



## **OFFICE OF THE CITY MANAGER**

**City of Lake City  
205 N. Marion Avenue  
Lake City FL 32055  
(386) 719-5768**

**October 8, 2010**

**MEMORANDUM TO:** Mayor and City Council

**FROM:** Wendell Johnson, City Manager

**SUBJECT:** Fiscal Year (FY)

### **INTRODUCTION**

*Honorable Mayor and City Council:*

In accordance with Section 404(f) of the Lake City Charter, I respectfully provide the *Annual Finance and Administration Activity Report for FY 2010-2011*. I extend my sincere appreciation for your continual support throughout this past budget year and commend your courage in approving many challenging financial and personnel requests. I applaud the City Staff for contributing to a progressive year 2009-2010 and thank everyone for their unyielding cooperation and assistance in preparing a most successful FY11 Budget.

### **IN REVIEW**

The FY10 Annual Finance and Administration Report proclaimed that City officials would identify and take advantage of every option for stabilizing and balancing the budget within each respective fund. The report noted that revenue transfers from City Enterprise Funds to the General Fund should be eliminated and that property taxes should be stabilized to meet General Fund operational and capital needs. Historically, Enterprise Fund transfers have been largely driven by the "recurring" General Fund deficit which must be considered as excessive. Although the City can be proud of its historically low Ad Valorem Tax rate, the consequences are obvious and supported by several indicators, particularly during the last three budget years. (e.g., little or no General Funds reserve set aside, little or no Enterprise Fund reserve fund set aside, poor capital improvement

program, and large numbers of vehicles and equipment which have visibly exceeded useful life to mention a few.)

Throughout 2010, the City Staff were challenged to make aggressive but practical efforts toward funding adjustments and operational changes that would reduce the City's expenses throughout the FY10 Budget Year and ideally "carryover" to FY11. The principal objective was that future spending should not exceed revenues and that the City would "live within its means." The FY11 Budget review was kicked off during March 2010 by evaluating an assortment of accessible sources to reduce operational and capital cost. The customary Council/Staff Budget process for FY11 was implemented and completed after four successful workshops; all with highly encouraging results.

During the last three years, the economic recession among other factors, has impacted the City's financial resources and will certainly continue as a threat to the City's ability for sustaining customary revenue levels to fund traditional service delivery. By all indications, dormant growth, declining property tax values, and reduced state revenue sharing could last until 2015 and possibly longer. Given the budgetary challenges faced in FY08, FY09 and FY10, the FY11 Budget should be viewed as "*coming out of the eye of the hurricane*" and the next three to four years may materialize as the most difficult financial period in the City's history.

Please recall the economic events of 2007 when the State Legislature resolved to do something about property taxes. They accomplished the objective with an amendment to the State Constitution approved by voters in January 2008 with the following results:

- *The homestead exemption doubled from \$25,000 to \$50,000.*
- *Portability was created for the "Save Our Homes" tax break.*
- *A cap on tax assessments even for non-homestead property was approved.*
- *Florida cities/counties cannot increase taxes by more than the rate of increase in Florida's per capita personal income – This is the tax cap!*

In considering these conditions along with the on-going recession, the impact to Lake City's gross taxable value for FY11 was a decline of nearly \$30 million. Given the trends of the last three budget years, the following "realities" are offered for consideration.

❖ In the short term, property values will continue to decline - The City's gross tax value for FY12 will decline as much, and probably more, than FY11's. As with FY11, the City will again in FY12 have the despondent choice of increasing the millage rate just to remain even. The challenge to meet operational and capital needs will be progressively more difficult.

❖ When the economy improves, the tax cap means that any preceding cuts in taxes remain permanent and will not be recovered. There is one loophole in that local governments can exceed the cap by a super-majority vote, or in extreme cases, in an election.

❖ Under the tax cap, Florida's local governments face a permanent, annual spiral of further cuts. Costs such as risk insurance, pensions and health care can and have been growing faster than the cap. The City funded an additional \$221,661 in FY11 for police and fire pensions. During the budget review process the annual cost for the City's health care plan was projected to increase by 12% - 18% (\$250,000 - \$350,000) but the added cost was totally eliminated due to aggressive Staff effort and there was "no increase" to the employee health care program for FY11 and no decline in benefits.

❖ The FY11 budget was prepared with a forward vision to the continued economic threat; particularly the outlook to FY12. Next year, it is likely that the City will endure another substantial decline in gross taxable value, be faced with additional increases in retirement contributions, and sustain "double digit" employee health care increases comparable to past years – Sustaining the financial resources to provide for the City's operational needs will get any easier, anytime soon!

## **ORGANIZATIONAL ENVIRONMENT**

### *LAKE CITY COUNCIL, CITY MANAGER, AND CITY CLERK*



**Front Row Left:** Councilwoman Melinda Moses, City Clerk Audrey Sikes, Mayor Stephen Witt, City Attorney Herbert Darby; **Back Row Left:** Councilman Eugene Jefferson, Deputy City Clerk Michelle Green, City Manager Wendell Johnson, Councilman George Ward, Councilman Jake Hill.

*CITY HALL – 205 N. MARION STREET*



**EXECUTIVE MANAGEMENT TEAM**

City Manager Wendell Johnson, ICMA FM

City Clerk Audrey Sikes, CMC

Executive Director Administrative Services Grayson Cason

Executive Director Utilities Dave Clanton

Police Chief Argatha Gilmore

Fire Chief Carlton Tunsil

Growth Management Director Larry Lee

Finance Director Dorothy Tyre

Human Resource Director Gene Bullard

IT Director Zack Mears

Airport Director Sawyer

Recreation Director Roger Little

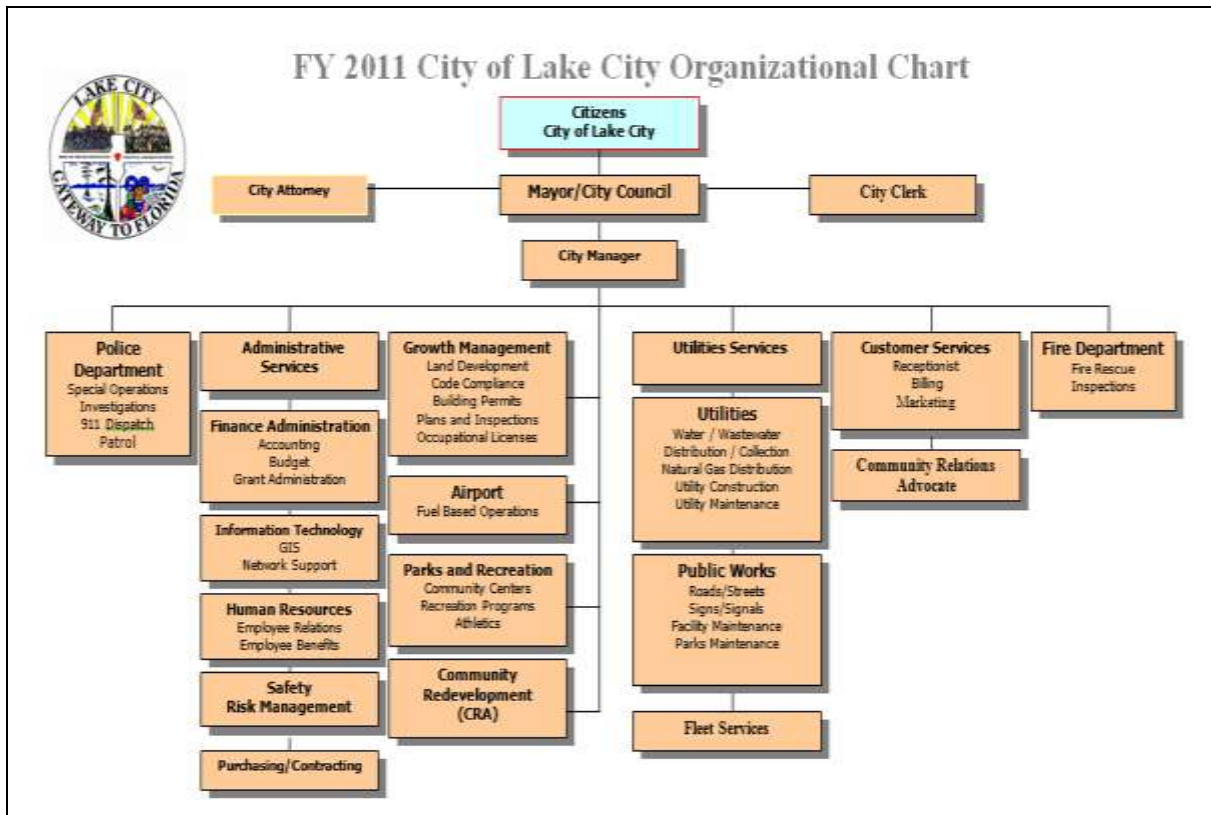
Purchasing Director Debbie Garbett

Customer Service Director Nick Harwell

Community Relations Advocate Audre Washington

CRA Administrator Jackie Kite

Although the City's Organizational Chart did not change during FY10, a number of departmental adjustments were implemented during the year. The primary goals were to continue the efforts started during the last quarter of 2009 for reduced personnel and operational costs, to improve employee morale, and to establish a reporting structure conducive to a more effective line of communications and consistent leadership.



Paramount among the changes that produced the most beneficial results during FY10 was creation of the City's Administrative Services Department and designation of the "Administrative Services" Director position. With new leadership, desired expectations for improvements were greatly surpassed and the Department has evolved to become a dependable source of "stability" and "consistency" in tending to the City's administrative, personnel, financial, purchasing and risk management needs. A newly appointed Human Resources Director and other personnel adjustments within the Human Resources and Finance Divisions have aided immeasurably in this success.

The City's Gas Department was restructured with the elimination of the Natural Gas Director and Strategic Marketing Director positions. The managerial elements of Gas Department operation previously assigned to the Gas Director position were assigned to the Executive Director of Utilities. A new classified position entitled "Superintendent of Gas Operations" was created to handle day-to-day field and supervisory operations for the Gas Department. Both field operations and departmental administration have improved drastically while substantially reducing operational costs of the department.

The City Police Department had a progressive year with the assignment of a new Chief during late September 2009. The Department has applied for accreditation through the Commission for Florida Law Enforcement Accreditation (CFA). The process for accreditation requires compliance with more than 250 professional standards designed specifically for Florida law enforcement agencies. The initiative was initiated in February 2010. A new Captain position and two Patrol Officer positions were added for FY11.

The City's new employee "*Classification Plan*" was completed and approved by the City Council during June 2010. The City realized great success during implementation of the new Plan by auditing and "qualifying" all pay adjustments made during the prior three-year phase in period of the Evergreen Pay Study. Innumerable employee pay inconsistencies were identified and corrected during the process. The General Plan format is supplemented by a salary matrix and formatted for each City Department as follows:

<b>DEPARTMENT: ADMINISTRATIVE SERVICES</b>									
<b>FUNCTION:</b> General Government									
<b>ACTIVITY:</b> Financial Services(200)									
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
NBR	NBR	CLASS	POS	EMPLOYEE	GRADE	GRADE/STEP	EMP.	HIRE	FLS
<u>AUTH</u>	<u>ASGD</u>	<u>TITLE</u>	<u>I.D.</u>	<u>NAME</u>	<u>AUTH</u>	<u>ASGN</u>	<u>STATUS</u>	<u>DATE</u>	<u>STATUS</u>
<b>LEGEND</b>									
1&2. Number of classified positions authorized by City Council and number assigned.									
3. Classification Title - The Position Classification Title as reflected in the Employee Job Description.									
4. Position Identification Number -The approved (funded) position number for the classification title.									
5. Employee Name - Last name, first name, initial of assigned employee.									
6. Grade Authorized - The Council-approved pay grade for the position.									
7. Grade/Step Assigned - The funded, assigned pay grade and step for the position.									
8. Employee Status - EO = Elected Official, FTR = Full Time Regular, FTT = Full Time Temporary, PT = Part Time Reg, CS = Contract Services.									
9. Hire Date - The date the employee was assigned to a classified position for pay purposes.									
10. Fair Labor Standard Status - NA = not applicable, NE = Non-exempt, E= Exempt									

The Classification Plan provides the basis of position assignment and compensation for all employees of the City of Lake City. The plan is constructed with regard to relative difficulty and responsibility between existing classes of work, the prevailing rate of pay for similar types of work in public and private employment, availability of candidates for recruitment to the various classes of work, and economic conditions of the City and the present policies of the City Council. The Plan also includes a "pay matrix" and is presented to the City Council for approval during each year as a component of the annual budget.

As reported during 2010, the Classification Plan is the first step to improving the City's overall Personnel Management System and will be incorporated into a full revision of the City Personnel Policy Manual. The new manual will provide "current" information regarding working conditions, employee benefits, and other policies affecting City employment and establish uniform guidelines concerning all City personnel activities. The final draft was approved by the City Council on August 19, 2010. The City Labor Attorney



completed legal sufficiency review on September 30, 2010 and the City Council will be requested to approve the Policy for implementation during October 2010.

Two other initiatives which should have a positive influence the workforce are collective bargaining agreements by both the Lake City Police Department (Police Benevolent Association) and the Lake City Fire Department. The Police Union is new and staff negotiations with the bargaining unit were finalized in September 2010. The final agreement will be presented for Council consideration during November 2010. The Fire Union is a “renewal” of Local No. 2288 of the International Association of Firefighters and negotiations have just gotten underway.

### **THE FINANCIAL CLIMATE**

The City’s annual financial climate is determined by comparison of recurring revenues, reserve revenues, expenditures, liabilities and debt service. During FY10, several major financial initiatives designed to strengthen City finances were initiated by the Staff and approved by the City Council. Significant issues which will have direct influence on the City financial climate as we move into FY 2011 are:

a. Refunding of *City Sales Tax Revenue Bonds, Series 2000* and issuance of \$2,000,000 in new revenue. This action was finalized in May 2010. The funds will be applied toward a variety of “General Fund” capital purchases and improvement projects. Specific purposes include street improvements, walkways, drainage, two dump trucks, and a fire truck. During the next three (3) budget years this revenue will serve as a tremendous enhancement to the City’s General Fund Capital and Operating Budget.

b. Refunding of *City Utilities Revenue Bonds, Series 1998A and 2000* and issuance of \$18 million in new revenue for the proposed Kicklighter Road Wastewater Treatment Plant and various improvements to the existing St. Margaret’s Street Plant. This action was finalized in August 2010. Of special note, the restructuring of the Series 1998A and 2000 bonds resulted in a debt services reduction of \$480,000 annually on existing debt and utilization of “Build America Bonds” for the \$18 million allowed the City to take advantage of a 35% annual federal subsidy applied to interest payments. Overall, the financing arrangement was noted as “excellent” by the City’s Bond Counsel. The City saved approximately \$3.7 million or about \$123,000 annually over what it would have cost if conventional tax-exempt bonds had been used.

As a show of financial strength, *Standard & Poor's* credit rating on the City during the bond process was “AA” as supported by the following:

- Ample water and sewer capacity relative to current demand and projected growth
- Good historical and projected debt service coverage
- Strong liquidity, with nine (9) month's cash on hand at the end of fiscal 2009.the

*Moody's* credit rating on the City during the bond process was A-1.

c. Enterprise Inc. Fleet Services. The City's "general purpose" vehicle fleet will begin transition during early 2011 under a new leasing program from Enterprise, Inc. The first 30 vehicles will be operational by the end of 2010. The transition of another 60-70 vehicles will occur during the next four years and the end result will be all general purpose vehicles will be on a five-year rotation. The expected savings of this initiative is \$175,000 annually.

d. Health Insurance Costs. Throughout the FY11 Budget process, the City evaluated several options relevant to health costs to minimize and/or eliminate a proposed 12-18% cost increase (\$250,000 - \$400,000) on the existing health plan. The effort was highly successful and for FY11, the City did not incur any increase in health care cost. Further reductions may result for a family coverage "opt out" program which will be offered to eligible employees during FY11.

e. Target Economic Incentive. The records on the Target Project reflect an outstanding community collaboration which gained Target's selection of the Lake City site for its cold storage distribution center. The Center was completed in early 2009 and is fully operational today offering in excess of 100 jobs. The City Council voted unanimously to participate in the Target incentive package which included an initial cash contribution to cover land development costs and waiver of numerous City development fees. The Council also agreed to support a five year economic incentive to Target payable through the Columbia County Development Fund for a five year period. The first payment of \$350,000 was paid in September 2010. Additional payments in equal amounts will be due beginning in FY11 and continuing through FY14.

f. Personnel Costs. Notes of consideration:

- Hiring Freeze – Still in force for FY11
- Lay Offs – No lay offs were required for FY11.
- Merit Increases – FY11 Budget funded for 25% of City employees to receive a 3% merit increase – based on employee evaluations from FY10.

g. Employee Classification and Pay Plan. All City employees are reflected on the new Classification Plan and assigned the appropriate pay grade and step as designed and recommended by the Evergreen Study. Personnel cost reductions as a result of this initiative - **\$282,867.21.**

h. Utilities and Energy Costs: Based upon the Florida Power and Light (FPL) energy use report for the period July 2009 through June 2010, the City's overall energy consumption was reduced by just over 5%. This was due to an aggressive energy conservation effort by the City Staff. Also, a proposed FPL rate increase scheduled to go into effect in early 2010 was not approved by the Public Service Commission. Therefore, during the above time frame, the City's collective utility cost was reduced by \$231,944 from the previous period, July 2008 – July 2009. This was a 19% energy costs reduction for the past year which by all indications will continue into FY11.



The City's financial condition remains secure leading into FY11 and even with the considerable increase in bond debt for the new Kicklighter Waste Water Plant, the City's debt service is well within the appropriate threshold. Fund reserves remained stable from FY10 and required sinking fund account balances will be easily met for FY11. A concern from FY10 that the City was not collecting enough revenue to successfully finance major infrastructure needs appears to be well on the way to correction. The \$2 million in Sales Tax Revenue will be used to improve City roadways, walkways, and some drainage problems. Funds (\$18 million) for expansion of the City Waste Water System are available and the final design phase of both the Kicklighter and St. Margaret WWTPs are underway.

The Columbia County's Certification of Taxable Value revealed a loss to Lake City's tax base of \$29,574,540 -- a consequence of "flat" growth and declining property values. To hold the line, the millage rate was increased from the prior year's 3.7741 to 3.9816 mills -- this rate was still below the "roll-back" rate and no additional tax revenue will be generated for FY11. Additionally, \$350,000 of the projected tax revenue is obligated for payment to the Columbia County Industrial Authority on behalf of Target Corporation leaving the City with a net loss of \$267,000 in Ad Valorem revenue for FY 2011.

**Millage Rate Comparison Table**

<b>CITY</b>	<b>POPULATION</b>	<b>FY 11 MILLAGE</b>
<b>LAKE CITY</b>	<b>12000</b>	<b>3.9816</b>
Atlantic Beach	13779	3.1553
Lady Lake	14129	3.2808
Lake Mary	14615	3.6355
Auburndale	14033	3.8930
Leesburg	20506	4.3179
Maitland	16150	4.3800
Cocoa Beach	12631	4.6314
Fernandina Beach	12055	5.9365
Cocoa	16825	4.9662
Longwood	13849	4.9900
Crestview	20693	5.8467
Belle Glade	17107	6.5419
Holly Hill	12851	6.5595
St. Augustine	13663	7.5000
Palatka	11133	8.6500
<b>Columbia Co.</b>		<b>7.8910</b>

For FY11 the City's General Fund revenue and expenditures calculate as a decrease of 13.22% from FY10. However, this is somewhat misleading. To balance the General Fund, \$422,014 was carried forward from General Fund reserves along with a \$265,739 transfer from the Gas Fund, a \$558,000 transfer from the Sales Tax Bond proceeds, and a \$957,473 transfer in administrative allocations from the Water/Sewer Fund. A notable decrease in the General Fund was \$365,858 in state shared funds. Also, the City was required to fund an additional \$222,562 for the Public Safety Pension Funds. In reality,

the City had to depend on \$2,203,226 in reserve allocations and enterprise fund transfers to make ends meet in between General Fund Revenues and Expenditures.

The City Council adopted Ordinance No 2010-1199 and new water/sewer/reuse rates were implemented during June 2010. The purpose of the Ordinance was to implement rates based on costs of services and community standards while Generating sufficient revenue to meet projected fiscal requirements including a capital programs. The Ordinance also eliminated the water/sewer “availability” charges which soothed negative public opinion.

As predicted last year, the City’s “Proprietary” Funds (retirement accounts) were again subjected to additional expense. For FY 2011, the City had to pay an additional \$161,000 for the Police Pension Fund and \$ 62,000 for the Fire Pension Fund.

In summary, the City’s “budget climate” is moving in a positive direction and given the dire economic conditions, is remarkably stable. The City’s Capital Improvement Program will have new life for FY10 and with proper planning can continue into subsequent years. The City’s aging vehicle fleet will begin rotating out in November 2010 with the Enterprise Fleet Management program.

## **The City’s New Fleet Look**



## LAKE CITY MUNICIPAL AIRPORT



The Lake City Municipal Airport continues to grow as the Aviation Gateway to Florida. The airport's full service FBO, industrial park availability, as well as a location convenient to North-South airways and two interstate highways make Lake City Municipal a strategic location for business and industry.

### **Contact / Airport Info**

Lake City Municipal Airport

Email: [woodsd@lcfla.com](mailto:woodsd@lcfla.com)

Phone: (386) 752-1066

3526 E US Hwy 90, Lake City, FL 32055

**Airport Manager – Tom Sawyer**

## **BUDGET OVERVIEW**

The City's **FY 2011 Operating and Capital Budget totals \$40,619,191.** The FY11 budget increased by **\$7,630,141** which is 15.7% more than the FY 2010 budget. This substantial increase is primarily due to construction of the City's new airport (\$2.7 million), the first phase cost (\$1.8 million) of the new Kicklighter Road WWTP, and a very aggressive Capital Improvement Program (CIP) which is \$9,030,449 for FY11. This aggressive CIP represents a 164% increase of FY10's CIP Budget of \$3,422,486.

The City is funded at an acceptable level to provide continued quality services to its residents during the coming year. Departmental Budget Summaries follow:

	<u><b>FY 2011</b></u>	<u><b>FY 2010</b></u>	<u><b>Increase (Decrease)</b></u>
<b>General Fund</b>	\$ 13,655,775	\$ 13,836,292	(\$180,537)
<b>Special Police</b>	\$ 5,600	-	\$5,600
<b>Justice Grant</b>	\$ 56,197	-	\$56,197
<b>CRA</b>	\$ 700,528	\$ 836,394	(\$135,866)
<b>CDBG Housing</b>	\$ 110,000	-	\$ 110,000
<b>Emergency HUD</b>	\$ 192,813	-	\$ 192,813
<b>Gas</b>	\$ 3,960,333	\$ 4,070,423	\$ 1,877,351
<b>WA/SW</b>	\$ 12,608,910	\$ 10,731,559	\$ 3,737,360
<b>WA/SW Const.</b>	\$ 1,860,000	-	\$ 1,860,000
<b>Impact Trust</b>	\$ 433,800	-	\$ 433,800
<b>Airport</b>	\$ 1,594,061	\$ 1,285,998	\$ 308,063
<b>Airport Const.</b>	\$ 2,702,875	-	\$ 2,702,875
<b>Fire</b>	\$ 1,781,524	\$1,929,409	(\$147,885)
<b>Debt Service</b>	\$ 348,775	\$ 298,975	\$49,800
<b>Bond</b>	\$ 608,000	-	\$608,000
<b>TOTALS:</b>	<u>\$ 40,619,191</u>	<u>\$ 32,989,050</u>	<u>\$ 7,630,141</u>

## Budget Summary for FY 2011: FINAL BUDGET HEARING – SEPTEMBER 20, 2010

### PROJECTED REVENUES - UNRESTRICTED

Ad Valorem Taxes (3.9816 MILLS)	\$	2,864,990
General Fund	\$	10,790,785
Fire Fund	\$	1,781,524
Airport Fund	\$	1,594,061
Gas Fund	\$	3,960,333
Water/Sewer Fund	\$	12,608,910
<b>Total Unrestricted Funds</b>	<b>\$</b>	<b>33,600,603</b>

### PROJECTED REVENUES - RESTRICTED

Debt Service	\$	348,775
C.R.A. (Tax Increment Funds)	\$	700,528
Justice Assistance Grant	\$	56,197
Impact Trust Fund	\$	433,800
CDBG Housing	\$	110,000
Emergency Set Aside	\$	192,813
Sales Tax Bond	\$	608,000
Water Sewer Construction	\$	1,860,000
Airport Construction Fund	\$	2,702,875
Special Police Fund	\$	5,600
<b>Total Restricted Funds</b>		<b>\$ 7,018,588</b>

<b>TOTAL PROJECTED REVENUES - FY11 BUDGET</b>	<b>\$ 40,619,191</b>
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<b>TOTAL PROJECTED REVENUES - FY10 BUDGET</b>	<b>\$ 32,989,050</b>
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**PROJECTED EXPENDITURES/EXPENSES - UNRESTRICTED  
GENERAL FUND**

Executive-City Council	\$	195,190
Administration	\$	4,805,297
Airport	\$	1,594,061
Growth Management	\$	479,126
Police	\$	3,653,200
Health & Welfare	\$	133,000
Fire	\$	1,781,524
Street	\$	2,007,094
Solid Waste	\$	1,567,764
Recreation	\$	815,104

<b>TOTAL PROJECTED GENERAL FUND EXPENDITURES</b>	<b>\$ 17,031,360</b>
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**ENTERPRISE FUNDS**

Gas	\$	3,960,333
Water/Sewer	\$	12,608,910

<b>TOTAL PROJECTED ENTERPRISE FUNDS EXPENDITURES</b>	<b>\$ 16,569,243</b>
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**PROJECTED EXPENDITURES – RESTRICTED**

Debt Service	\$	348,775
Community Redevelopment Agency	\$	700,528
Justice Assistance Grant	\$	56,197
Impact Trust Fund	\$	433,800
CDBG Housing	\$	110,000
Emergency Set Aside	\$	192,813
Sales Tax Bond	\$	608,000

<b>Airport Construction Fund</b>	<b>\$</b>	<b>2,702,875</b>
<b>Special Police Fund</b>	<b>\$</b>	<b>5,600</b>
<b>Water Sewer Construction</b>	<b>\$</b>	<b>1,860,000</b>

**TOTAL PROJECTED RESTRICTED FUNDS EXPENDITURES      \$      7,018,588**

**TOTAL PROJECTED EXPENDITURES/EXPENSES – ALL  
FUNDS FOR      FY11 BUDGET      \$      40,619,191**

**TOTAL PROJECTED EXPENDITURES/EXPENSES – ALL  
FUNDS FOR      FY10 BUDGET      \$      32,989,050**

### **INFORMATIONAL FACTS**

- Adopted tax rate for FY 2010 is 3.9816 mills. For a home owner with an assessed home value of \$150,000, and the \$50,000 homestead exemption, the owner would pay \$398.16 in City Ad Valorem taxes.
- City personnel costs were funded at \$12,889,283 in the FY10 budget and ended at actual of \$12,507,851- a \$381,432 decrease in salaries for the year.
- City personnel costs are projected at \$12,760,752 for FY11. Increases in employee retirement contributions account for \$223,000 of the increase, otherwise, personnel costs from FY10 to FY11 would reflect only a minimal (\$30,000) increase.
- City employees are not projected to receive an FY11 COLA increase again for the 5<sup>th</sup> year. However, the top 25% of City employees are projected to receive a 3% merit increase during FY11.
- Transfer from General Fund: \$422,014 (a decrease of \$371,237 from FY10)
- Transfer from Enterprise Fund: \$823,739 (a decrease of \$130,075 from FY10)
- Decline in gross taxable value from FY10 to FY11 = \$29,574,540
- With a millage rate of 3.9816, no additional tax revenue will be realized for FY11.
- A \$350,000 economic incentive payment is obligated to the Columbia County Economic Fund on behalf of Target Corporation.
- The City's General Fund revenue decreased by \$638,987 in FY10 and \$180,537 for FY11. Further decreases may be expected for FY12.
- State Shared Revenue decreased by \$334,752 in FY10 and \$365,858 for FY11 and further decreases are expected. Further decreases may be expected for FY12.
- The General Fund "contingency" for this year is established at **\$250,000**.
- The Saint Margaret Street Waste Water Facility Reuse Water project is substantially complete and will go into operation in January 2011.



## CAPITAL EXPENDITURES SUMMARIES

### General Fund

Police Vehicles (8)	\$247,727
Police Upgrades and Equipment	\$17,500
Growth Management Equipment	\$1,500
Street/Drainage Improvements	\$193,000
Public Works Vehicles (Dump Trucks (2)	\$257,667
Public Works Facilities	\$4,000
Recreation Equipment	\$3,475
Purchasing Equipment	\$3,167
Fleet Management Upgrades	\$19,967
Fire Equipment (Fire Engine Lease)	\$64,270
<b>TOTAL :</b>	<b>\$809,273</b>

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### Airport Fund

New Airport Terminal	\$2,702,875
Airport vehicle	\$15,000
Airport Facility Upgrades	\$140,000
<b>TOTAL :</b>	<b>\$2,857,875</b>

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### Water – Sewer Fund

Kicklighter WWTP	\$1,860,000
Utility Maintenance Upgrades	\$877,853
Utility Maintenance Equipment	\$5,600
Sewer Collection System Upgrades	\$526,873
Sewer Collection System Equipment	\$26,200
Sewer Utility System Vehicle (Cleaner)	\$210,000
Sewer Utility System Backhoe	\$78,000
Waste Water Upgrades	\$64,841
Waste Water Equipment	\$17,250
Waste Water Improvements	\$10,000
Water Treatment Plant Equipment	\$6,000
Water Distribution Easements	\$5,000
Water Distribution Mains/Extensions	\$1,192,740
Water Distribution Upgrades	\$195,000
Water Distribution Equipment	\$144,600
<b>TOTAL :</b>	<b>\$4,457,104</b>

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### Natural Gas Fund

Gas projects	\$199,700
Gas equipment	\$50,000



Cathodic Protection

\$50,000

**TOTAL : \$300,000**

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**Community Redevelopment Fund**

Property acquisition \$150,000

Redevelopment Grants \$250,000

Street Upgrades/Demos/Code Enf. \$150,000

**TOTAL : \$550,000**

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**TOTAL CAPITAL EXPENDITURES FOR 2011: \$9,030,449**

**TOTAL CAPITAL EXPENDITURES FOR 2010: \$3,422,486**

**GRANTS:**

The City will benefit from a generous amount of **grant funded activity during FY 2011** as follows:

- |                                |             |
|--------------------------------|-------------|
| a. U.S. Department of Justice  | \$ 56,197   |
| b. FDOT/FAA Airport Grants     | \$1,994,205 |
| c. HUD Emergency Set Aside     | \$ 192,813  |
| d. CDBG Housing Rehabilitation | \$ 110,000  |
| e. Governor's Office (OTTED)   | \$ 20,000   |
| f. Workforce Florida (QRT)     | \$ 72,000   |

**GRANT FUNDS ANTICIPATED FOR FY 2011: \$ 2,252,402**

**CITY DEBT:**

The City debt ratio remains well within desired standards. For FY11, annual debt service increased by 15.80% (\$439,034 additional). The increase was due to the Sales Tax and Utility Bond Refinancing and receipt of \$20 million in bonded revenue for General Fund and Utility System Capital improvements. Uniquely, the increase in annual debt payments for the additional \$20 million must be viewed as excellent since the increase in bond payment is less than half of what is customarily paid. When compared to a typical loan schedule the payment would be well over \$1 million annually for the \$20 million.

<b>City of Lake City Long Term Debt</b>		
	<b><u>FY 2011</u></b>	<b><u>FY 2010</u></b>
<b>Debt Service</b>	\$348,775	\$298,975
<b>Water Sewer Fund</b>	<u>\$2,868,789</u>	<u>\$2,479,555</u>
<b>TOTAL</b>	<b>\$3,217,564</b>	<b>\$2,778,530</b>
<b>BUDGET</b>	<b>\$40,619,191</b>	<b>\$32,989,050</b>
<b>Debt Ratio:</b>	<b>7.9%</b>	<b>8.4%</b>

### **BUDGET GOALS**

a. Continue cost-cutting measures and identification of additional revenue sources which will ultimately eliminate the City's General Fund revenue deficit and reliance on Enterprise Fund transfers. *The City's success during FY10 was exceptional.*

b. Ensure that the City has adequate capacity in wastewater systems to meet future demands of anticipated growth and to comply with regulatory requirements. Continue plans for the New Kicklighter WWTP Facility. *Final design is underway and construction is projected to begin on the plant in June 2010*

c. Strive to improve the efficiency of City government by making better use of information technology as a tool and by consolidating certain government functions through intergovernmental cooperation where beneficial, and where possible. *Commendable upgrades to the City Web Site and its overall IT technology were made during FY10.*

d. Complete the CRA Redevelopment Plan revision during 2010 to incorporate a redevelopment vision for the expanded area and to update the vision for the older CRA. *The IBI Group, Inc. is well underway with the City's new CRA Development Plan and expansion of the CRA boundaries; projected completion for March 2011.*

e. Place a high priority on working and supporting the Columbia County Industrial Development Authority in meeting development goals for quality job creation and strong capital investment levels for businesses desiring to locate within Lake City. *The RUDDER Team completed the "Go-To-Market" Strategic Plan in June 2010. The City continues to support and collaborate with the IDA.*

f. Work aggressively to bring the proposed "Inland Port" facility to Columbia County. The City's new water plant and planned sewer expansion will be economically advantageous to serve the proposed Columbia County site for a port.

## CONCLUSION

The City's 2010 Budget Year ended with highly encouraging results. Many innovative cost cutting and revenue generating measures were implemented during the year which has prepared the City to efficiently manage the challenging economic threats for FY11 and at least three years beyond. FY10 was a very productive year and the benefits of the Staff's efforts and the Council's support will become visible during Budget Year 2011 – The "Fruit" will begin to grow!

Respectfully submitted,

*Wendell Johnson*

Wendell Johnson  
City Manager