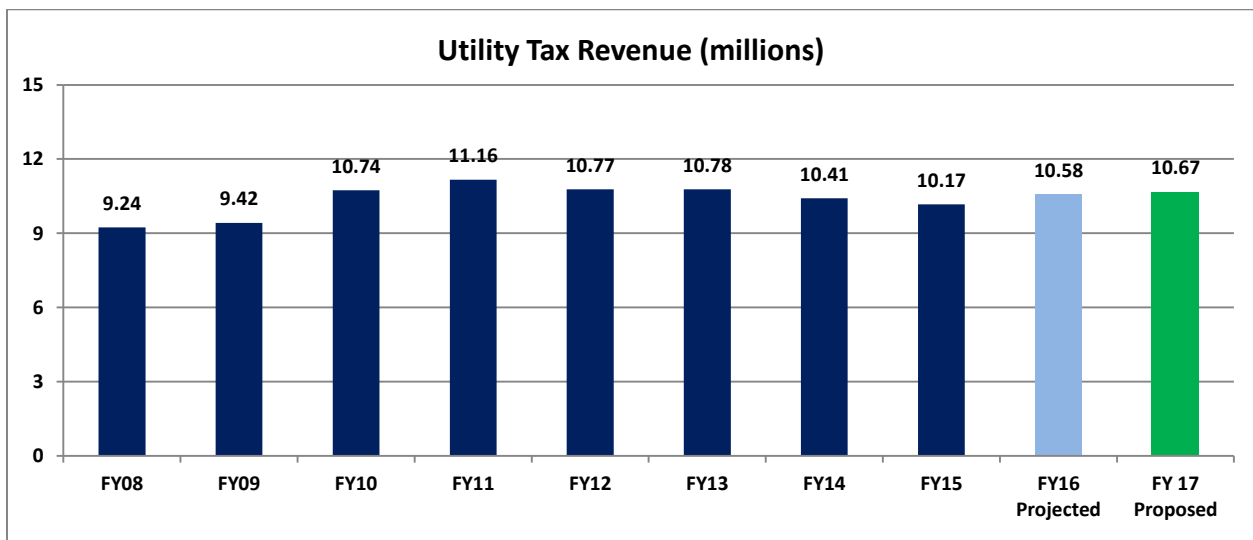
\* Includes \$1.4 million from biomass plant that will be passed through to GRU in accordance with new General Fund Transfer formula.

## Utility Tax

Utility tax revenues are generated through taxes levied on electric, water, and natural gas utility customers who reside within City limits. Fuel costs are not subject to this tax; therefore, price changes which flow through GRU's fuel adjustment do not impact the level of the tax generated. The following factors impact the changes in utility tax revenues:



The growth in this revenue between FY09 and FY11 was fueled in part by the Butler Plaza and SW 20<sup>th</sup> Avenue annexations. Electric rate changes have the most significant impact on this revenue source.



### Charges for Services

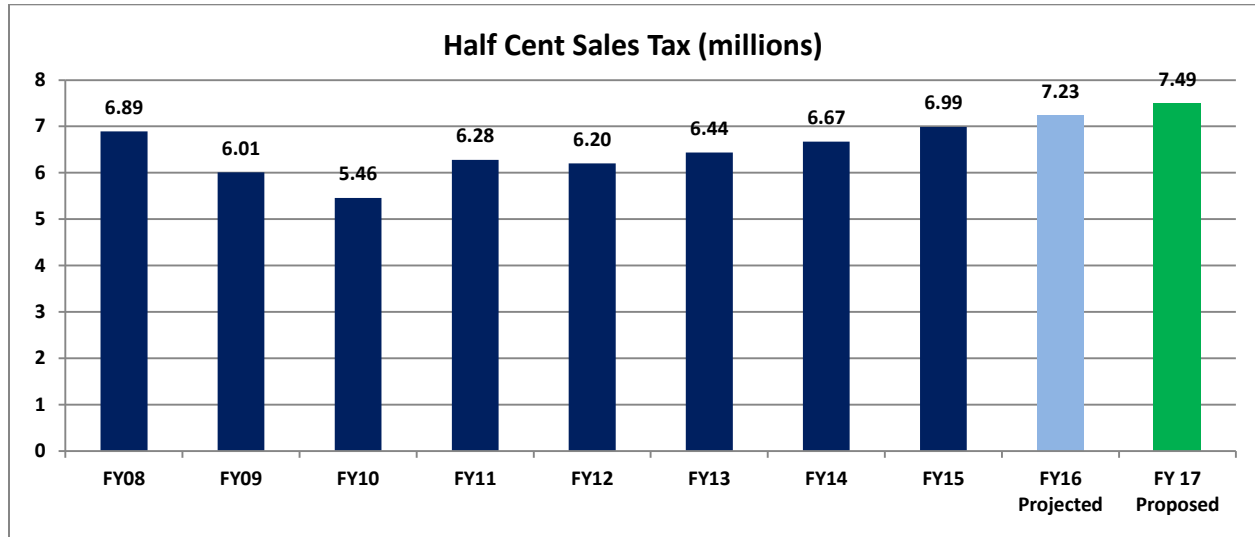
Charges for Services include a wide variety of sources, ranging from interlocal agreements with other agencies to pool entry fees to parking decal sales. To keep up with increases in costs of service provision, the City’s practice has historically been to increase most user fees by 5% every other year (typically in the adjustment budget year). The FY16 budget included this 5% increase for all fees with the exception of:

- Business Taxes – no increase
- Building Permits – change in rate structure will be discussed in the future
- Landlord License Fees – no increase
- Fire Inspection & False Alarm – change in rate structure

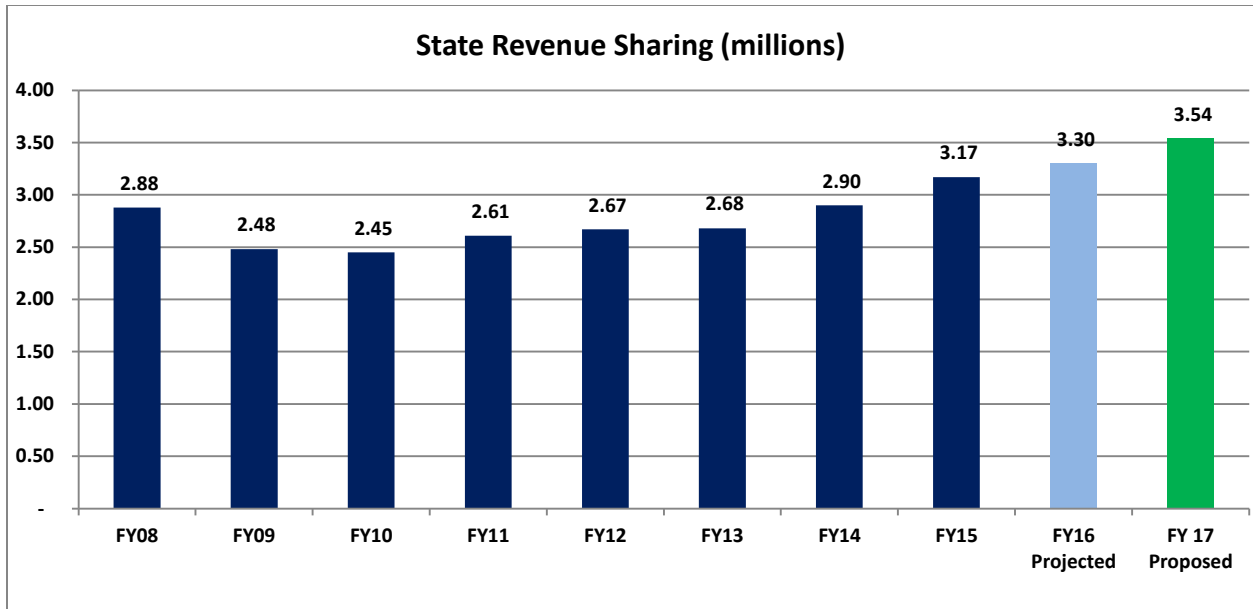
### Half Cent Sales Tax & State Revenue Sharing

Half cent sales tax revenue and state revenue sharing are both funded by sales taxes collected by the State and allocated to local governments on a formula basis. Half cent sales tax is based on taxes collected within Alachua County while state revenue sharing is based on taxes collected state-wide.

The recession had a significant impact on these revenue sources. Between its peak in FY06 and its low in FY10, these revenue sources declined by \$2.74 million or almost 26% on a combined basis. For FY17, based upon state estimates of CPI and population growth, we are anticipating growth in these combined sources of just under 5%.



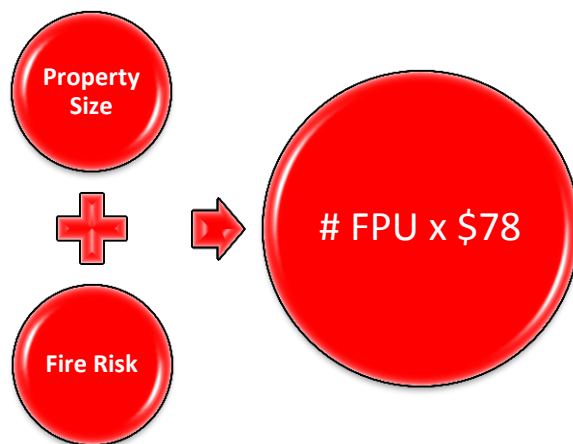




Based on current estimates, these revenue sources combined will have just returned to their FY06 peak in FY17 – representing a period of 11 years of essentially no growth.

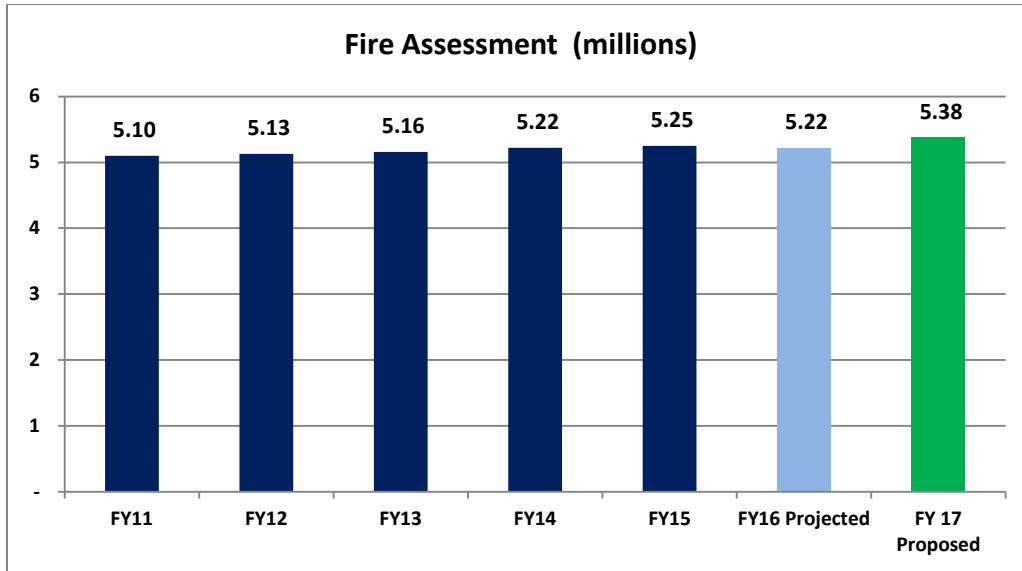
### Fire Assessment

Implementation of the Fire Assessment broadened the base of those who pay to cover the cost of City service delivery, which is particularly important as the percentage of property within City limits that is taxable continues to decline.



This revenue source has remained at the \$78 per factored fire protection unit level since its implementation. That level was set at an amount intended to recover 50% of the cost of fire protection.

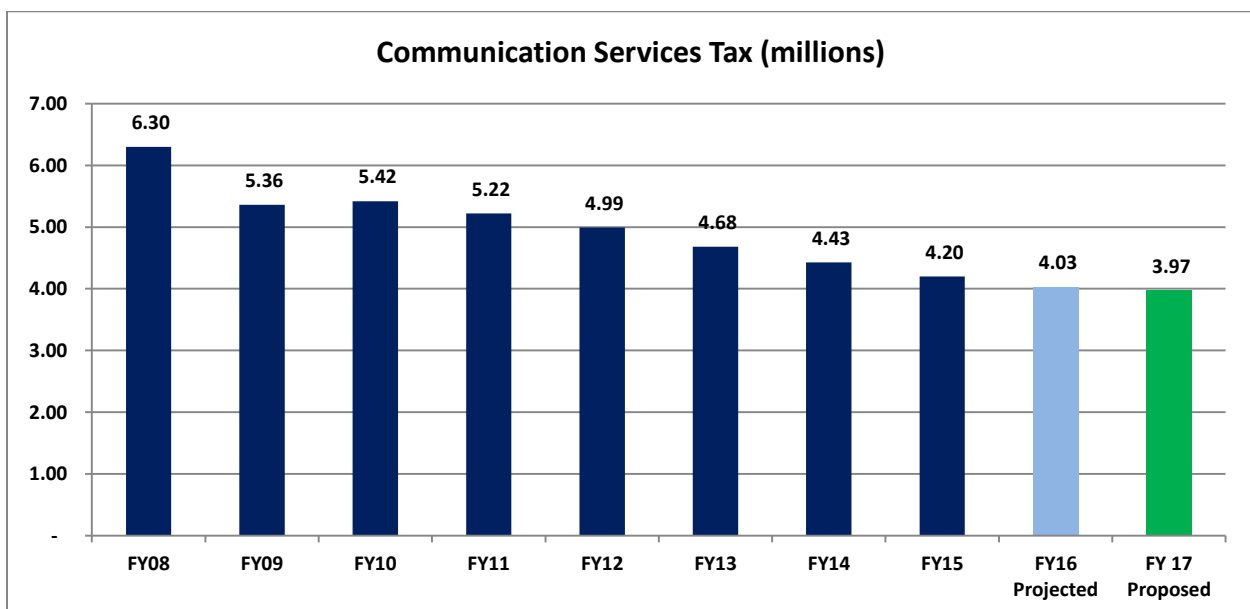
As the cost of fire protection has increased, the proposed fee of \$78 per factored fire protection unit will recover approximately 42% of the cost of fire protection.



*These revenues have been adjusted to be shown gross of the fees associated with the assessment (previously they were reported net of fees).*

### Communication Services Tax

Absent a temporary rate hike in FY08 to generate funds to repay Alachua County for monies which had been erroneously allocated by the State to the City, the Communications Services Tax (CST) has been a steadily declining revenue source. According to the State Department of Revenue, statewide CST receipts have declined due to increasing competition which has driven down prices, prepaid phone services which are exempt from CST, and growth in satellite television which is exempt from the local portion of CST.

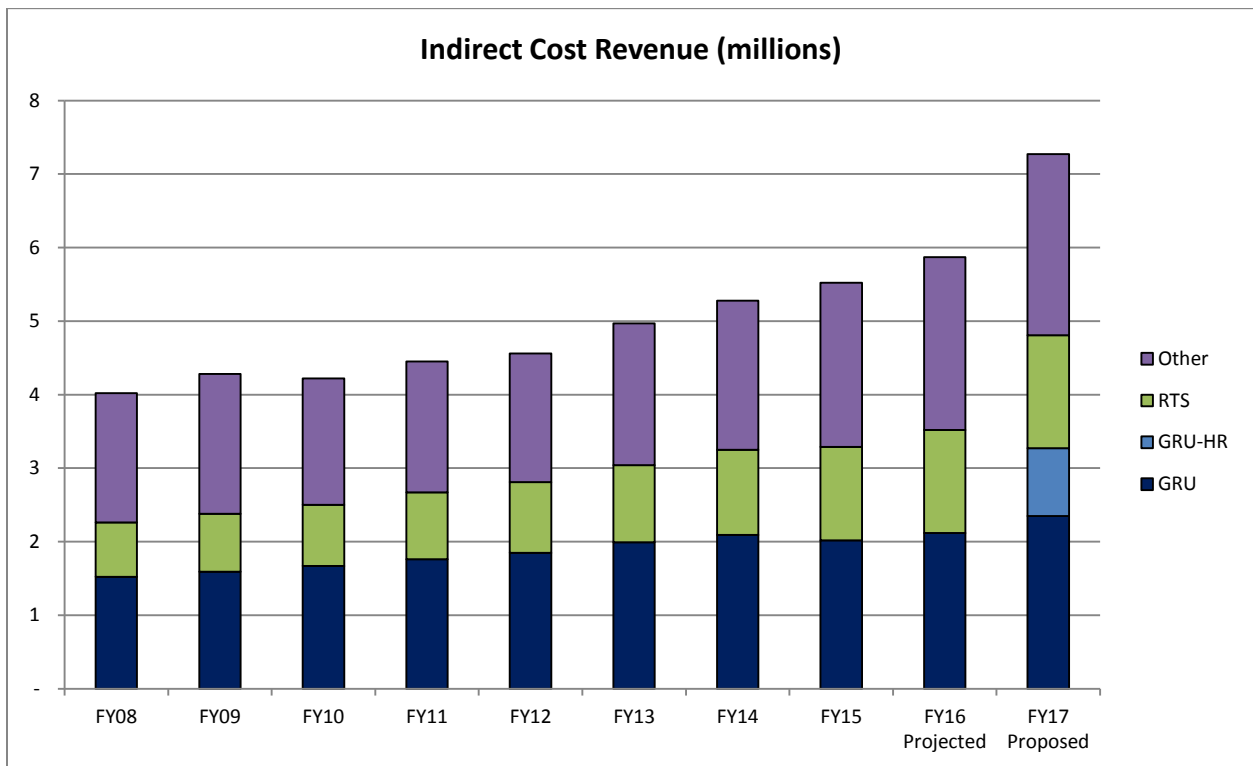


### Indirect Cost Revenue

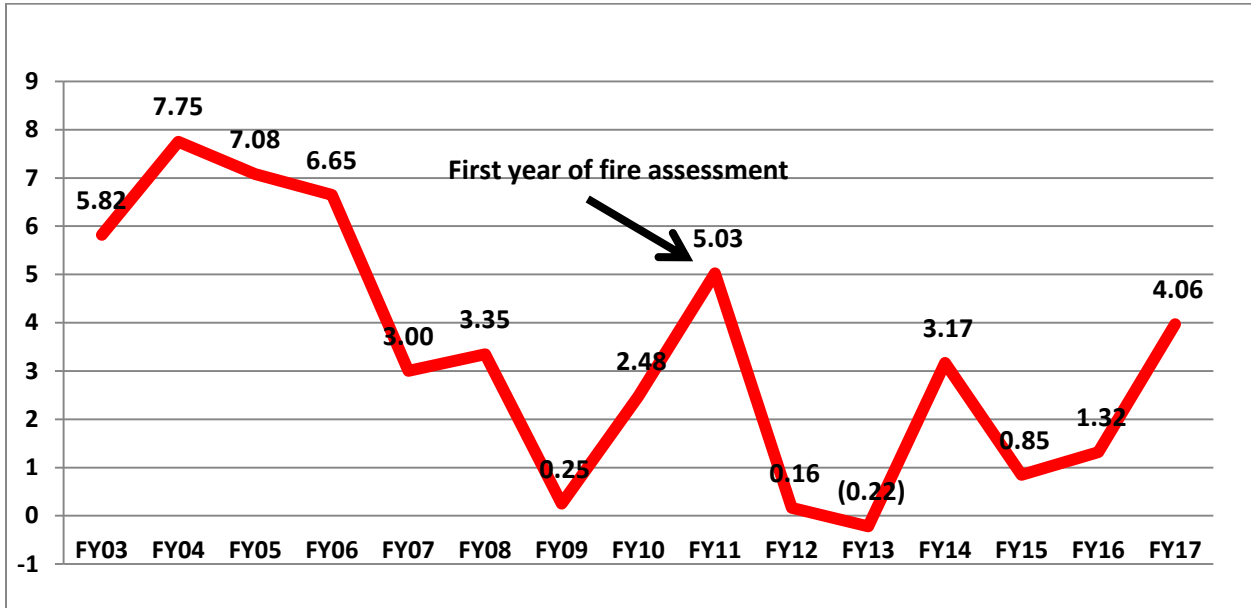
The General Fund covers the cost of a variety of shared services such as purchasing, payroll, legal services, facilities maintenance, utilities, human resources, budget, audit and accounting. The City uses a third party to annually calculate the allocation of the cost of those services which are provided to other City departments, including GRU and the CRA.

Costs are allocated based on percentage of effort, number of employees, square footage and other relevant factors. Certain costs are allocated to all departments and funds, such as payroll, HR, and internal audit while other costs are only allocated to general government departments and funds, such as purchasing and budget.

In FY17, the GRU General Manager and the City Manager agreed to recombine the budgeting of Human Resources under general government’s budget to improve analysis, monitoring and reporting. That change accounts for the significant increase in indirect cost revenue in FY17 and is offset by a corresponding increase in expenditures budgeted in the Human Resources department within the General Fund.



### Revenue Summary – Annual Growth Percentage



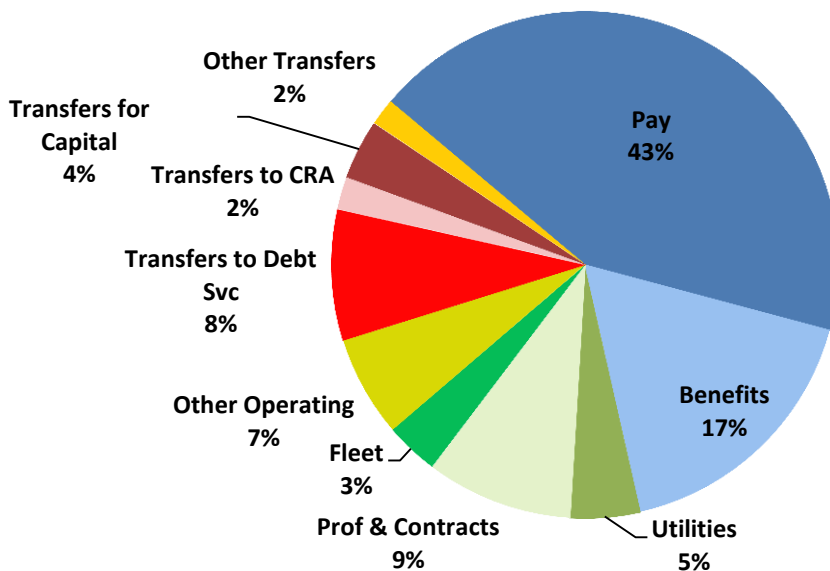
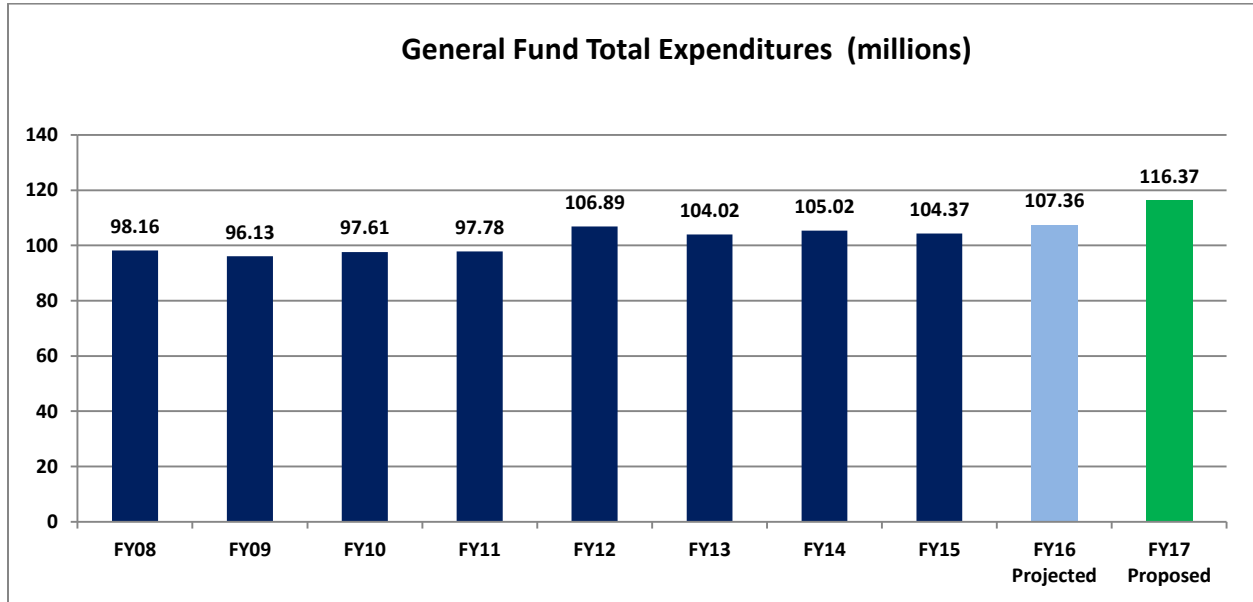
The City’s annual revenue growth prior to the recession ranged from 3.0% to 7.8%. During the recession, the City’s revenue growth flattened, with the only growth in the pre-recession range occurring in FY11 due to the addition of the \$5 million fire assessment.

The City’s revenue recovery began in FY14, was dampened in FY15 due to the reduction in the utility transfer and has begun to improve again, starting in FY17, mostly driven by sales tax based revenues and an increase in property taxes. However, a portion of the 4% growth shown above is due to an accounting change, combining the budget for Human Resources entirely under the General Fund with a corresponding increase in indirect cost revenues. Controlling for that factor, the FY17 annual revenue growth is projected to be 2.6%.

Looking ahead, expected higher growth rates in property tax and sales tax revenues (returning to the pre-recessionary 3% or higher levels) will be partially offset by the more modest expected growth rates (at or below 1.5%) in the fire assessment, utility taxes and the utility transfer along with continued reductions in the communication services tax.

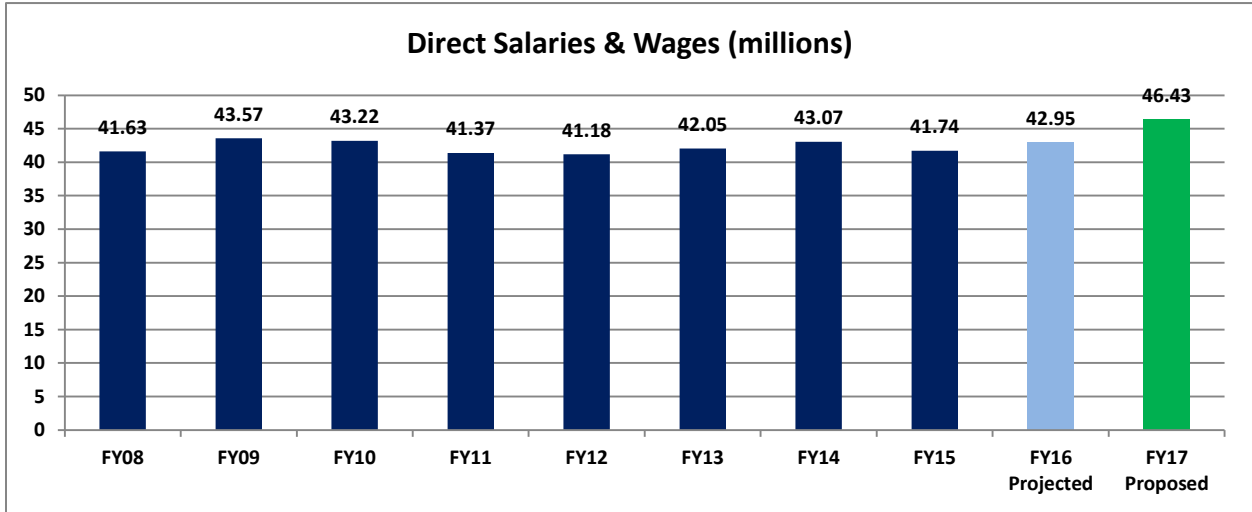
## Expenditure Overview

Over the last decade and through the recession, the City controlled expenditures with reorganizations, hiring and travel freezes, reductions in work force and other organizational efficiencies. This is reflected in the slow expenditure growth (1.9% annually) over the past decade. A portion of the increase in FY17 is due to the effect of comparing actual prior year expenditures to FY17 proposed budgeted expenditures. The City's General Fund has underspent the budget in recent years. For FY16, the current budgeted expenditures are \$110 million while current projected expenditures are \$107 million.



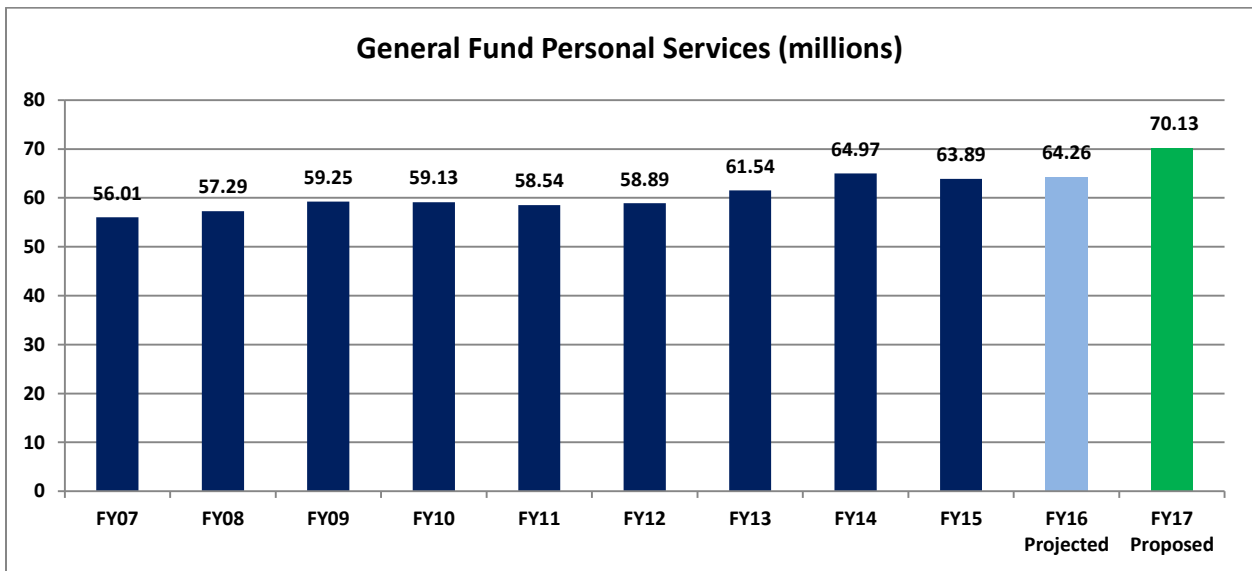
## Pay and Benefits

**Direct salaries & wages:** General Fund salary and wage growth has grown by just over one percent annually since FY08. The primary impacts on salaries for FY17 include raises and the addition of the positions funded by the COPS and SAFER grants which will fully transition to the General Fund in FY17.



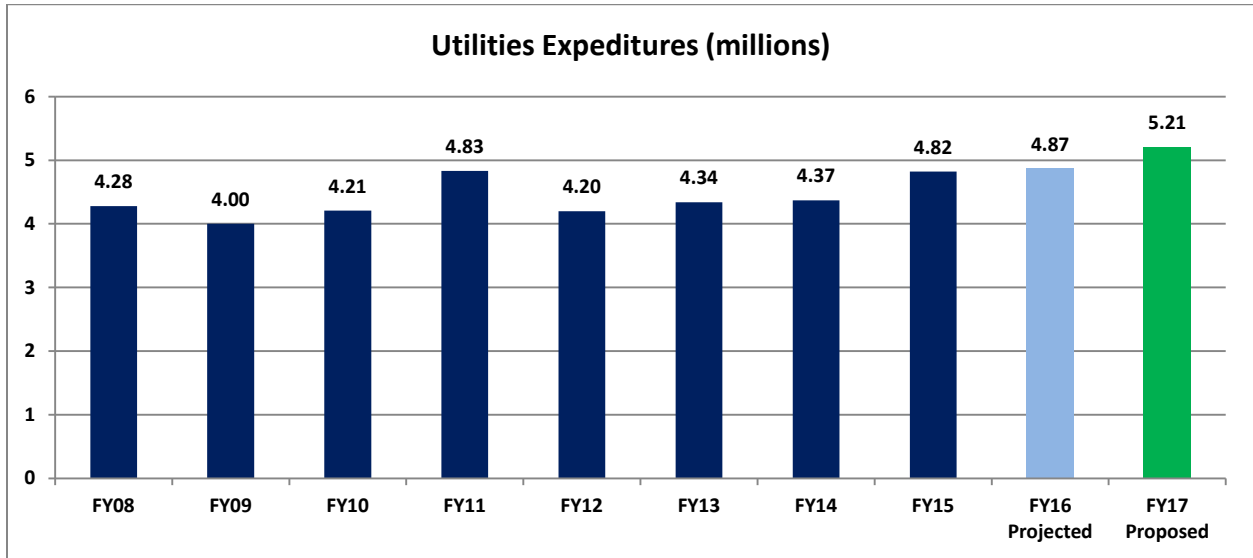
**Pension contributions:** General Fund contributions to defined benefit pension plans began a trend of unsustainable increases in FY11 which provided the impetus for multi-year contract negotiations that successfully modified the pension benefit structure.

These benefit modifications, in concert with improved investment returns, have resulted in a slowing of the growth rate in pension costs to the General Fund, despite the impact of gradually reducing the return assumptions for both the General Employees' Pension Plan and the Consolidated Police Officers' and Firefighters' Pension Plan from 8.5% in FY14 to 8.2% in FY17.



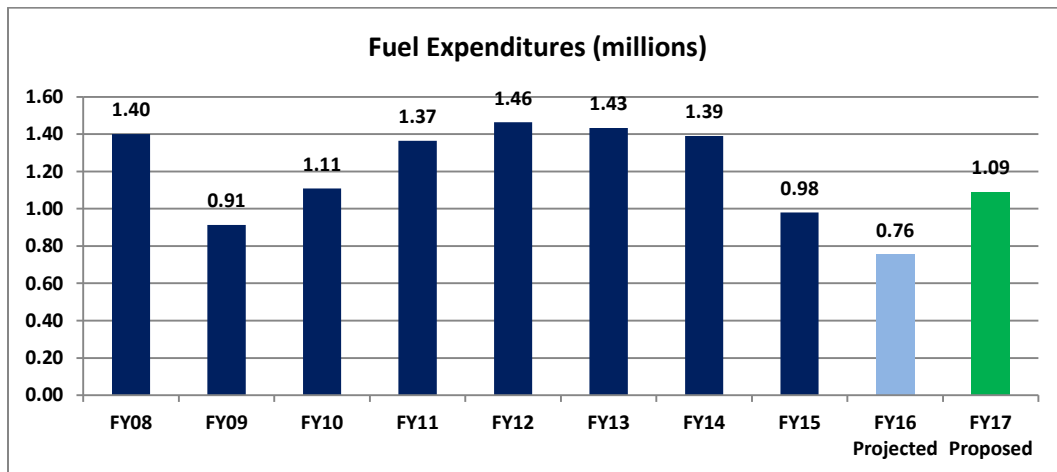
## Operating Expenditures

**Utilities:** Taking into account the efficiency measures the City has implemented, factoring in price change estimates, and considering the FY16 projected spending level all influenced the FY17 projection. Changes to utility rates for electricity, water and/or streetlights will impact this budget area.

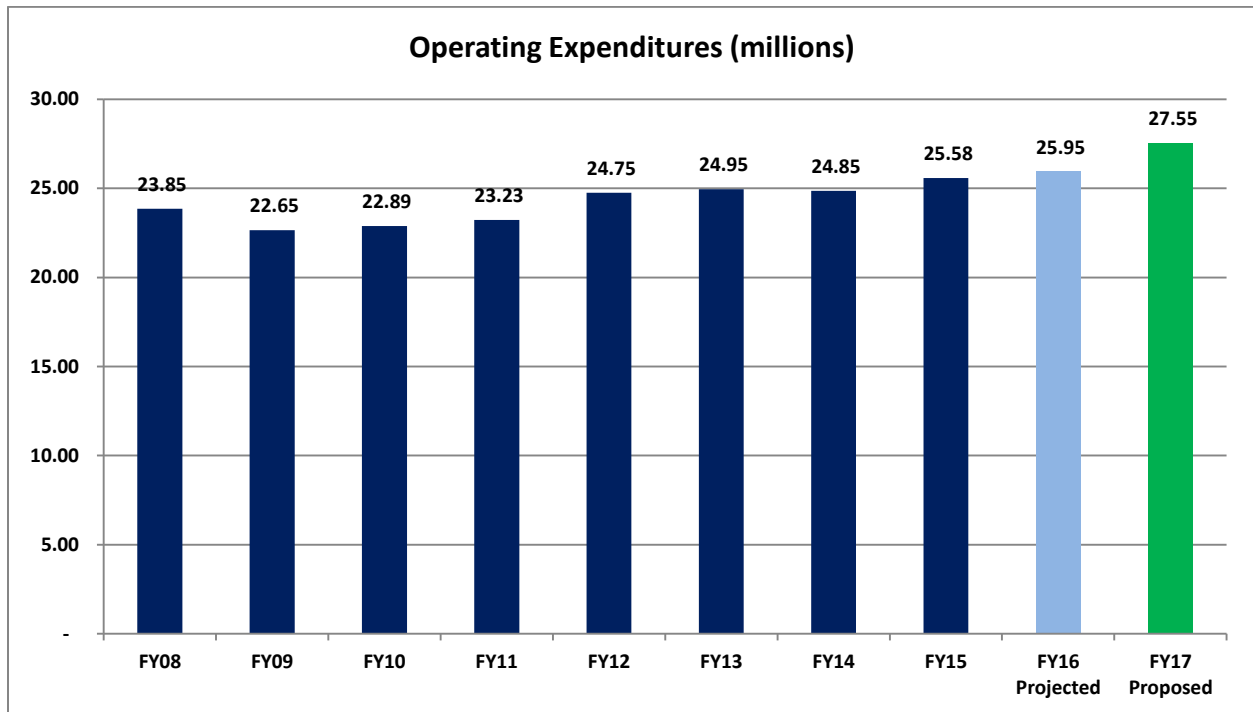


**Fuel:** As a commodity, fuel cost is driven by consumption and price. On the consumption side of the equation, General Government fuel usage, both for unleaded and diesel has remained fairly steady. Consumption has been moderated through the purchase of more fuel-efficient vehicles, a down-sizing of the fleet and rigorous enforcement of preventative maintenance schedules.

Fuel prices are notoriously difficult to project on a longer-term basis. While fuel prices remain low, we are projecting a moderate increase for FY17.



Total operating expenditures have grown by approximately 1.6% per year over the last decade.

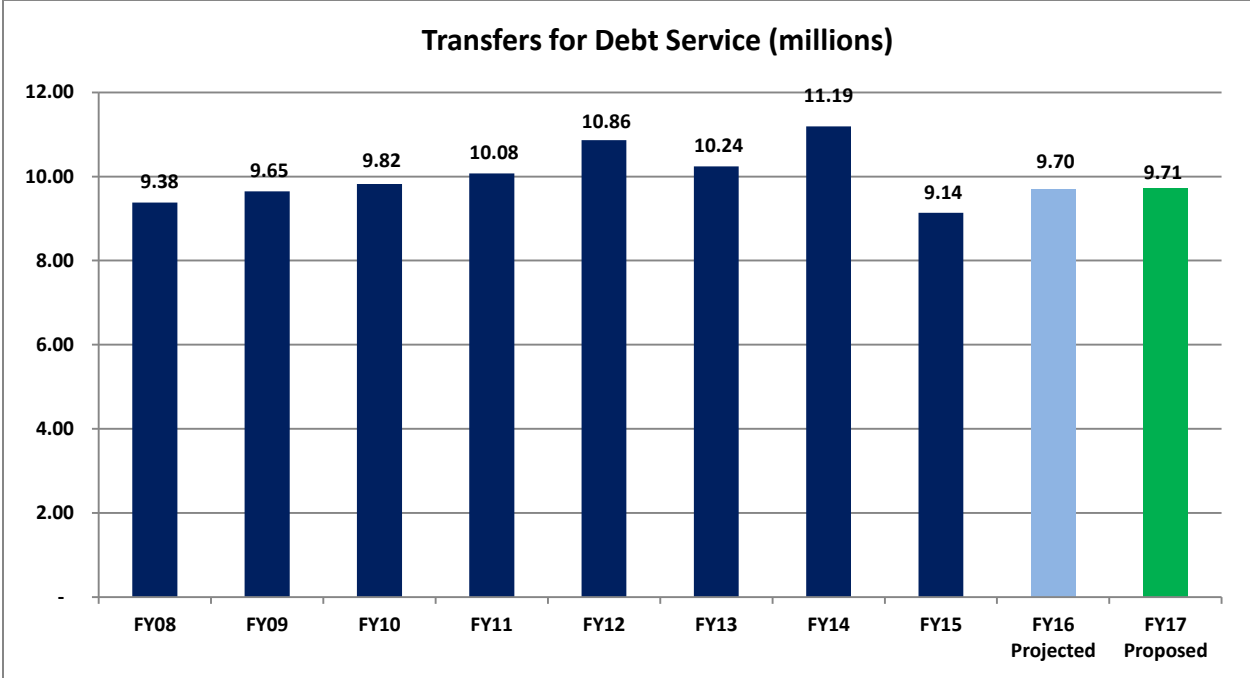


### Debt Service and Transfers to Other Funds

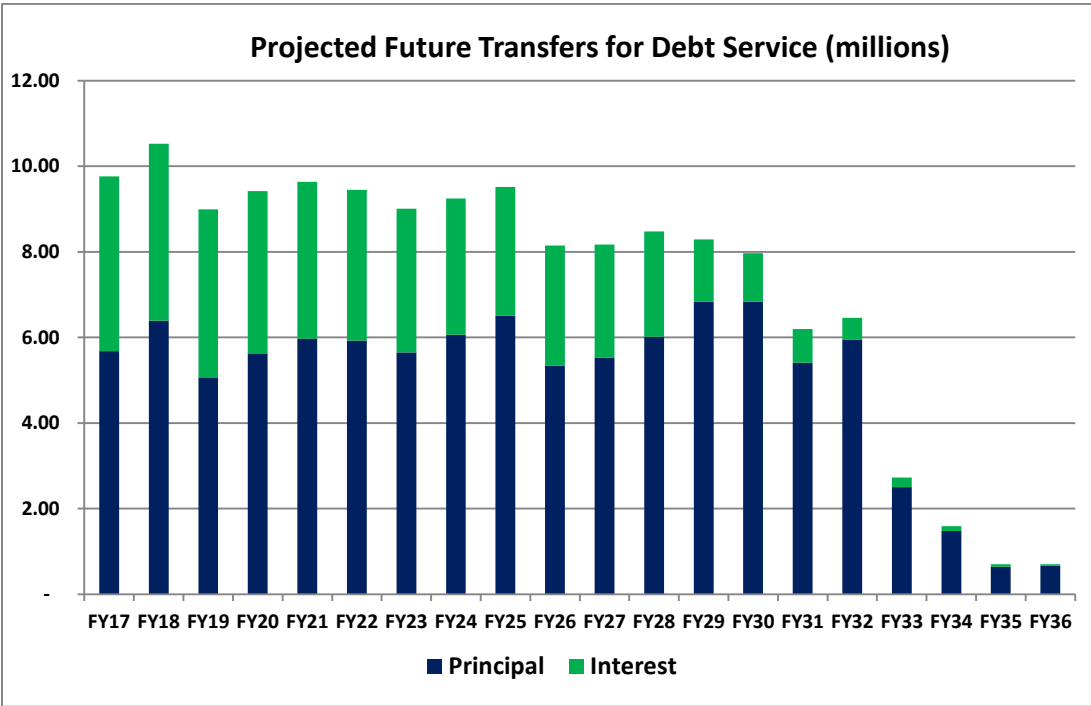
**Debt Service:** In FY15, the City fully repaid the OPEB 2005 debt issue which fully funded the City’s retiree health benefit plan. In the FY15 budget, a portion of that debt service savings was reallocated to fund the facilities maintenance, equipment replacement and road resurfacing programs. The savings realized from the OPEB bond payoff were also used to fund the debt service on a new capital bond issue in FY15. In FY16, the City refunded three bond issues, resulting in annual savings.

The amounts shown below for the FY17 proposed include two new factors. Debt service transfers were reduced for FY17 due to the proposed spend down of the accumulation of interest earnings in the debt service funds. In addition, the proposed budget includes the issuance of \$9.25 million in new debt and the corresponding increase in debt service.



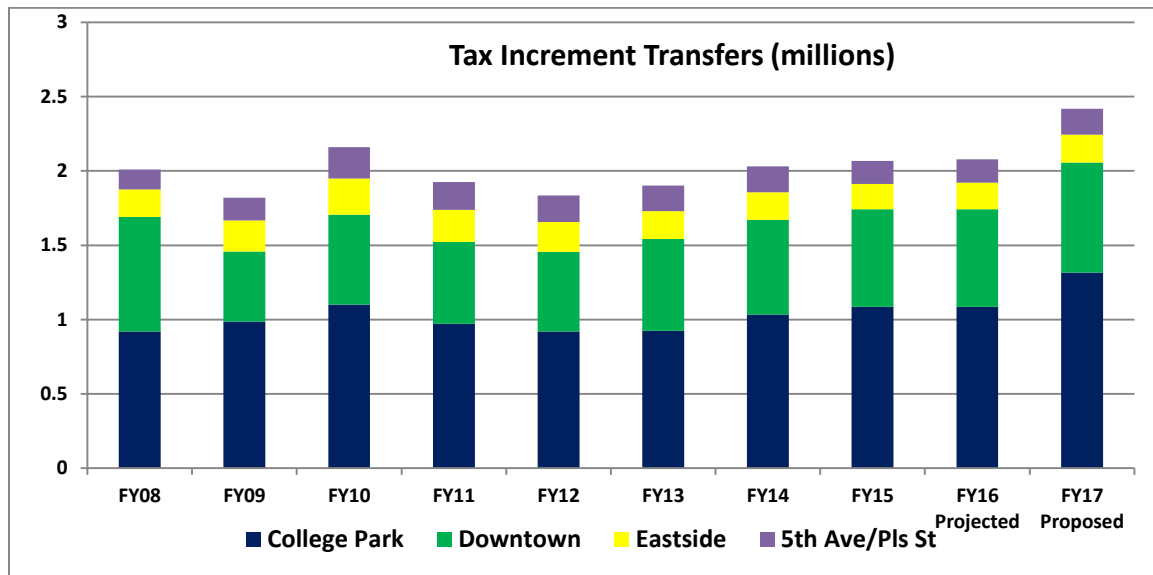


It is important to be aware of the future debt payment obligations of the City. The graph below includes the proposed FY17 debt issue along with all existing outstanding debt. The Pension Obligation Bonds which account for almost half of our annual debt service will be fully paid off in FY33.



**Transfers to CRA Tax Increment Funds:** The City has four tax increment districts. In these districts, 95% of the taxes generated on the growth in property value are remitted from the City and the County to the tax increment funds. These amounts are restricted for use on enhanced services and projects in those geographic districts.

This expense grew rapidly over a good part of the last decade as property values increased, both from general value increases as well as accelerated development within these districts as a result of the City’s redevelopment efforts. These districts were impacted by the economic downturn and the corresponding decline in real estate values associated with the recent recession; however, starting in FY13, the tax revenues have begun an increase in the districts and are projected to continue this trend in FY17.



### Baseline

The baseline budget, which is our starting point for the FY17 recommended budget, includes adding almost \$1.5 million of expenditures to the General Fund budget which were previously funded by other sources, including the COPS grant, the SAFER grant and the set-asides for homeless services and Wild Spaces/Public Places operating that are now depleted.

The baseline keeps the millage rate at its current level of 4.5079 and keeps the Fire Assessment at its current level of \$78 per factored fire protection unit. It does not include any other rate or fee increases above the current rates.

Baseline Revenues	113,173,180
Baseline Expenditures	<u>111,706,248</u>
Baseline Surplus	1,466,932

### Recommended General Fund Increments

The majority of the increments included in the budget are intended to invest in “fixing our house” and to position the City to be ready to move forward as we become more citizen centered and begin focusing on new initiatives.

The recommended budget includes the issuance of a \$9.25 million bond (discussed below) which will require approximately \$650,000 a year in recurring debt service to fund a significant investment in technology and in our facilities infrastructure. This proposed budget also represents an initial investment just over \$150,000 to assist in shoring up our internal services, with the addition of three positions to enhance our efforts in purchasing, construction management and revenue collection and contract management.

Investing in our employees with just under \$1 million of raises includes all wage increases already bargained with our unions as well as funding for raises for open contracts and our non-union staff.

The recommended budget adds \$400,000 in recurring funding to the Citizen Centered Gainesville initiative which funds a regular full-time director, adds an action officer to be stationed at the front desk of City Hall and provides ongoing project funding. This funding will allow for the exploration and kick off of new citizen-centered projects on an ongoing basis, providing flexible funding for both operating and capital needs. On a related note, this recommendation includes just over \$37,000 for the addition of a new half time position and related operating to begin remote streaming of meetings beyond the City Commission auditorium, which is intended to make public meetings more accessible.

Included in the recommended budget is almost \$200,000 in enhanced funding for our parks, recreational and cultural offerings. This includes converting three temporary positions to regular full-time positions, adding ongoing funding for the summer heatwave program and the Pine Ridge summer camp program as well as opening and operating the new A. Quinn Jones Museum.

These recurring increments are proposed to be funded through the use of the baseline surplus, the elimination (or transfer to other funding sources) of the Community Grant Program and the use of approximately \$800,000 of General Fund unassigned fund balance.

Proposed Increments	
Raises	946,628
Bond Issue Debt Service	648,750
Citizen Centered GNV	400,000
Construction Project Mgr	85,071
Senior Buyer	71,664
A. Quinn Jones Museum	52,500
Summer Heat Wave	47,000
Remote Streaming	37,158
Bike Share Program	28,000
Program Assistant - Rec	26,849
Upgrade 30 hr temp Park Worker	15,311
Rec Leader at Morningside	13,161
Smokey Bear Restrooms	9,800
Pine Ridge Summer Camp	5,000
Total Increments	2,386,892
Funded By:	
Baseline Surplus	1,466,932
Proposed Use of Fund Balance	805,688
Community Grant Program	114,272
Total Proposed Funding	2,386,892

### Pilot Programs Recommended

There are a number of continuing and new pilot programs that are recommended to be funded from a combination of released funding previously set aside for future QTI payments and General Fund unassigned fund balance. These total just under \$440,000 and include continuing the GPD support for Dignity Village, the Dignity Village project manager and bus passes for the Empowerment Center. Other initiatives to be funded on a pilot basis are a mental health training rollout for all front line employees, funding for the 352 Arts program including a Coordinator, increasing marketing and communication allocations and beginning an Eastside Arts Initiative. These programs will be evaluated over the fiscal year to determine if they will be recommended to be included in the City’s General Fund budget on an ongoing basis in future years.

Proposed Pilot Programs	
Dignity Village GPD Support	126,726
Marketing & Communications	75,000
Dignity Village Proj Mgr	65,288
352 Arts Space Programming	47,600
352 Arts Coordinator	43,187
Mental Health Training	35,000
Residential Sprinkler Study	25,000
Bus Passes for Emp Ctr	15,000
Eastside Arts Initiative	5,000
<b>Total Pilot Programs</b>	<b>437,801</b>
Funded By:	
QTI Set-aside	270,000
Proposed Use of Fund Balance	167,801
<b>Total Proposed Funding</b>	<b>437,801</b>

**One-time Bond and Other Capital Funding Recommended (including FY17 CIP)**

The proposed budget includes funding the projects included for FY17 of the FY15-19 Capital Improvement Plan. The table below details the funding from the General Fund and Solid Waste Fund. The General Fund contribution is a recurring \$317,446 for general capital projects, \$562,500 for facilities maintenance, \$960,000 for equipment replacement and \$642,554 for the road crew and resurfacing. The funding from the Solid Waste fund is dedicated to road resurfacing related to the wear and tear on roadways from garbage and recycling trucks.

The items noted with an asterisk in the list below are generally recurring every year in the capital improvement plan.

Capital Funding from FY15-19 CIP (FY17 projects)	
Road Resurfacing Projects *	1,470,688
PW Full Asphalt Crew *	448,827
GPD Laptops *	250,000
GPD Portable Radios *	195,000
PW Asphalt Section - Pavement Management *	152,554
PRCA Westside Park & Pool Repairs & Improv.	147,500
GPD Vehicle Video Cameras *	130,000
IT PC Equipment Replacement *	125,000
PRCA TB McPherson Park & Center Improv	120,000
PRCA Cone Park Upgrades	104,892
Sidewalk Maintenance *	100,000
GS Unscheduled Maintenance & Repairs *	100,000
IT Infrastructure Replacement *	75,000
PRCA Bivens Arm Marsh Restoration	72,554
PW Mast Arms Painting & Maintenance *	60,000
PRCA Girlscout/Kiwanis Park Playground	60,000
PRCA Park Maintenance and Repairs *	50,000
GFR Facilities Maintenance & Landscaping *	50,000
PRCA Playground Equipment Replacement *	45,000
GFR Extrinsication Equipment	26,000
Boardwalk Replacement *	25,000
GS ADA Repairs *	25,000
GFR Mobile Data Computer System *	25,000
GFR Fire Rescue Equip on Apparatus Replc. *	25,000
Median Repair/Improvement *	15,000
GS GTEC Facility Maintenance & Repair *	10,000
PRCA Replacement of Diving Boards at Pools *	4,000
<b>Total Capital Funding from FY15-19 CIP (FY17)</b>	<b>3,912,015</b>
Funded By:	
General Fund	2,482,500
Solid Waste Fund (Road Resurfacing)	1,429,515
<b>Total Proposed Funding</b>	<b>3,912,015</b>

In addition to the funding above, the proposed budget includes additional investment in capital for technology upgrades, filling in the funding gap for the completion of the Fire Station 1 replacement, and three parks and cultural projects. These projects are recommended to be funded by the issuance of a bond, the use of General Fund unassigned fund balance and the spend down of investment earnings accumulated in the capital project funds.

Proposed Added Capital Funding	
Fire Station 1	4,500,000
Technology	7,000,000
Smokey Bear Restrooms	65,000
Clarence Kelly Scoping & Design	50,000
A Quinn Jones Museum	4,650
<b>Total Added Capital Funding</b>	<b>11,619,650</b>
Funded By:	
2017 Capital Improvement Bond	9,200,000
Proposed Use of Fund Balance	1,868,000
Capital Project Fund balances	551,650
<b>Total Proposed Funding</b>	<b>11,619,650</b>

#### **Other Increment Requests for Consideration**

In addition to the increments recommended above, the other Charter Officers submitted the following increment requests for increased service levels for consideration:

- \$23,813 one-time and \$25,988 recurring for Equal Opportunity to implement the B2GNOW Diversity Compliance tool.
- \$109,552 for the addition of a Senior Auditor to the City Auditor’s team.

There are a number of requests related to FY16 pilot programs which will need to be evaluated to consider whether funding should be continued, if so at what level (FY16 levels are detailed below) and from which funding source. These include:

- \$50,000 Florida Institute for Commercialization of Public Research
- \$35,000 Parent Emissary Program with Alachua County Public Schools
- \$15,000 Uber for the Elderly Program
- \$15,000 Active Streets
- \$6,500 Replacement funding for CDBG grant reductions

If the Commission directs that the City continue funding these programs, funding options include General Fund unassigned fund balance or the Greenspace and Community Improvement Fund.

### General Fund Reserves

Current policy calls for the City to hold 10% of General Fund revenues in unassigned fund balance. At the end of FY16, the balance is projected to be 16.52% which is \$7 million over the required level.

General Fund Reserves		
	\$	% of Budgeted Revenue
Unassigned fund balance @ 9/30/15	17,476,507	16.40%
Unassigned fund balance @ 9/30/16 (projected)	17,947,521	16.52%
Policy requirement for unassigned fund balance @ 9/30/16	10,861,333	
Unassigned fund balance above policy requirement @ 9/30/16	7,086,188	

The proposed use of General Fund unassigned fund balance is approximately \$2.8 million for FY17.

Proposed Use of Fund Balance	
Recurring Costs	805,688
One-time and Capital	2,035,801
Total Use of Fund Balance	2,841,489
Projected Fund Balance 09/30/16	
above policy requirements	7,086,188
Proposed Use of Fund Balance	(2,841,489)
Proposed Fund Balance 09/30/17	
above policy requirements	4,244,699



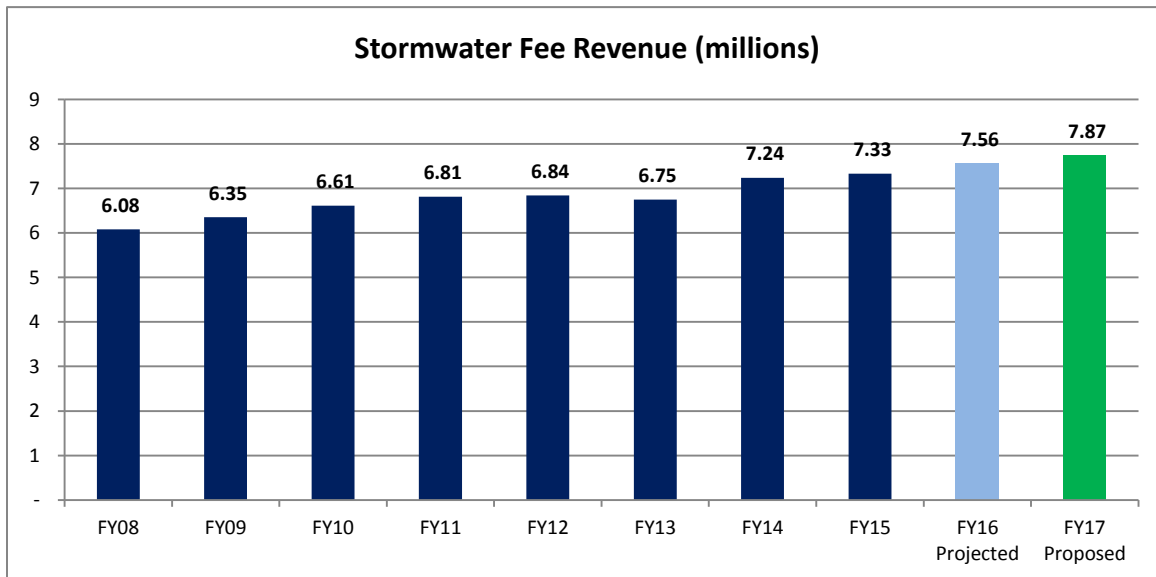
## Other Funds

Details on all of the City's other funds can be found in the Appendix and also online using the OpenBudget tool at [cityofgainesville.org](http://cityofgainesville.org).

The following section provides highlights on the City's enterprise funds which typically charge user fees designed to offset the cost of providing services.

### STORMWATER MANAGEMENT UTILITY FUND (SMUF)

The objective of the stormwater program is to improve Gainesville's water quality. In order to achieve this, staff performs maintenance of basins and ditches, runs the mosquito control program and also maintains the stormwater system. Entities are billed based on their factor of Equivalent Residential Units (ERU).



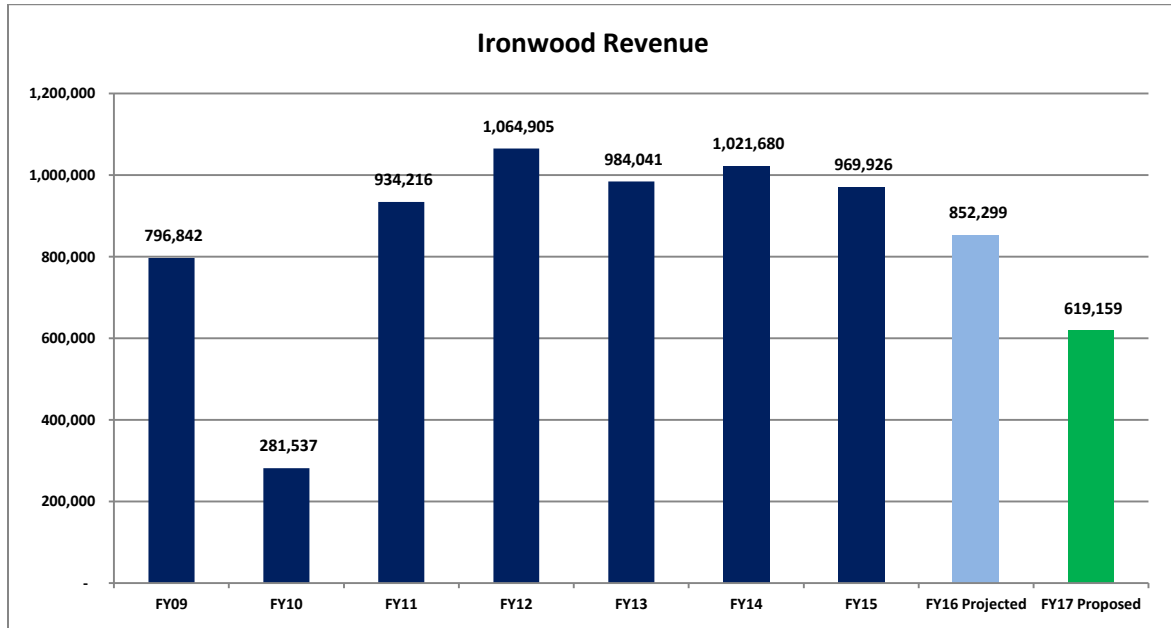
### Ironwood Golf Course

In 2009 the City Commission evaluated a number of alternatives for the future of Ironwood Golf Course and determined that it would be in the City's best interest to maintain ownership of the property, continue to operate the property as a golf course, and transition the course from an enterprise fund to a program within the General Fund by FY19.

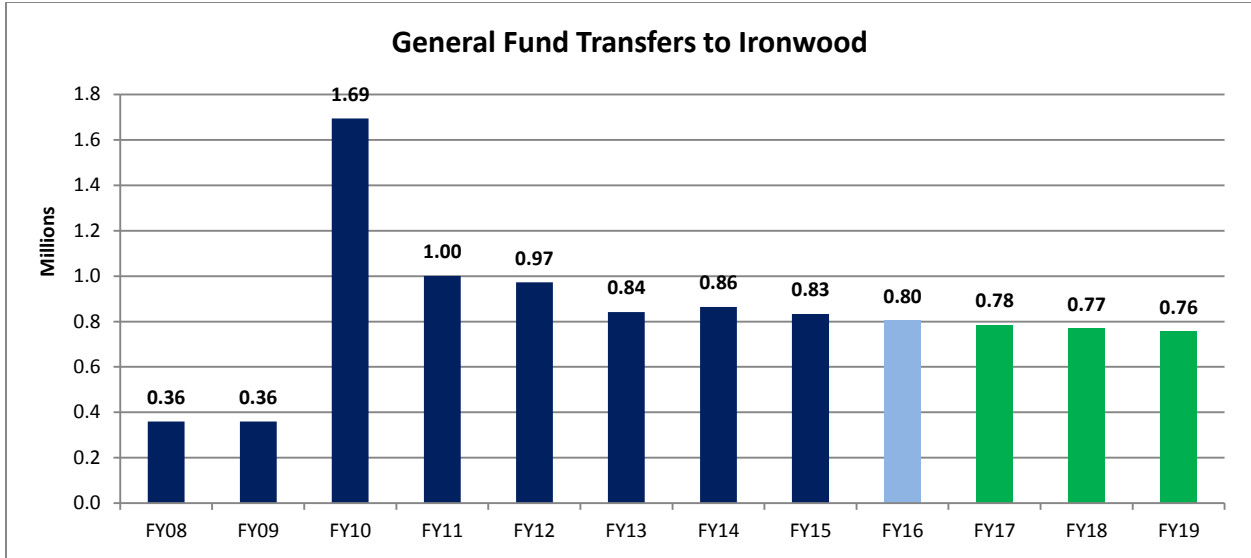
Staff recommended, and the Commission concurred, that if the City intended to continue to operate the property as a golf course, it would be prudent to fund capital improvements designed to upgrade the quality of the course and provide the opportunity to increase the number of rounds played. The incremental revenue generated from a \$5 surcharge per round associated with the course improvements has been sufficient to cover the debt service costs from the course upgrades.

Part of the current maintenance contract includes the regrassing of the fairways in the summer of FY17 which will require closure of the course for about five months. The impact on budgeted revenues of that closure has been included in the proposed budget.

Following is the estimated revenue projection, net of transfers from the General Fund but including capital surcharges:



Part of the 2009 City Commission action included transitioning Ironwood from an Enterprise Fund into the General Fund over a ten year period between FY10 and FY19. The transition plan required a fundamental change in the manner in which monies were transferred from the General Fund to Ironwood over the course of this transition period. Beginning in FY10, the transfer was altered to cover the Ironwood annual operating loss plus an additional \$300,000 per year to amortize the \$3 million cash deficit which had been generated at the course since its purchase in 1992. Based on this transition plan, the General Fund transfer to Ironwood over the course of the transition period is projected in the graph below.



**FLORIDA BUILDING CODE FUND**

Our best local indicators for building permit activity forecasting tend to be land use changes, development applications and first step meetings. Several major building projects over the last few years have generated significant revenue growth for this fund.

The nature of this fund is that revenues are cyclical and are recognized in advance of the related cost of providing the building inspection services for those projects. Because of this, the Building Fund has a current net position in excess of \$4.5 million. These funds are restricted by Florida Statute to be used for the provision of building inspection services.

<b>BUILDING CODE ENFORCEMENT FINANCIAL TRENDS</b>					
	FY13	FY14	FY15	FY16 Proj	FY17 Prop
Building permits	1,755,451	1,671,366	2,977,625	2,767,729	3,426,810
Electric, plumbing & gas permits	502,266	522,748	680,214	766,276	638,528
Other	62,074	298,893	276,562	266,608	159,470
<b>Total Revenues</b>	<b>2,319,791</b>	<b>2,493,007</b>	<b>3,934,401</b>	<b>3,800,613</b>	<b>4,224,808</b>
Personal services	1,634,898	1,708,666	1,698,119	1,871,466	2,290,099
Operating expense	451,025	402,059	513,139	653,001	804,000
Non operating expense	92,619	275,376	40,128	94,713	44,703
<b>Total Expenses</b>	<b>2,178,542</b>	<b>2,386,101</b>	<b>2,251,386</b>	<b>2,619,180</b>	<b>3,138,802</b>

## SOLID WASTE

The primary revenue source for the Solid Waste Fund is the monthly user fees which are collected on the City's behalf by GRU on the monthly utility bill. These fees are typically increased by 5% on even numbered budget years. This budget does not propose any increase to the fees for FY17. The City contracts out solid waste collection.

There are several significant factors influencing the Solid Waste Fund.

**Roadway maintenance cost reimbursement** - For over twenty years, the Solid Waste Fund has transferred \$600,000 (\$300,000 to the General Fund and \$300,000 to the General Capital Projects Fund) to cover the roadway maintenance costs generated by garbage collection vehicles on City streets and curbs. This figure had not been adjusted in many years, and the City's Audit, Finance & Legislative Committee directed staff to review whether this reimbursement level was still appropriate. Staff review resulted in Commission approval that this maintenance cost reimbursement be increased over three years to \$1,729,515 by FY16. Operating results will need to be closely monitored over the next few years to ensure that the current level of solid waste fees will support this level of transfer.

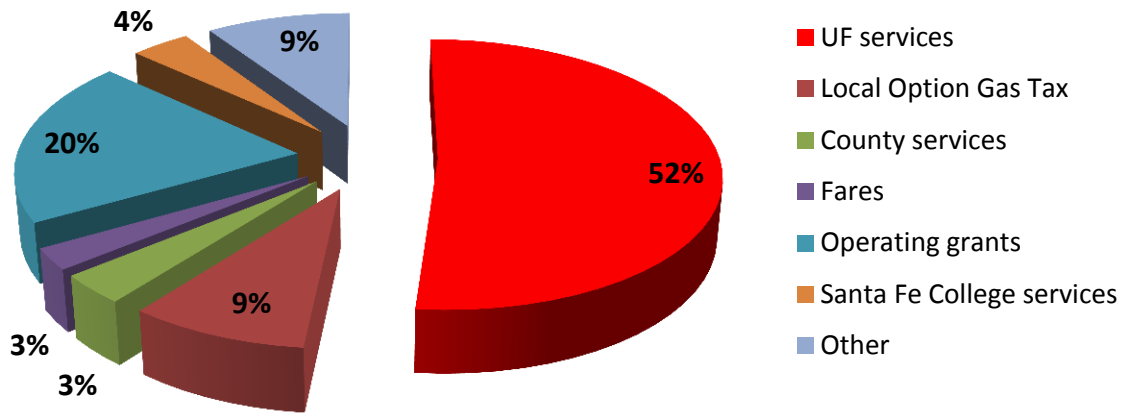
**Airport landfill remediation** - In August of 2006, the State Department of Environmental Protection (DEP) met with Solid Waste personnel to inspect the old airport landfill site which was used off and on by the City from the 1940s through the 1970s at which time it was closed. DEP observed several areas of concern where water runoff had caused the erosion of topsoil used for the landfill cap, and some areas where buried tires were working their way back up through the surface. Based on that visit and the recommendation of the DEP, the City submitted a conceptual plan for remediation of the landfill, which DEP approved in 2006. The cost of the remediation was approximately \$2 million, which the City financed through a loan in FY15.

SOLID WASTE FINANCIAL TRENDS					
	FY13	FY14	FY15	FY16 Proj	FY17 Prop
Collection Fees	7,459,639	7,807,005	7,991,827	7,718,608	7,843,591
Franchise Fees	1,043,042	1,062,668	1,066,554	1,031,890	1,067,015
Other	(8,215)	292,722	265,522	306,555	280,785
<b>Total Revenues</b>	<b>8,494,466</b>	<b>9,162,395</b>	<b>9,323,903</b>	<b>9,057,053</b>	<b>9,191,391</b>
Personal services	761,002	820,000	825,241	857,101	947,423
Solid waste tipping/dumping	1,486,964	1,482,407	1,481,947	1,416,311	1,509,095
Refuse collection fees	4,393,798	4,309,007	4,617,466	4,166,016	4,526,884
GRU billing services	260,472	268,284	276,336	276,336	281,398
Roadway maintenance reimb.	600,000	976,505	1,353,010	1,729,515	1,729,515
Other	550,155	817,753	1,489,209	713,141	900,493
<b>Total Expenses</b>	<b>8,052,391</b>	<b>8,673,956</b>	<b>10,043,209</b>	<b>9,158,420</b>	<b>9,894,808</b>

## REGIONAL TRANSIT SYSTEM (RTS)

RTS operations are predominantly centered around the transit system’s relationship with the University of Florida, who is RTS’s largest customer. As the chart below indicates, almost 52% of FY17 proposed revenues are generated by UF services.

**Composition of FY17 Proposed RTS Revenues**



The FY17 proposed revenue generated by UF services is broken down as follows:

COMPOSITION OF UF RELATED SERVICES	
UF Transportation Fee	9,304,666
UF Campus Contract	3,362,937
UF Sunday Service	414,933
Gator Aider	221,781
Shands Employee Passes	63,818
<b>Total UF Services</b>	<b>13,368,135</b>

On the expense side, approximately half of RTS operating expense is related to personal services.

RTS EXPENSE					
	FY13	FY14	FY15	FY16 Proj	FY17 Prop
Personal Svcs	12,403,964	11,792,609	11,837,351	12,824,552	14,102,452
Fuel	3,395,617	3,429,580	2,406,541	2,312,329	3,783,065
Other Cont. Svcs.	2,824,819	3,373,235	2,117,916	2,227,440	2,309,343
Other	11,068,007	7,491,903	11,510,160	10,186,973	8,785,867
<b>Total Expenses</b>	<b>29,692,407</b>	<b>26,087,327</b>	<b>27,871,968</b>	<b>27,551,294</b>	<b>28,980,727</b>

### **Looking Ahead**

This proposed budget focuses on “fixing our house” by reallocating existing resources along with proceeds from revenue growth first, add recurring expense budget for public safety positions which were previously funded by grants, and then to invest in internal services, parks, recreation and cultural affairs and citizen centered initiatives. These investments will help the City make progress towards becoming the most citizen centered city in the world while preparing us to tackle important City Commission and staff initiatives in upcoming years.

After the conclusion of this budget process, our next steps will be to redesign the strategic planning process to collaboratively create a clear roadmap for future budget priorities. Those meetings will continue throughout this calendar year. The resulting plan will help guide staff and the Commission as we look towards FY18 and beyond.

### **Acknowledgements**

Thank you to the citizens of Gainesville, City Commission, management and staff who have all contributed time, effort and thoughtful discussion of the budget process along with a budget that begins to address the priorities and needs of the City.